



*Sustainable
Stock Exchanges
Initiative*

2016 REPORT ON PROGRESS

**A PAPER PREPARED FOR
THE SUSTAINABLE STOCK EXCHANGES
2016 GLOBAL DIALOGUE**





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ABOUT THIS REPORT

This Report on Progress has been prepared by the organizers of the United Nations Sustainable Stock Exchanges (SSE) initiative. This biennial report provides a periodic picture of sustainability initiatives implemented by stock exchanges and regulatory bodies around the world. The report also seeks to highlight current good practices, trends, opportunities and challenges in order to foster the sharing of lessons learned between stock exchanges, securities regulators, policymakers, companies and investors.

The UN SSE initiative is organized by the United Nations Conference on Trade and Development (UNCTAD), the United Nations Global Compact, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Principles for Responsible Investment (PRI). Launched in 2009 by UN Secretary-General Ban Ki-moon, the SSE initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with policymakers, regulators, investors and companies, can promote responsible investment for sustainable development. Stock exchanges around the world are invited to join the initiative by signing a public commitment to promote sustainable business practices in their market.

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EXECUTIVE SUMMARY

Since 2009 the Sustainable Stock Exchanges (SSE) initiative has been working in partnership with stock exchanges to develop more sustainable capital markets. To create these markets, sustainable development must be integrated into the mainstream economy. With the historic adoption of the UN 2030 Agenda and 17 Sustainable Development Goals (SDGs), markets have an internationally agreed upon framework for contributing to the creation of sustainable markets and society.

To promote further action, this report is organized into two segments. The first is a progress report on stock exchanges' work in promoting sustainable capital markets. The second explores five targets under the SDGs that stock exchanges are well positioned to support. Combined, these two segments demonstrate what is possible when stock exchanges around the world take steps to integrate sustainable development into capital markets.

PART I: PROGRESS REPORT

In examining the ESG practices of 82 stock exchanges, the SSE found exchanges were increasingly taking actions that contribute to creating more sustainable capital markets.

One development was the sheer number of exchanges now partnering with the SSE initiative. **58 stock exchanges, representing over 70% of listed equity markets, have made a public commitment to advancing sustainability in their market** and are now official SSE Partner Exchanges.

In regards to **market transparency, 12 exchanges currently incorporate reporting on environmental, social, and governance (ESG) information into their listing rules and 15 provide formal guidance to issuers.** Following the launch of the [SSE Model Guidance on Reporting ESG Information to Investors](#), **23 additional stock exchanges have committed to introducing new ESG reporting guidance** for their listed companies in the past year. The progress of SSE's campaign to encourage exchanges to issue guidance signals that the industry is ready to take the lead when presented with practical opportunities to develop more sustainable markets.

Another significant development is the **growth of green finance.** Green bond listings grew considerably and there is increasing interest among equity investors in issues like stranded assets and carbon risk.¹ Today **11 stock exchanges offer green bond listings**, demonstrating that exchanges are already supporting the transition to a green economy and there is room for further growth.

ESG indices remain the most popular sustainability instrument among exchanges, with 38 of 82 exchanges providing them.

Looking at the **policy landscape**, governments are also encouraging corporate disclosure of ESG factors with **30 of the largest 50 country economies having at least one regulation on disclosure of ESG factors** in place. Government involvement on the investment side is less developed however with **eight of the 50 countries implementing an investor stewardship code** that addresses ESG factors.

Despite many reasons to be optimistic, the SSE's data show that **more action is needed** if stock exchanges are going to play an important role in promoting the reorientation of financial markets to support the SDGs.

PART II: STOCK EXCHANGES CONTRIBUTING TO THE SDGS

To transition to a sustainable financial system, market incentives must be aligned with long-term values and ESG considerations need to be integrated into standard practice.² The SDGs outline many of these ESG factors and provide a framework to address them.

Achieving the **SDGs requires significant financing, estimated at US\$5-7 trillion per year.**³ While public funding and development assistance remains important, the **scale of the investment challenge requires new flows of private capital.**⁴ The SDGs provide a global growth strategy for the next decade. As the intersection between companies and investors, **stock exchanges are well positioned to contribute to the SDGs.**

1 SSE. [Green Finance Policy Brief](#). 2016.

2 UNEP Inquiry. [The Financial System We Need](#). 2015

3 UNCTAD. [World Investment Report](#). 2014

4 Global Compact, UNCTAD, UNEP FI and PRI. [Private Sector Investment and Sustainable Development](#). 2015



The SSE 2014 Global Dialogue, held as part of the 2014 UNCTAD World Investment Forum, Geneva.

While the SDGs outline globally-agreed objectives for action, the 17 goals and 169 targets can at first be challenging to navigate. This report **examines five specific SDG targets** and highlights examples of good practice that exchanges can build upon as they work to contribute to this global effort.

The report concludes with **recommendations for exchanges** based on the existing good practices of their peers. The recommendations range from introducing ESG reporting guidance to promoting gender-diverse boards to listing green bonds. There is an **urgency for greater action if these global goals are to be achieved in the next 15 years**. By putting the recommendations into action, exchanges can take leadership in creating more stable capital markets and a sustainable society.



Nasdaq Vice Chairman, Meyer "Sandy" Frucher and former Group CEO of Japan Exchange Group (JPX), Atsushi Saito, in Geneva.

I. PROGRESS REPORT

INTERNATIONAL DEVELOPMENTS

Global challenges – whether related to food and water crises or conflict and inequality – are in need of multilateral and multi-stakeholder solutions. The period from 2014 to 2016 has seen international momentum toward turning these challenges into opportunities.

In addition to the 193 UN member States coming together to agree on the 17 Sustainable Development Goals (SDGs), there was a new global climate deal as part of the Paris Climate Summit, an Action Agenda for Financing for Development in Addis Ababa, a Green Finance Study Group initiated by the G20 and a Task Force on Climate-related Financial Disclosures by the Financial Stability Board.

It is within this broad international context that the SSE continues to serve as a platform for promoting good practice among exchanges. The following sections provides an overview on the current state of how stock exchanges are broadly contributing to this global effort.

THE SUSTAINABLE STOCK EXCHANGES (SSE) INITIATIVE

Launched in 2009, the SSE was built on the demand from exchanges for a place to come together with investors, companies and policymakers to share good practices and challenges in a multi-stakeholder environment. The initiative has grown into what is now a global partnership platform including most of the world's exchanges. Since 2012 when the first five stock exchanges⁵ made a public commitment to advancing sustainability in their market, the SSE has grown to 58 exchanges partnering with the initiative. Through the SSE exchanges have access to consensus and capacity building activities, guidance, research and other support to assist in their efforts to contribute to sustainable development.

SSE Investor and Corporate Working Groups

Since its inception, the SSE has been supported by a group of investors coordinated through the PRI and chaired by Aviva Investors. Currently, its membership includes asset owners and managers from 15 countries that represent US\$7 trillion

in assets under management (AUM). Similarly, the UN Global Compact coordinates a group of companies to contribute advice, expertise and knowledge to the SSE.

Through these groups, partnerships are built with a range of stakeholders around the globe, each delivering its own strategic work to advance the shared goal of more sustainable economies.



Adena Friedman, President and Chief Operating Officer, Nasdaq at UN HQ in New York, June 2016

5 BM&FBOVESPA; Borsa Istanbul; Egyptian Exchange (EGX); Johannesburg Stock Exchange (JSE); Nasdaq

PERSPECTIVES FROM SSE INVESTOR AND CORPORATE WORKING GROUPS

AVIVA INVESTORS

Integrating sustainability into a business model is not just about incorporating ESG considerations into an investment philosophy, it also extends to leading and contributing to global debates about sustainability.

Building on this belief, since 2009, Aviva Investors has chaired the SSE Investor Working Group, with a core focus on working with exchanges to create more sustainable capital markets. Given that markets are driven by the quality of the information available to them, investors must have transparent, high-quality data on sustainability.

As such, Aviva and the SSE Investor Working Group welcome direct work by stock exchanges and their regulators to improve transparency at the national level and continue to urge the International Organization of Securities Commissions (IOSCO) to play a critical role in working to develop globally consistent listing rules.

Source: Aviva Investors

BLOOMBERG LP

Bloomberg LP's membership in the SSE Corporate Working Group has provided an opportunity to build on existing relationships with the partner exchanges to enhance the links between exchanges and investors. Bloomberg is committed to ensuring data provided by companies globally is both accessible and relevant to investors.

Working to establish itself as a leader in the sustainability discussion, Bloomberg has taken a number of steps to enhance the data provided. Bloomberg Terminals offer ESG data, the company acquired Bloomberg New Energy Finance, and it is helping to advance the emerging green bond market. Sustainability is important at Bloomberg not only because of its economic implications, and the fact that it is a growing product line servicing its customers, but also because in 2014 CEO Michael Bloomberg became chair of the Sustainability Accounting Standards Board (SASB) and last year was invited to chair the Task Force on Climate-Related Financial Disclosure (TCFD).

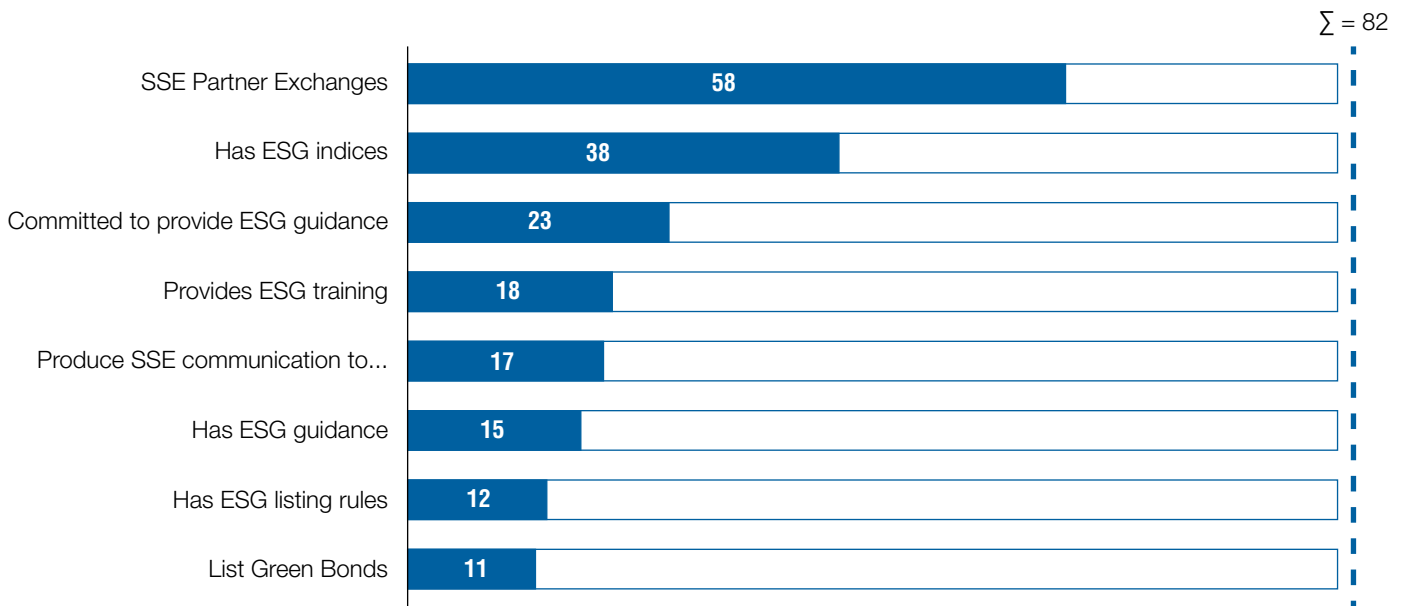
These organizations will help firms understand what data financial markets seek, and encourage firms to make disclosures in standardised formats, to improve the data's utility to investors. Bloomberg's strong relationships with financial regulators globally enabled the company to facilitate an important discussion with IOSCO around ESG data and the need mandate it at the regulatory level.

Source: Bloomberg LP

OVERVIEW OF STOCK EXCHANGE MECHANISMS FOR ADVANCING THE SDGS

Stock exchanges are uniquely positioned to influence their market in a way few other actors can. In addition to their ability to influence investor and company behavior, exchanges often support regulators in promoting the adoption of market standards. Exchanges are currently using a number of mechanisms to advance sustainability in their markets (Figure 1).

Figure 1: Overview of sustainability mechanisms used by stock exchanges.



Source: SSE

A DETAILED VIEW OF STOCK EXCHANGE MECHANISMS

A breakdown of the ESG related initiatives underway at individual exchanges (Table 1) provides detail about the work taking place around the world.

Table1: A snapshot of sustainability measures across 82 stock exchanges.

COUNTRY	STOCK EXCHANGES	NUMBER OF LISTED COMPANIES	MARKET CAP IN USD MILLIONS	SSE PARTNER EXCHANGE	COMMUNICATIONS TO STAKEHOLDERS SENT	REQUIRES ESG REPORTING AS A LISTING RULE?	OFFERS WRITTEN GUIDANCE ON ESG REPORTING?	OFFERS ESG RELATED TRAINING?	PROVIDES SUSTAINABILITY RELATED INDICES?	HAS GREEN BOND LISTINGS?
Argentina	Bolsa de Comercio de Buenos Aires	99	75,699	No	No	No	No	No	No	No
Australia	Australian Securities Exchange	2,083	1,132,690	No	No	No	Yes	No	No	No
Austria	Wiener Börse AG	96	94,658	No	No	No	No	No	Yes	No
Bahrain	Bahrain Bourse	46	19,679	No	No	No	No	No	No	No
Belarus	Belarusian Currency and Stock Exchange	29		Yes	No	No	No	No	No	No
Belgium	Euronext Brussels	-	-	Yes	No	No	No	Yes	Yes	No
Bermuda	Bermuda Stock Exchange	67	1,246	No	No	No	No	No	No	No
Botswana	Botswana Stock Exchange	33	4,413	Yes	No	No	No	No	No	No
Brazil	BM&FBOVESPA S.A.	359	856,304	Yes	Yes	Yes	Yes	Yes	Yes	No
Canada	TMX Group Inc.	3,590	1,712,803	No	No	Yes	Yes	No	Yes	No
Canada	NEO Aequitas	65		Yes	No	No	No	No	No	No
Chile	Bolsa de Comercio de Santiago	310	204,592	Yes	Yes	No	Committed	Yes	Yes	No

All data is as of 1 August 2016 and to see more details on each exchange please visit <http://www.sseinitiative.org/data/fact-sheets/>

COUNTRY	STOCK EXCHANGES	NUMBER OF LISTED COMPANIES	MARKET CAP IN USD MILLIONS	SSE PARTNER EXCHANGE	COMMUNICATIONS TO STAKEHOLDERS SENT	REQUIRES ESG REPORTING AS A LISTING RULE?	OFFERS WRITTEN GUIDANCE ON ESG REPORTING?	OFFERS ESG RELATED TRAINING?	PROVIDES SUSTAINABILITY RELATED INDICES?	HAS GREEN BOND LISTINGS?
China	Shanghai Stock Exchange	1,071	4,387,681	No	No	No	Yes	No	Yes	No
China	Shenzhen Stock Exchange	1,761	3,094,783	No	No	No	Yes	No	Yes	Yes
Colombia	Bolsa de Valores de Colombia	73	100,758	Yes	Yes	No	Yes	No	No	No
Cyprus	Cyprus Stock Exchange	86	3,054	No	No	No	No	No	No	No
Egypt	Egyptian Exchange	253	50,900	Yes	Yes	No	Committed	No	Yes	No
Denmark	Nasdaq Copenhagen	-	-	Yes	No	No	Committed	No	Yes	No
Estonia	Nasdaq Tallinn	-	-	Yes	No	No	Committed	No	Yes	No
Finland	Nasdaq Helsinki	-	-	Yes	No	No	Committed	No	Yes	No
France	Euronext Paris	-	-	Yes	No	No	No	Yes	Yes	Yes
Germany	Deutsche Börse AG	630	1,718,508	Yes	Yes	No	Yes	No	Yes	No
Greece	Athens Exchange Group	251	35,413	No	No	No	No	No	No	No
Hong Kong, China	Hong Kong Exchanges	1,830	3,236,337	No	No	Yes	Yes	Yes	No	No
Hungary	Budapest Stock Exchange	45	16,147	Yes	No	No	Committed		No	No
Iceland	Nasdaq Iceland	-	-	Yes	No	No	Committed	No	Yes	No
India	National Stock Exchange of India	1,683	1,112,952	Yes	No	Yes	Yes	No	No	No
India	BSE India Ltd.	5,789	1,508,589	Yes	Yes	Yes	Yes	No	Yes	No

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Indonesia	Indonesia Stock Exchange	518	345,573	No	No	No	No	No	Yes	No
Ireland	Irish Stock Exchange	52	144,951	No	No	No	No	No	No	No
Israel	Tel-Aviv Stock Exchange	459	214,191	No	No	No	No	No	No	No
Italy	Borsa Italiana	-	-	Yes	Yes	No	Committed	Yes	No	Yes
Jamaica	Jamaica Stock Exchange	57	4,648	Yes	No	No	No	No	No	No
Japan	Japan Exchange Group, Inc.	3,494	4,805,143	No	No	No	No	No	Yes	No
Jordan	Amman Stock Exchange	225	23,711	Yes	No	No	No	No	No	No
Kenya	Nairobi Securities Exchange (NSE)	64	20,000	Yes	Yes	No	Committed	No	No	No
Kazakhstan	Kazakhstan Stock Exchange	132	35,870	Yes	No	No	Committed	No	No	No
Korea, Republic of	Korea Exchange	1,910	1,294,094	Yes	No	No	No	No	Yes	No
Latvia	Nasdaq Riga	-	-	Yes	No	No	Committed	No	Yes	Yes
Lithuania	Nasdaq Vilnius	-	-	Yes	No	No	Committed	No	Yes	No
Luxembourg	Bourse de Luxembourg	196	49,797	yes	No	No	No	No	Yes	Yes
Malaysia	Bursa Malaysia	904	437,805	Yes	No	Yes	Yes	Yes	Yes	No
Malta	Malta Stock Exchange	42	12,017	No	No	No	No	No	No	No
Mauritius	Stock Exchange of Mauritius	140	5,700	Yes	No	No	No	No	Yes	No
Mexico	Bolsa Mexicana de Valores	141	434,891	Yes	Yes	No	Committed	Yes	Yes	No

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Morocco	Bourse de Casablanca	74	46,527	Yes	No	No	Committed	No	No	No
Namibia	Namibia Stock Exchange			Yes	No	No	No	No	No	No
Netherlands	Euronext Amsterdam	-	-	Yes	No	No	No	Yes	Yes	Yes
New Zealand	NZX Limited	185	68,490	No	No	No	No	No	No	No
Nigeria	Nigerian Stock Exchange	186	44,300	Yes	Yes	No	Committed	yes	No	No
Norway	Oslo Børs	213	200,985	Yes	No	No	Committed	No	No	Yes
Oman	Muscat Securities Market	117	38,369	No	No	No	No	No	No	No
Peru	Bolsa de Valores de Lima	298	59,715	Yes	No	No	No	No	Yes	No
Philippines	Philippine Stock Exchange	263	245,259	No	No	No	No	No	No	No
Poland	Warsaw Stock Exchange	895	203,903	Yes	No	No	No	No	Yes	No
Portugal	Euronext Lisbon	-	-	Yes	No	No	No	Yes	Yes	Yes
Qatar	Qatar Exchange	44	151,789	Yes	Yes	No	Committed	No	No	No
Romania	Bucharest Stock Exchange (BVB)	85	16,700	Yes	Yes	No	Committed	No	No	No
Russian Federation	Moscow Exchange	258	450,033	No	No	No	No	No	No	No
Rwanda	Rwanda Stock Exchange	5	2,072	Yes	No	No	No	No	No	No
Saudi Arabia	Saudi Stock Exchange (Tadawul)	171	434,531	No	No	No	No	No	No	No

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Seychelles	Trop-X (Seychelles) Limited	4	41	Yes	No	Yes	Committed	No	No	No
Singapore	Singapore Exchange	769	663,122	No	No	Yes	Yes	No	Yes	No
Spain	Bolsas y Mercados Españoles	3,647	1,116,561	Yes	No	No	Committed	No	Yes	No
Sri Lanka	Colombo Stock Exchange	295	21,523	Yes	No	Yes	No	No	No	No
South Africa	Johannesburg Stock Exchange	397	1,015,541	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sweden	Nasdaq Stockholm	-	-	Yes	No	No	Committed	No	Yes	Yes
Switzerland	SIX Swiss Exchange	270	1,515,206	No	No	No	No	No	Yes	No
Tanzania	Dar es Salaam Stock Exchange	24	9	Yes	No	No	No	No	No	No
Thailand	Stock Exchange of Thailand	634	379,713	Yes	Yes	Yes	Yes	Yes	No	No
Tunis	Tunis Stock Exchange	78	9,092	Yes	No	No	No	No	No	No
Turkey	Borsa İstanbul	416	190,150	Yes	Yes	No	Yes	Yes	Yes	No
United Arab Emirates	Abu Dhabi Securities Exchange	68	112,863	No	No	No	No	No	No	No
United Arab Emirates	Dubai Financial Market	59	93,589	Yes	No	No	No	No	No	No
United Kingdom	Euronext London	-	-	Yes	No	No	No	Yes	Yes	No
United Kingdom	London Stock Exchange	-	-	Yes	Yes	No	Committed	Yes	Yes	Yes
USA	Nasdaq	2,859	7,412,669	Yes	Yes	No	No	Yes	Yes	No

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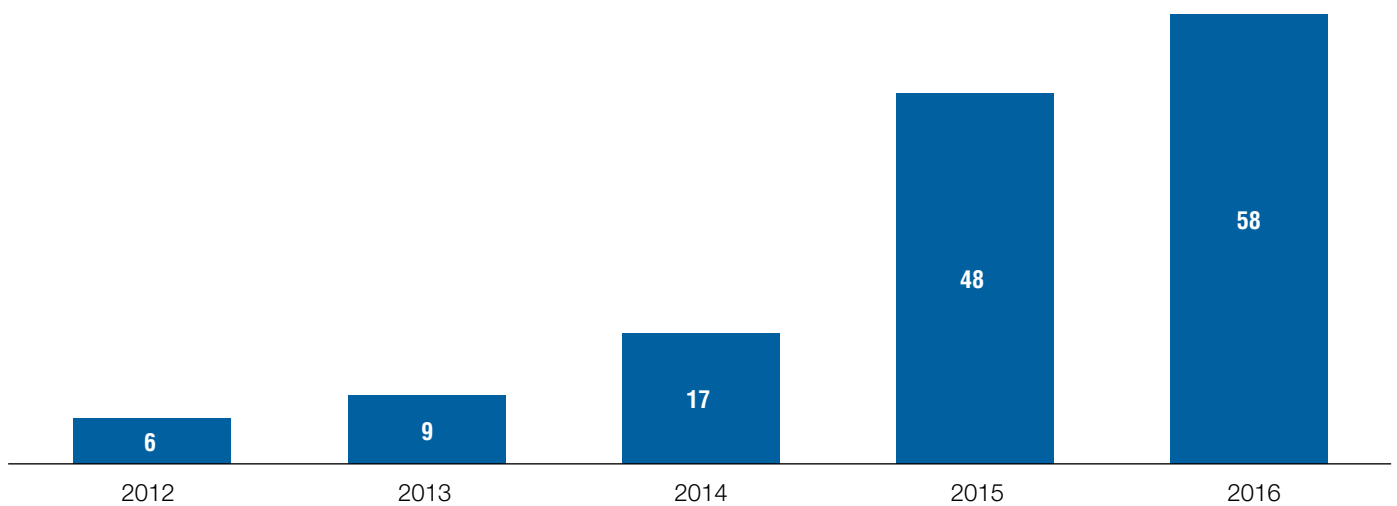
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USA	NYSE	2,446	18,653,930	Yes	No	No	No	No	Yes	No
Viet Nam	HoChiMinh Stock Exchange	307	51,019	Yes	No	Yes	Committed	Yes	No	No
Viet Nam	Hanoi Stock Exchange	366	6,683	Yes	No	No	Committed	No	No	No
West Africa	BVRM	-	-	Yes	No	No	No	No	No	No
Zimbabwe	Zimbabwe Stock Exchange			Yes	No	No	No	No	No	No
Nordic- Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Sweden	Nasdaq Nordic	816	1,216,583	-	-	-	-	-	-	-
Europe - Belgium, France, the Netherlands, Portugal & UK	Euronext Group	1,318	3,108,824	-	-	-	-	-	-	--
UK, Italy	London Stock Exchange Group	2,671	3,342	-	-	-	-	--	-	-

All data is as of 1 August 2016 and to see more details on each exchange please visit <http://www.sseinitiative.org/data/fact-sheets/>

SSE PARTNER EXCHANGES

The growth of the SSE itself, which has more than tripled in the last two years (Figure 2), can be seen as a proxy for the increasing attention exchanges are giving sustainability in their markets. The SSE now has 58 Partner Exchanges (Figure 3) from five continents, listing over 30,000 companies and representing a market capitalization of over US\$55 trillion.

Figure 2. SSE Partner Exchange Growth. Total number of SSE Partner Exchanges by year*



Source: SSE

*Year end numbers except for 2016, which is as of 1 August 2016

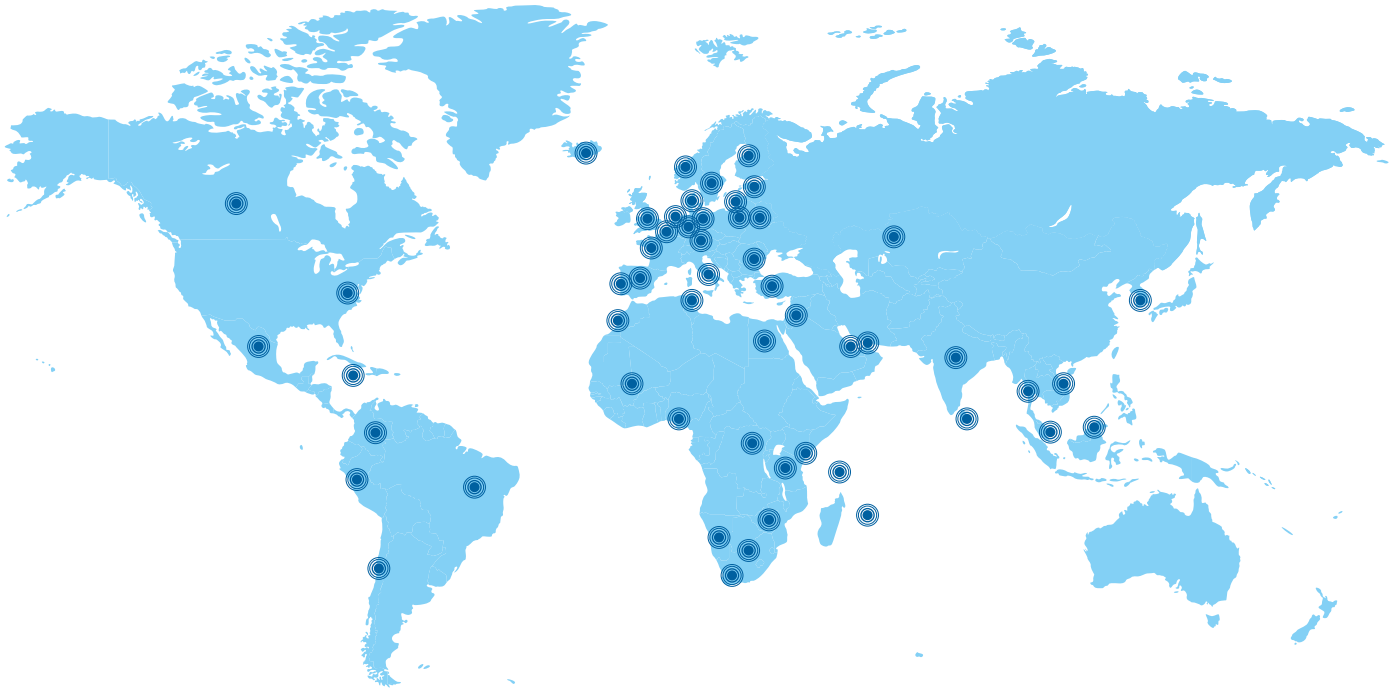


SSE Organizing partners Achim Steiner, Executive Director of UNEP, James Zhan, Director of Investment and Enterprise Division of UNCTAD, Fiona Reynolds, Executive Director of the PRI, and Lise Kingo, Executive Director of the UN Global Compact, meet with the CEOs of the Colombo, Mauritius and Kazakstan Stock Exchanges to announce its commitment to the SSE, September 2015.



United Nations Secretary General Ban Ki-moon and CEO of the Korea Exchange (KRX) announce the commitment of KRX to the SSE, May 2015.

Figure 3. SSE Partner Exchanges

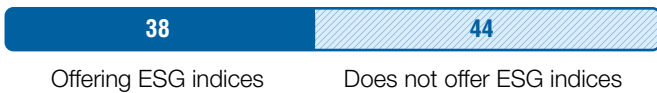


Belarus	Belarusian Currency & Stock Exchange	Namibia	Namibia Stock Exchange
Belgium	Euronext Brussels	Netherlands	Euronext Amsterdam
Botswana	Botswana	Nigeria	Nigerian Stock Exchange
Brazil	BM&FBOVESPA	Norway	Oslo Bors
Canada	Aequitas NEO Exchange	Peru	Lima Stock Exchange
Chile	Santiago Securities Exchange	Poland	Warsaw Stock Exchange
Colombia	Colombian Securities Exchange	Portugal	Euronext Lisbon
Denmark	Nasdaq Copenhagen	Qatar	Qatar Stock Exchange
Egypt	Egyptian Exchange	Romania	Bucharest Stock Exchange
Estonia	Nadsaq Tallinn	Rwanda	Rwanda Stock Exchange
Finland	Nasdaq Helsinki	Seychelles	Trop-X
France	Euronext Paris	Singapore	Singapore Stock Exchange
Germany	Deutsche Börse AG	South Africa	Johannesburg Stock Exchange
Iceland	Nasdaq Iceland	Spain	Bolsas y Mercados Españoles
India	Bombay Stock Exchange	Sri Lanka	Colombo Stock Exchange
India	National Stock Exchange of India	Sweden	Nasdaq Stockholm
Italy	Borsa Italiana	Tanzania	Dar es Salaam Stock Exchange
Jamaica	Jamaica Stock Exchange	Thailand	Stock Exchange of Thailand
Jordan	Amman Stock Exchange	Tunisia	Tunis Stock Exchange
Kazakhstan	Kazakhstan Stock Exchange	Turkey	Borsa Istanbul
Kenya	Nairobi Securities Exchange	UK	London Stock Exchange
Korea	Korea Stock Exchange	UK	Euronext London
Latvia	Nasdaq Riga	UAE	Dubai Financial Market
Lithuania	Nasdaq Vilnius	USA	Nasdaq
Luxembourg	Luxembourg Stock Exchange	USA	New York Stock Exchange
Malaysia	Bursa Malaysia	Viet Nam	Hanoi Stock Exchange
Mauritius	Stock Exchange of Mauritius	Viet Nam	Hochiminh Stock Exchange
Mexico	Mexican Stock Exchange	Western Africa	BVRM
Morocco	Casablanca Exchange	Zimbabwe	Zimbabwe Stock Exchange

INDICES

Exchanges are increasingly using indices with ESG themes to promote sustainable investments, while also encouraging greater voluntary transparency among issuers (Figure 4).

Figure 4. Nearly half of all stock exchanges are offering indices linked to sustainability



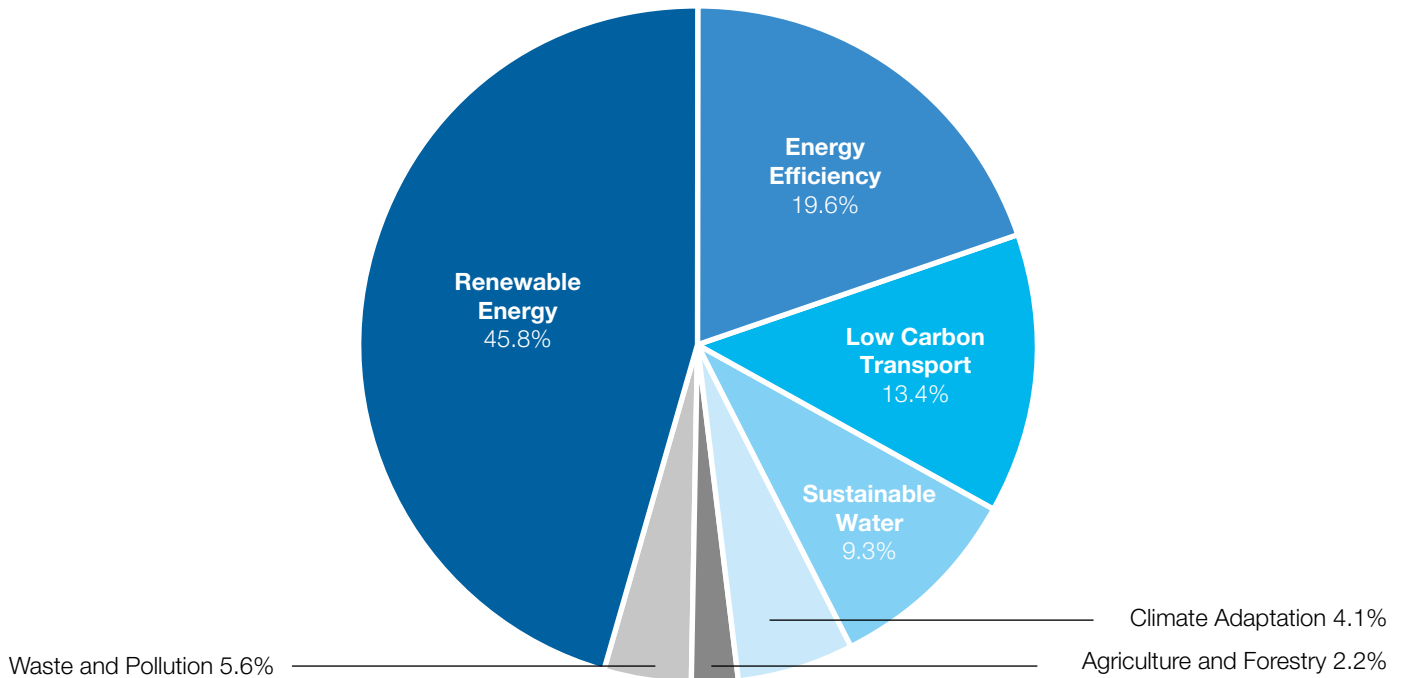
Source: SSE

GREEN BONDS

Since the first green bond issuance in 2007, the green bond market has grown and could reach 100 billion in 2016.⁶ Green bonds finance an array of sectors from clean and efficient energy to low-carbon transport and water (Figure 5).

By listing green bonds, stock exchanges can play a leading role in promoting standards for assurance and guidance for issuing green bonds, while opening new channels of finance for climate mitigation and adaptation projects. With Luxembourg Stock Exchange as the pioneer in this area, listing its 100th green bond in 2016, there is still a relatively small group of exchanges promoting this sector. While exchanges have expressed intentions to increasingly list green bonds in the near future and green finance experts foresee more growth in this area in the coming years, the current number of exchanges listing green bonds is still low (Figure 6).

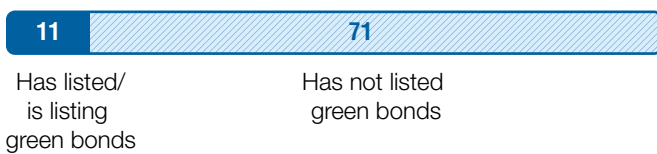
Figure 5. What green bonds finance



Source: Source: Climate Bonds Initiative

⁶ Climate Bonds Initiative (2016) [Bonds and Climate Change The State of The Market 2016](#)

Figure 6. Green bond listings still nascent



Source: SSE

GUIDANCE TO ISSUERS ON REPORTING ESG INFORMATION

As of 2014, only 15 stock exchanges around the world provided voluntary guidance to issuers on reporting ESG information. This gap creates a challenge for investors seeking a comprehensive view of a company’s relevant issues. Institutional investors need a higher volume of companies, both public and private, reporting quality ESG information. While different investors have different informational needs, a growing number of investors are incorporating ESG factors into investment decision-making. Globally there is a higher level of understanding that failing to consider ESG information is a failure of an investor’s fiduciary duty.⁷

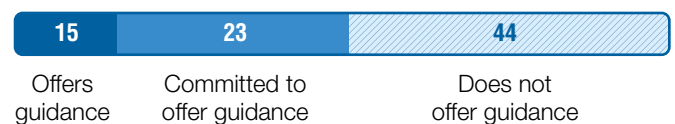
In response to the need for guidance, the SSE initiative, along with a diverse advisory group chaired by London Stock Exchange Group, created a resource for exchanges: the [Model Guidance on Reporting ESG Information to Investors](#). This tool assists exchanges by providing a model, or template, that exchanges can use to develop their own custom guidance.

The spectrum of company approaches to reporting on ESG information is rapidly evolving. While there is no one-size-fits-all method, there are emerging international and local good practices, guidelines and frameworks. Building on these existing resources, the Model Reporting Guidance aims to provide a central set of global principles to consider when companies report ESG information to investors.

In order to promote the use of this Guidance, the SSE collaborated with a member of the SSE Investor Working Group, Allianz Global Investors, on the [Campaign to Close the ESG Guidance Gap](#). This campaign encouraged stock exchanges to voluntarily commit to use the Model Guidance as a basis to introduce their own guidance for issuers. In the first 11 months of the campaign, 23 stock exchanges committed to introducing a guidance, more than doubling the number of exchanges in the world with such guidance (Figure 7).

The global support this group garnered from both investors and companies helped exchanges globally make a business case for improving transparency in their markets. Similarly, the World Federation of Exchanges (WFE), which endorsed the SSE’s model guidance and introduced complementary guidance in October 2015, contributed directly to the success of this past year.

Figure 7. Stock exchanges increasingly committed to providing guidance to their issuers



Source: SSE

⁷ Sullivan, Rory. [Fiduciary Duty in the 21st Century](#). 2015

ALLIANZ GLOBAL INVESTORS: THE LETTER CAMPAIGN

While thousands of companies globally are reporting on some ESG factors, the current state of disclosure is not sufficient to effectively inform investment decisions. Stock exchanges, as a conduit between issuers and investors, are uniquely placed to create more transparent and efficient capital markets that generate long-term value.

As a longtime member of the SSE Investor Working Group, Allianz Global Investors wanted to find a way to support fellow investors' call for improved ESG disclosure across markets. Agreeing that guidance on how a company can approach the ESG reporting process was a starting point for addressing this information gap, Allianz worked with the PRI to launch a letter campaign.

Over 100 investors and companies representing more than US\$10 trillion AUM and US\$400 billion in market capitalization signed letters to 65 stock exchanges to either recognize their leadership on already having guidance in place or to request exchanges take action. Using the SSE Model Guidance as a starting point, the letter encouraged exchanges to host a market consultation and then release their own reporting guidance for issuers on reporting ESG information by the end of 2016.

Investors and companies received positive feedback on the letter from 54 exchanges. The predominant response was a clear acknowledgment of the role of exchanges in creating more sustainable capital markets. This was followed by exchanges wanting to play an active part in improving the ESG performance of their listed companies as well as a commitment to meet the needs of investors that require consistent and comparable ESG data to inform investment decisions.

The results of the launch of the SSE Model Guidance and the letter campaign by Allianz Global Investors and the PRI are that 23 exchanges have committed to producing ESG guidance for issuers by the end of 2016. The scale of the outcome is significant as over a period of less than 12 months, this coordinated campaign firmly advanced the dialogue with exchanges and reinforced the investor voice. Whereas 15 exchanges produced ESG Guidance from 2004 to 2015, 23 exchanges committed to doing so in the past 9 months.

Investors encourage exchanges who have yet to commit to producing a guidance to make this commitment and engage with investors and companies by setting up a market consultation.

Source: Allianz Global Investors



The Model Guidance on Reporting ESG Information to Investors launches at the London Stock Exchange alongside PRI in Person 2015.

“The Nigerian Stock Exchange (NSE) is using its unique platform to advocate for the adoption of global corporate governance standards and sustainable business practices. We are committed to developing principle-based sustainability reporting guidelines and a roadmap that will inspire sustainability imperatives in the Nigerian capital market. In October 2015, we will hold a Sustainability Conference, an inaugural stakeholder engagement session to discuss business opportunities and risks arising from ESG issues and reporting.”

Oscar N. Onyema, CEO, The Nigerian Stock Exchange upon joining the ESG guidance campaign, 8 September 2015

“The Mexican Stock Exchange recognizes the importance for global investors to search for greater corporate responsibility and commitment to sustainability matters within issuer companies. Our partnership with the SSE initiative, will enable us to create a voluntary ESG reporting guidance for listed issuers by the end of 2016 in order to continuously contribute to transparency and efficiency in the Mexican Market.”

Bolsa Mexicana de Valores (The Mexican Stock Exchange) upon joining ESG guidance campaign, 1 March 2016

TRAINING

Exchanges have a role in championing transparency and integrity, and fostering trust in market participants. Enabling dialogue and promoting education among market participants is a critical component. With less than a quarter of stock exchanges (Figure 8) providing regular training aimed at investors or issuers on integrating sustainability into investment decision-making, ownership practices or management, this area requires more focus.

Figure 8. Stock exchanges that offer sustainability training



Source: SSE

To begin addressing this need, in 2015, the SSE began a consensus building activity, which was branded as the SSE Regional and Executive Dialogues. These dialogues have proven to be a useful way for stock exchanges to thoroughly examine regional or thematic issues, further developing local networks and learning from regional leaders. The format provides a high-level platform for capital market leaders to guide the local political, investment and corporate agendas, as well as a series of hands-on technical assistance workshops to develop operational know-how and skills. The SSE does not deliver these events alone, but rather in partnership with exchanges and industry experts. Since February 2015, the SSE has hosted 6 Dialogues in South East Asia, Africa, Europe and Latin and North America, with more than 400 participants in total. Going forward, these events will be relevant tools for bringing the SDGs to the local level.



Sweden's Minister for Financial Markets and Consumer Affairs, H.E. Mr Per Boland



James Zhan, Director of Investment and Enterprise, UNCTAD

GRI

GRI Regional Hub Hispanic America supported the SSE's first Regional Dialogue: Latin America & Caribbean in February 2015. Attended by 4 of the 6 Partner Exchanges in the region, the meeting was sponsored by the Latin American Sustainable Investment Forum (LatinSIF) and hosted by the Colombian Securities Exchange (BVC).

At the May 2015 SSE Regional Dialogue South East Asia, which was hosted by the Stock Exchange of Thailand (SET), GRI held a session called GRI G4 Sustainability Reporting – A Roadmap for Investors. The well-attended session was delivered by GRI and Bloomberg LP and looked at why and how investors are utilizing data disclosed by listed issuers.

Building on the success of the format of the previous Regional Dialogue, GRI held a session at the SSE Nordic and Baltic Countries Regional Dialogue in November 2015, hosted by Nasdaq Helsinki. At this session, which was delivered by Nasdaq OMX and GRI, the discussions focused on the newly released WFE Sustainability Working Group ESG Recommendations and the opportunity for businesses to contribute to achieving the SDGs.

The partnership between GRI and the conveners of SSE (UNCTAD, PRI, UN Global Compact and UNEP FI) has deepened throughout 2015 and 2016. At the 2016 GRI Global Conference, the SSE and its work was featured on several occasions throughout the programme. GRI aims to continue working with the SSE in order to contribute to a future where sustainability is integral to every organization's decision-making process.

Source: GRI

CLIMATE DISCLOSURE STANDARDS BOARD

The Climate Disclosure Standards Board (CDSB), an international consortium of business and environmental NGOs, is committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. CDSB has found that financial markets do not yet take sufficient account of climate-related corporate performance, risks and opportunities relevant to future shareholder value because of a lack of comprehensive and comparable information in "mainstream" corporate reports for the investment community. This information gap undermines the efficiency by which markets are able to allocate capital to its most productive uses— a crucial enabler of strong and sustainable economic growth.

As a solution to this issue, the CDSB launched corporate climate change reporting requirements for implementation by stock exchanges or securities regulators in 2014. CDSB joined all of the SSE's Regional Dialogues to provide training to exchanges and issuers in these regions. The dialogues offer a unique opportunity to engage with the right people and build their understanding and knowledge of climate-related reporting. The dialogues have also been invaluable to exchange experiences and build partnerships in order to advance the quantity and quality of corporate environmental reporting, and CDSB plans to continue collaboration with the SSE in the future.

Source: CDSB



UNCTAD Secretary General Dr. Mukhisa Kituyi gives remarks at the SSE South East Asia Regional Dialogue hosted by the Stock Exchange of Thailand, May 2015.

“Rwanda Stock Exchange’s participation in the SSE serves to confirm our commitment that our market will not be left behind in all efforts geared to building our economies and capital market in a responsible and rational manner,” said **Pierre Célestin Rwabukumba, Chief Executive Officer, Rwanda Stock Exchange** in comments at the UN SDG Executive Dialogue hosted by NYSE. “What we do today will shape our future; if we mean survival then we must plan sustainably and collectively, hopefully with no excuses from anyone.”

“The support and leadership from exchanges in the ASEAN region on sustainability issues is remarkable. With continued efforts and increased global collaboration-through platforms like the SSE and UN Global Compact- we will be well placed to meet the challenges and opportunities surrounding the implementation of the upcoming sustainable development goals,”

Gavin Power, Deputy Director of the UN Global Compact on the occasion of the South East Asia Regional Dialogue hosted by SET.



Sustainable
Stock Exchanges
SSE Initiative

REGIONAL DIALOGUE:
NORDIC COUNTRIES
4 November 2015, Helsinki, Finland



The SSE Nordic Regional Dialogue hosted by Nasdaq Helsinki, November 2015.

“The world faces an enormous gap between the resources needed for climate change mitigation and adaptation, and the actual investment flows to these sectors,” said **James Zhan, Director of the Investment and Enterprise Division at UNCTAD**, at the Climate Executive Dialogue held at Euronext Paris. “Stock exchanges and their regulators, working with investors and policymakers, have a critical role to play in promoting investment in a low carbon economy.”

“We at Nasdaq Helsinki are proud to host the very first UN SSE Regional Dialogue in Europe here in Finland. We hope that together we will find a common view on the next steps to further develop the environmental, social and governance performance of listed companies”

Lauri Rosendahl, President of Nasdaq Helsinki.

COMMUNICATION TO STAKEHOLDERS

Stock exchanges not only act as intermediaries connecting issuers, investors and regulators, they are also businesses themselves. As a result, they have a diverse set of stakeholders. As stock exchanges increasingly act to guide listed companies on reporting and integrating ESG practices into operations, it is important for exchanges to also lead by example.

To better communicate the work stock exchanges undertake to advance sustainability in their markets, the SSE, with support from the SSE Investor Working Group, introduced the [Communication to Stakeholders](#) in 2014. All exchanges are encouraged to produce a Communication to Stakeholders and approximately one third of SSE Partner Exchanges have completed one to-date (Figure 9).

Figure 9. SSE Promoting improved transparency among Partner Exchanges

SSE Partner Exchanges that have published an SSE Communication to Stakeholders



Source: SSE

“At BSE, we understand that corporate sustainability is an important step to create long term value for all stakeholders. The top management of BSE is committed in making corporate sustainability a subject which is a priority in every corporate’s agenda.”

BSE (India) submitting its Communication to Stakeholders in May 2015

“We are obligated to support the interests of many different market participants. Investors should have a complete picture of the long-term viability, health, and strategy of their intended targets. Environmental, social, and governance data is a part of that total picture. Informed investment decisions tend to produce longer-term investments. We want to provide the support and resources necessary for our listed companies to understand sustainability, integrate better data into their decision-making processes, and engage in an open dialogue with investors and other stakeholders about their strategy.”

Nasdaq submitting its Communication to Stakeholders in April 2015

LISTING REQUIREMENTS

Historically, exchanges have had the mandate of helping companies comply with, as well as stay ahead of, regulations that enable stable, transparent and fair markets. Exchanges play a critical role in helping markets navigate emerging ESG disclosure and management demands. However, there is much debate around mandatory listing requirements. One area with little ambiguity is that investors need comparable and timely information. As previously noted, the current state of ESG disclosure is not sufficient for investor needs. Findings from the recently released Corporate Knights Report⁸ further highlight this point:

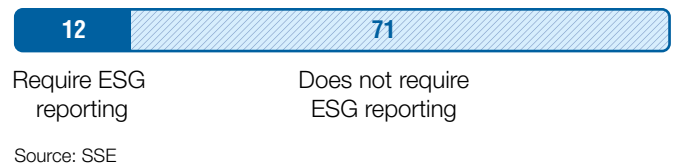
- **Mandatory disclosure is a powerful instrument:**

All but one of the top 10 most transparent stock exchanges had at least one mandatory policy instrument designed to regulate sustainability disclosure in force in the jurisdiction where they operate. Similarly, the report noted that while governments remain the most prevalent initiator of policy instruments aimed at sustainability disclosure, the cases of BM&FBOVESPA, Bursa Malaysia, Johannesburg Stock Exchange and Stock Exchange of Thailand represent instances where stock exchanges, through their ability to direct the reporting behaviour of their listed entities, are successfully generating a rapid uptake in sustainability disclosure.

- **Weak Overall Global Disclosure on Environmental and Social indicators:** GHG emissions were disclosed by 47 percent of the 4,469 large companies included in the Corporate Knights research, followed by energy (41 percent) and water (28 percent). A majority of large companies are still not disclosing any of the four environmental indicators (energy, GHGs, water and waste) tracked, a finding also made in last year's study. The social metrics tracked in the Corporate Knights research have a substantially lower rate of disclosure.

Given these findings, complemented by the SSE's own research (Figure 10), a global approach to creating consistent ESG reporting requirements could be a mechanism for achieving SDG 12.6.

Figure 10. Stock exchanges that require ESG reporting as a listing rule



8 Corporate Knights. [Measuring sustainability Disclosure: Ranking the World's Stock Exchanges](#) 2016

AN SSE SUPPORTER'S PERSPECTIVE ON LISTING STANDARDS

CERES

Ceres is very pleased to see how far the global initiative around ESG reporting standards has come. Heralding that initial call to action in 2009 by the SSE initiative to bring stock exchanges to the table to help solve investors ESG disclosure woes and to identify the solutions, Ceres jumped in, mobilizing investors in countries all over the world to come together, weigh in on what strong reporting standards would look like, and engage the exchange community to build on that vision.

When Ceres pushed for mandatory sustainability reporting in 2011, it seemed it was a lone voice amidst a cacophony of complaints around sustainability disclosures. Working with the PRI and a number of collective members, Ceres found more and more investors that shared that same vision. From influential SRI funds to large, mainstream asset managers like Norges, BlackRock, and Legal and General, support for clearly defined rules and principles around reporting ESG information - on a global basis - can now be found in all corners.

2016 is a very important year for this call to action, as investors increasingly weigh in on sustainability disclosure needs through formal channels like national consultations, and dozens of exchanges are producing ESG reporting guidance for their listed companies.

Source: Ceres

POLICYMAKERS AND REGULATORS

In the policy landscape,⁹ when it comes to governments requiring¹⁰ corporate disclosure of ESG factors 14 members of the G20 and 32 of the 50 largest country economies¹¹ have at least one regulation covering an aspect of environmental, social and governance disclosure (Table 2).

Table 2: Corporate ESG Reporting Regulation

COUNTRY	GOVERNMENT REGULATION ON CORPORATE ESG DISCLOSURE
Argentina*	Yes
Australia*	Yes
Austria	Yes
Belgium	Yes
Brazil*	Yes
Canada*	Yes
Denmark	Yes
Finland	Yes
France*	Yes
Germany*	Yes
Greece	Yes
India*	Yes

*Member of the G20

9 Data provided below is based on PRI research as of 15 August 2016, to be formally released in November 2016 as part of the forthcoming PRI report A Global Guide to Responsible Investment Regulation.

10 This includes regulation on a 'comply or explain' basis as well as those that only apply to a subset of companies.

11 World Bank. [GDP Data](#). 2015

Table 2: Corporate ESG Reporting Regulation

COUNTRY	GOVERNMENT REGULATION ON CORPORATE ESG DISCLOSURE
Indonesia*	Yes
Ireland	Yes
Italy*	Yes
Malaysia	Yes
Netherlands	Yes
Nigeria	Yes
Norway	Yes
Pakistan	Yes
Peru	Yes
Philippines	Yes
Poland	Yes
Portugal	Yes
Russia*	Yes
South Africa*	Yes
Spain	Yes
Sweden	Yes
Thailand	Yes
Turkey*	Yes
United Kingdom*	Yes
Vietnam*	Yes

*Member of the G20

On the investment side:

- Eight¹² of the 50 countries examined have implemented a stewardship code that addresses ESG factors.
 - Six, of these eight, are voluntary and two were adopted under a “comply-or-explain” basis.
- 13 countries¹³ have government policies in place requiring asset owners disclosure how ESG factors are considered in the investment process or to disclose how they are considered, or both.

The actions being taken by national regulators and policymakers to improve transparency on ESG information are significant and growing. Nevertheless, the global financial markets still have far to go when it comes to a global, consistent and comparable approach to reporting ESG information. To promote progress, investors representing over US\$9 trillion AUM wrote to IOSCO encouraging leadership from this body to set-up a mechanism to promote global comparability of ESG data from listed companies.¹⁴ While investors have remained focused on engaging IOSCO and its member securities regulators, accounting standards boards and councils, as well as other relevant policymakers can play an important role as well.

SUMMARY

While the efforts summarized above are significant and encouraging, the sustainable development challenges the world faces are large and systemic. At present, financial markets are not set up to sufficiently support the achievement of the SDGs.¹⁵ Further progress by exchanges and their regulators is particularly important given this context. As such, the SSE will work with exchanges to educate, inspire and provide practical tools for market participants to play their role in achieving the SDGs.

¹² Japan, United Kingdom, Italy, Australia, Switzerland, South Africa, Hong Kong and Malaysia

¹³ Australia, Belgium, Canada, France, Germany, Italy, Mexico, Netherlands, Norway, South Africa, Spain, Sweden, and United Kingdom

¹⁴ Lubber, Mindy. [How can we create a more sustainable financial system?](#) (2015)

¹⁵ United Nations Environment Programme. [The Financial System We Need](#) (2015)

II. STOCK EXCHANGES ADVANCING THE SDGs

Over the next fifteen years, countries will mobilize efforts to achieve the 169 targets that make up the 17 SDGs. There is increased understanding of the role that capital market actors can play in financing the transition to a more sustainable economy and in achieving the SDGs.^{16,17}

According to a 2016 survey of over 1,000 chief executives of UN Global Compact companies, 87 percent of respondents believe that the SDGs represent an essential opportunity to rethink approaches to sustainability and 85 percent see cross-sector coalitions and partnerships as essential to accelerating transformation.¹⁸ Similarly, the growth of the PRI¹⁹ can be seen as a proxy for the increasing understanding among investors that performance on ESG issues provides insight into the quality of corporate management. Similarly, a growing body

of evidence shows that there is a positive correlation between ESG performance, which is a core component of achieving the SDGs, and strong financial performance.²⁰

Stock exchanges play a critical role connecting investors and companies in their markets and as such are well positioned to play a direct role in achieving the SDGs. The goals are cross cutting in nature and there are various ways stock exchanges can impact many of the targets; however, five of the SDGs (Figure 11) have been identified as areas where stock exchanges can take concrete steps. This analysis builds on both group and individual consultations with exchanges over the past months, as well as the SSE's event and SDG Policy Brief²¹ at the New York Stock Exchange in September 2015, which was held alongside the launch of the SDGs at UN Headquarters.

Figure 11. Exchanges are well-placed to have measurable impact on these five SDGs



16 UN Global Compact, UNCTAD, UNEP FI, PRI. [Private Sector Investment and Sustainable Development](#). 2015

17 KPMG, UN Global Compact. [SDG Industry Matrix: Financial Services](#). 2015.

18 [The UN Global Compact-Accenture Strategy CEO Study](#). 2016

19 As of August 2016, the PRI had over 1,500 signatories with USD 60 trillion in assets under management (AUM), up from 800 signatories with USD 22 trillion AUM in 2010. [PRI Website](#). 2016

20 University of Hamburg & Deutsch Asset and Wealth Management. [ESG & Corporate Financial Performance: Mapping the global landscape](#). 2015

21 SSE. [Sustainable Development Goals Policy Brief](#). 2015.



UNCTAD Secretary General Dr. Mukhisa Kituyi and PRI Managing Director Fiona Reynolds ring the NYSE closing bell alongside SSE Partner Exchanges, UN officials and private sector representatives to celebrate the launch of the SDGs.

“The tone set by a stock exchange sends a powerful signal to the market it operates in - its influence in bringing about change should not be overlooked. To be successful the SDGs will need a united effort from all corners of the market - from governments to investors, and businesses to stock exchanges. The SSE is an ideal example of this. Integrated Reporting will help organizations support achievement of the the goals, by reinforcing the need to achieve long-term balance between the financial, natural, social and human resources on which our long-term prosperity depends.”

**Neil Stevenson, Managing Director,
Global Implementation, International
Integrated Reporting Council**

“As an important interface between companies and investors, exchanges can facilitate a common language for measuring performance on sustainability factors. This common language will help enable the integration of sustainability factors into investment decision making with rigor and at scale.”

**Janine Guillot, Director of Capital Markets
Policy and Outreach, Sustainability
Accounting Standards Board**



GOAL

5

GENDER EQUALITY



TARGET 5.5:

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.

Promoting gender equality is not only good for development, but also for business. McKinsey mapped 15 gender equality indicators for 95 countries and found that global gender parity, where women participate in the economy equally with men, would add up to US\$28 trillion, or 26 percent, to annual global GDP in 2025.²²

Research also shows that companies with more diversity on boards and in management, particularly gender diversity, perform better. A survey of nearly 22,000 companies worldwide released in early 2016 provided evidence that increasing female representation in leadership by 30 percent led to a 15 percent increase in net revenue margin.²³

Moreover, IFC, the private sector arm of the World Bank Group, partnered with the Amman Stock Exchange to examine the impact of gender diversity on the economic performance of listed companies and found that the average return on assets (ROA) of companies with at least one woman on the board was approximately three times higher than those without.²⁴

Stock exchanges can play an important part in promoting gender inclusiveness in the private sector. The cases below are shared to stimulate further action and innovation around achieving SDG 5.

“Gender diversity is a value that may and should be supported and promoted by stock exchanges, as they are opinion leaders in entrepreneurial, investors’ and even wider circles of civic societies. While it is important to speak and raise awareness about gender diversity and equality and their meaningfulness for sustainable growth, it is equally important to create instruments to preserve it and serve the deployment of that value in practice.”

Ludwik Sobolewski, CEO of Bucharest Stock Exchange

“Bursa Malaysia is committed to raising awareness for Gender Equality as part of a global initiative under the auspices of the Sustainable Stock Exchanges Initiative. Advancing gender equality in the workplace makes good business sense and it must start with boards. Studies have shown that a gender neutral board and workforce delivers higher productivity, better organizational effectiveness and corporate value. To this end, Bursa Malaysia will look for ways to enhance and capitalise on the leadership skills of women in the capital market. The next generation of competition is putting greater emphasis on our role as an Exchange to ensure a more sustainable marketplace. Today’s event marks another step in our sustainability journey as we strive to be a model for emerging markets in the adoption of global sustainability practices and initiatives.”

Datuk Seri Tajuddin Atan, CEO of Bursa Malaysia

22 McKinsey Global Institute. [Delivering the power of parity: Toward a more gender -equal society](#) (May 2016)

23 Peterson Institute for International Economics. [Is Gender Diversity Profitable? Evidence from a Global Survey](#) (February 2016)

24 IFC. [Gender Diversity in Jordan](#) (December 2015)

STOCK EXCHANGES IN ACTION²⁵

RING THE BELL FOR GENDER EQUALITY

An example of leadership already underway by stock exchanges is the Ring the Bell for Gender Equality initiative, which is a partnership of the SSE, the UN Global Compact, IFC, UN Women, Women in ETFs and the WFE. Held for the second year in a row, the objective of the initiative is to have market opening and closing bells ringing across the globe to bring further attention to the importance of women's economic empowerment to business growth and development, as well as highlight the role the private sector can play in creating opportunities for women in the workplace, marketplace and community.

In 2016, the Ring the Bell events were held around International Women's day with 34 exchanges participating, a more than threefold increase from the previous year. It was an opportunity for stock exchanges to highlight how they promote gender equality and to learn what else can be done to support listed companies in their efforts.

Exchanges hosted a wide range of events, from stand-alone bell ringing ceremonies to half-day educational programmes on

topics such as gender diversity on boards and in management of listed companies, as well as implementation of UN Women and the UN Global Compact's Women's Empowerment Principles (WEPs).²⁶ The Nairobi Securities Exchange, Colombo Stock Exchange and Borsa Istanbul invited issuers to sign up to the WEPs at their events. At all events, exchanges secured participation by female leaders in their local markets, including the President of Chile at the Santiago Stock Exchange.

The key message the SSE promoted at these events is the role of stock exchanges in supporting SDG 5: Gender Equality. It was an opportunity to highlight how stock exchanges partner with others to promote women—as consumers, employees, business leaders and entrepreneurs to transform the global economy, supporting job creation, raising per-capita incomes and promoting sustainable development. To further advance this goal, stock exchanges have been taking a number of actions, including the ones highlighted below.

Going forward, the now annual event will not only celebrate achievements, but also contribute to concrete knowledge-sharing of good practices, an area that the SSE is keen to further support. Recognizing that "one size does not fit all", the ongoing efforts of various exchanges from around the world can serve as different possibilities for all stock exchanges to identify high-impact gender-targeted initiatives.

²⁵ Each 'Stock exchange in action' section is based on interviews with aforementioned exchanges in June and July of 2016, as well as supplementary research.

²⁶ ASX, Borsa Istanbul, the Egyptian Exchange, and Nairobi Securities Exchange are the only exchange signatories to the Principles as of August 2016.



Bursa Malaysia Rings the Bell for Gender Equality, March 2016.



Borsa Istanbul Rings the Bell for Gender Equality, March 2016.



Chilean President, Michelle Bachelet, joined Santiago's Exchange to Ring the Bell for Gender Equality, March 2016



BSE Rings the Bell for Gender Equality, March 2016.



EGX Rings the Bell for Gender Equality, March 2016.

EGYPTIAN EXCHANGE'S APPROACH TO GENDER EQUALITY

The Egyptian Exchange (EGX) was one of four pioneer exchanges to first join the SSE initiative in 2012. EGX not only participated in Ring the Bell for Gender Equality both years, it also promotes gender diversity internally and among the management of issuers. To lead by example, EGX joined the UN Global Compact and signed the Women's Empowerment Principles, and is encouraging its listed companies to do the same. It also recently formed an executive committee with 50 percent female representation, sending a signal to listed companies for them to follow its lead.

In 2004, when EGX implemented new listing, delisting and disclosure rules, its main focus was on transparency on corporate governance. In light of the SDGs, EGX will now expand its focus to social responsibility and environmental issues, including gender equality.

The forthcoming EGX ESG Reporting Guidance will include several gender-specific metrics. EGX is particularly focusing on women on boards of directors of listed companies and monitoring their representation, so it can measure the impact of its guidance. As of 2015, women held 7 percent of board seats of companies listed on EGX, and 4.5 percent of the total executive board members.

EGX recognizes that while it is starting to advance environmental and social issues, including gender equality, other market participants have yet to understand the value proposition in sustainable business strategies, as ESG initiatives are too often seen as charity activities. However, EGX is working on transforming this belief through promoting SDGs in its market, hosting workshops and the EGX annual sustainability conference started in 2015. In its view, achieving the SDGs will create a more sustainable stock market, thus increasing market liquidity, trading volumes and value, leading to more revenue for EGX. Additionally, the introduction of more sustainable products could help increase market revenues.

As part of this work to improve understanding among exchanges globally, EGX also recently became Co-Chair of the WFE Sustainability Working Group.

“The private sector plays an essential and pivotal role in supporting women’s economic empowerment all around the world. You could act as a leading entity to change the wage gap, ensure equality in the workplace and to support women as leaders in the business community.”

Dr. Mohammed Omran, Chairman of The Egyptian Exchange



Amman Stock Exchange Rings the Bell for Gender Equality, March 2016.

AMMAN STOCK EXCHANGE AND WOMEN'S EMPOWERMENT

At the Amman Stock Exchange (ASE), women's empowerment is a focus of its sustainability strategy. As previously mentioned, ASE worked with IFC, the private sector arm of the World Bank Group, to examine the impact of gender diversity on the performance of companies in Jordan.²⁷ ASE provided the corporate data for the analysis and contributed additional insight into the market. ASE also hosted a launch event for the report, where IFC presented its findings and educated participants on the business case for gender equality. It was attended by listed companies, brokerage firms, media and other parties in the financial industry. The report came out in late 2015, so it is too early to measure the full impact, but ASE is optimistic that it will have fruitful and constructive results in the coming years. Raising awareness through research can be an important step in encouraging issuers to change their behavior.

ASE has also integrated women's empowerment into its own practices as it now has 48 percent women in its employee base, an increase from 15 percent in 1999, as well as 28 percent across management.²⁸ ASE has achieved this nearly equal representation in its base due to recruitment policies based upon fair and equitable competition, which ensure implementation of efficient and effective selection procedures

to appoint the best candidates without any discrimination. This policy has enhanced female representation in the ASE workforce due to their merit, skills, and commitment. The motivation behind adopting this policy was the clear link between increasing diversity across the employee base and enhanced performance by the organization. By having a well-balanced and diverse workforce from different backgrounds and experiences, the workplace became more creative, innovative, and productive.

“We believe that achieving gender equality is very important for the development of the ASE sustainability strategy. We recognize that diversity gives the organization a greater variety of skills, perceptions, and expertise, which will surely affect the performance of the whole organization and therefore benefit the economy of the country.”

Mr. Nader Azar, CEO, Amman Stock Exchange

²⁷ IFC. Gender Diversity in Jordan (December 2015)

²⁸ ASE. Launching the Initiative of Gender Equality in Jordan in the celebration of International Women's Day (February 2016)

NAIROBI SECURITIES EXCHANGE'S DIVERSITY TRAINING

Markets are becoming increasingly dynamic and in order to excel, the Nairobi Securities Exchange (NSE) has decided that it must ensure its companies are best equipped to respond to changing market needs and trends. Diverse and inclusive leadership has become a key strategic initiative in promoting performance, productivity, innovation, and creativity impacting corporations' financial performance and ultimately, economic growth.

Gender equality is not only a key issue globally, but has also been recognized in Kenya as a priority for the Government. In 2010 provisions in the Constitution required that no more than two thirds of the members of elective or appointive bodies can be of the same gender. No legislative requirement is currently in place for the private sector; however, the Capital Markets Authority is encouraging all corporates to have a diversity strategy. Currently, women make up 12.7 percent of the boards of Africa's top listed companies; Kenya has the highest percentage of women with 19.8 percent.²⁹ NSE notes that these numbers are still much too low and the fact is that, women in Kenya, like many other countries around the world, are underrepresented in decision-making positions.

Ensuring the presence of more women on boards and in senior management positions is a priority for the NSE. The Exchange is working with a number of its listed companies towards greater gender equality at board and senior management levels. For the NSE, gender equality in the workplace is a priority, but should not be undertaken in isolation, but rather in conjunction with key diversity considerations including experience, expertise, education, age, ethnicity and disability.

In line with this, the NSE established a Leadership and Diversity Dialogue Series, which focuses on sensitizing listed companies on various aspects of leadership and diversity in relation to firm performance. In practice it is a series of roundtable events that the NSE convenes for the listed firms in an effort to promote discussion about the various aspects of board diversity, including gender, culture, age and profession. The series includes specific fora for Chairpersons, Chief Executive

Officers, Company Secretaries and senior directors. Each stakeholder group is invited to a meeting specifically designed for its peer group.

Through the structured engagement, the leaders of listed firms have an opportunity to interact in a closed-door environment in which they will share experiences; raise challenges faced; and together determine the role the NSE can play in supporting the firms in reaching their board diversity aspirations.

The events present research on the current state of board diversity and evidence that diverse boards create better conditions for strategic oversight, innovative thinking and good governance, underpinning overall better financial performance. The overarching objective is to determine if there is scope for NSE to play a role in bridging the gaps that exist; and determine where the NSE can create frameworks for information and good practice sharing, as well as support capacity building. Other anticipated outcomes from the forums include:

- Defining the diversity agenda in the Kenyan context and under the broad parameters of gender, age, profession and culture (based on research findings);
- Determining the gaps between the supply (talent pool and training programmes) and the demand (the needs of the firms in terms of capacity development; recruitment; performance measurement, etc.); and
- Raising awareness of research on board diversity of NSE-listed firms.

In addition to this work, NSE also joined the thirty four other stock exchanges around the world in "Ringing the Bell for Gender Equality" in commemoration of the International Women's Day on 8 March 2016. At this event NSE, along with ten of its listed companies, became a signatory to the UN Women Empowerment Principles.

29 African Development Bank (May 2015)

Nairobi Securities Exchange's Chairman Eddy Njoroge Rings the Bell for Gender Equality with UN Women Kenya Country Director Zebib Kavuma, March 2016.





GOAL

8

DECENT WORK AND ECONOMIC GROWTH



TARGET 8.3:

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

The 2015 Human Development Report calls for the public and private sectors to accept the challenges and also seize opportunities to improve lives and livelihoods. With better health and education outcomes and reductions in extreme poverty, 2 billion people have moved out of low human development levels in the last 25 years. The report estimated that 45 million additional health workers will be needed to meet the health objectives of the SDGs alone.³⁰ Yet, 830 million people are classified as working poor who live on under US\$2 a day. Over 200 million people, including 74 million youth, are unemployed and 21 million people are victims of forced labour.

The interconnection of the SDGs can be seen throughout the Human Development Report, which also finds that women are less likely to be paid for their work than men, with three out of every four hours of unpaid work being carried out by women.

There is much work that can be done by both the public and private sector, and while there are many possible actions exchanges could be taking to address SDG 8,

most of the current focus has been on supporting small and medium enterprises (SMEs).

According to the IFC, SMEs account for about 90 percent of businesses and up to 50 percent of employment worldwide.³¹ SMEs are key source of job creation and economic growth. Creating opportunities for SMEs is a core way to advance development, create stable societies and reduce poverty. Access to financial services for SMEs remains severely constrained in many emerging markets in the wake of the global financial crisis. Even as liquidity is restored to financial institutions, lending volumes are lower than before, and SMEs still have limited access to financing. More than 17 million formal SMEs in emerging markets have unmet credit needs. The gap is estimated to be between US\$900 billion and US\$1.1 trillion for SMEs in those markets.³²

The cases below highlight ways exchanges can foster the growths of decent employment across markets globally.

30 United Nations Development Programme. [Human Development Report](#). 2015.

31 IFC. [SME Fact Sheet](#). 2012.

32 IFC. [SME Fact Sheet](#). 2012.

STOCK EXCHANGES IN ACTION

STOCK EXCHANGE OF MAURITIUS AND IIX ASIA EXCHANGE: CREATING AN INVESTING WITH IMPACT OPPORTUNITY

Set up in June 2013 the Impact Exchange is the world's first public trading platform dedicated to connecting Social Enterprises with mission-aligned investment. Focused on channeling capital to high impact entities to deliver scalable and sustainable market-based solutions, in July 2016 the Impact Exchange announced it was ready to introduce its very first bond.

A joint initiative between the Stock Exchange of Mauritius (SEM) and Impact Investment Exchange Asia (IIX), Impact Exchange provides the advantages of a public trading platform – liquidity, transparency and efficiency – while also ensuring the social and environmental mission and impact of the issuers. Located in Mauritius, it operates under the SEM's regulatory framework, with IIX providing oversight of social and environmental requirements. It allows for the listing of debt, equity and funds for Social Enterprises, which could include manufacturing, sales or supply chain.

The Impact Exchange is a third board of the SEM. The two other boards are the Official Market and Development Enterprise Market, which is focused on SMEs. The Impact Exchange set up by the SEM is well aligned with the Mauritian government's strategy to become a sustainable island. The main difference between the Impact Exchange and the other boards on the SEM is the social or environmental impact

criteria and reporting obligations. In order to list on the impact exchange, companies need to demonstrate concrete social and/or environmental impact. Just as public companies have to do their financial reporting, companies on the impact board also have to report on their impact.

Since the Impact Exchange was set up, a dedicated team has worked across the value chain on both the demand and supply sides to develop a market that would be ready for this innovative platform. Now, the Exchange is getting ready to launch the Women's Livelihood Bond. The Bond's objective is to empower over half a million women by raising US\$20 million in capital for a pool of underlying issuers. These issuers will likely consist of social enterprises and microfinance institutions that focus on empowering women in South-East Asia. The Bond will be the first among a planned series of bonds, the IIX's Sustainability Bonds³³, which will be set up to create a series of replicable financial instruments designed to mobilize private capital for development.

The programme is supported by partners, including The Rockefeller Foundation, Japan Research Institute, Center for High Impact Philanthropy of the University of Pennsylvania, and Shearman and Sterling LLP.

IIX's sister company Shujog and the Rockefeller Foundation will also develop a blueprint paper of the Women's Livelihood Bond, to capture the entire mechanism of the bond, from design to issuance on the Impact Exchange. The aim in sharing the blueprint openly is to enable replication and accelerate the uptake of private capital for developmental purposes in the social enterprise and microfinance sphere.³⁴

33 The IIX Sustainability Bond (ISB) are debt securities that pool together in a single portfolio, a group of high-impact entities that have undergone a rigorous due diligence process based on both social and financial criteria. This pooled structure allows underlying borrowers to access capital that they would not otherwise have been able to raise individually. ISBs are designed to be sustainable instruments, offering attractive rates of risk-adjusted returns to impact investors who are interested in a double bottom line. ISBs will be listed on the Stock Exchange of Mauritius, adding an additional layer of secondary liquidity, mission protection and transparency.

34 For more information see: <http://sdgfunders.org/reports/iix-womens-livelihood-bond-iix-sustainability-bonds-changing-finance-financing-change/#sthash.yZV1KquP.dpuf>

CASABLANCA STOCK EXCHANGE & LONDON STOCK EXCHANGE GROUP: A PARTNERSHIP FOR TRAINING SME MANAGEMENT

In April 2016 the Casablanca Stock Exchange (CSE) launched the ELITE business development programme in Morocco, marking the first time the London Stock Exchange Group (LSEG) ELITE programme was delivered in partnership with another exchange. Originally launched at Borsa Italiana in 2012, the ELITE programme was designed to help SMEs prepare and structure for their next stage of growth. The programme supports management good practice and entrepreneurship through a three-stage process that, over the course of two years, offers businesses education and training, along with direct contact with international financial and advisory communities through an online portal.

Supporting SMEs in the creation of jobs is an integral part of achieving SDG 8. When local companies go to market, they tap into a deep pool of capital, and this money can be instrumental in creating jobs and further enhancing the economy. LSEG's 1000 Companies to Inspire Europe (2016) report noted that most dynamic SMEs have an average revenue growth rate of 71 percent and job growth rate of 66 percent. Supporting SME development also has a strong business component for exchanges, as it creates a vibrant environment of businesses that could form a pipeline for future IPOs.

As part of the partnership, LSEG will be providing capacity building for the CSE employees until April 2017, so CSE can deliver the ELITE programme independently. In its first phase, CSE unveiled 12 Moroccan SMEs, representing a diverse range of sectors, from technology to retail. As part of the programme, they will have the support of Moroccan business school, ISCAE, and meet local advisors and investors. The Moroccan ELITE companies will eventually join the full pan-European ELITE community, where they will be able to share news, expertise and create a network of contacts with over 400 existing ELITE participants from 21 countries as well as 150 advisors and 100 investors. These companies are generating over US\$43 billion in combined revenues and have created over 140,000 jobs.

“ELITE is already a highly successful European programme and I’m delighted that as a result of the strength of our partnership with CSE Moroccan SMEs will benefit from ELITE. LSEG is passionate about supporting high growth SMEs. These firms have the unique capacity to innovate, create new jobs and ultimately drive economic prosperity.”

Xavier Rolet, Chief Executive, London Stock Exchange Group

“We are delighted to have launched this programme in Morocco, which reinforces our cooperation with our strategic partner, London Stock Exchange Group. We believe that the ELITE programme, already a success in Europe, will allow us to build an efficient ecosystem to support the financing of Moroccan SMEs. It will also allow us to support the financing of not only the Moroccan economy, but North and West Africa more broadly.”

Karim Hajji, CEO of Casablanca Stock Exchange

STOCK EXCHANGE OF THAILAND: SUPPORTING SOCIAL ENTERPRISES

The Stock Exchange of Thailand (SET) encourages the private sector to advance sustainable growth by integrating ESG practices into business operations and sharing both financial and non-financial resources with social organizations and enterprises in order to create impact. Social enterprises³⁵ incorporate models that tackle social and environmental challenges, and promote opportunities through efficient business operations, which generate profits for the business, investors and broader society. These are seen as a “win-win” from the SET’s point of view. The exchange itself has received board-level support to incorporate this kind of social impact strategy into its long-term exchange development plan.

In Thailand, the number of social enterprises is now at approximately 1,000 and the growth in this sector has been

significant. Launched in July 2016, SET’s Social Impact Project is designed to encourage the private sector, especially listed companies, to allocate both financial and non-financial resources to social enterprises across Thailand. The project aims to fulfill the needs of business and social sectors to create a truly positive social impact.

At present, a growing number of companies that are willing to share their resources, such as funding, human resources, distribution channels, marketing and legal expertise with the social sector. The Social Impact Project’s online platform went live in July 2016, listing 46 social enterprises and organizations. It offers innovative tools to bridge and connect the business and social sectors for collaborative synergies. The web portal is very new, but SET believes this model could open up many opportunities for the growth of social enterprises in Thailand, as well as benefit the broader market.

³⁵ SET defines social enterprises as a company that has clear social and environmental objectives and targets from the beginning; however, it operates as a business with financial sustainability.



GOAL

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



TARGET 12.6:

Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Transparency is a critical factor in creating a stable financial system. Markets are driven by information. If the information available is short-term and incomplete, then these characteristics will define the world's financial markets. Corporate disclosure of material ESG information is an essential part of creating an efficient financial system that advances sustainable economic growth.

Exchanges have a central role to play in promoting transparency, and ultimately performance, on ESG issues. In order to direct investments towards the creation of more sustainable economies, companies will need to enhance reporting; focusing on long-term value generation, addressing material ESG issues as well as specific financial information. Exchanges are not only well suited to meet help achieve target 12.6 of SDG 12, they see it as a part of their duty. The WFE's 2016 survey of its members found that nearly 100 percent of respondents believe that exchanges should monitor the long-term sustainability of their listed companies and actively participate in developing better ESG reporting metrics.³⁶ The cases below showcase how different exchanges are taking direct action to achieve this target.

STOCK EXCHANGES IN ACTION

SANTIAGO EXCHANGE: A FOUR PRONGED APPROACH TO IMPROVING SUSTAINABILITY PERFORMANCE AND TRANSPARENCY IN CHILE

Santiago Exchange developed a sustainability strategy for 2015-2018 in order to promote a culture that integrates sustainability within the institution and broader capital market. As part of this strategy, the exchange is taking a four pronged approach to addressing SDG 12.6, as well as ultimately playing a role to mobilize capital towards the achievement of the SDGs.

First, as part of the SSE's "Closing the Guidance Gap" campaign, the exchange has committed to creating guidance

for its issuers on reporting ESG information. Currently, only 25 of the exchange's 222 issuers publish sustainability reports, of which only four issuers have integrated reports compared to 21 issuers that disclose in a stand-alone report. The exchange believes that guidance for issuers will help encourage and educate companies.

As a second step, the exchange sees an opportunity to improve the integration of ESG issues into local investors' investment processes. Santiago Exchange believes producing a guide focused on responsible investment will help advance sustainable investment practices. To further complement these two focus areas, the exchange also plans to host trainings and seminars for issuers and investors about the benefits of incorporating ESG issues into strategies, with the first scheduled in collaboration with the LatAm Institutional Investor Group's annual conference in Chile in September 2016.

Thirdly, to ensure the exchange is leading by example, as a listed company itself, Santiago Exchange has already published its Communication to Stakeholders on its own website, which enables the exchange to communicate with capital market participants on its sustainability rationale and activities. Furthermore, the exchange has also committed itself to producing a more detailed Sustainability Report, with an expected release date in 2017.

Lastly, with the aim of educating and engaging issuers and investors on sustainability, the Santiago Exchange created the Dow Jones Sustainability Chile Index (DJSI Chile), launched in October 2015. The Index aims to promote the incorporation of environmentally and socially responsible processes within the companies that participate in the Chilean stock market. It uses a best-in-class approach to select constituents based on their industry-specific performance on ESG issues. This measure aims to further promote sustainability efforts among issuers from an integral perspective, deliver an evaluation tool for investors and directly contribute to improved disclosure of ESG information by market issuers.

36 World Federation of Exchanges. [ESG Survey](#). 2016

NSE: AUGMENTING REGULATION IN INDIA THROUGH TRAINING

In 2011, the Securities and Exchange Board of India (SEBI), created a set of voluntary guidelines for reporting ESG information. In 2012, this was converted to a mandatory filing rule requiring the 100 largest companies listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) of India to produce business responsibility reports. SEBI then extended this reporting requirement to the largest 500 companies on each exchange, which went into effect in April 2016; these 1,000 companies represent over 95 percent of the market capitalization of the Indian equity market.

SEBI prescribes the format of the reports, which are based on an ESG framework. The exchanges then provide oversight and help with implementation. Both BSE and NSE publish the reports on their own websites, which are accessible to all market participants free of cost. Both exchanges also provide different forms of training to the private sector on how to produce these reports.

SEBI developed a template to help issuers prepare the reports. The template is built around nine principles, in line with the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. Each principle pertains to topics such as ethics, well-being of employees, promoting human rights, and supporting inclusive growth and equitable development. Further, the company also provides number of complaints received relating to child labour, forced labour, involuntary labour and sexual harassment in the last financial year along with its resolution and pending status.

It also must disclose the number of women employed and adherence to the requirement of having one woman on the board.

There is broad consensus in India that issuing reporting requirements can only be successful if implemented alongside complementary capacity building efforts to help issuers prepare the requested reports.

The NSE considers the promotion of corporate sustainability and responsible investing as one of its key roles in the development of India's capital markets. NSE sets stringent disclosure requirements to encourage listed companies to align and improve their standards of corporate sustainability.

Since the introduction of the SEBI rule on ESG disclosure, NSE has been conducting training programmes for listed companies to help them to meet the reporting requirement. After identifying that companies were facing challenges to report against these requirements, NSE invited companies to attend workshops and made the trainings more focused by creating groups of similar companies.

As part of this effort NSE trained all 100 companies that were initially mandated to report. Through these trainings, which were typically attended by Company Secretaries or Compliance Officers, the NSE believes it has helped improve companies' understanding of reporting on ESG information. As NSE looks to now train the 500 companies who are expected to report per the 2016 SEBI requirement, the exchange is looking for partners to assist in the roll out of this extended training programme.

JSE: CREATING A CULTURE OF REPORTING ESG INFORMATION IN SOUTH AFRICA

In South Africa, the King Codes on Corporate Governance compile international principles and good practices in governance. The third edition, King III, has been in effect since 2010. Reporting on the extent of application of King III or explaining deviations is mandatory for companies listed on the Johannesburg Stock Exchange (JSE).

Integrated reporting is becoming part of the unique culture and reporting context in South Africa, thanks to King III which introduced the concept to the South African market. From the start, the JSE has worked to support this by incorporating the King Codes into listing requirements on a comply-or-explain basis.

When the first King Code came out in 1994, its firm view on basic governance principles was quite provocative; similarly, King III aroused a lot of debate about its wide-reaching principles. Its expansive approach to define governance also in the context of ethics and sustainability was, however, supported by the Companies Act that was released around the same time. The Companies Act requires companies over a certain size to have a social and ethics sub-committee of the board that reports on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. However, JSE's work with both the government and its listed

companies to educate and improve transparency has helped the market advance over the long term. Similarly, issuers' board involvement has elevated ESG risks and opportunities to the highest level.

The JSE has also used these listing requirements as a tool for engagement. Rather than simply sanction non-compliance with the requirement to report on application of King III, a conversation starts and moves from there. Such dialogue with market participants, fellow exchanges and global investors has also proven essential when changes or new requirements emerge.

As JSE looks to continuously raise the bar on ESG transparency, it continues dialogue with issuers about which ESG issues are material, and to dovetail this with dialogue into the investment community to explore how the exchange could link issuers and investors around ESG issues, as further discussed below. Moreover, at the WFE, JSE has been actively involved with a global group of exchanges in the Sustainability Working Group to develop a list of ESG metrics that could be considered a starting point for a global baseline requirement for ESG information.

The JSE believes incentives are critical to creating a culture that values integrating sustainability into the business. To avoid box-ticking reporting exercises and to meet investor information needs and ensure companies are progressing to incorporate ESG matters into business models, the JSE has taken two approaches.

Firstly, it created the JSE Socially Responsible Investment (SRI) Index in 2004, spearheaded by its listed companies as a means to engage investors. JSE agreed to create this financial product to help promote engagement with and investment in listed companies on the basis of ESG performance. Over the

Index's life, JSE has successfully leveraged the Index to better engage mid-cap companies and continues to work with smaller companies to improve transparency. See some statistics below. Recently, JSE adopted index provider FTSE Russell's ESG Ratings methodology to expand data availability and allow more flexibility in creating spin-off products. An enhanced index series has since replaced the SRI Index.³⁷

Secondly, JSE has organized the annual ESG Investor Briefing since 2011. The Briefing gives listed companies the opportunity to present ESG performance, risks and opportunities to an audience of institutional and boutique investors and pension fund trustees. On the other side, investors ask questions and delve into a level of granularity not typical in annual general shareholder meetings and quarterly analyst calls. On average, 6 companies present to approximately 80 investors, and on one occasion 200 investors were present.

From supporting implementation of the King Codes in the market to engaging companies via listing requirements to incentivizing true ESG integration, the JSE works to create a culture where the exchange itself can and must be bold in the face of difficult conversations.

Nicky Newton-King, CEO of the JSE, has championed this approach publicly

"If, as a leader, you are not saying, I have a responsibility to promote longer term sustainability, then we have failed ourselves and society. We are walking uncharted territory but the time for brave action is now."

³⁷ For more information visit: <https://www.jse.co.za/services/market-data/indices/ftse-jse-africa-index-series/responsible-investment-index>



GOAL

13 CLIMATE ACTION



TARGET 13.3:

Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.

The SSE focused on green finance at two of its events, one held alongside the COP21 Summit in Paris in 2015 and the other as part of UNCTAD's World Investment Forum in Nairobi in 2016. Moreover, it remains an important topic among policymakers with the G20 putting green finance high on the global agenda and the Financial Stability Board's task force looking at climate-related disclosure. Consequently, the SSE will continue to convene activities on green finance with a view to identify good practices among stock exchanges for promoting relevant solutions.

Following unprecedented agreements in 2015 on climate change mitigation and adaptation, green finance has become a high priority on the agendas of governments, investors, corporations and international organizations. The area of green finance encompasses an array of climate-aligned financial products and tools that have grown out of environmental targets set by governments, alongside a growing understanding of the challenges and opportunities that climate change poses to investors, and the recognition that large sums of private capital will be needed to meet the world's climate goals.

In addition to one³⁷ SDG focused solely on climate change, indirect links to climate change appear in 10³⁸ other goals. Similarly, at the 2015 UN Climate Change Conference (COP21), a majority of the world's governments committed to an additional ambitious target: limiting the increase in global temperatures to only 1.5 to 2 degrees Celsius above pre-industrial levels.

Over the coming 15 years, the world will need to invest around US\$90 trillion in sustainable infrastructure assets in key areas such as buildings, energy, transport, water and waste – more than twice the current stock of global public capital. This presents not only a challenge in adapting to the changing context, but also an unforeseen opportunity for capital markets to fill this demand.³⁹

Green finance is now being evaluated by various players⁴⁰ to determine how private finance can contribute and help close the financing gap in combating climate change. The green transition has been said to be the historic challenge of our time, requiring unprecedented financial flows to climate efforts, and stock exchanges are already playing a role in tackling this challenge in both equity and debt markets.

37 [Goal 13](#), Climate Action

38 [Goal 2](#), Zero Hunger; [Goal 3](#) Good Health and Well Being; [Goal 6](#) Clean Water and Sanitation; [Goal 7](#), Affordable and Clean Energy; [Goal 8](#), Decent Work and Economic Growth; [Goal 9](#) Industry, Innovation and Infrastructure; [Goal 11](#), Sustainable Cities and Communities; [Goal 12](#), Responsible Consumption and Production; [Goal 14](#), Life Below Water; [Goal 15](#), Life on Land

39 Brookings Institution, New Climate Economy Project & Grantham Research Institute on Climate Change. [Driving Sustainable Development Through Better Infrastructure: Key Elements of a Transformation Program](#) (July 2015)

40 In addition to the G20's Green Finance Study Group and the Financial Stability Board's task force on climate disclosure, there are several organizations that have been working in this space for years, such as the Climate Bonds Initiative (CBI), the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB).



Euronext bell ringing to mark its joining as an SSE Partner Exchange alongside the SSE Climate Finance event and COP 21 conference, December 2015, Paris



The SSE Executive Dialogue on Green Finance, held as part of the UNCTAD World Investment Forum July 2016, Nairobi

STOCK EXCHANGES IN ACTION

OSLO BØRS' APPROACH TO GREEN BONDS AND CLIMATE FINANCE

Over the past two years Oslo Børs has been expanding its sustainability strategy, which prompted it to become an SSE Partner Exchange in 2015. Of particular note is its climate work, particularly its expansion of green bonds.

Looking to increase attention to green investment choices, in January 2015 Oslo Børs became the first stock exchange to offer a separate list for green bonds. Initially the list included five green bonds, and has since grown to 11 offered by eight issuers and valued at US\$1.2 billion.

The first company to issue a green bond on the exchange was the Norwegian energy company BKK in October 2014, and in July 2015 the Oslo kommune became the first municipality to join the list. The list is expected to grow as there is increasing interest in green bonds from the Norwegian banks. Thorodd Bakken, the Head of Nordea Markets in Norway, noted the green bond issued by the energy utility company Nord-Trøndelag Elektrisitetsverk became oversubscribed in only two hours. Additionally, BKK initially expected to raise US\$120 million with its issuance, but demand exceeded expectations and they raised the target to US\$130 million.

Issuers looking to list on Oslo Børs' green bonds list are subject to specific requirements. Firstly, the proceeds from the issuance must be used for an environmentally friendly purpose. A second opinion on the project's qualification as environmental must be provided by research organizations or certification companies and made publicly available. In addition, ongoing disclosure obligations must be made publicly available through stock exchange announcements.

One research organization that could provide the second opinion required to issue on the green bonds list is CICERO, a Norwegian institute for interdisciplinary climate research. It focuses on the following research areas: food and forests, local solutions, the arctic, China, international climate policy and climate finance. Climate finance is the most recent addition, for which Oslo Børs hosted the launch and the first Advisory Board Meeting in May 2016.

CICERO communicates often and directly about responses to climate change with the private sector, government and civil society. Its objective is to create a meeting place for climate scientists and leading global investors to improve the understanding of climate risk and develop better tools to incorporate climate risk in long-term investments, tailored to investors' needs. The CICERO Climate Finance Advisory Board includes 14 members including Oslo Børs, large international investors such as BlackRock and NBIM, the Norwegian Ministry of Foreign Affairs, and other Nordic investors such as the Swedish National Pension Fund AP2.

LUXEMBOURG STOCK EXCHANGE ON LISTING OF GREEN BONDS

The Luxembourg Stock Exchange (LuxSE) has overseen the rapid development of the green bond market in the country. It started in 2007 with the first ever green bond listing in Europe, the European Investment Bank's Climate Awareness bond. Since then, LuxSE has expanded its product segment with more than 110 listed green bonds from supranational organizations, governments and a wide range of financial institutions and corporates. In June 2016, green listings on LuxSE represented half of the listed green bond offering globally. These bonds represent more than EUR 45 billion in 20 different currencies by 26 international issuers.

As the green bond market evolves, LuxSE is adapting its offering to service new issuers from mature and developing economies. China and India, two fervent promoters of green finance from the emerging world, have been actively raising funds through green bonds. In July 2016, LuxSE listed the first multiple-tranche green bond ever issued on the European continent by a Chinese financial institution.

Listed green bonds provide transparency, visibility, enhanced compliance with market regulation, liquidity and trading facilities to investors. By making information about how proceeds from green bonds are used publicly available, investors can compare the different bonds at their disposal. Such products, however, generate more scrutiny from investors, governments and civil society than traditional bonds do and, as such, product-specific considerations at both the structuring and disclosure level are of paramount importance.

As an observer to the International Capital Market Association (ICMA), LuxSE recommends the Green Bond Principles (GBP)

as voluntary process guidelines for green bond issuers, while also welcoming equivalent international standards and maintaining an open approach to market evolutions.

In response to growing investor scrutiny for this asset class and the need for greater transparency, LuxSE set up a dedicated list of green bonds with minimum admission rules in 2015. These include:

- The issuer has to self-label its bond as green (or equivalent)
- The issuer must clearly disclose the nature of its green use of proceeds into financing or refinancing green projects, according to the GBP eligibility taxonomy, or equivalent
- In addition, LuxSE strongly recommends green bond issuers to:
 - a) Ask for a second opinion (more than 90 percent of green bonds listed on LuxSE have a public second opinion)
 - b) Put in place the necessary internal management processes to monitor the selection and use of proceeds over the lifecycle of the security (including ring fencing of accounts)
 - c) Commit to provide regular ex-post reporting on the actual use of proceeds and impact of the targeted environmental benefits

In an attempt to push disclosure a step forward, while offering issuers and investors a level playing field, LuxSE is preparing a more robust framework of enhanced minimum compulsory requirements, while continuing to encourage issuers to commit to the highest good practices in the market on a voluntary basis. This improved framework will be made public during 2016.

LuxSE actively engages with investors, issuers, investment banks, as well as national and international policymakers to help facilitate and promote sustainable growth in the green bonds market. It is an observer at the ICMA GBP, an active member of the Climate Bond Initiative and at the national level, it contributes to the Climate Finance Task Force, a multi-stakeholder group that brings together a number of institutional and private players to strengthen Luxembourg's capacity as a green financial hub to fulfil its climate change goals set by the Paris Agreement.

In order to guarantee meaningful and sustainable growth of the green bond market, LuxSE proactively works to address some of the most substantive challenges faced by market players, which include:

- Intrinsic complexity of the green taxonomy
- Green-washing risk associated with insufficient or unappropriated transparency
- Lack of market knowledge about the benefits of issuing and listing green bonds
- Costs associated with additional disclosure and monitoring requirements for issuers
- Independence and comparability of external reviews activities
- Intrinsic challenges of effectively measuring impact via ex-post reporting, as well as the impact of reporting comparability

“Fostering the issuers’ accountability to appropriate and enhanced disclosure and reporting throughout the asset class is part of our role in building trust among market players as to create a favourable framework for a flourishing green bond market able to succeed in its ambition to contribute to the climate transition.”

Robert Scharfe, CEO, Luxembourg Stock Exchange



GOAL

17 PARTNERSHIPS FOR THE GOALS



TARGET 17.16:

Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technologies and financial resources to support the achievement of sustainable development goals in all countries, particularly developing countries.

The global challenges we face cannot be tackled by one investor, one company, one government or one exchange alone. Multidisciplinary and innovative partnerships are needed to adequately and effectively address the 17 SDGs. This final SDG recognizes the potential of multi-stakeholder partnerships for effectively mobilizing knowledge, expertise, technologies and financial resources.

Not only can partnerships work to the benefit of the sustainable development agenda, they can also create shared value for the organisations involved. Engaging in multi-stakeholder partnerships can open the door to knowledge outside your expertise, disruptive thinking and opportunities for sharing good practice.

The UN has established a number of resources to help foster greater global collaboration, including [the Partnerships for SDGs Online Platform](#), which was developed as an information tool that will inform businesses, organisations and individuals on the initiatives that are being implemented as a result of global partnerships and commitments that have been made

to help reach the SDGs. It aims to set the standard for how information on multi-stakeholder partnerships is published and it will use data collated by the UN to show users the progress made as a result of such collaborations. Similarly, the [UN-Business Action Hub](#) was developed for business to learn more about the mandates of different UN entities and their specific needs, while UN entities can learn more about the specific interests of the private sector. Both can post projects and use the platform to search and interact with potential partners to scale the impact of projects.

Stock exchanges, as well as their listed companies and investors, have an opportunity to provide industry perspective and experience to partnerships built upon shared values and vision. Partnering on a sustainable development issue affecting the local economy can be a powerful step towards transforming a market.

While the options for partnerships are endless, the examples below highlight collaborations exchanges are currently partaking in to support the goals.



Nasdaq displays the SSE logo in Times Square, March 2016, New York City

STOCK EXCHANGES IN ACTION

WFE SUSTAINABILITY WORKING GROUP

In addition to partnering with the SSE initiative, stock exchanges are encouraged to become active in their mainstream associations. As the main industry organization for stock exchanges globally, the WFE represents over 100 exchanges. The WFE also offers stock exchanges the ability to address SDG 17 through its Sustainability Working Group (SWG). Established in 2014, the SWG seeks to define the proper role of exchanges in supporting ESG disclosures and encouraging sustainable financial market development and to assist the broader WFE membership in their efforts in this regard. As of June 2016, the SWG had 27 members. Since its formation the SWG has:

- Produced a set of ESG recommendations and metrics that WFE member exchanges, aiming to promote ESG disclosure in their markets, could use as a reference document. The Group will continually refine this document based on stakeholder feedback and engagement.
- Conducted two surveys across the full membership assessing the extent to which the members engage with sustainability initiatives and the possible evolution of these over time. The second survey (published in May 2016) highlighted broad commitment to promoting sustainability disclosure across the membership.
- Provided members with opportunities to learn about sustainability practices and market developments, both from external speakers and one another.
- Organized a conversation between exchanges and investors with the intention of enhancing the quality of ESG disclosure.
- Built relationships and sought opportunities for collaboration with stakeholders such as the SSE initiative.
- The SWG members, both collectively and individually, will continue to promote the role of exchanges in ensuring sustainable growth and development.⁴¹

BM&FBOVESPA: UTILIZING THE EXCHANGE MODEL FOR SOCIAL DEVELOPMENT

The [Socio-Environmental Investment Exchange](#) (BVSA in Portuguese) exemplifies a partnership that utilizes the model and brand of a stock exchange to mobilize the financial market to support the SDGs.

Originally launched in 2003 as a pioneer model among stock exchanges, in 2016 the BVSA began classifying projects according to their potential to impact the SDGs. Building on BM&FBOVESPA's growing understanding that social disparities are a significant obstacle to sustainable economic development, BVSA was linked to its core business from the start. It was inspired by the belief that the stock market is essentially a value creation environment, in which corporations and investors meet to trade shares that add value for both parties. By the same token, this environment is well placed to host the selling and buying of shares, where non-governmental organizations (NGOs) as investees return investments in the form of social profits. Unlike impact investing, returns on investment do not go to the investors in the form of financial profits and dividends. Instead, their investments yield beneficial impacts on the sustainable development of Brazil.

Capital obtained through the BVSA helps listed NGOs implement, expand or maintain a variety of projects: a shrimp farming school for the next generation of artisan fishermen to remedy the depletion of shrimp stocks and thereby protect the livelihood of their community; a family restructuring programme that helps children repeatedly hospitalized with conditions such as pneumonia and their families to break the vicious cycle of poverty and disease⁴²; and a cultural center in one of the poorest and most violent neighborhoods of São Paulo, among other projects.

⁴¹ Contribution from WFE. 2016.

⁴² Since receiving BVSA funding in 2004, this organization has gone on to win international recognition and is currently one of the most award-winning Brazilian organizations. It has extended its work to other hospitals in Rio de Janeiro State, formed a public policy partnership with the City of Belo Horizonte, and has expanded its work to other Latin American countries.

On average, each year there are 650 applications and 20 projects are chosen to be listed. Each receives R\$50,000 in seed capital from BrazilFoundation and will be able to raise up to an additional R\$50,000 via BVSA. Since its launch, BVSA has raised R\$16.6 million and 149 projects have raised 100 percent of the funds they were seeking.

Since 2014, BM&FBOVESPA combined competencies and efforts, and formed a social joint venture with the BrazilFoundation. In addition to co-funding, BrazilFoundation takes on the selection, assessment, training and monitoring of projects listed on BVSA. Similarly, UN agencies such as UNDP and UNESCO provide support to the programme, as do brokerage houses and civil society. Donations made by credit card or bank slip pay discounted bank service fees thanks to partnerships with financial institutions. BM&FBOVESPA Institute guarantees that all raised funds are transferred entirely to the NGOs.

BVSA's impact goes beyond merely the capital raised. BVSA has served as a conduit for dialogue between investors and NGOs, business and community, rich and poor. It bridges the divide between these groups, because it offers an environment for people who normally do not speak with one another to start to understand each other's worlds. In addition, BVSA gives them a new vocabulary that facilitates connections between their distinct realities. At the same time, it also improves BM&FBOVESPA's image, and therefore its business.

Sonia Favaretto, Managing Director, Media Relations, Sustainability, and Communications, BM&FBOVESPA, was recognized as one of the Global Compact's ten Local [SDG Pioneers](#) in 2016. Thanks in part to her work on BVSA, Sonia and other BM&FBOVESPA officials have remained committed to this kind of initiative as part of the role of exchanges and capital markets in creating just and sustainable societies. They intend to use this as an example that can spark the imagination and commitment of other exchanges to launch similar initiatives.

“We are very proud of BVSA model. During its 13-year journey BVSA has intermediated donations totaling over BRL16 million to 149 projects throughout Brazil. We know we can do more and therefore we are constantly evaluating new partnerships and new opportunities to contribute more effectively to the construction of a culture of social change philanthropy capable of creating a more prosperous Brazil with fewer social disparities.”

Edemir Pinto, BM&FBOVESPA's CEO and the Institute BM&FBOVESPA's President



Sonia Favaretto and Lise Kingo, Executive Director of the UN Global Compact, after receiving an SDG Pioneer Award at the UN Global Compact Leaders Summit, June 2016

DEUTSCHE BÖRSE: A PUBLIC-PRIVATE PARTNERSHIP SUPPORTING NON-PROFIT ORGANIZATIONS IN GERMANY

As part of its social commitment, Deutsche Börse Group promotes transparency and efficiency in the non-profit sector. Understanding that non-profit organizations in Germany were often not meeting their full potential in part due to a lack of information sharing with potential investors, Deutsche Börse Group and Bertelsmann Stiftung worked with a consortium of partners from civil society, government and business to create PHINEO in May 2010. This multi-stakeholder partnership has created a social marketplace bringing together supply and demand on a platform designed around transparency.

Within the framework of publications constructed, much like market analyses, socially relevant issues such as child poverty and climate protection are examined both in terms of the role of civil society as well as funding approaches and gaps. To date, PHINEO has published 13 reports, four studies and 15 guidebooks on social investments and impact oriented commitment.

Non-profits themselves are also analyzed as part of a multi-stage due diligence, provided at no cost to the organizations, regarding their strengths and weaknesses. Since the establishment of PHINEO, more than 600 charitable projects have been analysed and 183 have been recommended. These projects were awarded the PHINEO Works Seal, the only free-of-charge charity seal of approval in Germany. To receive it, projects undergo a four-step analysis regarding their efficiency and potential for long-term effects. Of all the organizations that have applied for a PHINEO analysis, only about 20 percent have met the full criteria and receive the PHINEO Seal.

The recently published handbook examining effective refugee aid is one example of this work. The handbook offers practical advice for urgently needed assistance as well as long-term commitments, guiding readers systematically through the relevant topics, such as living quarters, health and language issues and legal advice. It reflects on the different ways a company or foundation can provide in-kind support, such as an IT company setting up a WIFI infrastructure to refugee shelters or a foundation providing interpreters. It also presents funding support options, which included 74 potential donation projects related to refugee aid on the PHINEO website.

LATIN SIF: SCHOLARSHIPS TO BOLSTER RESPONSIBLE INVESTMENT COMMUNITY IN LATIN AMERICA & CARIBBEAN

A fruitful partnership arose as a result of the feedback provided during the Regional Dialogue: Latin America & Caribbean. During this event, participants discussed and agreed that more concerted efforts were needed in the region to promote, train, and build capacity in responsible investment among capital market institutions. Thus, the SSE came together with LatinSIF, and with funding from the Government of the Netherlands, to create scholarships to PRI's online responsible investment training course, [PRI Academy](#). Five SSE Partner Exchanges⁴³ as well as representatives from pension fund associations and regulators, securities regulators, and banking associations in the region were chosen for their potential to lead adoption of new ideas regarding the investment profession in Latin America and the Caribbean.

The three-hour course is the first of a three-part syllabus developed to provide virtual training for financial services, corporate and other professionals needing to understand how ESG issues are impacting company performance, shareholder value and investment decision making. It explores the key aspects of responsible investment, uses real-life case studies to illustrate the materiality of ESG issues in business, introduces strategies for identifying and managing new approaches to ESG, and identifies sustainability data in financial modelling.

The scholarships were awarded by the SSE and LatinSIF in collaboration with the following partners who are active in the region: UN Global Compact, UNEP FI, PRI, GRI and CDP.

Stock exchanges have an important role to play in mobilizing finance to support all of the SDGs. Understanding the business case for responsible investment is an integral first step to creating sustainable financial products and other incentives to support long-term sustainable investment in their markets. As such, by providing exchanges and other capital market participants in Latin America access to responsible investment training, this partnership is enabling sustainable development in the region and is a concrete step towards stimulating demand among users of ESG information provided by corporate issuers.

43 Colombian Securities Exchange, Jamaica Stock Exchange, Lima Stock Exchange, Mexican Stock Exchange, and Santiago Stock Exchange.



The SSE Latin America & Caribbean Regional Dialogue hosted by the Colombian Securities Exchange and sponsored by LatinSIF, February 2015

RECOMMENDATIONS

Each exchange is unique, as is the market in which it operates. When considering which steps to take, exchanges are encouraged to do an internal impact assessment by examining core competencies, technologies and product portfolios that are currently or could potentially further the implementation of one or more of the SDGs; as well as any areas that may have negative impacts. Similarly, exchanges are encouraged to engage in public policy dialogue, particularly as countries work to create national action plans.

The list of recommendations below highlight key actions that exchanges can take.

OVERARCHING LEADERSHIP:

- Support SDG-related financial products to encourage the mobilization of capital and increase visibility for various SDG themes. For example, by creating a green bond listing, exchanges not only facilitate the mobilization of green finance, they also provide opportunity for the growth of the sustainable bond market by adopting and promoting regulations and standards for these products in the markets they serve.
- Offer training to issuers, investors and small, private companies on specific SDG themes⁴⁴, such as climate, reporting or gender, as well as broader training on the importance of integrating sustainability into business operations. When relevant, seek both global and local partners for trainings, research and other capacity-building efforts.

SDG 5:

- Promote gender-diverse boards and management of listed companies, as well as policies and programs focused on advancing gender equality in the workforce.⁴⁵
- Ensure accessibility of capital market services to women entrepreneurs.

SDG 8:

- Engage with small and medium enterprises (SMEs), policymakers and relevant partners to create an enabling environment for SME growth, with particular focus on developing incentives for SMEs that provide economic development opportunities tied to achieving the SDGs.
- Collect and disseminate data on decent employment⁴⁶ created by listed companies or SMEs the exchange engages.

SDG 12:

- Provide written guidance for companies on ESG reporting using the SSE Model Guidance on Reporting ESG Information to Investors and conducting at least one market consultation.
- Partner with a data provider to review the ESG performance of listed companies and provide your market with key sustainability data alongside financial data.
- Develop a separate listing arm that requires enhanced transparency on ESG information, potentially also taking into account the companies' approach to the SDGs and measuring and reporting their impact in these areas.
- Promote the inclusion of ESG factors within existing definitions of what constitutes material information for the purposes of corporate reporting and consider phasing in a requirement for assurance of ESG information.
- Encourage corporate boards to disclose their approach and time horizon for determining material ESG issues.
- Promote systems for investor feedback on the quality of existing ESG disclosures, in order to better inform future work plans.
- Work with issuers to enhance the understanding that better ESG data allows vendors to create meaningful analytics for investors to make investments.

44 [The SDG Compass](#), a tool created by GRI, WBCSD and the UN Global Compact, is an example of one resource that can help inform SDG training. It demonstrates how the SDGs affect business by presenting five steps for companies to maximize their contribution to the SDGs.

45 This could include conducting firm-level gender assessment or applying for gender certification, establishing a women's leadership program, offering supportive family leave policies, ensuring that anti-sexual harassment mechanisms are effective and pay is equitable.

46 See the [ILO](#) definition of decent work.

SDG 13:

- Promote green finance standards by participating in relevant standard-setting and policy consultations, promoting the adoption of green finance standards among issuers and investors, and promoting the incorporation of green finance issues into listing rules.
- Provide information on green finance issues including reporting, new market innovations, local green products, standards and regulations.

SDG 17:

- Set up a separate listing segment, in partnership with a government or civil society, to help connect investors with local impact investing opportunities.
- Encourage collaboration among exchanges and with stakeholders in the local market, across regions and globally.

Exchanges can seek support by reaching out to investors and policymakers. As such, below are a concise set of actions for exchanges to ask when engaging these groups.

INVESTORS: CLARIFY AND BUILD MARKET DEMAND FOR ESG INFORMATION

- Enhance dialogue with relevant market players (including exchanges, market regulators and other policy makers) on both improved ESG disclosure and overcoming the negative effects of short-termism. Investors should be prepared to define clearly which ESG factors are considered in their investment decisions and how they integrate issuer data into this process.
- Clearly demonstrate evidence on how companies with stronger ESG performance are rewarded by the market. As such, investors should increasingly report on both how they integrate ESG factors into their investment process, and how they measure the impacts of investments.

Institutional investors have made the call for more and improved ESG disclosure. However, both exchanges and listed companies have increasingly communicated that investor interest in sustainability appears ambivalent. In the 2016 WFE survey, exchanges ranked pressure from investors last when noting the main motivators for introducing ESG initiatives, and in the 2016 UN Global Compact–Accenture CEO survey, only 10% of CEOs cited investor pressure as a driver for sustainability.

REGULATORS: SUPPORT HARMONIZED REGULATORY AND POLICY FRAMEWORKS ON REPORTING ESG INFORMATION

- Support the development of an international policy framework for listed companies to provide material and consistent ESG disclosures.
- Support the creation of national stewardship codes for investors that integrate ESG factors into the terms of the code, establishing effective monitoring and enforcement to reflect best stewardship practices in the investment industry.
- While ESG disclosure requirements must be customized for local contexts, a minimum level of comparability across markets is demanded by investors. As individual ESG reporting initiatives increase, they become harder to navigate and prioritize in the absence of a global minimum standard. When companies ask for assistance in determining the reporting needs of investors, and investors call for improved transparency, stock exchanges have greater leverage to support international harmonization of ESG disclosure requirements. Similarly, national regulators have a role to strengthen long-term investing.



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