

Exchanges, ESG and investment decisions

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Integrated reports
voluntary filing
*by Robert Eccles
and Mervyn King*

Integrating sustainability
in South Africa
*by Michelle Joubert and
Corli le Roux*

ESG reporting in CEE:
2000-2009
by Geoffrey Mazullo

The world's exchanges
and sustainable
development
by Edemir Pinto

Exchanges and sustainable
investment, August 2009
by Dan Siddy, Delsus Ltd

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Exchanges, ESG, and investment decisions

This publication gathers views from:

- Mr. Mervyn King of South Africa and Professor Robert Eccles on integrated reporting through voluntary filing. Their insights come as Professor Eccles' book, 'One Report', promotes the argument to combine financial and 'non-financial' reporting, giving a comprehensive view of a given business.
- Two of the exchanges with the most experience in ESG issues are represented here as well. Mr. Edemir Pinto, Chief Executive Officer of BM&FBOVESPA; and Michelle Joubert and Corli le Roux of the Johannesburg Stock Exchange, point to an impressive, ground-breaking commitment to ESG matters in their market.
- Professor Geoffrey Mazullo, from School of American Law – Poland adds the perspective from Eastern Europe. Listed companies in this region have made impressive progress on corporate governance, the 'G' part of ESG, which has often proven to be the first level of engagement for investors and issuers alike.
- Finally, Sonia Favaretto, Suitability Officer of the BM&FBOVESPA gives her firsthand account of the Copenhagen Summit on Climate change, and the difficulty that governments will have tackling this problem without the help of the business community.

Second part of this publication covers the WFE report on sustainable investment and exchanges, prepared by Dan Siddy, Delsus Limited and published in August 2009. According to the report, many exchanges are adopting proactive commercial strategies in response to growing investor interest in environmental, social and governance (ESG) issues and global sustainable development challenges such as climate change. The exchanges are becoming active in three main sustainable investment themes:

- raising ESG awareness and standards among listed companies;
- information products and services for sustainable investors, and
- specialized markets for specific sustainable investment niches.

In addition, WFE created a group for sustainable investment in late 2009. The Group:

- works towards a better understanding for investors and shareholders on 'non-financial' disclosure by listed companies.
- helps set standards for the disclosure requirements related to ESG information by listed companies (for example should the disclosure form part of an integrated report.)
- understands that reporting is being done on a voluntary basis in most markets.



Integrated reports voluntary filing



Robert Eccles

Senior Lecturer of Business Administration, Harvard Business School

On May 31, 2010, South Africa established the Integrated Reporting Committee (IRC) under the chairmanship of Professor Mervyn King. The founding members of the committee are The Association for Savings and Investment SA, Business Unity South Africa, Institute of Directors SA, Johannesburg Stock Exchange, and The South African Institute of Chartered Accountants.

The purpose of this committee is to “issue guidelines on good practice in integrated reporting” because starting on June 1, 2010, all 450 companies listed on the Johannesburg Stock Exchange will be required to publish an “integrated report” or explain why they are not doing so.¹ The press release announcing the formation of the IRC noted that it “will work with the new International Integrated Reporting Committee (IIRC) in promoting the international harmonization of guidelines on integrated reporting. The IIRC is a global collaboration that includes IFAC (International Federation of Accountants), the Global Reporting Initiative (GRI), and the Prince’s Accounting for Sustainability Project among many other organizations.”²

Integrated reporting is based on a view of the corporation as having a role in society that is broader than creating short-term wealth for shareholders. Wealth creation must be done with a long-term view that recognizes the impact a company’s operations have, both positively and negatively, on the environment and society. This requires appropriate principles of corporate governance, which also need to be reported on in the integrated report, and that “The board should ensure that the company is and is seen to be a responsible corporate citizen.”³

South Africa is the first country to mandate integrated reporting for all listed companies. We believe that every major capital market must follow its lead soon, and that ultimately this needs to be the universal global practice. A powerful mechanism for making this happen is the adoption of “voluntary filing programs”



Mervyn E King S.C.

Senior Counsel and former Judge of the Supreme Court of South Africa

in leading capital markets such as Brazil, China, India, the United Kingdom, and the United States, although every country should consider implementing such a program. In this article we will briefly summarize developments in South Africa which led to the formation of the IRC, make the general case for integrated reporting, report on some recent developments in this social movement, discuss the challenges in achieving a broad and rapid adoption of integrated reporting, explain how voluntary filing programs can make a major contribution to this, and urge stock exchanges and governments to take up this challenge to the extent they have the authority to do so.

The King Report and King III

The IRC is the next logical development of the recommendation made in the King Report on Governance for South Africa 2009 published by the Institute of Directors under the leadership of Mervyn King. The King Report accompanied the publication of the King Code of Governance for South Africa (King III).⁴ An integrated report “should have sufficient information to record how the company has both positively and negatively impacted on the economic life of the community in which it operated during the year under review, often categorized as environmental, social and governance issues (ESG). Further, it should report how the board believes that in the coming year it can improve the positive aspects and eradicate or ameliorate the negative aspects, in the coming year.”⁵

Until now, the common practice for recognizing the dual roles companies have as both economic institutions and corporate citizens has been for listed companies to publish a required financial report and a voluntary corporate social responsibility (CSR) or sustainability report on its environmental, social and governance performance, as described in *One Report: Integrated Reporting for a Sustainable Strategy*.⁶ This voluntary reporting on “nonfinancial” performance is a positive step in changing behavior and creating more responsible

¹ SAICA. “An integrated report is a new requirement for listed companies from June this year,” <https://www.saica.co.za/tabid/695/itemid/2344/language/en-ZA/An-integrated-report-is-a-new-requirement-for-list.aspx>, accessed June 2010.

² Ibid.

³ Institute of Directors in Southern Africa. *King Report on Governance for South Africa 2009*, p. 22.

⁴ Institute of Directors in South Africa. *King Code of Governance for South Africa 2009*.

⁵ Ibid., p. 12.

⁶ Eccles, R., & Krzus, M. (2010). *One Report: Integrated Reporting for a Sustainable Strategy*. New York: John Wiley & Sons, Inc., chapters 3 and 4.

financial, human, and natural resource allocation decisions by executives, shareowners, and society at large.⁷ However, separate reporting of financial and nonfinancial performance fails to ensure that a company is properly exercising both of its roles.

Sustainable strategies for a sustainable society

Creating a sustainable society requires truly sustainable strategies by all of its companies, both public and private, as well as its countries (instead of just measuring GDP), cities, other branches of government, educational institutions, and all other organizations. A sustainable strategy is one that enables a company to create economic value over the long term while contributing to the long-term sustainability of society. Companies that create negative externalities—such as through pollution, waste, excess use of scarce natural resources, energy inefficient operations, abusive labor practices, and poor supply chain management—are not contributing to a sustainable society. And as social awareness continues to grow about how fragile long-term sustainability of our society has become, consumers and investors will abandon those companies that are failing to properly exercise their role as corporate citizens.⁸ Once the domain of socially responsible investors (SRIs), metrics indicating a sustainable strategy are now part of the research compiled by mainstream firms like Bloomberg, Thomson Reuters/Asset4, and RiskMetrics while NASDAQ is partnering with the specialist research firm CRD Analytics to develop indices that integrate ESG issues.

GRI goals for 2015 and 2020

Integrated reporting is both the best way for reporting on sustainable strategies and a mechanism for ensuring that one exists. Integrated external reporting requires integrated internal management across financial, environmental, social and governance measures of performance. Towards that end, Ernst Ligteringen, CEO of the Global Reporting Initiative (GRI), established two bold goals for his organization and its stakeholders at the organization's biennial conference in Amsterdam on May 26-28, 2010. "GRI advocates that by 2015 all large and medium-sized companies in OECD countries and fast-growing emerging economies should be required to report publicly on their ESG performance, or if they don't, explain why. Secondly, GRI proposes that ESG reporting and

financial reporting need to converge over the coming decade. GRI advocates that a standard for integrated reporting should be defined, tested and adopted by 2020."⁹ In achieving this second objective the "GRI is working with leading global organizations in financial markets, accounting, corporate responsibility, ESG reporting, and civil society to establish the International Integrated Reporting Committee."¹⁰ This committee is being formed in collaboration with the Prince of Wales Accounting for Sustainability Project and one of its goals is to put the topic of integrated reporting on the agenda of the G-20 meeting being hosted by France in 2011.

Challenges to the 2020 goal for integrated reporting

There are a number of significant challenges to achieving the ambitious goal of having a standard for integrated reporting in place by 2020. Like all standards, this will require the collaboration of many groups including companies, analysts and investors, standard setters for financial (e.g., the Financial Accounting Standards Board and the International Accounting Standards Board) and nonfinancial (e.g., the GRI and the Climate Disclosure Standards Board) information, stakeholders and members of civil society and, ultimately, regulators and even legislators. Four challenges are especially important in order for nonfinancial information to have the same level of reliability and relevance as financial information and for both to factor into the decision making process inside and outside companies.

First, standards for nonfinancial information need to be established. Here the GRI has made substantial progress with its G3 Guidelines, which are the cornerstone of its Sustainability Reporting Framework, including sector supplements that identify nonfinancial indicators of particular relevance to a given industry. While these guidelines are being rapidly adopted on a voluntary basis by companies (only a few countries such as Denmark, France, and Sweden require sustainability reporting), work needs to be done to ensure that the metrics recommended for a nonfinancial indicator are useful to analysts and investors. This requires comparability at least across all companies in a sector in order for the nonfinancial metrics to be incorporated into the models built by sell and buy-side analysts. In some cases, such as carbon emissions, the standard may be applicable across all sectors, as is the case for accounting standards.

⁷ We distinguish between shareowners, also called asset owners, that have a long-term view and fiduciary responsibilities and share traders, also called day traders, who buy and sell stocks over very short time frames with little to no attention to their nonfinancial or even financial performance.

⁸ See Eccles and Krzus, chapter 5, for a fuller discussion of sustainable strategies for a sustainable society.

⁹ Justmeans. "GRI announces its 2015 and 2020 goals and launches G3.1 public comment at first day of Amsterdam Global Conference," <http://www.justmeans.com/press-releases/GRI-announces-its-2015-and-2020-goals-and-launches-G3-1-public-comment-at-first-day-of-Amsterdam-Global-Conference/5516.html>, accessed May 2010.

¹⁰ Ibid.

Second, a framework for a truly integrated report needs to be established since currently none exists. As a result, the early pioneer companies that are issuing integrated reports are facing a significant challenge, but they are also making a substantial contribution to our knowledge about what an integrated report should look like. Within the next year, the 450 companies listed on the JSE, which cover a broad range of industries, will produce integrated reports, thereby providing a wealth of empirical data on patterns, potential best practices, and common areas where improvement is needed. The mission of the IRC is to use this information as input to the global effort being undertaken by the IIRC.

Third, these frameworks need to more explicitly incorporate how the Internet can be leveraged. Integrated reporting is not simply issuing One Report as a static paper document. It involves using the Internet to provide information of particular interest to shareholders and other stakeholders. The Internet is also an important tool for improving dialogue and engagement with all stakeholders in order to ascertain their expectations regarding the company, what information they want, and how well the company is doing in providing it. Integrated reporting is as much about "listening" as it is about "talking."

Fourth, audit methodologies need to be developed for nonfinancial information that are as rigorous as they are for financial information and that cover both paper-based and Internet-based content. Today "audits" of nonfinancial information are really a weaker form of assurance that says the auditor found nothing wrong versus financial audits with their assertion that the report was done right. More rigorous audits of nonfinancial information will require standards for nonfinancial information of the same quality as financial information. Ultimately all stakeholders, including shareholders, will expect an "integrated audit" of an integrated report that provides an affirmative opinion that the company has provided a "true and fair" view of its combined financial and nonfinancial performance.

The contribution of voluntary filing programs

While most countries are probably not ready to follow South Africa's lead to require integrated reporting, all countries can adopt a voluntary filing program. By this we mean creating a mechanism for companies to provide on a purely voluntary basis an integrated report of what they consider to be the material financial and nonfinancial measures of performance and how they are related to each other. As in South Africa, each country would be able to develop insights that will be valuable in creating a single global framework for integrated reporting. If the 450 companies in South

Africa were joined in the next two or three years by three or four times that number of companies from all over the world, an enormous empirical database would be created that would be very useful in developing this framework by 2020 or even sooner. Such a database would make it possible to see common patterns across countries and industries, specific practices that vary by industry, practices that are truly on the leading edge that should be adopted by all companies, areas where most companies are struggling so that further research could be done, and how the Internet is being used for both reporting as well as dialogue and engagement.

Implementing voluntary filing programs

Exactly how a voluntary filing program would be implemented will vary by country according to its particular statutes and regulatory frameworks. For example, in the United States the Securities and Exchange Commission (SEC) could use the mechanisms it created for a voluntary filing program in XBRL (Extensible Business Reporting Language), which is now being phased in as a required filing format, to implement one for integrated reporting. Companies would want protection from any legal liabilities, as was the case for the XBRL. Such a program would be a good opportunity for the SEC to address two major concerns of companies listed in the U.S., which are shared by companies all over the world: the growing complexity of financial reporting and how to respond to the increasing demands of shareholders and other stakeholders for nonfinancial information. Through a voluntary filing program companies would have the opportunity to send a message to the SEC about how both financial and nonfinancial reporting can be improved.

The role of stock exchanges in voluntary filing programs

The role that stock exchanges can play will vary according to the laws of the country in which they are based, but in all cases they can make an enormous contribution in accelerating the rapid and broad adoption of integrated reporting by all entities to ensure a sustainable society. In some cases, the stock exchange will have the authority itself to design and implement such a program. In other cases, the exchange can encourage the appropriate regulatory body in its country, such as the securities regulator, to do so. In all cases, a voluntary filing program will require the collaboration of stock exchanges, regulatory bodies, companies, analysts, investors, and accountants as is being done by the IRC in South Africa. The stock exchange can also play the role of aggregator of these reports and organize working groups to study themes in order to generate insights for the IIRC that will be useful in developing a single global integrated reporting framework.

The role of governments

Governments can also play a role in the adoption of integrated reporting by decreeing that all entities in their jurisdictions should report or explain how their operations impact a community socially, environmentally, and economically. While the IIRC is developing standards and guidelines based on the actual experience of companies, all entities can use guidelines such as those contained in King III and GRI's G3 Guidelines. In order to limit litigation, they should also empower courts to apportion blame between auditors, managers, boards or any stakeholder when there is a corporate failure.

With the groundbreaking decision of the Johannesburg Stock Exchange to require its listed companies to issue integrated reports, the adoption of this next phase in corporate transparency is gathering momentum. For exchanges, regulators, and governments that are not ready to join with the Johannesburg Stock Exchange, voluntary filing programs are a meaningful way to contribute to the body of knowledge that will be analyzed by the IIRC and others to establish a single global framework for integrated reporting. Shareholders and stakeholders are more and more aware that companies' nonfinancial actions have a lasting impact on communities, the environment, and society. Companies, through integrated reporting, should demonstrate how their financial and nonfinancial performance is a part of a sustainable society.

About Mervyn E King S.C.

Mervyn King is a Senior Counsel and former Judge of the Supreme Court of South Africa. He is Professor Extraordinaire at the University of South Africa on Corporate Citizenship, Honorary Professor in the Department of Marketing and Communication Management at the University of Pretoria, Visiting Professor in the Rhodes Investec Business School, has an honorary Doctor of Laws from the University of the Witwatersrand, is Chairman of the Committee responsible for publishing the King I, II and III Reports on Corporate Governance, President of the Advertising Standards Authority, First Vice President of the Institute of Directors Southern Africa and Deputy Chairman of the Securities Regulation Panel which oversees all mergers and acquisitions in South Africa.

He is Chairman of the Global Reporting Initiative in Amsterdam and a member of the Private Sector Advisory Group to the World Bank on Corporate Governance. He is the Chairman of the Asian Centre of Corporate Governance and Chairman of the United Nations Committee on Governance and Oversight.

He is presently the Chairman of Strate, the settlement arm of trades in equities, money market instruments and bonds in South Africa. He has chaired and been a director of companies listed on the London, Luxembourg and Johannesburg Stock Exchanges.

He has consulted, advised and spoken on legal, business, advertising, sustainability and corporate governance issues in 43 countries and has received many awards. He is the author of *Transient Caretakers* and *The Corporate Citizen*.

About Robert Eccles

Robert G. Eccles first joined the faculty in 1979 and received tenure in 1989. He left in 1993 for a career in the private sector and rejoined the faculty in September of 2007 as a Senior Lecturer. Right after receiving tenure, Dr. Eccles started doing research on corporate reporting, a topic which remains of great interest to him from a research, managerial practice and public policy perspective. He has written three books on this subject, *The ValueReporting Revolution: Moving Beyond the Earnings Game* (with Robert H. Herz, E. Mary Keegan and David M. H. Phillips) and *Building Public Trust: The Future of Corporate Reporting* (with Samuel A. DiPiazza Jr.) and *One Report: Integrated Reporting for a Sustainable Strategy* (with Michael P. Krzus). He is also a founder of the social movement Web site <http://www.integratedreporting.org>.

Dr. Eccles teaches the MBA elective "Leading Professional Service Firms," as well as the executive education program of the same name and the new executive education program "Building Client Management Capabilities in Professional Service Firms." He is in the process of making some significant changes in the MBA course, building on prior work which established some key principles for managing these types firms from an internal talent market perspective. He is focusing on the external client market of these firms and has developed a number of new cases on this topic. Based on this course development work, in collaboration with Professor Das Narayandas in the Marketing Unit, Dr. Eccles is working on a book about professional service firms with the working title of *Building Capabilities: Ensuring Long-Term Success in a Professional Service Firm*. The key idea is that professional service firms build capabilities at the individual and organizational level by properly managing the talent market and the client market in an integrated way.

With Professor Amy Edmondson, Dr. Eccles has started a major research project on innovative business models for sustainable urbanization. The global trend of urbanization is creating the need for new cities all over the world, especially in developing countries. However, in order for the desired sustainability objectives (defined in economic, social, environmental and technological terms) to be achieved, radically new approaches, including in design and construction techniques, will be necessary. Here Eccles and Edmondson are studying ambitious and innovative initiatives that are based on extensive collaborations of many different types of experts, use of leading-edge technologies, fundamentally different approaches to contracting and construction, and new ways for the public and private sectors and civil society to work together. Their major initial research site is a research city called PlanIT Valley being created by Living PlanIT S.A. PlanIT Valley is located in the Municipality of Paredes, about 20 minutes outside of Porto, Portugal.

Dr. Eccles also has a broad interest in China as part of the School's and the University's plans to build its presence there. He is Chairman of the new "Growing a Professional Service Firm" executive education program. Dr. Eccles is also working on developing a "China Finance Leadership Program" for the CFOs of China's largest market cap companies.

Dr. Eccles received an S.B. in Mathematics and an S.B. in Humanities and Science from the Massachusetts Institute of Technology (1973) and an A.M. (1975) and Ph.D. in Sociology (1979) from Harvard University.

Integrating sustainability in South Africa



Michelle Joubert

Head of Investor Relations
Johannesburg Stock Exchange

While the global financial crisis succeeded in drawing attention to sustainable practices in company behavior and investor decision-making, responsible investing was a fast-growing phenomenon well before September 2008. In South Africa, a confluence of factors is driving companies and investors to focus on long-term goals rather than short-term gains. A primary motivator had been provided by the Johannesburg Stock Exchange (JSE)'s expansive activity in the area.

In recent years, global interest in responsible investment has made headway beyond the niche asset class of traditional socially responsible investment (SRI), often expressed in the form of negative screening or ethical investment. The mainstreaming of sustainability practices has been underscored by the 743 signatories to the United Nations' Principles for Responsible Investment (UNPRI), representing funds under management in excess of USD 18 trillion – including traditionally skeptical investment institutions. Growing concerns about climate change and human rights also add to the increasing focus on responsible investment.

In South Africa, historic factors have contributed to an awareness of responsible practices. The anti-apartheid movement positioned South Africa as a key hunting ground for values-based investors. The country's unique history in moving beyond this legacy has obliged companies to address labor, affirmative action and health related issues with much more urgency and vigor than elsewhere, so that today no business in South Africa can be divorced from the fact that sustainability and social responsibility is entrenched in the business landscape.

Within this context, it is no surprise that local fund managers, in recognition of the continued existence of great inequality in South Africa, increasingly acknowledge the importance of responsible investment. Given its history and the make-up of the economy, with labor-intensive and resource-focused industries, sustainability issues are of interest to concerned investors. For this reason, a large number of local institutional investors have now adopted the UNPRI (there are currently 28 South African signatories), including South Africa's largest pension fund, the Government Employees Pension Fund (GEPF), with assets just shy of ZAR 800 bn, and the owner of sizeable interests in many JSE-listed blue chip companies including Sasol, Standard Bank and Anglo American.

In the area of corporate governance, recent policy developments have also increased the focus on sustainability issues. The King



Corli le Roux

Head of SRI Index
Johannesburg Stock Exchange

Reports on Governance for South Africa are recognized worldwide for setting a benchmark for organizational integrity and corporate citizenship. With the first iteration in 1992, it was welcomed as a significant advance in good governance at a time when these issues were increasingly under the spotlight. King II in 2002 raised the bar even higher by introducing a focus on integrated sustainability reporting, and today all listed businesses operating in South Africa must comply with principles of governance as defined by King III, which replaced King II on 1 March 2010. Notably King III stresses that sustainability, governance and strategy are inextricably intertwined, and emphasizes integrated reporting as a critical component of good governance.

As regulator of listed companies, and as a significant role-player to the South African economic landscape and business ethos, the JSE believes that it can stimulate debate between listed entities and investors regarding corporate governance and responsible investment issues. Over the last number of years the JSE has been involved in a range of activities to facilitate the implementation of responsible investment strategies and increase the focus on environmental, social and governance (ESG) issues in South Africa. The exchange also became a signatory to the UNPRI in November 2009, and is currently one of four stock exchanges to have signed.

The JSE's activity in sustainability mainly takes place in five areas.

1. Regulation

The JSE took a leading position internationally by incorporating sustainability principles into its regulatory approach, based in large part on the King Reports. Historically, JSE Listing Requirements have placed the onus on listed companies to volunteer a description of how they apply principles raised in the King Reports. Where compliance has been voluntary, companies had to explain reasons for any non-compliance and keep stakeholders informed of developments.

Requirements have become more stringent after a recent review leading to the publication of King III, prompted by changes in international governance trends and the reform of South Africa's company laws with the promulgation of the new Companies Act, 2008, anticipated to come into effect in the second half of 2010. More comprehensive governance principles, promoting the effective functioning of companies, will be compulsory in terms of the new

Act. JSE Listing Requirements now comply with King III, including those requirements that deal with sustainability efforts.

King III stresses the importance of building a sustainable business, in economic terms but also considering social and environmental impacts. In a change from King II, King III moves from “comply or explain” to an “apply or explain” approach. This requires a greater consideration of how a recommended practice in King III could be implemented.

King III also focuses on the need for each listed company to report annually on how it has affected the economic life of the community in which it operates. In the report, companies should state how they intend to enhance positive impacts and work on negative impacts. An integrated report should give users an all-round view of the company by including social, environmental and economic performance along with financial performance.

2. Investment

The JSE has embarked on the creation of various investment tools for investors to reach their responsible investing targets and contribute to sustainability. This stream remains dominated by the Socially Responsible Investment Index Series, launched in May 2004. The JSE was the first exchange globally to own such an index, the first such instrument in an emerging market context.

The JSE worked with people across society’s spectrum as well as the JSE SRI Advisory Committee to create the SRI Index as a means to crystallize good triple bottom line and governance policy and practices in the local context, in addition to recognizing the efforts already made by South African companies in this area.

Through its annual assessment of companies against a broad range of indicators whose stringency and complexity increase over time, the index continues to strive to deepen the ongoing ESG debate. It has already been established as a benchmark in relation to conformance to the ESG imperative as well as a widely accepted gauge for compliance to King III. The local investment community sees the SRI Index as a catalyst in encouraging commitments to responsible investment, cementing the JSE’s role as a leader and demonstrating its commitments to promoting responsible, sustainable investment, also sending a positive message to current significant players, particularly the GEPIF.

In the first years following its inception, the JSE concentrated on establishing and explaining the criteria particularly amongst issuers, but as the operating environment changed in South Africa and the demand for responsible investment has grown, the index has matured to meet the needs of investors – notably institutional investors. And through initiating a collaboration with the GEPIF in 2008, the JSE has captured the interest of institutions in responsible investing that could not have been achieved alone.

In September 2009, the JSE began disseminating live values of its SRI Index to the trading screens of thousands of investors worldwide. The introduction of live values, instead of solely close of day values and the increased visibility and transparency of the index is certain to prompt the creation of investment instruments based on the index.

Another recent development was the introduction of the SRI Swix in November 2009, created in direct response to demand from institutional investors. The SRI Swix excludes foreign shareholding to more accurately reflect the domestic market while also reducing resources exposure.

3. Research

The JSE takes a proactive approach to strategy, maintaining ongoing research and development work. This approach is no different in relation to the exchange’s sustainability work, through various simultaneous projects exploring a range of opportunities across the spectrum of sustainable development.

For example, institutions constructing responsible investment portfolios are giving increasing consideration to climate change concerns. A complex issue, there is much debate on how to include mitigation and adaptation considerations. In light of this, the JSE conducts research into climate change and its impact on the financial sector. This year, climate change criteria will be introduced for the first time into the SRI Index review. The JSE plans to refine this area, thereby introducing a measurement of how listed companies are addressing climate change risks in the absence of a regulatory driver in SA.

With any challenge, there is also opportunity. The JSE believes that there is an opportunity to create a national asset in the form of a carbon market. A member of the South African Climate Change Working Group, the JSE is investigating the development of a voluntary South African carbon market. This would lift some of the administrative burden off business. In the absence of legislation, the development and participation on a voluntary exchange would signal to shareholders, rating agencies, customers and citizens that business is taking a proactive rather than reactive approach, driving rather than simply accepting policy. This would add to South Africa’s sustainability credentials.

4. Advocacy

Beyond exploring and implementing regulatory and commercial opportunities, the JSE also champions the mainstreaming of responsible business and investment practices through involvement in policy bodies, advisory panels and discussion forums.

Through its participation, the exchange plays a role in stimulating debate and influencing policy decisions and building partnerships in the sustainability arena. Some examples include the JSE's active participation in the UNPRI South Africa network, representation on advisory panels of academic chairs in Responsible Investment and Climate Change, as well as on the main King Committee and various subcommittees, and on the recently created Integrated Reporting Committee which will feed into the International Integrated Reporting Committee (IIRC).

5. Internal sustainability

As a listed entity and a responsible corporate citizen, the JSE has a number of programs directly related to its line of business aiming to contribute to social upliftment and empowerment. The company is a signatory to the Financial Sector Charter which aims to meet the country's transformation goals by empowering the previously disadvantaged. As a constituent of the eligible universe, it has also qualified for inclusion in the SRI Index annually since 2007.

Various further social and community initiatives are embedded – many with a strong educational focus to help address skills shortages in South Africa. Examples of this include the JSE/Liberty Investment Challenge, an annual ghost trading competition which has been running for 37 years aiming to educate pupils and university students about the workings of the stock market. The JSE also works closely with government to include financial and investing knowledge in school curricula emphasizing practical financial knowledge including budgeting, saving, managing a bank account and investment principles.

The exchange also hosts an annual travelling exhibition and regular investor showcase events that are open to the general public, aiming to dispel the local perception that investing is for the elite.

More recently the JSE has sought to better understand and mitigate its impact on the environment through the formation of an internal environmental management committee. Following the recent calculation of the exchange's carbon footprint, more concrete objectives and targets for managing environmental impacts are being formulated.

Conclusion

As markets mature, there tends to be a conscious awareness of the impact corporations have on the health, education and livelihood of society. In the words of King III, the world's future political, economic, social and environmental landscape lies in present day activities, and decision makers need to understand that nature, society and business are interconnected in complex ways.

Sustainability is an important source of both opportunities and risks for businesses in the twenty first century. We need a fundamental shift in the way we act and organize ourselves. The JSE has progressed significantly down this road, and intends to play a pivotal

role in creating opportunities for recognition of progress being made, or incentives to further improve. In seeking to foster such opportunities, the JSE will remain true to its mission of providing world-class, regulated, multi-product services, linking Africa to the global financial markets, in a sustainable manner.

The JSE's position as connecting issuers and investors makes it possible to grow the sustainability focus of both groups. By providing aspirational benchmarks and facilitating investment and engagement, the exchange's impact on corporate and investment behavior in relation to the environmental and socio-economic imperatives of South Africa could be significant.

About Michelle Joubert

Michelle Joubert spent the first eight years of her career analyzing corporate behavior at South Africa's leading business publication the Financial Mail magazine, where she was Associate Editor. This was followed by a period at the Financial Times newspaper in London. An MBA at the Universities of Cape Town and Chicago prompted a change of career and Michelle is currently Head of Investor Relations at JSE Ltd, which listed on its own exchange in 2006. She is also Head of Media Relations and plays a role in external communications about the JSE's SRI Index. Michelle has written about the SRI Index for a range of publications and has spoken locally and globally on the topic. The JSE's unique role as both listed company and listing platform enables a fascinating bird's eye view of the impact on corporates of a growing awareness of sustainability-related risk management issues.

About Corli le Roux

Corli obtained the degrees BA LLB from the Rand Afrikaans University (now the University of Johannesburg). In 1997, Corli became legal advisor to SAFEX (The South African Futures Exchange). When SAFEX was acquired by the JSE in August 2001, Corli became a member of the JSE's Strategy and Legal Counsel Division. In the role of Legal Counsel, she forms part of a professional team of lawyers advising the JSE in all aspects of its business.

Over the years Corli's responsibilities have expanded, and for the past seven years she been the project manager on the development of the JSE's Socially Responsible Investment (SRI) Index. She currently oversees the operation and further evolution of the SRI Index.

Corli has authored articles in various local and international publications on the topics of derivative market regulation and the SRI Index, and has spoken at numerous occasions locally and globally regarding the Index and its development. She represents the JSE on the Advisory Boards to the Unisa Centre for Corporate Citizenship's Chair for Responsible Investment and the Chair for Business and Climate Change, is a member of the Institute of Directors' Sustainable Development Forum and the Integrated Sustainability Task Team for King III, and was a member of a group of external advisors on developing a policy on responsible investment for the Government Employees Pension Fund (GEPF).

ESG reporting in CEE: 2000-2009



Geoffrey Mazullo

Principal of Emerging Markets ESG

During the decade 2000-2009 the largest listed companies in Central and Eastern Europe (CEE) significantly improved their financial and extra-financial reporting, thereby increasing disclosure of information on environmental, social and governance (ESG) indicators. This article outlines the drivers that led to increased ESG disclosure in CEE, presents detailed data on the types of ESG data disclosed and analyzes the trends which developed over the decade.

Corporate governance – The primary driver behind ESG reporting in CEE

From the outset, corporate governance was the common denominator and primary driver behind ESG reporting across CEE. Beginning in 2002, corporate governance reforms were implemented across CEE. By 2009 a corporate governance code had come into force in each of the ten CEE countries that became new European Union (EU) member states in 2004 and 2007. In each of these countries, the local stock exchange played a major role in drafting and implementing the corporate governance code.¹ Whereas reporting on environmental and social indicators varies widely among CEE blue-chip companies, the implementation of a corporate governance code in each country led to incremental and sustainable increases in reporting on governance indicators over time.

The promulgation of corporate governance principles by the Organization for Economic Cooperation and Development (OECD) and regional corporate governance initiatives financed by the International Finance Corporation (IFC) in CEE as well as South East Europe (SEE) laid the groundwork for the drafting of the corporate governance codes and buttressed national initiatives in each of the CEE/SEE countries. A wide range of conferences and events helped raise consciousness; educate stock exchanges and regulatory authorities; train management and board members of listed companies; and promote media attention on governance issues. In turn, all of these activities helped strengthen the implementation of the respective codes, with more success in some countries than in others. Nevertheless, the disclosure data speaks for itself: In general,

the largest listed companies in CEE provide more information about governance indicators than they do about environmental or social indicators.

Other developments also moved forward the process of standardization of financial and extra-financial ESG reporting in CEE. The following were the most important: the evolution of International Accounting Standards (IAS) into International Financial Reporting Standards (IFRS) and the adoption of IFRS in the EU and several other jurisdictions; European Commission initiatives to promote corporate social responsibility (CSR) reporting by listed companies in member states; work by the International Standards Organization (ISO), the United Nations Conference on Trade and Development (UNCTAD), United Nations Global Compact (UNGC) and other international organizations on standards in extra-financial reporting; the emergence of Extensible Business Reporting Language (XBRL) as a new reporting language; including both financial and extra-financial data; the launch of Global Reporting Initiative (GRI) as a standard for extra-financial reporting; increased public and regulatory scrutiny of the impact of climate change on corporate performance; increasing consumer interest in fair trade, organic food and sustainability; the growth of socially responsible investment (SRI); the launch of SRI indices on several stock exchanges, including emerging markets such as Brazil; the launch of the United Nations Principles for Responsible Investment (UNPRI); and seismic developments in national legislation on ESG issues, including mandated gender equality in boards (Norway) and mandated CSR reporting by listed companies, state-owned companies and financial institutions (Denmark as of 2010).

In addition to the above-mentioned drivers, the process of mainstreaming ESG into the financial industry also slowly began to impact the consciousness of a new generation of business and financial leaders in CEE. In an article in Financial Times on November 10, 2008 SRI was listed as a separate asset class.² On November 1, 2009 Bloomberg announced that it had joined UN PRI and would launch ESG data on its screens.³ The financial industry in CEE could no longer afford to ignore that the financial community had begun to take ESG reporting seriously.

ESG reporting in CEE: 2001-2009

In 2001, the Partners for Financial Stability Program (PFS) Program (www.pfsprogram.org) conducted its inaugural survey "Investor Relations Online."⁴ It analyzed corporate governance information available on the English-language websites of the ten largest

¹ See Corporate Governance Codes and Their Implementation. EBRD. <http://www.ebrd.com/pubs/legal/lit061h.pdf>

² Pension funds set to flee equities, Financial Times, November 10, 2008.

³ See Responsible Investor, November 1, 2009. http://www.responsible-investor.com/home/article/pri_bloomberg/

⁴ The surveys may be found on the capital markets research page of the PFS Program website. See http://www.pfsprogram.org/capitalmarkets_research.php

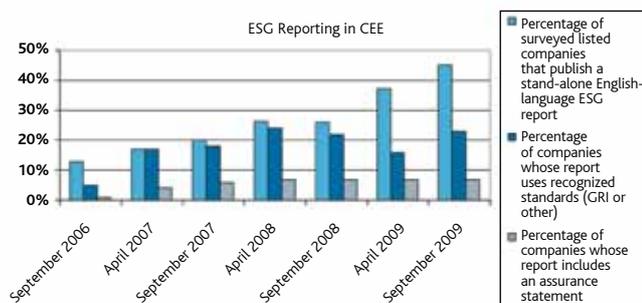
listed companies in the then eight EU candidate countries. From 2002-2009 the survey was conducted semi-annually. In 2003 an inaugural "Survey of Reporting on CSR" by the same peer group was conducted; it too was thereafter conducted semi-annually through 2009. The Survey of Reporting on CSR analyzed disclosures on five questions related to corporate governance, five questions related to environmental policy and five questions related to social policy on the English-language websites and in the English-language annual reports of the same peer group.

In 2004 the peer group was widened to include Bulgaria, Croatia and Romania. In 2007, Brazil, Russia, India and China (BRIC) as well as Ukraine were added. The surveys analyzed the annual reports and websites of the ten largest listed companies in the above-mentioned countries in order to document disclosure practices, collect time-series data and identify best practice among the emerging market peer groups. The goal of the surveys was to motivate companies to benchmark their disclosure practices against peers on a national, industry and regional basis.

Graph 1 charts the development of the publication of stand-alone ESG reports (in English) by the largest listed companies in the above-mentioned 11 CEE countries. In mid-September 2009, 45 of the 110 CEE companies surveyed (41%) issued a stand-alone English-language ESG report, compared with 41 companies (37%) in April 2009 and 28 companies (25%) in September 2008. The percentage of companies which publish the report in compliance with internationally recognized standards, such as GRI, has also grown, although not as incrementally and sustainably. Only a small minority of the reports published include an assurance statement.

Graph 1

Comparison of Seven PFS Program Regional Surveys:
ESG Reporting in CEE: 2006 - 2009



19 of the 40 companies surveyed in BRIC (47.5%) issued a stand-alone English-language ESG report in September 2009. The number was unchanged since April 2009, and represented a slight increase vis-à-vis 18 companies in September 2008. As a group, BRIC blue-chips generally outperformed CEE peers in ESG reporting; however, the gap continues to narrow and a few CEE countries approach the disclosure levels found in BRIC. One Ukrainian company issued a stand-alone English-language ESG report in September 2009.

In marked contrast to all 12 previous surveys, the September 2009 (and final) edition of the Survey of Reporting on CSR in CEE documented increased disclosure in almost all areas analyzed. In 27 of the 30 categories surveyed, disclosure increased. In some categories, the increase was significant. Disclosure of information on shareholder rights increased in the annual report to 69%, from 47% in April 2009 and on company websites to 64%, from 51% in April 2009. Disclosure of information on environmental considerations in supply chain management increased in the annual report to 24%, from 19% in April 2009 and on company websites to 39%, from 30% in April 2009. In these and many other categories, new thresholds were attained. In three categories of social policy, disclosure in the annual report decreased. Below are some specific examples of the development of ESG disclosures in CEE over the past few years:

- English-language website: 97% of the 110 CEE companies surveyed have an English-language website on the record date of September 16, 2009, compared with 95% in April 2009, 96% in September 2008, 96% in April 2008, 94.5% in September 2007, 94% in April 2007, 94% in September 2006, 87% in April 2006, 89% in September 2005 and 82% in April 2005.
- English-language annual report online: 96% of the 110 CEE companies surveyed have either a 2008 or 2007 English-language annual report online on the record date of September 16, 2009 compared with 92% in April 2009, 94% in September 2008, 87% in April 2008, 81% in September 2007, 84% in April 2007, 71% in September 2006, % in April 2006 and % in September 2005.
- Employee development/benefits policies: 79% of the 110 CEE companies surveyed disclosed employee development/benefits policies in the (2008 or 2007) annual report available online in September 2009. This was the highest percentage recorded since the first survey was conducted in August 2003 and the first time that the 75% threshold was exceeded.

- Implementation of a corporate governance code: 77 of the 110 CEE companies surveyed (70%) disclosed implementation of a corporate governance code in the (2008 or 2007) annual report available online in mid-September 2009, compared with 57 companies (52%) in April 2009 and 60 companies (54.5%) in September 2008. This too was the first time since the survey was first conducted that disclosure of information regarding compliance with a corporate governance code in the annual report available online reached the 70% threshold.
- Environmental performance: 53% of the 110 CEE companies surveyed reported on environmental performance in the (2007 or 2008) annual report available online in mid-September 2009. This was the highest percentage recorded since the first survey was conducted in August 2003 and the first time that the 50% threshold was exceeded. The percentage was 34.5% in September 2008, 33% in September 2007, 25% in September 2006 and 22% in September 2005.

Trends in ESG reporting in CEE

From 2000-2009 ongoing, incremental improvements in financial disclosure can be observed across CEE, in response to national legislation and harmonization with EU legal requirements related to accounting, audit, corporate governance and financial disclosure. EU accession also brought with it increased English-language disclosure. In brief, one could conclude that the investor relations activities of CEE blue-chip companies focused on financial disclosure.

Conversely, until very recently (2008-2009), one could discern a perceived lack of urgency for benchmarking with best practice and international standards in extra-financial (ESG) disclosure, with the exception of reporting on governance indicators, as explained above. This could perhaps be explained in terms of a cost-benefit analysis, with a (perceived) lack of appreciation of the benefits (internal and external) of an effective ESG reporting program.

One explanation for the marked increase in ESG disclosures in 2009 by CEE blue-chip listed companies could be that finally, after several years, the impact of a broad range of pressures - consumer, investor, media, public and regulatory - emanating from EU accession can be felt. Another explanation could be that a new and more internationally-focused generation of CEE business-financial leaders and investor relations professionals has embraced ESG reporting as a new business reality.

Conclusions

CEE listed companies have dramatically improved their ESG reporting over the previous decade. Corporate governance reforms provided the initial impetus and corporate governance codes improved disclosure on governance data. Other drivers, both EU-specific and international, led over time to create pressure for reporting on ESG data. Development of a cadre of talented and internationally-savvy investor relations professionals, ongoing information technology (IT) advances and the overall impact of the above-mentioned "mainstreaming" of ESG reporting promise to continue to propel this trend forward in the near future.

About Geoffrey Mazullo

Geoffrey Mazullo is Principal of Emerging Markets ESG (www.emergingmarketsesg.net) and Adjunct Professor of the School of American Law (SAL) in Gdansk and in Wroclaw, Poland. He is Chair of the Baltic Market Awards Committee, an initiative of the Riga, Tallinn and Vilnius NASDAQ OMX Stock Exchanges to promote excellence in investor relations. From 2001-2009 he directed the PFS Program (www.pfsprogram.org), a regional financial sector development project co-financed by USAID and East-West Management Institute. Previously he worked as a corporate governance analyst with IRRC and ISS. Since the mid-1990s he has been directly involved in a number of corporate governance initiatives across CEE. Since 2001 he has increasingly focused on ESG reporting by listed companies in emerging markets, postulating that rigorous analysis and detailed reporting on ESG indicators bring internal benefits to the company and external benefits to its shareholders and stakeholders.

The world's exchanges and sustainable development



Edemir Pinto

Chief Executive Officer,
BM&FBOVESPA

Although exchanges are still grappling with the consequences of the demutualization process, with innovations in information and communication technologies, and with new demands regarding corporate governance, they adhered to social responsibility standards. Many world exchanges have endorsed sustainable development as foreseen in the Brundtland Report and all its political ramifications.

The first initiative undertaken by the exchanges to respond to this global trend was the development of market tracking indices. Between 1999 and 2006, based on the performance of companies committed to sustainability, eight exchanges, all WFE members, voluntarily created 22 different indices to measure the stock performance of these companies in their respective markets without any external intervention.

In 2006, seven years after the first initiative by an exchange, i.e. the NYSE Arca Cleantech Index, the United Nations published a booklet containing six principles that it considered relevant for 'Responsible Investment'. Similar to the document on OECD Corporate Governance, which in some ways was incorporated in the booklet, the recommendations developed by the United Nations are not mandatory, but rather a set of aspirations based on voluntary adherence. Although aimed specifically at institutional investors and asset managers, the UN program was launched in April 2006 by the then Secretary General Kofi Annan at an exchange where it could gain maximum impact and visibility, the NYSE. Even though the document is not directed at exchanges, this gesture explicitly recognized their importance as major agents in implementing the policies outlined in the program.

The United Nations Principles for Responsible Investment (UNPRI) are gathered under a single and comprehensive code of ethics called the ESG (Environmental, Social and Governance) standards. The clear and highly focused objective of these principles is to raise awareness of institutional investors and asset managers to the importance of directing their formidable financial power to invest in companies engaged in good social and environmental practices. As a result, a vast supranational network of filters, pressures, demands, commitments, and moral suasion was created to stimulate the adoption of these principles.

The guidelines that have been set and subscribed to by investors and managers are divided into few areas. The first guideline established that environmental, social and governance issues should be incorporated into the investment analysis and decision-making process of each institution. Next is the determination that all committed entities should maintain a high level of corporate activism, and add the aforementioned standards to their policies and practices as shareholders. The third point concerns the search for transparency regarding ESG matters by companies where financial resources are invested. The fourth guideline refers to the purpose of disseminating these principles throughout the investment industry. This is followed by the intention to act jointly with other signatories towards disseminating the proposed ESG policies, and finally the shared commitment to promote their own activities in support of other subscribers to these principles, together with third party stakeholders.

With these basic rules in place, the fund managers who signed the UNPRI document began to require the companies of which they are shareholders, or to which they are lenders, to implement methods, procedures and processes that comply with the best available environmental, social and corporate governance standards. Those target companies, in turn, were instructed to require that their suppliers, distributors, dealers and other members of their production chains follow identical behavior patterns.

The collective impacts of these measures on the reduction of greenhouse gases and on the other deleterious effects threatening the environment are as yet unknown. However, one can already see the unequivocal response from companies that have chosen to boycott products derived from the deforestation of the Amazon rainforest or from the exploitation of labor with practices akin to slavery.

Paradoxically, although not addressed to exchanges, the behavioral framework outlined by the United Nations PRI strengthened their responsibilities in the field of environmental and social issues and in corporate governance. Side by side with the voluntary work developed in the engineering of different indices for monitoring the actions of socially and environmentally responsible companies, exchanges began to see their own actions being subjected to greater scrutiny.

By 2006, most of the world's regulated exchanges had been demutualized, turning into for-profit entities owned by shareholders instead of members. Among their new partners were institutional investors who subscribed to the UN's ESG principles. Thus, the procedures adopted by exchanges in terms of social responsibilities pursued two distinct approaches: externally, by inducing companies under their umbrella – through the offering of public platforms and dedicated investment niches – or through their inclusion into

differentiated indices; and internally, with companies seeking compliance to satisfy the demands of their own shareholders and their communities.

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By 2006, most of the world's regulated exchanges had been demutualized, turning into for-profit entities owned by shareholders instead of members. Among their new partners were institutional investors who subscribed to the UN's ESG principles. Thus, the exchanges promoting CSR and ESG pursued two distinct approaches. Externally, they induced companies under their umbrella through the offering of public platforms, dedicated investment niches, and inclusion into differentiated indices. Internally, they helped companies seeking compliance to satisfy the demands of their own shareholders and their communities.

This twofold approach to ESG consolidated the authority of exchanges regarding social responsibility. While suggesting, indicating and ranking behaviors within the scope of listed companies, which is their field of exogenous influence, exchanges are at the same time compelled to conform to the highest standards of endogenous requirements in conducting their own businesses.

Following the publication of the United Nations Principles for Responsible Investments, exchanges continued with their policy of setting new indices to measure the performance of companies committed to ethics and sustainability. From 2006 to late 2009, 29 indicators were created, thereby more than doubling those that had been available since 1999. At the same time, the market saw a substantial growth in the specific niche of exchange-traded, closed-end funds designed to invest in companies that use clean technologies.

Some exchanges in East Asia have promoted even more explicit policies with regard to ESG-related issues, reinforcing their roles as social agents. In Malaysia, for instance, the publication of standardized annual social responsibility and sustainability reports by listed companies is on the way to become compulsory, and the Taiwan Stock Exchange is following Malaysia's footsteps. Shenzhen and Shanghai Stock Exchanges encourage listed companies to disclose their documents with similar purpose and frequency.

They are concurrently engaged in an initiative supported by the Chinese government to accept only IPOs of companies that have passed a sustainability test. The Stock Exchange of Thailand set up an institute to encourage social responsibility and bestows annual awards on listed companies that excel in this area. In Australia, new principles of corporate governance were written for the Australian Securities Exchange, and all listed companies must state that they are following recommendations on ESG-related issues or explain why they are not.

Other tools established and then wielded by exchanges with regard to the environment are their markets for trading carbon credits, options and related products. Institutions like the Montreal Exchange, NYSE Euronext, Nasdaq OMX, Deutsche Börse, Buenos Aires Stock Exchange, and BM&FBOVESPA are examples of institutions committed to the development of such market segments. The pricing established will be of fundamental use in commercial assessments of environmental degradation.

This article is adapted from the book being prepared to commemorate the WFE's 50th anniversary. The book is based on a dozen essays, reflecting on transformations of various sorts – trading floor to screen, member cooperative to demutualized company, starting a regulated market from scratch, the value of regulation, the effects of deregulation, etc.

The book's purpose is to examine the various roles exchanges play in public life, and the ways in which they have contributed to the growth of capital markets over these decades.

Essays from the WFE's jubilee book will be featured in Focus, and publication is due to coincide with the October 2010 General Assembly, to be hosted in Paris by NYSE Euronext.

About Edemir Pinto

Mr. Edemir Pinto is the BM&FBOVESPA Chief Executive Officer. He joined the Brazilian Mercantile & Futures Exchange (BM&F) in January 1986. In July 1987, he became the Derivatives Clearinghouse Officer where he was responsible for risk management, settlement, participant registration, collateral, custody and controllership. He held the position of BM&F Chief Executive Officer from April 1999 to May 2008, when the BM&FBOVESPA Board of Directors appointed him to his current position.

A report on COP 15: living with snow and sun



Sonia Favaretto

Sustainability Officer,
BM&FBOVESPA

As we landed at the airport we got a glimpse of things to come. There was an exclusive welcoming reception for the conference participants, with friendly receptionists handing out "Welcome to Hopenhagen" brochures. The event's host city of Copenhagen would become for the next two weeks "Hopenhagen", the city of hope where the world would gather in December of 2009 to discuss the future of the planet at the 15th United Nations Climate Change Conference (COP 15).

Despite some organizational challenges, discussions on climate change were still the center of attention. The COP 15 was already making headlines even before it began. Perhaps this is one of the factors that contributed to the unimpressive outcome of the conference. Many people considered the event a failure. While for others it was only a weak advance. Nevertheless, during those two weeks much was discussed and even more is yet to be debated regarding the future of the world's climate.

It has become clear that climate change is truly a global problem, one that affects all of us. It is imperative that we take concrete measures to contain the advance of global warming. Fine, but behind this fact, are the economic and political interests of every nation. The policies of the United States and China polarized the world's attention and developing countries brought strategic importance to the debates, but one thing became increasingly clear as the event unfolded: it would be extremely difficult to reach a global agreement, a consensus of 200 countries, on climate change. This in fact was exactly what happened. The so called "Copenhagen Agreement" is a declaration of intentions that recognizes the necessity of avoiding an increase of 2°C in global temperatures, but it does not specify how we can reach this target. It is only an informative document, one that will not even receive the United Nations Convention on Climate Change UNFCCC logo. The UN only acknowledged the document, even though the Secretary-General Ban Ki-moon did declare that it was "an essential first step".

In the middle of so many side events – negotiations, talks, and journalists running after the latest news – BM&FBOVESPA and BNDES (the Brazilian Development Bank) launched the Carbon Efficient Index on December 15th. The new stock index is based on the Brazil Index 50 (IBrX-50), which is composed of the 50 most traded stocks at BM&FBOVESPA. The objective of this index is to stimulate listed companies to measure and report their emissions of greenhouse gases (GHGs). This is a business initiative that seeks to contribute to the management of global climate change. The index will be weighed by the inventory of GHG emissions that result from all the activities associated to a company. During an interview I gave about the launch of this new index, I was encouraged when I heard one renowned journalist comment, "This is the kind of news we want to here!" Our new index was perceived as being a very positive initiative from the financial sector, especially since a lot of the news coming out of COP 15 was frustrating the thousands of journalists who were anxious to report some positive news.

Although disappointing, the end result of the conference will not hinder the future of the climate change debate. While it may advance at a slower pace, there is no turning back now. Since 1992, based on the UN's Climate Change Convention, annual meetings have been held to discuss this issue. The Copenhagen conference gained world status; but it was only the 15th edition of the event, and towards the end of this year Mexico will host the next round of negotiations. The objective of the COP 16 will be to further develop the Copenhagen agreement. Perhaps without all the fanfare, the agreement can advance.

One way or another we have managed to move forward since the December 2009 meeting, and advances have been made since Copenhagen. For example, more than 100 nations have registered their commitments to reduce greenhouse gases. Of course this gesture is more political in nature than it is effective especially in light of the challenges we face, nevertheless it is still an unquestionable sign of needed improvement.

The negotiations surrounding REED have also progressed and they should be one of the highlights of the Cancun meeting. According to the UN's new executive-secretary of Climate Conventions, Christiana Figueres of Costa Rica, a mature REED agreement already exists and it should be finalized at COP 16. Let's hope so.

However, there are still some clear gaps mainly in relation to national legislation to ratify intentions. Nevertheless the most important of these evaluations to keep in mind is that we don't need just another bureaucratic agreement, we need something that can effectively shape the future of our planet.



Credits: BM&FBOVESPA

The photos that accompany this article clearly represent the current situation, different scenes from the same city. The first, covered in snow, although beautiful, is a hostile climate. In the second, the sun is shining and gently melting the snow. We live on a daily basis with adverse and divergent situations. Wisdom lies in knowing how to deal with them, making the most of every situation in order to constantly evolve and advance.

The increasing global temperature and its consequences cannot wait for the decisions of world leaders. More than ever, humanity will need to combine all of its technological advances and diplomatic efforts to create a better and more viable planet of us and for our children. The coexistence that exists between the snow and the sun is what we have to strive for. As we move beyond a COP 15 that

left us with a bitter taste. Or better still: Let's take our cue from a COP 15 that left us with more than just a bitter taste, it left us with important lessons that we all must learn. Although frustrating in its end result, important lessons were truly learned at the COP 15.

Carbon Efficient Index

BM&FBOVESPA and the Brazilian Development Bank (BNDES) announced during the 15th United Nations Climate Change Conference (COP 15), in Copenhagen, the development of the Carbon Efficient Index, which is structured on the Brazil Index 50 (IBRX-50), composed of the 50 most traded stocks at BM&FBOVESPA.

The objective of this index is to stimulate listed companies to reduce their emissions of greenhouse gases (GHGs) and adopt environmental practices. The index will be weighed by the inventory of GHG emissions that result from all the activities associated to a company.

The goal of this index is to motivate the most actively traded Brazilian companies to measure and manage their GHG emissions; to provide more transparency about these emissions; and to create an investment opportunity for environmentally conscious investors. Both BNDES and BM&FBOVESPA firmly believe that this collaboration will help foster a sustainable corporate environment and prepare companies for a future economy of low carbon emissions.

About Sonia Favaretto

Ms. Favaretto is the Sustainability Officer at BM&FBOVESPA and the Superintendent of the BM&FBOVESPA Institute. She is a member of the Advisory Committee for the "Companies for the Climate" Program, at the Getulio Vargas Foundation, and President of the Deliberative Board of the Corporate Sustainability Index (ISE). Ms. Sonia Consiglio Favaretto is a journalist who has a postgraduate degree in Business Communication. Over the last 10 years, Ms. Favaretto has focused on the area of Social Responsibility and Sustainability, and in that capacity she was the Superintendent of the BankBoston Foundation, the Superintendent of Sustainability at Banco Itaú Unibanco and the Sector Director of Social Responsibility and Sustainability at FEBRABAN (the Brazilian Federation of Banks).

Exchanges and sustainable investment, August 2009

A report prepared for the World Federation of Exchanges
by Dan Sidy, Delsus Limited



The interactive version of this report is available at: www.world-exchanges.org/sustainability

Designed by Tayburn Kurumsal
www.tayburnkurumsal.com

Introduction

Background

The term "sustainable investment" covers a range of concepts and niche asset classes, from carbon trading and cleantech investment to the use of environmental, social and governance (ESG) information in portfolio construction and voting policies.

Taken as a whole, sustainable investment is a dynamic, expanding and global market worth several trillion dollars. Participants include highly influential pension funds such as CalPERS, ABP and Hermes, and money managers and investment banks ranging from Goldman Sachs to Citi as well as many specialist boutiques.

This market trend is mirrored in many of the world's publicly listed companies and their strategic management of issues such as climate change, clean technology, labour standards and human rights. Companies (and their investors) recognise that factors like these can be essential to innovation, productivity and market growth as well as to risk management and brand value. Policy-makers, legislators, regulators and accounting standards boards are also focusing on sustainability issues in the corporate and investment spheres.

Many exchanges have taken innovative steps to anticipate and respond to these new opportunities. Their initiatives range from measures to improve information efficiency through sustainability indices and disclosure guidance, to specialist listing and trading platforms.

Aims and methodology

The World Federation of Exchanges (WFE) has therefore commissioned this report from Delsus Limited with two goals:

- To help share experience and ideas within the global community of exchanges; and
- To raise awareness amongst market participants, regulators and other external stakeholders.

The report is based on a survey of the WFE's 51 member exchanges that invited them to submit information on relevant initiatives, followed by further desk research into the examples received in response to the survey.

The report is not intended to be a comprehensive and systematic review of *all* sustainable investment initiatives at *all* exchanges. Some information may not be included in this report for reasons of commercial confidentiality, or simply to avoid repetition in the text. Nor does the report try to set a simplistic benchmark against which the "sustainability" of any exchange can be judged, as the business case depends on the specific circumstances of each market, which have widely different characteristics.

Rather, the report aims to provide a representative overview of the types of sustainable investment business strategies that can be observed amongst WFE's members, with a particular emphasis on some of the more notable and innovative examples.

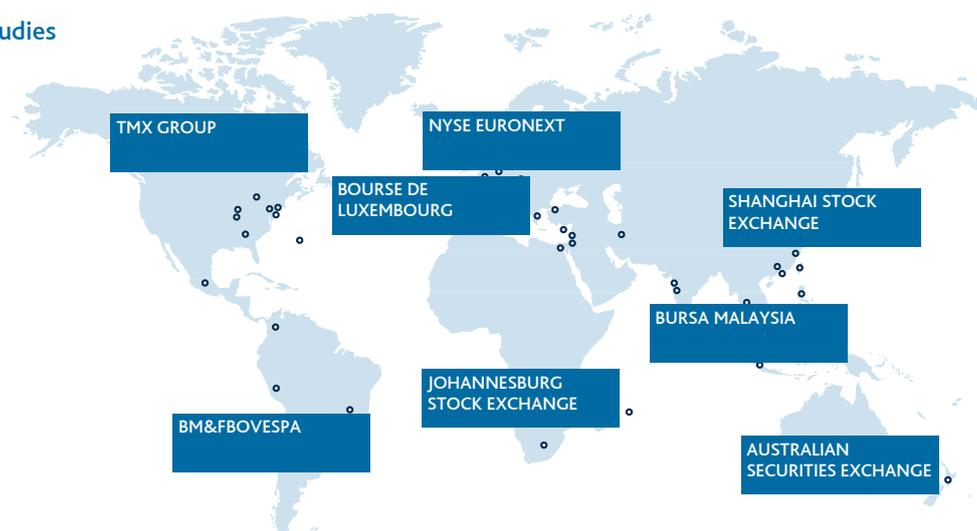
Structure of the report

The first part of this report describes the overall landscape of sustainable investment initiatives in WFE's members, together with discussion on the business drivers for these initiatives.

Annex A presents eight case studies from different geographical regions (*see figure below*) to illustrate the diversity of approaches, as well as some common trends.

Annex B contains information on the various sustainability indices currently provided by members of the WFE.

Figure 1: Case studies



Exchanges and sustainable investment: an overview

Over the last five years or so, social and environmental risks and opportunities (together with corporate governance) have emerged from a long incubation on the fringes of the mainstream investment industry to become commonplace long-term investment themes in the world's capital markets.

For example, according to the US Social Investment Forum, roughly 11 per cent of assets under professional management in the US are now involved in socially responsible investment. Eurosif estimates that socially responsible investment assets represent over 17 per cent of the asset management industry in Europe. Over 170 pension funds and other asset owners – with combined assets under management of around USD 18 trillion - have now signed the UN Principles for Responsible Investment. The pace of change and innovation in the sustainable investment field is particularly noticeable in emerging economies such as Brazil, India, China and South Africa.

A key driver behind these trends is the growing political and economic prominence of climate change, together with market-based incentives for the transition to a lower-carbon future. Labour standards, human rights, product safety, human capital and poverty reduction are also major issues.

The basic hypothesis behind these powerful trends in sustainable investment is that environmental, social and governance (ESG) factors in an economy, sector or company play an increasingly important part in creating or eroding shareholder value. Beyond this business case rationale, many investors and stakeholders also argue a compelling case for treating sustainable development as a straightforward matter of good corporate citizenship and enlightened self-interest.

Participants in the broad sustainable investment market include pension funds and other institutional investors; hedge funds; retail investors; and high net worth individuals and family offices, together with a wide range of advisors, intermediaries, asset managers and other links in the value-chain. In simple terms, their routes into the sustainable investment market can be divided into three main categories:

- "Socially responsible" or "ethical" investment funds that use corporate social responsibility (CSR) as a positive or negative filter in portfolio construction. This is sometimes combined with shareholder activism.
- "Green" investment strategies specialising in companies that provide solutions to sustainable development problems e.g. clean technology, renewable energy, environmental services, healthcare.

- "Mainstream" integration of non-traditional financial factors (including ESG factors) into financial analysis, portfolio construction and share ownership. This is often combined with shareholder engagement.

At the same time, sustainable investment is slowly but surely rising up the agenda of other stakeholders who play a key role in shaping the investment climate: legislators, policy-makers, regulators, multilateral agencies, and the professional bodies that set accounting and auditing standards.

All of this translates into some important strategic and commercial questions for exchanges:

- How can an exchange help ensure that the market efficiently meets the new ESG-related information needs of investors, analysts and companies?
- Can ESG issues contribute to the badge of quality, integrity and transparency conferred on companies by listing on the Exchange and to the overall profile of individual markets?
- Can the exchange help to raise corporate awareness and management practices among listed companies?
- Can the exchange add value by introducing investors and issuers to one another on theme of sustainability excellence?
- Can the exchange create new listing and trading products geared to specific sustainable investment niches?
- How can exchanges help to shape the way that regulatory conditions and reforms facilitate ESG transparency and sustainable investment flows?

The relevance of these questions to individual exchanges - and the decisions they take - clearly depends on each exchange's specific business characteristics. In general, however, the sustainable investment strategies currently in evidence among WFE's 51 members fall into three broad categories:

- Raising ESG awareness and standards among listed companies;
- Information products and services for sustainable investors; and
- Specialised markets for specific sustainable investment niches.

Raising ESG awareness and standards among listed companies

Several exchanges – many of them in emerging markets – have taken initiatives in recent years that are designed to raise issuing companies' awareness and/or to promote or require better transparency and disclosure on ESG-related performance and risk factors.

In Malaysia and Thailand, for example, the emphasis has been on promoting corporate social responsibility (CSR) concepts, including publication of annual CSR/sustainability reports on (initially at least) a voluntary basis.

Bursa Malaysia (see case study on page 38) began by publishing CSR guidance for companies in September 2006, followed by sponsorship of prestigious annual awards for CSR reporting in conjunction with partners such as the Malaysian Institute of Management. At the same time, Bursa Malaysia has closely monitored and evaluated the quality of CSR reporting in Malaysia, publishing a detailed report on companies' progress in April 2008.

The Exchange also worked closely with Malaysia's regulators and policy-makers to begin a carefully paced transition to mandatory CSR reporting by listed companies: Malaysian companies are now required to include in their Annual Reports a description of their CSR activities and practices or, if there are none, a statement to this effect. This requirement is also incorporated into Bursa Malaysia's listing rules. The format and content of this disclosure are not prescriptive, although the trajectory set by Bursa Malaysia since 2006 suggests that, over time and as companies gain experience, there could be closer alignment with the international ESG reporting standards set by the Global Reporting Initiative (GRI).

The **Stock Exchange of Thailand (SET)** has taken a slightly different approach to raising CSR awareness and standards. In 2007, SET established a Corporate Social Responsibility Institute (CSRI) to encourage the business sector to be more involved with society and the environment and to promote concepts and practices relating to CSR. SET also conducts the annual CSR Awards to recognize listed companies that demonstrate exceptional contributions to society. Substantive measures have also been undertaken to raise corporate governance standards.

China's stock exchanges have followed a similar path of CSR awareness raising and encouraging companies to publish annual CSR reports. The **Shenzen Stock Exchange** issued CSR guidance for listed companies in early 2006 and has followed this with training programs, whilst the **Shanghai Stock Exchange** (see case study on page 47) introduced equivalent measures in May 2008 in the form of the 'Shanghai CSR Notice' and the 'Shanghai Environmental Disclosure Guidelines'.

The measures taken by both the Shanghai and Shenzen Stock Exchanges sit within a wider framework of government policy to harness the capital markets to foster environmentally and socially sustainable private sector development. This includes the "Green Securities" policy, launched by the Ministry of Environmental Protection (MEP) in February 2008 in partnership with the China Securities Regulatory Commission (CSRC). The policy aims to make it harder for polluters to raise capital by requiring companies listed on the stock exchange to disclose more information about their environmental record.

The "Green Securities" policy was enhanced by the issuance of the "Green IPO" policy in June 2008. This requires enterprises in *liang gao*¹ industries to undergo an environmental assessment by the MEP before initiating an IPO or obtaining refinancing from banks. During a 10-day pre-IPO evaluation period, MEP conducts its own assessment and calls for the public's opinion through a national hotline. If MEP approves the company, it then issues a permit to let the IPO proceed. As of September 2008, this process was responsible for the rejection or further review of IPOs from 20 out of 38 companies reviewed since the policy was implemented in February 2008.

Many exchanges are involved in providing various types of sustainability indices and these are discussed in the following section. However, it is relevant to note here that in several cases - particularly **BM&FBOVESPA and the Johannesburg Stock Exchange** (see case studies on pages 31 and 40) - raising corporate sustainability standards among listed companies has been central to the business rationale and project design. This is reflected in a strong emphasis on stakeholder consultation, industry outreach, strategic partnerships with business schools and other capacity-building organizations, and making index components and weightings publicly available.

¹ The *Liang Gao* framework refers to a group of 14 industries that MEP has identified as being particularly energy-intensive, polluting and excessive in production capacity. These industries include thermal power; steel and iron; cement; aluminum; coal; metallurgy; building materials; mining; chemicals; oil; pharmaceuticals; light industry; textiles; and leather.

In developed markets, the Corporate Governance Council of the **Australian Securities Exchange (ASX)** (see case study on page 27) has taken an important step by referencing sustainability-related issues in the August 2007 revision to its *Corporate Governance Principles and Recommendations*. ASX listing rules require listed companies to disclose the extent to which they have followed the Recommendations and, if a Recommendation has not been followed, the reasons for not following the Recommendation. Disclosure is on an "if not, why" basis.

The Revised Principles include the recommendation under Principle 7.1 that "*companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies*". What is notable in the sustainable investment context is that the commentary goes on to add that "*...these risks may include but are not limited to: operational, **environmental**, **sustainability**, compliance, strategic, **ethical conduct**, reputation or brand, technological, product or service quality, **human capital**, financial reporting and market-related risks*" (emphasis added). The Revised Principles also emphasise the importance of involving internal and external stakeholders – including the broader community – in the development of risk management policies.

The June 2008 edition of the ASX's annual review of companies' compliance with its corporate governance standards included a particular focus on adherence to the new Principle 7 in 2007 annual reports. 85% of listed companies indicated adoption of Recommendation 7.1 but did not then disclose descriptions of the policies they were adopting. The review found that approximately 15% of entities reported on a wider range of risks. Of the entities that reported on a wider range of risks, the risks most commonly reported on were: compliance (70%), financial reporting (65%), operational (64%), and environmental (54%). Other types of risks reported on were; people, strategic, sustainability, strategic, ethical conduct, reputation/brand, technological, product/service quality, human capital and other including occupational health & safety and legal.

ASX's approach is similar to that of the **Taiwan Stock Exchange (TWSE)**. In 2006, the TWSE revised its Corporate Governance Best-Practice Principles for Listed Companies (CG Best-Practice) to recommend that listed companies should set up environmental protection or other committees (such as CSR Committees) and have them stipulated in their articles of incorporation. Furthermore, since 2008, TWSE's regulator has required all listed companies to include CSR reporting in the corporate governance statement of the annual report and prospectus, including the information on the company's CSR system, measures adopted and performance.

To raise ESG awareness and standards among listed companies, the TWSE is working closely with the Gre-Tai Securities Market, Taiwan Business Council for Sustainable Development and the Taiwan CSR Institute to draft CSR guidance for companies. The final draft was submitted to TWSE's regulator in May 2009 for approval.

The **National Stock Exchange of India (NSE)** provides yet another example of the innovative measures that exchanges can take to raise the ESG awareness of listed companies and help them to improve ESG disclosure and investor relations. In the NSE's case, the strategy also includes the goals of educating local investors and promoting the Indian market to international investors with an interest in ESG issues. In September 2009, NSE will host a capital market markets forum in Mumbai on the theme of "Responsible Investment in India" in association with the UN PRI, the International Finance Corporation (IFC), TERI-Europe and Delsus Limited.

NSE's invitation-only event is aimed at foreign institutional investors, CEOs of India's leading businesses and senior representatives from Indian pension funds, asset managers and banks. Confirmed international speakers include the TIAA-CREF, PGGM, APG, Robeco and the Office of the Comptroller, City of New York. The event is intended to provide two-way benefits by helping Indian companies to get a better understanding of the ESG agenda of foreign institutional investors, and helping foreign institutional investors to get a better understanding of the ESG issues and investment opportunities in India.

Information products and services for sustainable investors

Table 1 (see page 23), lists the full range of sustainability-related investment indices provided by WFE members, either directly or through subsidiaries. More detailed information is provided in Annex A. New product launches have increased significantly since 2007, as has the number of exchanges entering this field for the first time.

The early pioneers and current main players are the **London Stock Exchange Group** (via its 50 per cent ownership of FTSE), **NASDAQ OMX** and **NYSE Euronext** (see case study on page 43). The majority of new entrants are from developing markets such as South Africa, Brazil, Korea, Indonesia and India.

The very latest additions are the Shanghai Stock Exchange's Social Responsibility Index (launched in August 2009) and an ESG Index being developed by the Egyptian Exchange in association with the Egyptian Institute of Directors and Standard & Poor's (scheduled for launch in early 2010).

In general terms, developed market exchanges are focusing primarily on investable indices which can be licensed to tracker funds or customised to client's specific requirements, whilst the agenda in emerging markets has usually begun with profile raising, investor confidence and changing corporate behaviour.

Until recently, all of these indices have tended to fall into one of two main categories:

- Broad-based indices of stocks from all industry sectors, using extensive ESG criteria and scoring systems to select companies that are "leaders" in social and environmental responsibility. Examples include the FTSE4Good series, the **BM&FBOVESPA** Corporate Sustainability Index (ISE), the **Johannesburg Stock Exchange** Socially Responsible Investment Index, the **NASDAQ OMX GES** Sustainability Nordic Index, and the **Wiener Börse** VÖNIX Sustainability Index.

- Sector-specific indices focusing specifically on companies that provide solutions to sustainability challenges, particularly in relation to clean technology, sustainable energy and environmental services. These are frequently linked to exchange-traded funds (ETFs).

Examples of the latter type of index product include FTSE's Environmental Technology Index series, **Deutsche Börse's** DAXglobal Alternative Energy Index, the **NASDAQ OMX** Clean Edge Global Wind Energy Index, and the **NYSE Arca** Cleantech Index. In addition, the **International Securities Exchange (ISE)** offers three proprietary cleantech indexes: the ISE Water Index, the ISE-CCM Green Energy Index and the ISE Global Wind Energy Index. ETFs based on the water index and the wind energy index are listed on NYSE Arca through a partnership between ISE and First Trust.

In the last year, **NYSE Euronext** has launched a third variation: a broad-based (non-sector specific) index oriented around a single ESG issue, in this case climate change. The NYSE Euronext Low Carbon 100 Europe® Index is an index weighted by free-float market capitalization designed to measure the performance of the 100 largest European companies having the lowest carbon (CO₂) intensity in their respective sectors or homogeneous sub-sectors.

Indices are by no means the only sustainability-related information product that can be provided by exchanges. An interesting example is provided by the **Luxembourg Stock Exchange (LuxSE)**, which has become a leading listing venue for microfinance investment vehicles (MIVs). A key LuxSE initiative to strengthen this market is the Luxembourg Fund Labelling Agency (LuxFLAG), an independent non-profit association created in 2006 by LuxSE and six other founding Charter Members including ALFI, the European Investment Fund, the Ministry of Foreign Affairs and the Ministry of Finance. The Agency aims to promote the raising of capital for microfinance by awarding a recognisable label to eligible MIVs. Its objective is to reassure investors that the MIV actually invests, directly or indirectly, in the microfinance sector.

Number of sustainability indices offered directly or indirectly by WFE member exchanges

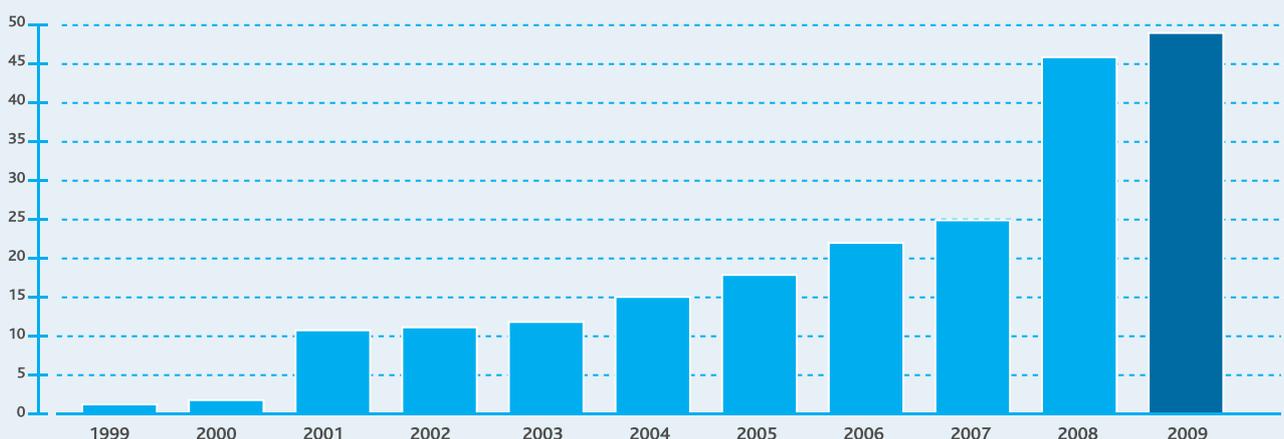


Table 1: Sustainability indices offered by WFE member exchanges

Exchange	Index	Launch year
BME	FTSE4Good IBEX Index	2008
BM&FBOVESPA	Corporate Sustainability Index (ISE)	2005
Deutsche Börse	DAXglobal® Alternative Energy Index	2006
	DAXglobal® Sarasin Sustainability Germany Index	2007
	DAXglobal® Sarasin Sustainability Switzerland Index	2007
The Egyptian Exchange	ESG index in development with S&P	2010 ^(a)
Indonesia Stock Exchange	SRI-KEHATI Index	2009
International Securities Exchange	ISE Water Index	2000
	ISE-CCM Green Energy Index	2001
	ISE Global Wind Energy Index	2005
Johannesburg Stock Exchange	JSE Socially Responsible Investment (SRI) Index	2004
Korea Exchange	Korean SRI Index (in development)	2009 ^(b)
London Stock Exchange Group (via joint ownership of FTSE)	FTSE4Good Global Index	2001
	FTSE4Good US Index	2001
	FTSE4Good Europe Index	2001
	FTSE4Good UK Index	2001
	FTSE4Good Global Index 100	2001
	FTSE4Good US 100 Index	2001
	FTSE4Good Europe 50 Index	2001
	FTSE4 Good UK 50 Index	2001
	FTSE4Good Japan Index	2004
	FTSE4Good Environmental Leaders Europe 40 Index	2007
	FTSE4Good Australia 30 Index	2008
	FTSE4Good IBEX Index	2008
	FTSE KLD Global Sustainability (GSI) Index Series	2008
	FTSE KLD Global Climate 100 Index	2008
	FTSE Environmental Technology Index Series	2008
The FTSE Environmental Opportunities Index Series	2008	
NASDAQ OMX	NASDAQ Clean Edge US Index	2006
	NASDAQ OMX Clean Edge Global Wind Energy Index	2008
	Wilder NASDAQ OMX Global Energy Efficient Transport Index	2008
	OMX GES Sustainability Nordic Index	2008
	OMX GES Ethical Nordic Index	2008
	OMX GES Ethical Denmark Index	2008
	OMX GES Ethical Finland Index	2008
	OMX GES Ethical Norway Index	2008
	OMX GES Ethical Sweden Index	2008
	OMX GES OMXS30 Ethical Index	2008
	OMX GES Sustainability Sweden Ethical Index	2008
OMX GES Sustainability Sweden Index	2008	
National Stock Exchange of India	S&P ESG India Index	2008
NYSE Euronext	NYSE Arca Cleantech Index	1999
	NYSE Arca Environmental Services Index	2003
	NYSE Arca WilderHill Clean Energy Index	2004
	NYSE Arca WilderHill Progressive Energy Index	2006
	Euronext FAS IAS Index	2006
	Low Carbon 100 Europe Index	2008
Shanghai Stock Exchange	SSE Social Responsibility Index	2009
Tel-Aviv Stock Exchange	Maala SRI (Socially Responsible Investing) Index	2005
Wiener Börse	VÖNIX Sustainability Index	2008
	CEE Responsible Investment Universe Index (CEERIUS®)	2009

^(a) Launch planned for Q1 2010^(b) Launch planned for Q3 2009

Specialised markets for specific sustainable investment niches

Carbon trading

Several WFE members are active in servicing national and international carbon trading markets:

- The **Montréal Exchange**, part of the **TMX Group**, created the Montréal Climate Exchange (MCeX) in 2006 as a joint venture with the Chicago Climate Exchange. MCeX officially launched trading in May 2008, two months after the Government of Canada published the final version of its Regulatory Framework for Industrial Greenhouse Gas Emissions. MCeX provides a trading platform for futures contracts based on carbon emission reduction credits, enabling companies that have a 'carbon cap' to manage their emissions risk at lowest cost.
- The **Australian Securities Exchange (ASX)** is at an advanced stage of readiness to introduce futures and options products based on greenhouse gas emission permits and emission reduction credits, pending the introduction of planned legislation to implement the Australian government's Carbon Pollution Reduction Scheme.
- **NYSE Euronext** has a 60 per stake in Paris-based BlueNext, whose stated aim is to be the world's largest exchange for carbon and other environment-related products. BlueNext's current products include both spot and futures markets for Certified Emission Reduction (CER) credits under the Kyoto Protocol's Clean Development Mechanism and European Union Allowances (EUAs) under the European Emissions Trading Scheme (ETS).
- **NASDAQ OMX Commodities** and Nord Pool ASA together constitute Europe's leading commodity exchange for power and global emission products, including spot and physical forward contracts for both EUAs and CERs. NASDAQ OMX Commodities also operates the clearing business and offers consulting services to commodity markets globally. More than 50 per cent of the energy consumption in the Nordic countries is based on renewable energy resources.
- **Deutsche Börse** and **SIX Swiss Exchange** jointly operate Eurex, one of the world's leading derivative exchanges. In partnership with the European Energy Exchange (EEX), Eurex offers trading and OTC clearing in EUA futures, CER futures and options on EUA futures. In 2009, Eurex expanded its product range with the addition of weather

derivatives. Eurex is also the parent company of the International Securities Exchange (ISE), which offers three cleantech indices with their associated ETFs and index options products.

- In Brazil, **BM&FBOVESPA** has created a Carbon Market comprising a Carbon Facility (which hosts the registration of carbon emission reduction projects validated under the Clean Development Mechanism (CDM) and a Carbon Credit Auction System. The Exchange is currently examining the feasibility of organising an OTC market for CERs.
- The **Buenos Aires Stock Exchange (BBA)** has launched a Carbon Market to promote the development of CDM projects in Argentina. This includes education programs, corporate carbon trading simulations and building relationships between project developers and international investors.

Cleantech investment

Cleantech investing has enjoyed remarkable growth in recent years as investors have aligned themselves with the way that consumers, businesses and governments are responding to issues such as climate change and energy security. The European Union's ten largest such funds had more than EUR 10.8 billion of assets under management in late 2008, while dollars invested by US venture capitalists into the cleantech sector during 2008 grew by 52% to USD 4.1 billion, despite the credit crunch and associated economic downturn.

A number of WFE members – most notably the **London Stock Exchange Group** (through AIM), **NYSE Euronext**, **NASDAQ OMX** and the **TMX Group** – have positioned themselves to capitalise on this fast-growing market. Strategies include:

- Sponsoring and attending cleantech conferences and trade fairs
- Cleantech investor days
- Marketing to attract cleantech IPOs
- Cleantech indices (*see table 1 on page 23*)
- Cleantech ETFs (*see table 2 on page 25*)

Table 2: Examples of recent cleantech ETFs

Exchange Traded Fund	Exchange	Launch year
First Trust NASDAQ Clean Edge Green Energy Index Fund	NASDAQ	2007
PowerShares Global Wind Energy	NASDAQ	2008
Airshares EU Carbon Allowances Fund	NYSE Arca	2008
Claymore S&P Global Water Index ETF	NYSE Arca	2008
Claymore/MAC Global Solar Energy Index ETF	NYSE Arca	2008
First Trust ISE Water Index Fund	NYSE Arca	2007
First Trust ISE Global Wind Energy ETF	NYSE Arca	2008
iShares KLD 400 Social Index Fund	NYSE Arca	2008
iShares KLD Select Social Index Fund	NYSE Arca	2005
Market Vectors Environmental Services Index Fund	NYSE Arca	2008
PowerShares Global Clean Energy	NYSE Arca Euronext Paris	2008
PowerShares Global Water Portfolio	NYSE Arca	2008
PowerShares WilderHill Clean Energy Portfolio	NYSE Arca	2008
PowerShares WilderHill Progressive Energy Portfolio	NYSE Arca	2008
EasyETF Low Carbon 100 Europe	Euronext Paris	2008
ETFs DAXglobal Alternative Energy Fund	Euronext Amsterdam London Stock Exchange	2008
iShares S&P Global Clean Energy Index Fund	NASDAQ Euronext Amsterdam	2008
Lyxor ETF New Energy	Euronext Paris	2007
Lyxor World Water	Euronext Paris	2007
EasyETF FTSE ET50 Environment	Euronext Paris	2008
EasyETF Water	Euronext Paris	2008

New innovations in public/private mechanisms for development aid

In addition to establishing itself as a global hub for microfinance investment, the **Luxembourg Stock Exchange's** involvement in the International Finance Facility for Immunisation (IFFIm) provides another example of alternative opportunities in the intersection between finance and development.

IFFIm was established in 2006 to accelerate the availability of funds to be used for health and immunisation programmes in 70 of the poorest countries around the world. It works by issuing bonds and using the proceeds to "frontload" aid funding. This innovative funding programme is thus able to increase significantly the flow of aid to ensure reliable and predictable funding flows for immunisation programmes and health system development. An anticipated IFFIm

investment of USD 4 billion is expected to protect more than 500 million children through immunisation campaigns against measles, tetanus, and yellow fever by 2015.

IFFIm's USD 1 billion inaugural bond issue was admitted to trading on LuxSE in November 2006. The bonds were priced comparably to other sovereign/supranational issuers and were bought by a broad range of investors – both geographically and by investor type – including several central banks, pension funds, fund managers, and insurance companies. This first tranche of the IFFIm programme was a landmark not only in the history of multilateral development aid, but also by the active role played by the international capital markets. A second tranche of IFFIm bonds was admitted to trading on LuxSE in March 2008. This USD 223 million-equivalent South African rand denominated issue was structured for Japanese investors.

Annex A

Case studies

Australian Securities Exchange



Domestic market cap (Feb 2009):	USD 567.5 billion
Value of share trading in 2008:	USD 1,258.8 billion
Number of listed companies:	2 003
Web address:	www.asx.com.au

Sustainability risks integrated into corporate governance principles

ASX Listing Rule 4.10.3 requires entities to disclose in the corporate governance statement of the annual report the extent to which the company has followed the Recommendations set by the ASX Corporate Governance Council during the reporting period and, if a Recommendation has not been followed, the reasons for not following the Recommendation. Disclosure is on an "if not, why" basis.

The Recommendations referred to in Listing Rule 4.10.3 were first issued in March 2003. Following a 12-month review and extensive public consultation, the ASX Corporate Governance Council released the revised *Corporate Governance Principles and Recommendations* (Revised Principles) in August 2007. Amongst the key changes, Principle 7 in the Revised Principles was restructured to recommend that:

- Entities should establish policies on risk management or summaries, and disclose these policies.
- Board should require management to design and implement a risk management and internal control system to manage their material business risks and report on whether they are being managed effectively. The board should disclose that management has reported on this issue.
- Boards should disclose that the "CEO/CFO sign-off" mandated in section 295A of the Corporations Act is founded on a sound system of risk management that is operating effectively in all material respects in relation to material business risks.

Importantly, environmental and sustainability risks are amongst the range of non-traditional risk factors that are recommended for consideration (*see box on the next column*).



ASX Corporate Governance Principles and Recommendations (second edition)

Principle 7: Recognise and manage risk

Principle 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Commentary

Each company will need to determine the material business risks it faces. When establishing and implementing its approach to risk management, a company should consider all material business risks. These risks may include but are not limited to: operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks...

...When developing risk management policies the company should take into account its legal obligations. A company should also consider the reasonable expectations of its stakeholders. Stakeholders can include: shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the company operates.

Failure to consider the reasonable expectations of stakeholders can threaten a company's reputation and the success of its business operations. Effective risk management involves considering factors which bear upon the company's continued good standing with its stakeholders.

The Revised Principles also emphasise the importance of involving internal and external stakeholders – including the broader community – in the development of risk management policies.

The June 2008 edition of the ASX’s annual review of companies’ compliance with its corporate governance standards included a particular focus on adherence to the new Principle 7 in 2007 annual reports.

85% of listed companies indicated adoption of Recommendation 7.1 but did not then disclose descriptions of the policies they were adopting. The review found that approximately 15% of entities reported on a wider range of risks. Of the entities that reported on a wider range of risks, the risks most commonly reported on were: compliance (70%), financial reporting (65%), operational (64%), and environmental (54%). Other types of risks reported on were; people, strategic, sustainability, strategic, ethical conduct, reputation/brand, technological, product/service quality, human capital and other including occupational health & safety and legal.

The decision to explicitly mention sustainability issues in Principle 7 reflects the increasing profile of sustainability issues in Australia’s investment market, and a corresponding need for improved access to information:

- Australian investors who integrate ESG considerations and corporate engagement into their mainstream investment processes had total assets under management of AUD 57 billion (USD 37 billion/EUR 29 billion) at the end of FY08, according to the Responsible Investment Association of Australasia (RIAA).
- Managed investment portfolios that are specifically tailored and screened to reflect environmental, social and/or ethical factors stood at AUD 15.73 billion (USD 11.58 billion/EUR 8.95 billion).

- In March 2004, the Australian Securities and Investments Commission (ASIC) introduced a mandatory requirement that all products with an investment component include disclosure of “the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention and realisation of the investment”.

- 68 Australian asset owners and fund managers have signed the UN Principles for Responsible Investment. Their combined assets amount to AUD 398 billion (USD 260 billion/EUR 200 billion), or more than half of all funds under management in Australia.

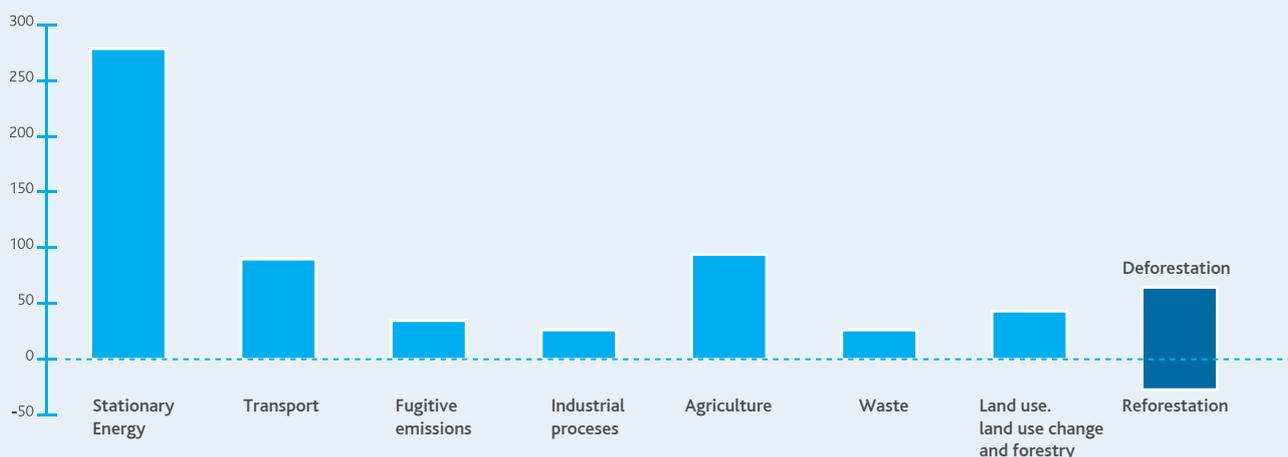
- Investors in Australian companies have access to a dozen sustainable investment indices, ranging from the FTSE4Good Australia 30 Index to the Goldman Sachs JBWere Climate Leadership Index. Nearly 30 major institutional investors in Australia were signatories to the international Carbon Disclosure Project (CDP) survey in 2008, illustrating the pressure that both local and international investors now are placing on Australian companies to improve their disclosure of carbon liabilities and management practices. 72 of the ASX 100 companies answered the CDP questionnaire in 2008, an increase of 26% over 2007.

- Another collaboration of investment managers in this field is the Investor Group on Climate Change Australia/New Zealand (IGCC). According to the IGCC, its 26 Australian members speak for AUD 496 billion (USD 324 billion/EUR 250 billion) in funds under management, making it an influential group on the local sustainability scene.

New markets: carbon trading

As well as requiring new forms of corporate reporting and disclosure, environmental issues such as climate change open up new opportunities for Australian companies and investors. The ASX has been proactive in this area too.

Australian’s national emissions profile in 2006



In 2006, Australia's net greenhouse gas emissions using the Kyoto accounting provisions were 576 million tonnes of carbon dioxide equivalent (CO₂-e).

The bulk of Australia's emissions come from stationary energy (predominately electricity generation but also fuels consumed in the manufacturing, construction and commercial sectors), transport and agriculture.

Following extensive studies and consultations, the Australian government released a Green Paper in July 2008 detailing proposals for a Carbon Pollution Reduction Scheme (CPRS) to reduce the country's contribution to climate change by imposing a "cap and trade" system on greenhouse gas emissions. The ASX has been closely involved in this process along with other key actors such as the Australian Financial Markets Association (AFMA). The scheme is scheduled for launch in 2010.

The government has committed to reduce Australia's carbon pollution by 60% from 2000 levels by 2050, and has set a medium-range target for emissions reductions of between 5% and 15% below 2000 levels by 2020. These targets will be translated into firm caps and emission permits for five years in Q1 2010, in order to factor in the outcome of international negotiations on the post-Kyoto period due to take place at Copenhagen in late 2009. The scheme will cover the stationary energy, transport, fugitive emissions, industrial processes and waste sectors. In general, the emissions threshold for direct obligation under the CPRS would apply to all entities and facilities that have direct emissions of 25,000 tonnes of CO₂-e a year or more. Agriculture may be phased in by 2015.

No less than 70% of permits (including some future date-stamped permits) are to be auctioned. The first auction will take place in early 2010, prior to the start of the scheme, and subsequent auctions will

be held quarterly. The advance auction of future-year vintages would occur once a year. Over the long term, the government intends to move to 100% auctioning.

Of the estimated 1,000 firms with compliance obligations under the CPRS, the 50 largest compliance buyers (accounting for 80% of total carbon pollution) will be active users of forward markets. These buyers include the 21 generators in the National Electricity Market (NEM) who, along with other large compliance buyers and the financial trading community supporting them, are already *au fait* with trading OTC and futures markets for related energy markets (such as electricity) to manage their price and counter-party risks.

Given that all of the participants in Australia's financial markets (including almost every compliance buyer under the forthcoming scheme) are existing users of its infrastructure, the ASX anticipates that its futures and options markets for carbon pollution permits will emerge much faster and quickly become significantly larger than those for electricity.

Early trades have already commenced in the OTC market prior to the finalisation of the scheme's design, commencement date and trajectory. Significantly, these early trades have established a starting point for factoring carbon into critical investment decisions and forward trading in carbon intensive sectors such as electricity. Unsurprisingly, most participants in these early trades have a requirement to 'pass through' their forthcoming carbon exposure to customers and/or hedge their renewable energy portfolio. Liquidity in the forward markets will continue to grow as the details regarding the scheme design and start date become more certain.

Australia is well serviced by OTC and exchange-based market infrastructure. The Australian Financial Markets Association (AFMA), which has been instrumental in developing markets to support



Australia's existing emissions and renewable energy trading schemes, will be the primary conduit for standardising the documentation required, most likely under the auspices of an International Swaps and Derivatives Association (ISDA) Master Agreement.

With respect to futures and exchange-based spot markets, the ASX as well as no fewer than three start-up market providers have signalled their intention to develop futures markets.

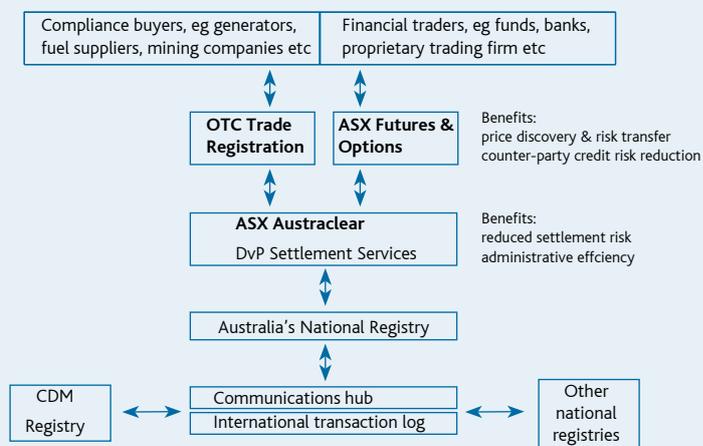
Experience shows that liquidity will quickly gravitate to the exchange providing the best value proposition.

The ASX will support and service the CPRS through the introduction of a new environmental product suite delivered via its existing contemporary trading, clearing, and settlement infrastructure.

Key to the success of Australia's CPRS will be the introduction of a futures market for carbon pollution permits and any fungible carbon-related products. A futures market will generate the short and long-term price signals and risk mitigation required to underpin investment certainty. ASX anticipates that it will be able to introduce a futures market for carbon pollution permits and fungible credits prior to the scheduled commencement of Australia's CPRS in 2010.

ASX is in an advanced stage of finalising its product specifications and will announce launch dates for its Australian Emissions Unit (AEU) and Certified Emission Reduction (CER) futures and options products pending the introduction of relevant legislation supporting the CPRS. These products will complement ASX's Renewable Energy Certificate (REC), Electricity, Natural gas and Thermal coal futures and options.

Emissions trading at ASX



FURTHER INFORMATION

ASX and Corporate Governance:

www.asx.com.au/about/corporate_governance

Corporate Governance Principles and Recommendations (ASX Corporate Governance Council, August 2007)

Revised Supplementary Guidance to Principle 7 (ASX Corporate Governance Council, June 2008)

Analysis of Corporate Governance Disclosures in 2007 Annual Reports (ASX, June 2008)

ASX and Emissions Trading:

www.asx.com.au/products/emissions_trading

Sustainable and Responsible Investment in Australia:

Responsible Investment Association Australasia

www.responsibleinvestment.org

BM&FBOVESPA

Domestic market cap (Feb 2009):	USD 595.9 billion
Value of share trading in 2008:	USD 750.3 billion
Number of listed companies:	389
Web address:	www.bmfBOVESPA.com.br



Overview

The São Paulo stock exchange, BOVESPA (now BM&FBOVESPA) has played a proactive and highly influential role in raising ESG standards in the Brazilian market for nearly a decade.

This report focuses on initiatives related to the environmental and social aspects of investment, as corporate governance-related initiatives are a more mature field that is already well documented. However, BM&FBOVESPA's recent initiatives on environmental and social issues cannot be discussed in context without first mentioning the exchange's earlier leadership on corporate governance. In 2001, BOVESPA launched special listing segments based on differentiated levels of corporate governance, including the internationally acclaimed Novo Mercado. Today, companies in these higher corporate governance tiers make up about 66% of the exchange's domestic market capitalisation, and the Novo Mercado is now the usual choice for IPOs.

Brazilian fund managers, institutional investors and middle-class savers have been early converts to the business case for considering environment and social considerations as well as corporate governance in their investment strategies. Brazil's first 'socially responsible' retail mutual fund (Banco Real's Fundo Ethical) was launched in same year as the Novo Mercado. By December 2008, nine other asset managers had entered this niche market with their own ESG-screened funds.

On the institutional front, the emphasis is on integrating ESG issues and shareholder engagement into the mainstream investment process. This is partly due to the leadership of PREVI, which at USD 55 billion is the country's largest pension fund. PREVI and 17 other Brazilian pension funds are signatories to the UN Principles for Responsible Investment: their combined assets amount to USD 110 billion, about 60% of the country's total pension fund corpus.

Working closely with the Brazilian Association of Pension Funds (ABRAPP) and the National Association of Investment Banks (ANBID), asset managers and institutional investors in Brazil are successfully improving corporate ESG disclosure through the local implementation of international programs such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP). They also now beginning to collaborate on shareholder engagement campaigns on issues such as slave labour in the iron and steel industry's supply chain.

Corporate Sustainability Index (ISE)

BM&FBOVESPA has been an active participant in this national movement towards sustainable investment. It has anticipated and responded to the new information needs of investors, and has also helped to raise awareness and standards in the capital markets and the corporate community.

The index was launched in December 2005 at a major international conference on the theme of emerging market sustainable investment. At the time, it was only the second emerging market sustainability index in the world (the first being JSE's SRI Index). It is still the only index of its kind in Latin America, and has played an important role in stimulating the development of other emerging market sustainability indices in India, the Middle East, Africa and elsewhere.

The ISE measures the total return on a theoretical portfolio of up to 40 stocks issued by companies that demonstrate a high level of commitment to corporate sustainability and social responsibility. The portfolio is constructed from BM&FBOVESPA's most actively traded securities in terms of liquidity, weighted according to the outstanding shares' market value. The ISE index is re-balanced annually in December.

BM&FBOVESPA is responsible for index calculation, technical management and dissemination. CES-FGV undertakes the collection and analysis of the necessary corporate sustainability data. The ISE is presided over by an independent board (*see box on the next column*), which is responsible for approving any changes to the index's rules and sustainability methodology, and for signing off on companies' admission to (or exclusion from) the index.



ISE Advisory Board members:

- Brazilian Association of Pension Funds (ABRAPP)
- National Association of Investment Banks (ANBID)
- Association of Capital Markets Analysts and Investment Professionals (APIMEC)
- BM&FBOVESPA
- Brazilian Institute of Corporate Governance (IBGC)
- International Finance Corporation (IFC)
- Ethos Institute of Social Responsibility
- Brazilian Ministry of the Environment
- United Nations Environment Programme (UNEPFI)

Sustainability criteria and methodology

Sustainability data for the ISE are collected by means of a detailed questionnaire sent by CES-FGV each year to up to 150 of Brazil's largest and most traded publicly quoted companies. The criteria are based on environmental, social and economic factors divided into four categories:

- policies (commitment indicators);
- management (program, target and monitoring indicators);
- performance; and
- legal compliance.

ISE performance, Dec 2005-08 (%)

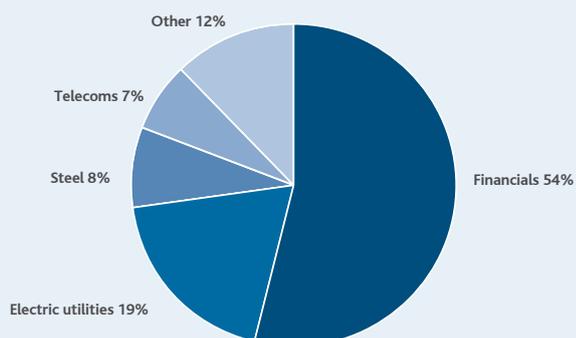


CES-FGV carries out cluster analysis of the dataset to identify groups of companies with similar performance and to select a group with better general performance. Subject to the approval of the ISE Board, the companies included in the latter group are admitted to the ISE portfolio.

The ISE's methodology does not use an exclusion list of "sin sectors" such as defence, tobacco, alcohol, nuclear power or gambling.

In ISE's first year of operation, companies were not required to present documents to prove their sustainability policies. In the second year, verification began to be carried out only after disclosure of the portfolio. Only companies that provided proof of their practices were selected for the ISE in the latest re-balancing.

Industry breakdown of ISE

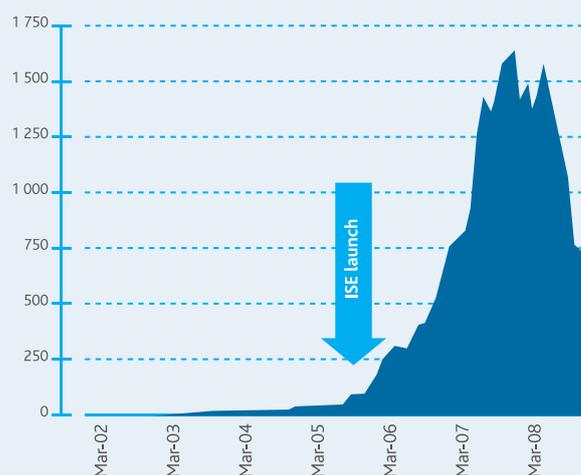


Composition and performance

Over the three years since its launch, the performance of the ISE has closely matched that of Brazil's main benchmark index, the IBOVESPA. Both indices made very strong gains in 2007 (partly as a result of several large IPOs) but fell by around 40 per cent over the last six months of 2008 due to the global economic crisis.

The current ISE portfolio is heavily skewed towards financials, utilities and steel.

Retail SRI funds - AUM growth trends



Corporate buy-in

The ISE appears to have been accepted and welcomed by Brazil's publicly quoted companies. The majority of companies admitted to the ISE make extensive use of the fact (and the ISE logo) in their websites, annual reports, sustainability reports, press releases and other external communications.

Numerous references to the ISE and companies' inclusion in the index can also be found at Bloomberg and PR Newswire, as well as in the Brazilian media. Many ISE companies use the ISE's logo and branding in a proactive way in their regulatory reporting as well as in their public and investor relations.

Use by investors

The ISE has been well received by Brazilian investors and has led directly to a substantial increase in the number and size of SRI mutual funds available in Brazil. The ISE is also currently one of the main tools used by PREVI and other pension funds that are seeking to implement the PRI across their listed equity portfolios.

Research into an ISE 'premium'

Even though the ISE is a relatively young index, there is already a small but growing body of academic research into the possibility that stocks admitted to the ISE trade at a premium as a result of their superior sustainability (i.e. environmental, social and governance) performance.

Professor José Luiz Rossi Júnior has used the ISE to assess whether corporate social responsibility has an impact on the value of Brazilian firms¹. Prof Rossi analyzed data from 2005 to 2007 on a sample of non-financial Brazilian companies to assess whether corporate social responsibility (measured using ISE inclusion as a proxy) has an impact on firm value. He showed that companies included in the ISE have a higher market value compared to other publicly traded companies, implying (but not proving) that sustainability is the causal factor for this premium.

Bogéa et al conducted an event study to detect unusual changes in the share price of ISE stocks following the annual announcement of index constituents in 2005, 2007 and 2007². They found no statistically significant evidence of positive abnormal returns following the announcement of companies being included in the ISE. On the other hand, there was also no evidence of negative abnormal returns. The lack of significant results from this research on the ISE have also been found in previous work on international indices such as FTSE4Good, and does not necessarily mean an absence of a relationship between good sustainability practices and the creation of shareholder value.

For context, it is relevant to note a number of studies on equivalent questions related to the more mainstream and longer-established subject of corporate governance in Brazil.

A 2003 study commissioned by BOVESPA found that companies that moved into higher corporate governance levels experienced a positive impact on their stock valuation and increased trading volume and liquidity³.

A 2005 study by Bruno Erbisti (one of Brazil's leading ESG investment professionals) showed that Brazil-based firms with the best corporate governance ratings garnered 2004 P/E ratios that were 20 per cent higher than firms with the worst governance ratings⁴. The better-rated firms were also found to have ROEs that were 45 per cent higher and net margins that were 76 per cent higher than those with below-average governance practices.

Santana et al have also commented on the impact of governance rules on stock prices in Brazil in a 2008 paper for the IFC's Global Corporate Governance Forum⁵. They noted that BOVESPA's index of shares with differentiated corporate governance (the IGC) rose 237 per cent between June 2001 and June 2006, while the IBOVESPA index gained 168 per cent during the same period. Novo Mercado and Level 2 companies also obtained higher multiples in their IPOs than the market average.

¹ Rossi Júnior, José Luiz *What is the value of corporate social responsibility? An answer from the Brazilian Sustainability Index* IBMEC Working Paper WPE-95-2008 (2008)

² Bogéa, Felipe, Campos, Anderson LS and Camino Blasco, David *Did the creation of the ISE create value to companies?* (September 2008)

³ Gledson de Carvalho, Antonio *Effects of migration to special corporate governance levels of BOVESPA* (2003)

⁴ Erbisti, Bruno *Corporate governance in Brazil: is there a link between corporate governance and financial performance in the Brazilian Market?* ABN AMRO Asset Management (July 2005)

⁵ Santana, Maria Helena, Ararat, Melsa, Aleandru, Petra, Yurtoglu, B. Burcin *Novo Mercado and its followers: case studies in corporate governance reform* Global Corporate Governance Forum (February 2008)

BM&FBOVESPA Carbon Market

BM&FBOVESPA also operates a Carbon Market, which includes a Carbon Facility (a projects data bank) and the Carbon Credit auction platform.

Launched in mid September 2005, the first stage of the Brazilian Carbon Market was the implementation of the BM&FBOVESPA Carbon Facility, which hosts the registration of projects validated by Designated Operational Entities (UN-recognized certifying agencies) according to the Clean Development Mechanism (CDM) criteria. Participants who have registered their CDM projects in the BM&FBOVESPA Carbon Facility system find it to be a powerful promotional tool and an attractive alternative for interested parties wishing to provide funding or trade the carbon credits associated with these projects. In this regard, the BM&FBOVESPA Carbon Facility is also open to expression of interest registrations, whereby foreign investors intending to purchase carbon credits can register their interest at the Exchange by describing the characteristics of the project-based activities they seek.

The second stage of the organization of the Brazilian Carbon Market entailed the development and setup of a Web-based electronic trading platform for carbon credit auctions. Launched in 2007, the system enables trading of carbon credits generated by the CDM projects.

Carbon credit auctions are scheduled by BM&FBOVESPA in accordance with the demand from the CDM project applicants, and are accessible via the Internet by all qualified participants of the global carbon market. These Web-based auctions follow international procedures of this market.

BM&FBOVESPA held its first CER auction in 2007. This was one of the first spot CER auctions internationally to be held in a regulated derivatives exchange. Around 800,000 CERs were sold for the price of EUR 16.20 per tCO₂e. Fourteen international institutions participated in the auction. The exchange reports that it received very positive feedback from market participant and regulators, as well as the international media, since it was considered to be the beginning of CER market organization in Brazil and also a benchmark for other countries wishing to develop their own CER markets. A second auction was held in September 2008.

BM&FBOVESPA is now examining the feasibility of organising an OTC market for CERs.

FURTHER INFORMATION

BM&FBOVESPA Corporate Sustainability Index:

www.BOVESPA.com.br/indexi.asp

BM&FBOVESPA Carbon Market:

www.bmf.com.br/portal/pages/mbre2

Sustainable and Responsible Investment in Brazil:

Sustainable Investment in Brazil 2009 (TERI-Europe/International Finance Corporation, April 2009)

Bourse de Luxembourg

Domestic market cap (Feb 2009):	USD 53.9 billion
Value of share trading in 2008:	USD 1.7 billion
Number of listed companies:	261
Web address:	www.bourse.lu



An international centre for SRI funds

The Bourse de Luxembourg (LuxSE) is an internationally popular listing venue for investment funds of all kinds. Over 3,200 funds are domiciled in Luxembourg with total net assets of around EUR 1.9 trillion (USD 2.46 trillion), making it the second largest fund centre in the world after the United States. LuxSE is also one of the world’s leading exchanges for listing Global Depository Receipts (GDRs), with over 220 GDRs listed, mainly by Asian and particularly Indian companies.

Not surprisingly, Luxembourg has also emerged as a preferred venue for Socially Responsible Investment (SRI) funds. 73 SRI funds are listed on LuxSE. To ensure that LuxSE continues to be an attractive market in this niche, LuxSE has established close links with the SRI investment community and is an active member of the SRI Working Group of the Luxembourg Investment Fund Association (ALFI). In addition, LuxSE’s subsidiary Finesti, a data company which collects and distributes information on investment funds, also has specific categories for “green” and “ethical” investment funds.



Dominant position in microfinance

Luxembourg has also successfully established itself as a global hub for microfinance investment vehicles (MIVs). Six of the world’s top MIVs are listed in Luxembourg, having combined assets of around EUR 1.5 billion (USD 1.96 billion).

A key LuxSE initiative to strengthen this market is the Luxembourg Fund Labelling Agency (LuxFLAG), an independent non-profit association created in 2006 by LuxSE and six other founding Charter Members including ALFI, the European Investment Fund, the Ministry of Finance and the Ministry of Foreign Affairs.

The Agency aims to promote the raising of capital for microfinance by awarding a recognisable label to eligible Microfinance Investment Vehicles (MIVs). Its objective is to reassure investors that the MIV actually invests, directly or indirectly, in the microfinance sector (see box on page 37).

Figure 2: Growth of microfinance investment vehicles registered with LuxFLAG



LuxFLAG Listing Procedure

Criteria

In order to obtain a LuxFLAG Microfinance Label a fund must comply with a number of criteria set by LuxFLAG. The principle conditions are that the Microfinance Investment Vehicle (MIV) must:

- be subject to supervision equivalent to that in EU member states;
- have a microfinance portfolio corresponding to at least 50% of the MIV's total assets;
- have at least 25% of its microfinance portfolio invested in MFIs rated by a microfinance rating agency recognised by LuxFLAG;
- have a commercial objective.

Procedure

The MIV must complete and sign an Application Form and return it to LuxFLAG together with a series of addenda in hard copy or electronic format. These documents are:

- the prospectus of the investment vehicle;
- the Statutes or Articles of Incorporation;
- the latest audited financial statements;

- the unaudited semi-annual financial statements, if more recent;

- a full list of assets in the portfolio (if not included in the financial statements) together with evidence that at least 50% of the portfolio is invested in microfinance and that at least 25% of the microfinance portfolio is invested in MFIs rated by a rating agency recognised by LuxFLAG.

Process

LuxFLAG accepts and reviews applications on a first-come, first-served basis. Applicants will receive an acknowledgement by e-mail within ten business days of receipt. Applications will be reviewed and any additional information solicited if necessary. When the application is complete, it is presented to the Eligibility Committee of LuxFLAG for analysis. Based on this analysis, the Board of LuxFLAG will approve or reject the application. If the application is complete and accurate, the process should take no longer than one month. A written notification of the decision will then be sent to the applicant.

Successful applicants will be required to pay a fee of EUR 2,000 and to sign a set of Terms and Conditions relating to the use of the LuxFLAG label. The Label is granted for a period of one year and must be renewed. To this end LuxFLAG will issue the MIV with an invitation to submit an updated application document before the expiry of its Label.

Liquidity from innovations in development aid

Building on both its jurisdictional advantages and its strengths in the field of social investment, LuxSE has also played a key role in the success of the International Finance Facility for Immunisation (IFFIm).

IFFIm was established in 2006 to accelerate the availability of funds to be used for health and immunisation programmes in 70 of the poorest countries around the world. It works by issuing bonds and using the proceeds to "frontload" aid funding. This innovative funding programme is thus able to increase significantly the flow of

aid to ensure reliable and predictable funding flows for immunisation programmes and health system development. An anticipated IFFIm investment of USD 4 billion is expected to protect more than 500 million children through immunisation campaigns against measles, tetanus, and yellow fever by 2015.

IFFIm's USD 1 billion inaugural bond issue was admitted to trading on LuxSE in November 2006. The bonds were priced comparably to other sovereign/supranational issuers and were bought by a broad range of investors – both geographically and by investor type – including several central banks, pension funds, fund managers, and insurance companies. This first tranche of the IFFIm programme was a landmark not only in the history of multilateral development aid, but also by the active role played by the international capital markets. A second tranche of IFFIm bonds was admitted to trading on LuxSE in March 2008. This USD 223 million-equivalent South African rand denominated issue was structured for Japanese investors.

FURTHER INFORMATION

Finesti:
www.finesti.com

LuxFLAG:
www.luxflag.org

Bursa Malaysia

Domestic market cap (Feb 2009):	USD 177.9 billion
Value of share trading in 2008:	USD 94.7 billion
Number of listed companies:	970
Web address:	www.bursamalaysia.com



An international centre for SRI funds

Raising CSR standards and disclosure practices

Bursa Malaysia places a strong emphasis on Corporate Social Responsibility (CSR) in its own business and is also proactive in raising CSR standards in Malaysia's public listed companies.

2006: CSR Framework for voluntary reporting

In September 2006, Bursa Malaysia published a CSR Framework for companies listed on the exchange. This voluntary framework focused on four dimensions: marketplace, workplace, environment and community. It was intended as a guide to help companies to understand and implement CSR across their businesses, and to encourage them to publish CSR reports on a voluntary basis.

2007: Survey of CSR reporting

In April 2008, Bursa Malaysia published a status report on CSR reporting and disclosure during the financial year 2006-2007. The report was commissioned from the consulting firm CSR Asia based on

a comprehensive survey to provide a baseline from which to prioritise CSR areas and monitor progress.

Bursa Malaysia sent the survey to all companies listed on the stock exchange. Based on the response received, the exchange then selected a random sample of 200 companies for assessment, including 50 companies from the FTSE Bursa Malaysia 100 list.

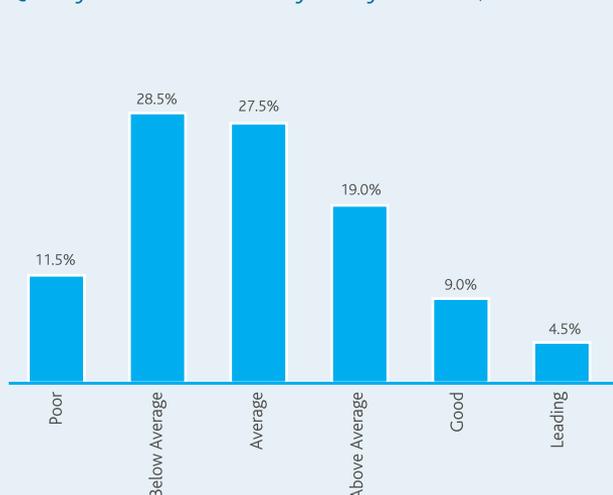
On average, the companies assessed fell far behind international best practice and needed to increase their levels of CSR disclosure and practice. The survey found that only 32.5% of PLCs were either in the above average, good, or leading categories for CSR practices. Only 4.5% were in the leading category, with 67% of them being multinational companies.

According to the survey, high risk PLCs scored the best results. These included companies in industries that are more regulated because of the nature of their business and their inherent social and environmental impact such as tobacco, alcohol and gaming.

At the other end of the spectrum, two-thirds of PLCs ranked either average (27.5%), below average (28.5%) or poor (11.5%). The survey found poor CSR engagement by Malaysian PLCs and, on average, the companies surveyed demonstrated a lack of knowledge and awareness of CSR. The report said the two key areas that required more attention were environment and diversity.

CSR 2007 Status Report

Quality of CSR disclosure by Malaysian PLCs, FY2007



2008: CSR disclosure incorporated into Listing Requirements

The exchange has since built on this voluntary guidance, working closely with regulatory authorities and legislators. With effect from December 31, 2007, Malaysian public listed companies are required to include a description of the CSR activities or practices undertaken by the listed issuer and its subsidiaries or, if there are none, a statement to that effect. This requirement has been incorporated into the Listing Requirements of Bursa Malaysia (Appendix 9C, Part A, paragraph 29).

Reflecting this initiative, the 2008 National Annual Corporate Report Awards (NACRA) included a specific category for CSR reporting. NACRA is Malaysia's most esteemed award in recognition of

excellence in annual corporate reporting, and is organised by Bursa Malaysia, Malaysian Institute of Accountants (MIA), Malaysian Institute of Management (MIM) and the Malaysian Institute of Certified Public Accountants (MICPA). The criteria for the CSR Report award category (*see box below*) help to elaborate on the non-prescriptive CSR reporting requirement in the exchange's listing requirements.

The winners of NACRA 2008 were announced at a dinner presentation ceremony at the Shangri-La Hotel on November 19, 2008. In the CSR category, the winners were Malaysian-Resources Corporation (Platinum award), Nestle (Malaysia) (Gold award) and Telekom Malaysia (Silver award).

FURTHER INFORMATION

Bursa Malaysia and CSR:

www.klse.com.my/website/bm/about_us/the_organisation/csr

CSR Framework for Malaysian PLCs:

www.klse.com.my/website/bm/about_us/the_organisation/csr/downloads/csr_framework_slides.pdf

CSR 2007 Status Report:

www.klse.com.my/website/bm/about_us/the_organisation/csr/downloads/CSR_Booklet.pdf

National Annual Corporate Report Awards (NACRA):

www.micpa.com.my/micpamember/document/NACRA_2008_Brochure.pdf

NACRA 2008 – Corporate Social Responsibility

CSR information reported in the annual report should include (but not be limited to) the following areas:

MARKETPLACE

1. Corporate governance
 - Policy/statement clearly stated
 - Board composition – executive directors, non-executive directors, independent directors, women representation
 - Transparent board and senior management remuneration
 - Risk analysis/management framework
 - Disclosure of non-compliance with laws/legislation/codes/listing requirements
2. CSR Management/Reporting
 - Policy statements or stated commitments
 - Adoption of a specific reporting guideline
 - Third party report audit/review
3. Stakeholder engagement
 - Structured engagement with all stakeholders
4. Procurement policies
5. Product responsibility

WORKPLACE

1. Health & Safety (H&S) issues
 - H&S management system in place
 - Staff education & training on H&S
2. Human capital development
 - Staff training – number of hours, type of training
3. Work-life balance
 - Ensuring employee's quality of life – pension plans, flexible-working arrangements, counselling/assistance programmes, sports activities, etc.
4. Diversity in the workplace
 - Staff composition – women, ethnic groups, people with disabilities
 - Providing equal opportunities
5. Employee welfare

ENVIRONMENT

Details on how the company addresses and manages its particular environmental impact

1. Environmental policy clearly stated
2. Measurement systems in place to measure:
 - Emissions of carbon dioxide and/or other greenhouse gases
 - Energy consumption
 - Water consumption
 - Waste production and management
3. Set targets for improvements and/or significant initiatives to reduce the above
4. Company's impact on biodiversity; environmental impact assessments, if any

COMMUNITY

Details on the company's relationship with the local communities in which it operates and/or other communities it may choose to support

1. Employment of local workforce its operations
2. Internship or graduate placement schemes
3. Details on the company's community investment initiatives
4. Encouraging employee volunteerism

Johannesburg Stock Exchange

Domestic market cap (Feb 2009):	USD 395.3 billion
Value of share trading in 2008:	USD 400.8 billion
Number of listed companies:	406
Web address:	www.jse.co.za



JSE Socially Responsible Investment (SRI) Index

The JSE's Socially Responsible Investment (SRI) Index was established in May 2004 at a time when globally, sustainability imperatives were coming to the fore as serious issues for corporates. South Africa's history had prompted many companies to address aspects of sustainability already, particularly social factors, under the banner of corporate social responsibility (CSR). The JSE's challenge was to apply a more integrated approach to the way companies were identifying and managing these risks. The JSE also hoped that the index's influence on company behaviour would ultimately impact positively on society through pro-poor initiatives.

Wanting to recognize companies with existing sustainability practices and to encourage those who may have neglected these responsibilities, the JSE sought to leverage its unique position within the financial sector by launching a benchmark index. The index would crystallize debate around sustainability and provide incentives for companies to incorporate its criteria into their everyday business activities. It would also provide investors with a tool to assess and value company performance with regard to CSR and sustainability.

The launch of the SRI index was a pioneering initiative: it was the first index of its kind owned by an exchange, and the first in an emerging market. As such, it reflected developmental and transformational issues typical of an emerging market. Unusually, its formation was inspired in part by the corporate sector.

Planning

By the May 2004 launch date, the JSE had been exploring the concept of a sustainability index for over three years. During that time, the JSE devoted significant resources towards developing a product that would provide a vehicle for companies to implement and eventually showcase socially responsible practices with a positive poverty impact, and an investment tool in relation to such companies.

The JSE, with the assistance of the SRI Index Advisory Committee, was responsible for developing and continuously enhancing the Philosophy and Criteria underlying the Index, and for determining the technical construction of the Index.

The Index took many leads from the already established FTSE4Good Philosophy and Criteria and also took account of other initiatives such as the Dow Jones Sustainability Indices and the Global Reporting Initiative (GRI) Guidelines. However, the Index was designed to reflect specifically the complex nature of sustainability and social responsibility in South Africa.

Funding

At implementation, the JSE applied for funding from Financial Deepening Challenge Fund (FDCF), a London-based programme set up by the UK Government's Department for International Development (DfID). Though the JSE had already substantially financed the project, additional funding would enable the JSE to concentrate its own resources on index development while the funding would help with the operations and later the strategic direction and marketing. The FDCF involvement further brought credibility and helped legitimize the index to those not yet convinced of its relevance. At maturation of the donor financing, the JSE continued to resource the index believing it to be an important and relevant player in the space.

JSE SRI Index Advisory Committee

- Cromwell Mashengete (Prudential Portfolio Management)
- Derick de Jongh (Unisa Centre for Corporate Citizenship)
- Karin Ireton (Anglo American plc)
- Malcolm Gray (Investec Asset Management)
- Nicky Newton-King (JSE Limited)
- Rosemary Noge (Gold Fields Ltd)
- Tony Frost (WWF)
- Tsholo Diale (Arivia.Kom)
- Wendy Poulton (Eskom)
- Zithulele Cindi (Unity Incorporation)
- Zoe Lees (Independent)

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Market acceptance

Since inception, the index has experienced continued growth and an increased public profile with media interest helping to raise general awareness over the years. Reaction and uptake from the SRI index base universe, the FTSE/JSE All Share index, has for the most part been positive. Investors are also moving closer to the criteria promoted by the index, using it widely as a basis for SRI product creation.

At the JSE, the index has not yet established a revenue stream. A review conducted internally in 2006 and a report released in 2007 by the University of South Africa's *Centre for Corporate Citizenship on the State of Responsible Investment in South Africa* revealed that reasons for this include continued confusion within the investor community about the meaning of sustainability and an inclination to focus on hot topics such as black economic empowerment and corporate governance.

However, there are indications that this may be set to change. Of particular note is the recent collaboration between the JSE and the Government Employees Pension Fund (GEPF). The GEPF is South Africa's largest pension fund and a founding signatory to the UN Principles for Responsible Investment. The collaboration will see the GEPF using SRI research for consideration in its investment decisions.

Criteria

The index assesses the triple bottom line of companies in the FTSE/JSE All Share index in relation to environmental, social and governance (ESG) and related sustainability concerns. The criteria were developed by the JSE in consultation with a local data provider and various industry experts. They were structured along various international governance conventions and guidelines, and in accordance with the globally recognized South African King codes of corporate governance (King codes). The criteria look at policy and public reporting. Companies are encouraged to report comprehensively on matters material to their stakeholders in line

with GRI guidelines. Although globally aligned, the criteria have been carefully tailored to reflect locally relevant issues such as skills development, black economic empowerment and HIV/AIDS. The criteria are by nature developmental and continue to evolve, considering topical issues and becoming stricter as companies gain familiarity with the process.

Assessment process

Previous rounds afforded eligible companies an opportunity to choose to participate in the process. In 2007 an automatic universe constituted of the Top 40 companies was introduced in keeping with global trends in this regard and in response to growing investor needs. Enhancements were also made to the data collection method and international expert research provider, Ethical Investment Research Services (EIRIS) Limited came on board. A dual research process was applied, alleviating the burden of submitting information up front and reducing the time spent by companies, some of which were already submitting information to another EIRIS client, FTSE 4 Good. The JSE has a long-standing relationship with FTSE and it made sense to further leverage the relationship.

The research process considers information in the public domain (annual reports, sustainability reports and websites) and companies are then given preliminary feedback to which they can comment or include additional data. Companies qualify for inclusion in the index if they meet the required number of indicators. Other attributes include a positive screening method and a policy of non-disclosure around failing or non-participating companies.

SRI Index Review

An average 75% of companies have participated with the same 45 participating successfully in each review. The index has been dominated by Top 40 companies but there has been growing participation from smaller companies. The market cap of the index today stands at 71% of the total market cap of the JSE. The index does not rank companies or sectors. Companies meeting all relevant criteria requirements based on an in or out approach qualify as best performers.

The number of constituents for each round is shown in the table below:

SRI index constituents	2003/4 review	2004/5 review	2004/6 review	2007 review
Number of participating companies	74	58	62	72
SRI constituents	51	49	58	57

Index Performance

The SRI Index's performance closely matches that of the FTSE/JSE All Share index (see chart below).



Lessons learned

The following enhancements have been found necessary and been taken to strengthen the Index's position:

- While the initiative was always going to be an ambitious undertaking (due to the nascent nature of responsible investment in South Africa), the JSE initially underestimated the time it would take to bed down the issues for investors;

- The initial data collection model proved insufficient and too onerous for companies. Improvements were made including the appointment of EIRIS as researcher;
- It was recognized that some aspects of the Index architecture and construction were prohibitive to flexibility in facilitating SRI products. These were amended; and
- It was found that there was a general lack of understanding around the area of responsible investment. Work has continued in this area.

Outlook

The GEPF collaboration has provided new impetus to the index and to the current drive to make the index more "investable". The JSE expects this collaboration to spur other investors to pay more attention to responsible investment and to utilize the index as a tool.

Discussions with various interest groups have taken place with the intention of reducing the onerous nature of survey submission for companies. As these discussions progress and as the criteria evolve, the standards expressed by SRI Index are gradually becoming a mainstream benchmark for corporate South Africa.

Inroads have been made in the area of responsible investment as several financial sector companies have reacted positively to the aspirational nature of the index, participating in increasing numbers in each round. This indicates the important role the JSE plays as a catalyst for investment and may also evidence deepened understanding of the correlation between profit maximization and managed business longevity.

FURTHER INFORMATION

JSE SRI Index:

www.jse.co.za/sri

Sustainable and responsible investment in South Africa:

www.unepfi.org/fileadmin/documents/The_State_of_Responsible_Investment_01.pdf

Government Employees Pension Fund (GEPF):

www.gepf.gov.za

NYSE Euronext

Domestic market cap (Feb 2009):	USD 1,676.5 billion
Value of share trading in 2008:	USD 4,454.4 billion
Number of listed companies:	1,010
Web address:	www.euronext.com



Overview

NYSE Euronext was created in April 2007 through the combination of NYSE Group, Inc. and Euronext N.V. NYSE Euronext's family of exchanges, located in six countries, includes the New York Stock Exchange, Euronext, Liffe and NYSE Arca Options. Where the name "NYSE Euronext" is used below, it refers to the Euronext business unit only, which is made up of the Amsterdam, Brussels, Lisbon and Paris exchanges.

NYSE Euronext's positioning in relation to sustainable investment reflects the European sustainable investment market, which is relatively large, mature, innovative and diverse. According to research by Eurosif (the European social investment forum), total "sustainable investment" assets under management in Europe reached EUR 2.665 trillion as of December 2007 (equivalent to USD 3.48 trillion at current exchange rates), or about 17.6% of the European asset management industry. This represents growth of over 100% compared to 2005. The market includes:

- Investment funds and strategies that are branded as "socially responsible investment" (SRI) products, using various types of screening and best-in-class methodologies;
- Mainstream investment strategies that integrate environmental, social and governance (ESG) factors into the core investment process; and
- Pure-play sustainable investment strategies focusing on opportunities in sectors such as clean technology, alternative energy, climate change and water.

At the general level, NYSE Euronext maintains close links with this market through relationships with key market participants and industry organisations and involvement in specialist conferences. It also plays an active role in promoting corporate responsibility, for example by participating in the Forum Annuel de l'Investissement Responsable en Europe (FAIRE), the European corporate responsibility roadshow for issuers and investors.

In terms of specific business strategies, sustainable investment at NYSE Euronext involves a strong emphasis on servicing this market through core products and services. For example, as one of the leading marketplaces for Trackers, NYSE Euronext's NextTrack segment is the market for two Trackers based on sustainability criteria: DEXIA IM Trackers were listed in 2003 and AXA IM Trackers were listed in 2004. NYSE Euronext has also developed targeted strategies and services aimed at specific niches in the sustainable investment field, including cleantech, climate change and carbon trading.

Targeting cleantech IPOs

Cleantech investing has enjoyed remarkable growth in recent years as investors have aligned themselves with the way that consumers, businesses and governments are responding to issues such as climate change and energy security. The European Union's ten largest such funds had more than EUR 10.8 billion of assets under management in late 2008, while dollars invested by US venture capitalists into the cleantech sector during 2008 grew by 52% to USD 4.1 billion, despite the credit crunch and associated economic downturn.

NYSE Euronext has responded to these trends by specifically targeting the cleantech sector, where its main competitor in recent years has been the London Stock Exchange Group's Alternative Investment Market (AIM). NYSE Euronext achieved six new IPOs from the cleantech sector in 2008, raising a combined EUR 1.6 billion compared to seven IPOs in 2007 that raised EUR 84.6 million. In addition to European cleantech companies such as the Portuguese wind power business EDP Renováveis and Suez Environnement, the global water and waste management business, these IPOs include emerging market firms. China Photovoltaic Group, a solar module manufacturer, was the third Chinese company to be listed on Alternext, NYSE Euronext's bourse for growth companies.

There are now 48 cleantech companies on NYSE Euronext European markets (17 on Euronext, 8 on Alternext and 23 on the Free Market), representing a total market capitalization of EUR 39 billion. NYSE Euronext's marketing strategy in this niche includes attending and sponsoring cleantech conferences and trade fairs; it may also launch its own cleantech index within the next few years, similar to its existing biotech index.



Environmental Exchange: BlueNext

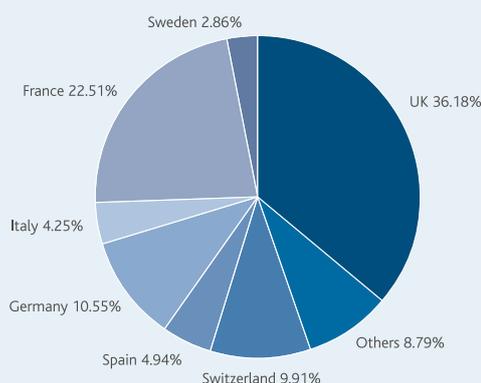
One of NYSE Euronext’s main sustainability-related projects is the BlueNext, which aims to be the world’s largest exchange for carbon and other environment-related products. BlueNext was launched in December 2007 and is owned jointly by NYSE Euronext (60%) and the French sovereign fund Caisse des Dépôts et Consignations (40%).

BlueNext’s current products and services include:

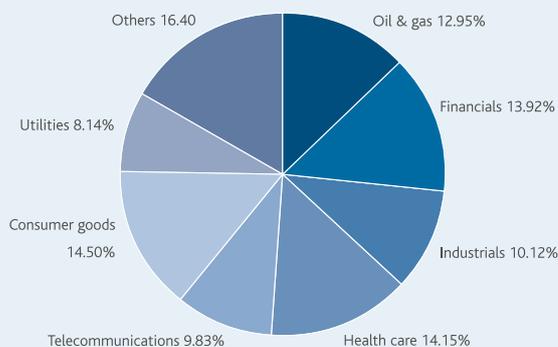
- **BlueNext Spot EUA:** BlueNext Spot EUA is Europe’s leading spot exchange for European Union Allowances (EUAs). It took over the carbon trading business of Powernext, launched in June 2005. With 60% market share in 2007, BlueNext Spot EUA has increased its lead over OTC brokers and other exchanges and hit a new record on August 14, 2008 with an all-time high of 1,504,000 tonnes.
- **BlueNext Spot CER:** BlueNext Spot CER is a spot contract for Certified Emission Reduction (CER) credits relating to Clean Development Mechanism (CDM) projects. In accordance with the Kyoto Protocol, these projects involve investments that facilitate the reduction of greenhouse gas emissions in the developing world. BlueNext Spot CER was launched in August 2008 and uses the same technical and regulatory infrastructure as BlueNext Spot EUA. BlueNext has published a list of projects (the “Spot CER white list”) for which credits can be traded on BlueNext Spot CER. The projects are selected using objective criteria determined by BlueNext’s Expert Committee of market participants (Barclays Bank, BNP Paribas, Ecosecurities, EDFT, Electrabel, Endesa Generacion, ENEL, Morgan Stanley, Orbeo, RWE and Shell).

Index breakdown as of 31/03/2009

Countries



Sectors



Top Holding	Percentage
BP	7.28%
Roche Holding	5.53%
Vodafone Group	5.32%
Sanofi Aventis	3.33%
Banco Santander	3.22%
Astra Zeneca	3.22%
BG Group	2.90%
British American Tobacco	2.68%
Siemens	2.67%
Others	64.16%

Source: Euronext

- **EAU and CER Futures:** Alongside its spot markets, BlueNext has launched derivatives contracts with physical delivery of EUAs through BlueNext Futures EUA, and CERs through BlueNext Futures CER.

97 members from across Europe are registered for trading on BlueNext Spot, while BlueNext Futures counts 17 members and 6 registering brokers. In addition, two market makers work with BlueNext, Electrabel NV/SA with BlueNext Spot, Orbeo with BlueNext Futures. Looking to the future plans, NYSE Euronext intends to expand BlueNext's product range (for example, in the weather risk market) and geographical reach (particularly into Asia and North America).

Low Carbon 100 Europe® Index

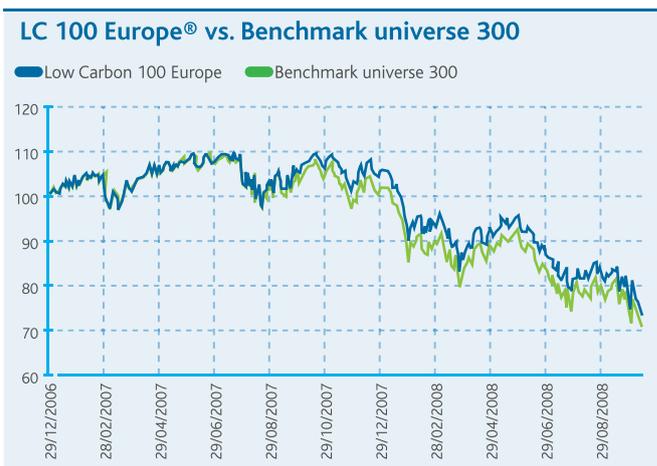
Building on the same macro-level trends that provide the business case for BlueNext, in October 2008 NYSE Euronext launched the Low Carbon 100 Europe® Index.

The index is weighted by free-float market capitalization and designed to measure the performance of the 100 largest blue-chip European companies with the lowest carbon (CO₂) emissions in their respective sectors or sub-sectors.

The index uses data provided by Trucost (a UK-based environmental research company) and Crédit Agricole Cheuvreux, and was created in partnership with the NGOs AgriSud, GoodPlanet.org and WWF.

Compared to the universe of the 300 largest European companies, the carbon emission of the Low Carbon 100 Europe Index constituents is 42% lower on average. Furthermore, on September 30th 2008, the trailing performance of the Low Carbon 100 Europe® was 225 bps higher than the performance of the benchmark index, which represents the 300 largest European companies, while its volatility was lower.

Simultaneously with the launch of the index in October 2008, BNP Paribas announced the creation of a new Euronext Paris-listed ETF, using the newly launched index as its underlying, the first to do so. The EasyETF Low Carbon 100 Europe fund currently has a total fund size of EUR 33 million.



Euronext FAS IAS® index

Launched in October 2006 by Euronext and the FAS (Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés), the Euronext FAS IAS® index is made up of all the companies represented in the SBF250 index that have significant employee share ownership, defined as at least 3% of equity held by more than one quarter of company employees. It thus allows broad tracking of the companies whose employees are most represented in share ownership, and enable investors, fund managers and issuers to assess market performances and compare them with those of other listed companies.

NYSE Euronext produces and disseminates the index daily while FAS is responsible for daily management as well as the verification of its reliability and representativeness nature. The Euronext FAS IAS® index was used as a base to launch mutual fund products in February 2007 in order to meet fund managers demand for trading instruments related to employee ownership performance companies.

Corporate Transparency Tool for Listed Issuers

NYSE Euronext and ASSET4, a leading provider of environmental, social and corporate governance (ESG) information solutions, are collaborating to provide tools to help NYSE-listed companies benchmark their extra-financial policies and practices. The initiative was launched in May 2009.

NYSE Euronext will provide the ASSET4 *assetmasterExecutive*™ solution to a number of NYSE-listed companies, enabling them to manage risk, enhance corporate governance practices and increase accountability. This follows a pilot program during which NYSE Euronext-listed issuers successfully incorporated the ASSET4 solution into their corporate responsibility evaluation processes. NYSE Euronext is the first major stock exchange in the world to offer this tool to its issuers.

The *assetmasterExecutive*™ solution is based on ASSET4's extensive database of objective and transparent ESG information, and enables users to analyse an expanded set of competitive parameters that include their level of carbon risk, board independence and employee satisfaction. Users can evaluate extra-financial key performance indicator (KPI) configurations to monitor how their own company and their peers are performing. In addition, within each standard or customised benchmark, the best-in-class company is identified for each KPI, enabling users to see in what areas they may be a leader and where a laggard. Benchmarks can include any of the over 2,600 companies covered by ASSET4.

Metnext

Metnext is a subsidiary of Météo-France, NYSE Euronext and Caisse des Dépôts (CDC). Metnext is one of the leaders in weather risk analysis, which provides different economic sectors as well as finance and insurance markets with operational tools and services to measure weather impacts on economic activity and to model future activity based on meteorological forecasts.

In association with finance and environmental stock exchange professionals, METNEXT develops weather indices that can be used as underlying indices for weather hedges. Building index-based hedges requires historical and regularly updated data for computation of the underlying index. Metnext acts as a reliable third-party to compute and provide index values (past and updated) to the different parts of a contract.

Metnext also participates in operational settlements of index insurance contracts, for example in tourism and energy distribution sectors (sunshine guarantee, cold weather guarantee, etc).

On top of its index activity, Metnext experts have elaborated efficient solutions for weather sensitivity analysis, in order to measure, understand and forecast any activity regarding weather risks (customized solutions).

FURTHER INFORMATION

Sustainable and responsible investment in Europe:

European SRI Study 2008 (Eurosif) www.eurosif.org

NYSE Euronext and cleantech:

The rise of cleantech on Euronext (Jon Mainwaring, Cleantech magazine March/April 2009)

BlueNext:

www.blunext.eu

Low Carbon 100 Europe® Index:

www.euronext.com/trader/summarizedmarket/stocks-2634-EN-QS0011131735.html?selectedMep=2

Euronext FAS IAS® Index:

www.euronext.com/trader/summarizedmarket/stocks-2549-EN-FR0003999598.html?selectedMep=1

Metnext:

www.metnext.com

Shanghai Stock Exchange

Domestic market cap (Feb 2009):	USD 1,632.0 billion
Value of share trading in 2008:	USD 2,586.7 billion
Number of listed companies:	864
Web address:	www.sse.com.cn



Raising CSR standards and disclosure practices

In May 2008, the SSE issued a Notice on Strengthening Listed Companies' Assumption of Social Responsibility (Shanghai CSR Notice) and the Guidelines on Listed Companies' Environmental Information Disclosure (Shanghai Environmental Disclosure Guidelines). According to the two documents, Shanghai Exchange-listed companies should fulfill social responsibilities, address interests of stakeholders, and commit themselves to promoting sustainable economic and social development.

These two initiatives are based on the philosophy that the SSE's listed companies are pillars of the national economy and should be encouraged to assume a leadership role in promoting sustainable development. For listed companies that promote CSR, the SSE sometimes offers incentives such as priority election into the Shanghai Corporate Governance Sector, which may benefit a company's public image, or simplified requirements for examination and verification of temporary announcements.

The Shanghai notice encourages all listed companies to enhance their own CSR awareness and develop a strategic CSR plan for their operations. Listed companies may disclose the goals and achievements of their CSR activities and annual social responsibility reports through announcements posted temporarily on the SSE website. To assist with this, the SSE has also developed the concept of social contribution value per share (SCVPS) - a new method of measuring companies' value creation. SCVPS is calculated by adding the tax revenues paid to the state, salaries paid to employees, loan interest paid to creditors (including banks), and donations to - and other value for stakeholders, minus any social costs that arise from environmental pollution and other negative factors. SCVPS is intended to allow the public to understand the value companies create for their shareholders, employees, customers, creditors, communities, and society as a whole. Companies may choose to disclose their SCVPS calculation in their annual CSR reports.

The Shanghai Environmental Disclosure Guidelines indicate that the SSE may "adopt necessary punishment measures" against companies and relevant personnel for violations of the disclosure rules and regulations. They do not, however, define "necessary punishment measures". It is therefore unclear what sanctions or fines could be imposed for violations.

A similar measure has also been taken by the Shenzhen Stock Exchange, which issued CSR Guidelines for Listed Companies in 2006.

Public policy context

The measures taken by both the Shanghai and Shenzhen Stock Exchanges sit within a wider framework of government policy to harness the capital markets to foster environmentally and socially sustainable private sector development. China officially launched the first of its green finance policies in July 2007. These policies mark an entirely new way of addressing environmental degradation in China and are proving to be the most powerful factor spurring and influencing sustainable finance in China today.

Through a series of environmental financial regulations enforced by the Ministry of Environmental Protection (MEP) in partnership with various financial regulatory departments, the Chinese government enlisted the power of the financial sector to provide incentives and disincentives for their clients' (companies') pollution and energy usage. "Green regulations" that came into force by mid-2008 include:

- the "Green Credit" policy (July 2007) regulating bank lending;
- the "Green Insurance" policy (February 2008) regulating insurance companies; and
- the "Green Securities" policy (February 2008) regulating China's capital markets (*see page 48*).

Additionally, the government is considering incorporating environmental standards into tax regulations through the "Green Tax" policy, and into trade regulations through the "Green Trade" policy.

Green Securities Policy

The “Green Securities” policy was launched by MEP in February 2008 in partnership with the China Securities Regulatory Commission (CSRC). The policy aims to make it harder for polluters to raise capital by requiring companies listed on the stock exchange to disclose more information about their environmental record. The “Green Securities” policy was enhanced by the issuance of the “Green IPO” in June 2008. The policy document (“The Management Roster of Listed Companies Environmental Verification Industry Categories”) requires enterprises in *liang gao* industries² to undergo an environmental assessment by MEP before initiating an IPO or obtaining refinancing from banks.

During a 10-day pre-IPO evaluation period, MEP conducts its own assessment and calls for the public’s opinion through a national hotline. If MEP approves the company, it then issues a permit to let the IPO proceed. As of September 2008, this process was responsible for the rejection or further review of IPOs from 20 out of 38 companies reviewed since the policy was implemented in February 2008.

SSE Social Responsibility Index

In August 2009, the SSE and China Securities Index Company Limited officially launched the SSE Social Responsibility Index. The constituents of the index are composed of 100 SSE-listed stocks with “good performance in fulfillment of social responsibility”, with the base day on June 30, 2009 and the base point of 1,000. According to statistics, the index’s average SCVPS (*see page 47*) per share of RMB2.42 and average earning per share of RMB0.69 in 2008 were both higher than the average level of SSE-listed stocks. The objective of the introduction of SSE Social Responsibility Index is to “encourage the listed companies to actively perform their social responsibilities, provide investors with a new investment target and popularize the concept of socially responsible investment”.

² The Liang Gao framework refers to a group of 14 industries that MEP has identified as being particularly energy-intensive, polluting and excessive in production capacity. These industries include thermal power; steel and iron; cement; aluminum; coal; metallurgy; building materials; mining; chemicals; oil; pharmaceuticals; light industry; textiles; and leather.

TMX Group



(data below refers to TSX)	
Domestic market cap (Feb 2009):	USD 916.7 billion
Value of share trading in 2008:	USD 1,736.1 billion
Number of listed companies:	3,827
Web address:	www.tsx.com

Overview

The TMX Group was formed in May 2008 through the combination of the TSX Group and Montréal Exchange Inc. The TSX family includes Canada's two national stock exchanges (the Toronto Stock Exchange (TSX) serving the senior equity market, and the TSX Venture Exchange serving the public venture equity market), while the Montréal Exchange (MX) is the Canadian derivatives exchange.

Sustainable investment trends have emerged as important business drivers for the TMX Group in two main ways. Firstly, the Montréal Exchange is active in servicing the carbon trading market through its participation in the Montréal Climate Exchange (MCeX). Secondly, TMX has effectively targeted the cleantech sector, both through the TSX and the TSX Venture Exchange.



Montréal Climate Exchange (MCeX)

The MCeX is a joint venture between the Montréal Exchange and the Chicago Climate Exchange® (CCX), North America's only voluntary legally binding rules-based greenhouse gas emissions allowance trading system.

MCeX was created in 2006 and officially launched trading in May 2008, two months after the Government of Canada published the final version of its Regulatory Framework for Industrial Greenhouse Gas Emissions.

The system proposed by the Canadian government is described as a "baseline and credit system". This system is based on the allocation of units to a company for exceeding its intensity-based greenhouse gas (GHG) emissions reduction targets (one credit equals the right to emit one metric ton of carbon dioxide equivalent (CO₂e)).

At the end of each compliance year, the emissions of the large regulated industrial emitters will be verified. Each emitter must then offset its GHG emissions against its intensity-based GHG emissions reduction target established by the government. The difference between the imposed target and the actual emissions may be offset by, among other things, the purchase of units on the domestic market.

The initial compliance year is 2010.

As part of the federal plan published in March 2008, in addition to internal reductions, large regulated industrial emitters will be able to choose from the following three compliance measures in order to ensure compliance with their GHG emissions reductions obligations in Canada:

- Contributing to a technology fund. The contribution to this fund will be limited to 70% of emitters' compliance needs in 2010. However, this contribution rate will gradually be reduced between 2011 and 2017, and the contribution limit will disappear in 2018. The fund's contribution rate has been fixed at CAD 15/metric ton of CO₂e between 2010 and 2012, and CAD 20/metric ton of CO₂e in 2013. The contribution rate would then be indexed to the nominal GDP.
- Buying international units (CERs or Certified Emission Reductions) under the Kyoto Protocol's Clean Development Mechanism (CDM). Access to CER credits for compliance purposes would be limited to 10% of each regulated emitters' target.
- Buying units on the domestic carbon market:
 - a) Regulated emitters' credits will be issued by government authorities at the end of a compliance year to regulated emitters that reduce the intensity of their GHG emissions below the target established by the federal government. These emitters will be able to sell their credits on the market or keep them for subsequent compliance years.
 - b) Offset credits will be attributed to companies that will not be subject to intensity-based emissions reduction targets but will be involved in voluntary projects to reduce their eligible GHG emissions.

MCeX services market demand created by the third of these compliance measures – regulated emitters' credits and/or offset credits – by providing a trading platform for futures contracts based on these Canadian units. These contracts allow regulated industrial participants to manage their emissions risks at the lowest cost while also creating continuous incentives for technological innovation. The MCeX contract, traded on the MX's electronic trading platform SOLA®, gives key regulated industrial emitters and other potential stakeholders the price signals needed to measure "the price of a ton of carbon". Orbeo, TD Securities Inc. and TradeLink LLC act as market makers and the MCeX has 14 registered partners.

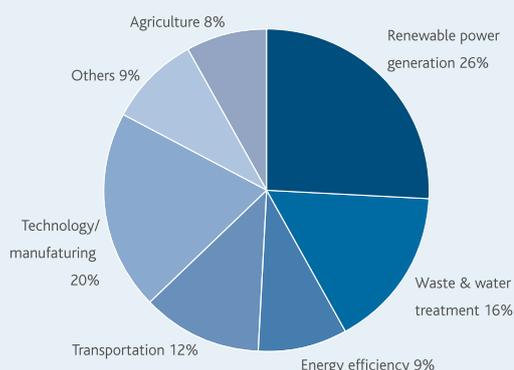
TMX and Cleantech

TMX Group has strategically targeted growth-oriented cleantech companies seeking a market to access North American and global capital.

At the end of 2008, TSX and TSX Venture Exchange were home to 110 cleantech companies with a total market cap of over CAD 6.4 billion (USD 5.3 billion/EUR 4 billion).

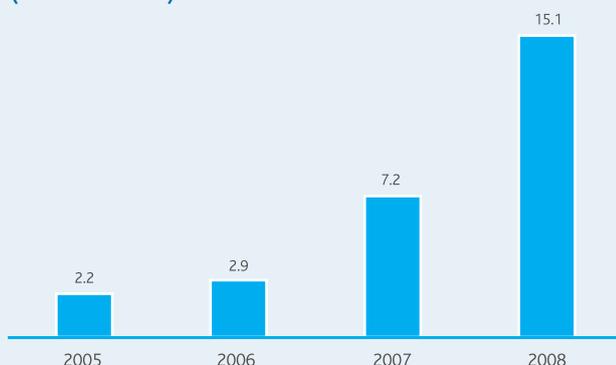
TMX Group’s marketing strategy includes “Cleantech Investor Days” in association with partners such as Sustainable Development Technology Canada.

TSX and TSXV Cleantech companies span a range of industries

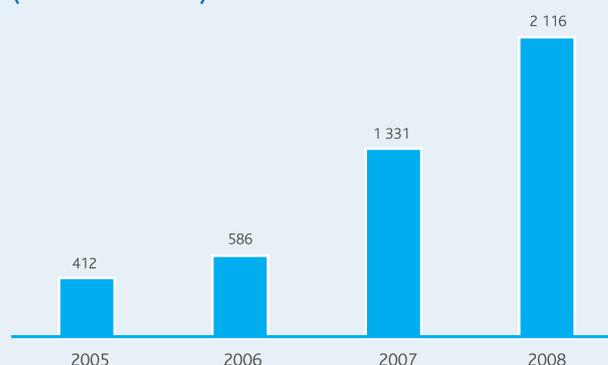


	TSX Venture	TSX	Total
Number of issuers	68	42	110
QMV (CAD million)	642	5,759	6,400
New Listings	9	3	12
Equity capital raised (CAD million)	215	239	454
Number of financings	56	6	62
Volume traded	1,248,342,576	2,115,832,576	3,364,175,152
Value traded (CAD million)	715	15,066	15,781
Number of trades	214,222	2,107,006	2,321,228

Value of TSX Cleantech shares traded (CAD & billion)



Value of TSX Cleantech shares traded (million of shares)



FURTHER INFORMATION

Montréal Climate Exchange:

www.mce.ca

TMX and cleantech:

www.tmxmoney.com/en/sector_profiles/cleantech.html

Annex B

Sustainable investment indices

provided directly or indirectly by WFE member exchanges

Bolsas y Mercados Españoles (BME)	FTSE Group has partnered with BME to create the FTSE4Good IBEX Index . The index comprises companies in the BME's IBEX 35 Index and the FTSE Spain All Cap Index that meet good standards of practice in corporate social responsibility (CSR). These companies are working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights.
BM&FBOVESPA	The Corporate Sustainability Index (ISE) is a Brazilian index which measures the total return on a theoretical portfolio composed by stocks issued by companies on the São Paulo stock exchange that are highly committed to corporate sustainability and social responsibility (maximum of 40 companies). These stocks are selected from the market's most actively traded securities in terms of liquidity, weighted according to the outstanding shares' market value. BM&FBOVESPA is responsible for index calculation, technical management and dissemination, and chairs the index's advisory board. Sustainability data are provided by CES-FGV.
Deutsche Börse	<p>The DAXglobal® Alternative Energy Index expands the new DAXglobal® index family with tradable access to the alternative energy sector. This sector-based global index concept opens the strong growth of this dynamic market segment to investors. As an underlying for financial products the DAXglobal® Alternative Energy Index enables the participation in growing alternative energy markets. Companies which are selected for the index must generate more than 50 percent of their revenues in one of the following sub-sectors from the segment Alternative Energy: Natural Gas, Solar, Wind, Ethanol, Geothermal/Hydro/Batteries.</p> <p>The DAXglobal® Sarasin Sustainability Germany Index is composed of the 100 biggest and most liquid German companies based on free-float and market capitalization. The selection of the constituents takes place according to market capitalization and the average daily trading turnover. Thereafter these companies are verified in compliance with the Sarasin Sustainability Matrix®.</p> <p>The DAXglobal® Sarasin Sustainability Switzerland Index is composed of the 50 biggest and most liquid Swiss companies based on free-float and market capitalization. The selection of the constituents takes place according to market capitalization and the average daily trading turnover. Thereafter these companies are verified in compliance with the Sarasin Sustainability Matrix®.</p>
The Egyptian Exchange	The Egyptian Exchange (EGX) has signed a Memorandum of Understanding with the Egyptian Institute of Directors to jointly develop an ESG index with Standard & Poor's. The project was started in July 2009 and the new index is expected to be launched in early 2010. EGX will be responsible for index monitoring and review, and will also be involved in the associated survey of listed companies.
Indonesia Stock Exchange	The SRI-KEHATI Index was launched in June 2009 by the Indonesia Stock Exchange in partnership with KEHATI, the Indonesian Biodiversity Foundation. Eligible companies must have assets of more than USD 100 million, a free float of more than 10 per cent of the shares and a positive P/E ratio. Companies are judged in six areas: the environment, community involvement, good corporate governance, respect for human rights, business behaviour and labour practices. The data provider is OWW Consulting. The index lists 25 companies and will be reviewed every February and August.
Johannesburg Stock Exchange	The JSE Socially Responsible Investment (SRI) Index was launched in 2004. The eligible universe for the SRI Index is the FTSE/JSE All Share Index. The Index is constructed in the same fashion as the All Share Index, namely according to free float market capitalisation. Companies are assessed against Criteria across the triple bottom line (environment, society and economy) as well as governance (forming the foundation of the triple bottom line pillars). Within each area of measurement, companies are assessed based on policy, management / performance and reporting. Being a broad sustainability index, the JSE SRI Index has no exclusions or down weightings of specific industries or sectors. The data provider is Ethical Investment Research Services (EIRIS).

Korea Exchange

KRX announced in March 2009 that is developing a **Korean SRI Index**. The index designed to measure companies' policies, performance and reporting in relation to three pillars: environmental, social and governance. A company must effectively address each of the three pillars to be said to have integrated sustainability into its business practices. The index will be launched in the third quarter of 2009.

London Stock Exchange Group

FTSE is an independent company jointly owned by The Financial Times and the London Stock Exchange Group. FTSE indices include a range of sustainability-related products:

FTSE4Good Index Series encompasses four tradable and five benchmark indices, representing Global, European, US, Japan (benchmark only) and UK markets. The FTSE4Good benchmark indices include all companies in the broad market index, or starting universe that meet the FTSE4Good criteria. Tradable indices cover the largest 50 or 100 companies in the benchmark index, as measured by their market capitalisation.

The **FTSE4Good Environmental Leaders Europe 40 Index** is designed to identify European companies with leading environmental practices. These are the companies that are doing more to manage their environmental risks and impacts whilst reducing their environmental footprint. The index is constructed by taking all European companies in the FTSE4Good Index Series that have obtained the 'best practice' environmental rating of 5, ranking them by full market capitalisation, and then selecting the top 40 to be included in the index.

The **FTSE4Good Australia 30 Index** is designed to give investors access to Australian companies that are actively meeting good standards of practice in corporate responsibility (CR). FTSE Group has also partnered with Spain's Bolsas y Mercados Españoles (BME) to create the FTSE4Good IBEX Index (*see page 52*).

FTSE's **Environmental Market Classification System and Indices** provide the world's first comprehensive global classification system for environmental markets. Environmental market companies are defined as providing products and services that deliver solutions to environmental challenges, and include environmental technology, also sometimes referred to as "clean tech". The Classification System defines environmental market companies and allocates each to the Subsector whose definition most closely describes the nature of its business. There are currently six Sectors, and 24 Subsectors. The index family is derived from these classifications and comprises the FTSE Environmental Technology Index Series and the FTSE Environmental Opportunities Index Series, as set out below.

The **FTSE Environmental Technology Index Series** measures the performance of companies globally whose core business is in the development and deployment of environmental technologies, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. Forming part of the overall FTSE Environmental Markets Index Series developed in collaboration with Impax Asset Management, the Index Series requires companies to have at least 50% of their business derived from environmental markets and technologies. The headline index is the FTSE ET50 Index, comprises the 50 largest pure play environmental technology companies, by full market capitalisation, globally.

The **FTSE Environmental Opportunities Index Series** measures the performance of global companies that have significant involvement in environmental business activities, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. Developed in partnership with Impax Asset Management, the FTSE Environmental Opportunities Index Series requires companies to have at least 20% of their business derived from environmental markets and technologies.

The two headline indices are the FTSE Environmental Opportunities All-Share Index (comprising all of the companies that have significant involvement in environmental business activities and meet the environmental opportunities eligibility requirements) and the FTSE EO 100 Index (focusing on the top 100 largest companies by market capitalisation). In addition, in June 2009 seven country and regional indices were launched including a UK main market, UK AIM market, US, European, and Japanese index.

FTSE KLD Global Climate 100 Index is designed to provide investors with access to investment in the top 100 globally listed companies, whose activities demonstrate the greatest potential for mitigating the immediate and long-term causes of climate change.

FTSE KLD Global Sustainability (GSI) Index Series is designed to provide investors with robust index solutions through which to identify and invest in companies that are committed to long-term environmental, social and governance (ESG) sustainability. Top ESG-ranked companies are identified by sector in North America, Europe and Asia-Pacific to create a range of regional sustainability indexes.

NASDAQ OMX

The **NASDAQ Clean Edge US Index (CLEN)** is a modified market capitalization-weighted index designed to track the performance of clean-energy companies that are publicly traded in the U.S. The index includes companies engaged in the manufacturing, development, distribution, and installation of emerging clean-energy technologies such as solar photovoltaics, biofuels and advanced batteries. The five major sub-sectors that the index will cover are Renewable Electricity Generation, Renewable Fuels, Energy Storage & Conversion, Energy Intelligence and Advanced Energy-Related Materials.

The **NASDAQ OMX® Clean Edge® Global Wind Energy Index** is a modified market-capitalization index designed to act as a transparent and liquid benchmark for the global wind energy sector. The Index includes companies that are primarily manufacturers, developers, distributors, installers, and users of energy derived from wind sources.

The **Wilder NASDAQ OMX Global Energy Efficient Transport Index** is a modified equal weight index designed to define and track companies internationally which develop and promote innovative, energy efficient modes of transportation and stand to benefit from a transition towards more energy efficient transportation.

OMX GES Ethical indexes consist of all listed companies in Stockholm, Oslo, Helsinki and Copenhagen, with the exception of those companies that do not comply with the ethical criteria of the analysis models GES Global Ethical Standard and GES Controversial. The criteria are based on international standards on environment, human rights and corruption. Companies with production and/or sales of weapons, tobacco, alcohol, pornography and gambling are not included. The OMXS30 Ethical Index is ethical version of the OMXS30 Index. The following indexes are available in this index family:

- OMX GES Ethical Nordic Index
- OMX GES Ethical Norway Index
- OMX GES Ethical Sweden Index
- OMX GES Ethical Denmark Index
- OMX GES Ethical Finland Index
- OMX GES OMXS30 Ethical Index

OMX GES Sustainability Nordic and **OMX GES Sustainability Sweden**: The OMX GES Sustainability Index Family comprise the leading companies in terms of sustainability and are selected based on how well they meet the criteria for environmental, social and governance (ESG) issues. The criteria are based upon international guidelines for ESG issues and supports investor considerations to the UN Principles for Responsible Investments. GES Investment Service conducts the sustainability assessment by rating the companies according to their model "GES Risk Rating". The top ranked 30 respectively 50 companies are included in the indexes. The Sustainability Sweden Index is also available in an additional ethical screened version. The following indexes are available in this index family:

OMX GES Sustainability Nordic Index
 OMX GES Sustainability Sweden Index
 OMX GES Sustainability Sweden Ethical Index

National Stock Exchange of India The **S&P ESG India Index** provides investors with exposure to a liquid and tradable index of 50 of the best performing stocks in the Indian market as measured by environmental, social, and governance parameters. An Index Committee composed of Standard & Poor's, CRISIL, INDIA INDEX SERVICES & PRODUCTS LTD. (IISL), and KLD maintains the index. IISL is a joint venture between National Stock Exchange of India Ltd. and CRISIL Ltd. The index represents the first of its kind to measure environmental, social, and corporate governing (ESG) practices based on quantitative as opposed to subjective factors. The index employs a unique and innovative methodology that quantifies a company's ESG practices and translates them into a scoring system, which is then used to rank each company against their peers in the Indian market.

NYSE Euronext

The **NYSE Arca Environmental Services Index (AXENV)** is a modified equal dollar weighted index comprised of publicly traded companies that engage in business activities that may benefit from the global increase in demand for consumer waste disposal, removal and storage of industrial by-products, and the management of associated resources.

The **NYSE Arca WilderHill Clean Energy Index (ECO)** is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation. The Index is rebalanced each March, June, September and December. The Index was created by and is a trademark of WilderShares, LLC.

The **NYSE Arca WilderHill Progressive Energy Index (WHPRO)** is a modified equal dollar weighted index comprised of companies in transition technologies that reduce the carbon or pollutants stemming from coal, oil and natural gas, that enhance efficiency, or make better use of the energy sources that are dominant today. The Index was created by and is a trademark of WilderShares, LLC.

The **NYSE Arca Cleantech Index (CTIUS)** is a modified equal-dollar weighted index of the leading cleantech companies worldwide from a broad range of industry sectors.

"Cleantech" is defined as knowledge-based products and services that improve operational performance, productivity or efficiency; while reducing costs, resource and energy consumption, waste or pollution. The Index was created by and is a trademark of Cleantech Indices LLC.

The **Low Carbon 100 Europe® Index** is an index weighted by free-float market capitalization designed to measure the performance of the 100 largest European companies having the lowest carbon (CO₂) intensity in their respective sectors or homogeneous sub-sectors. The universe is composed of the 300 largest European companies selected on the basis of their free float market capitalizations.

	<p>The Euronext FAS IAS® Index is made up of all the companies represented in the SBF250 index that have significant employee share ownership, defined as at least 3% of equity held by more than one quarter of company employees. It thus allows broad tracking of the companies whose employees are most represented in share ownership, and enable investors, fund managers and issuers to assess market performances and compare them with those of other listed companies.</p>
Shanghai Stock Exchange	<p>The SSE Social Responsibility Index was launched in August 2009 by SSE and China Securities Index Company Limited. The constituents of the index are composed of 100 SSE-listed companies with "good performance in fulfilment of social responsibility".</p>
Tel-Aviv Stock Exchange	<p>The Maala SRI (Socially Responsible Investing) Index includes the shares of the 20 public companies in the TA-100 index with the highest ranking by the Maala organization for social responsibility. An Index Linked Note tracking the Maala SRI index is traded on the exchange.</p>
Wiener Börse	<p>The VBV-Österreichischer Nachhaltigkeitsindex (VÖNIX) is a capitalization-weighted price index that is composed of those Austrian companies, which are leaders as concerns social and environmental achievements. The owner of VÖNIX is VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H, while responsibility for the sustainability analysis lies with Mag. Friesenbichler Unternehmensberatung; daily calculation and dissemination are done by Wiener Börse AG. The index is calculated and disseminated on a real-time basis in Euro. It is designed as a tradable index to be used as an underlying for structured products and for standardized derivatives (futures & options). Annual sustainability evaluation and classification of the companies according to nine rating classes. The shares included in the VÖNIX are those of companies with a rating in one of the three best classes.</p> <p>The sustainability index CEERIUS (CEE Responsible Investment Universe) is a capitalization-weighted price index which is composed of the leading companies in reference to social and ecological quality that are traded on stock exchanges in the region of Central, Eastern and South-Eastern Europe. Mag. Friesenbichler Unternehmensberatung is responsible for the sustainability research, daily calculation and dissemination is done by Wiener Börse AG. The index is calculated and disseminated on a real-time basis in EUR. It is designed as a tradable index and can be used as underlying for structured products and standardized derivatives (futures & options). Annual sustainability evaluation and classification of the companies according to 9 rating categories (A+ to C-). All companies rated A+, A and A- will be included in the CEERIUS. Additionally companies with a rating of B+ can be included in the index to cover the best third of each sector.</p>





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