

**WFE Sustainability Survey April 2019**

# Exchanges Advancing Sustainable Finance



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# 1. Executive Summary

The Sustainability Survey 2018 is the fifth survey by the World Federation of Exchanges (WFE) that captures the nature and extent of WFE member engagement with Environment, Social and Governance (ESG) issues in both developed and emerging markets.

ESG is a core strategic mandate and principle of the WFE and this year's survey mapped exchange activities to the WFE's Sustainability Principles for the first time. This year's survey also expanded the section on the United Nations Sustainable Development Goals (UN SDGs) to examine how exchanges are engaging with these targets.

Key highlights of the survey include:

- Nearly all responding exchanges (90%) reported having some form of ESG initiative, an increase on 2017's 88% (14 more exchanges in absolute terms).
- Many exchanges recognised the UN Sustainable Development Goals - 73% of responding exchanges with some form of ESG initiative reported having UN SDG-specific initiatives, with education and information programmes for listed companies on the SDGs being the most common.
- Exchanges continue to be the primary drivers of ESG disclosure in markets where reporting is encouraged or required, with 77% of responding exchanges fulfilling this function.
- Although two thirds of responding exchanges encourage or require ESG disclosure, there is still no consistent global standard for ESG reporting.
- While there appears to be growing investor demand for ESG disclosure, the level of this demand is still considered to be limited in many markets.
- Sustainability indices remain the most commonly offered products, but there has been considerable growth in ESG-related bond offerings, with 73% of exchanges with sustainability products offering green bonds in their markets.

The WFE Sustainability Surveys have consistently reported growing engagement with ESG issues among the WFE membership. Exchanges are active in embedding sustainability within the exchange, promoting ESG disclosure among their listed companies and providing markets and products that support the development of sustainable finance.

## 2. Introduction

Sustainability is becoming ever more mainstream in the world of finance following the growing focus on these issues by policy makers and businesses alike. We note concerted efforts from both the private and the public sectors to push forward environment, social and governance (ESG) initiatives with the objective of ensuring more sustainable business practices and enabling the transition to a more sustainable economic and financial system.

Some of the major developments in 2018 include:

- The publication in October 2018 by the Intergovernmental Panel on Climate Change (IPCC) of the Special Report on Global Warming of 1.5°C<sup>1</sup>. The IPCC advised that to limit global warming to 1.5°C and to ensure a more sustainable and equitable society, rapid and far-reaching transitions in land, energy, industry, buildings, transport and cities would be required.
- The establishment of the Technical Expert Group (TEG) on Sustainable Finance in June 2018 to assist the European Commission in its Action Plan on Financing Sustainable Growth. One key deliverable of the TEG is an EU taxonomy to guide and foster investment in environmentally sustainable activities. The TEG is aiming to produce the taxonomy report by the first half of 2019<sup>2</sup>.
- The continued rapid growth and expansion in ESG-related bond offerings across markets. As at end-2018, the World Bank green bond programme had reached US\$13 billion of issuances<sup>3</sup>. The Bank also priced a landmark EUR inflation index-linked sustainable development bond. Earlier in 2018, the International Finance Corporation and Amundi jointly launched the Amundi Planet Emerging One, the world's largest targeted green bond fund which closed at US\$1.4 billion. More stock exchanges are looking into ESG bond offerings. For example, the Santiago Exchange launched its new Green and Social Bond segment. The Buenos Aires Stock Exchange is also working on the development of a green bond market.

In October 2018 the WFE published its ***Sustainability Principles***. This marks an important development that demonstrates the WFE member exchanges' commitment to fostering and promoting the development of the sustainable finance agenda. The Principles also serve as guidance for WFE member exchanges to develop their own market-specific ESG initiatives.

The record number of responses (83% of WFE members) to this year's survey reflects exchanges' strong support for sustainability. This report tracks trends of WFE members' ESG efforts, demonstrates how exchanges advance the Sustainability Principles by embedding sustainability in the exchanges' businesses, driving the promotion of quality ESG disclosure and offering sustainability-linked products.

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<sup>1</sup> <https://www.ipcc.ch/sr15/>

<sup>2</sup> [https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group\\_en](https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en)

<sup>3</sup> <http://www.worldbank.org/en/news/press-release/2018/11/13/world-bank-marks-10-year-green-bond-anniversary-with-landmark-issuance-us-1-2-billion-issuances-bring-world-bank-green-bond-program-to-us-12-6-billion>

### 3. Methodology

The WFE’s fifth annual sustainability survey aims to capture the nature and extent of member engagement with ESG issues and how this has evolved over time. A questionnaire was sent to all WFE member exchanges. This year the survey was also extended to WFE affiliates<sup>4</sup> for the first time. Responses were collated through an online survey tool. The survey was conducted in early 2019 with responses referring to the 2018 calendar year.

The survey questionnaire differed from previous years in the following ways:

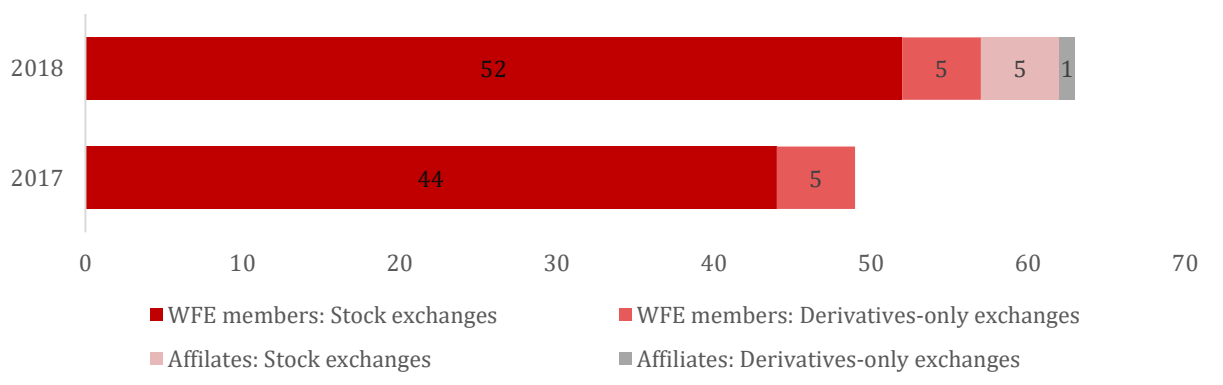
- Where necessary, questions and options were rephrased or revised to reduce ambiguity, provide comprehensive options to respondents and ensure responses were comparable;
- Some questions that were no longer valid or useful were removed;
- New questions on the UN Sustainable Development Goals (SDGs) and specific ESG products offered by the exchanges were added to collect more detailed information in these two areas.

Respondents were directed to different questions depending on their answers and some questions were skipped by respondents, hence response rates for different questions vary. The total number of responses are noted throughout.

Derivatives-only exchanges were given a scaled-back version of the questionnaire as some questions were not relevant for them, for example, questions concerning disclosure requirements for listed companies. Except in instances where we believed a response was incorrect and the correct answer was confirmed with the exchange, or where a respondent selected an ‘other’ option which aligned with one of the existing, pre-defined categories, responses were used exactly as received.

We received a record-number of responses this year. In total, 63 exchanges<sup>5</sup> participated in the survey, of which 57 (out of 63) are WFE members and six are WFE affiliates. Of the 57 WFE member respondents, five are derivatives-only exchanges. This year’s WFE member response rate equates to an 83% overall response rate<sup>6</sup>, up from 74% (49/66) in 2017. Three exchanges participated in the survey this year for the first time and three exchanges that responded to the last survey did not respond this year.

Figure 1: Respondents Profile



<sup>4</sup> WFE affiliates are Exchanges or CCPs/CSDs that are: significant in their market of operation; whose regulator is a member of IOSCO; and that intend to become members in due course. Many newer, smaller, regulated exchanges choose to become affiliate markets. The WFE requires that the regulatory authority of the applicant is a member of IOSCO. Affiliate status does not automatically imply fulfilment of WFE membership criteria and, unlike membership, is not subject to peer review.

<sup>5</sup> The full list of respondent exchanges can be found in *Annex 1*.

<sup>6</sup> 57/69, excluding participating affiliates.

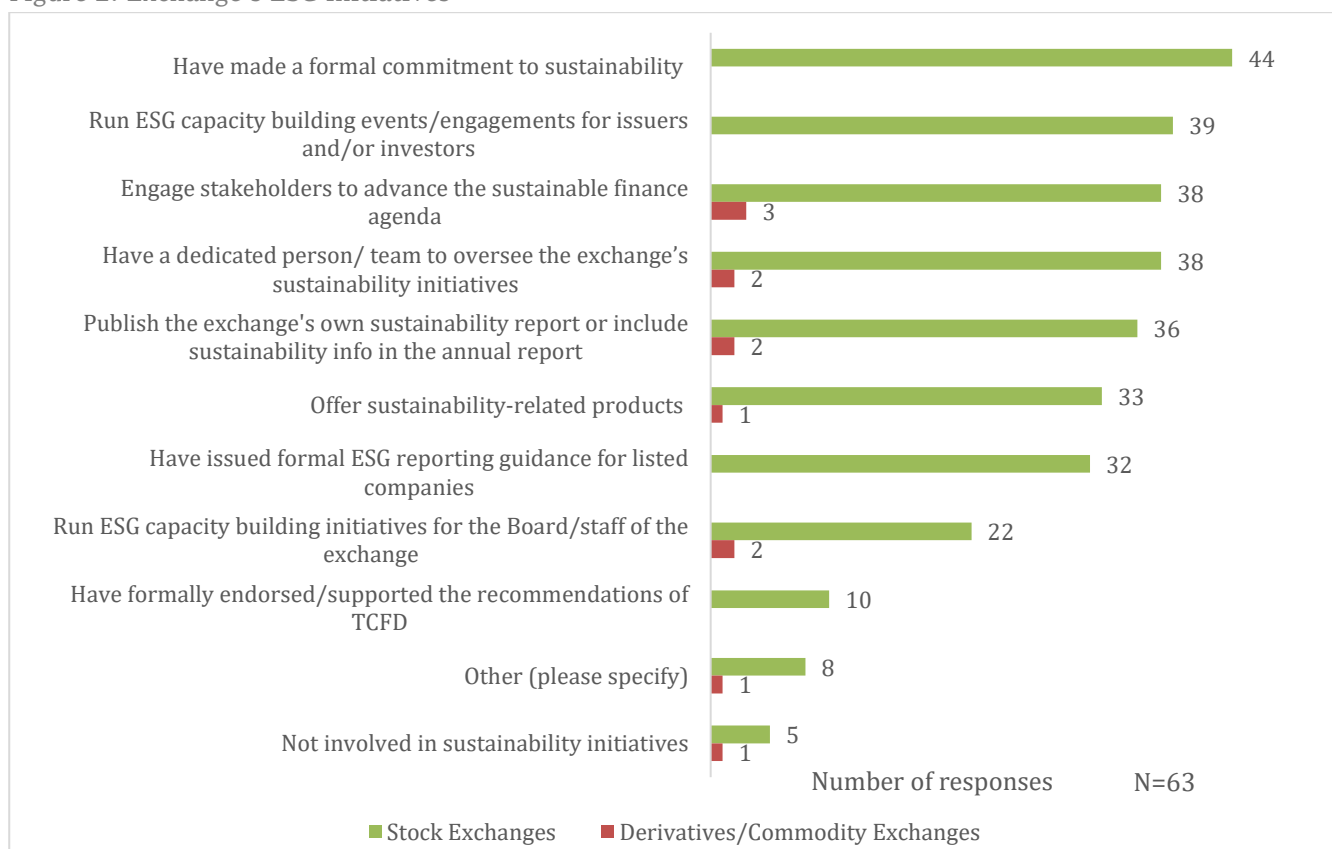
## 4. Survey Results and Discussions

### 4.1 Exchanges and Sustainability

#### Exchanges Expanding their Sustainability Efforts

In 2018, 90% (57/63) of the responding exchanges said they had some form of ESG initiative, slightly up from 88% last year (14 more exchanges in absolute terms). They reported a variety of ESG interventions targeting both external (regulators, issuers, investors) and internal (staff and management) stakeholders. Regarding the nature of the initiatives, “have made a formal commitment to sustainability” topped the list again this year (70% of responding exchanges, 44/63). “Run ESG capacity building events/engagements for issuers and/or investors”, “engage stakeholders to advance the sustainable finance agenda” and “have a dedicated person/team to oversee the exchange’s sustainability initiatives” followed with similar counts (see figure below). Other ESG initiatives reported, but not listed, include collaborating with external organisations (e.g. GRI, SASB, United Nations) and producing corporate governance ratings for all listed companies.

Figure 2: Exchange's ESG Initiatives\*



\*multiple answers allowed

## Sustainability Initiatives: Motivations and Concerns

### ***Sustainability Concerns Continue to be the Main Driver***

The motivations of exchanges for engaging in sustainability follows similar patterns to that of the previous years. “Sustainability concerns” (86% of the exchanges with initiatives), “reputation/public relations” (74%) and “expanded business opportunities for the exchange” (68%) remained the top three motivations in the same order. Close to 60% of the responding exchanges with initiatives reported “desire to demonstrate leadership” as their motivation for sustainability involvement. Eighteen percent of the exchanges said their sustainability involvement was also required by a regulator or the law.

Figure 3: Motivations for Sustainability Involvement\*



\*multiple answers allowed

Regarding concerns about current and possible future sustainability efforts, “business or economic concerns” (46%, 29/63 of responding exchanges) overtook “lack of resources to implement initiatives” (44%) and “insufficient demand” (35%) as the most frequently reported concerns. Other concerns include lack of cohesive effort amongst key stakeholders in the ecosystem, lack of engagement by the regulator, lack of interest from the local market and lack of consensus on ESG reporting and metrics. Eleven exchanges (18%) said they have no particular concerns about carrying out their sustainability efforts.

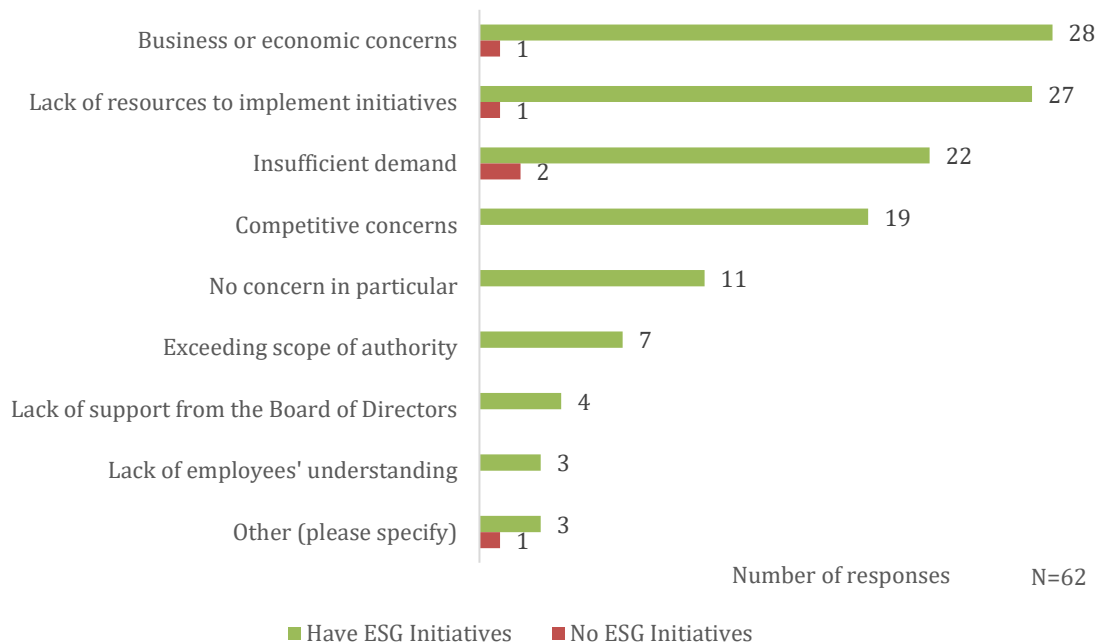
Among the exchanges that responded to the question on concerns about their sustainability efforts both this year and last year<sup>7</sup>, 42% (15/36) reported the same number of concerns as last year, while 11 exchanges reported more items of concern. The most frequently reported additional concerns were “business and economic concerns” (6 exchanges), “insufficient demand” (4 exchanges) and “lack of resources to implement initiatives” (4 exchanges). Six exchanges that said they had no concerns about their sustainability efforts in the last survey, reported some concerns this year.

Ten exchanges reported fewer items of concern this year. Six exchanges went from having some concerns in the previous year to having no particular concerns about their sustainability efforts this year.

<sup>7</sup> 36 exchanges in total as some exchanges skipped this question in either or both years.

Ninety percent (9/10) of the exchanges that reported fewer areas of concern compared to last year are from emerging markets, though emerging markets also account for just over half (6/11) of the exchanges that reported more areas of concerns.

Figure 4: Concerns About Sustainability Efforts\*



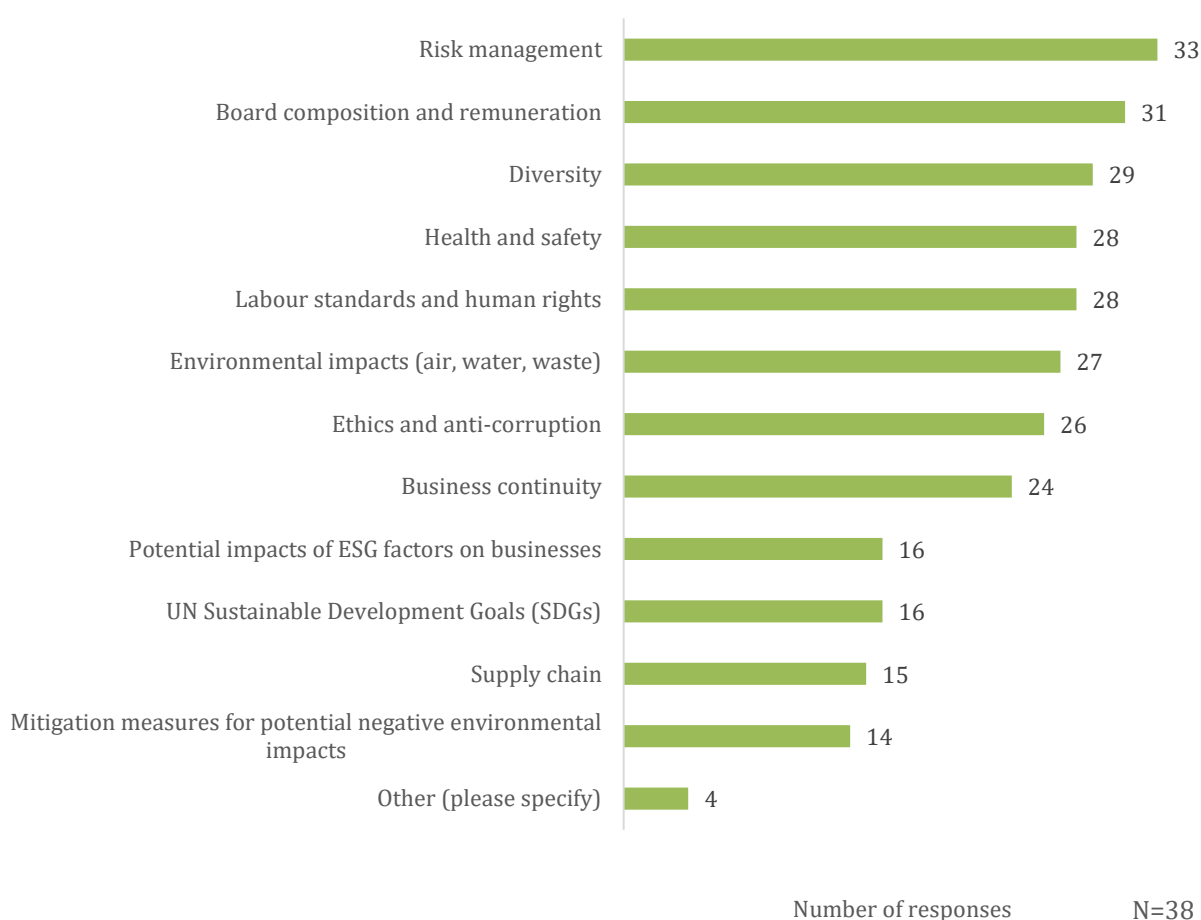
\*multiple answers allowed



## ESG Factors in Exchanges' Reporting

The proportion of responding exchanges that publish their own sustainability report or include ESG information in their annual report remained at a similar level to last year (marginally up from 57% to 60%). However, in absolute terms, 13 more exchanges than last year said they were producing sustainability reports. Further, the range of ESG topics that is covered in exchanges' reporting has increased. "Risk management" (87% coverage, up from 79% in 2017) overtook "board composition" (82% coverage, up from 79%) and "diversity" (76% coverage, up from 75%) as the most reported ESG factors. Sixteen exchanges (42% of exchanges with ESG reporting) also included the UN SDGs in their own reporting.

Figure 5: ESG Factors Reported by Exchanges\*



\*multiple answers allowed

## Promoting the WFE Sustainability Principles

The Sustainability Principles set out the ways in which WFE member exchanges will seek to promote sustainability in their markets. Exchanges are at different stages of market development and have their own strengths and constraints, so the WFE understands that not all exchanges are in a position to realise all the Sustainability Principles at the same time. By mapping the reported sustainability initiatives in the survey to the Principles, we can track exchanges’ level of engagement with the Principles and examine progress over time.

Table 1: Sustainability Principles and Exchanges’ Corresponding Sustainability Initiatives<sup>8</sup>

Sustainability Principles	Corresponding Initiatives
<b>Principle 1: Educate market participants about sustainability issues</b>	<ul style="list-style-type: none"> <li>Run ESG capacity building events/engagements for issuers and/or investors.</li> </ul>
<b>Principle 2: Promote the enhanced availability of ESG information</b>	<ul style="list-style-type: none"> <li>Have issued formal ESG reporting guidance for listed companies;</li> <li>Have formally endorsed/supported the recommendations of Task Force on Climate-related Financial Disclosures (TCFD).</li> </ul>
<b>Principle 3: Engage stakeholders to advance the sustainable finance agenda</b>	<ul style="list-style-type: none"> <li>Engage stakeholders (regulators, policy makers and capital market participants) to advance the sustainable finance agenda.</li> </ul>
<b>Principle 4: Provide markets and products that support the development of sustainable finance</b>	<ul style="list-style-type: none"> <li>Offer sustainability-related products (e.g. green bonds, specialised listing categories, ESG Index or related indices or ratings, carbon trading platform).</li> </ul>
<b>Principle 5: Embed sustainability into the exchange's governance, strategy and organisation structures</b>	<ul style="list-style-type: none"> <li>Publish the exchange's own sustainability report or include sustainability information in the annual report;</li> <li>Have made a formal commitment to sustainability e.g. SSE, UNPRI, UNGC, UN SDGs;</li> <li>Have a dedicated person/ team to oversee the exchange’s sustainability initiatives;</li> <li>Run ESG capacity building initiatives for the Board/staff of the exchange.</li> </ul>

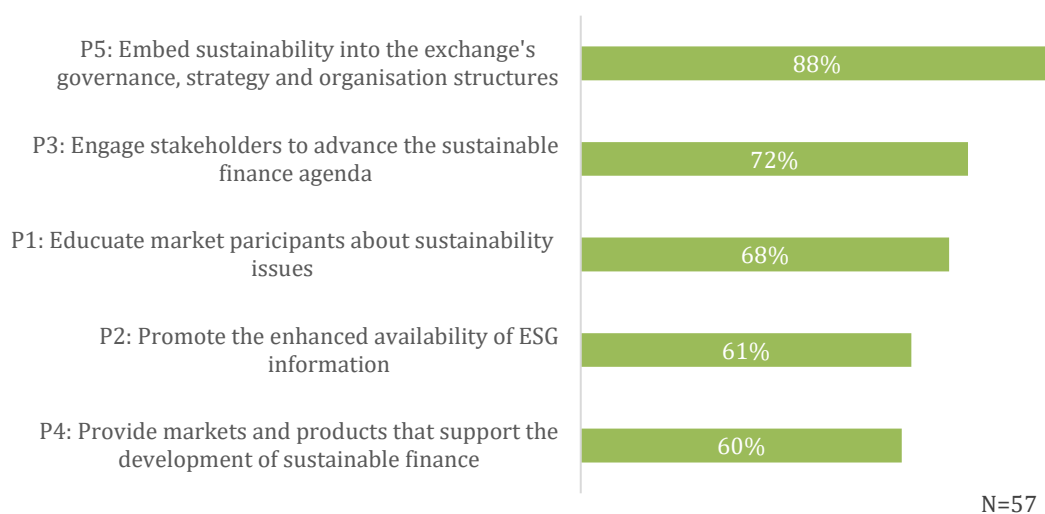
All the Sustainability Principles had at least a 60% engagement rate among the responding exchanges. The area of highest engagement is “Principle 5: Embedding sustainability into the exchange’s governance, strategy and organisation structures” (though admittedly, this also had more options to demonstrate engagement). Close to 90% (50/57) of the exchanges with sustainability initiatives had some form of initiative that promotes this principle.

<sup>8</sup> Other initiatives not listed in the survey but reported by exchanges were sorted into relevant principles.

Among the 40 exchanges that had a dedicated team/person to oversee sustainability initiatives, in 16 exchanges, the person/team reported directly to the CEO, and in seven exchanges, directly to the Board of Directors. This reflects that sustainability receives attention from the top management of many exchanges.

“Principle 2: Engage stakeholders to advance the sustainable finance agenda” followed with 72% (41/57) of the responding exchanges having initiatives to promote this principle. In the free form responses, some exchanges said that support from stakeholders, particularly regulators and governments, was important to further advance the sustainability agenda.

Figure 6: Realising the Sustainability Principles



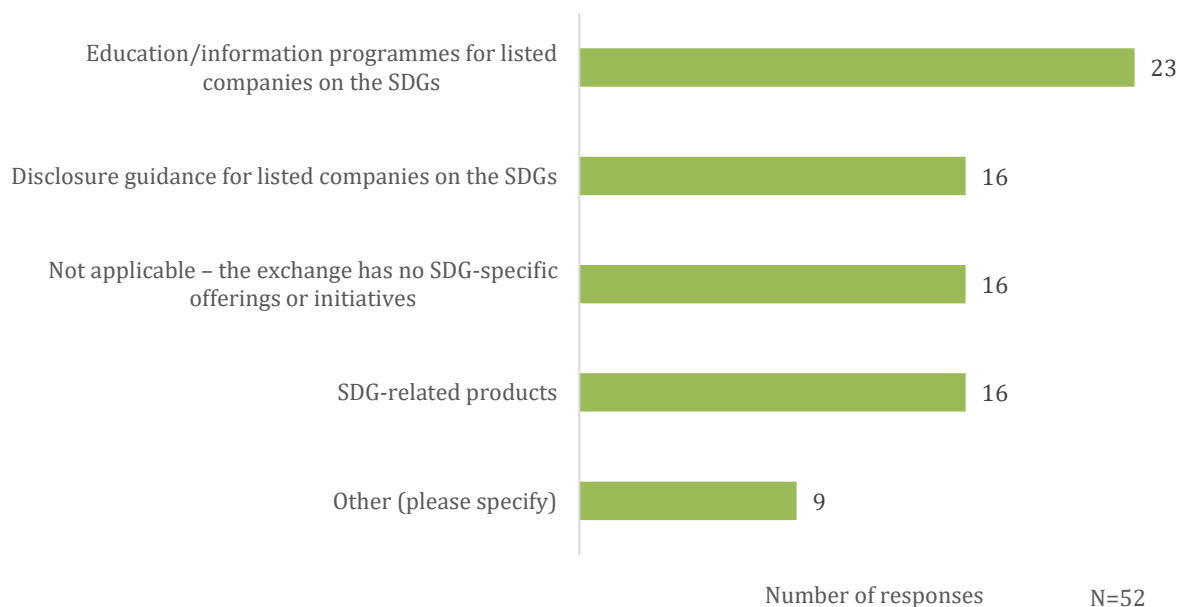
## 4.2 UN Sustainable Development Goals

In this year’s survey we expanded the section on the UN SDGs to examine how exchanges are engaging with these targets. Seventy-three percent (38/52) of the exchanges with ESG initiatives had some form of SDG-specific initiatives. “Education/information programmes for listed companies on the SDGs” were the most reported initiatives. Half of the exchanges<sup>9</sup> with formal ESG reporting guidance for listed companies also included disclosure guidance on the SDGs, up from 37% in 2017.

Close to half (16/38) of the exchanges with SDG-specific initiatives offered SDG-related products, most commonly green bonds (8 exchanges) and ESG indices (7 exchanges). In addition to these types of products, exchanges also cited emission allowances, Capital Development Certificates<sup>10</sup>, savings bonds for financial inclusiveness and charity funds as SDG-related products offered by the exchange.

Other SDG-specific activities include internal employee training and the UN’s Ring the Bell for Gender Equality, which is organised annually as part of International Women’s Day.

Figure 7: UN SDG-specific Initiatives\*



\*multiple answers allowed

<sup>9</sup> 16/32, number of exchanges with formal ESG reporting guidance for listed companies reported in section 4.1.

<sup>10</sup> Capital Development Certificates (CKDes) is a type of investment instrument available in Mexico. For details see: [https://www.bmv.com.mx/en/Grupo\\_BMV/Instrumentos\\_disponibles/\\_rid/965/\\_mod/TAB\\_MERCADO](https://www.bmv.com.mx/en/Grupo_BMV/Instrumentos_disponibles/_rid/965/_mod/TAB_MERCADO).

## Exchanges’ Engagement with Specific SDGs

This year’s sustainability survey asked exchanges to indicate which of the 17 SDGs they were particularly focused on. The top five SDGs, together with the respective engagement rates, are listed below:

**Table 2: Top 5 SDGs for Exchanges<sup>11</sup>**

	SDG	Engagement Rate <sup>12</sup>
1	Goal 5: Gender equality	86%
2	Goal 8: Decent work and economic growth	81%
3	Goal 13: Climate action	72%
4	Goal 17: Partnerships to achieve the goal	69%
5	Goal 12: Responsible consumption and production	64%

To obtain further insights on how stock exchanges contribute to the global sustainable development agenda, the WFE might examine the specific initiatives exchanges undertake in relation to these SDGs in future surveys.

### 4.3 Transparency and Reporting

#### Exchanges as the Industry Focal Point to Drive ESG Disclosure

Eighty-four percent (48/57<sup>13</sup>) of responding exchanges either encouraged or required issuers to disclose ESG information. This is marginally down proportionally on 2017 (86% in 2017), but up in absolute terms (from 38 in 2017). ESG disclosure remains predominantly voluntary (53%, 30/57) rather than mandatory (32%, 18/57). The number of exchanges that require ESG reporting increased from 13 to 18. One exchange that currently encourages ESG reporting is moving towards mandatory reporting for all listed companies by 2020. Among the exchanges that participated in the survey for two consecutive years, two have moved from voluntary ESG reporting to mandatory reporting. Both are emerging market exchanges.

As the principal point of contact for issuers, investors and market participants, exchanges are well-positioned to promote enhanced availability of ESG information. Exchanges continue to be the major promoter of ESG disclosure in their respective markets (77% of responding exchanges, 37/48), followed by the securities regulator (54%). In one-fifth of the markets surveyed (11/53<sup>14</sup>), exchanges were the only body that encouraged/required ESG disclosure. This finding highlights the leadership role that exchanges have taken in driving ESG disclosure.

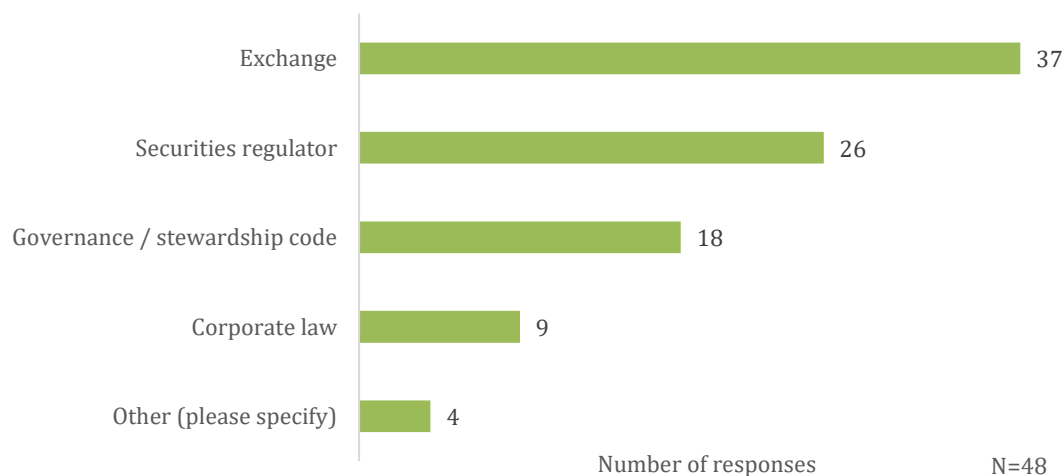
<sup>11</sup> These align with the SDGs that the Sustainable Stock Exchanges initiative (UN SSE) identified as being most relevant for exchanges.

<sup>12</sup> Engagement rate calculated by number of counts to each goal divided by number of exchanges responding to this question (36).

<sup>13</sup> Commodity and derivatives exchanges were excluded.

<sup>14</sup> Total number of jurisdictions covered = 53.

Figure 8: Drivers of ESG Disclosure\*



\*multiple answers allowed

Close to 80% of responding exchanges did not believe requiring listed companies to disclose ESG information would adversely affect their businesses, up from 73% in the previous year. The survey's responses further suggest that investor demand for ESG disclosure is growing. Eighty one percent of responding exchanges (46/57) said they perceived at least some investor demand for ESG disclosure in their market<sup>15</sup>, up from 70% in the previous year, and 64% the year before.

This year's survey also asked about the level of perceived demand. Most respondents that reported there was demand in their market said they thought this demand was limited (63% or 36/57 respondents). Only 18% (10/57) of responding exchanges perceived investor demand for ESG disclosure to be "extensive".

All exchanges that said they perceived no investor demand for ESG disclosure were from emerging markets, with over half of them (6/11) from the Middle East. This reflects differences across regions in the extent to which investors appear to be incorporating ESG issues into their investment decision-making.

## ESG Disclosure: Standards and Formats

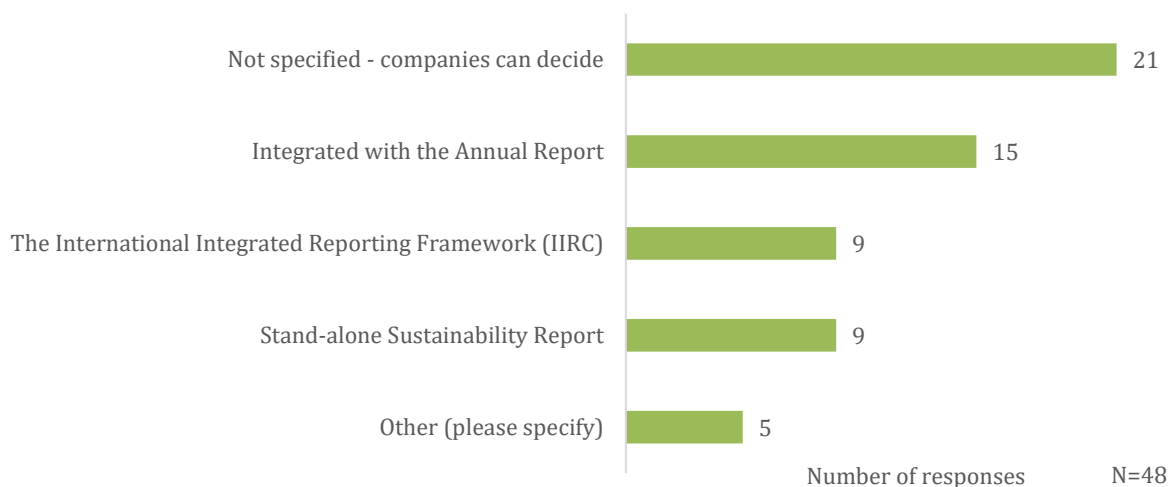
One of the challenges facing exchanges is how to ensure high quality, comparable ESG disclosure.

In this respect, this year's survey examined the reporting standards and formats supported by exchanges with the aim of assessing whether there is global convergence in recommended reporting approaches.

When asked about the reporting format, 44% (21/48) of the exchanges that encouraged/required ESG disclosure leave it to the discretion of companies to decide which format to use. Close to one-third of the exchanges (15/48) encouraged/required companies to integrate their ESG reporting into the annual report. In a few instances, the reporting format was specified by the exchange (three exchanges) or the regulator (two exchanges).

<sup>15</sup> Either extensive demand or limited demand.

Figure 9: Reporting Format Adopted by Exchanges\*



\*multiple answers allowed

On reporting standards, two-thirds (29/43<sup>16</sup>) of exchanges that encourage/require ESG disclosure did not specify a disclosure standard. Six exchanges (14%) required the use of the Global Reporting Initiative (GRI) standard, while five exchanges (12%) required issuers to adopt any international standard for their ESG reporting. No exchanges required reporting according to the Sustainability Accounting Standards Board (SASB), or Task Force on Climate-related Financial Disclosure (TCFD) standards.

On the TCFD, there is as yet no widespread inclusion of the TCFD in exchanges’ reporting guidance. Only six exchanges (19%) had included the TCFD recommendations in their reporting guidance as at end 2018<sup>17</sup>. However, over half of the exchanges (56%, 18/32) have said they plan to include it (slightly up from 44%; 11/25 in 2017).

To guide listed companies in their ESG reporting, exchanges commonly publish guidance documents that outline and explain issues that are material for disclosure purpose (the survey results revealed that 60% of the exchanges that encouraged/required ESG disclosure guide listed companies on materiality).

Exchanges also run training and workshops for issuers, sometimes even investors, to facilitate dialogue between different participants on ESG topics.

<sup>16</sup> Some exchanges skipped this question and 1 exchange provided an irrelevant response to this question. The total number of effective responses to this answer was 43.

<sup>17</sup> Seven exchanges reported they had included the TCFD recommendation in 2017.

## Sustainability Principles 2&3: Cultivating Awareness and Driving Quality Disclosure

Driving ESG disclosure requires continued engagement by exchanges. The journey does not end after publishing the ESG reporting guidance. At the initial stage, cultivating awareness is important to encourage adoption and meaningful reporting of ESG data. In markets where ESG reporting is widely practiced by issuers, exchanges seek to improve the quality of disclosure further. Below are updates relating to ESG disclosure from various member exchanges:

- **Brasil Bolsa Balcão (B3)** collaborated with the GRI to launch the “Report or Explain for Sustainable Development Goals” initiative to promote transparency on SDG-related strategies and actions from listed companies. Under this initiative, B3 built a public database containing the ESG reporting status, access to company reports and reasons why some listed companies have not yet adopted ESG reporting.
- The **Bombay Stock Exchange (BSE)** observed a substantial rise in sustainability awareness among listed companies and an increase in voluntary ESG disclosures from their issuers. BSE has also released its ESG guidance document, which is a product of joint cooperation between various stakeholders. BSE intends to capture the best of progressive ESG thinking and is committed to promoting sustainable practices with a belief that businesses will only be successful in the long run if their models respect the triple bottom line of “profit, planet and people”.
- **Bursa Malaysia** undertook a number of key initiatives in 2018 aimed at reinforcing listed companies’ practices and disclosures in the area of sustainability. These include, among others, issuance of the 2nd Edition of the Sustainability Reporting Guide and Toolkits in 2018 which incorporates TCFD Recommendations, the UN SDGs and other international best practices. On a related development, the Exchange launched BURSASUSTAIN, a one-stop sustainability knowledge sharing portal to educate listed companies and investors. Bursa Malaysia also undertook a review of sustainability disclosures made by listed companies.
- **Singapore Exchange (SGX)** jointly held a conference with TCFD focused on the ASEAN market, to raise awareness of its recommendations on climate-related financial disclosures with stakeholders. A session on scenario analysis introduced companies to the use of scenarios for strategic planning and risk management processes.
- The **Stock Exchange of Hong Kong** regularly conducts reviews of listed companies’ ESG reports. Through the reviews, the exchange identifies areas for improvement to further enhance reporting quality and devise appropriate issuer training.
- The **London Stock Exchange Group** believes that the quality of disclosure by listed companies is vital to advancing the sustainable finance agenda as it is the key driver of capital reallocation. They approach disclosure from a group perspective and integrate it into the group’s data service. The FTSE Russell’s ESG Ratings Model assesses how companies manage their exposure to potential ESG risks and scores companies accordingly. Such data could help to guide asset owners and asset managers in their capital allocation.



## 4.4 Sustainability Products

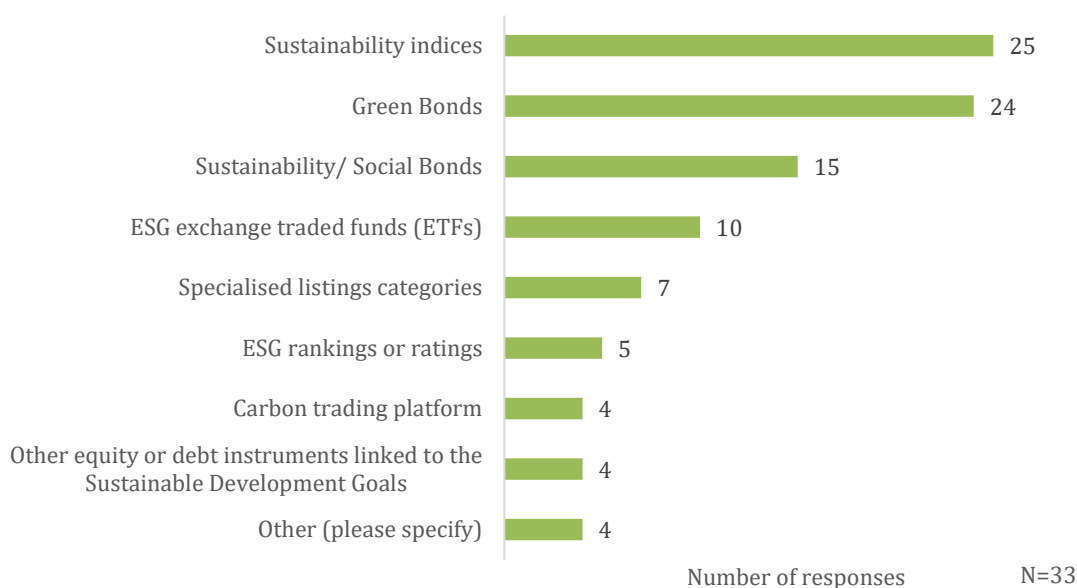
### Marked Growth of Bond Offerings

The proportion of responding exchanges offering some ESG products was similar to last year (slight increase from 55% to 57%) with sustainability indices being the most commonly offered products (76% of respondents to this question, 25/33).

This year we observed considerable growth in ESG-related bond offerings. Seventy three percent (24/33) of exchanges with sustainability products offer green bonds in their market, up from 51% (14/27) in the previous year. Fifteen exchanges (45%) reported sustainability/social bond offerings, a new data point that the survey started tracking this year. Three exchanges noted that they were working on future green bond or sustainability/social bond offerings.

Other forms of ESG products offered by exchanges included Capital Development Certificates, charity bonds, charity funds and infrastructure funds.

Figure 10: ESG Products Offered by Exchanges\*



\*multiple answers allowed

## Sustainability Principle 4: Providing Markets and Products that Support Scaling-up of Sustainable Finance

In 2018 we saw more sustainability products being made available in more markets. Exchanges are also exploring a variety of offerings to further channel funding to sustainability products. The following are some highlights from the year:

- VanEck launched a new exchange traded fund (ETF) on the **Australian Securities Exchange** – the VanEck Vectors MSCI International Sustainability Equity ETF - which will provide investors with access to a portfolio of international companies meeting sustainability criteria.
- The **Bourse de Casablanca** had introduced the “Casablanca ESG 10” index, which includes the 10 listed stocks with the highest ESG ratings from Vigeo Eiris.
- As a more recent development, in February 2019 **Eurex** listed futures on STOXX® ESG-X, Low Carbon and Climate Impact Indices. Eurex is the first derivatives exchange to offer sustainable ESG futures.
- The **Japan Exchange Group** and S&P Dow Jones jointly launched the S&P/JPX Carbon Efficient Index. Encouragingly, the Government Pension Investment Fund for Japan, the largest pension fund in the world, has selected the index as a benchmark for their ESG investment strategy and allocated funds to the index.
- The **London Stock Exchange** welcomed the listing of China Construction Bank Hong Kong branch’s US\$1 billion bond on its International Securities Market (ISM). The bond, part of CCB’s \$15 billion Medium Term Note programme, is the first Sustainability Bond listing on London Stock Exchange’s ISM.
- The **Luxembourg Stock Exchange** announced it is the first exchange to launch a dedicated platform for socially responsible investment (SRI) funds. Twenty-five SRI denominated funds are already displayed in the Luxembourg Green Exchange (LGX) fund window.
- **Nasdaq** launched two new market segments in Stockholm – Nasdaq Stockholm Sustainable Commercial Papers and Nasdaq Stockholm Sustainable Products. The new market segments will list sustainable commercial papers and structured products, respectively, and follows the strong growth of Nasdaq’s Sustainable Bond Market.
- India Index Services & Products (IISL) – an arm of the **National Stock Exchange of India** – launched two indices to capture the environmental and social governance score of Nifty100 companies. The Nifty100 ESG Index and Nifty100 Enhanced ESG Index serve as benchmarks and reference indices for passive investments in the form of ETFs, index funds and structured products.
- The **Santiago Stock Exchange** launched its new Green and Social Bond segment, which provides an opportunity for issuers to raise capital to fund sustainable projects with a positive environmental and/or social impact.

## 5. Concluding Remarks

The survey examined how WFE members' engagement with ESG and sustainability continues to evolve, and for the first time, mapped exchange activities to the WFE's Sustainability Principles. The report highlights that exchanges are most active in embedding sustainability within the exchange (Principle 5), promoting ESG disclosure by listed companies (Principle 2) and providing markets and products that support the development of sustainable finance (Principle 4).

This year's survey also extended to studying exchanges' engagement with the UN SDGs. We observed promising engagement rates, especially on the SDGs recommended by the UN SSE.

We also observed that:

- exchanges remain the prime driver of promoting ESG disclosure among listed companies;
- there is still no international convergence on a reporting format and standard though GRI is widely used; and
- there has been a remarkable growth in specifically E(SG) bond offerings across member exchanges.

Overall, WFE members are very focused on ESG issues and sustainability more broadly. Even though some exchanges are still at the initial stage in their ESG efforts due to limitations in market awareness, internal capacity and support from market participants, there is clear evidence of a desire to promote the sustainability agenda.

# Annex 1: Survey Respondents

## WFE Members

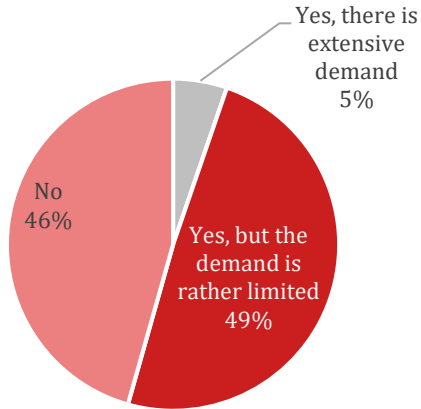
Americas	Asia-Pacific	EMEA
Bolsa de Comercio de Buenos Aires	Australia Securities Exchange	Abu Dhabi Securities Exchange
Bolsa de Santiago	Bombay Stock Exchange (BSE)	Amman Stock Exchange
Bolsa de Valores de Colombia	Bursa Malaysia	ATHEX Group
Bolsa de Valores de Lima	China Financial Futures Exchange	Bahrain Bourse
Bolsa Mexicana de Valores	Colombo Stock Exchange	BME Spanish Exchanges
Brasil Bolsa Balcão (B3)	Dhaka Stock Exchange	Borsa Istanbul
Cboe Global Markets	Hochiminh Stock Exchange	Boursa Kuwait
CME Group	Hong Kong Exchanges and Clearing Limited	Cyprus Stock Exchange
Nasdaq	Indonesia Stock Exchange	Dubai Financial Market
TMX Group	Japan Exchange Group	Johannesburg Stock Exchange
	Korea Exchange	Kazakhstan Stock Exchange
	National Stock Exchange of India	London Stock Exchange Group
	NZX Limited	Luxembourg Stock Exchange
	Shanghai Futures Exchange	Malta Stock Exchange
	Shanghai Stock Exchange	Moscow Exchange
	Shenzhen Stock Exchange	Nairobi Securities Exchange
	Singapore Exchange Limited	Nigerian Stock Exchange
	Taiwan Futures Exchange	Oslo Børs ASA
	Taiwan Stock Exchange	Palestine Exchange
	The Philippine Stock Exchange, Inc.	Qatar Stock Exchange
	The Stock Exchange of Thailand	SIX Swiss Exchange
	Zhengzhou Commodity Exchange	Tel-Aviv Stock Exchange
		The Egyptian Exchange
		The Stock Exchange of Mauritius
		Tunis Stock Exchange

## WFE Affiliates

Botswana Stock Exchange  
 Costa Rica Stock Exchange  
 Iran Fara Bourse Securities Exchange  
 Iran Mercantile Exchange  
 Tehran Stock Exchange  
 Trop-X (Seychelles) Limited

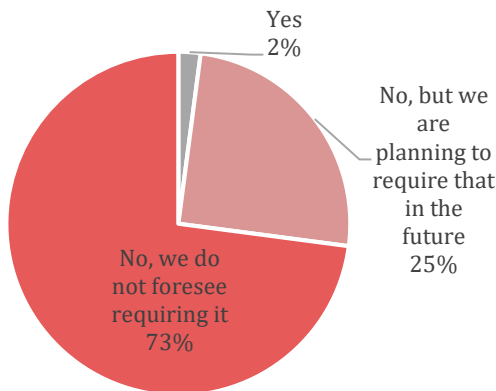
## Annex 2: Additional Responses

Is there investor demand for assurance/verification of ESG data/disclosure?



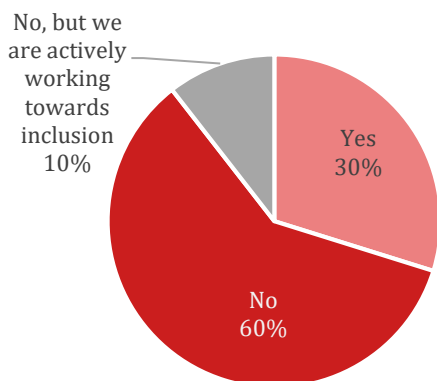
N=57

Does the exchange require assurance or verification of listed companies' ESG data/disclosure?



N=48

Is your stock exchange currently included in a sustainability or ESG index?



N=57

# Annex 3: Survey Questionnaire

Dear exchange representative,

This is an annual survey of WFE members to gauge your exchange's role in relation to sustainability, as well as trends in exchanges' sustainability activity.

A core set of questions are included each year, supplemented by questions around particular information that may be identified for work by the Sustainability Working Group in the relevant year.

1. Please provide the following information:

Name of exchange:

Your name:

Your email address:

## Section 1: The Exchange and Sustainability

2. Does your stock exchange have any of the following ESG / sustainability initiatives? Select all that apply.

- Have issued formal ESG reporting guidance for listed companies
- Run ESG capacity building events / engagements for issuers and / or investors
- Have made a formal commitment to sustainability e.g. SSE, UNPRI, UNGC, UNSDGs
- Have formally endorsed/supported the recommendations of Task Force on Climate-related Financial Disclosures (TCFD)
- Publish the exchange's own sustainability report or include sustainability information in an integrated report
- Offer sustainability-related products (e.g. green bonds, specialised listing categories, ESG Index or related indices or ratings, carbon trading platform)
- Run ESG capacity building initiatives for the Board/staff of the exchange
- Engage stakeholders (regulators, policy makers and capital market participants) to advance the sustainable finance agenda
- Have a dedicated person/ team to oversee the exchange's sustainability initiatives
- Not applicable - the exchange is not involved in any sustainability initiatives
- Other (please specify):

3. (Only if you selected " Not applicable - the exchange is not involved in any sustainability initiatives" in Q2) Why is your exchange not involved in any sustainability initiatives? Select all that apply.

- Business or economic concerns
- Competitive concerns
- Exceeding scope of authority
- Insufficient demand
- Lack of resources to implement initiatives
- Lack of support from the board of directors
- Lack of employees' understanding
- Do not believe this is relevant to our business
- Other (please specify):

4. (Only if you selected “have a dedicated person/team to oversee the exchange’s sustainability initiatives in Q2) Who does the dedicated person/ team who oversees the exchange’s sustainability initiatives primarily report to?

- Board of directors
- CEO
- Executive
- Manager
- Other (please specify)

(Only answer question 5-7 if you have NOT selected “Not applicable - the exchange is not involved in any sustainability initiatives”)

5. Which of the following factors motivate your involvement in sustainability? Select all that apply.

- Expanded business opportunities for the exchange (e.g. through product creation, data sales or listing opportunities)
- Reputation / public relations
- Desire to improve stakeholder relationships
- Stakeholder requirements or concerns
- Sustainability concerns (e.g. impacts of climate change on market)
- Desire to demonstrate leadership
- Peer pressure
- Investor pressure
- Other (please specify):

6. What concerns, if any, do you have about your current or possible future sustainability efforts? Select all that apply.

- Business or economic concerns
- Competitive concerns
- Exceeding scope of authority
- Insufficient demand
- Lack of resources to implement initiatives
- Lack of support from the Board of Directors
- Lack of employees' understanding
- No concern in particular
- Other (please specify):

7. (Only when you selected “Publish the exchange’s own sustainability report or include sustainability information in an integrated report” in Q2) What ESG factors do you (the exchange) cover in your own sustainability reporting? Select all that apply.

- Potential impacts of ESG factors on businesses (e.g. stranded assets)
- Environmental impacts (air, water, waste)
- Mitigation measures for potential negative environmental impacts
- Health and safety
- Labour standards and human rights
- Board composition and remuneration
- Ethics and anti-corruption
- Risk management
- Supply chain
- Diversity
- UN Sustainable Development Goals (SDGs)
- Other (please specify):

### UN Sustainable Development Goals

8. Has your exchange introduced any specific initiatives related to the UN Sustainable Development Goals (SDGs)? Please select all that apply

- Disclosure guidance for listed companies on the SDGs
- Education/information programmes for listed companies
- SDG-related products
- Not applicable – the exchange has no SDG-specific offerings or initiatives
- Other (please specify):

9. (Only if you selected “SDG-related products” in Q8) Please specify what SDG-related products your exchange offers:

10. (Only if you have NOT selected “Not applicable” in Q8) Which of the following SDGs is your exchange working on? Select \* all that apply.

- Goal 1: No poverty
- Goal 2: Zero hunger
- Goal 3: Good health and well-being
- Goal 4: Quality education
- Goal 5: Gender equality
- Goal 6: Clean water and sanitation
- Goal 7: Affordable clean energy
- Goal 8: Decent work and economic growth
- Goal 9: Industry, innovation and infrastructure
- Goal 10: Reduced inequality
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land
- Goal 16: Peace and justice strong institutions
- Goal 17: Partnerships to achieve the goal
- We're following the Sustainable Stock Exchange (SSE) recommendations: Goal 5, 8, 12, 13 and 17

### Section 2: Transparency and Reporting

11. Do you believe that requiring companies to disclose ESG information would adversely affect your business?

- Yes
- No

12. Is there investor demand for ESG disclosure by companies in your market?

- Yes, there is extensive demand
- Yes, but the demand is rather limited
- No

13. Is there investor demand for assurance/verification of ESG data/disclosure?

- Yes, there is extensive demand
- Yes, but the demand is rather limited
- No



14. Are companies listed on your exchange encouraged or required to disclose ESG information?

- Neither encouraged nor required to disclose ESG info
- **Encouraged** to disclose ESG info
- **Required** to disclose ESG info

(Only answer Q15- 20 when you selected “Encouraged to disclose ESG info” or “Required to disclose ESG info” in Q14)

15. Who encourages/requires companies to disclose ESG information? Select all that apply.

- Exchange
- Securities regulator
- Corporate law
- Governance / stewardship code
- Other (please specify):

16. What reporting **format** are companies encouraged/required to use?

- Integrated Report (IIRC)
- Stand-alone Sustainability Report
- Integrated with the Annual Report
- Not specified – company can decide
- Other (please specify):

17. If companies are **required** to report according to a specific standard, please indicate which one:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Any international standard
- No specific requirement
- Other (please specify):

18. Has your stock exchange included the TCFD recommendations in the reporting guidance or reporting requirements for listed companies?

- Yes
- No, but we plan to
- No, and we do not plan to

19. Does the exchange require assurance or verification of listed companies' ESG data/disclosure?

- Yes
- No, but we are planning to require that in the future
- No, and we do not foresee requiring it

20. Does the exchange guide companies on which issues are material for disclosure purpose?

- Yes
- No

21. (Only if you have answered “Yes” in Q20) How does your exchange guide companies on which issues are material for disclosure purpose?

### Section 3: Products

22. What sustainability related products do you offer? Select all that apply.

- Green Bonds
- Sustainability/Social Bonds
- Specialised listings categories
- Sustainability indices
- ESG rankings or ratings
- ESG exchange traded funds (ETFs)
- Carbon trading platform
- Other equity, debt instruments or derivatives linked to the Sustainable Development Goals
- Other (please specify):

(Only when you select Green/Climate Bonds and/or Sustainability/ Social Bonds) in Q22

23. Please provide the following information of your Green Bonds and/or Sustainability/Social Bonds offerings:

	Green Bonds		Social Bonds		Sustainability Bonds	
	Number of bonds	Value of Issuance (end-of-year, in local currency)	Number of bonds	Value of Issuance (end-of-year, in local currency)	Number of bonds	Value of Issuance (end-of-year, in local currency)
2016						
2017						
2018						

Here we adopt the definitions by the International Capital Market Association for the terms "Green Bonds", "Social Bonds" and "Sustainability Bonds". You can find further information on the definitions [here](#).

24. Is your stock exchange currently included in a sustainability or ESG index?

- Yes
- No
- No, but we are actively working towards inclusion

#### Final comments - on sustainability

24. Please let us know if you have any final comments about sustainability in your market?