How securities regulators can support the Sustainable Development Goals
A sharing of experiences
NOTE

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Additional substantive contributions were received from Richard Bolwijn (UNCTAD), Danielle Chesebrough (PRI & UN Global Compact), Elodie Feller (UNEP Finance Initiative), Will Martindale (PRI) and Tudor Mihalescu (SSE resource person).

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This paper is presented as an informal contribution to the discussions taking place at the SSE Global Dialogue on 23 October 2018, which takes place within the UNCTAD World Investment Forum in Geneva, Switzerland. The views expressed in this paper are those of UNCTAD, the UN Global Compact, UN Environment and the PRI unless otherwise stated; the paper does not necessarily reflect the official views of individual members of the advisory group or their respective organisations.

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ABOUT THE SSE

The SSE initiative is a UN Partnership Programme organised by UNCTAD, the UN Global Compact, UNEP FI and the PRI. The SSE’s mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations, can enhance performance on ESG (environmental, social and corporate governance) issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. The SSE seeks to achieve this mission through an integrated programme of conducting evidence-based policy analysis, facilitating a network and forum for multi-stakeholder consensus-building, and providing technical assistance and advisory services.
MESSAGE FROM CHAIR OF THE ADVISORY GROUP

How securities regulators can support the SDGs’ is a timely matter as world markets see enormous growth in sustainability themed products and many regulators, including myself, begin to ask questions about how sustainability relates to our core mandates that include enhancing investors protection, reducing the risk of corporate failure, and reducing the systemic impact of those failures. Addressing investor protection, market transparency and systemic risk take on new meanings in markets increasingly impacted by environmental and social stresses.

Six years ago, when I was the Executive Chairman of the Egyptian Exchange, I joined 4 other pioneering exchanges as founding signatories to the United Nations Sustainable Stock Exchanges (SSE) initiative. Today most of the world’s exchanges have joined the SSE initiative. The multi-stakeholder dialogue facilitated by the SSE, between exchanges, regulators, issuers and investors, has been helpful for all of us in the world of finance as we navigate sustainability challenges and opportunities.

It has been an honour for me to Chair the distinguished Advisory Group that lead to this report. With over 70 experts, just over a quarter of which were fellow regulators, we have engaged in a lively exchange of views and an educational sharing of knowledge and experience. This report is the product of these deliberations. With 35 examples from 19 markets, the report provides a good overview of what is happening around the world today. Securities regulators are acting on sustainable development, but the sustainability challenges we face are enormous, so we must do more.

To develop the appropriate ecosystem for sustainable financing in capital markets we need more engagement with key market participants, industry experts and policy makers. This includes a discussion of the relevant policy and regulatory framework, market infrastructure, reporting and disclosure requirements, structural incentives and the role of relevant international organisations and entities, from IOSCO to the United Nations. Work in this area also needs to consider ways to promote the growth of sustainable instruments for capital formation and investments, such as green, social and sustainable bonds.

I applaud the SSE and its Advisory Group for making a valuable contribution to the ongoing discussion among securities market regulators, exchanges, investors and issuers to promote sustainable finance. This new SSE research provides a constructive framework and practical set of illustrative examples to help securities regulators further explore how they can encourage investment in sustainable development.

Mohammed Omran
Executive Chairman
Financial Regulatory Authority
Egypt

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MESSAGE FROM MARY SCHAPIRO

In 2010, as Chair of the U.S. Securities and Exchange Commission (SEC), my colleagues and I issued interpretive guidance to help public companies determine what should be disclosed to their investors regarding the impacts of climate change. Our actions were not motivated by ideology, but rather by obligation. As securities regulators, we recognised that the disclosure of the economic impacts of climate change were not only relevant to, but arguably central to, our key objectives: to protect investors, to ensure that markets are fair, efficient, and transparent, and to reduce systemic risk.

Today, an increasing number of securities regulators around the world are having similar realisations about the importance of many of the issues addressed by the Sustainable Development Goals. Representing a plan of action for “people, planet, and prosperity,” these 17 goals and 169 associated targets provide a common set of social and environmental outcomes that governments, nonprofits, companies, and investors can — and in many cases, must — work together to achieve.

Achieving such ambitious and urgent targets requires extraordinary financing. The key to tapping the full power of global capital markets is facilitating capital formation and the mobilisation of private capital in those areas where it can benefit all parties — including companies, their investors, and society at large. When applied to sustainable development, the concept of financial materiality can unlock a financial future in which the relationship between corporations, the environment, and society is mutually supportive, helping companies and their investors identify and understand the “sweet spot” where their investments can generate social and environmental dividends while also producing financial returns. When capital market signals align with public policy goals on sustainable development, gains for one can catalyse gains for all.

Through the Sustainable Stock Exchanges (SSE) initiative, the world’s exchanges have taken a bold but pragmatic lead in working toward this future. In this guidance, the SSE outlines key considerations for securities regulators and identifies areas in which they can most usefully focus their efforts to uphold their responsibilities as regulators while helping to align capital markets with the needs of the future via the SDGs. In doing so, it also recognises that regulators have unique jurisdictional mandates within which they must operate, varying capacities to affect change, and different starting points from which to build.

These challenges are not to be dismissed. Rather, they are overshadowed by the costs of inaction — not only in terms of financial capital, but also long-term human and ecological well-being. To successfully engage a broad spectrum of investors and direct capital to where it can make its most significant contributions to the SDGs, securities regulators need not be motivated by their values alone. Like the SEC was in 2010, they can — and, indeed, should — be driven by their responsibility to investors and to the stability and resilience of the markets they serve.

Mary L. Schapiro
29th Chair of the U.S. Securities and Exchange Commission
Vice Chair for Global Public Policy, Bloomberg L.P.
Group Board Vice Chair, SASB Foundation Board of Directors

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EXECUTIVE SUMMARY

BACKGROUND

The Sustainable Development Goals (SDGs) are an articulation of the world’s most pressing sustainability issues, the scope of which includes environmental, social and governance (ESG) and economic development issues. In adopting the SDGs, UN member states have committed to reshaping the policy landscape within which the financial system, market participants, regulators and wider stakeholders operate.

RELEVANCE FOR SECURITIES REGULATORS

The sustainability issues identified by the SDGs, as well as policy responses to these issues, can create financially material risks and opportunities for investors and may affect the resilience of the financial system as a whole. These impacts and consequences are of direct relevance to securities regulators’ three overarching and interrelated objectives: (a) to protect investors; (b) to ensure that markets are fair, efficient and transparent; and (c) to reduce systemic risk.

A SHARING OF EXPERIENCES

This report examines how, within their existing mandates, securities regulators could act (and are acting) on sustainability-related risks and opportunities. The report recognises that there is no ‘one-size-fits-all’ approach; securities regulators have different mandates, different capacities and different starting points. Therefore, this report aims to facilitate the sharing of experiences by presenting a range of potential actions supported by examples that have been taken by securities regulators across a variety of countries and contexts. This can serve to spur initial or further action, while also supporting implementation of responses appropriate to the needs of the relevant market.

AN ACTION PLAN: FIVE MAIN ACTION AREAS

This report identifies five action areas (see Figure 1) where securities regulators can contribute to a more stable and resilient financial system that better supports the SDGs. These are:

1. Facilitate investment to support the delivery of the SDGs: Aid investment flows to towards achieving the SDGs via financial products.

2. Strengthen corporate sustainability-related disclosures: Improve the quality and quantity of disclosure on environmental and social data.

3. Clarify investor duties on sustainability: Guide investors on the integration of sustainability into their decisions.

4. Strengthen corporate governance to support sustainability: Introduce board responsibilities related to environmental and social factors.

5. Build market capacity and expertise on sustainability: Facilitate the training of market participants on sustainability topics.

These five areas provide the overarching structure for this report. For each, the report defines the issue, identifies the role that securities regulators might play and presents examples drawn from current practices of securities regulators around the world.
The report also identifies five supporting actions that securities regulators could consider:

1. **Analysis**: Analyse the factors that influence the ability of market actors to support the SDGs. This analysis can be used to identify gaps and barriers, and to define priorities for action;

2. **Roadmaps**: Produce or support the development of national or regional roadmaps for sustainable finance, which can include actions to address gaps or barriers;

3. **Sharing**: Share experiences with other securities regulators, and learn from the experiences and practices of others;

4. **Standards**: Work with relevant international or regional bodies to implement standardised guidelines or frameworks (e.g. on sustainability reporting, green bonds or responsible investment). Where credible standards already exist, securities regulators could align with these rather than trying to develop new standards from scratch; and

5. **Collaboration**: Work with other relevant organisations (e.g. stock exchanges, industry associations and other regulators) to align efforts in support of the SDGs. As part of this process, the participants should review the actions they have taken to support the SDGs to assess the effectiveness of these actions and to capture lessons for future policy interventions.

![Diagram](www.SSEinitiative.org)
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ACRONYMS

ABDE  Brazilian Development Association
ACMF  ASEAN Capital Markets Forum
AFM   Dutch Authority for the Financial Markets
AMMC  Capital Market Authority (Morocco)
ANBIMA Brazilian Association of Financial and Capital Markets Entities
APRA  Australian Prudential Regulation Authority
ASC   Alberta Securities Commission
ASX   Australian Securities Exchange
CDSB  Climate Disclosure Standards Board
CMA   Capital Markets Authority (Kenya)
CMB   Capital Markets Board (Turkey)
CSA   Canadian Securities Administrators
CSRC  China Securities Regulatory Commission
CVM   Brazilian Securities and Exchange Commission
DEFRA Department for Environment, Food and Rural Affairs (UK)
DoL   Department of Labor (US)
EBA   European Banking Authority
EBRD  European Bank for Reconstruction and Development
EIOPA European Insurance and Occupational Pensions Authority
EITI  Extractive Industries Transparency Initiative
ESAs  European Supervisory Authorities
ESG   environmental, social and governance (issues)
ESMA  European Securities and Markets Authority
EU    European Union
FCA   Financial Conduct Authority (UK)
FMA   Financial Markets Authority (New Zealand)
FRC   Financial Reporting Council (UK)
FSA   Financial Services Agency (Japan)
FSB   Financial Stability Board
FSDC  Financial Services Development Council (Hong Kong)
GIIN  Global Impact Investing Network
GRI   Global Reporting Initiative
HLEG  High-Level Expert Group on Sustainable Finance (European Commission)
IADB  Inter-American Development Bank
IBGC  Instituto Brasileiro de Governança Corporativa (the Brazilian Institute of Corporate Governance)
ICGN  International Corporate Governance Network
ICMA  International Capital Market Association
ICSK  Institute of Certified Public Secretaries of Kenya
IFC   International Finance Corporation
IIROC International Integrated Reporting Council
IOSCO International Organization of Securities Commissions
IVASS Istituto per la Vigilanza Sulle Assicurazioni (Italy)
KBA   Kenya Bankers Association
LAB   Laboratory of Financial Innovation (Brazil)
MSWG Minority Shareholder Watchdog Group (Malaysia)
NPS   National Pension Service (South Korea)
OECD  Organisation for Economic Co-operation and Development
OIC   Organisation of Islamic Cooperation
OJK   Financial Services Authority (Indonesia)
PBoC  People’s Bank of China
PRI   Principles for Responsible Investment
SASB  Sustainability Accounting Standards Board
SDGs  Sustainable Development Goals
SEBI  Securities and Exchange Board of India
SFC   Securities and Futures Commission (Hong Kong)
SMV   Superintendency of Securities Markets (Peru)
SSE   Sustainable Stock Exchanges (initiative)
SVS   Superintendency of Securities and Insurance (Chile)
TCFD  FSB Task Force on Climate-related Financial Disclosure
UN    United Nations
UNCTAD United Nations Conference on Trade and Development
UNEP FI United Nations Environment Programme Finance Initiative

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INTRODUCTION

INTERNATIONAL POLICY CONTEXT

In adopting the Sustainable Development Goals (SDGs)\(^1\) and the Paris Agreement on climate change,\(^2\) UN member states have committed to reshaping the policy landscape within which the financial system, market participants, regulators and wider stakeholders operate (Box1).

Over the past three years, the organisers of the Sustainable Stock Exchanges (SSE) initiative – UNCTAD, the UN Global Compact, UNEP FI and the PRI – together with other organisations around the world, have initiated projects, convened global gatherings and produced major reports discussing and analysing the structure, operation and sustainability of today’s financial system.\(^3\) These projects, gatherings and reports have discussed the roles that might be played by different stakeholders in strengthening the financial system’s ability to support sustainable development. There has been particular focus on how:

- The stability and resilience of the financial system might be enhanced;
- New and emerging risks such as climate change and inequality (both of which are captured within the SDGs\(^4\)) might be addressed; and
- The SDGs and the Paris Agreement might be financed.

Across this collective body of work, there is an emerging view that securities regulators,\(^5\) alongside other finance system stakeholders, have a key role to play. Many securities regulators around the world have demonstrated increasing interest in the relationship

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**Box 1 The United Nations Sustainable Development Goals**

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<th>No Poverty</th>
<th>Zero Hunger</th>
<th>Good Health and Well-being</th>
<th>Quality Education</th>
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In 2015, world leaders agreed to 17 goals for a better world by 2030. The Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. They cover a wide range of complex and interrelated sustainability issues related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Source: SSE.
between sustainability issues and their core mandates (as documented in this report) and the International Organization of Securities Commissions (IOSCO) has engaged with the topic of sustainability through various groups and activities. In 2018 for example, the IOSCO Africa and Middle East Regional Committee Annual Conference in Morocco and the IOSCO Asia Pacific Hub in Malaysia both hosted discussions on green finance. IOSCO’s Growth and Emerging Markets Committee has maintained ongoing discussions on sustainability issues and launched in 2018 a survey of its members on their sustainability related activities. In London in 2018, IOSCO also convened a group of regulators, stock exchanges, investors, issuers, financial services providers, civil society and international organizations to discuss the role securities regulators have in encouraging sustainable investment. At this meeting, the committee also announced that IOSCO is evaluating the feasibility of launching a new IOSCO Sustainability Network devoted exclusively to this topic.

SUSTAINABILITY TRENDS IN GLOBAL CAPITAL MARKETS

Alongside these international policy developments, we are seeing the rapid development of market practices and instruments designed to promote investment in sustainable businesses and support the achievement of the SDGs. Market innovations related to sustainable development continue to attract interest from portfolio investors, and the positive track record of sustainability-themed products is reinforcing the views of a growing number of asset managers that sustainability issues are material to long-term investment performance.

The leaders of stock exchanges around the world are coming forward to publicly commit to promoting improved ESG practices among their issuers, a trend which is reflected in the significant growth over the past decade of sustainability-related initiatives (see Figure 2). For the 2017 reporting cycle, 39 stock exchanges reported on their own sustainability activities.
activities through standalone or integrated reports. By the third quarter of 2018, 39 stock exchanges were also found to be providing guidance on ESG reporting to their issuers, with an additional nine having committed to produce guidance in the near future. In addition, 16 of the 91 markets tracked by the SSE’s database had some form of mandatory sustainability reporting requirements in place in 2018. Increasingly, stock exchanges are training their markets on sustainability through interactive seminars or education programs. At least 45 stock exchanges are providing ongoing training on sustainability topics in 2018, with the most common training topic being on sustainability reporting.

Regarding financial products, 35 exchanges had at least one sustainability index specific to their market at the time of publication and, as of the third quarter of 2018, 13 stock exchanges had introduced sustainability bond listing segments (which may include just green bonds or a broader range of sustainability bonds). The recent growth in sustainability-themed products and services is fuelled by increased issuer and investor interest. Large institutional portfolio investors are increasingly incorporating ESG risks and opportunities into their analyses and asset allocations. This is leading to exponential growth in the green bond market (see Chapter 1). Meanwhile, some of the earliest ESG equity indexes are now over a decade old and their strong performance compared with more conventional market indexes is further strengthening the view that ESG issues are material to investment performance. This growing interest in sustainability-related products and market practice has a number of stock exchanges, investors and issuers looking to securities regulators to provide support and guidance.

THE AUDIENCE FOR THIS REPORT

The primary audience for this report is securities regulators who are considering how the SDGs and the rise of sustainable finance relate to their core mandates. The report is also relevant to other stakeholders, in particular those who may work closely with securities regulators, including: stock exchanges, policymakers, investors, issuers and civil society organisations. The report helps the public to better understand what securities regulators are already doing regarding sustainability issues and provides an exchange of experiences to allow market stakeholders to identify synergies and opportunities for further collaboration.

The report recognises that there is no “one-size-fits-all” approach; securities regulators have different mandates, capacities and starting points. It also recognises that this is an evolving field, both in terms of the wider regulatory and policy context within which securities regulators operate, and in terms of the way the roles, responsibilities and expectations of securities regulators are being defined. Therefore, the approach adopted is to facilitate the sharing of experiences by presenting a range of potential actions and a related series of examples of actions or initiatives that have been undertaken by securities regulators across a variety of countries and contexts. These can serve to spur initial or further action, while also facilitating peer-to-peer learning and multi-stakeholder collaboration. This will help to support implementation of responses appropriate to the needs of the relevant market.

WHY THE SDGS ARE IMPORTANT FOR SECURITIES REGULATORS

While their specific roles, responsibilities and authorities differ from jurisdiction to jurisdiction, securities regulators are recognised by IOSCO to generally have three overarching and interrelated objectives:

(a) To protect investors;
(b) To ensure that markets are fair, efficient and transparent; and
(c) To reduce systemic risk.7

The SDGs are an articulation of the world’s most pressing sustainability issues, the scope of which includes ESG issues plus economic development. The SDGs can therefore be seen as an “ESG+” policy framework that provides some guidance as to the potential direction of travel for public policy and markets in these areas.

While most securities regulators do not have explicit organisational mandates to promote sustainable development, sustainability issues in and of themselves, as well as policy responses to these issues, are of direct relevance to their existing mandates. This is because sustainability issues can

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create financially material risks and opportunities for investors and may affect the resilience of the financial system as a whole.

It is important to stress that this report is not suggesting that meeting the SDGs should be the primary objective of securities regulators; rather, the report observes that due to the potential for sustainability issues to be financially material and to affect the stability of the financial system, the issues represented by the SDGs are of direct relevance to securities regulators’ mandates. This report examines how, within their existing mandates, securities regulators can act (and are already acting) on sustainability-related risks and opportunities. This is a response to increasing interest in how securities regulators’ ability to deliver on their overarching objectives might be affected by the sustainability performance of listed companies, and how, in turn, securities regulators might act to enhance investor protection, reduce the risk of corporate failure, and reduce the systemic impact of those failures.

Regulators who are presented in examples in this report have started to pay attention to sustainability issues as part of delivering on their wider organisational mandates. For example, under the Marrakech Pledge for Fostering Green Capital Markets in Africa, participating securities regulators (as well as stock exchanges) commit to act collectively in favour of sustainable development, promote climate-resilient investments and drive capital into the green economy.

Some policymakers are now, as part of wider efforts to protect investors and the public at large, considering making financial market participants’ role in promoting sustainable development and protecting the environment a formal part of supervisory authorities’ mandates. For example, in September 2017, the European Commission issued a legislative proposal on the functioning and objectives of the three European Supervisory Authorities (ESAs) responsible for oversight of the individual banking, investment, insurance and pension markets. The proposal noted that the finance sector has a vital role to play in enabling the SDGs and the goals of the Paris Agreement to be achieved. The Commission’s proposals include requiring the ESAs to integrate ESG risk assessments into their supervisory activities. This would enable them to monitor how financial institutions identify, report and address the risks that ESG factors may pose to financial stability, thereby making the activities of the financial markets more consistent with the objectives of sustainable development.

HOW SECURITIES REGULATORS CAN SUPPORT THE SDGS

The role that can be played by securities regulators in strengthening the financial system’s ability to respond to and support the SDGs is a function of each regulator’s market-specific roles, responsibilities, mandates and authorities. These differ between jurisdictions, meaning there is no ‘one-size-fits-all’ approach. Rather, the specific contribution that securities regulators can make is driven by the unique regulatory, institutional, developmental and economic context within which they operate.

This report identifies five main action areas where securities regulators can contribute to a more stable and resilient financial system that better supports the SDGs. It also identifies five supporting actions that include processes and instruments that can help securities regulators with the “how to” of implementing the main actions.

FIVE MAIN ACTION AREAS

The five areas where securities regulators can support the SDGs in a way that contributes to a more stable and resilient financial system are:

1. Facilitate investment to support the delivery of the SDGs;
2. Strengthen corporate sustainability-related disclosures;
3. Clarify investor duties on sustainability;
4. Strengthen corporate governance to support sustainability; and
5. Build market capacity and expertise on sustainability.

These five areas provide the overarching structure for this report. For each, the report defines the issue, identifies the role that securities regulators might play, and presents examples where securities regulators are working in this action area.
FIVE SUPPORTING ACTIONS

The report also identifies five supporting actions that securities regulators could consider:

1. **Analysis**: Analyse the factors that influence the ability of market actors to support the SDGs. This analysis can be used to identify gaps and barriers, and to define priorities for action;

2. **Roadmaps**: Produce or support the development of national or regional roadmaps for sustainable finance, which can include actions to address gaps or barriers;

3. **Sharing**: Share experiences with other securities regulators, and learn from the experiences and practices of others;

4. **Standards**: Work with relevant international or regional bodies to implement standardised guidelines or frameworks (e.g. on sustainability reporting, green bonds or responsible investment). Where credible standards already exist, securities regulators could align with these rather than trying to develop new standards from scratch; and

5. **Collaboration**: Work with other relevant organisations (e.g. stock exchanges, industry associations and other regulators) to align efforts in support of the SDGs. As part of this process, the participants should review the actions they have taken to support the SDGs to assess the effectiveness of these actions and to capture lessons for future policy interventions.

While the primary focus of this report is on the role and responsibilities of securities regulators, integrating sustainability issues into capital markets involves sustained, supportive and coordinated action by many different stakeholders. These include stock exchanges, investors, policymakers, issuers, industry representatives, development banks and civil society. Securities regulators are part of a complex ecosystem of actors, institutions and rules, and the specific role that they play will depend on their interactions and relationships with these other actors and institutions, and on the rules that govern these interactions.

Despite this report’s focus on securities regulators, the actions proposed in this report are not exclusively regulatory in nature. Self-regulation, partnerships, engagement, research, dialogue and capacity-building are all important parts of the regulatory toolkit. In many cases, securities regulators will not need to lead or even direct these efforts. It will frequently be sufficient for them to provide support or encouragement, given that their influence on market stakeholders can be significant.
1. FACILITATE INVESTMENT TO SUPPORT THE DELIVERY OF THE SDGS

UNCTAD estimates that US$5trn to US$7trn a year will be needed to realise the SDGs by 2030. This includes investments in infrastructure, clean energy, agriculture, water and sanitation. While government financing remains critically important, much of this capital will need to be provided by the private sector. If executed well, there is also the potential for a strong return on investment. For example, the Business and Sustainable Development Commission has estimated that the SDGs, if met, have the potential to facilitate an estimated US$12trn in market opportunities in four economic systems: food and agriculture; cities; energy and materials; and health and well-being.

There are various factors that influence investors’ willingness to invest in opportunities linked to the SDGs. Many relate to the financial characteristics of these investments, including: their tax and accounting treatment; the costs of accessing these opportunities; the risk-return ratios for these investments; and the packaging and promotion of projects. Other important factors include the lack of understanding of the opportunities presented by the SDGs (discussed further in Chapter 5) and an absence of opportunities to share experiences and develop tools that would accelerate investment in the SDGs.

UNCTAD’s Action Plan for Investing in the SDGs presents a range of policy options to increase investment in support of the SDGs. These include establishing SDG investment development agencies to develop and market bankable projects in SDG sectors, providing investment incentive schemes to facilitate sustainable development projects, offering effective de-risking instruments, and developing innovative financing mechanisms to accelerate and scale up investment in the SDGs (Box 1.1). Enabling innovative financing and a reorientation of capital markets is a key element within this Action Plan. Security market regulators, stock exchanges, investors and issuers can play an important role in the promotion of new SDG financing vehicles. For example, the market for green bonds (which provide investment for a diverse range of environmentally themed projects) continues to increase exponentially, with the absolute value exceeding US$163 billion at the end of 2017, more than double the value of the market in 2016. The experience of the green bond market is also leading to innovations with other sustainability-themed bonds, such as water bonds and gender bonds. Behind this growth have been efforts by a number of market participants. Stock exchanges, for example, have promoted green and sustainability bonds through the development of sustainability bond listing segments and through setting listing guidelines for labelled sustainability products.

To the extent that they have jurisdiction or influence, securities regulators could facilitate investment that supports the delivery of the SDGs through, for example:

1.1 Convening and supporting dialogue and projects to develop innovative financing solutions (e.g. green securities, green bonds, social bonds) for the SDGs;

1.2 Developing guidance and case studies on how to access the investment opportunities presented by the SDGs;

1.3 Identifying the role of different market participants in contributing to sustainable finance; and

1.4 Developing, supporting or incentivising labelling processes or frameworks for fund, index and sustainable investment product certification.
## Box 1.1 UNCTAD Action plan for investing in the SDGs

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| - Regional industrial collaboration agreements | Source: UNCTAD.

www.SSEInitiative.org
Illustrative examples

China

In 2016, the People’s Bank of China (PBoC), along with six other government agencies including the China Securities Regulatory Commission (CSRC), issued Guidelines for Establishing the Green Financial System. The Guidelines, which form part of the Chinese government’s wider efforts to support the development of an ecological civilisation, aim to promote sustainable development, establish a green financial system, and improve the functioning of the capital market in allocating resources and servicing the real economy.

The guidelines explicitly discuss the role of the securities market in supporting green investment. They recommend improvements in the rules and regulations for green bonds, reductions in the financing costs of green bonds, the formulation of standards for third-party verification of green bonds and green credit ratings, support for the development of green bond indexes, green equity indexes and related products, and encouragement for institutional investors such as pension and insurance funds to make green investments.

In December 2017, PBoC and CSRC released their Guidelines on Green Bond Certification (provisional). Their aim is to ensure the credibility of the green bonds process through ensuring the quality and credibility of the certification process, through harmonising standards used in the certification process, and through ensuring the issued bonds continue to comply with relevant green bond standards and requirements.

In 2018, the Shanghai Stock Exchange published its Vision and Action Plan for Supporting Green Development and Promoting Green Finance, which included commitments to strengthen the support of the stock market for green development, proactively develop green bonds, and advance green investment.

Hong Kong, China

In 2016, Hong Kong’s Financial Services Development Council (FSDC), an advisory body, published a report offering recommendations on how to develop Hong Kong as a green finance hub. The recommendations included the issuance of public sector benchmark green bonds and the establishment of a green labelling scheme for securities and projects to attract issuers and investors.

Brazil

In Brazil in 2017, the Laboratory of Financial Innovation (LAB) was established to bring public and private entities together to create and develop financial instruments and solutions focused on sustainable development. The initiative is led by the Inter-American Development Bank in partnership with the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Development Association. The LAB has organised its working groups around four main themes: green bonds; green finance; financial instruments for social impact; and fintech.

European Union

In 2018, the European Commission published a proposal to develop a regulation to establish a framework and uniform criteria for determining whether an economic activity is environmentally sustainable. The proposal is seen as providing economic actors and investors with clarity on which activities are considered sustainable in order to inform their investment decisions. The Commission has established a Technical Expert Group on Sustainable Finance to assist it in developing the taxonomy, in creating an EU green bond standard, in improving the disclosure of climate-related information and in developing a category of low-carbon indexes.
Kenya

In 2017, the Kenya Bankers Association (KBA), the Nairobi Securities Exchange, the Climate Bonds Initiative and Financial Sector Deepening Africa, in conjunction with the Dutch Development Bank (FMO) and the International Finance Corporation (IFC), launched Kenya’s Green Bond programme. The programme, which is coordinated by KBA under its Sustainable Finance Initiative, is endorsed by the Central Bank of Kenya, the Capital Markets Authority (CMA) of Kenya and the National Treasury. Kenya’s green bond guidelines are issued by the Nairobi Securities Exchange and approved by the CMA.

Malaysia

In 2014, the Securities Commission Malaysia established its Sustainable and Responsible Investment Sukuk Framework to facilitate the financing of sustainable and responsible investment initiatives. This framework provides guidance for the issuance of sukuk for green, social and sustainability projects and, in 2017, the world’s first green sukuk was issued in Malaysia under this Framework. In late 2017, the Securities Commission Malaysia issued Guidelines on Sustainable and Responsible Investment Funds to facilitate and encourage greater growth of these funds in Malaysia. The guidelines require that sustainable and responsible investment funds adopt, in their investment policies and strategies, one or more sustainability considerations such as the UN Global Compact Principles, one or more of the SDGs, or other ESG factors. The guidelines also impose additional disclosure and reporting requirements on these funds.

Malaysia has several incentives in place to attract green issuers, including tax deductions on the issuance costs of sustainable and responsible investment sukuk, and a Green Sustainable and Responsible Investment Sukuk Grant Scheme, which is tax-exempted, to finance third-party reviews.

Morocco

In 2016, on the occasion of the Moroccan Presidency of the COP22 UN climate talks, Bank Al-Maghrib, with the contribution of the Moroccan Capital Market Authority, the Supervisory Authority of Insurance and Social Welfare, the Moroccan Ministry of Economy and Finances, the Casablanca Finance City Authority, the Casablanca Stock Exchange, the Moroccan Banking Association and the Moroccan Federation of Insurance and Reinsurance Companies published a roadmap for aligning the Moroccan financial sector with sustainable development.

The roadmap proposed actions in five areas: extending risk-based governance to socio-environmental risks; developing sustainable financial tools and products; promoting financial inclusion as a driver for sustainable development; capacity-building in the field of sustainable finance; and transparency and market discipline. A committee involving the main financial market regulators meets on a regular basis to monitor progress on the implementation of these commitments.

In 2018, the Moroccan Capital Market Authority (AMMC), with the support of the International Finance Corporation (IFC), issued guidelines on green, social and sustainable bonds. The guidelines provide an overview of the principles that issuers need to comply with, and provides guidance on the actions to be taken to have these bonds certified.
The Netherlands

The Dutch Sustainable Finance Platform is a cooperative venture involving De Nederlandsche Bank (the Dutch central bank, which also chairs the platform), the Dutch Banking Association, the Dutch Association of Insurers, the Federation of the Dutch Pension Funds, the Dutch Fund and Asset Management Association, the Dutch Authority for the Financial Markets (AFM), the Ministry of Finance, the Ministry of Infrastructure and the Environment, and the Sustainable Finance Lab. The aim of this platform, set up by De Nederlandsche Bank in 2016, is to forge cross-sectoral links, to find ways to prevent or overcome obstacles to sustainable funding, and to encourage sustainability by working together on specific topics. The platform has produced or supported reports on SDG impact indicators, carbon accounting for the financial sector and climate risk.

South-east Asia

The ASEAN Capital Markets Forum (ACMF), a forum of capital market regulators from the ASEAN region, released the ASEAN Green Bond Standards in 2017. These standards, which are based on the International Capital Market Association (ICMA) Green Bond Principles, provide guidance on the implementation of the ICMA principles and seek to promote transparency and consistency in the ASEAN green bond market. The ASEAN Green Bond Label is to be used only for issuers and projects in the region, and the standards specifically exclude fossil fuel-related projects.
2. STRENGTHEN CORPORATE SUSTAINABILITY-RELATED DISCLOSURES

Principle 16 of the IOSCO Objectives and Principles of Securities Regulations states: “There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors’ decisions.”37 As noted in the introduction to this report, sustainability-related issues can create financially material risks and opportunities for investors and may affect the resilience of the financial system as a whole.

It is also possible that the policy and regulatory responses to these issues may similarly create new financially material risks and opportunities for investors and may have an impact on the resilience of the financial system as a whole. For example, public policies to address climate change may lead to the creation of ‘stranded assets’ in some high-emissions industries, and thus have a material impact on investors and (depending on the size of the industry) potential systemic impacts (Box 2.1). Securities regulators have an interest in encouraging disclosures that enable investors to understand these risks and opportunities. Such disclosures can also better inform securities regulators and policymakers of the risk of corporate failure and the potential systemic impact of those failures. Encouraging corporate sustainability-related disclosures is also one of the targets within the SDGs.38

Collecting, analysing and reporting ESG information supports the SDGs by helping companies understand how these factors support value creation. These processes also enable companies to understand and to quantify their environmental and social impacts, thereby enabling them to act to maximise positive impacts and mitigate or eliminate negative impacts.

From a wider market perspective, transparency enables companies to respond effectively to information demands from investors, index providers and other actors in the financial system.39 In turn, this helps investors to better evaluate fundamental drivers of value creation, to encourage companies to strengthen the contribution they make to the SDGs, and to direct capital to companies that make positive contributions to the SDGs.40

The number of companies that issue sustainability reports continues to increase. For example, in its 2017 global survey of corporate responsibility reporting, KPMG noted that most (78%) of the world’s biggest companies now integrate financial and non-financial data in their annual financial reports.41 Corporate responsibility or sustainability reporting is now a standard practice for large and mid-cap companies around the world, with three-quarters of the companies covered by the KPMG survey using

Box 2.1  Stranded assets: material sustainability risks

According to the Oxford University Stranded Assets Programme,130 ‘stranded assets’ are assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities. They can arise as a result of a range of environment-related risks and these risks are poorly understood and regularly mispriced, which has resulted in a significant over-exposure to environmentally unsustainable assets throughout the world’s financial and economic systems. Current and emerging risks related to the environment represent a major discontinuity with historical risk profiles, which could profoundly alter asset values across a wide range of sectors. Some of these risk factors include:

- Environmental challenges (e.g. climate change, water constraints);
- Changing resource landscapes (e.g. shale gas, phosphate);
- New government regulations (e.g. carbon pricing, air pollution regulation);
- Falling clean technology costs (e.g. solar PV, onshore wind);
- Evolving social norms (e.g. the fossil fuel divestment campaign) and consumer behaviour (e.g. seeking certified products); and
- Litigation and changing statutory interpretations (e.g. changes in the application of existing laws and legislation).

the GRI standards. KPMG also observed that “a mix of new regulation, stock exchange requirements and investor pressure have been instrumental in increasing reporting.”

Despite the increase in the number of companies issuing reports and the improvements in the quality of the data and information being provided, reporting practice continues to fall short of what is needed to deliver the potential benefits listed above. Essentially there are three main issues. First, many companies have yet to report on their ESG performance or on those ESG issues that are most financially material for their business. Second, ESG performance is not yet being consistently linked to the wider business strategy, as advocated by the International Integrated Reporting Council (IIRC), the FSB TCFD, the Climate Disclosure Standards Board, and others. Third, data quality is inconsistent. This is despite the efforts of organisations such as CDP (which encourages standardised reporting on climate change, water and forests) and of standard-setting organisations such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

Research has suggested that one of the main reasons investors are not taking full account of sustainability-related issues and long-term value creation in their decision-making processes is because of weaknesses and gaps in the data and information provided by companies. Other reasons include investment (and reporting) timeframes that tend to focus on short-term rather than long-term performance, uncertainties about how seriously and how quickly governments will implement the SDGs and investors’ varying interpretations of materiality.

Securities regulators can play an important role in ensuring that reporting on material sustainability factors by issuers meets investors’ information needs. To the extent that they have jurisdiction or influence, securities regulators could help to strengthen the quantity and the quality of reporting within their markets by:

2.1 Supporting the development of voluntary reporting guidelines. Where credible standards already exist, securities regulators should align with these rather than developing new standards from scratch. Securities regulators can make use of the recommendations and guidance from organisations such as the SSE initiative, the TCFD, the IIRC, the GRI, SASB, CDP, the Extractive Industries Transparency Initiative and the Climate Disclosure Standards Board.

2.2 Integrating sustainability reporting guidance into listing requirements that define who should report, what should be reported (including minimum disclosure requirements) and how reporting should be practiced. Regulators have, in practice, specified items such as:

- The scope of application (i.e. the number and types of companies included);
- The scope of subject matter (i.e. the specific issues that need to be reported on, including whether these differ between sectors);
- The policy, philosophy, and processes that underpin materiality assessments, and the results of these assessments;
- The factors to be considered when setting sustainability-related targets;
- How data or performance measures are to be calculated;
- When data should be reported (and the timeliness of these disclosures);
- How data are to be audited or assured;
- Where data should be reported (e.g. in the financial or annual report, on the company website, in a stand-alone report); and
- Supplementary information to accompany or support performance data (e.g. sustainability governance and management processes, discussion of how the company’s approach to sustainability creates value for the company, and data quality assurance and verification processes).

2.3 Working with their counterparts in other jurisdictions, and with relevant international organisations such as IOSCO, to encourage internationally consistent and comparable disclosures of financially material sustainability-related information.
Illustrative examples

Canada

In 2010, the Canadian Securities Administrators (CSA) issued a Staff Notice on environmental reporting. The notice provided guidance on the information that needed to be reported about environmental matters, on how issuers might assess whether specific environmental issues are financially material or not, and on what supplementary disclosures might be provided by issuers. It suggested that issuers should report on risk oversight and management processes, including details of the environmental policies that have been adopted and how the implementation of them is overseen by the issuer's board.

In 2018, CSA released the findings of a review of issuers’ disclosures of the risks and financial impacts associated with climate change. Based on this review, it expects to develop guidance and educational initiatives for issuers on the potential financial impacts of climate change, to consider new disclosure requirements regarding corporate governance and climate change, and to continue to monitor issuers’ disclosures and the evolution of reporting frameworks and best practices.

All Canadian jurisdictions also perform full and issue-oriented reviews of issuers’ disclosures. For example, in its 2017 review, the Alberta Securities Commission (ASC) assessed, among other topics, corporate compliance with disclosure requirements relating to the representation of women on boards and in executive officer roles. It also provided examples of corporate disclosures that met and did not meet its requirements.

China

The China Securities Regulatory Commission (CSRC), in collaboration with China’s Ministry of Ecology and Environment (previously the Ministry of Environmental Protection), plans to introduce requirements for all listed companies and bond issuers to disclose, by 2020, the environmental risks associated with their operations. In December 2017, CSRC issued standards for the content and format of the information provided in the semi-annual and annual reports produced by listed companies. These standards include requirements for companies to report on relevant ESG matters. The requirements are mandatory for key polluters and apply on a comply-or-explain basis for all other listed companies, although these requirements will become mandatory for all listed companies in 2020. It is also relevant to note that China’s Guidelines for Establishing the Green Financial System encourage securities regulators to increase the penalties for listed enterprises and bond issuers that falsify environmental information.

Chile

The Chilean Superintendency of Securities and Insurance has issued General Rules No. 385 and 386 to encourage improvements in the disclosures made by issuers on matters of corporate governance, corporate social responsibility and sustainable development. Rule No. 385 encourages companies to disclose information to shareholders and to the general public regarding their corporate social responsibility and sustainable development policies and practices and their effectiveness. Rule No. 386 encourages companies, on a comply-or-explain basis, to provide specified information regarding their corporate social responsibility and sustainable development in the company's annual report.
Brazil

Under Rule CVM 480 issued by the Brazilian Securities and Exchange Commission (CVM), Brazilian companies must submit a Reference Form to CVM. Amongst other information, companies are required to provide information in these forms on relevant socio-environmental risk factors, on their environmental policy, on the costs of compliance with environmental regulation, and on their adherence to the Code of Best Practices of Corporate Governance issued by the Brazilian Institute of Corporate Governance (IBGC). This form must be updated annually. Certain companies are also required to make their Reference Form available on their company websites.

France

Article 173 of the French Energy Transition Law, which came into force on 1 January 2016, requires publicly listed companies to disclose in their annual reports (a) financial risks related to the effects of climate change, (b) the measures adopted by the company to reduce these risks, and (c) the effects of climate change on the company's activities and on the use of the goods and services it produces. These requirements are in addition to previously introduced mandatory reporting requirements on the social and environmental consequences of the company's activities.

India

In August 2012, the Securities and Exchange Board of India (SEBI) introduced mandatory requirements for the top 100 companies (by market capitalisation) listed on India's two main stock exchanges to publish Business Responsibility Reports in their annual reports. In December 2015, the scope was extended to the top 500 companies. The structure of the Business Responsibility Report is based on nine principles specified by SEBI, relating to issues such as business ethics, employee well-being, stakeholders, human rights, environmental protection and consumer responsibility.

In February 2017, SEBI issued a memorandum to the top 500 companies in India encouraging them to prepare an integrated report. The memorandum referenced Principle 16 of the IOSCO Objectives and Principles of Securities Regulations, stating: “There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors’ decisions.”

Indonesia

In 2017, the Financial Services Authority Indonesia (OJK) issued Regulation No. 51/POJK.03/2017, making it mandatory for any financial institution, issuer and public company to prepare an annual sustainability report to accompany its annual report. The regulation will come into force on 1 January 2019.

Japan

In 2018, the Disclosure Working Group of the Financial System Council (established under the Japanese Financial Services Agency, or FSA) recommended that Japanese companies should provide more information on their business strategies and should publish an extended management discussion and analysis section in their annual securities reports to enable investors to better understand the business and improve investment decision-making. The Working Group also recommended that Japanese companies be encouraged to voluntarily provide additional information, including on ESG factors.

Morocco

As one of the commitments under the 2016 roadmap for aligning the Moroccan financial sector with sustainable development, the Moroccan Capital Market Authority (AMMC) has consulted on how the rules governing the disclosure requirements of publicly traded companies should evolve to integrate sustainability-related information. The proposals have been informed by international best practices including the TCFD recommendations.
New Zealand

The New Zealand Financial Market Authority Corporate Governance Handbook provides guidance on corporate governance to non-listed companies and other entities involved in New Zealand’s financial markets. These include companies wanting to raise capital and/or list on the New Zealand Stock Exchange (NZX) in the future, companies providing financial services, state-owned enterprises, large non-government organisations, not-for-profit organisations, and other companies.

The handbook encourages these companies and entities to disclose policies and performance relating to ESG issues, to identify financially material social and environmental issues, and to describe their performance against their strategic goals. It notes that entities can adopt a formal framework such as the GRI guidelines or the International Integrated Reporting Framework to guide their reporting.

Peru

The Peruvian Superintendency of Securities Markets (SMV) has introduced mandatory requirements for all publicly listed companies to publish, as an annex to their annual reports, details of actions they have taken to manage sustainability-related risks associated with their operations. In June 2014, SMV issued Resolution SMV N°012-2014, which requires these companies to disclose corporate governance matters based on the principles of the Peruvian Corporate Governance Code. In 2015, it extended these requirements by issuing Resolution SMV 033-2015 to require reporting, on a comply-or-explain basis, on material environmental and social factors.

Sweden

The Swedish Ministry of Enterprise requires state-owned companies to publish sustainability reports using the GRI guidelines. In 2012, it extended these requirements by asking state-owned companies to set sustainability goals, and to report on them by 2014.

Turkey

As part of the 2014 revisions to the Corporate Governance Principles issued by the Turkish Capital Markets Board (CMB), listed companies are asked to provide information in their annual reports on: social rights, in-house training, health and safety, corporate social responsibility initiatives, and social and environmental performance. To support the implementation of the principles, an online corporate governance reporting framework is being developed by the CMB and the European Bank for Reconstruction and Development (EBRD). The framework will also encourage companies to provide additional information on their ESG-related practices and performance.
3. CLARIFY INVESTOR DUTIES ON SUSTAINABILITY

Responsible investment is an approach that aims to incorporate ESG factors into investment decisions, thereby enabling better risk management and generating sustainable, long-term returns. There has been significant growth in responsible investment over the past decade. Today there are a large number of investors who have decided to integrate ESG factors into their decision-making processes. For example, as of 2018, over 2,000 asset owners, asset managers and service providers, representing over US$80tn in assets under management have begun integrating ESG as part of their commitment to the PRI. In another example, the Global Sustainable Investment Alliance estimates that responsible investment now represents more than a quarter of all professionally managed assets globally. Regulation and self-regulatory initiatives supported by regulators have played an important role in these changes, alongside the growing recognition of the financial relevance of sustainability-related issues.

Investors are now starting to include the SDGs in their focus on ESG-related factors. The 2017 GIIN Annual Survey, which analysed the activities of 209 of the world’s leading impact investing organisations, reported that 26% of the investors surveyed already track the performance of their investments against the SDGs, and that a further 34% plan to do so in the future.

These efforts are beginning to provide the data and evidence necessary to overcome some of the historic barriers to progress in this area. There is now growing evidence that a focus on sustainability issues in investment research and in company engagement can support value creation and long-term investment returns, and that these efforts align with investors’ duties and obligations (or fiduciary duties in common law countries) to their clients and beneficiaries. Recent research from UNEP FI and PRI argues investor duties compel investors to embed sustainability-related factors in their investment practices and processes.

To the extent that they have jurisdiction or influence, securities regulators could, directly or in collaboration with others, help address these barriers through:

3.1 Clarifying that institutional investors and asset managers should understand and take account of the views and interests of their clients and beneficiaries, should take account of sustainability issues in their investment practices, and should publish an overarching framework (or set of principles) for their investment approach;

3.2 Introducing stewardship and corporate governance codes (or strengthening existing codes), stating that institutional investors should encourage their investee companies to have policies on ESG issues and should engage with these companies on significant ESG issues;

3.3 Encouraging institutional investors to report on how they are exercising their stewardship responsibilities, delivering on their ESG responsibilities to beneficiaries, and contributing to the delivery of the SDGs; and

3.4 Supporting efforts at the international level to harmonise policy instruments on the integration of sustainability issues by institutional investors and asset managers regarding investment decision-making, corporate engagement and investor disclosures.
Illustrative examples

Over 20 countries have adopted investment-stewardship codes or similar documents. Most of these have been developed, implemented or actively supported by securities regulators and other regulatory agencies.82

Australia

The Australian Prudential Regulation Authority’s Guide on Investment Governance, SPG 530, allows super funds to offer ‘ethical’ investment options (characterised by an added focus on ESG considerations, or the integration of such considerations into investment strategy and supporting analysis).83 Such options should be in the best interests of beneficiaries, and should satisfy legal requirements on liquidity, valuation and other relevant investment factors.

Brazil

In October 2017, the Brazilian stock exchange B3, with the support of the Brazilian Association of Financial and Capital Markets Entities (ANBIMA), the Central Bank of Brazil (Bacen) and the Brazilian Securities and Exchange Commission, among others, launched the Sustainability Guide: Business Opportunity in the Intermediation Sector.84 It aims to foster a debate on sustainability in the Brazilian intermediation sector and to encourage brokers, dealers and banks that operate in the markets managed by the stock exchange to integrate ESG issues into their processes and products, and into their relationships with their customers.

In 2018, Banco Central do Brasil, Brazil’s central bank, introduced new regulations requiring local pension funds to consider ESG factors whenever possible, an evolution of the previous rule, introduced in 2009, that required their investment policies to mention if principles of environmental and social responsibility had been considered.85

Hong Kong, China

In March 2016, the Hong Kong Securities and Futures Commission introduced its Principles of Responsible Ownership.86 These are voluntary, non-binding principles and guidance to assist investors to determine how best to meet their ownership responsibilities. They state that investors’ ownership responsibilities include voting, monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance. The principles also state that investors should encourage their investee companies to have policies on ESG issues and should engage with these companies on significant ESG issues “that have the potential to impact on the companies’ goodwill, reputation and performance.”

European Union

In 2017, the EU adopted Directive (EU) 2017/82887 to amend and update Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the Shareholders’ Rights Directive). The amendments include providing shareholders with the right to vote on the remuneration policy of the directors of their company, and requiring institutional investors and asset managers to either to develop and publicly disclose a policy on shareholder engagement or explain why they have chosen not to do so. The scope of the engagement policy should include strategy, financial and non-financial performance, risk management, social and environmental impact and corporate governance.

In addition, the European Commission, building on the HLEG recommendations, has issued a proposal for a regulation on disclosures relating to sustainable investment and sustainability risks.88 The proposed regulation sets out harmonised transparency rules for financial market participants, insurance intermediaries and investment firms, requiring them to publish information on how they integrate sustainability risks into their investment decisions, on the extent to which sustainability risks are expected to affect the investment returns of the financial products in question, and on how their remuneration policies are consistent with the integration of sustainability risks and are in line with the sustainable investment target of the financial product.
France

Under Article 173-VI of the French Energy Transition Act, institutional investors must provide information on how they integrate ESG factors in their investment and voting decisions, on the climate risks they face, and on how their portfolio construction contributes to the transition to a low-carbon economy.89

Japan

The Japanese Stewardship Code states that institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and that these investors should monitor and constructively engage with investee companies with an orientation towards the sustainable growth of the companies.90 The factors to be considered in these processes “may include, for example, the investee companies’ governance, strategy, performance, capital structure, business risks and opportunities (including risks and opportunities arising from social and environmental matters), and how the companies address them”. Finally, institutional investors are expected to report on how they have implemented the Code.

The Japanese Financial Services Agency is responsible for monitoring the Stewardship Code, and for encouraging investment organisations to sign up to it. The code is not legally binding and is based on a ‘comply-or-explain’ approach where signatories comply with the principles of the code or explain why they do not comply.

Malaysia

In 2014, the Securities Commission Malaysia and the Minority Shareholder Watchdog Group launched the Malaysian Code for Institutional Investors, a code and set of best practices collectively developed by Malaysia’s largest institutional investors.91 The Code sets out broad principles of effective stewardship for institutional investors, including the disclosure of stewardship policies, the monitoring of and engagement with investee companies, and the management of conflicts of interest. Principle 5 of the code encourages institutional investors to incorporate corporate governance and sustainability considerations into their investment decision-making process, and to develop a policy on how they incorporate sustainability considerations into their investment analysis and decision-making.

South Africa

In 2011, Regulation 28 to the Pension Funds Act of 1956 was amended to require pension funds to give appropriate consideration to any factor that may materially affect the sustainable long-term performance of a fund’s assets, including ESG factors. In March 2018, the South African Financial Sector Conduct Authority (formerly the Financial Services Board) issued a draft directive to this regulation which, when implemented, will more closely set out requirements relating to sustainable investment policies, the exercise of active ownership and reporting to stakeholders.92

South Korea

A 2015 amendment to the South Korean National Pension Service Act requires the National Pension Service to take account of ESG issues in investment decisions and, if not, to explain why not. The National Pension Service must consider responsible investment factors such as ESG issues in exercising its voting rights, and must disclose its votes.

United States

In 2018, the US Department of Labor (DoL) issued a Field Assistance Bulletin relating to ESG issues and shareholder rights for benefit plans under the Employee Retirement Income Security Act 1974 (ERISA).93 ERISA establishes minimum standards that govern the operation of private sector employee benefit plans, including fiduciary responsibility rules. The 2018 Bulletin confirms the principles set out in Interpretive Bulletins issued by the DoL in 2015 and 2016, noting that (a) ESG factors are an appropriate component of a prudent investment decision so long as they are financially material, and (b) shareholder engagement in connection with economically relevant issues is consistent with fiduciary practice. It also confirms that, when ESG issues present financially material business risks or opportunities to companies, these issues should be considered by a prudent fiduciary along with other relevant economic factors to evaluate the risk and return profiles of alternative investments.
4. STRENGTHEN CORPORATE GOVERNANCE TO SUPPORT SUSTAINABILITY

Many initiatives recognise that corporate governance is central to ensuring the sustainability performance of companies. While issues such as board structure, risk management, executive remuneration, reporting, audit and shareholder rights remain of critical importance, the focus of corporate governance discussions has broadened in recent years. Much greater attention is now being paid to the responsibilities of boards for the environmental and social performance of their companies and, increasingly, for the contribution that they make to the delivery of the SDGs.

For example, the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) identified governance as one of the four core elements in climate-related financial disclosures.94 Another example is the Global Governance Principles of the International Corporate Governance Network (ICGN). These Principles are focused on “…company governance and how board directors should promote successful companies, thereby creating sustainable value creation for investors while having regard to other stakeholders”. They state that: “Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as its financial operations.”95

There is growing evidence that successful companies tend to have long-term oriented cultures and governance processes, underscored by a framework of consistent principles and values.96 Critically, they have boards that support these cultures and governance processes. These companies tend to consider a wide range of sustainability issues within the scope of their corporate governance and risk management processes. ICGN defines the scope of risk management as including “material financial, strategic, operational, environmental, and social risks (including political and legal ramifications of such risks), as well as any reputational consequences”.97 Examples of these risks include the physical impacts of climate change, technology development, consumer demand for sustainable products, the potential for environmental regulations to threaten the business models of particular sectors (e.g. fossil-fuels) and the damage to the reputations and balance sheets as a result of corporate scandals and wrongdoing (e.g. automobile diesel emission scandals). Furthermore, as governments move to implement the SDGs, the business and investment opportunities are becoming increasingly clear.98

Directors’ knowledge of social and environmental issues and their willingness and ability to act on these issues are key to integrating sustainable development and long-term thinking into business decision-making. While it is increasingly accepted that the scope of corporate governance should include environmental and social issues, many companies pay insufficient attention to long-term risks in their products, services or business strategies, and do not recognise the importance of effective management of sustainability issues for their long-term success.99

To the extent that they have jurisdiction or influence, securities regulators could help to strengthen the sustainability dimension of corporate governance in a variety of ways, including:

4.1 Integrating sustainability factors into corporate governance codes, by, among other things:

- Requiring corporate boards to ensure that companies have the appropriate systems and processes in place to manage material sustainability risks and opportunities, with a view to integrating sustainability issues, including those articulated by the SDGs, into their business strategies and capital investment plans;
- Requiring that members of the board have knowledge of and training on salient and material sustainability issues;100
- Requiring corporate boards to have formal oversight of ESG issues;
- Requiring companies to link executive remuneration to sustainability performance targets;101 and
- Requiring the adoption of policies, practices and targets that promote greater diversity in board composition, including gender diversity specifically.

4.2 Encouraging boards of directors to produce formal statements that set out their duties as stewards of the company and that commit them to long-term decision-making and to acting in ways that promote the long-term interests of the company;102 and
4.3 Enabling investors to engage effectively with companies on sustainability and SDG issues, by allowing them to raise and discuss these issues with boards through established corporate governance processes and by ensuring that the formal rights granted to investors (e.g. voting rights for equity investors) function effectively.

Illustrative examples

Brazil

Principle 2.1 of the Code of Best Practices of Corporate Governance, issued by Instituto Brasileiro de Governança Corporativa (IBGC, the Brazilian Institute of Corporate Governance), states that company boards must pay attention to the company’s social and environmental impacts. Specifically, when developing business strategy, boards should pay attention to these issues and how they might affect the company’s sustainability and ability to create value in the long term. In addition, assessments of the performance of the Chairperson and the board should be based on financial and non-financial targets (including environmental, social and governance aspects).

Italy

In 2018, the Istituto per la Vigilanza Sulle Assicurazioni (IVASS), Italy’s insurance supervisory authority, issued Regulation no. 38/2018, relating to the corporate governance of companies and insurance groups. The regulation, which applies to the 103 companies supervised by IVASS, requires boards to take account of ESG factors in the development of corporate strategy and in risk management. It also encourages these companies to link executive remuneration to their ESG objectives.

Japan

The Japanese Corporate Governance Code, which is overseen by a council jointly established by the Japanese Financial Services Agency and the Tokyo Stock Exchange, states that: “Companies should take appropriate measures to address sustainability issues, including social and environmental matters.” The Code also states that gender and international experience are important factors to ensure the diversity of company boards.

Kenya

The Kenyan Companies Act 2015 requires listed companies to prepare a business review for the company and include it in the directors’ report. This review should describe the main trends and factors likely to affect the future development, performance and position of the business, and should provide information about environmental matters, employees, and social and community issues. In addition, under Kenya’s capital market regulations, issuers are required to annually report to Kenya’s Capital Markets Authority and to stakeholders on how they have implemented the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

Malaysia

The Malaysian Code on Corporate Governance, issued by the Securities Commission Malaysia states that: “A diverse board can offer greater depth and breadth compared to non-diverse boards…In pursuing its gender diversity agenda, each company should take steps to ensure that women candidates are sought in its recruitment exercise for board and senior management positions.”

The code also states: “While large companies are required to have 30% women directors, other boards should also work towards achieving this target.” Furthermore, in discharging their responsibilities, boards are expected to ensure that their company’s strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
South Africa

South Africa has adopted a variety of measures to enhance the sustainability governance of companies. These include:

- The King Code on Corporate Governance, which in its second iteration in 2002 identified sustainability as key to good governance. King IV (2016) noted that an organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainability are inseparable elements of the value creation process.¹¹⁰ The incorporation of the code into the listing requirements of the Johannesburg Stock Exchange since 2004 has given the principles regulatory weight.

- The South African Companies Act (Section 72), which requires all state-owned and listed companies to have a sub-committee responsible for social and ethics issues. This includes the requirement to monitor the company’s activities with regard to matters relating to social and economic development, the United Nations Global Compact, corruption, equality, non-discrimination, black economic empowerment, community development, and labour and employment matters.

- The Johannesburg Stock Exchange, which requires listed companies to have policies in place to promote racial and gender diversity at board level, and to report on progress against these policies.¹¹¹

Turkey

In 2014, the Capital Markets Board of Turkey issued a Corporate Governance Communique,¹¹² which established disclosure requirements for listed companies. Listed companies are required to provide information on whether they have implemented principles of corporate governance set forth by the regulator and, if not, the reasons why and an explanation of whether the company intends to meet these principles in the future. Annex 1 (Clause 4.3.9, a voluntary provision) to the communique states that companies shall set a target of not less than 25% for the proportion of women on the board of directors and a date for achieving this target. Companies’ board are required to annually evaluate the progress towards achieving this target.

United Kingdom

The UK Corporate Governance Code issued by the Financial Reporting Council states that: “Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.”¹¹³
5. BUILD MARKET CAPACITY AND EXPERTISE ON SUSTAINABILITY

A lack of capacity and expertise regarding sustainability and long-term value drivers is a recurring theme in analysis of how the financial system might support sustainable development. The projects, gatherings and reports referenced in the introduction to this report have identified capacity and knowledge gaps in all relevant stakeholder groups, including policymakers, regulators, stock exchanges, companies, investors, and civil society organisations.

There has, however, been significant progress since the SDGs were first published in 2015: the goals themselves are increasingly recognised by investors, the investment case for investing in the SDGs has begun to be explored, some of the barriers to investing in the SDGs have been identified and analysed, and there is a growing understanding of the roles and responsibilities of different actors in the financial system. Despite this progress, however, many institutions still lack expertise in terms of how they might integrate sustainable development in general and the SDGs in particular into their activities, practices and processes.

To the extent that they have jurisdiction or influence, securities regulators could help by:

5.1 Analysing the specific capacity, expertise and information gaps in the market related to sustainability, and providing capacity-building sessions for issuers, investors and other market participants based on these gaps;

5.2 Supporting the development of professional qualifications to require a recognised level of sustainability training and knowledge (e.g. sustainability qualifications for relevant senior professionals and key decision-makers such as company boards, senior managers, and asset managers);

5.3 Supporting the formation of peer-to-peer learning platforms for sharing of best practices related to the SDGs and highlighting examples and case studies of successful SDG-related investments; and

5.4 Building capacity to assess and monitor the potential for sustainability issues to lead to corporate failure and to impact the stability and resilience of the financial system.

There are several examples of securities regulators leading capacity-building efforts, such as those recommended here, on sustainability or on the SDGs. However, much of this work has so far been led by other groups and networks (e.g. business associations and stock exchanges). Securities regulators may conclude that it is more practical for them to partner with or work with others to implement these recommendations.

**Illustrative examples**

**International**

In July 2018, IOSCO convened a group of regulators, stock exchanges, investors, issuers, financial services providers, civil society and international organisations to discuss the role securities regulators have in encouraging sustainable investment. Convened by the IOSCO Growth and Emerging Markets Committee, the dialogue aimed to bring clarity to the committee’s work examining sustainable finance as part of its overall focus in analysing the role of securities markets in capital raising and sustainability issues.

The ASEAN Capital Markets Forum (ACMF), as an Observer to the International Capital Market Association Green and Social Bond Principles and Sustainability Bond Guidelines, promotes sustainable finance in the ASEAN region. The inaugural ASEAN Green Bond Standards Roundtable was held in Vietnam in March 2018, bringing together banks, securities firms and fund management companies. Similar Roundtables will be held throughout the region to raise awareness and to encourage greater adoption of the ASEAN Green Bond Standards. In its efforts to profile the ASEAN Green Bond Standards, ACMF has participated in various international and regional conferences and makes a list of ASEAN Green Bond issuers available on its website.

**Kenya**

The Institute of Certified Public Secretaries of Kenya, the Capital Markets Authority (CMA) and the International Finance Corporation held workshops for ICPBK-accredited governance auditors to facilitate the implementation of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Kenyan Corporate Governance Code). The CMA also provided training to board members of listed

www.SSEinitiative.org
companies on the Kenyan Corporate Governance and Stewardship Codes, both of which explicitly identify social and environmental issues as within the code’s scope.

Malaysia

The Securities Commission Malaysia has organised various capacity-building programmes and international conferences to develop greater market understanding of sustainable finance. A working group comprising the Securities Commission Malaysia, Bank Negara Malaysia and the World Bank Group has been formed to strengthen Malaysia’s green sukuk/finance ecosystem and build pipelines of green sukuk issuers to finance green projects and initiatives. In 2017, the Securities Commission Malaysia and its promotion arm, Capital Markets Malaysia, organized a series of workshops on green finance for investment banks and corporates in Malaysia, and Securities Commission Malaysia co-hosted the 2017 Responsible Investment Forum with the PRI. In 2018, Securities Commission Malaysia, the World Bank Group Global Knowledge and Research Hub in Malaysia and the International Organization of Securities Commissions (IOSCO) Asia Pacific Hub co-hosted a conference on “Harnessing Islamic Finance for a Green Future” to discuss the key policy, regulatory and institutional elements needed to further increase market adoption of Islamic finance for climate mitigation and adaptation efforts.

Morocco

Capacity building is one of the five pillars of the 2016 Roadmap for aligning the Moroccan financial sector with sustainable development. In 2018, the Moroccan Capital Market Authority included a module on sustainable finance in its professionals’ licensing framework. Its other efforts to increase awareness and understanding of sustainable finance have included presentations and workshops for market participants and stakeholders, explaining how they can contribute to national goals on sustainable finance and sustainability.

The Netherlands

The Rotterdam School of Management has developed an executive training programme on sustainable finance. This was undertaken at the request of the Dutch Sustainable Finance Platform, a cooperative venture involving, among others, the Dutch Central Bank, the Dutch Association of Insurers, the Federation of the Dutch Pension Funds, the Dutch Authority for the Financial Markets, the Ministry of Finance, and the Ministry of Infrastructure and the Environment.

Turkey

The members of the Turkish Sustainability Platform, which was launched in 2013, include the Capital Markets Board of Turkey, Borsa Istanbul, industry associations and non-governmental organisations. The aim of the platform is to create a multi-stakeholder network to enable the realisation of sustainability activities and to facilitate discussions on future joint steps in the field of sustainability. The platform works to increase awareness and knowledge regarding sustainability. It supports efforts to ensure that sustainability issues are included in relevant legislation and regulations, it promotes sustainability practices, and it enables collaboration with related international agencies.

United Kingdom

A number of regulators publish reviews and reports analysing various aspects of corporate practice and of regulatory implementation. For example, the UK Financial Reporting Council annual report contains information on the implementation of the UK Corporate Governance and Stewardship Codes and related developments.

The UK Financial Conduct Authority (FCA) has analysed whether there are any barriers in its rules that could hold back the development of the social investment market in the UK. The FCA has also been working alongside the Department for Environment, Food and Rural Affairs (DEFRA) and financial regulators to develop a more joined-up approach to climate change-related issues. This has included a workshop the FCA held on climate change and green finance in early May 2018. Attendees included members of the Green Finance Taskforce, the Bank of England, the Pensions Regulator, DEFRA and HM Treasury.
This report has shown how securities regulators, within their existing mandates, can act (and are acting) on sustainability-related risks and opportunities. It presents 35 examples from securities regulators in 19 countries, representing a variety of regulatory and geographic contexts. The analysis and examples in this report demonstrate that many securities regulators now recognise that sustainability issues, such as those embodied in the SDGs, are relevant to their core mandates (or objectives) of protecting investors and reducing systemic risk.

The examples show how securities regulators are supporting the SDGs by: facilitating investment to fund achievement of the SDGs; strengthening corporate sustainability-related disclosures; clarifying investor duties on sustainability; strengthening corporate governance to support sustainability; and building market capacity and expertise on sustainability. The report also explains how securities regulators can support and accelerate action through: research and analysis; through the development of roadmaps for sustainable finance; through sharing experience and information; through developing guidelines and standards; and through working with others.

Going forward, this document is intended to form the basis for further exchanges of experience between securities market regulators. Because examples can become dated with time, the report will have, as a companion piece, an online database of examples of actions by securities market regulators to promote sustainable finance. This database can play an ongoing role in supporting learning and facilitating the sharing of lessons learned. Via this database, the SSE will continue to support securities regulators through research and consensus-building activities, alongside its work with stock exchanges and other market participants, to continue the development of transparent and sustainable capital markets.

Securities regulators are invited to use the examples in this report to inform their own practices in support of the SDGs. This report is intended to serve as a practical tool to inform discussions among securities regulators as well as between securities regulators and other market stakeholders such as stock exchanges, policymakers, investors, and issuers. The report is intended to support the ongoing work of IOSCO as it continues to facilitate consensus building and research activities on this topic through its regional committees and forthcoming Sustainability Network.
The Sustainable Stock Exchanges initiative gratefully acknowledges the valuable inputs to this work programme made by experts listed here, in particular the Chairperson of the SSE Advisory Group on Securities Regulators and the SDGs: **Dr. Mohammed Omran, Chairman, Financial Regulatory Authority, Egypt.**

Note: Advisory Group experts participate in their personal capacity; their professional affiliations are provided for information only. The views expressed in this document do not necessarily represent the views of each member of the Advisory Group or the official views of their organisations.

### ANNEX: MEMBERS OF THE ADVISORY GROUP

<table>
<thead>
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<tbody>
<tr>
<td>Regulator</td>
<td>Brazil</td>
<td>Securities and Exchange Commission of Brazil (CVM)</td>
<td>Mr Claudio Maes</td>
<td>Coordinator of Financial Education</td>
</tr>
<tr>
<td>Regulator</td>
<td>Brazil</td>
<td>Securities and Exchange Commission of Brazil (CVM)</td>
<td>Mr Jose Alexandre Vasco</td>
<td>Director, Investor Protection</td>
</tr>
<tr>
<td>Regulator</td>
<td>China</td>
<td>China Securities Regulatory Commission (CSRC)</td>
<td>Mr Ma Xianfeng</td>
<td>VP, China Institute of Securities and Finance</td>
</tr>
<tr>
<td>Regulator</td>
<td>Croatia</td>
<td>Croatian Financial Services Supervisory Agency</td>
<td>Mr Jurica Jednacak</td>
<td>Member of the Board</td>
</tr>
<tr>
<td>Regulator</td>
<td>Egypt</td>
<td>Financial Regulatory Authority</td>
<td>Mr Mohammed Omran</td>
<td>Chairman</td>
</tr>
<tr>
<td>Regulator</td>
<td>China, Hong Kong</td>
<td>Securities and Futures Commission</td>
<td>Ms Christine Kung</td>
<td>Senior Director, Head of International Affairs</td>
</tr>
<tr>
<td>Regulator</td>
<td>Japan</td>
<td>Securities and Exchange Surveillance Commission</td>
<td>Ms Mami Indo</td>
<td>Commissioner</td>
</tr>
<tr>
<td>Regulator</td>
<td>Japan</td>
<td>Securities and Exchange Surveillance Commission</td>
<td>Mr Yuji Yamashita</td>
<td>Deputy Director for International Affairs, Planning and Management Division</td>
</tr>
<tr>
<td>Regulator</td>
<td>Kazakhstan</td>
<td>Astana Financial Services Authority</td>
<td>Mr Almas Zhelamanov</td>
<td>Senior Associate, Policy &amp; International Relations Division</td>
</tr>
<tr>
<td>Regulator</td>
<td>Kenya</td>
<td>Capital Markets Authority of Kenya</td>
<td>Ms Mary Njuguna</td>
<td>Manager, Corporate Approvals</td>
</tr>
<tr>
<td>Regulator</td>
<td>Kenya</td>
<td>Capital Markets Authority of Kenya</td>
<td>Mr Paul Muthaura</td>
<td>CEO</td>
</tr>
<tr>
<td>Regulator</td>
<td>Lebanon</td>
<td>Capital Markets Authority of Lebanon</td>
<td>Mr Firas Safieddine</td>
<td>Vice Chairman</td>
</tr>
<tr>
<td>Regulator</td>
<td>Malaysia</td>
<td>Securities Commission Malaysia</td>
<td>Ms Azreen Idayu Zainal</td>
<td>Assistant General Manager, Markets and Products</td>
</tr>
<tr>
<td>Regulator</td>
<td>Morocco</td>
<td>Moroccan Capital Markets Authority (AMMC)</td>
<td>Ms Jennat Benhida</td>
<td>Head of Regulation Unit, Legal Division</td>
</tr>
<tr>
<td>Regulator</td>
<td>Morocco</td>
<td>Moroccan Capital Markets Authority (AMMC)</td>
<td>Mr Hicham Elalamy</td>
<td>Director</td>
</tr>
<tr>
<td>Regulator</td>
<td>Nepal</td>
<td>Securities Board of Nepal</td>
<td>Mr Binaya Dev Acharya</td>
<td>Director</td>
</tr>
<tr>
<td>Regulator</td>
<td>Netherlands</td>
<td>Dutch Authority for the Financial Markets (AFM)</td>
<td>Mr Ron Gruijters</td>
<td>Supervision Officer</td>
</tr>
<tr>
<td>Regulator</td>
<td>Turkey</td>
<td>Capital Markets Board of Turkey</td>
<td>Ms Selçin Sayın Kutluca</td>
<td>Senior Legal Expert</td>
</tr>
<tr>
<td>Regulator</td>
<td>United Kingdom</td>
<td>Financial Conduct Authority</td>
<td>Ms Marta Alonso</td>
<td>Senior Associate</td>
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## How securities regulators can support the Sustainable Development Goals

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<tr>
<td>Other Expert</td>
<td>Canada</td>
<td>Fund Votes Research</td>
<td>Ms Jackie Cook</td>
<td>Founder</td>
</tr>
<tr>
<td>Other Expert</td>
<td>China</td>
<td>Lujiazui Financial City Council Green Development Committee</td>
<td>Mr Kong Wei</td>
<td>Convenor</td>
</tr>
<tr>
<td>Other Expert</td>
<td>China</td>
<td>Syntao</td>
<td>Mr Guo Peiyuan</td>
<td>General Manager</td>
</tr>
<tr>
<td>Other Expert</td>
<td>France</td>
<td>GOVERN</td>
<td>Ms Alissa Amico</td>
<td>Managing Director</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Germany</td>
<td>Climate Disclosure Standards Board</td>
<td>Mr Mike Zimonyi</td>
<td>Policy &amp; External Affairs Manager</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Morocco</td>
<td>Casablanca Finance City Authority</td>
<td>Ms N’guia El Admi</td>
<td>Senior Institutional Affairs Analyst</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Netherlands</td>
<td>GRI</td>
<td>Ms Karen Diaz</td>
<td>Policy Coordinator</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Netherlands</td>
<td>GRI</td>
<td>Ms Eszter Vitorino</td>
<td>Head of Capital Markets Engagement</td>
</tr>
<tr>
<td>Other Expert</td>
<td>South Africa</td>
<td>Independent</td>
<td>Ms Corli Le Roux</td>
<td>Special Advisor</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Switzerland</td>
<td>Canton Geneva</td>
<td>Mr Kustrim Reka</td>
<td>Economic development officer</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Switzerland</td>
<td>UNEP Inquiry</td>
<td>Ms Felicity Perry</td>
<td>Coordinator</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Switzerland</td>
<td>University of Geneva</td>
<td>Ms Catherine Ferrier</td>
<td>Special Advisor</td>
</tr>
<tr>
<td>Other Expert</td>
<td>International</td>
<td>UNFCCC</td>
<td>Mr Massamba Thiyoie</td>
<td>Manager, Regulatory Development Unit</td>
</tr>
<tr>
<td>Other Expert</td>
<td>United Kingdom</td>
<td>WFE</td>
<td>Ms Siobhan Cleary</td>
<td>Head of Research and Public Policy</td>
</tr>
<tr>
<td>Other Expert</td>
<td>Australia</td>
<td>University of New South Wales</td>
<td>Mr Samuel Jones</td>
<td>Researcher</td>
</tr>
<tr>
<td>Other Expert</td>
<td>United Kingdom</td>
<td>Carbon Tracker</td>
<td>Mr Mark Campanale</td>
<td>Founder</td>
</tr>
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<td>Other Expert</td>
<td>United Kingdom</td>
<td>CDP</td>
<td>Ms Jane Stevenson</td>
<td>Disclosure Taskforce Engagement Director</td>
</tr>
<tr>
<td>Other Expert</td>
<td>United Kingdom</td>
<td>Climate Bonds Initiative</td>
<td>Mr Alan Xiangrui Meng</td>
<td>Green Bond Analyst</td>
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<td>Other Expert</td>
<td>United Kingdom</td>
<td>IIRC</td>
<td>Mr Jonathan Labrey</td>
<td>Chief Strategy Officer</td>
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<td>Mr Neil Stevenson</td>
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<td>Sustineri</td>
<td>Mr Richard Folland</td>
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<td>WWF</td>
<td>Ms Andrea Marandino</td>
<td>Sustainable Finance and Corporate Risk Manager</td>
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<td>Mr Robert Reoch</td>
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<td>Mr Jim Coburn</td>
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<td>SASB</td>
<td>Ms Sonal Dalal</td>
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<td>Ms Samantha Cameron</td>
<td>Junior Analyst, Sustainable Investing</td>
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<td>Ms Michelle de Cordova</td>
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<td>Bolsa Comercio Santiago</td>
<td>Mr Felipe Pezo Riquelme</td>
<td>Jefe de Productos Negociación y Postrade</td>
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<td>Ms Sara Lovisolo</td>
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<td>Mr Sami Hattab</td>
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<td>Ms Lucy Revill</td>
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<td>Ms Magaly Martinez Matt</td>
<td>Legal Advisor</td>
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<td>JSE</td>
<td>Ms Shameela Ebrahim</td>
<td>Senior Manager: Group Strategy and Sustainability</td>
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<td>Nasdaq</td>
<td>Mr Andreas Gustafsson</td>
<td>Senior Vice President - Governance, Compliance</td>
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<tr>
<td>Exchange</td>
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<td>SET</td>
<td>Ms Nareerat Santhayati</td>
<td>Deputy Vice President, Sustainable Development Department</td>
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<td>Turkey</td>
<td>Bursa Istanbul</td>
<td>Ms Banu Budayoğlu Yilmaz</td>
<td>Strategic Planning and Investor Relations Specialist</td>
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<td>United Arab Emirates</td>
<td>Dubai Financial Markets</td>
<td>Ms Shyrose Osman</td>
<td>VP, Head of Corporate Communications</td>
</tr>
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<td>Exchange</td>
<td>United States</td>
<td>Nasdaq</td>
<td>Mr Evan Harvey</td>
<td>Global Head of Sustainability</td>
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</table>
1 UN (2015), *Transforming our World: The 2030 Agenda for Sustainable Development*. General Assembly Resolution A/RES/70/1, 25 September 2015. See Annex 1 for the 17 SDGs. The SSE has published a policy brief discussing the role that stock exchanges can play in supporting the SDGs. See SSE initiative (2015), *Sustainable Development Goals: What do they mean for stock exchanges?*


4 Goal 10 of the SDGs is ‘Reduce Inequality Within and Among Countries’, and Goal 13 is ‘Take Urgent Action to Combat Climate Change and its Impacts’. Both goals are underpinned by detailed, specific targets. UN (2018), *Sustainable Development Knowledge Platform: SDGs*.

5 For consistency, the term ‘securities regulators’ is used throughout this document, although the term ‘financial regulators’ may be used in some markets.

6 As of the third quarter of 2018, the SSE included 77 exchanges which collectively listed over 45,000 companies with a market capitalisation of over US$81trn. For more data and trends analysis, see SSE (2018) Report on Progress or visit www.SSEinitiative.org

7 IOSCO (2017), *Objectives and Principles of Securities Regulation*, pp. 3-4.

8 While there is no prescriptive list of ESG factors, the PRI notes that: environmental factors may include climate change, greenhouse gas emissions, resource depletion, waste and pollution, and deforestation; social factors may include working conditions such as slavery and child labour, conflict, health and safety, employee relations and diversity; and governance factors may include executive pay, bribery and corruption, political lobbying and donations, board diversity and structure, and tax strategy. PRI (2018), *What is responsible investment?*

9 See, for example, the Sustainability Accounting Standards Board’s materiality map, which identifies the sustainability topics that are reasonably likely to be material and to have material impacts on the financial condition or operating performance of companies in an industry. SASB (2018), *SASB Materiality Map*.


11 http://marrakechpledge.com/the-pledge/


13 In 2018, the Commission’s Action Plan on Financing Sustainable Growth called on the ESAs to provide guidance on how sustainability considerations can be effectively taken into account in relevant EU financial services legislation, to help to identify existing gaps and to promote convergence on the implementation of sustainability considerations in EU law. It also noted that the ESAs should play an important role in identifying and reporting on the
risks that sustainability factors pose to financial stability, and that this could be achieved through the development of a common EU methodology for relevant scenario analyses, which could later evolve into climate/environment stress testing (European Commission (2018), Communication from the Commission. Action Plan: Financing Sustainable Growth).


16 B20 Panel of Six International Accounting Networks (2014), Unlocking Investment in Infrastructure: Is current accounting and reporting a barrier?


18 SSE (2017), How Stock Exchanges can Grow Green Finance, a voluntary action plan. Section III.1

19 See, for example, Climate Bonds Initiative (2018), Green Bonds as a Bridge to the SDGs. Briefing Paper; Climate Bonds Initiative (2018), Why Making Infrastructure Climate-adapted and Resilient will Help Meet the SDGs. Briefing Paper.

20 PBoC (2016), Guidelines for Establishing the Green Financial System.


23 FSDC (2016), Hong Kong as a Regional Green Finance Hub. FSDC Paper No.23.


26 Sustainable Finance Initiative (Kenya) (2018), Background.

27 Kenya Green Bonds Programme (2017), Kenya Green Bond Guidelines Background Document (Draft 01).


30 Capital Markets Malaysia (2018), Application Form for Green SRI Sukuk Grant Scheme.

31 Bank Al-Maghrib et. al. (2016), Roadmap of the Moroccan Financial Sector for the Emergence of Sustainable Finance in Africa.


33 Sustainable Finance Platform (2017), SDG Impact Indicators.


Target 12.6 of the SDGs states: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”.


SSE initiative (2015), Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool for Stock Exchanges to Guide Issuers. The GRI and the UN Global Compact have established a collaborative initiative, Business Reporting on the SDGs: An Action Platform, to accelerate corporate reporting on the SDGs and to help companies to report in an investor-relevant way.


Ibid, pp. 4, 28.

Ibid, p. 16. See, also, PRI and MSCI (2016), Global Guide to Responsible Investment Regulation, which discusses the relationship between mandatory, government-led comprehensive ESG reporting requirements and corporate ESG disclosures and ESG risk management.

See, for example, Corporate Knights (2017), Measuring Sustainability Disclosure: Ranking the world’s stock exchanges


GRI and UN Global Compact (2018), Integrating the SDGs into Corporate Reporting: A practical guide.


The World Business Council for Sustainable Development has established The Reporting Exchange, a free online platform that provides users with information on sustainability reporting requirements and resources across over 70 sectors and 60 countries. WBCSD (2018), The Reporting Exchange, Webpage.

For example, securities regulators may decide that only publicly listed companies, state-owned enterprises, or large companies (e.g. companies with a minimum number of employees or revenue) need to report. Alternatively, they may decide to start with a limited universe of companies and then extend reporting expectations to a wider group of companies. See, further, UNCTAD (2014), Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives, pp. 10-11.

Ibid, pp. 11-13. An example of differentiated reporting requirements is provided by the TCFD, which presents general disclosure requirements as well as specific requirements for the financial sector and for specific non-financial sectors. TCFD (2017), Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.

For example, UNCTAD (2014), Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives, pp. 11-12, points to guidance issued by the US Securities and Exchange Commission which stipulates that, if in doubt, climate change-related risks should be regarded as material. The UNCTAD report also notes that guidance from the Australian Securities Exchange states that each company needs to determine the material business risks it faces, where these include sustainability considerations in addition to more traditional forms of risk such as operational, technological and market-related risks.

UN Global Compact and PRI (2017), Coping, Shifting, Changing 2.0: Corporate and Investor Strategies for Managing Market Short-termism.
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61 CVM (2009), CVM Instruction No. 480.
63 A useful overview is provided in PRI (2016), French Energy Transition Law: Global investor briefing.
68 Bank Al-Maghrib et. al. (2016), Roadmap of the Moroccan Financial Sector for the Emergence of Sustainable Finance in Africa.
69 FMA (2018), Corporate Governance in New Zealand: Principles and guidelines.
70 SMV (2014), Resolución SMV Nº 012-2014.
72 Ibid.
73 Capital Markets Board (Turkey) (2014), Communiqué on Corporate Governance.
75 A recent report from the PRI and MSCI concluded that pension fund regulation and stewardship codes are correlated to better company ESG risk management, although they also acknowledged that this research could not prove that regulation is responsible for the result. PRI and MSCI (2016), Global Guide to Responsible Investment Regulation.
76 An investor perspective on SDG taxonomies is provided in PGGM (2017), Sustainable Development Investments (SDIs) Taxonomies.
81 These codes should provide clear guidance on how investors are expected to implement the code, contain mechanisms to regularly (e.g. annually) assess compliance with the code, and have clear processes for action in the event of non-compliance.
82 For a useful overview, see EY (2017), Q&A on Stewardship Codes.
83 APRA (2013), Prudential Practice Guide. SG 530 - Investment Governance.
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89 A useful overview is provided in PRI (2016), *French Energy Transition Law: Global Investor Briefing*.

90 FSA (2017), *Principles for Responsible Institutional Investors (Japan’s Stewardship Code)*.


94 The others are strategy, risk management and metrics and targets. See, further, TCFD (2017), *Recommendations of the Task Force on Climate-related Financial Disclosures*.


96 FCLT Global (2018), *Long-term Boards in a Short-term World*.


98 See, for example, PRI (2018), *The SDG investment case*.

99 See for example UN Global Compact and PRI (2017) *Coping, Shifting, Changing 2.0: Corporate and Investor Strategies for Managing Market Short-termism*.

100 Many corporate governance codes note the importance of ensuring that boards are competent to discharge their obligations and of reviewing the skills and training needs of board members. However, these expectations tend to be expressed in general terms rather than referring specifically to sustainability-related aspects of a company’s activities and operations. There is, however, a significant literature on the importance of board competency and training on sustainability issues (see, for example, UN Global Compact (2012), *A New Agenda for the Board of Directors: Adoption and oversight of corporate sustainability*; Deloitte (2018), *Sustainability and the Board: What do directors need to know in 2018*).


103 IBGC (2016), *Code of Best Practices of Corporate Governance*.

104 IVASS (2018), *Regolamento IVASS N. 38 del 3 Luglio 2018*.

105 FSA (2018), *Japan’s Corporate Governance Code*.


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112 Capital Markets Board (Turkey) (2014), Communique on Corporate Governance.

113 FRC (2018), The UK Corporate Governance Code, July 2018.

114 See, for example, PGGM (2017), Sustainable Development Investments (SDIs) Taxonomies; IIRC (2017), The Sustainable Development Goals, Integrated Thinking and the Integrated Report; Sustainable Finance Platform (2017), SDG Impact Indicators.

115 See, for example, PRI (2018), The SDG Investment Case; GRI, PRI and UN Global Compact (2017) Stockholm Declaration.

116 See, for example, UNCTAD (2014), World Investment Report 2014; Investing in the SDGs: An action plan.

117 See, for example, SSE initiative (2015), Sustainable Development Goals: What do they mean for stock exchanges?: UNEP Inquiry into a Sustainable Financial System (2018), Making Waves: Aligning the financial system with sustainable development.

118 Recent publications that aim to address these knowledge gaps include: GRI and UN Global Compact (2017), Business Reporting on the SDGs: Analysis of Goals and Targets; and GRI, PRI and UN Global Compact (2018), In Focus: Addressing Investor Needs in Business Reporting on the SDGs.


121 See ACMF (2018), List of ASEAN Green Bonds/ Sukuk Issued.


126 Bank Al-Maghrib et. al. (2016), Roadmap of the Moroccan Financial Sector for the Emergence of Sustainable Finance in Africa.

127 Rotterdam School of Management (2018), RSM Executive Education Programme; Sustainable finance.


129 The database can be found on SSEinitiative.org
