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**Intergovernmental Working Group of Experts on  
International  
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(ISAR)**

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Morning Session

***Best practice guidance for policymakers and stock exchanges  
on sustainability reporting initiatives***

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# Best practice guidance for policymakers and stock exchanges on sustainability reporting initiatives

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# Introduction

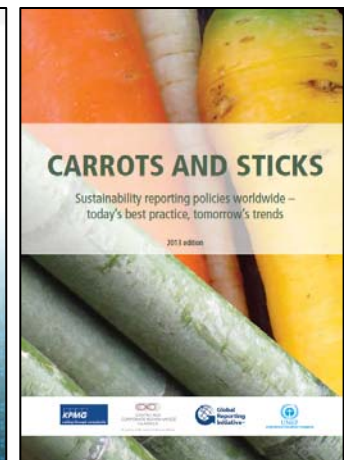
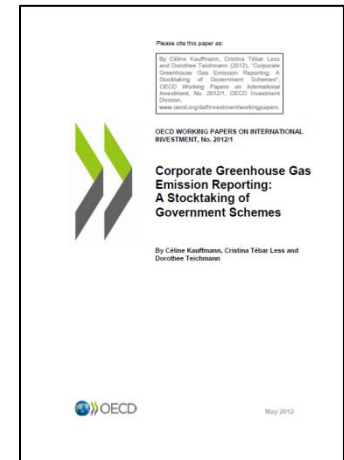


1. UN member States are calling for sustainability reporting initiatives
  - a) Paragraph 47 of ‘The Future we Want’ outcome document.
  - b) ISAR noted the “influential role that stock exchanges can play in promoting...high quality sustainability reporting...”.
2. Stock exchanges and regulators are introducing sustainability reporting initiatives in order to:
  - a) Meet the evolving information needs of investors;
  - b) Help companies navigate increasingly complex disclosure requirements and expectations;
  - c) Help companies better understand and address social and environmental risks and opportunities.
3. However, among many stock exchanges and regulators there remains uncertainty related to the policy options available
  - a) There is no one-size-fits-all approach
  - b) Countries need to tailor their sustainability reporting policies to fit their specific circumstances

# Introduction



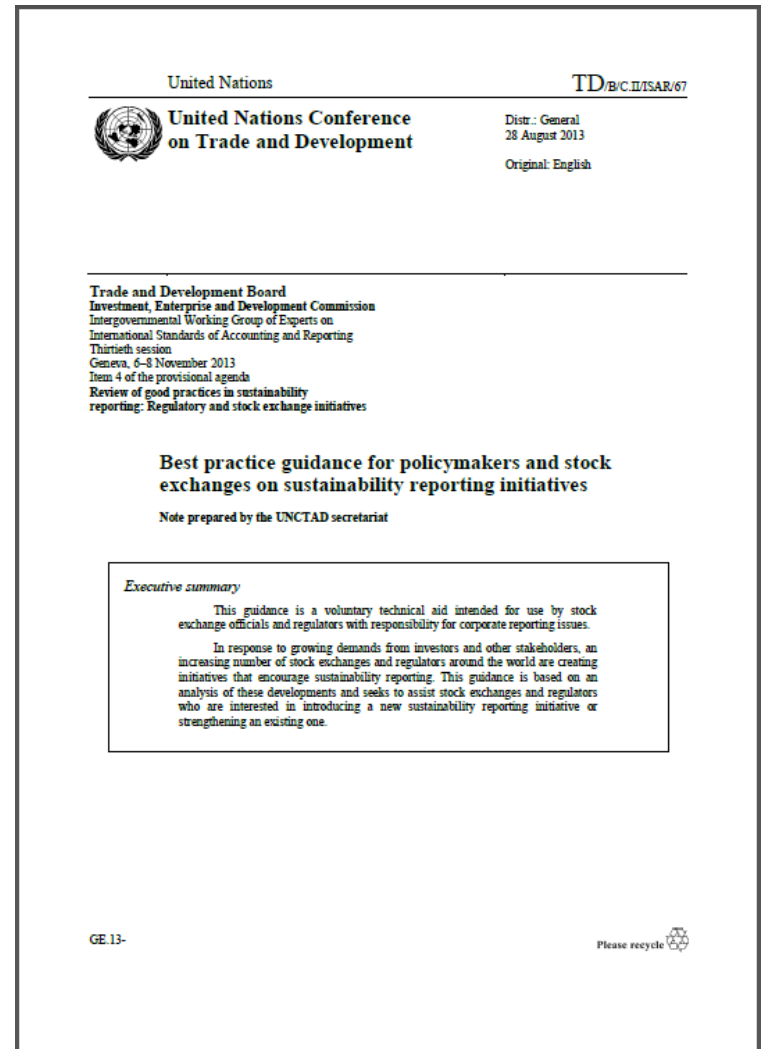
- The Guidance aims to provide stock exchanges and policymakers with all the important considerations necessary to determine the best development and implementation of sustainability reporting initiatives for listed companies.
- This guidance is based on sustainability reporting initiatives that stock exchanges and/or regulators in different member States have already implemented.
  - This guidance document benefits from the analysis provided in other publications as well as considerable additional research.
  - Identified and deconstructed every disclosure initiative in 30 countries.



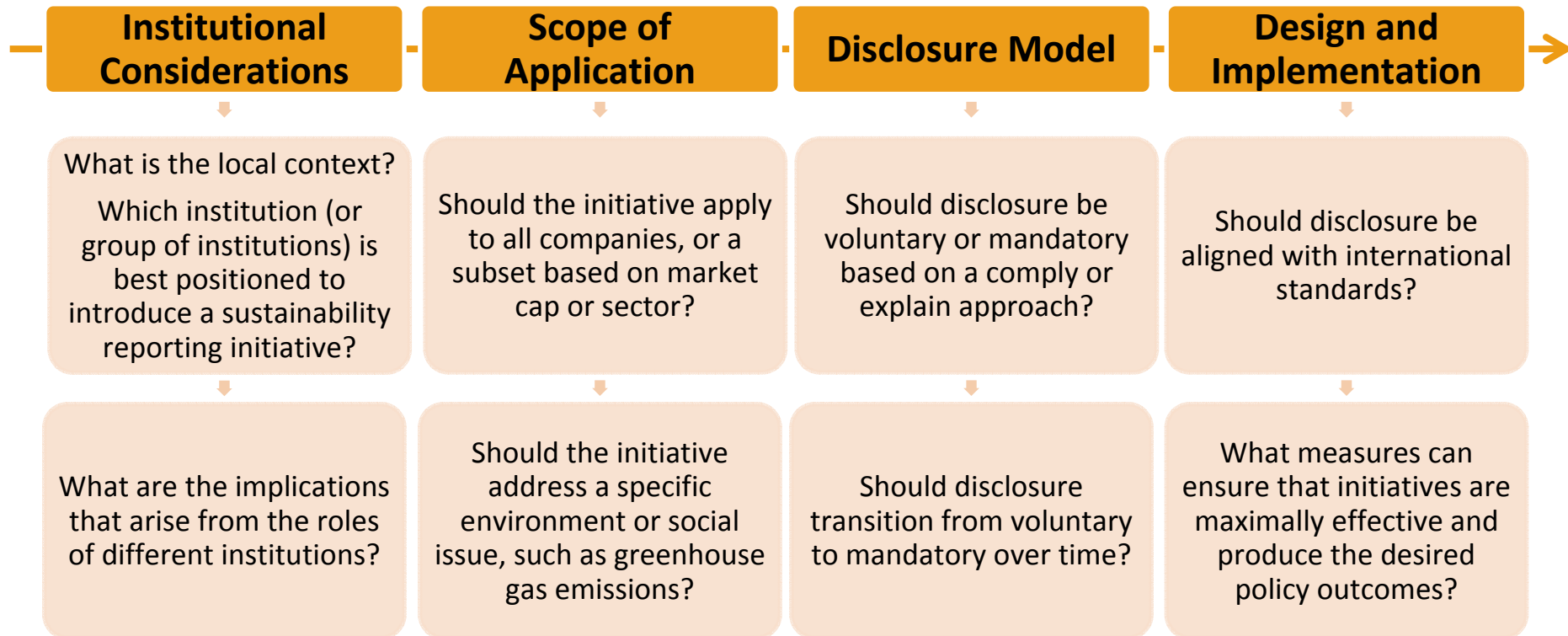
# Methodology



- The different initiatives identified had various characteristics that when deconstructed allowed for the creation of a policy development framework.
- This framework can provide a roadmap for other stock exchanges and securities regulators to further promote sustainability reporting.



# A Roadmap for Developing Sustainability Reporting Initiatives



# A Roadmap for Developing Sustainability Reporting Initiatives



## **Institutional Considerations**



What is the local context?

Which institution (or group of institutions) is best positioned to introduce a sustainability reporting initiative?



What are the implications that arise from the roles of different institutions?

- 1. The existing national rule landscape**
- 2. Separation of regulatory powers and the competitive position of the stock exchanges**



# A Roadmap for Developing Sustainability Reporting Initiatives



## Scope of Application



Should the initiative apply to all companies, or a subset based on market cap or sector?



Should the initiative address a specific environment or social issue, such as greenhouse gas emissions?

1. **Scope of application: Number and types of companies included**
2. **Scope of subject matter: Focus on material sustainability issues**

# A Roadmap for Developing Sustainability Reporting Initiatives



## Disclosure Model



Should disclosure be voluntary or mandatory based on a comply or explain approach?



Should disclosure transition from voluntary to mandatory over time?

- 1. Use a comply or explain framework when requiring sustainability disclosure**
- 2. Consider starting with a voluntary initiative**
- 3. Signal the sustainability disclosure policy direction**

# A Roadmap for Developing Sustainability Reporting Initiatives



## Design and Implementation

Should disclosure be aligned with international standards?

What measures can ensure that initiatives are maximally effective and produce the desired policy outcomes?

- 1. Promote responsible investment practices**
- 2. Consider making reference to international standards**
- 3. Use a multi-stakeholder consultation**
- 4. Provide sustainability guidance**
- 5. Provide incentives for disclosure**
- 6. Promote accessible and timely disclosure**
- 7. Encourage third-party assurance**

# Key Findings/ Recommendations



- A single one-size-fits all approach is likely not feasible.
- Introducing voluntary sustainability reporting initiatives can be a practical first step.
- Mandatory sustainability reporting initiatives can be introduced on a prescriptive basis or a comply or explain basis.
- Sustainability reporting initiatives should be targeted to avoid creating unnecessary reporting obligations for companies that may not have the capacity to meet them.
- Stock exchanges and regulators should consider basing sustainability reporting initiatives on an international reporting framework.
- Design and implementation considerations include using a multi-stakeholder consultation approach in the development process, creating incentives for compliance, including public recognition and investor engagement.



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# Discussion Items



Deliberations on this topic may include a number of questions such as the following:

- a) What are the types of stock exchange and regulatory initiatives around the world that are engaged in promoting sustainability reporting?
- a) What are the pros and cons of mandatory (either prescriptive or 'comply or explain') reporting rules versus voluntary reporting rules?
- a) How should reporting rules best take into account capacity constraints, especially on the part of SMEs?
- a) What training is available for companies, especially in developing countries, to assist them in meeting the expectations of a sustainability reporting initiative?