The WFE's 7th Sustainability Survey

Exchanges step up efforts to support a sustainable recovery

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1. Executive summary

The Sustainability Survey 2020 is the seventh such survey by the World Federation of Exchanges (WFE). It captures the nature and extent of WFE member engagement with Environment, Social, and Governance (ESG) issues, covering both stock and derivative exchanges.

Since 2014, when they were launched, The WFE Sustainability Surveys have consistently reported a growing engagement with ESG issues among the WFE membership. After the WFE Sustainability Principles were published in 2018, the survey has also shown how exchanges have been active in meeting the Principles.

This year's report confirms the strength of what was already a positive trend, but it also captures the effect of the pandemic, which raised awareness of social and environmental issues, and the response of the exchanges, who intensified their ESG efforts and took practical actions to fulfil their social responsibility in the fight against the pandemic. Such actions included, for example, facilitating the issuance of sustainability and social bonds aimed specifically at providing short-term emergency liquidity to sectors that were affected by the coronavirus outbreak or involved in its control and prevention.

The overall result in 2020 is a significant improvement in the depth and scope of ESG engagement across almost all measures, with an increased focus on social and environmental aspects.

Key highlights:

- This year, five respondents reported engagement in all of the 12 listed ESG initiatives, whereas no respondent from last year had implemented all initiatives. More exchanges offered ESG education, with this initiative moving from the eighth to the third position on the list this year.
- The number of exchanges with initiatives that correspond to all five Sustainability Principles increased by 10 percentage points to 50.8%.
- Exchanges implemented more sustainability initiatives this year – the average number of initiatives per exchange increased significantly from 6.7 to 7.7. – and there have been more initiatives implemented by the exchanges.
- The lack of resources to implement initiatives, which was the most reported concern last year, has now dropped to the fourth place. Business and economic concerns are now at the top of the list, probably a reflection of the uncertainty brought by the pandemic.
- Of the three ESG components, Governance is the area where, on average, exchanges placed most of their ESG efforts during 2020 (42.86%), followed by the Social (31.45%), and the Environmental (25.67%).
- There is still no convergence on ESG standards and formats adopted by the exchange industry. Indeed, some WFE members raised the issue of global divergence on standards and practices as a major obstacle in carrying out their sustainability efforts.
- While green bonds continue to be the most offered ESG products, offerings across all sustainability product categories have increased, and new categories, like Sustainability-linked bonds (SLBs), are now offered. While SLBs were introduced only two years ago, nine exchanges already reported offering them.
- Investor demand for ESG products appears to be stronger in the Asia-Pacific region.
- The Covid-19 pandemic also led to an increased focus on the Social and Sustainable. One example is the issuance of bonds aimed to support the sectors affected by the pandemic.

2. Introduction

Environmental, social and governance (ESG) sustainability issues in the global economy are of wide interest – to policymakers, investors/shareholders and wider stakeholders. This year has seen continued shareholder engagement on ESG, even as series of studies released in 2021 presented conflicting findings about the performance of the sustainability (or 'ESG' – environmental, social and governance) factor as a driver of investment outperformance. Governments and international standard setting bodies continue to drive consideration of ESG investment:

- At the international level, the IFRS Foundation is working to develop sustainability reporting standards and positioning itself corporately to take on a more prominent governance role, including in the creation of an International Sustainability Standards Board (SSB).
- The EU continues its implementation of its Sustainable Finance Action plan with notable progress in: establishing a taxonomy related to sustainability; promulgating a Regulation on sustainability-related disclosure; and proposing a corporate sustainability reporting Directive. In July 2021, the EU outlined a new ambitious Strategy for Financing the Transition to a Sustainable Economy and a regulation for a European Green Bond Standard.
- The Biden administration in the US is attesting to a whole-of-government approach to climate, with notable initiatives from: the U.S. International Development Finance Corporation; the SEC; and the CFTC.

As highlighted above, policymakers are focused on creating frameworks that define sustainability and facilitate the disclosure of firms' performance on ESG metrics. Of the three elements to ESG, governance is perhaps the area at the most mature stage of policy development, with the G20/OECD Principles of Corporate Governance now over 20 years old. The WFE Sustainability Survey 2021 corroborates this proposition, with 68% of exchanges reportedly undertaking initiatives with a focus on governance, next to 22% for social and 10% for environment.

Corporate governance traditionally refers to mechanisms to align incentives and create accountability between shareholders and management of a corporate organisation. More recently, societal stakeholders have taken on greater prominence in governance, as the interrelation between the externalities of corporate decision-making and long-term, value creation are recognised. This feedback loop is central to the debate over whether the 'materiality' obligation in non-financial corporate disclosure standards ought to encompass just those risks in the external environment that are financially material to corporate performance and create value for shareholders, or additionally those risks that the corporate poses to society and the environment. The further development (or not) of this so-called double materiality standard will be important to the development of ESG considerations as an investment lens—not least because corporate transparency is the lynchpin of corporate governance.

Individually and collectively, exchanges are important sources of frameworks of (self-)regulation of corporate disclosure, alongside corporate governance codes, company law, and voluntary market-led initiatives. The UN Sustainable Stock Exchanges initiative has recently published model guidance to issuers on climate related disclosure. Exchanges also promote ESG considerations in publications such as the recent WFE-UN Sustainable Stock Exchanges guidance on how derivatives exchanges can promote sustainable development. As indicated in this report (and the WFE report on the role of exchanges in market integrity), exchanges continue to lead on the creation of ESG standards tailored to the circumstances of their local jurisdictions and issuers.

As is clear from the discussion above, good governance is not an end in itself and is relevant not only to promoting an appropriate shareholder-management relationship, but also to an appropriate relationship between corporates, wider society and the environment. For example, one emerging element of corporate governance reporting concerns gender equality—also a 'social' concern within ESG. As such, this year the WFE has introduced a question on this topic in our sustainability survey. This neatly represents part of the objective of our annual Sustainability Survey – attuning our members and stakeholders to the global best practices within ESG (included emerging ones), and promoting the sustainability of exchanges, corporate issuers, and the financial system. We hope you find this report to be useful and welcome dialogue concerning it.

3. Methodology

The WFE's seventh annual sustainability survey continues to capture the nature and the extent of member engagement with ESG issues, and how this has evolved over time. A structured questionnaire was sent to all WFE member exchanges and WFE-affiliates.[1] Derivatives-only exchanges were given a scaled-back version of the questionnaire with some answer options adjusted, as some of the questions are not applicable to them. Responses were collated through an online survey tool. The survey was conducted in early 2021, with responses referring to the 2020 calendar year.

Like in previous years, the questionnaire was revised to better capture the latest sustainability developments in the exchange space:

- We added a question to gauge the level of adoption of the different standards used to define the "green," "social," or "sustainable" labels.
- Questions about the balance between the E, the S, and the G in ESG efforts were added.
- Questions on the sustainability-related green products were expanded and reorganised to collect more data on product offerings, and green sukuks were included.
- We expanded the questions related to gender equality to capture gender balance at the board level in listed firms.

Respondents were directed to different questions depending on their answers, and they had the option to skip some questions. Hence, the response rates for different questions vary. The total number of responses is noted throughout.

In total, 62 exchanges[2] participated in this year's survey, one more than last year's. Of the respondents, 54 (87%) are WFE members, and the remaining eight are WFE affiliates. **Figure 1** compares this year's respondent profile with last year's. Out of the 54 WFE member respondents, five are derivatives-only exchanges.

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

[2] The complete list of respondent exchanges can be found in *Annex 1*.

Figure 1. Respondent profile

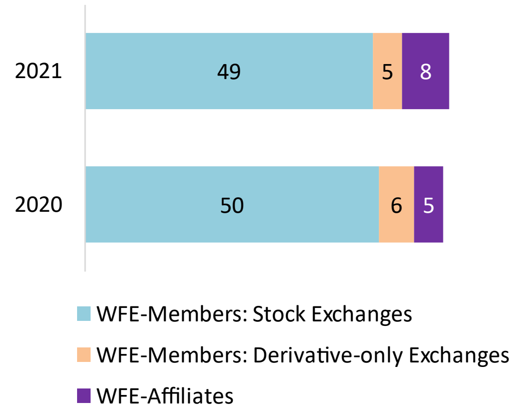
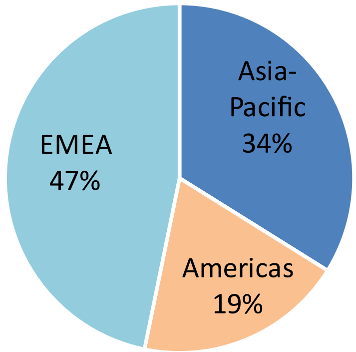


Figure 2. Respondents by region



The respondents' WFE membership status distribution changed slightly, as we got more participation from WFE-affiliated exchanges this year. In addition, ten exchanges that participated in this year's survey did not participate the previous year, and nine exchanges that responded to the last survey did not respond this year. **Figure 2** shows the geographical distribution of this year's survey respondents. Exchanges located in the Americas, Asia-Pacific, and EMEA region accounted for 19%, 34%, and 47% of responses, respectively.

4. Survey results and discussions

4.1 Exchanges and sustainability

Exchanges strengthen their sustainability efforts across all measures

The 2021 survey results show improvement in the level of sustainability engagement across different measures. This year, five respondents reported engagement in all the 12 listed initiatives, whereas no respondent had implemented all initiatives last year. These five exchanges are Deutsche Börse (DB), Johannesburg Stock Exchange (JSE), London Stock Exchange Group (LSEG), Luxembourg Stock Exchange (LuxSE), and Singapore Exchange (SGX). At the same time, we see a reduction in the number of respondents without sustainability engagements. Among the three stock exchanges that reported no sustainability involvement in 2019, two implemented sustainability initiatives this year. The other exchange reported no involvement in sustainability initiatives this year, citing a lack of resources. Moreover, exchanges implemented more sustainability initiatives this year---the average number of initiatives per exchange increased significantly[3] from 6.7 to 7.7.

[3] Statistically significant at 10% significance level (p-value=0.056).

Box 1: Two more exchanges start implementing sustainability initiatives

In 2019, Malta Stock Exchange (MSE) and Tel-Aviv Stock Exchange (TASE) did not have any sustainability initiatives in place, but by 2020, both exchanges had started implementing these initiatives.

Malta Stock Exchange (MSE)

In 2020 the MSE started implementing three ESG initiatives. MSE considers involvement in sustainability can expand business opportunities, improve relationships with stakeholders, and alleviate sustainability concerns. However, MSE also cites a couple of potential challenges, including the lack of resources and insufficient demand.

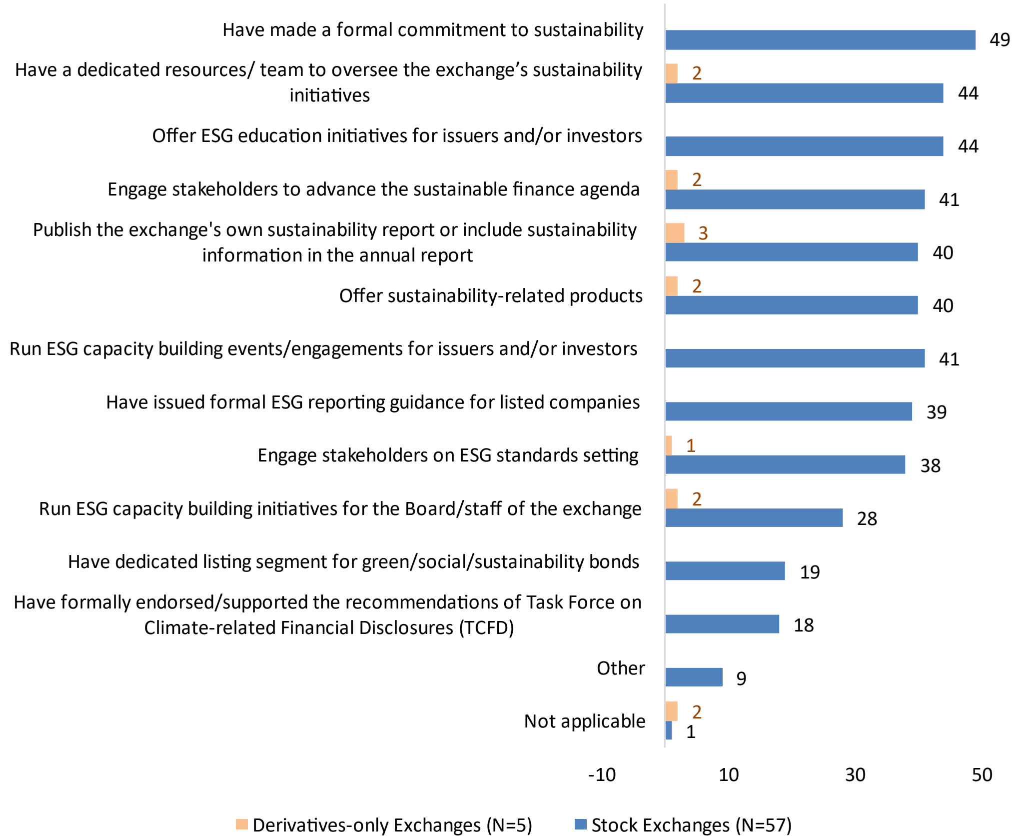
We also see an advancement in MSE's sustainability effort. Most noticeably, to promote green finance in Malta, MSE introduced the Green Market, which is a dedicated market segment for the green bond listing and trading. The Green Market segment offers potential issuer lower listing fees and improved visibility. In addition, MSE has achieved substantial improvement regarding gender equality, as shown by their female percentage in the exchange's senior management and workforce. **In fact, in 2020, MSE has the highest female participation in their workforce and the second highest in their senior management in the world.**

Tel-Aviv Stock Exchange (TASE)

Tel-Aviv Stock Exchange (TASE) indicated no involvement in sustainability in 2019, citing the lack of interest in the local market. In 2020, TASE initiated their ESG effort and implemented four sustainability initiatives, including an official commitment to international sustainability initiatives. Moreover, TASE reported observing investor demand for sustainability-related products in the Israeli market and launched ESG indices for exchange-traded funds (ETFs) to face the demand.

TASE's sustainability efforts were motivated by the opportunities to expand the exchange's business, improve stakeholder relationships, and demonstrate leadership. TASE also mentioned that they had no concern regarding their sustainability efforts. This year, TASE has been working towards including the exchange's shares in a sustainability or ESG index. TASE also will publish their first ESG report and will hold the first ESG conference for listed companies.

Figure 3. Exchanges' ESG Initiatives



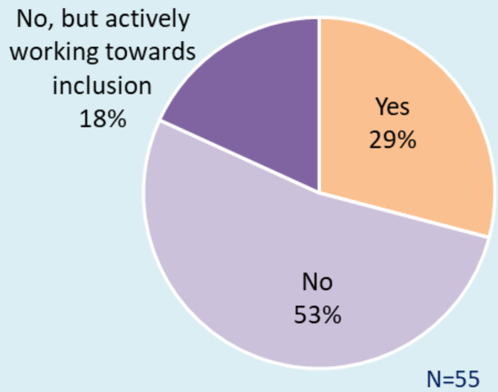
**Multiple answers allowed*

Figure 3 presents the exchanges' engagement in different ESG initiatives. This year, the initiative "*Have made a formal commitment to sustainability*" topped the list again (79% of the respondents). The initiative "*Have a dedicated resources/ team to oversee the exchange's sustainability initiatives*" came second with 74.2% of the respondents. We also see that more exchanges offered ESG education, with this initiative increasing its ranking from the eighth to the third on the list this year. Other ESG initiatives reported, but not listed, include participating in committees of wider industry, national or international initiatives; collaborating with external organisations, such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the United Nations (UN); providing dedicated information platforms for green bonds; and setting up dedicated a segment for sustainability-related products.

Box 2: Exchanges in ESG indexes

Many exchanges nowadays are also listed companies themselves. Some of them are included as one of the constituents of one or more indexes tracking the listed-companies' sustainability or ESG performance. Such an inclusion also highlights the commitment of the exchange to ESG causes. Our survey revealed that 16 out of 55 (29%) stock exchanges surveyed are included in at least one sustainability/ESG indexes, while ten exchanges (18%) are working towards inclusion. These percentages compare positively with last year, where only 27% were included, and 15% were working towards inclusion.

Figure 4. Exchanges' inclusion in ESG Indexes

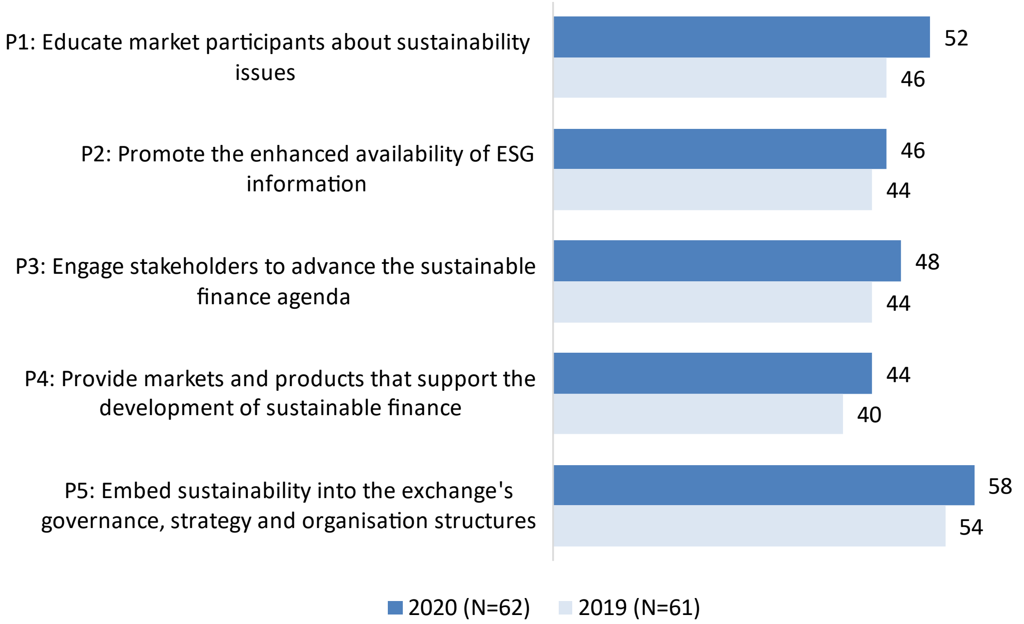


Engagement with the WFE Sustainability Principles

The WFE Sustainability Principles (the Principles, hereafter) set out the ways in which WFE member exchanges will seek to promote sustainability in their markets. Since their launch in 2018, the WFE started to track exchanges' level of engagement with the Principles and examine progress against them. We define "engagement" as having a set of initiatives that correspond to the Sustainability Principles. Similar to last year, we mapped the reported sustainability initiatives in the survey to the Principles (see details in Annex 2). In addition, we also asked the exchanges to report other initiatives that correspond to the five Principles.

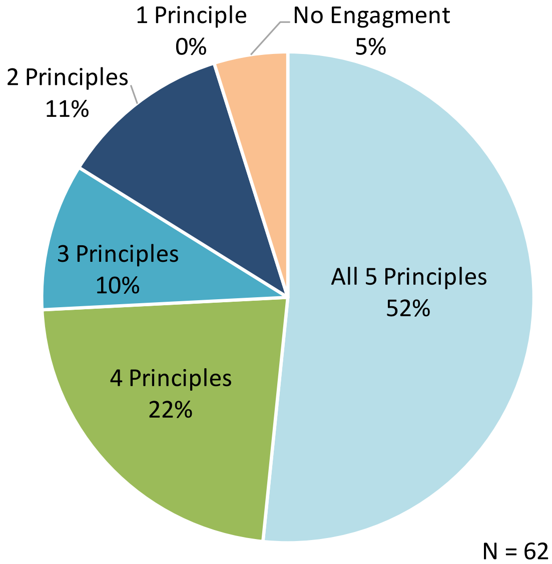
Compared with 2019, we see that a greater number of exchanges engaged with each of the Principles in 2020 (see **Figure 5**). **Principle 5:** "*Embed sustainability into the exchange's governance, strategy and organisation structures*" remained the principle with the highest level of engagement (58 exchanges, 94% of the respondents), while **Principle 1**: "*Educate market participants about sustainability issues*" came second (52 exchanges, 84% of the respondents). We also examined the number of sustainability principles each exchange engaged with (see **Figure 6**). Encouragingly, 51.6% (32/62) of the responding exchanges had initiatives corresponding to all five sustainability principles. Such proportion increased more than ten percentage points from last year (41%). The second largest group (14/62, 22.6% of the respondents) is constituted by exchanges that engaged in four out of the five principles. We also observed lower levels of engagement amongst derivatives-only exchanges: no derivatives-only exchange engaged in more than three principles. Among the three exchanges with no engagement in the Sustainability Principles, two of them are derivatives-only exchanges. These results underscore the relevance of the WFE and the SSE joint initiative suggesting a path for further work on sustainability (see **Box 3**).

Figure 5. Number of exchanges engaged in each of the WFE Sustainability Principles



In summary, we continue to observe increasing levels of engagement among exchanges after the launch of the WFE Sustainability Principles, which demonstrates exchanges' efforts in realising them.

Figure 6. Number of principle engagement per exchange



Box 3: How Derivatives Exchanges can Promote Sustainable Development - An Action Menu

In 2019, the WFE partnered with the United Nations Sustainable Stock Exchanges (SSE) initiative to jointly publish the paper *How exchanges can embed sustainability within their operations: a blueprint to advance action* In 2020, the WFE continued its collaboration with the SSE initiative working on a joint report that provides guidance on '**How Derivatives Exchanges can Promote Sustainable Development - An Action Menu'**.

The document was produced by an international Advisory Group made up of derivatives and stock exchange representatives and experts as well as from experts from the wider ecosystem. It was published in May 2021.

This report reviews the current approaches of derivatives exchanges in sustainability and suggests areas of further work and reflection. It also highlights why, without the risk management products and the forward price discovery that exchanges can bring, a transition to a more sustainable future will be more difficult, costly, and significantly less efficient.

The project builds on an initial WFE White Paper on the topic and responds to demand from a number of derivatives exchanges to the SSE to further expand on it. The resulting report fills a gap in the literature by identifying ways in which derivatives exchanges can play a role in supporting the sustainability transition, presenting an **Action Menu** that provides practical suggestions on how to make the derivatives ecosystem and derivatives exchanges' operations more sustainable.

Some of these actions (e.g., product development) may happen in response to market demand and opportunities created by regulatory developments. Others will depend on an exchange's assessment of where it is able to have an impact, given its operating environment and level of support from participants in its ecosystem. Ultimately there are opportunities for all exchange operators to ensure their markets continue to respond to the sustainability imperative.

Sustainability initiatives: motivations and concerns

Sustainability concerns and business opportunities continue to be the main motivations driving ESG efforts

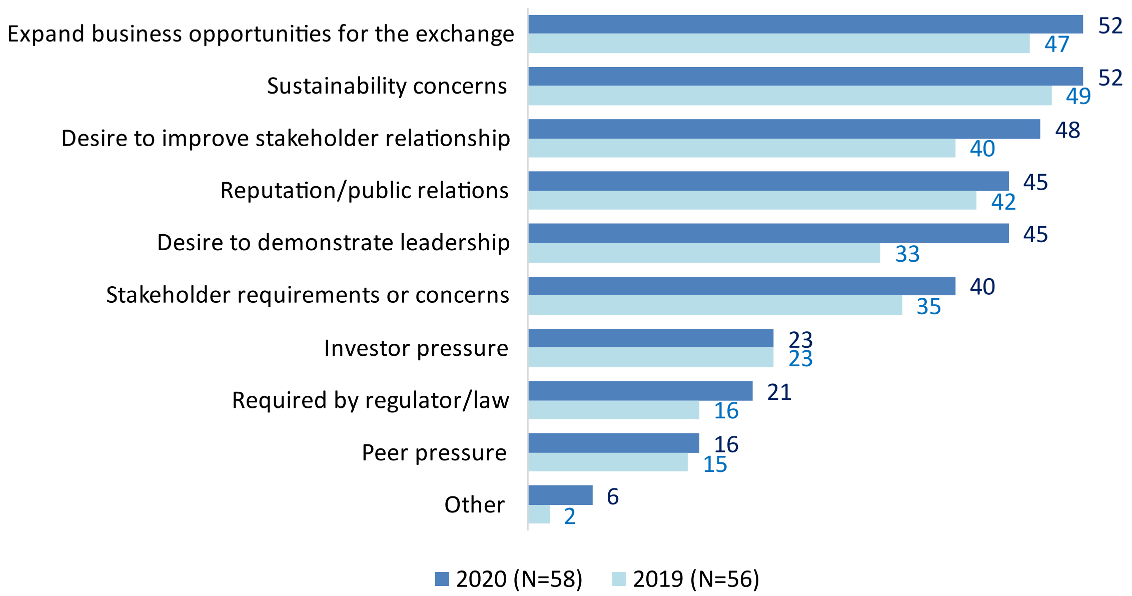
Implementing sustainability initiatives can provide exchanges with multiple benefits, such as opportunities to expand the business, improve stakeholder relationships, or demonstrate leadership. At the same time, exchanges can face some hurdles when implementing these initiatives, such as the lack of resources or concerns about the economic outlook. To capture these two aspects, in the survey we collected information on the primary motivations for engaging in sustainability efforts and on the issues that exchanges perceive as potential obstacles in progressing on their sustainability goals.

Figure 7 lists the key motivations for exchanges to engage in ESG initiatives. At the top of the list, similar to the previous year, "Sustainability concerns" and "Expand business opportunities" (52/58, 89.7% of the exchanges with initiatives) are the most frequently reported motivation for ESG engagement. The continuous trend demonstrates that exchanges consider sustainability not only as an operational and corporate responsibility but also as a new business opportunity.

Apart from the top motivations, we observe some changes regarding the other motivations of exchanges for engaging in sustainability. An additional seven exchanges reported "Desire to improve stakeholder relationships" as their motivation in sustainability. We also see that the number of exchanges reporting "Desire to demonstrate leadership" increased by 12. Such a trend shows exchanges' desire and willingness to engage stakeholders and become a leading force in promoting sustainability.

Furthermore, it is worth noting that 21 exchanges reported "required by regulator/law" as a motivation, up by five counts from last year. This increment reflects an increased level of attention from regulators on sustainability in the capital markets.

Figure 7. Motivations for sustainability involvement*

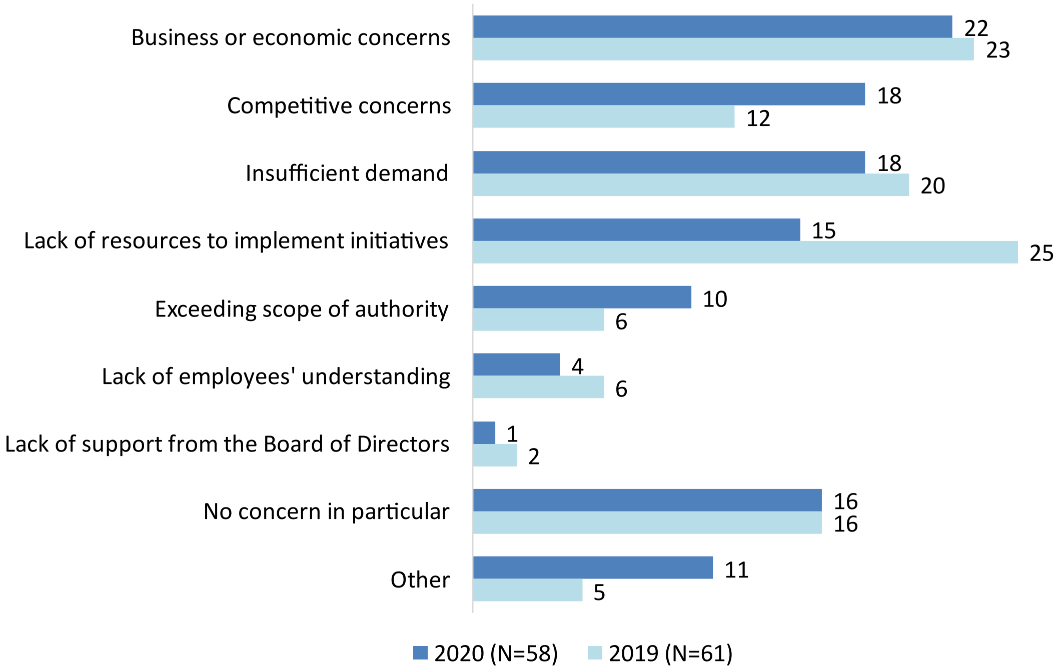


**Multiple answers allowed*

Looking at the concerns and hurdles that exchanges face in the process, we observe some changes with respect to last year's results. As presented in **Figure 8** "*Business or economic concerns*" (37.9%, 22/58 of the respondents) is the most reported concerns, followed by "Competitive concerns," which increased by 50% from last year. In our previous survey, the "lack of resources to implement initiatives" was the most reported, but it dropped to the fourth place this year---the percentage of exchanges that cited such a hurdle decreased from 41% to 25.9%. The trend highlights a change in the origin of the concerns from the exchanges' internal operation to the industry's external environment. Also, exchanges have dedicated more resources to promoting sustainability.

Among the 11 exchanges that specified other concerns, seven exchanges cited the lack of homogenous standards and definition of ESG as difficulty in carrying out their sustainability effort. In addition, three exchanges mentioned the difficulty in designing and promoting sustainable finance programmes.

Figure 8. Concerns of sustainability efforts*



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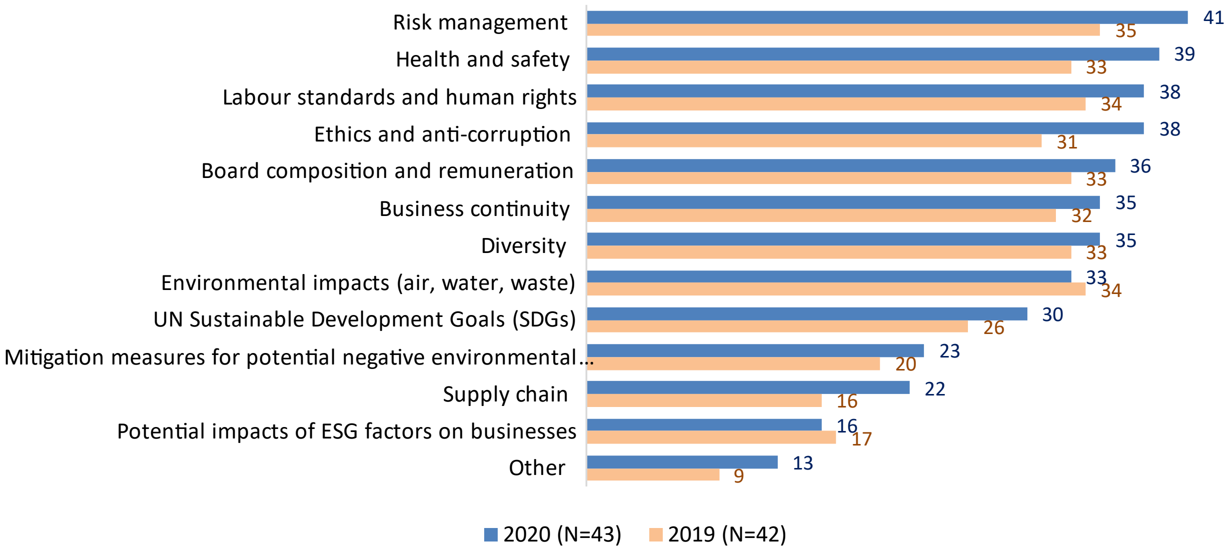
ESG factors in exchanges' reporting

ESG reporting (that is, disclosing data to explain the business impact and its added value across different ESG factors) is fundamental to gauge the firms' ESG footprint. Reporting can adopt different formats: it could be part of the annual financial report, or be a standalone document, for example. And it could encompass all or only a subset of the different ESG factors. The survey looked at the formats adopted by the exchanges and to the main ESG-factors covered in the reports.

The proportion of responding exchanges that publish their own sustainability report remained at around 69.4% (43/62) this year. **Figure 9** presents the coverage across different ESG factors. Four exchanges, which are in Asia or Americas region, indicated that their sustainability report covered all the 12 ESG-related factors listed in the survey.

Looking at which factors are the most reported, we see that 95.3% of the reports included information on Risk management, a substantial increase from last year's 83.3%. In fact, compared with 2019, most of the topics received broader coverage in the exchanges' 2020 sustainability reports, except for "Environmental impacts" and "Potential impact of ESG factors on business." Notably, "Environmental impacts" was highly ranked in the second-place last year but dropped to eighth place this year.

Figure 9. ESG factors reported by exchanges*



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ESG efforts are mostly focused on Governance, followed by Social and Environmental

In this year's survey, we added a new question asking the exchanges to score the percentage of their total ESG efforts that focused on Environment (E), Social (S), and Governance (G), respectively. The scores sum to 100% for each exchange. In total, 52 respondents provided us with a breakdown of their ESG efforts.

Table 1 reports the mean percentage of the exchanges' efforts towards each of the three components of ESG. We computed these scores for all the respondents and across different regions. We can see that, on average, governance received 42.9% of the exchanges' sustainability effort and became the most focused area in ESG. The social component received 31.3%, and the difference between the governance and social scores was statistically significant (p-value<0.01). Lastly, the environment component received the lowest effort score of 25.8%, which was also statistically lower (p-value=0.03) than the social score.

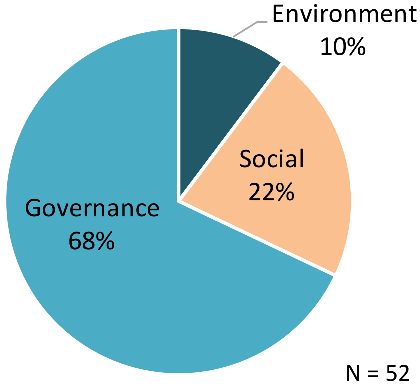
We further find that the effort rankings are similar across the Americas, Asia-Pacific, and EMEA regions. Governance enjoyed the highest effort score, followed by social. The score dispersion, however, is higher in the EMEA region and lower in the Americas region. Such a comparison suggests that exchanges in the Americas tend to have a relatively more balanced approach when treating the environment, social, and governance issues.

Table 1. ESG efforts breakdown

Region	N	Environment (%)	Social (%)	Governance (%)
All	52	25.8	31.3	42.9
Americas	12	28.1	32.1	39.8
Asia-Pacific	16	26.2	30.8	43.0
EMEA	24	24.3	31.3	44.4

Besides looking at the mean effort scores, we also identified the *priority* area(s) of the exchanges. For each exchange, we identified the ESG component that received the highest effort and assigned an indicator 1. In the case of two (three) areas sharing the same highest score, we assigned 0.5 (0.33). With such a priority measure, we can see the proportion of responding exchanges that put their focus on each of the three ESG components. **Figure 10** plots the distribution of the exchanges' top priority and shows that 68% of the exchanges put governance as their priority. 22% of the exchanges prioritised the social component, and 11% prioritised the environment component. The order of the three components as ESG priority was the same as the one based on mean effort scores.

Figure 10. Percentage of exchanges prioritizing E, S, or G



Overall, the survey results highlight the sustainability advancement accomplished by the exchanges in 2020. More exchanges are implementing sustainability related initiatives, and the exchanges implement more initiatives. When looking into the motivations behind such efforts, we find that exchanges considered sustainability a potential business opportunity and have devoted more resources to promoting sustainability. We also find that the main challenges come from external conditions, which include business and competitive concerns. Furthermore, among the three components of ESG, exchanges focused more on governance issues.

4.2 UN Sustainable development goals

The UN Sustainable Stock Exchange (SSE) initiative is a United Nations Partnership Programme, whose mission is to provide an international platform for exploring how exchanges can enhance performance on ESG issues and encourage sustainable investment.[4] The WFE and WFE members have highly involved in the SSE initiative---54 of the 67 WFE members are part of the initiative. Besides the SSE, the UN also sets 17 Sustainable Development Goals (SDGs), which are an urgent call for action,[5] and the WFE members also strongly engage in promoting and achieving the SDGs.

In the WFE Sustainability survey, we collected information on the exchanges' UN SDGs-related initiatives. The summary result is presented in **Figure 11**.

The WFE members and affiliates demonstrate strong engagement with the UN SDGs. In this year's survey, **71.7% (43/60) of the respondents indicated implementing sustainability initiatives related to the SDGs.** "*Include SDGs in the exchange's own sustainability reporting*" was the most frequently reported initiative. Noticeably, more exchanges made a formal commitment to the SDGs---the proportion of respondents with such a pledge increased from 19.7% (12/61) last year to 36.7% (22/60) this year.

Box 4: Prioritizing SDG: MOEX business case

In 2020 Moscow Exchange (MOEX) undertook an analysis to refine its approach to sustainability reporting and reviewed the 17 SDGs, identifying those seven to which the exchange could make the largest contribution. The analysis involved a bottom-up and a top-down approach. For the bottom-up analysis, MOEX mapped 1) the impacts against stakeholder concerns, 2) the impacts against corporate strategy, 3) the impacts against key relevant business lines, and 4) it conducted a cost-benefit analysis.

For the top-down analysis, the exchange 1) performed a peer group analysis; 2) conducted an Executive and Supervisory Boards engagement analysis; and 3) conducted an internal stakeholder engagement analysis.

The results of the assessment led MOEX to select the top seven relevant SDGs and set specific corporate goals and metrics.

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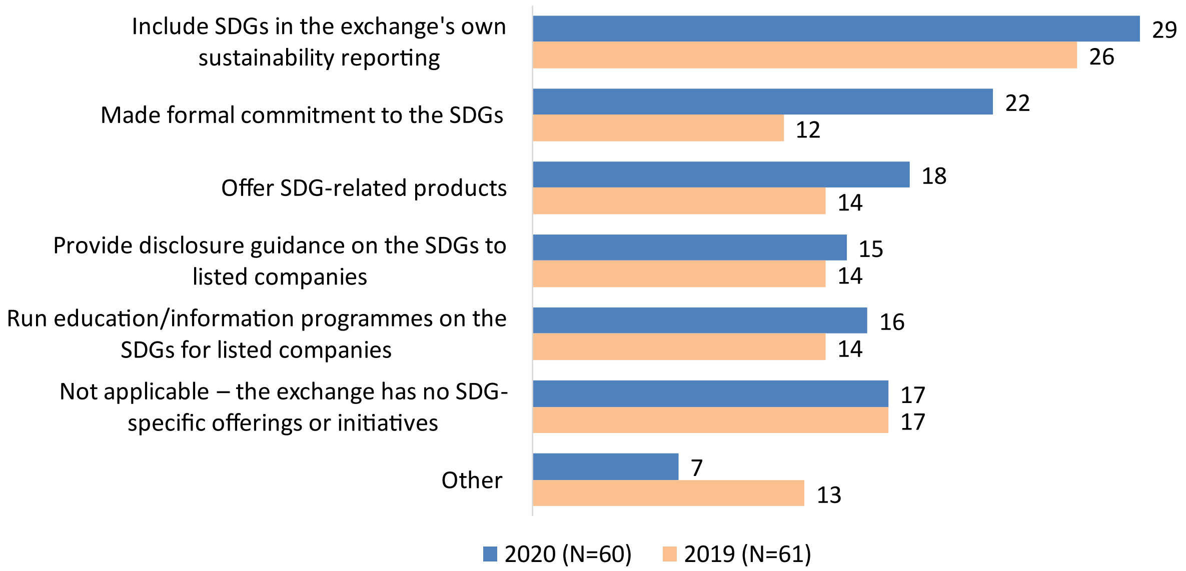
[4] For more information on the UN Sustainable Stock Exchange initiative, see https://sseinitiative.org.

[5] For more information on the UN Sustainable Development Goals, see https://sdgs.un.org.

Figure 11. UN SDG-specific initiatives*



**Multiple answers allowed*

When asked about SDG-related products, the most offered product was green bonds (ten exchanges) and ESG indexes (four exchanges). Exchanges also provided ESG ETFs and ESG dedicated market segments to advance the SDGs.

Gender equality and decent work and economic growth top the list of the exchanges' engagement with specific SDGs

We also asked exchanges to indicate which of the 17 SDGs they focused on. 51.2% of the responding exchanges indicated that they followed the SSE's recommendation and engaged in Goals 5, 8, 12, 13, and 17. These five SDGs were also the top five SDGs in this and last year's survey, although there were slight changes in the order.

Table 2.The five SDGs attracting higher engagement from exchanges

SDGs	2020 (N=42)	2019 (N=41)
Goal 5: Gender equality	32	35
Goal 8: Decent work and economic growth	31	30
Goal 13: Climate action	29	27
Goal 12: Responsible consumption and production	27	29
Goal 17: Partnerships to achieve the goal	28	32

"Goal 5: Gender equality" remained the SDG with the highest exchange engagement, although the number of exchanges engaged reduced slightly by four. "Goal 17: Partnerships to achieve the goal" ranked second last year and dropped to fourth this year.

Gender Equality

Motivated by the UN SDGs and the exchanges' intention to promote gender equality, WFE started to collect gender-related statistics and information in last year's survey. This year we have expanded the questionnaire by including questions on the Board composition of listed firms.

Table 3 reports the average percentage of female members in the exchanges' board, senior management, and workforce. The summary shows that, on average, 18.5% of the exchanges' board is composed of females. Such a percentage is higher in the Americas and EMEA region. We can also see that, on average, 30.5% of the exchanges' senior management (i.e., individuals that lead a department or division) and 43.1% of the exchanges' workforce are female. The EMEA region has a higher female representation, followed by the Asia-Pacific region.

Table 3. Average percentage of female representation

Region	N	Board	Senior Management	Workforce
All	60	18.5%	30.5%	43.1%
Americas	12	20.3%	26.5%	39.7%
Asia-Pacific	21	15.7%	28.7%	42.2%
EMEA	27	20.0%	33.4%	45.1%

Besides collecting the percentage of female representation, the survey also asked whether the exchanges had targets in place to increase female representation. 22 (37.3%) respondents indicated that they had such targets. Among these 22 exchanges, 14 are in the EMEA region, six in the Asia-Pacific region, and 2 in the Americas region. Such exchanges with targets to improve gender equality have, on average, 16.9%, 30.5%, and 41.5% female representation on their board, senior management, and workforce, respectively. The initiatives undertaken by the exchanges to improve gender equality include: Ring the Bell for Gender Equality, target hiring and effective succession planning, narrowing the gender pay gap, implementing gender-friendly policies, and facilitating maternity and paternity leave.

Furthermore, this year the survey also provides insights into gender equality in the companies listed on the stock exchanges. 19 of the 54 (35.2%) responding stock exchanges measure the female representation in the board of their listed companies. On average, 56.7% of the exchange-listed companies have a least one female on their board.

Overall, gender equality has been one of the exchanges' sustainability focus. Exchanges are implementing initiatives to increase female representation within their own organisations and with issuers.

Ring the Bell for Gender Equality initiative[6]

The Ring the Bell for Gender Equality initiative is a collaboration among the WFE, World Bank Group International Finance Corporation (IFC), Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact, UN Women, and Women in ETFs to raise awareness about the business case for women's economic empowerment, and the opportunities for the private sector to advance gender equality and sustainable development.

The Ring the bell events started on Monday 2 March 2020 and lasted for two weeks. During that time, 77 exchanges around the world rang the opening or closing bells (some of them had to do it virtually) to celebrate the 2020 International Women's Day (Sunday, 8 March 2020).

4.3 Transparency and reporting

Exchanges continue to be the major promotors of ESG disclosure

ESG has been a key focus for regulation. The WFE Sustainability Survey intends to shed light on the disclosure-related topics and present a bigger picture of the current situation. We asked the exchanges for information about the investor demand for ESG disclosure, disclosure format, and disclosure standards.

The survey results show that 46 of the 55 (85.2%) responding stock exchanges[7] either encouraged or required issuers to disclose ESG information, similar to the results obtained in 2019 (85.5%). Also, 48 (87.3%) respondents indicated that requiring companies to disclose ESG information would *not* adversely affect their business. Among the remaining seven respondents, five exchanges encouraged or required ESG disclosure, despite indications that the disclosure could potentially have an adverse impact on their business.

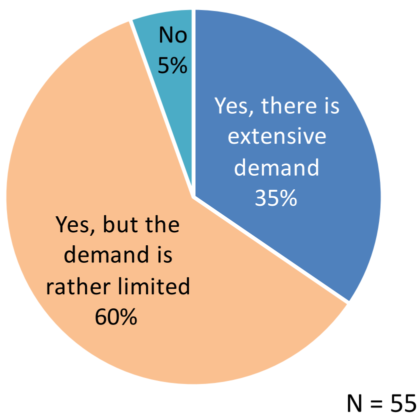
We also examine the driving forces for ESG reporting by asking respondents the source of their disclosure requirements. First, we asked the exchanges whether they observed investor demand for listed company ESG disclosure in their market.

[6] For more information about Ring the Bell initiative, see https://www.world-exchanges.org/news/articles/over-100-exchanges-worldwide-will-ring-bell-gender-equality-2021.

[7] Derivatives-only exchanges were excluded from this question as ESG reporting requirement is less relevant for these exchanges.

Figure 12 presents the summary results and shows that **95% of the respondents indicated at least some disclosure demand from investors**. Such a percentage is higher than last year's number, which was 87%. More specifically, 35% of the respondents observed extensive demand, and 60% observed limited demand for listed company ESG disclosure. The three (6%) exchanges that reported no investor demand are in the EMEA region. This trend demonstrates stronger demand for ESG disclosure in listed companies from investors.

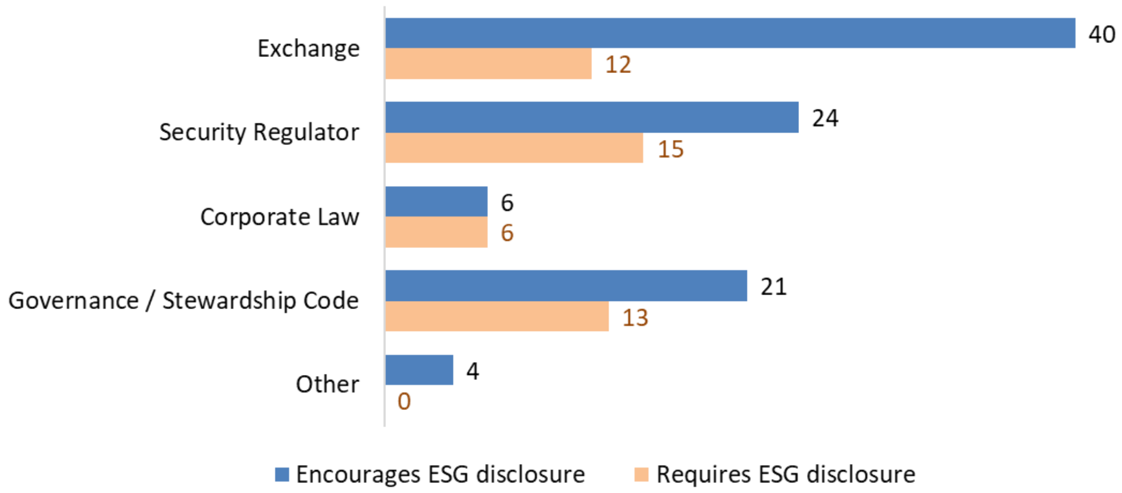
Figure 12. Investor demand for ESG disclosure



Moreover, we asked about the drivers for ESG disclosure in exchange listed companies. 46 of the 55 (83.6%) respondents reported that ESG disclosure was either required or encouraged by the exchange (the same proportion obtained in 2019). Among the nine exchanges which neither require or encourage ESG disclosure, six are in the EMEA region, one in APAC and two in the Americas.

To identify the drivers of ESG disclosures, exchanges were asked to indicate who encourages or requires companies to disclose ESG information. **Figure 13** shows the breakdown of the drivers of ESG disclosures. Comparing different drivers, we see that securities regulators are the main entities requiring ESG disclosures (15), followed by governance/stewardship codes (13), and the exchanges (12). On the other hand, exchanges are the major promoters of ESG disclosure in their respective markets. In fact, in seven markets, exchanges are the only body that encourages or requires ESG disclosure. These results highlight exchanges' leadership role in driving ESG disclosure in listed companies.

Figure 13. Drivers of ESG disclosure*



**Multiple answers allowed*

Overall, the survey results show the global effort for ESG disclosure. We observe higher demand for ESG disclosure and more proactive actions taken by exchanges and related stakeholders.

Box 5: ESG disclosure: a continuing journey

The following are some of the exchanges achievements in enhancing ESG disclosure:

Abu Dhabi Securities Exchange (ADX) worked closely together with the Securities & Commodities Authority (SCA) on making it mandatory for listed companies to issue an ESG report. SCA amended the governance rules on April 2020. ADX also developed a general guidance for companies' ESG reports.

Hong Kong Exchanges and Clearing (HKEX) participated in the consultation on the '*Review of the ESG Reporting and Related Listing Rules'*, *the revised Guide*, which became effective on 1 July 2020. In March 2020, HKEX (i) updated the "How to prepare an ESG report" to reflect the new ESG and (ii) published a new guide tailored for board and directors titled "Leadership role and accountability in ESG" to help directors in understand and carry out their leadership role in ESG. An e-training course titled "Exchange's New ESG Requirements" was launched to discuss the Exchange's new ESG reporting requirements.

In February 2020, **Kazakhstan Stock Exchange (KASE)** updated the requirements for annual reports that listed companies must submit to the Exchange. The main provisions of the methodology on ESG disclosure were included in the requirements.

Moscow Exchange (MOEX) worked on the *ESG Best Practices Guide* in partnership with the sustainability expert community. The release of the Guide is planned for the summer 2021. MOEX decided to broaden the scope of the publication from pure disclosure guidance to a *how-to* handbook on management and strategy related to all ESG-related aspects. This will help issuers and those interested in going public to navigate the ESG complexity.

In November 2020, the **Shanghai Stock Exchange (SSE)** formulated the *Three-year Action Plan for Advancing the Quality Improvement of the Companies Listed on the Shanghai Stock Exchange*. In terms of improving the quality of information disclosure, the SSE has been revising and optimizing the self-disciplinary rules for information disclosure. In 2020, all the companies listed on the SSE STAR Market disclosed information on social responsibility in their annual reports.

In March 2020, **Japan Exchange Group, Inc. (JPX)** published their Practical Handbook for ESG Disclosure, which aims to help companies improve their ESG disclosure through a process of linking ESG issues to corporate value. The Handbook incorporates the investor perspective and also introduces existing ESG disclosure standards and frameworks such as TCFD and SASB.

As per the *Corporate Governance 3.0 – Sustainability Development Roadmap* published in August 2020, the **Taiwan Stock Exchange (TWSE)** has strengthened listed companies' ESG disclosure. Effective from 2023, it will widen the scope of companies required to file Sustainability Reports, TCFD and SASB standards will be introduced to support the disclosure guidance, and TWSE will also expand the scope of third-party assurance to enhance Sustainability Report quality. The TWSE has already requested 152 signatories of Taiwan Stewardship Principles to disclose the related ESG information while evaluating the investment process.

Shenzhen Stock Exchange (SZSE) issued and revised guidelines for information disclosure for listed companies, which included the *Guidelines on Operational Compliance of Listed Companies (2020 Revision),* applicable to the Main Board and the SME Board; the *Guidelines on Operational Compliance of Listed Companies on the ChiNext Market (2020 Revision)*, applicable to the ChiNext; and the *Measures of Shenzhen Stock Exchange for Appraisal of Information Disclosure of Listed Companies.*

The Securities Exchange Commission (SEC), in collaboration with **The Stock Exchange of Thailand (SET)**, has announced a new regulation on sustainability disclosure, requiring all listed firms to disclose their value chain and stakeholder engagement, sustainability policy, strategy and performance, as a minimum.

TMX Group continued development and refinement of the ESG 101 website to provide issuers with the resources to understand ESG and disclosure.

Tunis Stock Exchange took several steps to promote ESG disclosure, which included the finalization of the development of an ESG Guide in collaboration with the regulatory authorities of the capital markets, publication of a Guide for the issuance of green bonds, and actions to popularize the benefits of adopting the ESG guide, especially by listed companies.

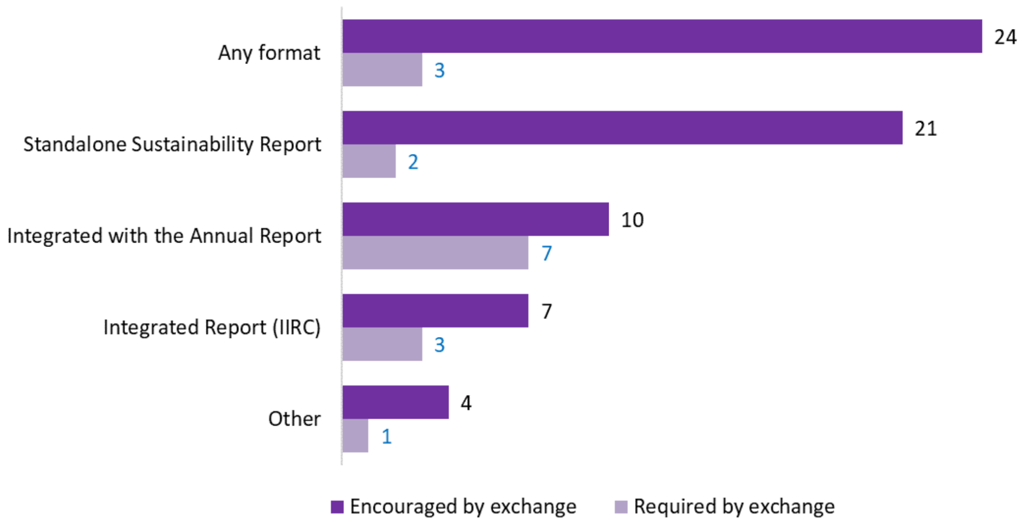
ESG disclosure: formats and standards

An issue concerning the exchanges' sustainability disclosure effort is the lack of coalescence and convergence in reporting standards. Ways to ensure high quality, consistent and comparable ESG information, which can serve the best interest of all stakeholders, is one the biggest challenges faced by the exchanges. This year, we collected information on the reporting standards and formats supported by exchanges in detail, with the aim to track the development in recommended reporting approaches.

Figure 14 shows the exchanges' responses regarding in which disclosure format they encourage or require reporting. The results show that exchanges generally do not make specific requirements and leave it to the companies' discretion, with "any format" receiving the highest overall rank. Among the 54 respondents to this question, 24 encourage ESG reporting without specifying any format.

Among the pre-specified reporting formats, the most frequently required one is "*Integrated within the Annual Report"* --- more than half (7/10) of the exchanges that require a specific disclosure format chose such an option. "Standalone Sustainability Report" is the most frequently recommended reporting format, but a couple of exchanges made it a requirement. Other cited reporting formats include specific formats developed by the exchange or security regulators.

Figure 14. Reporting format encouraged/required by exchanges*

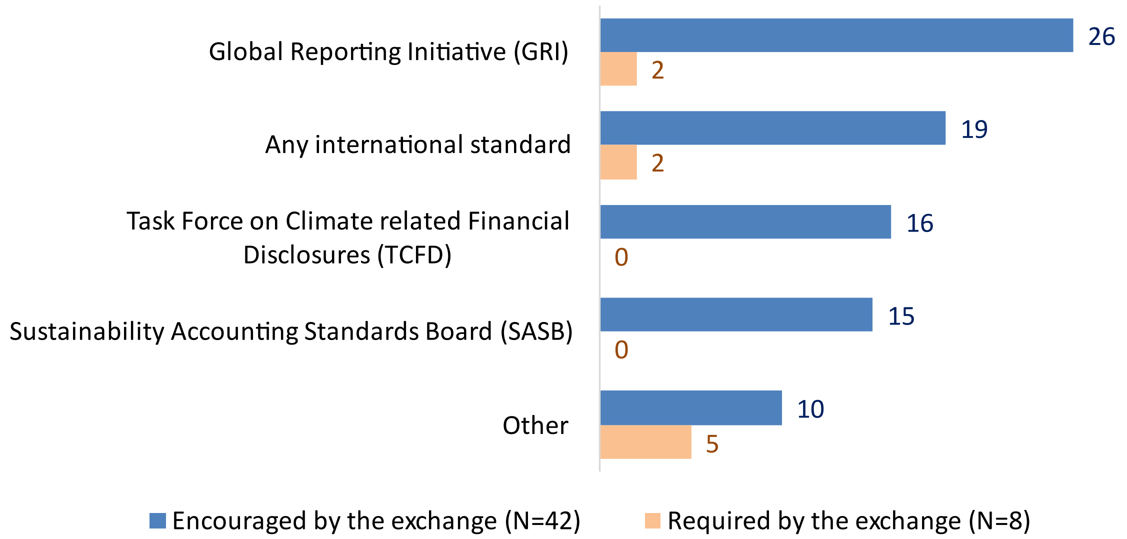


**Multiple answers allowed*

While reporting format refers to the way ESG information is presented to stakeholders, reporting standards are the rules for ESG measurement and disclosure. The ESG standards are usually set by accounting standards-setting bodies. Some popular ESG standard-setters include the Global Reporting Initiative (GRI), the Task Force on Climate related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and the standard issued by the Sustainability Accounting Standards Board (SASB).[8]

Figure 15 reports the results on reporting standards. In total, 47 out of the 54 (i.e., 87%) respondents either require or encourage a reporting standard for ESG disclosure by listed companies. Only eight exchanges have specific requirements on ESG reporting standards[9], and there is no consensus on the required reporting standards. In terms of initiatives encouraged by the exchanges, we see a preference for the Global Reporting Initiative (GRI). 61.9% (26/42) of the exchanges that encourage specific standards to promote the GRI this year, whereas "any international standard" was the highest-ranked option last year.

Figure 15. Reporting standards*



**Multiple answers allowed*

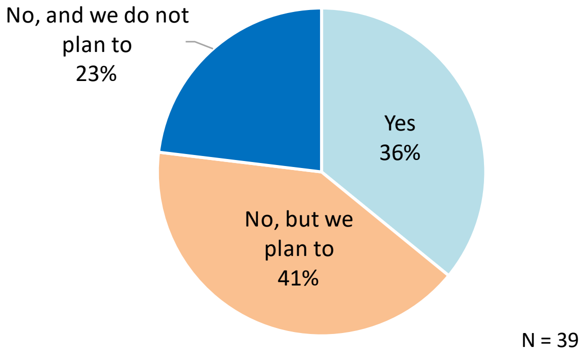
To support ESG disclosure by listed companies, stock exchanges also provide issuers with ESG reporting guidance. The survey results revealed that 62.7% (32/55) of the exchanges participating in this survey have guided companies on issues that are material for disclosure purposes. Twenty-two exchanges published their own reporting guidance, while ten exchanges recommended or referenced existing guidance. One exchange reported they were planning to issue ESG guidelines soon. In emerging markets, exchanges tend to reference reporting guidance issued by the regulators.

[8] The SASB and International Integrated Reporting Council have now merged to create a new initiative called the 'Value Reporting Foundation'. This will help to further streamline the number of reporting initiatives that exist as well as support the work of the IFRS Foundation Trustees.

[9] Some exchanges require multiple types of reporting standards

Two years after the publication of the TCFD recommendations, [10] we have started to observe their gradual inclusion into exchanges' reporting guidance. As shown in **Figure 16**, the number of exchanges that included the TCFD recommendations in their reporting guidance remains at 14 in 2020. Sixteen exchanges (41%) said they planned to include it, while nine exchanges expressed no plan to include the TCFD recommendations.

Figure 16. Recommendation of Task Force on Climate-related Financial Disclosures (TCFD)



Regarding the assurance or verification of listed companies' ESG data, more than half (61.1%, 33/54) of the exchanges had no such requirement or did not foresee requiring it in the future. Five exchanges (one located in Asia-Pacific, one in the Americas, and three in EMEA) require the assurance of issuers' ESG data. Moreover, 16 exchanges indicated that they were planning to require that in the future. This result seems to confirm that the assurance and verification of issuers' ESG data could be the next trend after the mainstreaming of listed companies' ESG reporting.[11]

Although there is still a lack of a unified ESG disclosure format or standard, the industry is converging towards an agreement. In addition, to aid listed company disclosure, most exchanges have issued or planned to issue guidance on ESG reporting.

[10] The TCFD's recommendations were published in 2017. The recommendations provide context, background and the general framework for climate-related financial disclosure that is intended for broad audiences.

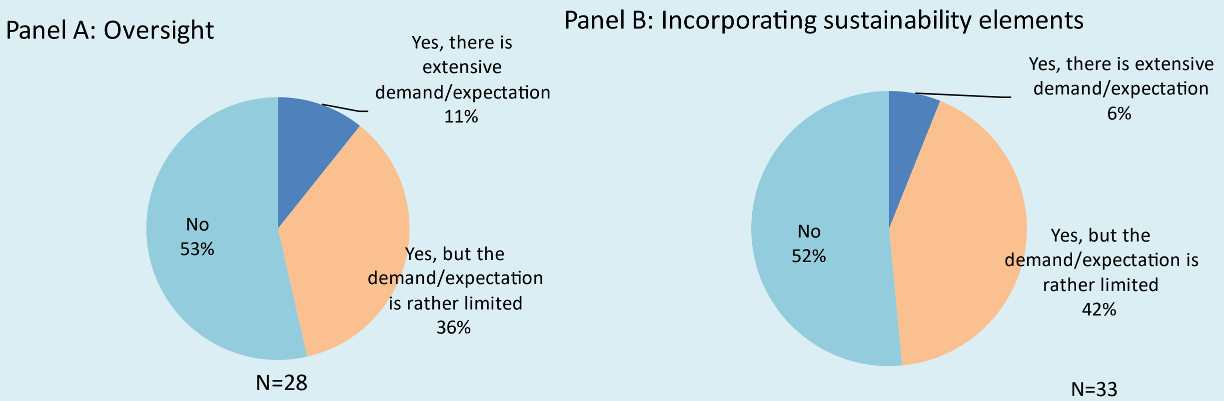
[11] The CSRD is planning to introduce a general EU-wide audit (assurance) requirement for reported sustainability information.

Box 6: Sustainability and commodity derivatives

To expand the scope and stimulate discussions among the WFE membership and the wider commodity derivatives industry, the WFE published a *white paper on sustainability and commodity derivatives* in August 2019. The white paper explores sustainability in the context of commodity derivatives markets and invites discussion on some starting principles to approach the key challenges in addressing the impact of sustainability in commodity derivatives exchanges.

Awareness of sustainability in commodity derivatives is yet to be cultivated. Panels A and B of **Figure 17** show whether the respondents observe investor demand on the oversight and on incorporating ESG elements into the commodity contracts, respectively. About half the responding exchanges observed no investor demand/expectations for oversight or investor demand for incorporating sustainability elements into the contracts.

Figure 17. Investor demand in commodity*



**The number of respondents vary as only exchanges who offer commodity derivatives answered to these questions, and they could skip questions in this section.*

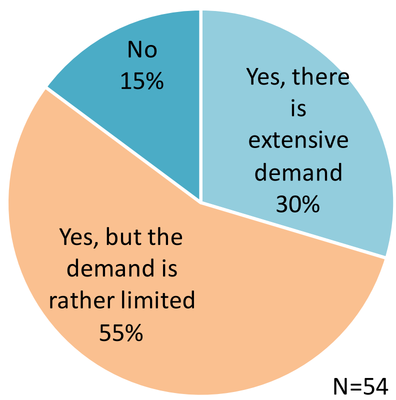
4.4 Sustainability products

Gradual expansion of ESG products

ESG products have gained popularity among investors in recent years, and exchanges have been facilitating the listing, trading, and overseeing of these products. Exchange listed/traded ESG products serve as an efficient way to channel capital to sustainability firms and projects. Currently, the WFE is incorporating ESG-related bond data in its Statistic Portal to provide an overview of the ESG products and entice discussion among stakeholders. In addition, in the survey we asked the respondents about demand, oversight, and the definition of ESG products.

First, we collected information on the demand for ESG products by asking the survey respondents whether they observed such demand in their market. **Figure 18** summarises the results and shows that **about 86.8% (45/54) of the exchanges observed some level of investor demand**. Such a percentage increased from 82% last year. Among these exchanges, 16 (30%) perceived extensive demand for ESG products, while only 11 (18%) of last year's respondents signalled extensive demand. **The exchanges that expressed the lack of investor demand for sustainability-related products are in emerging markets in the EMEA and Americas region**.

Figure 18. Investor demand for ESG products



Moreover, we also collected information on the ESG products offered by the exchanges. In 2020, more exchanges offered ESG-related products than in 2019. In this year's survey, **70.4% (38/54) of the stock exchanges offered ESG-related products, while it was 59% last year**. Also, one exchange in the Asia-Pacific region indicated that they planned to introduce ESG products in the near future.

For the derivative-only exchanges, two of out the five exchanges have ESG products (both are offering ESG futures).

Box 7: Exchanges scale-up their effort in providing sustainable products and dedicated platforms

In 2020, we saw exchanges ramping up their efforts in providing more sustainable products to support the development of sustainable finance, especially in relation to ESG bonds. The following are just a few highlights from the year:

Cboe Global Markets (Cboe) has steadily increased the number of ESG ETPs currently listed on the BZX Equities Exchange by nearly 80% since 2019. As of December 2020, Cboe offered 34 ESG funds with total assets of over 10.5US$ Billion. Additionally, in September 2020, Cboe launched the S&P ESG Index Options to capture and elevate continued demand for investment strategies focused on ESG and sustainability.

As part of its ESG growth strategy, **Deutsche Börse Group (DBG)** acquired Institutional Shareholder Services (ISS). The company's ESG expertise and data capabilities are complementary to Deutsche Börse's businesses along the entire value chain, strengthening the focus on sustainable investing. DBG's derivatives exchange Eurex achieved a global coverage with its ESG offering and became a leading liquidity pool for ESG Derivatives worldwide.

Dubai Financial Market (DFM) launched the UAE ESG Index in 2020 in cooperation with S&P and the Hawkamah Middle East Corporate Governance.

The Johannesburg Stock Exchange (JSE) via their partnership with FTSE Russell has made Green Revenues data available to the market on their listed companies. Beyond their own market, the JSE has also supported global efforts in sustainability.

In December 2020, **Hong Kong Exchanges and Clearing (HKEX)** launched the Sustainable and Green Exchange, STAGE, Asia's first multi-asset sustainable investment product platform. At the heart of STAGE is an online product repository, which provides access and transparency on sustainable finance products, including sustainability, green, and transition instruments from issuers across a variety of sectors.

In November 2020, the Asian Development Bank (ADB) issued the first green bond listed on the **Kazakhstan Stock Exchange (KASE)** platform. The proceeds are dedicated to finance ADB's portfolio of climate change adaptation and mitigation projects in Kazakhstan.

The **London Stock Exchange Group (LSEG)** continued to roll out a series of new products across its core businesses to further enable the integration of sustainability into markets. This included the FTSE Climate Risk-Adjusted EMU Government Bond Index (Climate EGBI), a European variant of the Climate WGBI, applying factors based on physical risk, transition risk, and resiliency. Later in 2020, LSEG brought out a new version with increased tilting towards climate risk considerations, the FTSE Advanced Climate EGBI, which was used as a basis for the first climate risk adjusted government bond ETF in the market launched by BlackRock.

In November 2020, **Luxembourg Stock Exchange (LuxSE)** entered into an agreement with the German index engineering company Solactive AG to establish a new green bond impact index, the Solactive LGX Green Bond Impact Index. LuxSE also launched the LGX Datahub, a unique, centralised database of structured data on a vast range of sustainable securities. The scope of the LGX DataHub is gradually increasing to cover the entire universe of listed, sustainable securities (including Sustainability-linked Bonds).

In June 2020 NSE Indices limited (Subsidiary of **National Stock Exchange of India Ltd.**) launched its third index based on ESG theme via the **Nifty100 ESG Sector Leaders Index**. The launch of the index highlights NSE's continued effort towards developing the ESG theme and the passive fund management space in India. It is expected to act as a benchmark for asset managers and be a reference index tracked by passive funds in form of Exchange Traded Funds (ETFs), index funds and structured products.

Nasdaq launched the Nasdaq Sustainable Bond Network which connects issuers of sustainable bonds with investors looking to source detailed sustainable bond information for investment due diligence, selection, reporting and monitoring.

Among the newly listed companies in 2020 on the **Shanghai Stock Exchange (SSE)** main board, there are 4 new energy, and energy conservation and environmental protection companies, with an IPO amount of RMB 6.315 billion. Moreover, 19 new energy, and energy conservation and environmental protection companies were listed on the STAR Market of the SSE, with an IPO amount of RMB 20.665 billion. CSI, the SSE's subsidiary, also released CSI ESG Rating Methodology in December 2020. In addition to taking into account international practices, the methodology pays attention to local realities and features of China. For instance, poverty alleviation indicators are selected to focus on development and people's livelihood issues, and responsibility contribution indicators are selected to focus on the overall contribution of enterprises to the society

In September 2020, **Shenzhen Stock Exchange (SZSE)** launched the first green governance index in China, the CACG Green Governance Index.

In December 2020, under its newly launched platform -SGX First- **Singapore Exchange (SGX)** announced a S$20 million investment in a multi-pronged expansion of its sustainability capabilities and initiatives. This includes a focus on: ESG-focused products, services and platforms as well as capacity building for the financial ecosystem, strengthening internal capabilities and increasing CSR commitments.

To promote sustainable investing, **The Stock Exchange of Thailand (SET)** is developing the ESG Data Platform to facilitate sustainability disclosure for issuers while promoting the use of ESG data among data users.

Under the framework of *Corporate Governance 3.0 – Sustainable Development Roadmap (CG3.0)*, which the Financial Supervisory Commission (FSC) of Taiwan launched on 2020 with the aim of establishing a competent ESG ecosystem, 5 action plans were carried out by the **Taiwan Stock Exchange (TWSE)** to support the sustainable value across the board, management, stakeholders, institutional investors, and asset management companies.

TMX Group launched ESG Index Futures on the S&P/TSX ESG 60 Index. It also added a dedicated sustainable investing website.

Green bonds are again the most offered products, and new products are being offered

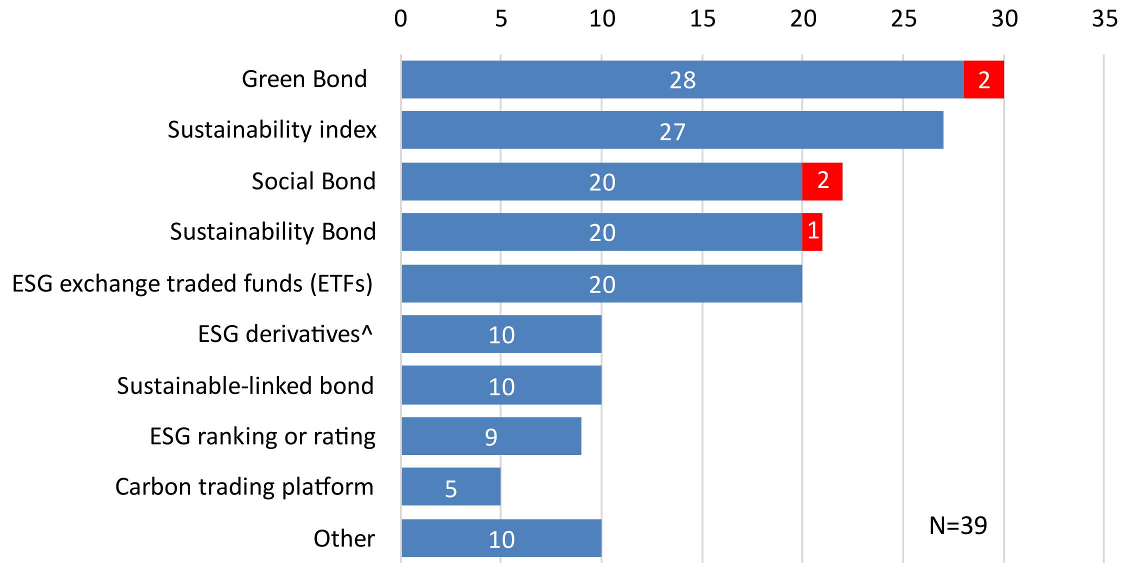
In this year's survey, we made some modifications to the questions regarding the ESG products offered by the exchanges to better define the available products, compared with last year's survey. We included sukuks and separated social with sustainability products, which were combined in last year's questionnaire. **Figure 19** shows the breakdown of the products offered by the stock exchanges. **Green bonds (including green**

Sukuks) are the most popular ESG products, being offered by 76.9% (30/39) of the respondents. Sustainability and social bonds / Sukuks were also popular, with 54.1% (20/39) of the respondents offering such products.

This year, we introduced the category Sustainability-linked bonds (SLBs). These bonds are intended to be used for the issuer's general purposes. Still, their financial or structural characteristics can vary depending on whether the issuer achieves pre-defined sustainability or ESG targets. **Although SLBs have only been introduced recently, already ten exchanges reported offering them.**

Other self-reported ESG products offered by exchanges include renewable energy funds and futures, greenhouse gas emission allowances, insurance-linked securities, and ESG mutual funds.

Figure 19. Exchange-offered ESG products*

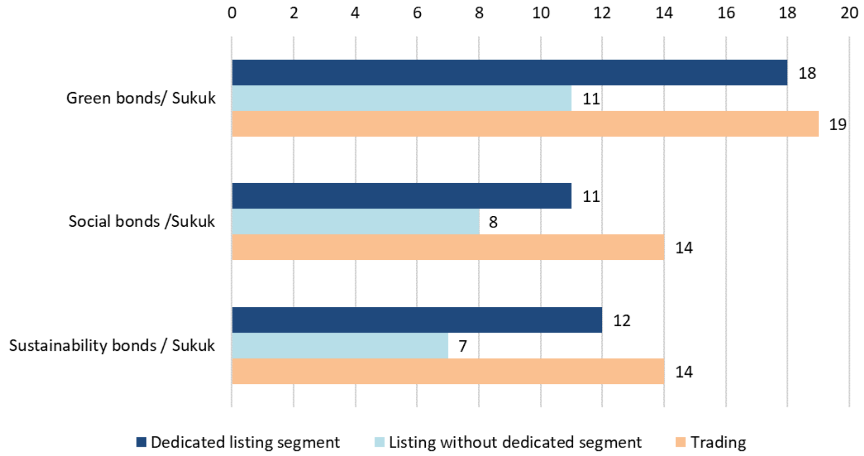


**Multiple answers allowed*
^Such as options, futures, commodity derivatives, ETFs derivatives
Segments in red indicate Sukuk products

The survey also collected information on how the sustainability-related bond markets were set up in different exchanges (see **Figure 20**). For each type of bond / Sukuk offerings, over half of the exchanges offering these products have a dedicated listing segment[12]. Not all exchanges with sustainability-related bond listings have the bonds traded on the exchange.

[12] A dedicated listing segment is defined as a segment with specific disclosure requirements tailor-made for the listing of green/social/sustainability bonds.

Figure 20. Sustainability-related bond markets



**The three options (trading, listing without dedicated segment, dedicated listing segment) are not mutually exclusive.*

Box 8: Response to the pandemic

During the outbreak of COVID-19, exchanges took practical actions to fulfil their social responsibility to cooperate in the fight against the pandemic. For example, they contributed to the issuance of **'pandemic bonds'***, that is, sustainability and social bonds aimed specifically at providing short-term emergency liquidity to sectors affected by the coronavirus outbreak, including increasing the capacity and supporting the efforts of the health sector.** The pandemic also led to an increased awareness of the risks of catastrophic events, like those related with climate change, and of the persistence of social inequalities.

The **Egyptian Exchange (EGX)** developed multiple systems to respond to the challenges of facing Covid-19. The EGX developed the electronic voting system E-Magles to enable listed companies to hold their board of directors and general meetings online, developed trading assistance systems to allow the provision of remote services, and opened the field for brokerage firms to receive purchase and sale orders through e-mail or text messages via mobile phone applications.

In 2020, **Hong Kong Exchanges and Clearing (HKEX)** dedicated charitable channel, HKEX Foundation, was launched to scale up HKEX's philanthropy efforts in the community. In the last 12 months, more than HK$174 million has been donated to different charity partners in the community to support those underprivileged and to help alleviate the impact brought by Covid-19.

Johannesburg Stock Exchange (JSE) led a working group in the production of the Call to Action for COVID 19 bond issuance which encourages companies and governments to support high priority activities and projects related to the pandemic and in alignment with the SDG's.

In March 2020, **London Stock Exchange (LSEG)** was the first exchange globally to announce that it would be admitting social and sustainability bonds with use of proceeds aligned towards mitigating the impact of Covid-19 with no admission fees on its Sustainable Bond Market (SBM). SBM has enabled issuers to raise £75bn through Covid-19 related response bonds.

Nasdaq committed more than $20M to COVID-19 relief, social justice, investor engagement and entrepreneurial diversity programs; read more here: https://www.nasdaq.com/purpose/2020-impact-report.

For enterprises in Hubei Province and other areas in severe pandemic situation, and for companies raising funds for the purpose of pandemic prevention and control, the **Shanghai Stock Exchange (SSE)** set up a fast-track channel for reviewing the issuance of corporate bonds and ABS. At the same time, the SSE fully worked with and supported relevant companies in issuing the "**pandemic prevention and control bonds**", and vigorously improved the service for the issuance of the local government bonds. In 2020, there were 110 pandemic prevention and control corporate bonds issued on the SSE amounting RMB 107.8 billion.

During the outbreak of Covid-19, the **Shenzhen Stock Exchange (SZSE)** worked together with accounting firms to record training videos regarding the impact of Covid-19 on the disclosure of annual reports and the key points of ESG information disclosure.

With the start of the COVID-19 pandemic in Europe, the **SIX Swiss Exchange (SIX)** established an internal "Corona Task Force" that continuously informed SIX staffs on the developments and adopted appropriate measures to protect the well-being of employees and safeguard the systemically important infrastructure services of SIX. Despite a large part of its staff working from home or in split operations, SIX infrastructures remained available at all times, and stable, fair, and orderly stock market trading was ensured even in the midst of considerable market turbulence.

*These pandemic related bonds are plain vanilla bonds where the capital raised is used for alleviating the impact of the pandemic. They are different from the "Pandemic Bonds" issued by the World Bank for the first time in 2017 and which are structured as a catastrophe (CAT) bond.

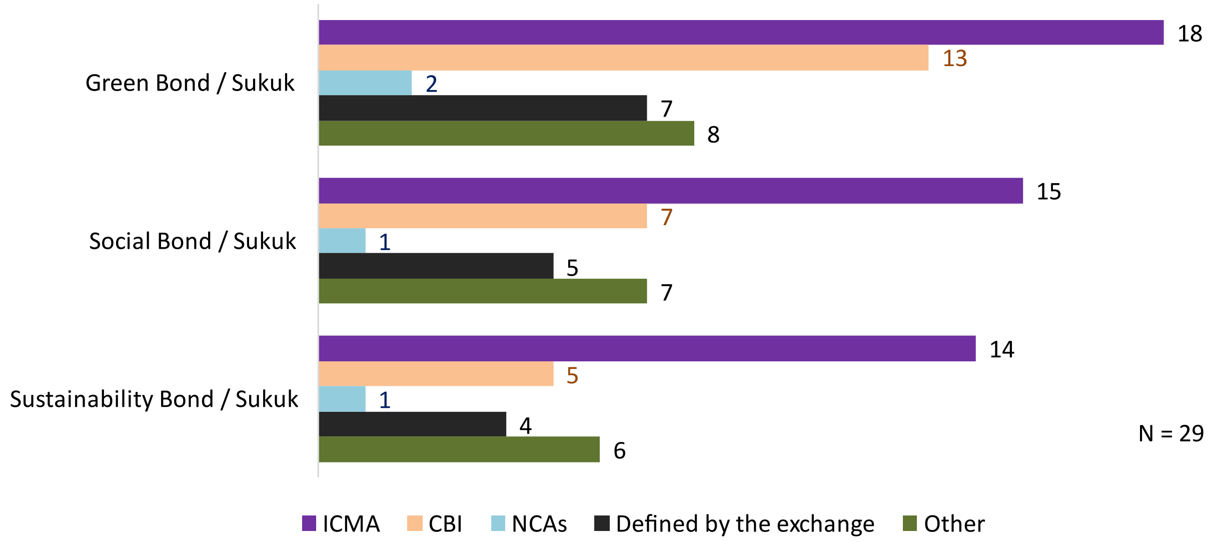
See https://www.worldbank.org/en/news/press-release/2017/06/28/world-bank-launches-first-ever-pandemic-bonds-to-support-500-million-pandemic-emergency-financing-facility

** On the increase in social bond issuance see, for example, https://www.reuters.com/article/social-bonds-data/social-bond-issuance-soars-on-back-of-coronavirus-crisis-idINL8N2H737B

ESG labels

Besides collecting information on the ESG products, this year's survey started inquiring about the ESG standards and definitions used by the exchanges to identify the green products. Some prevailing standards include the International Capital Market Association (ICMA), Climate Bond Initiative (CBI), and National Competent Authority (NCA). **Figure 21** reports how exchanges define their ESG bonds / sukuks. For each category, ICMA is the most frequently used definition adopted by the exchanges in defining green, social, and sustainability bonds / sukuks. Among the 29 exchanges that offer these ESG products, 16 (55.2%) rely on one definition standard, while the remaining 13 use multiple definitions in identifying the products. Comparing the international definitions, ICMA is the dominating one, followed by CBI. NCAs are only accepted in two exchanges, which also rely on ICMA and CBI in addition to NCAs. Other definitions identified by the respondents include People's Bank of China Green Bond Endorsed Project Catalogue, ASEAN GBS, and the proposed EU Taxonomy. In one case, one Exchange does not adopt any standards or definitions on green, social and sustainability bonds, but it classification is based on the self-disclaimed basis by the issuers.

Figure 21. ESG product definition



Overall, we continue to observe advancement in ESG products---we see higher demand from investors, more exchange offerings, and better product availability. We also observed a diversified approach in defining the ESG products, and the ICMA definition has gained popularity among the exchanges.

Box 9: Promoting ESG best practices and guidance

Exchanges, as promoters of ESG, facilitate ESG information, provide guidance, and advocate for best practices. The following are some highlights in 2020 from various WFE members:

The **Australian Securities Exchange (ASX)** published the first Modern Slavery Assessment and a new Board endorsed the Modern Slavery Policy. In addition, ASX refreshed its Sustainability approach to focus on six material areas and provided TCFD education webinars to issuers.

Bolsa de Santiago (SantiagoX) launched, in June 2020, the Sustainability Matrix, a platform available on the Exchange website, which provides information about the different sustainable initiatives that the issuers have carried out or are adhered to. In addition, SantiagoX strengthened their Financial Literacy Program and conducted several ESG-related studies, which included ESG Investment Practices Study, the Voice of the Market Study, and a ESG data Standardization Project.

Borsa Istanbul is leading the “Borsa İstanbul Sustainability Platform”, which aims to create a sharing network for NGOs and regulatory authorities, and to enable result-oriented and effective sustainability activities and powerful discussions on future joint steps. Borsa Istanbul also updated the Sustainability Guide for Companies in 2020.

Bourse de Casablanca continued in 2020 the promotion of ESG principles and best practices by organising webinars and training sessions.

In November 2020, **Japan Exchange Group, Inc. (JPX)** launched the JPX ESG Knowledge Hub, a platform where listed companies can access a variety of ESG investment and sustainable finance-related information. The Hub contains online seminars, examples of good disclosure, introductions to the main ESG disclosure frameworks and ESG data providers, and information from institutional investors on how they use ESG information. JPX plans to enhance these contents and add more going forward.

Brasil Bolsa Balcão (B3) launched the course "ESG: a new way to invest", aimed at individual investors. The course is free and has 18 contents on demand, with video lessons, infographics, and texts for the student to study in their available time. B3 also created bootcamps to help clients and partners in their ESG and diversity and inclusion journeys and created webinars on Green, Social, and Sustainability Bonds. As a listed company, B3 has reviewed its ESG Materiality Matrix, set ESG targets, and included ESG standards and elements in its annual reports.

Cboe Global Markets (Cboe) has offset its Scope 1 and 2 emissions from 2020 through the purchase of carbon offsets. Cboe has purchased carbon offsets for Scope 3 emissions from the 2020 business air travel using the 2019 business air travel as an estimate. Cboe has launched a community engagement programme, which will support under resourced students throughout their educational journey. It also promoted gender equality and diversity via the Cboe Women's Initiative and the Diversity Leadership Council.

CME Group (CME) published the 2020 ESG report, which details their priorities and progress across workforce empowerment, sustainable solutions, community commitment and corporate stewardship. Within that report, CME note that they conducted their first carbon emissions assessment for 2019, in accordance with the requirements of the Greenhouse Gas Protocol, to calculate their scope 1, 2 and 3 greenhouse gas emissions. They also announced plans to disclose both 2020 and 2021 emissions in their next report.

In 2020 **Johannesburg Stock Exchange (JSE)** took on the co-chair role alongside the LSEG to develop a Model Guidance on Climate Disclosure and associated Action Plan for exchanges- which was published in June 2021. Further, the JSE co-chairs the Global Investors for Sustainable Development (GISD) Alliance which has produced a number of outputs aimed at promoting the SDG's.

In December 2020, **Hong Kong Exchanges and Clearing (HKEX)** published the Practitioners Insights with an aim to help directors of listing applicants and newly listed companies think holistically about building and integrating corporate governance and ESG considerations into their business. In May 2020, the Hong Kong Monetary Authority and the Securities and Futures Commission established the *Green and Sustainable Finance Cross-Agency Steering Group*, with HKEX as one of the founding members. The Steering Group aims to provide strategic direction, with a focus on regulatory policy and market development.

In October 2020, the **Kazakhstan Stock Exchange (KASE)** approved its own *Sustainable Development Policy*, which defines principles that the Exchange must adhere to in optimizing the environmental impact of the organization through the rational use of resources and creating even more comfortable and safe working conditions for its employees.

In 2020, the **London Stock Exchange Group (LSEG)** partnered with the United Nations Sustainable Stock Exchanges initiative (SSE) to launch a working group to produce model guidance and support global exchanges to provide climate disclosure guidance to their issuers. Moreover, LSEG has launched the Green Revenues 2.0 model, a revised taxonomy to assess reliably corporate contributions to the green economy.

The **Luxembourg Stock Exchange (LuxSE)** developed the LGX Academy, which provides tailor-made, in-person lectures and seminars to those already working in the industry, and those wishing to establish careers in the economy of the future. In 2020 LGX was recognised by the United Nations Climate Change for its leadership in tackling climate change. LGX was awarded the prestigious prize in the category 'Financing for Climate Friendly Investment' at the United Nations Global Climate Action Awards 2020.

In 2020, the **Moscow Exchange (MOEX)** published their second sustainability report, conducted holistic materiality assessment, and extended the data appendix. MOEX also Published thematic statements on climate risks management, human rights and modern slavery, SDGs prioritization and metrics report, UN Global Compact Principles Commitment, UN SSE Communication to stakeholder's statement.

Nasdaq published TCFD and SASB content for the first time in their annual Sustainability Report and undertook the first formal Human Rights Assessment in company history. In addition, Nasdaq proposed Board of Directors diversity listing rules. If approved by the SEC, the new listing rules would require all companies listed on Nasdaq's U.S. exchange to publicly disclose consistent, transparent diversity statistics regarding their board of directors. Additionally, the rules would require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+. Nasdaq continues its third year of enterprise carbon neutrality via offset purchases covering Scope 1, 2, and 3 emissions; the exchange has also committed to Science-Based Targets (SBTs) and is pursuing a net zero strategy over the longer term.

With regards to energy conservation and emission reduction, in the first three quarters of 2020, the **Shanghai Stock Exchange (SSE)** headquarters consumed 1,383.62 tons of standard coal, decreasing 2.88% compared with 1,424.7 tons of standard coal of the same period of 2019. The SSE also joined the UN SSE Climate Advisory Group to create international guidance on climate disclosure.

In July 2020, the **Shenzhen Stock Exchange (SZSE)** joined the Climate Disclosure Advisory Group organized by the United Nations Sustainable Stock Exchanges (SSE). SZSE also held several ESG training events for listed companies, collaborating with industry stakeholders, such as MSCI, PRI, BlackRock, Morgan Stanley Huaxin Fund Management, and KPMG.

In 2020, the **SIX Swiss Exchange (SIX)**'s CO2-emissions per employee decreased 40% compared to the previous year. In addition, related to gender equality, from 2019 to 2020 there was an increase from 19% to 22% of women in management positions.

The Stock Exchange of Thailand (SET) is actively promoting human rights issues among listed companies, investors and financial institutions through its *Thailand's Human Rights Risk Heat Map* and formal commitment in the Thai investment community. Regarding labour risks and gender equality, SET is developing a series of *Guidance on Labour Risks for Thai Businesses* and promoting the Women's Empowerment Principles.

5. Concluding remarks

From its initial edition, in 2015, the WFE Sustainability Survey has consistently registered a positive trend in ESG engagement and activities. Not all the indicators have advanced at the same pace, and some may not have always been positive, but the overall picture has always been of progress on the ESG agenda.

This year, however, the pandemic seems to have operated as a catalyser, aligning incentives, focusing the efforts, and stimulating innovation. Social and environmental issues came to the fore, raising awareness on issues that had previously not attracted the attention they deserved. It is as if the links between the economy on one hand and climate change, poverty, or human rights on the other, suddenly became more important and more real.

Coinciding with these events, this year's Survey shows a significant improvement across all metrics, both in depth (e.g., with ESG more ingrained in the business model) and in scope (e.g., increase diversity of ESG product offerings). This shows how the exchange industry has actively contributed with the efforts to mitigate the economic impact of the pandemic, is promoting and leading on ESG initiatives, and is responding to the demand for sustainability products and services.

Perhaps the challenge now will be to build upon this momentum to set more ambitious goals while, at the same time, address some of the issues that are still seen as a concern for future progress: the heterogeneity of standards and metrics, the uncertain economic outlook, or - in some jurisdictions – the lack of demand. Policymakers and industry should continue with their joint efforts to create frameworks that strengthen accountability and that facilitate the disclosure of firms' performance on ESG metrics.

Annex 1: Survey respondents

WFE Members

Americas	Asia-Pacific	EMEA
B3 – Brasil Bolsa Balcão	Australian Securities Exchange	Amman Stock Exchange
Bolsa de Comercio de Buenos Aires	Bursa Malaysia	Athens Stock Exchange (ATHEX)
Bolsa de Santiago	China Financial Futures Exchange	Bahrain Bourse
Bolsa de Valores de Colombia	Colombo Stock Exchange	BME Spanish Exchanges
Bolsa de Valores de Lima	Dalian Commodity Exchange	Borsa İstanbul
Bolsa Mexicana de Valores	Hong Kong Exchanges and Clearing	Boursa Kuwait
Cboe Global Markets	Indonesia Stock Exchange	Bourse de Casablanca
CME Group	Japan Exchange Group, Inc.	Cyprus Stock Exchange
Nasdaq	Korea Exchange	Dar es Salaam Stock Exchange PLC
Bermuda Stock Exchange	National Stock Exchange of India Ltd.	Deutsche Börse AG
TMX Group Limited	Philippine Stock Exchange	Dubai Financial Market
	Shanghai Futures Exchange	The Egyptian Exchange
	Shanghai Stock Exchange	Johannesburg Stock Exchange
	Shenzhen Stock Exchange	Kazakhstan Stock Exchange
	Singapore Exchange	London Stock Exchange Group
	The Stock Exchange of Thailand	Luxembourg Stock Exchange
	Taipei Exchange	Malta Stock Exchange
	Taiwan Futures Exchange	Moscow Exchange
	Taiwan Stock Exchange	Nairobi Securities Exchange
		Nigerian Exchange Group
		Qatar Stock Exchange
		SIX Swiss Exchange
		Stock Exchange of Mauritius
		Tel-Aviv Stock Exchange

WFE Affiliates

Americas	APAC	EMEA
Bolsa de Valores de Panamá	Chittagong Stock Exchange Limited	Baku Stock Exchange
	Hanoi Stock Exchange	Botswana Stock Exchange
		FMDQ Securities Exchange Limited
		Ghana Stock Exchange
		St. Petersburg International Mercantile Exchange (SPIMEX)

Annex 2: Sustainability Principles and corresponding sustainability initiatives

Sustainability Principles	Corresponding Initiatives*
Principle 1: Educate market participants about sustainability issues	• Run ESG capacity building events/engagements for issuers and/or investors • Offer ESG education initiatives for issuers and/or investors • Organise workshops on ESG-related products • Produce guidance note for green bonds issuance and listings • Offer ESG education initiatives to wider stakeholder (e.g. universities) besides investors and issuers.
Principle 2: Promote the enhanced availability of ESG information	• Have issued formal ESG reporting guidance for listed companies • Have formally endorsed/supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) • Translate international guidance material into local language • Engage with other stock exchanges to enhance the availability of non-financial information of listed companies • Develop ESG information platform for investors • Provide ESG reporting platform for issuers.
Principle 3: Engage stakeholders to advance the sustainable finance agenda	• Engage stakeholders (regulators, policy makers and capital market participants) to advance the sustainable finance agenda • Engage stakeholders on ESG standards setting • Engage with other stock exchanges to enhance the availability of non-financial information of listed companies.
Principle 4: Provide markets and products that support the development of sustainable finance	• Have dedicated listing segment for ESG-related bonds • Offer sustainability-related products (e.g., green bonds, specialised listing categories, ESG Index or related indices or ratings, carbon trading platform) • Produce guidance note for green bonds issuance and listings.

Principle 5: Embed sustainability into the exchange's governance, strategy, and organisation structures	• Publish the exchange's own sustainability report or include sustainability information in the annual report • Have made a formal commitment to sustainability, e.g., SSE, UNPRI, UNGC, UN SDGs • Have dedicated resources/ team to oversee the exchange's sustainability initiatives • Run ESG capacity building initiatives for the Board/staff of the exchange • Include ESG issues and risk into the exchange's risk management process

**Some items correspond to more than one Principle*.