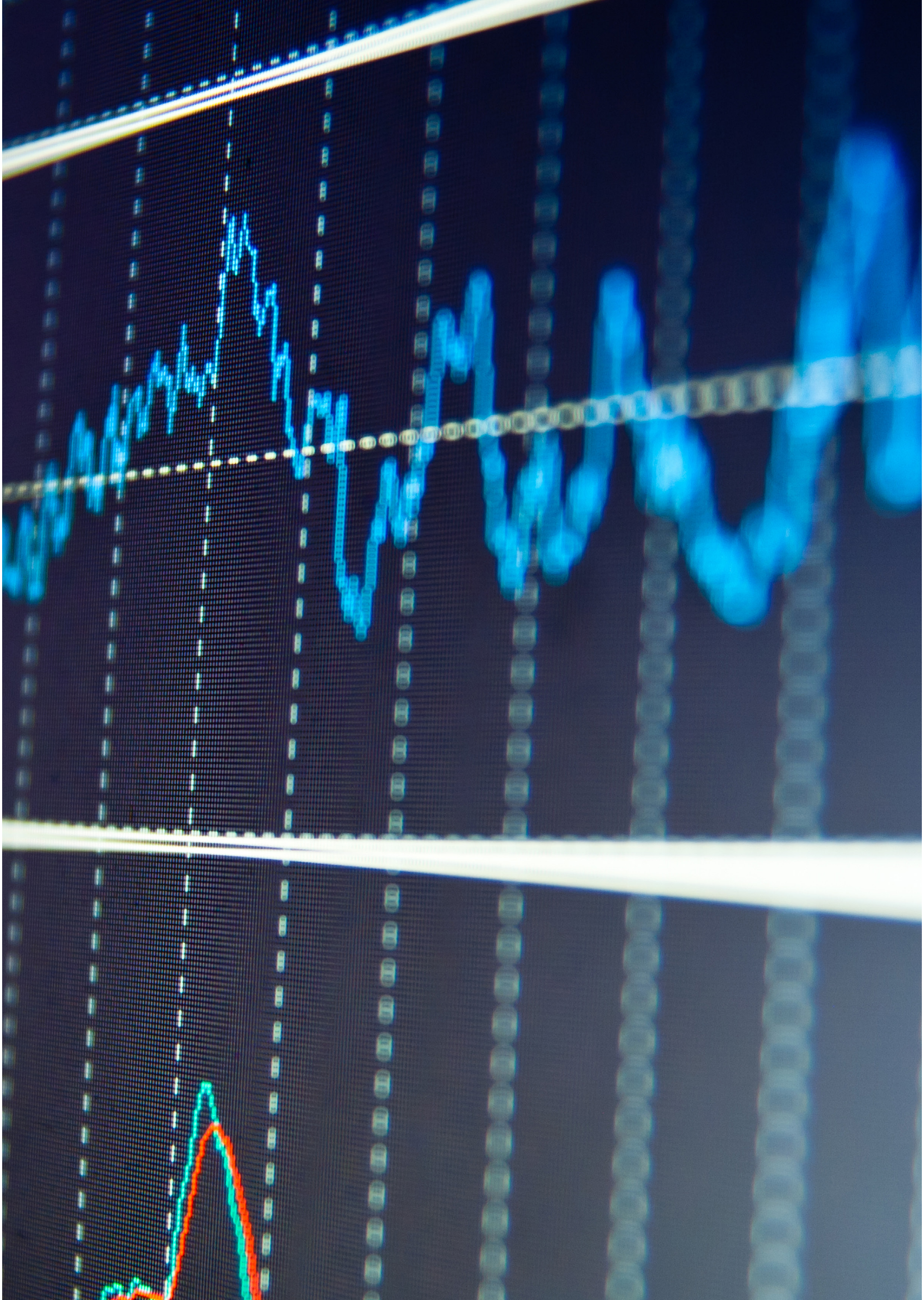
Sustainable Stock Exchanges Initiative

SSE

MODEL GUIDANCE ON REPORTING ESG INFORMATION TO INVESTORS

A VOLUNTARY TOOL FOR STOCK EXCHANGES TO GUIDE ISSUERS



NOTE

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ACKNOWLEDGEMENTS

This report was prepared by: Sarah Bostwick (UN Global Compact); Danielle Chesebrough (Principles for Responsible Investment & UN Global Compact); Elodie Feller (UNEP Finance Initiative); and Anthony Miller (UNCTAD). Special thanks to Bianca Wilson (UN Global Compact), Matt McAdam and Alessandro Boaretto (PRI), Robert Bartram (UNEP FI), Anna Bordon (PRI), Will Martindale (PRI) and Richard Bolwijn (UNCTAD) for comments and advice.

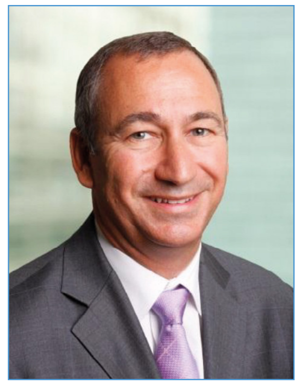
The SSE secretariat would like to gratefully acknowledge the many valuable inputs to the drafting of this document made by experts who formed the SSE Advisory Group on the Model Guidance (See Annex I for a full list of members). The SSE extends special appreciation to David Harris (London Stock Exchange Group, United Kingdom) for acting as Chairperson of the Advisory Group, for his valuable contribution to the contents of this document and for launching this guidance at the London Stock Exchange on 8 September 2015. The views expressed in this report are those of the SSE and its co-organisers unless otherwise stated; the report does not necessarily reflect the official views of individual members of the Advisory Group or their respective organisations.

ABOUT THIS REPORT

The Model Guidance on Reporting ESG Information to Investors was prepared by the United Nations Sustainable Stock Exchanges (SSE) initiative. The report serves as a voluntary technical tool for stock exchanges.

The UN SSE initiative is co-organised by UNCTAD, the UN Global Compact, the UN-supported Principles for Responsible Investment and the UNEP Finance Initiative. Launched in 2009 by UN Secretary-General Ban Ki-moon, the SSE initiative is a peer-to-peer learning platform for exploring how exchanges (in collaboration with policymakers, regulators, investors and companies) can promote responsible investment for sustainable development. Stock exchanges around the world are invited to join the initiative by signing a voluntary public commitment to promote sustainable business practices in their market.

PREFACE



Mark Makepeace

Group Director of Information Services and Chief Executive of FTSE Russell London Stock Exchange Group

As one of the world's leading market infrastructure groups, London Stock Exchange Group interacts on a daily basis with the world's largest investors and public companies across a number of its businesses around the world. In recent years, we have seen a remarkable growth in the need for and interest in ESG disclosure from both companies and investors. That's why we are delighted to bring these perspectives together in our role as Chair to the Advisory Group that has developed this new Model Guidance.

Stock exchanges and index providers are aptly placed to connect investors and companies and to facilitate discussion of ESG issues. Exchanges that promote transparency and high-quality ESG reporting are helping participants to understand important drivers of value creation and are addressing new information demands from investors. Index providers, such as FTSE Russell, are also focused on providing high quality ESG data to drive the data, analytics and indices that institutional investors are demanding.

Companies that communicate the direct link between ESG and material financial impacts are improving their potential access to capital, as investors increasingly incorporate ESG considerations into the investment process. We see this Model Guidance as an opportunity for exchanges to promote greater consistency and depth in corporate reporting. We also appreciate that the guidance should not be viewed as a one size fits all text, but a flexible template that exchanges can adapt and modify to meet their own circumstances for promoting best practice voluntary reporting.

For our part, we intend to use the UN SSE model guidance as a basis for discussions with both investors and issuers to determine our own guidance, which we expect to produce by the end of next year. We are also recommending to other exchanges to join us in introducing similar support for issuers in their markets. We call on investors to engage with exchanges, index providers and companies on how ESG information is and could be used in the investment process to ensure transparent and efficient disclosure of such data.

This Model Guidance will evolve over time, so we invite feedback from the market on its usefulness, practicality and how, together, we can improve it further. We hope it provides both exchanges and companies with a clear and practical guide.

FOREWORD

Stock exchanges are robust and resilient engines of commerce, efficiently adapted to raise and sustain capital. They help businesses big and small create jobs and provide investors with a diverse and dynamic marketplace. But stock exchanges are also change agents, responsive to market demand for new products, better services and more transparent data.

The World Federation of Exchanges (WFE) is the trade association for all regulated stock, futures and options exchanges. More than 44,000 companies – representing a total market capitalisation of USD 60.1 trillion and a total trading value of USD 52 trillion (or more than 75% of the global economy) – list on WFE member exchanges. The WFE has advocated for corporate governance controls, responsible investing practices, the expansion of non-financial disclosures, and a strategic emphasis on corporate social responsibility.

The creation of a new Sustainability Working Group (SWG) in 2013 signaled the industry's commitment to explore and integrate ESG factors. The SWG is comprised of representatives from a diverse array of 23 global stock exchanges, all working towards consensus on the purpose, practicality, and materiality of ESG and related data. The group creates industry-level recommendations based on original research, public debate, expert analysis and engagement with the broader WFE membership.

The guidance in this document, which SWG leadership and members helped to create, provides a useful and necessary starting point for exchanges in engaging their issuers on ESG. Strategic and transparent ESG practices are as beneficial to exchanges as they are to individual companies. This document provides the rationale for investor and stakeholder engagement on ESG issues, with correlating bottom line impacts, and it also counsels the improvement and harmonisation of management practices.

Exchanges recognise their responsibility to provide orderly and fair market operations. But they also affirm their commitment to the broader principles that underlie the creation of sustainable, transparent and inclusive markets. This document, and subsequent work to foster its adoption, is vital to that affirmation—and vital to the continued health and prosperity of our industry.

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A NOTE TO EXCHANGES

SECTION 1

1. PURPOSE AND AUDIENCE OF THE MODEL GUIDANCE

As of 2014, less than one third of stock exchanges around the world provide voluntary guidance to issuers on reporting environmental, social and governance (ESG) information. This gap creates a challenge for investors seeking a comprehensive view of a company's material issues. The purpose of the Model Guidance is to help exchanges address this need by providing a model, or template, that exchanges can use to develop their own, custom guidance.

The spectrum of company approaches to reporting on ESG information is rapidly evolving. While there is no one-size-fits-all method, there are emerging international and local best practices, guidelines and frameworks. Building on these existing resources, the United Nations Sustainable Stock Exchanges (SSE) initiative developed the Model Reporting Guidance, which begins on p. 10, to assist exchanges in providing their own voluntary guidance to issuers that are starting or furthering their reporting journey. Exchanges led its development with a multi-stakeholder advisory group composed of investors, companies and other subject matter experts.[1]

Institutional investors need a higher volume of companies, both public and private, reporting quality ESG information. Different investors have different informational needs, but there is a growing level of consistency in incorporating material ESG factors into investment decision-making.

The Model Guidance addresses this need and opportunity; it lays out the business case for reporting ESG data, as well as basic principles to guide the reporting process. It avoids being prescriptive on the more granular level of reporting, working to assist companies in navigating how to efficiently use existing ESG frameworks for reporting on value creation from reporting initiatives and standards organisations.[2] The objective of the Model Guidance is not to provide a new listing requirement, but rather to provide exchanges with a globally consistent base to start from as they work to create their own, locally customised, voluntary guidance to help their issuers meet investors' need for ESG information.

2. THE VALUE PROPOSITION FOR PROVIDING GUIDANCE

As a conduit between issuers and investors, securities exchanges are uniquely placed to promote more transparent and efficient capital markets that generate long-term value. Transparency builds trust and is critical to well-functioning markets. As ESG factors are increasingly recognised as important for investors and issuers alike, providing voluntary guidance to issuers on reporting these considerations can be a direct and influential opportunity for exchanges to facilitate effective corporate communication. Exchanges promoting greater transparency of high-quality ESG information are:

- Developing well-functioning markets, which are more resilient and less volatile.
- Contributing to stronger, more transparent listed companies that are better able to identify and manage risks and opportunities.
- Creating more attractive markets where investors can better evaluate fundamental drivers of value creation, and as more investors recognise the value of ESG information, they will direct more of their activity to exchanges that foster it.
- Helping companies navigate, comply with or stay ahead of regulations that require disclosure of financially material ESG information.
- Assisting companies in differentiating themselves on ESG matters, which is quickly becoming a competitive imperative.[3]

1 See Annex I for list of Advisory Group Members
2 See Annex C for a list of organisations.
3 EY and Boston College Center for Corporate Citizenship (2013) Value of Sustainability Reporting.

- Contributing to the achievement of national and international sustainable development commitments and priorities, such as the UN Sustainable Development Goals,[4] and steering investment towards sustainable development priorities.[5]

In a survey of more than 1,000 corporate CEOs, 93% stated they consider sustainability important to the future success of their business.[6] Yet, these CEOs also expressed frustration that these efforts are constrained by a number of factors, including the failure of markets to adequately price social and environmental costs. Similarly, investors do not have adequate information by which to make their investment decisions. Meanwhile, governments are increasingly emphasising the importance of corporate ESG disclosure as part of a larger post-2015 sustainable development framework (figure 1).

Figure 1. Governments around the world increasingly emphasising need for corporate ESG disclosure

	2012	2013	2014	2015
DOCUMENT	The Future We Want, Paragraph 47 (Outcome Document of UN's Conference on Sustainable Development, Rio de Janeiro)	UN's Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda	UNCTAD's Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives	UN Sustainable Development Goal 12, target 12.6[7]
MESSAGE	*Member States called on governments and stakeholders, with the support of the UN, "to develop models for best practice and facilitate action for the integration of sustainability reporting."*	*"In future – at latest by 2030 – all large businesses should be reporting on their environmental and social impact – or explain why if they are not doing so."*	*Member States endorse recommendation: All exchanges should provide guidance on reporting on sustainability factors to companies listed on their exchange.*	*"Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."*

4 The UN Sustainable Development Goals (SDGs) build upon the Millennium Development Goals and converge with the post-2015 development agenda. UN Office of Economic and Social Affairs.
5 UNCTAD (2014) World Investment Report: Investing in the SDGs: An Action Plan
6 Accenture and UN Global Compact (2013) CEO Study on Sustainability.
7 Forthcoming September 2015. Text of target 12.6 based on advanced proposed text. Actual text may change.

By providing guidance to its issuers, an exchange has the opportunity to clearly address challenges that exist in its marketplace, such as:

- Levels and volume of reporting, where there is insufficient ESG data reported by companies
- Format of reporting, where and how the data is being reported in a way that does not enable the target audience to access and use it easily
- Content of reporting, where the information provided is not meeting the demands of the intended audience; for example, there is no clear link to financial impacts or the demand for quantified data is unmet
- Perceived lack of demand from investors for ESG information

Exchanges that provide guidance on how corporate reporting should address ESG considerations can help issuers, investors and governments achieve greater alignment on long-term value creation within global markets. Exchanges around the world are therefore encouraged to lead the way by taking an important first step: utilising the Model Guidance as a foundation to create or strengthen their own reporting guidance to issuers on ESG factors.

3. CUSTOMISING FOR DIFFERENT MARKETS

Section II is the Model Guidance, which is a template document, written in the voice of an exchange communicating to its issuers on how corporate reporting can address ESG considerations. The document is intended to serve as a starting point. Exchanges are encouraged to customise the Model Guidance text so that it meets the needs of their issuers and investors.

To that end, Annex G offers suggestions for local adaptation. In the interest of enhancing consistency of information reported globally, exchanges should encourage the use of existing ESG guidelines and frameworks as companies develop their own reports. Similarly, Annex H poses questions for companies to consider. Exchanges are encouraged to adapt these questions to better suit the needs of their listed companies and incorporate them in the appropriate sections of their own, customised version of the Model Guidance.

To ensure that the guidance provided will have an impact, exchanges may want to contextualise the contents of this document to:

- Complement existing guidance on corporate financial, governance or ESG reporting
- Create a new guidance on ESG disclosure

The process of creating a customised guidance can take many forms; conducting consultations with companies, investors, other priority stakeholders and subject matter experts to understand the demand for such guidance on ESG disclosure is highly recommended.[8]

8 For further considerations of how to begin creating guidance, refer to sections V.B, V.C, and V.D. in UNCTAD (2014) *Best Practice Guidance for Policymakers & Stock Exchanges on Sustainability Reporting Initiatives*.

SECTION
2

MODEL GUIDANCE FOR COMPANIES ON REPORTING ON ESG INFORMATION

This section is intended for use as a guidance document from stock exchanges to their listed companies. It is intended to be adapted by exchanges as needed to fit the local circumstances of their market.

1. OVERVIEW

Integrating environmental, social and corporate governance (ESG) policies and practices into a company's strategy and daily operations is increasingly regarded by investors as relevant to its ability to realise long-term value. Therefore, transparency around how a company manages ESG risks and opportunities is part of its value proposition. As a result, the financial community increasingly recognises that to thoroughly assess an investment, it must also analyse relevant ESG factors. This document provides insight into the benefits of reporting for issuers, as well as guidance on navigating the reporting process so that they may effectively and credibly disclose ESG information to investors. The substantive annexes provide additional resources and in-depth discussion of specific topics.

Reporting on ESG considerations is rapidly evolving. Companies practice a variety of reporting in different industries and countries, and there is no one-size-fits-all approach; however, common practices include:

- Adopting existing reporting processes or developing new ones in line with investor - and potentially other stakeholder[9]– expectations
- Considering national securities laws, which may already require disclosure of material information, and international best practices

While those new to the field may understandably find this area formidable, what is most important is for companies to start their own reporting journey. Ultimately, reporting on ESG information is about corporate accounting and reporting mechanisms, functions fundamental to every company in every industry.

1.1 WHAT IS ESG?

It is important to note that while this document primarily uses the term "ESG" because it is commonly used among investors, the term "sustainability" is used interchangeably as it is more common among companies.[10] While subtle nuances exist, for the purpose of this guidance, both terms are seen as encompassing the broad set of environmental, social and governance considerations[11] that can impact a company's ability to execute its business strategy and create value. While ESG factors are at times called "non-financial" or "extra-financial", how a company manages them undoubtedly has financial consequences. They can impact:[12]

- Access to capital
- Cost savings and productivity
- Risk management
- Revenue growth and market access
- Brand value and reputation
- License to operate
- Human capital
- Employee retention and recruitment
- Company value as an acquisition target
- Ability to acquire other high-quality companies

9 Stakeholders can be defined as the individuals or groups who are affected by, or can affect, the company's performance and long-term competitiveness. In addition to investors, stakeholders may include employees, suppliers, contractors, governments, communities, customers, consumers, media and non-governmental organisations, among others.

10 Other terms used may include, but are not limited to: corporate social responsibility, corporate citizenship and stewardship, sustainable development, sustainable business, business responsibility, shared value, value creation, triple bottom line. Toronto Stock Exchange (2015) *A Primer for Environmental & Social Disclosure*, pg 5.

11 For more details on what information can fall under E, S and G categories see Appendix C.

12 Ministry of Corporate Affairs (2011) *Government of India. National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business*, pg 40.

1.2 WHY REPORT ON ESG CONSIDERATIONS?

1.2.1 Investor interest in ESG factors

A large and growing proportion of assets managed globally are with asset managers and owners who are incorporating ESG considerations in the investment process.[13] By the middle of 2015, the United Nations-supported Principles for Responsible Investment (PRI) had nearly 1,400 signatories with USD 54 trillion in assets under management (AUM), up from 800 signatories with USD 22 trillion AUM in 2010. For these investors, ESG information provides insight into the quality of corporate management and helps investors forecast company performance by providing a more comprehensive view of the company.[14] Effective analysis of relevant ESG factors has become a fundamental part of assessing the value of an investment for many investors.[15] For these reasons, investors[16] are asking companies to communicate how they are managing ESG-related risks and opportunities.[17]

1.2.2 Getting ahead of regulatory developments

Governments around the world are responding to demands for high-quality corporate reporting on ESG information by taking action to drive improved disclosure. They recognise the importance of strengthening market mechanisms that will help the country to achieve its objectives related to sustainable development.[18] As a result, a number of jurisdictions have introduced regulatory requirements governing corporate disclosure of ESG information. In 2013 there were over 180 sustainability-related disclosure regulations and other instruments across 45 countries (a threefold increase since 2006).[19]

For example, 19 of the G20 member states and nine of 32 national securities commissions on the board of the International Organisation of Securities Commissions (IOSCO) have implemented at least one mandatory reporting initiative or regulation on social and environmental matters.[20] These regulatory developments, including European Union Directive 2014/95/EU on disclosure of non-financial and diversity information,[21] have bolstered demand for ESG information. Establishing protocols for identifying and disclosing ESG factors can help companies stay ahead of such new regulatory developments.

1.2.3 Strengthening financial performance

A growing number of studies make the business case for companies to fully integrate sustainability into their business strategy. The evidence suggests that strong corporate performance on ESG factors correlates positively with improved cost of capital and financial performance.[22] A 2015 study suggests that companies that perform well on material ESG factors significantly outperform peers with poor performance on these issues.[23]

Reporting on how sustainability initiatives are linked to strategy, financial performance and valuation provides important benefits. Some companies measure sustainability impacts on future cash flows and weighted average cost of capital.[24] Integrating sustainability into company valuation will assist in communicating how a company is addressing the world's most pressing challenges, from poverty and education, to climate change and biodiversity. Addressing these challenges

13 Global Sustainable Investment Review (2014) findings show that investors who consider ESG factors in portfolio selection and management grew by 61% over the past two years, outpacing investment in conventional assets

14 Ghoul, S. et al. (2014) *Corporate Environmental Responsibility and the Cost of Capital: International Evidence*.

15 Eccles, Robert G.; Krzus, Michael P.; Serafeim, George. Market Interest in Nonfinancial Information. Harvard Business School Working Paper 12-018, September 22, 2011.

16 In addition to equity investors, there is growing interest in ESG in private equity, fixed income and other asset classes. Global green bond issuances tripled in size from 2013 to 2014 reaching more than US$36 billion, and the global green bonds market is expected to be valued at US$1 trillion by 2020. Source: The Climate Group (2015) Green Bond Market's Growth is Boosting Low Carbon Projects.)

17 Over 70% of signatories to the Principles for Responsible Investment (PRI) have asked companies to integrate ESG information into their financial reporting. PRI (2014) *PRI Fact Sheet*.

18 Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development (WCED) (1987) Our common future. Oxford: Oxford University Press, p. 43.)

19 UNEP, GRI, KPMG & Centre for Corporate Governance in Africa (2013) *Carrots and Sticks: Sustainability reporting policies worldwide – today's best practice, tomorrow's trends*.

20 UN Sustainable Stock Exchanges 2014 Report on Progress, pg 18 & 22.

21 2014/95/EU.

22 Deutsche Bank Climate Change Advisors (2012) Sustainable Investing: Establishing Long-term Value and Performance.

23 Khan, Mozaffar, Serafeim, George, Yoon, Aaron. *Corporate Sustainability: First Evidence on Materiality*, Working Paper 15-073, Harvard Business School.

24 Bursa Malaysia (2015) "The Impact of Sustainability on Financial Valuation,"

promotes more prosperous economic systems that benefit all participants and create more stable and resilient markets within which companies operate.

2. GUIDING PRINCIPLES OF REPORT PREPARATION

2.1 RESPONSIBILITY AND OVERSIGHT

The initial stages of report preparation provide an opportunity to determine who within a company is best placed to be involved in creating the report. Regardless of the amount of resources allocated, reports benefit from the expertise of those who come to together to prepare them.

As a practical first measure, it is useful to determine within a company the roles, responsibilities and capabilities that are relevant for ESG reporting, including identifying appropriate personnel and coordinating among them.[25] Senior management can lead the process by demonstrating commitment to high-quality reporting and providing strategic input into, and oversight over, the process. Other managers may also play a leading role; countless companies began reporting from the bottom up and evolved toward full buy-in at the highest level. Different departments (such as finance, investor relations, communications, legal, sustainability and each business unit) make valuable contributions to the outcome of a report. Any team working on ESG reporting should have access to input from across the functional divisions of a company, as different functions within the company may be engaging with different stakeholders and managing material issues.

A company's board of directors can play an essential role in relation to integration and oversight. As the board of directors has responsibility for oversight of the strategic direction of a company, integrating ESG considerations into the company's strategy is an appropriate aspect of the board's role.[26] It is thus increasingly worthwhile for companies to define their ESG rationales and objectives with their boards of directors,[27] and provide governance mechanisms for addressing these factors at all levels of the organisation. By embedding sustainability into their core duties, directors can position themselves to ensure the mainstreaming of ESG factors into business strategy, organisational culture and operational practices in a way that supports the long-term profitability and viability of the company.[28]

Boards may find it beneficial to issue a statement that clarifies how the board determined:

- Importance of different stakeholders[29],
- Which ESG factors were selected and how and
- Within what time frame it made these judgments, as they change over time.[30]

While these statements are not currently commonplace, they are seen as an emerging best practice. Developing such a statement is also an opportunity for the board to reflect on the company's role in society and contribution to sustainable development. It can provide transparency regarding the board's position on and oversight of the company's ESG risks and opportunities, and strengthen the company's credibility when communicating on ESG factors.

A Board leadership commitment to reporting on ESG factors lends credibility to a company's claims about its sustainability commitments and performance. It indicates that risks and opportunities are adequately dealt with at the highest level, and is thus a proxy for good governance overall. In order to evaluate quality of management, many investors examine not only ESG performance and the quality of disclosures, but also the governance or management of these issues by executive teams.

25 Professional Accountants in Business, International Federation of Accountants (2013) Principles for effective business reporting processes.
26 Singapore Stock Exchange (2011) *Guide to Sustainability Reporting for Listed Companies*, pg 5.
27 Bursa Malaysia (2010) Powering Business Sustainability - A Guide for Directors, pg. 36-37.
28 UN Global Compact (2015) Board Programme: Unlocking the Value of Corporate Sustainability.
29 When making the case for why stakeholders, other than investors should be considered, the following finding may be useful: "In its 2010 Trust Barometer survey findings, Edelman reported that more than half of its 4,875 respondents concluded that all stakeholders are equally important and should be considered when a company CEO makes a key business decision." Cited in Bursa Malaysia's "Case for Sustainability in Business."
30 Eccles and Krzus (2014) *The Integrated Reporting Movement: Meaning, Momentum, Motives, and Materiality*.

2.2 CLARITY OF PURPOSE

2.2.1 Supporting corporate strategy

In addition to the benefits of the report itself, a company also derives value from the process of creating a report. High-quality corporate reporting can help a company address various goals in relation to internal and external stakeholders and inform decision-making (particularly that of investors). While reporting provides decision-useful information for stakeholders, the process of compiling this information can also strengthen internal reporting systems beneficial to the management of a company. As such, there is a need for clear links between strategic goals, the business model, risks, opportunities, operational indicators and financial performance. With strong connections between these areas, a company becomes better able to identify and manage risk, evaluate and measure success, as well as identify future challenges and opportunities.[31]

2.2.2 Identifying and understanding the audience

When considering reporting information to investors, it is important to remember that while all investors can benefit from ESG information, different investors can have distinct information needs. Companies can therefore benefit from asking themselves the following questions:

- Who are the company's top investors?
- What kind of investors would the company like to have?
- How has the company engaged with relevant investors to find out what they are interested in?

For instance, investors with a long-term investment horizon, such as pension funds, may be particularly interested in information regarding risks, such as how climate change may affect the company in the medium or long term. While some investors may only be interested in material information that is being disclosed within a financial or integrated report, others may want supplemental, detailed sustainability information in a stand-alone report. These considerations are important early in the reporting process, as they will help define the content, scope and format of reporting, as well as engagement efforts. While this guidance focuses on facilitating transparency between investors and issuers, investors' information needs go beyond investors themselves. Investors are interested in how a company communicates with other key stakeholders, which can have a material impact on company operations (e.g., workers, consumers, civil society, governments). Investors recognise that a company's ability to create value in the long term depends on its interactions with its stakeholders and use of resources.[32]

2.3 RELEVANCE AND MATERIALITY

While companies have a number of reporting objectives,[33] the materiality of information and its relevance for investors is a key consideration in determining the scope and content of company's reporting. With a range of potential ESG factors to disclose, the accounting and legal construct of materiality as defined by the market regulator, is increasingly used to identify and prioritise the matters covered by ESG disclosure. The International Accounting Standards Board defines information as "material" if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.[34] Similarly, the U.S. Supreme Court considers information material based upon "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available."[35]

Different organisations have different interpretations and recommendations on how the concept of materiality could be applied to reporting on ESG considerations.[36] Likewise, different stakeholder groups have distinct views on which ESG factors are material for a company. The interpretations of materiality differ most in terms of the matters that are considered to be relevant.

Identifying relevant issues is a starting point for identifying material factors.[37] Information is "relevant" when it influences the opinion or decision of users by helping them to evaluate

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31 While the overarching objectives for reporting on ESG information will vary from company to company, in the context of supporting corporate strategy, they often include certain overarching themes. Annex C provides a breakdown of a number of these drivers.

32 The International Integrated Reporting Committee (2013) *The International <IR> Framework*, pg 10.

33 Section 2.21 of this document and Annex B provides more detail on these additional objectives, such as business strategy, regulatory and business context, and reporting experience.

34 International Accounting Standards Board (2005) *IASB Framework*.

35 TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976).

36 For further information, see how the concept of materiality has been framed within SASB's standards, GRI's Sustainability Reporting Guidelines, and the International Integrated Reporting Framework.

37 Materiality. Background Paper for <IR>. 2013.

past, present or future events, or by confirming or correcting their past evaluations.[38] As such, understanding the reporting audience is critical to determining what information should be included in a report. For determining relevant matters, it can be useful to gauge how much an issue might potentially affect the company's ability to create value over time.

In addition to material ESG information, a company may decide to report on other elements that do not meet the threshold for materiality, but may still be relevant to the company's operational and/or reputational (i.e. brand) performance. For example, a company's perspective on what is material to investors may diverge from what, in its view, is significant to society.[39] Therefore, one company may decide to report only on material information, whereas another may report all information it deems significant to its stakeholders. As investors increasingly understand how business-critical operations are being affected by a variety of ESG factors, the range of information considered relevant and material by existing definitions is widening. Whether a company decides to apply a strict interpretation of materiality (such as the one provided by their regulator) when considering which ESG information to report, or it takes a wider view, companies will strengthen their reports by clearly articulating how the concept of materiality has been applied.

2.3.1 Identifying themes

Whether a company reports on a smaller number of only the most material themes or a more comprehensive range,[40] an effective report covers ESG considerations that are relevant to business strategy and illustrates the link to both long-term and, when possible, short-term value.

Thinking through each piece of a company's value chain can help develop a comprehensive understanding of the ESG themes that could be relevant for disclosure. Additionally, it is often helpful to reflect on the risks discussed in the company's annual management reports, as well as themes reported by peers. A company can also use a variety of national and international resources to develop an initial list of ESG themes, be they generic or sector-specific. For example, the UN Global Compact's 10 Principles and its Basic Guide for reporting against these 10 thematic issues.[41]

One area a company may benefit from further exploring is that of intangible assets. As a proportion of company value, they have, on average, grown enormously over recent decades. One of the foremost of these intangibles for many firms is human capital, and good ESG practices are recognised as key drivers of employee attraction,[42] motivation and retention. Another intangible is brand image, and again good ESG practices affect consumer interest in products and services and the company's license to operate in the eyes of governments and local communities. Now, with more than 75% of public company value considered intangible,[43] companies and their investors are much more vulnerable to value collapses in the event of a high-profile problem, than when corporate value was primarily in tangible assets.

Another relevant element of company value is tied to "natural capital", which relates to the raw material inputs and other value provided by, or dependent on, environmental processes. Companies are increasingly challenged by risks, such as resource depletion, species loss and climate change impacts. As a result, better management of natural capital is believed to have an impact on companies' bottom line and long-term viability.

2.3.2 Adopting relevant performance indicators

Once a company has established which ESG themes to report on, it can begin to disclose specific performance indicators to demonstrate progress. These indicators may be generic, industry-specific or company-specific. It is recommended that companies use widely accepted indicators developed via a credible national or international process. The GRI, for example, produces the most widely used set of indicators for corporate sustainability reporting with detailed guidance on their application.

38 UNCTAD (2008) Guidance on Corporate Responsibility Indicators in Annual Reports. Pg 11

39 Eccles and Krzus (2014) *The Integrated Reporting Movement: Meaning, Momentum, Motives, and Materiality*.

40 When looking specifically at which factors are material, BM&FBOVESPA's *Novo Valor: Corporate Sustainability* (pg 23) found that a typical company might efficiently cover four to eight material ESG factors. Similarly, SASB has found a median of five topics that are likely to constitute material information for companies in a given industry.

41 Annex C and D provide an expensive look at various organizations that provide relevant resources.

42 ESG as a form of employee recruitment is expected to continue to grow as 75% of millennials believe business should focus more on helping to improve society. Deloitte (2015) Millennial Survey.

43 Ocean Tomo (2010), "Components of S&P 500 Market Value."

When reporting these indicators, investors appreciate information that appears in the appropriate context, including comparisons to:

- Historical company and industry trends
- Related corporate goals
- Relevant ratios
- Industry averages
- Financial results/performance

As investors seek to understand how ESG information is linked to the company's business strategy and financial performance,[44] quantitative data is in high demand because it can be more easily compared across time within the same company or with similar data from other companies. Such data is also useful for enhancing investment valuation and credit rating models.

To effectively use indicators, companies can:[45]

- Consult nationally or internationally recognised reporting guidelines and protocols for measuring, preparing and presenting ESG metrics to improve the quality of a company's disclosure.[46]
- Explain why indicators increased or decreased year-to-year, the company's perception of this, and how this might change in the future.
- Explain methodologies for data collection in the report, along with why these were used.
- Supplement qualitative narratives with quantitative data, benchmarks and targets, and vice versa.
- Explain the link between ESG metrics and financial performance, by demonstrating how ESG initiatives drive growth, productivity and risk management in monetary terms, where possible.[47]
- Report on challenges and mistakes as well as accomplishments. Moreover, in many jurisdictions, information on regulatory infractions or penalties is available independently. If stakeholders have access to this information and do not see it in corporate reporting, this diminishes the credibility of the corporate report. Investors understand that no company has a perfect record on every issue; an honest discussion builds rapport with shareholders and other stakeholders alike, and often wards against more aggressive engagement.

2.4 ACCESSIBILITY

The right disclosure channels ensure investors receive relevant, easily-accessible, comparable and timely information. It is advantageous for companies to be familiar with their targeted audiences' preferred ESG information sources, and to update these with timely and accurate news about their performance.[48]

To accommodate variable information needs and interests, it may be relevant to use different communication channels, including websites, regulatory filings, annual reports, sustainability reports and other company reports. Using more than one communication channel can be an effective way to ensure that a company's complete target audience gets the necessary information. To make the information more accessible to international investors, companies may also wish to disseminate their ESG information in a language widely spoken globally in addition to a national language.

The channels for ESG disclosure also depend on a company's regulatory context and business and communication strategy. Securities regulations or listing rules may require a company to integrate financially material ESG information into its financial disclosures and other mandatory investor communications and regulatory filings. Similarly, given a company's own analysis of information needs and expectations, it may decide to include certain ESG information in the company's financial disclosure even if not required.

Illustrated below are three examples of communication channels a company may consider.[49] Note that these are not mutually exclusive. As mentioned above, many companies pursue a suite of complementary reporting channels and the processes to compile one can feed into the other.

44 Ernst & Young (2014) *Tomorrow's Investment Rules*.
45 Adapted from Deutsche Borse Group (2013) *Communicating Sustainability: Seven Recommendations for Issuers*.
46 See Annex C and D for more details
47 For additional information on communicating the link between ESG and financial performance, see Annex A for an overview on the United Nations Global Compact's Value Driver Model.
48 Deutsche Borse Group (2013) *Communicating Sustainability: Seven Recommendations for Issuers* pg 13.
49 See Annex C and D for additional information.

STAND-ALONE SUSTAINABILITY REPORTING	FINANCIAL REPORTING WITH MATERIAL ESG FACTORS	INTEGRATED REPORTING[51]
Sustainability reports address the relevant ESG information needs of investors and sometimes other stakeholders, such as consumers and civil society.	After a company determines certain ESG factors are material to its business over a specific time horizon, it may decide to include this information in its financial reports.[50] These likely cover a smaller set of ESG factors than the other options listed.	An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

Regardless the format, there are a few overarching practices to keep in mind:

- If sustainability disclosure is separate from financial disclosure, it is recommended that the two types of disclosure are published for the same reporting period. This will allow investors to consider financial information within the context of ESG information. Cross-references within these documents ensure connectivity and accessibility of information.
- It is important to ensure consistency among the information reported in different communication channels. For example, a company would not want to have one channel emphasising the critical nature of an issue to its business and then not discuss that issue in another communication channel.
- It is critical that the information is easy to find, for example by producing an online content index with hyperlinks to boost digital accessibility indicating where all existing ESG information can be found.
- As in financial reporting, it can be helpful to use XBRL, a digital reporting language for reporting corporate information that structures data consistently to improve its analysis. XBRL taxonomies are available from CDSB, CDP and GRI.[52]
- Overall, reporting is most effective when the language used and the way the information is presented is clear and relevant for investors and connects to a company's ability to create value in the short, medium and long term.

2.5 CREDIBILITY AND RESPONSIVENESS

2.5.1 Robust internal ESG data collection and management processes

Better data leads to better decision-making and performance. First, it is useful to assess the capabilities of existing internal systems to collect concise, reliable and complete ESG data. Rather than creating completely new channels, companies can make use of existing internal audit, risk and data control verification systems. If internal systems are not currently sufficient for the task, a company may decide it is in its long-term best interest to invest in building capacity in this area.[53] If data collection gaps are identified, companies can identify and explain them in their report.

50 If a company is not ready for this option, it can also produce a supplemental report that comes out at the same time as its financial report and is labeled in such a way that investors can clearly see that it relates to the financial report.

51 Defined in the International Integrated Reporting Framework as: The active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.

52 See GRI's XBRL Reports Programme, CDSB's XBRL project, and CDP's XBRL project.

53 Chartered Professional Accountants of Canada. *A Starter's Guide to Sustainability Reporting*. 2013. pg 24

2.5.2 Engaging for continuous improvement

Engaging stakeholders on ESG factors is best conducted as a preventative rather than reactionary activity, as stakeholders can help a company identify, mitigate, and manage ESG risks and opportunities before problems emerge. Stakeholder engagement can also be a source of innovation, future opportunities and new partnerships that fuel strategic growth.[54] Disclosing a company's engagement process can help investors understand if and how well a company is integrating ESG risks and opportunities into planning and operations, as well as lend credibility to company claims about leadership in ESG performance.

Systematic stakeholder engagement enhances receptivity and the usefulness of corporate ESG information. Executed properly, stakeholder engagement is likely to result in improved understanding by the company of its strategic partners and resources, strengthen relationships with stakeholders and foster higher levels of trust among external parties regarding the company's actions and reporting.[55]

2.5.3 Assessment and assurance

ESG reports are made more credible by strong internal assessment processes and/or external assurance, if resources permit. With respect to the former, an internal audit committee or group of individuals, independent of the division tasked with measuring and gathering the information, can review disclosure.[56] An internal audit can also further ensure that internal data collection systems are robust and organised.

Interest in externally assured ESG disclosure, along with the development of accompanying assurance standards, has been driven by investor requests for companies to bring ESG information up to financial grade reporting.[57] If resources allow, external assurance can lend an added degree of trust, credibility and recognition, just as financial auditing does. Accounting, engineering and specialist service firms are the most common third-party assurance providers. In order to decide the type and level of assurance, it is important for companies to consider recommended standards for assurance within their sector, as well as stakeholder expectations.[58]

It is important to note that while third-party assurance is valuable for strengthening the credibility of reports, an over-emphasis on external assurance can hamper a company's reporting journey if it becomes a barrier to disclosure. It is better to start with reporting with no assurance rather than not start reporting at all.

54 AccountAbility (2011) AA1000 Stakeholder Engagement Standard 2011: Final Exposure Draft, pg 8.
55 The International Integrated Reporting Committee (2013). The International <IR> Framework. pg 10.
56 Bursa Malaysia. *Powering Business Sustainability: A Guide for Directors*. 2010. pg 64
57 UNEP, GRI, KPMG, The Centre for Corporate Governance in Africa. *Carrots and Sticks*. 2013.
58 GRI (2013) *The External Assurance of Sustainability Reporting*.

ANNEX

RECOMMENDATIONS TO EXCHANGES FOR LOCAL ADAPTATION

ANNEX

A

The following recommendations may be useful to exchanges as they endeavour to adapt and customise this document for their own markets. They are arranged according to the section of this document with which they correspond most.

SECTION II, PART 1. OVERVIEW

1) Identify any:
   - Evidence of investor demand for ESG disclosure from companies on your exchange
   - Data on listed companies currently providing disclosure on ESG factors (such data may be available in databases provided by the UN Global Compact, CDP, GRI and IIRC or ESG data terminals maintained by Bloomberg, FTSE-Russell, MSCI, Thomson-Reuters, etc.)
   - Incentives offered by the exchange to encourage disclosure on ESG factors, such as a premium listing segment of companies with quality reporting on ESG matters
   - ESG or sustainability indices that indicate companies listed in the market
   - Local tax incentives related to corporate social or environmental initiatives
   - Studies on the financial impact of ESG management and disclosures beyond those cited throughout this document
   - Local requirements for reporting
   - Commitments made by the government regarding sustainable development goals
   - Training and other educational resources offered by the exchange or relevant third parties on market-specific ESG issues and best practices, such as PRI Academy's online training programme

SECTION II, PARTS 2.1 RESPONSIBILITY AND OVERSIGHT - 2.4 RELEVANCE AND MATERIALITY

2) In order to clarify what ESG information is covered by the exchange's listing standards and/or applicable regulations, explain the exchange's definition of materiality as it relates to financial reporting.
3) Highlight existing listing guidelines and requirements that use language related to enterprise risk and/or business interruption, and point out connection to ESG factors.
4) Highlight and list all issuers who are already reporting on ESG factors and link to their reports on the exchange's own website (e.g. BM&FBovespa website).
5) Highlight and list relevant global and local resources for your listed companies to use as tools and resources.
6) Identify and connect any regulatory requirements related to ESG disclosure, broad or issue-specific, as well as statutory requirements related to stakeholder engagement and information disclosure.
7) Highlight if the exchange's listing standards include direct or indirect references to ESG factors, as well as voluntary policies or other incentives (e.g., an exchange may want to map factors outlined in the GRI or other framework against its own policies and procedures and highlight where ESG factors may already be required).
8) Include national reporting standards and any relevant guidelines or incentives for sustainable development and/or corporate sustainability.
9) Provide resources regarding locally relevant stakeholder groups (e.g., indigenous peoples and minorities) and their ESG concerns for companies to take into consideration when reporting.
10) Include statutory requirements related to stakeholder engagement and information disclosure.
11) Highlight the exchange's or others' training programmes or workshops on management and reporting that encompass relevant ESG topics.
12) Clarify the importance of using recognised ESG reporting standards and the same timing and boundaries as for financial information.
13) Consider using case study examples from local listed companies.
14) Consider adding examples from real disclosures for sample recommended indicators.

SECTION II, PART 2.5 ACCESSIBILITY

15) Provide any locally relevant channels for publishing ESG disclosure (e.g. does the exchange maintain a database for sustainability reports?).

SECTION II, PART 2.6 CREDIBILITY AND USABILITY

16) Highlight the importance of assurance as part of an exchange's ESG index criteria or related products.
17) Publicise the results of local awards or ratings of ESG disclosure.
18) Publicise any ESG trainings or education programmes in which companies have participated.

QUESTIONS TO GUIDE REPORT PREPARERS

ANNEX **B**

The following questions may be useful to corporate issuers as they prepare their own ESG reports. Intended for those who do not consider themselves advanced reporting experts, the questions are arranged according to the section of this document with which they correspond most.

SECTION II, PART 1. OVERVIEW

1) How is the company moving towards a sustainable business strategy?
2) How can ESG aspects support the achievement of business goals?
3) What are the existing reporting requirements in the market(s) where the company operates?

SECTION II, PART 2.1 RESPONSIBILITY AND OVERSIGHT

4) How can the company use ESG disclosure to engage and align board members, senior executives and employees?
5) What are the key issues and future goals that relate to ESG from the point of view of the CEO and/or Chairman?
6) How are board members, senior executives, and employees involved in ESG-related decision-making, planning, monitoring and activities?

SECTION II, PARTS 2.2 CLARITY OF PURPOSE AND 2.3 RESPONSIVENESS

7) What is the company's main reporting objective(s)?
8) What are the key ESG factors that impact the company strategy in terms of the risks and opportunities they present?
9) What are the company's public commitments towards sustainable development and corporate responsibility?
10) Who are the company's priority stakeholders? What is the process for identifying them and how often is that determination refreshed or updated? How does the company know what ESG matters are relevant for these stakeholders?
11) Which ESG factors are most relevant for the company's current and potential investors?
12) What does the company know about its existing investor base and its information needs?
13) How would the company like to evolve its investor roster in the next five years?
14) What does the company know about the information needs of its future investor roster?

SECTION II, PART 2.4 RELEVANCE AND MATERIALITY

15) What is the company's materiality determination process related to ESG matters?
16) How do ESG factors fit within the company's existing materiality determination process?
17) Which ESG factors have the most impact on the company's long-term value creation?
18) Which ESG factors directly impact the company's short-term financial performance?
19) Has the company identified what information investors need?
20) How does the company maintain and enhance its relationship with investors?
21) How does the company compare with respect to ESG management among its benchmarked peers?
22) What ESG factors are linked to current and potential regulations?

SECTION II, PARTS 2.5 ACCESSIBILITY - 2.6 CREDIBILITY AND USABILITY

23) How are investors, and potentially other stakeholders, using the company's disclosure?
24) How can the company leverage ESG disclosure to deepen relationships with investors?
25) How can the company use their feedback to improve performance?
26) How has the company effectively engaged investors?
27) What alternative methods does the company need to explore to engage investors?
28) How does the company use feedback from investors in its decision-making processes?
29) How do financial disclosure controls and obligations apply to the company's ESG disclosure?
30) What level(s) of assurance is meaningful and feasible?
31) What level(s) of assurance do investors expect?
32) How does the company determine which third party is the most effective and relevant to assure the company's disclosure?

PRIMARY OBJECTIVES FOR REPORTING ON ESG

ANNEX C

ACCESS TO CAPITAL

- Demonstrate transparency and effective management and enhance the company's ability to attract long-term capital and favourable financing conditions.
- Enhance the company's ability to attract longer-term investors, including major institutional investors such as pension funds.

PROFITABILITY AND GROWTH

- Generate financial value for the company by identifying opportunities for cost savings, revenue generation and risk mitigation.
- Drive continuous improvement by creating accountability and fostering collaboration with stakeholders.
- Create a deeper understanding of stakeholder needs, which could drive innovation and enhance market differentiation and competitiveness.
- Enable management and board scrutiny of ESG opportunities and risks, and promote company-wide alignment on goals.

COMPLIANCE AND RISK MANAGEMENT

- Address mandatory reporting requirements on financially material factors and mitigate compliance risks related to financial disclosure obligations.
- Establish measurement and reporting processes for ESG information.
- Help the company stay ahead of emerging ESG and disclosure regulations.
- Protect the company's license to operate by demonstrating corporate transparency and responsiveness to stakeholder needs.

CORPORATE REPUTATION AND BRANDING

- Demonstrate corporate commitments to responsibly managing environmental, social, and economic impacts.
- Exhibit corporate adherence to industry ethical standards and national and international frameworks on corporate sustainability and sustainable development, particularly in light of the UN Sustainable Development Goals.
- Enhance corporate reputation by improving stakeholders' perception of a company through reporting-related stakeholder engagement.
- Improve employee perception of the company, helping to attract, retain, motivate and align new and existing employees.

INFORMATION FLOW

- Ensure that the key stakeholder(s) have the relevant information that is needed to make informed decisions about the company's ability to create value in the short, medium and longer term.

ENHANCED INVESTOR RELATIONS AND ENGAGEMENT

- Improve relationships with investors by engaging throughout the reporting process.

MEASURABLE ACHIEVEMENTS

- Measure the realisation of strategy and the extent of ESG impacts. High-quality reporting enables the measurement of success or progress in key corporate strategies as well as impacts of corporate practices.

59 Trends in stock exchanges' mandatory and voluntary ESG initiatives are summarised in the 2014 SSE Report on Progress

COMMUNICATING THE VALUE OF ESG

ANNEX D

The Value Driver Model offers companies a simple and direct approach to assess and communicate the financial impact of their sustainability strategies.[60]

The goal of the Value Driver Model is to provide a few key metrics that companies can use to illustrate how their sustainable business strategy contributes to overall performance. The financial and market performance of any firm is the product of a complex array of factors. The table below highlights potential ways that ESG considerations can impact the factors that affect the determinants of firms' financial and market performance. This model assists firms in constructing their own metrics to describe the connection between their top financial objectives (e.g. return on capital or return on equity) and the following:

- Revenue growth from sustainability-advantaged products, services and/or strategies (S/G).
- Total annual cost savings (and cost avoidance) from sustainability-driven productivity initiatives (S/P).
- Reduced sustainability-related risk exposure that could materially impair a company's performance (S/R).

RETURN ON EQUITY OR CAPITAL ←	Growth	• New Markets & Geographies • New Customers & Market Share • Product & Services Innovation • Long-term Strategy	→	Revenue Growth from Sustainability-Enhanced or Advantaged Products & Services = S/G
	Productivity	• Operational Efficiency • Human Capital Management • Reputation Pricing Power	→	Total Cost Saving + Avoidance from Sustainability-related Initiatives = S/P
	Risk Management	• Operational & Regulatory Risk • Reputational Risk • Supply Chain Risk • Leadership & Adaptability	→	Measureable Reduction in Exposure to Sustainability-related Risks to Revenue and Reputation = S/R

Source: Global Compact and PRI

59 Trends in stock exchanges' mandatory and voluntary ESG initiatives are summarised in the 2014 SSE Report on Progress

REPORTING INITIATIVES

ANNEX
E

OVERVIEW OF TOOLS FOR IDENTIFYING ESG FACTORS FOR REPORTING:

- UN Global Compact's best practices related to the GC Advanced Communication on Progress in the areas of human rights, labour, environment and anti-corruption
- UN Guiding Principles Reporting Framework addresses reporting on human rights according to the UN Guiding Principles on Business and Human Rights
- UNCTAD's Guidance on Good Practices in Corporate Governance Disclosure establishes a benchmark for identifying corporate governance issues that could be included in corporate reporting
- CDP's disclosure requirements regarding emissions, water and forests
- Climate Disclosure Standards Board's (CDSB) Framework for reporting environmental information and natural capital in mainstream financial reports
- GRI G4 Sustainability Reporting Guidelines, with over 140 indicators that address ESG issues across all sectors, vetted by an array of stakeholders
- The International Integrated Reporting Framework and its six capitals
- Sustainability Accounting Standards Board's (SASB) standards identify factors that are likely to constitute material information for companies in an industry (with a median of five disclosure topics per industry)

DETAILS ON THE ORGANISATIONS:

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with over 8,000 companies and 4,000 non-business signatories based in 160 countries, and over 85 Local Networks. Business participants are expected to publicly report on their progress in an annual Communication on Progress. For guidance on global best practices on reporting on comprehensive ESG information, see GC Advanced criteria and GC Basic Reporting Guidance.

UNITED NATIONS OFFICE OF THE HIGH COMMISSION ON HUMAN RIGHTS (OHCHR)

The OHCHR is the institutional home of the United Nations Guiding Principles Reporting Framework. The Guiding Principles provide an authoritative global standard for addressing adverse impacts on human rights linked to business activity, wherever such impacts occur. They establish a "corporate responsibility to respect human rights" that exists independently of States' abilities or willingness to fulfill their own human rights obligations. The Guiding Principles require that companies have a policy commitment to respect human rights, and proactively take steps to prevent, mitigate and, where appropriate, remediate, their adverse human rights impacts.

UNCTAD INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING (ISAR)

ISAR assists developing countries and economies in transition to implement best practices in corporate transparency and accounting in order to facilitate investment flows and economic development. ISAR achieves this through an integrated process of research, intergovernmental consensus building, information dissemination and technical cooperation.

CDP

CDP is a global not-for-profit organisation, founded in 2000 and headquartered in London. CDP requests standardised climate change, water and forest information from some of the world's largest listed companies through annual questionnaires sent on behalf of institutional investors that endorse them as 'CDP signatories'. These shareholder requests for information encourage companies to account for and be transparent about environmental risk.

CLIMATE DISCLOSURE STANDARDS BOARD (CDSB)

CDSB is a consortium of eight business and environmental organisations: CDP; CERES; The Climate Group; The Climate Registry (TCR); The International Emissions Trading Association (IETA); World Council for Business and Sustainable Development (WCBSD); World Economic Forum (WEF); and World Resources Institute (WRI). The organisation is supported by a Technical Working Group consisting of business, accountancy bodies, the major accountancy firms, academia and others, as well as investors. CDSB is committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital by offering companies a Framework for reporting environmental information with the same rigour as financial information.

GRI

GRI is an international, not-for-profit organisation working in the public interest towards a vision of a sustainable global economy where organisations manage their economic, environmental, social, and governance performance and impacts responsibly. Thousands of corporate and public sector reporters in over 90 countries use the GRI Guidelines. More than 24,000 reports have been registered in GRI's Sustainability Disclosure Database and 27 countries and regions reference GRI in their policies. GRI's activities are two-fold: firstly the provision of sustainability reporting guidelines and secondly, the development of engagement activities, products and partnerships to enhance the value of sustainability reporting for organisations.

INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)

The IIRC is a group of international leaders from the corporate, investment, accounting, securities, regulatory, academic, standard-setting and civil society areas with a mission to create the Integrated Reporting framework. The Framework will provide material information about an organisation's strategy, governance, performance and prospects in a concise and comparable format, a fundamental shift in corporate reporting.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB, a non-profit US-based organisation, issues sustainability accounting standards that reporting issuers can use to disclose material sustainability information in filings with the Securities and Exchange Commission. SASB standards identify sustainability topics and related accounting metrics, at an industry level, that are likely to constitute material information to companies in that industry. Through the beginning of 2016, SASB is developing provisional standards for more than 80 industries in 10 sectors. SASB's standards development process includes evidence-based research, multi-stakeholder working groups, a 90-day public comment period, and a review by an independent standards council.

GLOBAL SUSTAINABILITY STANDARDS AND PRINCIPLES

ANNEX
F

AA1000 STAKEHOLDER ENGAGEMENT STANDARD

Developed by AccountAbility, a U.K.-based global organisation, AA1000 is a series of standards designed to help organisations become more accountable and sustainable. They address priorities, performance and targets in governance, sustainability assurance, and inclusive stakeholder engagement, among others, and complement standards such as ISO9001 and ISO14001.

ISO26000 GUIDANCE ON SOCIAL RESPONSIBILITY

ISO26000 is an international guidance standard on social responsibility for organisations of all types in the public and private sectors, and includes specific guidance on communication on social responsibility. The standard was issued in November 2010 after five years of work that included contributions from some 450 experts from 99 countries, plus 200 observers, and 42 regional or global liaison organisations such as the Consumers International, the International Labor Organization, UNCTAD, the UN Global Compact and the World Health Organisation.

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The Guidelines are far-reaching recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. Chapter III covers disclosure and calls on enterprises to be transparent in their operations and responsive to the public's increasingly sophisticated demands for information.

INTERNATIONAL LABOUR ORGANIZATION, TRIPARTITE DECLARATION OF PRINCIPLES CONCERNING MULTINATIONAL ENTERPRISES AND SOCIAL POLICY

The MNE Declaration provides guidelines to companies, governments, and employee and labour organisations in such areas as employment, training, conditions of work and life, and industrial relations. Companies can use these guidelines to enhance the positive social and labour effects of their operations.

EXCHANGE GUIDANCE AND RESOURCES ON ESG DISCLOSURE

ANNEX **G**

BM&FBOVESPA S.A. (BRAZILIAN EXCHANGE)

- Guidance: Novo Valor: Corporate Sustainability (2011)
- Other Resources: The Value of ISE: Main Studies and Investor Perspective (2012)

BORSA ISTANBUL (ISTANBUL EXCHANGE)

- Guidance: Handbook for Sustainability Guidance

BSE INDIA LTD. (BOMBAY STOCK EXCHANGE)

- Guidance: National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (2011)

BURSA MALAYSIA (MALAYSIAN EXCHANGE)

- Guidance:
  - Powering Business Sustainability – A Guide for Directors
  - Corporate Disclosure Guide (2011)
- Other Resources:
  - Sustainability Knowledge Portal
  - Self Diagnostic Questionnaire on Sustainability Practices
  - Corporate Governance Guide: Towards Boardroom Excellence (2013)

COLOMBIAN SECURITIES EXCHANGE

- Guidance: Inversión Responsable y Sostenible: Visión General, Prácticas Actuales y Tendencias (2014)

DEUTSCHE BÖRSE AG (GERMAN EXCHANGE)

- Guidance: Communicating Sustainability: Seven Recommendations for Issuers (2013)

HONG KONG EXCHANGES

- Guidance:
  - Consultation Paper: Environmental, Social and Governance Reporting Guide (2011)
  - Appendix 27 - Environmental, Social and Governance Reporting Guide
  - Steps for ESG reporting (September 2011)
- Other Resources:
  - Draft ESG Reporting Guide – A Toolkit (September 2011)
  - ESG Reporting Guide Seminar and Workshop Materials

JOHANNESBURG STOCK EXCHANGE

- Guidance: SRI Index Background and Criteria (2014)
- King Code of Governance Principles for South Africa 2009 (also known as King III). Chapter 9: Integrated reporting and disclosure.

MEXICAN STOCK EXCHANGE

- Guidance: Guía de ayuda para las empresas emisoras que cotizan en la Bolsa Mexicana respecto de la información que deberá estar disponible de manera pública y ser susceptible de evaluación para el Índice IPC Sustentable (2013)
- Other Resources: Código de Mejores Prácticas Corporativas (2010)

NATIONAL STOCK EXCHANGE OF INDIA

- Guidance: National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (2011)
- Other Resources: Corporate Governance: An Emerging Scenario

SHENZHEN STOCK EXCHANGE

- Guidance: Social Responsibility Instructions to Listed Companies (2006)

SINGAPORE EXCHANGE

- Guidance: Guide to Sustainability Reporting for Listed Companies (2011)
- Other Resources: An Investor's Guide to Reading Sustainability Reports (2013)

THE STOCK EXCHANGE OF THAILAND

- Guidance:
  - Guidelines for Sustainability Reporting (in Thai)
  - Guidelines for Social Responsibility (in Thai)
- Other Resources:
  - Principles of Good Corporate Governance for Listed Companies (2012)
  - CSR for Sustainability (in Thai)

TMX GROUP INC. (TORONTO STOCK EXCHANGE)

Guidance: A Primer for Environment & Social Disclosure (2014)

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ANNEX I

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