Corporate Knights
The Company for Clean Capitalism

Stock exchanges ranked on sustainability disclosure: study finds link between disclosure policy and corporate reporting

MEXICO CITY, Mexico, October 30, 2013 – CK Capital study finds sustainability disclosure practices vary significantly across regions, with European companies leading but emerging markets-based companies quickly closing the "disclosure gap."

The study also finds that successful corporate disclosure practices are closely associated with policies that are mandatory, prescriptive and broad - offering clear implications for stock exchanges, securities regulators and governments.

Corporate Knights (CK) Capital today released its second report on the state of corporate sustainability reporting across the world's stock exchanges. The study, titled "Trends in Sustainability Disclosure: Benchmarking the World's Stock Exchanges, 2013," found that sustainability reporting practices diverge sharply across the world's equity markets.

Companies trading on European stock exchanges were found to have the most advanced overall reporting practices, but emerging markets-based companies are rapidly closing the "disclosure gap."

Prepared with financial support from Aviva Investors and Standard and Poor's, the report looked at the extent to which the world's largest listed companies disclose seven "first generation" sustainability indicators: employee turnover, energy, greenhouse gases, lost-time injury rate, payroll, waste and water.

The BME Spanish Exchanges, based in Spain, was the top-ranked exchange, moving up from 4th position in last year's assessment.

The top five were rounded out by the Helsinki, Tokyo, Oslo and Johannesburg stock exchanges, respectively.

CK Capital found that emerging markets-based companies were improving their sustainability reporting practices at a much quicker rate than their developed-world counterparts.

Doug Morrow, Managing Director at CK Capital and lead author of the report, said: "Emerging markets-based stock exchanges are on track to surpass their developed-world counterparts in quantitative sustainability reporting by 2015. This "catch up" process is being driven by many factors, including policy leadership from stock exchanges themselves."

Looking at historical patterns in global sustainability reporting, the study found evidence of a slowdown in the number of listed companies that are disclosing the seven first generation metrics. CK Capital determined that while sustainability reporting overall has passed critical thresholds, disclosure on six of the first generation metrics in plateauing, suggesting that new types of policy intervention may be needed to realize complete first generation reporting.

The study also investigated the relationship between disclosure practices and disclosure policies put forward by stock exchanges, securities regulators and governments, finding that successful disclosure practices are closely associated with policies that are mandatory, prescriptive and broad - what CK Capital refers to as "super policies". In order to craft super policies, the study recommends that policymakers reference sustainability reporting standards developed by transnational standard-setters, such as the Global Reporting Initiative (GRI).

"his is one of the first studies to cross-reference corporate disclosure practices with specific policy instruments," said Morrow, adding, "Our finding that disclosure excellence is linked with "super policies" can help policymakers that are exploring sustainability disclosure move forward."

The study recommends that organizations such as the World Federation of Exchanges and the International Organization of Securities Commissions (IOSCO) engage their members on sustainability disclosure.

Ernst Ligteringen, Chief Executive of the Global Reporting Initiative (GRI) who contributed a foreward to the report, said: "This study demonstrates that smart regulation can be very effective in promoting a climate of transparency and accountability. The paper's recommendation that policymakers reference sustainability reporting standards developed by transnational standard-setters supports GRI's long-standing call for a comparable and consistent global reporting language to inform markets."

Steve Waygood, Chief Responsible Investment Officer at Aviva Investors, one of the report's financial sponsors, said: "It is encouraging that many stock exchanges are exploring their role in the context of creating more sustainable markets. But this report clearly demonstrates that stock exchanges are a whole have a long way to go. Investors themselves have a responsibility to do more to encourage exchanges and their regulators to focus more on this area."