

Mr. David Wright, Secretary General  
IOSCO  
Calle Oquendo 12  
28006 Madrid, Spain

CC: IOSCO Board Members

10 October 2014

Dear Mr. Wright,

We, the undersigned investors, representing USD \$9.3 trillion in assets under management (AUM), believe that regulators have a unique responsibility to improve the state of corporate Environmental, Social, and Governance (ESG) information<sup>1</sup> provided to us by companies for investment decision-making purposes.

We believe that ESG issues are relevant factors to consider in investment analysis and issuer valuation. As such, we seek relevant and timely disclosure of ESG risks, opportunities and performance by the entities in which we invest. Corporate disclosure of material ESG issues not only protects companies and their investors, it is an important tool in creating a stable financial system and sustained economic growth.

According to the World Economic Forum's *Global Risks 2014* report, "the systemic nature of our most significant risks calls for procedures and institutions that are globally coordinated, yet locally flexible," which is why IOSCO is critical to this discussion. The Forum's report also noted that of the 10 global risks of highest concern during 2014, seven were ESG-related (#3 water crises; #4 income disparity; #5 climate change; #6 extreme weather; #7 governance failures; #8 food crises; and #10 political and social instability).

Investors are increasingly acknowledging the relevance of ESG issues on the performance of investment portfolios, as evident by the over 1,200 signatories—representing USD \$45 trillion in AUM—who have publicly committed to put six [Principles for Responsible Investment](#) into practice. While thousands of companies<sup>2</sup> globally are reporting on some ESG factors, the current state of disclosure is not sufficient to meet investor needs for more consistent and comparable material sustainability information.

One of the challenges investors, companies and stock exchanges face is the proliferation of reporting standards and codes. While such standards have been crucial in facilitating the ESG disclosures investors currently analyze, there is need for further clarity on the market expectation for ESG reporting using these various standards. We believe there is a clear role for IOSCO in assessing these reporting standards, as market and investor initiatives on this topic proliferate.

The debate over ESG disclosure expectations is happening across markets. The April 2014 European Parliament [Directive](#) on disclosure of non-financial and diversity information, which calls for further work by the EU Commission to develop guidelines in order to implement the Directive, is one example. Another is the [Investor Listing Standards Proposal: Recommendations for Stock Exchange Requirements on Corporate Sustainability Reporting](#), which was developed by over 100 institutional investors and recently submitted to the World Federation of Exchanges for its consideration.

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<sup>1</sup> Commonly found in sustainability or corporate responsibility reporting.

<sup>2</sup> Corporate Register holds a database of almost 60,000 CSR reports, produced by more than 11,000 organisations (<http://www.corporateregister.com/reports>). GRI's Sustainability Disclosure Database displays more than 4,000 sustainability reports produced for the 2013 reporting year (<http://database.globalreporting.org/search>). Bloomberg now publishes ESG data, via its terminals, for some 5,000 listed companies (<http://www.bloomberg.com/professional/markets/equities/>).

As such, we kindly request that IOSCO work more closely with regulators, stock exchanges and other related parties to improve the disclosure of material and high-quality ESG information in the global marketplace<sup>3</sup>. Given IOSCO's core objective to "cooperate in developing, implementing and promoting adherence to internationally recognised and consistent standards," we specifically urge IOSCO to consider the following as it undergoes its strategic planning process for 2015-2020:

- **Leading dialogue** with regulators and exchange operators to determine a pathway for more consistent ESG disclosure rules to be brought forward in each market;
- **Encouraging the development of disclosure rules** and accountability mechanisms that facilitate meaningful, comparable, and consistent ESG disclosures across markets, without imposing undue compliance or liability risks on issuers;
- **Creating a Task Force** dedicated to improving ESG disclosures market-wide, and whose work would feed into IOSCO's Issuer Accounting, Auditing and Disclosure Committee (C1);
- **Publishing an official statement** explaining the rationale for ESG disclosure, to help issuers and capital market influencers better understand the benefits.

As a starting point, we hope that IOSCO will collaborate with the appropriate organizations and regulators to better understand how investors use ESG information in the investment process and how the ESG reporting landscape is dramatically shifting.

We also recognize the challenges IOSCO faces in addressing increased demands in the wake of the financial crisis. While appreciating these challenges, we believe that the lack of rigorous ESG disclosure in the marketplace is a growing aspect of systemic risk that needs to be addressed.

Representatives of the signatory group below are at your disposal to assist, by providing resources and expertise that might aid IOSCO in this work. Additional resources—such as the [2013 Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives](#)—are also available on the UN [Sustainable Stock Exchanges](#) website, where a number of reports are showcased that provide analysis on global sustainability disclosure trends, guidance, and best practices.

We encourage the IOSCO Secretariat to initially contact our representative, Jennifer Coulson, Manager, Shareholder Engagements, at British Columbia Investment Management Corporation, at your earliest convenience. She can be reached at [jennifer.coulson@bcimc.com](mailto:jennifer.coulson@bcimc.com). Ms. Coulson will be able to facilitate dialogue between investor signatories to this letter and any queries IOSCO has of us.

We thank you for your time and consideration, and look forward to working together to create more sustainable capital markets.

Regards,

Absa Alternative Asset Management (Pty) Limited  
ACTIAM  
Addenda Capital Inc.  
AFL-CIO Office of Investment  
Allianz Global Investors  
Allianz SE  
APG Asset Management  
AQAL Investing

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<sup>3</sup> Disclosure in the global marketplace should be considered in a manner consistent with the prevailing disclosure framework of each market (for example, rules- vs. principles-based regulation and mandatory vs. comply or explain).

Arcano Group  
Arisaig Partners  
Australian Council of Superannuation Investors  
Avaron Asset Management AS  
Aviva Investors  
AXA Group  
Bâtirente  
BBVA  
BC Public Service Pension Plan  
Boston Common Asset Management  
British Columbia Investment Management Corporation  
Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI)  
Calvert Investments, Inc.  
Capital Croissance  
Christian Brothers Investment Services, Inc.  
Christian Super  
Christopher Reynolds Foundation  
Church of England Pensions Board  
Clean Yield Asset Management  
Cometa Pension Fund  
Conser Invest  
CtW Investment Group  
Daiwa Asset Management Co. Ltd.  
Domini Social Investments  
Dominican Sisters of Hope  
Ecclesiastical Investment Management Ltd.  
Edmond de Rothschild Group  
Environment Agency Pension Fund  
Ethos Foundation  
F&C Investments  
Financière de l'Echiquier  
Fonds 1818  
Franciscan Friars (OFM), St. John the Baptist Province, JPIC Office  
Friends Fiduciary Corporation  
Government Employees Pension Fund (GEPF) of South Africa  
Green Century Capital Management, Inc.  
Hauck & Aufhäuser (Schweiz) AG  
Impax Asset Management  
Investment Solutions  
IVM Caring Capital  
Joseph Rowntree Charitable Trust  
Legal & General Investment Management  
Local Authority Pension Fund Forum  
Meeschaert Asset Management  
Mercy Investment Services  
Miller/Howard Investments, Inc.  
Mirova  
Mission Responsibility Through Investment, Presbyterian Church (USA)  
MN  
Natixis Asset Management  
NEI Investments

New York City Comptroller Scott M. Stringer  
New York State Comptroller Thomas P. DiNapoli, sole trustee of the NY State Common Retirement Fund  
NewWorld Capital Group, LLC  
North East Scotland Pension Fund  
Northern Ireland Local Government Officers' Superannuation Committee  
Northwest Coalition for Responsible Investment  
Oasis Group Holdings  
OPSEU Pension Trust  
Parnassus Investments  
Pax World Management LLC  
Pensioenfond Vervoer  
Pacific Investment Management Company  
PGGM Investments  
Portfolio 21  
Progressive Asset Management, Inc.  
Prudential Portfolio Managers  
Régime de Retraite de l'Université de Montréal  
RobecoSAM AG  
Sanlam Investment Management  
Secom Corporate Pension Fund  
Sisters of St. Dominic of Caldwell, NJ  
Sisters of St. Francis of Philadelphia  
Sisters of St. Ursula, American Region  
Sisters of the Good Shepherd  
Solaris Investment Management Limited  
The Church Commissioners for England  
The Sustainability Group of Loring, Wolcott & Coolidge  
Threadneedle Asset Management LTD  
Trillium Asset Management, LLC  
Triodos Investment Management BV  
Tri-State Coalition for Responsible Investment  
Universities Superannuation Scheme  
Ursuline Sisters of Tildonk, US Province  
Veris Wealth Partners  
VIP (Vereinigung Institutionelle Privatanleger) eV  
Walden Asset Management/Boston Trust & Investment Management Company  
Zevin Asset Management, LLC  
Zurich Insurance Group

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