

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

CC: IOSCO Board Members

Dear Mr. Wright,

We, the undersigned investors, representing USD \$X 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.

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. 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 Engagement, at British Columbia Investment Management Corp., 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,

Signatories in alphabetical order