ASEA-SWG is chaired by the Egyptian Exchange, and includes members from the following exchanges:

- Bourse Regionale de Valeurs Mobilieres
- FMDQ-OTC Securities Exchange
- Johannesburg Stock Exchange
- Zimbabwe Stock Exchange
- Nigerian Stock Exchange
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Introduction to the ASEA Sustainability Working Group-SWG

Stock exchanges can play a crucial role in promoting Sustainable Development Goals (SDGs) through Environmental, Social and Governance (ESG) issues, practices and initiatives. It is estimated that achieving the SDGs by 2030 will require investments of US$5-7 trillion annually across sectors and industries\(^1\), and that stock exchanges can provide a suitable finance vehicle for sustainable finance initiatives.

The estimated annual investments needed represent only 7 to 10 percent of global GDP, and 25 to 40 percent of annual global investment. However, only US$1.4 trillion are invested annually, from both the public and the private sectors, in developing countries; and the annual investment gap in major SDG initiatives in developing countries alone has been estimated at around US$2.5 trillion per year\(^2\).

At the African Securities Exchange Association (ASEA), we believe in the importance of exchanges participating towards achieving SDGs and in effect a working group was formed in April 2018, with the main target of identifying the ongoing efforts and initiatives implemented in various African exchanges and come with a roadmap for exchanges to expedite their sustainability efforts.

It also pertains to unifying and aligning ASEA member exchanges’ efforts and practices around sustainability, to create durable wealth for its stakeholders, by delivering value and supporting economic growth in the region.

The Sustainability Working Group (SWG) is chaired by the Egyptian Exchange and members included the Nigerian Stock Exchange, Bourse Regionale de Valeurs, FMDQ Securities Exchange, Zimbabwe Stock Exchange, Johannesburg Stock Exchange. Representatives of the UNCTAD Sustainable Stock Exchanges (SSE) initiative were invited to attend the first conference call.

---

1. World Investment Report, 2014, UNCTAD
Objectives of the ASEA-SWG

Box 1: Objectives of ASEA-SWG

01. Identifying a Sustainability Roadmap that can outline policies and actions to promote better ESG performance and disclosure standards. The creation of the roadmap will outline current ESG initiatives and actions, and identify prospective sustainable financial product opportunities.

02. Defining the purpose, usefulness, practicality, and materiality of ESG information in exchange business aims to create definitions that are clear, unambiguous, comprehensive and universally valid.

03. Building an interactive online Sustainability Learning Hub, where the members can exchange best practices and experiences in sustainability to foster constructive capacity building within their own organization; and thus raise support within top management for any proposals on sustainability.

04. Building and monitoring a sustainability database through encouraging members to publish sustainability reports and ensuring greater standardization and harmonization of ESG data; to raise sustainability awareness among their stakeholders.

05. Developing and coordinating communication strategies and mechanisms to effectively promote and engage members of ASEA and their socio-economic environment with sustainability.

06. Building relationships and networks: ASEA Sustainability Working Group will explore and recommend appropriate partnerships with external bodies and the local community on sustainability related matters, and coordinate with sustainability key stakeholders i.e. sustainability related international donor agencies, associations, initiatives and investment attractiveness matters.
About This Report

This report seeks to highlight current sustainability best practices, trends, opportunities and challenges among the ASEA member exchanges, in order to foster the sharing of experiences between stock exchanges, policymakers, listed companies and investors (capital market stakeholders). Finally, this report proposes a roadmap for sustainability in African capital markets.

The report is based on a survey conducted by the ASEA-SWG. The working group developed a comprehensive “Online Sustainability Roadmap Questionnaire” consisting of 41 questions and divided into 4 main parts.

Part (2): Membership and Commitments (11 Questions).
Part (3): ESG Disclosure and Reporting (13 Questions).
Part (4): Perceptions around Sustainability (7 Questions).

The aim of the questionnaire is to establish whether or not ASEA members have an established sustainability framework to advance the exchanges role in supporting SDGs, and to enhance the ESG practices through good disclosure and reporting; in addition to analyzing the current sustainability status in major African capital markets.

Out of the 28 ASEA member exchanges, 21 member exchanges (75%) participated in the questionnaire, namely; Botswana Stock Exchange (BSE), Cape Verde Stock Exchange (BVC), Casablanca Stock Exchange (CSE), Dar es Salaam Stock Exchange (DSE PLC), Douala Stock Exchange (DSX), Ghana Stock Exchange (GSE), Ivory Coast Stock Exchange (BRVM), Johannesburg Stock Exchange (JSE Ltd), Lusaka Stock Exchange (LuSE), Malawi Stock Exchange (MSE), Mozambique Stock Exchange (BVM), Namibian Stock Exchange (NSX), the Nairobi Securities Exchange (NSE), the Nigerian Stock Exchange (NSE), NASD Plc Nigeria, Seychelles Securities Exchange (Trop-X), Stock Exchange of Mauritius (SEM), The Egyptian Exchange (EGX), The Nigerian Securities Exchange (FMDQ-OTC), Tunis Stock Exchange (BVMT), and the Zimbabwe Stock Exchange (ZSE).

Most of the questions included in the questionnaire were extracted from the UNSSE and the WFE-SWG annual sustainability survey; as ASEA-SWG members agreed to complement other regional organizations efforts, and to focus on cooperating with existing global sustainability initiatives.
Part (1): Sustainability Facts and Figures

1. Sustainability-Related Indices

Currently, there are only 6 African exchanges (28% of the 21 participants of the survey) that have sustainability-related indices. The Johannesburg Stock Exchange provides the FTSE/JSE Responsible Investment Index Series since October 2015 where its predecessor was the SRI Index incepted in 2006, followed by the Egyptian Exchange (EGX) sustainability index S&P/EGX ESG that was incepted in March 2010, then the Cape Verde Stock Exchange (BVC) index that was incepted in 2014, the sustainability index of the Stock Exchange of Mauritius which was introduced in 2016, and in 2018, both the Nigerian Stock Exchange (NSE) and Casa-blanca Stock Exchange (CSE) launched Sustainability Indices.

Figure 1.1: Does your exchange have sustainability-related indices?

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<tr>
<td>Yes</td>
<td>6</td>
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<tr>
<td>No</td>
<td>15</td>
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</table>

0 5 10 15 20
Historical Background:

In March 2010, EGX was the first stock market in the MENA region and second worldwide to launch the S&P sustainability index S&P/EGX ESG index, in cooperation with Standard and Poor’s (S&P), The Egyptian Institute of Directors (EIoD) and CRISIL.

Purpose of the Index:

The purpose of the index is to raise the profile of those companies that perform well along the considerations of environmental, governance, and social responsibility when compared to their market peers.

The S&P/EGX ESG index intends to encourage listed companies to move away from doing charitable activities and to focus on building their corporate image and being able to manage ESG related-risks. Therefore, the company’s Corporate Social Responsibility (CSR) strategy not only helps the company improve its reputation but also becomes part of the overall risk management. Also establishing the ESG Index would encourage companies to be more transparent and to disclose their governance, social and environmental practices.

Constituents of S&P/EGX ESG index ranked as of August 2018:

1. Commercial International Bank (Egypt)
2. Telecom Egypt
3. Edita Food Industries S.A.E
4. Egyptian Iron & Steel
5. Citadel Capital - Common Shares
6. Amer Group Holding
7. Raya Holding For Financial Investments
8. Porto Group
10. Egyptian Kuwaiti Holding
11. Egyptian Transport (EGYTRANS)
12. Six of October Development & Investment (SODIC)
13. Arabian Cement Company
14. Raya Contact Center

Box 2: The Egyptian Case of the S&P/EGX ESG Index
'Figure 1.2: Performance of S&P/EGX ESG index vs EGX30 Index (Jan 2017 - Oct 2018)

15. Credit Agricole Egypt
16. Emaar Misr for Development
17. Oriental Weavers
18. GB AUTO
19. Palm Hills Development Company
20. Juhayna Food Industries
21. Al Baraka Bank Egypt
22. Medinet Nasr Housing
23. Sidi Kerir Petrochemicals
24. Orascom Telecom Media & Technology Holding
25. Global Telecom Holding
26. Orascom Construction Limited
27. Paint & Chemicals Industries (Pachin)
28. Abu Dhabi Islamic Bank- Egypt
29. Cleopatra Hospital Company
30. T M G Holding
2. Memberships & Commitments

Out of the surveyed exchanges, 13 of them are members of the World Federation of Exchanges (WFE), and 7 members out of the 13 members are already members of the WFE Sustainability working group (SWG).

Figure 1.3: Membership of WFE and WFE-SWG
Out of the surveyed participants, 13 exchanges (62%) made a public commitment to the Sustainable Stock Exchange (SSE) initiative. SSE was launched in 2009 by the UN secretary general with a mission to build capacities of global stock exchanges to promote responsible and sustainable investments. The SSE commitment was announced in 2012. It is also worth mentioning that The Egyptian Exchange (EGX) and the Johannesburg Stock Exchange (JSE) are cofounders of the SSE initiative.

Moreover, there were only 7 exchanges (33%) that were committed to the United Nations Global Compact (UNGC), 13 exchanges that were not committed, and one exchange that is planning to start committing in the near future.

In addition to the surveyed exchanges, there are 4 exchanges that are among the African exchanges that joined the SSE Initiative.
Regarding signing United Nations Women Empowerment Principles (WEPs), only 4 African exchanges signed the WEPs, while 1 exchange did not respond. On the other hand, 9 out of the remaining 15 exchanges are planning to sign the WEPs, as they believe that exchanges play a vital role in empowering women and raising the importance of gender equality among market stakeholders and participants.
Additionally, some African exchanges are committed to other initiatives such as the Marrakech Pledge, the United Nations Principles for Responsible Investment (UNPRI), the Global Investor Statement on Climate Change, the Green Bonds Market Development Initiative and the Climate Bond Initiative.

Box 3: Other memberships and commitments

<table>
<thead>
<tr>
<th>Country</th>
<th>Stock Exchange</th>
<th>Other Memberships &amp; Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>Botswana Stock Exchange (BSE)</td>
<td>Marrakech Pledge</td>
</tr>
<tr>
<td>Egypt</td>
<td>The Egyptian Exchange (EGX)</td>
<td>Marrakech Pledge</td>
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<tr>
<td></td>
<td></td>
<td>The Task Force on Climate-related Financial Disclosures Report (TCFD)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Global Investor Statement on Climate Change</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Stock Exchange of Mauritius (SEM)</td>
<td>Green Bonds Market Development Initiative</td>
</tr>
<tr>
<td>Morocco</td>
<td>Casablanca Stock Exchange (CSE)</td>
<td>Marrakech Pledge</td>
</tr>
<tr>
<td>Namibia</td>
<td>Namibian Stock Exchange (NSX)</td>
<td>Marrakech Pledge</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Nigerian Securities Exchange (FMDQ-OTC)</td>
<td>Climate Bond Initiative</td>
</tr>
<tr>
<td></td>
<td>The Nigerian Stock Exchange (NSE)</td>
<td>Marrakech Pledge</td>
</tr>
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<td></td>
<td></td>
<td>The Task Force on Climate-related Financial Disclosures Report (TCFD)</td>
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<td>The Global Investor Statement on Climate Change</td>
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<td></td>
<td></td>
<td>UNPRI</td>
</tr>
<tr>
<td>South Africa</td>
<td>Johannesburg Stock Exchange (JSE Ltd)</td>
<td>UNPRI</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Zimbabwe Stock Exchange (ZSE)</td>
<td>UNPRI</td>
</tr>
</tbody>
</table>

3. The “Marrakech pledge for fostering green capital Markets in Africa” is an initiative to call for action to all African Capital Markets Regulators and Exchanges willing to act collectively in favor of sustainable development, and have an actual impact on fostering Green Capital Markets in Africa, both within respective local markets and together as a region, to promote climate-resilient investments and drive capital into the green economy.

4. Climate Bonds Initiative is an international organization working solely to mobilize the largest capital market of all, the $100 trillion bond market, for climate change solutions [https://www.climatebonds.net](https://www.climatebonds.net).
Part (2): Perceptions around Sustainability

1. Responsibility & Oversight of Sustainability Initiatives

Responsibility and oversight of sustainability issues in the ASEA securities exchanges are merely the duty of the exchange’s Chief Executive Officer (CEO) as is reported by 9 exchanges (60%) out of the 15 respondent exchanges. On the other hand, 3 exchanges reported that it is the duty of the Board of Directors (BoD), and 3 exchanges reported that it is the duty of the management executives.

As for the existence of a sustainability committee, 23% of the participant exchanges (5 exchanges) have a well-established sustainability committee that helps in managing sustainability issues on behalf of the board of directors and in providing consultancy for ASEA member exchanges.
Figure 2.2: Does your exchange have a sustainability committee?

<table>
<thead>
<tr>
<th></th>
<th>No Response</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Exchanges</td>
<td>2</td>
<td>14</td>
<td>5</td>
</tr>
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</table>

2. Nature of Current Sustainability Initiatives:

Currently the nature of the current ESG-Sustainability initiatives for the surveyed exchanges includes a number of initiatives and engagement opportunities. However, there are 3 exchanges that require mandatory ESG reporting as a listing rule, namely the Johannesburg Stock Exchange (JSE) as per the King’s code, the Namibian Stock Exchange as per Nam-Code (Corporate Governance Code of Namibia) and the Nigerian Stock Exchange. Moreover, there are 6 exchanges that issue a formal ESG disclosure guidelines for listed companies.

Believing in the importance of education as being the main driver for sustained business continuity, 11 exchanges are currently engaged in education initiatives that are aiming to educate issuers, investors and other capital market participants.
Figure 2.3: What is the nature of the exchange’s ESG / Sustainability initiatives at present?
(select all that apply)

- Mandatory ESG disclosure (whether comprehensive or on specific metrics) - 3
- Sustainability management and reporting by exchange entity/group - 4
- Collaboration with external organisations (e.g. GRI, SASB, IIRC, CDP, Climate Bond Initiative, etc...) - 5
- ESG Index or related indices or ratings - 5
- Formal commitment e.g. SSE, UNPRI, UNGC - 8
- Formal guidance for listed companies - 6
- Voluntary ESG disclosure - 6
- Comply/explain ESG disclosure - 7
- Events/engagement opportunities for issuers, investors and other market participants - 10
- Education initiatives for issuers and/or investors and other market participants - 11
The Johannesburg Stock Exchange (JSE) considers that stock markets play a central role in the financial system and contribute to economic growth through improving the dissemination of information (thereby reducing information asymmetry), diversifying risk, mobilising savings and creating liquidity. Capital markets are the critical link between those who have capital and are willing to invest it, and those who require capital from others in order to grow and develop businesses. These businesses in turn contribute to economic growth and, ideally, benefit society as a whole, inter alia by providing goods and services needed by society, and by offering an avenue for the investment of savings in order to generate returns.

Exchanges globally have begun to acknowledge their role in the pathway to sustainable growth and development as evidenced through, for example, the formation of the World Federation of Exchange’s (WFE) Sustainability Working Group (SWG), currently chaired at the global level by the JSE, and various initiatives undertaken by exchanges in their markets including the Sustainable Stock Exchanges Initiative of which the JSE is founding member. With the support and guidance of the WFE SWG and other organisations, exchanges are playing an increasingly important role in promoting sustainable development. WFE member exchanges, representing an equity market capitalisation of over US$85 trillion, recognise both their potential impact and responsibility in this regard.

The JSE represents over 98% market share of the exchange industry in South Africa (based on value traded). As the regulator of its listed companies, and facilitator between these issuers and their owners, the JSE recognises that it has multiple areas through which to regulate and influence risk management and sustainable business and investment practices.

The JSE offers secure, efficient primary and secondary capital markets across a diverse range of securities, supported by post-trade and regulatory services, offering a market for local and international investors looking to gain exposure to the leading capital markets in South Africa and the broader African continent.

The JSE is currently ranked the 18th largest stock exchange in the world by market capitalisation and the largest exchange in the African continent, and is recognised for its quality regulation and strength of auditing and reporting standards.
**Governing legislative framework**

- Strict self-regulatory (SRO) model in terms of the Financial Markets Act
- JSE regulates and supervises its members and listed companies, and the JSE Ltd itself is regulated by the Financial Sector Conduct Authority (FSCA)

**Regulatory requirements to address sustainability risks**

The JSE Listing Requirements has a long history of being at the forefront of promoting strong governance and disclosure by companies listing on the JSE. Beyond having very specific governance requirements that companies must comply with (such as the separation of CEO and Chairman, the presence of specified Board committees, and reporting on gender and racial statistics at a board level), companies have to report on the extent to which they comply with the principles of the King Code on Corporate Governance (“King”) on an “apply and explain” basis.

The JSE is:

- A signatory to the United Nations-supported Principles for Responsible Investment
- A signatory to the United Nations Global Compact
- A founding partner of the Sustainable Stock Exchanges Initiative (SSE)
- Active in serving on a number of panels and committees related to responsible investment, sustainability and integrated reporting, including the following:
  1. World Federation of Exchanges Sustainability Working Group (Chair of the Committee until May 2020)
  2. ASEA Sustainability Working Group
  3. King Committee on Corporate Governance
  4. Code for Responsible Investment in South Africa (CRISA) Committee
  5. Integrated Reporting Committee of South Africa and its Working Group
  6. Various UN Consultative / Advisory Groups for projects related to sustainability reporting and green finance, such as those established by the SSE for the development of technical guidance for stock exchanges

*Source: The Johannesburg Stock Exchange*
3. Sustainability Motivations and Concerns:

Involvement of African Exchanges in sustainability is mainly driven by Sustainability concerns (e.g. impacts of climate change on market), the opportunity to expand business for the exchange (e.g. through product creation, data sales or listing opportunities), and the enhancement of relations with stakeholders, while reputation, and investor pressure came in 4th and 5th place respectively, as reported by the participating members. On the other hand, 3 exchanges reported that leadership and/or peer pressure are their motivation to materialize on sustainability initiatives.

Figure 2.4: Which of these factors, motivate your exchange’s involvement in sustainability?

(Select top 3 Only)

- Leadership and/or Peer Pressure: 3
- Investor Pressure: 4
- Reputation/public relations: 6
- Better stakeholder relationships: 10
- Sustainability concerns: 13
- Expanded business opportunities for the exchange: 13
While motivation for involvement in sustainability is derived by sustainability concerns and business expansion, there are also some factors that limit the exchange willingness for involvement in sustainability. The major factor as per responses is the lack of resources to implement initiatives, as 11 exchanges reported this factor as one of the top three factors affecting their initiatives.

Moreover, the need to exceed the scope of authority and the lack of current apparatus to enforce came in the second place, which are followed by the insufficient demand for sustainability as is reported by 6 exchanges. Finally, business and/or economic concerns were of lesser importance as is reported by only 4 exchanges.

**Figure 2.5: Which of these factors, if any, would limit your willingness for involvement in sustainability?**

(Select top 3 Only)

- Competitive concerns: 2
- None of the above: 3
- Business and/or economic concerns: 4
- Insufficient demand: 6
- Lacking apparatus to enforce: 6
- Exceeding scope authority: 6
- Lacking resources to implement initiatives: 11
Part (3): ESG Reporting and Disclosure

1. Reporting at the Exchange Level:

This part of the report investigates the current status of reporting of exchanges on ESG and sustainability issues, and what form of reports they provide, if any; Do they report on sustainability as part of their annual report, or do they provide an independent sustainability report?

Out of the surveyed exchanges, only 3 exchanges (14.3%) issue their own sustainability report, while 16 other exchanges (85.7%) do not prepare an independent sustainability report.

As for exchanges that integrate sustainability issues in their annual report, it was found out that 9 exchanges (42.9%) report on sustainability issues in their annual report.

Finally, only two exchanges did not respond neither on independent sustainability reports, nor on reporting sustainability issues as part of their annual report.
Regarding the methodology used for sustainability reporting, it was found out that the Global Reporting Initiatives (GRI) reporting framework and standards is the most used by ASEA exchanges, as 4 exchanges use the GRI core reporting approach to report on sustainability, and only one uses the GRI comprehensive reporting approach. In addition to the GRI, there are 2 exchanges that report on the ten principles of the UNGC.

Finally, it was found that 8 exchanges only report on their efforts towards achieving the sustainable development goals (SDGs).
Sustainability issues reported by exchanges:

A. Governance issues:
Risk management (9 exchanges, 45%), and board composition and remuneration (8 exchanges, 40%), are the most reported governance issues by exchanges in their sustainability reporting mechanism (whether independent reporting or part of the annual reporting); which is followed by ethics and anti-corruption (4 exchanges) and supply chain (2 exchange).

B. Social issues:
Human rights, labor standards and Health & Safety (H&S) issues on the social factors were reported by 7 exchanges out of the 20 respondent exchanges.

C. Environmental issues:
Climate change and energy (7 exchanges, 35%) and water use and recycling (6 exchanges, 30%) are the most reported environmental related disclosures by the ASEA member exchanges; with only 4 exchanges reporting on pollution (air, water and waste).
Additionally, African exchanges realized the importance of reporting on sustainability and ESG issues, as none of the respondent exchanges reported that the disclosure of ESG data adversely affect their business continuity. There were only 5 exchanges that did not respond to this question.
Moreover, the Lusaka Stock Exchange in Zambia is the only respondent exchange that requires Climate-related Financial Disclosure Reports (TCFD) for their listing rules, while the majority of the respondent exchanges (18 exchanges) do not require TCFD disclosures. Meanwhile, the Egyptian Exchange (EGX) is also committed to the TCFD through encouraging listed companies to report on the climate related issues.
2. Disclosure at the Market Level:

On the investor’s front, the investor demand for ESG disclosure by companies listed on African stock exchanges can be increased through enhancing the sustainability framework at market levels, and raising awareness about the advantages and benefits of sustained financing to economies in the African region.

Only 6 exchanges out of the 20 respondent exchanges face an increasing demand from investors for ESG disclosure by listed companies, while 11 exchanges responded with no demand from investors.

As for the exchanges that adopt the ESG reporting requirements in listing rules and regulations, only 5 exchanges out of the 21 respondent exchanges adopt the ESG reporting requirements in their listing rules and regulations. With two of them having a mandatory ESG reporting in their listing requirements namely the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX).
Regarding offering a written guidance on ESG reporting by the exchanges, it was found out that 5 exchanges offer a written guidance on ESG reporting to listed companies. While 14 others do not offer any written guidance on ESG reporting, out of which 7 exchanges that are planning to offer an official ESG guidance for their listed companies.
Promoting the integrated reporting for sustainability is currently being initiated in the African stock markets, as 7 exchanges responded with yes, the exchange or regulator is promoting the integrated reporting, and 4 respondent exchanges reported that there are efforts to promote integrated reports by parties external to the exchange and regulator.

Figure 3.10: If not yet initiated, does your exchange plan to offer ESG guidance to listed companies?

Figure 3.11: Is integrated reporting being actively promoted in your market?
Part (4): Roadmap Recommendations

The following figure (4.1) outlines the previous efforts of United Nations Sustainable Stock Exchanges (UN-SSE) initiative which identified 5 main SDGs which when implemented well would have a significant impact on exchanges’ efforts towards sustainability.

The growing demand for sustainability in global capital markets is the key motivation for African exchanges to participate in sustainability concerns. Given the unique characteristics for each exchange as shown from the survey responses, the actively participating exchanges are encouraged to start an internal impact assessment by examining current sustainability activities, however, for the other non-participating exchanges there is a need to start by defining responsibilities and oversight of sustainability concerns.
It is clear from the survey responses that African exchanges believe that sustainability concerns and expanding business opportunities are the major motivation for their involvement; in addition to the disclosure of ESG data, which do not adversely affect their business. Therefore, based on these findings, we can propose a roadmap for sustainability (ASEA SR) in African capital markets consisting of 4 main pillars as follows:

- **ASEA SR1 Internal Impact Assessment (WFESP5)**
  - a. Exchange’s Sustainability Report
  - b. Model Guidance on ESG reporting for listed companies

- **ASEA SR2 Reporting on Sustainability (WFESP2)**
  - a. Commitment to Market Education on Sustainability
  - b. Women Empowerment & Gender Equality

- **ASEA SR3 Markets & Products (WFESP4)**
  - a. Introducing Sustainability Indices
  - b. Promoting Green Finance Products

- **ASEA SR4 Market Education (WFESP1)**
  - a. Defining Responsibilities & Oversight
  - b. Defining Sustainability Focus Areas
  - c. Sustainability Evaluation Metrics

* WFESP: World Federation of Exchanges Sustainability Principles (refer to box 5 page 32).
1. Internal Impact Assessment:

a. Defining Responsibilities and Oversight

The first proposed phase in ASEA sustainability roadmap recommendations is to encourage each exchange to perform an internal impact assessment to the current sustainability efforts, and to set a progressive path for contributing towards achieving SDGs on the local, regional and global partnership levels of sustainability.

This could be achieved through defining the responsibilities and oversight of sustainability at the exchange’s level, to assess current technologies, resources and products that are currently or could potentially further the implementation of sustainability initiatives. Defining the responsibilities towards sustainability will therefore include setting a focus area for sustainability activities, and establishing the resources needed for the necessary changes.

b. Defining Sustainability Focus Areas

In this phase, defining the sustainability focus area could be done through the defined Sustainability Development Goals (SDGs) by the Sustainable Stock Exchanges (SSE) initiative on its annual progress report 2016, the SSE initiative defined Five SDGs that can be enhanced by stock exchanges. Also, the World Federation of Exchanges (WFE) recently published in October 2018 the “WFE Sustainability Principles” which defined five principles that can be used by exchanges to advocate and enhance sustainability at the market level.

Responsibilities of ASEA exchanges could be segregated on both levels outlined above, the exchange level and the market level. The exchange level should emphasize the need for sustainability commitments, where exchanges are encouraged to engage in public policy dialogues and/or global initiative dialogues. While the market level should emphasize initiatives by the different market stakeholders.
c. Sustainability Evaluation Metrics

The formal segregation of responsibilities should also be followed by sustainability evaluation metrics and Key Performance Indicators (KPIs) to track the progressions achieved by exchanges at both the market and the exchange levels in each focus area.

Defining responsibilities at the exchange level could incorporate establishing an independent sustainability advisory committee, which reports to the board of directors or the CEO directly, and which is delegated with the main duty of providing advice to the exchange’s sustainability team on sustainability issues; which includes defining the most relevant focus areas, and helping in designing training programs and seminars for the exchange’s stakeholders (mainly the listed companies).

ASEA exchanges are encouraged to make public commitment for sustainability, through partnership with the Sustainable Stock Exchanges Initiative.
(SSE), that currently consists of 78 exchanges, and is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG (environmental, social and corporate governance) issues and also to encourage sustainable investment.

The SSE is organized by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI).

EGX-Sustainability Advisory Committee

SDGs inspired EGX to establish

The Egyptian Exchange Sustainability Advisory Committee (SAC). The committee includes well-known advocates to facilitate effective sustainability activities & efficient decision making to EGX chairman and sustainability team as well. The committee is handling the EGX sustainability activities and is advising the Chairman and EGX sustainability team on sustainability related issues.

SAC Members

- The Egyptian Exchange
- Listed Companies
- Academic Members
- NGOs
- Non-listed Companies
2. Reporting on Sustainability:

a. Exchange’s Sustainability Report
b. Model Guidance on ESG reporting for listed companies

One of the main pillars for the ASEA sustainability roadmap is Sustainability Reporting and Disclosure at both the exchange and market levels.

a. Exchange’s Sustainability Report

According to the current surveyed results of the exchanges, it is evident that independent sustainability disclosures at exchange level is not actively promoted in ASEA member exchanges, as only two exchanges publish their own sustainability report, while seven exchanges report on sustainability in its annual report. Therefore, ASEA exchanges are encouraged to lead-by-example, through issuing their own independent sustainability report.

b. Model Guidance on ESG reporting for listed companies

At the market level, formal segregation of responsibilities should take into account the role of the exchanges in promoting greater transparency in their markets, and in promoting high quality ESG information.

The best option is to have the ESG disclosure requirements embedded in the main listing rules, however second best option would be to create a separate listing board with ESG disclosure requirements, that later conforms with SSE recommendations. Accounting for the role of the member exchanges should have a direct positive effect on developing well-functioning and resilient capital markets, which could be done as defined by the Sustainable Stock Exchanges (SSE, 2018) with the following box:

More than one third of the world’s markets have a sustainability index (SSE, 2018)
Box 6: SSE Recommendations on ESG Reporting

- Providing written guidance for companies on ESG reporting using the SSE Model Guidance on Reporting ESG Information to Investors and conducting at least one market consultation.

- Partnering with a data provider to review the ESG performance of listed companies and providing the market with key sustainability data alongside financial data.

- Developing a separate listing arm that requires enhanced transparency on ESG information, potentially also taking into account the companies’ approach to the SDGs and measuring and reporting their impact in these areas.

- Building market demand for ESG information and sustainable financial products.

- Promoting the inclusion of ESG factors within existing definitions of what constitutes material information for the purposes of corporate reporting and considering phasing a requirement for assurance on ESG information.

- Encouraging corporate boards to disclose their approach and time horizon for determining material ESG issues.

- Promoting systems for investor feedback on the quality of existing ESG disclosures, in order to better inform future work plans.

- Working with issuers to enhance the understanding that better ESG data allows vendors to create meaningful analytics for investors to make investments.
Given the availability of various ESG reporting frameworks and guidelines, which might create challenges for reporters (issuers) such as The Global Reporting Initiative (GRI), The Integrated Reporting Framework (IR) by the International Integrated Reporting Council (IIRC) and the SSE Model Guidance On Reporting ESG Information to Investors which is a voluntary tool for stock exchanges to guide issuers, it’s worth mentioning that ASEA-SWG should work on providing a unified model for ESG reporting methodology and framework among ASEA members to choose from. In a way, looking at the commonalities of standards could help our issuers be in a better position even than other markets as they could “leapfrog” the learning curve.

3. Markets and Products

a. Introducing Sustainability Indices

Sustainability Indices are one of the tools stock exchanges utilize to encourage sustainability reporting and performance. Sustainability indices include quantitative and qualitative evaluations, and can cover single issues (e.g. carbon intensity) or a broader range of criteria. Such flexibility enables the indices to be adapted to local economic and reporting environments (SSE, 2018). ASEA exchanges are encouraged to establish sustainability indices, which can be done through sharing current experiences from exchanges with well-established sustainability indices. Also the creation of such indices should involve collaboration with all capital market stakeholders, including the listed companies, investors, and regulatory authorities.

The creation of a sustainability index at the national level will help in raising awareness about ESG issues, as companies will also benefit from this index by learning to better track and manage their performance and progressions on ESG issues. Sustainability indices will also be considered further successful if they can support investment products such as Exchange Traded Funds (ETFs), which would attract more investors, especially when sustainability indices outperform their non-green benchmark indices.

The sustainability indices usually outperform the exchange’s benchmark index as is shown from the Egyptian Exchange (EGX)’s case (Box 2). The S&P/ EGX ESG
index is always outperforming the benchmark EGX 30 index.

Furthermore, a future prospect of creating a Pan-African Sustainability Index is believed to be an important tool for attracting responsible and ethical investments, and for channeling capital to more sustainable businesses in African capital markets. However, the creation of such a regional sustainability index will require prerequisites including active sustainability projects and initiatives at the domestic level in ASEA member countries, through commitment to different sustainability initiatives which will help in creating demand for sustainability indices at both domestic and regional level.

**b. Promoting Green Finance Products**

Green finance products have already been introduced in several markets

**Box 7: Morocco Case in Supporting Green Finance**

At the 22nd Conference of the Parties (COP 22) in November 2016, Morocco launched a national roadmap for aligning the Moroccan financial sector with sustainable development (Bank Al-Maghrib 2016). Developed in collaboration with Bank Al-Magrib (Morocco’s central bank), regulatory authorities, and market associations, the roadmap sets out a strategic vision for Morocco’s financial center around five axes:

- Extending risk-based governance to social and environmental risks;
- Developing sustainable financial instruments and products;
- Promoting financial inclusion as a driver for sustainable development;
- Building capacity in the field of sustainable finance; and
- Ensuring disclosure (transparency and market discipline).

The Moroccan Capital Market Association (AMMC) published a green bond framework and practical guidelines for green bond issuance. Among the first to benefit from this was the Moroccan Agency for Solar Energy (Masen), which issued Morocco’s first green bond to finance the country’s development of solar power projects. Morocco aims to obtain 52 percent of its electricity from renewable energy sources by 2030, and eventually seeks to export its solar energy to Europe.

around the world and have witnessed increasing demand, with both the green bond and the green equity indices outperforming their non-green index benchmarks.

To promote green finance products in African capital markets, the ASEA members are encouraged to use The SSE Green Finance Action Plan (a voluntary action plan on How stock exchanges can grow green finance).

The action plan identifies two main action areas that stock exchanges should work at the same time. First, the promotion of green labelled products and services helps direct funding towards green projects and towards environmentally aligned issuers and investors. Secondly, more systematic and holistic changes must take place to support a green transition and to ensure market resilience to the economic impacts of climate change.

In addition to these two main action areas, the SSE guidance also identifies two crosscutting areas that will facilitate green finance efforts namely, strengthening the quality and availability of climate-related and other environmental disclosure among issuers and investors. While the second area focuses on contributing to the growth of dialogues and consensus building on green finance with other capital market participants. Throughout all four phases of these action areas, partnerships are key.

ASEA members can promote the adoption and the incorporation of green finance standards by participating in relevant standard-settings and policy consultations among issuers and investors, and by promoting these issues into their listing rules.
In September 2017, the JSE launched the Green Bond Segment. The intention is to ensure that the entry requirements are in line with emerging global standards for green securities, while retaining sufficient flexibility to cater for the local context. In developing the framework and requirements, the JSE conducted extensive research to determine the most appropriate model for the Green Bond framework in the context of the South African market and in the context of instrument classification. The rules then underwent formal consultation with relevant JSE advisory committees, FSCA and a public comment process.

The regulatory principles that have been adopted by the JSE are in line with key factors in ensuring green status of instruments, namely use of proceeds, external review and ongoing disclosure. The Green Bond Principles, governed by the International Capital Market Association (ICMA), were used as a benchmark standard that issuers would need to comply with, verified through a report issued by a third party with the appropriate expertise to do so.

There have been two issuers on the Green Bond Segment as at July 2018, namely the City of Cape Town (municipal bond) and the Growthpoint Properties (corporate bond), both of which were over-subscribed showing the market’s appetite for high quality green assets. The JSE will continue to assess demand and balance that with the need to lead on the creation of instruments that will enable sustainable finance including around the SDG’s as it evolves the role it can play within the context of an exchange operator and its value to society.

Source: The Johannesburg Stock Exchange
4. Market Education

a. Commitment to Market Education on Sustainability

Market education on sustainability issues is an important tool for raising and maintaining sustainability awareness across the capital market participants. African exchanges should therefore have a role in building and fostering capacity and trust among all market shareholders. Therefore, training and market education on the importance of sustainability and reporting and disclosure is a crucial step in complementing exchanges efforts towards achieving sustained capital markets.

This role is initiated by enabling dialogue and by promoting education among all the different market stakeholders. According to the Sustainable Stock Exchanges initiative (2016, 2018), regular training to investors and issuers on the integration of sustainability initiatives into investment decision making and practices should be focused upon if sustainability initiatives are to be achieved.

ASEA member exchanges are thus encouraged to participate in market education and capacity building on sustainability issues, which should contribute to the attainment of sustainability initiatives.

The forms of market education and capacity building could include dialogues with stakeholders and investors, at the beginning, then designing the appropriate sustainability training courses for them. Such dialogues have been proven as a useful way for stock exchanges to thoroughly inspect sustainability issues on the local, regional and international levels. Therefore, training for listed companies on the importance of sustainability initiatives and Environmental, Social, and Governance (ESG) reporting and disclosure is an important step towards achieving a sustainable future for ASEA member exchanges and for the African region.

The development of networks and dialogues also enables the sharing of experiences in a material and contextual manner across ASEA member ex-
changes, and would raise the awareness about the importance of learning by experience from their market contextuality.

Therefore, the proposition of developing local networks of Stakeholders and learning from regional and international experiences in a unified manner is the way forward to ASEA member exchanges towards reaching a sustainable future.

b. Women Empowerment and Gender Equality

Women empowerment and promoting gender equality is not only good for economic development, but also for business continuity. According to a survey by McKinsey (SSE, 2016), a mapping of gender equality indicators of 95 countries found out that the inclusiveness of the female gender equally with males into the national economic workforce could add up to US$28 trillion (26% of annual global GDP by 2025).

Research also shows that companies with more diversity in terms of gender equality on boards or in executive positions perform better, as gender equality in the workforce would provide better financial performance.

Therefore, ASEA stock exchanges can play an important role in promoting gender inclusiveness in listed companies. This could also be done through raising awareness and enforcing commitment through the market stakeholders to start embracing the ideology. The SSE Ringing the Bell for Gender Equality event is a major milestone that was adopted by many SSE member exchanges such as the case of the Johannesburg Stock Exchange and the Egyptian Exchange.

A future recommendation to all ASEA member exchanges is to follow the JSE and EGX footsteps in accordance with the SSE initiatives to promote gender equality awareness to the local stakeholders by participating in ringing the bell for gender equality events and promoting women on the board of directors and in executive positions in listed companies. Furthermore, creating a room for reform across non-listed companies through engaging other market participants in the suggested dialogues would further extend the awareness of sustainability across the region.

It is also worthwhile to mention that a number of ASEA exchanges began initiating women empowerment and gender equality.
## Annex (1)

### Members of the ASEA Sustainability Working Group

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Mr. Mohamed Farid</td>
<td>Chairman ASEA-SWG</td>
</tr>
<tr>
<td></td>
<td>Chairman - The Egyptian Exchange</td>
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<tr>
<td>Ms. Temitayo Ade-Peters</td>
<td>Nigerian Stock Exchange</td>
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<tr>
<td>Mr. Hermann Fancho Traore</td>
<td>Bourse Regionale de Valeurs</td>
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<td>Ms Kofo Abiose</td>
<td>FMDQ Securities Exchange</td>
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<tr>
<td>Ms Lina Mushanguri</td>
<td>Zimbabwe Stock Exchange</td>
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<tr>
<td>Ms. Shameela Ebrahim</td>
<td>Johannesburg Stock Exchange</td>
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<tr>
<td>Mr. Ahmed Rushdy</td>
<td>The Egyptian Exchange</td>
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## Annex (2)

### Sustainability Facts and Figures in ASEA members

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<th>No.</th>
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*NR: No Response*
### Sustainability Facts and Figures in ASEA members

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<td>16</td>
<td>The Nigerian Stock Exchange (NSE)</td>
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<td>No</td>
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<td>17</td>
<td>Seychelles Securities Exchange (Trop-X)</td>
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<td>Stock Exchange of Mauritius (SEM)</td>
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<td>90%</td>
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<td>Tunis Stock Exchange (BVMT)</td>
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<td>No</td>
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<td>Zimbabwe Stock Exchange (ZSE)</td>
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<td>Yes</td>
<td>Yes</td>
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*NR: No Response*
## Annex (3)

### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASEA</td>
<td>African Securities Exchanges Association</td>
</tr>
<tr>
<td>BoD</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>EloD</td>
<td>Egyptian Institute of Directors</td>
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<td>ESG</td>
<td>Environmental Social and Governance</td>
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<td>ETF</td>
<td>Exchange Traded Fund</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<tr>
<td>S&amp;P</td>
<td>Standard and Poor</td>
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<tr>
<td>SDGs</td>
<td>Sustainability Development Goals</td>
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<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosures</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNEP-FI</td>
<td>United Nations Environment Program Finance Initiative</td>
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<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
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<td>UNPRI</td>
<td>United Nations Principles for Responsible Investment</td>
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<td>UN-SSE</td>
<td>United Nations- Sustainable Stock Exchanges Initiative</td>
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<td>WEPs</td>
<td>Women Empowerment Principles</td>
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<td>WFE</td>
<td>World Federation of Exchanges</td>
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<tr>
<td>WFE-SWG</td>
<td>WFE Sustainability Working Group</td>
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