



Beyond
the Balance Sheet

AN INNOVATION OF



**International
Finance
Corporation**
WORLD BANK GROUP



Exploring the Frontier of Best Practice in Environmental Disclosure Policies

December 12

Opening Remarks



Ralitza Germanova
Corporate Governance
IFC Disclosure and Transparency
Program
IFC

LinkedIn QR



Opening Remarks



Pietro Bertazzi
Global Director

Policy Engagement and External Affairs
CDP

LinkedIn QR



Speakers

Evan Guy
CDP



Ralitza Germanova
IFC



Daniel Petrovics
Research Consultant



Anthony Miller
UN SSE initiative



Daniela Baccas
CMV Brazil



TODAY'S AGENDA

Duration	Content
14 min	OPENING REMARKS
10 min	Context, methodology, and approach
8 min	Analysis of best practices in developed economies
8 min	Analysis of best practices in developing economies
5 min	Final recommendations
25 min	Panel discussion and Q&A
5 min	Closing and next steps

Learning objectives

1. Showcase the report's analyses and findings, which spanned 38 jurisdictions
2. Share practical examples for developing high-quality regulations, based on five criteria developed by CDP for successful mandatory disclosure
3. Explore the future of environmental disclosure policy
4. Provide lessons for jurisdictions looking to build their own environmental disclosure policy frameworks

Context, methodology, and approach

Daniel Petrovics
Research Consultant

Context

1. **Environmental information** at the forefront of **information demands**
2. **Proliferation of sustainability reporting** across developed economies
3. Shift **from voluntary disclosure to mandatory** requirements
4. Majority of (environmental) **risks and opportunities** to be found in developing economies
5. **Opportunity for financial regulators** to introduce more granular and efficient policy
6. **Opportunity to leapfrog** policy and reporting practice alike in developing economies

Methodology and Approach

1. Review of over 100 policies – regulation, laws and codes
2. 38 jurisdictions in focus – primarily in IFC countries
3. Aim: to understand **how policy may influence** mature **reporting practice** and to understand what **best-practices** exist in **policy**

Methodology and Approach

Analysis through the lens of 5 criteria developed by CDP on high-quality mandatory disclosure:

1. **Environmental integrity**, addressing sustainability-related financial disclosures as well as impact on people and planet, with a holistic environmental approach
2. Ensure **compatibility of disclosure standards** required or recommended
3. Provide an **enforcement system**
4. Adhere to **technical quality and content** of the reporting process
5. Allow **space for innovation** and more mature disclosure

Summary of Key Findings

1. Shift from voluntary to mandatory is well under way
2. Varying degrees of granularity in policies
3. No policy to-date meets all 5 criteria set out by CDP
4. Notable examples of best-practices for each criteria across the board
5. Notable examples of best-practices also found in developing economies

Analysis of best practices in developed economies

Evan Guy
CDP

Developed Economies – Environmental Integrity

Box 3.1 Summary: Best Practices Linked to Environmental Integrity

- ▶ Grounding preambles in broad policy frameworks
- ▶ Incorporating long-term planning
- ▶ Establishing board responsibility in managing environmental impact and reporting
- ▶ Connecting investment focus with objective and including tools for investment screening
- ▶ Admitting and mitigating existing shortcomings of nonfinancial reporting
- ▶ Not limiting focus to sustainability-related financial disclosures but including impacts on people and the planet to ensure that the goals of the Paris Agreement and the 2030 Agenda are met



Environmental integrity, addressing sustainability-related financial disclosures as well as impact on people and planet, with a holistic environmental approach

Developed Economies – Compatibility of Disclosure Standards

Box 3.2 Summary: Best Practices Linked to the Compatibility of Disclosure Standards

- ▶ Reference to and requirement to use various reporting frameworks
- ▶ Constructive engagement with various frameworks
- ▶ The illustration of what the strength of various frameworks are and where they may be applicable
- ▶ The illustration of where overlaps and alignments between existing frameworks are found



Ensure compatibility of disclosure standards required or recommended

Developed Economies - Enforceability

Box 3.3 Summary: Best Practices Linked to Enforceability

- ▶ The establishment of monitoring responsibility and a relevant authority with sufficient enforcement powers and funding to carry out its mandate
- ▶ The introduction of penalty measures for noncompliance with reporting obligations

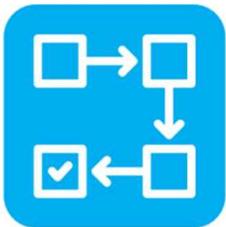


Provide an enforcement system

Developed Economies – Technical Quality & Content

Box 3.4 Summary: Best Practices Linked to Technical Quality and Content

- ▶ The digital tagging of information
- ▶ Balancing the reporting burden for SMEs
- ▶ Spelling out metrics based on existing reporting frameworks
- ▶ Connecting to technical initiatives such as Science-Based Targets
- ▶ Ensuring the continuous update of data
- ▶ Setting a clear timeframe for reporting obligation
- ▶ Requiring the use disclosure systems, which aggregate information



Adhere to technical quality and content of the reporting process

Developed Economies - Innovation

Box 3.5 Summary: Best Practices Linked to Innovation

- ▶ Invitation or incentives to implement latest developments in metrics, targets, and reporting frameworks
- ▶ A focus on models of best-practice reporting
- ▶ A focus on the audience and purpose of policy



Allow space for innovation and more mature disclosure

Analysis of best practices in developing economies

Ralitza Germanova
IFC

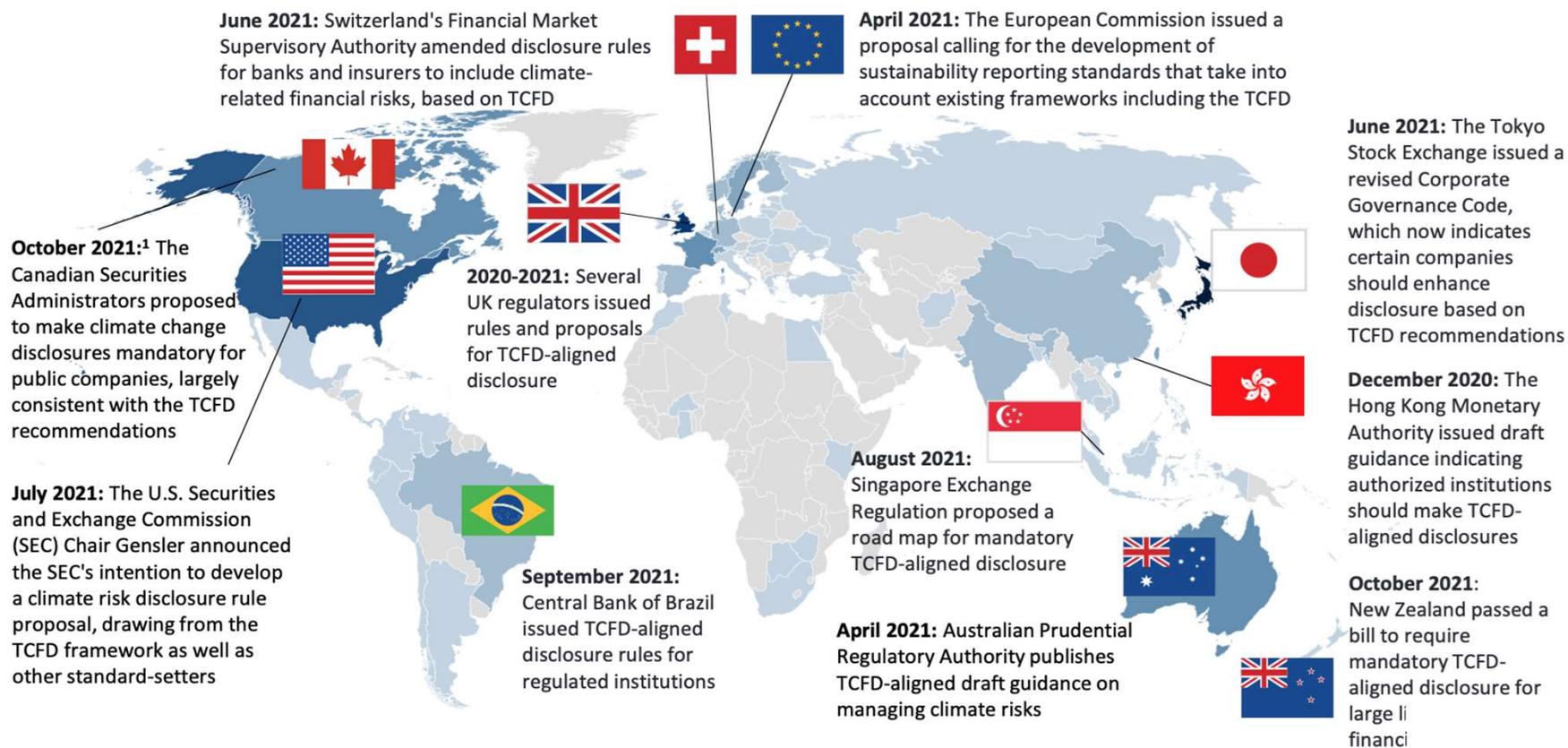
Regulation on ESG Disclosure



MARKET REGULATORS AND STOCK EXCHANGES

A Gateway to Sustainable Finance for Emerging Markets

The climate regulatory movement



Source: [TCFD Fundamentals Workshop](#)

Best practices in developing economies/1



Environmental integrity, addressing sustainability-related financial disclosures as well as impact

on people and planet, with a holistic environmental approach

Recommendation:

1.) Consult broad, global frameworks to better understand the overall trends in the environmental agenda.

Assess how the Paris Agreement, SDGs and the upcoming Global Biodiversity Framework are applicable to your local jurisdictions and how as (financial market) regulators you can frame policy within these overall frameworks.

Next to this, scope out potential linkages in already existing regulatory frameworks to see if any type of specific disclosure requirement or data collection process exists. If so, link it to your disclosure requirements to ensure quick wins.

Best practices in developing economies/2



Compatibility of disclosure standards

Recommendation:

2) Familiarize with the various reporting frameworks, their purpose and use.

Pay specific attention to the various conceptions of materiality - bearing in mind the concept of **double materiality** - and what this may mean for the purpose of your policy.

Include explicit references to various frameworks and if multiple are mentioned, make the rationale explicit for why these reporting frameworks are chosen and who is best suited to use them.

JSE's Sustainability and Climate Change Disclosure Guidance



Leading the way for a better tomorrow
Sustainability and Climate Change Disclosure Guidance
Public commentary closes on 28 Feb 2022
www.jse.co.za
JSE
let's connect
in support of
Approved by

Best practices in developing economies/3



Enforceability

Recommendation:

3.) Incorporate enforcement mechanisms in policy.

To this end, ensure that non-compliance with policies carries repercussions and that there are appropriate actors equipped with capacity to monitor non-compliance and implement enforcement measures.

Best practices in developing economies/4



Technical quality
and content

Recommendation:

4.) Ensure the quality and content of the information disclosed is appropriate for its intended use.

- The digital tagging of information,
- Proportionalizing the reporting burden for different types of reporting entities (e.g. SMEs) and graduate reporting practice over the years,
- Set up KPIs;
- Connecting to technical initiatives such as Science Based Targets,
- Ensuring the continuous update of data,
- Ensure timely disclosure

Best practices in developing economies/5



Innovation

Recommendation:

5.) Ensure the timely incorporation of developments in reporting frameworks, potentially at the level of metrics and targets.

Ensure reporters have a good understanding of what is best-practice reporting (including long-term targets), not only minimum disclosure.

This can be done through providing trainings on good reporting practices for example.

BEYOND THE BALANCE SHEET

Enhancing Disclosure,
Transparency, and Communication



IFC's Beyond the Balance Sheet Toolkit and Program aim to enhance confidence and investment opportunities in emerging markets by improving the quality of corporate reporting by focusing on the most important components of an annual report – strategy, governance, risk management, and performance.

D&T FRAMEWORK

Helps disclose material aspects of:

- Strategy & sustainability
- Corporate governance
- Financial & non-financial performance
- Streamlined all reporting frameworks

ONLINE PLATFORM

Facilitates continuous process:

- Exploring global, local, industry resources
- Self-paced learning modules, blended with webinars
- Assessing via annual report self-assessment tool

CAPITAL MARKETS

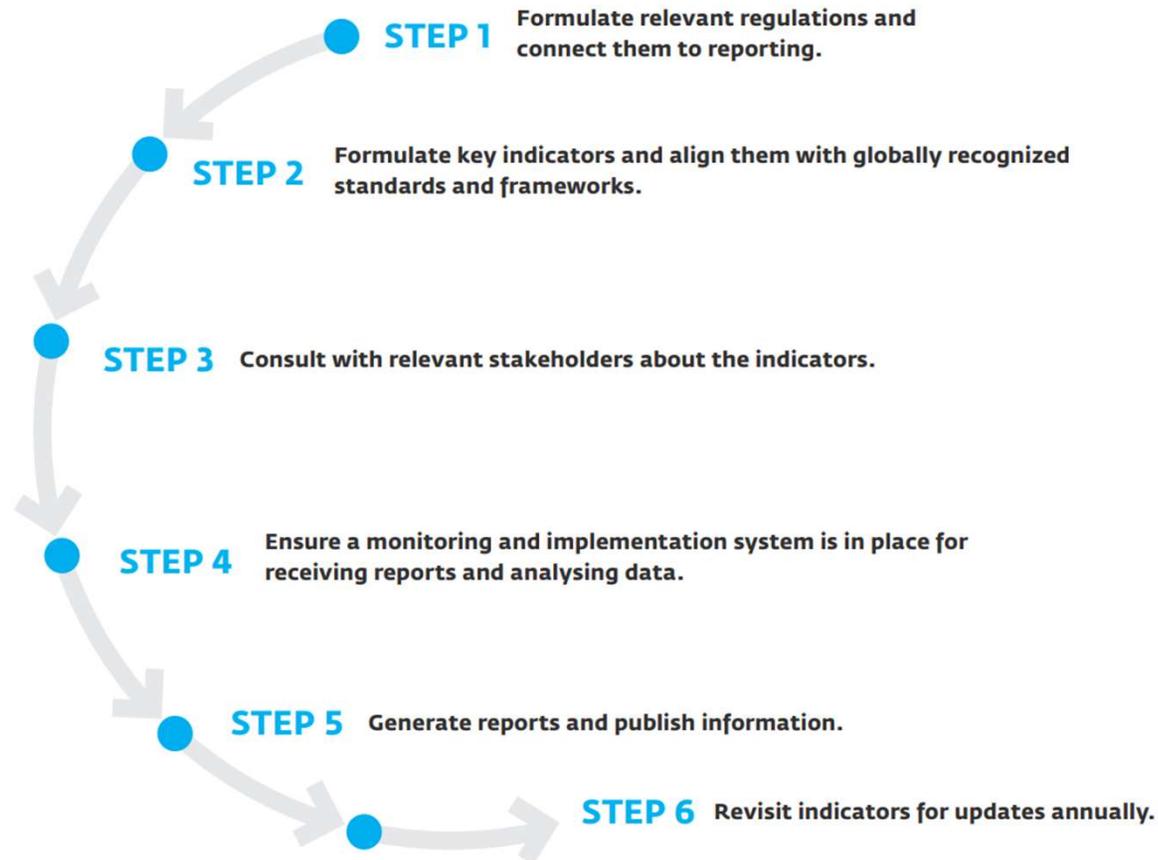
- Policy support to stock exchanges and regulators, developing 145 codes & laws, 30 scorecards and 15 ESG reporting guidelines
- Strategic partnership with UN SSE

Final Recommendations

Evan Guy
CDP

Developing Economies Analysis

Policy Recommendations



Analysis of Best Practices in Environmental Disclosure Policies

A review of 101 policies worldwide based on Five criteria for high-quality disclosure



Panel Discussion



Anthony Miller

Coordinator

**UN Sustainable Stock Exchanges
Initiative**



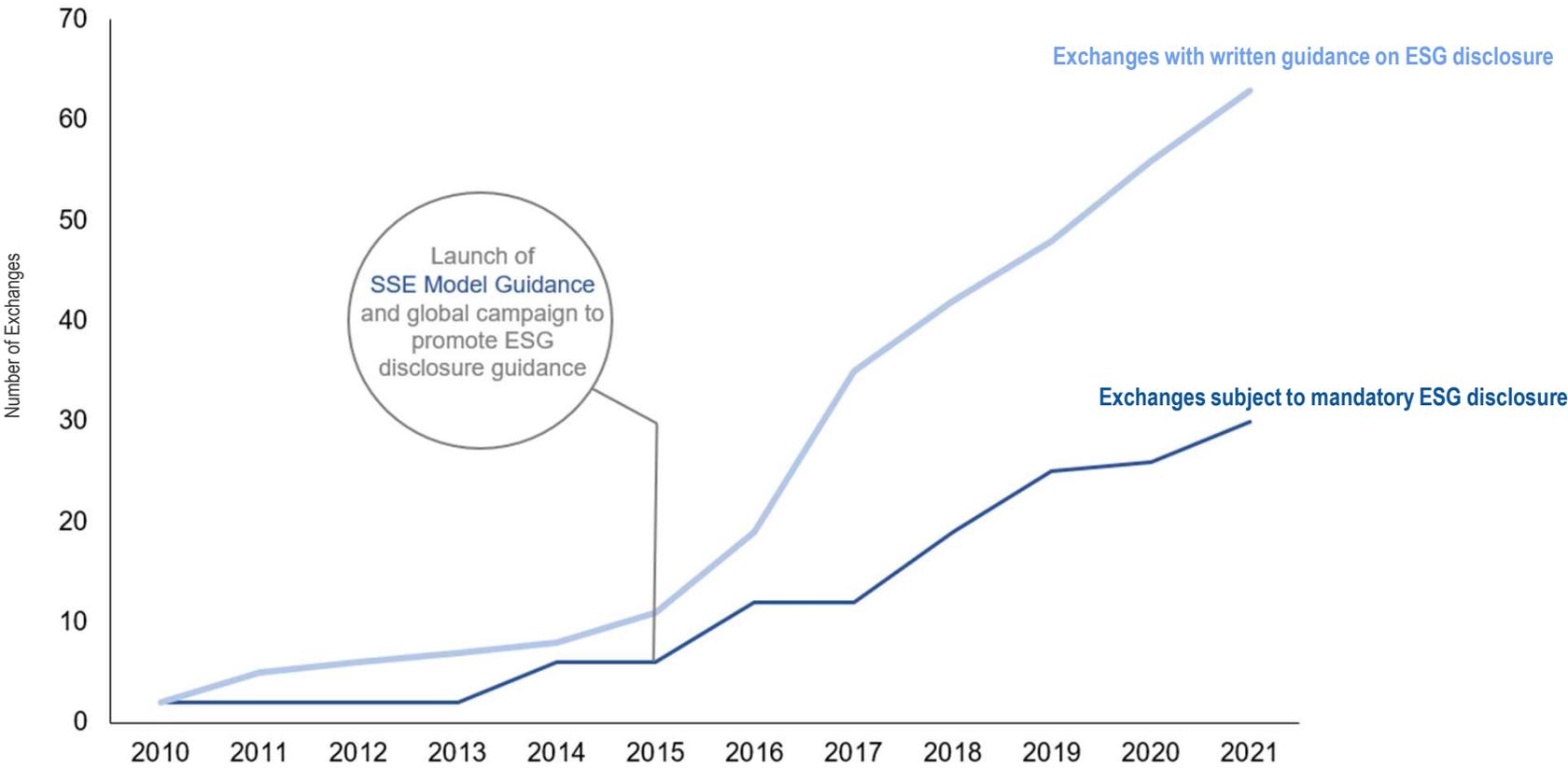
Daniela Baccas

Lead, Financial Innovation
Laboratory

**Securities and Exchange
Commission, Brazil**



Monitoring the Market





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Contact Details

CDP

Evan Guy: Evan.Guy@cdp.net

UN SSE

Anthony Miller: anthony.miller@sseinitiative.org

IFC

Ralitza Germanova: rgermanova@ifc.org

