The Securities & Commodities Authority Master Plan for Sustainable Capital Markets

Introduction

The UAE's commitment at a national level to sustainable development is at the heart of the country's vision for its future and its national development plan. The UAE Vision 2021 aims to make the UAE among the best countries in the world by the Golden Jubilee of the Union. One of the vision's pillars is "*sustainable environment and infrastructure*". The UAE Government wants to achieve the perfect balance between economic and social development through sustainability. Several national key performance indicators have been set for that and we all have a role to play in supporting these goals. The United Nation's set of 17 Sustainable Development Goals that aim to provide better living conditions for all, are part of UAE's 2030 Agenda for Sustainable Development. The UAE's government realizes that long-term growth requires strategies ranging from preserving the environment to promoting social welfare and fostering trust in its enterprises through strong governance practices. From the perspective of financial markets, the ultimate goal is to promote financial stability and long term economic growth.

SCA's Role

Financial markets provide the lifeblood of the economy and directs and allocates available capital to its most efficient uses, hence, it has a very big role to play in aligning the goals and incentives of its participants to the goals of sustainability. It is believed that capital markets will act as a catalyst for sustainable development through raising market-based financing to provide capital that complements government spending on sustainable development projects, and integrating sustainability into the corporate world in every step in the economic value chain. Research shows that sustainable development issues are not as much the problem of a deficiency in availability of capital, as it is an issue of the mispricing of sustainability issues and the resulting misallocation of capital.

Financial regulators can play a critical role in providing an enabling environment and an appropriate framework that shifts the behavior of industry participants to achieve desired outcomes, which in this case is a focus on long term sustainability. Ensuring a financial regulatory framework that is conducive for sustainable and green investment requires an array of policy decisions and activities to encourage the investment community to focus on long-term sustainable investment. By putting in place specific regulatory policies, regulations, tools, instruments and mechanisms regulators can create a shift in the mindsets to long-term sustainability-conscious investing, facilitate the required market transition, realign the market incentives, reduce risk, improve market liquidity, and provide a complete functional ecosystem that supports sustainable investing and sustainable finance.

A recent report by SSE Initiative titled "How *securities regulators can support the Sustainable Development Goals"* identifies five action areas where securities regulators can contribute to a more stable and resilient financial system that better supports the SDGs. These are:

1. Facilitate investment to support the delivery of the SDGs: Aid investment flows towards achieving the SDGs via financial products.

2. Strengthen corporate sustainability-related disclosures: Improve the quality and quantity of disclosure on environmental and social data.

3. Clarify investor duties on sustainability: Guide investors on the integration of sustainability into their decisions.

4. Strengthen corporate governance to support sustainability: Introduce board responsibilities related to environmental and social factors.

5. Build market capacity and expertise on sustainability: Facilitate the training of market participants on sustainability topics.

One of the key actions required on behalf of regulators is to "*produce or support the development of national or regional roadmaps for sustainable finance, which include actions to address gaps or barriers*"; accordingly this master plan aims to meet this objective.

SCA as a policy maker and a government regulator of one of the key drivers of the economy, the capital markets, has taken on itself the responsibility to use its role as a regulator and facilitator of the UAE capital markets, to actively support the achievement of the UAE national sustainability agenda through all areas that fall within its purview. These area include but are not limited to: providing new cost-effective means for obtaining finance for sustainable projects and ventures, enhancing corporate governance practices in companies that incorporate sustainability in their strategic decision making, promoting high quality disclosure of sustainability related matters, encouraging investors and those who act on their behalf to become strong advocates of sustainable investing and providing them with the information, tools, channels and instruments to do so, and incorporating the concepts of sustainability into its regulatory policies wherever possible and relevant. As a regulator, SCA's role is to help create an enabling environment for both suppliers and users of capital.

Key objectives:

The key objectives of SCA's Sustainable Capital Markets Master Plan are:

1. Provide channels for funding of sustainable projects including those that support the environment, society and economy; and reallocate available capital to more sustainable projects.
2. Encourage corporates and their management to shift towards more effective sustainable practices.
3. Provide investment opportunities and information to investors to invest in such projects and allow them to make better decisions in this regard.
4. Create awareness with all market stakeholders on the importance of sustainability and their respective role in supporting it through their actions.

Key challenges

SCA's research and discussions have revealed that the key perceived challenges for capital markets to become drivers of sustainable investing, are:

- The limited understanding of the broad scope and implications of sustainability beyond corporate social responsibility.
- Lack of clear common taxonomy, definitions, classification standards and labels.
- Lack of awareness on the parts of many investors on the very significant role they can play in sustainability matters through their capital allocation decisions.
- Short termism in investment decision making.
- Misconceptions about the risk-return profile of sustainable investment.
- Lack of sufficient investment opportunities or access thereto for interested investors.

- Lack of sufficient, structured, good quality information that is available to investors to allow them to make informed decisions.

SCA's Master plan for supporting sustainable capital markets

SCA has developed this master plan to guide our conversation with stakeholders and to help share our vision and perspectives with all relevant parties as well as the public. This plan will be executed in collaboration with key partners and stakeholders.

As mentioned earlier the plan was developed through consultation with key stakeholders, as well as by looking at best practices and international leading examples.

The plan is comprised of 7 key pillars (set out in more detail in the next section):

1) Taxonomy, classification and standard setting.
2) Legal and regulatory framework.
3) Market platform and investment instruments.
4) Corporate Governance and stewardship.
5) Transparency and disclosure.
6) Awareness and education.
7) Awards and incentives.

While each pillar seems to be self-contained and can be implemented separately through key well laid out initiatives, there are common themes that run through all pillars making their success dependent on the successful implementation of the other key pillars. Some of these common themes that run through all pillars are: *responsible investing, transparency and disclosure, awareness, stewardship, incentives, standards, guidelines, innovation, stakeholder engagement and cooperation*. In this way all components of the plan are interlinked.

The strategy set out in this Master Plan is a first essential step in moving towards a nationwide capital market that supports sustainability, and needs to be complemented by measures in other areas, requiring concerted efforts from all relevant actors, to achieve its full potential in making the UAE's financial markets amongst the leading markets in this area. SCA aims at completing the implementation of this plan by mid-2020.

Key Pillars of the Master plan

1) Classification and Standard setting

The aim of this pillar is to create one common language that all participants in the market share and use. One of the challenges faced by many investors currently in the area of sustainable investing is the inconsistent use of the nomenclature and terminology when discussing and referring to investments that meet certain sustainability or responsible investing principles, as well as the lack of clarity on the criteria and standards used to decide which instruments meet such classification and to what extent. This makes it difficult for investors to identify what instruments are available that truly meet their sustainability or environmental-social-governance (ESG) criteria or objectives. The wide majority of investors may not be able to easily obtain and process the data and information required for such classification, so they may need to depend on other entities such as markets, regulators, suppliers of information services, or other specialized firms such as certification and assurance services to carry out this task on their behalf and help provide that added level of credibility and trust in such classifications and labels.

SCA will be working closely with local securities exchanges and other regulators both locally and regionally as well as consulting with international standard setters and organizations including the IOSCO to develop a set of harmonized guidelines, including taxonomy, and standards for how instruments are to be classified, labeled and certified according to their level of compliance with a set of internationally accepted benchmarks and standards, and what other requirements are to be met based on these guidelines.

These guidelines will be used by the different stakeholders including issuers, board and management of listed companies, shareholders, investors, asset managers, certification agencies, index providers, etc. These guidelines, amongst other things, will include principles that issuers need to comply with, and guidance on the actions to be taken to have their instrument certified or labelled as sustainable or green, and maintain such classification.

The fact that these guidelines will be based on commonly accepted international standards will also make new local issues of financial instruments more marketable and attractive to the international investor community which comprises a large pool of investable assets, and eases comparison for investors with other products available in international markets.

SCA recognizes the importance of independent third party certification to provide the level of credibility and marketability to investors both locally and internationally. SCA will also consider the role that external auditors and rating agencies can play in this area. SCA is also looking at how it will support these entities to ensure the availability of such services to the stakeholders in the local markets.

2) Legal and regulatory framework

The ultimate goal of our initiative is to create a gradual yet lasting change in the culture and mindsets of all the entities we regulate in relation to their role and responsibilities towards achieving sustainability, each within their area. Through our continuous dialogue with key stakeholders such as financial institutions, investors, publicly listed companies and exchanges, and other local regulators, we realize that as a regulator our toolbox includes a rich and diverse set of instruments and methods to use to achieve this goal. We realize that while mandatory requirements and imposing regulatory obligations, have the ability to achieve quick results, they may not always be the best route to effect a long term change based on a true apprehension of the underlying principles and goals of the initiative. Hence SCA intends to use a combination of (1) *incentives and voluntary implementation on the one hand*, and (2) *mandatory regulatory requirements* on the other, either implemented simultaneously or each being rolled out at a different stage of the implementation of this master plan to achieve the intended results and create a path of least resistance and minimal added regulatory burden on the affected entities.

As for prospective issuers seeking funding whether it is for their current activities or new projects that contribute to the sustainability drive, SCA is looking to make it easier, more attractive and less costly for them to access capital markets for their financing needs. Such incentives may include fast track issuance and registration process to speed up the process of issuing securities, a waiver of certain "burdensome" requirements without compromising the quality of regulations aimed at protecting investors and the markets, waivers of certain registration and listing fees that contribute to the cost of issuing securities, classification and labeling of the issue as "green" or other similar labels which provides these issues with higher visibility and clear classification to interested investors hence attracting more liquidity and capital.

In relation to investors and those acting on their behalf such as investment intermediaries, it would be difficult to impose mandatory obligations to shift their preferences towards sustainable investments, as such decisions are mainly driven by risk-return considerations, and investment mandates. Hence, SCA will use tools such as creating awareness of the important role that investors can play, and exploring the use and effectiveness of other incentives to encourage the transition to sustainable investments. Such incentives are subject to further discussions and study with other relevant entities such as stock exchanges like offering reduced trading costs. Other countries offer tax incentives, however as taxes are not a big consideration for UAE markets it may not necessarily be very helpful at this stage.

Specific other changes will be made to disclosure, transparency and governance requirements for both groups as explained in the respective sections below.

3) Market platform and investment instruments

Studies and anecdotal evidence show that a huge gap exists between the amount of capital investment required to transition to a sustainable economy and the actual level of investment made in these areas. Such discrepancies, if not addressed, may cause significant roadblocks in the achievement of sustainable development goals. Hence capital markets can act as a catalyst in mobilizing private sector capital to sustainable investment opportunities. There is an important role that policy and regulatory intervention can play here. One of the key ideas behind this master plan was to develop and grow both the demand and supply sides for sustainable investments, by helping providing all the tools required to bring both sides together in the most effective and efficient manner and provide them with the market mechanisms and tools to allow them to achieve their financing / investment objectives. These include but are not limited to: the provision of listing and trading platforms, the provision of products and instruments, access to high quality information, and intermediation services.

One of the proposed initiatives is to support local exchanges in exploring the idea of developing dedicated trading platforms or new market segments for these instruments, similar to experiences in other countries. Providing such trading platforms will improve liquidity of these instruments and create visibility for them for interested investors. The existence of these markets and tools will also help the investing community quantify, measure, price and manage the costs, risks and returns associated with sustainability. This will require clear classification guidelines and common taxonomy agreed on with markets and in line with international standards. SCA will also support the securities markets in developing listing guidelines for such labeled sustainability products, and for inclusion in these market segments. We envision that markets will have easily accessible lists or platforms of green investable products, such as explicitly green companies that newly issue stocks, green bonds and sukuk that comply with certain standards relating to use of proceeds and others, or currently listed issuers that would be classified based on their level of ESG, green or sustainability compliance.

Some of the instruments that are currently being contemplated are stocks, bonds, sukuk, asset-backed securities, collective investment vehicles, derivatives, benchmarks and indices. SCA will also work with exchanges and other relevant entities to develop other innovative financing and investment ideas.

The development of sustainability indices can also be extremely valuable in providing investors with tools and mechanisms for sustainability-aligned investment strategies. Such indices allow investors to specifically gain exposure to such investments that score high on the sustainability continuum or the ones that are focused on industries related to sustainability. These indices tend to serve two purposes: providing the basis for investable instruments, as well as providing valuable information for investors. The development of a variety of investable sustainability indices or those based on ESG related factors for example can provide easy entry routes to interested investors and provide benchmarks for investment managers interested in taking first steps into the area of sustainable investing. As the demand for these indices grow with the increased levels of awareness and the growing body of sustainability-aware investors, many companies will be encouraged to voluntarily improve their practices in order to be admitted to such indices or even stay in turn and attract publicity as well as fresh capital. SCA will be working closely with exchanges and index developers and publishers as well as other relevant parties to support in the creation of such indices with geographic or sector focus.

SCA can help exchanges and financial intermediaries develop a range of investment tools and structures to cater to investors with different needs, return objectives and risk appetites. Pooling vehicles that provide the opportunity to invest in a diversified portfolio of projects, companies or even asset classes offer a very valuable mechanism to investors concerned about the risk element. Securitization may also be considered as another useful tool.

Often investors perceive the types of projects that support sustainability investments as having a higher risk profile than other conventional investments, given the regulatory, commercial and technological uncertainty involved in such projects. By providing instruments for the transfer or sharing of these risks this problem could be mitigated. Islamic finance instruments as well as derivatives could have an important role to play here.

SCA may also consider encouraging and facilitating the process for prominent government entities to issue green finance instruments such as bonds and sukuk denominated in dirhams and available to retail investors in the UAE. This will act as both a strong message to the markets and provide some low-risk investment opportunities for interested investors as such demand grows with the awareness initiatives that will be rolled out. SCA will engage in an active dialogue with key stakeholders including potential issuers, financial institutions, and legal advisory firms to identify any challenges, and steps required to move this idea forward.

Another important element is the access to data and information related to available instruments and funding opportunities. The securities market, information services providers, and research firms will play a key role in performing this function and SCA will be working closely with these entities to support them.

4) Corporate Governance and stewardship

The pressure from capital markets on corporates for achieving short-term results may have in the past led to losing sight of the importance of long term value creation for shareholders' by top management in ways that support sustainability. There are many areas where corporates can act as a driving force in promoting sustainability including disclosure, supplier and value chain decisions, corporate governance practices, diversity, reducing environmental impact, etc.

We aim to gradually work through the different tools we have at our disposal to shift the focus to long termism and sustainable practices. SCA is currently in the process of reviewing and revising the corporate governance rules, with sustainability factors taking center stage. More disclosure and transparency requirements including integrated reporting, board of directors' accountability and stewardship, diversity in board composition, linking executive remuneration to sustainability performance targets, etc. are some of the things that will be included. Companies' boards of directors will also have to start incorporating ESG risks in their risk management frameworks. SCA will aim to incorporate in its guidance an upgraded definition of "*acting in the best interests of shareholders, and investors*", for board of directors, and others acting on behalf of investors.

SCA corporate governance rules will incorporate a lot of lessons learned from the past as well as adopt international best practices, principles, standards, and inputs from consultants and industry practitioners. These rules will be applied on a "*comply or explain*" basis initially as is the current state of affairs in most jurisdictions, with a possibility to phase in mandatory requirements within a two to three years time frame.

A lot of training and awareness will be included to educate boards of listed companies on their modified and new responsibilities and create a long lasting culture of sustainable practices. The aim is to incorporate sustainability into corporate decision making at the highest levels, and where sustainability becomes a key factor in management strategy.

SCA also realizes how important is the role of investors in directing the policies and long term decisions of their investee firms. Investors whether acting on their own merits or through asset managers can engage actively with company management to help improve long-term performance views and shift the focus to sustainability when considering risk-adjusted returns, hence improving shareholder value in the long run. High-level of engagement from key actors, and shareholders, the investors themselves, for e.g. through their voting rights and shareholder resolutions have demonstrated that they can play a significant role in encouraging corporations to be more responsive to environmental and sustainability concerns. Investors, as shareholders, can use information and data that encourage the companies they invest in to account for and be more transparent over environmental risks, exposures and performance. From SCA's perspective this will be promoted and encouraged through the awareness activities that constitute an integral part of this plan. SCA may also play a role in encouraging institutional investors to report on how they are exercising their stewardship responsibilities, delivering on their ESG responsibilities to beneficiaries, and contributing to the delivery of the SDGs.

5) Transparency and disclosure

As securities regulators, we recognize that the disclosure of the economic impacts of climate change and other social and governance factors were not only relevant to, but arguably central to, our key objectives: to protect investors, to ensure that markets are fair, efficient, and transparent, and to reduce systemic risk. Transparency is important as it ensures that sustainability-related risks, which have become significant and financially material, are properly identified and communicated, according to the requirements of the various stakeholders, as well as helping with the correct pricing of assets to incorporate all these important factors, address the information asymmetry, and support the efficient functioning and liquidity of the markets.

Transparency by companies allows investors to make more informed decisions, better evaluation the investment risks and opportunities, and better valuation of company securities taking into account ESG factors. It also acts as a mechanism through which investors, shareholders and the public at large can exert the necessary influence on companies and the investment industry to act in the best interests of the investors and the society at large, by directing capital to companies that positively contribute to sustainability.

Listed companies will be required to either issue separate sustainability reports alongside their annual and/or periodic reports, or integrate financial and non-financial data in their annual reports. The aim is to provide all relevant and material information related to sustainability and show how the companies are performing on relevant metrics and how these factors are affecting the company's strategy and performance.

The content of these reports will be based on internationally recognized standards such as those issued by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), International Integrated Reporting Council (IIRC), Task Force on Climate-related Financial Disclosures (TCFD) and the Climate Disclosure Standards Board (CDSB). Further consultation will be carried out with the markets to decide which standard(s) will be adopted to ensure consistency in reporting by domestic entities and/or whether the choice of standard(s) will be left to the reporting entity. Using such standards help companies communicate their ESG impacts to capital market players, including investors, data analysts, market regulators and stock exchanges, in a consistent and efficient manner.

Timing, periodicity, scope, materiality and level of granularity required for the reported information will need to be considered carefully in order to maintain a balance between providing the information needs of the investors in the most comprehensive and timely manner without compromising on efficiency and quality of the reported data.

Local stock exchanges will have a very important role to play in promoting sustainability-related disclosure. SCA will be working closely with stock exchanges to implement reporting requirements through SCA's regulations including securities issuing and listing, transparency and disclosure rules, and exchange listing requirements. Stock exchanges will also be playing a role in overseeing compliance by listed companies. Exchanges may wish to develop their own reporting guidance for issuers in line with standards agreed and adopted by SCA. They will also play an active role in the implementation of these standards by means of educating listed issuers on the importance of such reporting and how to do it, and ensuring that the supply of sustainability information is aligned with investor's needs.

External auditors will need to consider their evolving role in providing the required assurance for corporate sustainability reports.

The issue remains whether standards should be voluntary or mandatory. Voluntary guidelines may not be sufficient for to make sustainability considerations integral to capital allocation decisions, or achieve the long term benefits of embedding sustainability mindsets into the corporate and investment culture. Mandatory sustainability reporting standards are now implemented on a very basic level and is only on a "*comply or explain*" basis in the corporate governance rules, whereby listed companies are currently required to include in their annual reports a description of their corporate and social responsibility activities and practices or, if there are none, a statement to this effect.

Data and information providers will also play a key role. Data aggregation and research and analysis services will provide valuable tools for investors to better obtain, process and use the available information.

SCA will also working with other regulators to impose two sets of requirements on institutional investors and asset managers that cross a specific threshold of value of assets under management to: integrate sustainability factors in investment analysis and investment decision-making processes, as part of their duties towards investors and beneficiaries; and to provide disclosures on how they integrate sustainability factors in their processes or explain why they are not doing so.

6) Awareness

SCA realizes that one of the most important drivers and indeed success factors of driving the capital markets towards supporting sustainability is creating awareness with all participants and stakeholders. Many formal and informal studies show that most investors and company shareholders do not realize how important their role is in pushing the drive towards sustainable practices in the companies they invest in and what they can do to effect their role. Board of directors of companies also need to be educated on how to incorporate sustainability in their companies practices, policies and procedures as well as day to day operations and how the tone at the top sets the organizational culture and practices and can have significant ripple effects on the full supply chain including supplier and sourcing practices. Many investment professionals do not have the knowledge and expertise needed to ensure that their decisions are consistent with long-term sustainability objectives. The skills and knowledge gap that many investment professionals have in relation to understanding sustainability risks will be addressed in CPD programs offered by SCA. In many instances, they lack the ability to identify, assess and adequately monitor sustainability risks within an investment strategy, particularly regarding the allocation of capital towards "sustainability"-focused assets.

One of the goals of these awareness and education programs for investors, specially institutional investors is to debunk the misconceptions and myths associated with sustainable investing specially as it related to the risk-return profile and pricing.

SCA has developed a comprehensive awareness and education program, with the aim of playing an active role in educating a very wide spectrum of audiences on the importance of sustainability and how capital markets can play a significant role in promoting and supporting sustainability. SCA is currently working with many partners from both the private and public sector to implement this program. These include ministries, government related entities, educational institutes, media, industry associations, consultants and international organizations. These entities will provide expertise in developing the educational material, support in reaching the largest coverage for the intended audiences and delivering the educational content in the most effective way to the intended audiences.

The proposed content and channels for delivering these awareness programs for each of the target groups is detailed in (Appendix 2).

7) Awards and incentives

SCA will be working with other public and private sector entities that advocate sustainability to launch awards and recognition programs to highlight best practices so companies can learn from one another, encourage and recognize companies that have taken significant steps or have made important progress in terms of implementing sustainability related practices, and create a sense of competition in terms of publicity and working towards clear goals. It also helps build an incentive and an internal drive and willingness on the part of these entities to implement sustainability, hence creating a value-based culture and change in behavior within their institutions and their policies. These will be based on evaluating both actual practices at the companies as well as disclosures made by these companies related to their initiatives.

SCA's financial intermediaries classification system will include elements of ESG and will take into consideration all practices and activities performed by licensed entities to contribute to sustainability whether through their internal operations, investment management activities, financial inclusion, research activities, training and awareness, or other.

Stakeholder Engagement and Partnerships

SCA has been actively engaging with key stakeholders on all levels including federal and local government authorities, financial institutions, institutional investors, industry associations, academics and other private entities to look at where we can collaborate, innovate, and create synergies to support one another in implementing the UAE's and SCA's sustainability plans. SCA has conducted several one-on-one meetings as well as roundtable discussions and focus groups to collect information and seek advice and support from key partners as well as the financial and investment industry. SCA will continue to consult with its partners and maintain an active dialogue on all levels and through a wide range of tools to seek inputs and feedback from relevant players to ensure that we obtain the full spectrum of perspectives and capitalize on the diverse wealth of knowledge and expertise available to us.

SCA will also be working with many public and private sector entities to execute this master plan and will act as a catalyst and a facilitator to other important players such as the stock markets and licensed entities.

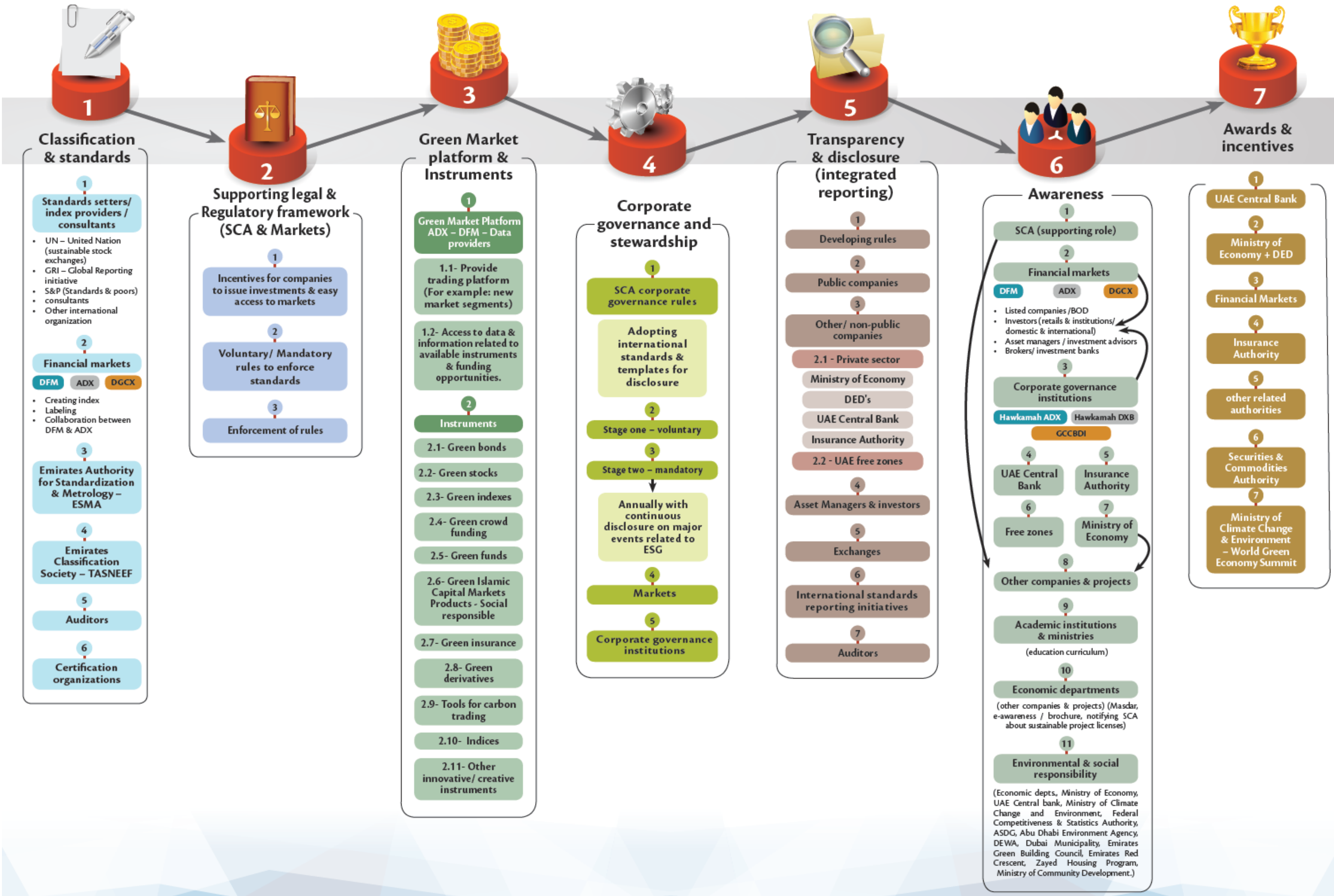
Steps Forward

SCA will start rolling out this masterplan by carrying out specific tasks and activities required for implementing the constituent pillars of the plan as detailed below:

Action	Legislative / Non-legislative measures	Stakeholders and partners	Expected completion date
Set up a consultative group composed of all partners from both public and private sector	Non legislative	Relevant entities from public and private sector	January 2019
Develop a set of harmonized guidelines, including taxonomy, and standards for how instruments are to be classified, labeled and certified according to their level of compliance with a set of internationally accepted benchmarks and standards, and what other issuance and listing requirements are to be met based on these guidelines. This will be based on international standards.	Legislative	• local securities exchanges • Other local regulators • International standard setters	H1 2019
Revision of issuance and listing rules to: • offer fast track issuance and registration process for issuing securities that meet the requirements of sustainability / green, a waiver of certain "burdensome" requirements • Waivers of certain registration and listing fees that contribute to the cost of issuing securities, classification and labeling of the issue.	Legislative	• Securities markets	End 2019
Explore with stock exchanges offering trading incentives for listed instruments classified as sustainable (e.g. reduced trading costs)	Non-legislative	• Securities markets	H1 2019
Support local exchanges in exploring the idea of developing dedicated trading platforms or new market segments for these instruments.	Non-legislative	• Securities markets	2020
Work with exchanges and other relevant entities to develop of investable sustainability indices or those based on ESG related factors	Non-legislative	• Securities markets • Specialized consultants and service providers	H2 2019
Work with exchanges and other relevant entities to develop other innovative financing and investment tools (including stocks, bonds, securitized products, funds, derivatives, etc.…)	Non-legislative	• Securities markets • Financial intermediaries	2020
Encouraging and facilitating the process for prominent government entities to issue green finance instruments such as bonds and sukuk denominated in dirhams and available to retail investors	Non-legislative		2020

in the UAE.			
Working with securities market, information services providers, and research firms to provide data and information services related to sustainable investments.	Non-legislative	• Securities markets • Specialized consultants and service providers	H1 2019
Reviewing and revising the corporate governance rules, with focus on sustainability factors such as: more disclosure and transparency requirements including integrated reporting, board of directors' accountability and stewardship, diversity in board composition, linking executive remuneration to sustainability performance targets, incorporating ESG risks in their risk management frameworks, redefining "acting in shareholders' best interests". This will be based on international standards.	Legislative	• Securities markets • Specialized consultants and service providers	H1 2019
Revision of disclosure rules to require companies to issue sustainability reports, or integrate financial and non-financial data in their annual reports; to provide all relevant and material information related to sustainability and show how the companies are performing on relevant metrics and how these factors are affecting the company's strategy and performance. This will be based on international standards.	Legislative	• Securities markets • Specialized consultants and service providers • International standard setters	H1 2019
Revise SCA's financial intermediaries classification system	Non-legislative		H2 2019
Launch awards and recognition program	Non-legislative	• Relevant public and private sector entities	H2 2019
Launch Awareness and Education Program for different group of target audience according to detailed program: - Listed companies boards - Potential issuers - Public and retail investors - Shareholders - Institutional/professional investors and investment managers - Schools	Non-legislative	• Securities markets • Private consultants • Professional associations • Other relevant federal authorities and ministries. • Other regulators. • Licensed firms	H1 2019
Launch a campaign to create publicity for SCA's initiative	Non-legislative	•	Q4 2018

Appendix 1: SCA's Sustainability Plan



Appendix 2: Awareness Plan

Target Audience	Prio rity	Content	Tools and Channels to be used
Listed companies, their boards and senior management (can be divided by sectors, start with largest companies)	1	- What is ESG? - The importance of ESG - ESG Issues and Indicators - ESG standards - ESG Rankings - How ESG Info is used by investors - Governance and stewardship - The importance of the role of the board of directors - Success stories and failures - Effect on the bottom-line and company performance in the long run - International regulatory developments - New SCA Corporate Governance Regulations - Implementing ESG in your company	- One-on-one meetings - Deliver workshops at board meetings at companies premises - Symposiums - Regular awareness messages by email, other means - Smart app
Institutional Investors	1	- Same as retail investors but more sophisticated - Guidance and case studies on how to access the investment opportunities - Answering key concerns about risk return profiles of sustainability investments - Identifying, assessing and monitoring sustainability risks within an investment strategy - Possible reference to PRI Academy	- Roundtable discussions - CPD curriculums for investment managers - Workshops, lectures, seminars, conferences - On-on-one meetings with top asset managers
Shareholders	2	- Governance & active ownership - Screened investments (ethical and responsible investing) - Thematic investing - Impact investing - Initiatives	- Social media - Symposiums - Smart app - Mass media
Potential Issuers	2	- Benefits of sustainable finance - Available channels / tools	- Forums - Roundtable discussions

		- SCA framework - Incentives - Requirements - Process - Other organizations	- Road shows - One-on-one meeting with their senior management, boards.
Retail (Public) Investors	3	- Understanding the concept of ESG - Understanding what is Ethical Finance - Understanding Responsible Investing - The values behind ethical and responsible investing - The concept of sustainability - How can I become an ethical / responsible investor - Which institutions to use? - Which financial tools / instruments are available? - Useful terminology	- Social media - Symposiums - Smart app - Mass media
Students, schools, universities	3	- Introduce the concept of sustainable economies - Simple examples /case studies / stories of sustainable and responsible investing - Incorporate previous experiences / learnings into the module (points 1 to 5 as guide of external practices and not only theory)	- Educational curriculums - Book fairs - School visits - Competitions among students (writing policies – in collaboration with FSCA Future policy depot)