Feedback Statement: Green Equity Principles and Guidance

30 January 2025

Background

Background Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 36% are in AsiaPacific, 43% in EMEA and 21% in the Americas. The WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some $1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. The exchanges covered by WFE data are home to over 55,000 listed companies, and the market capitalization of these entities is over $111tr; around $124tr in trading annually passes through WFE members (at end-2023). The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system. With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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Introduction

The World Federation of Exchanges' **Green Equity Principles were launched** on 23 March 2023 **(here on referred to as the Principles).** The Principles set out a global framework that individual exchanges can use to establish a 'green' offering for listed companiesthus improving the flow of funding towards more sustainable economies. Following this, the Principles were further supplemented with Guidance on Green Equity Principles on 14 September 2023 (here on referred to as the Guidance). This Guidance supplemented the Principles and provided operational standards on how the Principles should be applied.

Following the publication of the Principles and Guidance, the WFE then launched a public consultation on **both** documents on 14 September 2023. The public consultation period closed on 15 January 2024. This paper provides an analysis of the responses received from from two banks, two academic organisations and one law firm. Respondents requested their answers be kept confidential. **This paper therefore sets out the questions stakeholders responded to and summarizes the feedback received anonymously, as well as including the WFE's considered response and includes changes made as a result or indicated next steps where appropriate.**

The Principles were welcomed by all those who commented, underlining the timeliness of the move to set a framework of minimum criteria for the green equity designation. Discussion was, in other words, focused on detailed aspects of the Principles and the related Guidance, such as the role of governance, the measurement of revenues and investment, and whether to add in considerations other climate.

The WFE Green Equity Principles and Guidance – a recap

The voluntary Principles define criteria for 'green' equities (including initial public offerings [IPOs]) which, if met, will allow the listed equities to obtain the **'WFE Green Equity Classification.**' The Guidance sets out practical considerations for exchanges who wish to establish offerings that align to the WFE Green Equity Classification and covers the principles themselves, as well as operational matters such as:

- Designation of responsibility within the exchange for overseeing the classification/designation;
- Establishing relevant processes including criteria for revoking classification/designation;
- Development of the classification/designation mark and provision of public information;
- Criteria for assessing the appropriateness of reviewers.

Individual exchanges can choose to apply and manage the Principles and Guidelines in their own jurisdictions assuming that doing so would not contravene existing jurisdictional legislation.

The Principles and Guidelines have been developed in response to WFE members around the world seeking to tailor offerings to clients who wish to obtain greater visibility of green activities. Exchanges are striving to bring clarity, consistency and rigor to the concept of green and to counter greenwashing. By establishing the Principles, the WFE aims to contribute to international recognition amongst various offerings, thereby supporting cross-border investment activities.

The goal behind these Principles and Guidelines is to promote all regulated equity markets in supporting progress towards a sustainable economy – similar to other offerings, such as green bonds[1], social bonds[2], sustainability bonds[3] and sustainability-linked bonds.[4] As evidenced by the WFE's own Annual Sustainability Survey[5], in 2023, green bonds were still the most popular sustainable green securities offering globally.

As gatekeepers and guardians of the regulated equity markets, exchanges play a key role in creating access to capital markets by enabling deep and liquid pools of capital; enhancing price discovery and by supporting wealth creation. The role they play in sustainable finance[6] will be even greater in fostering inclusive, sustainable global growth and encouraging long-term horizons for financial decision-making. Green equity can play an important role in helping to create a more sustainable world.

Exchanges were invited to explore how these Principles and subsequently the Guidelines might be applied within their own jurisdictions, while taking existing legislative and regulatory requirements into account. Whilst these Principles and Guidelines are not mandatory nor do they place any new formal additional standards, they ensure Principles and Guideline meet minimum criteria in order for an exchange to use the WFE Green Equity classification as part of its offerings.

Feedback details

Q1. Do you think the five pillars are comprehensive or that any further considerations should be added, either to the pillars or the related operational suggestions? If so, what would you suggest should be added?

One respondent noted that the pillars were largely in line with existing market guidance such as the International Capital Markets Association's (ICMA) Green Loan principles and the four components of Loan Market Association' (LMA) Green Loan principles. However, they noted a difference between the WFE's 'Revenue' pillar and existing market guidance on this basis, the respondent called for the enhancement of this pillar with the removal of the (50%) minimum threshold and suggested an alternative approach altogether, which included the removal of a mandatory binary reference threshold and argued to avoid being too prescriptive. Their alternative proposal was developed further in their response to question 4. This outlined an interesting approach that would enable more gradations of

[1] Green bonds are issued by governments and companies who are specifically looking to fund new and existing projects with environmental benefits, such as renewable energy or energy efficiency projects.

[2] Social bonds have emerged as a means of funding causes, including: (i) access to education; (ii) affordable basic infrastructure (like clean drinking water); and (iii) food supply protection.

[3] Sustainability bonds are used to finance or re-finance a combination of both Green and Social Projects.

[4] Sustainability-linked bonds are any type of bond instrument for which the financial characteristics can vary depending on whether the issuer achieves a set of pre-defined sustainability objectives. They are a forward-looking performance-based instrument which commits issuers to future improvements in sustainability outcomes within a pre-defined timeline.

[5] https://www.world-exchanges.org/our-work/articles/wfe-annual-sustainability-survey-2022

[6] Sustainable Finance is the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects (European Commission). It has become a powerful movement led by regulators, institutional investors and asset managers globally. (Source: https://www.worldbank.org/en/topic/financialsector/brief/sustainable-finance)

‘green’ labelling to be adopted in future if appropriate, such as ‘transition’ as a category *(see question 4 for further information on this)*. They suggested that this approach would be more in line with Green/ESG Debt markets as defined by ICMA. They noted that this approach was subsequently adopted by the January 2024 Confidential Climate Bonds Initiative Entity Level Certification 3 and the London Stock Exchange Sustainable Bond Market Issuer – Level 4 Classification.

A further respondent noted that as accounting practices on revenue recognition and investment vary across jurisdictions, reliance on these two metrics may lead to inconsistency.

A respondent suggested that investment should be measured by the sum of capital expenditure (capex) and turnover, and that operational expenditure (opex) is less useful. Another respondent argued that the 50% threshold is appropriate but suggested the WFE Principles and Guidelines include a future green investment threshold requirement (ie, a forward-looking measure, rather than a focus on investments made in the last financial year) to indicate a company’s commitment to decarbonisation.

One respondent suggested eliminating the governance pillar, as the issuing entity would need to follow its respective stock exchange’s governance procedures anyway. In contrast, one respondent suggested that designation/classification requirements should be amended to include requirements associated with the WFE Green Equity Principles/Disclosures They also suggested that the board members of the issuer should state their compliance with the WFE Green Equity Principles in their Corporate Governance report.

One response suggested that the reviewer being chosen by each Member with green equity classifications/designations would lead to differences in the quality of reviewers and proposed a more centralised appointment approach, and that the reviewers be applicable internationally across the markets. They also suggested that exemptions should exist where a third-party review may not be necessary. On the disclosures pillar, the respondent suggested guidance be given on indicating the document where the disclosures should be made, whether these be in the annual report or on an exchange’s platform or issuer’s website.

One respondent mentioned that exchanges should not be able to choose the relevant taxonomy as this could lead to choosing taxonomies for a competitive advantage. A further respondent suggested that a taxonomy should be referred to as ‘methodology to identify green activities’, as the term ‘taxonomy’ in their experience, causes confusion with issuers.

One respondent suggested (without further reasoning) that the criteria for investments might need to be strengthened to take account of the fact that some companies may capitalise on certain green research and development expenditures, while others may not. They felt examples such as these will hinder the comparability of the data used when assessing the eligibility criteria for a particular issuer. In addition, they noted that the measurement of revenue and the measurement of investment will vary from one jurisdiction to another, and also within one jurisdiction as, for example, IFRS15 Revenues from Contracts with Customers allows for the use of different methods (eg, IFRS 15:79) whilst companies subject to standards issued by the IASB recognise revenues.

<u>WFE’s response</u>

Whilst there is some potential for inconsistency, due to differing accounting standards related to investment and revenue recognition across jurisdictions, the WFE notes and warmly welcomes the growing work of EFRAG/ISSB etc to ensure consistency and compatibility of standards. As the relevant reporting standard is often stipulated by national regulatory authorities, exchanges cannot consistently impose the use of a particular or additional reporting standards and must consider how onerous and costly reporting is for an issuer. Additionally, it is generally best practice for reporters to include information about the accounting policies used in reports and this information can be taken into consideration by investors.

The WFE believes that the ‘Governance’ pillar should remain as this makes it clear that governance-related classification/designation requirements are also relevant to these principles. WFE Members were also of the view that governance is particularly important given that in the case of equities it is a serious proportion of the company’s activities. This is in contrast to green bonds, where the practice is only related to the use of proceeds of the issuance, which might constitute a very small portion of the overall financing of the company.

With regards to the term taxonomy, the following in brackets (methodology to identify green activities) will be added to avoid confusion for issuers. Regarding exchanges’ choice of taxonomy, we would note 1) the reality that different taxonomies will apply in different parts of the world and 2) that the most important consideration is to have a transparent, objective benchmark for green activities. Differences in taxonomy often reflect the fact that they are designed based on the sectors most relevant to their national economy. Some, such as the European Union’s taxonomy, reference additional legal requirements and provisions that may not be relevant or applicable to countries outside the region.

Regarding the inclusion of any additional requirements in the corporate governance report, we note that compliance with the WFE Green Equity Principles is fully embedded in the process of requesting classification, as the issuer would have to demonstrate compliance with the principles, and they will also be subject to third-party assessment. Furthermore, the corporate governance report is prescribed by national corporate governance regulation, which is not necessarily relevant to all entities and therefore could not apply to them and it is not prescribed by rules made by the exchanges (in many countries).

Regarding, a third-party reviewers’ assessment, if WFE were to prescribe a list of reviewers that operate across all jurisdictions as proposed by the respondent, this would exclude reviewers who may only operate nationally but may be effective in assessing the particular national issuers’ strengths and weaknesses due to their local knowledge. Furthermore it was felt it could be cost prohibitive in certain jurisdictions to require only international third party reviewers. As such, we do not propose to develop a single list. Furthermore, WFE Members have an incentive to find credible assessors who will be recognised in their local market to ensure the effectiveness of the designation. We believe an independent third-party reviewer adds credibility, but other models may also work as long as transparency on the methodology is provided

Q2. Do you think the processes listed are appropriate? Is anything significant omitted? If so, please outline what you think should be added to the processes and what risk it would address?

One respondent suggested that the potential of revoking the classification/designation each year, poses significant risk for issuers; they requested further guidance on what constitutes a ‘significant change’ that may lead to additional interim reviews e.g. an acquisition that alters the strategy of a company.

One respondent asked for social considerations to be included to bring the guidance in line with existing principles such as the Green Bond principles. One respondent suggested that the metrics of investment and research should be replaced by more specific metrics that involve greenhouse gases, climate related transition risks, and climate related physical risk such as those specified in IFRS S2.

One respondent requested further guidance on which taxonomy exchanges require. They also emphasised that use of operating expenses, as a measurement of investment, should be optional.

A further response suggested 70% of revenue would be a more appropriate threshold than 50%. The respondent also suggested that a distinction of principles and guidance should be made between listed commercial companies and investment companies but did not outline further reasoning for this.

WFE response

Members have not encountered the need to revoke the classification/designation within a year for significant changes as a major impediment to issuers applying for this accreditation, but we note that the risk of revoking the classification/designation is significant and something that WFE Members are likely to be conscious of. Sufficient time should be given to issuers in case there are changes to thresholds and principles.

Whilst the WFE in principle could add examples of what constitutes 'significant changes' that would trigger an interim review, discussion with Members indicated that these may vary across jurisdictions and may be affected by circumstances we have not yet encountered or are particular to a specific jurisdiction. For example, the triggering of an interim review may come in close connection to the annual renewal or may be caused by a corporate event that has lead times, so the outcome is not clear until much later. For these, reasons we doubt that such a list could really assist and cannot always be done instantly.

The use of taxonomies would help members define 'green' activities. However, the WFE could encourage consideration of IFRS standards in the guidance in certain cases, such as in situations where the relevant metrics are disclosed in issuer's ISSB/EFRAG disclosures.

Opex is already optional in the investment calculation. We will add the reference of capex and opex to the 'Principles' as this is currently reflected in the 'Guidance' section.

Regarding further guidance on taxonomies, not every jurisdiction has an established taxonomy in place, therefore guiding a Member towards a specific taxonomy may not be appropriate.

While the 70% revenue threshold is relevant for funds in the UK, as per the FCA labelling regime, and ESMA guidelines stipulate 80% for green funds, the WFE needs to consider a range of countries' positions where even 50% may be a high bar. As noted earlier these are meant to be a minimum standard and we do not want to discourage innovation in this area but to ensure a transparent standard is in place.

If an independent reviewer is not used, it is already a requirement in the Principles that the WFE members' should explain why and provide transparency around the methodology used, so that investors have appropriate information to make investment decisions.

Q3 Would you propose any additions relating to the review process, including the criteria for assessing the appropriateness of the reviewer or, the operation checklist for exchanges in Annex 1? If so, please explain further what you propose should be added and why.

One respondent suggested that there should be no circumstances under which a third-party reviewer is not used, or at least that these circumstances should be strictly limited in order to reduce conflicts of interest arising over delistings and to minimise greenwashing risks.

WFE response

The guidance requires WFE members to clarify their reasoning for not having a third-party assessor and to indicate how this is done ie to be transparent regarding the methodology, if this approach is taken and to indicate how associated risks are managed e.g. greenwashing and conflict of interest in revoking the classification/designation.

Under the governance pillar, designation/classification requirements should be followed and these include producing audited financial statements. Pillar 1 requires assessing revenue and investment based on financial statements (which means they will have been audited) and therefore the information has already been audited and we do not necessarily require an auditor to review this element of the information again. In the guidance, we also state that the reviewer's methodology must be disclosed and explained, so that the investor can use this in their investment decision making.

Q4. Is the approach regarding revenues appropriate? Would any further guidance on the assessment of revenues be necessary? If so, please outline what you suggest should be added, and why.

A respondent suggested one approach might be to not establish a mandatory binary threshold and instead, allow the exchange to define the minimum 'green' revenue. This would enable exchanges to create a wider range of categories/designations such as 'transition' related categories/designations where the threshold requirements may need to vary. However, the thresholds would need to be justified and rationale communicated to the investors and issuers to align to ESG debt market practices, such as those defined by ICMA and Climate Bonds Initiative.

One respondent suggested that the WFE attempt to harmonise recognition and measurement of revenue and investment for the purpose of calculating eligibility criteria under WFE Green Equity Principles.

WFE response
Adding an alternative approach to thresholds is an interesting approach; at present, we only have one classification/designation of green equities. However, in future if there is sufficient Member-demand to create alternative categories, we could consider reviewing the Guidelines to adapt and take this into consideration. There is also a lack of consensus internationally on what is defined as in 'transition'; therefore, the WFE suggests we review this within the next 2 years.

Whilst we support international harmonisation in reporting, this would currently be out of scope for the WFE Green Principles and Guidelines.

Q5. Would you suggest any changes or additions to the approach on Taxonomies or the related guidance and if so, why?

Two respondents welcomed the approach taken around taxonomies and mentioned that this is in line with best practices and provides robust considerations of this pillar and usefulness to investors.

One respondent suggested further guidance on taxonomies to create standardisation.

WFE response
We believe it is best to allow for flexibility in this case and, as highlighted earlier, taxonomies are often local/regional to reflect the regulations in place nationally (such as the EU taxonomy); or, to reflect specific aspects of that national economy such as a heavy mining presence or a particular emphasis on farming for example.

Q6. Would you suggest any changes or additions to the approach/guidance on Governance and if so, why?

One response suggested eliminating the Governance pillar for the Green Equity principles to align with the four-pillar approach of the Green Bond Principles and Green Loan Principles.

Alternatively, if the governance pillar is not deleted, they suggest the WFE supplement the governance pillar with additional metrics and/or to list requirements for Green Equity issuers, including certain considerations such as:

- Entities to have ESG-related remuneration policies.
- Entities to demonstrate ESG responsibilities at Board Level 3 Climate Bonds Standard (Entity Certification).
- Entities to have a public ESG Strategy that addresses the material ESG issues for their sector / geography of operations / presence.
- Entities have to demonstrate effective consideration of human rights as reflected by the UN Global Compact, the OECD Principles for Multinational Enterprises, the UN Guiding Principles on Business & Human Rights or the Green Bond Principles June 2022 or the Green loan principles.

Another respondent (as referred to in another question) suggested the disclosures pillar be enhanced by including information on how the issuer aligns with applicable governance standards and encourages issuers to explicitly state how their governance practices are designed to support sustainability, including efforts to manage environmental risks, implement sustainable policies, and oversee sustainability strategies, as well as encouraging issuers to explicitly integrate sustainability and ESG considerations into their corporate governance charters, policies, and practices.

WFE response

The WFE believes that the governance pillar should remain as this reinforces consistency and makes it explicit that governance-related designation/classification requirements are relevant, according to the principles. WFE Members were of the view that the WFE Green Equity Classification should aim to be high-level, and avoid selecting frameworks to refer to at this stage. Whilst bond products may serve as inspiration and are useful to consider it would require constant realigning if the WFE principles were to try to parallel these on an ongoing basis and they may not always apply. We have nevertheless shared the suggested standards above and will revisit these again in future.

Q7. Would you suggest any changes or additions to the approach/guidance on Assessments and if so, why?

A respondent suggested that further guidance on what constitutes a significant change that may lead to additional interim reviews should be provided.

For example, of an acquisition may lead to a review and in circumstances the acquisition could alter the overall strategy and direction of the company. A challenge here being that at the time of an 'interim' external review being carried out the financial statements and/or environmental data may not yet have been updated. They also note that some companies adopt strategies of buying brown assets with ambition to turn them green, in such cases, depending on the size of such asset, green revenues may dip at times during a given year but not merit a de-classification.

Two respondents suggested that increased guidance on methodology to assess appropriateness of reviewers should be provided. It was also suggested that the WFE should provide a list of reviewers.

One respondent asks for additional guidance on the methodology of review.

WFE response

We do not propose to add further information describing a 'significant change.' These are better set out in the criteria of an individual exchange.

We acknowledge that the availability of up-to-date information may be a challenge; in this case, we recommend that assessors disclose details of the significant change and inform investors that the classification is under review.

At this stage, the WFE will not provide enhanced guidance on methodologies for selecting reviewers or a centralised list of recommended reviewers. Exchanges are in the best place to assess the reviewers best able to assess their local market, economy, and issuers.

At this stage the WFE will not provide guidance on the methodology of the third-party reviews. The WFE does recommend that the methodology used should be disclosed for transparency purposes and this must be made available to the investor in order that the investor can make an informed decision and to ensure credibility of the designation/classification.

Q8. Would you suggest any changes or additions to the approach/guidance on Disclosures and if so, why?

One respondent suggested changes to wording on page 17 of the consultation under section 5 (elements to be disclosed) which currently states that stock exchanges need to meet the criteria to obtain the Green Equity Classification. The suggestion was that it is issuers that need to meet the criteria instead of stock exchanges (please note this is not the case, the Principles and Guidelines are intended for WFE Members' to meet) and that the wording should be amended accordingly. It was also suggested that, should there be divergence by the issuers from the green equity principles, there should be very clear notifications as to what the divergence is and why.

Clarification was requested on how often entities need to disclose information on 'green' revenue or investments.

One respondent recommended that an issuer disclose taxonomy aligned revenues and investment shares. They also recommended additional disclosures such TCFD, GRI and IFRS.

One respondent suggested that it's important for exchanges to collectively create a platform which will serve as a dedicated database and repository, similar to NASDAQ's data portal, making ESG, performance metrics, assessments and other claims to meet the green classification criteria easily accessible to both listed companies and investors.

WFE response

The WFE notes that it is the Member's not Issuers who must meet the criteria. We will review the wording on page 17 to assess if any further clarification is needed.

Should an exchange choose to depart from the principles and guidance, to the extent that the change is significant, they will no longer meet the WFE green equity principles/guidance and would not self-certify themselves as compliant with WFE green equity principles. However we note that the principles and guidance are intentionally broad in nature,.

We propose that each Member continues to determine an appropriate level of disclosure and timing, however this feedback will enable Members to reflect and consider providing more clarity on this where they can.

Regarding centralised depository, there will be consistency amongst issuers on a particular exchange. The WFE will leave the decision to set up data portals to the members, Members do require this information to be made public and this is set out in the Exchange's individual guidance . We note that the example given of Nasdaq's ESG Data Portal is a subscription product. Nasdaq does however also ensures the designation and assessment report is available on its website and the issuer and reviewer must also make the assessment report available publicly.

Q9. What other features would make green equities attractive and are there any further steps that could be taken to avoid greenwashing?

Two respondents suggested having more than one threshold for green equity designation, to accommodate those on the way to being fully green as well as those who already meet the chosen threshold. One response suggested having a 'transition plan' requirement for a 'transition' designation; they also suggested imposing a lower revenue threshold than 50% for a transition designation.

One response (as indicated earlier) asked for the removal of a mandatory binary threshold, and instead proposed we allow the exchange to define the minimum 'green' revenue thresholds in order to allow them to create a wider range of categories/designations such as 'transition'-related category/designation where the threshold requirements may need to vary. They expanded on this by stating an exclusion criterion can also be considered, for example no more than 5% of activity should be related to fossil fuels. They also suggested minimum requirements for thresholds including the following:

- Annual disclosure on Green Equity Classification alignment, and in the case of any material developments in the entity.
- Quantitative or qualitative impact metrics, which are material to that sector / the entity's business, together with the methodology and any assumptions used on calculations made. Minimum Sustainability Reporting requirements under recognised standards (TCFD, GRI, IFRS S1, etc).
- Assessment could also consider social requirements, partly because E&S is increasingly interlinked in many sectors/ geographies.
- The WFE Green Equity Classification should be awarded only when full compliance with all the pillars of the Green Equity Principles (GEP) can be evidenced to the exchange, and only when that exchange meets the requirements to offer the Green Equity Classification – unlike what is described in section 17 of the GEP Criteria: "The WFE Green Equity Classification can be offered by exchanges to issuers that meet certain criteria – normally, this classification would be awarded to issuers that demonstrate a high commitment to the green economy."

One respondent emphasised the risk of greenwashing related to green equities; they suggested that The WFE should encourage Members to require all issuers – and not just those seeking a green equity designation – to meet certain ESG disclosure requirements as part of their listings requirements.

Respondents also suggested that WFE Members should regularly assess compliance with the WFE green equity principles.

The WFE and its Member' Exchanges were also asked to encourage auditors to play an important role in the verification of ESG reporting and other green information that firms provided. Independent external audit processes help enhance the credibility of a firm's green and ethical practices, reduce the potential risk of greenwashing, and provide assurance to investors and stakeholders that the firm is committed to environmentally responsible business practices.

WFE response

We welcomed the feedback which suggested creating an alternative framework that would enable additional flexibility for other labels (such as transition equity designations) to be added. We will bear this approach in mind if we decide to create more categories in a future review.

Regarding regular assessments of compliance with the principles, the WFE asks Members to do annual assessment and also interim assessments if changes are significant.This is already to be assessed by the exchanges themselves.

Regarding auditors in the verification of ESG reporting, we note that as revenue and investment figures used in assessments will be based on audited financial reports, they will have been reviewed by auditors.

Q 10. Do you believe that the Principles and Guidance should be reviewed and if so, when? (2 years from now, or, 3 years)

One respondent suggested that WFE principles should be reviewed and updated as required and material changes made at least every 2-3 years.

Another respondent acknowledged that the time of review need not be a strict rule and depends on Members' jurisdictions and specific circumstances. It was emphasised that it is important for The WFE to remain responsive to changing conditions and environmental challenges. Moreover, The WFE Principles and Guidance were expected by the respondent to be aligned with other global environmental goals, such as the United Nations Sustainable Development Goals (SDGs), which may have their own review cycles. Therefore, such factors are also important when determining the time of conducting review. Furthermore, periodic reviews of Principles and Guidance provides opportunities for greater stakeholder engagement, which eventually translates into improvements in corporate transparency in the disclosure of ESG related information, reducing the incidence of greenwashing.

It was also suggested that The WFE could consider creating a Monitoring Committee to ensure correct application of, and adherence to, the principles as well as to observe market developments.

WFE response

The WFE understands the importance of reviewing the WFE Green Equity principles and keeping them relevant to the changing market and regulatory conditions. The WFE will aim to review the Green Equity principles within the next two to three years but we do not propose at this stage to create a firm review date in the Principles/Guidance.

In conclusion, we are incredibly grateful for the thoughtful comments received. Even if these will not result in immediate changes (partly due to the small number of responses in this first stage), they will be kept under consideration for future reviews. Furthermore, the comments provided were also useful for Members to hear themselves as they indicated other ways to approach adding designations or categories and highlighted where there may be greater clarity provided in their exchanges' guidance as well.