

Enhancing ESG Disclosure and Transparency Standards in Emerging Markets

The IFC Disclosure and Transparency Program – aligned with IFC 3.0 – plays a vital role in building investor confidence and unlocking private sector investments in emerging markets. Responding to the growing demand for higher standards of corporate disclosure and transparency, the Program provides practical tools and advisory services for companies, stock exchanges and regulators in emerging markets to bring about integrated corporate reporting that includes environmental, social and governance matters.

THE PROGRAM

The **Disclosure and Transparency Program** seeks to maximize the benefits of disclosure and transparency at all critical links in the investment value chain. It Includes:

- **Policy Support:** Helping stock exchanges and regulators raise disclosure and transparency standards in their markets through model guidance, frameworks, codes, listing requirements and other mechanisms;
- **Capacity Building:** Assisting companies as they strengthen environmental, social and governance (ESG) practices and prepare integrated and best-in class annual reports;
- **Online Platform:** Offering flexible learning opportunities, gap analysis and information for emerging market companies, stock exchanges, regulators and investors to integrate ESG in corporate reporting and disclosure practices, based on IFC Disclosure and Transparency Toolkit and other partners' resources.
- **Investment Solutions:** Enhancing low-risk emerging market investments based on adoption IFC standards of disclosure and transparency, as part of WBG capital market strategy.

Strategic Alliance with the UN Sustainable Stock Exchanges

IFC recently entered into collaborative partnership with the [UN Sustainable Stock Exchanges Initiative \(SSE\)](#). The aim is to build investor trust, attract capital, and grow strong local capital markets. This work will draw on the SSE's Model Guidance on ESG Disclosure and IFC's Disclosure and Transparency Toolkit. [Shared objectives](#) include raising ESG standards across emerging capital markets and helping SSE 97 member exchanges to develop stronger ESG reporting guidelines. Now we are expanding the successful partnership to include climate disclosure, gender diversity and SMEs growth.



IFC 3.0 Strategy – Create Markets and SDGs

The Disclosure and Transparency Program supports IFC's 3.0 Strategy to grow strong capital markets in emerging economies and to mobilize private capital necessary to achieve the World Bank's twin goals and UN Sustainable Development Goals (SDGs).

Strong local capital markets are essential for a thriving private sector. In developing countries, they hold great potential to channel private capital toward priority development needs and help companies obtain long-term financing. Yet, many emerging capital markets lack the level of corporate disclosure and transparency required by global investors. Increasing capital inflows require robust information on companies' strategies, governance and performance and a better understanding of the inherent risks associated with weak regulatory frameworks, uncertain social and environmental conditions, and ineffective board governance.

High standards of corporate disclosure and transparency provide investors with the credible, comparable decision-useful information they need to add well-governed sustainable emerging-market companies to their investment portfolios.

D&T TOOLKIT, PLATFORM AND ADVISORY WORK

[The IFC Disclosure and Transparency \(D&T\) Toolkit](#), the winner of WBG President Awards of Excellence, offers step-by-step model guidance for emerging-markets companies to prepare comprehensive and **integrated annual reports** and publicly disclose strategic, governance, and performance information about their ESG practices, together with financial results. It promotes an integrated approach to corporate reporting, focusing on how **environmental** and **social** issues affect the company's strategy and performance and how key risks and impacts are managed as part of corporate governance.

The D&T Toolkit draws on **IFC's experience in investing in emerging markets** and in applying its Environmental and Social Sustainability Performance Standards and Corporate Governance Methodology and streamlining international reporting standards and frameworks. The [D&T during COVID 19 tip sheet](#) shows companies how to effectively communicate strategic response during the pandemic.

[The D&T Online Platform](#) is designed to guide emerging-market companies, stock exchanges and regulators as they integrate ESG in corporate reporting, communication and disclosure practices.

IFC's "Beyond the Balance Sheet" platform will offer an ecosystem of resources and reporting tools to help emerging market organizations on their journey toward a more open and transparent communication strategy of material environmental, social, and governance factors.

Our goal is to help emerging companies attract clients and capital by improving insight into their businesses and their markets.

The content on this platform will help companies and stock exchanges understand what to do to improve disclosure and transparency—and how to do it.

IFC's Advisory Work on Disclosure and Transparency and Codes

The IFC released the Disclosure and Transparency Toolkit in January 2018 [at the London Stock Exchange](#) and updated in 2020. Since then, it has been widely distributed and it is used as part of IFC's core investment and advisory activities.

The Toolkit and training program are used for IFC **engagement with companies, financial institutions and investors**, ranging from a Timor Leste micro-finance institution, to Kenya Commercial Bank and China Postal Savings Bank, one of China's largest banks.

IFC is also leveraging the toolkit and training program in-person and online to **advise stock exchanges, central banks and regulators** in developing countries, raising standards for disclosure and transparency and helping to build investor trust and confidence. Recently, IFC has helped **develop or update ESG guidelines** in Georgia, Kazakhstan, Kenya, Nigeria, Peru, Iraq, Ukraine and the Philippines. IFC supported the development of [145 codes, laws and regulations worldwide, integrating ESG](#).

The **D&T Toolkit** supports IFC's 3.0 Strategy to **create markets** by:

- Providing emerging-markets companies access to global capital markets
- Helping investors better understand risks and opportunities
- Improving market infrastructure through stock exchanges and regulators

Why Disclosure Matters?

Studies in both developed and developing markets—covering financial and ESG disclosure—have found strong correlations between improved disclosure and (1) lower cost of capital, (2) better access to finance, (3) increased company valuation, and (4) resilience during crisis.

Companies adopting good ESG practices make better decisions over time, have sustainable strategy, better manage risks, enjoy enhanced reputation, and have improved access to capital.

Harvard Business School studies (2011, 2013, 2016) confirm that companies with good performance on material ESG issues significantly outperform firms with poor performance on these issues (over 6%).

CONTACTS

Ralitza Germanova | +1-202-458-2675

Washington, D.C. | rgermanova@ifc.org

Charles Canfield | +1-202-473-6202

Washington, D.C. | ccanfield@ifc.org

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