



HIGH MEADOWS
INSTITUTE

Sustainability in Capital Markets

**Financing the transition to a sustainable
low-carbon economy**

Stock Exchanges Sector Profile



Introduction

This sector snapshot is part of the High Meadows Institute report, Sustainability in Capital Markets. It is designed to provide a high-level overview of how key sectors in the financial system are supporting the transition to a sustainable low-carbon economy (SLCE). The sector evaluation is based on a literature review of studies on each sector's role in the SLCE transition, as well as a more detailed analysis of how 10 of the largest institutions in the sector are supporting the transition. Further details on the purpose of the report, the sectors being assessed, and the methodology for the assessment can be found in the Methodology publication [here](#).

Sample size: London Stock Exchange (UK), Euronext (EU), Nasdaq (USA), NYSE (USA), Singapore Exchange (SGX), Johannesburg Stock Exchange (JSE), Hong Kong Exchange (HKEX), Toronto Stock Exchange (TSX), Tokyo Stock Exchange (TSE), Shanghai Stock Exchange (SSE)

Total number of listed companies: ~21,000 (estimated)

Stock exchanges are foundational to capital markets, facilitating liquidity, capital formation, and price discovery for publicly traded companies. However, their influence extends beyond financial intermediation; they shape corporate behavior through listing standards, disclosures, and governance frameworks. As key gatekeepers of financial transparency and corporate governance, they are increasingly viewed as potential accelerators of the transition to a sustainable low-carbon economy (SLCE).

Stock exchanges globally play a growing role in steering markets toward climate-aligned outcomes. As climate-related financial risks and opportunities gain prominence, many exchanges are moving beyond general ESG efforts to explicitly incorporate climate considerations into their disclosure frameworks, listing rules, and product offerings.

Several exchanges now support frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), a framework developed to help companies assess and disclose their climate-related risks and opportunities.ⁱ The London Stock Exchange

and Euronext have incorporated TCFD guidance into their reporting frameworks,ⁱⁱ while SGX mandates Scope 1 and 2 emissions disclosures beginning in FY2025—part of its alignment with the IFRS S2 climate disclosure standard.^{iii, iv}

This growing momentum is reflected in the World Federation of Exchanges' (WFE) 2023 Sustainability Survey, which found that 96% of exchanges report investor demand for ESG disclosures, and 98% see interest in ESG-related products. To meet this demand, 82% of exchanges now list climate-focused instruments such as green bonds and sustainability indices. Every surveyed exchange has taken steps to embed sustainability into governance, consistent with Principle 5 of the WFE Sustainability Principles. In addition, 53% of surveyed exchanges have

incorporated TCFD recommendations into their reporting rules, while an additional 33% plan to do so. Transparency around emissions is also improving, with 18 exchanges now disclosing across Scopes 1, 2, and 3.^v

These trends are reflected in our analysis of 10 of the world's largest exchanges—selected for their market relevance and geographic diversity—which suggests growing alignment with SLCE principles. However, most still fall short of full integration, with limited mandatory disclosure requirements or verification mechanisms in place. The average SLCE rating across the sample ranged from 1.5 to 2.5, reflecting progress in voluntary guidance, climate-focused products, and governance structures, but inconsistent application of binding ESG requirements.



Opportunities to advance an SLCE

Stock exchanges are increasingly leveraging their platforms not just to facilitate capital markets, but to guide them toward more sustainable outcomes.

While regulatory drivers such as the EU’s Corporate Sustainability Reporting Directive (CSRD) are prompting mandatory ESG disclosures in markets like Euronext,^{vi} others, like SGX and HKEX,^{vii} are advancing the agenda through listing rules, educational toolkits, and issuer-focused workshops.

Building on this foundation, the Climate Disclosure Standards Board (CDSB) emphasizes that exchanges have a pivotal role in enhancing market stability by acting as climate risk gatekeepers. According to CDSB, climate risk is systemic, creeping, and capable of undermining trust in financial markets—similar to past financial crises—and this underscores the need for integrative disclosures that can identify and mitigate these risks.

CDSB outlines that stock exchanges are uniquely positioned to strengthen economic and climate resilience by:

- Engaging and collaborating with companies, investors, and others (e.g., the UN Sustainable Stock Exchanges initiative and WFE’s Sustainability Working Group)
- Promoting capacity-building, transparency, and best practices through guidance, training, and tools



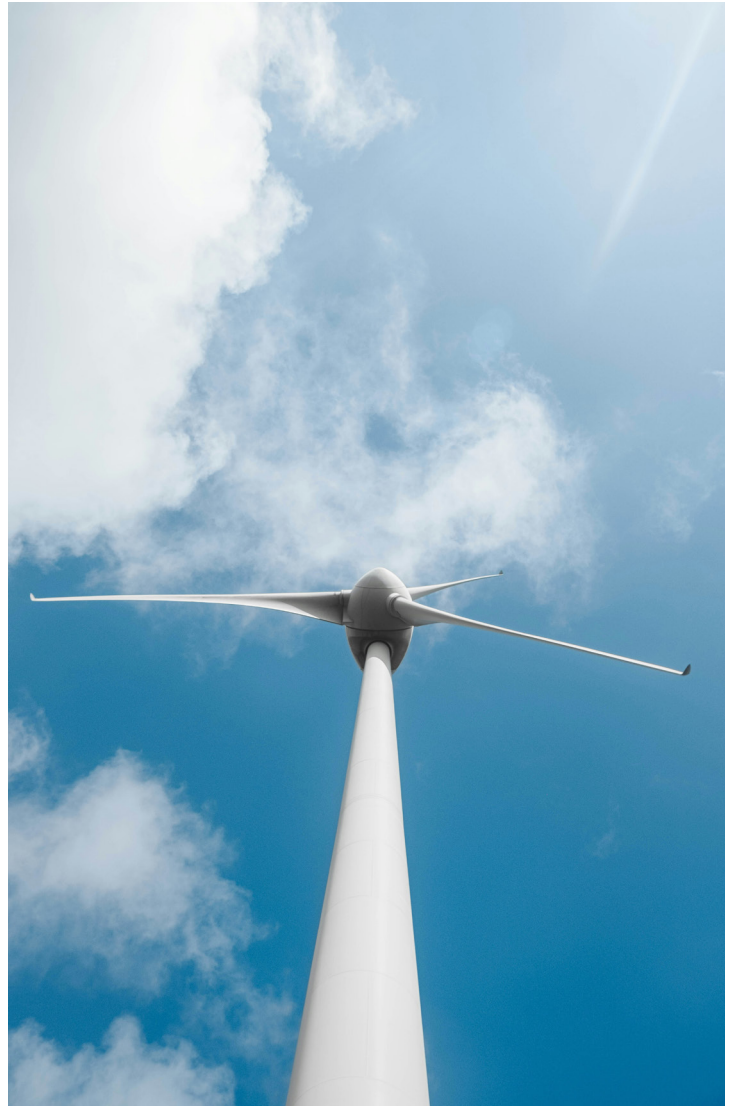
- Monitoring climate reporting trends and identifying gaps for regulators to address
- Requiring listed companies to assess and disclose climate risks, strategies, and policies as part of non-financial reporting

Green finance innovation has emerged as another key lever. Exchanges such as Nasdaq and the London Stock Exchange have launched dedicated green bond platforms to support climate-aligned capital flows. Meanwhile, partnerships—such as Euronext’s collaboration with the UN Sustainable Stock Exchanges initiative—are helping promote cross-market convergence in ESG disclosure frameworks, notably the TCFD. Though many of these initiatives remain voluntary, they establish a foundation for future harmonization.

Beyond mitigation, exchanges are also positioned to unlock capital for climate adaptation. Research by the London Stock Exchange Group estimates a \$1 trillion opportunity in sectors like water infrastructure, resilient agriculture, and heat-proof buildings,^{viii} supported by new financial products such as adaptation-themed indices and transition-linked listings. A recent World Resources Institute report reinforces that adaptation is not only a climate necessity, but also a compelling financial case for investors.^{ix}

In parallel, some exchanges are also taking a closer look at how their listed companies are performing on ESG commitments. A review by the London Stock Exchange reveals governance progress but also exposes persistent gaps between stated sustainability goals and actual implementation—pointing to the need for stronger alignment between disclosure and action.^x These findings reinforce the importance of broader market coordination and ambition.

This message was echoed at COP28, where UNCTAD convened a high-level discussion highlighting the pivotal role of stock exchanges in innovating financial solutions that bolster climate-positive initiatives and support the adoption of climate-aligned business practices. Exchanges were recognized for enhancing market resilience and facilitating the dissemination of climate-related information and standards across financial systems.^{xi}



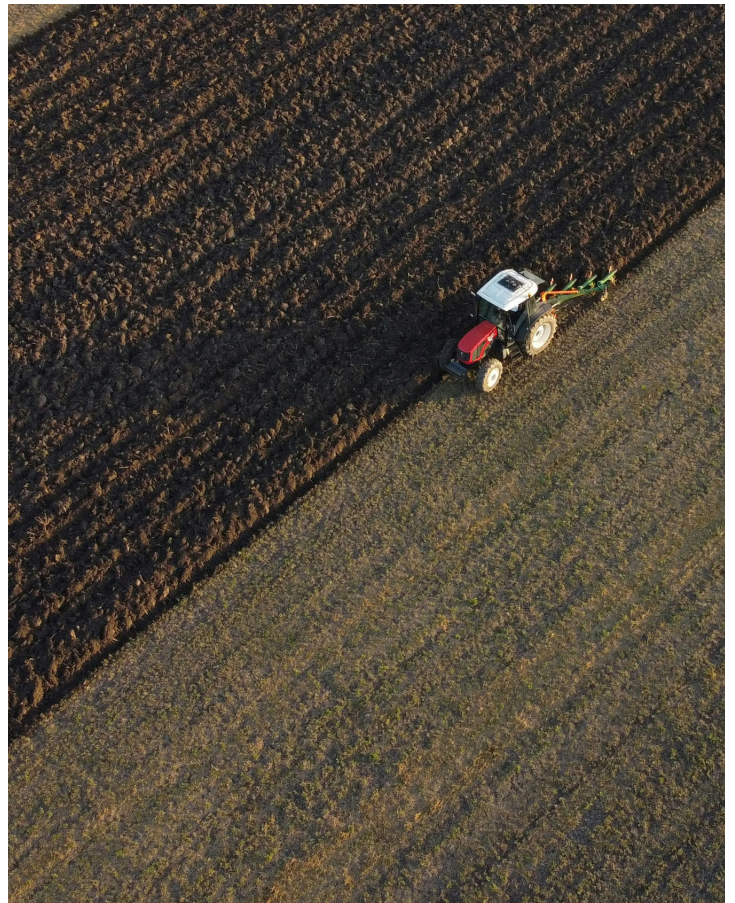
Pain Points

Despite this momentum, several structural and market-based barriers continue to limit the role exchanges can play in advancing climate goals. One key issue is regulatory inconsistency. While SGX mandates sustainability disclosures under its listing rules and is progressively aligning with IFRS S2 by requiring Scope 1 and 2 emissions reporting from FY2025 onward,^{xii xiii} other exchanges such as the Tokyo Stock Exchange and NYSE have only recently begun updating their ESG policies. For instance, the NYSE currently provides ESG advisory tools and guidance but does not require mandatory disclosure,^{xvi} while the TSE is advancing ESG reforms following its 2023 consultation, including updates to its Corporate Governance Code and sustainability-related listing requirements,^{xv} contributing to a patchy global adoption landscape.

Issuer resistance can also be a constraint, especially in smaller or emerging markets where companies may perceive ESG compliance as burdensome or low priority. Research from the Johannesburg Stock Exchange highlights that compliance costs for integrated reporting can be especially challenging for SMEs.

Another challenge is the lack of independent assurance. Very few exchanges require third-party verification of ESG data, which can lead to credibility concerns and accusations of greenwashing.^{xvii} An OECD review of ESG data providers reinforces this concern, noting that only 31% of companies globally that disclose sustainability information obtain external verification or assurance, and that the lack

of consistent audit requirements contributes to low comparability and trust in reported metrics.^{xvii} The report emphasizes that assurance aligned with international audit standards is a key step toward improving data quality and reliability, underscoring the importance of exchanges incorporating stronger verification requirements into their ESG disclosure frameworks.





At the same time, competitiveness pressures can discourage exchanges from adopting stricter standards. For example, exchanges may worry that companies will avoid listing if disclosure rules are perceived as too onerous. In some cases, firms have considered relocating listings to markets with a lighter regulatory touch. The Texas Stock Exchange, which plans to begin operations in 2026, is positioning itself as an alternative to ESG-heavy venues. Its leadership has stated the exchange will remain ‘agnostic’ on certain ‘wholly optional’ ESG standards imposed by incumbent venues.^{xvii}

It remains to be seen whether smaller upstarts like the Texas Stock Exchange can attract enough listings to remain in operation. The continued consolidation of exchanges is also a potential outcome, which may help to streamline the different listing and reporting requirements while also reducing operational costs. The biggest exchanges are constantly competing for the biggest listings, which means even small changes in reporting requirements can lead to various advantages and disadvantages, both expected and unexpected. For those changes to include a greater focus on SLCE considerations will require a willingness among stock exchanges to take a leap in service of a more sustainable future.

Additional reading and resources for stock exchanges

- **Climate Disclosure Standards Board (CDSB):** [Why should stock exchanges act to address climate change?](#)
- **Nature:** [A study of impact of climate change on the U.S. stock market as exemplified by the NASDAQ 100 index constituents](#)
- **World Federation of Exchanges (WFE):** [The WFE 10th Annual sustainability survey](#)

Endnotes

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High Meadows Institute is focused on the role of business leadership in society. Our mission is to contribute to sustainable economic and social progress in a global economy and society. High Meadows Institute was founded in 2013 by a small group of senior business and finance leaders with deep experience in the private and non-profit sectors. The Institute works in close partnership with other leading think tanks and academic and business organizations to advance its mission.

17 Communications is a mission-driven marketing and communications consultancy specializing in the ESG, impact investing and sustainable finance sectors. We are committed to catalyzing the flow of capital towards sustainability and impact-oriented investments and solutions through a combination of communications, advocacy, research and education.



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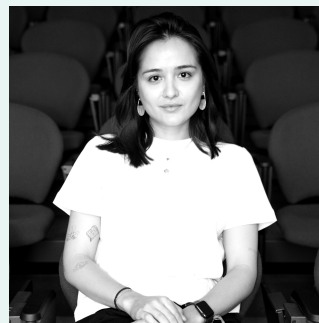
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