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The world is facing significant challenges in ensuring a sustainable future for our people and our planet and many international and international initiatives are addressing them. Acting on increasing concerns worldwide, 195 countries signed the Paris agreement in December 2015 to limit the rise in global temperature to less than 2°C above pre-industrial levels. The European Green Deal is the first step on this journey, as it aims to transform the EU’s economy for a sustainable future, including the decoupling of economic growth from resource use.

As governments and individuals scale up their efforts and support initiatives to remediate our ecosystems and change our behaviour, every organisation will have its own role to play in the transition to a sustainable society. The financial industry will necessarily be an important contributor to the global sustainability agenda. To promote sustainable finance, the industry should incorporate environmental, social and governance (ESG) factors into investment decision-making, providing investors with non-financial information they need to make informed choices.

Leveraging practices and techniques that have been created and enriched over the past 30 years, the financial industry began to incorporate non-financial criteria in the analysis of companies’ performances only a decade ago. This was a first move towards embracing sustainability, but progress requires steep learning curves.

To satisfy investors’ expectations of transparency and their increasing awareness of ESG factors, public companies are being incentivised to disclose more information as the stakes become higher. This growth trajectory is demonstrated in recent figures: the Global Sustainable Investment Alliance estimates that in 2018 the total value of all investments managed following an ESG mandate was USD $31 trillion globally. Europe accounts for the largest concentration of sustainable investment assets worldwide, totalling USD $14.1 trillion.

As the demand for socially responsible assets grows, ESG reporting is both a fantastic opportunity and a real challenge. It can appear particularly complex for smaller issuers in the absence of a clear set of globally used standards. This ESG guidance has been created to help Euronext listed companies in their interactions with investors and the wider ESG community, to help them understand how to address ESG issues as a key component of investor relations, as well as the main principles to consider when preparing an ESG report. As sustainability evolves alongside the needs of our society and our environment, this guidance will be updated as necessary to continue to be a dynamic support aligned with the needs of investors.

This guidance underlines our commitment to support our customers and promote sustainable finance. We are an official supporter of the United Nations’ Sustainable Stock Exchanges (SSE) initiative, a member of Finance for Tomorrow (the sustainable initiative from Paris Europlace) and have committed to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We strive to promote transparency on climate risks and opportunities in the financial markets and are building a growing offering specifically designed to assist issuers in enjoying more visibility as a benefit of their ESG commitment.

They say the future of finance is green. It starts with each of us making our own strides forward to create a more sustainable economy. We hope this guidance will inspire your journey toward a more sustainable economy.

Anthony Attia and Daryl Byrne
Members of the Euronext Managing Board
Environmental, social and governance principles (ESG) are a set of standards by which a company and its investors can measure the wider impact of its operations and long-term strategy. Companies can integrate environmental, social and governance concerns into their long-term strategy with a view to:

- Environmental: related to topics that include pollution, carbon emissions and protection of biodiversity.
- Social: related to topics that include inequalities issues, diversity and human rights.
- Governance: related to topics that include management processes and transparency.

"Sustainability" has evolved to refer to strategic and operational considerations related to a broad set of environmental, social and governance concerns.

Moreover, investors increasingly expect companies to recognise and address, in a responsible way, short- and long-term risks and opportunities in relation to environmental, social and governance factors that impact long-term value creation.

For the purpose of this guidance the terms “ESG” and “Sustainability” are therefore used interchangeably, herein encompassing concepts comparable to “corporate responsibility” and “CSR”.

What is ESG and who is this guidance for?

- making an overall positive contribution
- achieving sustainable growth
- avoiding and addressing adverse impacts related to its operations, products or services

*Environmental* related to topics that include pollution, carbon emissions and protection of biodiversity.
*Social* related to topics that include inequalities issues, diversity and human rights.
*Governance* related to topics that include management processes and transparency.
This guidance is intended to help simplify the efforts of companies listed on Euronext to:

- Identify and prioritise the opportunities and risks of greatest significance to a company results and their most important stakeholders with regards to ESG
- Report efficiently on their management of and performance in areas of ESG risks defined in accordance with their own needs and those of their stakeholders
- Navigate, comply with or stay ahead of regulations that require disclosure of financially material ESG information
- Differentiate themselves on ESG matters and maintain high relevance, which is becoming a competitive imperative

The use of the Euronext guidance on ESG reporting is voluntary for companies. Companies that apply the guidance may highlight this by including the following statement in their annual report and/or their separate ESG report: “We follow the Euronext guidance on ESG reporting of January 2020.”
The evidence suggests that strong corporate performance on ESG factors correlates positively with improved cost of capital and financial performance. Several studies suggest that companies that perform well on material ESG factors significantly outperform peers with poor performance on these issues. In addition to investors, a range of other stakeholders increasingly require information regarding the most significant opportunities and risks to which companies are exposed, and how they manage such issues. Many of the issues covered by the concept of “corporate responsibility” can have significant consequences for a company’s financial performance and value creation over both the short and the long term, as they can affect a company’s access to and cost of capital, market access, brand value, licences and other authorisations required to operate.

Reporting on how sustainability initiatives are linked to strategy, financial performance and valuation assists in communicating how a company is addressing some of the world’s most pressing challenges, including poverty, education, climate change and biodiversity. Addressing these challenges promotes more prosperous economic systems that benefit all participants and create more stable and resilient markets within which companies can operate.

2.1 | Supporting corporate reputation and strategy

In addition to the benefits of the report itself, a company also derives value from the process of creating a report. While high quality corporate reporting provides useful decision-making information for internal and external stakeholders, the process of compiling this information can also strengthen internal reporting systems. The ESG reporting process itself can help companies develop the internal infrastructure needed to link strategic goals with the business model, risks, opportunities, operational indicators and financial performance. ESG reporting thus equips a company with tools to identify and manage risk, evaluate and measure success, as well as identify future challenges and opportunities.

An extensive number of empirical business studies make the case for companies to fully integrate sustainability into their business strategy.


Why report on ESG considerations?
2.2 | Addressing ESG issues as key component of investor relations

A large and growing proportion of assets managed globally sit with asset managers and asset owners that have incorporated or are incorporating ESG considerations into their investment processes.

In 2019, the United Nations-supported Principles for Responsible Investment (PRI) had nearly 2,500 signatories with USD 89 trillion in assets under management (AUM), up from 800 signatories with USD 22 trillion AUM in 2010. For these investors, ESG information provides insight into the quality of corporate management and helps investors forecast company performance by providing a more comprehensive view of the company. Effective analysis of relevant ESG factors has become a fundamental part of assessing the value of an investment for many investors. For these reasons, investors are asking companies to communicate on how they are managing ESG-related risks and opportunities.

2.2.1 | Identifying and understanding investors’ ESG information needs

While all investors can benefit from ESG information, different investors may have distinct information needs. Companies can therefore benefit from asking themselves the following questions:

Who are the company’s top investors?

What kind of investors would the company like to have?

How has the company engaged with relevant investors to understand their concerns?

For instance, investors with a long-term investment horizon, such as pension funds, may be particularly interested in information regarding risks, such as how climate change may affect the company in the medium or long term. Other investors may only be interested in information that is disclosed within a financial or integrated report, while others may want supplemental, detailed sustainability information in a standalone report. These considerations are important early in the reporting process, as they will help define the content, scope and format of reporting, as well as engagement with investors.

While this guidance focuses on facilitating transparency between investors and issuers, investor information needs go beyond the investor-issuer relationship.

Investors are interested in how a company communicates with other key stakeholders (e.g., employees, consumers, suppliers, civil society or governments), which can have a material impact on company operations. Investors recognise that a company’s ability to create value in the long term depends on its interactions with its stakeholders and use of resources.

www.unpri.org/pri/about-the-pri
2.2.2 | ESG a compass for risk mitigation

The transition to a low-carbon economy implies changes in climate policies and an increased focus on physical risks, which will prompt a reassessment of the values of almost every financial asset. Companies that seek to minimise their ESG risks must look at their ambitions and their desired longevity through the lens of environmental, social and governance factors. As ESG outcomes become embedded in a company’s strategy, the way risks are understood, measured, and subsequently mitigated will evolve in alignment with strategic objectives. Ongoing dialogue with stakeholders (including employees, communities, shareholders, relevant regulators, rating agencies, clients, etc.) is key in helping companies understand where they should focus their attention when it comes to ESG risk-related areas. Many components of a company’s strategy may be understood from an ESG perspective.

We can take as an example the ambition to promote employee well-being and happiness. This is mirrored by the operational risk of high employee turnover, which can impact the continuity of client servicing and operational efficiency. However, the risk of high employee turnover may also have a strategic component with impacts on attracting talent, corporate culture and client perception. The increased awareness gained from taking both operational risks and strategic objectives into account can help companies allocate resources more efficiently, thereby integrating the ESG risk into their Enterprise Management Risk Framework. Strengthened employer branding is an illustration of how ESG can help bring concrete answers to companies’ needs today.

The understanding and clear disclosure of ESG risks and the strategies employed to mitigate these risks assure investors of a company’s resilience and capacity to transition towards a more sustainable economy. Finally, a company may leave itself open to reputational risk if it overlooks this area, necessarily not because of poor ESG risk management per se, but even due to poor disclosure and communication.

2.3 | Align your strategy with regulatory requirements

A number of jurisdictions have introduced regulatory requirements governing corporate disclosure of ESG information. Shareholders and other stakeholders are demonstrating an increasing interest in non-financial information, which allows them to build a more comprehensive understanding of a company’s development, performance, position and impact. As demand for socially responsible investing grows, they factor ESG information thoroughly into their investment decision process. In this context, disclosing non-financial information is pivotal for both investors and consumers.

The European Parliament has acknowledged the importance of this transparency, and the European Directive 2014/95/EU dated 22 October 2014 obliges public-interest entities which are large undertakings with more than 500 employees to publish non-financial information, including information on environmental, social and employee matters, diversity, respect for human rights and on anti-corruption and bribery matters. Additional regulatory frameworks at the EU level include the Guidelines on Non-Financial Reporting (2017/C215/01), updated in 2019 to factor in climate-related information (2019/C209/01).

A description of the key ESG reporting regulations in Euronext Exchange jurisdictions at date of publication can be found in section 7.1 of the Appendix to this guide. These regulations are valid as of 19 September 2019.
3.1 | Responsibility and oversight of the report

The initial stages of report preparation provide an opportunity to determine who within the company is best placed to be involved in creating the report.

Identifying responsibilities

As a practical first measure, it is useful to determine within the company the roles, responsibilities and capabilities that are relevant for ESG reporting, including identifying appropriate personnel and coordinating among them. Different departments (such as finance, investor relations, communications, HR, legal, sustainability and each business unit) make valuable contributions to the outcome of a report. Any team working on ESG reporting should have access to input from across the functional divisions of the company, as different functions within the company may be engaging with different stakeholders and managing material issues.

Role of the Board of Directors

The Board of directors plays an essential role. Integrating ESG considerations into the company’s strategy is an important aspect of the Board’s role, since it is responsible for the strategic oversight. It is thus worthwhile for companies to define their ESG rationales and objectives with their Boards of directors, and provide governance mechanisms for addressing these factors at all levels of the organisation.

By embedding sustainability into their core duties, directors can position themselves to ensure that ESG factors are integrated into mainstream business strategy, organisational culture, values and operational practices in a way that supports the long-term profitability and viability of the company.

Boards may find it beneficial to issue a statement that clarifies how the board determined:

- The importance of different stakeholders
- Which ESG factors were selected and how
- Within what timeframe it made these judgments, as they change over time

The Board statement should be published in the ESG Report.

If the process of drafting and filing the ESG report is directed by the management, the ultimate responsibility for the timely issuance and the content of the report falls on the directors’ shoulders.
3.2 Relevance And Materiality

While companies have several reporting objectives, the materiality of information and its relevance for investors is a key consideration in determining the scope and content of company’s reporting. Identifying relevant issues is a starting point for identifying material factors. Information is “relevant” when it influences the opinion or decision of users by helping them to evaluate past, present or future events, or by confirming or correcting their past evaluations. As such, understanding the reporting audience is critical to determining what information should be included in a report. When determining relevant matters, it can be useful to gauge how much an issue might potentially affect the company’s ability to create value over time.
ESG Reporting process

The process of carrying out a materiality analysis and the associated operational management, communication and annual updates, will to a large extent be the same across sectors and companies, comprising four key steps:

1. Materiality Analysis
2. Operational Management
3. Communication
4. Updating

The reporting process set out below is based on the Global Reporting Initiative’s standards for ESG reporting (GRI Standards). Other guidelines also exist and can be relevant for issuers (see appendix).

https://www.globalreporting.org/Pages/default.aspx
4.1 | Materiality analysis: identification and prioritisation

4.1.1 | Identifying stakeholders and mapping their interests

The ESG reporting process should start with a materiality analysis, which involves mapping the opportunities and risks the company faces, as well as identifying its most important stakeholders and their primary areas of interest. This will give the company a good starting point for identifying its most business-critical areas, and will provide direction regarding the relevant indicators which should be monitored.

The work undertaken to map a company’s most important stakeholders and their expectations can be based on existing analysis and knowledge from within the organisation.

This information can be gathered through discussions with internal employees who are in contact with key stakeholders. Which employees to involve will depend on the key stakeholders identified:

- If customers are key stakeholders, the sales department is a key source of input, based on sales staff’s existing analysis and knowledge of customer requirements and expectations.
- For information on civil society, the head of the company’s local business unit or its communications department might have, for example, an overview of enquiries received from interest groups and civil society, as well as any associated media reporting.
- If internal discussions reveal that information about the expectations of some groups of stakeholders is lacking or that such information is incomplete, the stakeholders themselves should be contacted.
The following is an example of what an overview of stakeholder expectations might look like:

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Expected of the company</th>
<th>Arena for dialogue</th>
<th>Actions by the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>Climate reporting</td>
<td>Meetings with investors and analysts</td>
<td>Report greenhouse gas emissions and emission reduction targets</td>
</tr>
<tr>
<td></td>
<td>Compliance with the OECD’s Guidelines for Multinational Enterprises</td>
<td>Quarterly presentations</td>
<td>Human rights due diligence</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Corruption prevention</td>
<td>Customer meetings, seminars, internet-based channels</td>
<td>Formulate ethical guidelines</td>
</tr>
<tr>
<td></td>
<td>Product safety</td>
<td></td>
<td>Participation in industry forums</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neighbours</td>
<td>Create jobs</td>
<td>Meetings for local residents</td>
<td>Employ local people</td>
</tr>
<tr>
<td></td>
<td>Mitigate negative impact in the form of traffic, noise and/or emissions</td>
<td>Neighbourhood consultation meetings</td>
<td>Analyse traffic patterns and implement measures to reduce noise and dangerous situations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Open days</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Secure jobs</td>
<td>Collaboration with unions</td>
<td>Provide information on business strategy and profitability</td>
</tr>
<tr>
<td></td>
<td>Good working environment</td>
<td>Company-wide meetings</td>
<td>Employees satisfaction surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Departmental meetings</td>
<td></td>
</tr>
</tbody>
</table>

4.1.2 | Identifying the relevant themes for the company (Materiality)

In financial reporting, “materiality” is usually defined by reference to a threshold value that may influence the financial decisions of users of the company’s accounts, for example, investors. In corporate responsibility reporting, a materiality assessment takes into account a broader range of stakeholders and the impact of the company. In this context, the principle of materiality includes considering both the effect a topic has on stakeholders’ assessments and decisions, and the significance of a relevant topic for environmental, social and economic matters.

- Even if a topic is not regarded as material to the company’s financial results, it may nonetheless be important to include in the company’s reporting. An example is the use of suppliers in low-cost countries. This can have a positive impact on the society and economy of the country concerned (and can generate better financial results for the reporting company). However, it can at the same time pose a risk in terms of workers’ basic rights.

- Whether a company reports on a smaller number of only the most material themes or a more comprehensive range, an effective report covers ESG considerations that are relevant to business strategy and illustrates the link to both long-term and, when possible, short-term value creation.

- Thinking through each piece of a company’s value chain can help develop a comprehensive understanding of the ESG themes that could be relevant for disclosure. Additionally, it is often helpful to reflect on the risks discussed in the company’s annual management reports, as well as themes reported by peers.
The process of mapping topics of relevance to the company should include the opinions of an internal interdisciplinary group and will also often involve the company’s executive management. Salient considerations may include:

- What is important in order to create shareholder value?
- What does the board of directors consider to be important?
- What are the difficult items on the executive management team’s agenda?
- Do the board and executive management have sufficient knowledge of corporate responsibility?

Companies are invited to look to GRI 101 for help in assessing materiality. The EU Commission emphasises that companies, when assessing the materiality of non-financial information, should consider the double materiality perspective: financial materiality, i.e. information relating to ‘non-financial’ factors that may nevertheless affect company value, and environmental and social materiality, that is, the company’s impact on environmental and social factors. As shown on this illustration, the distinction between these two types of materiality can be difficult to identify in practice. Also, the degree to which report readers emphasise one type of materiality over the other is likely to vary among stakeholders.

FINANCIAL MATERIALITY

To the extent necessary for an understanding of the company’s development, performance and position...

ENVIRONMENTAL & SOCIAL MATERIALITY

... and impact of its activities

RECOMMENDATIONS OF THE TCFD

NON-FINANCIAL REPORTING DIRECTIVE

* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.
4.1.3. Prioritisation

The results of the materiality analysis must be compiled in an appropriate manner that demonstrates what is significant both to the company and its stakeholders. In order to determine the company’s material risks and opportunities, the different topics identified should be assessed along two dimensions: “Significance to the company’s stakeholders” and “Significance for the company’s economic, social and environmental impacts.”

Tips for assessing the two dimensions of risks and opportunities:

**Significance to the company’s stakeholders**
- To what extent does the topic affect stakeholders economically, socially or environmentally?
- To what extent might the topic influence stakeholders’ decisions and their assessments of the company’s products, services or reputation?

**Significance for the company’s economic, social and environmental impacts**
- To what extent is the topic relevant for the company’s economic, social and environmental impacts? This can be important for the company’s ability to achieve its strategic and business goals.
- To what extent does the topic affect the company’s ability to operate over the short and the long term?
- Which international standards and agreements is the company expected to comply with?

The risks and opportunities that are assessed to be significant to both the company’s stakeholders and the company’s economic, social and environmental impacts should be defined as material, and thus prioritised in the company’s work and reporting on corporate responsibility. The findings in terms of material risks and opportunities should form part of the company’s public reporting. The information can be presented in many ways, and companies should choose the most appropriate method for them.

The following is an example of how to present a materiality analysis:

The risks and opportunities contained in the circle as shown are the most important ones for the company to report on. There are alternative ways of presenting the results of a materiality analysis, such as a matrix (as demonstrated above), a table, or a list.
4.2 | Implementation and operational management

Material risks and opportunities are assumed to be significant to companies’ profitability over the long term, and should therefore be managed accordingly. Furthermore, ESG reporting should reflect what the company actually does to address ESG concerns.

This means that companies should:

■ Include material risks and opportunities in operational management
The topics that the company has defined as most significant to report on should be included in the company’s risk management, business development and strategy processes. This should be described at a high level in the ESG report or chapter. The ESG report or chapter should also include a description of implemented measures in order to reduce the risks associated with the most material topics, and how these measures are integrated into the operational management of the company, including its business development and strategy.

■ Define targets and indicators for material topics
Once a company has established which ESG themes to report on, it should define specific targets and performance indicators for material topics and disclose these in order to demonstrate progress. Companies should explain why the targets and indicators are relevant to the company and how they are monitored. The indicators may be generic, industry-specific (e.g. certain Health Safety Environment indicators) or company-specific. Relevant indicators will depend on the company’s industry and geographic exposure. Companies are recommended to use widely accepted indicators developed via a credible national or international process. The indicators can be both quantitative and qualitative. Examples of widely used indicators can be gathered from SASB or GRI, among other frameworks (see appendix).

■ Opt for robust internal ESG data collection and management processes
Better data leads to better decision-making and performance. Rather than creating completely new channels, companies can make use of existing internal audit, risk and data control verification systems. If internal systems are not currently sufficient for the task, a company may decide it is in its long-term best interest to invest in building capacity in this area. If data collection gaps are identified, companies can identify and explain them in their report.

4.3 | Drafting and presentation

4.3.1 | Quality of the information

Reporting should be transparent and should enable the reader to track performance from year to year. The report should describe how the information has been defined, gathered and compiled. To show the company’s performance, comparable quantitative information should be provided for the previous three financial years where appropriate.

When reporting specific targets and performance indicators for material topics, investors appreciate information that appears in the appropriate context, including comparisons to:

■ Historical company and industry trends
■ Related corporate goals
■ Relevant ratios
■ Industry averages
■ Financial results/performance

Where a target has been set for an indicator, information should be provided on whether the target has been achieved. If the target has not been achieved, a brief explanation should be given. It may be appropriate to structure the content and format of the report in a manner that makes the information comparable from year to year. This also makes it easier for stakeholders to locate information and may help enhance the perceived quality of the company’s reporting.
The reported information must be:

**ACCURATE**
The reported information should be accurate enough to enable the company's stakeholders to evaluate the results of the company's activities.

**BALANCED**
The report should describe both the positive and negative impacts of the company's activities.

**COMPREHENSIBLE**
The information should be clear to the report's users. It can be useful, for example, to describe the company’s value chain in order to show where the company has the greatest impact on the environment.

**COMPARABLE**
The information should be presented in a manner that enables stakeholders to evaluate the company’s performance over time and to compare it with that of other organisations where relevant.

**TIMELY**
Reporting should at a minimum follow the same timetable as for annual financial reporting.

**RELIABLE**
The reported information should be gathered, recorded and compiled in a way that can be verified.

Companies are also invited to consult the GRI 101 Foundation and, in particular, the Reporting Principles, which define report quality choices. Information quality is important to enable stakeholders to make sound and reasonable assessments of an organisation, and to take appropriate actions. As investors seek to understand how ESG information is linked to the company’s business strategy and financial performance, relevant quantitative data is in high demand because it can be more easily compared across time within the same company or with similar data from other companies. Such data is also useful for enhancing investment valuation and credit rating models.

5.3.2 | Format of the presentation

The report should be included in the board of directors’ annual report, elsewhere in the company’s annual report, in an integrated report, in a separate report or through other channels that stakeholders wish to use as a source of information. Regardless of the reporting channel chosen, the format of the report must satisfy all relevant legal requirements and be easily available via the company’s website. Regardless of the format, there are a few overarching points of best practice to keep in mind:

- **Reporting period**
  If sustainability disclosure is separate from financial disclosure, it is recommended that the two types of disclosure are published for the same reporting period. This will allow investors to consider financial information within the context of ESG information. Cross-references within these documents ensure connectivity and accessibility of information.

- **Consistency across channels**
  It is important to ensure consistency among the information reported in different communication channels. For example, if one channel emphasises the critical nature of an issue to a company’s business, the company should avoid omitting discussion of that issue on another communication channel.

4.3.3 | Making your ESG information accessible

The right disclosure channels ensure investors receive relevant, easily accessible, comparable and timely information. To accommodate variable information needs and interests, it may be relevant to use different communication channels, including:

- Websites
- Regulatory filings
- Annual reports
- Sustainability reports
- Other company reports
4.4 | Reporting as a continuous dialogue
Engaging stakeholders on ESG factors is best conducted as a pre-emptive rather than reactive activity, as stakeholders can help a company identify, mitigate, and manage ESG risks and opportunities before problems emerge. Stakeholder engagement can also be a source of innovation, future opportunities and new partnerships that fuel strategic growth.

Disclosing a company’s engagement process can help investors understand if and how well a company is integrating ESG risks and opportunities into planning and operations, as well as lending credibility to company claims about leadership in ESG performance. Systematic stakeholder engagement enhances receptivity and the usefulness of corporate ESG information. Executed properly, stakeholder engagement is:

- Result in improved understanding by the company of its strategic partners and resources
- Strengthen relationships with stakeholders
- Foster higher levels of trust among external parties regarding the company’s actions and reporting

4.5 | Assessing and assuring
ESG reports are made more credible by strong internal assessment processes and/or external assurance, if resources permit.

An internal audit committee or group of individuals, independent of the division tasked with measuring and gathering the information, can review disclosure. An internal audit can also further ensure that internal data collection systems are robust and organised.

A clear and visible statement should be made in the event of external verification of the report.
5.1 | The regulatory landscape of Green Bonds

In March 2018, the European Commission (EC) published its Action Plan on Financing Sustainable Growth. One of the actions within this Plan details the EC’s commitment to the creation of standards and labels for green financial products. A Technical Expert Group (TEG) was established to assist in four key areas, one of which is the creation of an EU Green Bond Standard (EU GBS), a voluntary, non-legislative standard proposed to issuers who wish to align their issuances with best market practices.

The intention is to provide a framework of core components for EU Green Bonds, enhancing transparency, integrity, consistency and comparability. In summary, the TEG purports that a voluntary EU Green Bond Standard, aimed at both European and international issuers of all forms of listed/unlisted fixed income products, will address barriers to market development and will support its role in channelling substantial financial flows to green bonds.

Built on best market practices, the EU Green Bond Standard goes a step further than many other industry standards with its proposed ‘external verifier accreditation programme’ standing out as the most significant departure from current market practice.

While it remains to be seen if an EU-supported Green Bond Standard can effectively tackle the current market barriers that it hopes to address and provide benefits to both issuers and investors of green products without imposing too onerous an additional cost, Euronext welcomes the proposal and supports the objective of creating a recognised EU Green Bond Standard in Europe.

The new EURONEXT GREEN Bond Offering encourages issuers to finance their transition to a sustainable economy and provides them with the visibility required among responsible investors while the latter benefit from easier access to sustainable assets.

5.2 | Equity financing for your transition

Analysing the relationships between financing sources and carbon emissions, a September 2019 working paper supported by the European Central Bank (ECB) concludes that for given levels of economic and financial development and environmental regulation, CO₂ emissions per capita are lower in economies that are relatively more equity-funded. Stock markets can encourage the reallocation of investments towards less polluting sectors. They can also help push carbon-intensive sectors to develop and implement greener technologies.

Current environmental objectives are strengthening the case for a Capital Market Union in Europe to deliver sustainable, equity-based growth. In this context, Euronext encourages issuers to leverage equity capital to finance their transition to a sustainable economy and is working to simplify issuers’ access to sustainable equity capital.

Sustainable indices also contribute to this goal, as they amplify issuers’ visibility among the relevant communities of investors.
Euronext and its role in sustainability

Pan-European exchange group Euronext offers a diverse range of products and services and combines fair, orderly, transparent and efficient equity, fixed income securities and derivatives markets in different European locations. Euronext’s businesses comprise listing, cash trading, derivatives trading, advanced data services, post-trade and technologies and other corporate services.

Euronext has a special position in the financial ecosystem. It serves the real economy by bringing together buyers and sellers in high-integrity trading venues that are transparent, efficient and reliable. In this key role Euronext has a responsibility to the whole finance community to contribute to the financial stability and the sustainable agenda in the countries in which it operates.

Euronext’s collaboration with and contributions to the UN’s Sustainable Stock Exchange Initiative confirms its commitment to building a new kind of finance, shifting paradigms to support a new world view. The Euronext ESG mission is to finance local and global real economy in its transition towards a sustainable society by:

- Driving investment in innovative, sustainable products and services through secure and transparent markets, in continuous collaboration with the financial community
- Inspiring and promoting tangible sustainable practices within the company and towards our communities, by respecting and developing our people and by supporting our ecosystem.
### 7.1 Key ESG reporting regulations of 19 September 2019

<table>
<thead>
<tr>
<th>Issuer of the text</th>
<th>Date</th>
<th>Title</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>2016</td>
<td>EU Non-Financial Reporting Directive 95/14</td>
<td>Applies from January 2017 to all listed companies with more than 500 employees, and mandates disclosure of environmental, social (including diversity and human rights) and anti-corruption issues. Transposed in all the Euronext countries (except Norway)</td>
</tr>
<tr>
<td>Belgium</td>
<td>2017</td>
<td>Law dated 3rd of September 2017 transposing the EU Non-Financial Reporting Directive 95/14 into Belgian law</td>
<td></td>
</tr>
<tr>
<td>Corporate governance committee</td>
<td>2019</td>
<td>2020 Belgian corporate governance code</td>
<td>The 2020 Belgian Code on Corporate Governance (2020 Code) applies to companies incorporated in Belgium whose shares are admitted to trading on a regulated market as defined by the Code on Companies and Associations</td>
</tr>
<tr>
<td>France</td>
<td>2017</td>
<td>Ordinance 2017-1180 of 19 July 2017 on publication of non-financial information by certain large companies and company groups</td>
<td></td>
</tr>
<tr>
<td>Company association</td>
<td>2018</td>
<td>AFEP-MEDEF or MiddleNext corporate governance codes</td>
<td></td>
</tr>
<tr>
<td>Issuer of the text</td>
<td>Date</td>
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<td>Comments</td>
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<tr>
<td>Government</td>
<td>2017</td>
<td>Section 1373 Irish Companies Act (as amended)</td>
<td>Section 1373 Irish Companies Act.</td>
</tr>
<tr>
<td>Financial Reporting Council, UK &amp; Euronext Dublin as Competent Authority for Listing</td>
<td>2016</td>
<td>UK Corporate Governance Code 2016 &amp; Irish Corporate Governance Annex</td>
<td>All present the UK Corporate Governance Code (2016) and the Irish Corporate Governance Annex applies to all large companies (as defined by Irish Companies Act) in the market of Euronext Dublin. The Code and the Irish Annex set out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, based on a comply or explain basis. A new 2018 UK Corporate Governance Code has been introduced in the UK and applies in financial years beginning on or after 1 January 2019. It is planned that this will also be adopted for Irish companies with a primary listing on Euronext Dublin.</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2016</td>
<td>Dutch Corporate Governance Code 2016</td>
<td>The Dutch Corporate Governance Code 2016 applies to all companies whose registered offices are in the Netherlands and whose shares, or depositary receipts for shares, have been admitted to trading on a regulated market, and to large companies (balance sheet value &gt; €500 million) whose shares, or depositary receipts for shares, have been admitted to trading on a MTM or a comparable system.</td>
</tr>
<tr>
<td>Government</td>
<td>2016</td>
<td>Decree dated 22 December 2016 transposing EU Non-Financial Reporting Directive 95/14 into Dutch law with respect to diversity policy</td>
<td>The law foresees which entities are qualified as entities of public interest, namely issuers of securities admitted to trading on a regulated market. Issuers of shares admitted to trading on a regulated market of a Member State of the European Union that are large companies, must, in addition, provide a description of the diversity policy that applies to members of their management and supervisory bodies and particularly in terms of age, sex, qualifications and professional background.</td>
</tr>
<tr>
<td>Portugal</td>
<td>2017</td>
<td>Decree-Law n.º 89/2017 of 28 July transposing the EU Non-Financial Reporting Directive 95/14</td>
<td>Large companies and parent companies of a big group of companies which have the legal status of entities of public interest and that have an average of more than 500 employees, must present annually a non-public statement included in the management report or presented in a separate report prepared by its supervisory bodies, containing enough non-financial information for an understanding of the evolution, performance, position and impact of their activities, at least (i) on environmental, social and workers issues, (ii) on the equality between women and men on an non-discriminatory, respect for human rights, respect for combat corruption and bribery attempts. The law foresees which entities are qualified as entities of public interest, namely issuers of securities admitted to trading on a regulated market. Issuers of shares admitted to trading on a regulated market of a Member State of the European Union that are large companies, must, in addition, provide a description of the diversity policy that applies to members of their management and supervisory bodies and particularly in terms of age, sex, qualifications and professional background.</td>
</tr>
</tbody>
</table>

**Issuer of the text** | **Date**       | **Title**                                                                 | **Comments**                                                                                                                                                                                                 | **Applicable for financial years commencing on or after 1 August 2017, large companies (as defined in Irish Companies Act) comply or explain the required non-financial information, each financial year. | **Large listed companies are required to disclose in their Corporate Governance Statement information on diversity in their board.** |

**Government** | 2017       | Decree dated 10 March 2017 transposing EU Non-Financial Reporting Directive 95/14 into Dutch law with respect to non-financial information  |                                                                                                                                                                                                 |                                                                                                                                                                                                 |                                                                                                                                 |

**Government** | 2017       | Decree-Law n.º 89/2017 of 28 July transposing the EU Non-Financial Reporting Directive 95/14 | Large companies and parent companies of a big group of companies which have the legal status of entities of public interest and that have an average of more than 500 employees, must present annually a non-public statement included in the management report or presented in a separate report prepared by its supervisory bodies, containing enough non-financial information for an understanding of the evolution, performance, position and impact of their activities, at least (i) on environmental, social and workers issues, (ii) on the equality between women and men on an non-discriminatory, respect for human rights, respect for combat corruption and bribery attempts. The law foresees which entities are qualified as entities of public interest, namely issuers of securities admitted to trading on a regulated market. Issuers of shares admitted to trading on a regulated market of a Member State of the European Union that are large companies, must, in addition, provide a description of the diversity policy that applies to members of their management and supervisory bodies and particularly in terms of age, sex, qualifications and professional background. | Issuers of shares admitted to trading on a regulated market of a Member State of the European Union that are large companies, must, in addition, provide a description of the diversity policy that applies to members of their management and supervisory bodies and particularly in terms of age, sex, qualifications and professional background. |                                                                                                                                 |
Below issuers may find a non-exhaustive list of existing ESG reporting standards that may be of relevance in furthering their transparency and disclosure with regards to non-financial information.

- **IIRC/Integrated Reporting**
  An international initiative with a framework and principles designed to promote more integrated reporting that describes how a company’s value creation is affected by its external operating framework, risk, strategy, operational management, etc.

- **Task Force on Climate-related Financial Disclosures (TCFD)**
  Recommendations on climate reporting developed by the TCFD for the Financial Stability Board.

- **The OECD Guidelines for Multinational Enterprises**
  A framework for developing and comparing anti-corruption programmes.

- **The UN Sustainable Development Goals**
  Although this is not a reporting standard, some companies may find it useful to show how sustainability goals are relevant to them.

- **The UN Global Compact**
  General reporting (progress reports) in accordance with the Global Compact’s ten principles on human rights, labour rights, the environment and anti-corruption. Can be integrated into a GRI report.

- **The UN Guiding Principles on Business and Human Rights**
  Reporting on human rights.

- **Transparency International’s Business Principles for Countering Bribery**
  A framework for developing and combating anti-corruption programmes.

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9  integratedreporting.org/resource/international-ir-framework/
10  www.fsb-tcfd.org
11  http://mneguidelines.oecd.org/
12  www.sasb.org
13  www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery
14  www.unglobalcompact.org
15  www.ohchr.org
16  www.sustainabledevelopment.un.org - Among others, the Dutch Central Bank provides a framework to align with Sustainable Development Goals.

More information on how companies can report on sustainability targets is available at: www.sdgcompass.org
7.3 | Guidance for issuers in preparing their report

1. How is the company moving towards a sustainable business strategy?
2. How can ESG aspects support the achievement of business goals?
3. What are the existing reporting requirements in the markets where the company operates?
4. How can the company use ESG disclosure to engage and align board members, senior executives, and employees?
5. What are the key issues and future goals that relate to ESG from the point of view of the CEO and/or Chairman?
6. How are board members, senior executives, and employees involved in ESG-related decision-making, planning, monitoring, and activities?
7. What is the company’s main reporting objective(s)?
8. What are the key ESG factors that impact the company strategy in terms of the risks and opportunities they present?
9. What are the company’s public commitments towards sustainable development and corporate responsibility?
10. Who are the company’s priority stakeholders? What is the process for identifying them and how often is that determination refreshed or updated?
11. What is the company’s materiality determination process related to ESG matters?
12. How do ESG factors fit within the company’s existing materiality determination process?
13. Which ESG factors have the most impact on the company’s long-term value creation?
14. Which ESG factors directly impact the company’s short-term financial performance?
15. How can the company use its feedback to improve performance?
16. Which ESG factors are most relevant for the company’s current and potential investors?
17. Does the company know about its existing investor base and its information needs?
18. Has the company identified what information investors need?
19. Has the company effectively engaged investors?
20. How can the company leverage ESG disclosure to deepen relationships with investors?
21. How does the company maintain and enhance its relationship with investors?
22. How would the company like to evolve its investor roster in the next five years?
23. What ESG factors are linked to current and potential regulations?
24. How do financial disclosure controls and obligations apply to the company’s ESG disclosure?
25. What level(s) of assurance is meaningful and feasible?
26. How does the company determine which third party is the most effective and relevant to assure the company’s disclosure?
7.4 Objectives for reporting on ESG

Access to capital
- Demonstrate transparency and effective management and enhance the company’s ability to attract long-term capital and favourable financing conditions.
- Enhance the company’s ability to attract longer-term investors, including major institutional investors such as pension funds.

Profitability and growth
- Generate financial value for the company by identifying opportunities for cost savings, revenue generation and risk mitigation.
- Drive continuous improvement by creating accountability and fostering collaboration with stakeholders.
- Create a deeper understanding of stakeholder needs, which could drive innovation and enhance market differentiation and competitiveness.
- Enable management and board scrutiny of ESG opportunities and risks, and promote company-wide alignment on goals.

Compliance and risk management
- Address mandatory reporting requirements on financially material factors and mitigate compliance risks related to financial disclosure obligations.
- Establish measurement and reporting processes for ESG information.
- Help the company stay ahead of emerging ESG and disclosure regulations.
- Protect the company’s licence to operate by demonstrating corporate transparency and responsiveness to stakeholder needs.

Corporate reputation and branding
- Demonstrate corporate commitments to responsibility managing environmental, social, and economic impacts.
- Exhibit corporate adherence to industry ethical standards and national and international frameworks on corporate sustainability and sustainable development, particularly in light of the UN Sustainable Development Goals.
- Enhance corporate reputation by improving stakeholders’ perceptions of a company through reporting-related stakeholder engagement.
- Improve employee perception of the company, helping to attract, retain, motivate and align new and existing employees.

Information flow
- Ensure that the key stakeholders have the relevant information that is needed to make informed decisions about the company’s ability to create value in the short, medium and longer term.
- Enhanced investor relations and engagement
- Improve relationships with investors by engaging throughout the reporting process.

Measurable achievements
- Measure the realisation of strategy and the extent of ESG impacts. High-quality reporting enables the measurement of success or progress in key corporate strategies as well as impacts of corporate practices.