

## **Euronext reporting according to the TCFD recommendations**

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The Task Force established by the Financial Stability Board (“FSB”), developed voluntary recommendations on climate-related information that companies and organisations should disclose to help investors, lenders, and others make sound financial decisions. Structured around four thematic areas – Governance, Strategy, Risk Management and Metrics & Targets – the TCFD Recommendations provide a framework for companies to respond to the increasing demand for transparency on climate-related risks and opportunities from investors.

On 22 March 2018, Euronext endorsed the Task Force on Climate-related Financial Disclosures Recommendations and committed to further support transparency on climate-related risks and opportunities on financial markets. The signing of the recommendations took place during an opening bell ceremony in Brussels, held in presence of Michael Bloomberg (leader of the Task Force), and during which the Belgian State, the National Bank of Belgium and the Belgian Financial Services and Markets Authority (FSMA) also signed up to endorse the TCFD Recommendations. The bell ringing coincided with the “High Level Conference: Financing Sustainable Growth” organized by the European Commission in Brussels.

This has been reiterated on the 12th of December 2020 when the 40 largest listed companies in France in the CAC 40 index, Euronext and the French Market Authority declared their support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures

For the first time Euronext shall apply the TCFD recommendations in its non-financial reporting over 2020, both as a listed company and as a market operator. Euronext's climate strategy is based on the four key elements of the TCFD recommendations:

- Governance
- Strategy
- Risk management
- Metrics and targets

### **Governance**

The world is facing significant challenges in ensuring a sustainable future for our people and our planet. Global warming and its consequences is indisputably one. Many national and international initiatives are addressing these challenges. Every organisation will have to play its own role, depending on its impact and its opportunities, in the transition to a more sustainable society and in a greener world.

The finance sector can be an important contributor to the global sustainability agenda and can promote sustainable finance, by incorporating environmental, social and governance (ESG) factors into investment decision-making, and by supporting the allocation of capital to more sustainable, greener and more environmentally friendly initiatives.

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 vis-à-vis the whole finance community to contribute to the financial stability and the sustainable agenda in the countries in which it operates. Especially conscious of the

challenges linked to the climate change, to the need to reduce its greenhouse gas emissions and to manage natural resources prudently and sparingly, Euronext has fully integrated environmental issues into its activities and strategy

To meet these increased expectations, a ESG Task Force has been created to support the General Counsel. The Task Force currently consists of representatives of the 5 identified impact areas, which are in their turn supported by local ESG representatives. The Task Force works in close cooperation with the business to develop new initiatives aligned with the Group Strategic Plan, and with the communication and investor relations teams. This Task Force addresses also climate risks and opportunities.

The General Counsel, part of the Group's extended Managing Board, is in charge of coordinating ESG at the Group level, making sure that all relevant departments integrate the ESG objectives into their missions. The General Counsel ensures that ESG initiatives, impacts and challenges are high on the agenda of the Group's Managing Board and Supervisory Board, and that the company reports on ESG related topics in a transparent way. The Managing Board and the Supervisory Board have fully endorsed ESG and especially the "E" part of it as part of the Euronext strategy going forward

Moreover, since the introduction of the new Strategic Plan "Let's grow together 2020", all ESG initiatives are captured by the Strategic Plan Transformation Office, which monitors the progress of the whole strategic plan of the group, reports regularly on these progresses to the Managing Board and the Supervisory Board and, in this context, has regular update meetings with the General Counsel and the ESG Task Force. All significant new ESG related projects including the climate-related ones, are submitted for approval to the Managing Board.

## **Strategy**

In 2019, Euronext has decided to make sustainable finance a key pillar of its strategy "Let's grow together". For more details on the strategy, please refer to section 1.2 of the Euronext Registration document.

The Euronext ESG ambition 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 sustainable tangible practices within the company and towards our communities, by respecting and developing our people and by supporting our ecosystem.

This dual ambition is fully aligned with the Action Plan on Financing Sustainable Growth launched by the European Commission in 2018 and with the Green deal presented by the European Commission in December 2019.

In this context, based on feedback received from all of its stakeholders, Euronext has identified 11 key issues, that were grouped them into 5 material impact areas, consistent with the Euronext dual ESG ambition. The climate strategy of Euronext is part of the pillar "Our environment" and aimed at reduce its own carbon footprint and contribute to the protection of the environment.

KEY ISSUES	MATERIAL IMPACT AREA	DUAL AMBITION
<ul style="list-style-type: none"> <li>Organise a trusted, fair, transparent and efficient market, thereby enhancing access to capital</li> <li>Promote and develop sustainable and innovative products with environmental (green and blue) or social added value</li> </ul>	Our Markets	Driving investment in innovative, sustainable products and services through secure and transparent markets, in continuous collaboration with the financial community
<ul style="list-style-type: none"> <li>Be the spokesperson of the sector and foster “Issuer-Investor” dialogue</li> <li>Maintain an ongoing dialogue with multi-stakeholder partnerships</li> <li>Educate our partners on financial literacy and regulations</li> </ul>	Our Partners	
<ul style="list-style-type: none"> <li>Develop skills and retain talents in an open culture of dialogue</li> <li>Promote diversity</li> <li>Respect human rights and local labour laws</li> </ul>	Our People	Inspiring and promoting sustainable tangible practices within the company and towards our communities, by respecting and developing our people and by supporting our ecosystem.
<ul style="list-style-type: none"> <li>Act ethically, with integrity and the highest standards in terms of good governance</li> <li>Educate and engage with our local Community</li> </ul>	Our Society	
<ul style="list-style-type: none"> <li>Reduce our own carbon footprint and contribute to the protection of the environment</li> </ul>	Our Environment	

A central element of Euronext’s work involves engagement with all actors within our ecosystems. Alongside customers, be they issuers, investors and intermediaries, Euronext also dedicates considerable time and resources to engaging with policymakers and regulators with a view to shaping positively the regulatory framework which governs our activities and including on climate-related initiatives.

This engagement focuses on both the EU institutions, namely the Commission, Parliament and Member States in Council, as well as all relevant authorities in the Euronext jurisdictions. It is also complemented by engagement of trade associations of which Euronext is a member, notably FESE at European level, as well as via various national associations.

Euronext joined the UN Global Compact, which focuses on the protection of the environment, among other things. Euronext is also an Official Partner of the United Nations Sustainable Stock Exchanges (SSE Initiative), which explores how exchanges can work together with investors, regulators, and companies to enhance corporate transparency on ESG issues and encourage responsible long-term approaches to investment.

All Euronext countries are adjacent to the ocean, have a rich fishing and shipping tradition and have long seafaring traditions. Whilst climate change in general and the transition to a sustainable economy will play a central role in our product offering, Euronext wants to particularly address the threats to the oceans by taking on a leadership position in Blue Finance. There is increasing evidence that losses in the ocean’s natural capital resulting from unsustainable economic activity is eroding the resource base on which growth depends. Innovative financial solutions will be required to enhance ocean and coastal resilience and the financial sector has a role to play in order to mitigate this development. In 2020, Euronext was the first exchange to sign the Ocean principles and added SDG 14 “Life Below Water” in the list of SDG’s to which Euronext contributes, list in which SDG 13 is already present.

Convinced that climate change will have a material impact on the economy as a whole and thus also on Euronext, conscious of the challenges linked to climate change, to the need to reduce its greenhouse gas emissions and to manage natural resources prudently and sparingly, Euronext has fully integrated environmental issues into its activities and in its strategic plan “Let’s Grow Together”.

In 2019, Euronext partnered with Carbone 4 in order to clearly identify and assess its potential climate-related risks and opportunities in addition to calculating its carbon footprint. In 2020, Euronext has again carried out an analysis of its carbon footprint and report fully on it in its Universal Registration document, including scope 3 emission. The result of this analysis is that that Euronext’s carbon footprint is relatively low, however Euronext seeks to further reduce its carbon emissions notably via the analysis of the environmental impact of its third party providers, and technology usage. Euronext promotes IT solution that reduce the consumption of natural resources, for example the use of communication tools over international travel, reducing the footprint of physical platforms to virtual environments and reduction of hardware consumption.

Euronext is also fully committed to use only renewable energy in the coming years. For several years, Euronext has taken care, at group level, to reduce its consumption of paper and of energy in its offices and data centers as well as reduce its waste to minimize its ecological footprint. Euronext is willing to do more and ambition to become a “plastic-ban exchange”.

In addition, this objective of becoming a more sustainable company is broader and is interpreted throughout the global strategy of the company. The identification and the management of climate-related opportunities and risks are part of the company's overall strategy.

Euronext continues to grow the range of its ESG products that are offered on our exchanges. For over a decade, Euronext has been creating ESG indices, long before the Paris agreement came into effect at the UN’s 2015 Climate Change Conference, known as COP21, and before the current Covid-19 crisis that has profoundly changed the world’s view on sustainability. In 2008, we launched our first ESG Index, the Low Carbon 100 Europe. This index is tracked by the BNP ETF which ranks amongst the top ETF by AUM in Europe within the ESG category. In July of 2020, the index had been aligned with the methodology of the Paris Agreement Benchmark (PAB) label, the most ambitious EU regulation on climate indices. In November 2020, out of the total AUM that is invested in ETFs tracking PAB indices, more than 70% of this AUM is invested in the ETF that tracks this index.

Indeed, the European commission has launched 2 labels that aim at reallocating capital towards a low-carbon and climate resilient economy: the Paris Aligned Benchmark (PAB) and the Climate Transition Benchmark (CTB).

Based on the IPCC 1.5° scenario and the “*do not harm principle*”, the PAB and CTB labels sets minimum standards in term of decarbonization and exclusions. The PAB label minimum standards are more ambitious than the ones of the CTB label. The Euronext Low Carbon Europe 100 PAB is in line with (and even go beyond) the minimum standards of the PAB label which are:

- A minimum CO<sup>2</sup> reduction compared to the investable universe of at least 50%
- A self-decarbonization of at least 7% on average per annum
- A minimum exposure to high impact sectors at least equivalent to the investable universe
- Exclusion of companies involved in fossil fuels above certain thresholds of revenues (coal >1%, oil >10%, Natural gas >50%, electricity producers >100gCO<sub>2</sub>e/kWh)

- Exclusions of companies involved in controversial weapons or societal norms violators (such as the UN Global Compact)

Euronext attaches great importance to the impact of climate change within the overall operational strategy. To evaluate the opportunities and risks of climate change it analyses within its different businesses how climate risks manifest themselves, how much they impact the financial performance, which of the products and services are affected, and which steps based on the core business and which strategic steps are suitable for taking advantage of opportunities and minimizing risks.

The processes used to identify, evaluate and manage climate-related opportunities and risks are solution-oriented. It is our ambition to understand the relationship between the environment and society, between climate change and the financial market and thus also the possibilities of shaping these relationships on a sustainable basis.

Along this value chain Euronext has identified the following climate-related opportunities and Transitional risks for the business:

	<b>Opportunities</b>	<b>Transitional Risks</b>
Sustainable regulations	New business initiatives to answer increased or modified regulation	<ul style="list-style-type: none"> <li>- Legislation</li> <li>- Reputation</li> <li>- Competition</li> </ul>
Listing	Development of new service offerings (products, tools, advisory, education, etc.) to accompany issuers as embark on a path toward transforming their businesses to meet new regulatory and investors' expectations.	-Explosion and further speeding up of regulatory frameworks: risk of flooding issuers' impulse
Indices	Development - in partnership with our ESG data providers -of suite of the climate-related indices answering to clients' needs and addressing active regulation.	Concentration of the ESG data provider industry
Market data	Continue to explore opportunities to create valuable ESG data products for the investment community	Concentration of the ESG data provider industry
Custody & Settlement	New services that contribute to better Governance (e.g. shareholder identification and analytics, virtual general meetings, proxy voting) Custody and settlement of climate-related products (e.g. ESG Bonds, ESG ETFs, ESG Funds)	Greenwashing in financial instruments and reputation Resource needs for adaptation

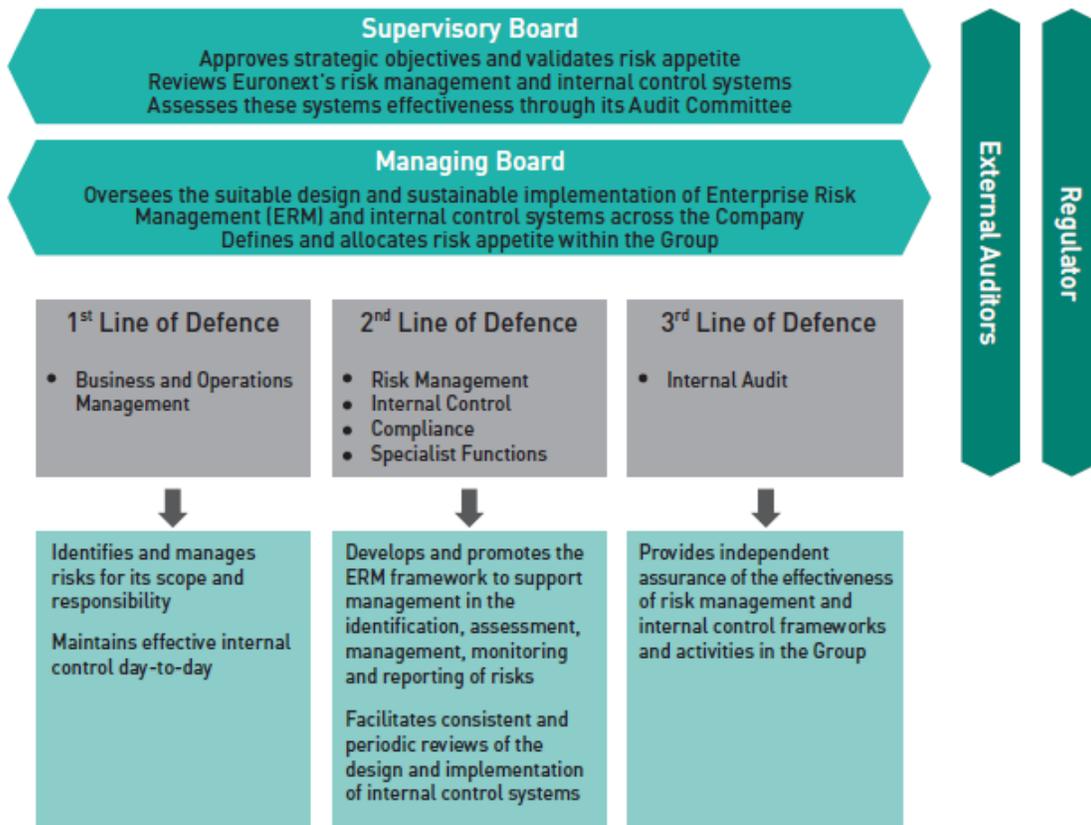
## Risk Management

In order to execute its ambitions Euronext is committed to preserving a balance between achieving its strategic ambitions and ensuring operational excellence. In order to achieve our ambitions and preserve favorable conditions to enable the Company to fulfill its mandate, Euronext has adopted an Enterprise Risk Management (ERM) framework.

Enterprise Risk Management framework is designed and operated to identify and assess potential events that may affect the Company, including ESG and climate risks, and seek to manage and monitor them.

Euronext embeds the risk management philosophy into the Company culture, in order to make risk and opportunity management a regular and everyday process for employees. The Supervisory Board and Managing Board regard ERM as a key management process to steer Euronext and enable management to effectively deal with risks and opportunities.

The ERM framework at Euronext is set out in the table below:



For further information, see Chapter 2 Risk Management & Control Structure in the Registration document of Euronext NV.

Climate change will have a material impact on the global and regional economy in which Euronext is a key player. While these changes will have economic and social consequences, the preliminary assessment conducted with Carbone 4 has concluded that Euronext's carbon footprint is relatively low and the exposure to climate change related risks are limited

However, Euronext will seek to further reduce its carbon emissions notably by analysing the environmental impact of its third party providers, and its technology usage by trying to promote IT solutions that reduce consumption of natural resources, for example the use of communication tools over international travel, reducing the footprint of physical platforms to virtual environments and reduction of hardware consumption.

### **Metrics and targets**

Euronext is monitoring the metrics on climate-related sustainability performance on a systematic basis and publishes these metrics as part of comprehensive reporting. As an electronic services provider, Euronext does not directly engage in materially environmentally sensitive activities. However, Euronext believes that environmental challenges including climate change are relevant to capital markets in general and will become increasingly so. It has therefore included ESG in its strategic plan “Let’s Grow Together”, and is seeking to embed ESG within each of its strategic pillars. In line with its strategic plan Euronext will seek to further reduce its carbon emissions notably by analysing the environmental impact of its third party providers, and its technology usage by trying to promote IT solutions that reduce consumption of natural resources, for example the use of communication tools over international travel, reducing the footprint of physical platforms to virtual environments and reduction of hardware consumption.

Indicators for its environmental sustainability performance are available in the Registration document and includes Scopes 1, 2 and 3, electricity, water and gas consumption, as well as recycling figures.

Ratings and indices fulfil an important information function with regard to handling climate change as companies are rated by independent institutions according to their management of ecological opportunities and risks. Euronext takes part in a large number of questionnaire and in 2020 participated for the first time to the CDP one.