INTRODUCTION AND GUIDING PRINCIPLES TO ESG REPORTING

CONTENT

It is important that every organisation plays its role in the transition to a sustainable society.

Petr Koblic
FESE President

FOREWORD

The financial 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**
- **supporting the allocation of capital to sustainable initiatives**.

ESG is an operationalisation of the broader concept of sustainability at company level that socially and environmentally conscious investors use to screen potential investments.

The move towards a more sustainable and inclusive economy has led to an uptake in investor demand for transparent and comprehensive data on ESG aspects.

Investors are forward-looking and increasingly include material ESG risks and opportunities as part of their investment decisions. Improving ESG reporting could therefore help a company attract further interest from investors. Companies with inadequate ESG-reporting may run the risk of not being thoroughly assessed and considered for investment as a result of their inadequate disclosure which would ultimately translate into them receiving less investments. It is likely that the cost of capital will increase for companies that are omitting or providing poor information around this topic.

Consideration is increasingly given to the role that ESG has on revenues, costs, product offerings, customer and employee loyalty, reputation and governmental/regulatory approvals. This is becoming the norm.

Whilst the EU is in the process of integrating sustainability considerations into its financial policy framework, putting ESG at the top of the agenda is a must for the financial sector.

Petr Koblic
FESE President

WHAT IS ESG ?

Sustainable finance generally refers to the process of taking due account of ESG considerations when making investment and lending decisions, leading to increased investment in longer-term and sustainable activities.

Environmental considerations refer to climate change mitigation and adaptation, as well as the environment more broadly and the related risks (e.g. natural disasters, the loss of biodiversity and protection of the oceans).

Social considerations may refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities.

Governance considerations include management structures, employee relations and executive remuneration.

All three components are integral parts of sustainable finance and economic development.

Evidence suggests that strong ESG performance correlates positively with improved cost of capital and financial performance. Moreover, issuers can improve their reputation and attract investors' interest through addressing their performance on ESG issues.

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.

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.

High-quality corporate reporting can help a company address various goals and impact decision-making; particularly the decision-making process of investors.

The six environmental objectives referred to in the Taxonomy Regulation are:

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity, and ecosystems.

POLICY AND LEGISLATIVE DEVELOPMENTS

In 2018, the European Commission published an Action Plan on financing sustainable growth. This was followed by a series of legislative proposals, to:

- **Establish an EU classification system for sustainable activities (the Taxonomy);**
- **Ensure that institutional investors disclose to what extent ESG factors are considered;**
- **Create new definitions for environmentally sustainable benchmarks; and**
- **Ensure that clients' sustainability preferences are taken into account in investment advice.**

These initiatives are in the process of being finalised or implemented.

While there are a number of ESG standards available in the market, these have not been harmonised. For an overview, please see Annex IV. The Non-Financial Reporting Directive (NFRD) provided clarity but requirements only apply to large Public Interest Entities with more than 500 employees meaning large listed companies, large banks (whether listed or not), and large insurance companies (whether listed or not).

In June 2019, the Commission published updated NFRD guidelines on climate-related disclosures, available here. These are now applicable but non-binding. While the Commission is expected to adopt a legislative proposal for a review of NFRD by 2021, as part of its renewed Action Plan on Sustainable Finance, this will take time to take effect as political negotiations will need to conclude and an implementation period will follow thereafter.

FESE supports the objectives of reorienting capital flows to sustainable investments, managing financial risk related to climate change and fostering transparency and long-termism in financial and economic activity. We believe that markets are a key leveraging factor when it comes to critical societal challenges, including climate change.

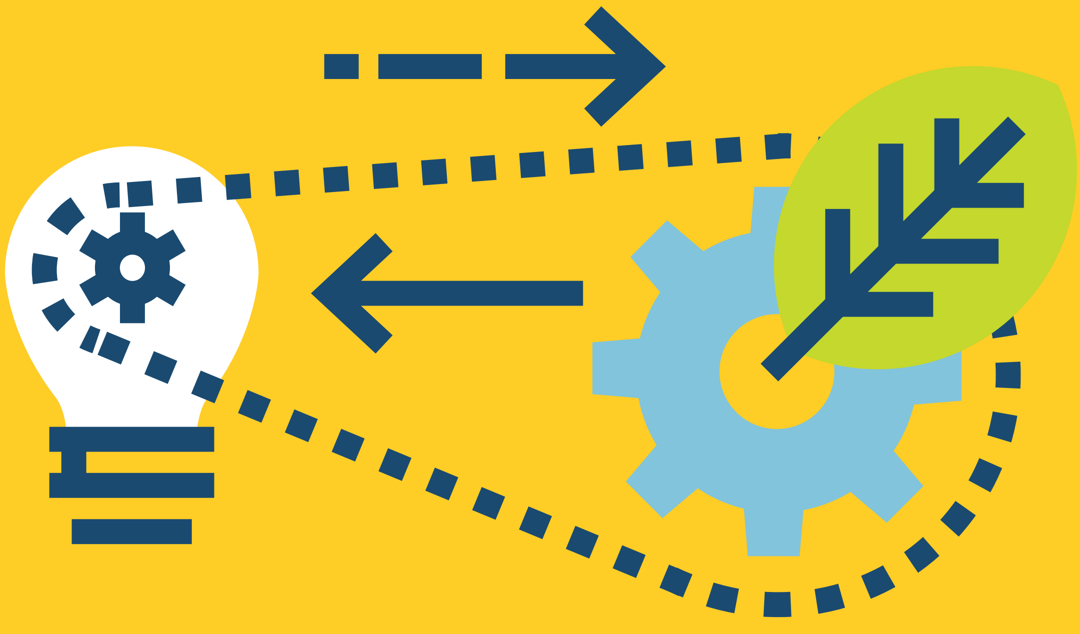
In the context of the sustainable finance agenda, many new reporting requirements have been agreed and additional ones are now being discussed in preparing the NFRD review and the EU Green Bond Standard. It is important to consider streamlining requirements at EU level to avoid creating parallel but slightly different disclosure requirements that are also established at Member State level. This creates a risk of introducing legal uncertainty and a disproportionate regulatory burden. FESE therefore supports a review of the NFRD to ensure that all companies are provided with one set of reporting requirements related to sustainable finance. We consider that harmonisation of information disclosures should be promoted to avoid duplicative disclosure requirements and requirements should not go beyond EU regulation.

The review of the NFRD should focus on strengthening and harmonising provisions, rather than simply extending the reporting obligations for companies. Defining explicit ESG standards under the NFRD is necessary to ensure that reliable, comparable and relevant non-financial information is disclosed. The quality and comparability of companies' sustainability reporting under the current NFRD is not sufficient to understand their impacts, risks or plans. Gaps in data, particularly regarding smaller and unlisted companies, as well as inconsistencies in methods and a lack of validation (e.g. by auditors) impede comprehensive integration of relevant and material sustainability factors into investment and/or credit processes.

More and more businesses see benefits in adapting to more sustainable business models and communicate their efforts in ESG reports. They are thereby responding to an investor base which is becoming increasingly ESG oriented. We generally support enhancing environmentally related information disclosure which allow companies of different types, businesses, sizes, governance, maturity, etc. to adapt their reporting to what is appropriate in each case.

Disclosure obligations on listed issuers should be comparable, well-calibrated and proportionate. We would caution against increasing disclosure obligations on listed issuers alone as this would risk disincentivising companies from listing on Regulated Markets, which would not increase transparency. It is important that these disclosures also apply to private firms with comparable economic, social, and environmental footprints to meet the objective of reorienting private capital flows towards more sustainable investments. Measures should be implemented on a phased-in basis to allow sufficient time for market participants to adapt. The same rules should apply to companies, whether they have opted for debt or equity financing.

FESE will continue to closely monitor the legislative developments, and endeavor to actively support the issuer community in furthering harmonised standards that can be used throughout the Capital Markets Union.



PURPOSE OF THE 'FESE INTRODUCTION AND GUIDING PRINCIPLES TO ESG REPORTING'

As companies are increasingly looking to meet the demand of ESG-conscious investors they struggle to find the relevant approaches and methodologies.

This document presents guiding principles on ESG reporting, designed to enhance corporate communication and disclosure and addresses topics related to ESG issues in capital market communication.

Moving ahead of the implementation time frames and anticipating upcoming initiatives, this document seeks to inform companies and promote ESG reporting by consolidating and incorporating a methodology on how to approach the topic of sustainability.

The NFRD guidelines help bring clarity to climate-related disclosures and FESE is endorsing the use of these. For other types of ESG reporting the use of other standards or frameworks is still necessary.

The role of Exchanges in supporting ESG reporting

Stock exchanges and listing authorities have a crucial role to:

- **Encourage better internal corporate governance within companies, such as improving the independence and quality of boards of directors,**
- **Share guidance with companies on material sustainability issues, global initiatives and other opportunities that encourage ESG disclosure; and on the sustainability report or strategy,**
- **Facilitate the investment flows to a more sustainable economy.**

Further information is available in the United Nations Sustainable Stock Exchanges initiatives' publication "How exchanges can embed sustainability within their operations: A blueprint to advance action" available here.

Below is a list of ESG reporting initiatives supported by FESE Members. For a list of all ESG initiatives, including those not related to reporting, please see Annex III.

ESG reporting initiatives supported by FESE Members

Exchange	Initiative	Details
Athens SE	ESG Reporting Guide	Available here.
BME	Voluntary sustainability reporting guide for listed companies	Available here.
Deutsche Börse	ESG Best Practice	Available here.
Euronext	ESG Reporting guide	Available here.
LuxSE	Guide to ESG Reporting	Available here.
Nasdaq Nordic & Baltics	Listings, ESG reporting & data management solutions, ESG impact analysis tools, ESG reporting guidance	Available here.

Guiding Principles of Report Preparation

1 Responsibility

Adopting sustainability as a business strategy often entails a cultural change, which is why it must be championed by the leaders of the organisation. Ultimately, if the sustainability agenda is to be effective and add value to the company, the decision to implement it must come from top management. It is the board's responsibility to define and control key topics and key performance indicators that reflect the company's economic, environmental, social and governance impacts.

There is a need for clear links between strategic goals, the business model, risks, opportunities, operational indicators and financial performance. Strong connections between these areas improve a company's' ability to identify and manage risks, evaluate and measure success and identify future challenges and opportunities.

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.

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 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.

2 Identifying and engaging

The ESG reporting process should start with identifying stakeholders and their interests. Based on their input, companies then identify the material topics for them. A materiality analysis involves mapping the opportunities and risks the company faces. 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 employees who are in contact with key stakeholders.

Active engagement of stakeholders on ESG factors is a good practice towards any relevant risk management and mitigation activity. Stakeholder engagement can be a source of innovation, future opportunities and new partnerships that fuel strategic growth.

Responsibility | Influence | Proximity
Dependency | Representativity

As investors and other stakeholders are a key audience for ESG disclosures, companies should make sure they provide information that is relevant to their decision-making. While all can benefit from ESG information, different investors might have different needs when it comes to this information. To address expectations correctly, companies might ask 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 find out what they are interested in?

For instance, investors with a long-term investment horizon, such as pension funds, may be particularly interested in information regarding risks that include how climate change could affect the company in the medium- or long-term. It is important to address these considerations early in the reporting process as they will help to define the content, scope and format of the report, as well as engagement efforts.

Investors are interested in how a company communicates with other key stakeholders who can have a material impact on company operations (e.g. employees, consumers, civil society, governments). 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. For instance, Boards may find it beneficial to issue a statement setting out:

- **The role of different stakeholders;**
- **The ESG factors selected and how they were selected;**
- **How the Board and/or Board committees (e.g. audit, risk, or other committees) are informed about ESG-related issues;**
- **How these issues are embedded in the organisation's strategy, including risk management policies, budgeting, etc.;**
- **The time frame for these judgments, as they might change over time;**
- **How the Board reviews progress against goals and targets.**

3 Materiality

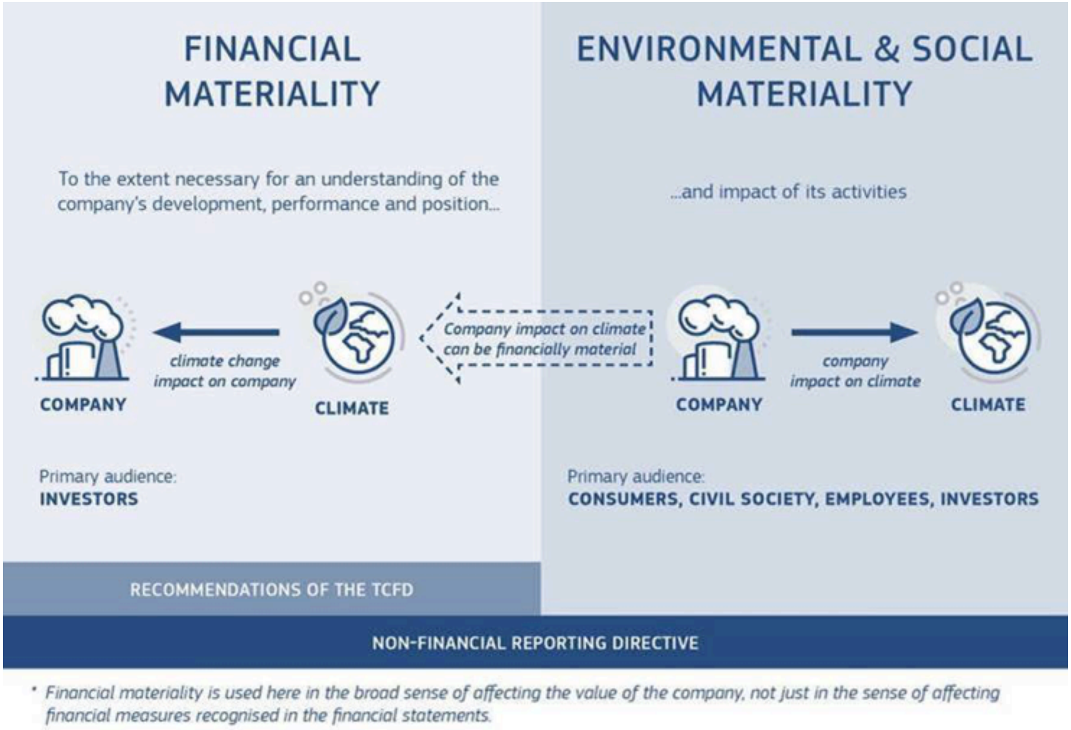
The next step is to establish priorities according to materiality. This is a key factor in reporting sustainability information.

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. It can be useful to gauge how much an issue may affect the company's ability to create value over time.

In its 2019 communication, "Guidelines on non-financial reporting: Supplement on reporting climate-related information", the European 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, which involves the company's impact on environmental and social factors.

As the following figure indicates, the distinction between these two types of materiality can be difficult to identify in practice. Moreover, the degree to which readers emphasise one type of materiality over the other is likely to vary among stakeholders.

The materiality of information and its relevance to the users of the report is a key consideration in determining the scope and content of the company's report. With a wide range of potential ESG opportunities and risks, the accounting and legal construct of materiality is increasingly used to identify and prioritise the matters covered in the report.



Source: Commission, 2019, "Guidelines on non-financial reporting: Supplement on reporting climate-related information", (2019/C 209/01), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620(01)&from=EN

Different organisations have different interpretations and recommendations on how the concept of materiality could be applied to reporting on ESG considerations. Likewise, different stakeholders have differing views on which ESG factors are material for a company. The interpretations differ most in terms of the topics that are considered relevant. Standards and reporting frameworks to consider are outlined in Annex IV. In addition to material ESG information, a company may decide to report on other elements that do not meet the threshold for materiality but could be relevant to the company's operational and/or reputational performance. For example, a company's perspective on what is material to investors may differ from what is significant to society. One company may therefore decide to report only on material information, whereas another may report on all the information it deems significant to its stakeholders.

As investors increasingly understand how business-critical operations are being affected by a variety of ESG factors, the range of information considered relevant and material by existing definitions is widening.

4 Collecting Data

Better data leads to better decision-making and performance. First, it is useful to assess the capabilities of existing internal systems to collect concise, reliable and complete ESG data. If internal systems are not sufficient for the task, a company may decide that it is in its long-term interest to invest in building better capacity in this area. If data collection gaps are identified, companies can highlight and explain them in their reports. As they become increasingly mature on ESG topics, companies are making clear that a rich section on data gathering is essential to help progress on ESG reporting. Data collection should aim to provide both backward looking and forward looking data to investors.

5 Identifying the format and communication channels

Companies should be familiar with their target audiences' preferred ESG information sources and update them with timely and accurate news regarding their performance.

To accommodate diverse information needs and interests, companies can use different communication channels, including websites, regulatory filings, annual reports, sustainability reports and other company reports. Using more than one communication channel can be an effective way to ensure that the entirety of a company's target audience receives the necessary information. To make the information more accessible to international investors, companies may also wish to disseminate their ESG information in a language widely spoken throughout the world in addition to a national language.

The channels for ESG disclosure depend on a company's regulatory context as well as its business and communication strategy. Depending on jurisdiction, securities regulations such as the laws transposing NFRD and/or listing rules or corporate governance codes can require or recommend ESG reporting. For an overview of applicable requirements please see Annex II. Similarly, given a company's own analysis of information needs and expectations, it may decide to include certain ESG information in the company's financial disclosure even if not required.

6 How to report?

To win the trust of stakeholders, companies must be transparent. The best way to demonstrate transparency and accountability is by publishing reports.

Based on NFRD, more and more organisations now issue sustainability reports with detailed information on non-financial performance. These publications are useful tools for stakeholder engagement and broader social accountability and can also be used as management tools, helping the organisation monitor and report indicators whilst articulating sustainability strategy, governance and management in a consistent fashion.

Reporting principles:

Companies should follow internationally accepted guidelines to make reports credible and effective. This guarantees that disclosures are done in accordance with the expected standards of transparency and accountability and that they can be used as a tool for internal management. A list of such guidelines and standards is included in Annex IV.

Some of the most important aspects in reporting are set out below.

Accuracy - the reported information should be accurate to enable the company's stakeholders to evaluate the results of the company's activities.

Balance - the report should be balanced, presenting both positive and negative facts about the company. Highlighting the challenges faced during the year is positive because it is a demonstration of transparency.

Comparability - *the themes and indicators presented should enable performance to be analysed year by year, compared with market standards and companies in the same sector. The reader should be able to understand the context of the information.*

Reliability - *the process of collecting information should be consistent and verifiable, possibly including an external verification process.*

Timeliness - *reporting should follow the same timetable as for annual financial reporting.*

Precision - *the information provided should be precise and detailed enough to enable stakeholders to make a fair assessment of the company's performance. The use of estimates should be noted and their premises explained.*

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

7 Considering internal audit and external assurance

ESG reports are made more credible through strong internal assessment processes and/or external assurance. An internal audit committee or group of individuals, independent of the division tasked with measuring and gathering the information, can review the disclosure as well as the internal process and procedures. An internal audit can also ensure that internal data collection systems are robust and organised.

Interest in externally assured ESG disclosure, along with the development of accompanying assurance standards, has been driven by investors' requests to bring ESG information up to financial grade reporting. External assurance can lend an added degree of trust, credibility and recognition, in the same way that financial auditing does. Accounting, engineering and specialist service firms are the most common third-party assurance providers. In order to decide the type and level of assurance desired, companies should consider recommended standards for assurance within their sector, as well as stakeholder expectations. As NFRD has been implemented in national legislation, some Member States mandate the use of external assurance whereas in others it is a voluntary practice.

The future of non-financial reporting

Sustainable Finance continues to remain a key priority of the European Commission and the European Green Deal, presented in 2019, aims to ensure that the EU is carbon neutral by 2050. Key to the delivery of that objective is the need to reorient significant amounts of public and private capital into sustainable activities.

Through the Sustainable Finance agenda, the ambition is that the disclosure of robust environmental data by corporates will speed up the rate of investment into green and other environmentally sustainable activities. The Commission is now planning to adopt a renewed sustainable finance strategy by 2021. This strategy will include a review of the NFRD. In parallel to the legislative work, the Commission has also established expert groups to advise on the technical aspects of the Taxonomy, green bond standards, benchmarks and disclosures.

This document has outlined the benefits of ESG reporting, considerations to make for companies that would like to improve their ESG reporting and where to find further information. As outlined above, further policy initiatives are expected to be presented at EU level shortly. We hope this introduction will inspire companies to improve their ESG reporting. By developing better reporting now, they could reap the benefits that comes in terms of investor interest, be better prepared for future legislative developments and contribute to developing a more sustainable society.

ANNEXES

ANNEX I - OVERVIEW ON EU POLICY INITIATIVES

Policy Initiatives	Description	Status and application
Taxonomy Regulation	Establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable.	The Taxonomy will apply from 1st January 2022 for the two climate-related objectives and from 1st January 2023 for the other four environmental objectives. The Commission will develop "technical screening criteria" for each relevant environmental objective and sector these will be adopted through Delegated Acts. Delegated Acts on climate change objectives will be adopted before the end of 2020. A Delegated Act specifying the requirements for entities in scope will be adopted by June 2021. Delegated Acts on other environmental objectives are to be prepared by the end of 2021.
Climate Benchmarks Regulation	Establishes two types of climate benchmarks: 'Paris-aligned' and 'Climate transition' benchmarks.	Technical standards will be finalised by Q3/Q4 2020 and apply 20 days after official publication.
Sustainable Finance Disclosure Regulation	Requirements for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.	Date of application is 10th March 2021. The European Supervisory Authorities are currently preparing technical standards.
EU Green Bond Standard	In June 2019, the European Commission's Technical Expert Group on Sustainable Finance (TEG) published final recommendations on Green Bond Standards.	The Commission is currently considering whether to establish an EU Green Bond Standard.
Non-Financial Reporting Directive	Rules on disclosure of non-financial and diversity information by large companies. In June 2019, the Commission published updated guidelines, available here. These are applicable with a non-binding nature.	NFRD will be reviewed in 2020 and a legislative proposal is expected by Q1 2021.
Commission Renewed Sustainable Finance Strategy	The renewed strategy might include legislative proposals and/or other initiatives.	Expected by 2021.

ANNEX II - OVERVIEW ESG REPORTING REQUIREMENTS

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
All EU Exchanges	**EU**	EU	2014	EU Non-Financial Reporting Directive 95/14	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.
BME	**Spain**	Government	2018	Law 11/2018 of 28 December transposing the EU Non-Financial Reporting Directive 95/14	Applies for financial years as from 1 January 2018, to all companies with more than 500 employees or considered as public interest companies according to Spanish Law (assets > 20M€, yearly revenues > 40M€, average employees> 250). Non-Financial information must be disclosed annually in the management report, defining models, policies, KPIs and risks for the company including environmental, social and governance issues. The Non-Financial Report has to be approved in the AGM and verified by an independent auditor. This report has to be freely available in the website of the company for 5 years.
Börse Stuttgart	**Germany**	Government	2017	CSR-RUG (CSR Umsetzungsgesetz –CSR Directive Implementation Act – CSR-RUG),	Ratified by the Bundestag on 9th March 2017 to implement the corresponding EU Directive 2014/95/EU.
Börse Stuttgart – Nordic Growth Market	**Sweden**	Government	2017	Annual Reports Act, Årsredovisningslag (1995:1554)	"Large" companies shall publish a sustainability report (national implementation of the requirements in Non-Financial Reporting Directive) either as part of the annual report or as a standalone report (Nasdaq Stockholm and Clearing publish such reports). Companies that fulfil two or all three of the following conditions, during both of the last two financial years, must prepare a sustainability report: • The average number of employees has been more than 250 people. • The reported balance sheet total was more than SEK 175 million. • The reported net sales have been more than SEK 350 million. The obligation to prepare a sustainability report applies to fiscal years beginning January 1, 2017 and later. Annual Reports Act, Årsredovisningslag (1995:1554) Chapter 6, 10–14 §§, Chapter 7, 31 a § 8, Chapter 8, 15 a §
Budapest SE	**Hungary**	Government	2016	Act on Accounting	In Hungary, the concept of responsible corporate governance was of utmost importance well before the appearance of relevant regulatory standards. Budapest Stock Exchange (BSE) started working on a Corporate Governance Code in 2002, which took effect in 2004, and created a Corporate Governance Committee to focus attention on governance questions and promote this concept to issuers. Reporting obligation of non-financial data has been implemented into the Act on Accounting (Act C of 2000) in as early as 2004. Since then, management reports must contain information regarding the company's environmental protection practices and policies. Since 2008, all companies whose transferable securities are admitted on a regulated market of any Member State of the European Economic Area shall include a corporate governance statement in their annual report (for further reference see Sections 95/A and 95/B of the Act on Accounting).

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
Bulgarian SE	**Bulgaria**	Government	2017	Accounting Act, Article 41; Section III Non-financial declaration; Section IV Consolidated non-financial declaration	Accounting Act, Art. 41: Large enterprises which are public interest enterprises and which, at 31 December of the reporting period, exceed the criterion of the average number of employees during the financial year of 500 people, shall include a non-financial declaration under Article 48 in their management report. According to Art. 48 the non-financial declaration shall contain a description of the policies of enterprises regarding their activities in the field of ecology, social issues and those related to employees, human rights, the fight against corruption. The non-financial declaration shall include: • a brief description of the business model of the enterprise – goal, strategy, organisational structure, infrastructure, products, policies pursued in relation to the primary and ancillary activities of the enterprise and other; • a description of the policies adopted and followed by the enterprise in respect of environmental and social issues, including the activities performed during the reporting period and the results thereof; • the objectives, risks and tasks that lie ahead in terms of environmental and social policies, including a description of activities that would have an adverse impact on ecology, employees or other social issues; • a description of the key indicators of the results of the activities related to environmental and social issues. The provisions of Article 48 are effective as of 01.01.2017, Amended 2018, effective as of 01.01.2019.
CEESEG–Prague SE	**Czech Republic**	Government	2017	Act No. 563/1991 Coll., on accounting	The NFRD is implemented in the Czech Republic as a part of the Act No. 563/1991 Coll., on accounting and also reflected in its implementing regulation.
CEESEG – Wiener Börse	**Austria**	Government	2016	Nachhaltigkeits- und Diversitätsverbesserungsgesetz	The Austrian government implemented NFRD by publishing the "NaDiVeG"-law (Nachhaltigkeits- und Diversitätsverbesserungsgesetz) in December 2016. Please find further details here. The requirements of the directive are also include in several law books (Austrian Commercial Code "UGB", "Joint Stock Companies Act" as well as in the "Laws on Limited Liability Companies") extending already existing requirements in § 243b Abs. 1 & 6 as well as in § 267a Abs. 1 & 6 of the Austrian Commercial Code. The national financial authority in Austria is currently running a consultation process, available here. Further, the national authority provided guidelines on sustainability risk and related/underlying ESG-data: available here.
Deutsche Börse	**Germany**	Government	2017	CSR-RUG (CSR Umsetzungsgesetz –CSR Directive Implementation Act – CSR-RUG)	Ratified by the Bundestag on 9th March 2017 to implement the corresponding EU Directive 2014/95/EU.

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
Euronext	**Belgium**	Government	2017	Law dated 3rd September 2017 transposing the EU Non- Financial Reporting Directive 95/14 into Belgian law	
		Corporate governance committee	2020	2020 Belgian corporate governance code	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 ('listed companies') as defined by the Code on Companies and Associations.
	France	Government	2017	Ordinance 2017-1180 of 19 July 2017 on publication of nonfinancial information by certain large companies and company groups	
		Company association	2018	AFEP-MEDEF or Middlenext corporate governance codes	
	Ireland	Government	2017	S.I. No. 360 of 2017 (as amended by S.I. No. 410 of 2018) implementing the EU Non-Financial Reporting Directive 2014/95/EU	Applicable for financial years commencing on or after 1st August 2017. Large companies (as defined in Irish Companies Act), groups and undertakings are required to disclose and publish the required non-financial information, each financial year.
		Government	2016	Section 1373 Irish Companies Act (as amended)	Large traded companies are required to disclose in their Corporate Governance Statement information on diversity in their Board.
		Financial Reporting Council, UK & Euronext Dublin as Competent Authority for Listing	2017	UK Corporate Governance Code 2018 & Irish Corporate Governance Annex	At present the UK Corporate Governance Code (2018) and the Irish Corporate Governance Annex applies to all companies with a primary listing on the regulated 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.
	The Netherlands	Government - 2016 -Law of 28 September 2016, amending Book 2 of the Civil Code implementing Directive 2014/95/EU	2016	Law of 28 September 2016, amending Book 2 of the Civil Code implementing Directive 2014/95/EU	

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
Euronext	**The Netherlands**	Government	2016	Decree dated 22 December 2016 transposing Directive 2014/95/ EU into Dutch lawwith respect to diversity policy	
		Government	2017	Decree dated 14 March 2017 transposing EU Reporting Directive 2014/95/EU into Dutch law with respect to nonfinancial information	
	Portugal	Government	2017	Decree-Law n° 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 (iii) on non-discrimination, 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.
	Norway	Government	Last updated 2018	Accounting Act, Section 3-3 a-d	Applies to listed companies, including non-Norwegian companies for which Norway is the home state. Some of the provisions also apply for companies with listed bonds only.
		Oslo Børs	Last updated 2018	Continuing obligations of stock exchange listed companies, Section 7	Applies to companies that are listed or have applied for listing on Oslo Børs or Oslo Axess.
		Norwegian Corporate Governance Board	Last updated 2018	Norwegian Code of Practice for Corporate Governance	Applies to listed companies on regulated markets in Norway and to savings banks with listed equity certificates to the extent that it is appropriate.
London Metal Exchange	**UK**	Financial Reporting Council	Last updated 2016	UK Corporate Governance Code	The code sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders, on a comply-or-explain basis.
	UK	Government	2017	Gender pay gap reporting	Legislation requiring businesses with more than 250 employees to publish their gender pay gap data.

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
	UK	Government	2015	Modern Slavery Act Government	Section 54 of the Modern Slavery Act 2015 requires certain organisations to develop a slavery and human trafficking statement each year
	UK	Government	Last updated 2013	Changes to the Companies Act 2006 (Strategic Report and Director's Report) 2013	Carbon emissions, human rights and diversity reporting required by all listed companies in the Director's Report
	UK	Government	Phase 1: 2015 Phase 2: 2019	Energy Savings Opportunity Scheme (ESOS)	ESOS is a mandatory energy assessment scheme, introduced by the UK government to make sure large enterprises are energy efficient. Under the scheme, large organisations are required to assess their energy usage every four years and to find new ways to save energy.
	UK	Government	Data reporting throughout 2020	Streamlined Energy & Carbon Reporting framework for UK business	The Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1st April 2019. It requires UK companies to disclose their energy and carbon emissions. The reporting framework is intended to encourage the implementation of energy efficiency measures, with both economic and environmental benefits, supporting companies in cutting costs and improving productivity at the same time as reducing carbon emissions.
	EU	EU	December 2019	F-Gas Regulation (EU) No. 517/2014	F-gas regulation focuses on controlling emissions from fluorinated greenhouse gases. The regulation has three main roles (i) it looks to limit the total amount of the important F-gases that can be sold in the EU from 2015 onwards, (ii) it bans the use of F-gases in many new types of equipment where less harmful alternatives are widely available and (iii) prevents emissions of F-gases from existing equipment by requiring checks and proper servicing.
Lux SE	**Luxembourg**	Government	2016	Law of 23 July 2016 implementing Directive 2014/95/EU	Large companies (namely listed entities as well as other public interest entities such as credit institutions and insurance companies) exceeding on their balance sheet the average number of 500 employees, and for two consecutive financial years a net turnover over 40 million and/or a balance sheet total over 20 million, shall publish a Non-Financial Report . Qualified companies shall also publish a Diversity Statement in relation to the administrative, management and supervisory bodies. The Non-Financial Report and the Diversity Statement shall be duly published in the management report, in a separate report published at the same or within 6 months on the company's website. An independent auditor shall verify that those documents have been published. If the company does not comply with those obligations, its management report shall provide a clear and reasoned justification not to do so ("comply or explain" principle).
		Luxembourg SE	2018	The X Principles of Corporate Governance of the Luxembourg Stock Exchange	Companies incorporated under Luxembourg Law with shares listed on the regulated market operated by the Luxembourg Stock Exchange shall define and publish a CSR (Corporate Social Responsibility) Policy including social and environmental aspects and the measures taken for its implementation (Principle IX).

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
NASDAQ	**Sweden**	Government	2017	Annual Reports Act, Årsredovisningslag (1995:1554)	"Large" companies shall publish a sustainability report (national implementation of the requirements in Non-Financial Reporting Directive) either as part of the annual report or as a standalone report (Nasdaq Stockholm and Clearing publish such reports. Companies that fulfil two or all three of the following conditions, during both of the last two financial years, must prepare a sustainability report: • The average number of employees has been more than 250 people. • The reported balance sheet total was more than SEK 175 million. • The reported net sales have been more than SEK 350 million. The obligation to prepare a sustainability report applies to fiscal years beginning January 1, 2017 and later. Annual Reports Act, Årsredovisningslag (1995:1554) Chapter 6, 10–14 §§, Chapter 7, 31 a § 8, Chapter 8, 15 a §
	Denmark	Government	2018	Danish Financial Statements Act	No specific ESG reporting requirements as such, however, according to section 99a under the Danish Financial Statements Act, large companies in reporting class C and D are required to report on CSR (Corporate Social Responsibility) in the annual report. These companies must supplement the management commentary in the annual report with a CSR report. The CSR report must address, as a minimum, environmental matters, social and employee matters; respect for human rights; and anti-corruption and bribery matters. The companies may omit disclosure of information in the CSR report, if the disclosure will cause significant damage to the business in relation to ongoing negotiations or disputes. Utilisation of this exemption must be disclosed in the report. Furthermore, companies disclosing CSR policies in accordance with international guidelines or standards that fulfil the requirements set out in section 99 a are not required to include a CSR report in the management commentary.
	Finland	Government	2017	Accounting Act, Chapter 1:9 and Chapter 3a	The law requires certain types of companies to publish a statement on their corporate social responsibility (CSR). The reporting obligation applies to large undertakings that are public-interest entities, i.e. listed companies with an average of more than 500 employees during the financial year. Amendments to Accounting Act and Securities Markets Act entered into force to cover the financial year of 2017 and information to be reported in 2018.The legislation is based on an EU directive and obligates the companies to report on their policies concerning the environment, their employees, social issues, human rights and tackling corruption and bribery. The reporting should also include a brief description of the company's business model and explain the risks related to its policies and how the risks are managed.Companies may provide a statement as part of their report on operations. Alternatively, their CSR reporting may be presented as a stand-alone statement or as a separate report based on an international reporting framework.
		Government	2012	Securities Markets Act 7:7 (746/2012)Decree of the Ministry of Finance on the obligation of securities issuers to disclose periodic information, section 7 (1020/2012)	In accordance with the simultaneous changes in securities markets legislation on reporting, the corporate governance statements of listed companies employing more than 250 people must include information on the company's diversity policy and the implementation and results of that policy. In addition to employee amount, the company's turnover must be greater than EUR 40 million or its balance sheet total more than EUR 20 million in order to be obliged to this reporting. Prior to the legislative changes described above, an obligation was imposed on companies that operate in the extractive industry or in harvesting of wood from primary forests, to publish a statement about payments made to national governments.

Member	Jurisdiction	Issuer of the text	Year	Title	Comments
NASDAQ	**Finland**	Securities Market Association, Nasdaq Helsinki	2016	Finnish Corporate Governance Code	The recommendations and binding reporting requirements of Corporate Governance Code supplement the obligations set forth in the legislation. The Code sets requirements on listed companies on governance matters, such as gender composition and diversity of governing bodies as well as transparency of remuneration of board of directors and managing director.
	Iceland	Government	2016 2020	Icelandic Act on Annual Accounts	According to Article 66. d. of the Icelandic Act on Annual Accounts, ESG reporting is mandatory for companies whose shares are listed on a regulated market within the EEA, larger companies in terms of total assets and turnover, pension funds, credit institutions and insurance companies. For other companies which are not subject to the provisions of Article 66, ESG reporting is optional. The ESG report, included with the Statement of the Board of Directors, must address environmental matters, social and employment matters, the company's policy on human rights and anti-corruption and bribery matters. Furthermore, the ESG report must include an overview of the effectiveness of the company's policies in the above matters as well as the principal risk associated with these matters. Subsidiaries are not required to submit an independent ESG report if an ESG report is submitted with the consolidated financial statement for the group.
SIX Swiss Exchange	**Switzerland**				There are currently no legal ESG specific reporting requirements but SIX Swiss Exchange operates a voluntary regime of comply or explain. SIX group voluntarily publishes a corporate responsibility report bi-annually in accordance with GRI "core" standards and publishes a code of conduct embedding sustainability principles into the organisation.
Warsaw SE	**Poland**	Warsaw Stock Exchange Management Board and Supervisory Board with support of the GPW Corporate Governance Consultation Committee	2016	The Best Practice of GPW Listed Companies 2016	The Best Practice of GPW Listed Companies 2016 applies to listed companies on regulated markets in Poland. The code sets out standards of good practice in relation to: Disclosure Policy, Investor Communications; Management Board, Supervisory Board; Internal Systems and Functions; General Meeting, Shareholder Relations; Conflict of Interest, Related Party Transactions; Remuneration. Listed companies have an obligation to report any non-compliance with the rules set in the Code on a comply-or-explain basis.
	Poland	Government	2016	Regulation of Ministry of Finance regulation on current and periodic information	Listed companies have an obligation to publish with an annual report a report on scope of compliance of Best Practice of GPW Listed Companies 2016 rules.
Zagreb SE	**Croatia**	Government	2016	Amendment to the Accounting Act to include a new Article 16 and insert new Article 21, section a)	NFRD has been implemented through the Accounting Act amended in 2016 and published in the Official Gazette on 21st December (Narodne Novine 2016/120) available here. This is complemented by the Capital Market Act here and the Ordinance on the contents and structure of issuers' annual report on the form and manner of its submission to the Croatian Financial Services Supervisory Agency (Official Gazette, No 114/18) (available in Croatian only) here. The national regulator has also established a corporate governance code available here Reporting from 2018 is available here

ANNEX III - ESG INITIATIVES SUPPORTED BY FESE MEMBERS

Exchange	Initiative	Details
Athens SE	ESG Reporting Guide	Available here.
BME	Program for Green Bonds Issuers: listing in BME Fixed Income Markets;	Available here.
	Participation in ESG Forum, supporting the industry;	
	Member of ESG associations; RENADE: National Registry for Greenhouse Gas Emission Allowances	Available here.
	Voluntary sustainability reporting guide for listed companies	Available here.
Bucharest Stock Exchange	The Exchange has an ongoing ESG project and hope to be able to publish guidelines in a few months.	
Budapest Stock Exchange	In the ESG action plan for 2020 there is a goal to publish ESG reporting guidelines for issuers. There is a plan to launch educational events for listed companies. The first event took place in July (postponed from March due to COVID19). There will also be a course for issuers to learn about ESG. The BSE would like to support the listed companies to better understand the ESG data value chain so we organize events with ESG data hubs like Bloomberg, Refinitiv, MSCI, Sustainanalytics etc. The Corporate Governance Committee placed ESG reporting issues on its agenda in 2020, an ESG Task Force was directed to attend this topic. BSE also talk to domestic institutional investors to work with their issuers' ESG data.	
Deutsche Börse	ESG Best Practice	Available here
	Frankfurt Declaration	Available here
	Co-initiator Green and Sustainable Finance Cluster Germany	Available here
	Representation in the Sustainable Finance Advisory Board of the German Government	More info here.
	Member of the Sustainable Stock Exchanges (SSE) initiative and its Advisory Group on Climate Disclosure	Available here

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Exchange	Initiative	Details
Euronext	General information	Available here.
	ESG Reporting guide	Available here.
	ESG Corporate services	Available here.
	ESG products (sustainable bonds, ESG indices, ESG trackers) Participation to the UN Global compact WG which resulted in the "Blue bonds reference paper" Official partner of the SSE initiative Member of the UN Global compact Signature of the Ocean principles	
London Metal Exchange	The LME responsible sourcing requirements, announced on 25th October 2019, will apply to LME listed brands. These brands will be required to reach a certain level of compliance as regards their supply chain due diligence	Available here.
LuxSE	Guide to ESG Reporting, a set of comprehensive guidelines for reporting on ESG aspects	Available here.
	Luxembourg Green Exchange (LGX), a platform dedicated to sustainable securities and funds	Available here.
	LuxSE's X Principles for Corporate Governance (including Principle IX dedicated to CSR reporting)	Available here.
	LGX Academy, an initiative aiming to provide certified courses for participants of all levels on the foundations of sustainable finance, products & standards as well as applicable regulations and current market practice	Available here.
	LGX DataHub, a centralised database of structured sustainability data on a wide range of green, social and sustainability bonds .	Available here
Nasdaq Nordic & Baltics	ESG Reporting Guide	Available here.
	ESG Corporate services (Reporting Tool, Advisory)	Available here.
	ESG Data Products	Available here. Available here.

ANNEX III - ESG INITIATIVES SUPPORTED BY FESE MEMBERS

Exchange	Initiative	Details
	ESG Indices and ESG Trackers	Available here.
	Nasdaq Sustainable Bond Listings	Available here.
	Nasdaq Sustainable Bond Network (NSBN)	Available here
SIX Swiss Exchange	SIX Swiss Exchange has been a trading venue for green bonds since 2014. In 2018, in partnership with the Climate Bond Initiative a green bond flag has been introduced and subsequently also a flag on Sustainable Bonds. The Exchange has a robust sustainability index which is taken from the SMI expanded. A total score is derived for each company provided by a third party research provider. The higher the score, the more sustainable the company. All companies that are considered sustainable and belong to the SMI expanded are eligible and ranked according to their total score. The best 25 companies are selected for the index. SIX Swiss Exchange is a member of Swiss Sustainable Finance which aims to inform on best practice and creating supportive frameworks and tools to supports its members	Available here.
Warsaw SE	Survey Impact of ESG factors on Investment Decisions. Membership in Sustainable Stock Exchanges Initiative. Membership in task force of Sustainable Finance developed by Ministry of Finance. Co-organiser of local competition of "Best non-financial report of public listed company"	Available here.
Zagreb SE	Info for issuers on ZSE regulated market: Annual questionnaire sample	Available here Available here.

ANNEX IV - STANDARDS AND REPORTING FRAMEWORKS

Exchange	Initiative
Carbon Disclosure Project (CDP)	Available here.
Climate Disclosure Standards Board (CDSB)	Available here.
Eco-Management and Audit Scheme (EMAS)	Available here.
European Federation of Financial Analysts Societies (EFFAS) KPI’s	Available here.
Global Reporting Initiative (GRI)	Available here.
International Integrated Reporting (IR)	Available here.
OECD Guidelines for Multinational Enterprises	Available here.
Organisation Environmental Footprint (OEF)	Available here.
Science Based Targets Initiative	Available here.
Sustainability Accounting Standards Board (SASB)	Available here.
Task Force on Climate-related Financial Disclosures (TCFD)	Available here.
UNCTAD Guidance of core indicators for entity reporting on contribution to the implementation of Sustainable Development Goals	Available here.
UN Global Compact and its “Communication on Progress” Reporting Framework	Available here.
UN Guiding Principles Reporting Framework (human rights)	Available here.