

Sustainability reporting

Guidance for issuers

2023



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Dear Readers,

as an infrastructure provider and hub in the heart of Europe, it is the task and goal of the Vienna Stock Exchange to strengthen transparency and trust. Tools such as this guide are intended to support you and your company in taking advantage of the opportunities associated with climate protection. Many Austrian companies are not only global market leaders in their niches but are already heavily engaged to improve their performance on ESG issues. Nevertheless, the evolving obligations and requirements for sustainability reporting are not always easy to navigate - especially for small and medium-sized enterprises (SMEs), first-time disclosures often pose challenges. We expressly want to offer support through expertise.

Environment, social and governance (ESG) as possible success criteria are relevant regardless of the size of the company: The added value of increased transparency becomes clear when, for example, investors can be given a comprehensive picture of the company's performance and outlook on the business model. This makes it easier to navigate and classify activities and increases confidence - stock market advantages that companies should take advantage of. Fundamentally, equity financing offers potential for increasing financial flexibility. It is also about securing growth and innovation, creating jobs and expanding competitiveness. The positive effects are complemented by an increase in awareness at home and abroad as well as greater attractiveness as an employer.

Companies that are committed to the topic of climate protection are not merely followers of global trends but consolidate their role as pioneers of the future. Leadership qualities and future-oriented management can be demonstrated. Integrated into strategic plans and aligned with international standards, measures from the ESG spectrum are credible for all stakeholder groups. This also results in effects that extend beyond the corporate horizon: Developed capital markets offer significant leverage for countries to transform more sustainably and move into a carbon-free future with higher growth rates. It is up to all of us as participants in the Austrian capital market to ensure that this lever, which is available for the green transformation, is used. Let us actively take an active role and work on it together.



Andrea Herrmann
Chief Financial Officer, Wiener Börse AG

1

Relevance of sustainability reporting



1.1.

What is the purpose of this guide?

With this guide, Wiener Börse offers assistance for listed issuers and non-listed companies by linking the complex topic of sustainability with the concrete information needs of stakeholders such as investors and analysts. This guide provides an overview of the currently applicable statutory reporting requirements in Austria as well as internationally established reporting standards and an outlook on future statutory reporting requirements. In the following, however, the Vienna Stock Exchange does not impose any mandatory requirements or additional reporting obligations.

This guide was developed based on the recommendations of the Sustainable Stock Exchange Initiative (SSE), a UN partnership program with UNCTAD, UN Global Compact, UNEP Finance Initiative and PRI (Principles for Responsible Investment). Initiatives such as the SSE help stock exchanges around the world to focus on sustainability by communicating the social and environmental risks and opportunities arising from climate change. The sustainability field is in a constant state of flux due to new legal requirements such as regulations and guidelines, but also due to investor interest and environmental needs. Therefore, this guide is a living document and is consequently open to changes and updates.

**“The best way
to predict future is to
create it.”**

Peter Drucker
US economist

1.2.

Why is sustainability important?

The transition to a low-carbon, more sustainable, resource-efficient circular economy is central to securing the long-term competitiveness of the economy in the European Union. As part of the United Nations' Paris Agreement on climate change, it was agreed to take decisive action against climate change by, among other things, redirecting financial flows accordingly. To achieve the goals of the Paris Agreement and to reduce the risks and impacts of climate change, the global goal is to make efforts to limit the global rise in temperature.

Public expectations of corporate and organizational accountability for their impact on the environment and the community have also changed. Strongly influenced by the rise of social media and other news platforms, public awareness of climate change has increased significantly. On the investor side, risk awareness about climate risks has come into focus and collaboration as well as the dialogue between companies and investors has become more important in terms of sustainability reporting. Discussions about the future direction of a company, the sustainability strategy and which information about social and ecological topics and key figures should be disclosed are being held intensively.

There are many measures to support and expand sustainability. For example, the Vienna Stock Exchange has been calculating the sustainability indices VÖNIX and CECE SRI for many years, both of which include listed companies that are leaders in social and environmental performance in Austria. In addition, Wiener Börse introduced a segment for sustainable bonds (Vienna ESG Segment) in 2018. Pursuant to NaDiVeG, issuers listed on the Vienna Stock Exchange must prepare a non-financial statement as part of their annual financial reporting as well as publish a corporate governance report.

Together with the Austrian Working Group for Corporate Governance, Wiener Börse has developed the Austrian

Corporate Governance Code for responsible management and leadership of companies in Austria. The objectives of the Code are greater transparency, stronger cooperation between the Supervisory Board, the Management Board and the shareholders, and the long-term creation of value for companies.

Wiener Börse is a partner exchange of the Sustainable Stock Exchanges Initiative and offers ESG-related trainings to support sustainable investments. In addition, Wiener Börse is an active supporter and advisor of the Green Finance Agenda Austria, a joint project of the Federal Ministry of Finance and the Federal Ministry of Finance to implement Austria's climate and energy strategy. Measures are taken to facilitate sustainable investments for private and institutional investors.

“The greatest danger to our planet is the belief that someone else will save it.”

Robert Swan
Environmentalist

1.3.

How to measure the sustainability of a company?

Environmental, social and governance (ESG) criteria have become the most important parameters by which corporate sustainability is measured. The following table provides an exemplary overview of ESG criteria:



Environmental

- Climate change (emissions from fossil fuels, CO2 emissions)
- Biodiversity & pollution (impact of economic activities on ecosystems).
- Energy and resource efficiency (consumption of energy, water, other natural resources, recycling)
- Waste Management

Social

- Employees (rights, health, safety, equal treatment)
- Human rights & critical working conditions (policies & other commitments)
- Stakeholders (social indicators along the value chain)
- Diversity and integration

Governance

- Supervisory/management/control structures (diversity & independence)
- Anti-corruption measures and compliance
- Transparency and disclosure practices (disclosure of critical business activities, ESG reporting)
- Risk Management

The so-called carbon footprint of a company thus describes the total amount of CO2 emissions generated directly or indirectly by its business activities.

The “Environmental” factor refers to the company’s impact on nature and the climate and is measured in terms of CO2 emissions. The so-called CO2 footprint of a company thus describes the total amount of CO2 emissions that result directly or indirectly from its business activities. A distinction is made between Scope 1 emissions (emissions caused directly by the company), Scope 2 emissions (indirect emissions from purchased energy or consumed electricity) and Scope 3 emissions (indirect emissions within the value chain)¹.

The “Social” criterion covers topics such as human rights and occupational health and safety, while the “Governance” criterion considers responsible corporate governance and the fight against corruption. Depending on the industry and area of application, different ESG criteria are relevant. The EU taxonomy - the European Union’s classification system for sustainable economic activities (*see section 2, item 2.1.2. EU taxonomy*) - provides a framework for determining whether and to what extent certain economic activities are to be classified as sustainable. The disclosure of ESG indicators in sustainability reporting enables investors to make more informed investment decisions.

¹ GHG Protocol Corporate Standard

2

First steps on the path to a green transformation



2.1.

Sustainability Strategy

The basis for reporting is to raise sustainability activities to the strategic level of the company. They should go hand in hand with the corporate values and the corporate mission statement. A sustainability strategy describes the sustainability goals a company wants to achieve, and which measures are taken to implement them. It helps a company to communicate its sustainability activities more clearly to its investors and other stakeholders. As part of the strategy development process, the main fields of action should be identified, initiatives for implementation should be outlined and the anchoring within the company should be determined. The development process is individual for each company and depends on the decision as to how intensively the topic of sustainability is to be implemented.

The difference to a traditional corporate strategy from an economic point of view is the analysis of the impact of the company on the environment and society (inside-out perspective) and the impact of environmental risks on the company (outside-in perspective), the so-called “double materiality” (see section 2, item 2.2 *The concept of double materiality*). Just like the responsibility for the strategic orientation of a company, the sustainability strategy also lies with the board of directors or the management.

“The best way to deal with crises is to get ahead of them.”

Whitman Rostow
US-American economic historian

2.2.

Governance

Corporate governance encompasses structures and processes within a company to make transparent decisions necessary to manage and monitor a company. Sustainable corporate governance requires that companies integrate environmental and social aspects in all areas of the company and take them into account in business decisions, including opportunity and risk assessment regarding climate risks and human rights and environmental standards along the supply chain. This includes, on the one hand, the establishment of processes to inform management and supervisory bodies about environmental and social issues and, on the other hand, the establishment of responsibilities and the role of management for the ongoing assessment and management of sustainability risks.

Investors and regulators are particularly interested in understanding how sustainability risks are considered by the company's management and supervisory bodies. As part of sustainability reporting, the handling of ESG risks and opportunities in the implementation of the corporate strategy and in investment decisions should therefore be disclosed. To anchor the topic of sustainability at management level and to achieve a commitment here, in the sense of sustainable corporate governance, remuneration and incentive systems also play an increasingly key role today. Ultimately, the goal is to achieve long-term sustainable value creation instead of short-term profit maximization.

Ultimately, the goal is to achieve long-term sustainable value creation, rather than short-term profit maximization.

2.3.

Stakeholder

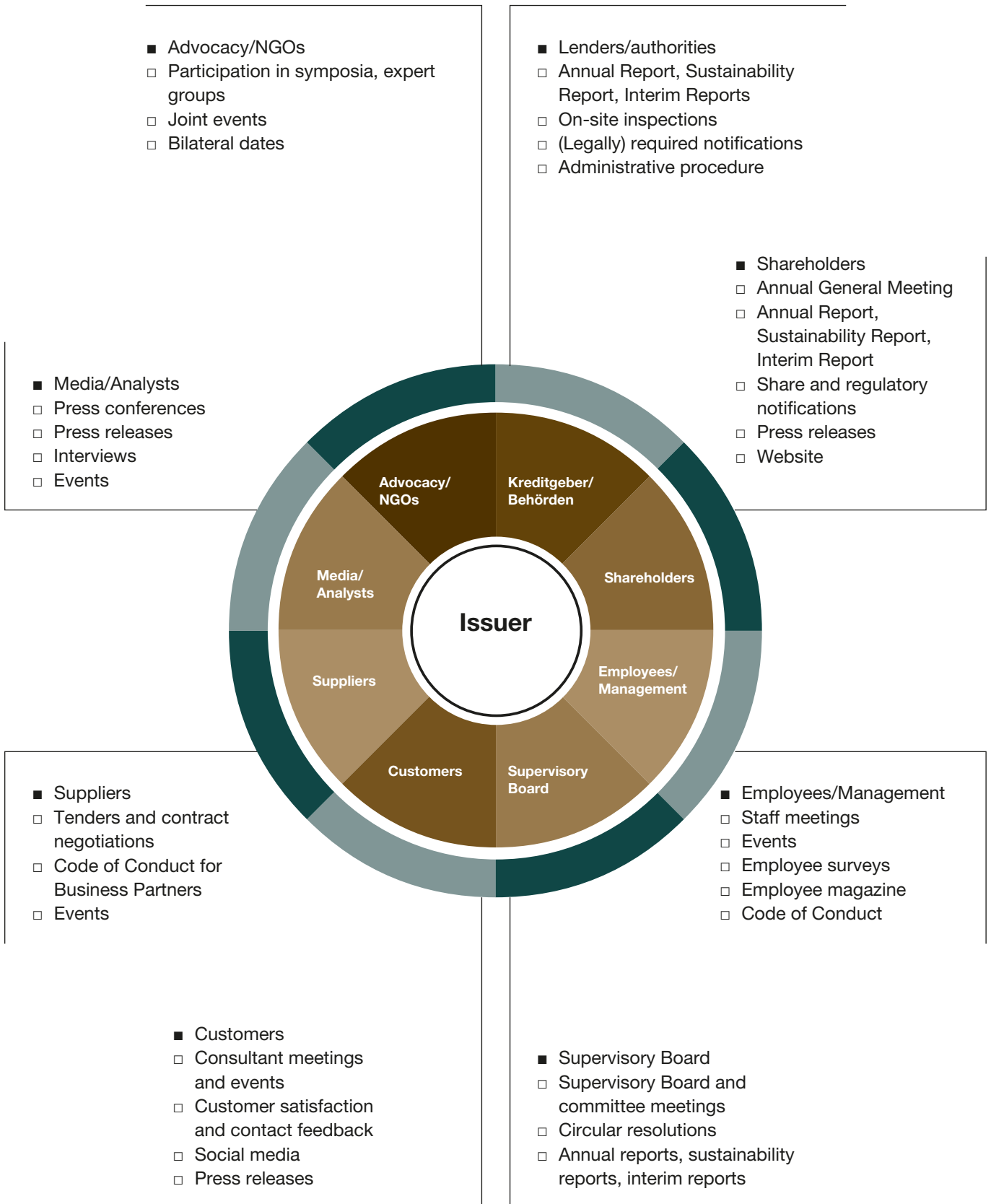
A major step in sustainability reporting is the identification of the stakeholders of a company as well as their demands and expectations regarding the reporting. Stakeholders include those groups of people who are directly or indirectly affected by the company's business activities or who have a matter of concern towards the company. Depending on the stakeholder group, the expectations regarding the selection of topics, presentation, and level of detail of the data may vary. The following stakeholders can be identified as examples:

- Shareholders
- Employees/Management
- Supervisory Board
- Advocacy/NGOs
- Lenders/authorities
- Customers
- Suppliers
- Media/Analysts

The dialog and ongoing exchange with stakeholders help to address the various expectations, identify potential for improvement, and translate these into concrete measures and targets. The findings also provide input for the further development of the company's sustainability strategy and give an indication of which topics should be included in sustainability reporting.

“Find the appropriate balance of competing claims by various groups of stakeholders. All claims deserve consideration but some claims are more important than others.”

Warren Bennis
US economist



Checklist

For the proper preparation of the non-financial report, the factors influencing the inclusion of information should be identified and evaluated. To be able to deliver a report that is as complete as possible in terms of content, it should be possible to answer the following questions in the document:

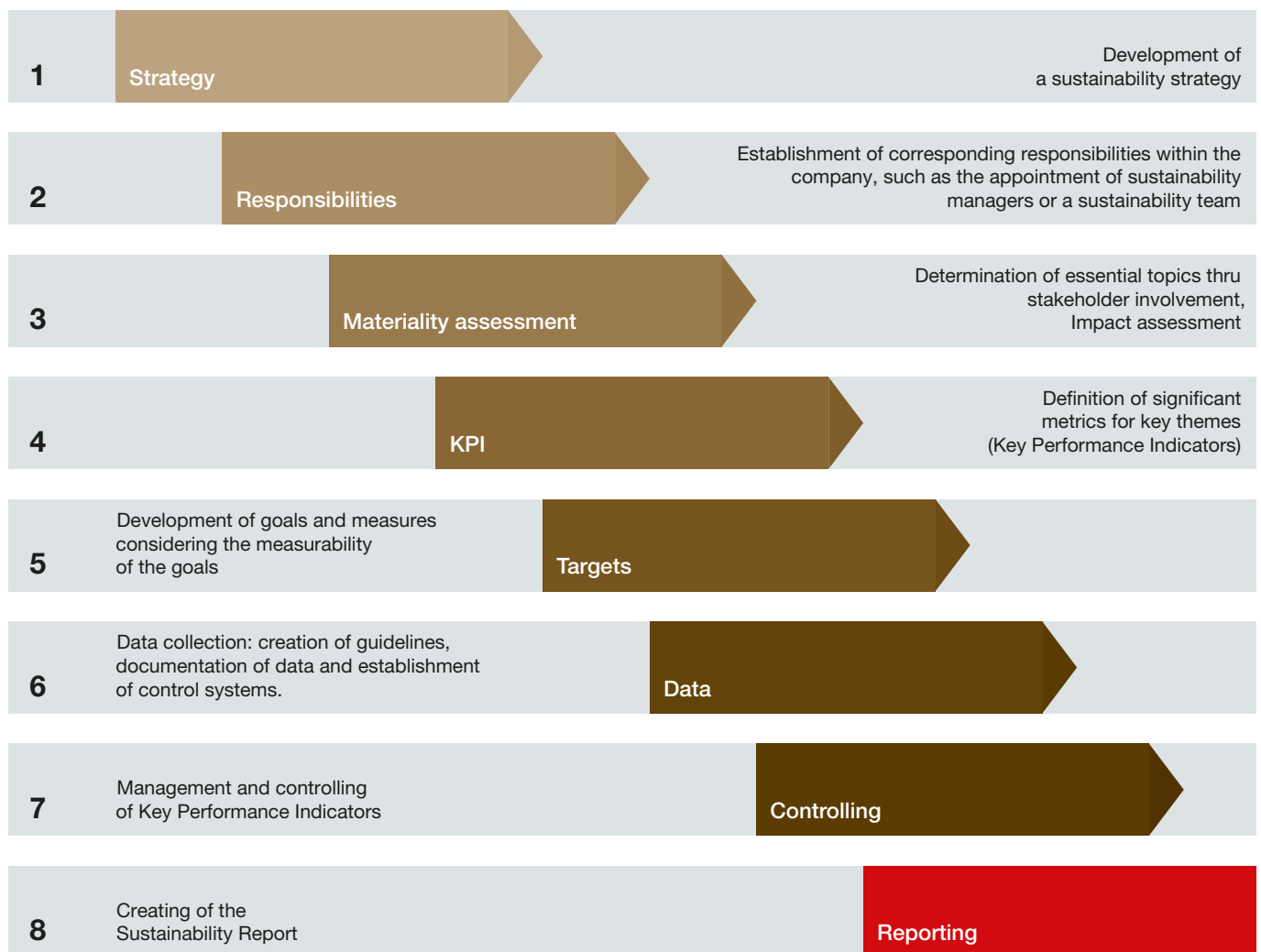
- | | |
|--|--|
| <p><input type="checkbox"/> _____
How to create the corporate strategy in a sustainable way?</p> <p><input type="checkbox"/> _____
Who are the company's most important stakeholders or which stakeholders are particularly relevant for the implementation of the sustainability strategy?</p> <p><input type="checkbox"/> _____
How can sustainability goals promote the implementation and success of the corporate strategy?</p> <p><input type="checkbox"/> _____
What sustainability issues affect the company?</p> <p><input type="checkbox"/> _____
Which sustainability indicators are particularly relevant for the company?</p> <p><input type="checkbox"/> _____
Which sustainability information is particularly relevant for stakeholders?</p> <p><input type="checkbox"/> _____
What methodology for determining the materiality of information is used by the company?</p> | <p><input type="checkbox"/> _____
What interactions exist between sustainability issues and business processes as well as decisions?</p> <p><input type="checkbox"/> _____
Which sustainability factors have a direct impact on the company's business activities and financial success?</p> <p><input type="checkbox"/> _____
How will the company communicate the findings of the non-financial report to investors?</p> <p><input type="checkbox"/> _____
To what extent is management involved and informed in decision-making processes for sustainability strategies?</p> <p><input type="checkbox"/> _____
What are the regulatory reporting requirements for the company?</p> <p><input type="checkbox"/> _____
Which internationally recognized reporting standards does the company consider in its reporting?</p> |
|--|--|

“Our biggest challenge in this new century is to take an idea that seems abstract – sustainable development – and turn it into a reality for all the world’s people.”

Kofi Annan

former Secretary General of the United Nations

Roadmap for the Preparation of a sustainability report



3

Current legal frameworks



3.1.

Regulations and duties

Sustainability reporting is based on legal requirements, both at national and international levels. The obligation affects both financial market participants that market sustainable financial products in the EU and companies that have to prepare a non-financial report. It is based on a series of EU laws and regulations that aim to significantly increase transparency and comparability of sustainability reporting. The aim is to encourage investment flows to companies engaged in sustainable activities in order to ensure compliance with the Paris Climate Agreement to become climate neutral by 2050.

3.1.1

NaDiVeG²

The Non-Financial Reporting Directive (EU Directive 2014/95/ EU, NFRD) sets the basis for sustainability reporting. It was implemented in Austria in the form of the Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) and led to amendments to the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), Stock Corporation Act (Aktiengesetz, AktG) and Limited Liability Companies Act (GmbH-Gesetz, GmbHG). The NaDiVeG currently applies to large public-interest companies with more than five hundred employees. The NaDiVeG requires companies to report material non-financial information. This includes information that is necessary for the understanding of the course of business, the business result, the situation of the company as well as the effects of its activities considering environmental, social and employee matters, human rights and the fight against corruption and bribery at least (*see section 2, item 2.3. Content*).

The non-financial statement must, in accordance with § 243b. UGB, describe the business model of the respective company and present the key sustainability aspects, the policies formulated, the due diligence processes applied and the results in the form of targets and measures. A focus also lies on the associated material risks and the management of these risks. The most important non-financial performance indicators relevant for the specific business activity have to be presented. If the company does not pursue a concept with regard to one or more of the concerns mentioned, a justification must be included (“comply or explain”). In addition, listed companies have to, in accordance with § Section 243c of the Austrian Commercial Code (UGB) prepare and publish a Corporate Governance Report. The corporate governance report has to be extended in a manner to include a diversity concept and has to be audited by an auditor. The result of the audit has to be included in the audit report.

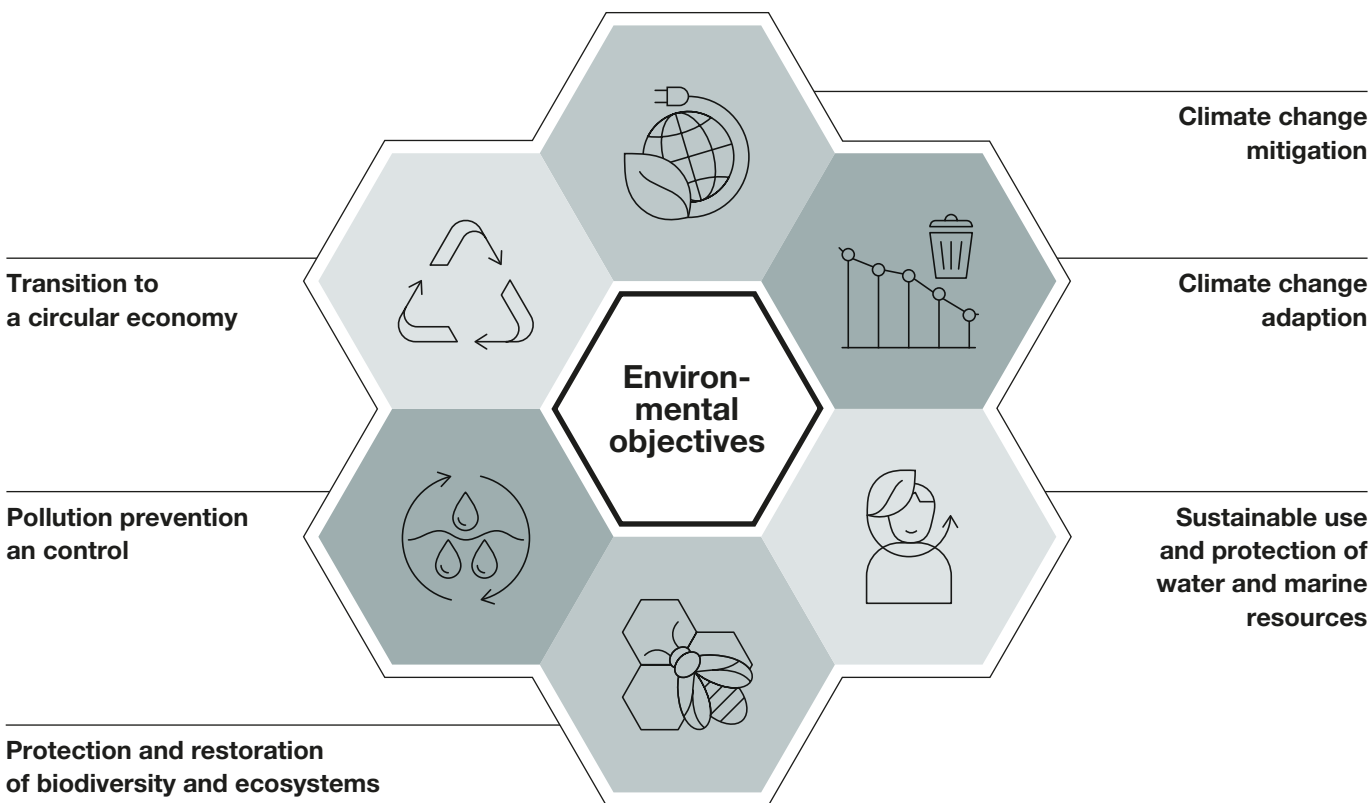
The law does not provide for an external audit of the content of the non-financial statement or the sustainability report by an auditor. Rather, the auditor is only required to verify the existence of the non-financial statement. The Supervisory Board and the members of the Board of Management are obliged to examine the content.

² Sustainability and Diversity Improvement Act

3.1.2

EU taxonomy³

As part of the EU Commission’s Action Plan for Financing Sustainable Growth, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, the so-called EU taxonomy for environmentally sustainable economic activities, came into force in 2020. The EU taxonomy essentially serves to create a common language for a standardized definition of “environmentally sustainable” economic activities and comprises six environmental objectives:



The EU taxonomy classifies environmentally sustainable economic activities based on technical screening criteria. In June 2021, the EU Commission adopted a delegated act establishing the technical screening criteria for economic activities that make a significant contribution to climate protection and adaptation to climate change, i.e. the first two environmental objectives. The delegated act for the remaining four environmental targets is expected for 2023.

³ EU Taxonomy Regulation

The EU taxonomy essentially distinguishes between three types of sustainable economic activities:

- Activities that make a significant contribution to one of the six environmental objectives without compromising any of the other goals.
- Activities that directly contribute to other economic activities making a significant contribution to one of the six environmental objectives (i.e. enabling activities).
- Transition activities are those activities for which there are no more CO₂-friendly alternatives (yet) for technological or economic reasons.

A company's taxonomy-eligible economic activity is making a substantial contribution to at least one of the objectives while no economic activity is doing no significant harm to the remaining objectives ("do not significant harm", DNSH) and meeting minimum standards on human rights and labour standards.

Article 8 of the Taxonomy Regulation sets out the reporting requirements applying to all companies currently covered by the NFRD to expand their non-financial statements to disclose information on how and to what extent the company's activities are linked to economic activities that are classified as environmentally sustainable under the EU taxonomy. A distinction is made between disclosure requirements for financial and non-financial companies. Non-financial companies have to disclose the share of taxonomy-eligible and taxonomy-compliant economic activities in the form of defined KPIs:

- Turnover (share of taxonomy-eligible economic activities in turnover),
- CapEx (share of taxonomy-eligible capital expenditures) and
- OpEx (share of taxonomy-eligible operating expenses).

Both indicators, turnover and OpEx are used to show current sustainable economic activities. The presentation of CapEx in ecologically sustainable economic activities is intended to show a view into the future. The EU Taxonomy Compass⁴ helps companies to classify their economic activities accordingly.

As of fiscal year 2022, companies need to report their taxonomy compliance and thus full disclosure their actual compliance with the Taxonomy Regulation (i.e. material

contribution, DNSH, Minimum Safeguard Standards). The full application of the provisions of the EU taxonomy relates to fiscal years from 2022 for non-financial companies and financial years from 2023 for financial companies.

“The time has come to put words into action and invest sustainably.”

Mairead McGuinness

EU Commissioner for Financial Services,
Financial Stability and Capital Markets Union

3.1.3

SFDR⁵

Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR) sets out rules for all financial market participants and advisors (including credit institutions, insurance companies, securities firms) on the transparency of sustainability risks and their impacts and the provision of information on sustainable financial products. Insurance intermediaries and small investment firms with fewer than three employees are exempt.

In addition to the strategy for dealing with sustainability risks, information must also be provided on the remuneration policy. Banks will also be required to publish their Green Asset Ratio (GAR) from 2024. In simplified terms, it describes the share of environmentally friendly assets in total assets. The overriding goal is to provide investors with standardized information so that they can compare and evaluate sustainable financial products.

In compliance with the SFDR, financial products are classified into three categories: (1) Financial products with environmental or social characteristics (Article 8 - light green), (2) Sustainable financial products with a targeted sustainability impact (Article 9 - dark green), and (3) all other financial products irrespective of ESG credentials (Article 6). In addition, the SFDR requires providers of financial products to disclose by what means sustainability risks or ESG risks are considered at the company level and at the product level.

3.2.

Concept of double materiality

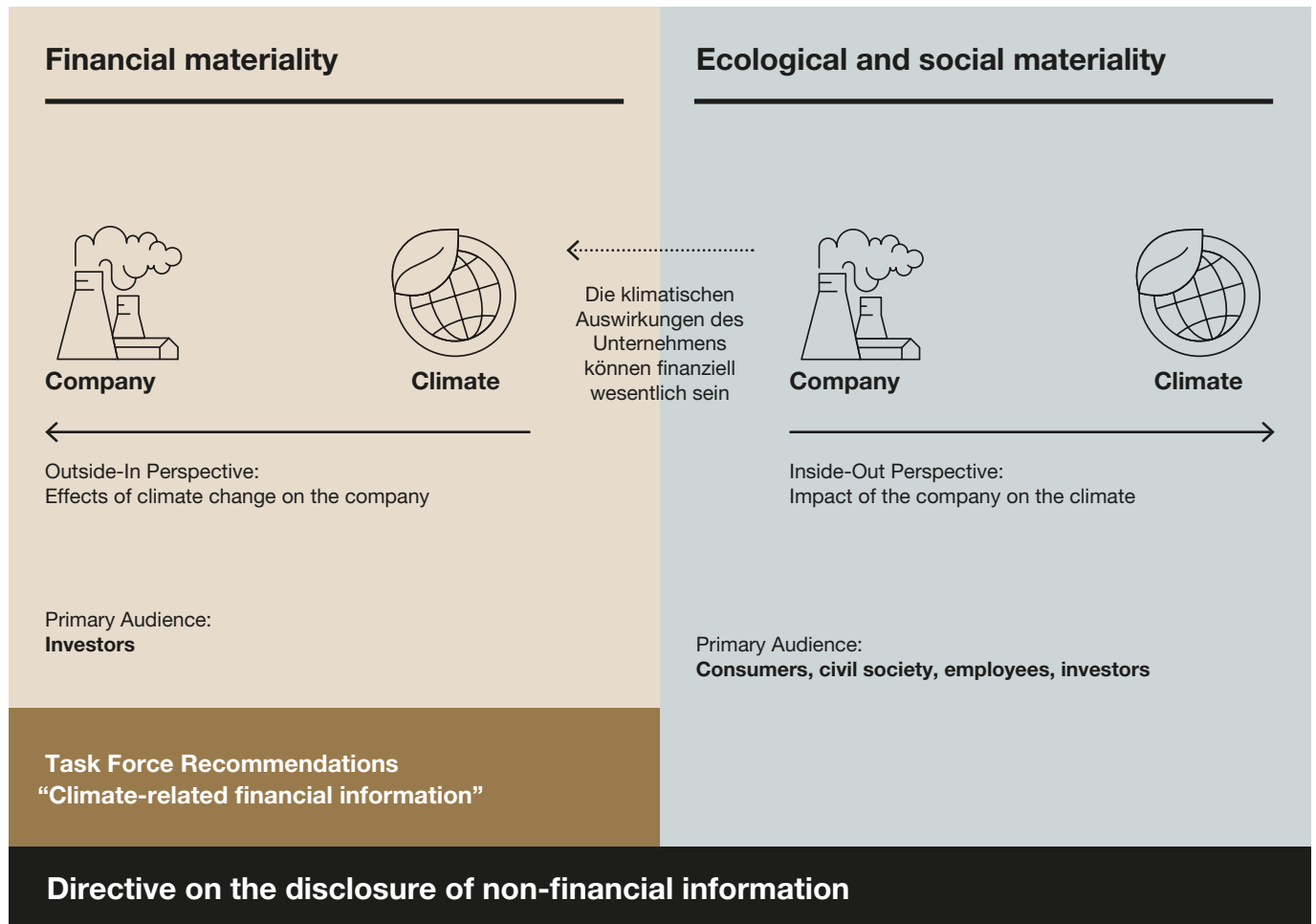
Sustainability reporting is intended to provide a comprehensive presentation of a company's sustainability performance from the point of view of materiality. Materiality is therefore at the core of all reporting requirements. According to International Accounting Standards - IAS, information is considered material if the omission or misstatement of the relevant information in the report may affect the economic decisions of readers who rely on the financial statements.

With the extension to environmental, social, political, and legal topics and indicators according to the NFRD, one speaks of a double materiality perspective. Information should be considered that has a material impact on 1 the financial development of the company due to sustainability risks (financial materiality) and 2 the operational business capability of the company and its impact on society and environment (impact materiality). The chart below illustrates the double materiality perspective introduced by the NFRD.

The concept of double materiality comprises of two perspectives: Firstly, the inside-out perspective, which contains information that is necessary for understanding the impact of the company's activities on sustainability aspects. These are the risks that arise for the environment and society because of the company's activities. Secondly, the outside-in perspective: This captures information that is necessary for understanding the impact of sustainability aspects on the company's business performance, results, and situation. These are those risks that arise for the company because of the sustainability aspects.

⁵ Sustainable Finance Disclosure Regulation

The double materiality perspective of the Non-Financial Disclosure Directive in the context of the disclosure of climate-related information



* The term financial materiality is used here in the general sense of an impact on the value of the company and not only in the sense of an impact on the financial measures recognized in the annual financial statements.

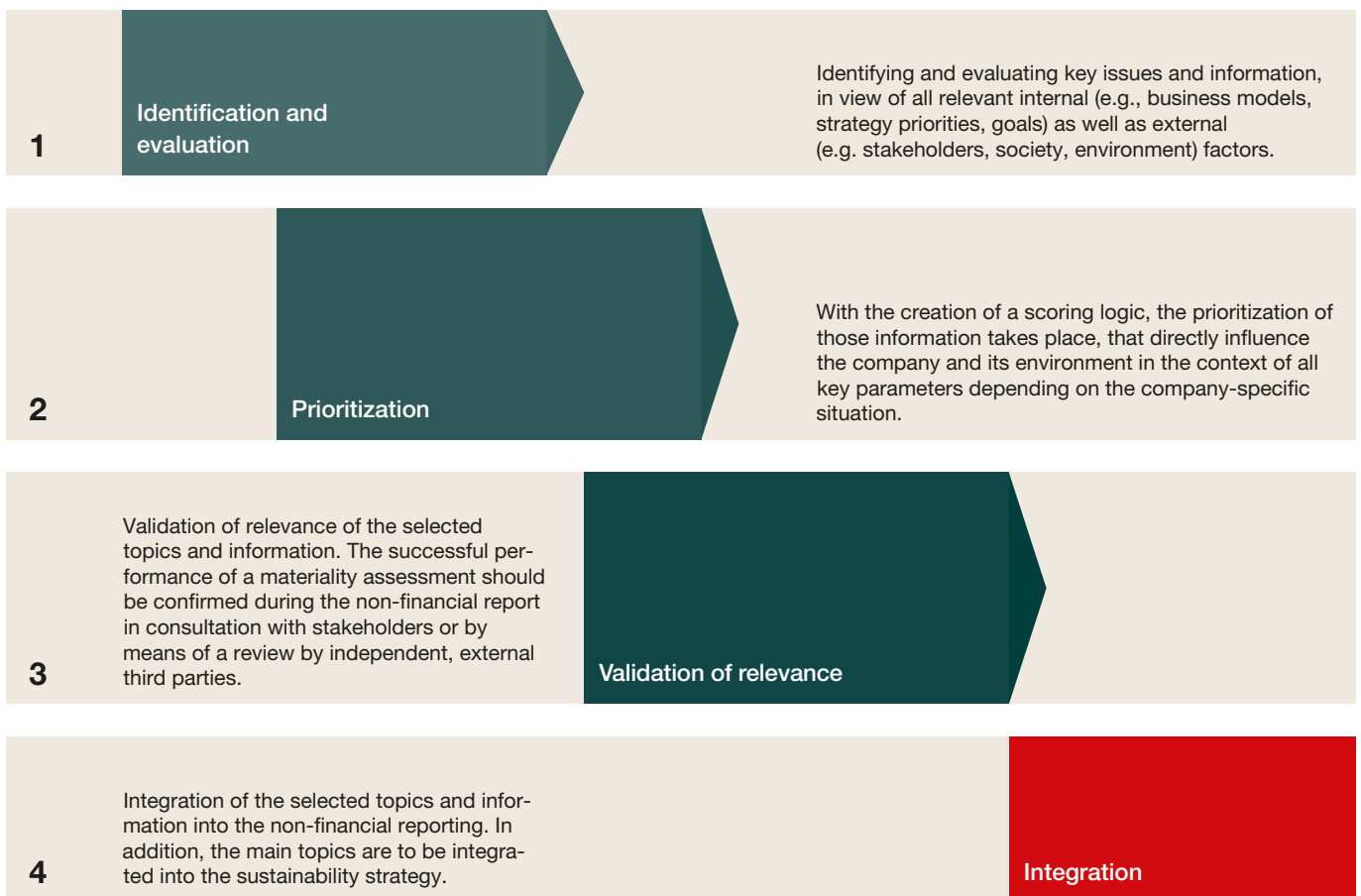
Source: Guidelines for reporting non-financial information: Addendum on Climate-Related Reporting and Vienna Stock Exchange

A materiality assessment involving the various stakeholders offers the opportunity to identify the individual demands of the different stakeholders, to analyse and define all social and ecological aspects along the value chain, and ultimately to derive the material topics for business activities. The aim is to ensure that the reported content covers all those topics and areas that have the greatest impact on the company's activities, products, and services.

Sector-specific comparisons to identify material issues as well as an active exchange with stakeholders, and the consideration of the company-specific situation, among other things, offer possible approaches to identifying relevant information. Factors such as corporate goals, strategies, risks in the core business and in the supply chain can have an influence on the materiality of information. Accordingly, these should be considered when evaluating the significance of the indicators.

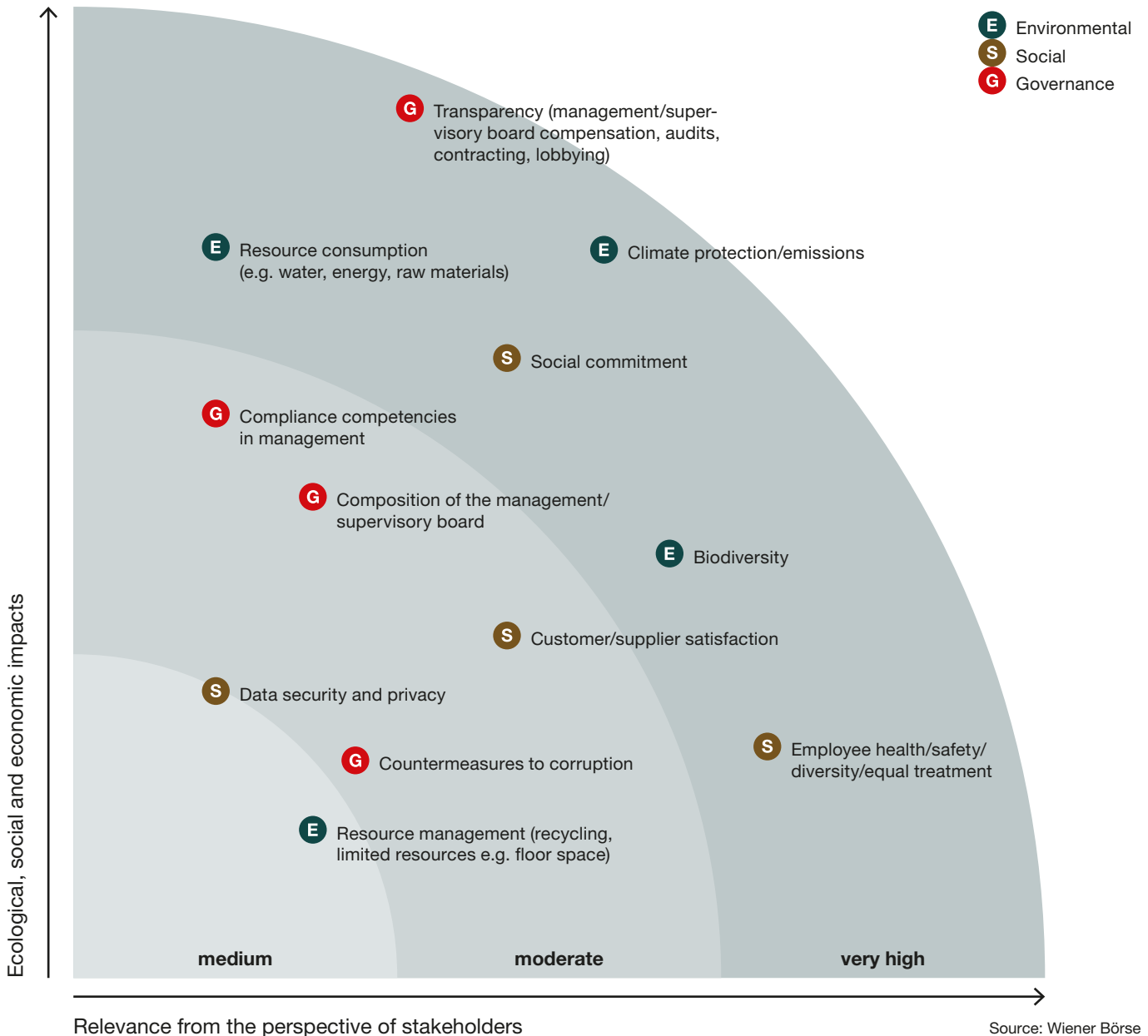
To achieve the highest possible information density for those processes that have the greatest influence on current business activities, the environment and society, all areas of the company should be evaluated in the course of the analysis, both from the point of view of double materiality as well as being identified, described, and integrated in a transparent process.

The process of a materiality assessment



A materiality matrix graphically illustrates the ESG issues that are most critical to the company and their stakeholders and serves as a guidance for identification and prioritization. In the following example, the two dimensions “Relevance from the stakeholder perspective” vs. “Environmental, social and economic impact” are used to assess the materiality of a topic. It may be deduced that a topic can also be material based on only one of the dimensions.

Example of a materiality matrix



3.3.

Content

Die nIn accordance with NaDiVeG § 243b. (2) of the Austrian Stock Corporation Act (AktG), non-financial reporting has to include information, that is necessary for the understanding of the development of the business, the business performance, the position of the company and the effects of its activities and which relate to environmental, social and employee issues, respect for human rights and the fight against corruption and bribery. An analysis explains the non-financial performance indicators by reference to the amounts and disclosures reported in the financial statements⁶. If a company is missing material data or information for non-financial reporting, a detailed description must be provided of why this information is not available and which topics, business units or business activities are covered in the report.

It is recommended that recognized international standards are taken into account when selecting sustainability indicators and structuring the content of non-financial reporting. Based on these standards, sector-specific content, among other things, represents a valuable source of information in addition to the existing minimum publication requirements and helps to focus the content on the key indicators and targets. This prioritization makes it possible to highlight the most important topics and indicators for the company, or the possible risks associated with them, and gives investors a compact overview of the situation.

Furthermore, sustainability reporting with a presentation of non-financial indicators should serve as evidence of progress and the achievement of the defined corporate goals in the course of the ongoing further development of sustainability policies. Taking into account the changing regulatory landscape, the requirements for the content and structure of sustainability reporting are also subject to ongoing change and may require an adjustment of the methodology and the presentation of non-financial indicators.

The non-financial information of both the parent company and the subsidiaries listed in the consolidated annual report must be taken into account in full. If this is not possible due

to a lack of data or an inconsistent reporting structure, companies should clearly define which parts of the company are covered by the reporting.

The following contents have been highlighted by the European Commission in its guidelines for reporting on non-financial information⁶:

- **Business model:** In describing the business model, companies may provide appropriate information on the following: the business environment; the organization and structure; the markets in which they operate; their objectives and strategies; the main trends and factors that could influence their future development.
- **Policies and due diligence processes:** The descriptions of the due diligence processes for the most important sustainability risks make it possible to monitor, manage and, at best, reduce these risks.
- **Outcome:** A company may disclose and explain the following: actual CO₂ emissions, CO₂ intensity; use of hazardous chemicals or biocidal agents; impacts and dependencies in the area of natural capital; comparison with targets; developments over time; mitigating effect of implemented policies; plans to reduce CO₂ emissions.
- **Principal risks and their management:** Information on the significant risks associated with the company's business activities, its business relationships, its products or its services, and how the company manages these risks.
- **Key performance indicators:** These should be consistent with the key performance indicators that the company usually uses as part of its internal management and risk assessment processes. This increases the relevance and comparability of the information and ensures greater transparency.
- **Thematic aspects:** Environmental concerns; Social and labour concerns; Respect for human rights; Combating corruption and bribery.

⁶ Commission guidelines non-financial reporting

The effects of environmental and social risks pose major challenges to companies, influence companies in their strategic decisions and thus affect their business development. Being aware of these risks and countering them adequately is an essential success factor for companies.

The correct handling of these risks can be essential for the success of long-term corporate strategies and should be carried out in the overall corporate context. For example, implementing sustainability risks in the overall risk management processes helps companies to develop long-term policies for dealing with potentially negative environmental and social impacts on the core business and along the value chain.

Reputational risk and its reduction are further cornerstones of risk assessment in sustainability reporting. Since all companies along the supply or value chain strive to reduce this risk, there are not only mutual dependencies between companies and other stakeholders with regard to the successful implementation of sustainability strategies, but they also promote transparency along the value chains and help to build trust. In this way, common goals are achieved. Last but not least, responsible, sustainable and transparent business practices can reduce refinancing and investment costs and strengthen company valuations. The risk aspect therefore plays an essential role in sustainability reporting and should be reflected in it.

Ultimately, the scope, weighting and level of detail of reporting will depend on the specific characteristics of a company, its business model, industry and previous sustainability performance.

The scope, weighting and level of detail of reporting depend on the characteristics of a company, its business model, industry and previous sustainability performance.

3.4.

Format

In Austria, pursuant to NaDiVeG § 243b. Para. 1, companies have to include a non-financial statement in the management report unless they prepare a separate non-financial report, that has to be prepared and signed by the legal representatives, submitted to the members of the supervisory board, examined by the latter and disclosed together with the management report.

Non-financial reporting by means of a stand-alone sustainability report is still valid for the reporting year 2023 (financial year 2022) but will no longer be a probable reporting format on the basis of the CSRD (see section 4, item 1: CSRD).

To date, a stand-alone report has offered companies a high degree of flexibility in the design of the methodology, the presentation of data and the timing of publication. However, the option to publish in a separate report reduces the comparability and availability of information and can create the impression that sustainability information is of less relevance and has a negative impact on the reliability of the data. The European Commission therefore required, as part of the CSRD, that companies include their sustainability information in a dedicated section of the management report. References to corporate financial matters and impacts of sustainability issues on the business operations provide more clarity and represent a significant quality feature. Cross-references to the annual report may reduce the risk of considering sustainability issues without taking into account the financials key figures or the impact on the core business and thus providing an incomplete picture of the company.

Another reporting format is the integrated report (see also section 3, item 3.1.3. *International Integrated Reporting Framework*), which combines financial and non-financial reporting in a single document. Due to the comprehensive expansion of the information to include the effects and influences of non-financial aspects on the business activities, it offers investors

a holistic view of the company. An integrated report enables companies to link to a high degree the corporate strategy

as well as the business model with the sustainability goals or policies and to present their reciprocity in full.

The non-financial report should generally be prepared in a format that enables the company to present the information contained in it to as many stakeholders as possible in a comprehensible manner without sacrificing detail and structural depth. Investors, analysts and other financial market participants, who often obtain this information in automatically processable form from third-party providers, serve as an example.

Additional or up-to-date information and documents may also be published at any time on the company website as well as other suitable channels, yet it is recommended to refer to such information and documents in the non-financial reporting.

3.5.

Quality

To ensure the quality of sustainability reporting, the sustainability policies and key performance indicators should be placed in the appropriate context. This includes historical industry peers or current trends and how these relate to the company's sustainability targets. The prioritization of information that presents the core economic activities of a company together with their impact on its environment enables effective communication with investors and helps them to correctly classify the targets set and achieved by the company. Nevertheless, the entire range of economic activities (also as part of quality assurance) should be included in the non-financial reporting in order to prevent possible information gaps. Wherever possible, indicators should be presented quantitatively to ensure the best possible comparability with the company's own historical performance data as well as other companies in the sector in order to present the correct context.

The European Commission has highlighted the following quality characteristics in its guidelines for reporting non-financial information⁷:

- Disclosure of material information: A company shall disclose the information necessary for an understanding of the effects of its activities.
- Fair, balanced and understandable: The report should give equal weight to positive and negative aspects. The information should be evaluated without bias and presented in a balanced manner.
- Comprehensive but concise: The information should help stakeholders understand the company's business performance, results of operations, position and the impact of its activities.
- Strategic and future-looking: The statement should provide information about a company's business model, its strategy and its implementation.
- Stakeholder orientated: Companies should address the information needs of all relevant stakeholders.
- Consistent and coherent: Information in the sustainability report should be consistent with the other contents of the management report

7 Commission guidelines on non-financial reporting

Requirements on the quality of sustainability reporting



3.6.

Enforcement⁸

Companies operating on the regulated capital market in Austria are subject to the Financial Reporting Enforcement Act (Rechnungslegungs-Kontrollgesetz). The act provides for the Financial Market Authority, as the accounting control authority, and an auditing body organized under private law as operational enforcement bodies. The aim is to ensure the reliability of companies' capital market information. The focal points of the audit are published annually for the information of the companies concerned and in preparation for the upcoming audits by the Financial Market Authority.

For the 2021 financial year, the focus of the audit was set on non-financial reporting and the identified climate-related risks, opportunities and impacts. The disclosures pursuant to Article 8 of the Taxonomy Regulation are also audited in case they have been published in the management report.

In addition, the Financial Market Authority has published a guideline on dealing with sustainability risks. The guideline serves as a support to the supervised companies in taking sustainability risks into account in their business activities and prepares them in particular for regulatory developments, such as the application of the Disclosure Regulation⁹.

**“There are no
passengers on
spaceship earth.
We are all crew.”**

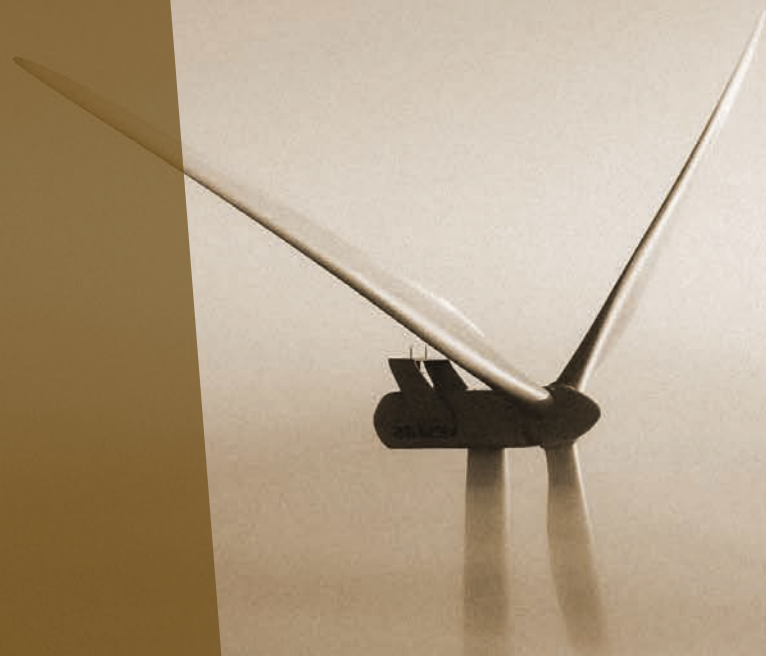
Marshall McLuhan
Philosopher

⁸ Accounting control and FMA audit focus areas

⁹ FMA Guidelines on Dealing with Sustainability Risks

4

Overview about Sustainability Reporting Standards



To date, there is no uniform, mandatory reporting standard for sustainability reporting, but work is already underway at EU level on the development that is to be applied in the course of the new CSRD (see Section 4, Item 4.2: ESRS). This section therefore describes the voluntary, international frameworks and standards that have become recognized in sustainability reporting. The majority of issuers listed on the prime market of the Vienna Stock Exchange follow the GRI, TCFD, the SDGs, the UN Global Compact. If a company uses one or more frameworks, it should disclose which framework or standards it has used.

The Vienna Stock Exchange does not recommend any particular of the many reporting standards available for reporting, but rather provides a list of standards for issuers to consider.

The Vienna Stock Exchange does not recommend a specific Reporting Standard, but lists those standards that are eligible for issuers.

4.1.

International frameworks

4.1.1

Global Reporting Initiative¹⁰

The Global Reporting Initiative (GRI) is an international, non-profit foundation of UNEP and CERES that promotes sustainability reporting by organizations worldwide. To this end, in 2016 the GRI published the so-called “GRI Sustainability Reporting Guidelines”. They are among the most widely used sustainability reporting guidelines in the world. The GRI Guidelines provide reporting principles, specific requirements (Disclosure Requirements) and implementation guidance for the preparation of sustainability reports. They enable companies, regardless of size, industry, and location, to report on the impact of their activities on the economy, the environment and people in a way that is transparent and structured for all stakeholders.

The application of the GRI standards is also recommended by Austrian legislation. In the explanatory notes to the text of the NaDiVeG, the Austrian legislator stated that the new statutory information requirements would in any case be adequately met if the comprehensive GRI standards were applied.

The standards are divided into universal and topic-specific standards and have a modular structure. The universal standard contains generally applicable standards that apply to every company and is used to determine the topics that are material to report on. In addition, the GRI has also developed sector-specific guidelines that apply to specific sectors (e.g., oil and gas, coal, aquaculture, agri-culture, and fisheries) and which have a significant impact on people and the environment. Further, the GRI Topic Standard is dedicated to specific topics (e.g., waste, health, safety, tax) and includes information that should be provided on the topic.

¹⁰ GRI Global Reporting

GRI is working with the European Financial Reporting Advisory Group (EFRAG) on the development of the new ESRS standard (see section 4, item 4.2: ESRS). The GRI standard is to be adopted in the EU ESRS standard.

GRI arbeitet mit der European Financial Reporting Advisory Group (EFRAG) an der Entwicklung des neuen ESRS Standards (siehe Abschnitt 4, Punkt 4.2: ESRS) zusammen. Der GRI-Standard soll in diesem verpflichtenden EU-Standard übernommen werden.

4.1.2

TCFD¹¹

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board. The goal is to identify the information needs of investors, lenders and insurers to assess and evaluate climate-related risks and opportunities. While other frameworks help to present the impact of businesses on climate change, TCFD focuses on the material impacts of climate change for businesses and the resulting financial risks. It provides a forward-looking view of the business.

In 2017, the TCFD published the “Recommendations for Climate-related Financial Disclosures” to assist companies in disclosing financially material information regarding climate-related risks and opportunities. All TCFD recommendations can be found in a TCFD checklist¹². The TCFD requirements cover the four areas of governance, strategy, risk management, and metrics & targets. Reporting according to TCFD aims to appropriately disclose risks and opportunities as consequences of climate change and thus strengthen financial market stability.

In 2021, the TCFD updated the Guidelines for Implementing the TCFD Recommendations to reflect the evolution of disclosure practices and to better assist companies with implementation.

The materiality perspective of the NFDR Directive on the disclosure of non-financial information captures both financial materiality and environmental and social materiality, while the TCFD is limited to a financial materiality perspective.

The application of the GRI standards is also recommended by Austrian legislation.

¹¹ Task Force on Climate-Related Financial Disclosures | TCFD

¹² Model-Guidance-on-Climate-Disclosure

4.1.3

International Integrated Reporting Framework¹³

The International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) are both part of the IFRS Foundation, a non-profit organization with representatives from regulatory, accounting and securities authorities, investors, companies and NGOs that have developed a standard for integrated reporting - the <IR> framework (Integrated Reporting Framework). The IASB sets the IFRS accounting standards and the ISSB sets the IFRS standards for the disclosure of sustainability information.

The <IR> framework provides principle-based guidelines for the structure and content of reporting. In this context, an integrated annual report comprises eight content elements (Organizational overview and external environment, Governance, Business model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook and Basis of preparation) that are interrelated and not mutually exclusive.

The report should provide a holistic view of the company by disclosing the business model in terms of strategies, governance, risks, opportunities, and outlook, with the aim of linking financial information and non-financial aspects in the reporting. An integrated report considers the interrelationships and dependencies between financial, environmental and social factors affecting a company and shows how the company creates financial and non-financial value in the short, medium and long term.

4.1.4

International Sustainability Standards Board (ISSB)¹⁴

The International Sustainability Standards Board (ISSB) is the successor to the Sustainability Accounting Standards Board (SASB), a U.S.-based non-profit organization that develops standards for sustainability accounting and disclosure of financially material sustainability information. The standards are available for 77 industries and identify those subsets of environmental, social and governance issues that are most material to financial performance in each industry.

The ISSB published drafts of the first two IFRS Sustainability Disclosure Standards on 31 March 2022. They provide for disclosures about sustainability-related risks and opportunities of an entity that are necessary for investors to evaluate the entity. The ISSB will build on the SASB standards and embed SASB's industry-based approach to developing standards into the ISSB's development process. The ISSB actively encourages preparers and investors to use the SASB standards.

“Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

UN World Commission

13 Integrated Reporting

14 International Sustainability Standards Board

4.2.

International initiatives

4.2.1

Sustainable Development Goals (SDGs)¹⁵

The Sustainable Development Goals (SDGs), adopted by all 193 member states at the 2015 United Nations (UN) climate conference in Paris, are a set of 17 goals (and 169 underlying targets) that aim to improve the social, economic, and environmental problems of the world by 2030.

The SDGs offer companies uniform indicators and shared priorities for communicating their sustainability performance. According to the SDGs, the starting point for sustainability reporting is an assessment of the positive and negative as well as the current and potential impacts along the value chain. Setting priorities and targets contributes to the development of a climate strategy. By aligning the company's goals with the SDGs, management underlines its commitment to sustainable development. The most important prerequisites for achieving the goals are the integration of sustainability into the core business and governance processes as well as the embedding of sustainability goals in all areas of the company. The sustainability report needs to illustrate how companies contribute to the respective SDGs.

¹⁵ United Nations Sustainable Development Goals



4.2.2

UN Global Compact (UNGC)¹⁶

The UN Global Compact (UNGC) is a strategic initiative for companies that want to align their business activities and strategies with sustainable development and social responsibility. The principles cover the core areas of human rights, labour standards, environmental protection and anti-corruption and include a catalogue of values consisting of ten principles. A prerequisite for participation in the UNGC is a written declaration by the management in which the company commits itself to consistently comply with these principles and to responsible business practices.

The 10 principles of the UN Global Compact are:

- Human Rights
 - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 - Principle 2: make sure that they are not complicit in human rights abuses.
- Labor standards
 - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - Principle 4: the elimination of all forms of forced and compulsory labour;
 - Principle 5: the effective abolition of child labour; and
 - Principle 6: the elimination of discrimination in respect of employment and occupation.
- Environmental protection
 - Principle 7: Businesses should support a precautionary approach to environmental challenges;
 - Principle 8: undertake initiatives to promote greater environmental responsibility; and
 - Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Fighting corruption
 - Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Participants of the Global Compact are required to communicate their progress on the ongoing implementation of the ten principles on a regular basis ("Communication On Progress - COP"). The COP has to state which measures have been adopted in the four thematic areas and at what

stage their implementation is. A description and an evaluation of the measures are required; the information on the implementation progress has to be published online.

4.2.3

CDP

The CDP (known as the Carbon Disclosure Project until 2012) is a non-profit organization founded in London in 2000 that operates an environmental data disclosure system, making publicly available the world's largest database of climate and emissions primary data from companies, cities, regions and countries. Its goal is to examine the impact of climate change on the world's major publicly traded companies.

The data is collected and evaluated annually using a comprehensive questionnaire. CDP offers three reporting categories, including climate change, water security and forestry. The questions aim to provide information on activities and contributions to reducing global warming and negative environmental impacts, as well as strategies to mitigate a company's associated risks.

In this way, CDP helps companies to identify the risks and opportunities of their environmental impacts and to disclose them transparently to stakeholders. The publication of data and rankings is intended to motivate companies to take action. The data is used by investors, decision-makers, scientists and the media.

The CDP is an internationally recognized standard for corporate environmental reporting and is fully consistent with the recommendations of the TCFD.

16 UN Global Compact

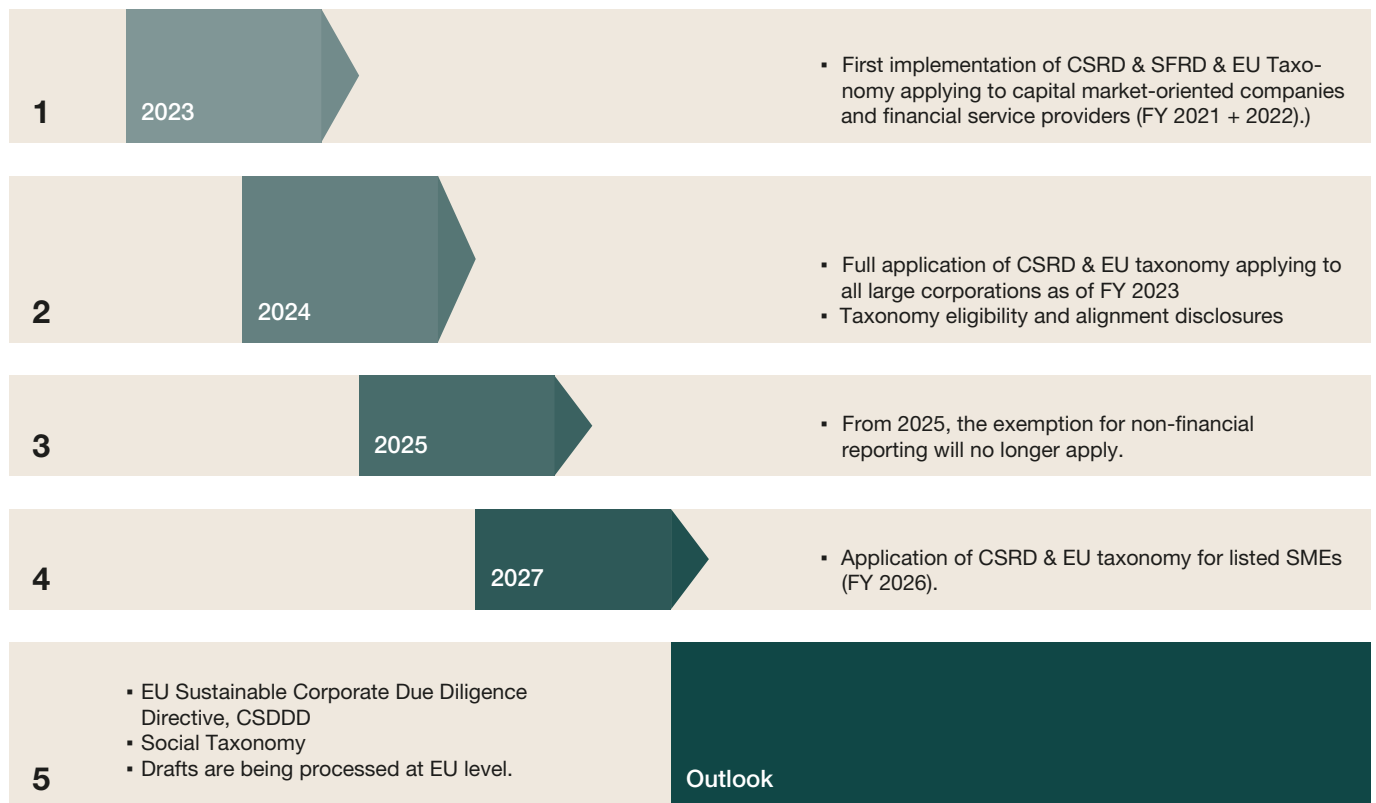
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Future legal reporting requirements

The EU Commission has taken a number of measures under the EU Action Plan on sustainable finance that give the financial sector a significant role in achieving the European Green Deal¹⁷. Information on companies' sustainability risks and their impact on people and the environment are essential for a successful implementation of the deal. Therefore, a package of policy initiatives is intended to adapt existing legislation to the EU's climate targets. These include tightening up sustainability reporting, introducing a uniform standard for sustainability reporting and stricter due diligence requirements along the value chain. The following section provides an outlook on future legal requirements.

17 European Green Deal

Timeline regulatory development over time



5.1.

Corporate Sustainability Reporting Directive (CSRD)¹⁸

The Corporate Sustainability Reporting Directive, CSRD is an EU directive that expands non-financial reporting. As the successor to the NFRD, it provides for enhanced requirements for sustainability reporting, which expand the existing obligations under the NaDiVeG. The aim of the CSRD is to increase transparency through comprehensive disclosure and comparability of sustainability information. The following table provides an overview of the main changes:

¹⁸ Corporate Sustainability Reporting Directive

	Current EU Directive 2014/95/EU (NFRD)	Corporate Sustainability Reporting Directive 2022/2464
Who needs to report?	Large companies of public interest with more than 500 employees (listed companies, banks and insurance companies)	Listed companies (except for micro-enterprises) as well as non-listed large companies, that meet two of the three following criteria: <ul style="list-style-type: none"> □ > 250 employees □ > 40 million € turnover □ > 20 million € total assets
From when?	Fiscal year ("FY") 2018	FY 2024: NFRD companies FY 2025: all other large non-listed companies. FY 2026: listed SMEs FY 2028: Non-EU companies

	Current EU Directive 2014/95/EU (NFRD)	Corporate Sustainability Reporting Directive 2022/2464
What needs to be reported?	<ul style="list-style-type: none"> <input type="checkbox"/> Business model <input type="checkbox"/> Policies, including the applied due diligence processes <input type="checkbox"/> Results of these policies <input type="checkbox"/> Material risks associated with the company's business activities/ business relationships/ products/ services and how they are managed <input type="checkbox"/> Key performance indicators 	<ul style="list-style-type: none"> <input type="checkbox"/> Business model and strategy <input type="checkbox"/> Sustainability goals and progress in achieving them <input type="checkbox"/> Role of the administrative, management and supervisory bodies <input type="checkbox"/> Description of the company's sustainability policy <input type="checkbox"/> Due diligence procedures with regard to negative effects associated with the value chain/ business activity/ products/ services/ business activities <input type="checkbox"/> Main risks and risk management <input type="checkbox"/> Relevant performance indicators
Additional reporting obligations	<ul style="list-style-type: none"> <input type="checkbox"/> Environmental protection <input type="checkbox"/> Social responsibility and treatment of employees <input type="checkbox"/> Human Rights <input type="checkbox"/> Anti-corruption and bribery <input type="checkbox"/> Diversity on the company's Executive Board in terms of age, gender, education and professional background 	<ul style="list-style-type: none"> <input type="checkbox"/> Double materiality <input type="checkbox"/> Information on intangible assets <input type="checkbox"/> Information includes forward-looking and retrospective as well as qualitative and quantitative disclosures. <input type="checkbox"/> Information on the value chain of the company <input type="checkbox"/> Reporting according to SFDR and EU taxonomy <input type="checkbox"/> Reporting in accordance with the European standard on sustainability reporting
Where should companies report?	In the annual report (stand-alone report also possible)	Exclusively in the management report
Format	Online or .pdf	Digital reporting corresponding with the European Single Electronic Format (ESEF) in XHTML format
External assurance	Not mandatory – only the existence of the non-financial report is assessed. The supervisory board and the members of the management board are responsible for the review of the content.	Mandatory ("limited assurance") e.g. by an auditor

The first-time application of the CSRD is to be staggered over time. For companies that are already subject to the NFRD or the NaDiVeG, or for all companies listed on an EU-regulated market (with the exception of micro-enterprises), the CSRD reporting obligation will apply from the 2024 financial year. In the following year, the CSRD will be extended to non-listed large companies with more than 250 employees or EUR 40 million in net sales or EUR 20 million in total assets. From the financial year 2026, listed SMEs will also be subject to reporting requirements.

The content requirements are based on the concept of ESG (Environment – Social – Governance), which requires detailed information on environmental, social and governance-related topics. In addition to the formal requirements, the CSRD stipulates that the specific content of sustainability reporting is to be defined by standards – the European Sustainability Reporting Standard.

In addition, the mandatory disclosures according to the Taxonomy Regulation have to be integrated into the sustainability report according to CSRD. The disclosures need to be shown as a separate chapter in the management report. This means that, as a result of the CSRD, the reporting obligation under the Taxonomy Regulation will in future also apply to an extended group of users – i.e. companies that were not previously affected by the Taxonomy Regulation.

The CSRD also removes the option of publishing non-financial information in a separate sustainability report outside the management report. Sustainability reporting in the management report will become mandatory and is intended to strengthen the informative value of the non-financial indicators. It is also planned that, following the introduction of the European Single Assessment Point (ESAP), companies will have to provide their annual reports and management reports in XHTML format in order to enable automated processing of the data.¹⁹

The Directive also requires an external audit with initially limited assurance (so-called “limited assurance”). The audit may be performed by an auditor.

5.2.

European Sustainability Reporting Standards (ESRS)²⁰

The European Commission is working on EU standards for sustainability reporting – the European Sustainability Reporting Standards (ESRS). The ESRS are intended to concretize the sustainability-related reporting obligations from the CSRD and create a uniform reporting standard. The European Financial Reporting Advisory Group (EFRAG) was commissioned by the European Commission to develop drafts for these standards as part of the CSRD. The aim is to standardize and improve the comparability of reported information. The standard is being developed in collaboration with international initiatives such as the GRI, SASB, IIRC, TCFD and CDP. The SDGs, Global Compact and ISO 26000 standards have also been considered.

All companies listed on a European stock exchange, including small and medium-sized enterprises, fall within the scope of the ESRS. The first ESRS-compliant sustainability reports must be published from 2024.

The final drafts of the cross-cutting standards were published by EFRAG at the end of November 2022 and consist of two cross-cutting standards and ten topic-specific standards (five on environment, four on social, one on governance).

The cross-cutting standards (ESRS 1 and 2) define the basic reporting principles and provide information on strategy, governance, value chain, materiality assessment and material sustainability risks.

¹⁹ European Single Access Point (ESAP)

²⁰ European Sustainability Reporting Standard

The topical standards are divided into the themes of environmental, social and governance topics and specify disclosures and key performance indicators for each topic. There is a requirement to disclose sustainability risks and opportunities. The targets and metrics were selected based on the TCFD and ISSB standards.

In addition to the cross-cutting standards and the topical standards, work is also being done on sector-specific standards and SME standards.

Structure of the ESRS standards



5.3.

Corporate Sustainability Due Diligence Directive²¹

The Proposal for a Directive on corporate sustainability due diligence of February 2022 (CSDDD) obliges companies to consider human rights and environmental due diligence within their value chains in an appropriate manner. The core of the law are identifying, preventing, bringing to an end or at least mitigating violations of human rights and environmental impacts along a company's supply chains by way of performance of a risk analysis as a necessary condition for introducing a risk management system. The proposal was adopted by the European Council in December 2022.

Some European countries have already introduced national due diligence laws with the aim of respecting human rights and the environment in the value chain. In Germany, the Supply Chain Due Diligence Obligations Act (Lieferkettengesetz) has entered into force on January 1, 2023 applying to all companies that have their headquarters in Germany or a German branch with at least 3,000 employees. Austrian companies may therefore already be indirectly affected.

5.4.

Social Taxonomy²²

The EU Commission's Social Taxonomy is intended to direct capital flows to those companies and economic sectors that respect human rights and promote investments that improve the living conditions of disadvantaged people. Based on the EU Taxonomy, the Social Taxonomy also classifies economic activities that make a significant contribution to social objectives. The first draft report of February 2022 defines the following three social objectives:

- decent working conditions for employees along the entire value chain
- adequate living standards and wellbeing for end-users, product safety
- inclusive and sustainable communities and societies

The Social Taxonomy is designed to drive the achievement of the Sustainable Development Goals (SDGs) and help identify social investment opportunities.

²¹ Corporate Sustainability Due Diligence Directive

²² Draft Report Social Taxonomy

“Our destiny does not
depend on the stars,
but on our actions.”

William Shakespeare
in “Julius Ceasar”, 1599

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