Target Setting Progress Report 2023

Climate Transition Plan

Updated June 2024 version

LUXEMBOURG
STOCK EXCHANGE

Table of contents

Foreword 3

CATEGORY 1
Lead by example:
Exchange-focused targets 4

1 Governance 4

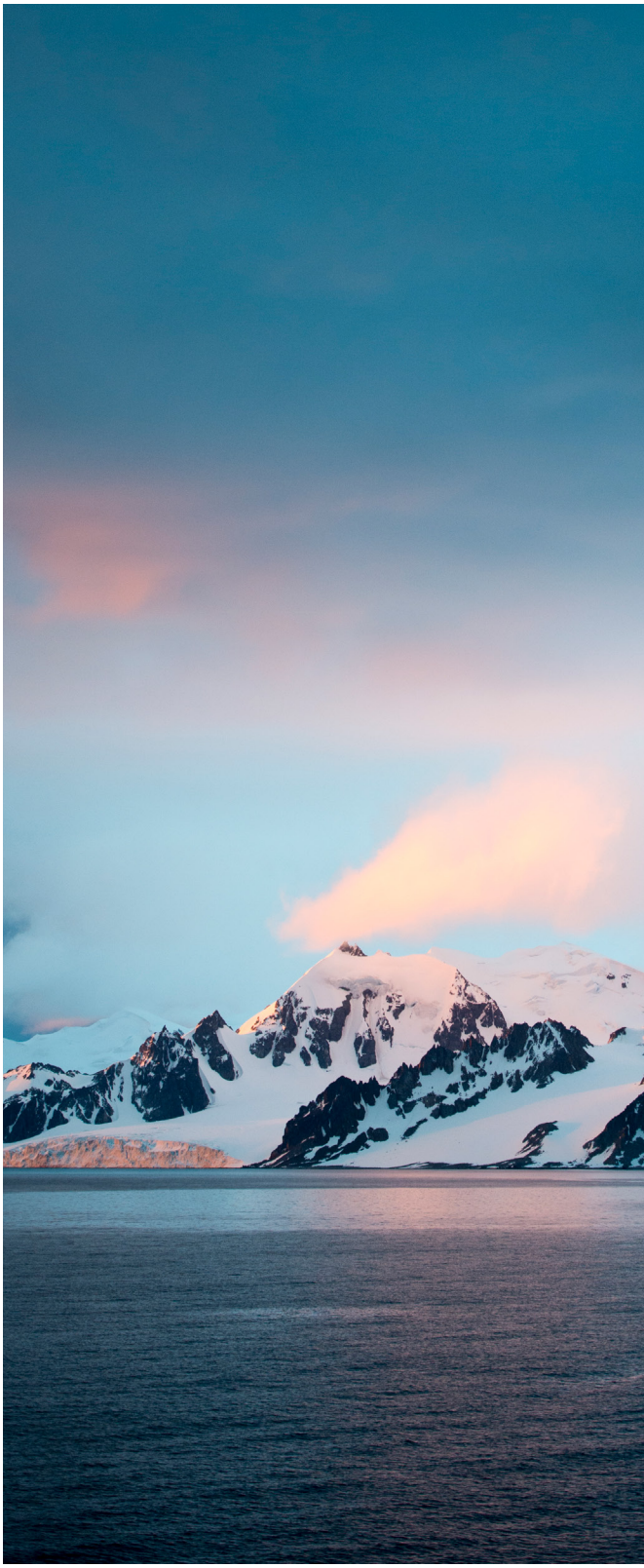
2 Emissions Reductions & Disclosure 6

CATEGORY 2
Exercise influence:
Market-focused targets 10

1 Transparency & Education 10

2 Products & Services 14

3 Policy Persuasion & Engagement 16



Foreword

Efforts to tackle the very real threats of climate change and limit the global temperature increase to 1.5°C above pre-industrial levels are international and urgent priorities. Finance and cooperation are at the heart of this global challenge, as trillions of euros need to be mobilised towards climate action and channelled into scalable solutions that have the potential to make a measurable and meaningful impact.

As the world's leading exchange for the listing of debt securities and home of the Luxembourg Green Exchange (LGX), we, at the Luxembourg Stock Exchange (LuxSE), are uniquely positioned to influence capital markets and are working towards net zero emissions within our own operations and in our broader market.

We are convinced that only when and if the financial sector comes together can we make finance part of the solution to our global challenges. At LuxSE, we are prepared to do our part and we are now working towards reducing our own carbon emissions and becoming a net zero business by 2050 at the latest. To encourage transparency and accountability in the market, we have committed to disclosing our data and the progress we make each year as part of our climate transition plan.

At COP26 in Glasgow, in November 2021, LuxSE announced that it was joining the Glasgow Financial Alliance for Net Zero (GFANZ), a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy. As an exchange, we joined GFANZ through the Net Zero Financial Service Providers Alliance (NZFSPA). We recognise the essential role played by GFANZ and NZFSPA when it comes to increasing awareness, inspiring action, and accelerating the climate transition. Global challenges require a global response and alliances like GFANZ facilitate international coherence, cooperation, and progress. We are determined to make a meaningful contribution to the commitments of the Alliance, and we are confident that we can bring a valuable voice to this cooperation.

After signing GFANZ's 8-point commitment statement, we participated in the drafting of the Net Zero Target Setting Guidance for Exchanges, which was approved at the end of June 2023 by the UN High-Level Climate Change Champions overseeing the Race to Zero Campaign. Going forward, the exchange subgroup will review the target setting guidance every two years up to 2030 and every five years thereafter, or sooner when required.

The following report details our progress in our target settings and NZFSPA commitments on each focus area defined in the target setting guidance.

Foreword

CATEGORY 1
Lead by example:
Exchange-focused
targets

CATEGORY 2
Exercise influence:
Market-focused targets

CATEGORY 1

Lead by example: Exchange-focused targets

1

1 Governance

Foreword

CATEGORY 1
Lead by example: Exchange-focused targets

1 Governance

2 Emissions Reductions & Disclosure

CATEGORY 2
Exercise influence: Market-focused targets

1.1 Exchanges should put appropriate governance structures in place to ensure accountability for and oversight of the development and execution of the NZFSPA commitments

Governance around NZFSPA commitments

A clear governance structure has been established to ensure the ownership, oversight, and responsibility for the net zero targets. Clear roles are defined below, both for the governing bodies and the teams involved in the development, implementation, monitoring and disclosure process. As such:

- LuxSE's Strategic Committee is responsible for the oversight of the NZFSPA commitments.
- LuxSE's Executive Committee is responsible for the management, development and execution of the NZFSPA commitments.
- The LGX and Corporate Social Responsibility (CSR) teams, led by the Head of Sustainable Finance and CSR, are responsible for delivering on LuxSE's NZFSPA commitments. The team reports progress to the CEO and the Executive Committee.

1.2 Exchanges should ensure that relevant policies, procedures and training are implemented to support its efforts

Policies and procedures

As part of our commitment to transitioning towards a more low-carbon and sustainable economy, we have been actively reviewing a set of relevant policies and procedures to align our operational efforts with our exchange-specific climate-related targets.

As outlined in LuxSE's Climate Transition Plan below, our primary sources of greenhouse gas (GHG) emissions are staff commuting and business travel. To mitigate these emissions, in 2024, we revised our Car Leasing Policy to only include vehicles with a CO_2 emission rate of less than 50g/km. Additionally, we have implemented a Sustainable Travel Policy, which, with the help of a new travel agency, allows us to more effectively monitor and track emissions generated from business travel. In parallel, we are committed to managing and reducing our waste through our Waste Management Policy, which has been granted the Luxembourgish SuperDrecksKëscht label. We have also signed IMS Luxembourg's Zero Single-Use plastic pledge whereby we pledged to eliminate the use of single-use plastic within our company.

In terms of other areas of our day-to-day operations, we require our larger suppliers to sign a commitment letter on Corporate Sustainable Responsibility, ensuring they have a robust environmental policy, among other things.

Finally, we have established a procedure for the admission, display, and monitoring of sustainable securities on the LGX platform, which has been in place since 2016.

CATEGORY 1

Lead by example: Exchange-focused targets

1

Trainings to LuxSE employees

Education is at the heart of our mission as a market operator to ensure investor protection, and we are convinced that it plays an instrumental role in enabling sustainable finance to become mainstream. It is with this in mind that we launched the LGX Academy in May 2020.

In 2022, we began offering our employees access to LGX Academy courses to systematically raise awareness and upskill their knowledge around sustainable finance, regardless of their role within our organisation. As of December 2023, 85%* of our employees have taken part in such trainings, either through intensive sessions or as part of the initial 18-hour format.

Examples of topics covered by the training sessions include:

- "Latest trends in green, social, sustainable and sustainability-linked bonds"
- "EU sustainable finance legislative package"
- "Gender equality: Addressing complexities in capital markets"

We also started offering a climate-related training to our employees. Climate Fresk is a 3-hour workshop which teaches participants the fundamental science behind climate change and empowers them to act. At the end of 2023, nearly 100% (96%) of our employees had completed this training.

Foreword

CATEGORY 1
Lead by example: Exchange-focused targets

1 Governance

2 Emissions Reductions & Disclosure

CATEGORY 2
Exercise influence: Market-focused targets

** While our goal was to achieve a 100% rate, due to various factors including staff turnover and employee absences, LuxSE was able to reach 85% by the end of 2023.*

CATEGORY 1

Lead by example: Exchange-focused targets

1

2 Emissions Reductions & Disclosure

2.1 Exchanges should publicly disclose their climate actions annually as part of a transition plan

2.2 Exchanges should measure and disclose their Scope 1, 2 and (where material) 3 emissions annually

2.3 Exchanges should commit to Scope 1, 2 and (where material) 3 emission reductions for their own operations

Our GHG emissions

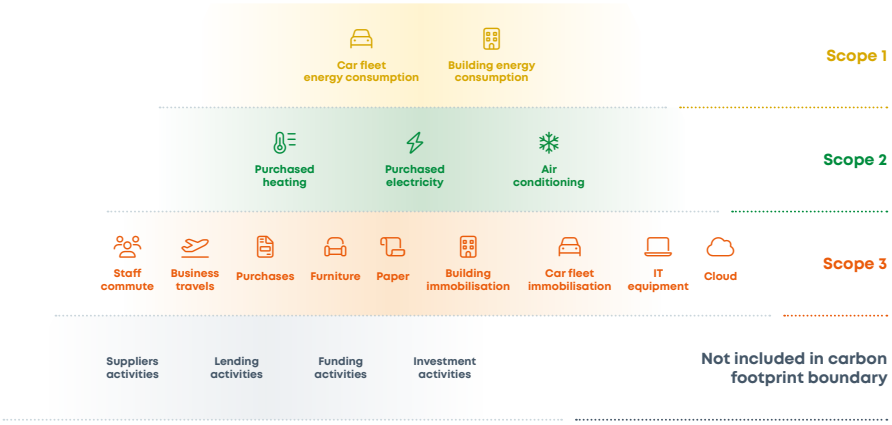
We started measuring our carbon footprint in 2019. Since then, we continued to track our progress and are now disclosing publicly our GHG emissions for the second time in our Sustainability Report.

We've chosen an internationally recognised standard, the International Greenhouse Gas Protocol (GHG Protocol), a corporate accounting and reporting standard as a guideline to calculate our internal footprint. The GHG Protocol is the most used international standard to quantify and communicate GHG emissions. It requires entities to report on at least Scope 1 and 2 emissions while reporting on Scope 3 emissions is optional.

In line with our commitment to be fully transparent, we decided to measure and report not only on our Scope 1 and 2 emissions but also on our material Scope 3 emissions.

In order to do so, we use the "Estimate emissions" approach, meaning that we multiply activity data by the appropriate emission factors. Since 2019, we are using the emissions factors released by Base Empreinte from ADEME, the French agency for Ecological Transition.

When applied to our business, this means that our calculations cover the following:



KEY RESULTS	2019	2020	2021	2022	2023	Δ 2023 VS. 2019
Scope 1 (tCO_2e)	101	62	61	59	22	-79%
Scope 2 (tCO_2e)	81	89	102	25	20	-75%
Scope 3 (tCO_2e)	679	410	377	637	695	+2%
Total number of FTEs	120	135	137	138	140	+16%
Total GHG emissions (tCO_2e)	862	561	541	721	736	-15%
Total GHG emissions per FTE	7.2	4.2	4.0	5.3	5.3	-27%

Note: Fundsquare was part of the LuxSE Group until September 2022, when it was acquired by FE fundinfo.

Foreword
CATEGORY 1 Lead by example: Exchange-focused targets
1 Governance
2 Emissions Reductions & Disclosure
CATEGORY 2 Exercise influence: Market-focused targets

CATEGORY 1

Lead by example: Exchange-focused targets

1

In 2023, we increased our carbon footprint scope when we were able to begin measuring our GHG emissions linked to our cloud usage. With this in mind, we decided to integrate our cloud usage emissions in our carbon footprint (Scope 3) assessment from 2021 onwards, which is when we started using the cloud.

Our carbon footprint measurements have all been certified by Energie et Environnement S.A., an independent Luxembourg-based consulting firm that supports companies measuring their carbon footprint. We are considered "carbon checked" for 2019, 2020, 2021, 2022 and 2023 and on a pathway to become "carbon optimised" before 2025.

The "carbon checked" label recognises that we have calculated our carbon footprint according to the most rigorous international standards in the management of GHG emissions: PAS 2060 or the future ISO 14068. The "carbon optimised" label is granted to companies that, through all their decisions, apply initiatives to reduce their GHG emissions.

Our GHG emissions reduction commitments as part of our Climate Transition Plan

As part of GFANZ, we have committed to reaching net zero GHG emissions (Scope 1, 2 and 3) by 2050 at the latest, with an interim target by 2030 – from a 2019 baseline. Our emission reduction targets aim to be consistent with a 1.5°C scenario and align with sectoral pathways where available to reach net zero emissions by 2050 at the latest. In 2023 and 2024, we developed a Climate Transition Plan with concrete actions to reduce our emissions. As a result of this, we commit to:

1. **Reaching net-zero GHG emissions (Scope 1, 2 and 3) no later than by 2050**
2. **Reaching absolute zero Scope 1 GHG emissions by 2030 - from a 2019 baseline**
3. **Reducing our absolute Scope 2 GHG emissions by 75% by 2030 – from a 2019 baseline**
4. **Reducing our absolute material indirect emissions, Scope 3, by 10% by 2030 – from a 2019 baseline**

Foreword

CATEGORY 1
Lead by example: Exchange-focused targets

1 Governance

2 Emissions Reductions & Disclosure

CATEGORY 2
Exercise influence: Market-focused targets

CATEGORY 1

Lead by example: Exchange-focused targets

1

Our Climate Transition Plan

Our company has always been at the forefront of integrating sustainability into its operations. With a long-standing commitment to the environment, especially with the launch of LGX in 2016, we have consistently taken strides to limit our operational emissions. This commitment is underpinned by our decision to join GFANZ and define targets designed to reach net zero GHG emissions by 2050 or sooner.

In 2019, we began tracking our carbon footprint, embedding this metric into our key performance indicators. By this point, our commitment to sustainability was already well established and our best practices were deeply ingrained in our operations. Consequently, the baseline we established in 2019 reflects our robust early efforts to mitigate our environmental impact. We have already significantly reduced our emissions since 2019, and our per FTE emissions are notably low when compared with our peers. This achievement is a testament to our ongoing efforts and the impact of our sustainability measures.

In 2023 and 2024, we developed a transition plan to reach net zero GHG emissions by 2050 at the latest with an interim target by 2030, looking at our highest emitting areas among our Scope 1, 2 and 3 in order to focus our efforts on those where we had the most impact and leveraging power. We commit to reaching Scope 1 zero absolute GHG emissions, to reducing by three quarter our absolute Scope 2 GHG emissions and to reducing our Scope 3 by 10% by 2030.

In setting our targets and defining our transition plan, we have been careful to ensure its feasibility. We believe in making promises that we can keep, and in being transparent and accountable in our progress towards these goals. In July 2024, this detailed transition plan was presented by our CEO and CSR team to all employees during a townhall together with our Sustainability Report.

Considering the constant evolving regulatory landscape around sustainable finance and the relatively new definition of what constitutes a credible transition plan, our Climate Transition Plan will keep evolving to ensure we report in accordance with the latest regulatory updates.

Foreword

CATEGORY 1
Lead by example: Exchange-focused targets

1 Governance

2 Emissions Reductions & Disclosure

CATEGORY 2
Exercise influence: Market-focused targets

CATEGORY 1

Lead by example: Exchange-focused targets

1

Our climate actions as part of our transition plan

From 2019 to 2023, our total GHG emissions decreased by 15%, from 862 to 736 tCO_2e and by 27% in emissions per Full-Time Equivalent (FTE).

Between 2019 and 2022, our GHG emissions were significantly reduced as the COVID-19 pandemic changed the way we did business and interacted with our colleagues, clients and stakeholders. Like many other companies, we had to significantly reduce our commuting and business trips and transition to working remotely to reduce the spread of the virus. As we adapted to the new normal in 2023, we committed to maintaining these lower emission levels and took active steps to implement greener alternatives. However, as the pandemic began to recede in 2023, our operations started to regain their pre-pandemic momentum and resulted in an increase in our emissions when compared to the previous three years.

Nevertheless, we took numerous proactive measures to reduce our GHG emissions in line with our transition plan.

In relation to our Scope 1 emissions, we revised our Car Leasing Policy in recent years with a significant step forward coming in 2024, when we decided to only include vehicles with a CO_2 emission rate of less than 50g/km. Our Scope 1 GHG emissions have thus decreased by 79% in 2023 versus 2019.

In relation to our Scope 2 emissions, we started powering our building's electricity entirely from renewable energy sources and have implemented a conservative energy usage plan, which includes reducing the heating in our offices. These measures have decreased our Scope 2 emissions by 75% in 2023 when compared to 2019.

As our Scope 1 and 2 GHG emissions are relatively low, we are focusing our efforts mainly on our Scope 3 material emissions which are mostly composed of business travels and staff commuting. When it comes to staff commuting, we have implemented several initiatives to help our employees favour eco-mobility, including increasing the share of remote work to 2 days per week. However, the effectiveness of these actions largely depends on broader external factors including government mobility policies and infrastructures. Taking into account these limitations, we have chosen to focus our efforts on what is within our control, notably our business travel emissions. In this respect, we have defined a Sustainable Travel Policy to limit and reduce these emissions and we will continue to proactively seek out actions that enable emission reductions, based on market evolutions. Between 2019 and 2023, our Scope 3 GHG emissions have increased by 2%.

We look forward to sharing our progress as we continue along this exciting and meaningful journey toward a more sustainable future.

Foreword

CATEGORY 1
Lead by example: Exchange-focused targets

1 Governance

2 Emissions Reductions & Disclosure

CATEGORY 2
Exercise influence: Market-focused targets

CATEGORY 2

Exercise influence: Market-focused targets

2

1 Transparency & Education

1.1 Exchanges should actively promote availability of high-quality climate information by producing guidance for issuers or undertaking initiatives that encourage climate-related disclosure (as may be relevant to the market)

Sharing expertise and guidance with the market

As part of our GFANZ commitment and as the leading exchange in the realm of sustainable finance, we aim to foster the development of sustainable finance and the crucial role it plays in facilitating the transition towards a low-carbon and more inclusive economy.

In 2023, our management team and sustainable finance experts participated in more than 80 conferences, panels and roundtables around the world, on topics including energy transition, sustainable development, the role of exchanges in the green transition and the impact of regulatory reforms.

- In February 2023, our Head of Sustainable Finance Laetitia Hamon took part in a roundtable discussion with other industry experts at the ERA Conference on **"Investment Funds and Asset Managers in the EU: Regulatory Reforms"** to discuss how we can achieve sustainability in the investment fund industry.
- In March 2023, our Head of Listing & Regulatory Affairs Paula Redondo Pereira was in Switzerland to take part in a panel during UNECE's regional forum on sustainable finance where she discussed **how to leverage finance for a low-carbon, resilient energy system**.
- In April 2023, our Head of Business Development and Sustainable Finance Expert Chiara Caprioli was part of a panel at Marine Money's London Ship Finance Forum where she shared insights into progress and developments made towards the **decarbonisation of the shipping industry**.
- In May 2023, our CEO Julie Becker attended the Milken Institute Global Conference and took part in a panel discussion on **how to democratise capital for energy and sustainable growth transitions**.
- In June 2023, Julie Becker took part in a panel that focused on ensuring market integrity and addressing **greenwashing concerns** as part of ICMA's Annual Conference of the Green, Social, Sustainability and Sustainability-Linked Bond Principles.
- In October 2023, our Head of Listing & Regulatory Affairs Paula Redondo Pereira was in Montenegro to attend the Montenegro Capital Market Conference where she took part in a panel on sustainable finance.

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency
& Education

2 Products & Services

3 Policy Persuasion
& Engagement

CATEGORY 2

Exercise influence: Market-focused targets

2

We also participated in several podcasts and video interviews during the year as a way to use new mediums to foster awareness of climate action:

- In June 2023, in an exclusive podcast episode, our Head of Sustainable Finance Laetitia Hamon joined Miguel Gil Tertre, Chief Economist at the European Commission *(EC)*'s Directorate General for Energy, to discuss the current energy crisis, the EC's latest initiatives on this front, and the role of sustainable finance in driving global efforts to achieve net zero.
- In September 2023, in a video interview for Chinese media group Yicai, Julie Becker highlighted our role in connecting Chinese and international capital markets and discussed the international sustainable finance agenda.
- Also in September 2023, in NOVA's podcast "Decoding Sustainable Finance", our Head of Listing & Regulatory Affairs Paula Redondo Pereira took a deep dive into the EU Taxonomy.
- In December 2023, our Head of Business Development Chiara Caprioli hosted the Luxembourg International Capital Markets Association *(LuxCMA)*'s "Let's Talk About..." podcast focusing on the topic of the EU Taxonomy.

Providing guidance to issuers

As part of the LGX Assistance Services, our sustainable finance experts are committed to helping new issuers navigate the entire sustainable bond issuance and reporting journey. As such, our experts provide issuers with best market practices, benchmarking and tailored recommendations, depending on issuer's ambitions and profile, allowing them to align their practices with investors' expectations.

The issuers are therefore accompanied throughout the entire issuance journey, from the creation of their framework to the issuance of the sustainable bond and post-issuance reporting.

Foreword

Category 1
Lead by example:
Exchange-focused targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency & Education

2 Products & Services

3 Policy Persuasion & Engagement

CATEGORY 2

Exercise influence: Market-focused targets

2

1.2 Exchanges should offer climate disclosure training at least annually

Delivering trainings to financial market players

The LGX Academy, launched in 2020 to provide sustainable finance training to financial professionals, students and the wider public, delivered courses to prospective issuers, law firms, private banks, external reviewers, audit firms, and other exchanges throughout the world in 2023 with the help of its expert lecturers.

In 2023, the LGX Academy reached new records. With **over 400 participants** from various sectors showing a keen interest in sustainable finance from all around the globe, our expert lecturers successfully delivered several series of in-house, tailor-made and intensive courses, amounting to a total **of 131 hours of training**.

Since its launch, the LGX Academy has seen strong growth in bespoke trainings including university lectures and has worked with recognised institutions to provide trainings at a national and international level.

Throughout the year, the LGX Academy also contributed to several sustainable finance courses organised with partner institutions.

We collaborated with The House of Training *(HoT)* in Luxembourg within a number of different programmes:

- The HoT Advanced Course in Sustainable Finance, gathering participants from the Luxembourg financial sector
- The HoT Agence de Transfert de Technologie Financière *(ATTF)* Programme, welcoming participants from Albania, Armenia, Azerbaijan, Bulgaria, Cabo Verde, Croatia, El Salvador, Georgia, Latvia, Mongolia, Rwanda, and Vietnam.
- A mission in China with two trainings delivered to local financial market participants, one in Beijing and one in Shanghai.
- A 5-day training together with ICMA Luxembourg and HoT for the Capital Markets and Financial Instruments Certificate *(CAMFIN)* gathering financial professionals from Ethiopia, Moldova, Cabo Verde, Egypt, Vietnam, Ukraine, Albania, Serbia, Romania, Bulgaria, Azerbaijan and Luxembourg.

The LGX Academy's expert lecturers also co-delivered a training with law firm Arendt & Medernach, through their Arendt Institute entitled "From CSRD and EU Taxonomy: how EU regulations affect non-financial reporting for financial market participants".

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency
& Education

2 Products & Services

3 Policy Persuasion
& Enga

gement

CATEGORY 2

Exercise influence: Market-focused targets

2

Building capacity in emerging markets

In line with our mission to support emerging economies in the development of their expertise in sustainable finance, the LGX Academy has been particularly active in these regions. Through tailor-made courses, aimed at helping local market players and public entities learn more about the different sustainable products and the issuance process, our lecturers also contributed to building capacity in several emerging economies, such as in Cabo Verde, Rwanda and the Ivory Coast.

2023 marked a turning point for the LGX Academy with a strong focus on capacity building and technical assistance programmes in emerging markets. LuxSE has positioned itself as the partner of choice for emerging markets thanks to close cooperations with numerous international entities such as the United Nations, the Global Green Growth Institute *(GGGI)* and the International Finance Corporation *(IFC)*.

- Since the inception of IFC's Green Bond Technical Assistance Programme *(GB TAP)* in 2018, we have worked closely with IFC to facilitate and contribute to a number of trainings within the programme. For the first time since the programme's inception, we were delighted to co-organise the three-day IFC GB TAP Green, Social and Sustainability (GSS) Bonds Executive Training in Luxembourg in October 2023. The training gathered 29 senior bankers from 17 different emerging economies, representing 22 different financial institutions. Our experts co-prepared the agenda of the three-day training, moderated the various sessions and were part of the jury for the investor pitch.
- Since 2022, LuxSE has acted as an International Certifying Institution for the ESG Analysis Certification initiative in Latin America, launched by Governart and the Santiago Stock Exchange. In 2023, the certification initiative gathered 42 participants from Chile, Mexico and Guatemala.
- As part of a Memorandum of Understanding *(MoU)* signed with the West African regional exchange Bourse Régionale des Valeurs Mobilières *(BRVM)* in September 2022, LGX Academy trainings on the fundamentals of sustainable finance, and the different products in the market and their specificities were delivered in the Ivory Coast 2023.
- In collaboration with UN ESCAP and GGGI, LGX Academy trainings on "Accelerating Sustainable Finance through Private Sector Participation" were delivered in Sri Lanka.
- In July 2023, we joined forces with the Global Institute for Circular Economy Sustainable Development Goals *(GICE&SDGs)* to strengthen sustainable finance education in India. As part of this partnership, Krÿstähl, a joint venture of GICE&SDGs and Sanshodhan, will facilitate access in the Indian market to the online courses on sustainable finance in capital markets delivered by the LGX Academy lecturers.

More details can be found in our **2023 Sustainability report**.

Foreword

Category 1
Lead by example:
Exchange-focused targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency & Education

2 Products & Services

3 Policy Persuasion & Engagement

CATEGORY 2

Exercise influence: Market-focused targets

2

2 Products & Services

2.1 Exchanges should work to raise visibility for climate-themed products

Raising visibility for sustainable securities

In 2016, we established the Luxembourg Green Exchange *(LGX)* as a direct contribution to the goals set out by the Paris Agreement and the United Nations Sustainable Development Goals *(UN SDGs)* and became the first exchange in the world to create a platform exclusively dedicated to sustainable securities.

LGX was the first platform to turn voluntary market standards into mandatory requirements for green bonds, going on to expand and shed light on the entire catalogue of sustainable securities under enhanced criteria of transparency. Entirely dedicated to sustainable securities, LGX has become the leading platform for the world's listed green, social, sustainability and sustainability-linked *(GSSS)* bonds.

Since then, we have continued to promote the visibility of sustainable financial products and fill gaps in the market. We regularly increase the scope of our platform to include new sustainable instruments, and continuously enlarge our services - launching the LGX Academy and LGX DataHub in 2020, and more recently the LGX Assistance Services to foster the growth and democratisation of sustainable finance.

In 2023, LuxSE facilitated issuances that raised a total of EUR 207 billion for specific green and social projects and sustainable development across the world, which is consistent with the previous year. Despite the timid sustainable debt capital market, LGX kept its leading position with a market share standing at approximately **37% in terms of volume issued** through internationally listed GSSS bonds.

As of 31 December 2023, LGX encompassed **3,622 securities**, which included 1,874 GSSS bonds issued by 367 issuers in 44 currencies. The bond listing structure on LGX consisted of 1,012 green bonds, 179 social bonds, 588 sustainability bonds and 95 sustainability-linked bonds *(SLBs)*. There were also 1,614 share classes of funds classified as article 8 or 9, as per the Sustainable Finance Disclosure Regulation *(SFDR)*.

Through LGX, we provide a clear and transparent pathway that enables asset owners and asset managers to find sustainable securities and their relevant documentation free of charge on our **website**. Being the first to translate industry best practices into mandatory requirements for admission on LGX, we set the bar high and aim to encourage issuers to lead by example.

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency & Education

2 Products & Services

3 Policy Persuasion & Engagement

CATEGORY 2

Exercise influence: Market-focused targets

2

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency
& Education

2 Products & Services

3 Policy Persuasion
& Engagement

Raising awareness through market intelligence and research

We contribute to raising awareness through market intelligence and research. To better understand the link between gender and finance and raise awareness on the topic, we published a market study in June 2023 entitled **"Linking gender and finance: an overview of the gender-focused bond market"**. The study illustrates how these bonds help link gender and finance in today's economy to advance gender equality and women's empowerment. It provides an overview of the issuers that are financing a more gender equal tomorrow as well as suggestions on what can be done to propel the market forward.

More details can be found in our **2023 Sustainability Report** and **website**.

2.2 Exchanges should incorporate climate-related considerations into the development processes for products and services

We currently have a Product Management Policy detailing the process to develop and manage products and services. This policy is being reviewed to incorporate climate-related considerations in our products and services.

CATEGORY 2

Exercise influence: Market-focused targets

2

3 Policy Persuasion & Engagement

3.1 Exchanges should actively engage with local and global policy makers and standard setters to stay informed of and promote net zero aligned policies

Engaging with local and global policymakers and standard setters

We have regular dialogues, including discussions on sustainable finance, with different local institutions and authorities, such as Luxembourg's national financial supervisory authority, the Commission de Surveillance du Secteur Financier *(CSSF)*, the Ministry of the Environment, Climate and Biodiversity and the Ministry of Finance in Luxembourg.

At an EU and international level, we also interact and participate in working groups, workshops, meetings and contribute to public consultations handled by the European Commission *(EC)*, Members of the European Parliament, the European Securities and Markets Authority *(ESMA)* and the International Organization of Securities Commissions *(IOSCO)*.

- In April 2024, the European Commission's High-Level Expert Group *(HLEG)* on scaling up sustainable finance in low- and middle-income countries, of which our Head of Sustainable Finance Laetitia Hamon is an appointed member, released its **final report**, outlining 10 concrete recommendations for the Commission to follow in order to achieve its goal of fostering sustainable finance in these countries. The report includes a recommendation to establish a single EU platform for supporting the development of sustainable projects through their lifecycle.
- In 2022, Laetitia Hamon was appointed to the United Kingdom's Financial Conduct Authority *(FCA)*'s ESG Data and Ratings Code of Conduct Working Group. In 2023, our experts worked together with ICMA on the publication of the **Code of Conduct for ESG ratings and data products providers**. The Code of Conduct focuses on promoting transparency, good governance, management of conflicts of interest, and strengthening systems and controls in the sector. Through our work with FCA, we continue to foster an effective, trusted and transparent market by promoting effective competition, helping build trust in the market and protecting market integrity.

Foreword
Category 1 Lead by example: Exchange-focused targets
Category 2 Exercise influence: Market-focused targets
1 Transparency & Education
2 Products & Services
3 Policy Persuasion & Engagement

CATEGORY 2

Exercise influence: Market-focused targets

2

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency
& Education

2 Products & Services

3 Policy Persuasion
& Engagement

Throughout the year, by participating in local, European and international associations, working groups or task forces, we continued to contribute to market developments with the goal of making capital markets more sustainable and society more inclusive. In parallel, we held important dialogues with local and global actors and institutions.

At local level:
The Association des Banques et Banquiers, Luxembourg *(ABBL)*, the Luxembourg Capital Markets Association *(LuxCMA)*, the Luxembourg Finance Labelling Agency *(LuxFLAG)*, the Haut Comité de la Place Financière *(HCPF)*, the Association of the Luxembourg Fund Industry *(ALFI)*, the Inspiring More Sustainability *(IMS Luxembourg)*, Luxembourg for Finance *(LFF)*, Luxembourg House of Financial Technology *(LHoFT)*, the Fédération des Professionnels du Secteur Financier, Luxembourg *(PROFIL)*, and the Luxembourg Sustainable Finance Initiative *(LSFI)*.

At a European Union and international level:
The International Capital Market Association *(ICMA)*, the Federation of European Securities Exchanges *(FESE)*, the United Nations Sustainable Stock Exchanges *(UN SSE)* initiative and the World Federation of Exchanges *(WFE)*, Glasgow Financial Alliance for Net Zero *(GFANZ)*, High-Level Expert Group *(HLEG)* on scaling up sustainable finance in low- and middle-income countries, Association for Financial Markets in Europe *(AFME)*, and the Financial Conduct Authority *(FCA)*.

Our climate advocacy

In 2023 alone, we participated in 8 working groups dedicated to climate and publicly advocated at major events such as COP28.

We are members of industry groups that delivered the following main outputs:

1 **New publications:**

- Code of Conduct for ESG Ratings and Data Products Providers commissioned by FCA, the United Kingdom's financial regulatory body, which lays down clear international standards for ESG ratings and data products providers.
- The European Commission's HLEG on scaling up sustainable finance in low- and middle-income countries' preliminary findings and recommendations which identify challenges and opportunities of sustainable finance and provide recommendations to the Commission.

2 **Updated guidance and standards:**

- ICMA Social Bond Principles *(SBP)* - improves the harmonisation of the SBP documents, clarify requirements and include references to a "just transition".
- ICMA Sustainability-Linked Bond Principles *(SLBP)* - adapts the SLBPs to accommodate all types of issuers, including sovereigns.
- ICMA Climate Transition Finance Handbook - leverages existing climate disclosure frameworks to articulate their relevance to GSSS bonds.
- ICMA Handbook Harmonised Framework for Impact Reporting – includes renewable energy and energy efficiency metrics.

3 **Tools:**

- ICMA Sustainability-Linked Bond illustrative Key Performance Indicators' registry – includes KPIs related to social themes and KPIs for sovereign issuers.

CATEGORY 2

Exercise influence: Market-focused targets

2

3.2 Exchanges should work towards mandatory climate-related disclosure in their markets

Mandatory sustainability disclosure on the LGX platform

LuxSE was the first exchange to translate industry best practices into mandatory requirements for sustainable securities displayed on the LGX platform.

Indeed, to be displayed on the LGX platform, a bond must be self-labelled as green, social, sustainability *(GSS)* or sustainability-linked as specified in the legal documentation. In the case of GSS bonds, the bond's use of proceeds should be allocated to green, social or sustainability projects as stated in the framework. In the case of sustainability-linked bonds, the legal documentation must clearly describe the Key Performance Indicators *(KPIs)* and Sustainability Performance Target *(SPT)*.

Our eligibility criteria is in line with internationally recognised standards such as ICMA's GBP, SBP, SBG and SLBP. An external review of the framework should be provided *(Second-Party Opinion)* at pre-issuance and the issuer must commit to produce a post-issuance allocation report.

Our actions towards mandatory climate-related disclosure on LuxSE

As EU-listed companies and non-EU entities listing a security on an EU-regulated market must comply with the Corporate Sustainability Reporting Directive *(CSRD)*, we will include de-facto climate-related disclosures on our regulated markets through this Directive and the corresponding transposition in Luxembourg's national law.

CSRD, which came into effect on 5 January 2023, will apply transitionally* to European companies and non-EU parent companies with more than EUR 150 million in revenues generated in EU. To standardise the ESG reporting under CSRD, the European Commission mandated the European Financial Reporting Advisory Group *(EFRAG)* to develop a comprehensive and mandatory set of disclosure standards known as the European Sustainability Reporting Standards *(ESRS)*. These standards aim to establish consistency in Environmental, Social, and Governance *(ESG)* reporting and include mandatory climate-related disclosures.

Foreword

Category 1
Lead by example:
Exchange-focused targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency & Education

2 Products & Services

3 Policy Persuasion & Engagement

** Compliance with the CSRD requirements will be phased-in, based on the type of undertaking subject to the new reporting obligations:*

a. EU-based (and listed non-EU) large companies already in Scope of NFRD: first report in 2025, with reference to financial year 2024.

b. EU-based (and listed non-EU) large companies: first report in 2026, with reference to financial year 2025.

c. SMEs (EU and non-EU) listed on a European regulated market, except micro-undertakings: first report in 2027, with reference to financial year 2026.

d. Third country groups (non-EU-based): first report in 2029, with reference to financial year 2028

CATEGORY 2

Exercise influence: Market-focused targets

2

3.3 Exchanges should proactively engage with market participants, including through market awareness programmes, to promote the adoption of net zero commitments and transition plans among market participants

Our support to issuers and investors on transition finance

As a market operator, we believe we can and should play a pivotal role in influencing capital markets to further support the transition of our economy towards a more sustainable model. It is also part of our commitment to GFANZ to proactively engage with issuers and other market participants to promote the adoption of net zero commitments and transition plans among market participants. We aim to go beyond our focus on GSSS bonds, and help entities begin their sustainable finance journey and transform their business models.

As a first concrete step, we will organise a training course through the LGX Academy by the end of 2024 focusing on transition finance. The objective is to help market participants, including our issuers, acquire the necessary knowledge and capabilities to adopt net zero commitments and build their transition plans. For more information, please visit the LGX Academy webpage.

In addition, in 2023, we also started a project that aims to further explore how we can support our issuers in their transition journey.

Finally, we are participating in working groups focusing on transition finance, aiming at publishing written guidance to financial market participants. In 2024, our Head of Sustainable Finance, Laetitia Hamon, was accepted to join GFANZ workstream on Mobilising Capital to Emerging Markets & Developing Economies. The objective of the working group is to scale the mobilisation of private finance for the just transition in emerging markets & developing economies.

Foreword

Category 1
Lead by example:
Exchange-focused
targets

Category 2
Exercise influence:
Market-focused targets

1 Transparency & Education

2 Products & Services

3 Policy Persuasion & Engagement

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