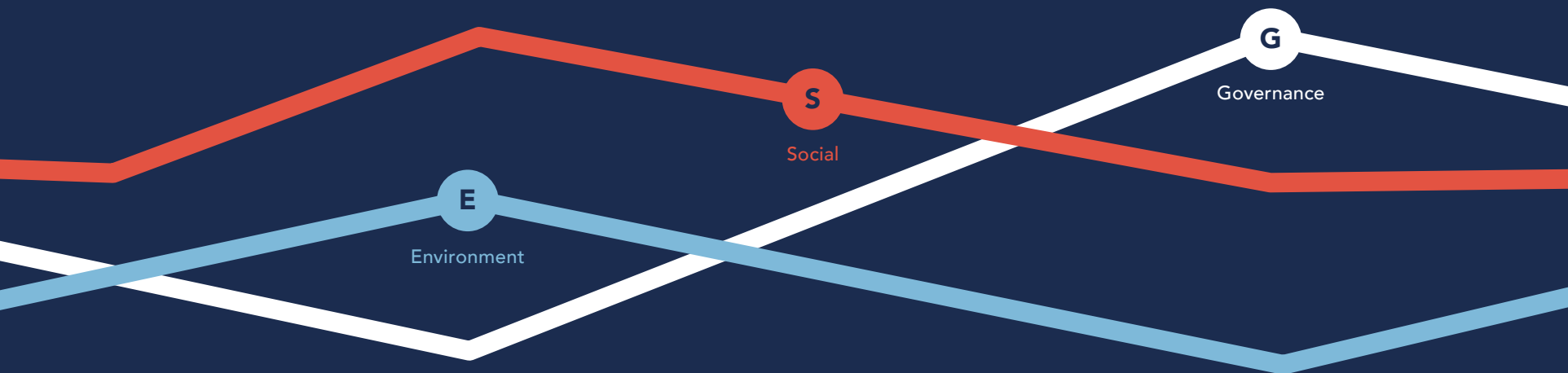


ESG key figures in the annual report

Better ESG data, better insight, better investments



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Better ESG data, better insight, better investments

In the financial markets, there has been a growing recognition that the value of companies cannot be assessed solely based on financial information. ESG (Environmental, Social & Governance) data are now widely used in assessing companies' long-term growth potential, earning capacity and risks. ESG data are thereby used as an integral part in the assessment of the companies' value creation and in the valuation itself. ESG data have become key figures for investors, lenders, and analysts – therefore, the information must be relevant, comparable, and reliable.

The value of standardised ESG key figures

The ESG data companies disclose for environment and climate, social conditions, and corporate governance are used to analyse them. But ESG data are often hard to come by, and it varies which ESG key figures are used, and how they are calculated. This limits their potential for analysis

and it is ineffective for analysts. This may lead to misjudgements of a company's risks and potential and thus of the company's real value. This publication is part of the solution. It presents an overview of 15 basic ESG key figures with explanations and formulas. The overview can be published in the annual report together with the company's overview of financial key figures.

**ESG data supplement
traditional company analysis
when they are of the same
quality as financial data.**

A standardised ESG key figure overview does not only help in the valuation of a company in the financial markets. The overview also helps the

company as the company does not have to use resources to select key figures and to develop its own definitions and methods.

It is a proposal, and each company must decide whether the key figures are relevant to them, or if they should be supplemented with other relevant ESG data.

The value of reliable ESG data

Choosing ESG data and standardised formulas is not enough. The usefulness of the ESG key figures depends on the data quality. Here, the companies have a task in establishing registration and control systems for ESG data in the same way as the financial data. The effort is rewarding, not least if the company thereby can obtain a third-party declaration on the non-financial information. This will contribute to the company's credibility with investors, lenders, and analysts.

Why include ESG data in the annual report?

The annual report is the most important source of information for investors, lenders, and analysts. The historical information in the annual report offers an overview of and insight into the company's finances, performance, and direction. The key figures provide an efficient and fast overview.

Adding the ESG key figure overview to the traditional financial overview will give analysts and investors a better foundation to assess whether the company's value creation takes place on a sustainable basis. The actual level and development of ESG data can help to shed light on the extent to which the companies are future-proof and how robust they are to future changes in framework conditions.

Data about employee turnover, for example, shows a company's ability to retain staff and thus knowledge and abilities – an important element

in its future performance. Similarly, factors like CO₂ emissions, water consumption, and gender pay ratio can impact the company's performance.

The direction for future reporting

For a long time, there has been a broad legislative framework for reporting on social responsibility and ESG issues. That is changing now. A new EU Corporate Sustainability Reporting Directive (CSRD) is under way. Large companies are required to comply with EU standards for ESG data within a few years. Later on, the scope may be extended to include listed SMEs or to affect SMEs indirectly.

This raises the question of whether it is worthwhile to start reporting ESG key figures now. The answer is: yes! The forthcoming EU standards will be

” Investors require ESG key figures

As a responsible investor, access to ESG key figures is essential as they play a significant and increasing role in the analysis of a company. Therefore, there is an expectation that companies – both listed and unlisted – include the most material ESG key figures in its annual report, and that the ESG key figures are subject to the same audit as the other parts of the annual report.”

- Torben Møger Pedersen,
CEO, PensionDanmark

based on existing international standards, from which the 15 ESG key figures in this publication have been selected. Although adjustments to the formulas may occur, you can calmly and advantageously get ahead of the development.

Present ESG data the best way

Relevant ESG data vary from company to company. But in order to be able to analyse and make comparisons across companies and sectors, it is crucial to ensure some consistency in the selection of ESG data; international standards on definitions and methods must be followed; and the applied practice must be described.

The accepted standards used in this publication are explained in *The Greenhouse Gas Protocol – Corporate Standard* (by WRI/WBCSD) and *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation* (by WEF), among others. All ESG key figures in this publication are also included in The Danish Finance Society / CFA Society Denmark's Recommendations & Financial Ratios.

We recommend publishing an ESG key figure overview – as shown on the following pages – together with a company's overview of financial key figures. Alternatively, the ESG data can be published in an ESG section in the management report or in a separate note in the annual report.

ESG key figures cannot stand alone and are not substitutes for dialogue

ESG key figures should not stand alone. We recommend explaining, elaborating, and accounting for any ESG developments and objectives. Such information may be included in the company's statement on corporate social responsibility when such is prepared or integrated in the management report's section on strategy, risks, management, and finances. Information on

data quality contributes to credibility – e.g. by describing uncertainty in estimates and the internal control process for ESG data.

The information in the annual report does also not replace companies' dialogue with investors and lenders. Dialogue ensures that the market knows the company's targets and how its policies are carried out. ESG managers should therefore be available at investor meetings.

We recommend publishing ESG figures together with the company's overview of financial key figures.

Standardised ESG key figure overview

The overview suggests the ESG key figures that could directly be influencing the assessment of a company's future performance. The company is therefore encouraged to include these in its annual report.

Obviously, the overview should contain only the ones relevant to the company, and other key figures can be included. Depending on the industry or own delivery/sales conditions and the company's administrative readiness, it may, for example, be relevant to extend the scope of key figures for CO₂ emissions to include the entire value chain, i.e. include the so-called scope 3 as defined by The Greenhouse Gas Protocol.

Put the numbers in context

An ESG key figure overview is rarely of any use to investors or analysts on its own. It needs to be read together with e.g. competitors' data, or the company's own strategy and objectives in relation to historical data. Concrete goals and target figures with a time horizon for each goal have great information value and show the impact the company strives towards.

Objectives and the historical development in ESG data should be put in perspective to the financial information in the annual report, where relevant – e.g. what significance they have in relation to growth targets, earnings, investments, and financing.

Often ESG data have to be relativised, for example by relating the data to the reporting period's activities in the form of units produced, turnover, cash flow, and so on. However, if the company chooses to report relative data, these should always be reported together with the absolute data to maintain comparability with other companies.

ESG data definitions

ESG key figures are explained on pages 10-14. There you will find key figure formulas, units, a short explanation, and why they are relevant.

ESG key figure overview

	Unit	Target	2021	2020	2019	2018	2017
Environmental data							
CO ₂ e, scope 1	Metric tonnes	4,200	4,389	4,479	4,658	4,751	4,870
CO ₂ e, scope 2	Metric tonnes	2,500	2,679	2,734	2,843	2,900	2,973
Energy Consumption	GJ	48,000	48,619	49,611	51,595	52,627	53,943
Renewable Energy Share	%	52	51	49	46	39	32
Water Consumption	m ³	1,325	1,352	1,380	1,435	1,464	1,501
Social data							
Full-Time Workforce	FTE	4,450	4,498	4,510	4,690	4,971	5,369
Gender Diversity	%	40	40	38	37	33	32
Gender Diversity, Management	%	33	30	31	24	22	17
Gender Pay Ratio	Times	1.0	1.2	1.2	1.2	1.3	1.4
Employee Turnover Ratio	%	10	11	11	12	12	13
Sickness Absence	Days per FTE	4.5	5.3	5.4	5.6	6.0	6.4
Customer Retention Ratio	%	88	85	87	83	81	79
Governance data							
Gender Diversity, Board	%	33	33	33	17	0	0
Board Meeting Attendance Rate	%	98	95	92	92	90	92
CEO Pay Ratio	Times	22	23	22	21	21	20

Targets and data in the ESG key figure overview are examples to illustrate what the overview could look like for a given company.

In relation to targets, these should be clarified and the time horizon should be elaborated in the company's guidance on expectations for the future, when given.

Confidence is key to the value of ESG data

An auditor's report often pays off – also when the company itself has to make financial decisions based on ESG data.

The ESG key figure overview must be as reliable as traditional financial data. We therefore recommend that companies follow the basic principles in ESG reporting, which are:

- **Reporting boundaries:** use the same reporting boundaries as for the financial statement
- **Consolidation:** follow the financial accounting principles for consolidating data
- **Period:** follow the periods of the financial statement
- **Accounting policies:** describe the methods used to calculate ESG data in the annual report under accounting policies or in a separate note

- **Performance and trends:** clearly explain and put the historical performance in perspective for 3–5 years.

Auditor's report and/or assistance promotes credibility

The reliability of the ESG data can be assured at various levels. A company can ask an independent third party to audit it, similar to an audit report on financial data.

An auditor's report can be submitted with or without assurance. An audit report without

assurance is typically a statement that the auditor has provided assistance in preparing some or all of the information in the annual report. Such report is not without significance for the credibility of ESG data. In addition, an auditor's report can be obtained with limited assurance or reasonable assurance according to the standards that exist in the area.

A condition for validation of ESG data is that the company has, or obtains, control of the internal processes for collecting, checking, and documenting the underlying statements of the key figures. It requires allocation of resources to establish, but it pays off in the long run.

Digital ESG data give overview and efficient and effective analyses

Nasdaq Nordic has launched an ESG Data Portal to make it easy for investors and analysts to acquire streamlined ESG data, and for the data to be used.

ESG data are added to the key figures offered by Nasdaq Nordic. The ESG Data Portal uses the existing infrastructure, making it easy for investors and analysts to access both financial and ESG data. The Portal provides an overview of companies reporting on ESG data. Nasdaq Nordic does not evaluate the performance, but the portal helps create transparency.

New feature for the benefit of other digital users

As a supplement to Nasdaq's ESG Data Portal, it is now possible to tag ESG data when the annual report is digitally submitted to The Danish Business Authority. The XBRL taxonomy framework contains fields for a range of ESG key figures, most of which are found in this publication. A relatively simple set-up, but an opportunity to give a wider circle of users access to the company's ESG data in digital form.

” Short or long term?

“Reporting on ESG shows whether the management's mindset is long or short term.

It makes sense to run a company with few damaging effects, and a well-managed company is one that has capacity to improve its processes. We have confidence in ESG data that have been calculated in accordance with a standard. It improves comparability and removes the many traps in the area that arise when companies define their own key figures and reporting form. It also improves the possibilities of having ESG data assured, which is rare today, but obvious to include.”

- Daniel Patterson, Head of Danish Equities, Portfolio Manager, SEB

ESG data, definitions

Environmental data

CO₂e Scope 1

Formula

Green House Gas (GHG) emissions are calculated for each combusted fuel/material – e.g.: $CH_4 = \sum (\text{combusted fuel type} * CH_4 \text{ conversion factor per fuel type})_{\text{per fuel type}}$
When all emissions are calculated, they are normalised to CO₂ equivalents (CO₂e): $CO_2e = CO_2 + (28*CH_4) + (273*N_2O) + (25,200*SF_6) + (GWP \text{ factor}*HFC) + (GWP \text{ factor}*PFC) + (17,400*NF_3)$.

Unit: Metric tonnes

Explanation

Scope 1 emissions: Direct emissions resulting from the company's own combustion of fuels and materials. Most often CO₂e are not measured, but calculated, based on quantitative data on combusted fuels/materials, such as: oil, gas, diesel, gasoline, kerosene, coal, biomass, and others. The combusted fuels/materials are multiplied with converters for emissions of the 7 Kyoto gases/GHGs: carbon dioxide (CO₂), methane (CH₄),

nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). Since these gases have different Global Warming Potential (GWP), each gas is subsequently normalised to CO₂ equivalents (CO₂e) by multiplying each gas with their individual GWP factor.

Why included

Task Force on Climate Related Financial Disclosure (TCFD) relevant. The CO₂e emitted compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less CO₂-polluting processes/assets – either over time or compared with the peers. Relevant for Sustainable Development Target (SDG) indicator: 9.4.1.

Updating GWP factors

GWP factors from IPCC's Sixth Assessment Report are used. When GWP factors are updated, historical data are not adjusted.

CO₂e Scope 2

Formula

Scope 2 emissions are calculated per country per bought MWh of electricity, and/or GJ of district heating/cooling – e.g.: $CH_4 = \sum (\text{bought MWh or GJ} * CH_4 \text{ conversion factor per country})_{\text{per country}}$. When all emissions are calculated, they are normalised to CO₂e: $CO_2e = CO_2 + (28*CH_4) + (273*N_2O)$.

Unit: Metric tonnes

Explanation

Scope 2 emissions: indirect emissions resulting from the energy used to produce electricity, district heating, or district cooling, which the company has purchased for its use. The scope 2 emissions are in principle calculated as scope 1 emissions, though typically not covering all Kyotogases/GHGs. Be aware, the use of electricity, district heating, and district cooling must be collected per country, as there are significant differences in the emissions of CO₂e, therefore the converters are different per country.

If the company is buying renewable energy (wind, solar, geothermal, etc.), then, in principle, there are no emissions from these sources, thus these do not impact on scope 2 – but should be included in Energy Consumption (cf. following definitions). If the company is selling electricity, this should not be deducted from the bought electricity, but can be reported additionally.

Why included

TCFD relevant. The CO₂e emitted compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less CO₂-polluting processes/assets – either over time or compared with the peers. Relevant for SDG indicator: 9.4.1.

REFERENCES (Scope 1 and 2):

- GHG Protocol Corporate Accounting and Reporting Standard
- International Energy Agency: Emission factors
- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, E1.

Energy Consumption

Formula

Energy Consumption = \sum (combusted fuel type (t) * power factor per fuel type) per fuel type + (used electricity (incl. renewable energy)(MWh)*3.6) + (used district heating/cooling including renewable sources of heating/cooling (GJ)).

Unit: GJ

Explanation

Energy is, as emissions, typically calculated based on consumptions multiplied with converters. The consumed energy must be added from both scope 1 and scope 2 (cf. previous definitions) sources but must additionally also contain energy from renewable energies.

Why included

TCFD relevant. The energy consumed compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less energy consuming processes/assets – either over time

or compared with the peers. Relevant for SDG indicator: 7.3.1.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, E3.

Renewable Energy Share

Formula

Renewable Energy Share = (Renewable Energy/Total Energy) * 100.

Unit: %

Explanation

How much of the total energy consumed is from renewable energy sources? Sometimes this is also measured as renewable energy vs. non-renewable energy, but then the intensity is impossible to measure for those companies with full renewable energy sources.

Why included

TCFD relevant. The ratio can be used to identify companies that have

transformed their activities and energy consumption to renewable sources. Relevant for SDG indicator: 7.2.1.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios.

Water Consumption

Formula

Water Consumption = Sum of all gross water consumed.

Unit: m³

Explanation

The sum of all water drawn into the boundaries of the company from all sources incl. surface water, ground water, rainwater, and municipal water supply. Water consumption is the gross amount of consumption, therefore cleaned/purified wastewater cannot be deducted but can be reported separately.

Why included

TCFD relevant. Water consumption

illustrates the risk profile of disruption of water supply and/or water cost changes. Relevant for SDG indicator: 6.4.1.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, E6.

Use of standard factors and estimates

Standard factors, which can be obtained from energy suppliers, are typically used to calculate CO₂ equivalents (CO₂e). The conversion factor for the accounting period, alternatively the most recently published conversion factor, is multiplied by the recorded consumption per energy type.

In general, if actual ESG data cannot be obtained, an estimate is made. Assumptions and uncertainties should in that case be disclosed together with the calculation methods used.

ESG data, definitions

Social data

Full-Time Workforce

Formula

Full-Time Workforce = FTEs + Temporary Workers.

Unit: Full-Time Equivalents (FTEs)

Explanation

To be able to measure the full-time workforce the work performed is requiring, both directly hired FTEs and temporary workers need to be considered. This demands the legislative calculation of average full-time employees (FTEs) (meaning full-time employees + compensated overtime + FTE-calculated hourly salaried employees) plus FTE-calculated temporary workers.

Why included

Indirectly important, as full-time workforce is the base for a range of other social indicators (cf. the following definitions). Full-time workforce is better to use when comparing company requirements for manpower as in contrast to the simple FTEs, since temporary workers are also included and thereby securing comparability

between companies with higher and lower degrees of using temporary workforce. Be aware that Staff Cost only relates to FTEs.

REFERENCES

- Danish Financial Statements Act section 68
- The Danish Finance Society's Recommendations & Financial Ratios.

Gender Diversity

Formula

Gender Diversity = ((Women FTEs + Women Temporary Workers)/(Full-Time Workforce)) * 100.

Unit: %

Explanation

Gender diversity is calculated both for the FTEs and for the Temporary Workers – and then summarised to show whether there are any gender diversity issues per contract type and /or in total for the workforce.

Why included

Gender diversity has scientifically been shown to be correlated with

better financial performance.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios.

Gender Diversity, Management

Formula

Gender Diversity, Management = ((Women in Management)/(All FTEs in Management)) * 100.

Unit: %

Explanation

Includes the executive board and employees in senior positions with personnel and/or professional responsibilities. The definition of 'senior position' will depend on the management structure of the company. Calculated in FTEs.

Why included

Gender diversity has scientifically been shown to be correlated with better financial performance. An uneven pattern of promotion and

seniority by gender can indicate risks related to workplace inequality and thus inability to attract female talent. Some investors specifically target more diverse companies. Relevant for SDG indicator: 5.5.2.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios.

Gender Pay Ratio

Formula

Gender Pay Ratio = Median Male Salary/Median Female Salary.

Unit: Times

Explanation

Gender equality of remuneration incl. bonuses, pensions, etc. How many times can the female median salary be covered by the male median salary. It is the median salaries and not the average salaries that are compared to ensure the comparison is not skewed by extremely expensive/inexpensive employees. As a practical alternative, averages can be used if the calculation of the

median salary is very burdensome, or the key figure is not significantly affected by the choice of method.

Why included

Mandatory for many listed companies in the UK. Gender diversity has scientifically been shown to be correlated with better financial performance. An uneven pattern of pay by gender can indicate risks related to workplace inequality and thus inability to attract female talent. Some investors specifically target more diverse companies. Relevant for SDG indicator: 8.5.1.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, S2.

Employee Turnover Ratio

Formula

Employee Turnover Ratio = $\frac{(\text{Voluntary} + \text{Involuntary Leavers})}{\text{FTEs}} \times 100$.

Unit: %

Explanation

Employee Turnover Ratio is calculated both for voluntary and involuntary leavers. Retirees are included as involuntary leavers. Note, this is only calculated for own FTEs.

Why included

In particular, the Voluntary Turnover Ratio is interesting, as it shows how successful the company is in retaining its employees. This ratio can be seen as a proxy for employee satisfaction measurements, which often are incomparable across companies.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, S3.

Sickness Absence

Formula

Sickness Absence = $\frac{(\text{No of sick days for all FTEs for the period})}{(\text{Total FTEs})}$.

Unit: Days per FTE

Explanation

Number of full days all own employees are sick and not on job, compared to number of FTEs. Maternity/paternity leave not to be included.

Why included

If the company has a disproportionate number of sick days per FTE, it can be seen as a proxy for less employee satisfaction and/or safety issues. This is costly and could also lead to inability to attract talent.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- OECD Health Statistics, 2020, Definitions, Sources and Methods.

Customer Retention Ratio

Formula

Customer Retention Rate: $\frac{((\text{No. of customers at the end of the period}) - (\text{New customers acquired during the period}))}{(\text{No. of customers at the beginning of the period})} \times 100$.

Unit: %

Explanation

Share of customers retained from one period to the next. Be aware, this ratio is only useful for companies with returning known customers and short buy cycle.

Why included

This ratio can be seen as a proxy for customer satisfaction measurements, which often are incomparable across companies. A declining or relative low Customer Retention Ratio may indicate the revenue in the future may be more problematic or costly to maintain.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Farris et al (2017) Key Marketing Metrics – The 50+ metrics every manager needs to know, Pearson Education Ltd, Harlow, UK.

ESG data are calculated for the entire accounting period, unless otherwise stated.

ESG data, definitions

Governance data

Gender Diversity, Board

Formula

Gender Diversity, Board = ((Female board members elected at the AGM)/(All AGM elected board members)) * 100.

Unit: %

Explanation

Gender diversity for the board elected at the Annual General Meeting (AGM) calculated on the balance sheet date. Be aware, that for companies reporting according to the Executive Order for Financial Companies, the diversity is measured for the full board including employee-elected members, but excluding politically appointed members.

Why included

Gender diversity has scientifically been shown to be correlated with better financial performance. Some investors specifically target more diverse companies. Relevant for SDG indicator: 5.5.2.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, G1.
- Danish Recommendations on Corporate Governance (2020).

Board Meeting Attendance Rate

Formula

Board Meeting Attendance Rate = $(\frac{\sum \text{Number of board meetings attended}}{\text{Number of board meetings}}) \text{ per board member} / (\text{Number of board meetings} * \text{Number of board members}) * 100.$

Unit: %

Explanation

Measures the activity level of the board members.

Why included

To be seen in context with the recommendations of the Danish Committee on Corporate Governance on evaluation of the board of directors. A relatively low or declining attendance

rate may indicate less attention on the board work, which may indicate a governance culture at risk.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Danish Recommendations on Corporate Governance (2020).

CEO Pay Ratio

Formula

CEO Pay Ratio = $\frac{\text{CEO Compensation}}{\text{Median Staff Salary}}$

Unit: Times

Explanation

How many times the median staff salary can be covered by the CEO compensation as a proxy for social equality. It is the median salary and not the average salary that is compared with the CEO pay to ensure the comparison is not skewed by extremely expensive/inexpensive employees. Be aware, this ratio can be difficult to use for comparative

analyses of companies with different geographical spread of employees, due to different local salary levels.

Why included

A relatively high or increasing CEO Pay Ratio may illuminate the company's valuation of the CEO compared to the regular employee. The investor can compare this ratio with the financial performance of the company – and if this is relatively low or declining, the investor would probably consider whether the remuneration package is socially appropriate, and it may indicate a governance culture at risk. Mandatory for many listed companies in the US and the UK.

REFERENCES

- The Danish Finance Society's Recommendations & Financial Ratios
- Nasdaq (2019) ESG Reporting Guide 2.0, S1.

Links to relevant references

[The Danish Finance Society / CFA Society Denmark's Recommendations & Financial Ratios](#)

[Nasdaq \(2019\) ESG Reporting Guide 2.0](#)

[The Danish Business Authority's Guidelines on ESG Taxonomy \(in Danish\)](#)

[World Resources Institute & World Business Council for Sustainable Development \(WRI/WBCSD\) \(2015\) The Greenhouse Gas Protocol](#)

[World Economic Forum \(WEF\) \(2020\) Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#)

[International Energy Agency Data Services](#)

Legislation and recommendations

What does the Danish Financial Statements Act state?

According to section 99 a of the Danish Financial Statements Act, non-financial companies in reporting classes C (large) and D must supplement the management commentary with a corporate social responsibility (CSR) report. This report must provide information on non-financial key figures relevant to the particular business activities. The ESG key figure overview can be added as a supplement but note that the section 99 a report as a minimum must contain ESG key figures from the financial year.

In addition, according to section 68, companies that are subject to reporting classes B, C and D must disclose the average number of employees during the financial year. This number in full-time equivalents (FTEs) plus temporary labor constitute the ESG key figure for the company's full-time workforce.

The methods as well as the measurement basis used for ESG key figures in the annual report must be described in accordance with section 53 (1). The description can be placed under accounting policies or in a separate note. The same applies to any CSR reports published on the company's website.

According to section 107 b, listed companies must present information on corporate governance, including internal control and risk management systems. The ESG key figure overview can supplement the company's report on corporate governance.

Similar rules exist for financial companies subject to the notices from the Danish Financial Supervisory Authority – in Danish known as 'regnskabsbekendtgørelsen' – see sections 134, 135 and 135 b, section 124, and section 85.

What do the Danish Recommendations on Corporate Governance state?

The Danish Committee on Corporate Governance's recommendations are best practice guidelines that aim to support value-creating and responsible management. Companies listed on Nasdaq Copenhagen must in relation to the annual report give an account of which recommendations the company has chosen to comply with and which ones they have not (comply or explain approach). Among other, it is recommended to disclose the composition of the Board of Directors and the members' attendance at meetings.

Keep up with market expectations of ESG data

Interest in sustainability has increased dramatically in recent years, and investments are increasingly based on ESG data as additions to traditional financial information, and for good reason.

ESG data makes it possible to show how a company supports the UN Sustainable Development Goals (the SDGs) and the UN 2030 Agenda for Sustainable Development. It also contributes to ensuring that a company is profitable in five, ten, or twenty years.

Investors and analysts know that companies that manage ESG, manage their businesses. They look for key figures to assess whether companies are minimising climate risk, reducing sickness absence, ensuring good company governance, and so on, factors that can affect the bottom line. ESG data are not financial, but it can indicate future financial effects if it is comparable and reliable.

The Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq

Copenhagen want to contribute to the standardisation and professionalization of ESG data. That is why we have developed a standardised ESG key figure overview that can be included in the annual report.

Use our proposal as inspiration to identify which ESG key figures you should include in your annual report and how they can be presented in a format that is useful for investors and analysts.