1. Background

Companies are facing increasing pressure to report on environmental, social, and governance (ESG) matters driven by shareholder pressure, regulation, reputational concerns and other factors. Under the EU Non-Financial Reporting Directive (NFRD) large public interest entities (listed companies, banks, and insurance companies) are required to include information about the policies they implement in relation to environmental, social, employee, human rights, anti-corruption, bribery and diversity matters in their annual reports.

In addition, climate change is likely to drive some of the most profound changes to societies and businesses in our lifetimes. The EU’s updated guidelines on non-financial reporting of 2019 and the recent adoption of the EU Green Deal are important steps towards enhancing corporate transparency and sustainability reporting in Europe. The guidelines have integrated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that aim to increase level of meaningful, decision-useful reporting by all major European companies on climate-related risks and opportunities. Identification, management and disclosure of climate-related risks, as well as development of forward-looking strategies is now becoming part of the prudent business decision-making process.

Institutional and retail investors are being expected to integrate ESG factors into their investment methodologies, and ultimately to consider ESG and ESG-related products and services. Currently in the EBRD region, many investors do not correlate ESG with long-term performance. Further to that, research indicates that companies may be subject to a wide array of inconsistent disclosure regimes, with different reporting requirements and scrutiny levels. Insufficient harmonisation of standards and ESG benchmarks can hinder the comparability of the information provided by companies and thus prevent effective monitoring by the market and governments.

Stock exchanges have a powerful role to play in protecting market actors and investors by creating the conditions for disclosure and promoting the development of sustainable investment practice.

It is also important that national authorities engage with stakeholders to elaborate on disclosure guidelines and tools, to enhance consistency and comparability. In the context of the EU’s Green Deal, national authorities are considering establishing a comprehensive framework within which corporate transparency and sustainability can be advanced, with statutory targets, clear assignation of duties and responsibilities within the government agencies and regular reporting.

With this in mind the project seeks to address a wide range of stakeholders, including national authorities, stock exchanges, regulators and companies, in order to achieve the highest possible impact by increasing their understanding and strengthening their capacity to mitigate risk, transition towards a more sustainable economy and raise business attractiveness of the region.
2. Rational of the Initiative

In line with its Green Economy Transition (GET) approach, the EBRD is committed to help countries where it operates to transition to low carbon and climate resilient economies. The EBRD delivers on this through its unique business model combining green investments, concessional financing, policy engagement and technical support.

As a part of this initiative, the EBRD will engage with stock exchanges, companies, investors, national authorities and other stakeholders from selected EBRD countries to:

2.1. to identify and promote policy, legal, regulatory and technical measures reflective of good practices aimed at enhancing ESG reporting and improving companies’ ESG disclosure;

2.2. alongside stock exchanges, develop a framework to raise awareness of the investment community (institutional and retail) as to the benefits of ESG reporting and integration;

2.3. provide technical assistance to stock exchanges to build capacity, share information, develop, and adopt tools and / or guidelines for enhanced ESG disclosure based on existing reporting standards; and

2.4. identify common ESG requirements for companies, including sector specific regulations, and selected types of assets (e.g. bonds and shares) and suggest a framework for reporting of ESG and carbon emission related data with a view to facilitate EBRD potential investment (e.g.: ESG / green indices in accordance with EU ESG and climate-related indicators, as benchmarks for exchange-traded funds or investment passive funds, green bonds, development loans in the areas of environmental protection and sustainability, green equity investments, carbon finance, etc.).

Stock exchanges are uniquely placed to strengthen economic and financial resilience of businesses. Stock exchanges have a powerful role to play in protecting market actors and investors by creating the conditions for disclosure and promoting incentives for the development of sustainable investment practice.

This ToR will pilot the approach described above by supporting selected stock exchanges from the EBRD region. The EBRD will develop the approach in close engagement with the Warsaw Stock Exchange (WSE), which would focus on ESG reporting and integration into listing guidelines and higher corporate transparency in line with the EU Green Deal, core, advanced and sector specific voluntary climate disclosure standards and emerging market practices. The EBRD will seek to develop a regional approach for emerging markets and roll it out with North Macedonia Exchange (MSE). WSE and MSE together and fully independently of each other are referred to as “Beneficiaries”.

The EBRD team (the “Team”) will be comprised of environmental, social, stock exchange, financial products, legal, regulatory and governance experts building on the project Team’s ESG expertise, private sector know-how, as well as long-standing track record on engaging with stock exchanges in the region on building their governance reporting and disclosure.

---

1 ESG integration, as defined by the United Nations-supported Principles for Responsible Investment (UNPRI), refers to the explicit and systematic inclusion of ESG material issues in investment analysis and investment decisions. Investors increasingly analyse information on ESG performance of companies alongside other financial and strategic information in order to gain a better understanding of companies’ future prospects.
3. Project Objectives

This project (the “Project”) will have two key objectives as set out below:

3.1. The first objective is to engage with policy makers, regulators and other stakeholders to ensure development of a coherent, robust and transparent framework for ESG disclosure and monitoring.

3.2. The second objective is to provide technical support to stock exchanges to mitigate risk, transition towards a more sustainable economy and raise business attractiveness of the region. This would help investors, consumers, policy makers and other stakeholders evaluate the non-financial performance of listed companies and encourage them to develop a responsible approach to business. In addition, market studies show that disclosing and managing ESG-related risks is increasingly correlated with reduced operating costs and has a positive impact on company’s financial performance.

In order to carry out the activities under the Project and achieve its objectives, the EBRD will retain a consultant (the “Consultant”).

The Consultant’s objectives are to support the EBRD in the implementing of this Project.

The Consultant will also help the EBRD identify ESG products supported through the outcome of this Project, in which the EBRD could invest. Stock exchanges could provide solutions for enhanced disclosure, including by facilitating financial instruments’ issuance and ensuring compliance of the issuer’s commitment to provide ESG information to investors. The EBRD would seek to develop dedicated instruments to invest in companies or products disclosing on ESG information in line with the guidelines or tools developed by the selected stock exchanges, as described below.

4. Scope of work

Component 1: Engagement with relevant Polish authorities and WSE to pilot this initiative.

The Project will take a regional, targeted and staged approach, starting with a close collaboration with relevant Polish authorities and the WSE. The Team will build on the existing relationship with WSE and explore opportunities for closer collaboration with MSE and other selected stock exchanges from the EBRD region building a focus on ESG integration and reporting. The Consultant will also review the implications of COVID-19 on delivering the current assignment and suggest ways certain tasks could be accommodated to achieve the Project’s objectives.

In particular, the Consultant will carry out the following tasks:

4.1.1. Carry out a comprehensive assessment, including through engagement with national authorities of Poland (e.g.: Ministry of Climate, Ministry of Development, Ministry of Finance including the government representative responsible for the implementation of the Polish Capital Market Development Strategy, financial market authorities and other institutional partners), companies and stakeholders to assess the legislative and regulatory framework for ESG reporting (including new EU legislation related to ESG integration and decarbonisation), reporting under existing voluntary standards and the trends for implementing the EU Sustainable Finance Action Plan.

For the avoidance of doubt this will also include low-carbon related standards
4.1.2. The assessment will also identify and map out implications of COVID-19 for managing and reporting ESG risks and opportunities, and the effects it may have in mid- to long-term on stock exchanges, companies and other stakeholders in relation to ESG, including climate.

4.1.3. Develop a tailored approach for gradual and meaningful ESG reporting and support the Team in engagement with the WSE, policy makers and regulators, in order to build a collaborative relationship. This will include a set of meetings between the Consultant, the Team, the WSE and national authorities in order to discuss and agree on the most suitable strategy for approaching ESG reporting.

4.1.4. Review the current practices and strategy for ESG disclosure of listed companies in Poland— including the compliance statements and the ESG monitoring procedures; compare the ESG disclosure practices in the selected pilot countries with those of peer countries (e.g.: LSE, Deutsche Boerse and others); draft a set of recommendations on how to enhance such practices, reporting and monitoring by stock exchanges, regulators and other stakeholders. Review of guidelines developed by other regional stock exchanges may also be included. The Consultant will assess how better corporate governance and sustainability practices can facilitate building a more resilient market.

4.1.5. Organise and facilitate peer-to-peer discussion among experts from WSE, MSE, leading stock exchanges, and other stakeholders. This will include peer-to-peer meetings between leading stock exchanges in ESG disclosure in order to exchange experience and best practices for gradual integration of ESG disclosure, reporting and verification.

4.1.6. Develop a strategic approach for meaningful ESG disclosures (“Approach for ESG Integration”) for WSE. The Approach for ESG Integration will build on existing disclosure frameworks and standards (for example: GRI, IIRC, NFRD, CDP, SASB, CDSB, TSFD, ICMA, GHG Protocol, etc.), analysis carried out in Section 4.1.1, and suggest ways of increasing effective disclosure under existing reporting frameworks, providing sufficient information to investors, focusing on materiality assessment, maturity level and specific industry information and other factors. This may also include recommendations for development of guidelines, tools, and / or other measures essential for transparent and decision-useful ESG reporting, which could be supported by EBRD in subsequent phases. The Approach will identify specific capacity building activities with the WSE and the regulator to enhance disclosure and monitoring. The Approach will develop specific awareness raising workshops with investors to explain the existing disclosure frameworks, benefits and the risk factor for non-disclosure or inadequate disclosure in mid- and long-term horizons. The Consultant will take into considerations and seek to involve in consultations and / or seminars non-listed companies as well.

4.1.7. The Approach for ESG Integration will also include a proposal for engaging different target groups to achieve better ESG reporting, including national authorities, legislators, regulators, companies, and other market participants. This may include suggestions for regulatory / institutional changes in line with the upcoming EU sustainable finance legislation and voluntary guidelines issued by regulators to be discussed with local counterparties.
Component 2: Development of Supporting Materials and Capacity Building

Based on the outcome of the Component 1, the Consultant will identify key areas for engagement with WSE, MSE and companies in the respective countries in order to strengthen their capacity for decision-useful ESG disclosure, monitoring and reporting. Such activities may include but are not limited to: Developing a regional approach for ESG reporting taking into account the learnings from Component 1, including by engaging with MSE and North Macedonian authorities; testing this approach with MSE.

4.2.2 Developing and implementing tailored training programmes for WSE and MSE (individually) as well as companies and investors to raise their awareness on ESG reporting, regulators and stakeholders. In view of the COVID-19 crisis, the Consultant may need to provide webinars or virtual training programmes for the benefit of companies, stock exchanges and regulators.

4.2.3 Developing of guidelines for issuers and investors for WSE aimed at making companies aware of the importance of providing high quality ESG information and engaging investors on sustainability related issues. Such guidelines would help issuers and investors to navigate through ESG integration and reporting process, including (i) assessment of ESG disclosure practices of listed companies, (ii) monitoring of reporting practices and reviewing the quality of the compliance statements and (iii) processing the information disclosed by listed companies in publishable reports. The guidelines would be aligned with international standards, regulatory framework and good practices, and tailored to the local market.

4.2.4 Identifying other EU and non-EU countries and stock exchanges, which would like to enhance issuers’ ESG reporting and would make a good business case for rolling out this initiative as part of subsequent Project phases (provided there is budget and business needs).

5. Implementation arrangements

On the EBRD side this initiative will be co-led by the Legal Transition Team (LTT) and the Local Currency and Capital Markets Development Team (LC2) (“Operation Leaders”) depending on activities and in close collaboration with the Environmental and Social Department (ESD), the Energy Efficiency and Climate Change Team (E2C2) and Financial Institutions (FI). All key Project activities will be agreed by a Steering Committee with the participation of LTT, LC2 and ESD.

Each beneficiary will arrange office space for meetings and other activities within the scope of the Terms of References, providing facilities to organise consultation over the proposed policy, legal and regulatory changes with other members of the government and other stakeholders (overhead projectors, audio-visual equipment, printing / copying of material). The Consultant shall be responsible for meeting all other related expenses not provided by the national authority for the delivery of the tasks under the Project. The Consultant will provide translated versions of all relevant materials and deliverables (in English and the native language of the respective pilot country) and will be responsible for presenting the work developed under the Project at consultation meetings and as required by the respective national authority.

The activities outlined above may include the preparation and distribution of materials and presentations, including hand-outs and other necessary documents and materials, as well as all
venue and logistical arrangements for the meetings (printing, interpretation, lunch, coffee breaks etc.). Materials would be made available in hard form (as required) and electronic form for use during the meetings. The cost for such arrangements will be covered by the project’s budget.

Furthermore, the Consultant shall submit monthly work reports to the EBRD, indicating the time spent on the assignment and summarising its progress and activities. The Consultant shall also make himself / herself available for regular update calls with the EBRD to report on the progress of the assignment.

It is envisaged that the Project will be launched in July 2020 and run for approximately 10 months.

6. Deliverables

The Consultant shall seek to develop a detailed work plan to discuss and present at the launch of the project (the “inception meeting”) with the EBRD and the Beneficiaries. The work plan will provide further details on the steps required before submission of Project deliverables to the EBRD. Each work product needs to be consulted with the EBRD and the relevant Beneficiary allowing reasonable time for review, discussion and feedback.

The Consultant is expected to submit the following written final reports/deliverables with the prescribed timeline. The timeline provided in the table below is indicative and will be confirmed at the inception meeting.

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Title</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliverable 1</td>
<td>Assessment of the policy, legislative and regulatory framework for ESG reporting and COVID-related implications in Poland (as per Section 4.1.1)</td>
<td>End of August 2020</td>
</tr>
<tr>
<td>Deliverable 2</td>
<td>Report on practices and strategy for ESG disclosure including recommendations on how to enhance such practices (as per Section 4.1.4)</td>
<td>1 October 2020</td>
</tr>
<tr>
<td>Deliverable 3</td>
<td>Approach for ESG Integration (as per Sections 4.1.6, 4.1.7 and 4.1.7)</td>
<td>End of October 2020</td>
</tr>
<tr>
<td>Deliverable 4</td>
<td>Report, including all supporting materials developed and training programmes for the WSE and MSE and companies, including regional approach (as per Sections</td>
<td>End of February 2021</td>
</tr>
</tbody>
</table>
The Consultant shall submit a draft final report to the EBRD (draft Final Report) no later than two weeks after completion and acceptance of all other deliverables under the Project, containing a summary of the work done and results obtained. It should also deal with any outstanding matters or additional work required for satisfying the objectives of the Project. The Consultant shall incorporate any changes / modifications that may have been proposed by the EBRD based on the periodic reports.

The final report (“Final Report”) shall incorporate all comments received on the draft Final Report. It may include reports or sections of reports produced earlier in the Project, including the regular reports and shall be complete and in a form, which can be presented to a third party, i.e. a donor.