

# NASDAQ—COMMUNICATION WITH STAKEHOLDERS

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## BUSINESS STRATEGY

### **1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?**

Nasdaq built its reputation, in part, on the value of transparency. Providing investors and other stakeholders with a better understanding of key performance metrics makes markets more transparent, efficient, and sustainable. As a listing venue, we do everything possible to support our listed companies, provide them with access to long-term capital and help them grow their business. As self-regulated organization, we are obligated to support the interests of many different market participants. Investors should have a complete picture of the long-term viability, health, and strategy of their intended targets. Environmental, social, and governance data is a part of that total picture. Informed investment decisions tend to produce longer-term investments.

### **2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?**

Corporate sustainability research and strategy permeates every level of our organization and, in most cases, the other exchanges that Nasdaq owns and/or operates. In fact, a number of our exchanges are actually helping to set the industry agenda when it comes to this topic. A 2014 *Corporate Knights* study, which measured corporate disclosure of “first-generation” sustainability indicators, rated our Helsinki Exchange as the best in the world – three of our exchanges actually made the top 14. “No stock exchange in the world,” the authors of the study concluded, “comes close to the Helsinki Stock Exchange when it comes to the proportion of large listings disclosing quantitative sustainability data.”

- Nasdaq has both a dedicated sustainability team as well as an informal committee of sustainability, governance, and ethics advisors
- Our legal and public policy group is engaged on this topic as it pertains to regulatory and legal developments that affect the markets
- Our senior leadership from multiple business areas—trading and market services, technology, corporate solutions—are actively involved in planning sustainability outreach and corporate strategy
- The Board of Directors is also engaged on this topic and periodically briefed on key developments.

### **3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?**

Nasdaq is primarily focused on issuer outreach, engagement, and education. We want to provide the support and resources necessary for our listed companies to understand sustainability, integrate better data into their decision-making processes, and engage in an open dialogue with investors and other stakeholders about their strategy. We do this by hosting sustainability-themed events (both in-person and virtual), providing original and/or aggregated research, and introducing companies to outside resources and subject matter experts. We frequently use Nasdaq MarketSite, our flagship location in New York City, to promote events, organizations, and causes related to sustainability.

We are also launching the Nasdaq Entrepreneurial Center in San Francisco in 2015, a physical meeting and event space that hopes to educate entrepreneurs and young companies on key business virtues—including sustainability practice, management, and strategy.

Internally, we are in the midst of a multi-year effort to better document our energy usage and resource management efforts across the enterprise. With thousands of employees spread across more than 60 global locations, we recognize the need to provide detailed reporting and set more ambitious performance targets.

## **TRANSPARENCY AND ISSUER REPORTING**

### **4. Describe your exchange's approach to promoting sustainability disclosure by companies.**

Nasdaq educates its listed companies on the virtues of sustainability management and disclosure. We are persuaded by the multiple connections that researchers and analysts have documented, linking sustainability performance with positive financial and operational outcomes. Our companies are required to provide specific and ongoing governance disclosures as a condition of listing on our various markets.

### **5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?**

Nasdaq enhances investor confidence through the quality of its rigorous regulatory oversight, and by listing securities that meet strict listing requirements, including stringent listed-company corporate governance standards. The Nasdaq Listing and Hearing Review Council provides advice to the Board of Directors on issues relating to listing rule and policy changes and enhancements that will protect investors and the integrity of the Nasdaq Stock Market. The Council also promotes the consistent and fair application and enforcement of the listing rules, procedures and policies of Nasdaq.

### **6. How do you track sustainability reporting of your listed companies?**

According to research conducted in January 2015 by CSRHub:

- 84% of Nasdaq-listed companies provide some public data related to sustainability
- 57% of Nasdaq-listed companies provide enough sustainability data to be ranked or rated



The reporting period used by each of these companies to disclose sustainability data varies; in some cases it coincides with financial reporting, in other cases it does not. Nasdaq itself does not host issuer disclosure data and thus cannot directly provide access to it by investors and other stakeholders; we also do not monitor these disclosures for accuracy or compliance. But Nasdaq is the founding member of an exchange industry project (the Sustainability Working Group at the World Federation of Exchanges) that is actively investigating best practices related to this.

**7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?**

There are no sanctions in place for failing to disclose sustainability data because such disclosures are not currently required by the exchange. But we are exploring creative ways to reward listed companies for *voluntarily* disclosing more material environmental, social, and governance (ESG) data.

**8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?**

Nasdaq actively supports the work of many prominent sustainability organizations and disclosure frameworks. We have done so by providing resource and/or financial support, access to resources, and promotion of their methodology and goals. These organizations include the Sustainability Accounting Standards Board (SASB), where Nasdaq was invited to be its first Corporate Roundtable member, and the International Integrated Reporting Council (IIRC), which launched its framework in a signature event at our MarketSite location. We also endorse the Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP) standards by using them both in our own corporate reporting and frequently educating listed companies in how to use them. Last but not least, Nasdaq has been a United Nations Global Compact (UNGC) signatory for several years and our Director of Corporate Responsibility—Evan Harvey—is a member of the UNGC US Network Board of Directors.

## ISSUER CAPACITY BUILDING

**9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.**

We provide guidance by offering events and education related to the topic. We do not issue a “best practices” standard or subscribe to a one-size-fits-all methodology when it comes to the sustainability reporting needs of our listed companies. But, as mentioned above, Nasdaq (via the Sustainability Working Group at the World Federation of Exchanges) is actively investigating other ways to produce positive outcomes in this space.

**10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?**

Neither our exchange nor the market regulator provides such guidance. In our own research, we have found assurance practices to be extremely uncommon in sustainability disclosures.

## COLLABORATION AND ENGAGEMENT

### 11. Who does your exchange view as its key stakeholders and how does it engage and collaborate (or plan to do so) with these and potentially other stakeholders?

Nasdaq regularly engages with regulators, peer exchanges, investors, companies, global organizations, academics, and advocacy groups to drive better sustainability strategy and performance. Many of these engagements are described in other places within this document.

## SUSTAINABLE PRODUCTS

### 12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc)?

**Indexes.** Nasdaq was the first indexer to offer a complete family of indexes tracking the growing environmental and clean-energy sector, also known as Green Economy. The Green Economy illustrates a shift of economic development towards sustainable practices in business and infrastructure, including:

- More efficient and cleaner energy production
- Clean transportation
- Better water usage and management
- Greener buildings
- Clean and efficient waste management
- Improved land usage through sustainable farming and forestry

The ability to benchmark green and sustainable companies in a clear and comprehensive manner provides investors the opportunity to participate in the future growth of this critical sector.

**BWise.** BWise provides a leading enterprise governance, risk management and compliance (GRC) software solution that provides the assurance that you are in control on all financial and reputational risks. BWise offers an integrated, efficient and cost-saving approach based on process management principles. It provides transparency and puts you in control as you manage key organizational risk—including the risks of non-compliance.

**Directors Desk.** Directors Desk streamlines board workflow and communications, saving time and money by cutting costs involved in printing, binding, and mailing board packets. With Directors Desk, companies can devote your energy to developing strategies that will take their organization to the next level. Directors Desk streamlines the sharing of mission-critical information via the web or tablet apps—so decision-makers have everything they need, anytime they need it, anywhere they go. With Directors Desk, board members and meetings are more productive. Corporate secretaries can organize and assemble board books in minutes instead of hours.

## EXCHANGE NEEDS

### 13. Are there specific resources (meetings, commissioned research, webinars etc) that you would like from the SSE or other relevant groups to help you in your sustainability work?

Nasdaq, through our work on the WFE Sustainability Working Group, is keenly interested in working more closely with the SSE in the development of their model guidance for stock exchanges on sustainability reporting.

**14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?**

All of these stakeholders can signal their commitment to advancing sustainability in the market by engaging publicly on these issues, participating in related working groups or industry councils, and continuing to invest in longer-term economic strategies.