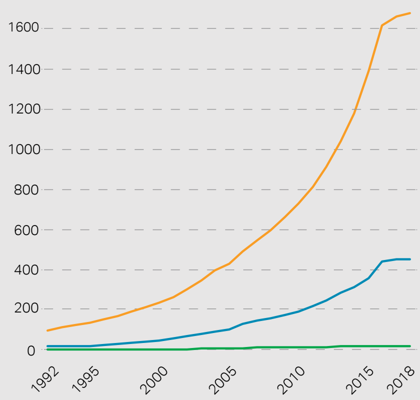
# Environmental, social and governance (ESG) reporting in Portugal: what you need to know

**Companies are facing growing demand for transparency around ESG information from investors, NGOs, customers and governments.**[1, 2, 3]

To meet the demand, reporting provisions have increased by 10-fold since 1992 to help stakeholders understand corporate performance (Figure1).

Staying up to date on reporting developments is crucial because disclosing your performance on ESG issues highlights the true value and impact of your business, setting you up to be rewarded if you're managing risks and opportunities properly.

**Figure 1:** number of ESG related reporting provisions in Portugal, Europe[4] and across the globe*.

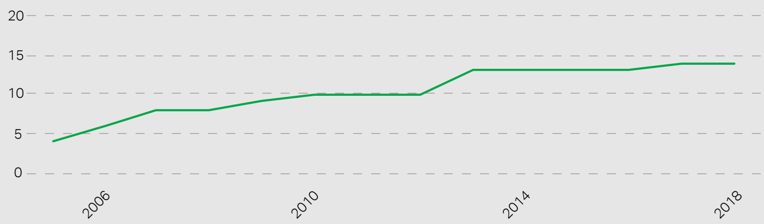



**Reporting provision:**
A reporting provision is a requirement or resource that directly or indirectly influence the reporting of sustainability/non-financial information by companies.

They are grouped into:

- Reporting requirements: specify disclosure requirements of specific sustainability and non-financial information.
- Reporting resources: help companies prepare the information they will report or support the reporting process.
- Managing resources: help companies embed sustainability into corporate management practice and behavior.

**Figure 2:** number of ESG related reporting provisions in Portugal.




Globe Europe Portugal

* For the provisions that had an issuing date.


Reporting is a powerful tool for companies to demonstrate how they are contributing to sustainability and the SDGs.

In addition to overall reporting on ESG, the emergence of new standards and resources – such as the detailed guidelines released by the UN Global Compact and GRI and the SDG Compass – is helping companies establish a firmer picture of what constitutes best practice SDG reporting.

**Portugal has seen a steady rise in ESG reporting provisions since 2003 which is a step towards reaching SDG target 12.6** that aims to encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

The Reporting Exchange

## WHAT HAVE BEEN THE MOST RECENT DEVELOPMENTS?

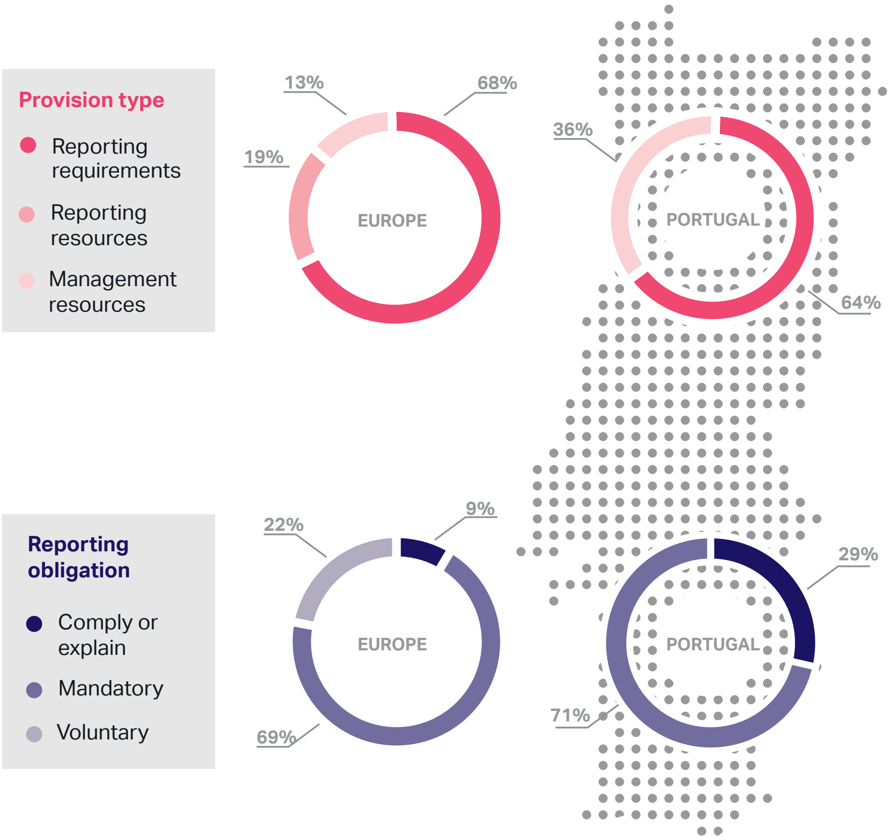
The most significant development in recent years has been Decree-Law No. 89/2017 which, under the EU reporting directive, requires companies of over 500 employees to produce a non-financial statement.

Other mandatory reporting includes the Portuguese Commercial Company Act which requires disclosing financial statements and annual reports; the Accounting Directive No. 29 which requests disclosures on environmental risks; and the Portuguese Corporate Code which requests disclosures on corporate governance structures and practices.

The majority of reporting provisions are targeted at large, public-interest companies or specific sectors.

Four major Portuguese companies have expressed their support for the Task Force on Climate-related Financial Disclosures (TCFD) as of September 2019.

**Figure 3:** reporting provisions by type and reporting obligations.

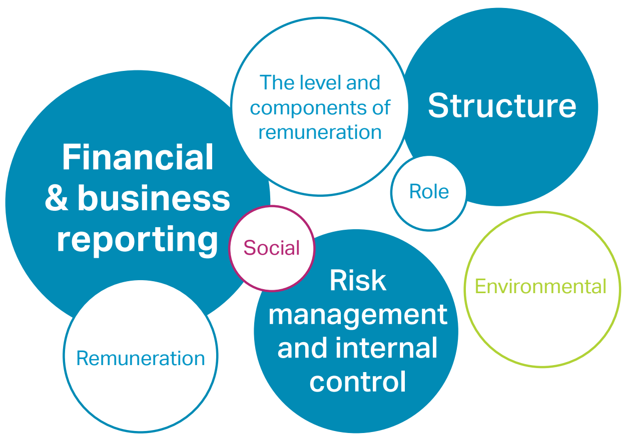



## WHAT'S THE FOCUS?

Most of the reporting provisions ask for information on **environmental** issues such as climate change or waste treatment and **governance** issues like remuneration and risk management.

Requirements for companies to disclose information around **social** issues like health and safety, diversity and freedom of association are more limited.

**Figure 4:** subjects most covered by Portuguese reporting provisions.

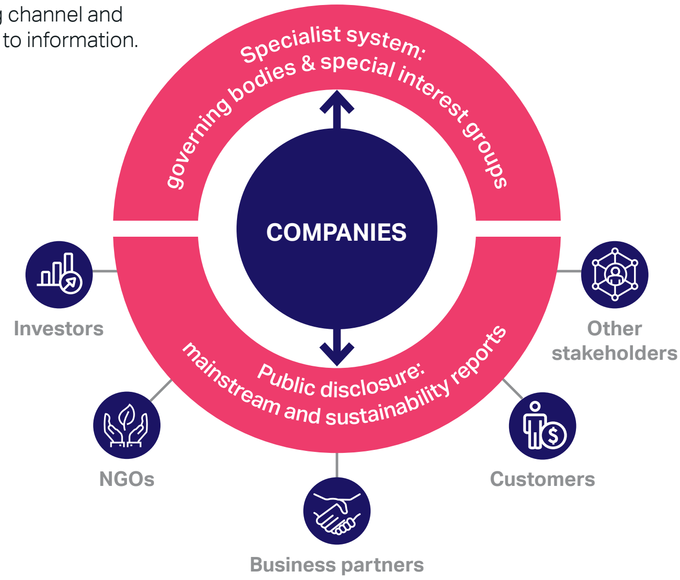


## WHERE ARE COMPANIES DISCLOSING ON THEIR ESG PERFORMANCE?

Reporting provisions often request sustainability information through different channels for different audiences. In Portugal, companies are mainly asked to report in their mainstream annual report - which can improve stakeholder's access to information. This contrasts with the rest of Europe where disclosure is typically through specialist systems where information is reported directly governments, regulators and special interest groups.

Interestingly on a global scale, over 80% of all published reporting requirements required disclosure using a specialist system in 2013. But by 2017, this percentage dropped to 70%. It appears that regulators are putting an increasing emphasis on disclosure through mainstream and sustainability reports, which may help integrate ESG into the mainstream.

**Figure 5:** reporting channel and stakeholder access to information.

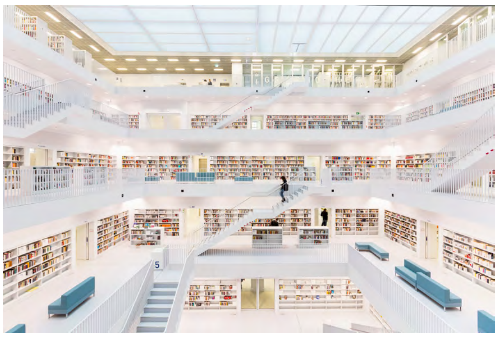



| Reporting channel* | Europe | Portugal |
|---|---|---|
| Public Disclosure: mainstream or sustainability reports. | 37% | 57% |
| Specialist systems to governing bodies or special interest groups | 55% | 21% |

* For the provisions with a specified reporting channel.

## WANT TO KNOW WHAT YOUR COUNTRY'S REPORTING LANDSCAPE LOOKS LIKE?

To find out more visit the www.reportingexchange.com. The reporting exchange is *the* global resource for ESG reporting. It covers reporting provisions across more than 70 countries, 70 sectors and all 17 SDGs.



## END NOTES

[1] Report on US Sustainable, Responsible and Impact Investing Trends 2018. (2018) USSIF https://www.ussif.org/files/Trends/Trends%202018%20executive%20summary%20FINAL.pdf.

[2] Carrots & Sticks (2016) KPMG, GRI, UNEP, Centre for Corporate Governance in Africa https://www.carrotsandsticks.net/wp-content/uploads/2016/05/Carrots-Sticks-2016.pdf.

[3] The Investor Revolution (2019) Eccles R. and Klimenko S. https://hbr.org/2019/05/the-investor-revolution.

[4] European countries covered by the Reporting Exchange: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, Ukraine, United Kingdom.

Data was extracted from the Reporting Exchange June 2019.