



سوق أبوظبي للأوراق المالية
Abu Dhabi Securities Exchange

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) DISCLOSURE GUIDANCE FOR LISTED COMPANIES

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Empowering The UAE's Economy

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ADX ESG Disclosure Guidance

Abu Dhabi Securities Exchange (ADX) has made a formal commitment to drive sustainability in financial markets by becoming a partner exchange of the United Nations led initiative – The Sustainable Stock Exchanges initiative (SSE).

In its efforts to promote sustainability in financial markets in alignment with the UAE National Vision 2021 and Abu Dhabi Economic Vision 2020, ADX has developed this Environmental, Social, Governance (ESG) disclosure guidance to support our listed issuer's sustainability reporting journey.

This guidance was published to support voluntary disclosure of ESG information. Abu Dhabi Securities Exchange reserves the right to amend and/or update this ESG reporting guideline.

The voluntary guidance provides ADX listed companies with 31 ESG indicators that are considered essential to report in alignment with the recommendations of the Sustainable Stock Exchanges (SSE) Initiative and the World Federation of Exchanges (WFE). The indicators are also mapped against Global Reporting Initiative (GRI) indicators and the Sustainable Development Goals (SDGs) for companies willing to adopt more detailed sustainability reporting standards that go beyond this report.

ADX recognizes that the scope and depth of sustainability disclosure will be unique to each sector of activities as well as the companies' own operations. Listed companies may choose to look beyond this guide to explore comprehensive reporting frameworks or guidelines such as the Global Reporting Initiative (GRI) or the Integrated Reporting (IR) framework. We have summarized the major sustainability reporting frameworks in the Appendix B of this guide.

Overview of the key drivers of ESG adoption in the UAE



UAE Vision 2021

During the last few years, the UAE has deployed extensive efforts towards driving sustainability forward in the country under the framework of UAE Vision 2021 and in alignment with the UN Sustainable Development Goals (SDG). The vision consists of six key pillars aimed at ensuring a sustainable environment and infrastructure.

Abu Dhabi Vision 2030

Abu Dhabi Vision 2030 also highlights the importance of sustainability. The vision intends to build a sustainable and diversified, high value-added economy that is well integrated into the global economy and that provides more accessible and higher-value opportunities for all its citizens and residents.



The Securities and Commodities Authority Master Plan for Sustainable Markets

The UAE’s Securities and Commodities Authority has set a master plan for sustainable markets to contribute to a more stable and resilient financial system. The master plan aims to create awareness on the importance of sustainability and market stakeholders’ roles in supporting sustainability and shifting towards effective sustainable practices.



Abu Dhabi Sustainable Finance Declaration

Abu Dhabi Global Market (ADGM), the international financial centre in Abu Dhabi, recently unveiled its Sustainable Finance Agenda Declaration at the inaugural Abu Dhabi Sustainable Finance Forum (ADSFF). The declaration acknowledges the UAE’s and Abu Dhabi’s commitment to addressing climate change and to fostering and integrating green and sustainable finance in Abu Dhabi, the UAE and the region. ADGM, in collaboration with Central Bank of UAE, the Securities and Commodities Authority and the Ministry of Climate Change, aims to facilitate the dialogue on sustainable finance between the financial community, businesses and the public sector. The declaration aims to increase the quality and depth of green financial products and to create a thriving sustainable finance industry in order to meet the SDGs.

The Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

In January 2017, the UAE National Committee on SDGs was formed by decree of the UAE Cabinet. The Ministry of Cabinet Affairs and The Future, the Ministry of Foreign Affairs and International Cooperation and 12 other Federal level government organizations are members of the committee and are responsible for the national implementation for SDGs, monitoring and reporting of progress towards targets and stakeholder engagement. There are significant overlaps between UAE’s National Agenda - consisting of 6 national priorities, 52 NKPIs and 365 sub-NKPIs - and the 17 goals, 169 targets and approximately 230 indicators of the SDGs. The SDG targets have also been mapped to the objectives of the development plans of the local Emirates. The UAE plans to localize and harmonize the SDGs across federal and local levels of government and thus has aligned federal and local development plans with the KPIs and their associated targets. ¹

The SDGs are mapped against the WFE and Global Reporting Initiative (GRI) indicators in Appendix A of this report.

SUSTAINABLE DEVELOPMENT GOALS



¹ National Committee on Sustainable Development Goals – United Arab Emirates and The 2030 Agenda for Sustainable Development, 2018 http://fcsa.gov.ae/en-us/Lists/D_Reports/Attachments/14/UAESDGs-EN.PDF



Abu Dhabi Investment Authority

Abu Dhabi Sovereign Wealth Fund - Abu Dhabi Investment Authority (ADIA) has also demonstrated its commitment to integrate ESG factors in investment decisions by joining the “One Planet Sovereign Wealth Fund Working Group”. The working group was established with the aim to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools.²

Abu Dhabi Securities Exchange

Abu Dhabi Securities Exchange has deployed key initiatives to promote the adoption of Environment, Social, and Governance (ESG) among the listed companies and investors.

- Promoting sustainability reporting: Promoting market education through the deployment of a sustainability reporting disclosure guide, group and individual engagement sessions with the listed companies
- Promoting sustainable financial products: Encouraging the development of green financial products such as Green Bonds or ESG indices
- Promoting responsible investment practices: Encouraging dialogue between investors and listed companies on responsible investing and promoting the integration of ESG factors in investment decisions

This ESG guidance is the first step towards promoting sustainability reporting among the listed issuers. This guide complements the Securities and Commodities Authority’s Corporate Governance Code which provides provide guideline on corporate governance requirements. The code was updated in 2016 with the aim to enhance the level of good corporate governance in terms of board independence, board committees, and timeliness of reporting.

What is Sustainability/ESG?

Sustainability at the corporate level has evolved from the notion of Corporate Social Responsibility - mainly focused on corporate philanthropy - to become a strategic priority for companies to seize opportunities, reduce costs and to build competitive edge. Sustainability management is the integrated management of economic, social and environmental performance for the purpose of maximizing benefits to all stakeholder groups. It helps companies identify social, environmental, economic and governance risks and opportunities that increasingly significantly impact the success of companies through driving performance gains and increasing competitiveness.

The term ESG (environmental, social and governance) is predominantly used in capital markets to describe the sustainability or environmental, social and governance issues that investors look at to determine the companies’ ability to hedge sustainability related risks and identify new opportunities to create long term value for stakeholders.

² Sovereign Wealth Funds Worth USD 3 Trillion Commit to Paris Goals (2018) <https://unfccc.int/news/sovereign-wealth-funds-worth-usd-3-trillion-commit-to-paris-goals>

Responsible investing

Over the last decade, there has been significant growth in the adoption of sustainability in financial markets. As of April, 2019, the United Nations-supported Principles for Responsible Investment (PRI) had over 2,300 signatories, with almost USD 86 trillion in assets under management (AUM), up from 800 signatories with USD 22 trillion AUM in 2010. These signatories have pledged to integrate ESG issues in their investment decisions.

Investors globally consider ESG factors in their investment analysis, since several research studies have provided evidence that companies that adopt sustainability practices often financially outperform their peers.

Importance of sustainability reporting

Alignment with the UAE vision and SDGs

Demonstrate your company's commitment to the UAE vision by reporting sustainability indicators against key priorities and objectives depicted in the vision and the Sustainable Development Goals (SDGs).

Investor interest in sustainability

Investors and ESG rating agencies are already analyzing the ESG performance of your company based on publicly available data to inform their investment decision process whether your company report on ESG information or not. The lack of disclosure on key ESG indicators by companies is often interpreted by the investment community as a signal that the company may not be able to mitigate sustainability risks or capture opportunities.

Enhanced competitiveness

Understand your stakeholders' needs to enhance market competitiveness and drive cost reductions by measuring and monitoring such issues as water, energy consumption, materials use, and waste.

Risk management

Address reporting requirements on financially material factors and mitigate compliance risks related to financial disclosure regulations.

Enable management and board scrutiny of ESG opportunities and risks and promote company - wide alignment with long term shareholders' goals.

Building trust and reputation

Enhance reputation, open dialogue with stakeholders such as customers, communities and investors, and demonstrate leadership.

Enhance access to information

Ensure that your company's key stakeholder(s) have the relevant information that is needed to make informed decisions about the company's ability to create value in the short, medium and longer term.

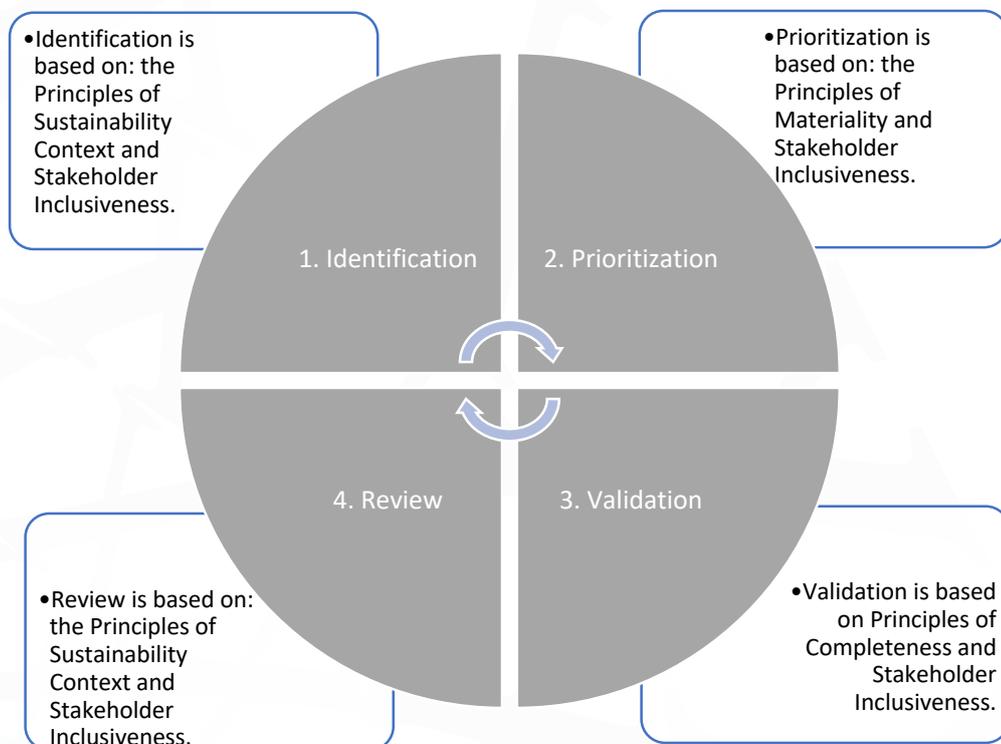
Reporting on what matters

What is materiality?

According to the Sustainability Accounting Standards Board (SASB) Standards, material ESG issues are defined as issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors. These material issues differ from industry to industry, company to company and from country to country.

How to identify material issues

The process to define key material issues can be summarized into 4 stages according to the Global Reporting Initiative (GRI). The first step includes **identification**. In this stage a company identifies all sustainability related topics that might cause potential impacts on the company’s activities, products, services, and relationships that occur inside or outside the company. The next stage is **prioritization**. Here, companies select the most important material to report on according to materiality principles and stakeholder inclusiveness. Following this stage is **validation**. These steps involve assessing the material aspects against the scope of reporting, the boundaries for each impact, and reporting period. The final stage of the defining process is **review**. The review takes place after the company’s report is published in order to prepare for the next reporting cycle.



Companies may incorporate ESG issues into their businesses to test their effectiveness and act upon it. This will allow companies to proactively engage what they believe are material ESG issues into their policies, effectively implement ESG management systems, and accurately identify targets and key performance indicators (KPI's) to quantify and monitor performance. By doing so, companies will enhance their communication with investors and transparently disclosing internal ESG information to their stakeholders.³

How to report?

Around the world, investors want to understand companies' approach to material ESG risks. Investors compare the ESG performance of companies across sectors in a systematic standardized way. This entails the presence of a standardized reporting framework. Companies should report on their sustainability performance using a standardized reporting framework, such as those mentioned in Appendix B. Companies should structure their reports in a matter that conveys and communicates the issues that matter most to their stakeholders, particularly investors.

Reporting formats

The three most common reporting formats utilized by companies to disclose sustainability information are listed below.

Annual Report

Annual reports are intended to give shareholders and other stakeholder group information about the company's activities and financial performance. Some companies integrate ESG issues into their annual reports, aiming to provide investors with ESG disclosure at the same time as wider information about the company. However, due to concerns about length and complexity, companies tend to discuss ESG issues briefly in annual reports focusing only on key ESG issues that investors care about. In addition, ESG-related content may not fit the flow and structure of the annual report.

Sustainability report

Introducing a standalone sustainability is an approach favored by most companies. As of May 2019, 32,700 reports have been listed on the GRI Sustainability Disclosure Database (SDD)⁴; these reports are in line with the GRI standards. Sustainability reports provide a company's consolidated ESG content at a single location and address the relevant ESG information needs of investors and other stakeholders, such as consumers and civil society.

Integrated report

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value. ESG information and data are presented in an integrated manner within the annual report. This model offers investors a more rounded, concise and holistic insight into business performance and impact over the short, medium and long term.

3 G4 – Sustainability Reporting Guidelines

<https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf>

4 GRI Sustainability Disclosure Database <http://database.globalreporting.org/>

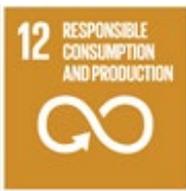
Appendix A: ESG Metrics

Category	Metric	Calculation	Corresponding GRI Standard	Corresponding SDG	Notes
Environment	E1. GHG Emissions	E1.1) Total amount in CO2 equivalents, for Scope 1 E1.2) Total amount, in CO2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016		Actual or estimated atmospheric emissions produced as a direct (or indirect) result of the company's consumption of energy. Please refer to the WRI/WBCSD GHG protocol.
	E2. Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016		Dividing annual emissions (numerator) by relevant measures of economic output (denominator). Scaling factors set by reporting company. Examples include: Revenues, sales, production units, employee headcount, physical floor space.
	E3. Energy Usage	E3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	GRI 302: Energy 2016		Typically measured in megawatt-hours (MWh) or gigajoules (GJ). Direct energy is produced and consumed on company-owned or operated property. Indirect energy is produced elsewhere (i.e., utilities).
	E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016		Dividing annual consumption (numerator) by relevant measures of physical scale (denominator). Examples include: Revenues, sales, production units, employee headcount, physical floor space.
	E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016		Quantifying the specific energy sources most directly used by the company. "Generation type" set by reporting company; examples include renewables, hydro, coal, oil, natural gas.
	E6. Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018		Water consumed, recycled, and reclaimed annually, in cubic meters (m3).

Category	Metric	Calculation	Corresponding GRI Standard	Corresponding SDG	Notes
Environment	E7. Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/No E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No E7.3) Does your company use a recognized energy management system?	GRI 103: Management Approach 2016*		Publish a commitment, position statement, or a policy document that covers this subject. Examples of management systems: ISO14001: Environmental management system. ISO 50001: Energy management system.
	E8. Environmental Oversight	Does your Management Team oversee and/or manage sustainability issues? Yes/No	GRI 102: General Disclosures 2016		Does your company cover sustainability issues in senior management (as part of the official agenda) or has a management committee dedicated to sustainability-related issues?
	E9. Environmental Oversight	Does your Board oversee and/or manage sustainability issues? Yes/No	GRI 102: General Disclosures 2016		Does your company cover sustainability issues in board meetings (as part of the official agenda) or has a board committee dedicated to sustainability-related issues?
	E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development			Companies measure the total AED amount invested in climate-related issues, including R&D spend, if any.

Category	Metric	Calculation	Corresponding GRI Standard	Corresponding SDG	Notes
Social	S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation S1.2) Does your company report this metric in regulatory filings? Yes/No	GRI 102: General Disclosures 2016		As a ratio: the CEO Salary & Bonus (X) to Median (FTE - Full Time Equivalent) Salary, usually expressed as "X:1" Use total compensation, including all bonus payments and incentives.
	S2. Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016		As a ratio: the median total compensation for men compared to the median total compensation for women. Reported for Full Time Equivalent (FTEs) only; Use total compensation, including all bonus payments and incentives.
	S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors/consultants	GRI 401: Employment 2016		Percentage of total annual turnover, broken down by various employment types. Turnover includes all job changes, whether due to dismissal, retirement, job transition, or death.
	S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women S4.2) Percentage: Entry- and mid-level positions held by men and women S4.3) Percentage: Senior- and executive-level positions held by men and women	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016		Percentage of male-to-female metrics, broken down by various organizational levels.
	S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	GRI 102: General Disclosures 2016		Percentage of Full-Time (or FTE-equivalent) positions held by non-traditional workers in the value chain.

Social	S6. Non-Discrimination	Does your company follow non-discrimination policy? Yes/No	GRI 103: Management Approach 2016*		Publish a commitment, position statement, or a policy document that covers this subject.
	S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	GRI 403: Occupational Health and Safety 2018		Total number of injuries and fatalities, relative to the total workforce.
	S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	GRI 103: Management Approach 2016*		Publish a commitment, position statement, or a policy document that covers this subject.
	S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016*		Publish a commitment, position statement, or a policy document that covers this subject.
	S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016		Publish a commitment, position statement, or a policy document that covers this subject.
	S11. Nationalisation	Percentage of national employees			The percentage of national FTE in the workforce.
	S12. Community Investment	Amount invested in the community, as a percentage of company revenues.	GRI 413: Local Communities 2016		Amount invested in the community, as a percentage of company revenues.

Governance	G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	GRI 405: Diversity and Equal Opportunity 2016		The percentage of women at the board. The percentage of committee chairs held by women.
	G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members			Highlight the separation of the role of chairman and CEO. Disclose the percentage of independent board members.
	G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability?			Describe links between executive performance and sustainability performance, if any.
	G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?			Publish a commitment, position statement, or a policy document that covers this subject.
	G5. Ethics & Prevention of Corruption	G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?			Publish a commitment, position statement, or a policy document that covers this subject.

Governance	G6. Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No G6.2) Has your company taken steps to comply with GDPR rules? Yes/No			Publish a commitment, position statement, or a policy document that covers this subject.
	G7. Sustainability Reporting	Does your company publish a sustainability report? Yes/No			A company can publish a stand-alone sustainability report or integrate sustainability information in its annual report.
	G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No G8.3) Does your company set targets and report progress on the UN SDGs? Yes/No			Does your company publish a GRI, CDP, SASB, IIRC, or UNGC based report?
	G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/No	* GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards		Please specify whether your sustainability data has been verified by a third party. Please highlight the Key Performance Indicators (KPIs) that have been verified, if any.

Appendix B: Sustainability reporting frameworks



The Global Reporting Initiative (GRI) is an international, not-for-profit organization working in the public interest towards a vision of a sustainable global economy where organizations manage their economic, environmental, social, and governance performance and impacts responsibly. Thousands of corporate and public sector reporters in over 90 countries use the GRI Guidelines. GRI’s activities are twofold: firstly, the provision of sustainability reporting guidelines and secondly, the development of engagement activities, products and partnerships to enhance the value of sustainability reporting for organizations.



The International Integrated Reporting Council (IIRC) is a group of international leaders from the corporate, investment, accounting, securities, regulatory, academic, standard-setting and civil society areas with a mission to create the Integrated Reporting framework. The Framework will provide material information about an organization’s strategy, governance, performance and prospects in a concise and comparable format, a fundamental shift in corporate reporting.



The Sustainability Accounting Standards Board (SASB), a non-profit U.S.-based organization, has a mission to create and disseminate accounting standards that reporting issuers can use to disclose material sustainability factors in filings with the Securities and Exchange Commission. Developing provisional standards for more than 80 industries in 10 sectors, SASB researches material factors within industries, convenes industry working groups, and conducts a public comment period to establish accounting metrics, and provides education on recognizing and accounting for material nonfinancial factors. The SASB Materiality Map is a visual tool that helps users identify SASB disclosure topics on an industry-by-industry basis and compare the potential materiality of various sustainability factors across different industries and sectors



CDP (formerly the Carbon Disclosure Project) is a global not-for-profit organization, founded in 2000 and headquartered in London. CDP requests standardized climate change, water and forest information from some of the world’s largest listed companies through annual questionnaires sent on behalf of institutional investors that endorse them as ‘CDP signatories’. These shareholder requests for information encourage companies to account for and be transparent about environmental risk.



The United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. It comprises more than 13,000 organizations in 80 local networks worldwide. Business participants are expected to publicly report on their progress in an annual Communication on Progress



The Sustainable Development Goals (SDGs) were born at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012. The objective was to produce a set of universal goals that meet the urgent environmental, political and economic challenges facing our world. These 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another