Dubai Financial Market
ESG REPORTING GUIDE

Value enhancement through voluntary sustainability disclosures

Contents

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Dubai Financial Markets would like to thank its partner Sustainability Excellence for the development of this guide. We would also like to thank the UAE Securities and Commodities Authority (SCA), listed companies, investors, and all stakeholders who were involved in our public consultation for their contributions in the development of this guide.

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Chairman’s Statement

In the name of Allah, the Most Gracious, the Most Merciful.

Dear Listed Companies,

On behalf of the Board of Directors, it is my privilege to present Dubai Financial Market’s (DFM) ESG Reporting Guidance to promote best practices and support our listed companies’ sustainability reporting journey. This report reaffirms our pledge to promote sustainability in capital markets in alignment with our commitment to the UAE vision, the Sustainable Development Goals (SDGs), the Sustainable Stock Exchanges (SSE) initiative, and DFM’s Sustainability Strategy 2025.

Investor demand for high-quality ESG reporting has grown dramatically over the past decade. Global investors are increasingly looking into Environmental, Social, and Governance (ESG) factors to inform their investment decision by identifying risks and opportunities that may not be captured by mainstream financial analysis. They also expect listed companies to report on material ESG indicators that may affect financial performance.

As the world’s first Shari’a compliant capital market since 2007, DFM also recognises the significant overlap between ESG and Shari’a. DFM has updated its Shari’a standards to cater to the growing investors’ interest in sustainability. The standards cover the issuance of green instruments such as green sukuk, shares and green investment funds. We have also set up a Sustainability Committee to embed sustainability across our core operations in alignment with our sustainability strategic plan 2025.

DFM has been involved in advocacy work through several initiatives and partnerships with global organisations such as the World Federation of Exchanges (WFE) Sustainability Working Group, with the aim to foster best practices in promoting ESG across global markets.

DFM has also collaborated with the UN’s SSE Advisory Group and contributed to the resulting report on the role of regulators in supporting the SDGs. The advisory group studied mechanisms to improve the availability and quality of corporate ESG information and related sustainable finance mechanisms including green bonds and ESG themed equity indices. In order to establish an appropriate ecosystem for sustainable financing in capital markets, DFM is actively engaged with regulators and policy makers in particular as well as key market participants.

DFM hosted a workshop on ESG integration in collaboration with the CFA institute and the Principles for Responsible Investment (PRI). The workshop aimed to strengthen the integration of ESG in the Arabian Gulf region, taking into consideration regional investor demand for ESG. The workshop, one of 23 held in 17 major markets, led to a global report: ESG Integration in Europe, The Middle East, and Africa which highlights ESG trends and practices across EMEA. DFM’s contribution to the report focused on the integration of ESG principles within Shari’a Standards.

DFM also launched numerous initiatives with national agencies, including the Dubai Islamic Economy Development Centre and the UAE Sustainable Investment Working Group, plus the DFM and Dubai International Financial Centre (DIFC) led Dubai Sustainable Finance Working Group, with the aim to develop and cultivate local capacities for the adoption of ESG integration and disclosure.

I look forward to upcoming years with confidence that we will see the uptake of sustainability reporting among market participants. In doing so, we will continue to help realise the aspirations of the United Arab Emirates and Dubai for sustainable success and economic growth.

Best Regards,
H.E. Essa Abdulfattah Kazim
Chairman
Dubai Financial Market (PJSC)

Purpose of the guide

In line with its commitment to drive market growth and sustainability in financial markets, Dubai Financial Market (DFM) has introduced this ESG Reporting Guide to assist listed companies to incorporate Environmental, Social and Governance (ESG) information into their reporting processes.

This guide aims to promote transparency and disclosure among listed companies by highlighting the key benefits of sustainability reporting to meet the demanding requirements of institutional investors for ESG information. This guide also encourages listed companies to disclose a set of 32 ESG metrics and indicators - in alignment with the recommendations of the Sustainable Stock Exchanges (SSE) initiative and the World Federation of Exchanges (WFE).

This guide is intended for all companies listed on DFM and its implementation is voluntary. However, listed companies are strongly encouraged to refer to this guide as a starting point in their sustainability reporting journey.

Alignment with the UAE national agenda

As a stock exchange, we understand that we play an instrumental role within the capital markets' ecosystem to foster economic development and mobilise the investment needed to achieve sustainable growth in the country.

As a Partner Exchange member of the Sustainable Stock Exchanges (SSE) initiative, DFM has made a formal commitment to advance sustainability in capital markets and effectively contribute to achieve the overall objectives of the UAE vision by creating an investment climate that is capable of attracting international investors and encouraging sustainable investments.

To enable us to realize this vision, DFM has undertaken several practical steps both internally and among listed issuers – including the issuance of this ESG Reporting Guide – to promote transparency and disclosure in financial markets. DFM's sustainability efforts are aligned with the UAE ambitions to create a highly productive economy, driven by innovation and technology while preserving the environment, and promoting the economy and social development.

From sustainability to ESG

Sustainability at the corporate level has initially 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 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 significantly impact the success of companies through driving performance gains and increasing competitiveness.

The term ESG (Environmental, Social and Governance) is mainly used by the investment community to assess the performance of companies on key environmental, social, and governance factors that may affect financial performance.

Environmental factors include the company's environmental management system and its ability to mitigate various risks that could harm the environment including climate change. Investors may look into the company's energy consumption, water use, waste generation and management, level of the pollution produced, and utilization of resources.

Social factors investigate the company's relationships with its employees, suppliers, and host communities. Investors would typically assess a company on its attitude towards diversity, human rights, customer protection, supply chain, and anti-corruption. Social issues can also include employee well-being and supply chain management.

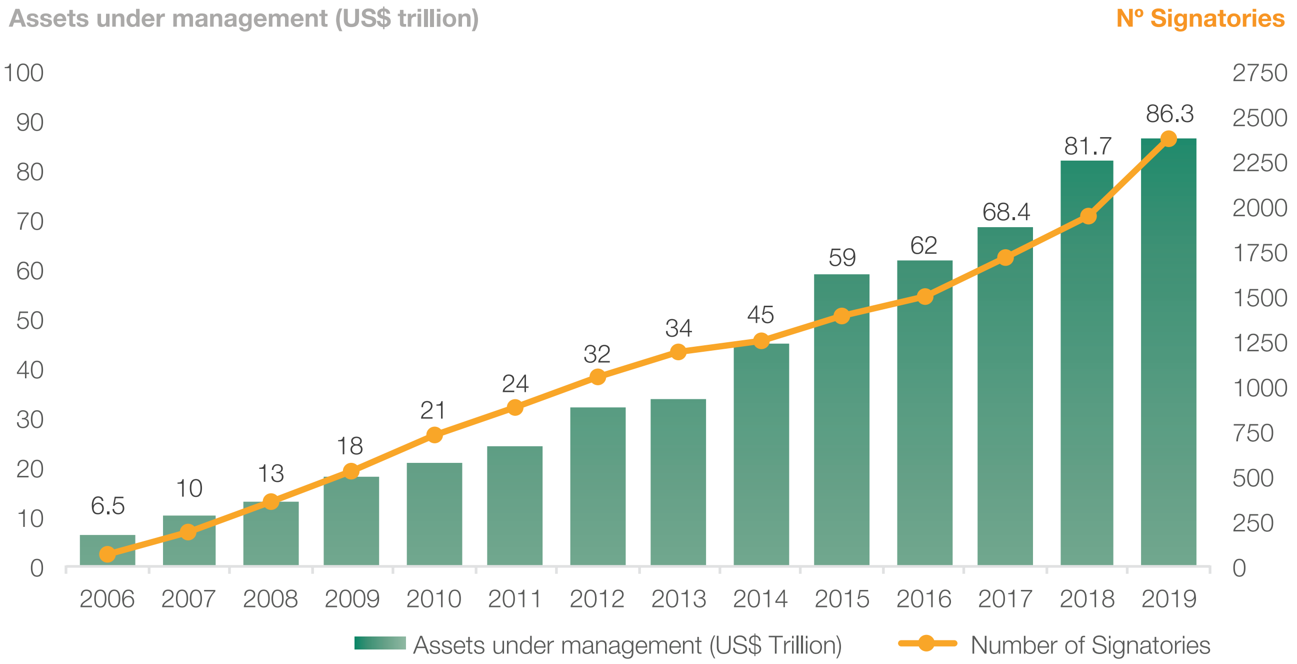
Governance factors include the company's internal corporate affairs, such as relationships with shareholders, board composition and independence, and internal control systems. A proper and transparent corporate governance is linked to the company's long-term success and reputation.

The table below provides examples of ESG criteria that are typically assessed by the investment community.

Environmental	Social	Corporate Governance
Environmental management	Employee training and development	Board and committees
Direct and indirect GHG emissions	Health and safety	Internal controls and audits
Energy consumption	Equal opportunity	Executive compensation
Water management	Human rights	Shareholders' rights
Waste management	Data privacy	
Biodiversity	Anti-corruption	

The rise of ESG

Institutional investors are the main drivers behind the growth of ESG. As of April 2019, more than 2,300 investment management firms representing $86 trillion in asset under management have pledged to integrate ESG factors in their investment decisions by becoming signatories to the United Nations backed Principles for Responsible Investment (PRI). This represents an astronomical growth of 309% in assets under management since 2010 when signatories represented $21 trillion in assets under management.[1]



The US SIF Foundation's 2018 Report on US Sustainable, Responsible and Impact Investing Trends, revealed that as of year-end 2017, USD 1 of every USD 4 invested in the United States – USD 12.0 trillion or more - were invested under ESG investment strategies - a sharp increase from 2010, when the amount was close to just USD 3 trillion overall.[2]

There are several motivations that drive investors to pursue responsible investing. These include contributing to advancements in social, environmental and governance practices, meeting the growing demand from clients, and most important of all – enhancing financial performance. Companies with strong ESG performance proved to be more competitive and generated abnormal returns, often leading to higher profitability and dividend payments, especially when compared to companies with a limited ESG performance. [3]

In 2015, Deutsche Asset Management and University of Hamburg have published a meta-analysis of over 2,000 empirical studies since the 1970s - investigating the relationship between ESG and corporate financial performance (CFP). They found that the majority of studies show positive findings between ESG and corporate financial performance (CFP).[4]

Most of the world's largest institutional investors - including Sovereign Wealth Funds (SWFs) - are increasingly allocating capital to companies that are well prepared to benefit from the transition to a green economy, as they wish to protect their portfolios against risks associated with ESG issues.

Given both their influence and long-term investment horizons, sovereign wealth funds are in a unique position to promote long-term value creation and sustainable market outcomes. Following the 2015 Paris Climate Agreement, the One Planet Sovereign Wealth Fund Group was established in December 2017 in order to address the risks related to climate change in the management of large, long-term and diversified asset pools.

To initiate the transition, six of the world's largest sovereign wealth funds have committed to accelerate investment in companies that factor climate risks into their strategies, thereby helping to achieve the climate goals of the Paris Agreement. The One Planet SWF Group includes: Abu Dhabi Investment Authority, Kuwait Investment Authority, New Zealand Superannuation Fund, Norges Bank Investment Management of Norway, Public Investment Fund of the Kingdom of Saudi Arabia, and Qatar Investment Authority, who collectively manage over $3 trillion in assets.[5]

[1]UN PRI https://www.unpri.org/
[2]US SIF — Report on US Sustainable, Responsible and Impact Investing Trends, 2018 https://www.ussif.org/files/Trends/Trends%202018%20executive%20summary%20FINAL.pdf
[3]Giese, Lee, Melas, Nagy, & Nishikawa— Foundations of ESG Investing, 2017 https://www.msci.com/documents/10199/03d6faef-2394-44e9-a119-4ca130909226
[4]Deutsche Asset & Wealth Management, University of Hamburg – ESG & Corporate Financial Performance: Mapping the global landscape, 2015 https://institutional.dws.com/content/_media/K15090_Academic_Insights_UK_EMEA_RZ_Online_151201_Final_(2).pdf
[5]SWF — The One Planet Sovereign Wealth Fund Framework, 2018 http://www.ifswf.org/sites/default/files/One_Planet_Sovereign_Wealth_Fund_Framework.pdf

Importance of ESG

Meeting the requirements of investors, ESG rating agencies, and sustainability indices

With responsible investment gaining momentum, there is a greater demand for ESG information from companies. Sound disclosure on these issues suggests that listed companies can gain exposure to a wider range of regional and international investors. Reporting on ESG performance demonstrates transparency and effective management and enhances a company's ability to attract long-term capital and institutional investors, such as pension funds.[6]

Responsible investors leverage ESG information to inform their investment decisions. They try to identify businesses that demonstrate operational robustness and reputational resilience and those that address and mitigate their impact on the environment and communities in which they operate. Investors often want to understand whether the companies they invest in are capable of achieving cost savings through efficiencies and identify opportunities through sustainable revenue opportunities. They also want to understand how companies are responding to long-term and macroeconomic trends such as climate, demographic and technological change as well as political developments.

As the adoption of responsible investing continues to exponentially grow, so has the influence and importance of ESG rating agencies. The increased focus on sustainability performance from investors has encouraged financial and non-financial rating agencies to undertake ESG assessments on behalf of investors. ESG rating agencies evaluate publicly disclosed qualitative and quantitative non-financial data and transpose this information into ESG scores, ratings, and insights that are used by investors to inform their investment decisions. ESG rating agencies differ in their methodologies and approaches, however they share common grounds in terms of assessing a company's level of disclosure, performance and preparedness to manage ESG risks and opportunities on issues that are financially material.[7]

Credit Rating agencies are also looking at the non-financial performance of companies to evaluate credit risks. Fitch Ratings, one of the 'Big Three' credit rating agencies, has recently introduced a scoring system to highlight the ESG factors that affect the agency's individual credit rating decisions.[8] S&P Global Ratings, and Moody's also provide essential insights into ESG factors and incorporate ESG considerations with material credit implications.

[6]WFE — Sustainability Working Group Exchange Guidance & Recommendation, 2015 http://www.sseinitiative.org/wp-content/uploads/2015/11/WFE-ESG-Recommendation-Guidance-Oct-2015.pdf
[7]Betty Moy Huber and Michael Comstock, Davis Polk & Wardwell LLP—ESG Reports and Ratings: What They Are, Why They Matter, 2017 https://corpgov.law.harvard.edu/2017/07/27/esg-reports-and-ratings-what-they-are-why-they-matter/
[8]Fitch Ratings – Fitch Ratings Launches ESG Relevance Scores to Show Impact of ESG on Credit, 2019 https://www.fitchratings.com/site/pr/10058528

ESG performance has been often linked with a reduction in the cost of capital. An MIT and University of Hamburg 2017 joint study reviewed the link between ESG and the cost of capital, concluding that higher ESG performance has a far-reaching implication for investors and CFOs as it translates into lowering cost of capital for the company.[9]

ESG indices, such as the MSCI ESG Leaders Index, the Dow Jones Sustainability Index and the FTSE4Good Index, are designed to support institutional investors in benchmarking ESG investment performance. These indices are widely used by investors to identify better-governed, environmentally and socially responsible companies, thus enabling them to identify attractive investment opportunities.

Hawkamah in partnership with Standard & Poor's Financial Services LLC (S&P) and the International Financial Corporation (IFC), has developed the first ESG index for the MENA region. The S&P/Hawkamah ESG Pan Arab Index includes the top 50 Pan Arab companies based on their performance on nearly 200 ESG metrics and uses an ESG score-weighting scheme to identify the top performing companies in terms of ESG performance.[10]

Inclusion in ESG indices increases the profile of a company for stakeholders and investors and provides public recognition for a company on its ESG practices. As the responsible investment movement continues to grow, one should only expect to see more sustainability-focused capital allocated to companies with better ESG disclosure.

[9]Kölbel, Julian & Busch, Timo— The link between ESG, alpha, and the cost of capital: Implications for investors and CFOs, 2017 https://www.researchgate.net/publication/315815434_The_link_between_ESG_alpha_and_the_cost_of_capital_Implications_for_investors_and_CFOs

[10]Hawkamah—S&P/Hawkamah Pan Arab ESG Index, 2011 https://www.hawkamah.org/uploads/Methodology_SP_Hawkamah_ESG_Pan_Arab_Index_Web.pdf

Aligning with the UAE agenda and supporting the Sustainable Development Goals (SDGs)

During the last few years, the UAE has deployed extensive efforts towards driving sustainability forward in the country under the framework of the UAE Vision 2021, and in alignment with the UAE Green Agenda 2030-2015, the Dubai Plan 2021, the Paris Agreement and the UN Sustainable Development Goals (SDGs). The 17 SDGs, adopted by 193 Members States at the United Nations in 2015, provide a shared framework to address the world's most urgent sustainability challenges.

Achieving the SDGs requires commitment not only from governments, but also from investors and companies. It is estimated that by 2030, a total of US90$ trillion is needed to achieve the SDGs. Deploying this capital will require companies to report on their measures to advance the SDGs in a way that not only helps investors make informed investment decisions, but also identifies companies with a net positive impact on the environment and society as a whole.[11]

Incorporating ESG factors into a company's reporting directly contributes to the fulfillment of the SDGs. Target 6 under SDG 12 "Ensure sustainable consumption and production patterns" requires member states to encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle. Based on this specific target, one of the leading sustainability reporting initiatives – the Global Reporting Initiative (GRI) engages with national and regional governments to enable, monitor and accelerate company progress on SDG reporting and fulfillment.

In this context, the UAE government has drawn up several short-term and long-term sustainability-related goals and has developed national frameworks and guidelines for public and private institutions, aimed at encouraging better performance in relation to sustainability. In January 2017, the UAE government formed a National Committee on SDGs aiming for national implementation of the SDGs.

The UAE government has also developed a local platform for businesses, academic institutions and the public sector to enable the fulfillment of the SDGs. The UAE's UN Global Compact network aims to root the 10 principles of the Global Compact, as well as the SDGs, into the national context, thus creating a platform for development of sustainable corporate practices.[12]

Through adopting the SDGs as a framework, developing strategies and implementing quantitative measures and key performance indicators, companies can pave the way towards aligning their operations and production processes with the UAE agenda and the UN's 2030 agenda. Incorporating ESG performance indicators into a company's reporting framework will provide a roadmap of measures and commitments that would facilitate alignment with and accomplishment of the SDGs.

TARGET 12.6

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Encourage companies to adopt sustainable practices and sustainability reporting

[11]GRI, PRI, UNGC – Addressing Investor Needs, 2018 https://www.globalreporting.org/resourcelibrary/addressing-investor-needs-SDGs-reporting.pdf
[12]Global Compact Network UAE – About Us (http://ungcuae.org/our-story/)

Figure 1 UN Sustainable Development Goals

Meeting potential regulatory requirements
Disclosure of ESG information helps companies stay ahead of emerging voluntary and mandatory ESG and reporting requirements and mitigates compliance risks and costs related to financial reporting regulations. 17 signatories of the Sustainable Stock Exchanges initiative have reinforced mandatory ESG guidance as a listing rule.[13]

The UAE Securities & Commodities Authority (SCA) has issued a Master Plan for Sustainable Capital Markets to support and drive progress on the achievement of the UAE's sustainability agenda. The plan is part of the SCA's role in regulating national financial markets, introducing initiatives aimed at stimulating markets and supporting the national sustainability agenda and the SDGs.[14]

The key objectives of SCA's Sustainable Capital Markets Master Plan are:

1. Providing channels for funding of sustainable projects including those that support the environment, society and economy; and reallocate available capital to more sustainable projects.
2. Encouraging corporates and their management to shift towards more effective sustainable practices.
3. Providing investment opportunities and information to investors to invest in sustainable projects and allow them to make better decisions in this regard.
4. Creating awareness with all market stakeholders on the importance of sustainability and their respective role in supporting it through their actions.

SCA will start rolling out this masterplan by carrying out specific tasks and activities required for implementing the plan's seven pillars by 2020. The key pillars of the SCA master plan are:

1. Classification and standard setting
2. Legal and regulatory framework
3. Market platform and investment instruments
4. Corporate governance and stewardship
5. Transparency and disclosure
6. Awareness and education
7. Awards and incentives

[13] SSE – Stock Exchanges Database
[14] SCA Master Plan for Sustainable Capital Markets https://www.sca.gov.ae/Arabic/Documents/ImportantLinks/SCA%20Sustainable%20Capital%20Markets%20Master%20Plan%20-%20v3.pdf

Managing risks
Sustainability trends such as climate and demographic changes, as well as increasing resource scarcity can provide greater insights into the long-term risks that companies may face and that may jeopardize their existence. Companies that aim to manage their long-term risk must measure their sustainability performance and mitigate ESG risks. The process of gathering ESG data, integrating it into management practices and improving ESG performance leads to enhanced risk oversight and management. ESG integration allows companies to effectively navigate ESG information and take into account a more complete set of the risks and opportunities that may affect performance.

By disclosing material information, companies provide investors with reassurance that ESG related risks are effectively managed and mitigated. Companies with a good ESG performance experience a lower frequency of risk incidents such as major drawdowns and have shown lower systematic risk exposure and less systematic volatility.[15] Sustainable practices provide opportunity for risk management and are informative for strategic planning. Sustainability paves the way for a company to build resilience and efficiency into its operations.[16]

Driving profitability, cost savings, and competitiveness
Consideration of sustainability issues can provide better insight into a company's ability to capitalize on opportunities and operate in a lower risk environment than peers, which should drive superior returns over the long term.

With the world's largest corporations increasingly engaging with environmental and social issues, many studies have examined the relationship between a firm's sustainability performance and its financial performance leading to the overall conclusion that firms with a strong sustainability performance tend to outperform their industry peers.

Developing and adopting sustainability strategies can help companies identify costs savings and new revenue generating opportunities. For example, companies can identify the biggest energy consumption operation of their business then determine the most effective ways to reduce energy use – leading eventually to costs savings. Sustainability can also help businesses become more competitive through enhancing the business ability to attract, retain, and motivate employees leading to greater employee productivity. It can also improve customer loyalty and increase the business' ability to enter new markets and generate new revenue streams.

Enhancing reputation
Reporting on ESG performance exhibits corporate adherence to ethical standards as well as national and international frameworks on corporate sustainability and sustainable development. Disclosing ESG data enhances corporate reputation by improving stakeholders' perception of a company through reporting stakeholder engagement.

Sustainability drives stakeholder trust, which directly enhances a company's public image and reputation. Through adopting sustainable business decisions, business leaders and executives create positive value, consequently, improve corporate reputation, maintain stakeholder trust and demonstrate corporate commitments to responsibly managing ESG issues.

[15] MSCI – Introducing ESG Investing https://www.msci.com/documents/1296102/7943776/ESG+Investing+brochure.pdf/bcac11cb-872b-fe75-34b3-2eaca4526237
[16] Christopher P. Skroupa – Risk Management and Sustainability: Two Sides of the Same Coin, 2017 https://www.forbes.com/sites/christopherskroupa/2017/07/24/risk-management-and-sustainability-two-sides-of-the-same-coin/#3a759ccc2044

Why should companies report on material ESG issues?

What is materiality?
Investors tend to define material issues as any factor which might have a present or future impact on companies' value drivers, competitive position, and thus on long-term shareholder value creation. Material issues are those that reflect the company's significant economic, environmental and social impacts and influence the decisions of stakeholders. Factors that have significant impact on a company's core business value drivers such as growth, profitability, capital efficiency, reputation, and risk exposure are considered to be financially material to investors.

Different ESG issues will be material for different companies, depending on such considerations as industry membership, country exposure, and underlying business model choices. Material ESG issues impact a company's financials in the following areas: (1) revenues, (2) costs, and (3) the cost of capital. Therefore, analysts who incorporate material ESG data into their business analysis can gain an advantage because these data can be leading indicators of future financial performance.

Why investors care about material issues?
Material ESG data can provide investors with unique insights into the most important ESG factors that can affect the company financial performance. A Harvard study[17] investigating the relationship between materiality and financial performance has found that companies with good performance on material sustainability issues significantly outperform firms with poor ratings on these issues, as opposed to companies with good performance on immaterial sustainability issues, which do not significantly outperform companies with poor ratings on the same issues.

In considering the impact on a company's value drivers and competitive position, investors usually consider[18]:

1. Revenue opportunities and risks arising from market growth, market share, and competitive position.
2. Cost implications arising from expenses related to regulatory compliance, maintenance of social license to operate, environmental management, safety and human resources management.
3. Capital efficiency trends reflecting additional investments required to meet regulatory and other stakeholder requirements, environmental management, trends in the cost of installed capacity and trends in the operational life of assets.
4. Risk exposure arising from governance, regulatory, business conduct, environmental and social connection to non-investor stakeholders.

[17] Khan, Mozaffar & Serafeim, George & Yoon, Aaron — Corporate Sustainability: First Evidence on Materiality. The Accounting Review, 2016 https://ssrn.com/abstract=2575912
[18] GRI, Robecosam –Defining Materiality, 2015 https://www.globalreporting.org/resourcelibrary/defining-materiality-what-matters-to-reporters-and-investors.pdf

How to identify material issues?
Through identifying what is material, companies assess the vulnerability of the stakeholders against the impact of business operations which directly or indirectly affect them.

One of the world's leading sustainability reporting standard - The Global Reporting Initiative (GRI) - describes a four-step process in which a company can determine material issues.[19]

Step 1 is the Identification of sustainability issues that might be considered for inclusion based on the impacts related to all of the company's activities, products, services and relationships and their potential impact on the company's stakeholders including employees, suppliers, host communities, customers, investors and the environment.

Step 2 is the Prioritization of the previously identified issues and topics to determine key material issues that should therefore be reported on. Material aspects and topics are assessed based on their influence on stakeholder decisions and the significance of economic, environmental and social impacts.

Step 3 is the Validation of the identified aspects and topics as material prior to gathering the information to report. The aim is to ensure the report provides a reasonable and balanced representation of the organization's sustainability performance and impacts.

Step 4 is the Review of aspects and topics that were material in the previous reporting period and the consideration of stakeholder feedback. This takes place after the report has been published, and the organization is preparing for the next reporting cycle.

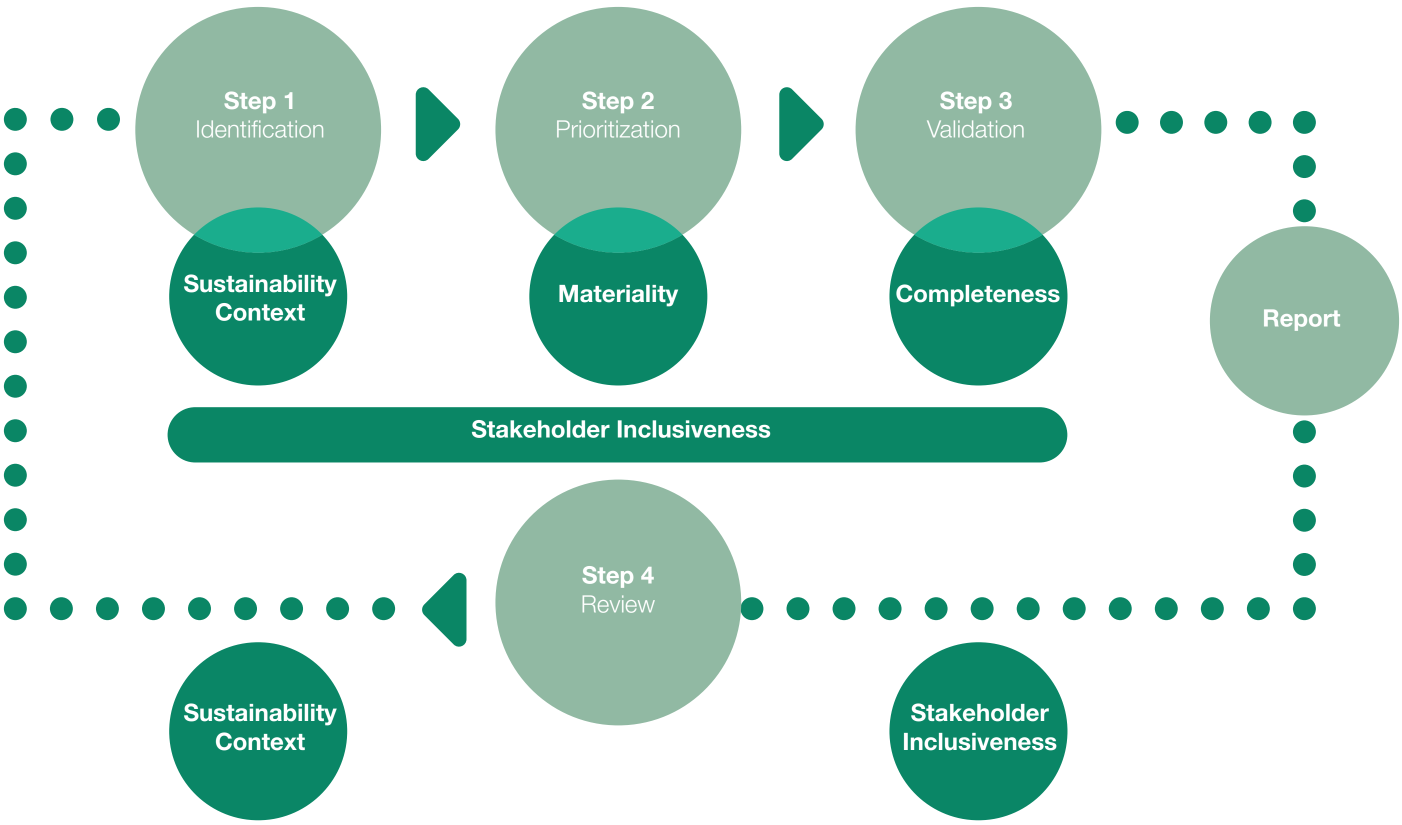


Figure 2 Defining Material Aspects and Boundaries

[19]GRI G4 – Sustainability Reporting Guidelines: Implementation Manual https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf

Global reporting frameworks

The Global Reporting Initiative (GRI) is an international, not-for-profit organization working in the public interest towards a sustainable global economy where organizations manage their economic, environmental, social, and governance performance and impacts responsibly. Corporate and public sector reporters in over 90 countries use the GRI Guidelines. More than 24,000 reports have been registered in GRI's Sustainability Disclosure Database. www.globalreporting.org/Pages/default.aspx

The International Integrated Reporting Council (IIRC) is a group of international leaders with a mission to create the "Integrated Reporting Framework". The Framework provides material information about an organization's strategy, governance, performance and prospects in a concise and comparable format, a fundamental shift in corporate reporting. www.integratedreporting.org/

The Sustainability Accounting Standards Board (SASB) is a UN nonprofit U.S. based organization on 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. SASB identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry through a materiality map which details 26 sustainability issues across 10 sectors. www.sasb.org/

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'. www.cdp.net/en

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. www.unglobalcompact.org/

Global sector-specific initiatives

Principles for Responsible Investment (PRI) is an international network of investors working together to put the six principles into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system. www.unpri.org/

The Equator Principles (EP) is a risk management framework adopted by financial institutions to determine, assess and manage environmental and social risk in project finance. The IFC developed a set of standards and principles on social and environmental sustainability, intending to provide a minimum standard for due diligence to support responsible risk decision-making. The development of such principles has increased the attention and focus on social and environmental responsibility and has consequently promoted the integration of ESG risks into investment decisions. www.equator-principles.com/

United Nations Environment Programme – Finance Initiative (UNEP FI) is a partnership between the United Nations Environment Programme and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 230 financial institutions, including banks, insurers, and investors, work with the UN Environment to understand today's environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them. www.unepfi.org/

Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. The GBP are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible Green Bond; they aid investors by promoting availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions. www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

Climate Bonds Initiative is an international organization working solely to mobilize the largest capital market of all, the 100$ trillion bond market, for climate change solutions. The organization promotes investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy. The strategy is to develop a large and liquid Green and Climate Bonds Market that will help drive down the cost of capital for climate projects in developed and emerging markets; to grow aggregation mechanisms for fragmented sectors; and to support governments seeking to tap debt capital markets. Climate Bonds Initiative is an investor-focused not-for-profit. In 2019, the DFM, Dubai Islamic Economy Development Centre and the Dubai International Financial Centre signed a Memorandum of Understanding with Climate Bonds Initiative to collaborate on growing the green sukuk sector. www.climatebonds.net

Financial Stability Board – Task Force of Climate-related Financial Disclosures (FSB TCFD) is a voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The Task Force considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries. The Task Force aims to develop climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.[20] www.fsb-tcfd.org

[20]Recommendations of the Task Force on Climate-related Financial Disclosures https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf

Regional reporting frameworks

The UAE Corporate Governance Code was updated by the Securities and Commodities Authority (SCA) in 2016–setting a new set of corporate governance rules and repealing the previous governance rules issued in 2009. This new code applies to public joint stock companies that are listed on DFM. The new rules include revisions to the listed company's general assembly requirements, notice periods, statutorily mandated registers, related-party transaction restrictions and board meeting communications, among others, aiming to increase the sophistication of the corporate governance landscape in the UAE, further protect shareholders, and promote corporate social responsibility.[21]

The Dubai Declaration on Sustainable Finance launched in 2016 with a major commitment from local financial institutions. Eleven UAE-based financial institutions have committed to the Declaration confirming their support for the UAE Vision 2021, and to transforming to a green economy through recognizing the important role that the finance sector can play in enabling a climate-resilient, inclusive green economy and sustainable development and committing to accelerate sustainable finance practices in partnership with the UAE government. And thus, these financial institutions commit to lend to, invest in and facilitate financing to projects and businesses with sustainable purposes.[22]

Quality and timeliness of reporting

When looking at ESG disclosure, investors are demanding information that is consistent, clear and comparable. When reporting, listed companies should pay attention to the accuracy of data reported, comparability and consistency of the information leveraging of the global reporting standards such as GRI, the IIRC, or SASB, adapted to the local context as needed. Reporting should, if not integrated into the firm's annual report, align with the annual reporting cycle to ensure timeliness of disclosure.

Listed companies are also encouraged to assure their ESG data using external third-party verifiers. External assurance or verification can provide investors and ESG rating agencies with a higher level of confidence in the quality of sustainability performance data, making it more likely that the data will be relied on and used for decision making.

[21]The UAE Corporate Governance Code https://regulations.sca.gov.ae/en-us/Service/GetRegulationByIdAsPdf/114
[22]Dubai Declaration of Financial Institutions in the United Arab Emirates on Sustainable Finance, 2016 www.unepfi.org/grt/2016/wp-content/uploads/Dubai-Declaration_launched.pdf

Reporting formats

Annual Report
Annual reports are intended to give shareholders and other stakeholder group information about the company's activities and financial performance. However, 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 January 2019, 31,552 reports have been listed on the GRI Sustainability Disclosure Database (SDD)[23]; 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.

An Integrated Report provides insights about the financial, manufactured, intellectual, human, social and relationship, and natural capital used and affected by a company, and the interplay between these different capitals, to present the full picture of the value created by the company. This approach has been championed by the International Integrated Reporting Council (IIRC) - a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs.

The IIRC has developed the Integrated Reporting framework <IR> with the aim to offer investors a rounded, concise and holistic insight into business performance and impact. The IR framework also encourages each company to define the challenges and opportunities revealed by a thorough understanding of the context in which it operates, and to better align with national strategies, such as the UAE Vision 2021.

[23]GRI Sustainability Disclosure Database http://database.globalreporting.org/

How DFM supports ESG reporting and disclosures

In line with the World Federation of Exchanges' (WFE) Sustainability Principles[24] and the UN Sustainable Stock Exchanges (SSE) initiative guidelines, DFM aims to support the adoption of sustainability practices internally and among our listed issuers through deploying several actions in the following key areas:

Promote market education: DFM will deploy group ESG engagement sessions with listed companies to promote the business case of sustainability. DFM aims to deploy 1-on-1 engagement sessions with each individual listed company to promote specific customized recommendations on ESG disclosure.

Promote disclosure and research: DFM has launched this voluntary ESG disclosure guidance document for listed companies and will issue further guidance as needed. DFM also aims to publish ESG research studies on the state of ESG for DFM listed companies.

Promote digital innovation: DFM aims to promote digital disclosure of ESG data through dissemination of key ESG information to investors.

Promote collaboration: DFM aims to promote the adoption of responsible investing practices and promote dialogue between investors and companies on ESG practices.

Promote sustainable financial products: DFM aims to promote the development of sustainable financial products such as ESG indices and Green/Social/Sustainable Bonds listing frameworks and guidelines.

Promote internal capacity: DFM aims to lead by example by publishing a sustainability report on the exchange's own performance on an annual basis. DFM also aims to promote sustainability internally by deploying training sessions to DFM management and staff.

[24] WFE Sustainability Principles, 2018 https://www.world-exchanges.org/storage/app/media/research/Studies_Reports/2018/WFE%20Sustainability%20Principles%20October%202018.pdf

DFM's sustainability efforts

In its efforts to increase market understanding and awareness of ESG and reporting, DFM organised several workshops and roundtables. In 2017, DFM hosted a masterclass on ESG best practices for companies. In collaboration with the PRI and CFA Institute, DFM organised a second ESG workshop in 2018, which was part of a global roundtable initiative to receive feedback from investors and analysts. DFM also held a Corporate Governance Workshop for listed companies with Hawkamah, in 2016.

DFM has contributed to three global White Papers including: How securities regulators can support the Sustainable Development Goal[25] and ESG integration in Europe, the Middle East, and Africa[26]. DFM also hosted the regional global roundtable with the UN PRI and the CFA for fund managers and investors in the Middle East, which investigated regional trends across the EMEA prior to the issuance of the report. DFM hosted a subsequent third ESG workshop to highlight the findings of the report on Middle East ESG integration practices for brokers and investors. As a public listed company, DFM set up a Sustainability Committee to embed sustainability across its operations and deliver on its sustainability strategic plan, including a plan to incorporate ESG factors into DFM's risk management framework. The exchange is also currently developing its first standalone Sustainability Report.

Since 2016, DFM has integrated sustainability into its DFM Strategy 2021 and has been involved in advocacy work through the following memberships:

- UN SSE Advisory Groups 2018 – DFM contributed to the UN SSE Report on How regulators can support the SDGs
- WFE – UN SSE Advisory Working Group - DFM contributed to the UN SSE & WFE Report on Embedding sustainability into Exchange's Operations (2019)
- WFE Sustainability Working Group
- Dubai Islamic Economy Development Centre Green Sukuk Working Group
- UAE Sustainable Investment Group
- Sustainability Majlis
- The PRI – DFM contributed to the global ESG report on regional trends and hosted the global roundtable in January 2018 for the region.
- DFM and DIFC led Dubai Sustainable Finance Working Group

[25]How securities regulators can support the Sustainable Development Goals, 2018 http://www.sseinitiative.org/wp-content/uploads/2018/10/SSE-Regulator-Report-compressed.pdf
[26]ESG integration in Europe, the Middle East, and Africa, 2019 https://www.unpri.org/download?ac=6036

About DFM

Dubai Financial Market (DFM)[27] was established as a public institution with an independent legal entity by virtue of Decree 14/2000 issued by the Government of Dubai. DFM commenced operations on March 26, 2000. DFM is the first financial market to have offered its shares through an IPO in the Middle East, and this reflects the leading role played by the Emirate of Dubai in selling shares of governmental institutions in the region. DFM operates according to Shari'a principles and this clearly reflects the ambitious vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President of the UAE, Prime Minister and Ruler of Dubai. DFM is a Partner Exchange member of the United Nation's Sustainable Stock Exchange (SSE) initiative, as part of the global effort to promote sustainable investment and support transparency in capital markets.[28]

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[27]DFM Strategy https://www.dfm.ae/docs/default-source/default-document-library/dfm-strategy-book-en.pdf?sfvrsn=0
[28]DFM commitment to the SSE Initiative, 2016 http://www.sseinitiative.org/wp-content/uploads/2016/06/United-Arab-Emirates-Dubai-Financial-Markets-DFM.pdf

Appendix A: ESG Metrics

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs
Environmental	E1. GHG Emissions	E1.1) Total amount, in CO2 equivalents, for Scope 1 (if applicable) 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	13 CLIMATE ACTION
	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	13 CLIMATE ACTION
	E3. Energy Usage	E3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016	7 AFFORDABLE AND CLEAN ENERGY
	E6. Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION
	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? Yes/No	GRI 103: Management Approach 2016*	13 CLIMATE ACTION
	E8. Environmental Oversight	Does your Board/Management Team oversee and/or manage climate-related risks? Yes/No	GRI 102: General Disclosures 2016	
	E9. Environmental Oversight	Does your Board/Management Team oversee and/or manage other sustainability issues? Yes/No		
	E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development?		13 CLIMATE ACTION

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs
Social	S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median FTE total compensation S1.2) Does your company report this metric in regulatory filings? Yes/No	GRI 102: General Disclosures 2016	10 REDUCED INEQUALITIES
	S2. Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY
	S.3 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 and/or consultants	GRI 401: Employment 2016	
	S.4 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 GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY
	S.5 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	
	S6. Non-Discrimination	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No	GRI 103: Management Approach 2016*	10 REDUCED INEQUALITIES
	S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	GRI 403: Occupational Health and Safety 2018	3 GOOD HEALTH AND WELL-BEING
	S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	GRI 103: Management Approach 2016*	3 GOOD HEALTH AND WELL-BEING
	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*	8 DECENT WORK AND ECONOMIC GROWTH
	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*	10 REDUCED INEQUALITIES
	S11. Nationalization	S11.1) Percentage of national employees S11.2) Direct and indirect local job creation		8 DECENT WORK AND ECONOMIC GROWTH
	S12. Community Investment	S12.1) Amount invested in the community, as a percentage of company revenues		8 DECENT WORK AND ECONOMIC GROWTH

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs
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	10 REDUCED INEQUALITIES
	G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independents	GRI 102: General Disclosures 2016	
	G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No	GRI 102: General Disclosures 2016	
	G4. Collective Bargaining	Percentage: Total enterprise headcount covered by collective bargaining agreement(s) *Applicable to companies operating in countries in which collective bargaining is applicable by law	GRI 102: General Disclosures 2016	10 REDUCED INEQUALITIES
	G5. Supplier Code of Conduct	G5.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G5.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016*	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	G6. Ethics & Anti-Corruption	G6.1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No G6.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016*	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	G7. Data Privacy	G7.1) Does your company follow a Data Privacy policy? Yes/No G7.2) Has your company taken steps to comply with GDPR rules? Yes/No	GRI 103: Management Approach 2016*	
	G8. Sustainability Reporting	G8.1) Does your company publish a sustainability report? Yes/No G8.2) Is sustainability data included in your regulatory filings? Yes/No		
	G9. Disclosure Practices	G9.1) Does your company provide reporting frameworks? Yes/No G9.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No G9.3) Does your company set targets and report progress on the UN SDGs? Yes/No		
	G10. External Assurance	Are your sustainability disclosures assured or validated by a third party? Yes/No	GRI 102: General Disclosures 2016 * GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards	


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