



بورصة الكويت
BOURSA KUWAIT

Sustainability Disclosure Guide

For Bursa Kuwait Listed Issuers

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About this Guide

Boursa Kuwait has developed this sustainability disclosure guidance with the aim to support Kuwait listed issuers to report on Environmental, Social, and Governance (ESG) issues in order to meet the growing information needs of various stakeholders including investors, customers, suppliers, and regulators.

This guide proposes an initial set of 26 sustainability indicators that are in line the State of Kuwait's sustainable development ambitions as set out by the Kuwait Vision 2035 and the National Development Plan “New Kuwait”. This guide is also aligned with the recommendations of the Sustainable Stock Exchanges Initiative (SSEI) and the World Federation of Exchanges (WFE).

This guide is intended for all issuers listed on Boursa Kuwait and its application is voluntary. Listed issuers are strongly encouraged to refer to this guide in reporting sustainability practices.

Boursa Kuwait recognizes that moving to best practice sustainability performance and disclosure will be unique to each company based on its own business environment, sector of operation, and value chain. Listed issuers may choose to look beyond this guide and 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 section of this guide.

Unified Direction for a Sustainable Future

On January 30, 2017, the Government of Kuwait unveiled the country’s National Development Plan, branded as “New Kuwait”. Derived from His Highness the Emir, Sheikh Sabah Al-Ahmad Al-Jaber Al Sabah’s vision statement, the Kuwait National Development Plan mobilizes development efforts across seven pillars with the aim of transforming Kuwait into a financial, cultural, and institutional leader in the region by 2035.

His Highness the Emir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

VISION STATEMENT

“[To] transform Kuwait into a financial and trade center, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling government institutions, which accentuates values, safeguards social identity, and achieves human resource development as well as balanced development, providing adequate infrastructure, advanced legislation, and an inspiring business environment.”





Boursa Kuwait recognizes that it can play a crucial role in advancing sustainability in capital markets and effectively contributing to achieve the overall objectives of the Kuwait National Development Plan by creating an investment climate that is capable to attract funds and encourage sustainable investments.

Earlier this year, Boursa Kuwait has made a formal commitment to drive sustainability in financial markets by becoming a member of the United Nations led initiative – The Sustainable Stock Exchanges Initiative (SSEI).

“We voluntarily commit, through dialogue with investors, companies and regulators, to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among companies listed on our exchange.”

Khaled Abdulrazzaq AlKhaled –CEO of Boursa Kuwait

By joining this initiative, Boursa Kuwait aspires to lead the path for a more sustainable future by fostering market confidence in the State of Kuwait and actively contributing to national priorities.

Understanding sustainability

The concept of sustainability has been often associated with meeting the needs of the present without compromising the ability of future generations to meet their own needs. In today’s environment, sustainability has become a strategic priority for companies to capture new opportunities, reduce costs and maintain competitive advantage. The term ESG (environmental, social and governance) is particularly used by the investment community to describe the sustainability or environmental, social and governance issues – and the related risks and opportunities - that investors take into account to inform their investment decisions.

Environmental issues look at how a company mitigates the environmental impact of its business operations. Social issues look at how a company manages relationships with its employees, customers, suppliers, and the communities where it operates. Governance deals with a company’s leadership, audits and internal controls, shareholder rights and executive remuneration.

Globally, ESG is becoming mainstream as investors have widely adopted the evidence-driven view that companies adopting sustainability practices financially outperform their peers. There is growing indication that suggests that ESG factors, when integrated into investment analysis, may offer investors potential long-term performance advantages. Companies that embrace sustainability are considered to be better managed, more competitive, and highly equipped to anticipate and mitigate risks. Overall, sustainability supports long-term value creation for companies, investors and society as a whole.

Over the last decade, there has been significant growth in the adoption of sustainability in financial markets. As of April 2017, the United Nations-supported Principles for Responsible Investment (PRI) had nearly 1,700 signatories, with over USD 68 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.



Why should your company report sustainability information?

Investor interest in sustainability

- Enhance your company's ability to attract longer-term investors, including major foreign institutional investors such as pension funds. A large and growing proportion of assets managed globally are incorporating sustainability considerations in the investment decision process.

Profitability and competitiveness

- Generate financial value for your company by identifying opportunities for cost savings, revenue generation, and risk mitigation.
- Create a deeper understanding of your stakeholders' needs, which could drive innovation and enhance market differentiation and competitiveness.

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.

Enhanced reputation

- Demonstrate your company's commitments to responsibly managing environmental, social, and economic impacts.
- Enhance your company's reputation by improving stakeholders' perception of your company through reporting-related stakeholder engagement.
- Improve employee perception of your company, helping you to attract, retain, and motivate new and existing employees.

Market efficiency

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

Alignment with the Kuwait National Development Plan

- Demonstrate your company's commitment to the National Development Plan "New Kuwait" by reporting performance against key priorities and objectives of the State of Kuwait.



Recommended sustainability metrics

This sustainability disclosure guide recommends an initial set of 26 sustainability indicators. These indicators are aligned with the seven pillars of Kuwait's National Development Plan. They also include recommended KPIs from the World Federation of Exchanges (WFE) and the Sustainable Stock Exchanges Initiative (SSE). These KPIs are relevant for all sectors.

| Sustainability Dimensions | Sustainability Topics | Sustainability Indicators |
|---------------------------|--|---|
| Economy | <ul style="list-style-type: none"> ▪ Market efficiency ▪ Economic contribution ▪ Local economy ▪ Workforce | <ol style="list-style-type: none"> 1. Annual report 2. Sustainability report 3. Local procurement spending (%) 4. Full time employees 5. Employee wages and benefits (KWD) |
| Environment | <ul style="list-style-type: none"> ▪ Environmental management ▪ Energy management ▪ Atmospheric emissions ▪ Water management ▪ Waste management | <ol style="list-style-type: none"> 6. Environmental policy 7. Energy use 8. Carbon emission 9. Water use 10. Waste generated 11. Waste recycled (%) |
| Social | <ul style="list-style-type: none"> ▪ Kuwaitisation ▪ Employment ▪ Health and Safety ▪ Diversity and inclusion ▪ Training and development ▪ Human rights ▪ Business integrity ▪ Community initiatives | <ol style="list-style-type: none"> 12. Kuwaitisation (%) 13. Youth employment (%) 14. Injury rate 15. Women in the workforce (%) 16. Training hours per employee 17. Employee turnover (%) 18. Human rights policy 19. Code of ethics 20. Community investment |
| Governance | <ul style="list-style-type: none"> ▪ Board of directors ▪ Audit and internal controls ▪ Shareholder rights ▪ Executive remuneration | <ol style="list-style-type: none"> 21. Board independence (%) 22. Risk management committee at the board level 23. Non-audit fees (%) 24. Voting results 25. Links between executive pay and performance 26. Compliance with the CMA's Corporate Governance regulatory requirements |



Definition of selected key sustainability indicators

| Sustainability Pillars | Sustainability Indicators | Definition ¹ |
|--|-----------------------------------|---|
| Economy | 1. Annual Report | Disclosure of an Annual Report |
| | 2. Sustainability Report | Disclosure of a Sustainability Report or Integrated Report |
| | 3. Local procurement spending (%) | Percentage of spending on local suppliers |
| | 4. Full time employees | Total number of full time employees |
| | 5. Employee wages and benefits | Total amount of employee wages and benefits (KWD) |
| Environment | 6. Environmental policy | Disclosure of an Environmental policy |
| | 7. Energy use | Total amount of direct and indirect energy consumption in GJ ² |
| | 8. Carbon emission | Total amount of direct and Indirect GHG Emissions (Scope 1 & Scope 2) in metric tons ² |
| | 9. Water use | Total amount of water consumed in m ³ ² |
| | 10. Waste generated | Total amount of waste generated in metric tons ² |
| | 11. Waste recycled (%) | Percentage of waste recycled |
| Social | 12. Kuwaitisation (%) | Percentage of Kuwaiti nationals in the workforce |
| | 13. Youth employment (%) | Percentage of youth employed with the age range of 18-30 years old |
| | 14. Injury rate | Total number of injuries and fatalities relative to the number of full time employees |
| | 15. Women in the workforce (%) | Percentage of women in the workforce |
| | 16. Training hours per employee | Total hours of training that employees have undertaken divided by the total number of employees |
| | 17. Employee turnover (%) | Percentage of employee turnover |
| | 18. Human rights policy | Disclosure of a formal human rights policy or statement |
| | 19. Code of ethics | Disclosure of a formal code of ethics |
| | 20. Community investment | Percentage of pre-tax profit spent in the community |
| | Governance | 21. Board independence (%) |
| 22. Risk management committee at the board level | | Establishment of a risk management committee at the board level with clearly defined roles |
| 23. Non-audit fees (%) | | Percentage of non-audit fees relative to total audit fees |
| 24. Voting results | | Disclosure of detailed voting results of the latest Annual General Meeting (AGM) |
| 25. Links between executive pay and performance | | Defining links between executive remuneration and performance targets |
| 26. Compliance with the CMA's Corporate Governance regulatory requirements | | Disclosure of the extent of compliance against the CMA's Corporate Governance regulatory requirements |

Notes:

1. Measurement of sustainability performance indicators should cover a fiscal reporting period.
2. Sustainability performance indicators can be normalized to/expressed in relative terms to revenues, production, or number of employees.

Appendix: 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. More than 24,000 reports have been registered in GRI's Sustainability Disclosure Database and 27 countries and regions reference GRI in their policies. 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.



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Disclaimer

This sustainability disclosure guide is issued by Boursa Kuwait to familiarize listed issuers with sustainability reporting. While this guide is intended to provide an initial set of guidance for listed issuers to report on relevant sustainability indicators, it may not be comprehensive in its scope and coverage. Although every reasonable effort has been taken to present relevant information in this guide, Boursa Kuwait does not make any warranty, whether implied or expressed, or assume any legal liability or responsibility for the completeness or reliability of the contents of this guide or any decision made based on this information.

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