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10 Why consider
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Focusing on ESG is not a new trend for Saudi Tadawul Group. It is also not something to be considered in isolation; collaboration and collective action are key.

In 2018, Saudi Exchange (formerly the Saudi Stock Exchange 'Tadawul') became a partner exchange supporting the UN Sustainable Stock Exchanges Initiative to promote ESG awareness initiatives and encourage sustainable investment, in collaboration with market participants such as issuers and investors¹.

Since then, Saudi Exchange has engaged with listed companies, standards-setters, index providers, ratings providers, investors, and other stock exchanges, through a myriad of mediums to help advance ESG disclosure in the Saudi capital market. The Exchange feels a responsibility to support the advancement of ESG in Saudi Arabia, and the wider region, and so it remains focused on raising awareness and encouraging listed companies to disclose on ESG.

These guidelines have been created as a useful resource for listed companies to help them navigate ESG. This is important as ESG is an ever-changing landscape; as it advances and the Saudi capital market continues to develop, an updated version will be issued. The intention is to ensure the guidelines remain relevant and can continue to act as a catalyst supporting the sustainable and inclusive growth of the Saudi capital market, for the benefit of all market participants.

¹ <https://sseinitiative.org/all-news/tadawul-joins-united-nation-partnership-programme-for-sustainability/>

Saudi Exchange CEO Foreword



"Saudi Arabia is undergoing a rapid transformation under Vision 2030 to become a nation with a financial ecosystem that connects the hopes and opportunities of the Middle East to the world. Saudi Exchange sits at the center of the economic ambitions that will drive this transformation."

Mohammed Al-Rumaih, CEO of Saudi Exchange

Saudi Exchange is one of the most liquid stock exchanges in the world and ranks among the top 10 largest exchanges globally by market capitalization. The decisions and practices investors and businesses undertake on Saudi Exchange have a direct bearing on the Kingdom's ability to meet the targets set out in the United Nations Sustainable Development Goals (SDGs).

This carries significant responsibilities and as our Exchange continues to move from strength to strength, we want to ensure the growth we are helping to enable is not just financial. We want to facilitate a financial ecosystem that rewards companies and investors who recognize value beyond financial statements.

What is more, the Saudi capital market is developing rapidly and as it advances the level of international interest has been increasing. In the wake of Saudi Exchange being included in several international indices, and several other milestone developments, the number of Qualified Foreign Investor's (QFI's) has increased exponentially. In 2017, only 50 QFIs had registered accounts in the Saudi capital market. In four years, the number has increased 50 times and there are now more than 2500 QFIs. For a growing number of investors sustainability and Environment, Social, and Governance (ESG) is often at the heart of their investment

decision-making process and as such ESG is no longer a topic that listed companies can ignore.

As of the end of 2020, there were over 203 listed issuers on Saudi Exchange with a total market capitalization of over SAR 9.10 trillion (USD 2.42 trillion). This represents a huge force for change. Many of the companies listed on Saudi Exchange already embody the principles and practices that underpin ESG because they recognize the intrinsic value of a sustainable growth model. However, more needs to be done to ensure that the efforts that have already been undertaken are recognized and that more listed companies are encouraged to disclose more regarding ESG.

Incorporating ESG into the way the financial ecosystem operates helps create an economically efficient and sustainable financial system that contributes to long-term value creation and benefits the Kingdom as a whole. Saudi Exchange has a responsibility to adopt international best practices, foster market literacy and investor protection and deliver on its socio-economic responsibilities. Working with issuers to support their ESG journey's is fundamental for the advancement of the Saudi capital market. Together, we can harness Saudi Arabia's financial might and channel it to accelerate inclusive, sustainable growth and support the global effort to realize the SDGs.

Why Saudi Exchange supports ESG disclosure

Financial markets globally are increasingly prioritizing companies and business practices that don't just deliver returns for investors but create value in a way that helps improve the world in the process.

Stock exchanges globally are playing an increasingly important role in promoting the cause of sustainable development. They are well placed to connect national markets to global ESG investment trends, and build capacity by promoting ESG standards, products, services, and practices. With such a large volume of assets globally now guided by sustainable investment practices, Saudi Exchange has a responsibility to all its market participants to highlight the importance of ESG and the opportunities available.

Saudi Exchange is central to the transformation of Saudi Arabia's economy as it is facilitating the advancement of the capital market which is a key pillar of the Financial Sector Development Program, part of Vision 2030². Sustainable growth sits at the heart of Vision 2030, and the principles that guide the development and implementation of Vision 2030 also sit at core of ESG practices, which is why Saudi Exchange is committed to encouraging ESG disclosure across the financial ecosystem.

² <https://www.vision2030.gov.sa/v2030/vrps/fsdp/>

³ <https://www.unpri.org/about-the-pri/annual-report-2020/6811.article>

⁴ <https://www.unpri.org/pri/about-the-pri>

Saudi Exchange feels a responsibility to ensure that all its issuers are aware of ESG and feel supported in their journey towards ESG disclosure. Especially as a large and growing proportion of assets managed globally are with asset managers and owners who are incorporating ESG considerations in the investment process.

By the end of 2020, the United Nations-supported Principles for Responsible Investment (PRI) had over

3,000

signatories managing more than

\$103 trillion

in assets under management (AUM)³

This is a significant improvement from 2010 when there were only 734 signatories with US \$21 trillion AUM and shows the direction of travel⁴.

What are the Principles for Responsible Investment?

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5

We will work together to enhance our effectiveness in implementing the Principles.

Principle 6

We will each report on our activities and progress towards implementing the Principles.

For these investors, ESG information provides insight into the quality of corporate management and helps investors forecast company performance by providing a more comprehensive view of the company. Effective analysis of relevant ESG factors has become a fundamental part of assessing the value of an investment for many investors. For these reasons, investors are asking companies to communicate how they are managing ESG-related risks and opportunities.

By driving the adoption of ESG disclosure by listed companies and supporting the development of the next generation of market leaders, we can together create a more stable and transparent financial system that actively supports the growth of responsible businesses.



Who are these guidelines for?

The guidelines have been designed to raise awareness on the importance of ESG and to encourage issuers to consider ESG and what its application could look like for their company.

The guidance document provides an overview of ESG for issuers, the key questions to consider, and it introduces a selection of the reporting options available for companies to quantify their ESG practices and embark on their own ESG journey.

Collective ESG disclosure will help to advance the Saudi capital market, support our Nation's efforts to realize Vision 2030 and support the global commitment to achieve the UN SDGs.

These guidelines are intended to help companies listed on Saudi Exchange to:



Increase awareness and understanding of what ESG is and why it is important



Identify, prioritize, and assess what ESG factors are most critical for their business



Navigate and make sense of the complex and ever-changing ESG landscape

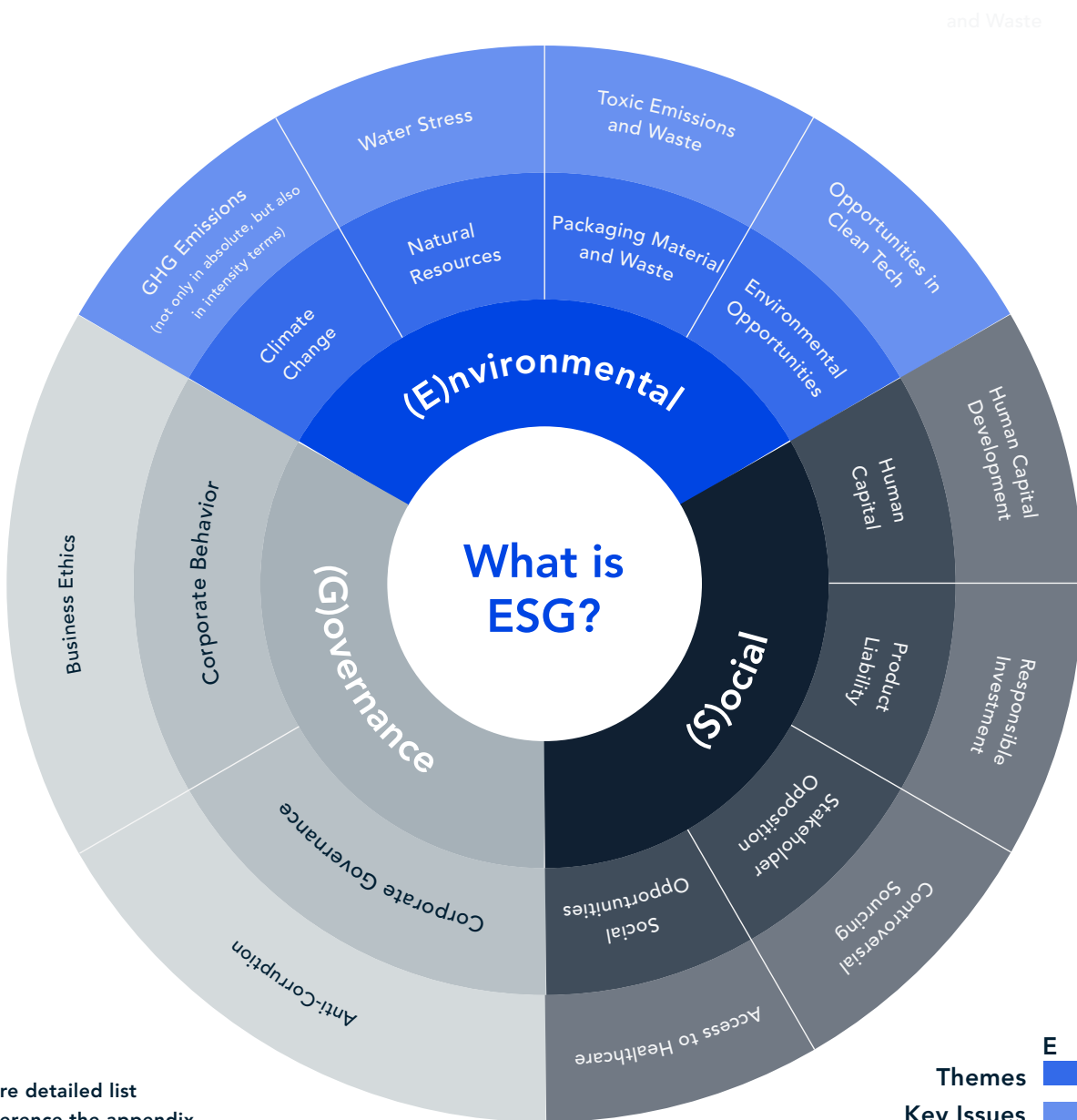


Refer to the various reporting initiatives and frameworks available for companies to consider in preparing ESG reports

What is ESG?

This document primarily refers to the term “ESG” because it is commonly used among market participants. However, the term “sustainability” is often used interchangeably as it is more popular among companies. For the purpose of this guidance, both terms encompass the broad set of environmental, social and governance considerations that can affect a company’s ability to execute its business strategy and create value. While ESG factors are at times called “non-financial” or “extra-financial”, how a company manages ESG undoubtedly has material consequences.

Below are some key themes and issues that fall under E, S and G*:



*For a more detailed list please reference the appendix

Below are some of the ministries, authorities and foundations that are shaping the sustainability agenda in Saudi Arabia, in line with Vision 2030:



Growing importance of ESG in the Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia is committed to implementing sustainable development and attaches the highest priority to this endeavor, as commensurate with the Kingdom's specific context and national principles.

The Kingdom is implementing flagship initiatives to deliver on its objectives, which include but are not limited to:

Circular Carbon Economy

Under Saudi leadership, the "Safeguarding the Planet" theme was one of the key themes of the 2020 G20 summit. The G20 Leaders have endorsed the Circular Carbon Economy (CCE) as an inclusive platform which is a voluntary, holistic, integrated, inclusive, pragmatic, and complementary approach to promote economic growth while enhancing environmental stewardship through managing emissions in all sectors including, but not limited to, energy, industry, mobility, and food. CCE builds on the pillars of the circular economy, where operating systems are transformed from their existing linear structures to more circular systems, mirroring nature's biological cycle.

Sustainable Development Goals

The Kingdom of Saudi Arabia is fully committed to a set of 17 goals to end all forms of poverty, fight inequalities, protect the planet and ensure prosperity for all as part of Agenda 2030 for Sustainable Development. The voluntary national review by the Ministry of Economy and Planning issued in 2018 highlights the progress that has been made in all 17 areas and describes concrete plans that are either in place or in the planning phase to further the Kingdom's position in each of these areas.

Why consider disclosing on ESG?

Strengthen financial performance

A growing number of studies make the business case for companies to fully integrate sustainability into their business strategy. The evidence suggests that strong corporate performance on ESG factors correlates positively with improved cost of capital and financial performance.

Reporting on how sustainability initiatives are linked to strategy, financial performance and valuation provides important benefits. Some companies measure sustainability impacts on future cash flows and weighted average cost of capital. Integrating sustainability into a company's valuation methodology will assist in communicating how a company is addressing the world's most pressing challenges, from poverty and education, to climate change and biodiversity. Addressing these challenges promotes more prosperous economic systems that benefit all participants and create more stable and resilient markets within which companies operate.



Unlock new capital

- Demonstrate transparency and effective management to enhance the company's ability to attract long-term capital and favorable financing terms.
- Attract longer-term investors, including major institutional investors such as pension funds.
- Unlock the relevant information that is needed by key stakeholders to make informed decisions about the company's ability to create value in the short, medium and longer term.



Improve profitability and growth

- Generate financial value for the company by identifying opportunities for cost savings, revenue generation and risk mitigation.
- Drive continuous improvement by creating accountability and fostering collaboration with stakeholders.
- Create a deeper understanding of stakeholder needs, which could drive innovation and enhance market differentiation and competitiveness.
- Enable management and board scrutiny of ESG opportunities and risks and promote company-wide alignment on goals.
- Differentiate your company from its competitors on ESG



Enhance corporate reputation and branding

- Deliver corporate commitments to responsibly managing environmental, social, and economic impacts.
- Exhibit corporate adherence to industry ethical standards and national and international frameworks on corporate sustainability and sustainable development, particularly considering the UN Sustainable Development Goals.
- Enhance corporate reputation by improving stakeholders' perception of a company through reporting-related stakeholder engagement.
- Improve employee perception of the company, helping to attract, retain, motivate and align new and existing employees.



Advance disclosure and risk management

- Establish measurement and reporting processes for ESG information.
- Protect the company's license to operate by demonstrating corporate transparency and responsiveness to stakeholder needs.



Deepen investor relations and engagement

- Transform relationships with investors by engaging throughout the reporting process.



Measure the impact

- High-quality reporting enables the measurement of success and progress which will increase brand equity.

Value of ESG reporting

Supporting corporate strategy

High-quality corporate reporting can help a company address various goals in relation to internal and external stakeholders and inform decision-making. While reporting provides decision-useful information for stakeholders, the process of compiling this information can also strengthen internal reporting systems beneficial to the management of a company. There is a need for clear links between strategic goals, the business model, risks, opportunities, operational indicators and financial performance. With strong connections between these areas, a company becomes better able to identify and manage risk, evaluate and measure success, as well as identify future challenges and opportunities.

Identifying and understanding the audience

When considering reporting information to investors, it is important to remember that while all investors can benefit from ESG information, different investors can have distinct information needs.

Questions for issuers to keep in mind:

- How has the company engaged with relevant investors to find out what they are interested in?
- What is the ratio between institutional and retail / passive and active investors? What balance of investors do you want to achieve?
- Who are the biggest or most significant investors in the company?

While some investors may only be interested in material information that is being disclosed within a financial or integrated report, others may want supplemental, detailed sustainability information in a stand-alone report. These considerations are important early in the reporting process, as they will help define the content, scope and format of reporting, as well as engagement efforts.

Key questions to consider:

- What ESG metrics are critical for your business?
- What are your objectives for disclosing on ESG?
- What is the company already doing in terms of sustainable development and corporate responsibility?
- What gaps are there that you need to address?

Responsibility and Oversight

As a practical first step, it is useful to determine within a company the roles, responsibilities and capabilities that are relevant for ESG reporting, including identifying appropriate personnel and coordinating among them. Different departments (such as finance, investor relations, communications, legal, sustainability and each business unit) can make valuable contributions to the outcome of a report and should be involved as relevant. Input will be required from across the functional divisions of a company, as different functions within the company may be engaging with different stakeholders and managing material issues. What is important is that senior management demonstrate their commitment to ESG by providing strategic input into, and oversight over, the reporting process.

ESG is intricately linked with corporate governance and oversight. A company should engage its board of directors from the beginning, so they can help to define the ESG priorities and objectives for the company and continue to play an advisory and oversight role in the company's ESG journey going forward. ESG needs to be embedded into the culture of a company and be built into the business strategy and operational practices to deliver real impact. Such considerations are important as ESG performance increasingly affects the long-term profitability and sustainability of a company.

If the leadership commitment comes from the Board this lends credibility to a company's claims about its sustainability commitments and performance. It indicates that risks and opportunities are adequately dealt with at the highest level and is a proxy for good governance overall. In order to evaluate quality of management, many investors examine not only ESG performance and the quality of disclosures, but also the governance or management of these issues by executive teams and the board of directors.

Questions for issuers to keep in mind:

- How can the company use ESG disclosure to engage and align board members, senior executives and employees?
- What are the key issues and future goals that relate to ESG from the point of view of the CEO and/or Chairman?
- How are board members, senior executives, and employees involved in ESG-related decision-making, planning, monitoring and activities?

Relevance and Materiality

The International Accounting Standards Board defines information as "material" if its omission or misstatement could influence the economic decisions of users taken based on the financial statements. Material issues differ across companies, industries and countries.

Identifying themes

Whether a company reports on a smaller number of only the most material themes or a more comprehensive range, an effective report covers ESG considerations that are relevant to the business strategy and illustrates the link to both long-term and short-term value.

Adopting relevant performance indicators

Once a company has established which ESG themes to report on, it can begin to disclose specific performance indicators to demonstrate progress. These indicators may be generic, industry-specific or company-specific. It is recommended that companies use widely accepted indicators developed via a credible national or international process.

Questions for issuers to keep in mind:

- How does ESG fit into the company's current materiality determination process?
- What ESG factors are of most importance to the company's stakeholders?
- How can you imbed ESG in the company's long-term value creation plans?

ESG Reporting Options

The below table presents the most common formats of sustainability reporting for issuers. The applications of all three options serve the same purpose of making material ESG information publically available to existing and prospective shareholders. Issuers may refer to the ESG themes and key issues (appendix B), in conjunction with the reporting initiatives (appendix C) to better identify what is material ESG information, as well as which framework is the most suitable for them, as these differ across industries.

Stand-alone sustainability reporting	Financial reporting with material ESG factors	Integrated reporting
Sustainability reports address the relevant ESG information needs of investors and sometimes other stakeholders, such as consumers and civil society.	After a company determines certain ESG factors are material to its business over a specific time horizon, it may decide to include this information in its financial reports. These likely cover a smaller set of ESG factors than the other options listed.	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 over the short, medium and long term.

ESG reporting is most effective when the disclosures are in both Arabic and English, in order to reach a wider targeted segment of professionals globally.

Questions for issuers to keep in mind:

- How can the company leverage ESG disclosure to improve stakeholder relations?
- How can the company effectively communicate the availability of its ESG disclosure report to ensure external stakeholders engage with it?
- How can the company continue to build on the initial ESG disclosure to show progress and continue to develop?

It is encouraged for issuers to increase their visibility to the global investor community in order to be considered for ESG index inclusions by third party index providers, and position themselves as leaders in terms of sustainability. The below may support issuers in this regard:

- Active shareholder management
- Utilization of ESG assessment and data tools by third party providers
- Engaging in questionnaires addressed to the Investor Relations team

Contact Us

The Saudi Exchange is here to support all issuers throughout their ESG journey, no matter where they are in the process. If you wish to learn more about the ESG resources we have available and how we can support your company, please do not hesitate to reach out:

ESG@saudiexchange.sa



Appendix

Appendix A - Sustainability in the Kingdom of Saudi Arabia



Vision 2030

“By preserving our environment and natural resources, we fulfil our Islamic, human and moral duties. Preservation is also our responsibility to future generations and essential to the quality of our daily lives. We will seek to safeguard our environment by increasing the efficiency of waste management, establishing comprehensive recycling projects, reducing all types of pollution and fighting desertification. We will also promote the optimal use of our water resources by reducing consumption and utilizing treated and renewable water. We will direct our efforts towards protecting and rehabilitating our beautiful beaches, natural reserves and islands, making them open to everyone. We will seek the participation of the private sector and government funds in these efforts.”



Ministry of Economy and Planning

“Since the very inception of the SDGs, the Kingdom of Saudi Arabia took an active part in related consultations and has pledged its commitment to meet the goals once they were endorsed in September 2015. Since then, Saudi Arabia has always reaffirmed its commitment during its participation in various regional and international conferences and forums. The Kingdom’s commitment was set into action through the Royal Order that mandated the Minister of Economy and Planning (MEP) to follow up on this important dossier. A key task of the Ministry of Economy and Planning in this regard is to create alignment of the national context with the SDGs. This is addressed through the pivotal role assumed by MEP in providing support to government agencies with respect to strategic planning and implementation, as well as in providing data, statistics and studies to stakeholders, along with harmonization of sectoral and regional plans between the relevant authorities. In addition, MEP promotes the role of the private sector and charitable societies and associations towards realization of the SDGs, through development of methodologies and proposals designed to improve productivity and efficiency of the public, private and third sectors. As the lead agency for the strategic objective “Enhance businesses’ focus on the sustainability of the national economy” under the National Transformation Program (NTP 2.0), MEP assumes a leading role in promoting the private sector’s role in sustainability.”



Ministry of Finance

“States seek to achieve sustainable development and at the same time to ensure that it does not affect the financial situations, also it enhances the ability to overcome the crises through making the maximum use of human, financial and natural resources, without prejudice to the wealth of future generations. This wealth is to be kept to support and to meet the needs in order to ensure that there is no over-reliance on natural resources through the adoption of better mechanisms that will help to identify potential risks and to deal with either medium or long term risks. This requires accurate knowledge of the outputs of those resources and their impacts on the overall state economy.”



Ministry of Commerce

“Ministry of Commerce has been depending on two main interrelated principles for its works and activities. Such two principles appear in sustainable development and preservation of environment. The ministry has always sought to achieve the comprehensive concept of sustainability in all its e-Services and transactions where all its procedures are being re-engineered in a suitable way allowing updates, restructuring and innovation in addition to integration with other relevant government agencies. All over such work activities and processes re-engineering, the Ministry has never ignored preservation of environment.”



Capital Market Authority

“Capital Market Authority aims to build an advanced capital market and playing an active and central role in meeting the economy’s financial needs. This aim highlights the importance of enhancing the Market’s role in supporting the growth and sustainability of companies.

CMA takes into account a number of significant factors that are included in the listed governance such as conflict of interest policies, Board of Directors’ role in observing obligations, risks management and enhancing the institutional investor’s role in this regard. CMA believes in the importance of the corporate governance in the investors’ protection and corporate sustainability and growth.

With Saudi Vision 2030 as a roadmap, the Kingdom of Saudi Arabia aims to build an advanced capital market that is open to the world and capable of attracting local and international capital as well as playing an active and central role in meeting the economy’s financial needs. This aim highlights the importance of enhancing the

Market's role as a channel to finance the establishment and sustainability of the economy's institutions, private companies, and development projects."



Ministry of Energy

"The Ministry of Energy leads the development and implementation of a range of policies with direct relevance to the environmental, social and economic pillars of sustainability.

It has initiated various national programs to rationalize and increase the efficiency of energy consumption in the construction, industry and transportation sectors. The Ministry of Energy also leads on the establishment and growth of the renewable energy industry. It has introduced a program aimed at capitalizing on the vast renewable energy potential within the kingdom.

In climate change space, the Ministry of Energy provides an oversight of domestic climate change policies and leads their implementation. It champions the Circular Carbon Economy approach to enable the energy transition. The Ministry supports national entities in the implementation of climate change policies. It acts as a focal point for international engagement and collaboration, communication and negotiations on climate change policies and initiatives."



Ministry of Labor and Social Development

"The Ministry of Labor and Social Development in its various works and activities relies on achieving the sustainable development, proceeding from its vision "An Efficient labor market generates productive and sustainable job opportunities which polarize the workforce " where the Ministry is seeking seriously to achieve the sustainability in its broader inclusive meaning in all the services it provides including the electronic services in addition to what the Ministry implements such as the transactions and internal procedures in a manner that enables to reshuffle and restructure all its procedures in a way that allows the sustainable renewal and the possibility of the expansion ,updating in addition to joining any other government agencies related to these procedures.

The Ministry of labor and Social Development work on implementing the sustainable development with its broader concept relying on well-studied work plans through which the Ministry can utilize all the available human resources without consuming or exploiting the coming generation's rights in these resources. In this respect the Ministry considers the economic, social and humanitarian dimensions in all the works implemented."



Ministry of Investment

“Based on its vision to be a pioneer in developing quality investments that facilitates sustainable development, the Ministry of Investment of Saudi Arabia (MISA) is responsible for following up and assessing investment performance, alleviating the difficulties encountered by investors, conducting studies and research and drafting executive plans to stimulate local investments.”



Ministry of Environment, Water and Agriculture

“The Ministry of Environment, Water and Agriculture depends on two main principles: sustainable development and environmental conservation, as it aims to achieve sustainability of all its services and projects in its comprehensive sense, bearing in mind the implementation of the sustainable development concept. It also depends on its action plans to benefit from all the available natural resources without prejudice to the rights of future generations over natural resources.”



King Khalid Foundation

“We believe that sustainable business is good business. We believe that when communities thrive, so too do the companies that operate within them.

We are trusted by some of Saudi Arabia’s leading companies to design sound sustainability projects that deliver tangible environmental and social outcomes. We use our skills to help organizations employ responsible business practices that actively add value – both to their business model, and to the wider community. Through collaboration, we work to generate economic growth that benefits everyone, in support of a more inclusive future.”

Appendix B - ESG themes and key issues

The Saudi Exchange has gone through great lengths and efforts to communicate with various market participants and understand how issuers can benefit the most from adhering to global best practices in reporting and shareholder management (kindly refer to the Saudi Exchange's Investor Relations Toolkit on our website). As part of these ongoing efforts, and since there are many interconnected players in the ESG landscape (such as ratings and index providers which have several methodologies and criteria when assessing a company's ESG profile), the exchange has studied and benchmarked several leading information providers based on their ESG assessment capabilities, and has compiled the most common material themes and key issues, the purpose of which is to support listed companies in their disclosure journey.

The below table is a compilation of some of the most common ESG themes and key issues*:

ESG	Themes	Key Issues	Definitions
(E)nvironmental	Climate Change	GHG Emissions (not only in absolute, but also in intensity terms)	Companies are assessed on how actively and effectively the entity is managing its direct and indirect exposure to GHG emissions risks and opportunities relative to other comparable entities in its sectors.
		Product Carbon Footprint	Companies are evaluated on the carbon intensity of their products and their ability to reduce the carbon footprint in their supply chains or in the use of their products and services.
		Financing Environmental Impact	Financial institutions are evaluated on the environmental risks of their lending and underwriting activities and their ability to capitalize on opportunities related to green finance.
		Climate Change Vulnerability	Insurance companies are assessed on the physical risk that climate change may pose to insured assets or individuals.
	Natural Resources	Biodiversity and Land Use	Companies are evaluated on the potential impact of their operations on biodiversity in their areas of operation and their efforts to manage the environmental impact of their operations.

*Definitions are from STG, MSCI, and S&P.

ESG	Themes	Key Issues	Definitions
		Water Stress	Companies are evaluated on the water intensity of their operations, the water stress in their areas of operation and their efforts to manage water-related risks and opportunities.
		Raw Material Sourcing	Companies are evaluated on the environmental impacts of the raw materials used in their products and their efforts around supply chain traceability and certification.
	Pollutions and Waste	Toxic Emissions and Waste	Companies are evaluated on the potential environmental contamination and toxic or carcinogenic emissions arising from their operations and the strength of their environmental management systems.
		Packaging Material and Waste	Companies are evaluated on their production of or reliance upon packaging materials, their potential exposure to waste management and packaging regulations and their efforts to reduce the environmental impact of packaging materials.
		Electronic Waste	Companies are evaluated on their production of electronic waste, their potential exposure to e-waste regulations and their efforts around product collection and recycling.
	Environmental Opportunities	Opportunities in Clean Tech	Companies are evaluated on their clean tech innovation capacity, strategic development initiatives, and revenue generated from clean technologies.
		Opportunities in Green Building	Companies are evaluated based on the resource consumption and carbon intensity of their property assets, their potential exposure to environmental building regulations and their efforts to improve the environmental performance of their real estate assets.
		Opportunities in Renewable Energy	Companies are evaluated on their efforts to develop renewable power generation capacity and/or enable renewable power development through network expansion and “green power” offerings.

ESG	Themes	Key Issues	Definitions
		Opportunities in cleaner hydrocarbon energy (such as CCUS)	Companies are evaluated on their efforts to develop cleaner hydrocarbon energy, such as the Carbon Capture, Utilization, and Storage (CCUS).
(S)ocial	Human Capital	Labor Management	Companies are evaluated on the complexity of their workforce (size, labor intensity, and regions of operation), the relationship between management and labor, the strength of worker protections, and their employee engagement efforts.
		Health & Safety	Companies are evaluated on their management of workplace safety and the workplace safety standards in the industries and regions in which they operate.
		Human Capital Development	Companies are evaluated on their workforce talent requirements and their ability to attract, retain, and develop a highly skilled workforce.
		Supply Chain Labor Standard	Companies are evaluated on the management and transparency of their supply chain and the working standards in the regions in which their suppliers are located.
	Product Liability	Product Safety & Quality	Companies are evaluated on their exposure to possible recalls or product safety concerns, the strength of their supply chain and sourcing systems, their quality management efforts in manufacturing and their responsible marketing practices.
		Chemical Safety	Companies are evaluated on the possible presence of harmful chemicals in their product portfolio, their potential exposure to strengthening or pending chemical regulations and their efforts to develop less harmful alternatives.
		Privacy & Data Security	Companies are evaluated on the amount of personal data they collect, their exposure to evolving or increasing privacy regulations, their vulnerability to potential data breaches, and their systems for protecting personal data.

ESG	Themes	Key Issues	Definitions
		Responsible Investment	Companies are evaluated on their integration of environmental, social and governance considerations in the management of their own assets or the assets they manage on behalf of others.
	Stakeholder Opposition	Controversial Sourcing	Companies are evaluated on their dependence on and purchasing volume of raw materials procured from conflict areas and their efforts around traceability and certification.
	Social Opportunities	Access to Communications	Companies are evaluated on their efforts to expand connectivity and access to information in developing countries and historically underserved markets (e.g. rural, elderly).
		Access to Finance	Companies are evaluated on their efforts to expand financial services to historically underserved markets, including small business lending and the development of innovative distribution channels.
		Access to Healthcare	Companies are evaluated on their efforts to expand health care products and services to developing countries and underserved markets (e.g. low regional physician concentration), including equitable pricing mechanisms, patents, capacity advancement and product donations.
		Opportunities in Nutrition and Health	Companies are evaluated on the nutritional content of their food products and their efforts to introduce products with an improved nutritional or health profile.
	(G)overnance	Corporate Governance	Board
Tax Transparency			Companies are evaluated on their estimated corporate tax gap (i.e. gap between estimated effective tax rate and estimated corporate income tax rate), revenue reporting transparency and their involvement in tax-related controversies. This is a Key Issue in the Governance Pillar and is relevant for all companies.

ESG	Themes	Key Issues	Definitions
		Pay	Companies are evaluated on the alignment between their pay and other incentive practices and corporate strategy. This is a Key Issue in the Governance Pillar and is relevant for all companies.
		Ownership & Control	Companies are evaluated on their equity ownership structure and its potential impact on shareholder rights and the interests of other investors. This is a Key Issue in the Governance Pillar and is relevant for all companies.
		Accounting	Companies are evaluated on the transparency, independence and effectiveness of their audit and financial reporting practices. This is a Key Issue in the Governance Pillar and is relevant for all companies.
	Corporate Behavior	Business Ethics	Companies are evaluated on their oversight and management of business ethics issues such as fraud, executive misconduct, corrupt practices, money laundering, or anti-trust violations. This is a Key Issue in the Governance Pillar and is relevant for all companies.

Appendix C – Reporting initiatives



UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with over 8,000 companies and 4,000 non-business signatories based in 160 countries, and over 85 Local Networks. Business participants are expected to publicly report on their progress in an annual Communication on Progress. For guidance on global best practices on reporting on comprehensive ESG information, see GC Advanced criteria and GC Basic Reporting Guidance.

More from United Nations Global Compact:

"We provide a principle-based framework, best practices, resources and networking events that have revolutionized how companies do business responsibly and keep commitments to society. By catalyzing action, partnerships and collaboration, we make transforming the world possible – and achievable – for organizations large and small, anywhere around the globe."



UN GUIDING PRINCIPLES REPORTING FRAMEWORK (UNGP REPORTING FRAMEWORK)

The United Nations Guiding Principles Reporting Framework has been developed through RAFL, which is co-facilitated by Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights, and international accountancy firm Mazars. The Framework is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights as set out in the UN Guiding Principles. It provides a concise set of questions for a company to consider and report on in order to know and show that it is meeting its responsibility to respect human rights in practice. It offers clear and straightforward guidance on how to answer these questions with relevant and meaningful information about human rights policies, processes and performance.

More from UNGP:

"The UN Guiding Principles Reporting Framework is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights. This responsibility is set out in the UN Guiding Principles on Business and Human Rights, which constitute the authoritative global standard in this field. The UNGP Reporting Framework was launched in February 2015. The Reporting Framework provides a concise set of questions to which any company should strive to have answers in order to know and show that it is meeting its responsibility to respect human rights in practice. It offers companies clear and straightforward."



UNCTAD INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING (ISAR)

ISAR assists developing countries and economies in transition to implement best practices in corporate transparency and accounting in order to facilitate investment flows and economic development. ISAR achieves this through an integrated process of research, intergovernmental consensus building, information dissemination and technical cooperation.

More from ISAR:

“ISAR is the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the United Nations focal point on accounting and corporate governance matters. It was established in 1982 by the United Nations Economic and Social Council (ECOSOC). Through its Division on Investment and Enterprise, the United Nations Conference on Trade and Development (UNCTAD) serves as ISAR’s secretariat, providing substantive and administrative inputs to its activities.”



CDP

CDP 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.

More from CDP:

“CDP runs the global environmental disclosure system. Each year CDP supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. We do so at the request of their investors, purchasers and city stakeholders. Over the last two decades we have created a system that has resulted in unparalleled engagement on environmental issues worldwide.”



CLIMATE DISCLOSURE STANDARDS BOARD (CDSB)

CDSB is a consortium of eight business and environmental organizations: CDP; CERES; The Climate Group; The Climate Registry (TCR); The International Emissions Trading Association (IETA); World Council for Business and Sustainable Development (WCBSD); World Economic Forum (WEF); and World Resources Institute (WRI). The organization is supported by a Technical Working Group consisting of business, accountancy bodies, the major accountancy firms, academia and others, as well as investors. CDSB is committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital by offering companies a Framework for reporting environmental information with the same rigor as financial information.

More from CDSB:

“CDSB is an international consortium of business and environmental NGOs. We are committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital.

We do this by offering companies a framework for reporting environmental information with the same rigour as financial information. In turn this helps them to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also benefit from compliance-ready materials.”



GRI

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 two-fold: 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.

More from GRI:

“GRI (Global Reporting Initiative) is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. We provide the world's most widely used standards for sustainability reporting – the GRI Standards.”

guidance on how to answer these questions with relevant and meaningful information about their human rights policies, processes and performance.”



INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)

The 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.

More from IIRC:

"The International Integrated Reporting Framework and Integrated Thinking Principles have been developed and are used around the world, in over 70 countries, to advance communication about value creation, preservation and erosion."



SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB, a non-profit US-based organization, issues sustainability accounting standards that reporting issuers can use to disclose material sustainability information in filings with the Securities and Exchange Commission. SASB standards identify sustainability topics and related accounting metrics, at an industry level, that are likely to constitute material information to companies in that industry. Through the beginning of 2016, SASB is developing provisional standards for more than 80 industries in 10 sectors. SASB's standards development process includes evidence-based research, multi-stakeholder working groups, a 90-day public comment period, and a review by an independent standards council.

More from SASB:

"SASB Standards are maintained under the auspices of the Value Reporting Foundation, a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved, or eroded. The resources—including Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards—can be used alone or in combination, depending on business needs."



THE FINANCIAL STABILITY BOARD (FSB) TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The TCFD provides an industry-driven, voluntary framework to encourage consistent financial disclosures on material climate related risks and opportunities, for use by investors, lenders, insurers, and other stakeholders. In developing this framework, the TCFD considered the material physical and transition risks, as well as the opportunities associated with climate change and what constitutes effective financial disclosures across eight key sectors. The recommendations are designed to help firms understand what financial markets want from disclosure in order to assess and manage climate-related risks and opportunities, encouraging listed equities and fixed income issuers to align their disclosures with investors' needs.

More from the TCFD:

"The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, 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."

