



Guidance on Sustainability Reporting



August - 2018

Contents

First: About this Guidance	5
Second: Sustainable Stock Exchanges Initiative	6
Third: Sustainability and its Importance	6
Fourth: Sustainability Reports Preparation	7
Fifth: Recommended Sustainability Metrics	12



First: About this Guidance

A- The purpose:

This guide has been prepared to guide ASE listed companies to report on sustainability information, and inform on specific voluntary ESG disclosure requirements.

B- Objectives:

This guidance aims to:

1. Raise awareness among the listed companies about the importance of sustainability and its benefits to all stakeholders.
2. Encourage listed companies in reporting periodically on their sustainability performance.
3. Assist listed companies in preparing their sustainability reports.

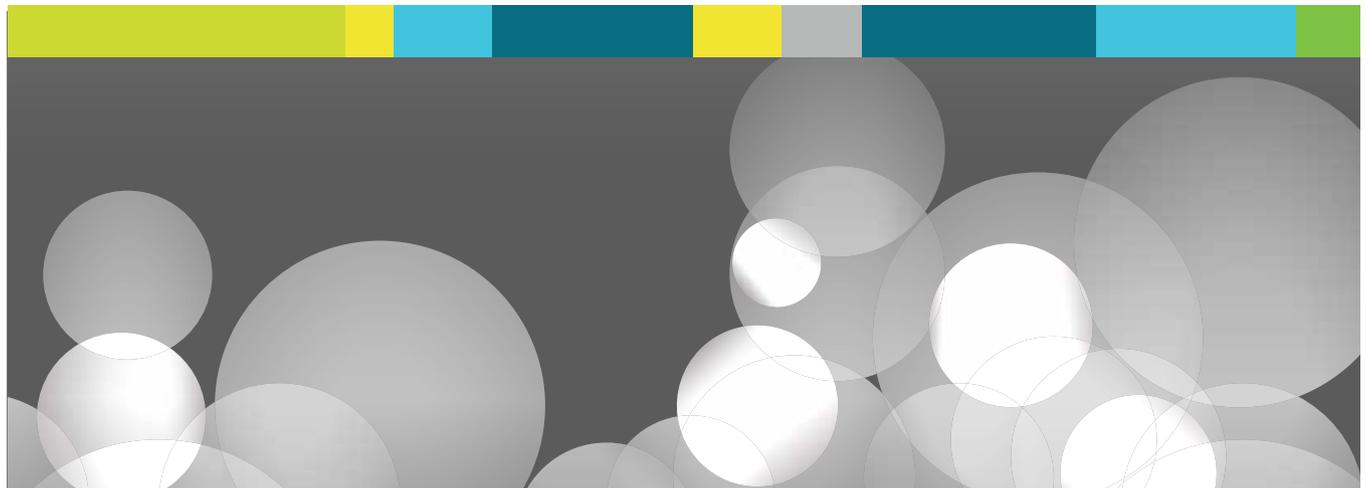
c- Users:

All listed companies at the Amman Stock Exchange (ASE).



Second: Sustainable Stock Exchanges Initiative

The Sustainable Stock Exchange (SSE) is an initiative launched by the United Nations that aims to encourage stock exchanges - in collaboration with investors, regulators, and companies - to promote sustainable development (environmental, social and corporate governance (ESG)) issues. The SSE is coordinated by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI).



As part of the ASE commitment to promote sustainable development and enhance the sustainable practices of listed companies, the ASE has joined the United Nations Sustainable Stock Exchanges (SSE) initiative in March 2016.

“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 in the Amman Stock Exchange (ASE).”

Nader Azar - CEO of the ASE

Third: Sustainability and its Importance

Sustainability means meeting the needs of the present without compromising the ability of future generations to meet their own needs. Whereas Sustainability management is the practice of managing companies' impact on the economic, social and environmental issues for the purpose of identifying risks and opportunities that increasingly impact the success of companies through driving performance gains and increasing competitiveness. Therefore, Sustainability became a strategic priority for companies to reduce cost, promote innovation, and build a competitive edge.

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

Therefore, due to the importance of sustainability, stock exchanges are encouraging listed companies to report on sustainability information and highlight how ESG issues are integrated in the companies' activities.

Encouraging listed companies to report on sustainability will contribute to:

1. Increasing investors' awareness on sustainability performance indicators that may impact the financial performance of the company. Companies' disclosure of sustainability risks enables investors to assess the impact of these risks on the company's operations and environmental performance.
2. Increasing the interest of listed companies on sustainability issues and encourage them to effectively contribute to environment protection.
3. Encouraging the government and companies to direct their investment towards sustainability priorities such as issuing green bonds.
4. Keeping up with global requirements and recent trends related to disclosing financial and non-financial matters for the companies.

Importance of Sustainability to Companies:

Investment managers around the world are increasingly allocating more funds in listed and unlisted companies that implement sustainability principles and thus contribute to achieving sustainable development.

In this essence, companies that are keen to implement sustainability principles should first adopt effective procedures in order to contribute positively in serving local community. Second, companies should communicate with all stakeholders to determine their needs and material issues taking into consideration the nature of its business that relate with sustainability issues.

There are several positive outcomes resulting from companies' adoption of sustainability principles, such as:

1. Reducing business risks and fostering growth opportunities for the company.
2. Realizing gains and maintaining the viability of the firm.
3. Enhancing operational efficiency and increasing the company's profitability by reducing the costs and rationalizing the exploitation of resources.
4. Enhancing the company's workforce satisfaction.
5. Maintaining the safety level of the company's operational activities.
6. Fostering the reputation of the company and its brand to build competitive advantage.
7. Fostering the company's ability of strategic planning to work in the long run.

Fourth: Sustainability Reports Preparation

A- Sustainability Reports

The main objective of sustainability reports is to measure the company's performance in achieving its sustainability objectives. This also include disclosing this performance to all internal and external stakeholders in a way that covers all positive and negative contributions of the company in governance, social and environment , with the aim to reduce risks and maintain the viability of the firm in the future.

Within this framework, sustainability reports can be used for the following purposes:

- Assessing the sustainability performance of the company.
- Demonstrate how the company is impacted and affected by sustainability.
- Comparing the company's sustainability performances against other companies' performance within a specific timeframe.

B- Steps for Preparing Sustainability Report.

Reporting on ESG performance should start by integrating the sustainability concept in the company's daily activities. The company should then create a sustainability team from its staff to

communicate with stakeholders, and obtain their sustainability goals and priorities. The company should determine the sustainability issues that are considered material for disclosure along the Key Performance Indicators (KPIs) to measure these aspects.

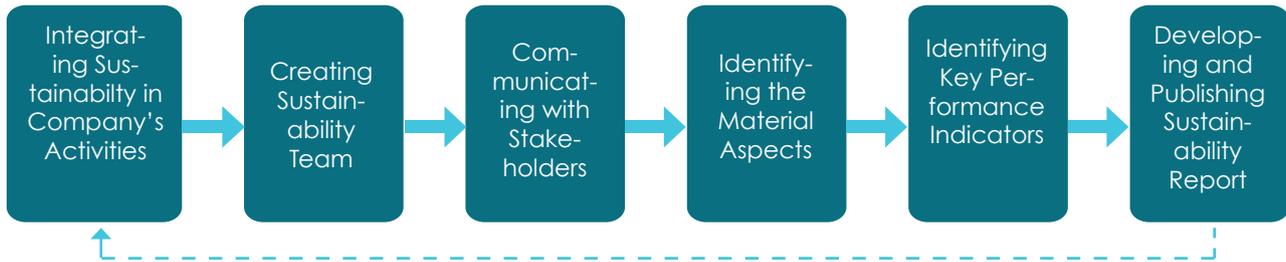


Figure (1) Steps of Preparing Sustainability Report

1- Integrating Sustainability in Company's Activities

If the company wishes to implement sustainability, it should develop its general strategy and the detailed work plans, while taking into consideration the integration of ESG issues in its strategy, corporate culture and operations. This will support both the company's long-term profitability, and the mechanisms for monitoring and measuring the impacts of embedding sustainability into the company's activities.

2- Creating Sustainability Team

The company should create a sustainability team which consists of employees from all departments. The mission of the team is to implement the sustainability strategy in their departments, and collect sustainability data from their departments in order to prepare for the annual sustainability report.

3- Engaging Stakeholders

The company should engage with all its stakeholders before the preparation of its sustainability report. Stakeholders include regulators, customers, suppliers, business partners, and shareholders. Engaging stakeholders enables the company to understand their needs, respond to their expectations and identify their priorities. Engaging stakeholders will facilitate building a comprehensive and effective strategy that meets their needs.

Engaging stakeholders could be done through sending questionnaires or conducting dialogues and sharing views and opinions sessions.

The World Business Council for Sustainable Development has classified stakeholders into two categories:

1. Direct stakeholders: who are directly affected by the company's strategy and activities such as shareholders and employees.

2. Indirect stakeholders: who are indirectly affected by the company's strategy and activities; they are the individuals and organizations that deal with the company, such as customers, suppliers, NGOs, capital markets, financial analysts, government agencies and local community.

4- Identifying the Material Aspects

The company should identify the material aspects that affect directly or indirectly its ability to execute its business activities. Materiality in sustainability reporting is not limited to those sustainability topics that have a significant financial impact, but also takes into consideration economic aspects such as economic performance, market presence and environmental aspects such as emissions, energy, water and social aspects such as equal pay between men and women and human rights respect.

Due to the amount of the information that may be included in the report, it may not be appropriate to disclose all activities related to ESG performance. The company should determine the relative materiality of each aspect that has been identified. It is important to emphasize that an efficient and effective report should include the most important aspects of sustainability that are based on understanding the needs and priorities of stakeholders.

5- Identifying the KPIs

Once the company has identified the ESG issues to report on, it will need to develop performance indicators (KPIs) to measure and track progress. KPIs help the company to measure how successful it is in implementing sustainability. Developing KPIs would also facilitate comparing the values of these indicators to each other over the years, as well as comparing their values against other competitors.

The KPIs are divided into **environmental indicators**, ex: energy consumption or water consumption, **social indicators**, ex: employees' turnover rate or gender pay ratio, **economic indicators**, ex: the proportion of expenditure on local suppliers, and **governance indicators**, ex: confidential voting policy.

It is worth mentioning that there are global standards used in sustainability measurement such as Global Reporting Initiative (GRI), UN Compact Global, Principles for Responsible Investments and the recommended ESG KPIs by the World Federation of Exchanges (WFE).

6- Developing and Publishing Sustainability Report

Once the company completes all the above mentioned steps, it has to embed all the prepared information in a report dedicated for this purpose.

The company should seek feedback from all related parties on the report in order to identify the possibilities for improving the report and enhancing the knowledge in the next reporting cycle.

C- Content of the Sustainability Report

The GRI Sustainability Reporting Guidelines provide reporting guidance for companies' preparation of sustainability reports regardless of the sector they operate in. These guidelines clarify the general and specific standards disclosures that should be included in the companies' sustainability report as shown below:

General Standards Disclosures

Strategy and Analysis

These Standard Disclosures provide a general strategic view of the organization's sustainability, in which the organization's general manager provides a statement about the relevance of sustainability to the organization's strategy. Particularly with regard to the approach used by the company to manage the significant economic, environmental and social impacts related to its activities, in addition to highlighting a summary of the main risks and opportunities surrounding the organization.

Organizational Profile

These Standard Disclosures provide an overview of organizational characteristics of the organization, such as: name of the organization, its brands, products and services, main location, number of countries that it operates in, nature of ownership and legal form, number of employees classified in accordance to work contract and gender, description of the organization's supply chain, significant changes regarding to organization's size, structure or ownership, etc.

Material Aspects and their boundaries

These Standard Disclosures provide an overview of the organization's process and the criteria used to define the report contents, and how the organization has implemented the reporting principles such as materiality, stakeholder engagement, etc, as well as mentioning the most material aspects regarding sustainability which are based on understanding the needs and priorities of stakeholder, and then clarifying the impacts of applying these aspects on them. This part also clarifies whether there are any restatements of information provided in previous reports, and the reasons behind them.

Stakeholder Engagement

These Standard Disclosures provide an overview of the stakeholders engaged with in the preparation of the report in order to understand their needs and respond to their expectations. The company should mention their names and provide the basis of selection, as well as mentioning the main issues that have been raised through their engagement, and the company's response to these issues.



Report Profile

These Standard Disclosures provide an overview of the basic information regarding the report, such as: reporting period, the date of most recent previous report, the contact point for answering questions regarding the report, as well as Content Index in accordance to the GRI, and indicating whether the report has been externally assured.



Governance

These Standard Disclosures provide an overview of the structure and composition of the company's governance regarding the board of director members and its committees, their independence and the criteria used to nominate them, These disclosures also present the board of directors' role in setting the organization's purpose, values, and strategy, identifying their competence and ability to understand economic, environmental and social impacts, as well as their role in managing risks and in preparing sustainability reports.



Ethics and Integrity

These Standard Disclosures provide an overview of the organization's values, principles, standards and norms of behavior such as codes of conduct and ethics, as well as presenting its internal and external mechanisms for seeking advice on ethical and lawful behavior.

SPECIFIC STANDARD DISCLOSURES



Disclosures of management approach

Disclosures of management approach means giving the organization an opportunity to explain how it manages the economic, environmental and social impacts of the material aspects which were identified by the organization earlier. These disclosures provide information on how the organization identifies, analyzes and responds to the actual or potential economic, environmental and social impacts.



Indicators

Sustainability Indicators provide information regarding economic, environmental and social performance of the organization. Therefore, they are a critical part of the sustainability report. Each of the economic, environmental and social aspects has one or more indicator that can be used to measure the organizational commitment to sustainability.

Fifth: Recommended Sustainability Metrics

This guide recommends twenty-eight sustainability indicators for disclosing ESG performance, adapted from World Federation of Exchanges (WFE) guidance and in line with the GRI standards. Companies can build their sustainability reports and may include the recommended indicators presented in the table below.

ESG	Indicators	Measurement	GRI Standards
Environmental	Direct & indirect energy consumption	Total amount Kilojoule (KJ).	302-1 302-2
	Energy Intensity	Amount of Direct Energy Used per M3 of Space & per FTE.	302-3
	Primary Energy Source	Cite Specific Energy Type in majority of direct usage.	302-1
	Water management	Total amount of water consumed, recycled, or reclaimed, M3.	303-1 303-3
	Waste management	Total amount of waste generated, recycled, or reclaimed (by type and weight).	306-2
	Environmental policy	Does your company publish and follow an EP? Yes, No.	
	Environmental impacts	Did your company bear any legal/ regulatory responsibility for an environmental impact? Yes/ No.	307-1

ESG	Indicators	Measurement	GRI Standards
Social	CEO Pay Ratio	Ratio: CEO Salary & Bonus to Median FTE Salary.	102-38
	Gender Pay Ratio	Ratio: Median Male Salary to Median Female Salary.	405-2
	Employee Turnover Rate	Percentage of Change for FTEs, Contractors & Consultants.	401-1
	Gender Diversity	Percentage of FTE, Contractor, and Consultant Positions Held by Women.	405-1
	Non- Discrimination	Does your company publish and follow a non-discrimination policy? Yes, No.	406-1
	Injury Rate	Total number of injuries and fatalities relative to workforce.	403-2
	Child labor	Does your company prohibit child labor? Yes, No.	408-1
	Human Rights Policy	Does your company publish and follow a Human Rights policy or statement? Yes, No.	412
	Board - Diversity	Percentage of Board Seats filled by Independents & Women.	405-1
	Donations	Total amount of donations and grants paid by the company.	203-1
	Employee qualification	Number of training programs attended by companies' employees.	404-2
	Community Work	Number of community initiatives launched by the company.	102-12
	Health	Does your company offer health insurance for the employees? Yes, No.	

ESG	Indicators	Measurement	GRI Standards
Governance	Board- Separation of Powers	Does your company allow the CEO to sit on the board, act as chairman, or lead committees?	102-23
	Confidential Voting	Are your board votes (individually or collectively) made public? Yes, No.	
	Incentivized Pay	Are company executives formally incentivized to perform on ESG? Yes, No.	102-35
	Fair Labor Practice	Does your company (or supply chain) inhibit workers from organizing? Yes, No.	407-1
	Supplier Code (SC) of Conduct	Does your company publish and follow a SC? Yes, No.	102-16
	Ethics Code (EC) of conduct	Does your company publish and follow an EC? Yes, No.	102-16
	Bribery/ Anti-Corruption Code (BAC)	Does your company publish and follow a BAC? Yes, No.	205
	Tax Transparency	Does your company publish and follow a tax policy that is overseen by the Board? Yes, No.	



Tel: 00962 6 5664109 - 00962 6 5664081
Fax: 00962 6 5664071



Amman Stock Exchange
Arjan Area - Near Ministry of Interior
P.O. Box 212466
Zip Code 11121 – Amman - Jordan
info@ase.com.jo



www.exchange.jo



@ASEofficialJo



ASELIVE



ASE NEWS