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BAHRAIN BOURSE

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ESG REPORTING GUIDE

Supporting sustainable capital markets through enhanced disclosure

Updated December 2022

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INTRODUCTION

The increased focus on sustainable development, climate change, and the global transition to more sustainable and inclusive economies have led to a rapid increase in demand for transparent and comprehensive reporting on Environmental, Social and Governance (ESG) information.

Just as investors use traditional financial data to assess the business's performance, they use ESG data to evaluate the sustainability risks that may affect the company's financial performance. Depending on the investment strategy, ESG data can inform various stages of the investment process, including stock selection, portfolio construction and risk management. This additional layer of extra-financial information can support investors make better informed decisions.

Most ESG data comes from companies' public disclosures. Companies disclose this information through a number of channels, including sustainability reports, annual reports, website, and public data agencies such as CDP (formerly known as Carbon Disclosure Project). Investors can get relevant information directly from these sources. They can also purchase this data from third-party data providers - ESG rating agencies - that collect, aggregate, and package the ESG data disclosed by companies to generate insights on the company's ESG performance and associated sustainability risks.

The principles of sustainability are well embedded in Bahrain Economic Vision 2030. Companies in Bahrain are expected to create shared value and inclusive growth, to assess their impacts on capitals and resources, and to contribute national, regional and global visions and plans, such as accelerating the fulfilment of the United Nations Sustainable Development Goals - a call to action to protect the planet and guarantee the global well-being of people. These common goals require the active involvement of individuals, businesses, administrations and countries around the world.

By 2030, Bahrain's private sector should be able to drive a sustainable economic growth, leveraging Bahrain vision's three guiding principles: sustainability, fairness, and competitiveness. Economic growth can only be achieved through preserving the environment, the Kingdom's cultural heritage, and the long-term well-being of Bahraini citizens.

Stock exchanges have historically played an important role in the development of capital market institutions, promoting transparency and good governance. This role has expanded to further include the introduction of capital market policies and instruments designed to promote more sustainable investment practices, address the challenges posed by climate change, and support the achievement of the UN Sustainable Development Goals (SDGs).

Bahrain Bourse takes the ambition of the Bahrain Economic Vision at heart. We understand our critical role as a catalyst for sustainable capital markets and as a key driving force to promote ESG disclosure among listed companies. As a Partner Exchange member of the Sustainable Stock Exchanges (SSE) initiative[1] , and a member of the World Federation of Exchanges (WFE)[2] , Bahrain Bourse has made a formal commitment to drive sustainability in capital markets.

This ESG reporting guidance is an important new tool that aims to encourage and assist listed issuers in providing ESG information that investors use to inform their investment decisions while also supporting companies align with Bahrain Economic Vision 2030 and the UN Sustainable Development Goals (SDGs). We hope this report helps improve transparency and disclosure in the capital markets of Bahrain.

[1] Sustainable Stock Exchanges initiative (SSE)
https://sseinitiative.org/

[2] World Federation of Exchanges (WFE)
https://www.world-exchanges.org/

PURPOSE OF THE GUIDE

This ESG reporting guidance aims to increase awareness and understanding of the importance and benefits of ESG reporting and disclosure by establishing a roadmap for companies on integrating ESG into business decisions, company strategy, reporting, and operations.

This guide aims to assist listed companies to address environmental, social and governance (ESG) issues in their reporting to meet the requirements of institutional investors for material ESG information.

This guide also encourages listed companies to disclose a set of 29 ESG metrics and indicators - in alignment with the recommendations of the Sustainable Stock Exchanges (SSE) initiative and the World Federation of Exchanges (WFE). These ESG metrics are listed in Appendix A of this guidance document. This guide is intended for all companies listed on Bahrain Bourse and its implementation is on a voluntary basis.

What is ESG?

The term ESG encompasses the broad set of environmental, social and corporate governance considerations that play a role in an organisation's ability to execute their business strategy, track performance and create value.

ESG reporting has become essential, not only for investors seeking performance indicators, but also for companies trying to increase operational efficiency and decrease exposure to risks.

ESG factors cover a wide spectrum of issues that were traditionally not part of financial analysis yet may have financial relevance. This might include how corporations respond to climate change, how good they are with water management, how effective their health and safety systems are in preventing accidents, how they manage their supply chains, how they treat their workers and whether they create a corporate culture that builds trust and fosters innovation[3].

Investors use ESG data to screen potential investments. But unlike Socially Responsible Investments (SRI), which is based on ethical and moral criteria and uses mostly negative screens, such as excluding in tobacco or gambling products, ESG investing is based on the assumption that ESG factors have financial relevance.

ESG describes three categories of factors that may affect an organization's performance, and therefore, its value. ESG criteria are best suited to effectively assess an organization's resilience, adaptability, long-term sustainability and capacity for growth.

The table below provides examples of ESG criteria.

Environmental	Social	Corporate Governance
Environmental management	Workforce training	Independence of board and board committees
GHG emissions	Workplace safety and employee wellbeing	Internal controls and audits
Energy management	Diversity and Inclusion	Executive compensation
Water and wastewater management	Human rights and community relations	Shareholders' rights
Waste and hazardous materials management	Customer privacy and data security	Business ethics
Ecological impacts and biodiversity	Product quality and safety	

[3] Forbes "The Remarkable Rise of ESG"– July 2018
https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/#455e43241695

Investors

ESG information provides insights into the quality of management and the environmental and social impact that can affect financial performance; it also helps investors identify companies that are well positioned to sustain their performance over the long term and avoid those which are likely to underperform or fail. As of April 2019, more than 2,300 investment management firms representing USD86 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 USD21 trillion in assets under management[4].

The Global Sustainable Investment Alliance (GSIA) 2018 report finds that sustainable investing assets in Europe, the US, Japan, Canada, and Australia and New Zealand were USD 30.7 trillion at the beginning of 2018, a 34 percent increase since 2016[5].

As climate-related uncertainty has increased, large institutional investors—such as pension funds, investment funds, insurance companies, foundations, endowments, and others—have begun to explore various approaches to managing this risk and capitalizing on its upside potential. Globally, a group of 409 institutional investors collectively managing more than USD24 trillion in assets has issued a statement pledging their commitment to meaningfully address climate risk[6]. BlackRock, which manages more than USD7 trillion globally, has set a goal to manage USD1 trillion in sustainable mandates by 2030, from USD90 billion at the end of 2019[7].

Large asset owners and asset managers are at the top of the investment chain and, therefore, have an important role to play in influencing the organizations in which they invest to provide better climate-related financial disclosures. In January 2020, BlackRock chief executive officer, Larry Fink, issued a letter[8] to companies declaring and reaffirming BlackRock's stance on sustainable investing. In support of this new commitment towards sustainability and climate integrated portfolios, Blackrock announced a number of initiatives[9] to place sustainability at the centre of its investment approach. The asset management company also commits to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and business practices.

Goldman Sachs announced the formation of the Sustainable Finance Group in July 2019. The Sustainable Finance Group will aim to deliver sustainable growth solution for the company's clients.

The asset management firm also announced[10] a USD 750 billion, 10-year initiative that aims to invest in, finance and advise companies and projects in nine different areas such as clean energy, affordable education, and accessible healthcare and overhauled lending policies to exclude ventures like new Artic drilling. In January 2020, the investment bank announced that it will no longer take a company public unless the company has at least one female board member[11]. This mandate is the latest in a global movement that emphasises that diverse boards and management are beneficial to the companies.

[4] UNPRI
https://www.unpri.org/pri/about-the-pri
[5] 2018 Global Sustainable Investment Review – March 2019
http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
[6] SASB "Converging on Climate Risk: CDSB, the SASB, and the TCFD" – September 2017
https://www.sasb.org/wp-content/uploads/2019/08/SASB_CDSB-TCFD-ConvergingOnClimateRisk-091817-web.pdf
[7] Pensions and Investments "Demand for ESG means more decisions for investors" – January 2020
https://www.pionline.com/exchange-traded-funds/demand-esg-means-more-decisions-investors
[8] BlackRock "Larry Fink's Letter to CEOs - A Fundamental Reshaping of Finance" – January 2020
https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter
[9] BlackRock "Sustainability as BlackRock's New Standard for Investing" – January 2020
https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter
[10] Goldman Sachs "Sustainable Finance" – January 2020
https://www.goldmansachs.com/what-we-do/sustainable-finance/index.html
[11] The New York Times "Goldman's Playbook for More Diverse Corporate Boards" – January 2020
https://www.nytimes.com/2020/01/24/business/dealbook/goldman-diversity-boardroom.html

Credit rating agencies

Credit rating agencies are increasing their efforts to identify environmental, social and governance risks for companies as investor and regulator demand in sustainable investments rises amid competition from independent ESG ratings firms. Credit rating agencies have started to offer separate ESG scores on companies in addition to their traditional assessments of creditworthiness. Three of the biggest credit-rating agencies are already incorporating ESG factors in their credit analysis.

Fitch Ratings launched its integrated scoring system which shows how ESG factors impact credit rating decisions. Fitch's analytical teams produce "ESG Relevance Scores" which display both the relevance and materiality of ESG elements to the rating decision. These assessments are sector-based and entity-specific, and currently apply to 1,500 non-financial corporate ratings[12].

S&P Global Ratings has developed a separate "ESG Evaluation" product that takes a broader look at such risks, in addition to publishing reports that include relevant ESG risks for some sectors and companies, including some leveraged firms. In 2019, S&P Global acquired the ESG ratings arm of RobecoSAM, a Swiss asset manager, as demand for data on sustainable investments increases. As a result, S&P will be in charge of RobecoSAM's annual survey of corporate sustainability practices, which covers more than 5,000 companies[13].

Moody's Corporation announced in 2019 that it has acquired a majority stake in VigeoEiris, a global ESG research firm. This acquisition furthers Moody's objective of promoting global standards for ESG for use by market participants and recognizes the increasing demand for ESG considerations from investors, issuers, capital markets and other stakeholders[14].

ESG Rating Agencies

ESG rating agencies are increasingly influential in determining how capital is allocated as they help index providers and fund managers understand and quantify the ESG performance of companies.

ESG ratings agencies assess and quantify the ESG performance of companies. They also measure the level of exposure of a company against material industry risk and assess whether these risks are being adequately managed or mitigated. Ratings are usually industry-specific; key ESG issues are identified as those with most relevance to the industry. Through measuring risk exposure against these issues, a company's management system and performance indicators, ESG rating agencies determine how a company is managing ESG related risks.

ESG rating agencies have developed numerous ESG indices which are designed to help investors measure, benchmark and manage the stock performance of the world's leading companies in terms of economic, environmental and social criteria. MSCI Inc. has developed more than 600 equity and fixed income ESG indices, while S&P Dow Jones Indices has more than 75 ESG indices. FTSE Russell, a leading provider of data solutions, also has a number of sustainable investment indices which aim to integrate ESG and investment considerations into single index solutions, sustainable investment data models, ratings and analytics[15]. These indices cover a range of industries and geographical areas. Criteria are industry-specific, and scores are weighted according to different materiality and risk exposure among different companies and industry sectors.

[12] FitchRatings "ESG" – Retrieved in January 2020
https://www.fitchratings.com/site/esg/faq
[13] Standard & Poors "S&P acquires ESG ratings arm of RobecoSAM" – November 2019
https://www.ft.com/content/098258d6-0bc6-11ea-bb52-34c8d9dc6d84
[14] Moody's "Moody's Acquires Majority Stake in VigeoEiris" –April 2019
https://s21.q4cdn.com/431035000/files/doc_news/2019/04/15/Moody%E2%80%99s-Acquires-Majority-Stake-in-Vigeo-Eiris-a-Global-Leader-in-ESG-Assessments.pdf
[15] FTSE Russell "Sustainable Investment" – Retrieved in February 2020
https://www.ftserussell.com/index/category/sustainable-investment

Sovereign Wealth Funds

In December 2017, six sovereign wealth funds came together to create the One Planet Sovereign Wealth

Fund Working Group[16]. 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 USD3 trillion in assets.

In July 2019, eight large asset managers have come together to launch the One Planet Asset Manager Initiative in a bid to advance the understanding of the implications of climate-related risks and opportunities within long-term investment portfolios through the sharing of investment practices. The founding members, which represent a combined USD15 trillion in assets under management, include Amundi, BlackRock, BNP Paribas AM, Goldman Sachs AM, HSBC GAM, Natixis IM, Northern Trust AM and State Street Global Advisors. The initiative supports the One Planet Sovereign Wealth Fund Working Group.

Banks

Global banks are increasingly embedding environmental, social and governance (ESG) factors into their lending activities and risk-management frameworks.

Banks are making greater use of ESG risk data in their lending activities as the quality of disclosures on corporate sustainability and climate-related risks improves, making it easier to access reliable and comparable data on ESG risks.

The Equator Principles (EPs), a risk management framework, were launched in 2003 and intended for financial institutions to assist in determining, assessing and managing environmental and social risk in projects. The EPs, which provide a minimum standard for due diligence and monitoring to support responsible risk decision-making, apply globally, to all industry sectors and to four financial products 1) Project Finance Advisory Services 2) Project Finance 3) Project-Related Corporate Loans and 4) Bridge Loans. Currently 101 Equator Principles Financial Institutions (EPFIs)[17] in 38 countries have officially adopted the EPs, covering the majority of international project finance debt within developed and emerging markets[18].

Green bonds, launched by the World Bank and the European Investment Bank more than a decade ago, led the way for investments that could eventually reach into trillions of dollars in climate-related projects, including renewable energy, energy efficiency, and ecosystem protection and restoration. Green bonds are debt instruments used to finance or re-finance activities related to environmentally beneficial projects, including climate change mitigation and adaptation efforts. Green bonds finance an array of sectors from clean and efficient energy to low-carbon transport and water. Green bond issuance, has grown exponentially since its inception from virtually nothing in 2012 to USD167 billion in 2018[19]. Green, social and sustainability-related bond market raised USD323 billion in 2019 as the growth in sustainable finance continued and are predicted to hit USD400 billion during 2020, according to Moody's[20].

[16] One Planet Sovereign Wealth Fund "Framework Companion Document 2019" – October 2019
https://oneplanetswfs.org/wp-content/pdfjs/web/viewer.html?file=https://oneplanetswfs.org/download/23/online-publication/827/opswf_09_22_final-spreads-low.pdf
[17] EP Association Members & Reporting – Retrieved in February 2020
https://equator-principles.com/members-reporting/
[18] The Equator Principles – Retrieved in February 2020
https://equator-principles.com/about/
[19] Standard & Poor's "Green bond market to rebound in 2019 with 20% growth, Moody's says" – January 2019
https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/49663417
[20] Wall Street Journal "Green Bonds Branch Out With Record Sale" – February 2020
https://www.wsj.com/articles/green-bonds-branch-out-with-record-sale-11581353864

Regulators

There is an increase in the regulatory requirements for reporting on ESG information. An example is the introduction of the European Directive[21] on mandatory non-financial reporting which requires large companies to publish non-financial information. The directive, which was introduced in 2014 but adopted in 2016, dictates that non-financial statements should include ESG information to help investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business.

Due to its role in monitoring and assessing vulnerabilities that affect the global financial system, the Financial Stability board, an international body that monitors the global financial system, established a Task Force, in December 2015, that aims to drive consistent climate-related financial risk disclosures. These voluntary disclosures guidelines are to be used by companies to provide information for investors, lenders, insurers and other stakeholders.

The 32-member Task Force is global; its members were selected by the Financial Stability Board and come from various organizations, including large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies. The Task Force developed four widely adoptable recommendations on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

Stock Exchanges

Co-organized by various United Nations agencies and initiatives, such as The UN Environment Programme Finance Initiative and the UN supported Principles for Responsible Investment, the Sustainable Stock Exchanges (SSE) initiative provides a multi-stakeholder learning platform for stock exchanges, investors, regulators and companies to promote ESG in capital markets and advance corporate performance on environmental, social and governance issues.

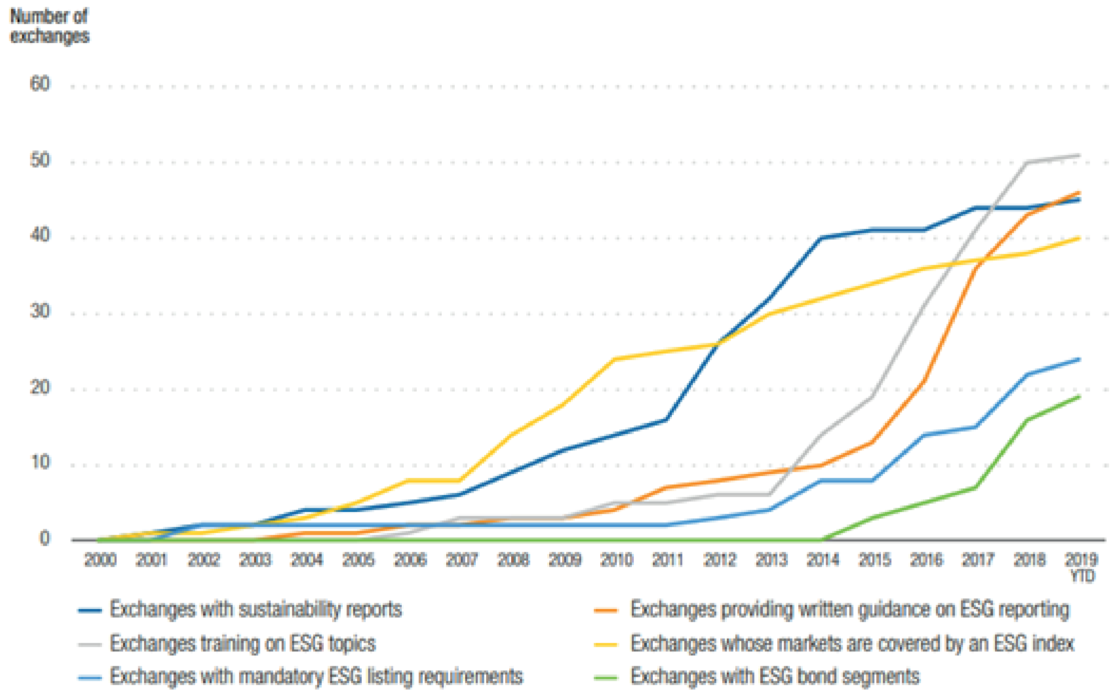
The SSE initiative partners with stock exchanges around the world to accelerate sustainability in capital markets. As of the release of this ESG reporting guidance, 94 stock exchanges have joined the initiative, Bahrain Bourse joined the SSE initiative in February 2019, reinforcing its commitment to promote sustainable and transparent capital markets in cooperation with listed companies and other stakeholders[22]. Bahrain Bourse also hosted the “Ring the Bell for Gender Equality” to raise awareness about the importance of gender equality across the capital markets, and “Ring the Bell for Financial Literacy” to emphasise the importance of investor education and protection.

The World Federation of Exchanges (WFE) – in which Bahrain Bourse is an active member - has also published a guidance for exchanges in June 2018, as a supplement for the SSE Initiative Model Guidance, aiming to identify specific metrics and baseline indicators. Since the publication of the SSE initiative Model Guidance and the WFE’s Guidance and Metrics, 47 stock exchanges around the world have issued ESG reporting guidance for their listed companies. Over 13 additional exchanges have committed to issue an ESG guidance in 2020.

In October 2018, the WFE also published a set of five Sustainability Principles as a formal declaration by the federation and its membership to promote sustainable finance.

[21] Directive 2014/95/EU of The European Parliament – October 2014
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN

[22] Bahrain Bourse “Bahrain Bourse Joins UN’s Sustainable Stock Exchanges Initiative” – February 2019
https://www.bahrainbourse.com/bahrain-bourse-joins-un%E2%80%99s-sustainable-stock-exchanges-initiative



Source: SSE database.

Figure 1 Growth of stock exchange sustainability activities

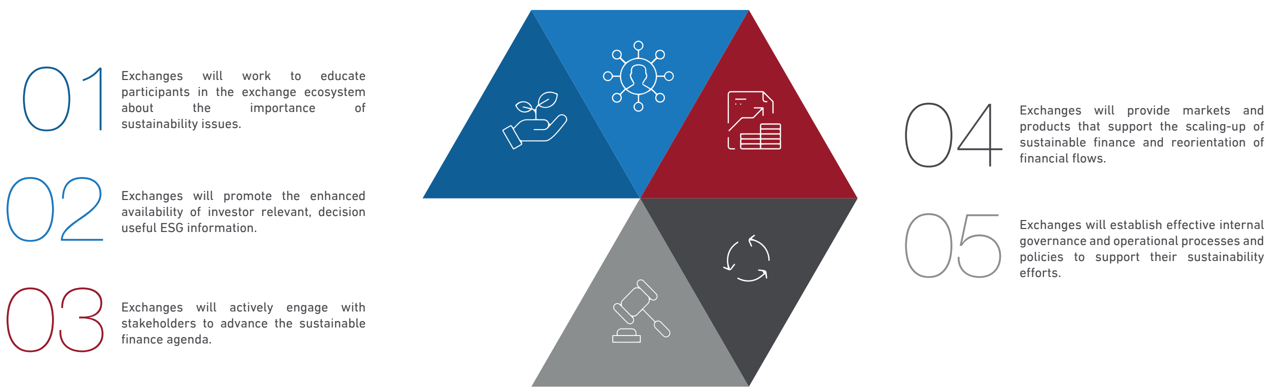


Figure 2 The five WFE Sustainability Principles[23]

[23] WFE "The World Federation of Exchanges publishes five Sustainability Principles for member exchanges" – October 2018 https://www.world-exchanges.org/news/articles/world-federation-exchanges-publishes-five-sustainability-principles-member-exchanges

IMPORTANCE OF ESG REPORTING

Aligning with Bahrain Vision 2030 and the Government Action Plan

ESG reporting can support companies align with Bahrain Economic Vision 2030 – contributing to national priorities and fulfilling economic growth ambitions. The Bahrain Economic Vision 2030 focuses on reshaping the vision of the government, society, and the economy, based around three guiding principles: sustainability, fairness, and competitiveness. Bahrain vision comes in support of the government's goal of shifting its oil wealth-based economy to a productive and globally competitive economy, driven by a pioneering private sector.

The vision aims to drive growth and sustainability through the following three pillars[24]:

AN EFFECTIVE GOVERNMENT

- Developing high-quality policies
- Delivering better-quality services
- Adopting a transparent and fair regulatory system
- Reducing independence on oil
- Developing a world class infrastructure

ROBUST ECONOMIC GROWTH

- Enhancing productivity and skills
- Diversifying the economy
- Capturing emerging opportunities

A THRIVING SOCIETY

- Providing all Bahrainis with an equal start
- Providing access to quality health care
- Enabling Bahrainis through first-class education
- Maintaining a secure and safe environment
- Providing a sustainable living environment for Bahrainis and residents

[24] Bahrain Vision 2030
https://www.bahrain.bh/wps/wcm/connect/38f53f2f-9ad6-423d-9c96-2dbf17810c94/Vision%2B2030%2BEnglish%2B%28low%2Bresolution%29.pdf?MOD=AJPERES

Following the launch of the Economic Vision 2030, the Economic Development Board (EDB) initiated an on-going programme of economic and institutional reform. The EDB led and coordinated with local ministries to compile the first National Economic Strategy, which serves as a roadmap to achieve the Vision.

The National Development Strategy identifies the following strategic objectives, to steer stakeholders and the Kingdom towards the fulfilment of the Economic Vision 2030:

1. Maintain a safe and pleasant environment
2. Achieve sustainable quality growth
3. Ensure excellence in infrastructure
4. Enhance Government performance and efficiency
5. Enhance the quality and accessibility of social services
6. Ensure sustainable development of strategic resources

The Vision also presents Bahrain's efforts in achieving the UN 2030 Agenda for Sustainable Development. The Kingdom has already taken steps to achieve the SDGs, through integrating sustainable development into the government's national urban development, infrastructure and institutional reforms. The SDGs are among the pillars on which the Government's action plans are based on to implement the Bahrain Vision 2030.

Since the adoption of sustainable development goals by the Kingdom of Bahrain, its action plan (2019-2022) has been linked to the goals of sustainable development 2030. 78% of the objectives of the SDGs are included in the government action plan. In addition, the Government Cabinet has also assigned each ministry and government entity to align its objectives, plans and policies in the current government action plan (2019-2022) with the sustainable development goals. The Government aspires to achieve the goals of sustainable development by deploying three strategic priorities that are embedded within the Government's Program of Action 2019-2022.

Overall, since the principles of sustainability are well embedded into the Bahrain 2030 Vision, incorporating ESG factors in corporate reporting will certainly further accelerate the fulfillment of the Kingdom's sustainable nationwide development plan.

Figure 3 Alignment of Bahrain Vision with UN SDGs

Supporting the UN Sustainable Development Goals

Over the past decade, the Kingdom of Bahrain has reinforced its commitment to further enhance living standards for the Bahraini citizens, through emphasising sustainable development. The UN Development Goals (SDGs) are being implemented through the Government Plan of Action in collaboration with the private sector and civil society. The Government has not only made a commitment and progress to achieve these goals, but also mapped its key national priorities revolving around: people, planet, prosperity, peace and justice, against the SDGs 2030.[25]

Achieving the SDGs also requires involvement of the private sector. ESG reporting can support Bahraini companies align with the SDGs – contributing to global and national priorities. The SDGs represent an opportunity to create a framework for selecting, monitoring and measuring the company's performance based on their impact on society and the environment. The SDGs also create a roadmap for putting the power of capitalism to work on 17 goals that range from ending world hunger to increasing access to clean and renewable energy. The United Nations estimates that it will take between USD5 and USD7 trillion spent annually to achieve all 17 SDGs, by 2030.[26] By utilizing the power of the private sector, according to a recent report by the Business & Sustainable Development Commission, achieving the SDGs could open up USD12 trillion of market opportunities in food and agriculture, cities, energy and materials, and health and well-being alone and create 380 million new jobs by 2030. Beyond providing the liquidity needed to address the SDGs, the private sector makes it easier for expertise and capital to reach the places it is needed most.

Investors are increasingly seeking out SDG-aligned investments. When surveyed, 88% of investors said they were willing to target SDG-aligned investments as long as they could achieve market-level investment outcomes over the long run.[27] The growing interest in sustainable finance and the use of ESG factors when selecting and monitoring investments has contributed to better data and analytics.

[25] Kingdom of Bahrain Voluntary National Review Report on the SDGS Key messages and statistical booklet https://www.bahrain.bh/wps/wcm/connect/72881a32-957e-43eb-af3b-f245bff64ac9/SDGs+EN.PDF?MOD=AJPERES

[26] UNDP "Impact Investment to Close the SDG Funding Gap." – July 2017 www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-tofinance-the-SDGs-.html

[27] MSCI "The State of Investing for SDG Impact Through Public Equities" – 2018

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

Institutional investors recognize ESG factors as key drivers of value, as such, they integrate these factors across the investment process to identify opportunities and hedge risks.

Demand from fund beneficiaries and other stakeholders has also driven some institutional investors to develop sustainable investing strategies.[28] Millennial investors are reportedly set to inherit an estimated USD30 trillion in wealth in the coming years. A Morgan Stanley study suggests that this group is nearly twice as likely to invest in companies and funds that meet their environmental and social values than the rest of the individual investor population. [29]

As responsible investing is on the rise so is investors demand for ESG information. ESG rating agencies continually monitor companies' ESG disclosures and performance, selecting the top performing companies in the most important international sustainability indexes such as the Dow Jones Sustainability Index and the FTSE4Good. They are considered a strategic tool to support investors identify the ESG risks and opportunities of their investment portfolio, contributing to the development of active and passive investment strategies.

ESG reporting can support companies meet the requirements of institutional investors, rating agencies ESG information. Companies with low ESG scores are usually excluded from investment portfolios and indices leading to missed opportunity for additional capital inflows from qualified institutional investors that integrate ESG factors in their investment decisions.

Strengthening financial performance, enhancing reputation and global competitiveness

Investors are increasingly embracing the idea that integrating ESG into investment strategies translates into improved corporate profits and investment performance. A growing number of institutional investors are seeking to avoid financial risks associated with ESG factors and aiming to enhance returns by investing in companies that have strong ESG track records. Strong ESG risk awareness and management can contribute to improved long-term corporate financial and investment performance, particularly when material ESG factors are mitigated.

ESG factors can provide valuable insights into possible current and future environmental and social risks and opportunities for corporate entities, given the impact and dependence entities have on the environment and society. These ESG issues in turn have the potential to lead to a direct or indirect financial impact on the entity's profits and investment returns. For example, through addressing environmental factors such as vertical integration and moving production facilities closer to suppliers, companies do not only reduce greenhouse gas emissions associated with transport but also decrease costs, thus delivering both environmental and financial benefits.

A 2016 Harvard Business School study suggests that organisations that perform well on material ESG factors significantly outperform peers with poor performance on the same issues. The study found better future stock performance and higher growth in accounting profitability for firms that did well on material sustainability factors (as defined by the Sustainability Accounting Standards Board - SASB) compared with firms with poor performance on these factors over a 20-year period. [30]

[28] McKinsey & Company "From 'why' to 'why not': Sustainable investing as the new normal" – October 2017
https://www.mckinsey.com/~/media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/From%20why%20to%20why%20not%20Sustainable%20investing%20as%20the%20new%20normal/From-why-to-why-not-Sustainable-investing-as-the-new-normal.ashx

[29] Morgan Stanley "Sustainable Signals" – 2017
https://www.morganstanley.com/pub/content/dam/msdotcom/ideas/sustainable-signals/pdf/Sustainable_Signals_Whitepaper.pdf www.undp.org/content/undp/en/home/-blog/2017/7/13/What-kind-of-blender-do-we-need-tofinance-the-SDGs-.html

[30] Mozaffar Khan, George Serafeim & Aaron Yoon "Corporate Sustainability: First Evidence on Materiality. The Accounting Review" – November 2016
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2575912

Meeting regulatory requirements

The aim of regulators is to enhance the availability and reliability of listed companies' information in relation to ESG factors. Companies that report on key ESG information not only can align with current local, regional and international regulations, but can also anticipate future regulations that may impact the company's operations. The Kingdom of Bahrain has laid down key regulations that cover Environmental, Social, and Governance issues. Few examples are presented in the table below:

المجلس الأعلى للبيئة Supreme Council for Environment	The environmental legislative system in the Kingdom of Bahrain, regulated by the Supreme Council for Environment, is among the most sophisticated systems in the region. The Kingdom aims to strengthen its efforts to protect the environment and natural resources through deploying the necessary legislative structures to ensure sound use of resources and promoting sustainable economic development. The Kingdom also ratified several regional and international agreements, conventions and protocols related to protecting the environment and achieving sustainable development, including the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC).[31]
المجلس الأعلى للمرأة Supreme Council for Women	The Supreme Council for Women is the national advisory insitution to all official organizations, which monitors the advancement of Bahraini women on the national and international level. It proposes, drafts and follows up the implementation of public policies, national plans and strategies related to women in public life in partnership with the relevant national and international stakeholders while ensuring work-life balance, family stability and nehancing the quality of life of the Bahraini community.
مصرف البحرين المركزي Central Bank of Bahrain	The Bahrain Corporate Governance Code is based upon nine core Principles of corporate governance that adhere to international best practices. The purpose of the Code is to establish best-practice corporate governance principles in Bahrain, and to provide protection for investors and other company stakeholders through compliance with those principles. The Code includes recommendations to apply the principles, as well as recommendations which support the implementation of good corporate governance. The Code is issued in a "comply or explain" framework, which means companies should comply with the recommendations, or give an explanation in the case of noncompliance. Whilst this Code follows best-practice, it is nevertheless considered as the minimum standard to be applied. Companies may adopt higher standards of corporate governance, and industry regulators, in particular the Central Bank of Bahrain (CBB) may issue additional directives or guidance as appropriate.

31 Kingdom of Bahrain Supreme Council for Environment
http://www.sce.gov.bh/en/NationalLegislation?cms=iQRpheuphYtJ6pyXUGiNqnTQ4pxyOsrc

32 The Supreme Council for Women
https://www.scw.bh/en

33 The Corporate Governance Code – Kingdom of Bahrain – 2010
https://www.moic.gov.bh/en/FAQ/Documents/Corporate%20Governance%20Code%20Bahrain%20-%20English.pdf

Globally, investor voice is directly influencing the regulatory agenda and sustainable finance has now moved onto the global regulatory agenda too. Policymakers have increasingly instituted policies requiring increased and better disclosure from investors and corporates about how they integrate and perform on ESG factors. In 2018, the European Commission introduced three pieces of legislation to incentivise and channel private sector investment into sustainable development and promote ESG disclosure.[34]

1. A Unified EU Green Classification System - 'Taxonomy': In 2019, an agreement was adopted by the European Parliament and Council on the creation of classification system for sustainable economic activities. This taxonomy aims to help scale up public and private investments to finance the transition to a climate-neutral green economy, redirecting capital to sustainable economic activities and projects.

2. Sustainability-related disclosures: Financial market participants will have to disclose to their clients the impact of sustainability on financial returns and the impact of their investment decision on sustainability.

3. Climate benchmarks and benchmarks' ESG disclosures: The main objectives of the climate benchmarks are to allow a significant level of comparability of climate benchmarks methodologies; therefore, increasing transparency on climate change disclosure; and reducing greenwashing.

Global trends further demonstrate the shift towards more stringent regulations and it is expected that countries all over the world will adopt similar legislations in the future Of the 94 Sustainable Stock Exchanges Initiative's (SSE) partner exchanges, 24 exchanges now require ESG reporting as a listing rule. Market-based mechanisms for controlling pollution and water resources have been enacted around the world. These range from carbon pricing and cap-and-trade schemes for carbon emissions. Businesses are anticipated to better measure and manage the ESG impact of their activities in order to be more resilient to future ESG-related policies, regulations, and potential reputation risk in unregulated markets.[35]

Minimising risks[36]

Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. In order to make more informed financial decisions, investors aim to understand how climate-related risks and opportunities are likely to impact a company's future financial position. While climate change affects nearly all economic sectors, the level and type of exposure and the severity of impact of climate-related risks differs by sector, industry, and geography.

Physical risks may have financial implications for companies, such as direct damage to assets and indirect impacts from supply chain disruption. While climate change could affect markets in varied and complex ways, resource availability, sourcing, and quality as well as extreme temperature changes pose the greatest risk on companies' operations, supply chain, transport needs, and employee safety – consequently, impacting financial performance. Climate change has also been identified as a potential source of reputational risk tied to the increasingly changing customer and community demands of transition to a lower-carbon economy.

Another important risk is litigation or legal risk. Reasons for legal disputes include the failure of companies to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks.

Recent research published in the Journal of Portfolio Management[37] found that companies with ESG disclosure demonstrated lower systematic risk profiles (lower costs of capital and higher valuations) and lower idiosyncratic risk profile (higher profitability and lower exposures to tail risk) than companies with weak or no ESG disclosure.

[34] European Commission "Financing Sustainable Growth" – 2019
https://ec.europa.eu/info/sites/info/files/business_economy_euro/accounting_and_taxes/documents/190618-sustainable-finance-factsheet_en.pdf

[35] Standards and Poor's "The ESG Advantage: Exploring Links To Corporate Financial Performance" – April 2019
https://www.spglobal.com/_assets/documents/ratings/the-esg-advantage-exploring-links-to-corporate-financial-performance-april-8-2019.pdf

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

[37] MSCI – The Journal of Portfolio Management – July 2019
https://www.msci.com/documents/10199/03d6faef-2394-44e9-a119-4ca130909226

How to Report on ESG?

Identifying the themes and defining material issues

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 creation. Companies can also use a variety of national and international resources to develop an initial list of ESG themes, whether these themes are generic or sector specific. For example, a company can use the UN Global Compact's 10 Principles, SDGs, SASB, and the Global Reporting Initiative (GRI) sector disclosures for reporting on environmental, labour, human rights and governance issues.

Sustainability Accounting Standards Board (SASB) identifies financially material issues, as the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors. SASB has developed sector-specific standards, which outline the most material sustainability issues for each sector. Each issue is supported with quantitative and/or qualitative assessments.

Through building a materiality matrix companies highlight issues that might pose the most risk if not tackled correctly. A materiality matrix is a representation of sustainability issues identified through analysis of their significance to both stakeholders and the company's strategy and long-term vision. These issues are identified based on their effect on the financial performance and the operations of the company.

Identifying and engaging stakeholders

Understanding the needs of the stakeholders is key in the definition of the materiality matrix which will serve as the basis for the ESG report. The term "stakeholders" encompasses customers, employees, suppliers, shareholders, affected communities and surrounding ecosystems, all of which are affected by a company's sustainability efforts. Identifying the major stakeholders allows a company to define its most material issues.

Aligning report with corporate strategy and Bahrain Vision 2030

ESG reporting allows companies to gain a better understanding of the links between strategic goals, business models, risks, opportunities, operational indicators and financial performance. With strong connections between each of these areas, a company's ability to identify and manage risks, evaluate and measure success, as well as identify future challenges and opportunities will be improved. Identifying reporting and performance gaps enables the company to work to fulfil them, thus aligning itself with corporate strategy and with Bahrain Vision 2030, subsequently accelerating it.

Referring to regional and international sector-specific standards (such as ISO)

Adopting international sector specific standards and certifications, such as ISO standards, allows companies to gain accountability and credibility.

Evaluating relevant performance indicators

Once material issues have been identified, a company can disclose specific performance indicators to demonstrate progress. Such indicators can also be adopted from leading reporting agencies and initiatives such as the GRI, SASB and Climate Disclosures Standards Board (CDSB).

Collecting quantitative data, studying trends and setting targets

Providing quantitative data allows for targets to be achieved, trend to be set and comparisons to be made over different time periods within the firm or with similar data from other companies.

Choosing reporting format and publication channels

The format and channel the ESG information is communicated through are vital to ensure the company's sustainability performance and progress are made available to all stakeholders. Companies can choose to report using any of the following:

1. Annual reports: Annual reports are intended to give shareholders and other stakeholder group information about the company's activities and financial performance. Some companies integrate ESG issues into their annual reports, aiming to provide investors with ESG disclosure at the same time as wider information about the company.

2. Stand-alone sustainability or ESG reports: Sustainability or ESG reports address the relevant ESG information needs of investors and other stakeholders, such as consumers, employees, and the civil society.

3. Integrated reports: 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.

Internal audit and/or external assurance

ESG reports are made more credible through strong internal assessment processes and/or external assurance. Internal audits are usually the task of an independent division within the company, which are responsible with reviewing and ensuring data collection systems are accurate and in accordance with guidelines. External assurance can add a degree of trust, recognition and credibility. This service is usually provided by third-party specialist firms.

BAHRAIN BOURSE SUSTAINABILITY EFFORTS

As a Partner Exchange member of the Sustainable Stock Exchanges (SSE) initiative, and as an active member of the World Federation of Exchanges (WFE), Bahrain Bourse has made a formal commitment to promote sustainable in capital markets. The issuance of this guidance constitutes a first step in our action plan to support our listed issuers.

Bahrain Bourse intends to lead by example with ESG reporting, and we look forward to report on our own ESG performance and impact. We have therefore integrated key ESG information that is material to Bahrain Bourse - as an exchange - into our Annual Report 2019.

Building our internal capacity, we have deployed a training session for our senior management and staff highlighting the importance of ESG as a fundamental element in our strategy.

Bahrain Bourse deployed several initiatives to promote sustainability, equality and justice. Bahrain Bourse hosted the "Ring the Bell for Gender Equality" to emphasise the importance of gender equality, and "Ring the Bell for Financial Literacy" to promote investor education and protection.

Bahrain Bourse aims to continuously support our listed issuers in their ESG reporting journey. Bahrain Bourse held a workshop on Sustainability and Investor Relation (IR) Digital Solutions on September 2019 as part of our efforts to promote best IR and ESG practices in the Kingdom of Bahrain. The workshop highlighted the importance of ESG disclosure in meeting growing investors' demands for listed companies and shed light on the importance of IR digital tools in communicating effectively with investors and stakeholders.

Bahrain Bourse engaged with senior management of listed companies at the individual level to further emphasis the business case of ESG within the company and provide support and guidance for ESG reporting. We invite all our listed companies to take advantage of our one-on-one engagement sessions which are offered at no cost.

Bahrain Bourse aims to further promote dialogue between investors and listed companies on ESG topics. Our ESG action plan include promoting collaboration, ESG research and supporting the development of sustainable financial products such as green/social/sustainable bonds and ESG indices.

GLOBAL REPORTING INITIATIVES AND FRAMEWORKS

The below summarizes the key global reporting initiatives and frameworks that can support companies report on ESG information.

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 non-profit 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/

GLOBAL REPORTING INITIATIVES AND FRAMEWORKS

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/

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.[38]

www.fsb-tcfd.org

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

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

In addition to developing a comprehensive ESG report that addresses key ESG issues that investors care about, Bahrain Bourse recommends that listed companies report on the 29 disclosure metrics listed in the table below. Companies are advised to utilise the following metrics in their reporting. The disclosure metrics have been aligned with WFE indicators, GRI standards, the UN SDGs and Bahrain Vision 2030. The ESG disclosure metrics have been fully aligned with the GCC ESG Disclosure Metrics to ensure a unified disclosure guideline across all GCC markets.

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
Environmental	E1. GHG Emissions	E1.1) Total amount, in CO_2 equivalents, for Scope 1 (if applicable) E1.2) Total amount, in CO_2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO_2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016	13 CLIMATE ACTION	Actual or estimated atmospheric emissions produced as a direct (or indirect) result of the company's consumption of energy. Please refer to the WRI/WBCSD GHG protocol.
	E2. Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016	13 CLIMATE ACTION	Dividing annual emissions (numerator) by relevant measures of economic output (denominator). Scaling factors set by reporting company. Examples include: Revenues, sales, production units, employee headcount, physical floor space.
	E3. Energy Usage	E3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Typically measured in megawatt-hours (MWh) or gigajoules (GJ). Direct energy is produced and consumed on company-owned or operated property. Indirect energy is produced elsewhere (i.e., utilities).

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS– 29 METRICS

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
Environmental	E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Dividing annual consumption (numerator) by relevant measures of physical scale (denominator). Examples include: Revenues, sales, production units, employee headcount, physical floor space.
	E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016	7 AFFORDABLE AND CLEAN ENERGY	Quantifying the specific energy sources most directly used by the company. “Generation type” set by reporting company; examples include renewables, hydro, coal, oil, natural gas.
	E6. Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION	Water consumed, recycled, and reclaimed annually, in cubic meters (m3).
	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		Publish a commitment, position statement, or a policy document that covers this subject. Examples of management systems: ISO14001: Environmental management system. ISO 50001: Energy management system.

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
	E8. Environmental Oversight (Management)	Does your Management Team oversee and/or manage climate-related risks? Yes/No	GRI 102: General Disclosures 2016		Does your company cover sustainability issues in senior management (as part of the official agenda) or has a management committee dedicated to sustainability-related issues?
	E9. Environmental Oversight (Board)	Does your Board oversee and/or manage other sustainability issues? Yes/No			Does your company cover sustainability issues in board meetings (as part of the official agenda) or has a board committee dedicated to sustainability-related issues?
	E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development?		13 CLIMATE ACTION	Companies measure the total BHD amount invested in climate-related issues, including R&D spend, if any.
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	As a ratio: the CEO Salary & Bonus (X) to Median (FTE - Full Time Equivalent) Salary, usually expressed as "X:1" Use total compensation, including all bonus payments and incentives.
	S2. Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	As a ratio: the median total compensation for men compared to the median total compensation for women. Reported for Full Time Equivalent (FTEs) only; Use total compensation, including all bonus payments and incentives.

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
Social	S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors and/or consultants	GRI 401: Employment 2016		Percentage of total annual turnover, broken down by various employment types. Turnover includes all job changes, whether due to dismissal, retirement, job transition, or death.
	S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women S4.2) Percentage: Entry- and mid-level positions held by men and women S4.3) Percentage: Senior- and executive-level positions held by men and women	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY	Percentage of male-to-female metrics, broken down by various organizational levels.
	S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	GRI 102: General Disclosures 2016		Percentage of Full-Time (or FTE-equivalent) positions held by non-traditional workers in the value chain.
	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	Publish a commitment, position statement, or a policy document that covers this subject.

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

Cattegory	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
	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	Total number of injuries and fatalities, relative to the total workforce.
	S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	GRI 103: Management Approach 2016	3 GOOD HEALTH AND WELL-BEING	Publish a commitment, position statement, or a policy document that covers this subject.
	S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016	8 DECENT WORK AND ECONOMIC GROWTH	Publish a commitment, position statement, or a policy document that covers this subject.
	S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016	10 REDUCED INEQUALITIES	Publish a commitment, position statement, or a policy document that covers this subject.
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	The percentage of women at the board. The percentage of committee chairs held by women.

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

Category	Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Comments
Governance	G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members	GRI 102: General Disclosures 2016		Highlight the separation of the role of chairman and CEO. Disclose the percentage of independent board members.
	G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No	GRI 102: General Disclosures 2016		Describe links between executive performance and sustainability performance, if any.
	G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Publish a commitment, position statement, or a policy document that covers this subject.
	G5. Ethics & Anti-Corruption	G5.1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No G5.2) 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	Publish a commitment, position statement, or a policy document that covers this subject.

APPENDIX A: REPORTING ON ESG DISCLOSURE METRICS – 29 METRICS

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

ABOUT BAHRAIN BOURSE

Who we are

Bahrain Bourse is a self-regulated multi-asset marketplace. Bahrain Bourse aims to offer to its investors, issuers, and intermediaries a comprehensive suite of exchange-related facilities including offering listing, trading, settlement, and depository services for various financial instruments.

We aim to offer our stakeholders with the best investment and trading solutions, and pair it with creative insights and problem-solving skills to provide our investors, issuers, and intermediaries with valuable resources to meet their every expectation. Our key growth pillars underpins our way of conducting business and how we interact with our stakeholders: Origination, Innovation, Collaboration, and Pioneering Spirit, and all of them working together is what enables us to offer you with an "Oasis of Investment Opportunities".

Our history extends back to 1987, which marked the establishment of "Bahrain Stock Exchange (BSE)", the predecessor of "Bahrain Bourse (BHB)". Since then, Bahrain Stock Exchange has achieved milestone successes, largely attributed to the support of the Government of Kingdom of Bahrain and the collaboration provided by its stakeholders. In 2010, Bahrain Bourse was established in accordance with Law No. 60 for the year 2010 as a shareholding company to replace its predecessor Bahrain Stock Exchange. Bahrain Bourse is the sole entity in the Kingdom of Bahrain licensed by the Central Bank of Bahrain to act as a licensed exchange.

Bahrain Clear, a fully-owned subsidiary of Bahrain Bourse, was established in June 2017 as a clearing house with a disclosed capital of BD5 million, and a paid up capital of BD1 million. Bahrain Clear is licensed by the Central Bank of Bahrain and offers pre and post trade services to investors as well as a range of services including transactions depository, clearing, settlement, central registry and registration. Since its establishment, BHB has joined several regional and international organizations such as Arab Federation of Exchanges “AFE”, International Organization of Securities Commissions “IOSCO”, World Federation of Exchanges "WFE", Africa & Middle East Depositories Association "AMEDA", and Association of National Numbering Agencies "ANNA", partner exchange member to the Sustainable Stock Exchanges “SSE” Initiative, and Middle East Investor Relations Association – Bahrain Chapter “MEIRA”, which enables Bahrain Bourse to bolster its position within the global capital markets.

What we do

Bahrain Bourse, as a Self-Regulated Organization (SRO) and a front-line regulator, plays a key role in shaping Bahrain’s capital markets. Bahrain Bourse provides a platform for the listing and trading of a various securities including Equities, Real Estate Investment Traded Funds (REITs), Government Bonds and Sukuks, T-Bills, Mutual Funds, and Bahrain Investment Market.

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