ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE PRACTICES IN THE MIDDLE EAST AND NORTH AFRICA REGION 2007-2017

REVIEW OF THE S&P/HAWKAMAH ESG PAN ARAB INDEX
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FOREWORD

I am proud to present to you this report on the environmental, social and corporate governance (ESG) trends over the past 10 years in listed companies in the Middle East and North Africa region.

The trends are encouraging in that the region has witnessed year-on-year improvements. Corporate governance and disclosure practices have improved drastically over the past decade. Corporate reporting on environmental and social issues, however, despite of improvements, is still clearly in its early stages.

Better ESG practices are of crucial importance to society and environment, but their importance to investors is beginning to be recognized. As this report demonstrates, better ESG practices by companies are closely correlated with higher share price valuations. ESG factors, covering areas ranging from employee to customer satisfaction, from energy efficiency to health and safety, form a core driver of competitive business strategies. A company’s greater understanding of employee attitudes, customer perspectives and impacts on communities can not only reduce risks but also be a way of identifying value-enhancing opportunities for the future.

The region’s competitiveness is dependent on the sustainability of our companies. The aim of this report is to recognize the efforts of individual companies that go the extra mile in their ESG journey, share better practices from the region and highlight areas for improvement.

I am confident that you will find the content in this report to be informative and useful both to listed companies in planning their efforts to improve their own ESG practices, and also for investors.

H.E. Hamad Buamim
Chairman, Hawkamah Institute for Corporate Governance
PARTNER’S INTRODUCTION: FINANCIAL TIMES | IE BUSINESS SCHOOL CORPORATE LEARNING ALLIANCE

The introduction to this important report makes significant points about transparency, shareholder value and the availability of published data on the ESG practices of listed companies in the MENA region.

The researchers of the Hawkamah Index have acknowledged that it was a struggle to extract meaningful data from annual reports published as recently as ten years ago. This was the period, of course, that predated the 2008 economic meltdown. Waves of post-recession legislation have sought to strengthen financial reporting rules – and non-financial reporting on sustainability, the environment, and social and corporate governance have been fortunate beneficiaries.

As a company involved in designing and delivering executive development and corporate learning programmes for large corporations, Financial Times | IE Business School Corporate Learning Alliance has seen the direct impact of this. Corporate priorities have become better aligned with ESG needs, so leadership development is rising to the challenge. Adopting a nonmarket strategy mindset by senior leaders is an ideal measure of the strategic impact of internal controls and, not least, the issues of ESG and CSR.

The area of nonmarket management is of particular importance in the modern West, and this report points to its growing influence in companies operating in the MENA region. Markets that seek to promote pan-regional business interests and activities – and indeed champion sustainable investments across a wide region – are prime targets for ESG-focused executive development. Political dynamics and regulation continue to differ considerably across MENA states, as elsewhere. So the lessons learned in economic and
social unions like the EU suggest that companies here too ought to manage proactively their nonmarket challenges. They ideally need to incorporate nonmarket considerations into the overall process of corporate strategy formulation and execution.

Yet challenges continue to exist. An arguably curious fact emerged in our own research, conducted earlier in 2017, into attitudes among C-Suite executives and middle managers on business priorities in the GCC. The ‘Trump effect’, growing US opposition to environment controls, tighter regulations on the movement of talent, economic protectionism, not to mention mistrust of political institutions and large corporations, all might be expected to create a stronger focus on nonmarket issues. Yet the 100 senior managers we interviewed across the GCC identified their top three business priorities as in-market growth, digital adoption and financial management. Perhaps this is a healthy focus, but ESG considerations should not be ignored.

In this context, the S&P/Hawkamah Pan Arab ESG Index shines a valuable and very necessary light on the nonmarket investment processes of MENA companies. ESG reporting is not always recognised in the corporate world as a desirable feature of business reporting. Nevertheless, a measure of ESG intentions and outlay, taken alongside the financial growth obligations of any successful company, offers a rightful and very positive signal to investors.

Nassim A. Ershaed
Vice President, Corporate Partnerships

To download our Pulse Report focused on the GCC region please visit:
http://resources.ftiecla.com/gccpulse
ABOUT THE ESG INDEX

Introduction

Corporate sustainability is the concept of creating long-term stakeholder value through designing and implementing business strategies that consider every dimension of how a business runs. Corporate sustainability covers three key areas; environment, social and corporate governance (ESG) practices. These factors are increasingly recognized as essential elements for protecting and creating value for companies while positioning them for a better future.

This report is based on the S&P/Hawkamah ESG Pan Arab Index – the first index of its kind in the Arab region – which monitors and ranks the transparency and disclosure practices of listed companies in the Middle East and North Africa (MENA) region on ESG issues. The Index was launched in 2011 with three years of back data meaning that we now have 10 years of data on regional ESG practices.

The Index was groundbreaking in that environmental and social factors were linked with corporate governance factors and, for the first time in the region, these factors were extensively quantified and translated into a series of scores measuring the reporting practices of MENA companies. This is important because companies which score highly on the ESG metrics are likely to be more sustainable. They are typically better at attracting and keeping competent and more committed employees and have more loyal customers. Over the long-term, they will preserve their license to operate, something which is deeded to them by society. Such advantages make them more attractive to long-term investors.

The Index identifies the MENA companies that go the extra mile in ESG reporting and policy implementation. The Index can be used by international and regional investors who seek to incorporate ESG considerations to the investment processes.

The Index is not only a tool for investors, but also for companies. Inclusion in the Index provides public recognition for a local company of its ESG practices, but the Index is more than just a badge of honor. As the Socially Responsible Investment movement spreads to the region, capital will start flowing towards companies with better ESG reporting, thereby improving their access to external capital.
Key Findings

- The S&P/Hawkamah ESG Pan Arab Index has outperformed its benchmark implying positive correlation between ESG practices by companies and their share price valuations
- Regional companies have drastically improved their disclosure practices over the past 10 years
- Corporate governance practices have improved significantly
- However, corporate reporting on environmental and social matters, despite of improvements, remains low.

Background on the Index

The Index is a result of three organizations working together: Hawkamah, who provided their expertise in regional markets, S&P Dow Jones Indices, who provided their expertise in index construction, and the International Finance Corporation, who helped to fund the development of the Index and shared their wealth of knowledge in promoting sustainable investment in other emerging markets.

Constituents

Constituents are drawn from a universe of the 150 largest and most liquid companies listed on the national stock exchanges of 11 markets: Bahrain, Egypt, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Tunisia and the United Arab Emirates, subject to a liquidity screen.

Methodology

Each company is analyzed on nearly 200 ESG issues including carbon emissions, water and energy consumption, employee health and safety, community investment, charitable giving, financial reporting, auditing, board independence and executive remuneration, with the top 50 best performing companies included in the Index. The full criteria can be found at www.hawkamah.org

The analysis is based on each company’s public disclosure, i.e., their annual reports, corporate websites, sustainability reports and market announcements.

The Index is re-calibrated annually for each financial year.
SUSTAINABLE INVESTMENT IN THE GLOBAL SPACE

Emily Ulrich
Senior Product Manager, ESG Indices
S&P Dow Jones Indices

In recent years, sustainable investing has moved to the forefront of the global agenda. This shift has been spurred by two global events. The first is the Paris Agreement, which was launched at COP 21 in 2015, and ratified at COP 22 in November 2016. The Paris Agreement’s aim is to keep global temperatures from rising above 2 degrees Celsius, as a way to combat climate change and preserve the Earth’s current state. The second (somewhat simultaneous event) was the creation of the U.N. Sustainable Development Goals, which were launched in January 2016 and consist of 17 different goals in which “countries will mobilize efforts to end all forms of poverty, fight inequalities, and tackle climate change.” These increases in interest in environmental, social, and governance are well-timed, given that the World Meteorological Organization (WMO) recently found that “concentration of CO2 in the Earth’s atmosphere reached record highs in 2016.”

Beyond government and policy actions, there has also been a financial shift toward sustainable investing. The Global Sustainable Investment Alliance found that between 2014 and 2016, socially responsible investment (SRI) assets grew by 25% in Asia, Australia, U.S., and Europe. Japan led the way, with a growth of more than 6,600% over the two-year period, while Europe experienced the lowest growth, of only 12%. This may not be so surprising, given that Europe already had close to USD 11 trillion in SRI assets in 2014.

The spread of sustainable investment into the mainstream has been largely led by asset owners. Only 20% of institutional investors in North America and Asia do not include sustainable investments in their process. In Europe, only 10% neglect to incorporate ESG.

In addition to asset owners, market participants have continued to show a passion for the market. Schroder’s 2017 global investor study focused on sustainable investing found that millennials were more likely to invest

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3 Mooney, Attracta. Investors fear ESG investing will hurt returns. Oct. 11, 2017. https://www.ft.com/content/112dd68a-ad01-11e7-beba-5521c713abf4
in sustainable funds than older generations—implying that this trend may be here to stay. The survey also found that 78% of people value sustainable investing more today than they did five years ago.\(^4\)

This movement toward the mainstream has also been recognized by S&P Dow Jones Indices, which now publishes carbon metrics on its website, along with typical financial metrics like market capitalization.

The Middle East and North Africa region (MENA) has continued to show leadership in the ESG marketplace—currently, all countries measured by the S&P/Hawkamah ESG Pan Arab Index have ratified the agreement including: United Arab Emirates, Saudi Arabia, Qatar, Oman, Kuwait, Bahrain, Lebanon, Jordan, Morocco, and Egypt.\(^5\) Of course, the S&P/Hawkamah ESG Pan Arab Index was innovative at its time of launch and continues to be a key aspect of ESG investing in the MENA region today.\(^6\)

The S&P/Hawkamah ESG Pan Arab Index has outperformed its benchmark, the S&P Pan Arab Composite Index, over the past nine-year period (see Exhibit 1.0).

![Graph showing performance of S&P/Hawkamah ESG Pan Arab Index compared to S&P Pan Arab Composite Index over nine years.](Exhibit 1.0)

**Source:** S&P Dow Jones Indices LLC. Data as of Sep. 29, 2017. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure on page 14 for more information regarding the inherent limitations associated with back-tested performance.

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\(^{5}\) Paris Agreement – Status of Ratification - [http://unfccc.int/paris_agreement/items/9444.php](http://unfccc.int/paris_agreement/items/9444.php)

As illustrated in Exhibit 2.0, the S&P/Hawkamah ESG Pan Arab Index has outperformed the benchmark by a maximum of nearly 6% and a minimum of 3.5%. The ESG index has a slightly higher risk, though never more than 0.4% as compared to the benchmark.

The index also exhibits a high tracking error (around 6%), which is not surprising as the index is not designed to be a benchmark-hugging index.

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<tr>
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<tr>
<td>1-Year</td>
<td>18.13</td>
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<td>5-Year</td>
<td>4.40</td>
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<td>7-Year</td>
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ANNUALIZED RISK (%)

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<td>3-Year</td>
<td>15.94</td>
<td>13.10</td>
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<td>5-Year</td>
<td>14.74</td>
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<td>7-Year</td>
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TRACKING ERROR (%)

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<td>3-Year</td>
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<td>5-Year</td>
<td>6.43</td>
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<tr>
<td>7-Year</td>
<td>5.74</td>
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Source: S&P Dow Jones Indices LLC. Data as of Sep. 29, 2017. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

ESG has seen a spike in interest in recent years—in both government policy and financial investment. We look forward to seeing the space grow on a global basis and within the MENA region.
PERFORMANCE DISCLOSURE

The S&P/Hawkamah ESG Pan Arab Index was launched on January 31, 2011. All information presented prior to an index’s Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. Complete index methodology details are available at www.spdji.com.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the Index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its datafeed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

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Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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The governance landscape in the MENA region has changed drastically in 10 short years. Corporate governance codes have been issued by regulators across the region for listed companies, and many of these codes have already been revised and improved.

Transparency and disclosure practices of MENA-listed companies have also evolved significantly over the past few years, and this is reflected in the sizes of annual reports they produce.
The best way to visualize the governance developments in the region is to pick up a 2007 annual report of a regional listed company and compare it to its latest annual report. Prior to 2009 it was quite difficult to obtain any publicly disclosed information of listed companies beyond the names of the board members and basic financials.

Today, the average annual report issued by a listed company in the region is 106 pages in length and is often supplemented by substantial amounts of information disclosed on the company website and, increasingly, in a separate sustainability report.

The vast majority of companies in our universe now report in English, which is helpful for international investors. Some companies publish their annual reports both in English and Arabic, while some such as Banque Centrale Populaire publish their reports in three languages – English, Arabic and French.
Companies are also increasingly providing discussions of their strategies in their annual reports. While in many cases such discussions are scattered between the Chairman’s Statement and the CEO Statement in the annual reports and often the strategy is implied rather than explicitly stated. Agthia is one of the examples of better practices in that their annual report lays out their seven step strategy entitled “How will we win?” and then sets out the progress made against these in the year under review. DP World also discusses their strategic objectives and these are linked to their corporate values in the annual report.

Risk reporting is also improving. It was unusual in 2007 to find a company that listed their major risks whereas an increasing number of companies are now readily providing an overview of their risks and processes to manage them.

These positive developments are reflected in the overall year-on-year improvements of the governance scores in our index. The improvements are significant albeit from a very low base.
Ownership structures in the MENA are often characterized as opaque. It is therefore positive to note that companies are improving transparency in this respect.

Currently 88 percent of companies disclose their largest shareholder, and based on this information, on average, the largest shareholder owns 37 percent of MENA-listed companies. The second largest owns, on average, 12 percent and the third largest owns 8 percent of shares. These figures are similar to our 2012 study indicating that there have been no significant changes in shareholding structures of MENA-listed companies.
The MENA markets continue to be dominated by block holders. This raises a number of potential governance issues which chiefly center around the protection of minority shareholders, related party transactions, conflicts of interest, information asymmetry, and the need for independent non-executive directors.

Currently, many companies post their conflicts of interest policies on their websites and related party transactions are typically listed in the notes to their financial statements. Given that these potentially amount to significant governance concerns, it would be beneficial for companies to put more emphasis on discussing such matters and set out how they manage these challenges in practice.

**BOARDS OF DIRECTORS**

The MENA shareholding structures also have ramifications on the role of the board. Boards of MENA-listed companies tend to be populated by shareholder representatives which in many cases blurs the role of the board versus the role of shareholders and often results in diminishing the decision-making functions of the board. Corporate governance in the MENA can be characterized as “shareholder-centric” rather than “board-centric”. Consequently, the role of the boards has not always been clear. It is therefore encouraging, that companies are now placing more emphasis on clearly defining the role of the board.
Most of these companies disclose the role of the board in their corporate governance manuals which are published on their websites. Often, these amount to little more than basic terms of reference, i.e., what their boards should ideally be doing, but very few companies take the time to explain what boards actually did during the year.

**Abu Dhabi Commercial Bank’s** annual report is a refreshing exception in that it lists the key agenda items discussed at the board and committee meetings during the year and sets out the percentage of time allocated to each key board responsibility such as strategy, business performance and risk over the financial year.
MENA-listed companies, on average, held 6.9 board meetings last financial year (6.7 meetings in 2012). There have been significant improvements in the disclosure of board meeting attendance records over the years. Sixty-three percent (41% in 2012) of companies in our universe now provide such disclosure.

However, the attendance records leave much room for improvement as only 28 percent of boards had full attendance at more 75 percent of the meetings, and only 9 percent of boards had full attendance at more than 90 percent of the meetings. This is a case for concern as investors often view director attendance as an important indicator of the quality of board oversight.
BOARD COMPOSITION

The average board size across the region is 8.8 directors, which is in line with our 2012 report which put the figure at 8.9. The Boards in Gulf countries tend to be fully non-executive, but some choose to have one executive board member, and in countries such as Egypt and Lebanon, there may be several executives on the board.

MENA-listed companies have improved their disclosure practices in relation to the background of their board members. The international best practice is that companies should provide disclosure on how the backgrounds and capabilities of board members are linked with the overall strategy of the company, how their expertise will help drive the company forward. But companies in our universe shy away from providing such explicit linkages and opt to provide the background information in a CV format leaving the reader to connect the dots.

On average, 46 percent of board seats are held by independent non-executive directors. This figure is slightly lower than in our 2012 review (49%) and this reflects the steps taken by the regulators, particularly in Oman and the UAE, to tighten their definitions of independence in their recently revised
corporate governance codes. We expect that this percentage will become lower in the coming years as other regulators introduce more stringent independence criteria. For example, the revision of the corporate governance in Saudi Arabia in 2017, which, among other provisions, introduces tenure limits for independent directors to 9 years.

However, there are still numerous companies that define independence rather liberally. For example, it is not uncommon to find instances of companies identifying major shareholder representatives as independent non-executive directors.

In many countries across the world, there is now broad agreement as to the desirability of gender diversity in boardrooms. The evidence has begun to speak for itself, as various studies in recent years have shown that companies with women in top management and board positions outperform their peers.

MENA-listed companies have started addressing this issue by appointing more female directors to their boards. This growth is undoubtedly aided by new regulations in the UAE which call for at least 20 percent of nominations (not appointments) to be women.
Currently, some 19% of the companies in our universe have female directors on their boards. This is a positive development, however, women’s representation on boards as percentage of all board seats is extremely low given that the great majority of these boards only have one female member. Companies such as Commercial Bank of Kuwait, Bank Audi and Arab Potash are the exceptions in that they all have two female directors on their boards, while BMCI is the only company in our universe which has three female board directors.

BOARD EVALUATIONS

Board evaluations are an important tool for boards looking to improve their own practices. They were virtually non-existent in 2007, but they have started gaining ground in recent years. Currently some 18 percent of companies in our universe carry out board evaluations.

Board evaluations may take a number of different forms. They may be self-assessments, they may be carried out by a third party, they may be questionnaire or interview based, they be carried out on the individual level or on the collective level (i.e., the board assessed as a whole), they may also cover board committee performance and etc. MENA companies would benefit from explaining in more detail the form and process of their evaluations.
Some companies disclose the rating (e.g., B+) their boards received as a result of the evaluation process. But what matters more to investors is what companies do with the results of the evaluation. MENA-listed companies could do more in terms of explaining the action plans, such as training, that arose from the evaluation. A good regional example is the annual report of DP World which stated that diversity was considered as part of their annual board evaluation and the company subsequently appointed their first female director.

**EXECUTIVE REMUNERATION**

Companies are increasingly disclosing the pay levels of their executives. This development has been largely regulatory-driven in the region and the disclosure mostly applies to the top five highest paid executives.

However, the area which is of far more interest to shareholders is how the remuneration packages are structured and how are key performance indicators linked with the company’s strategy and risk profile. This is because failure to link incentive compensations to the business strategy can cause or encourage managers to book business based upon volume and/or short-term profitability to the company with little regard to short or long-term risk consequences.

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**PERFORMANCE-RELATED INDICATORS GUIDING SENIOR MANAGEMENT COMPENSATION**

![Graph showing the percentage of companies over the years](graph.png)
This is an area where MENA companies have the greatest room for improvement in terms of disclosure. Very few companies set out their remuneration policies, let alone the targets attached to any bonus schemes, in their public disclosure. This would be important as remuneration policy is all about recognizing the circumstances, values, strategic goals and performance drivers of the individual company and then designing an approach that will reflect and contribute to these.

**ENVIRONMENTAL AND SOCIAL TRENDS IN MENA-LISTED COMPANIES 2007-2017**

The concept of corporate social responsibility is deeply rooted within the MENA cultures. There are notable examples of regional companies that are very active in promoting the “social good”, making significant charitable contributions, engaging in disaster relief operations and sponsoring events raising awareness on environmental issues. This behavior is closely associated with the Islamic values and the practice of Zakat.

However, global thinking on CSR and sustainability has evolved from charitable donations to linking environmental and social considerations into the individual strategies of companies, and this mindset has yet to take root in the region. As the graphs on average environmental and social disclosure scores indicate, the region’s companies could do significantly better on this front.
15.0: Average Disclosure Scores by Year (MENA Wide) 2007-2016

Environmental

16.0: Average Disclosure Scores by Year (MENA Wide) 2007-2016

Social
The challenge for the region is to have the companies extend their external “corporate social responsibility” activities to cover their own internal operations.

On the one hand this means that companies should become more socially accountable for their own actions and operations. This implies that companies recognize the effects of their operations on the wider society, particularly in relation to their carbon dioxide emissions, waste generation, recycling, energy usage, and, perhaps most importantly, water usage.

But on the other hand, addressing sustainability issues is not only about protecting the social good, but also about protecting the company itself. Water availability and scarcity, for example, is a major source of risk to businesses. Businesses ranging from manufacturing to utilities to agri-business and food production face direct risk exposure to water scarcity and need to develop tools to manage their business risk.

However, there are encouraging signs that companies are taking such issues more seriously as evidenced by the increasing number of companies now producing sustainability reports. Aramex and National Bank of Abu Dhabi (now First Abu Dhabi Bank) were among the pioneers in sustainability reporting in the region, but now several other companies have a history of producing high quality sustainability reports such as SABIC, Arab Bank, Saudi Investment Bank, Abu Dhabi Commercial Bank, Bank Muscat, etc. Most of these reports follow the GRI framework and many of them have also been independently verified.
Yet, the region’s companies should do more to monitor their greenhouse gas emissions. The MENA region is particularly vulnerable to climate change. It is one of the most fragile ecologies on earth and one of the most vulnerable regions to global warming, reduced precipitation and rise in sea levels. At the same time, the MENA region is becoming a significant contributor in terms of greenhouse emissions. Similarly, the region’s companies should monitor and manage their water consumption. Water supply sources in the Arab world, two-thirds of which originate outside the region, are also being stretched to their limits. The level of water scarcity is the highest in the world and is rapidly growing, threatening to lead to confrontation, to ‘water wars’. Currently only 8% of companies in our universe report on their water consumption. Managem is an example of company reporting not only on its water consumption, but also classifying its water consumption by source.
Most companies in our universe report that they have career development programs for their employees. However, there is room for improvement in other employee-related matters. Currently only some 14% of companies publicly disclose their work injury rates. The great majority of companies are also silent on labour and human rights issues, which are both matters that are receiving increasing attention by international institutional investors.
There is a clear link between a company’s governance practices and its environmental and social performance. Good sustainability practices start from the top.

It is no coincidence that companies such as DP World, Abu Dhabi Commercial Bank, Aramex and SABIC are top performers in the Index. As is evident from their annual reports, DP World has set up an internal sustainability advisory committee which includes the Board Chairman and CEO among its members and SABIC has a sustainability council, chaired by the CEO, which reports to the SABIC board. Aramex states their Chief Sustainability Officer and other top managers engage with the board on their sustainability strategy. Abu Dhabi Commercial Bank reports that sustainability training was integrated into the staff induction program in 2016.
CONCLUSION

As the data clearly demonstrates, there have been significant improvements in the ESG practices in the MENA-listed companies over the years. But this is no time for complacency as there is still much room for improvement.

Companies need to provide more meaningful statements of their activities, not as a compliance activity, but to demonstrate awareness of risks and their skill in managing them. Specifically, companies should provide discussions in their annual reports on how they proactively protect minority shareholders, including how conflict of interest policies are applied, whether related party transactions are conducted on market terms and how board independence is safeguarded.

The role of the board should be clearly set out and the board’s actual activities should be outlined. It would be beneficial to highlight the board’s competencies and how they enhance the company strategies. Companies should also discuss their strategies and provide meaningful descriptions of their major risks. They should also incorporate environmental, social, employee, customer, supplier, community, etc. factors into its strategy formulation and risk management processes. Companies should also disclose how their executive remuneration practices are linked with their strategies and risk appetites.

A number of regional companies are ahead of the curve and it is important to recognize the efforts of the individual companies that have shown leadership in the area of corporate sustainability.

THE TOP 10 COMPANIES IN THE RE-BALANCED INDEX, AS OF DECEMBER 2017, ARE:

1. DP World, United Arab Emirates
2. Abu Dhabi Commercial Bank, United Arab Emirates
3. Aramex Company, United Arab Emirates
4. Saudi Basic Industries Corporation, Saudi Arabia
5. Arab Bank, Jordan
6. First Abu Dhabi Bank, United Arab Emirates
7. Saudi Investment Bank, Saudi Arabia
8. Bank Audi, Lebanon
9. Savola Group, Saudi Arabia
10. Mobile Telecommunications Company (Zain), Kuwait.
Woodland Carbon is a unique scheme to help companies reduce their carbon footprint by locking up carbon emissions through planting trees.