The value of reporting

Highlighting sustainability awareness in the United Arab Emirates and the Sultanate of Oman

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Risk Consulting
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Governments and business leaders across the world must respond to global sustainability ‘megaforces’, including climate change, energy and fuel challenges, resource and water scarcity, population growth, uneven wealth distribution, urbanization, and food security. This is particularly important in a region which is, in many ways, resource challenged. The Middle East is one of the driest places on earth; temperatures soar in the summer months; populations are growing quickly, driven both by high national birth rates and large-scale immigration; ecosystems are fragile and increasingly under threat; and resources – from arable land to fish stocks – tend to be both scarce and over-extended. For all of these reasons, the UAE government has put sustainability at the center of the national agenda, with the UAE Vision 2021 making a sustainable environment and infrastructure one of the six national priorities defined under the four main pillars.

The UAE government has set out 11 national KPIs for sustainable environment and infrastructure, ranging from air quality and the share of clean energy to water scarcity and logistics performance. The stated aim of the government, according to the UAE Vision 2021, is “to ensure sustainable development while preserving the environment, and to achieve a perfect balance between economic and social development”. In response to these aims, a number of leading UAE institutions, in both the private and the public sector, now have established sustainability as a key focus area and produce sustainability reports. In the Sultanate of Oman, which has been included in KPMG’s global sustainability report for the first time this year, the government has a long and proud tradition of integrating corporate and social responsibility with the growth agenda. We are delighted to see that Oman is establishing leading practice in sustainability with both local and international companies in the public and private sectors, making huge progress in the effort to do more with less.

KPMG is proud of its leadership in the sustainability arena. We have been encouraged by the efforts of regional leaders in sustainability reporting, some of whom are highlighted in this report. I encourage you to connect with and support our efforts and look forward to discussing our findings with you.

Welcome note:

Rajeev B Batra
Partner and Head of Risk Consulting
KPMG Lower Gulf
Sustainability is becoming increasingly important in the UAE as the nation continues to develop a more diversified economy that will have to be more adaptable to changing circumstances. Sustainable development replaces economic development as the nation aims to build an economic model based upon environment sustainability and clean energy. The country has always aspired to be a global leader, and sustainability is no different, with a stated aim of leading the global transition to renewable energy.

The UAE has highlighted several short-term and long-term sustainability goals by developing national frameworks and guidelines for public and private institutions aimed at encouraging better environmental and sustainability performance. In an attempt to encourage, rather than mandate, these changes have typically come in the form of strategies, as exemplified by the UAE Vision 2021. The UAE Vision 2021 focuses on improving air quality, preserving water resources, increasing the share of clean energy in the energy mix, decreasing solid waste and implementing a green growth plan. Sustainability drivers include energy efficiency, compliance with regulatory and corporate social responsibility policies, waste and water management.
and emissions reductions. Many companies in the UAE are already aligning their sustainability strategy with the sustainability agenda outlined in UAE 2021 vision.

Two of the UAE’s leading emirates are already taking steps towards a more sustainable future. Dubai Expo 2020 is promising to be “a landmark in sustainable development” and Abu Dhabi is using Masdar City to show how clean tech and sustainable development might work in practice. Estidama, which was first introduced in Abu Dhabi in 2009, aims to ensure that any new development in the emirate is undertaken in a sustainable manner. Dubai has also introduced green building regulations. The UAE is also committed to increasing the proportion of clean, renewable energy by 2021. Projects such as the Shams 1 solar plant, Sir Bani Yas wind farm and the Sheikh Rashid Al Maktoum solar power park are powerful indicators of how the nation will achieve its goal of a 24% share for renewables outlined in the UAE Vision 2021.

However, there are some areas which blight the UAE’s sustainability ratings. Despite the delicate ecosystem, waste output rates are among the highest in the world. The government is proactively attempting to reduce this rate. Tadweer, the Centre of Waste Management - Abu Dhabi, signed a two-year research agreement with the Masdar Institute of Science and Technology in Abu Dhabi in August 2015 to focus on improving the process for the production of biodiesel from waste cooking oil. TAQA plans to produce biomethane from greenhouse gases emitted from landfills in Abu Dhabi. Other initiatives aimed at embedding sustainability into the vision and strategy of the UAE include the creation of environmental agencies to track and monitor progress, implement projects in the ecological environment field and provide environmental policy. The creation of an Energy & Climate Change Directorate within the Ministry of Foreign Affairs highlights national efforts as it tries to further its climate change and renewable energy agenda on a domestic and international level. The UAE has also increased its representation in international forums. Negotiations on alternative energy and climate change are a sign of shifting sustainability priorities and the UAE’s desire to become a regional role model for effective policy development and program execution.

As well as a top-down approach, we are encouraged by the bottom-up example of the UAE companies featured in this report who are investing in sustainability programs. Although drawn from a range of industries, they all share the desire to understand and mitigate any impact they have on the communities around them in a way which makes them leading examples of the sustainable principle.
Sustainability is reshaping the Middle East. Leading companies are increasingly moving away from focusing only on community support and OHSE, towards a formalized reporting process, with stakeholder engagement and materiality assessments. Companies which lack a formal process tend to have limited quantitative sustainability data. When qualitative data is shared without some form of external assurance or deep data, it can be perceived as PR or green-washing, making companies hesitant to report. Others simply need guidance on how to report. As companies become more mature and formalize their sustainability strategies, they are beginning to enlarge their scope of opportunities and risk mitigation, which slowly embeds sustainability within their governance process and transparency within their communications.

36% of the UAE’s N100 companies now report, which although lower than the worldwide average reflects a significant increase from 22% in 2013. 84 of the UAE’s N100 companies which featured in 2013 also feature in the 2015 survey. Of those 84, only 19 reported in 2013, but there is a jump in 2015 to 33, resulting in a growth rate of almost 74%, a remarkable achievement. This reflects the increasing importance attached to reporting on corporate responsibility. Of the 16 new companies on the N100 list, only 3 reported – approximately 19%. If the additions to the N100 follow the established trend by 2017, we will see further significant growth which will hopefully help establish CR reporting as a competitive edge among the established N100 companies.
37% of Omani N100 companies report on sustainability. This highlights the voluntary culture of wanting to do ‘social good’ and then report on it to serve as encouragement for others.

**Legislation**

Regulation and legislation seem to be an important driver of CR reporting. There is a growing trend of regulations requiring companies to publish non-financial information. European countries, and countries where regulation has been established for some time, whether through legislation or stock exchange policies, show a high percentage of reporting. Analysis of the data in KPMG’s global survey shows that the top ten countries - from India to Sweden - mandate reporting. This makes us wonder what the rate of global CR reporting would be without mandatory regulations. In KPMG’s view, it is unlikely that rates of over 90% will be achieved in any country without some legislative driver. At the same time, the rates that Oman and the UAE have achieved through voluntary means are to be applauded, emphasizing the importance of strong leadership, with the aim of embedding leading practice to elevate their countries to global standards.

**Sector analysis**

There is only one utilities entity in the UAE N100 list, and it is a CR reporting entity. Given the significant challenge water and electricity represent for the country, the 100% reporting score shows a high potential for growth and dissemination of leading practice.

Healthcare entities operate within the heart of our communities. The population grows and the need for responsible healthcare players increases, healthcare CR reporting will be increasingly key for the UAE. The score of 100% for the sector is therefore very positive. Historically, CR for healthcare strongly reflects – and supports – community efforts, making universal reporting understandable.

In Oman, the mining sector (100%) is outperforming its global counterpart (82%). Again, we must point out that only one mining sector company is represented in the Oman N100, and it follows global high sustainability standards. This raises the bar of excellence by sharing leading practice and spreading sustainability awareness among stakeholders, including suppliers and customers, thereby benefitting the wider Omani business community as well.
Oil and gas (O&G) is an important sector of the UAE economy, accounting for about 30% of the UAE’s gross domestic product. Among the companies surveyed for the UAE report, 75% of O&G companies report on CR, inline with the global survey (76%). It is important to note that reporting in this sector is well above the UAE’s N100 average, while considerably lower than the G250 figure (92%). Given that this sector is a large part of the economy, with highly prominent and visible companies, it is commendable that O&G companies with their large sustainability footprints are so keen on reporting their environmental, social and governance (ESG) impacts. 50% of the O&G companies on the UAE N100 use GRI guidelines when reporting.

Likewise in Oman, hydrocarbons is a key sector for the economy, and account for about 50% of the Oman’s gross domestic product. Among the companies surveyed for our report, 67% have a corporate responsibility report. This is in line with the global average for the oil and gas sector. 50% of O&G companies in Oman that report use GRI guidelines.

At the other end of the regional scale is the construction and material sector, with 11% for Oman and 29% for the UAE. At a global level, 72% of companies in the sector report, the average for all CR reporting sectors. Even though the sector has been under the spotlight due to labor practices, companies in this sector seem hesitant to start their sustainability reporting journey.

The same applies to the industrial, manufacturing and metals sector, despite its high energy intensity. In Oman, we are seeing the emergence of pioneers and leaders (with 19% reporting on CR), although remaining companies within the sector seem to be struggling to get on board. Although it takes time to formalize a
CR strategy and processes within this sector, communicating results is straightforward and gives the sector positive press. Current low percentages signify considerable room for growth as the sector further matures. This is an important sector, and therefore the UAE’s 25% CR reporting score is disappointing.

Globally, the retail sector (58%) lags behind so low figures were expected for the region. Despite the importance of retail as an economic sector for the UAE, none of the featured companies in the sector report on CR. For Oman, no retail entities featured in their N100.

In our survey, the financial sector represents 44% of the UAE’s N100 and 24% of the Omani equivalent. Banks have been regional leaders in community projects, and it was expected that the survey would feature a higher percentage for the UAE (34%). Oman’s 46% score is much higher than the average sector representation, which is an encouraging sign. However, CR reports from the financial sector tend to focus on community-based efforts, and banks should now begin to expand their scope. As the economy diversifies, banks need to follow global trends and help the nation to diversify by supporting leading practice, including financing SMEs, supporting green finance, and increasing financial literacy.

Globally, the most advanced companies have developed integrated reports, merging non-financial information into is increasing, and companies can no longer hide behind closed doors without triggering suspicions. Unfortunately, the region is still seen as less transparent than other regions, but that is slowly changing. 10 out of the 36 reporting companies in the UAE, and 5 out of the 37 in Oman, use the GRI framework, which highlights the importance and seriousness placed on sustainability reporting, and strengthens the quality of the report. KPMG’s research shows that the GRI remains the most popular voluntary reporting guideline worldwide, with 60% of all CR reporters in the 45 countries surveyed referencing the GRI. This is roughly in line with the 2013 rate (61%). For stand-alone CR reports, the GRI application rate is 72% (2013: 74%). Reporting on GRI represents an important insight into the maturity of a company, as it introduces a rigorous set of steps that need to be followed. The silver lining of having 28% in the UAE and 13% in Oman of companies that report follow the GRI framework is the large opportunity available for both countries to enhance their sustainability maturity and strengthen their transparency.
financial data, clarifying the full scope of a company and its impact for investors and stakeholders. Integrated reporting is the exception rather than the rule – with only 11% of the global N100 producing integrated reporting. Locally, we have featured Aramex, which feeds its local country reports into a global integrated reporting (IR).

While integrating CR information within annual reports has been portrayed as a sign of maturity, this can be overemphasized. Companies that are starting to report on sustainability have limited information - and so may be reluctant to have a separate CR report. As a result, their information is likely to be included - ‘integrated’ - into the annual report. On the other hand, companies with quite advanced sustainability programs may or may not opt to have a separate CR report. Diagram 7 shows companies who rely on their annual report to feature CR related information. Clearly, sustainability is not yet strategically integrated into most regional companies’ business strategy.

Sustainability is a journey. Companies begin with minimal data, which is part of the annual report. As they progress, the CR area within the annual report slowly expands. As companies advance, they begin to issue a separate CR report, and finally the most advanced believe they should be integrated.

**Terminology**

There have always been debates on the terminology used to define CR reports or sections within annual reports. This debate continues, and there is no one definitive answer. Historically, across most countries, the term CSR (corporate social responsibility) has been used most often (Diagram 8). Unfortunately, this has limited the scope of what can be done on a grander scale, limiting ‘social’ implications to community initiatives, which encompass cultural and religion based giving back to the community. India today uses Clause 135 to address community-based initiatives. For the UAE and Oman, Zakat has played a significant role in the social agenda nationally and within companies. The US and UK have evolved beyond a narrow social component, now encompassing a healthy natural environment; respect for, and value of, employees; and addressing stakeholders equally, irrespective of their direct role or impact within the business. This is slowly shifting in the GCC region as well, with the enforcement of labor laws, the sharing of environmental commitments, and initiatives like ‘Know Your Customer Rights’. CR reports will also help move the dial beyond just the social components, to enable the sustainability strategy to encompass the entire ESG agenda.

Diagram 8 shows sustainability is the second most used term, heavily linked to the fact that governments have started to use the term within their own strategic agendas. Interestingly, of the 10 GRI reporters in the UAE, eight use the term CSR instead of sustainability. Of the 37 GRI reporters in Oman, 18 use the term CSR. So terminology does not always reflect scope. CSR seems to be used because it has become the norm.

**Diagram 8: Terminology used for reporting**

<table>
<thead>
<tr>
<th>Terminology Used for Reporting</th>
<th>Terminology in UAE</th>
<th>Terminology in Oman</th>
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<tbody>
<tr>
<td>Corporate responsibility/CR</td>
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<tr>
<td>Corporate social responsibility/CSR</td>
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<td>Sustainability</td>
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<td>Sustainable development</td>
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<td>Corporate citizenship</td>
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<tr>
<td>Other</td>
<td></td>
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</tbody>
</table>

- Terminology in the UAE
- Terminology in the Oman
Although most of the world’s largest companies now have their data independently assured (42% of G250 companies), only eight companies in the region – four in the UAE and four in Oman – have their reports assured. Unfortunately, the benefits of assurance are not yet sufficiently understood across the region for it to be defined as a priority. Assurance is generally seen as leading practice as it can help companies embed good reporting practices and drive internal performance improvements by reinforcing senior management’s confidence in disclosed information, increasing legitimacy and credibility with stakeholders, and reducing data capture and quality risks. Third party assurance of CR information is now firmly established as standard practice among the G250 - the world’s biggest companies. 63 percent of the G250 now have their CR information independently assured. Assurance is also growing again among N100 companies after remaining level between 2011 and 2013.

**Independent assurance**

On a global level, major accountancy organizations continue to dominate the market for third party assurance among G250 and N100 companies. The use of other assurance providers increased by between three and five percentage points among N100 and G250 companies, although market share decreased in both groups since 2013. Globally, the scope of assurance remained stable between 2013 and 2015, with half of companies with external assurance opting to have the whole report assured, one third (34 percent) choosing to have specific indicators assured and the remainder having specific chapters (5 percent), or a combination of chapters and indicators assured (11 percent). Dealing with a much smaller base, 25% of companies in both the UAE and Oman who opt for third party assurance have the whole report assured. Two companies in both the UAE and Oman have specific indicators assured by an external provider. The remaining companies have a combination of selected chapters and indicators externally assured.

KPMG’s global sustainability review shows that, since 2013, assurance of CR information in the annual report has increased by 8 percentage points compared with a 2 percentage point decrease where companies publish CR information in a separate report only. Part of this growth is driven by regulation. In France, for example, 96% of CR reports are externally assured. This reflects the requirement for all listed companies, and some non-listed companies, to publish third party verified CR information in their annual directors’ report. However, South Korea is an interesting example for countries in the UAE and Oman. Although assurance is not required, 86% of CR reports are externally assured, even though it is not required. Many large companies are keen to increase the credibility of their CR information and so opt for limited assurance. In Taiwan, the Financial Supervisory Commission encourages companies to improve corporate governance by reporting CR indicators, including third-party verified information, resulting in 70% of CR reports being independently verified. These are all examples that regulators and leading regional companies might want to follow.
Hallmarks of leading practice

Over the previous five pages, we have charted developing awareness of sustainability practices, and sustainability reporting practices, in the UAE and Oman, comparing regional results with the G250 (the world’s largest 250 companies) and the N4500 (the largest 100 companies in the 45 countries covered in this report). However, the region’s CR reporting is still developing, complicating the analysis of trends in the quality of CR reporting. As a result, the authors of the regional report decided to highlight the importance of the qualitative aspects of reporting by featuring leading CR reporters in the region. The seven hallmarks outlined on the left were used to measure quality. Open ended questions were formulated for interview sessions with each of the selected companies, and the following pages detail their experience, success and growth. We have focused on companies in different economic sectors – logistics, telecommunications, utilities, public transport and financial services – to encourage organizations across the UAE and Oman to establish and embellish their sustainability journey. Unlike the information in the first part of this survey, the information included in the company profiles – by its very nature – is information submitted by those companies to KPMG member firms, and has been validated and augmented with reference to published CR reports, websites, and national, regional and international media. KPMG does not externally assure the CR reports of any of the companies included in this part of the survey.

1. **Stakeholder engagement**
   The report should explain how the company identifies and engages its stakeholders and how their views inform CR strategy.

2. **Materiality**
   The report should demonstrate a clear, on-going process to identify the issues that are most significant to the company and its stakeholders.

3. **Risk, opportunity and strategy**
   The report should identify environmental and social risks and opportunities, and explain the company’s strategic response.

4. **Targets and indicators**
   The report should declare time-bound and measurable targets.

5. **Transparency and balance**
   The report should be open about the CR challenges the company faces, as well as its achievements, and should communicate both effectively.

6. **Suppliers and value chain**
   The report should show how the company’s CR strategy and targets address the material social and environmental impacts of its suppliers, products and services.

7. **Corporate responsibility governance**
   The report should detail how CR is governed within the organization, who has responsibility for it and how CR performance is linked to remuneration.
Aramex (DFM: ARMX) is a leading global provider of comprehensive logistics and transportation solutions. Established in 1982 as an express operator, the company rapidly evolved into a global brand recognized for its customized services and innovative multi-product offering. Traded on the NASDAQ from 1997 to 2002, Aramex today is a publicly traded company on the Dubai Financial Market, employing more than 13,900 people in 354 locations across 60 countries and leads a strong alliance network providing global presence, and bringing together 40 independent express companies from around the world. The range of services offered by Aramex includes integrated logistics solutions, international and domestic express delivery, freight forwarding, secure records and information management solutions, and e-services, including e-business solutions and Shop and Ship.
Has becoming more conscious of your ESG impacts triggered a change in your business strategy or business model?

Environmental, social and corporate governance (ESG) are embedded in our values and at the heart of our business. We have always recognized that to meet our business objectives and to continue to grow we must focus on these three key elements to build a sustainable business. Being conscious of ESG impacts helps us to run a more successful Aramex global network and continue to expand our operations worldwide.

Aside from our business operations, from an environmental and social perspective we are also involved in over 180 projects across our network through partnerships with communities, social entrepreneurs, governments, NGOs and corporations. Our programs have evolved in their manner of operation as well, ensuring stronger, more effective partnerships, long term and sustainable projects and compounding positive impact on our communities. Aramex also spends a minimum of 1% of our pre-tax profit on social projects, excluding our spending on environmental investment and expenditure. We continue to exceed this goal and, in 2014, we spent 1.5% of pre-tax profit on social projects.

From a training and development perspective, youth are also a critical component of the regions we operate in. Therefore, we continue to invest heavily in youth to equip them with the skills they need to thrive in the job market and build long-term, sustainable careers. We are also committed to supporting the development of entrepreneurs through our unique SME Program to support their business stability and longevity. Entrepreneurship has a transformative impact on emerging economies and we support SMEs so that they can build sustainable businesses and also potentially become Aramex’s business partners in the future.
How has your strategy helped you mitigate risk? What opportunities have you identified?

It is important for us to recognize all potential risks, which is why ensuring that we have a comprehensive compliance and sustainability strategy is critical. Our team is always working to expand our compliance and policies to include environmental considerations. For example, we adhere to the principles of various global organizations, including the UN Global Compact, Caring for Climate, the World Economic Forum’s framework on the de-carbonization of the logistics industry, Social Accountability 8000 and the International Labour Organization’s conventions.

Our personnel policies, structures and activities are also governed by the principles and regulations of the United Nation’s International Labor Organization (ILO) and the UN Convention on Human Rights. We abide by all national and international human rights, labor laws and regulations, including those specified in the UN Global Compact (UNGC), which we are part of. We also work closely with the UNGC’s local networks in many of the countries we operate in, whether as founders, participants or supporters.

From a sustainability perspective, we are also aware of risks that can arise, such as potential carbon taxes and increased fuel prices. These unpredictable factors can pose an increased financial burden on our operations, which we must continue to prepare for. There is also an ever-increasing need to invest in renewable and alternative energy and technologies. For this, we have implemented several measures of environmental compliance, from added supplier evaluation and certifying our own stations to exploring renewable energy options, fleet upgrades and increasing operational efficiency. 86% of our fleet for example is now made up of low emission vehicles.

We are also committed to applying our external efforts inside our organization and, through the Aramex Compliance Program, we ensure that Aramex maintains a culture of respect, honesty and integrity. By providing a framework for the management of compliance issues, the program ensures that each employee is able to recognize and avoid situations that may compromise Aramex’s integrity. The program has the support of leadership, demonstrated by a reporting structure that gives Aramex’s Compliance Officer direct access to senior leadership and the board.

Lastly, we are committed to transparency in our reporting. We communicate all compliance efforts to our stakeholders as it is vital that our clients can ensure that we abide by law and regulations, to avoid scrutiny and any potential loses.

How has materiality been taken into account in your strategic decision making process?

When making any decision that could potentially have a material impact on the business, we actively consult with internal and external stakeholders to align our sustainability strategy with their priorities and the Aramex business model. Feedback from our stakeholders and input on materiality also shapes our annual report, where we address all material matters thoroughly so that we are effectively communicating with all our stakeholders, both internally and externally.

From a sustainability perspective, because we understand how important sustainability is across a number of different issues, our ‘Delivering Good’ strategy has been developed to positively impact a number of areas such as environment, education, youth empowerment, business operations and entrepreneurship. Before making any fundamental shifts in our ‘Delivering Good’ strategy, however, we work closely with internal and external stakeholders to assess potential material impacts, either positive or negative, they could have on the wider Aramex business.

How are ESG goals linked to material issues? To what extent have they been factored into your KPIs?

For each of our sustainability goals, we have defined the KPIs that we aim to achieve on an annual basis. Our progress is also included in our annual report, which we first published in 2007. Additionally, our carbon footprint is measured monthly in order to monitor any changes and measure the effectiveness of our programs. We also collect and analyze impact data from each of our sustainability programs on an annual basis. This is done to monitor the number of beneficiaries. We use this data to assess the value of these programs and liaise with our partners on how it can be improved.
What do you think has been your main achievement with your suppliers? How do you engage with them?

One achievement we are proud of is our recent launch of a supplier evaluation process to help measure our suppliers’ commitment to social, labor and environmental regulations and rights. Our suppliers are important members of our wider stakeholder engagement group and they work with us closely to define and assess any potential material impacts on the Aramex business. The evaluation process helps us to mitigate any material impact on either our, or our suppliers’, business operations.

When we begin the evaluation process, we first explain our ‘Delivering Good’ strategy and the sustainable practices we have in place at Aramex. We also offer to support them so that their business operations are as efficient and environmentally friendly as possible. We also make sure that all our suppliers abide by international and local laws and regulations. This helps to ensure that, when we work with suppliers, we are operating together as a team to the highest levels of international sustainable best practice.

What CR governance have you put in place?

As part of our commitment to being a responsible corporate citizen, Hussein Hachem, our global CEO, regularly briefs the board on Aramex’s strategic stakeholder approach, its sustainability initiatives and results, and how these elements relate to overall corporate performance. Any feedback is then taken into consideration when we approach our sustainability and strategic planning.

We continually aim to pursue sustainability at the corporate level, and implement internal policies relating to the environment and responsible procurement. Strategic sustainability-related decisions are also discussed at board meetings. Board approval is required for any major sustainability initiatives or targets prior to implementation, which must be aligned with our board’s code of conduct.

We also engage top management members, along with the Chief Sustainability Officer and Aramex’s dedicated sustainability team throughout the planning process. We manage partnerships with the public and private sectors in order to expand and improve Aramex’s sustainability activities, impact and reach.

Could you describe your stakeholder engagement process? How has it evolved?

We understand how important it is to regularly engage with all of our stakeholders. We engage through a number of platforms and channels. We also conduct stakeholder engagement sessions at least once every two years. We have also increased the number of regions included in these sessions, and survey our partners and clients so that they can assess our work and efforts in the field of sustainability.

We also ensure that stakeholders are kept up-to-date on an ongoing basis in regard to our business operations and sustainability and compliance efforts. We encourage regular visits by our customer management teams and address any requests or issues that arise. We also engage through satisfaction surveys.

How is transparency embedded into your external sustainability reporting?

To ensure transparency, we publish our sustainability goals and targets and report on them annually. In fact, we were the first company in the region to calculate and report our carbon footprint and make an active effort to measure, report and manage our environmental efforts.

Since we first published our carbon footprint, we have been expanding and improving measurement and management techniques. By increasing accuracy and better monitoring our operations, our environmental and process efficiency initiatives more effectively identify and reduce emissions sources.

Our annual report includes both our financial and sustainability reporting and is in line with GRI G4 Guidelines and UNGC COP guidelines. It is also assured by a third party auditor. We use the SA 8000 guidelines and Accountability 1000 standard as integral bases of planning, implementation and reporting.

We actively consult with internal and external stakeholders to align our sustainability strategy with their priorities and the Aramex business model.
du is a rapidly growing telecommunications company with annual revenues exceeding AED12b and 7.3 million mobile customers (nearly 50% of the market), close to 650,000 fixed line subscribers and 180,000 home services subscribers. Describing itself as a corporate citizen which takes its economic, social and environmental responsibilities very seriously, du is implementing sustainability practices across all aspects of its business, and reports performance as transparently as possible. In its 2014 sustainability report, du’s chairman, Ahmad bin Byat, says that “sustainability is much more than just minimising our negative social and environmental impact. We believe that sustainability is also about being ambitious and creative to do things differently and raise the standards of life – today and in the future.”
Has becoming more conscious of your ESG impacts triggered a change in your business strategy or business model?

du’s business model – and its overall strategy – has always been informed and moulded by various ESG components. When we made a conscious decision to evaluate the impact of ESG, we immediately developed a more focused approach based on how best to further develop each of the components.

du’s economic agenda is central to our growth as a company. Because our economic agenda is a priority, we can push for a more sustainable business model, supported by our innovation agenda. Why do we link sustainability and innovation? At du, we can’t use a standard business as usual approach, as that would hinder our growth, and the rate at which we want to excel. And that is why the linkage between sustainability and innovation is so important. To us, sustainability is much more than just minimizing our negative environmental impact. We believe that sustainability is also about being ambitious and creative. It’s about doing things differently and raising standards – today and in the future. When du adds life to life, we aren’t just delivering our brand promise, but also creating value - for our customers, our employees, our investors, our community, and our environment. In short, if we – as an organisation - become innovative and provide smarter services, we meet our goal of being a better corporate citizen.

Our social agenda is key to helping du strengthen its brand. In fact, building brand value is a key KPI on our balanced scorecard. We measure a range of community initiatives for their value based on the Social Return to Investment (SROI) framework. When du was first set up, one of its founding principles was to add value to all of its stakeholders, especially the community that we operate in. Our key sustainability issues include encouraging entrepreneurship; promoting education and wellness; conserving and supporting the UAE’s heritage and culture; and contributing to the development of our society.

The environmental agenda across the UAE, led by companies like ours which was amongst the first to focus on this as a key value, is beginning to take stronger form now, especially with initiatives such as mobile take-back and increasingly stringent HSE requirements for our suppliers. As we all know, we live in a region which is blessed in many ways – its people, its culture and also its resources, not only oil and gas but also sunlight – but which is relatively challenged in other ways – water usage and carbon footprints are high across the region. As a firm, we support the lead of our rulers to build a sustainable nation, and have taken concrete steps to support that goal. We have installed hybrid generators in base receiver stations, reduced paper consumption through eBilling, and recycled office waste wherever possible. We have conserved natural resources – and reduced the fuel we use - by downsizing our vehicle fleet, both in terms of numbers and engine capacity. We have increased our effort to recycle electronic waste – not only ours but also that of our customers through mobile take-back – and continue to reduce our paper consumption. In our supply chains, we are

Hala Badri has forged an impressive path in the ultra-competitive, dynamic telecommunications sector since joining du in 2006. In her current position, besides directing du’s brand development through strategic communication, Ms Badri spearheads all sustainability programmes, steadfastly steering the telecom operator’s sustainable development initiatives to benefit broader UAE society. This means ensuring that du remains aligned with GRI guidelines and the UNGC framework and that the company’s economic, social and environmental impacts are responsibly managed. She believes that making positive, tangible triple-bottom line impacts on communities should not be one-off acts, but the continual behavior of individuals and companies that believe in responsibility and corporate governance principles.

Ms Badri believes passionately in female empowerment and has championed women throughout her career, breaking stereotypes along the way. She is the Vice Chairperson of the Dubai Women Establishment and is also a board member for Dubai Media Incorporated, the Dubai Cares Foundation and INDEMAJ, which supports the implementation of quality inclusive education across the UAE. She was recently appointed as a non-executive director to the board of Dubai Properties Group.

Hala Badri
Executive Vice President Brand and Communications
du
encouraging all suppliers to use our online portals so that 100% of our invoices and tenders should shortly be processed online.

We use a balanced scorecard approach, which includes a brand health index. We run a materiality matrix – which builds into our sustainable business model by addressing both internal and external stakeholders. Our sustainable business model is attuned to both financial and non-financial risks and addresses innovation – including our work with, and support for smart cities; the development of alternative education, training and human development models like the mobile academy; our continuing investment in LTE; and our support for WiFi UAE, that provides easy access to WiFi in public areas.

How has your strategy helped you mitigate risk? What opportunities have you identified?

du has developed a materiality matrix which allows us to capture, highlight and mitigate a range of cyber related risks including privacy, data protection and business resiliency. Cyber risks are being closely monitored and a range of controls have been put in place to detect and contain breaches. du also introduced ‘Hackathon’ where we have taken a proactive approach by building a student outreach initiative that allows them to perform white-hat or ethical hacking. In an interesting development which shows how one sustainability initiative can also provide fertile soil for other initiatives, our ‘Hackathon’ helped highlight the skills and potential of a number of talented Emiratis who were able to use the exposure we gave them to secure good jobs.

How has materiality been taken into account in your strategic decision making process?

Materiality is key to our sustainability strategy, as it helps to define what is – and what isn’t – material. Results from the materiality matrix are continuously shared at board level. Appropriate action can then be taken. This has had a marked effect throughout the company. Today, 50% of our supply chain is HSE-compliant. While this might be seen as acceptable by other companies, our board is determined to put in place a strategy which will significantly improve compliance. As we have already seen, privacy and data protection has recently been highlighted by the materiality matrix.

Material issues, once brought to the board’s attention, are reflected back to the business, cross-cutting different departments, depending on the scope and type of issue being addressed. We have fifteen material aspects that we continuously monitor and, wherever possible, collect meaningful data. The most important aspects are Customer satisfaction, Privacy & data protection, Business ethics and Corporate governance, with internal and external aspect boundaries including the company as a whole, our suppliers, and the communities in which we work.

How are ESG goals linked to material issues? To what extent have they been factored into your KPIs?

KPIs are measured and assessed via the company’s balanced scorecard. Our KPIs are closely mapped to our current strategy and so are grouped into financial, customer, operations and processes, and growth and learning. Although ESG targets
are not directly measured on the scorecard, components of the balanced scorecard touch upon ESG KPIs. For example, within growth and learning, our strategy includes creating a high-performing organization. We see this as having two main drivers – increasing current levels of Emiritisation and sustaining employee engagement. The KPI therefore becomes SMART. We set out a goal of Emiratis making up 38% of our workforce by 2015. When we released the 2014 report, 35.3% of our full-time employees were Emiratis. Going forward, the emphasis will be to retain existing UAE Nationals employees and provide career development opportunities that directly enhance skills and expertise.

Customer satisfaction is another key metric. We are constantly looking to innovate – offering new products, technologies and services; finding new ways of providing existing services; and improving things for customers. We measure customer satisfaction with our net promoter score, a measure of customer loyalty and a leading indicator of future growth. We also continue to build on our technology to provide customers with a range of smart services.

**What do you think has been your main achievement with your suppliers? How do you engage with them?**

We are proud of the long-term changes we are building here in the UAE. Supplier engagement comes mainly through our materiality assessment process. By focusing on health and safety, diversity, compliance with local labour laws and waste management, we work with our suppliers to establish sustainability throughout our value chain. We are also encouraging all our suppliers to join us as signatories of the UN Global Compact.

Roughly three-quarters of our more than 400 suppliers are local. All of our contractors and vendors are fully informed of our HSE standards and we build transparency with our e-Procurement system. Our current HSE vendor questionnaire ensures our vendors understand our health, safety and environmental practices.

Our e-procurement system continues to improve our procurement efficiency. Up to 80% of our invoices - representing 65% of our spend are now processed online. This has significantly helped us reduce paper consumption, for our suppliers and for us.

**Could you describe your stakeholder engagement process? How has it evolved?**

Our stakeholders include customers, investors, employees, suppliers, regulatory bodies, local NGOs and other key stakeholders (see chart).

What we heard from our stakeholders in a recent survey was a wide range of issues, concerns and expectations. It also allowed us to start looking at the full value chain, which further helped to better define stakeholders. It helped us understand expectations, consider further enhancements, and address concerns, both for service offerings and communication with stakeholders. Stakeholder engagement has been touched upon in the past but our sustainability reporting using GRI principles has triggered a more in-depth look at stakeholders, and how best to engage with them.

**What CR governance have you put in place?**

Producing our sustainability report is a process which incorporates inputs from across the firm. This guarantees that sustainability is addressed across departments. Within du, sustainability sits under Brand and Communications. Brand and Communications Executive Vice President, Hala Badri, reports directly to the CCO, CEO Chairman and the Board, and her ESG KPIs are defined and assessed by the Board. The CEO also signs off on all initiatives and projects related to the ESG agenda.

The GRI framework has helped us by providing a structure for our sustainability report. Our report complies with the G4 comprehensive reporting framework and its principles of stakeholder inclusiveness and materiality for defining report content as set out by the Global Reporting Initiative.

![du's stakeholders]

**How is transparency embedded into your external sustainability reporting?**

Our sustainability report clearly details our targets, and how far we have come towards achieving them. We have positioned ourselves at the forefront of national leading practice - in terms of sustainability and many other areas – and are very aware of the responsibilities that this brings. Our commitment to transparency remains strong, as evidenced by our commitment to our sustainability report.

Like many other companies, we believe that certain business constraints limit our ability to fully report on certain aspects of our activities. We are, however, actively working in a number of areas to increase transparency. It is a matter of immense honour for us that when the GRI G4 Comprehensive framework was launched, we were the first telecom company in the world to report using these guidelines.'

External assurance is provided for our corporate governance report, our financial performance, our corporate governance report and risk management and business continuity (ISO 27001:2005).
Dubai Electricity and Water Authority (DEWA) was formed on 1 January 1992, merging the Dubai Electricity Company and the Dubai Water Department. More than 10,000 DEWA employees now provide over 725,000 customers in Dubai with electricity and water. Currently focusing on smart grids, research and development, renewables and efficiency, DEWA released its first sustainability report in September 2014. One of DEWA’s values is sustainability, working in an economic and efficient way in all operations to effectively preserve the ecosystem, natural resources and environment of Dubai and promote the conservation of electricity and water and care for its customers and society, both now and for generations to come.
Has becoming more conscious of your ESG impacts triggered a change in your business strategy or business model?

Sustainability has been an integral part of DEWA’s vision and mission since 2012. Our vision – to be a sustainable, innovative-world-class utility – is reflected in DEWA’s 2021 strategy map, which placed overarching economic, social and environmental goals alongside financial goals, thus introducing a triple bottom line (TBL) approach.

The 2021 strategy has led to five key themes through which DEWA will achieve its long-term sustainability goals. Sustainable growth is our highest order goal. It will allow us to mobilize our capabilities to contribute to ambitious local and federal development plans, conserve our natural capital and ensure lasting economic growth. A second goal is to achieve excellence in the delivery of core services to our customers and stakeholders by implementing internationally recognized standards and management systems, adopting industry-leading practices and continuing to deliver world-class customer service. Satisfying stakeholders is a key enabler of our success as a public utility service provider, which is why it is key to engage effectively with our different stakeholder groups to better understand their needs and expectations. In a country – and an industry – which celebrates and thrives on innovation, our ability to innovate is critical. We must find enduring, suitable solutions to current and future challenges.

Underlying our entire strategy are our people and capabilities – these are the foundation upon which we will implement our strategy. We remain committed to investing in our people and ensuring a happy, safe and productive work environment to support our business growth and success, while reinforcing and safeguarding the national identity of the UAE. That is why more awareness initiatives have been put into place to further embed the sustainability agenda, and why we communicate the company’s plans through annual strategy meetings, internal and external roadshows, annual stakeholder workshops, and our sustainability report, which is a key communication tool for internal and external stakeholders.

How has your strategy helped you mitigate risk? What opportunities have you identified?

Our new strategy has made us more proactive. We are determined to observe, learn from and improve leading practices. Being proactive will help to transform us into a benchmark within the industry, and be as well prepared as possible for any possible change – whether regulatory, environmental or other - which could arise. For example, in 2014 we were one of the first utilities in the Middle East region to issue a sustainability report because we thought it was the right thing to do. We didn’t need to wait for a reporting mandate.

Also, DEWA developed a carbon dioxide emissions reduction program even before the launch of the Dubai Carbon Abatement Strategy 2021. We are actively involved in COP21, having
participated since COP18 in Qatar. In fact, our Climate Change and Sustainability Senior Manager is part of the task force.

**How has materiality been taken into account in your strategic decision making process?**

Realizing the potential and benefits of a materiality analysis for its overall performance and sustainability in particular, DEWA has adopted the materiality process since 2013 with the preparation of its first sustainability report. We are currently in the third year of repeating the same process.

For DEWA, materiality analysis is about setting priorities right. By complementing financial and non-financial performance, materiality helps us align our business strategy with the organization’s ESG risks and stakeholders’ interests while achieving larger impacts in sustainability.

During 2014, we engaged with our stakeholders to understand their expectations of DEWA with respect to sustainability performance and management. This was a key step in our materiality assessment process, which is the process by which we identified and prioritized social, environmental, economic, and market issues. We began by reviewing relevant guidelines and standards, peer company reports, government policy and regulation and our internal information on strategic risks and opportunities to identify a long list of relevant social, economic and environmental issues. The second step in the process was to engage with our stakeholders to understand what they expected from us. Finally, we prioritized and reviewed our findings to arrive at our final selection of material issues.

Material issues captured from stakeholder engagements were captured in our first sustainability report. The second set of findings were shared during management workshops to help validate the material issues.

Our findings have been reviewed and prioritized to arrive at our final selection of material concerns: economic development, energy efficiency and climate change, water availability and quality, employee relations, stakeholders and community, customer relations, and environmental protection. 90% of our material issues now align with the material issues defined by the global utilities sector.

**How are ESG goals linked to material issues? To what extent have they been factored into your KPIs?**

We have revisited our KPIs to better align them with our new strategy. All DEWA initiatives now have KPIs directly linked to the strategy map. Senior management follows up on a quarterly basis to ensure our KPIs are properly aligned with our strategy. We have also developed individual SMART objectives which are directly linked to our strategy map.

The Climate Change & Sustainability team’s KPIs are closely aligned with DEWA’s corporate KPIs and include: the reduction of CO2 emissions; the timely issuance of our sustainability report; and the sustainability culture indicator KPI. In 2015, we became the first government body in the Middle East and North Africa to conduct a sustainability culture indicator survey (SCI) - an international survey which measures how prevalent the culture of sustainability is within an organization. The SCI reflects DEWA’s commitment to sustainability by assessing the sustainability knowledge of staff through development programs and qualifications, and how far sustainability has reached beyond our office walls. We were rated as good – which means we have exceeded the sustainability indicators achieved by many other international organizations. The SCI has now been added to our balanced scorecard – and we are determined to continue to improve our rating.

**What do you think has been your main achievement with your suppliers? How do you engage with them?**

At DEWA, we understand that our overall environmental and social impacts extend beyond our own direct operations. Therefore, we have implemented a supplier relationship management system (SRM), allowing us to establish and maintain long term relationships with our suppliers. Our local purchase committee defines the criteria that have to be met before purchasing local products and services. Our green procurement program, launched at WETEX 2013, was designed to assess the environmental consequences of products purchased by DEWA to help us avoid selecting products with
adverse environmental impacts. Finally, sustainability criteria have been included in all tenders and contracts.

**Could you describe your stakeholder engagement process? How has it evolved?**

We engage our stakeholders through a series of engagement channels including satisfaction surveys, roadshows, awareness sessions and workshops. We define, and respond to, stakeholder needs and expectations. And we continually search for innovative ways to collaborate with all of our stakeholder groups. We have also established a stakeholder management guide according to the AA1000SES standard which will be implemented by all concerned parties. Findings will be analyzed quarterly.

**What CR governance have you put in place?**

DEWA’s sustainability governance model is based on what the board and senior management felt was most appropriate to our business culture. In 2013, the sustainability leadership team (SLT), a cross divisional committee, was created to address sustainability. The SLT is chaired by DEWA’s Senior Manager - Climate Change and Sustainability, and sits within the Strategy and Business Development division. The Executive Vice President of Strategy and Business Development is a member of the DEWA management team, and shares sustainability related updates.

We are dedicated to acting in an ethical, transparent and accountable way in everything we do. We aspire to world-class standards of corporate governance and decision making. We have created a corporate governance structure that aims to ensure decisions are made in a transparent way and with the involvement of the right individuals. Our corporate governance structure is supported by robust internal controls and risk management systems as well as mechanisms to encourage responsible behavior by our staff. Our code of conduct sets out how we expect our top management, senior management and employees to behave.

Our corporate governance manual sets out our corporate governance standards. It provides a set of procedures, principles and standards in relation to matters such as DEWA’s corporate structure, accountability and delegation of authority, internal audit, the establishment of management committees, risk management, internal and external reporting, social responsibility and retention of records.

**How is transparency embedded into your external sustainability reporting?**

We conduct our business with openness and transparency. We recognize our stakeholders’ right of access to relevant information. We understand that stakeholders expect transparency and we are working hard to meet those expectations.

We work hard to ensure our sustainability communications are transparent, engaging and accessible. We also report according to international standards. DEWA was the first utility company in the UAE, and is one of only 55 utility companies worldwide to report following the GRI G4 framework. Going forward, we are carefully considering external assurance. Our 2013 Sustainability Report was GRI referenced while our 2014 sustainability report was done in accordance with the G4 core option. In our 2014 report, we have included a detailed table of boundaries for all material issues.

We believe that the main purpose of our sustainability report is to communicate. Therefore it should be easy to read, and stakeholders should be able to quickly grasp the messages
Emirates General Transport and Services Corporation [Emirates Transport or ET] is a leading, government-owned public transport company which, via its fleet of over 18,000 vehicles, transports over quarter of a million children to school every day. In 2013, ET was given special recognition by Dubai’s Supreme Council of Energy for the use of clean transportation fuels. ET has seven corporate values which are all pinned to its sustainable vision: safety, care, creativity, participation, excellence, transparency and responsibility.
Has becoming more conscious of your environmental, social and governance impacts triggered a change in your business strategy or business model?

Yes. Issues such as the preservation of the environment and corporate and social responsibility have been incorporated into the values and strategic objectives of the corporation. As a simple example, our annual report is consistent with the highest standards and principles of the Global Reporting Initiative (GRI), aimed at achieving the best applicable practices of disclosure and transparency for the benefit of our partners, customers and other stakeholders. Everything ET does in the fields of transport services, auto lease and maintenance, and all related and complementary services, is done in accordance with the highest health, safety and environmental standards.

How has your strategy helped you mitigate risk? What opportunities have you identified?

When we were developing the corporation’s long-term strategy (with three and five year horizons), a workshop was organized for managers and other key employees to identify our most important risks, collated through a SWOT analysis which pinpointed challenges, opportunities, weaknesses and strengths.

Experts and corporation officials reviewed the methodology that was adopted during the workshop and analyzed the outputs of the workshop to determine the causes of the identified threats, weaknesses, opportunities and challenges. Then the relevant departments in the organization developed appropriate recommendations to minimize any potential threats and remedy points of weaknesses. These recommendations were then taken into account when we were adopting strategic initiatives to support the strategic objectives of the corporation.

For example, providing school transport services to private schools was identified as one of the main opportunities for growth. The corporation could leverage its accumulated experience gained over the last 35 years in the area of school transport, as evident from an impressive collection of local and international awards in this area. ET’s wide geographic spread could also help it achieve this target. The large number of private schools in the country, combined with the desire of most of these schools to work with a strong and experienced player in the school transport market, have helped the corporation make significant inroads into this sector, as evident by the rapid increase in the number of contracts for the provision of school transport services to private schools in the state.

How has materiality been taken into account in your strategic decision making process?

The Emirates Transport materiality matrix was a contributing factor in determining the corporation’s strategic path, as well as in the conception and adoption of initiatives, activities, projects and programs.

We engaged with management and a broad range of stakeholders in the process of identifying and prioritizing material aspects.
These material aspects impact on our business as well as our stakeholders, particularly our customers, suppliers, government entities and the community we operate in. Global standards, benchmarking, strategic direction, business priorities, shareholder profitability, risk assessment, stakeholders feedback are all inputs to this very methodological process of materiality identification and prioritization. For each material aspect, there are defined key performance indicators and yearly plans are defined and implemented and measured for regular performance assessment. We regularly conduct a very comprehensive study to review and assess the importance of our strategic priorities.

An example of this was to prioritize safety and security of transport as the most important strategic priority for all involved in the organization, resulting in the adoption of numerous initiatives and policies that introduced the highest safety operating standards. This included the adoption of eight strategic initiatives and 41 activities.

How are ESG goals linked to material issues? To what extent have they been factored into your KPIs?

The issues of sustainability and corporate social responsibility are regarded among the strategic priorities of the corporation. This is reflected in the adoption of six strategic initiatives – the security and safety of transport activities, excellence and leadership in services and processes, supporting government compliance and guidelines, strengthening the organization’s financial position, environmental sustainability and social responsibility and the development of management systems for business growth - and 13 various activities and projects. 17 performance indicators were introduced to monitor and measure the levels of achievement and progress in these initiatives.

What do you think has been your main achievement with your suppliers? How do you engage with them?

We consider our suppliers’ operations as a natural extension of our operations, so we make sure we engage them at all levels. ET values its strategic partnerships with its suppliers. We have launched major projects jointly with suppliers through a number of memoranda of understanding, to be used as basis for joint activities and projects. We have also launched the Distinguished Supplier Award, the Suppliers’ Code of Ethics, and a comprehensive manual for suppliers.

In 2014 we issued a new supplier relationship management policy, in recognition of the important role the suppliers play within our operations, and to ensure stronger mutual collaboration between ET and our suppliers. This was only possible because we were able to identify, select and appraise our suppliers against predefined criteria which reflect our own values and vision.

We also had to classify our suppliers, in order to identify those who constitute our most strategic and critical partners, helping us enhance our working relationship with them.

As a federal corporation, we’re subject to strict, high standards of governance that cover all of our operations, so we ensure our employees and suppliers are working optimally, and necessary checks have been put in place to achieve this. Our Suppliers’ Excellence Award motivates our suppliers to adopt excellence and recognize and reward those who are already excelling in their operations.

Supplier ratings are conducted semi-annually to monitor supplier performance and raise flags for underperforming suppliers in order to proactively solve shortcomings. These could not be fully integrated without a satisfaction survey, which includes external suppliers and internal clients. We take these results seriously, as we believe they help us to improve our performance and increase satisfaction rates among our partners. Last year, the rate of supplier satisfaction was 83.9%.

Emirates Transport is determined to promote local purchasers and suppliers in order to support the local economy. ET follows and applies certain set requirements and criteria which were developed to promote local purchases. Criteria include the disclosure of important information such as legal form, area of activity, business size and financial reports; quality assurance certificates from an accredited ISO (or equivalent); an environmental policy; a health and safety policy; a social responsibility policy; an ethics policy; and a sustainable development policy.

Could you describe your stakeholder engagement process? How has it evolved?

The key to success at Emirates Transport is our strong relationship and care for our stakeholders - those individuals or organizations that we engage with during business operations. Our stakeholders include our clients; our suppliers; our strategic partners; our employees; our competitors; all federal and local government organizations; many regional and global entities; and the community within which we operate.

All across our operations and systems, stakeholder expectations are identified, reviewed and addressed with an objective to improve overall performance and achieve excellence. Cooperation with partners is both deep and continuous, and takes many forms such
as the participation in joint activities, and the exchange of visits and meetings. The relationship is taken further by the signing of memoranda of understanding between parties, often resulting in enhanced working relationships.

As a means of further boosting these partnerships, ET introduced the position of Partnerships Liaison, to develop and strengthen relationships between parties, and to act as a direct and effective link between the corporation and its partners.

In addition, the corporation hosts a major annual celebration for its main partners during the Strategic Partners Gathering.

What sustainability governance have you put in place?

We are committed to applying the principles of corporate governance and transparency in conduct, information and decisions declared by various internal and external means of communication and networking. As a federal public organization, all our functions are regularly audited by the state audit institution. The audit includes all of our functions including finance, commercial business, governance, human resources, supply chain, employee conduct and development, information technology, labour practices, and social responsibility. The audit report and its findings are kept confidential but are directly shared with every federal organization for improvement and development.

Our business policies and systems comply with federal approaches, particularly the Council of Ministers’ resolution 29/2011, regarding federal governmental for-profit and non-profit organizations and the board’s governance rules. We engage and execute excellence in corporate governance. Our primary objective is to achieve and sustain strong business performance and responsibility values. We believe the key to a successful governance system is transparency, responsiveness, integrity, service and development. Frequent board meetings, key strategic partners meetings and regular forum and committee discussions are all part of our governance system, helping to make important decisions on strategic, financial, environmental, social and policy issues. ET’s corporate governance aims to ensure the successful achievement of the organization’s strategic objectives through enhanced service quality; transparency and fairness in all operational and support functions; clarity and adherence on rules, regulations and policies; and performance measurement and monitoring against set targets.

How is transparency embedded into your external sustainability reporting?

Emirates Transport was one of the first, if not the first, UAE federal entities to acquire the GRI 3.1 Level A in 2013, and the G4 comprehensive classification in 2014. Both classifications required high levels of disclosure and evidence. The reporting process was also subject to a multi-level reviewing and approval process to ensure all data and information were correct and up to date.

Some of the most important data in the report were the result of a cooperation with independent third parties, such as Carbon Dubai, which helped the corporation identify its levels of carbon emissions.
Sustainability is one of NBAD’s guiding principles and a core part of its organizational strategy, business operation and performance. It was the first UAE bank (in 2009) to publish a sustainability report. NBAD’s CR strategy aims to enhance efficiency by facilitating a greater return on investment for NBAD’s shareholders and to position NBAD to serve as an example for wider society to adopt a sustainable and responsible attitude.
Has becoming more conscious of your environmental, social and governance impacts triggered a change in your business strategy or business model?

NBAD’s strategic sustainability journey began in 2009 with our first standalone corporate sustainability report. For us, sustainability rests on three pillars – social, economic and environmental. Today, we have defined a citizenship strategy to better address stakeholder requirements. We have also begun to look into our environmental footprint more comprehensively.

This has ramifications in a number of ways. We are now conducting environmental audits which will help us to take a closer look at the impact our buildings are having on the environment. We have revised our terms and conditions, simplifying them and making them easier to understand. We have launched a new citizenship strategy with two areas of focus, one focusing on small and medium sized enterprises (SMEs), and one focusing on the future of energy. We have recently formed a renewable energy team, with a strategy closely aligned with the Equator Principles, which we have recently signed up to. Those initiatives will feed into our new policies which we are currently defining for the bank. What we are particularly excited about are the new business opportunities that we can see as a result of our citizenship strategy.

SMEs are key drivers of the UAE economy and represent more than 94% of the total number of companies operating in the country. They contribute to every economic sector, with 350,000 companies providing jobs for more than 86% of the private sector’s workforce. SMEs currently contribute more than 60% of the UAE’s non-oil GDP, a figure the Government has committed to increasing to 70% by 2021. SMEs are key to every country’s economic development because they wealth and employment. Our business has developed a strong understanding of SMEs and their specific challenges and needs. With the recently launched SME Academy we aim to help equip them with the essential skills and capabilities they need to run a successful business.

Responsible lending has become increasingly important to us and we are engaged in understanding how we can contribute to greater levels of financial literacy both through our own efforts and through a sector wide approach. As part of our sustainability agenda we want to help build a more responsible environment.

How has your strategy helped you mitigate risk? What opportunities have you identified?

Our corporate governance culture is driven by, amongst other things, the selection of productive strategies and the management of risk. Our sustainability policy is applicable group-wide and sets out broad principles for taking a precautionary and responsible approach to operations and business. Our risk management processes and policies are robust and support this principle. To help further assess risks, we signed up to the Equator Principles. We have completed a carbon disclosure project (CDP) report as part of a pilot program facilitated by Masdar and the Abu Dhabi Sustainability Group (ADSG) and have now reported for two years. We plan to develop a carbon management strategy moving forward. By assessing our risks, we have identified a number of credible opportunities.
Improving our understanding of the impacts of our buildings will allow us to save costs. Our new renewable energy team is a great example of how sustainable business practices, and a sustainable mindset, can drive new opportunities. We take a long-term view of our business decisions at all times, ensuring that short-term actions do not damage our ability to operate successfully in the future. We seek out new opportunities, particularly in the energy and small and medium enterprise sectors, through the active management of current and future risks, balancing the needs of people and society, the environment and our profitability, and thereby ensuring the continued success of the group.

How has materiality been taken into account in your strategic decision making process?

We will assess materiality every two years – there has been considerable research that shows that this is about the right timeframe as it allows us enough time to react to feedback and make changes. Through our stakeholder engagement and materiality analysis process, we have defined a set of core sustainability initiatives to support our short-term objectives.

Materiality assessment has helped to diversify the type of business support received from across the bank, leading to new initiatives like the renewable energy team, and our SME strategy.

Materiality is helping to reposition sustainability within the bank in both the business and our operations. Throughout the bank, there has been a change in the approach taken to stakeholders – there is much more consideration of not just short but also medium and long term commitments. We will continue to analyze materiality in order to identify the material issues that are highest in terms of importance for our stakeholders and to the business. This will enable us to remain focused and deliver a more effective sustainability strategy that will continue to create value for our stakeholders.

How are ESG goals linked to material issues? To what extent have they been factored into your KPIs?

Our reporting process has been developed around the issues that we believe are highest in importance for our stakeholders, and on our ability to deliver our strategy. In order to identify the issues most material to our business, we conducted an internal materiality assessment in 2014. A pool of potential issues with a sustainability context (including the GRI aspects) was created, along with a list of business issues which we felt would be of interest to our external stakeholders. As part of our internal assessment, the importance of each material issue was evaluated, and identified in relation to our operations and activities. Boundaries were also identified for each material aspect. Our internal materiality analysis was presented for a peer review as part of a report support workshop conducted by ADSG for organizations in Abu Dhabi.

We also conducted external stakeholder workshops to get feedback on how they felt a bank could show it was operating responsibly, highlighting the most important issues we should focus and report on. Feedback from our stakeholders was then included in our materiality matrix. The matrix provides a snapshot of high, medium and low importance issues, in relation to sustainability concerns, identified from an internal and an external perspective. We haven’t included environmental KPIs as we felt there was a significant risk of inaccurate data, which is why we have now commissioned an environmental audit to give us a baseline for defining targets.

We have KPIs related to customer satisfaction, our internal Global People Survey, our sustainability maturity assessment (done by the ADSG), the CSR Label program led by the Dubai Chamber of Commerce and the S&P Hawkamah ESG Pan Arab Index. Yearly, employees are required to complete the sustainability eLearning tool as well.

What do you think has been your main achievement with your suppliers? How do you engage with them?

As part of the bank’s commitment to the local community, we try to use local suppliers as much as possible. In 2012, driven by the procurement team, a procurement policy was issued. Since then, a code of conduct was created and released, which stipulates minimum environmental and social requirements for suppliers. We committed to extend our management system controls to enable an automated “procure to pay” system, which grants us full control of payment of vendors. We have started to review...
and update our vendor database during the year by identifying supplier selection criteria based on the sustainability criteria outlined in our procurement policy. Incorporating relevant requirements from our business units in relation to due diligence of our suppliers and associated risk management is also in process.

**Could you describe your stakeholder engagement process? How has it evolved?**

We have always engaged with our stakeholders – through meetings, internal and external communications, surveys, and eliciting comment on sustainability reports. This was the first year we have had official stakeholder workshops from which data fed directly into our communications strategy. Our stakeholder meetings helped define the six key areas of focus (Diagram: Some of the NBAD’s material issues).

One challenge faced with our external stakeholders was the varying level of knowledge across the board on sustainability issues. Therefore we are working on how best to establish a common ground. This, of course, could have wider implications for the sustainability drive across the UAE.

**What sustainability governance have you put in place?**

Both the chairman, H.E. Nasser Ahmed Alsowaidi, and our group’s Chief Executive Officer, Alex Thursby, actively input ideas and thoughts into our sustainability agenda. NBAD’s citizenship and corporate sustainability team report to the Deputy Chief Executive, who is on the bank’s executive committee. Through this direct access there is more effective impact as a result. As part of our sustainability policy, we have strong governance frameworks, we actively disclose material information, and take responsibility for our actions and impacts. In the ADSG report, Sustainability and Practice, we were recognized for our corporate governance strategy.

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“Payments to local suppliers now represent 90% of our total spend and totalled AED1.16b in 2014.”

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**How is transparency embedded into your external sustainability reporting?**

Our sustainability report talks about challenges and areas of improvement as well as positives. We are working to develop policy statements to further highlight where we stand on certain issues and showcase NBAD’s position. We publish a wide range of reports containing financial and non-financial data. We meet all regulatory disclosure requirements, primarily through our continuous disclosures to the ADX and our annual reports, including our risk management disclosure report, our Basel II pillar III disclosure report, our corporate governance report, and our sustainability report. As a sign of the importance attached to transparency, we are one of the top 10 organizations in the S&P Hawkamah ESG Pan Arab index, which measures the top 150 Arab listed companies based on their performance on nearly 200 environmental, social and governance (ESG) metrics.
Recommendations

**Awareness:**

The best CR performers in the region have strong leadership teams that are driving initiatives and taking strong decisions on sustainability challenges because they have seen the competitive advantage of doing so. Awareness among top management is key, with continuous communication on plans, and milestones being cascaded down to employees, customers, suppliers, and other stakeholders, including competitors. To align with senior managements’ sustainability ambitions, all departments must be made aware of global leading practice within their scope of responsibility (such as integrating social and environmental criteria within the supply chain). Company-wide awareness campaigns within organizations will help to identify new sustainability champions who will take ownership and drive the process forward.

**Integration:**

Sustainability needs to be embedded within business strategy. Senior management, at a board and “C” level, should formally and strategically integrate sustainability into medium and long-term plans. This helps to identify business opportunities, and allows the business to enlarge the risk scope, enabling better control. Sustainability should be embedded within business models and business monitoring tools such as balanced score cards and business excellence frameworks.

**Governance:**

Companies that aspire to lead must develop a sustainability governance structure to formalize sustainability management responsibilities and processes. Leading performers understand – or are working to identify - the boundaries of their sustainability responsibilities. Within this scope, the most effective seek ownership, develop processes, and organize reporting and monitoring mechanisms. Designing the appropriate sustainability governance structure helps companies to involve internal stakeholders and formalize commitment.

**Methodical approach:**

As illustrated in this report, sustainability is a journey. Embedding sustainability is a step by step process. It takes time to align all employees and departments with a corporate sustainability strategy. Leaders may have to start with small but essential projects, such as mapping stakeholders, their expectations, and identifying related risks and opportunities.

**Benchmarking:**

Companies in this region are ambitious, and must benchmark against international standards to raise the bar of sustainability excellence. This should strengthen their capacity to adapt to new conditions, expectations and challenges – while also stimulating growth.

**Transparency:**

It is essential to formalize ambitions and find the right balance between not disclosing any CR information - out of fear of ‘green-washing’ or feeling unready - and over claiming. Companies who are just starting their sustainability journey do not need to shy away from reporting. Instead, they should use the reporting process to help establish sustainable business practices and engage with stakeholders to further build credibility and trust. Companies need to focus on what they will report and how best to integrate their financial and non-financial information, with an increased focus on transparency. Following international standards and guidelines is a good starting point.
How we can help

PMG is one of the pioneers of sustainability consulting – some KPMG member firms first offered sustainability services over 20 years ago – which gives KPMG’s network a level of experience few can match. Today, our member firms employ several hundred sustainability professionals located in around 60 countries.

Local knowledge, global experience.
Our global network means KPMG member firm professionals have in-depth understanding of the economic, political, environmental and social landscapes wherever your organization may operate. At the same time, our member firms are closely connected through our global Center of Excellence. This means that, whatever challenge you face, we can put together a team with international experience to help you.

Sustainability Plus
We don’t work in a sustainability vacuum. We work side-by-side with KPMG member firm professionals from tax, audit and advisory including sector specialists, management consultants, tax accountants and experts in IT, supply chain, infrastructure, international development and more. You won’t receive generic advice and one-size-fits all solutions, instead you can benefit from a hand-picked multidisciplinary team.

Results-driven
KPMG firms help clients to develop future-fit business strategies based on solid understanding of the issues. We strive to think big and challenge convention, but also to find practical solutions that can create success and growth through change.

Foresight needs insight
Our global Center of Excellence focuses on thought-provoking research, analyzing drivers of global change and developing practical business responses that you can apply within your own organization.

Contact
KPMG’s Global Center of Excellence for Climate Change & Sustainability
sustainabilityservices@kpmg.com

Specialists in CR reporting and assurance
KPMG member firms can help your organization to:

- Understand what environmental and social information you should report
- Choose the right reporting approach and frameworks for your business
- Integrate financial and non-financial information in your reporting
- Report information for specific purposes, such as sustainability indices
- Benchmark the quality of your reporting against industry peers
- Provide independent assurance for your internal and external reporting systems
- Provide independent assurance of your sustainability performance reporting
- Verify the sustainability performance of your suppliers
Industry sector classification

Companies were classified into industry sectors in line with the International Classification Benchmark (ICB) system:

<table>
<thead>
<tr>
<th>KPMG sector</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotives</td>
<td>automobiles, Parts and Tires</td>
</tr>
<tr>
<td>Chemicals</td>
<td>commodity chemicals, Specialty chemicals</td>
</tr>
<tr>
<td>Construction &amp; materials</td>
<td>building materials &amp; fixtures, heavy construction</td>
</tr>
<tr>
<td>Financial services</td>
<td>banks, non-life insurance, life insurance, real estate investment &amp; services, real estate investment trusts, financial services, equity investment instruments, non-equity investment instruments</td>
</tr>
<tr>
<td>Food &amp; beverages</td>
<td>beverages, food producers (farming, fishing &amp; plantations, food products), tobacco</td>
</tr>
<tr>
<td>Forestry &amp; paper</td>
<td>forestry and paper</td>
</tr>
<tr>
<td>Healthcare</td>
<td>pharmaceuticals &amp; biotechnology, health care equipment &amp; services (health care providers, medical equipment, medical supplies)</td>
</tr>
<tr>
<td>Industrials, manufacturing &amp; metals</td>
<td>industrial metals &amp; mining (aluminium, non-ferrous metals, iron &amp; steel), aerospace &amp; defense, general industrials (containers &amp; packaging, diversified industrials), industrial engineering (commercial vehicles &amp; trucks, industrial machinery), oil equipment, services &amp; distribution (including pipelines), alternative energy (renewable energy equipment, alternative fuels)</td>
</tr>
<tr>
<td>Mining</td>
<td>coal, diamonds &amp; gemstones, general mining, gold mining, platinum &amp; precious metals</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>oil &amp; gas producers, exploration &amp; production, integrated oil &amp; gas</td>
</tr>
<tr>
<td>Personal &amp; household goods</td>
<td>household goods &amp; home construction (durable household products, non-durable household products, furnishings, home construction), leisure goods (consumer electronics, recreational products, toys), personal goods (clothing &amp; accessories, footwear, personal products)</td>
</tr>
<tr>
<td>Retail</td>
<td>general retailers (apparel retailers, broadline retailers, home improvement retailers, specialized consumer services, specialty retailers, food &amp; drug retailers (and wholesalers))</td>
</tr>
<tr>
<td>Technology, media &amp; telecommunications (TMT)</td>
<td>fixed line telecommunications, mobile telecommunications, software &amp; computer services (and internet), technology hardware &amp; equipment (computer hardware, electronic office equipment, semiconductors, telecommunications equipment), electronic &amp; electrical equipment, media (broadcasting &amp; entertainment, media agencies, publishing)</td>
</tr>
<tr>
<td>Transport &amp; leisure</td>
<td>travel &amp; leisure (airlines, hotels, recreational services, restaurants &amp; bars, travel &amp; tourism), industrial transportation (delivery services, marine transportation, railroads, transportation services, trucking)</td>
</tr>
<tr>
<td>Utilities</td>
<td>electricity, gas, water &amp; multi-utilities</td>
</tr>
<tr>
<td>Others</td>
<td>support services (business support services, business training &amp; employment agencies, financial administration, industrial suppliers, waste &amp; disposal services)</td>
</tr>
</tbody>
</table>

Acknowledgement

The project team gratefully acknowledges the wholehearted graphic design support of Diana Morozova and the Lower Gulf Markets team.
Methodology

Our quantitative findings are based on our analysis of publicly available information, and not on information submitted by companies to KPMG member firms. KPMG professionals have researched company CR reporting in a carefully planned, methodical way. First, publicly available information in annual financial reports and standalone CR reports were reviewed. CR reports were then assessed against KPMG’s key criteria for reporting, based on our professionals’ view of leading practice. The quantitative analysis of the findings are conveyed in this report.

Our quantitative results relate to 100 leading companies in both the United Arab Emirates and Oman. The N100 companies have been identified in a number of ways, including by revenue based on a recognized national source. To enable a stronger analysis of trends for the UAE, 84% of the companies surveyed in 2013 were carried over into 2015, with new N100 companies identified according to our methodology. All company ownership structures are represented in the survey; publicly-listed and state, private and family owned.

Due to the developing nature of CR reporting within the region, a qualitative analysis of trends was difficult. Instead, five companies leading regional companies from different economic sectors were interviewed by KPMG to highlight the importance of the qualitative aspects of reporting. Seven criteria were used to measure quality: strategy, risk and opportunity; materiality; targets and indicators; suppliers; stakeholder engagement; governance of CR; and transparency and balance. Open ended questions were formulated for interview sessions with each of the selected companies. The information included in the company profiles – by its very nature – is information submitted by those companies to KPMG member firms, and has been validated and augmented with reference to published CR reports, websites, and national, regional and international media.

Analysis of the N100 companies by sector

- Other
- Automotive
- Chemicals
- Construction & materials
- Financial services
- Food & beverages
- Forestry & paper
- Healthcare
- Industrials, manufacturing & metals
- Mining
- Oil & gas
- Personal & household goods
- Retail
- Technology, media & telecommunications (TMT)
- Transport & leisure
- Utilities

N4500
UAE
Oman
Raajeev Batra is the Head of Risk Consulting, with 27 years of experience across varied sectors. Raajeev has led various projects, advising companies on strengthening their corporate governance, including help in establishing sustainability frameworks and assurance around corporate responsibility reporting. Raajeev’s focus has been on the infrastructure sector, specifically covering energy and construction. His other areas of specialization include risk-based internal audits; reviewing and strengthening operating processes; and fraud risk assessments.

Kevin Giersch has focused on corporate social responsibility and sustainability consulting, including strategy, sustainability linked with business excellence, sustainability management awareness programs and sustainability for SMEs for the last 11 years. He has extensive UAE experience, having worked for a leading chamber of commerce, and has also worked with KPMG in India, advising on the sustainability in CSR practices of leading Indian multinationals.

Samar Ibrahim is a Manager in KPMG’s Markets team and led research for this report. She has 10 years of experience in communications, change management, and more recently sustainability leadership, with a focus on the implementation of sustainable business models within the region. She is currently completing a dissertation on sustainable business models as part of her Masters in sustainability leadership.

Yawar Herekar is a Senior Consultant with KPMG’s climate change and sustainability team and has 10 years of experience in sustainability, CSR reporting, project management and business development. His work experience includes working for the World Bank’s sustainable development vice-presidency on projects that looked at how to combat climate change. Yawar also recently worked at a leading US university’s research institute on renewable energy policy for the Middle East. He is a member of IRELP (IRENA Renewable Energy Learning Partnership).