

NSE DRIVING ESG REPORTING EXCELLENCE

Monday, November 29, 2021: The Nairobi Securities Exchange (NSE) has today launched its Environmental, Social and Governance (ESG) Disclosures Guidance Manual. By issuing these guidelines, the NSE aims at improving and standardizing ESG information reported by listed companies in Kenya.

These guidelines provide a granular, tactical approach to ESG reporting that meets international standards on ESG reporting. Further guidance has been provided on how listed companies can integrate ESG considerations into their organisations, helping capture significant opportunities for stakeholders while managing critical business risks. Consistent application of these guidelines will help improve the capital markets in Kenya by providing information that investors are now demanding to facilitate decision making and capital allocation.

Commenting on the launch, the NSE Director, Ms. Isis Nyong'o Madison noted that, " *Capital markets can have a decisive impact on the level and direction of sustainable investment and can contribute towards filling the financing gap for the SDGs. NSE reiterates its commitment to encourage the incorporation of environmental, social and governance (ESG) factors into investment decision-making. This is a major step towards making finance more sustainable, in order to ensure better allocation and channeling of capital towards sustainable and transitioning assets.* "

The NSE being the fourth Exchange in Africa to launch an ESG Guidance manual, collaborated with the Global Reporting Initiative (GRI), a provider of the global best practice for impact reporting in integrating sustainability and ESG disclosures in Kenya's Capital Markets.

Interest by investors and other stakeholders in ESG matters has surged with the modern investor in the capital markets being more discerning and demanding more disclosure from companies. The COVID-19 pandemic, global environmental and social crises, the transition to renewables and the renewed focus on human rights has intensified the need and drive for ESG integration by corporates.

" *Over time, and with improved maturity on ESG disclosures, stakeholders will be able to correlate financial performance with specific ESG indicators such as diversity and air emissions, as well as compare the ESG performance of organizations reporting within the same sector.* " noted Mr. Geoffrey Odundo the Chief Executive, NSE.

NSE's decision to support companies by issuing guidelines for reporting on ESG matters is a proactive step towards supporting listed companies attract more foreign and domestic capital in the future.

The NSE is yet to mandate ESG reporting in line with the guidelines that have been issued. The mandatory disclosures are those already required in existing laws and international treaties e.g. The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (Capital Markets Authority); United Nations Declaration on Human Rights; Environmental Regulations (NEMA); Occupational Health and Safety Act; Consumer Protection Act and Data Protection Act. The steps outlined in the NSE ESG Guidelines are expected to guide such reporting.

The Capital Markets Authority (CMA), CEO noted, *“The Authority are very excited today to launch a manual that is in this direction as a first step. We have made significant progress in providing the policy and legal framework to guide issuers and the capital markets in the adoption of ESG matters, while promoting sustainability in the market.”*

The NSE Guidelines will require listed companies to report publicly, at least annually, on their ESG performance through an integrated report or a separate sustainability report. This is intended to encourage uniformity in ESG disclosures even as a comprehensive ESG legal framework is awaited. In addition, this reporting will be required for the proposed mandatory ESG disclosures to help achieve comparability and uniformity.

Listed companies have a grace period of one year from the issuance of the guidelines to interact and familiarize themselves with the ESG reporting steps contained in the guidelines.

Speaking during the event, Ms. Jane Karuku, Group MD & CEO, East African Breweries Limited (EABL) noted, *“Our sustainability agenda goes beyond compliance to government regulations; it is a commitment from every function in our business to be a responsible corporate citizen and hold ourselves accountable to the communities we operate in.”*

The NSE and the Capital Markets Authority (CMA) are in discussions on the possibility of launching an ESG index in the future. *ESG indices* are designed to support common approaches to *ESG* investing, and help investors more effectively benchmark *ESG* investment performance as well as manage, measure and report on *ESG* mandates.

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(Far left) Ms. Jane Karuku Group MD & CEO, EABL (center left) Mr. Geoffrey Odundo, CE, NSE, (center right) Ms. Isis Nyong'o Madison, Director, NSE (far right) Mr. Wycliffe Shamiah, CEO Capital Markets Authority (CMA)

Notes to the Editor

About NSE

The Nairobi Securities Exchange (NSE) is the principal securities exchange in Kenya. It offers a world class trading facility for local and international investors and issuers looking to gain exposure to Kenya's and Africa's economic growth. NSE plays a vital role in the growth of Kenya's economy through mobilization of domestic resources and international capital. The NSE is a founder member of the African Securities Exchanges Association and the East African Securities Exchanges Association. It is a full member of the World Federation of Exchanges and the Association of Futures Markets, and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE). NSE operates under the jurisdiction of the Capital Markets Authority of Kenya

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