

THE EGYPTIAN EXCHANGE (EGX)- COMMUNICATION WITH STAKEHOLDERS

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BUSINESS STRATEGY

1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?

The Egyptian Exchange (EGX) is a pioneer stock market working on corporate sustainability and social responsibility concepts, as EGX was the first stock market in the MENA region and Second worldwide to introduce the sustainability index S&P/EGX ESG index, in cooperation with Standard and Poor's (S&P) and The Egyptian Institute of Directors (EIoD) in March 2010.

EGX is working on raising the importance of the Concept of Corporate Social Responsibility in its Strategy for 2013-2017, through focusing on encouraging the listed companies to commit more to the social responsibility concept. This can take place through disseminating the social responsibility culture and promote establishing a social responsibility fund where the listed companies can participate in which will be supported by EGX and Market Regulator.

EGX and the Egyptian Financial Service Authority (EFSA) is leading the market in raising the awareness of environmental, social and good governance practices and encouraging the investment community and stock market to engage more with the sustainability concepts.

For more details about EGX Strategy for 2013-2017 check the following link.

"http://www.egx.com.eg/getdoc/a267f402-b51c-4734-a90f-ea3008c1e9aa/Strategy-2013-2017_en.aspx "

2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?

EGX has sustainability team handles the launching, development and annual rebalance of ESG index (S&P/EGX ESG Index) which is a leading index in the MENA region as EGX was the first stock market in MENA region and Second worldwide. EGX Sustainability team also, is communicating with sustainability initiatives and working groups to ensure that EGX is updated with the latest developments in sustainability and ESG issues.

In addition, the EGX team also plays an important role in communicating with investors, companies and regulator to promote long term sustainability investments and improve environmental, social and corporate governance disclosure and performance.

The main person in charge of sustainability in EGX is The General Manager of Risk Management Department.

3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?

EGX main goal related to sustainability is raising the awareness of the Concept of Corporate Social Responsibility between listed companies, investor and other stakeholders, in addition to participate in enhancing and developing the ESG concept between stock exchanges regionally and worldwide.

EGX and EFSA have created an annual event to promote the top rated companies according to the ESG index criteria. Prizes are granted to these companies and a wide stream of market participants are well represented in this event.

EGX is a member of The Sustainable Stock Exchanges Initiative (SSE) and also is a member of the Sustainability Working Group (SWG) one of the World Federation of Exchanges (WFE) working groups.

EGX is making efforts in promoting and raising the awareness of sustainability related issues in stock market, and plans to launch *a sustainability-related national dialogue* that convenes policy makers, listed companies, investors, and regulators in 2015.

Also the Egyptian Exchange will participate in *the Ring the Bell for Gender Equality* event during the week of 2nd March, in the lead up to International Women's Day and 20th

Anniversary of the Beijing Declaration and Platform, to raise the awareness about the importance of gender equality to sustainable development and business.

TRANSPARENCY AND ISSUER REPORTING

4. Describe your exchange's approach to promoting sustainability disclosure by companies.

EGX enforced some of the corporate governance rules through the Listing Rules. These include the disclosure requirements (financial reporting, corporate actions, material events, shareholding structure, BOD and General Meetings) as well as the obligation of having an independent audit committee and some of the rules pertinent to related party transactions and conflict of interest. On the other hand, the exchange always encourages companies to get engaged in social sustainable initiatives by shedding the light on the importance of those initiatives and how attractive the companies would be for potential investors specially institutional investors.

5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?

There's an opportunities for stakeholders to comment during the process of reviewing listing standards, as the main stakeholders are represented in EGX Listing Committee, also the key capital market society is asked to participate in reviewing listing standards.

6. How do you track sustainability reporting of your listed companies?

- Tracking sustainability reporting of listed companies is considered a part of EGX-ESG index's annual rebalance process, where the top 100 companies in terms of trading value are being reviewed.
- Regarding the number of companies issuing sustainability related data points/reporting, a few number of companies already report for sustainability and ESG issues in details, specially the Blue-Ships companies, and the reporting format is only on company websites and printed reports (annual reports and CSR reports).

- There's no specific timeline for the disclosure of ESG and sustainability reports.
- EGX post every sustainability releases on EGX trading terminals and website, which are the Exchange official channels of information.

7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?

EGX and the Market Regulator (EFSA) have created an annual event to promote the top rated companies according to the ESG index criteria, prizes are granted to the top three companies.

8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?

Given the growing interest among market participants regarding sustainability initiatives, some of the corporate governance rules are being enforced through the Listing Rules. These include the disclosure requirements (financial reporting, corporate actions, material events, shareholding structure, BOD and General meetings) as well as the obligation of having an independent audit committee and some of the rules pertinent to related party transactions and conflict of interest.

EGX Listing & Disclosure rules have required companies encountering material events, unavailable for its shareholders, and may affect its activity, financial position, or trading of its stocks to immediately disclose such events immediately or before the first trading session,

The following are specifically considered material events:

1. Suggested change in the ownership structure that entails increase or decrease of more than 5% of the capital concerning the shares of board members.
2. Any proposed issue for bonds and any related guarantees or pledges.

3. Any decision that entails calling or cancelling previously issued listed securities, accelerating payment of bonds or purchasing treasury stocks etc.
4. Any change in the company's funding structure, or its financial position that entails increase in the company's liabilities over its equity rights, in addition to any constraints imposed on the credit limit available to the company.
5. Any material change in the investment policies such as opening new branches, new activities, liquidating existing branches or activities, shifting into leasing policy instead of owning some of the production tools and means or vice versa.
6. Reaching an agreement to purchase or sell investments or shares in the company from or to any of its board members or the company's auditor or one of the company's directors (or any of their relatives up to second degree).
7. Entrance of new strategic investors purchasing part of the company's shares.
8. A lawsuit is made against the company related to its activity or to any of its board members or any of its directors and any related court judgments.
9. Any issued governmental administrative decisions affecting the company's activities or any modification or withdrawal or cancellation of such decisions.
10. Any commercial dealings with related parties.

On the other hand, the exchange always encourages companies to get engaged in social sustainable initiatives by shedding the light on the importance of those initiatives and how attractive the companies would be for potential investors specially institutional investors.

ISSUER CAPACITY BUILDING

9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.

EGX provides assistance for listed companies regarding ESG issues and sustainability specially related topics to S&P/EGX ESG index.

EGX plans to launch a sustainability-related national dialogue that convenes policy

makers, listed companies, investors, and regulators in 2015 and will be planning to have a standardized guidance for sustainability related issues.

10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?

- Will Answer this for final response.

COLLABORATION AND ENGAGEMENT

11. How do you engage and collaborate (or plan to do so) with: regulators, peer exchanges, investors, companies, global organizations and other stakeholders?

EGX is an active member of The Sustainability Stock Exchange Initiative (SSE¹) since 2012, the SSE is an initiative co-convened by the UN-supported Principles for Responsible Investment, the United Nations Conference on Trade and Development, the United Nations Environment Programme Finance Initiative, and the UN Global Compact.

EGX also is a member of The Sustainability working Group (SWG), Since March 2014, the SWG is one of the World Federation of Exchanges (WFE) working groups. SWG is comprised of representatives from a diverse array of global stock exchanges with a mandate to build consensus on the purpose, practicality, and materiality of Environmental, Social, and Governance (ESG) data.

SUSTAINABLE PRODUCTS

12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc)?

The Egyptian Exchange (EGX) was the first exchange in the MENA region and second worldwide to introduce the sustainability index S&P/EGX ESG index in collaboration with Standard & Poor's, Egyptian Institute of Directors (EIoD), to raise the

¹ The Sustainable Stock Exchanges (SSE) initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG (environmental, social and corporate governance) issues and encourage sustainable investment.

profile of those companies that perform well along the three parameters of environmental, social and corporate governance responsibility when compared to their market peers.

For more details about S&P/EGX ESG Index overview and methodology, check the following link <http://www.egx.com.eg/english/OverviewS-P-EGX.aspx?Nav=7>

EXCHANGE NEEDS

13. Are there specific resources (meetings, commissioned research, webinars etc) that you would like from the SSE or other relevant groups to help you in your sustainability work?

EGX needs the support of SSE in the process of creating structured products on the S&P/EGX ESG index, like other EGX indices (EGX has Open End Certificates and Close End Certificates, issued by The Royal Bank of Scotland (RBS), Deutsche Bank, Goldman Sachs International on EGX 30 the benchmark index, taking into consideration the surpass performance of S&P/EGX ESG index compared to other EGX indices.

14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?

EGX is always encouraging investors, issuers and market regulator to engage more in corporate sustainability schemes and related issues, also EGX will be providing a sustainability guidance for listed companies and would appreciate the tangible participation of investors, issuers and the market regulator in writing and reviewing the proposed sustainability guidance.

EGX will be working on launching the sustainability-related national dialogue that convenes policy makers, listed companies, investors, and regulators in 2015, and would like all parties to effectively participate in the awareness campaign.

Finally, EGX would like the capital market parties specially investors and issuers to develop, enhance and advance their current sustainability initiatives, and to focus on building their corporate image and being able to manage ESG related-risks instead of doing charitable activities. Therefore, the company's Corporate Social Responsibility (CSR) strategy will not only helps the company improve its reputation but also becomes part of the overall risk management.