

NAIROBI SECURITIES EXCHANGE-COMMUNICATION WITH STAKEHOLDERS

Last updated on: 13th April 2015

BUSINESS STRATEGY

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

Sustainability is a key component of our strategy as we aim to increase the overall level of transparency and good governance in the Kenyan Capital Markets.

The NSE is a key sponsor of the annual Financial Reporting (FiRe) Awards that promote excellence in financial reporting, foster sound corporate governance practices and enhance corporate social responsibility and environmental reporting in East Africa.

Our active participation in this initiative is communicated by our Investor Relations Team to both internal and external stakeholders.

In addition, the exchange holds the annual Investment Challenge- a competition that promotes financial literacy amongst college and university students in Kenya.

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

The Chief Executive is in charge of sustainability and is supported by two members of the Executive Committee (ExCo)

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

Our key target is to get all listed firms to embrace integrated reporting in the medium term. We will be holding sensitization sessions with our broader stakeholder universe in the course of the year.

In addition, we aim to launch a carbon exchange in the medium term to facilitate the transparent trading of Verified Emission Reductions (VERs).

TRANSPARENCY AND ISSUER REPORTING

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

Through our sponsorship of the annual FiRe Awards, we have been steadily creating awareness in both the corporate and SME (Small and Medium sized Enterprises) sectors on the benefits of sustainability disclosures.

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

Listing standards are set by legislation and fall under the Capital Markets (Amendment) Act, 2013. Stakeholder comments are incorporated in the process of enacting or amending laws in Kenya.

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

About 20% of our listed firms currently issue sustainability reports; these are integrated within the financial reports issued to the exchange, regulator and investors.

We plan to track sustainability reporting with the eventual long-term goal of setting up a Sustainability Index.

- 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?**

The FiRe Awards are our flagship incentive programme for companies that engage in enhanced disclosure.

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

A portion of Kenya's national development plan, Vision 2030, is focused on initiatives that will help the country to attain the Millennium Development Goals (MDGs).

We encourage our listed firms to state in their annual reports how their business activities and strategy impact on the attainment of the MDGs and Vision 2030.

ISSUER CAPACITY BUILDING

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

We do not offer this guidance at the moment. Our plan is to build market awareness of sustainability, attain 100% voluntary reporting by listed firms and work on the guidance framework.

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?**

External assurance is a relatively new concept in the market.

COLLABORATION AND ENGAGEMENT

11. **Who does your exchange view as its key stakeholders and how does it engage and collaborate (or plan to do so) with these and potentially other stakeholders?**

Key stakeholders are our local and international investors, the Capital Markets Authority (regulator), trading participants, listed firms, employees, the Government and our exchange peers globally.

We engage with our various stakeholders in investor and media briefings, training fora and through regional, continental and global organisations such as the East African Securities Exchanges Association (EASEA), East Africa Securities Regulatory Association (EASRA), African Securities Exchanges Association (ASEA) and the World Federation of Exchanges (WFE).

Formal consultations on sustainability will be undertaken as part of our market education initiatives in the medium term.

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)?**

We are working closely with our listed firms and local manufacturing companies to launch an automated, transparent carbon market in the near term; the development of a sustainability index remains an internally driven initiative headed by the Executive Committee of Management.

We are also engaging with our trading participants and regulator to promote the innovation of new products like Real Estate Investment Trusts (REITs) that hold specialized assets in sectors such as healthcare and renewable energy.

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?**

Yes. As a new Partner Exchange on the SSE Initiative, we are keen to learn from our colleagues worldwide. We are keen on establishing partnerships that will help us develop a substantive strategy around sustainability.

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

Yes. We would like to have interactions with international institutions and fund managers that make investments based on ESG considerations. This would create a need amongst our listed firms to embrace sustainability practices and reporting and also drive our trading participants to innovate products that are centred on sustainability.