

## PART TWO

## Will ignoring 'ESG' impact your 'Licence to Operate'?



JEYAPRIYA PARTIBAN

### Understanding stakeholder expectations

The first step is to understand where your business stands today through the eyes of your key stakeholders. In our experience, stakeholder expectations are high and increasingly relate to how the financial institution is contributing to solutions facing society and the economy – entrepreneurship, unemployment, climate action, community development, and empowerment through the nationalization of the workforce embedding inclusion and diversity within the organization's DNA.

The past few months have put a particular spotlight on culture, human capital management, and the robustness of supply chains. In addition to scrutinizing how the organization operates, customers and clients are looking at how it models leadership by offering banking and investment products that align with their values and contribute to societal and environmental solutions.

Institutional investors and regulators also have increasing expectations regarding conduct and disclosures that fall into the spectrum of ESG – the environmental, social, and governance factors that present material risks and opportunities for the business.

### An enterprise-wide vision of ESG

These changing expectations reflect a new way to think about ESG and how it can create value for banks. Fully integrating ESG as part of the way you do business, not just manage risk, can create new business opportunities, and serve to attract and retain customers. Embedding ESG as a part of all business decisions based on a deep understanding of stakeholder expectations, and how an ESG lens on core business activities can contribute to broader strategic objectives can enable significant differentiation from competitors.

Many banks have already taken an initial step along this path by aligning their community investments and corporate responsibility activities in line with their values and purpose that includes aspirations beyond traditional business goals. It is important to have an enterprise-wide vision and ambition regarding ESG that the organization can work towards. CEOs need to ask themselves:

- How can we leverage ESG to strengthen our business?
- What influence do we want to have?

• How can we be truly bold and create something that both differentiates us and really reflects our values as an organization?

Maximizing the opportunity

These are unprecedented times that we live in. For all the challenges, this also means that there is an opportunity to have a greater impact than ever. In the light of this, three thoughts that every business leader must consider:

- Now is not the time to be incremental – COVID-19 has hugely accelerated and amplified the issues that ESG concerns itself with. Be bold in what you do.

- Be authentic – everything that you do must be rooted in the bank's values and reflect the way that the bank wants to do business. Don't commit to things you don't believe in. Stakeholders expect accountability.

- It's a journey – you won't get to where you want to be overnight. It takes time and perseverance. This makes it even more important to engage your stakeholders as part of the journey.

ESG issues as well as their associated opportunities and risks are becoming more and more relevant for financial institutions. For banks, sustainability is not just an ethical, but may soon enough also become an economic and existential question – generating a new type of risk: ESG risk. Banks ought to approach ESG risks in a holistic fashion when embedding them into their risk management frameworks. This process includes adjusting business and risk strategies and corresponding risk appetite statements, making sure roles and responsibilities are fully transparent throughout all three lines of defense.

While ESG risk is not a fully stand-alone risk type, it exerts influence on financial and non-financial risks present in a bank to varying degrees. Hence, risk management methods and processes must be amended, considering the complex cause-effect-relationships across risk types. This involves risk measurement/assessment techniques in 'run-the-bank' and in 'change-the-bank' processes as well as in stress testing applications.

Besides embedding ESG into risk frameworks, banks need to consider related issues in product design, pricing, and sales decisions. Also, an appropriate consideration of ESG risks in a wide range of change processes is of vital importance for fostering profitability.

Business leaders in Bahrain have an immediate opportunity to make a difference within the marketplace and the community by embarking on their ESG journey and embedding select UN SDGs within the core DNA of their business. Invest in ESG now and you're investing towards building a better and financially sustainable business for the future of our planet, and for the young generation of leaders and professionals to come.

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The author is Partner and Head of Advisory at KPMG in Bahrain. She has over 26 years of experience providing corporate governance advisory, compliance, internal audit, and enterprise risk management services to various clients in the financial and non-financial services sector in over 25 countries.

### Gulf Air receives Bahrain's Ambassador to Israel



Gulf Air's Acting Chief Executive Officer Captain Waleed Abdulhameed AlAlawi recently received Bahrain's Ambassador to Israel Khalid Yousif Al Jahma at the airline's headquarters in Muharraq. They discussed potential business cooperation between the national carrier and the Embassy of Bahrain in Israel. Captain AlAlawi congratulated Al Jahma and extended the airline's full support.

## Aramco drops Morgan Stanley on gas pipelines deal

Reuters | Dubai

Saudi Aramco has dropped Morgan Stanley as an adviser for the sale of its gas pipelines and picked JPMorgan and Goldman Sachs for the role, three sources familiar with matter said.

JPMorgan had also advised Aramco on the sale of the oil pipeline business, which was sold to a consortium led by Washington-DC based EIG Global Energy Partners for \$12.4 billion.

Aramco has also invited banks to advise on the financing of the deal, sources told Reuters, the second major midstream deal after the sale of the oil pipelines.

The gas pipeline deal will also have an element of staple financing arranged by Aramco for the buyer, similar to the oil pipeline transaction that was backed by \$10.5 billion in bank loans, they said.

## gig Bahrain, Takaful select GDP candidates



TDT | Manama

Bahrain Kuwait Insurance Company (gig Bahrain) & Takaful International (gig Bahrain-Takaful) announced selecting the final three can-

didates for their Graduate Development Program (GDP); after a series of qualifying rounds.

The finalists are: Sara Lary, May Mahdi, and Ayat Juma.

In collaboration with the Bahrain Institute of Banking and Finance,

the "Graduate Development Programme" encourages fresh Bahraini graduates to pursue a professional leadership position in the insurance industry, as well as obtaining professional qualifications in the field.

## Ithmaar announces \$100,000 2nd Thimaar quarterly winners

TDT | Manama



Ithmaar Bank, a Bahrain-based Islamic retail bank, presented two Bahrainis, Mohamed Yousif Mohamed Janahi, father of four and Fatima Ahmed Abdulla, mother of four, a cash prize of US\$100,000 each as the Bank distributed the second Thimaar quarterly prizes for the year.

The draw was held remotely at the Bank's headquarters in Seef district.

"I'm obviously delighted to win the US\$100,000 quarterly prize of Thimaar," said Janahi. "When I received the phone call from the Bank's Branch Manager informing me that I won the prize, I felt I was watching a dream coming true. It is truly a blessing from Allah, the Almighty," he said.

"I've always dealt with Ithmaar Bank and I've been banking with them for more than 18 years. The Bank has always offered Thimaar account prizes to a large number of winners, which was a big part of the appeal for me as it increases my chances of winning," said Janahi. "The Bank has also made it easier for anyone to open an account, with the Mobile App. Opening new accounts digitally is, truly, very convenient," he said.

"Getting to know that you won US\$100,000 in cash is always a splen-

did news," said Fatima Abdulla. "In these challenging times, this win comes at just the right time for me and my family. It has made us all very happy," she said.

"I've been banking with Ithmaar Bank for or a long time because of its efficient and reliable customer service," said Fatima Abdulla. "I haven't been fortunate enough to win cash prizes over the past years. So, winning with Ithmaar Bank was a complete shocker for me, and it was almost hard to believe it's true," she said.

On behalf of all of us at Ithmaar Bank, I congratulate both Mohamed and Fatima and their families on winning the second Thimaar quarterly prizes. I would also like to take the opportunity to congratulate all other Thimaar winners of this month," said Ithmaar Bank Chief Executive Officer, Ahmed Abdul Rahim.

"Saving money for the future is one of the wisest decisions for each one of us, although it can certainly be a challenge. Thimaar savings account incentivises saving and investing for the future, and we are truly honoured to be part of this journey with our customers," he said.

"Ithmaar Bank offers the highest number of prizes of any similar scheme in Bahrain, making Thimaar account

one of the most rewarding saving schemes in the Kingdom," said Abdul Rahim. "With another grand prize of US\$1 million prize coming up this year, our forthcoming winner will be another Thimaar millionaire. These potentially life changing prizes can be won with a little as a single BD30 deposit, and the more you save and the longer you wait the bigger your chances," he said.

"Customers can now instantly open a Thimaar account directly from their mobile phones, without the need to physically visit a branch. Bahraini and non-Bahraini residents can now securely open new accounts in just a few minutes by simply downloading Ithmaar Bank's Mobile App," he said.

This year, a total of 2,271 prizes will be awarded, the most offered by any bank in Bahrain. Throughout the year, customers are able to win US\$1 million grand prize, six quarterly prizes worth US\$100,000 each, along with many more cash prizes.

Thimaar, Arabic for fruits or harvest, is a prize-based saving account that Ithmaar Bank introduced to help encourage its customers to save.

View the winners list by visiting the Bank's website at: [www.ithmaarbank.com/thimaar](http://www.ithmaarbank.com/thimaar)