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The ESG journey for sustainable and resilient markets

Companies in Bahrain are expected to create shared value and inclusive growth, to assess their impacts on capitals and resources, and to contribute national, regional and global visions and plans, such as accelerating the fulfilment of the United Nations Sustainable Development Goals.



Shaikh Khalifa bin Ebrahim Al-Khalifa, chief executive officer of Bahrain Bourse.

We have witnessed several emerging key trends, and especially due to the coronavirus pandemic, which has triggered and intensified discussions about the interconnectedness of sustainability and the financial system.

The demand for environmental, social and governance (ESG) principles and impact investing has skyrocketed. **ESG** criteria are a set of standards

for a company's operations that socially conscious investors use to screen potential investments.

Stock exchanges and clearing houses continue playing an important role in the development of the capital market institutions and promoting best practices in investor relations and best standards in ESG reporting and disclosures to ensure authentic external communications with the stakeholders.

Just as investors use traditional financial data to assess the business's performance, they use ESG data to evaluate the sustainability risks that may affect the company's financial performance. According to Opimas's report 'ESG Data Market Not Stopping Its Rise Now', the market of ESG data could reach a yearly revenue of \$1 billion by 2021.

Depending on the investment strategy, ESG data can inform various stages of the investment process, including stock selection, portfolio construction and risk management. This additional layer of extra-financial information can support investors to make better informed decisions.

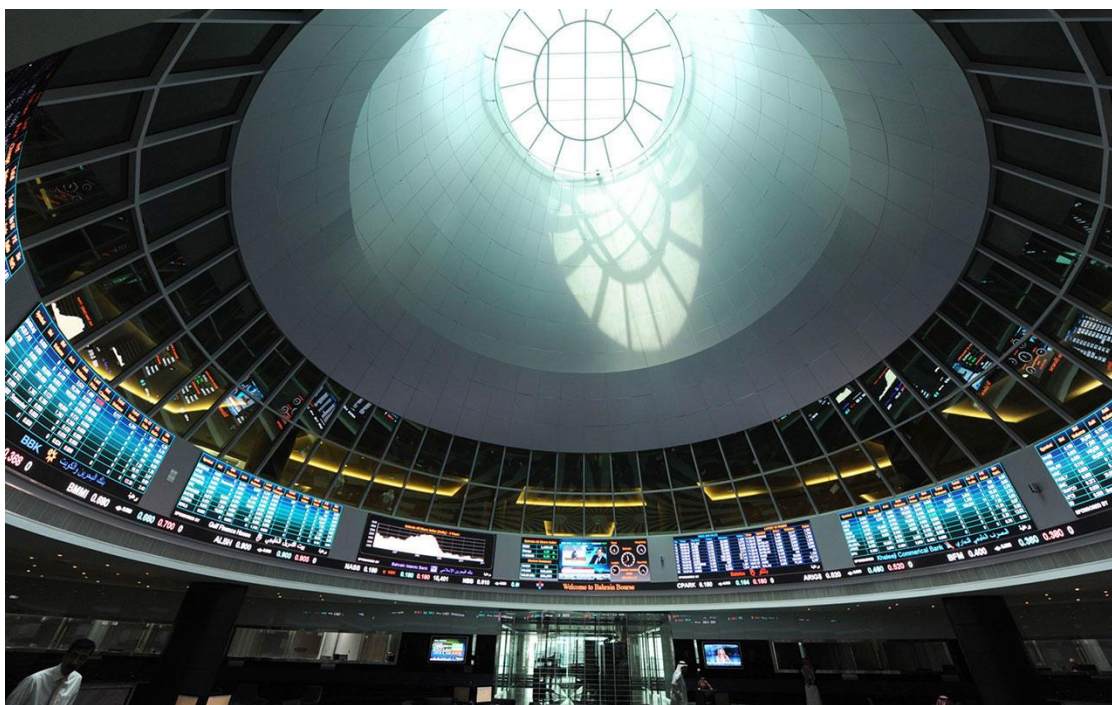
Most ESG data comes from companies' public disclosures. Companies disclose this information through a number of channels, including sustainability reports, annual reports and their website. Hence, Bahrain Bourse advanced its efforts to promote [sustainability](#) and transparency in Bahrain's capital market by issuing its ESG voluntary reporting guidelines for listed companies.

The ESG guideline and recommended standards are aligned with multiple frameworks including Bahrain Economic Vision 2030, [United Nations Sustainable Development Goals \(SDG\)](#), United Nations Sustainable Stock Exchanges Initiative, and the World Federation of Exchanges Sustainability Principles.

Voluntary non-financial reporting has grown to become the norm amongst public and private companies in terms of ESG factors. As a result, this is also re-shaping the role of Investor Relations (IR) in communicating and

providing high standards of disclosure and transparency by providing the ESG data.

Note that the ESG landscape may be complex to navigate due to the depth of information requirements and multiple reporting standards. Corporations, issuers, asset managers, and investors may be bound by various regulatory ESG requirements disclosures in different jurisdictions. Multiple standards and ratings organisations can provide overlapping and sometimes conflicting information in this area.



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Bahrain Bourse ensures proper transparency by adding the ESG factors followed by a case study in the recently launched Investor Relations Best Practice Guide. The launch compliments Bahrain Bourse's efforts in relation to promoting investor relations in Bahrain's capital market in collaboration with Middle East Investor Relations Associations (MEIRA).

The Investor Relations (IR) Best Practice Guide aims to provide a blueprint framework for listed companies to structure an effective IR program and strategy. In addition, it includes guiding principles of IR, outlines the

operating and regulatory environment, and provides guidance on IR strategies in line with best international practices.

The IR guide also includes case studies from listed companies' IR best practices. IR is the effective two-way communication of the relevant information between an issuer and the financial markets to ensure that the investment community is making an informed judgement about the fair value of an issuer's securities.

At a national level, the principles of sustainability are well embedded in Bahrain Economic Vision 2030. Companies in Bahrain are expected to create shared value and inclusive growth, to assess their impacts on capitals and resources, and to contribute national, regional and global visions and plans, such as accelerating the fulfilment of the United Nations Sustainable Development Goals - a call to action to protect the planet and guarantee the global well-being of people.

These common goals require the active involvement of individuals, businesses, legislation and countries around the world.

Shaikh Khalifa bin Ebrahim Al-Khalifa, chief executive officer of Bahrain Bourse.