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Growth & Recovery Outlook



On leveraging capital markets to facilitate economic recovery



In what ways can the BHB enhance its contribution to the country's post-pandemic recovery?

SHEIKH KHALIFA BIN EBRAHIM AL KHALIFA: The most impactful way the BHB can support the economic recovery is by focusing on its core mission: to facilitate the raising of capital. At a time when banks are being much more selective and cautious in terms of lending to businesses, stock exchanges are in a position to serve as a well-structured alternative to meet funding and capital growth requirements.

As important as government stimulus packages have been to maintaining economic stability, public support alone cannot lead to sustainable growth. The BHB can help fill this gap by expediting the privatisation of the economy, as we expect to see more initial public offering activity in the future. Stock exchanges are sources of not only capital, but also expertise. For example, certain types of investors can provide a wealth of non-financial resources to back growth strategies via exports.

Why is the BHB adopting the Global Industry Classification Standard for listed companies, and how will the re-classification reflect positively on the market?

SHEIKH KHALIFA: The move aims to introduce a global industrial classification standard – developed by index providers MSCI and Standard & Poor's Dow Jones Indices – to the equity market to enhance transparency and provide more reliable information on the performance of companies and the market. The decision is in line with the BHB's strategy to boost transparency and efficiency in Bahrain's capital market, and adopt best international practices.

The re-classification will align the BHB with global industrial standards for classifying listed companies as adopted by regional and international stock exchanges. This will provide better information to foreign investors on the performance of sector indices and enable easier comparisons with global peers, as companies will be classified by sector based on their principal activity.

To what extent are environmental, social and governance (ESG) initiatives shaping the behaviour of BHB-listed companies, and what can be done to promote their adoption more broadly?

SHEIKH KHALIFA: ESG principles and disclosures are fundamental not only to safeguard the environment and society, but also to create a successful and sustainable business model. Although ESG is a relatively new concept in the GCC, the BHB has ensured that we lead by example through reporting on our own ESG journey in order to encourage listed companies to follow suit. The ESG Guidelines recommends a set of 32 key performance indicators (KPIs). The responses we have received on these guidelines have been positive, with many companies integrating ESG disclosures into their annual reports. Some companies now have a chief sustainability officer appointed as well. Today, listed companies reporting on ESG comprise 33% of entities listed on the BHB and represent over 77% of market capitalisation.

The BHB has also added an ESG-focused goal to its strategy and will establish specific KPIs to measure progress. We are pursuing a dual-track approach to expand the adoption of ESG criteria. First, we hope to make certain ESG criterion mandatory in the near future; and second, we are looking to expand an awards programme catered for companies with an active ESG presence, disclosures and ratings. In addition, we have worked closely with the Arab Federation of Exchanges to create the Refinitiv AFE Low Carbon Select Index, which spans the MENA region.