

# SUSTAINABILITY AT BAHRAIN BOURSE

## SUSTAINABILITY JOURNEY

Capital markets play a pivotal role in shaping the future of the global economy. At Bahrain Bourse, we value the importance of incorporating Environmental, Social and Governance (ESG) factors into our day to day business operations, in order to achieve sustainable growth and meet stakeholder expectations.

### Highlights

**February  
2019**

BHB signed a voluntary commitment to promote sustainability performance and transparency in capital markets

**March  
2019**

BHB hosted a bell ringing ceremony as part of our commitment towards the UN's Sustainable Stock Exchanges Initiative

**September  
2019**

BHB conducted 1-on-1 ESG engagement and introduction sessions with 6 listed companies representing 31.21% of the market cap.

**September  
2019**

BHB hosted a workshop to deliver sustainability training targeting all listed companies in BHB, and promoted market education towards sustainability/ESG disclosure

**'Thiqa' Award  
Level 3**

BHB recognized as the first semi-government entity to receive 'Thiqa' award Level 3 by the Information Security Forum 2019

**Bahrain ranked  
2<sup>nd</sup> in  
GCC for SDGs**

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## OUR SUSTAINABILITY MISSION

BHB's sustainability agenda consists of four focus areas that are linked to our values and core business operations. The following are general goals BHB aims to implement to further its sustainability strategy:



Incentivize listed companies on a voluntary basis to implement ESG reporting standards



Highlight ESG initiatives to local and global investors and buy and sell-side analysts



Encourage sell-side analysts to incorporate ESG information into their research to assist investors in making sustainable decisions



Contribute to Bahrain's vision of a sustainable future and the Kingdom's development agenda

## ENCOURAGING SUSTAINABILITY

BHB is a firm believer in the importance of sustainable and community-conscious approaches. It aims to set trends in standard practices across the industry. In light of this, regional ESG experts *Sustainability Excellence* delivered keynotes on sustainability and ESG implementation in September 2019, an event open to all listed companies.

In accordance with our commitment to ESG implementation, our sustainability approach is guided by an environmental, social and governance framework, and aligned with the UN SDGs where we have impact:



### Bahrain Bourse's Sustainability Framework

ENVIRONMENT

SOCIAL

GOVERNMENT

## ENVIRONMENT



SDG Alignment



### ENVIRONMENTAL IMPACTS

### ENVIRONMENTAL PRACTICES

### DIGITAL TRANSFORMATION

#### Environmental Impacts

As a market influencer, we are dedicated to reducing our environmental footprint through a number of initiatives to manage energy and water consumption, atmospheric emissions, and electronic waste.

Our headquarters have undergone significant changes in the past two years. Office spaces were reduced whilst increasing staff numbers, without compromising the workspace environment, and we are in the process of digitizing operations to reduce paper and increase efficiency and security. This had a positive impact in many areas.

Environmental Impacts	2017	2018	2019
Electricity kWh	532	431	407
GHG emissions CO <sub>2</sub> e (tons)	0.31	0.25	0.24
Emission intensity CO <sub>2</sub> e (tons)/employee	0.0048	0.0040	0.0035
Energy usage (Gj)	1.92	1.55	1.47
Energy intensity (Gj/employee)	0.0295	0.0242	0.0212

Electricity requirements and consumption dropped by 19% in 2018 and by another 5% in 2019 with significant cost and impact reductions. This means that our Greenhouse Gas (GHG) Scope 2 emissions dropped 24% since 2017, and the emissions intensity per employee dropped by 18% in 2018, and a further 12% in 2019. Energy usage has fallen by 24% since 2017 and energy intensity per employee has fallen by 28%.

#### Environmental Practices

BHB has undertaken a number of initiatives for greener IT operations. Operating VMware infrastructure in our data center and migration to Amazon cloud services has allowed for lower power consumption and a higher utilization of space. BHB has also implemented a number of other initiatives to reduce power consumption, including using power-saving LED lights and implementing light-off rules after office hours, and motion-sensor lights in utility areas. Installation of energy efficient LED bulbs has ensured that bulbs are replaced only at their end of life to reduce unnecessary waste in the process.

#### Digital Transformation

Bahrain Bourse continues to deploy a number of digital initiatives to enable efficient processes such as eServices including the eIPO platform, and Fawateer services which aim to streamline business processes and enhance the stakeholder experience. Our digital transformation team oversees the identification of core processes that require automation and enhancement. These initiatives intersect to achieve a paperless and sustainable workplace. So far, the short-term impact has been a drop of 4% in paper consumption between 2017 and 2019. Furthermore, BHB now outsources some of its printing to specialized third party vendors, decreasing printing cartridge usage by 33% since 2017. With the implementation of environmentally considerate practices, personal computer waste also saw a 65% decrease from 6,773 tons in 2017 to 2,384 tons in 2019, despite an increase in staff numbers.

## SUSTAINABILITY AT BAHRAIN BOURSE (continued)

Paper Consumption	2017	2018	2019
Usage	452,500	393,600	436,500

As we look forward to 2020, we expect further net reductions in resource use, thus minimizing our environmental impacts whilst adding value to all stakeholders.

### SOCIAL



#### SDG Alignment



Nurturing our Workforce	Female Empowerment	Stakeholder Engagement	Investing in the Community and Financial Literacy	Supporting People with Determination	Human Rights
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#### Nurturing our Workforce

At Bahrain Bourse, we are committed to building a cohesive working environment for our team to nurture talent development and strengthen our team's capabilities. Bahrain Bourse's team comprises 69 employees, consisting of 61% non-managerial staff, 25% middle management staff and 14% senior management staff.

#### Workforce Overview

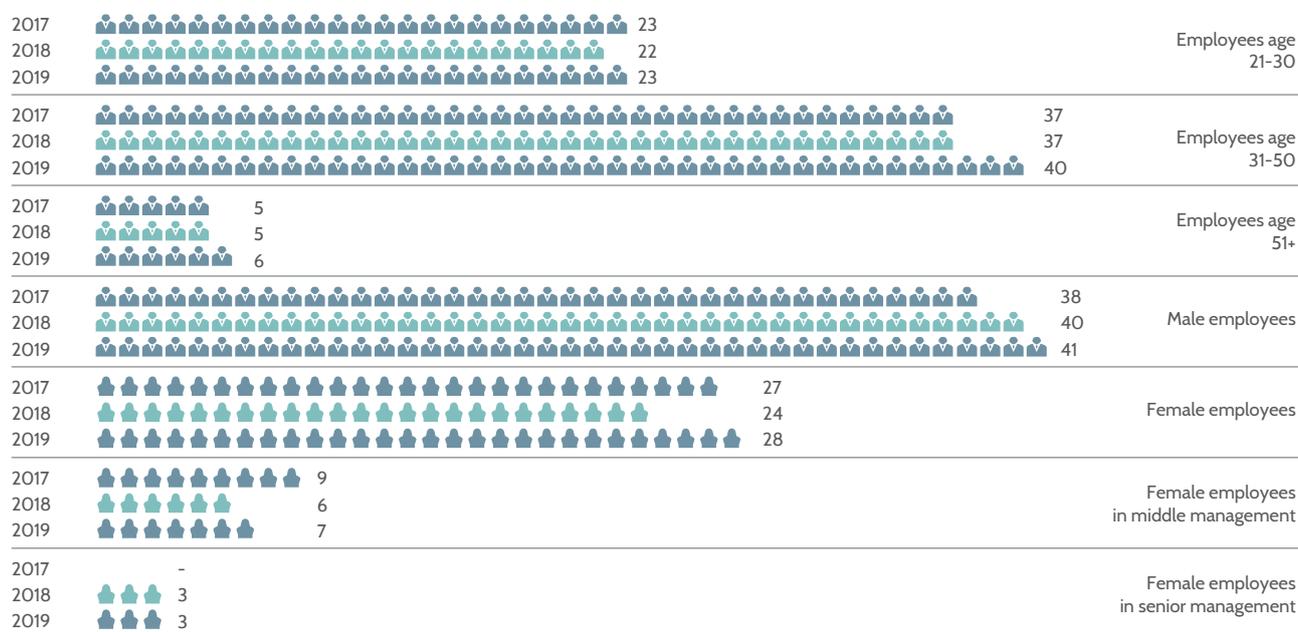
2017	65	62	3
2018	64	62	2
2019	69	67	2
	Total workforce (excluding trainees, students and outsourced staff)	Employees on an indefinite or permanent contract	Employees on a fixed term or temporary contract

An essential element of caring for our workforce is safety. Therefore, we maintain a minimum of 10 specially trained employees for evacuation and other emergencies. BHB has a certified marshal team for fire drills, first aid, and other health responses such as vaccinations. Furthermore, in line with the national strategy of promoting an active and healthy lifestyle, BHB holds an annual employee Sports Day and annual health check-ups for all employees. In addition, BHB holds a number of social activities throughout the year to enhance employee engagement.

In 2019, BHB increased its recruitment numbers, whereby 63.6% of new recruits were women. BHB works to ensure a supportive atmosphere for employees, and the Code of Conduct and Ethics ensures fair treatment without discrimination based on race, gender, religion or any other factors.

BHB is proud to cultivate a female friendly environment that encourages women of all backgrounds to work with us and achieve their potential. Currently, the percentage of women working at BHB sits at 41%, a 17% increase from 2018. Females employees make up 41.17% of middle management positions and 30% of senior management employees. Further, 25% of our Board of Directors members are also female.

## Workforce Age and Gender



There are also undeniably good nationalization rates at BHB, which is in line with the Bahrain National Vision 2030. The level of national employees at BHB stands at 98.5%.

### Nationalization

	Nationalization of senior management (%)	Nationalization among total workforce (%)	Total number of national employees
2017	75%	96%	63
2018	83%	96%	63
2019	100%	98%	68

Supporting staff to develop and grow sits at the core of BHB's values and practices, and the numbers are testament to this. We ensured an increase of 18% in the number of training days delivered with a total of 204 days in 2019, a 25% increase on 2018. In addition, as part of BHB's sustainability strategy, we organize social activities for our employees, which aim to raise funds benefit society, the organization and stakeholders. In addition to training programs, BHB also participates in career days to further position ourselves as an employer of choice for fresh graduates and job seekers. Our investment in people throughout the years has resulted in a low turnover rate of 0.11% in 2019. We also conduct an annual employee satisfaction survey to better understand employee feedback, motivation levels, and satisfaction.

### Female Empowerment

An Equal Opportunities Committee was formed to oversee opportunities for gender equality in various aspects including training, social benefits, and employee development. The committee also ensures equal benefits and opportunities are accessible to both genders, whether by direct support in the workplace or indirect support for spouses and family.

The Committee reviews and enhances the policies currently in place to ensure incorporated objectives. The Committee focuses on internal enhancements and extends their outreach to stakeholders through various mediums, encouraging listed companies to compete with each other to excel in gender equality. Improvements should include, but not be limited to, number of women in managerial positions and female board members. In addition to the Committee, BHB boasts a return-to-work rate of 100% for all female employees after maternity leave.

## SUSTAINABILITY AT BAHRAIN BOURSE (continued)

### Stakeholder Engagement



BHB places significant value in stakeholder engagement throughout our sustainability journey to help us make informed business and regulatory decisions and build collaborative relationships, encouraging clarity and transparency in the market as well as to identify the most material topics.

Stakeholder engagement is an ongoing priority through a variety of channels including our workshops, forums, surveys, consultation papers as well as website and social media, and their feedback is carefully considered to ensure decisions contribute to the overall benefit of all parties involved. Full details of our stakeholder engagement can be found under the 'Stakeholder Engagement' section of this Annual Report.

To improve stakeholder satisfaction, we are developing our communication channels. One such channel is the Tawasul program, accessible via the National Portal<sup>1</sup> or through the Tawasul app. Users can also access the National Suggestions & Complaints System, 'Tawasul', through Bahrain Bourse's company website. The channel will also send automatic "satisfied" or "dissatisfied" surveys, and if a "dissatisfied" is received the complaint will be automatically reopened for further servicing. Furthermore, BHB appointed a dedicated Complaints Officer in 2019 to oversee official complaints received.

<sup>1</sup> [www.bahrain.bh](http://www.bahrain.bh)

### Investing in the Community and Financial Literacy

Community engagement and financial literacy forms an integral pillar in BHB's strategy. In 2019, BHB doubled its total volunteering hours from the previous year across a number of its financial literacy programs. Flagship programs include TradeQuest, Smart Investor and Investment Academy. BHB also provides development opportunities for new graduates and trainees to work as interns with the aim of providing on-the-job work experience. Furthermore, BHB continues to host several student internships in collaboration with the CFA Society's 'Mutamahin' program, enabling new graduates to develop their skills through on-the-job training.

### Supporting People with Determination

To accommodate the needs of People with Determination, BHB's Trading Floor facilities are purposely built on a single-floor equipped with slopes and accessible by elevator to ensure direct access, with complimentary wheelchair services provided for assistance. Bahrain Bourse is equipped to support individuals with a range of disabilities to make informed investments. The internal culture of the BHB is focused on upholding this standard of inclusion across the company.

### Human Rights

BHB's Code of Conduct and Ethics follows and abides by all clauses in the Bahrain Labor Law. BHB's internal policies align themselves with the general rules and regulation of the Kingdom regarding human rights law under the Kingdom's constitution. BHB deals directly with vendors and third parties, to prevent any discrimination with external workers while incorporating a formal grievance mechanism for internal and/or external stakeholders. None of the grievances filed related to human rights violations.



**GOVERNANCE**



SDG Alignment



Board of Directors

Ethics & Prevention of Corruption

Compliance

Data Privacy & Security

Investor Relations

**Board of Directors**

cultivating trust and confidence through good Corporate Governance is an ongoing focus of our strategy. Bahrain Bourse's upholds the highest standards in adherence to the governance framework as set by the Ministry of Industry, Commerce, and Tourism and Central Bank of Bahrain. We start by ensuring diversity and independence at the board level, and work to enforce a culture of ethical conduct throughout the company, hence female Board representation stands at 25%, while Board independence stands at 75%.

**Ethics and Prevention of Corruption**

BHB identifies risk appetite across the business and mitigates the risk exposure of strategic, operational, compliance and financial risks. BHB protects the company and customers by implementing several methods that we deem crucial to sustainable operations.

*Ethics*

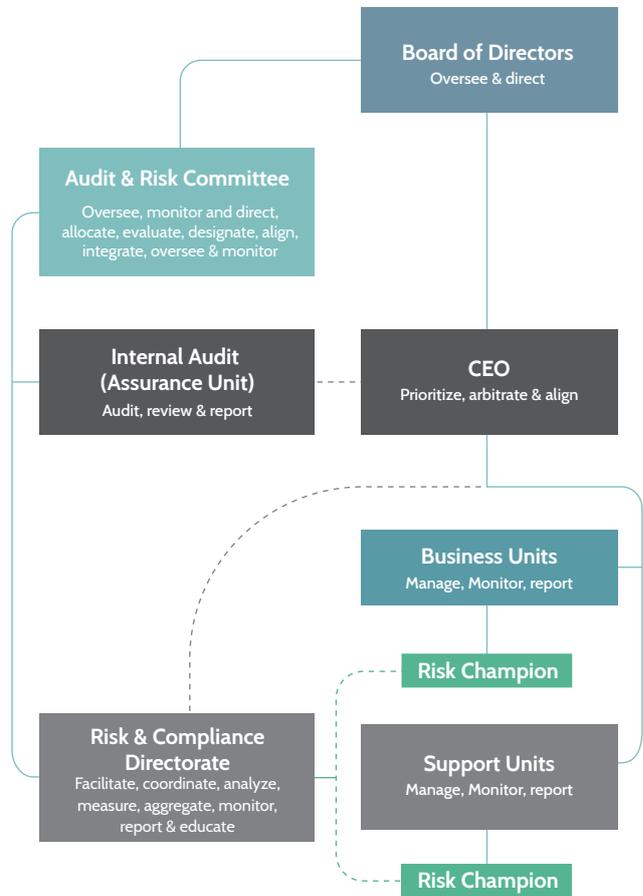
BHB is mandated by our Code of Conduct and Ethics, and Anti-Money Laundering (AML) policy. We review operations multiple times per annum, with general fraud reviews, such as phishing simulations at least once a quarter with follow-ups.

*Prevention of Corruption*

BHB requires several signoffs before processing significant operations, reducing opportunities for corruption and ensuring alignment with policies of the Central Bank of Bahrain (CBB). In addition, BHB carries out an annual training workshop to its members and listed companies on how to identify fraudulent brokers. Any observed fraud is reported immediately to the relevant authorities.

*Risk Governance and Compliance*

The risk governance approach within BHB was created to ensure the organization is able to ensure proper implementation of the Risk Management policies, analyze and mitigate identified Key Risk Indicators, and embed Risk Management within the overall strategic plans using an enterprise risk management framework. The following diagram shows the internal structure that BHB follows to ensure effective risk governance:



**Compliance**

BHB follows a compliance strategy through the Risk and Compliance department which reviews all areas across the business as well as being the point of contact for the regulator.

The Risk and Compliance reports quarterly to the Board of Directors. 2019 saw an enhancement in board reporting as the department expanded its Compliance Status Report to include significant matters, such as: Issuer and Member's compliance with disclosure requirements, suspension of trading on Issuers, BHB and Bahrain Clear regulatory compliance, regulatory supervision and enforcement and general key changes.

2019 Highlights

Key Achievements

Traded Securities & Instruments

Strategic Review

Brokers & Members

Stakeholder Engagement

Authorized Sponsors

Sustainability at Bahrain Bourse

Bahrain Bourse Fees & Commissions

World Stock Markets Performance

Bahrain Clear Fees

Corporate Governance Report

Key Statistical Data 2018- 2019

## SUSTAINABILITY AT BAHRAIN BOURSE (continued)

The Risk and Compliance department reviews high-risk investor account opening applications submitted to Bahrain Clear in order to ensure compliance with the CBB Rulebook in relation to Anti Money Laundering (AML); the Risk and Compliance department provides advice on customer acceptance and KYC requirements. The Risk and Compliance department is also a key member of the Investigation Committee where Compliance reviews surveillance and investigation cases, suggests a corrective course of action and follows-up on escalated cases.

Insider's Management is key within the BHB's Risk and Compliance department culture. All employees of BHB and the Bahrain Clear receive training by the Risk and Compliance department on management of insider information and ethical trading. Additionally, all insider information - alongside the connected persons combined with the key persons system - trigger upon trading which is publicly announced for transparency.

### Fraud, AML and Financial Terrorism

BHB participates in raising awareness on fraud, AML and combating financial terrorism by providing training to employees and members and advising on these matters. Fraud risks are identified and circulated to the concerned departments and then controls are devised, implemented and reviewed.

BHB ensures ethical and fair-trading through the following:



Continuous monitoring of market activity and regular awareness sessions for brokers on key issues and violations facing the market, in order to minimize unfair advantages



Monthly "Investments & Saving" seminars targeting the public and offered for free to raise awareness on best market practices on managing an investment portfolio



Several layers of market surveillance to insure maximum due diligence



Multiple alerting platforms on various key market activities

The newly appointed Complaints Officer is an important tool in ensuring these measures are fully implemented and adhered to. Moreover, key employees within the organization receive International Compliance Association (ICA) certification.

### Data Privacy and Security

Bahrain Bourse recognizes that data privacy and security is the essential cornerstone of a healthy, functioning marketplace. As such, we invest considerable time and expertise in our data privacy and security management.

### IT Security and Business Continuity Management

BHB prides itself on its excellence in protecting its IT infrastructure. We successfully completed the third level of the 'Thiqa' [Trust] Information Security Program which aims to enhance information security controls and best practices of government entities in the Kingdom. The program was completed and audited by the Information and eGovernment Authority (iGA), to ensure BHB's compliance. It is noteworthy to mention that BHB was recognized as the first semi-government entity to receive the 'Thiqa' award Level 3 during the Information Security Forum in 2019 organized by the iGA, and underpins one of the significant clauses in our Code of Conduct and Ethics.

As the only private entity awarded with highest level of the Thiqa program which sits in line with ISO 27001, BHB also maintains stringent access control policies and constant monitoring of user access by using Security Information and Event Management system (SIEM<sup>2</sup>), access log-ins, and network zoning, ensuring confidential information is protected and secured. Plans for 2020 include data classification and disaster simulation exercises.

The SIEM<sup>2</sup> provides a full data log of all activities within all BHB's systems. This receives an annual review, or as and when the need arises. BHB also maintains a robust vulnerability management program with periodic self-performed vulnerability assessments with an endpoint security management system which includes batch management and device control management systems, in line with the existing information security policy.

At BHB, cyber security forms a central focus of our business operations to ensure market transparency through data integrity, availability and confidentiality. Numerous measures have been put in place to ensure cyber security risks are mitigated including raising awareness of internal compliance culture, disaster recovery center simulations, Information Security Policy and multiple backups on and off site.

<sup>2</sup> SIEM: a software solution that aggregates and analyses activity from many different resources across the entire IT infrastructure



As a final measure to protect operations, we have robust Business Continuity Management (BCM) in place. The average switch on and start up time of the BCM systems is three minutes, an improvement from four minutes in recent years. Three minutes is the full readiness time at the individual stations for a user to access their data. Recently, the low performing computers were identified and are scheduled for replacement, with a view to reach the target of a full BCM system readiness of one minute. Only the Risk and Compliance department can change access permissions for the Business Continuity center, and only permitted staff can make such a request through the Risk and Compliance department.

### Customer Data Security and Experience

BHB undertakes several steps to eliminate risks regarding customer data privacy, including physical access control, user access control, multiple backups, digitizing physical documents and data handling, destruction and retention agreements with 3<sup>rd</sup> party vendors.

In addition, Bahrain enacted Law No. 30 of 2018 with respect to Personal Data Protection Law (“PDPL”) on July 12, 2018. The PDPL is the main data protection regulation in Bahrain. The PDPL came into force on August 1<sup>st</sup>, 2019 and supersedes any law with contradictory provisions. BHB takes data protection seriously as a core component of its operations and adheres to all legislation as a matter of priority. Data impact analysis is undertaken periodically to ensure BHB does not over-collect data and to ensure that data collected is for business and legal purposes only.

### Investor Relations

In late 2018, BHB signed an MoU with the Middle East Investor Relations Association (MEIRA), and the MEIRA Bahrain Chapter was formally inaugurated in April 2019. The 6 founding members from listed companies work hands on to improve IR best practice in Bahrain by delivering networking and training events to the local IR community, working to promote good governance and best IR practices, among other relevant IR topics.

## THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2015 the UN announced a renewed global commitment to addressing poverty and climate change, and ensuring peace and prosperity by 2030. To guide these efforts, the 17 Sustainable Development Goals (SDGs) were adopted as a common set of objectives.



In February 2019, BHB joined the United Nations Sustainable Stock Exchanges (SSE) Initiative to demonstrate our voluntary commitment to promoting sustainable and transparent capital markets.

The SSE is a network connecting around 80 exchanges globally and focuses on sustainability disclosure of ESG factors. As a voluntary signatory to the SSE, BHB aims to promote company disclosures most relevant to capital markets, and our ESG Reporting Guidance is aligned with their respective SDGs.

Whilst Bahrain Bourse considers all SDGs to have significant importance, we have used this report to identify the areas that we can have immediate impact: SDG 5, 8, 10, 12 and 13.



In the greater regional context, the Kingdom of Bahrain ranked 76 of 162 countries for implementation of the Sustainable Development Goals, ranking 2<sup>nd</sup> amongst the GCC countries. BHB looks forward to further contributing to the SDGs as part of a sustainable marketplace and as a responsible corporate citizen.