

The next normal for sustainable business in Bahrain

Embedding environmental, social and governance (ESG) goals within business practices is surfacing as the next normal for businesses across the globe. Companies are considering ESG in their business decisions not only to increase traction with investors and customers but also because of the increasing importance of ESG goals to existing stakeholders.

Greenhouse gas emissions
Emissions intensity
Energy usage
Energy intensity
Energy mix
Water usage
Environmental operations
Environmental oversight
Climate risk mitigation
CEO pay ratio
Gender pay ratios
Employee turnover
Gender diversity
Temporary worker ratio
Non-discrimination
Injury rate
Health & safety
Child & forced labour
Human rights
Nationalisation
Community investment
Board diversity
Board independence
Incentivised pay
Collective bargaining
Supplier code of conduct
Ethics and anti-corruption
Data privacy
Sustainability reporting
Disclosure practices
External assurance

In June this year, the world's largest jewellers, Pandora, announced that they would no longer be using mined diamonds and committed to only using synthetic diamonds in their jewellery with the aim of being carbon neutral by 2025. This is a major business model change, driven by sustainability, the ESG considerations of its decision makers – and its customer profiles. Similar actions are emerging – whether as unique selling points, business model updates or supply chain management changes – across industries and sectors. Are Bahrain businesses responding adequately to this new norm? How should Bahrain businesses ensure sustainability?

Bahrain currently stands 74th on the global list of carbon-emitting countries. For the last twenty years, roughly three-quarters of government income has been generated by exporting hydrocarbons. The country's second-largest export, aluminium, is often described as 'energy in a solid form'. However, the government is looking to diversify income sources as part of its Economic Vision 2030. New sources of revenue include manufacturing (plastic, fiberglass, chemicals, petrochemicals & food processing); services; and tourism.

It is important to note that ESG is broader than simply sustainability. KPIs suggested by the Bahrain Bourse for listed businesses – see box – cover a range of important issues, from GHG emissions and water usage to board diversity and data privacy. ESG and sustainability measures are clearly a key concern for Bahrain businesses. The government recognises this and has adopted the United Nation's Sustainability Development Goals (SDGs) 2030 and issued a voluntary national review report in 2018. However, both ESG and sustainability are currently seen as good practice, rather than a legal or regulatory requirement. While an economic shift from oil & gas to a more diversified economic model should lower carbon emissions, carbon footprints, the production of 'forever chemicals' (PFAs) and renewable energy are all ongoing issues.

We believe that ESG is here to stay. Private and public business sectors need to assume their roles. Because addressing legacy concerns is often an important first step, this is an opportune time for businesses to identify skeletons – if any - in their closets. ESG criteria can then be benchmarked into future business decisions.

About Keypoint

Keypoint is one of the GCC's most comprehensive providers of professional business services. We deliver corporate advisory, accounting, investment administration, tax, human capital, IT consulting, management consulting, financial regulatory compliance and trust administration services to a wide range of businesses - from corporations and financial services and insurance institutions to family-managed conglomerates and single owner companies. Our ESG team – part of our management consulting function - advise clients on a range of ESG and sustainability issues, including incorporating and reporting on ESG practices.



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