COP28 Sustainable Finance Impact Review

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DESTINED TO PIONEER A GREENER TOMORROW

With the recent UAE Banks Federation's pledge of Dh1tn in green finance by 2030, announced at COP28, the UAE is poised to become a global leader in sustainable finance

In the wake of global imperatives for sustainability and the UAE's ambitious vision to achieve net-zero emissions by 2050, the country's financial sector is at the forefront of a paradigm shift towards responsible and impactful finance.

The UAE, known for its economic diversity and strategic vision, is at the forefront of utilising green finance to tackle the challenges of climate change. As the global community gathered in Dubai for COP28, the UAE's perspectives on green finance and its impact on diverse economies took centre stage. With the recent pledge by UAE Banks Federation on behalf of its national member banks to invest Dh1tn in green finance by 2030, announced by the chairman of UBF Abdulaziz Al Ghurair at COP28, the country is poised to become a global leader in sustainable finance. The transformative journey of the UAE's financial sector has been tremendous. Meanwhile, the impact of the recent commitments is promising, charting a course for a future characterised by sustainability, innovation and collaboration.

From providing sustainable project financing to issuing green bonds locally and internationally, UAE banks contribute to sustainability initiatives, fuelling the growth of sustainable banking and finance solutions. Green sukuk and bonds issued by the country's banks have reached a total market value of Dh62.4bn ($17bn) in recent years. Recently, S&P Global Ratings predicted sustainable bond issuance to reach nearly $1tn in 2024.

Several strategic initiatives exemplify the UAE's commitment to sustainability. Most notably, the Green Agenda 2030 (UAE Agenda 2030) aims to boost GDP growth, increase exports and reduce emissions, demonstrating a holistic approach to sustainable economic development. In addition, the Abu Dhabi Global Market's sustainable finance framework sets a regional benchmark with rules for sustainability orientated funds and bonds. These efforts, complemented by Central Bank of the UAE's Sustainable Working Group's commitment to the UAE Net Zero by 2050 strategic initiative, underscore the country's commitment to integrating sustainable practices into its financial systems.

Jamal Saleh, UBF Director General

UNITED FOR ONE GOAL

UAE Banks Federation has played a central role in the UAE's proactive approach in setting ambitious targets for redirecting financial resources into green, responsible and sustainable solutions and technologies. Through its high-level ESG committee, which comprises specialist experts from UBF member banks, the Federation works diligently to reinforce green finance principles and frameworks, aligning with the UAE's commitment to sustainability in the banking and financial sector.

Jamal Saleh, director general of UBF, said: "The UAE has adopted sustainability standards and principles in the banking and financial sector, with Abu Dhabi and Dubai's Declarations for Sustainable Finance in years 2016 and 2019, as well as the Guiding Principles for Sustainable Finance, to promote the development of a green financial market in the year 2020, and the National Framework for Sustainable Finance in the year 2021.

"Thus, we are confident that our UAE banking sector can make significant contributions to the UAE's National Climate Change Plan. Moreover, UBF member banks' significance lies not only in their commitment to supporting sustainability but also in UBF's role being the platform for cooperation among all its member banks. The Federation seeks to accelerate progress in this domain by fostering a business environment that encourages competitive, active, and sustainable finance."

The UAE's financial sector is poised to lead the way towards a greener and more sustainable tomorrow through collaboration, innovation, and regulatory alignment. The UAE was the first country in the Middle East to >>

>> commit to achieving net zero by 2050, a commitment that is being applied to both private and public sector bodies.

IMPACT AND OUTLOOK

The UN's climate framework outlines a comprehensive strategy with four key pillars. It stresses the urgency of investing nearly $7tn annually by 2030 to transition to a greener economy, aligning with the Paris Agreement. Developed nations are urged to fulfil their commitment of jointly mobilising $100bn annually by 2025 to support developing countries in meeting their climate goals, doubling adaptation finance and bolstering crucial climate funds.

The framework also proposes enhancing the international financial architecture to withstand climate shocks through mechanisms like climate-resilient debt clauses and sustainable bonds while leveraging tools such as IMF Special Drawing Rights and reinforcing funding mechanisms like the International Development Association. Lastly, it underscores the importance of diversifying finance sources for climate action, recommending innovative mechanisms like hybrid capital and emissions pricing to bridge financial gaps, especially for adaptation efforts.

Meanwhile, Central Bank of the UAE's green financing framework supports these targets and, at the national level, assists in the implementation of the UAE's sustainability priorities. Internationally, it also signals that the UAE recognises the importance of Environmental, Social and Corporate Governance (ESG). At a regulatory level, the framework aims to facilitate the UAE's transition to a more sustainable economy and helps organisations develop diversifying strategies to help mitigate risks, adapt to the physical risks of climate change, and explore the new opportunities it presents.

The recent UAE banks' pledge to raise Dh1tn in climate finance is another crucial step in realising the above targets. At the same time, it will also tremendously impact the future of the sustainable economy. It promises to foster a vibrant ecosystem of green startups and small and medium-sized enterprises (SMEs), finance green finance projects and products, drive innovation and accelerate the transition to a sustainable economy.

At the same time, the UAE is emerging as an AI power with various initiatives under its 2031 National AI Strategy. Most recently, Abu Dhabi Department of Economic Development (ADDED) and Mohamed bin Zayed University of Artificial Intelligence (MBZUAI) have agreed to pioneer AI-driven solutions for small and medium enterprises (SMEs) jointly.

Another critical area is the issuance of green bonds and sukuks, financial instruments specific to Islamic finance, which grew $6.4bn by the third quarter of 2023, which reflects a 41% increase compared to previous quarter's total of $4.5 billion.

Notably, ESG bonds in the UAE contribute to over 19% of global ESG bond market. They also represent more than 30% of such bonds categorised by Fitch Ratings. These performance agreements represent forward-looking quality projects that will enhance the UAE's competitiveness, and the transformational projects will significantly impact all sectors over short periods and ensure the implementation of the new government action model of the UAE government.

FOCUS AREAS

Central Bank of the UAE and other concerned organisations are working towards creating an enabling environment for green finance, fostering market confidence and transparency. Meanwhile, initiatives like the UAE's Sustainable Finance Frameworks provide a valuable roadmap for future regulatory developments. In this regard, cooperation between banks, government agencies, and international organisations is essential to mobilise resources and address complex sustainability challenges. The UAE's participation in global platforms like the Glasgow Financial Alliance for Net Zero (GFANZ) exemplifies its commitment to collaborative action.

Innovation and product development are another critical area in which UAE banks must innovate financial products and services tailored to green projects and social impact initiatives. This could include the issuance of green bonds, sustainability linked loans, and impact investing funds, catering to the evolving needs of stakeholders.

Meanwhile, an essential part of the transformational journey to the green economy, enabled by the banking and financial sector, is capacity building. Further upskilling of the workforce and raising awareness among stakeholders is critical for navigating the evolving sustainable finance landscape. Educational programmes and capacity-building initiatives can equip financial professionals with the skills necessary to drive sustainable finance forward.

UBF plays a key role in all the above with its continuous advisory role and exchange of information with organisations, including the Sustainability Framework Working Group and Securities and Commodities Authority, as well as its members. The Federation will work under direct supervision to seamlessly align the banking and financial sector with the UAE Green Agenda 2015-2030, the National Climate Change Plan of the UAE 2017-2050, and the UAE Net Zero by 2050 Strategic Initiative, with a focus on a gradual and coordinated implementation strategy to support the UAE's transition to net zero emissions.

The UAE is advancing its sustainable finance landscape through upcoming policy developments and strategic objectives, fostering innovation and promoting the adoption of green technologies. From policy reforms to financial incentives and international partnerships, the nation's proactive approach is propelling progress towards sustainability goals.

This bold commitment heralds a new era of responsible banking in the region, integrating sustainability into core operations to drive transformative change and create a more inclusive, resilient future. Through collaboration, innovation, and regulatory alignment, the UAE's financial sector is positioned to lead towards a greener, more sustainable tomorrow, setting a global example.

UBF director general Mr Saleh affirmed: "In addition to financial commitments, UBF recognises the pivotal role of digitalisation and advanced technologies in driving global climate action. UBF, under the continuous guidance from Central bank of the UAE, and through its involvement in several initiatives, including its COP28 UAE Banks' Pledge, actively promotes innovative technology solutions in sustainable finance to achieve all sustainable development goals."

EMIRATES DEVELOPMENT BANK SETS A MODEL FOR INTEGRATING SUSTAINABILITY INTO THE CORE OF FINANCIAL PRACTICES

As the UAE positions itself as a leader in sustainable finance, EDB's role is instrumental. EDB calls for a significant boost in climate financing, particularly for renewable energy, to achieve net-zero by 2050

The UAE has launched a series of initiatives to transform the financial services landscape with an increased focus on sustainability and innovative solutions to enable climate action. Emirates Development Bank (EDB) stands at the forefront of this financial transformation, echoing the nation's long-standing commitment to sustainability and its vision for a greener future.

EDB's approach to sustainable financing seeks to embed these very principles into the fabric of the nation's economy, ensuring that the growth of the sectors it supports are aligned with the UAE's sustainable development agenda.

The Bank serves as the key financial engine for the UAE's economic development and industrial advancement. It provides both financial and non-financial support to businesses of all sizes from start-ups and SMEs to large corporates driving economic competitiveness and resilience across five strategic priority sectors: manufacturing, food security, advanced technologies, healthcare, and renewables.

EDB's mandate extends to developing these sectors with a robust AED 30bn financing support aimed at empowering 13,500 companies by 2026, fostering an environment where sustainable practices drive economic innovation and resilience.

In 2023, EDB has taken significant strides towards reinforcing the UAE's commitment to sustainable growth, marking a pivotal moment with the addition of renewables to the sectors it supports, to help ensure a just and equitable energy transition in the UAE. Since the launch of its strategy in April 2021, EDB's total financing to support renewable energy projects reached AED 1.7bn.

The Bank's support for businesses and projects addressing the challenges and opportunities in the renewables sector supports the UAE's net-zero by 2050 ambitions and helps to solidify the country's position as a pioneering global hub for renewable energy technology and manufacturing. The Bank's commitment is not just to finance growth but to ensure that this growth leaves a green footprint, contributing positively to the nation's climate goals and the global fight against climate change.

Among its key initiatives, EDB's Solar Energy Financing Programme stands out as a highlight of its commitment to renewable energy. By providing AED 100m of targeted financial support to solar projects through long-term loans and working capital of up to AED 5m, EDB is lighting the way for the UAE's transition to a cleaner energy future.

The Solar Energy Financing Programme aims to support micro, small, and medium enterprises (mSMEs) across diverse sectors to address cost barriers in shifting toward cleaner energy sources. It comes with the Bank's usual highly beneficial terms and conditions, offering up to eight years long tenor loans for structured finance projects and solar panels, with grace periods up to six months.

Similarly, EDB has partnered with the International Renewable Energy Agency (IRENA) through the ETAF platform and committed up to Dh1.3bn to finance renewable energy projects recommended by IRENA. Under the agreement, which was announced last year, EDB will provide support to projects that are aligned with the Paris Agreement and the UN Sustainable Development Goals, while bringing its regional expertise to the table.

The partnership with IRENA demonstrates EDB's dedication to global collaboration and its belief that collaboration and partnerships between private sectors, investors, and public sector entities is essential in the pursuit of a just and inclusive energy transition.

The Agritech Loans Programme – with an allocation of AED 100m – is another demonstration of EDB's innovative approach to sustainable financing. The programme brings focus and specialisation to EDB's financing of the food security sector – and its linked agriculture industries – which was bolstered by AED 961m in financing since the launch of EDB's strategy in 2021.

The Bank's Agritech Loans Programme support farmers, local producers, agri-businesses, and food related projects with long-term loans up to AED 5m to propel the national agriculture sector towards more sustainable practices and enhanced productivity, in line with the UAE's National Food Security Strategy 2051.

Yet, EDB's efforts extend beyond offering financing solutions to fostering partnerships that further support and increase the viability of small-scale bankable projects. The Bank has a partnership with the Ministry of Climate Change and Environment (MOCCAE) to set up a scheme offering finance solutions to modern agricultural SMEs and startups in a bid to drive agritech entrepreneurship and boost the UAE's food security.

Through a partnership with the UAE Ministry of Economy's Entrepreneurial Nation, the Bank supports the Smart Farming Global Innovation Challenge – an initiative that seeks to optimise the digitalisation of agriculture for companies based in the UAE and globally.

In addition, EDB has an agreement with Food Tech Valley to provide financial solutions to companies operating within the project. Food Tech Valley is a hub for innovating future clean tech-based food and agricultural products.

To excel through partnership is a core value of EDB, which is further reinforced through ongoing collaborations and strategic partnership with government entities as well as public and private organisations to support sustainability and inclusive economic growth. The Bank's key partners in this regard include the Abu Dhabi Agriculture and Food Safety Authority (ADAFSA), the Sharjah Department of Agriculture & Livestock, Sharjah Research Technology and Innovation Park, Dubai Science Park and several municipalities and chambers of commerce across the UAE.

EDB's initiatives position the UAE as a pivotal player in the global climate action arena and align with the nation's vision of diversifying energy sources, promoting food security, and enhancing access to finance.

In doing so, EDB ensures that the UAE's economy remains resilient and adaptable in the face of global challenges and long-term vulnerabilities from climate change.

The EDB 2023 impact results showcase an extraordinary year of strategic milestones, illustrating its commitment to fostering economic growth and development.

Since the launch of EDB's new strategy in April 2021:

Total GDP contribution
AED 4.3 billion
Increased
80% YoY

Total loans financed
AED 8.7 billion

AED1.7 billion
in financing to support renewable energy projects in the UAE

Committed AED1.3 billion
finance to support IRENA'S Energy Transition Accelerator Financing (ETAF) platform

SME financing approvals
72%
higher, reaching
AED 3.3 billion

A SUSTAINABLE STEP FORWARD FOR UAE BANKS

From Islamic bonds to carbon offsets, a look at how the UAE's banks are supporting the evolution of the nation's sustainable finance landscape as the nation races to net-zero carbon emissions

UAE banks are strengthening their sustainable finance initiatives in view of the climate crisis, in line with the nation's pledge to achieve net-zero carbon emissions by 2050.

Much of the traction has developed around the COP28 summit in Dubai in December, where the world's nations gathered to find ways to tackle and prepare for future climate change.

During and before the UN climate event, billions in sustainable finance were committed or disbursed as the nation builds a greener financial sector at home and abroad. At the start of the event, the UAE committed $30bn in catalytic capital towards the private investment fund Altérra. The move aimed at creating a fairer climate finance system by steering private markets towards climate investments and focusing on transforming developing economies.

Also at the summit, the UAE's United Banks Federation (UBF) committed to mobilise over Dh1tn in sustainable financing by 2030. The initiative will support the development of a sustainable future for the nation by funding projects from renewables to sustainable agriculture and carbon capture.

Eleven major national banks were highlighted during the announcement. Some have already closed sustainable financing deals, while a significant number of others are working to integrate sustainability into their operations.

"Most UAE banks are currently working on developing their sustainable finance framework, revising their climate risk frameworks, and building new product offerings," Aurelien Vincent, Partner with Strategy& Middle East, part of the PwC Network, told The National.

"This is in the context of greater clarity towards achieving the UAE's expected net-zero 2050 ambitions, which was outlined in a roadmap released by the UAE Central Bank last December. The roadmap provides a framework for participating authorities in the financial sector to contribute more effectively to the nation's sustainability and climate change objectives," he added.

The move follows the adoption of standards and principles in the UAE's banking and financial sector. Both Abu Dhabi and Dubai have announced Sustainable Finance Declarations – in 2016 and 2019, respectively. The UAE launched its Guiding Principles for Sustainable Finance in 2020, and the National Framework for Sustainable Finance followed in 2021.

This framework has supported redirecting financial resources into green, responsible and sustainable solutions and technologies, enabling banks to strengthen their environment, sustainability, and governance (ESG) credentials by funding green projects and start-ups, and offering sustainable investing products.

First Abu Dhabi Bank (FAB) will meet half of the $1tn pledge, it announced in December. The UAE's largest bank said it would lend, invest and facilitate more than Dh500bn in transition financing and early-stage climate innovations – such as using hydrogen as a fuel – by the end of this decade.

The bank has previously set aside Dh275.4bn in green finance. Up until September 2023, it supported a range of green projects with a total of more than Dh100bn. These include green buildings, CO2-reducing solar energy projects and wastewater treatment plants.

FAB's sustainable finance projects cover both conventional and Islamic financing, and extend beyond the UAE's borders to Saudi Arabia, Bahrain, Singapore and projects in Europe, the Americas and South Asia.

"From now until the end of this decade, we will deliver meaningful impact by deploying finance, advisory, and innovation at scale to ensure we meet climate ambitions across the region, where we will support more sustainable projects, engage more clients in their transition journeys, and advance the UAE's development as a green finance hub," said Hana Al Rostamani, Group Chief Executive Officer of FAB.

The lender recently also debuted an ESG-oriented fund for private banking customers. The FAB Sustainable Goals Development Fund will consist of 17 exchange traded funds aligned to the 17 United Nations Sustainable Development Goals. It is being offered to private banking customers, and a proportion of management fees will be earmarked for non-profit programmes or projects.

Also in the capital, Abu Dhabi Islamic Bank has similarly been working to create a sustainability roadmap. Among its recent sustainable finance efforts was the issuance of a $500m Green Senior Sukuk, a global first, and a Dh1bn sustainable bilateral facility for Aldar Properties in line with the UAE Net Zero by 2050 initiative.

The bank is one of the few to look beyond project finance with a comprehensive ESG approach. Its collaborations with entities such as Sharaf DG Energy, Emirates Nature-WWF, and NWTN Electric Vehicles exemplify a multifaceted approach that extends to environmental stewardship and community engagement.

Meanwhile in Dubai, Mashreq bank has committed to facilitating Dh110bn under its Climb2Change initiative as part of the UBF pledge. "Facilitating access to financing is a crucial part of the sustainability transition and this commitment is a testament to our active contribution and dedication to this vision," Faisal Mohammed AlShimmari, Head of ESG & Corporate Strategy at the bank told The National.

Mashreq is currently developing a sustainable financing framework, AlShimmari added. "Integrating ESG criteria into lending and investment processes is a key aspect of our strategy. We are dedicated to supporting sustainable initiatives and have structured notable deals, such as the region's largest sustainability-linked loan with organisations like Bapco Energies," he said.

Bapco is a major player in Bahrain's energy transition efforts. In November, it closed a sustainability-linked term facility of up to $2.5bn including a $300m green shoe option. Mashreq participated in the deal alongside other regional banks, including Gulf International Bank and Al Ahli Bank of Kuwait.

In total, Mashreq has facilitated over 30 sustainable financing deals since 2021, AlShimmari said. They include adaptation-related projects in the GCC and Egypt.

Like other players, the bank has been striving to strengthen the market for sustainable finance by working with policy makers and technology providers as well as through capacity building programmes. Now it wants to drive wider systemic growth with public-private collaborations "to move the needle towards Net Zero by 2050 and the UAE's climate ambitions," AlShimmari said. "Mashreq is launching the UAE ESG Ecosystem Government Accelerator, the first ecosystem of public institutions and financial private sector organisations in our nation's history, gathered to accelerate the UAE's journey towards a greener future in a collaborative manner."

In January, Mashreq stepped outside the box of traditional finance with a partnership with Fils, a UAE financial technology firm, to launch a programme offering carbon offsets to corporate banking customers. Carbon offsetting programmes offer the ability to balance out environmental emissions by supporting climate-friendly projects.

Among the other major banks driving the UAE's sustainable finance sector is the Emirates NBD group, the principal banking partner for COP28. The bank has participated in sustainability reporting since 2016. In September, it was among the country's first lenders to launch a Sustainable Finance Framework, aimed at enabling the issuance of green and sustainability-linked debt instruments.

It has launched a number of sustainable finance products, including the first-ever Covid-19 sustainability sukuk and the first USD-denominated corporate green sukuk. It sees the ESG bond market as a key solution to guide capital towards sustainable solutions in its operating markets across the Middle East, North Africa and Turkey, Vijay Bains, Group Chief Sustainability Officer and Group Head of ESG at Emirates NBD, told The National.

"Sustainability-linked loans are becoming mainstream as there has been a heavy focus on ESG practices," Bains said.

The group recently arranged a sustainability-linked short-term loan with Chalhoub Group and partnered with Apparel Group to embed key performance indicators aligned with the company's sustainability strategy within its financing structure through an ESG-linked term finance deal. It offers green auto loans and introduced carbon trading last year.

While COP28 has sparked sectoral momentum, both challenges and opportunities lie ahead. The sector has come a long way, but action around sustainable development is only just gathering momentum. Much more needs to be done, both at home and internationally.

Bains highlighted how UAE companies need better tools to help improve their sustainability profile. He said Emirates NBD will work with customers with digital resources to improve ESG management and reduce their environmental footprint.

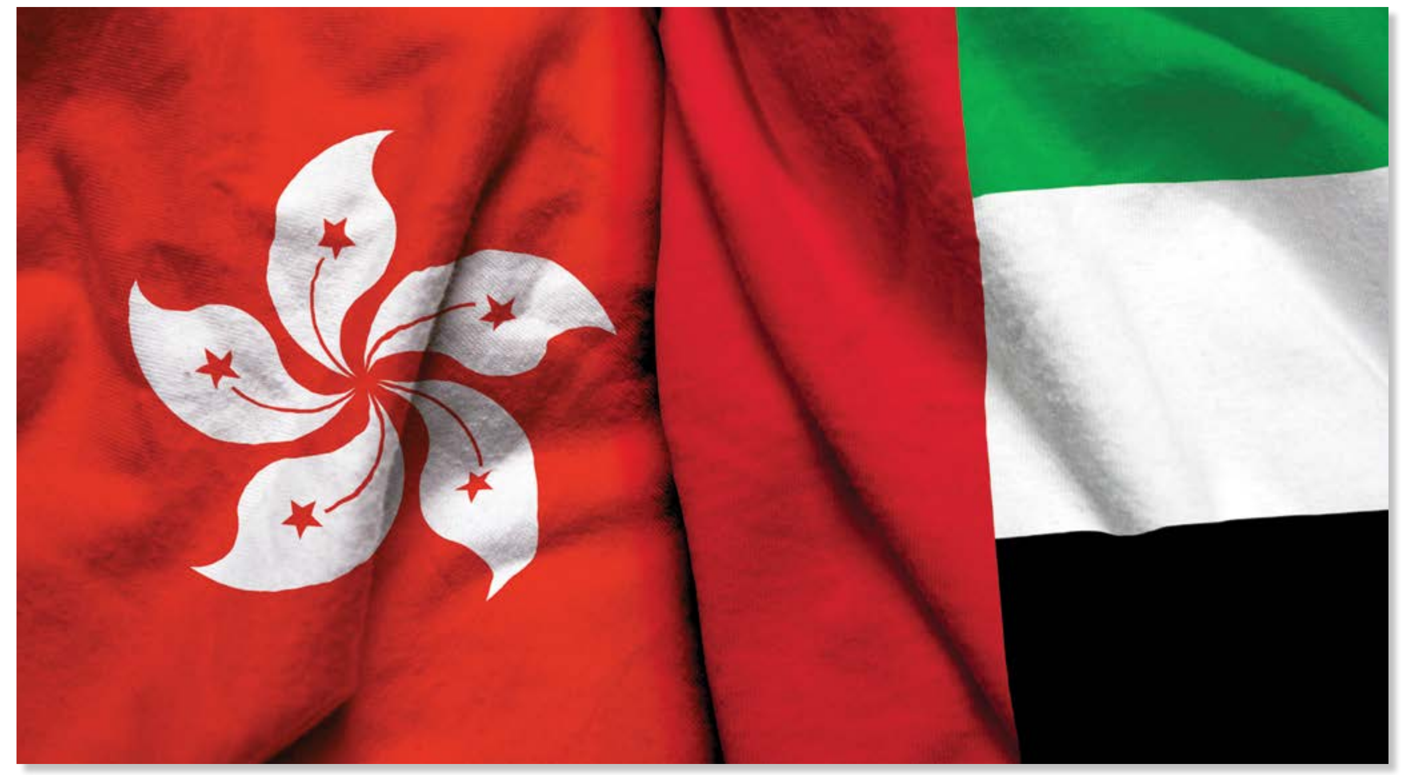
"As financial institutions address the critical issue of financed emissions by setting targets and making commitments, there is an escalating emphasis on data quality to ensure accuracy of decarbonisation across lending portfolios and other asset classes. Emirates NBD aims to bridge the digital gap and empower its customers in the region to embrace more sustainable practices, aligning with global environmental goals," he said.

Similarly, the need for awareness and education about sustainable finance, for example, can be addressed through strategic partnerships, participation in career fairs, and financial education programmes, the ADIB spokesperson said.

"Post-COP28, trends in sustainable finance encompass a surge in green financing, evolving regulatory frameworks, technological integration, public-private collaborations, and a growing regional focus, reshaping the industry towards a more sustainable future," the spokesperson said.

COMMITTED TO COLLABORATIVE ACTION

Taking a global view helps to promote sustainability goals



Cooperation between banks, government agencies, and international organisations is essential to mobilise resources and address complex sustainability challenges. This principle is seen in action, in a recent Memorandum of Understanding (MoU) signed by UAE Banks Federation (UBF) and Hong Kong Association of Banks (HKAB).

Jamal Saleh, Director General of UBF, and Stephen Chan, Acting Chairman of HKAB – the representative association of licensed banks in the Hong Kong Special Administrative Region – signed the MoU to further enhance cooperation and exchange expertise to support the banking and financial sector. This is done under the direct supervision of the Central Bank of the UAE and the Hong Kong Monetary Authority (HKMA).

UBF and HKAB share knowledge and experience to develop the banking and financial sector, organising workshops and programmes that help banking and financial institutions to keep pace with latest developments in the banking industry. There is a focus on compliance with international regulations, rules, and principles – especially on governance, transparency and, of course, sustainability.

HKAB represents more than 160 banks and financial institutions operating in Hong Kong. Since its establishment in 1981, it has been working to develop the sector and promote the interests of licensed banks in Hong Kong, under the supervision of the HKMA.

The agreement with HKAB is part of UBF's ongoing efforts to strengthen relations with banking associations and associations in friendly countries to support relations, trade, and investment between the UAE and these countries, and to ensure compliance with regulations, policies, and best practices to fortify the UAE's financial and banking sector's leading position and develop it in line with the country's strategies.

"Since its establishment in 1982, UBF continues its efforts to strengthen relations with relevant stakeholders in the UAE and abroad to share knowledge and experiences as part of its initiatives to develop the banking industry and contribute to the UAE's social and economic development, under the direct supervision of the Central Bank of the UAE," said Mr Saleh.

"Hong Kong is a leading global financial and banking centre, and home to regional headquarters and branches of many of the world's largest banks. Our cooperation will contribute to the development of the financial and banking sector and consolidate the UAE's position among the most prominent financial and banking centres in the world.

"This agreement will also enable us to share experiences in legislative and regulatory aspects, best practices in governance, transparency, risk management, sustainability, digital transformation, and the use of advanced technologies to provide a safe and seamless banking experience for different segments of banking clients."

Mr Chan also welcomed the move. "We look forward to a closer collaboration with the United Arab Emirates banking industry and to work together for the common good," he said.

"Hong Kong and our banking sector can play a pivotal role in bridging UAE financial institutions and corporates with the financing and investment opportunities that the Chinese Mainland and Hong Kong markets offer."

In light of the economic and trade ties between the UAE and Hong Kong, strengthening the cooperation of UBF and HKAB will improve the prospects for increasing exchange and investments.

The UAE is the largest trading partner for Hong Kong in the Middle East, and both parties have signed many cooperation agreements including investment promotion and protection, avoidance of double taxation, and a cooperation agreement between UAE financial markets and Hong Kong stock exchange.

In addition, there are many UAE investments in Hong Kong, and enhancing collaborations in banking and the financial sector will support the growth of trade and economic activities. Some UBF member banks, including First Abu Dhabi Bank (FAB) and Mashreq, have opened branches in Hong Kong to support mutual trade and investments.

BUILDING TRUST AND IMPACT

Marilyn Pinto, Founder at KFI GLOBAL, explains why the social dimension of ESG matters more than ever

Today's workforce seeks purpose-driven organisations that prioritise social responsibility and demonstrate a genuine commitment to creating a positive impact.

Marilyn Pinto, Founder at KFI GLOBAL

In recent years, Environmental, Social, and Governance (ESG) considerations have emerged as critical factors for organisations across various sectors. The integration of these ESG factors into an organisation's operations and strategy has become increasingly vital for long-term success and sustainability.

While all three pillars of ESG are important and interconnected, the social dimension is often not given the attention and importance it deserves. Understanding why the social aspect is essential and why it's critical to incorporate this into an organisation's vision and strategy will help to unlock immense value and opportunity.

The social dimension of ESG revolves around engaging with and positively impacting various stakeholders, including employees, customers, communities, and society at large. By prioritising social considerations, organisations can foster stronger relationships with their stakeholders, thereby increasing trust, loyalty, and goodwill. Satisfied and engaged stakeholders are more likely to support the organisation, advocate for its products or services, and contribute to its long-term success.

In an era of transparency and interconnectedness, an organisation's reputation and brand image are of paramount importance. The social dimension of ESG enables organisations to build a positive reputation by demonstrating ethical behaviour, social responsibility, and a commitment to societal well-being. By actively addressing social issues, promoting diversity and inclusion, supporting community initiatives, and championing human rights, organisations can differentiate themselves from competitors, attract customers and investors, and build a strong and respected brand.

The social dimension of ESG plays a significant role in attracting and retaining top talent. Today's workforce seeks purpose-driven organisations that prioritise social responsibility and demonstrate a genuine commitment to creating a positive impact. Organisations that prioritise social considerations are better positioned to attract, engage, and retain talented employees who are motivated to contribute to a greater cause. Moreover, organisations that foster inclusive and diverse workplaces through social initiatives benefit from enhanced innovation, creativity, and overall employee satisfaction.

Stakeholders, including customers, employees, investors, and regulators, are increasingly demanding that organisations address social issues responsibly. Failure to meet these expectations can result in reputational damage, loss of market share, regulatory scrutiny, and financial implications. By embracing the social dimension of ESG, organisations can align their strategies with stakeholder expectations, demonstrate a commitment to social progress, and ensure compliance with evolving societal norms and regulations.

The social dimension of ESG presents organisations with a multitude of business opportunities. By embracing social responsibility, organisations can tap into emerging markets, develop innovative products and services that address social needs, and access new sources of financing, such as impact investment and sustainable funding. Additionally, organisations that actively contribute to social progress can benefit from enhanced customer loyalty, increased market share, and a competitive advantage over less socially responsible competitors.

At KFI GLOBAL, we recognise the power of financial literacy in creating a positive social impact. Our collaborative efforts with stakeholders, including educational institutions, authorities, and financial institutions, aim to develop financial literacy programmes for young people in the UAE. This initiative aligns with the ESG objectives of sponsoring organisations, providing scale, standards, and sustainability to their ESG initiatives while building trust and creating meaningful social impact.

The social dimension of ESG is an integral component for organisations seeking long-term success, trust, and impact. By prioritising social considerations, organisations can strengthen stakeholder relationships, manage reputation, attract talent, meet expectations, and seize new business opportunities.

Embracing social responsibility not only benefits organisations but also contributes to a more sustainable and prosperous society.

INVEST BANK'S DIGITAL FOCUS ENHANCES TURNAROUND AHEAD OF ITS 50TH ANNIVERSARY

With 88.11% of its shares now owned by the Sharjah government, the home-grown UAE bank is positioning for a year of stellar results

Sharjah's Invest Bank aims to achieve a net profit in 2024, following a comprehensive turnaround programme that focuses on operational restructuring, new business, and digital initiatives, backed by the Sharjah government capital support.

"Our goal is to deliver a net profit this year, which would mark the first such occurrence in about seven years," said Ahmad Abu Eideh, CEO of Invest Bank, in an interview.

The forecasted return to profitability is expected to happen before the bank's 50th anniversary in 2025.

"We're very focused on delivering what we need to deliver," Mr Abu Eideh said, speaking of the pivotal changes ahead over the next few months.

The bank has recently concluded a digital transformation programme. Operations now revolve around a fully cloud-native with a full SaaS model for its digital and core banking system, supporting agile operations, product innovation and enhanced customer experiences.

"We have become one of the first banks in the region to be fully on the cloud," Mr Abu Eideh said.

He outlined a three-year digital agenda with a focus on moving "towards a new world of open application programming interfaces (APIs) and a fully cloud-native infrastructure".

The operational core allows digital components to be gradually onboarded progressively without the legacy technology obstacles that affect other players.

The bank is targeting millennials and the emerging customer classes of Gen Z and Gen Alpha with a progressive strategy that leads the market.

"We are building on what's already out there. Our focus is on something more significant, entirely within the digital domain via our App," Mr Abu Eideh said. "Our objective is to carve out a niche with minimal competition."

Alongside, the bank will focus on strong environmental, social and governance (ESG) targets, around two key action areas. Highlighting the importance of financial education, Invest Bank will launch a programme to educate consumers on responsible spending to prevent debt. It will partner with higher education institutions to do so, including the University of Sharjah and American University of Sharjah.

The second plank will be sustainable finance. Mr Abu Eideh said funding for green projects would get priority over other lending.

Invest Bank is already making significant strides toward realising those ambitious goals, with a solid performance in 2023 that Mr Abu Eideh describes as a tremendous year.

The bank launched its restructuring programme in 2022, the year Mr Abu Eideh joined. Following the creation of treasury and financial markets functions in 2022, the bank re-entered the lending market for both wholesale and retail operations last year. Retail banking witnessed successful asset book growth and the launch of new products. Likewise, the expansion of transactional banking and other wholesale banking services had positively impacted the bank's bottom line.

Results become apparent promptly, with Invest Bank announcing its Q3 2023 operating profit of Dh50m in November 2023, showing a 433% increase from the previous year. The operating income reached Dh199m, indicating an 81% year-on-year rise.

Impairment charges at Dh405m were 262% higher year-on-year, a reflection of ongoing efforts in de-risking the balance sheet and alleviating the impact of legacy issues.

The capital adequacy ratio increased to 41.3%, further relieving potential constraints to future growth.

Total assets grew 33% to Dh11.4bn, with customer deposits up 7% to Dh8.1bn. Accumulated losses stand at Dh834.21m, or 26.05% of the capital.

Overall, net losses amounted to Dh355m as of September 30, 2023. Basic loss per share halved over the same period, dropping to Dh0.02 per share from Dh0.04 per share a year earlier.

Ahmad Abu Eideh, CEO of Invest Bank

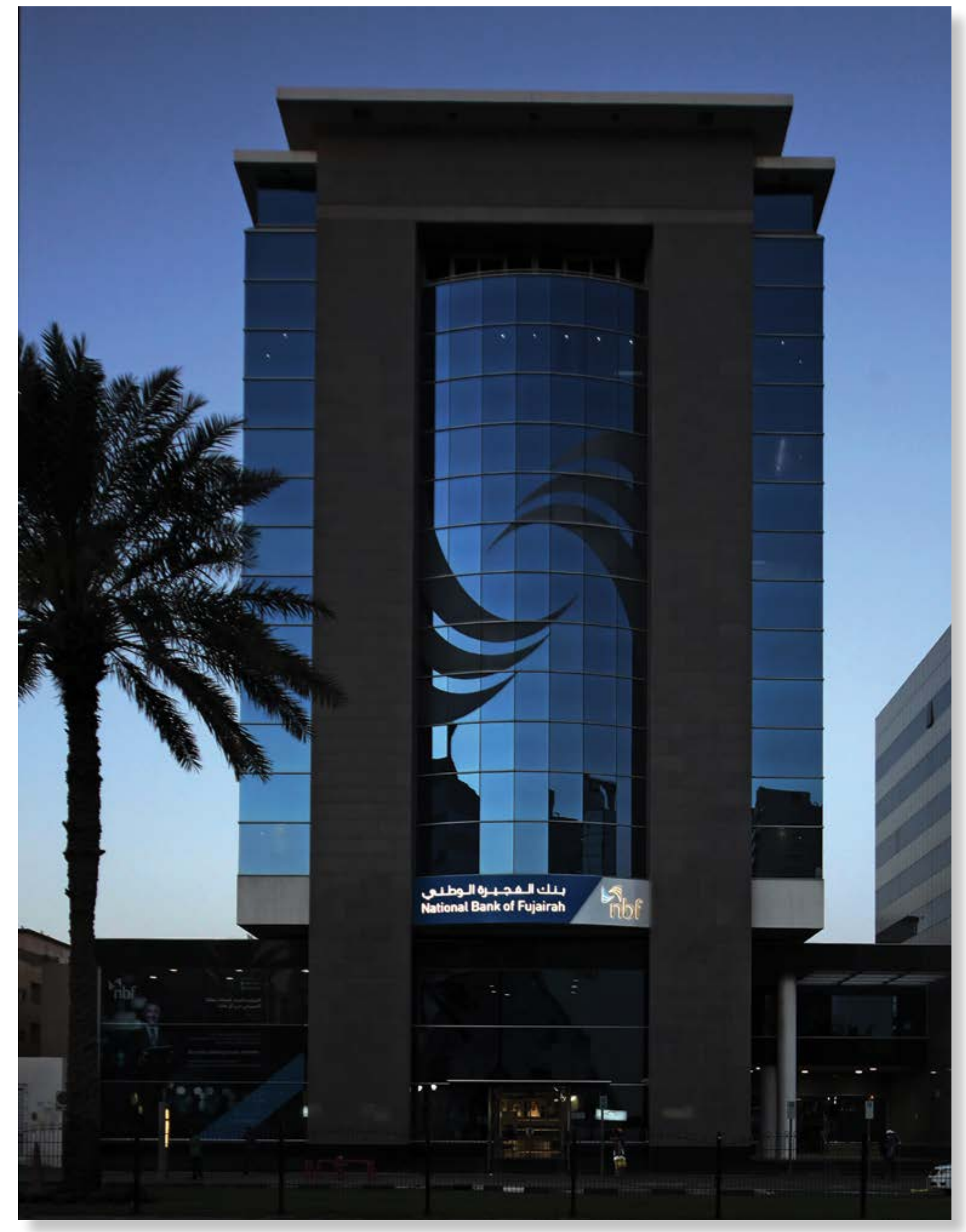
In the second half of 2023, the bank also increased its share capital by Dh2.6bn. The government of Sharjah now holds an 88.11% stake in Invest Bank, up from 50.07% at the start of 2022.

Mr Abu Eideh attributed the performance to the new structure, the endeavours of the bank's staff, and to improved operational efficiencies, despite substantial expenses. Customer acquisition has been strong, with the bank acquiring more than 70 new corporate customers and several hundred new retail customers. Additionally, loan recoveries in 2023 were robust, with the net reduction in non-performing loans exceeding reductions over the previous two years combined, he said.

The way forward, he summed up, would be by building a "very highly digitised bank that delivers superior and personalised customer service without losing the human touch".

PROUD TO BE PART OF THE CHANGE

National Bank of Fujairah strengthens sustainable finance landscape



The UAE is a regional leader in addressing climate change. This culminated in the Year of Sustainability with historic progress at COP28, where more than $80bn in climate finance was committed, and the adoption of The UAE Consensus delivered unprecedented climate action. National Bank of Fujairah (NBF) was proud to be a part of the UAE Banks Federation (UBF) pledge on behalf of the UAE banking sector to mobilise over Dh1tn in sustainable finance by 2030.

Through industry-leading products, services and internal initiatives, NBF is putting sustainability at the heart of its Environmental, Social and Governance (ESG) agenda and reducing its carbon footprint and environmental impact. We strive to be a responsible, sustainable business bringing benefits and added value to our stakeholders, with our ESG agenda aligning with the sustainability pillars of the UAE's Ministry of Climate Change and Environment.

NBF's retail business, for example, is already assisting its customers to make the sustainable choice, by offering innovative, greener products and services. These include green personal loans and automotive loans for owners of fuel-efficient, eco-friendly cars. Providing this choice is empowering individuals and communities across the UAE to protect the planet, and actively supports the UAE Energy Strategy 2050 to transform the national economy and to include more green initiatives.

Now in the eighth year of its partnership with Emirates Nature-WWF, NBF takes part in the Leaders of Change programme engaging its staff to create change on the ground through training and development, incubation programmes and exciting volunteering environmental excursions and activities to achieve the UAE's global sustainability and environmental goals.

NBF is also looking inwards to reduce its carbon footprint and mitigate the environmental impact with initiatives taken across NBF's offices including the installation of solar panels to supply electricity, as well as solar-powered signage, replacing standard lighting with sensor-activated LED lights, and introducing recycling centres, electric car parking, and eco-friendly stationery made from wheat straw.

COMMITTED TO KEEPING YOU SAFE

ADIB cybersecurity safeguards your digital journey

In today's interconnected landscape, safeguarding your personal information is paramount. At ADIB, we understand the ever-present cyber threats and are committed to empowering you with the knowledge and tools to navigate the online world securely.

With state-of-art technologies and multi-layered security solutions, ADIB protects customer information rigorously and evaluates, develops, and implements advanced banking security measures constantly. In line with this commitment, we encourage our cutomers to remember a few simple steps:

Password protection tips:

Your first line of defence begins with a strong, unique password. Create distinct ones for each of your online accounts and consider using a reputable password manager for added convenience. ADIB enhances identity authentication through OTP (One-Time-Password) before allowing specific online tasks, ensuring an additional layer of security.

Additional security measures:

While proactive measures are vital, it is essential to remain vigilant. We advise you to steer clear of suspicious links and attachments and enable two-factor authentication wherever possible. This additional layer of security, available on ADIB accounts, adds an essential shield against potential threats.

Moreover, ADIB takes proactive steps to enhance security, automatically logging out users from their online banking session after a period of inactivity. This precautionary measure mitigates unauthorised access, providing peace of mind in case of forgotten logouts or device disconnection.

Enhanced security on the move:

When accessing sensitive information on the go, be cautious of public Wi-Fi networks, which pose inherent security risks. Consider using a VPN for added encryption to safeguard your data. Additionally, remain proactive by monitoring your accounts regularly for any unauthorised activity. While ADIB ensures robust security systems, your vigilance is equally important. Report any suspicious transactions promptly to maintain your financial security.

At ADIB, your security is not just a priority, it's a commitment. Together, let's build a safer digital world where you can explore, connect, and thrive with confidence.

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Together for a Sustainable Future