Responsible Finance
Case Study: DDCAP Group™

An SME market influencer in responsible finance
Foreword

DDCAP Group has been called to action by what we see as a clear need amongst financial services sector SMEs to identify an efficient route to the embodiment of sustainable and responsible practice in culture, business and operations. From our own experience and engagement with organisations relevant to the development of overarching principles for sustainable and responsible actions (SRA) by SMEs and the construction of supporting infrastructure, we have seen this need to be most prevalent amongst fellow SMEs operating in specialised market sectors and geographies that are still seeking to raise awareness, form policy and consider legislative and regulatory requirements. There is huge potential for SMEs to contribute to the broader SRA agenda and, collectively, no limit to the impact we might have.

Stella Cox, CBE
Managing Director
DDCAP Group

The RFI Foundation was established to promote awareness and research to support convergence in responsible finance. As awareness has increased, we have responded with new initiatives to support Islamic financial institutions as they implement sustainable and responsible actions into their new business as usual. One part of this process to inspire others to follow established examples, is to highlight the process that other RFI members have taken to bring themselves into market leadership positions by reorienting their governance, policies, internal measurement and external disclosures on responsible finance. We are excited to jointly present DDCAP’s experience as a model for others, and a guide that shows the importance of responsible finance for every financial market participant including for SMEs and market intermediaries.

Blake Goud
CEO
RFI Foundation
Executive Summary

Introduction

DDCAP Group™ (DDCAP) is an intermediary in the Islamic financial services industry and, in terms of staff numbers, is best described as an SME. Since our founding in 1998, DDCAP has become a leading provider of asset facilitation services across a diverse range of Sharia’a compliant products and instruments in both the primary and secondary markets, as well as a provider of automated financial system solutions to support those offerings via our proprietary asset facilitation platform, ETHOS AFP™. DDCAP is headquartered in London and comprises DDCAP Limited and our wholly owned subsidiaries DD&Co Limited and DDGI Limited, as well as representative offices in the Dubai International Financial Centre and in Kuala Lumpur.

In tandem with our core offering, DDCAP actively seeks to invest within halal economy businesses with exceptional fintech strategies. For example, DDCAP recently completed our first strategic investment in IslamicMarkets.com, the world’s leading market intelligence provider for the Islamic financial and commercial markets. DDCAP strongly believes that Islamic finance SMEs, and those within the wider halal economy, have the agility and therefore great potential to highlight in their work the need for sustainable and responsible practices across the wider industry and sees such investments as a natural complement to our own SRA programme and industry goals.

DDCAP & Our Commitment to Best Practice

DDCAP has always aimed to be a “first mover” in our space and to lead by example. Through our sustainable and responsible actions (SRA) programme, DDCAP has committed to developing a more sustainable, equitable and prosperous world and supports the view that those in business must adopt strategies to deliver not only financial results but also social and environmental outcomes. Following on from DDCAP’s commitment to Sharia’a standards with the establishment of our own Sharia’a Supervisory Board (SSB) in 2013, and our focus on automation to promote consistency and standardisation across the industry, DDCAP leadership felt the natural next step was working towards the development of best practice standards for sustainability and responsibility.

As an SME and a financial services intermediary, DDCAP may not have the power of a market mover to effect change unilaterally, but we can be an industry influencer that makes an impact through our demonstration of values, expressions of duty of care and considered thought leadership. As an intermediary, DDCAP is in a unique position to influence our industry. Whilst our role is to listen to the demands of the market and act accordingly, our thought leadership can promote awareness through consistent contact with our many clients and counterparties globally across the Islamic banking and finance community.
Lessons Learned

DDCAP’s Sustainability Path

DDCAP took a gradual path to adopting our SRA agenda whereby initiatives were approved by the highest level of leadership but the message was managed from the bottom up. The Managing Director and executive leadership proposed various individual corporate social responsibility (CSR) and SRA initiatives to the Board of Directors on a case-by-case basis over time. With a portfolio of SRA and CSR successes, the Managing Director presented a broader SRA agenda incorporating existing programmes as well as new initiatives which was subsequently approved by the Board of Directors. This broader SRA agenda included three key points: (1) the appointment of an executive tasked with the initiative (Head of Corporate Responsibility); (2) establishment of an SRA Working Group and (3) the inclusion of an SRA Champion on DDCAP’s SSB. This governance structure, by means of an internal champion and a forum for discussion, served as the catalyst in changing the SRA agenda from a collection of activities to an organised work stream.

The SRA Working Group was originally tasked with continuing the work inspired by the UN Principles for Responsible Investment (PRI) annual reporting process as well as increasing employee engagement with the SRA goals. Soon after its first meeting, the SRA Working Group became the nerve centre for the SRA programme. Having a forum promoted discussion and the discussion led to the development of further policy and procedure. It brought together separate workstreams that had been siloed within the firm and, once consolidated, a momentum built as common concerns were identified and new areas of growth emerged. As the work expanded, it was decided to separate the CSR and employee engagement matters into a CSR Working Group (reporting to the SRA Working Group) and allow the SRA Working Group to focus on more commercial matters.

As an SME, DDCAP had the ability to develop ideas and turn them into company-wide actions within a short time period. In less than two years from the initiative of the Managing Director, under the SRA programme an SRA-focused clause was incorporated into certain client agreements, sustainability screening was integrated more widely across our technology platform, a more robust commodity review process was created and an internal evaluation of DDCAP’s SRA progress began. As the SRA programme developed more momentum and the relevance to DDCAP’s broader commercial focus became clearer, it gained wider buy-in from staff and leadership. At a larger institution, even with committed leadership, it could take, for example, up to 24 months just to work on the planning and internal buy-in to adopt the strategy and far longer to put it into action. As such, SMEs may find that they are in an advantageous position to show the way forward in sustainability and responsibility initiatives, even if they face other challenges.

Lessons Learned

Looking back, what one should do (and what DDCAP did without realising it) is look at your list of internal and external stakeholders and see what impact can be made in each of those areas. In the initial stage of the formal SRA programme, DDCAP was able to begin to engage or increase engagement on SRA matters internally with our own leadership and management, employees, and SSB and
externally with our commodity suppliers and other vendors, industry partners and supported charities.

DDCAP’s process provides a repeatable format that could be used by other businesses. As an SME, it is important to look at your unique position in the market and see where you are strategically placed to make an impact. It may take a bit of creative thinking and ingenuity to find the most effective way to create impact. It will not be as straightforward or obvious as it is for larger, less niche entities, but unlike larger entities you do not have to follow a playbook that constrains your ability to make an impact. With this freedom for creativity, you will have the opportunity to create value that may otherwise be hidden, trapped or overlooked within your market.

A bit of advice...

SMEs sit side by side with their internal stakeholders and work closely with external stakeholders and as such an SME needs to consider its actions in light of each stakeholder and try to anticipate reactions, both negative and positive. First see what you can achieve by finding the low hanging fruit, the easy wins that require engagement by only a few key stakeholders and which will empower them to expand the SRA-focused network internally. With those successes and with a growing team, it will be easier to broaden buy-in further and potentially achieve larger projects which in turn should create greater momentum.

Good ideas do not trickle down automatically through an organisation. They require a nudge from above and sometimes agents for change within the organisation need to be identified and supported. Though a relatively small organisation, DDCAP found that a “one-size-fits-all” approach did not work. Therefore, advocates and catalysts for change had to be given some licence to communicate effectively with their peers. And that required finding the right people, those not afraid to stand up but those who also fit within the group. The right people are vital, but not always will you make the right decisions. Let people stand up and shine but do not be afraid to let people step down as well. No one can do everything, but everyone can do something.

It is about doing the right thing when it is not the easiest thing. To get ahead of the curve. To make the decision to do business as it should be done, of adopting what needs to be the “new” normal before it becomes the “new normal”. It is long hours, difficult conversations, emotional decisions. Negotiating conflicts between stakeholder self-doubt.

So, from one SME to another, do not be afraid to be bold and make certain you remember who you are. And what you are good at. That is how you got here, and how you will get to the next stage.
CASE STUDY

DDCAP Group: An SME market influencer in responsible finance

1. Introduction

The DDCAP Group™ (DDCAP) is headquartered in London and comprises DDCAP Limited and our wholly owned subsidiaries DD&Co Limited and DDGI Limited, as well as representative offices in the Dubai International Financial Centre and Kuala Lumpur.

DDCAP is an intermediary in the Islamic financial services industry and, since our founding in 1998, has become a leading provider of asset facilitation services across a diverse range of Sharia’a compliant products and instruments in both the primary and secondary markets. DDCAP facilitates wholesale, structured transactions for institutional clients from both the Islamic and conventional markets and provides transactional support and value-added services to clients across a diverse range of asset classes and third-party products. DDCAP is also a provider of automated financial system solutions which directly support those offerings via our proprietary asset facilitation platform, ETHOS AFP™.

For the past 22 years DDCAP has placed great importance on its reputation and our many industry awards have reinforced our status of being “best in class”. The pathway to DDCAP’s current initiatives can be tracked through the past seven years of “conscious and considered action” to set the industry standard for best practices.

To quote DDCAP’s Managing Director Stella Cox CBE, “Our commitment to governance and Sharia’a standards and further elevating our service provision through innovative automation, ensuring requisite attention both to substance and to form, is the foundation for what we are doing now. It is the base work that convinced us of the prospects for integrating these two disciplines for best effect within our own sphere of business.”

2. DDCAP & Our Commitment to Best Practice

Good governance is the heart of best practice and all the players in the marketplace are responsible for ensuring the market operates responsibly and in line with principles of good governance. As an intermediary, DDCAP’s role is to respond to the demands of the marketplace and that has informed our focus on systems to help support the corporate governance requirements and sustainability initiatives of our clients. That said, part of being a sustainable and responsible intermediary is to resist market forces looking to artificially increase efficiency at the expense of integrity of the process and the result.
Sharia’a Supervisory Board (SSB)

As part of our commitment to “best practices” and our desire to be “best in class”, DDCAP places great emphasis on independent validation of processes and recognises that our clients do as well. To this end, DDCAP established our own Sharia’a Supervisory Board (SSB) to review and validate our processes and procedures and over the past six years DDCAP has developed a geographically diverse and academically vibrant SSB committed to the highest level of analysis and deliberation.

DDCAP first convened our SSB in March 2013 and opened our business and systems to regular Sharia’a review and validation. The SSB came together again in June 2013 to reconfirm the audit processes at an open forum in the Kingdom of Saudi Arabia which included industry practitioners and academics, following which the SSB issued a Fatwa for the business processes as well as DDCAP’s initial asset facilitation platform. The members of the 2013 SSB included Sheikh Abdullah Bin Suleiman Almaneea (Chairman) (Saudi Arabia), Sheikh Dr. Abdullah Almutlag (Saudi Arabia) and Sheikh Dr. Mohamed Ali Elgari (Saudi Arabia). In September 2015, Prof. Dr. Mohamad Akram Laldin of Malaysia joined the SSB reflecting DDCAP’s expanding footprint in Southeast Asia and, most recently, in November 2016, Sheikh Dr. Mohammed Al Tabtabae of Kuwait was welcomed to the SSB.

Whilst from a business perspective DDCAP formed our SSB to build confidence amongst counterparties, we recognise that the Fatwa issuance and review process of our SSB shows notably more transparency than our clients and stakeholders have been accustomed to in the past, a recognition that has been acknowledged and supported by a number of our clients and other counterparties. Disclosure of Fatwa issuance processes around market intermediary practices has undoubtedly been inadequate and has been detrimental to the reputation of scholars and Islamic financial institutions as well as Islamic service providers themselves. It was decided in this process that we would do what we felt was necessary to remedy the situation by developing on our market leadership position in this area, with the intention of elevating market assurance.

ETHOS AFP™

In September 2016, DDCAP launched the rebranded ETHOS Asset Facilitation Platform™ (ETHOS AFP™) to accommodate the specific trade execution and post-trade service requirements of our clients through fully automated processes, thereby helping to connect the global Islamic financial market responsibly. The ETHOS AFP™ infrastructure incorporates screening modules that can be enabled to apply strict commodity and counterparty parameters. Commodities and counterparties are screened against both the UK HM Treasury Asset Freeze Target list, incorporating UN and EU designated targets, and the US Treasury OFAC Consolidated Sanctions list, and KYC screens are applied based on data from an industry-leading third-party service provider. Commodity inventory listed on the platform is screened at the brand level against international sanctions and may be subject to additional screens according to individual client requirements.

DDCAP’s own SSB has been continuously engaged with the development of the ETHOS AFP™. As part of its ongoing audit of DDCAP’s services, the esteemed SSB regularly meets to review ETHOS AFP™, as well as transactions and the underlying supporting documentation completed on it, and the SSB’s Fatwas support its multiple automated processes.

ISRS 4400

To provide clients further reassurance as to the governance standards of ETHOS AFP™ and its associated processes and procedures, transactions executed across the platform are randomly selected and reviewed in accordance with the International Standard on Related Services 4400 (ISRS 4400) published by the International Auditing and Assurance Standards Board. A major global financial services sector advisory firm conducts each ISRS 4400 review
from initiation of the trade through to final accounting records, scrutinising all supporting documentation, including overarching client agreements and transactional arrangements with third parties. In combination with the Sharia’a compliance focused review by DDCAP’s SSB, these reviews support the emphasis that DDCAP and our clients place on independent validation and governance, again reflecting our firm’s stated intention to focus in parallel both on substance and form.

3. Sustainability and Responsibility: The Next Step in Best Practice

DDCAP is committed to developing a more sustainable, equitable and prosperous world and supports the view that those in business must adopt strategies to deliver not only financial results but also social and environmental outcomes. DDCAP has always aimed to be a “first mover” in our sector and to lead by example. Following on from DDCAP’s focus on Sharia’a best practice and automation to promote consistency and standardisation across the industry, DDCAP leadership felt the natural next step was working towards the development of best practice standards for sustainability and responsibility.

As an intermediary, DDCAP’s role is to listen to the demands of the market and act accordingly whilst adhering to the related sustainable and responsible actions (SRA) policies we have adopted. Just as client considerations helped inform DDCAP’s initiatives to establish our SSB and submit our processes and procedures for audit accountability, client considerations informed DDCAP’s focus on sustainability and responsibility.

DDCAP originally developed ETHOS AFP™ to enhance efficiency for clients and address traditional governance concerns. Whilst starting out as a risk mitigant, ETHOS AFP™ was further developed to include additional functionality to address the evolving concerns of the financial marketplace. Initially, clients required geographic screens for commodities, primarily in response to sanctions checking and wider financial industry governance concerns. This evolved into automated commodity screens within ETHOS AFP™ for environmental factors (e.g., deforestation from the cultivation of agricultural commodities) and social factors (e.g., mining practices leading to a refusal to trade in certain metals) or conflict impact (e.g., blood diamonds and other gemstone such as emeralds and tanzanite).

The increased emphasis by the financial industry on corporate governance, accountability and responsible actions and the subsequent evolution of ETHOS AFP™ in response to these new concerns showed DDCAP the importance of doing business differently and a means by which to implement it. DDCAP began to expand our own vision of best practice to include not only traditional corporate governance matters but also sustainability and corporate responsibility concerns. This marked the beginning of what would become DDCAP’s SRA policy.

4. Our SRA Initiative Within a Broader, Global Context

The development of DDCAP’s SRA policy also has been shaped externally by recent multi-national initiatives to promote responsibility and sustainability and the increased awareness of environmental, social and corporate governance (ESG) concerns, including the UN Sustainable Development Goals (SDGs).

UN SDGs

DDCAP strongly identifies with the targets and objectives set for SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 9 (Industry, Innovation and Infrastructure) and SDG 17 (Partnerships for the Goals to strengthen the means of implementation and revitalize the global partnership for sustainable development) and is working in support of international initiatives to achieve them. Additionally, sustainability and responsibility considerations support DDCAP’s identification and selection of inventory which helps promote the spirit of SDG 12 (Sustainable Production and Consumption).
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The SDGs came into effect in January 2016 and will guide United Nations Development Programme (UNDP)’s policy and funding until 2030 through its work in some 170 countries and territories. As stated by the UNDP, achieving the SDGs requires the partnership of governments, private sector, civil society and citizens alike to make sure a better planet is left for future generations.

The 17 SDGs (and the related 169 targets) sit at the heart of the UN’s 2030 Agenda for Sustainable Development which was adopted by all UN member states in 2015 with the aim to move the world towards a more sustainable position by 2030. The 17 SDGs are an “urgent call for action” by developing and developed countries which “recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.”

More information: https://sustainabledevelopment.un.org/

UN Sustainable Development Goals (SDGs)

Informed by the SDGs and supported by the United Nations, the Principles for Responsible Investment (PRI) is an investor initiative in partnership with the United Nations Environment Programme (UNEP) and the UN Global Compact. The UN PRI began in early 2005 when the then UN Secretary-General Kofi Annan invited a group of the world’s largest institutional investors to join a process to develop the Principles for Responsible Investment. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations and civil society. The Principles were launched in April 2006 at the New York Stock Exchange.

The UN PRI works with its international network of signatories to put the 6 Principles into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

The UN PRI is “the world’s leading proponent of responsible investment” and the focus of its efforts is to understand “the investment implications of environmental, social and governance (ESG) factors” and to support its global network of signatories to incorporate ESG factors into their decisions. As part of PRI signatory status, a firm acknowledges that ESG issues can affect the performance across the financial sector and publicly commits to adopt and implement the 6 Principles (set out below) where consistent with fiduciary responsibilities. It also commits to evaluate the effectiveness and improve the content of the Principles over time. It affirms the belief that this will improve its ability to meet commitments to beneficiaries as well as better align investment activities with the broader interests of society. UN PRI signatories are required to report annually on the inclusion of ESG factors into their processes and policies.

The 6 Principles are:

1. Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
2. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
5. Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
6. Principle 6: We will each report on our activities and progress towards implementing the Principles.

More information: https://www.unpri.org/pri/about-the-pri/
A core group of 30 “Founding Banks” in partnership with the United Nations Environment Programme Finance Initiative (UNEP FI), a UN-private sector collaboration with financial institutions, came together to draft the Principles for Responsible Banking (PRB). After a 6-month public global consultation process, the PRB were launched on 22 September 2019 by 132 banks from 49 countries at the annual United Nations General Assembly. These 132 Founding Signatory Banks represented more than USD 47 trillion in assets, or one-third of the global banking sector. Less than a year on, there are more than 170 bank signatories and over 60 Stakeholder Endorsers to the PRB.

The PRB comprise 6 principles (set out below) and provide a framework for a sustainable banking system and help the industry to demonstrate how it makes a positive contribution to society. The PRB seek to accelerate the banking industry’s contribution to achieving society’s goals as expressed in the SDGs and the Paris Climate Change Agreement and are designed to guide a bank to align its business with international, regional and national development and sustainability goals.

In addition to banks, banking sector stakeholders such as banking associations, investors, regulators, policymakers and civil society organizations are encouraged to endorse the PRB as Stakeholder Endorsers to demonstrate their commitment to a more sustainable banking sector. In becoming a Stakeholder Endorser, these institutions commit to promote the PRB within their networks, support the implementation of the PRB and encourage banks to become signatories.

The 6 Principles that Signatories commit to are:

1. **Alignment** – we will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Change Agreement and relevant national and regional frameworks.

2. **Impact & Target Setting** – we will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

3. **Clients & Customers** – We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

4. **Stakeholders** – we will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

5. **Governance & Culture** – we will implement our commitment to these Principles through effective governance and a culture of responsible banking.

6. **Transparency & Accountability** – we will periodically review our individual and collective implementation of the Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

More information: www.unepfi.org/banking/bankingprinciples/

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**UN Principles of Responsible Investment (PRI)**

At the time of writing, of the more than 2,600 signatories, DDCAP Limited was the only provider of asset facilitation services focused on Sharia’a compliant products to have become a PRI signatory. With a broad definition of “investment” to include the allocation of time and money of an institution, DDCAP strives to focus our business concerns within Principle 3 and prioritises the targets and objectives set out in Principles 1, 5 and 6 as they fit within our industry position as an intermediary and, furthermore, seeks to engage with our client base and the Islamic finance industry in the spirit of Principle 4.

**Principles for Responsible Banking**

On 16 April, DDCAP Limited announced that it had become a Stakeholder Endorser of the UNEP FI PRB, making DDCAP the first Islamic Finance market intermediary to achieve this status. The decision to become an Endorser is based on the alignment of the Principles with our SRA objectives, and in recognition of our role as a market influencer within the banking market.
Commodity Codes

Many commodities are problematic in nature due to the social, economic and/or environmental impact of how they are mined or produced, particularly when they are sourced from war-torn or otherwise unstable regions. Natural mineral resources do “hold great potential for generating income, growth and prosperity, sustaining livelihoods and fostering local development”\(^2\). However, where these “are sourced from conflict-affected and high-risk areas…they may contribute, directly or indirectly, to armed conflict, including terrorist financing, human rights violations and hinder economic and social development.”\(^3\)

Adopted in December 2010, the OECD Due Diligence Guidelines for responsible supply chains of minerals from conflict-affected and high-risk areas (OECD DDGs)\(^4\) “provides detailed recommendations to help companies respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices.”\(^5\) These guidelines were “the first example of a collaborative government-backed multi-stakeholder initiative on responsible supply chain management of minerals from conflict-affected areas.”\(^5\) Their objective is not only to keep conflict affected minerals out of the supply chain but also “to cultivate transparent mineral supply chains and sustainable corporate engagement in the mineral sector with a view to enabling countries to benefit from their mineral resources” as well as “preventing the extraction and trade of minerals from becoming a source of conflict, human rights abuses, and insecurity.”\(^6\)

From 1 January 2019, “Good Delivery Refiners” have supplied platinum group metals to the London Platinum and Palladium Market (LPPM) in compliance with the Responsible Platinum and Palladium Guidance for GDL Refiners (the LLPM Guidance) from LPPM. The LPPM Guidance, the focus of which is to combat human rights abuses and avoid contributing to conflicts, follows the OECD five-step due diligence process as set out in the OECD DDGs.

The London Metal Exchange (LME) is also committed to the responsibility of its metal supply, a commitment which is being undertaken to give further momentum to the global responsible sourcing initiative. Formally announced in October 2019, the LME responsible sourcing requirements, which are underpinned by the OECD DDGs, will be phased in to apply to all LME-listed brands from 2023. They rest on four core principles: transparency and standards; non-discrimination between large-scale and artisanal/small-scale mining; adherence to well-established work in the sector; and a pragmatic and clear process.

As an intermediary for Islamic treasury and capital markets transactions, DDCAP is frequently called upon to identify and supply physical assets, particularly commodities, to support the Sharia’a compliant financial contracts entered into by our clients. DDCAP primarily supplies hard commodities such as platinum group metals and non-ferrous metals which fall under the guidelines of the LPPM and LME, and has made a conscious decision to exclude supplies of commodity which may have problematic mining or supply chain practices.

Within ETHOS AFP\(^\text{TM}\), the screening modules can be enabled to apply strict commodity screening parameters to limit what commodity is offered. Screens may be enabled at the DDCAP level to restrict what is held in our inventory and at the individual client level to ensure the client is only offered commodity that fits within its internal policies. Screening parameters can include not only the type of physical commodity but also the inventory location and supplier brand. Functionality within ETHOS AFP\(^\text{TM}\) assesses the physical metal volume on offer from suppliers to enable DDCAP to make requisite purchases and thereafter DDCAP is able to provide to clients a current list of available suitable commodity subject to their individual screens.

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\(^4\) http://www.oecd.org/corporate/mne/mining.htm
\(^5\) http://www.oecd.org/corporate/mne/mining.htm
5. DDCAP’s Journey to Greater Corporate Responsibility

DDCAP took a gradual path to adopting our SRA agenda whereby initiatives were approved by the highest level of leadership but the message was managed from the bottom up. Rather than presenting a new multi-faceted global programme, the Managing Director and executive leadership proposed various individual corporate social responsibility (CSR) and SRA initiatives to the Board of Directors on a case-by-case basis over time. The Board of Directors accepted and rejected each proposal on its merits rather than having the opportunity to strike out against a broader programme due to, for example, uncertainty or breadth of scope. With a portfolio of SRA and CSR successes, the Managing Director presented a broader SRA agenda incorporating existing programmes as well as new initiatives which was subsequently approved by the Board of Directors.

This broader SRA agenda included two key points: (1) the appointment of an executive tasked with the initiative (Head of Corporate Responsibility) and (2) establishment of an SRA Working Group. This would effectively put in place a governance structure by means of an internal champion and a forum for discussion and it would be the catalyst in changing the SRA agenda from a collection of activities to an organised work stream that could potentially identify SRA-related business streams.

The SRA Working Group is co-chaired by the Managing Director and the Head of Corporate Responsibility and includes in its membership the Deputy CEO, the Chief Compliance Officer, the Head of Commodity Relationships, the Head of HR, the Head of Business Systems & Operations as well as representatives from Legal, Business Development / Client Relations (BDCR), the Sales and Trading Desk and Post Trade Services. The SRA Working Group was originally tasked with continuing the work inspired by the PRI annual reporting process (as discussed in more detail below) as well as the responsibility to increase employee engagement with the SRA goals, including the introduction of townhall goals and incorporating ESG factors into the employee annual review process.

At the beginning, to focus our efforts and help shape our initiative to ensure a consistent message both internally and externally, DDCAP also engaged an industry expert with extensive experience both in the Islamic finance sector as well as the impact finance space. Over a series of meetings and interviews, the consultant concluded that whilst there was reasonable focus on the business offering, services and technology solutions, and some on policy and permission formation, there was not enough employee awareness and education and DDCAP needed to take measures to address this and start to remedy it. DDCAP’s programmes to inform and educate needed to be incorporated into the various facets of our business offering, infrastructure and outreach. The consultant was instrumental in helping to create an environment of awareness around the SRA policy, to foster effective communication and to build procedures within DDCAP that assist in developing our ability to adapt to constant change as an institution. This has included building a programme to enable DDCAP employees to better understand our CSR outreach, enhance awareness of the greater SRA initiative and offer an opportunity for more direct engagement with relevant events which would serve as the basis for our next steps.
By identifying the stakeholders inside and outside the organisation we are able to look back and see what we have achieved. Below we set out our impact vis a vis:

- Leadership and Management
- Employees & Staff
- Clients
- Commodity Sourcing and Commodity Suppliers
- Non-commodity Suppliers and Vendors
- DDCAP Sharia’a Supervisory Board (SSB)
- Industry Partnerships
- Charity Partnerships

**Leadership and Management**

As discussed above, approval of the broader SRA programme led to more internal interaction on the SRA agenda. SRA matters are now a recurrent agenda item at the regular meetings of the Executive Committee (EXCOM), focusing mainly on specific business and transactional requirements in order to resonate with the perspectives of EXCOM members. It was a target for 2019 that EXCOM more actively engages with these initiatives and potentially pursues more public commitment to the SRA agenda, including both internal and external
communications on the matter and this will continue through 2020. Also, the Market Risk Management Committee (MRMC) has now updated its standing agenda to include SRA concerns in its market, governance and commercial risk considerations. The agendas for client management and business development meetings, informal working groups and committees all now include SRA considerations.

The relatively recently formed SRA Working Group, established to review DDCAP’s current initiatives and policies as well as future endeavours, takes an active role in steering the agenda and focuses on the implementation of DDCAP’s SRA initiative, as well as playing a key part in industry matters and client facing initiatives. Soon after convening for the first time, it became the nerve centre for the SRA programme. Having a forum promoted discussion and the discussion led to the development of further policy and procedure. It brought together separate workstreams that had been siloed within the firm and, once consolidated, a momentum built as common concerns were identified and new areas of growth emerged. As there was a place to bring ideas to light, there were further discussions about DDCAP’s engagement in an increasing number of external initiatives. As the work of the SRA Group began to expand, it was decided to separate out the CSR and employee engagement matters into their own CSR Working Group (reporting back to the SRA Working Group) to allow the SRA Working Group to focus on more commercial matters.

**Employees & Staff**

A key stakeholder has been DDCAP’s staff. Whether a company has a staff of 40, 400 or 40,000, messages can often get lost in the demands of day-to-day business requirements. So even with a team of less than 50 staff globally, for DDCAP to embed a group-wide SRA approach across three offices located on three different continents it was essential to get internal buy-in from both the “old guard” as well as more junior employees. There was hesitation and concern about how to promote engagement with an agenda that did not tie directly into profit generation. However, we found support in areas we did not expect to and experienced pushback from even more surprising sources. But that was part of the learning process and it was valuable.

In their internal review following the initial launch of the SRA initiative, senior management observed that the commitment to this new SRA agenda was shared in theory but not necessarily embodied in the daily procedures and practices to the extent envisaged at the executive level. Some viewed the SRA reviews and commodity surveys as tick-box exercises that just needed to be completed, without really engaging in the spirit of the exercise. Others were not naturally inclined to become involved with the SRA programme. In light of these findings, DDCAP needed to assess how we could better motivate, support and balance contributions of individuals to promote our SRA agenda and goals.

The target was to find a way accommodate a diversity of opinions, offer new opportunities and remove the need for the same group of employees to pick up the momentum and provide support to the SRA programme initiatives. In its review, executive leadership noted that younger and less senior executives more often seemed to accept and support the notion of responsibility and sustainability as well as the requirement for individual contribution and commitment to produce an accelerated impact. This inspired DDCAP’s leadership to apply a top-down/bottom-up strategy to motivate the widest number of personnel with the objective of bringing each side of the spectrum into each other’s sphere of awareness and comfort zone. In essence, the approach was to enhance engagement and communication and moving forward DDCAP seeks to identify an ‘SRA Champion’ in each business area to assist the progression of the initiative.

Looking back, the key concern of the senior executives was how this alignment would impact the commerciality of the business. These individuals were used to reviewing initiatives in a traditional “risk-reward” perspective and
it has taken time to convince them of the very real risks to our current and future business of not embedding an evolved SRA strategy into our policies. We sought to initiate this change by incorporating SRA considerations into the MRMC and EXCOM agendas as well as including those departments into the SRA Working Group. In time, we have also brought SRA considerations into senior management’s own annual objectives as well as those of their direct line reports.

**Townhall Meetings**

To increase engagement with our strategy and initiative, DDCAP hosted our first townhall meeting in Q2 2019. At this meeting, the Managing Director formally presented the SRA initiative, the Head of Corporate Responsibility highlighted DDCAP’s philanthropic efforts and key charity partners and the Deputy CEO explained the responsible sourcing initiatives of the LME and the LPPM. At the second townhall meeting hosted in Q3 2019, DDCAP launched our internal newsletter which will be the predecessor to an intranet-launch in H1 2020.

In addition to the townhall meetings which are to be a regular part of DDCAP’s employee engagement, the decision was made to break out the CSR agenda from the SRA Working Group and invite individuals to join the CSR Working Group who were not executive or senior management and may not be otherwise engaged with the agenda. Three individuals on the CSR Working Group were appointed as CSR Champions, who are there to not only assist with the roll out of the CSR agenda but also to be points of contact for employees to discuss their views on what DDCAP is doing.

**Employee Review Processes**

Within our working environment some employees have more opportunity than others to engage with the SRA initiative and the related workstreams. Given these diverse opportunities for engagement, we recognise it would be inappropriate to offer “rewards” as such to employees for their contributions. However, as noted above, some individuals, outside of regular expectations, are proactively engaging with the broader SRA initiative and, where that is the case, line managers are being asked to recognise those individual contributions within both the formal interim and annual review processes and informal feedback channels. In addition, every individual now has an SRA and/or CSR-linked objective within the individual review process and, as mentioned above, any contribution in support of the SRA/CSR initiative (including strategy, policy formation, business/commercial engagement, working group or committee participation, event attendance and/or mentorship) is recognised and we intend for this to increasingly be the case.

Additionally, through the CSR programme, we are able to provide staff members the opportunity to attend events or participate in other initiatives that relate to DDCAP’s priority charitable giving and social commitments. Furthering that, as part of our CSR programme, we want to acknowledge the ways in which staff give back to their communities and, set to launch in 2020, DDCAP will provide employees with one paid day’s leave per year to volunteer for initiatives aligned to their personal choices.

**Clients**

Over time, as DDCAP began to promote our SRA agenda, senior management became aware of the inherent difficulty of measuring the extent of our SRA impact in the context of our existing business model. In contrast to, for example, an asset manager which would be able to follow a prescribed ESG approach by selecting “compliant and suitable” assets, DDCAP’s role as an intermediary must be that of an influencer, setting an example with our SRA approach.

**SRA Clause**

In light of this challenge, DDCAP decided to take a bold step and proposed to the Board of Directors for the inclusion of wording explaining
the SRA policy in our agreements with certain clients and other counterparties. The Board of Directors approved this proposal and since March 2019 DDCAP now seeks to include our SRA clause in any new or revised bilateral client agreements.

Under this provision, no member of the DDCAP Group™ shall be obliged to take any action under that agreement which, in DDCAP’s absolute discretion, DDCAP determines will offend or otherwise be contrary to the PRI, DDCAP Limited’s PRI signatory status or DDCAP’s SRA principles. The feedback from this clause by clients and vendors is monitored by the SRA Working Group as well as the BDCR team.

The front office captures all feedback from clients about this clause (e.g., deletion of the clause, any proposed amendments, any positive comments). The feedback is then reported and discussed at the SRA Working group as well as business development and executive level meetings. The inclusion of this clause and the monitoring of counterparty feedback (support or pushback) provides DDCAP a measure by which we can begin to gauge the industry’s reaction to our SRA policies.

To date, the clause has been widely accepted by the vast majority of our clients, across a diverse range of institutions and geographies, who have agreed to its inclusion in our contracts with them.

**Supporting Sustainable and Responsible Investment and Financing**

DDCAP recognises that entities across our industry are working to review and improve their standards and DDCAP will look to engage with clients where appropriate at this stage to encourage and improve standards. As DDCAP’s initiative moves forward, relationships will be reviewed to ensure they further and promote DDCAP’s commitments.

Additionally, given our position in the market, DDCAP sees a broad view of market activity and has observed an increasing amount of green and impact Sukuk being brought to market. As discussed earlier, as an intermediary, DDCAP cannot move the market on our own but we can make what DDCAP does more responsible and use our position to promote and support more sustainable and responsible investment and financing. To that end, DDCAP’s SRA team are beginning to review ways in which we can support and promote green, blue and other impact finance structures within our own business.

**Commodity Sourcing**

**Commodity Inventory**

DDCAP has tailored our commodity supplies to reflect our SRA considerations. DDCAP primarily supplies hard commodities, including platinum group metals and non-ferrous metals, which fall under the guidelines of the LPPM and the LME and has made a conscious decision to exclude certain commodities which may have problematic mining or supply chain practices. The screening modules embedded within ETHOS AFP™ allow it to apply strict parameters to the inventory offered to clients in light of our internal policy.

All existing commodity classes are reviewed regularly in light of market developments with regard to sustainable and responsible practices. As new, more sustainable versions of current commodity classes become more readily available on market (e.g., low carbon aluminium), DDCAP will review the feasibility of incorporating those into our inventory.

All new commodity classes under consideration for inclusion in our inventory undergo thorough review, including both risk and SRA considerations. The SRA analysis focuses on the production, use and disposal of the proposed commodity alongside a traditional risk analysis.

DDCAP’s choices can, at times, place us in variance with those of our own clients. At such times, DDCAP engages with our customers and provides more detail on the rationale that underpins our internal policy.
Commodity Suppliers

As part of DDCAP’s commitment to sustainable and responsible actions, DDCAP also requires a level of focus and commitment from our suppliers of goods and services, including our commodity suppliers and market counterparties. DDCAP’s commodity suppliers are required to make written disclosure of their policies and procedures which set out their own requirements around sourcing and supplier relationships, and each supplier has been required to sign up to terms with DDCAP which incorporate a provision similar to the SRA clause included in client agreements discussed above.

For any commodity supplied which is not covered by a recognised market authority such as the LME or the LPPM, then a supplier’s policy and procedures will be individually reviewed.

- With regard to LPPM, DDCAP recognises that from 1 January 2019, platinum group metals from Good Delivery Refiners are supplied in compliance with the LPPM Guidance which follows the five-step due diligence process as set out in the OECD DDGs.

- Where non-ferrous base metals are LME-warranted, and as such are held to the LME standard, DDCAP recognises that they are within LME’s current efforts to expand the scope of LME standards to matters of corporate social responsibility (in addition to the current technical and metallurgical standards) which are being undertaken to give further momentum to the global responsible sourcing initiative. Full compliance for all LME brands will be required by 2023.

Non-Commodity Vendors and Service Suppliers

As part of DDCAP’s corporate governance practices, all new vendors undergo initial and annual due diligence reviews. In addition to the due diligence criteria that support the Finance and Compliance Departments’ reviews, DDCAP is looking to put in place an additional layer of review in accordance with the goals of our SRA Programme. It is envisioned that as part of this policy, where possible, DDCAP will look to partner with organisations which share our commitment to corporate responsibility (with regard to both sustainability and CSR) and will seek commercial relationships and arrangements which can assist DDCAP to manage and reduce our environmental impact and carbon footprint. All proposed new arrangements and the renewal of existing contractual relationships should be reviewed by the SRA Working Group, alongside traditional governance protocols, as part of the approval process.

DDCAP’s Sharia’a Supervisory Board (SSB)

DDCAP recognises that there are many facets to sustainable and responsible finance and, as part of our SRA commitment, we encourage and support initiatives to promote best practices in the financial and professional services industry as a whole. Given this ongoing and growing commitment, we consider it imperative that the esteemed members of our SSB are kept aware of our evolving SRA initiatives.

In support of this, Professor Dr. Mohamad Akram Laldin, who has been a member of DDCAP’s SSB since 2015, has generously agreed to assume the role as the SRA Champion on DDCAP’s SSB. Professor Dr. Laldin is renowned for his innovative work promoting responsible banking practices and sustainability initiatives in the Islamic finance community and with the International Shari’ah Research Academy for Islamic Finance (ISRA). With his leading the SRA initiative on the SSB, DDCAP aims to contribute to the industry effort to go beyond what is required to be Sharia’a compliant and commit to do what is necessary for a more responsible and sustainable industry.
Responsible Finance Case Study: DDCAP Group

DDCAP utilises our contacts and established network to participate in opportunities as they are presented and to effect change where possible and DDCAP has selected key organisations to support within our broader SRA programme. Moving forward, DDCAP will continue to review our commercial sponsorships and industry partnerships, assess their ‘true’ value and begin to realign our sponsorships to giving or investment for impact. DDCAP seeks to create partnerships where the most good can be done.

In addition, in light of our prioritisation of SDG 5 (Gender Equality) and our signing of HM Treasury’s Women in Finance Charter (as discussed in more detail below), DDCAP will seek to form industry partnerships and consider potential commercial sponsorships with those organisations which have in place a gender balance policy.

RFI Foundation

DDCAP Limited has been a member of the RFI Foundation (RFI) since 2016. DDCAP actively supports the mission of RFI and its initiatives. In particular, DDCAP is a supporter of RFI’s new initiative CDIT (“Connecting Data to Incentivize Trust”), the objectives of which are to track the commitments made by the financial sector towards sustainability and to collect clear and independent data to allow the public to analyse and compare the efforts of these institutions and review their progress over time.

DDCAP recently sponsored the RFI Foundation Summit, including the hosting of the CDIT Roundtable, in Abu Dhabi in 2019 and is the 2019 and 2020 sponsor of RFI’s “Support Disruption for Good” Challenge (the SDG Challenge) which seeks out Fintech and other platforms which have developed technology to help financial institutions measure, manage and/or mitigate their indirect exposure to three key environmental and social risks.

Deloitte

DDCAP has been an active supporter of Deloitte Middle East’s Islamic Finance Insights Series. Managing Director Stella Cox CBE contributed to the May 2018 publication “Scalable and Sustainable Source of Funding Social Infrastructure” which was published by Deloitte’s Islamic Finance Knowledge Center (IFKC) in the Middle East and produced in collaboration with the Chartered Institute of Securities and Investment (CISI), UK. Writing on the importance of sustainability in creating financial systems responsive to the real economy, Ms Cox focused on the growing consensus that the objectives of generating profit and doing well (in whatever form, be it tackling environmental concerns, poverty alleviation, humanitarian crisis management or resourcing healthcare or education) are not mutually exclusive and, in fact, can be achieved in tandem. To quote from her contribution, Ms. Cox said “Investment and financing with measurable impact now has the attention of the global investor community. The prospect of the contribution that can be made from a fully integrated, faith based and socially conscious approach, to satisfy a portion of the social infrastructure-funding gap, is immensely exciting. There are challenges to overcome, but there has yet to be a better opportunity for the Islamic financial sector to demonstrate its unique value proposition.”

Cambridge Islamic Finance Leadership Programme (Cambridge IFLP)

An example of DDCAP’s new partnership structure is illustrated by DDCAP’s support of Cambridge IFLP. DDCAP contributes through proactive participation at both delegate and executive level (having staff both attend and speak every year).

WOMANi

As patron-in-chief of WOMANi, DDCAP’s Managing Director seeks to promote women and women in Islamic business and finance. In 2019, DDCAP sponsored a bursary to support

the attendance of one of the WOMANi Top 300 Most Influential Women in Islamic Business and Finance at the Cambridge IFLP and intends to continue this in 2020.

**HM Treasury’s Women in Finance Charter**

In 2019, DDCAP became a signatory to HM Treasury’s Women in Finance Charter, committing to take action to promote better gender balance in the finance industry. The ‘Women in Finance’ Charter requires signatories to promote gender diversity at all levels across financial services firms by committing to implement four key actions: (1) having one member of the senior executive team responsible and accountable for gender diversity and inclusion; (2) setting internal targets for gender diversity in senior management; (3) publish progress annually against these targets in reports on its website and (4) having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity. DDCAP will be reporting against our first set of targets by 30 September 2021.

**Charity Partnerships**

Incorporated within DDCAP’s SRA initiative is a traditional CSR programme. DDCAP has several charities which we have supported and, as part of our broader employee engagement initiative, now organises a charity day each month in the London office. DDCAP staff, for example, have raised money for the Central London Branch of the Samaritans, Mental Health Awareness Week, and Jeans for Genes. DDCAP is always seeking new opportunities for our CSR programme.

As part of our commitment to the UN SDGs, DDCAP is currently looking to form partnerships to promote gender equality and education both in the UK and globally. In line with our industry partnerships, DDCAP seeks in time to move to a more corporate shared values model where DDCAP partners with key organisations to effect change alongside financial support.

**The Tim Parry Johnathan Ball Peace Foundation**

Since 2017, DDCAP has committed to make an annual donation to The Tim Parry Johnathan Ball Peace Foundation which works nationally and internationally for peace and non-violent conflict resolution. Founded in memory of two boys, Tim Parry and Johnathan Ball, who were tragically killed in the IRA’s bombing of Warrington in March 1993, the Foundation offers support to children and their families who are affected by terrorism anywhere in the world. The service provides skilled caseworkers, experienced in dealing with post-conflict, trauma, welfare, coping and recovery. During the last 12 months, the Foundation has worked with over 2,400 young people from 5 to 16 years old through conflict resolution programmes. This included working with over 900 victims and their families affected by the Manchester Arena bombing, as well as the recent attacks in London, Paris and Tunisia. It continues to make a difference to the lives of families in communities across Northwest England and beyond.

The Foundation is dedicated to breaking the cycle of violence and as such they work for peace, accepting that conflict is inevitable, but that violence is not. The Foundation has over 20 years’ experience in peacebuilding, working with individuals, groups and communities. Its programme, ‘For Peace’, consists of a portfolio of projects, resources, and services with three core components: prevention, resolution, and response. In prevention, the Foundation seeks to stop violence before it begins. When conflict does arise, it seeks resolution through dialogue and actions to deal with issues without recourse to violence. Where violence has already occurred, the Foundation responds to help those affected to cope and recover. In many cases, the Foundation helps those impacted to become active peacebuilders and agents of change.

**The Prince’s Trust**

In 2018, DDCAP became a Patron of The Prince’s Trust and pledged £100,000 over four years
to help support The Prince’s Trust in its work helping disadvantaged young people gain the new skills and confidence needed to find a job or training opportunity, or to set up their own business. In 2018, The Prince’s Trust, alongside corporate and public sector partnerships, helped 68,000 young people (ages 16 to 30) to transform their lives and take control of their futures (including 7,188 from across London and Southeast England).

DDCAP’s decision to become a Patron builds on DDCAP’s support of Mosaic Enterprise Challenge, The Prince’s Trust’s in-school mentoring programme which aims to increase confidence, raise aspirations and inspire students aged 11-16 years old. The Mosaic programme is designed to increase young people’s understanding of business concepts and how to apply them. Students are taught how to establish and run a business through a business simulation game where the five best performing teams in each region compete to receive a place in the national final competition, pitching their developed business concepts to a panel of judges. Students are mentored through this process by business professionals who share their professional experience and skill.

The opportunity for accomplished and experienced professionals through public sector and corporate partnerships to share their skills and guidance with diverse young people was one aspect of the participation in The Prince’s Trust which complements DDCAP’s culture and values.

City Giving Day and the Lord Mayor’s Appeal

In addition, DDCAP’s London staff participated in City Giving Day in support of the Lord Mayor’s Appeal in September 2018 and again in September 2019. DDCAP participated by sending staff to compete in the ‘Tour de City’ static cycle challenge as well as the City Giving Day Quiz night, and at the London office hosted a bake sale and raffle as well as a “wear red” campaign for charity.

City Giving Day is an annual event in the City of London which gives companies and individuals the opportunity to celebrate their philanthropic and volunteering efforts and raise money for charity. Funds raised are donated to the Lord Mayor’s Appeal charity, which partners with three organisations (Samaritans, Place2Be, On Side Youth Zones). These charities address social issues within the London community by delivering programmes to help children and adults with mental health issues and help keep young people off the streets by transforming spaces in high deprivation areas into Youth Zones.

7. Our Work to Align with the SDGs and the UN PRI Objectives

UN SDGs

Internal Alignment with Goals and Targets

DDCAP strongly identifies with the targets and objectives set for SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 9 (Industry, Innovation and Infrastructure) and SDG 17 (Partnerships for the Goals - Strengthen the means of implementation and revitalize the global partnership for sustainable development), and is working in support of the international initiative to achieve them. Additionally, sustainability and responsibility considerations support DDCAP’s identification and selection of inventory which helps promote the spirit of SDG 12 (Sustainable Production and Consumption).

Having identified the SDGs with which we are most closely aligned, we began to work through the targets of our selected SDGs to see where DDCAP can contribute to the global initiative to achieve the SDGs. Some of our efforts up to this point do align with certain targets but there are some SDGs for which we are not yet aligned with the supporting targets. In light of this, DDCAP is making the commitment to use the targets identified within our aligned SDGs to inform not only our SRA and CSR programmes but also our business strategy going forward.

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Mosaic supports young people to re-engage with education whilst exploring aspirational careers and receiving direct support from positive role models sourced from local communities.
Industry Task Force

In our review of the SDGs, we noted the difficulty in trying to align our work as an SME with the stated targets. Many of the targets focus on international and national level policy formation and are beyond the reach of a typical SME which likely lacks the size or influence to effect change at that level. As a majority of the world’s businesses are SMEs (and in some countries, micro enterprises), we realised that many in business may feel that they cannot contribute to the SDGs and this may be a contributing factor to a seeming delay in the uptake of the SDGs and in building momentum towards achieving the SDGs.

Recent industry reports have highlighted this lack of identification and, as a result, limited alignment with the SDGs by institutions in the global Islamic finance and banking community. In response to these findings, we support the UK Islamic Finance Council (UKIFC) in its cooperation with the UK government to address this. With our industry experience and our recent efforts to incorporate the SDGs into our own work, we intend to collaborate with them to promote the adoption of the goals of the SDGs by the Islamic banking and finance sector.

UN PRI and the 6 Principles

DDCAP Limited became a signatory to the UN PRI in 2016 and has filed annual reports to support its signatory status since 2018. The internal review required to complete the reporting process organically assisted DDCAP to formalise our SRA policy. This included the establishment of the SRA Working Group (which was an offshoot of the PRI working group tasked with reviewing the annual submission) as well as drafting a central document for all SRA policies and guidelines, including Sharia’a engagement.

From a commercial perspective, Principle 3 is the most relevant to the work that DDCAP does and the commitment we can make within our scope. In the first instance, we aim to meet this principle through our seeking appropriate disclosure on ESG issues by the suppliers of commodities from whom we source our commodity.

Additionally, if one takes the view that “investment” is an allocation of proprietary resources both as a business and with regard to philanthropy, this could relate to both time and money. We can further support Principle 3 through the changing level of engagement from strictly financial support to seeking working partnerships alongside financial support to create greater impact.

The PRI reporting process was developed with asset managers for investors and is the largest scale project of its type. After its development for the investment community, the scope was then expanded to include service providers. As a financial services intermediary, DDCAP is keen to promote the positive work of the PRI but notes that as a service provider the PRI reporting process and finding our place within the Principles is a challenge. As a service provider, DDCAP is of the view that most of the reporting indicators still reflect investor and asset manager activities and do not fully cover other stakeholders’ SRI/ESG achievements. Whilst it is not a perfect fit, DDCAP is committed to continue to report and provide feedback through appropriate channels to help make the process more effective for service providers.

DDCAP also seeks to engage with the PRI and the UNEP Principles for Responsible Banking to support the inclusion of Islamic financial markets, including banks, financial institutions and other intermediaries who may be challenged to find the right forum in which to participate due to their unique structures.

8. Key Lessons Learned

Good ideas do not trickle down automatically through an organisation. They require a nudge from above and sometimes agents for
change within the organisation need to be identified and supported. As discussed above, this was no exception at DDCAP. In the early days of the initiative there was a great deal of discussion, education and training delivered by senior management and external consultants. “Speaking to the listening audience” was a phrase often used and it was effective. Different people respond in different ways to different types of communication and engagement. Though a small organisation, DDCAP found that a “one-size-fits-all” approach did not work. Therefore, advocates and catalysts for change had to be given some licence to communicate effectively with their peers and staff.

Initial signs are that this sharpened focus within DDCAP (which in terms of staff numbers is best described as an SME) can be successful and is a lesson learned for transmission to other organisations of similar scale.

Surprisingly, some clients and counterparties have been found to be prepared and willing to take on more SRA responsibility in the supply chain. It was almost as if they were waiting for someone else to make the first move before they themselves could act. Early indications in the market would suggest that DDCAP’s SRA initiative is being seen as a differentiator and a demonstration that even a small company can influence the marketplace, especially when, as is the case for DDCAP, it has significant market penetration and a sizeable market share within a focused business sector or financial industry subset.

9. Recommended Roadmap for an SME

The trajectory of DDCAP’s process provides a repeatable format that could be used by other businesses, especially SMEs and those where there may be scepticism about introducing a broader corporate responsibility and sustainability agenda. Good governance is the heart of sustainability and responsibility and all of the players in the marketplace are tasked with ensuring the market operates responsibly and in line with best practice.

Below are some recommendations from the experiences of our SRA journey.

- Initially rely on an executive leader for a nudge by introducing specific CSR and SRA-style initiatives
- Use the successes along the way to sensitize the board of directors to the benefits from SRA initiatives
- Engage across staff for bottom up input on new initiatives that can be embedded
- Incorporate SRA items regularly into board-, executive- and employee-level meetings in a way that resonates with relevant member perspectives
- Executive Committees – specific business and transactional requirements
- Risk Management – market, governance and commercial risk considerations
- Client management, business development and informal working groups/committees – SRA considerations
- Sharia’a functions – encourage the SRA initiative and set as a priority for creating alignment with the overall objectives of the Sharia’a (Maqasid al Sharia’a)
- When there is sufficient acceptance, add specifically mandated individuals or groups of individuals to push forward
  - Executive who is wholly/partially tasked with the initiative
  - Dedicated working group – to review existing initiatives and developing new initiatives
• Engage with employees, including through programmes to:
  
  • Identify and encourage advocates and catalysts for change and empower them to communicate effectively with their peers and staff
  
  • Educate and include staff to create an environment of awareness around SRA policy
  
  • Develop procedures and ensure a consistent message internally to staff & externally from staff
  
  • Provide townhall-style meetings and incorporate ESG factors into the employee annual review process
  
  • Celebrate success, analysing and communicating where things did not go so well
  
  • Build upon the SRA initiatives to adopt an SRA agenda/strategy
  
  • Support other initiatives to promote better market practice, especially in the Islamic finance industry
    - UN PRI
    - UNEP Principles for Responsible Banking
    - RFI Foundation
    - CMA Green Bond Principles
  
  • Create metrics to measure impact and stimulate more client feedback/engagement
  
  • Go public with SRA agenda to influence others to adopt who might be waiting for something more or someone else to lead by example

**10. Conclusions & Next Steps**

As an SME and a financial services intermediary, DDCAP may not have the power of a market mover to effect change unilaterally, but we can be an industry influencer that makes an impact through our demonstration of values, expressions of duty of care and considered thought leadership. As an intermediary, DDCAP is in a unique position to influence our industry. Whilst our role is to listen to the demands of the market and act accordingly, our thought leadership can promote awareness through consistent contact with our many clients and counterparties globally across the Islamic banking and finance community. As the industry sees an SME taking such strides, other SMEs and large institutions, too, may be inspired to follow DDCAP’s example as they would no longer have “first mover fear” or hesitation based on “doing it alone”. And DDCAP embedding SRA policies within already respected technology allows for efficient and rapid implementation of values-driven, responsible business practices.

As an SME, DDCAP had the ability to put in place initiatives, expand and extend them and within 18 months turn them into company-wide agenda, supported by policy and corporate infrastructure. In less than two years, from the original initiative of the Managing Director, the SRA programme was engaging and gaining wide buy-in from employees and involved rolling out the SRA clause into contractual agreements with clients, integrating sustainability screening more widely across our technology platform, creating more robust commodity review processes and beginning an internal evaluation of the progress made. At a larger institution, even with strong and committed leadership, it could take, for example, up to 24 months just to work on the planning and internal buy-in to adopt the strategy and much longer to put it into action. Therefore, SMEs may be in an advantageous position to show the way forward even if they face other challenges.
As an SME, it is important that you look at your unique position in the market and see where you are strategically placed to make an impact. It may take a bit of creative thinking and ingenuity to find the most effective way to identify and implement. It will not be as straightforward or obvious as it is for larger, less niche entities, but unlike the large entities you do not have to follow a playbook that constrains your ability to make an impact. With the flexibility to be innovative comes the opportunity to create value that may otherwise be hidden, trapped or overlooked within your market.

These actions are a pushback against the common reaction that responsible finance needs to be standardised. In many ways it cannot be and asking for standardisation is just asking for a way to comply without much effort. So, what is next? Now that DDCAP has embedded its SRA clauses in client and supplier documentation, we must review the feedback from clients, suppliers and counterparties. This will present the opportunity to identify like-minded clients and counterparties with whom DDCAP could potentially assist with their own SRA initiatives and to find areas for possible collaboration. It will also give us the opportunity to engage with those clients and counterparties whose views may vary from our own and potentially allow us to open a dialogue to better understand their views. This external interaction may also help to promote internal engagement within DDCAP, encouraging employees across business areas and functions to become even more involved in the SRA initiative.

We are also seeking to measure our programme and efforts by sustainability and responsibility metrics and we are exploring international standards and assessments to find the most suitable fit for our review and reflection.

DDCAP has always strived to be best in class and a first mover in best practices. It is what informed our corporate governance structures and the formation of our SSB. And within this culture, there began a gradual seeding of a programme, seeking the directly relevant achievable goals. There was fear that if we moved too quickly out of our supposed space, we would get pressure to go back into our box. In fact, at times we had outside advice telling us just that...stay in our box and do what we do best. Which is often very good advice when you are an intermediary. But what that voice did not appreciate was how big our box actually was. And when we identified how big our box actually was, it gave us more confidence to move forward and enabled us to begin to focus on how much scope we actually had to be better at what we do best. And as an intermediary we cannot change the world, but we can change the way we do business in it and we can change the way we engage with the market.

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This has always been a top down strategy initiated by an informed and concerned chief executive. Even with that starting point, we would love to be able to say that this was a planned roll out from the beginning. But it was not. There was a goal, there was a vision, and there was passion to do more and to do better. And then there were a few hurdles along the way.

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We wrote the initial draft of our case study and had it reviewed externally. It was a brilliant piece of alchemy. But the external reviewer questioned much of what we were saying. And we realised that in all of this, we had lost our voice. Something was missing and that missing link was us...our voice, our passion, our successes and our failures. And so we took up the pen again. This time trying not to fit within a proscribed format but instead trying to tell our story from a more organic perspective.

So, from one SME to another, do not be afraid to be bold and make certain you remember who you are. And what you are good at.

Looking back, what one should do (and what we did without realising it) is look at your list of internal and external stakeholders and see what you can do in each of those areas. How could we empower those within our ranks. Again, no one can do everything, but everyone can do something.

It is about doing the right thing when it is not the easiest thing. To get ahead of the curve. To make the decision to do business as it should be done, of adopting what needs to be the “new” normal before it becomes the “new normal”. It is long hours, difficult conversations, emotional decisions. Negotiating conflicts between stakeholder self-doubt. It certainly involves people taking on more than their assigned role. It is about letting go at some point and running with it and then looking back to see what you have done, and what you then want to do.

The right people are vital, and not always will you make the right decisions. So, do not be afraid to change whom you have appointed or find them another place within the scheme. The more you do, the more work will be created. Let people stand up and shine but do not be afraid to let people step down as well.

The catalyst for all of this was a structure and a committed executive function. Good governance is at the core of everything, and structure is part of good governance. Having an SRA Working Group and a Head of Corporate Responsibility gave a forum and a voice. No longer was it a special project or a moonlighting initiative. Now it was a key agenda item and one individual was tasked with the role to speak up and stand out on these matters. To review and research and look for more opportunities. To push boundaries. It is about finding the right people. Those not afraid to stand up but those who also fit within the group.

As an SME, your SRA programme needs to dovetail within the broader agenda. SMEs sit side by side with their internal stakeholders and work closely with external stakeholders. As such an SME needs to consider its actions in light of each stakeholder and try to anticipate reactions, both negative and positive. First see what you can achieve by finding the low hanging fruit, the easy wins that involve engagement by only a few key stakeholders. With those successes and with a growing team, it will be easier to broaden buy-in and potentially achieve larger projects which in turn should create greater momentum. That is what happened beginning with the steady feeding of small projects by the Managing Director to the Board and the eventual formation of the SRA Working Group which gave the Managing Director even more demonstrable successes enabling an even broader mandate for staff to achieve more.

The UK Prudential Regulation Authority (PRA) published guidance for firms on their approach to managing the financial risks from climate change. In the PRA’s April 2019 Policy Statement, the PRA set out its expectations for its regulated firms to assign a senior management function to the oversight of climate change risks and has stated that it “considers it unlikely the financial risks from climate change can be managed effectively from a siloed climate change function.” Similarly, if you want to make changes that impact your commercial focus, then the ESG/SRA lead should also be someone who focuses on commercial matters and should not be siloed within a singularly focused team. At DDCAP, the Head of Corporate Responsibility is a legal advisor embedded in the business development team who has a financial regulation and trading background.

Whomever is chosen, and in whatever department they sit or area of expertise the company executives feel they need to bring, the individual appointed must not be afraid of potentially stepping on toes, standing up to leadership, working with junior team members, making hard statements and difficult recommendations, and must be able to do that whilst avoiding making enemies as one does not have the comfort of anonymity that can perhaps be more easily found inside a large organisation.

Furthermore, as this initiative must function within the commercial focus of the business, the individual chosen must be able to push on with embedding the initiative within the greater organisation. True integration is a challenge and the individual tasked must have his or her eye on the full integration of the initiative within the scope of the key business. Within an SME, change/addition of one senior influencer can have significant positive or detrimental impact on an organisation. Whilst it is true that an SME is nimbler and one can push an agenda and adopt workstreams quickly, it is also crucial to recognise the limitations of an SME and the challenges and hurdles unique to its size and structure. An SME is a collective of small teams which create a delicate ecosystem where individuals are key and if one fails to capture the attention of the business and does not engage with the commercial realities of the organisation, it can have an impact on the integration of the entire initiative within the SME.

### Further Information

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