



SUSTAINABLE
S Q U A R E

#ADecadeOfExpertise

ESG Presentation

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About Sustainable Square

- 140+**
Clients Served
- 92.3%**
Customer Satisfaction Score
- 90%**
Customer Retention
- 9x**
Profit Increase
(Financial Sustainability 2022)



15+ Markets of Operation



220+ Projects Delivered



13

Nationalities in Team



1:1.3

Male to Female Ratio



10+

Government Policies Created in GCC



2K+

Board capacity Building Sessions Delivered



10K

LinkedIn Followers



2

No. of ESG tech solutions

What We Provide

We create shared value by working hand in hand with our clients for all stakeholders involved. We achieve this via developing effective strategies, values and tools, reporting on progress and empowering through capacity building.

ESG
Advisory



Impact
Investment



Social
Impact



Sustainability and
Climate Change



Sustainability
Tech



Our Portfolio

We have serviced clients across sectors, verticals and beyond geographical boundaries.



CONGLOMERATES



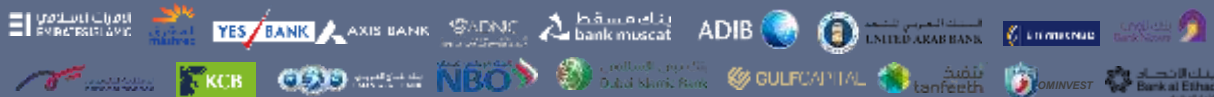
CONSTRUCTION



F&B/AGRICULTURE



FINANCIAL



TELECOM



ENERGY



SOCIAL



GOVERNMENT



PRODUCTION/MANUFACTURING



TRANSPORT+LOGISTICS



HEALTHCARE



OTHERS





Content

1. ESG Foundations

- what is ESG
- Global emergency and goals
- Business case of ESG (importance of ESG)

2. Sustainability Reporting

- What is it and why is it important
- Challenges of sustainability reporting
- Existing frameworks



ESG has been a rapidly increasing topic in earnings calls since 2019

Corporate earnings calls mentioning ESG (%)



Source: Pimco
© FT



What is ESG?



Fundamentals of Sustainability and ESG

The following are **practices** adopted by organizations to drive their business in a responsible and sustainable manner

PHILANTHROPY	CSR	CREATION OF SHARED VALUES	SUSTAINABILITY
<ul style="list-style-type: none">• Donations to worthy Social Causes• Volunteering• Community Charitable Partnerships	<ul style="list-style-type: none">• Compliance with ethical and community standards• Good corporate citizenship• Supporting social and environmental initiatives	<ul style="list-style-type: none">• Addressing societal needs and challenges through the business itself, with a business model• Making a profit	<ul style="list-style-type: none">• Mitigating Risk and Harm• Improve company performance• Attract investments• Improve brand

The following are **tools** that help organization **assess their performance** related to the above practices

SROI	ISO 26000	ESG	GHG Protocols
<ul style="list-style-type: none">• Social return on investment (SROI) is a method for measuring values that are not traditionally reflected in financial statements, including social, economic, and environmental factors.	<ul style="list-style-type: none">• Viewed as a way of assessing an organization's commitment to sustainability and its overall performance.	<ul style="list-style-type: none">• ESG means using Environmental, Social and Governance factors to assess companies and countries on how far advanced they are with sustainability	<ul style="list-style-type: none">• GHG Protocol supplies the world's most widely used greenhouse gas accounting standards.• Enable companies to develop comprehensive and reliable inventories of their emissions.

ESG is **NOT** a trend, it is a strategic business management tool



ESG is a management tool



ESG is a decision making tool



ESG is an assessment tool



ESG drives innovation



ESG helps to measure and track performance



ESG identifies risks and opportunities

Examples of ESG factors

ESG factors cover every aspect of the business to ensure a holistic and thorough analysis and management of risks and opportunities.

ENVIRONMENTAL ("E")	SOCIAL ("S")	GOVERNANCE ("G")
Biodiversity/land use	Community relations	Accountability
Carbon emissions	Controversial business	Anti-takeover measures
Climate change risks	Customer relations/product	Board structure/size
Energy usage	Diversity issues	Bribery and corruption
Raw material sourcing	Employee relations	CEO duality
Regulatory/legal risks	Health and safety	Executive compensation schemes
Supply chain management	Human capital management	Ownership structure
Waste and recycling	Human rights	Shareholder rights
Water management	Responsible marketing and R&D	Transparency
Weather events	Union relationships	Voting procedures

What makes a business sustainable?

- Looking **beyond financial performances** and indicators
- Understanding the value and **relevance of stakeholders - The Stakeholder Capitalism**
- Understanding what your **financial and non financial risks** are and setting up **strategies and practices** to mitigate them



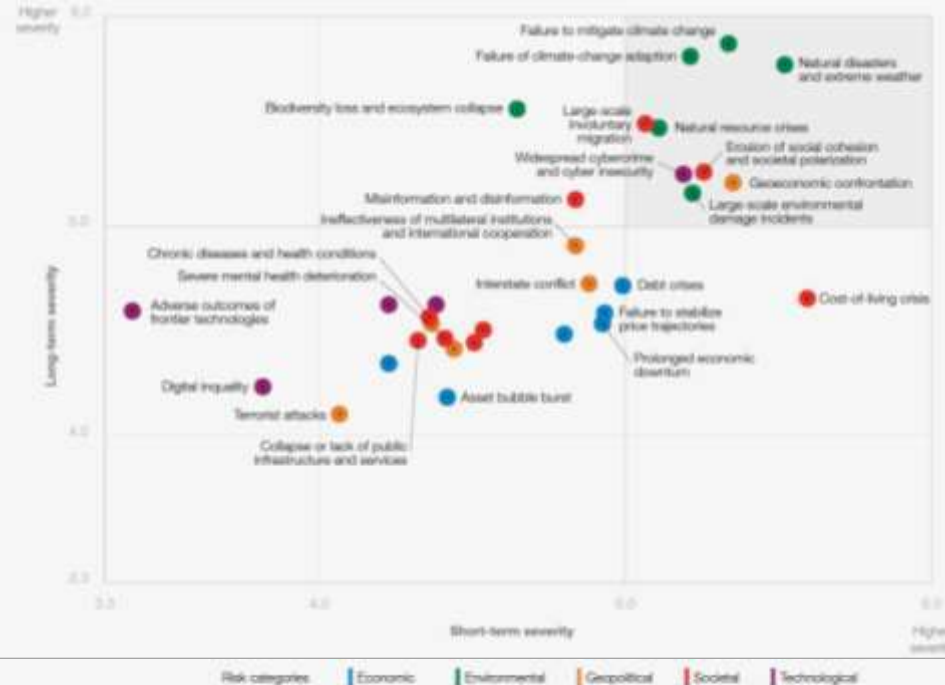
A Global Emergency



A global urgency calls for serious ESG consideration in business



Relative severity of risks over a 2 and 10-year period



Source

World Economic Forum Global Risks Perception Survey 2022-2023

Note

Severity was assessed on a 1-7 Likert scale (1 – Low severity, 7 – High severity)

Global risks ranked by severity over the short term (2 years)

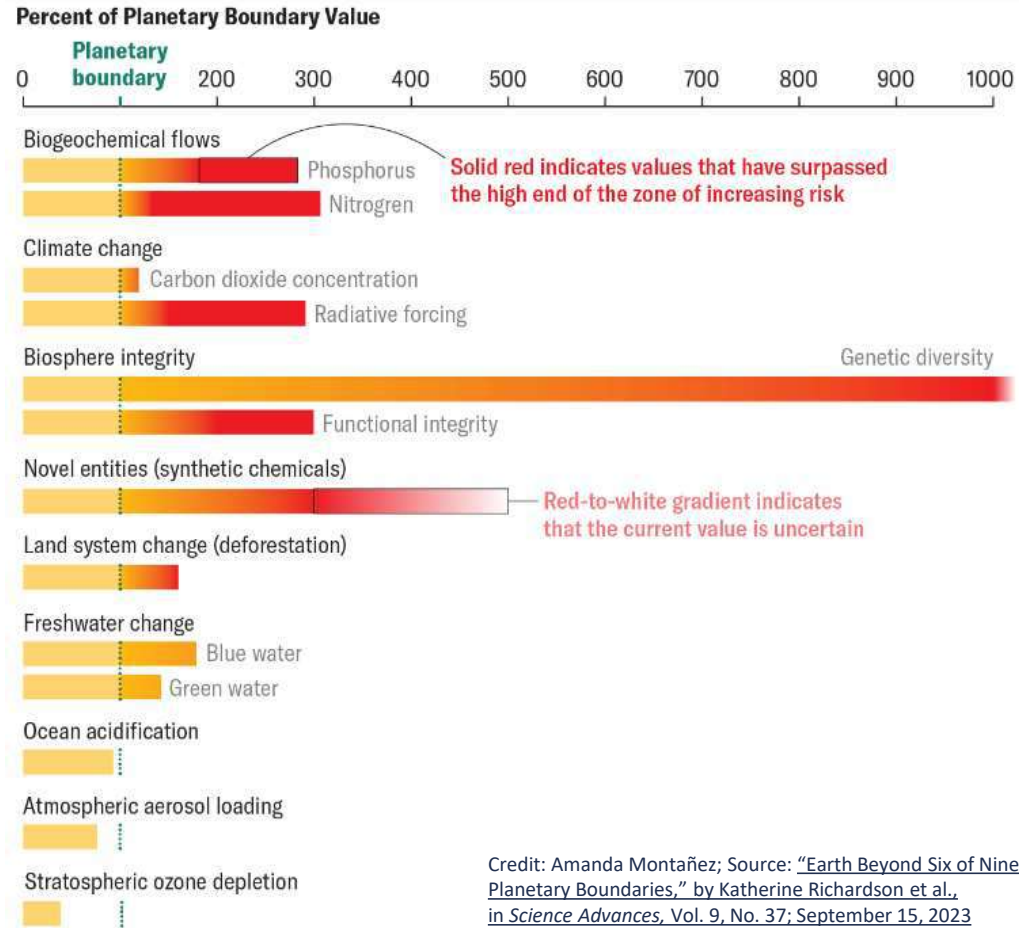


Risk categories | Economic | Environmental | Geopolitical | Societal | Technological



We have crossed 6 of 9 Earth's safe boundaries

- Human activity is pushing Earth to the brink of a dangerous climate tipping point.
- The Arctic is warming **four times faster** than the global average.
- Greenland is losing **trillions of tons of ice** every decade. This ice loss is accelerating, and Greenland contains enough water to **raise sea levels by 7 meters**.
- If the world breaches 1.5°C, we are likely to **trigger at least four tipping points**, including the irreversible melting of the Greenland ice sheet and loss of the world's tropical coral reef systems.
- yet **every month** we use 1% of the remaining carbon budget for 1.5°C.



Credit: Amanda Montañez; Source: "Earth Beyond Six of Nine Planetary Boundaries," by Katherine Richardson et al., in *Science Advances*, Vol. 9, No. 37; September 15, 2023

The consequence of climate change are already physical and noticeable

Flooding death toll soars to 11,300 in Libya's coastal city of Derna, aid group says



This is Canada's worst wildfire season on record, researchers say



Greek PM says country is fighting a 'war' on climate change after summer of fires and flooding





Business Case of ESG and Sustainability



Economic Returns



ESG is affecting positively the share prices

MSCI 

The Sustainable ETF Universe

In 2020, sustainable ETFs saw record inflows of \$75 billion—triple those seen in 2019.

ESG type

Globally, an increasing number of ETFs are ESG-focused, which means that they incorporate environmental, social, and governance (ESG) investing criteria.

GreenBiz

[Analysis](#)

[Events](#)

[Webcasts](#)

[Videos](#)

[Sustainability](#)

New research finds that ESG screening boosts stock market performance

By [Michael Holder](#)

January 22, 2019

Ignoring ESG factors may have negative effects

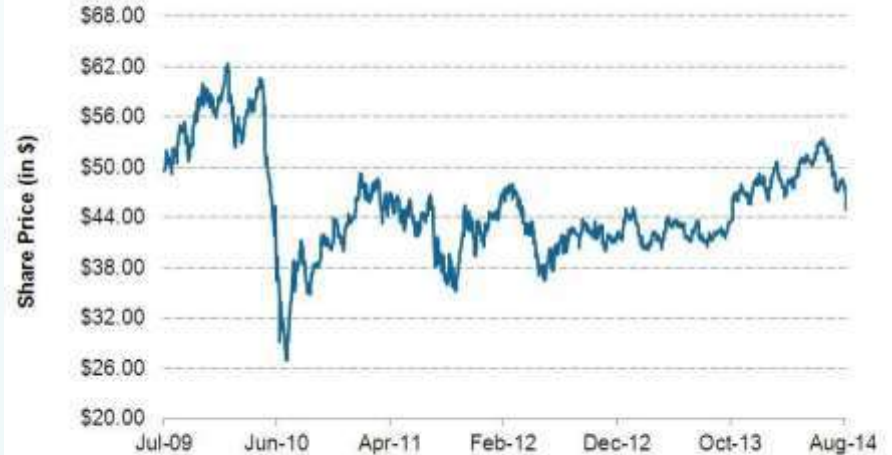


Volkswagen Stock Plunges

Volkswagen AG lost almost a quarter of its market value after it admitted to cheating on U.S. air pollution tests for years. Volkswagen plunged as much as 23 percent to 125.40 euros in Frankfurt, wiping out about 15.6 billion euros (\$17.6 billion) in market value.



How Oil Spill Incident Affected BP's Share Price



Investments vs Sustainability



Larry Fink - CEO of Blackrock: *an American multinational investment management corporation*

1. **Race to net-zero:** Lead or be led
2. **Setting targets** will be profitable for all stakeholders
3. Companies must provide **purpose-driven value**
4. **Sustainability focused** companies will thrive
5. **SASB & TCFD** Become Crucial
6. The **pandemic** has changed the **relationship** between companies and stakeholders
7. Blackrock: Empowering clients with **choice on ESG votes**

Tax on Emissions

More Countries Are Pricing Carbon, but Emissions Are Still Too Cheap

As the world gears up to avoid a climate catastrophe by limiting global warming to 1.5 to 2 degrees Celsius, more countries are putting carbon pricing at the center of their mitigation strategies.

Simon Black, Ian Parry, Karlygash Zhunussova

July 21, 2022

So far, **46 countries** are pricing emissions through carbon taxes or emissions trading schemes (ETS) and others are considering it.

Tax on Emissions - Scenario

Countries with carbon tax implemented include -
(in US\$ per metric ton of CO2 Equivalent)



137



101



52



69



18



37

COMPANY X

2021 GHG Emissions
(Scope 1&2)
= **74,811 MT of CO₂e**

Scenario for approx. carbon
price in the region
= **\$80-\$100**

Total Carbon tax
= **~ \$6M-\$7.5M**

The Carbon Border Tax

EU adopts carbon border tax to fight polluting imports: “[Carbon Border Adjustment Mechanism \(CBAM\)](#)”

The measure will make it **possible to tax imports from the most polluting sectors** (steel, cement, fertilizers, and so on), coming from **countries with less stringent environmental standards**.

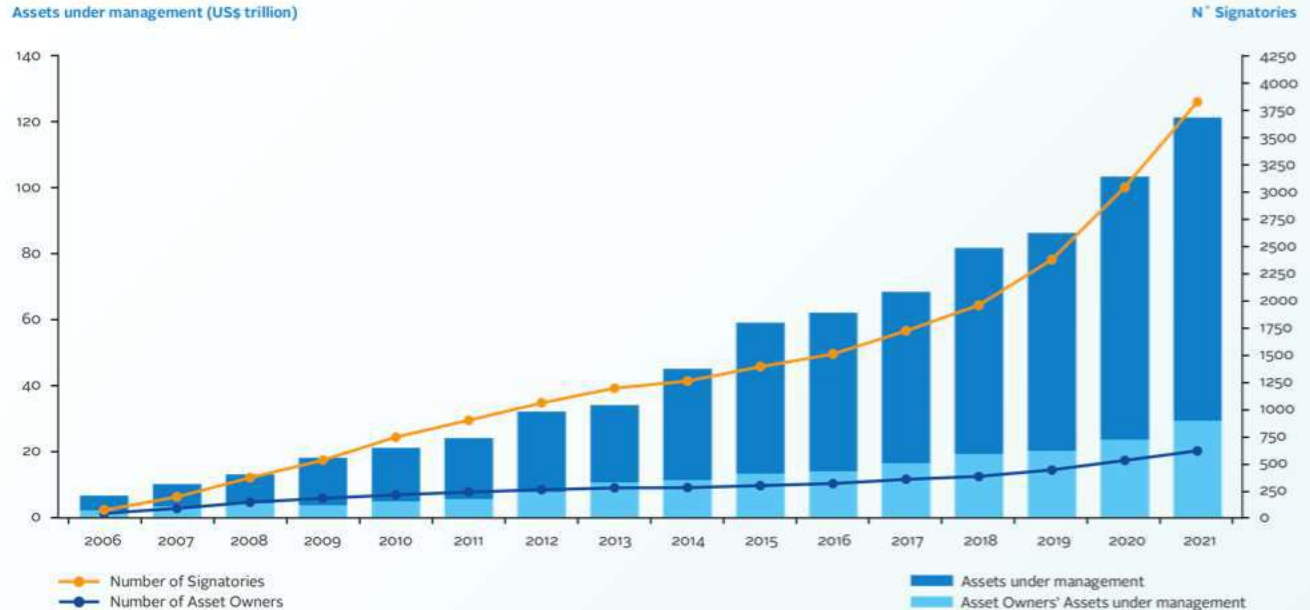
The idea is to **avoid "environmental dumping" or "carbon leakage"** – which would see manufacturers relocate their production outside Europe – while encouraging the rest of the world to increase its efforts to reduce greenhouse gas emissions.



EU's climate targets: to reduce greenhouse gas emissions by at least 55% by 2030

Trends on Responsible Investment

Interest in responsible investment has risen rapidly since the PRI's launch in 2006, with total PRI signatories now exceeding 3,500, and reaching all around the world



ESG Assets Under Management

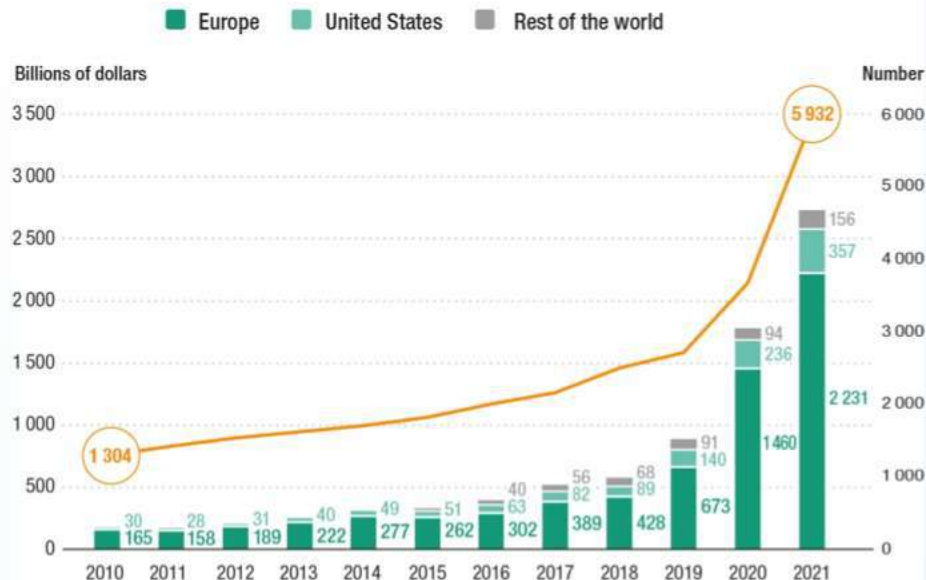
Europe is by far the largest market, with a share of 81 per cent of AUM.

Sustainable funds account for 18% of the assets of the European fund market, showing the relative maturity of the market and the catalytic impact of sustainable finance regulation in Europe. **The United States is the second largest market.**

However, **sustainable funds represent only 1% of its total fund market.**

China is the third largest sustainable fund market worldwide, with AUM of nearly \$50 billion.

Figure 14. Sustainable funds and assets under management, 2010–2021 (Billions of dollars and number)



Source: UNCTAD, based on Morningstar data.

Note: The numbers for 2020 were updated based on the latest data.



Key Drivers

Investors



Investors and especially socially-conscious investors are looking for companies that are **transparent about their ESG practices**. ESG reporting gives them a better overall picture of the company and the risks associated with their investment.

65% of investors look to ESG reporting to **manage the risks of their investments** and ensure long term financial return.

Developing your **own report** allows you to give an **accurate representation of your ESG performance** and strategy which might **not be the case** if **third parties** provide the data to **potential investors**.



Rating agencies

ESG rating agencies work much like company credit-rating agencies. They **rate companies** on their **ESG practices** based on the information made public by the company and develop classifications.

Why is this important?

Investors use the data as a **reason to invest in a company**. Investors are becoming more and more socially conscious due to demand from consumers & stability of the company.





Customers



Customer trends are changing with the new generations. Millennials and Generation Z are two generations that take sustainability seriously and place ESG performance high on their value list when purchasing products.



62% of Millennials and Gen Z **prefer to buy from a sustainable brands**

73% of Gen Z and **68%** of Millennials are **willing to pay more for sustainable products**

Showcasing your company's ESG performance through reporting and communicating about such performance can help drive sales.

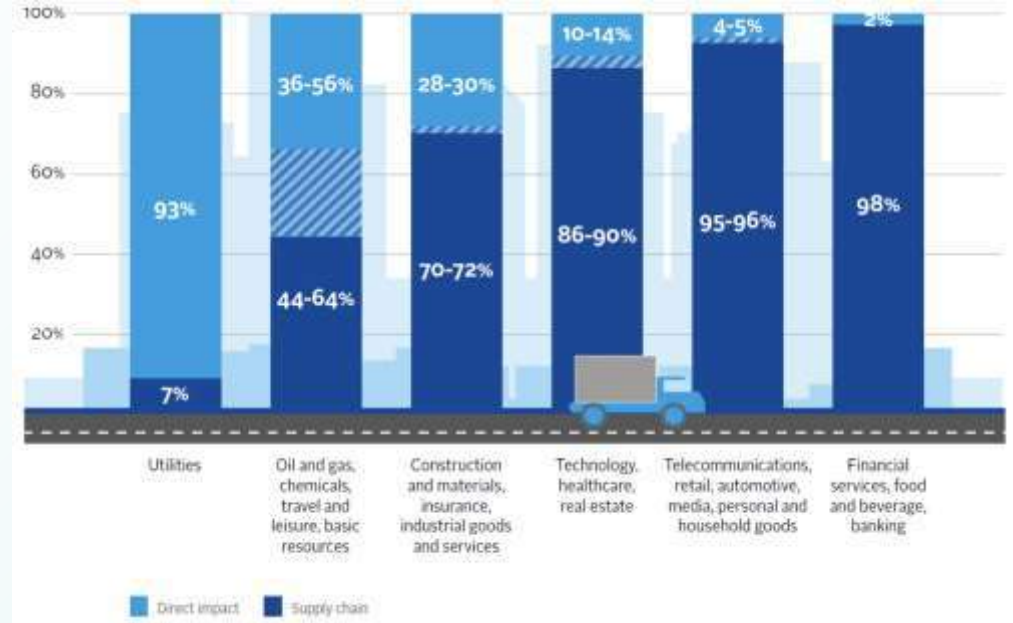


Supply chain

Suppliers are reliant on the business of their customers and therefore **want the chain of supply to be attractive to investors and consumers.**

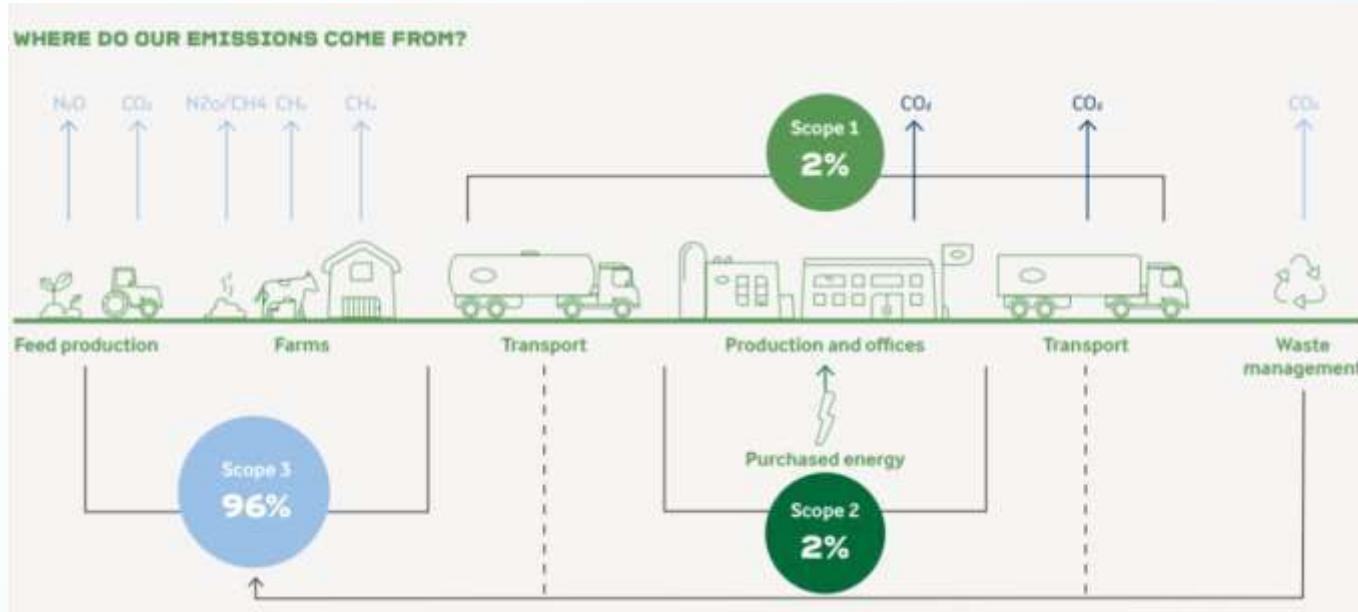
It is therefore important that companies practice **supply chain due diligence.**

Often the supply chain can **impact the environment more** than a **company's direct operations** as show in the below graph:



Supply Chain Importance

Scope 3 emissions accounted for **96%** of Arla's climate impact. Milk production on farm (including, among many factors, methane emitted by cows, and emissions related to feed and transport of feed) accounted for 83 per cent of the total emissions.



Regarding emissions related to owners' milk and other sourced goods (scope 3), the current **30% reduction** target continues to meet the SBTi's criteria for ambitious **value chain goals** in line with best practice.



Regulators



Market regulators are pushing listed companies to report on their ESG practices to **promote transparency, align with the national and international agendas** and help **drive investment**.





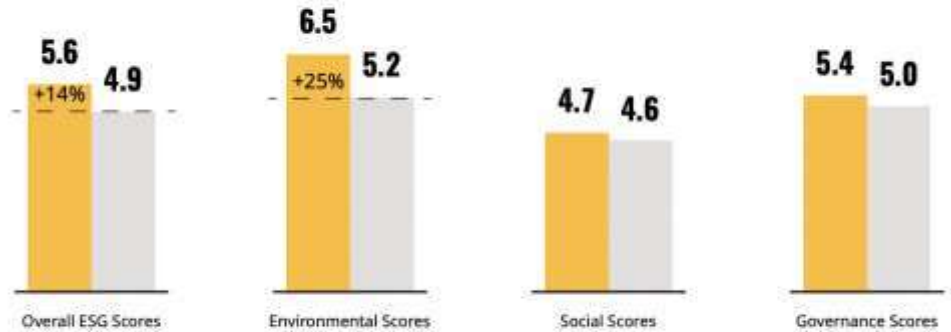
Employees

Employees are part of the community and therefore are aware of environmental, social and governance issues. Companies that **incorporate ESG practices** into their business model can **attract, retain and motivate employees more easily**.

Reporting and communicating about ESG practices can **help employees feel like they are part of a positive change**.

Exhibit 1: Average ESG and pillar scores of top employers by employee satisfaction and average employers

0-10 scale, 2019



● Top employers by employee satisfaction ● Global average employers

Source: MSCI, Marsh & McLennan Advantage Insights analysis





Regional Context



Regional Stock Markets

Market regulators are pushing listed companies to report on their ESG practices to **promote transparency, align with the national and international agendas** and help **drive investment**.



29 United GCC ESG Disclosure Metrics



ESG Disclosure Guidance for Listed
Companies



OVERVIEW

The GCC Exchanges Committee published a unified set of ESG Disclosure Metrics on 9 January, 2023. The metrics comprise 29 standards that are aligned with the World Federation of Exchanges and Sustainable Stock Exchanges Initiative, and include categories across: GHG emissions, energy usage, water usage, gender pay, employee turnover, gender diversity, data privacy, ethics and more.

The GCC ESG Disclosure Metrics are an important step towards standardizing ESG disclosure across the GCC region, due to differences in standards of reporting. The metrics are voluntary and serve as a guideline for companies wishing to embark on their ESG disclosure journey. The metrics do not replace existing ESG disclosure guidelines for GCC stock exchanges.



Increasing importance of ESG for companies in the GCC

- Sustainable Square in collaboration with and MEIRA, conducted a market research paper to assess the current trends in adopting sustainability-related practices for companies in the region.
- The main respondents of the survey represent the following GCC countries: UAE (44%), KSA (20%), Qatar (12%), Oman (11%), Kuwait (8%), Bahrain (5%).
- The research shows that ESG risks and opportunities are **being considered progressively on Board-level**, and that these factors do have an influence on how these businesses operate.
- 76% of companies have noticed a **consumer shift** towards companies embracing ESG practices

Sustainability at a Board-level Discussion

Are companies discussing ESG risks and opportunities at a board level?



Are companies noticing a shift in consumer preferences towards companies that adhere to ESG standards?



ESG in the GCC

Incorporation of ESG Factors

Are companies incorporating ESG factors into their business?

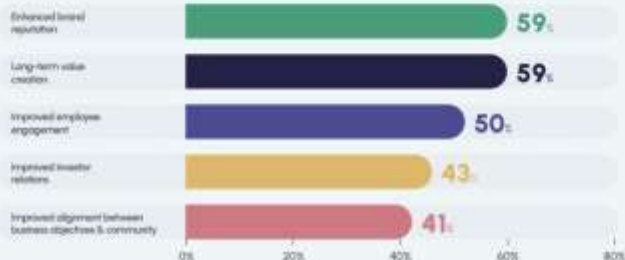


Have companies experienced any benefits from implementing ESG factors into their business?



Benefits of incorporating ESG factors

When asked what benefits have been experienced as a result of incorporating ESG factors, most respondents selected enhanced brand reputation, long-term value creation, and improved employee engagement.



Disclaimer: respondents could select multiple options

Top three drivers for incorporating ESG factors



Compliance with Regulations and Policies

64%



Corporate Values and Culture

43%



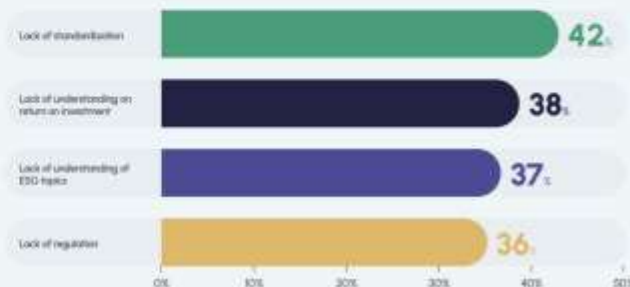
Stakeholders' Demands

29%

The top three drivers for incorporating ESG factors as per survey respondents included Compliance with Regulations and Policies at 64%, Corporate Values and Culture at 43% and Stakeholders' Demands at 29%. This showcases that a mix of external requirements and internal demands push companies to address ESG concerns.

Disclaimer: respondents could select multiple options

What are the Top Challenges Companies are facing regarding ESG Integration?



Disclaimer: respondents could select multiple options

The background of the slide is a photograph of the Yas Viceroy Hotel towers in Abu Dhabi, United Arab Emirates. The two towers, with their distinctive spherical observation decks, are silhouetted against a vibrant sunset sky with shades of orange, pink, and purple. The towers are situated on a small island in the middle of the sea, with a calm body of water in the foreground and a rocky shoreline visible at the bottom of the frame.

Local Context

Country Context

The Sustainable Development Report (formerly the SDG Index & Dashboards) is a **global assessment of countries' progress towards achieving the Sustainable Development Goals.**

It is a complement to the official SDG indicators and the voluntary national reviews.



Country Context

Ambitions announced include an upgraded **Nationally Determined Contribution (278 mtpa)**, an aim to reach **net zero by 2060**, and joining the Global Methane Pledge to **cut global methane emissions by 30%**, placing Saudi Arabia at the forefront of the fight against climate change



Country Context

#PIF announces the establishment of the **Regional Voluntary Carbon Market Company**, in which PIF holds an 80% stake and **Saudi Tadawul Group Holding Co.** holds a 20% stake.

The company will support businesses as they play their part in the transition to net zero.



Country Context



The **Saudi Exchange** has engaged with listed companies, standards-setters, index providers, ratings providers, investors, and other stock exchanges, through a myriad of mediums to **help advance ESG disclosure in the Saudi capital market**

Moving Forward on ESG: Saudi Arabia's Stock Exchange Advances Its Commitments to Sustainability

By publishing ESG disclosure guidelines and advising companies on how to improve their ESG performance, the Saudi Exchange is empowering corporate leaders and investors to unlock new opportunities for growth.

May 24, 2022

"Sustainability sits at the heart of everything that the Kingdom does as it pursues Vision 2030."

**— Mohammed Al-Rumaih,
CEO of the Saudi Exchange**

Tadawul ESG Guidelines



تداول
Tadawul



Topic	Context
2018 Partnership	<ul style="list-style-type: none">• Saudi Exchange joined the UN Sustainable Stock Exchanges Initiative.• The aim is to promote ESG practices and sustainable investment, collaborating with various market participants.
Engagement Activities	<ul style="list-style-type: none">• Interaction with listed companies, standards-setters, index providers, and others to advance ESG disclosure in the Saudi capital market.• Utilized various mediums for engagement and awareness.
Responsibility	<ul style="list-style-type: none">• Saudi Exchange is obliged to support ESG advancement in the country• Focuses on raising ESG awareness and encouraging disclosure by listed companies.
ESG Guidelines	<ul style="list-style-type: none">• Created to assist listed companies in navigating the ESG landscape.• Designed to be a dynamic resource, updated as ESG and the market evolve.
Future Outlook	<ul style="list-style-type: none">• The guidelines aim to remain relevant and support sustainable, inclusive growth of the Saudi capital market.• Beneficial for all market participants, ensuring ongoing ESG awareness and advancement.

Understanding the interconnectivity and influence between the different standards

Despite the existence of multiple reporting frameworks and standards from different jurisdictions and their competitiveness at times, they are developed in a way where they complement each other.



Intersection between IR and ESG



Communication: Both fields necessitate transparent communication, with IR conveying financial data and ESG disclosing sustainability efforts.



Risk Management: IR and ESG collaboratively manage financial and non-financial risks, ensuring comprehensive protection for investors and the company.



Regulatory Compliance: Joint effort in meeting traditional and emerging regulations enhances transparency and quality of disclosures.



Long-term Value Creation: Combines IR's focus on financial growth with ESG's emphasis on sustainable practices for holistic long-term value.



Stakeholder Engagement: Enhanced relationship building that addresses the interests of a diverse group of stakeholders, aligning financial and ESG objectives.



Performance Metrics: Integration of financial and ESG metrics offers investors a well-rounded view of corporate performance and ethical standards.



Thank You

