A JOINT PUBLICATION BY

S&P Global Sustainable 1 and the Dubai Financial Market

The following report is a joint publication by S&P Global Sustainable1 and the Dubai Financial Market, a stock exchange located in Dubai, United Arab Emirates, where the UN's COP28 climate change conference is taking place. The goal of this report is to use S&P Global Sustainable1 data to demonstrate private sector progress on climate disclosure and emissions reductions in the region hosting COP and in the rest of the world. The report opens with a Foreword from Dubai Financial Market CEO Hamed Ali, who provides the local market perspective in the context of the COP gathering.

Foreword

Enabling Climate Action by Advancing Sustainable Financing

At DFM and Nasdaq Dubai, we fully recognise the importance of moving towards renewable and clean energy sources, and our nation has been actively championing efforts to reduce emissions. These include leveraging financial markets to support the green transition, promoting a hydrogen-based economy, and nurturing a sustainable ecosystem, we are committed to pioneering sustainable change for a brighter, greener future.

Sustainable financing plays a pivotal role in shaping a Net Zero future for the world. Exchanges, like our own, wield significant influence in propelling these crucial initiatives forward. DFM and Nasdaq Dubai are committed to becoming the leading sustainable financial market in the region by 2025. Our strategic plan is already in motion, encompassing concrete actions such as expanding the listing of green securities, championing transparency and standards by actively promoting ESG reporting and disclosures among our listed companies, fostering global and local investor awareness, and pioneering impactful ESG initiatives in our region. These strategic pursuits underpin our dedication to accelerate and mobilise financing for a seamless transition towards a greener future.

DFM and Nasdaq Dubai are steadfastly nurturing a sustainable finance hub. ESG issuances have witnessed a rapid growth in Dubai with a total value of USD 26.45 billion, our new digital investor platform welcomed over 167,000 investors in 2022, marking a pivotal step forward. Dubai's prominence as the region's foremost jurisdiction for green products amplifies DFM's dedication to sustainability and ESG initiatives. Our initiatives, such as the launch of the S&P/Hawkamah ESG UAE Index and our comprehensive sustainability guide for capital markets, along with our efforts to unite diverse market participants for robust ESG reporting, significantly contribute to shaping a cohesive ESG landscape and has contributed to significantly enhancing ESG disclosures in UAE. In 2022, 100% of DFM’s listed companies disclosed ESG data, adhering to the latest Securities and Commodities Authority (SCA) regulations on sustainability reporting.

Furthermore, with the introduction of innovative ESG-linked offerings, we will continue to drive our mission of advancing and enriching the regional ESG ecosystem. A case in point is our carbon credits trading pilot programme, launched at COP28.

As we embark on this transformative journey, I invite you to delve into the insights and discoveries within this report. I am enthusiastic about the positive impact it promises for sustainable finance, climate action, and the vibrant future of our region.

I hope you enjoy reading this report and find inspiration in the collective efforts driving our commitment to a greener, more sustainable future.

Best Regards,
Hamed Ali
CEO, Dubai Financial Market

Report by S&P Global Sustainable1

As COP28 unfolds, Middle Eastern companies' climate disclosure is rising with more room to improve

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Key Takeaways

01

As the UN's COP28 climate change conference wraps up in Dubai, United Arab Emirates, S&P Global Sustainable1 analyzes the greenhouse gas emissions and climate disclosure rates of companies headquartered in the Middle East.

02

Our analysis, based on the S&P Global Trucost Environmental dataset, finds that companies in the region have increased their GHG disclosure rates over the past five years, but levels still lag compared to the rest of the world

03

Among the universe of UAE-headquartered companies in the analysis, we find that disclosure levels are 20% higher than the rest of the Middle East.

04

Across the Middle East, total GHG emission intensity, a measure of a company's carbon emissions relative to the revenues it generates, increased to 900 metric tons per million US dollars in 2021 from 650 metric tons per million US dollars in 2017.

The numbers in this analysis only represent the emissions of companies in the S&P Global Sustainable1 Trucost Environmental dataset and do not represent total emissions for all companies located in the Middle East

The 28th UN Climate Change Conference, known as COP28, is coming to a close in Dubai, and the gathering has put the spotlight on what Middle Eastern countries are doing to tackle the effects of climate change.

Economies in the Middle East are heavily dependent on fossil fuels, and governments depend on hydrocarbons for revenues. According to the Center for Strategic and International Studies, the region accounts for 30% of global oil production. Like many parts of the world, the region is also coming under increasing climate stress, as the physical impacts of climate change manifest in rising temperatures, droughts and floods.

As they transition their economies to depend less on fossil fuels, many Middle Eastern countries will take steps to address higher energy demand from their growing populations to cope in an ever-hotter desert climate that needs more power generation, especially in energy-intensive industries such as water desalination.

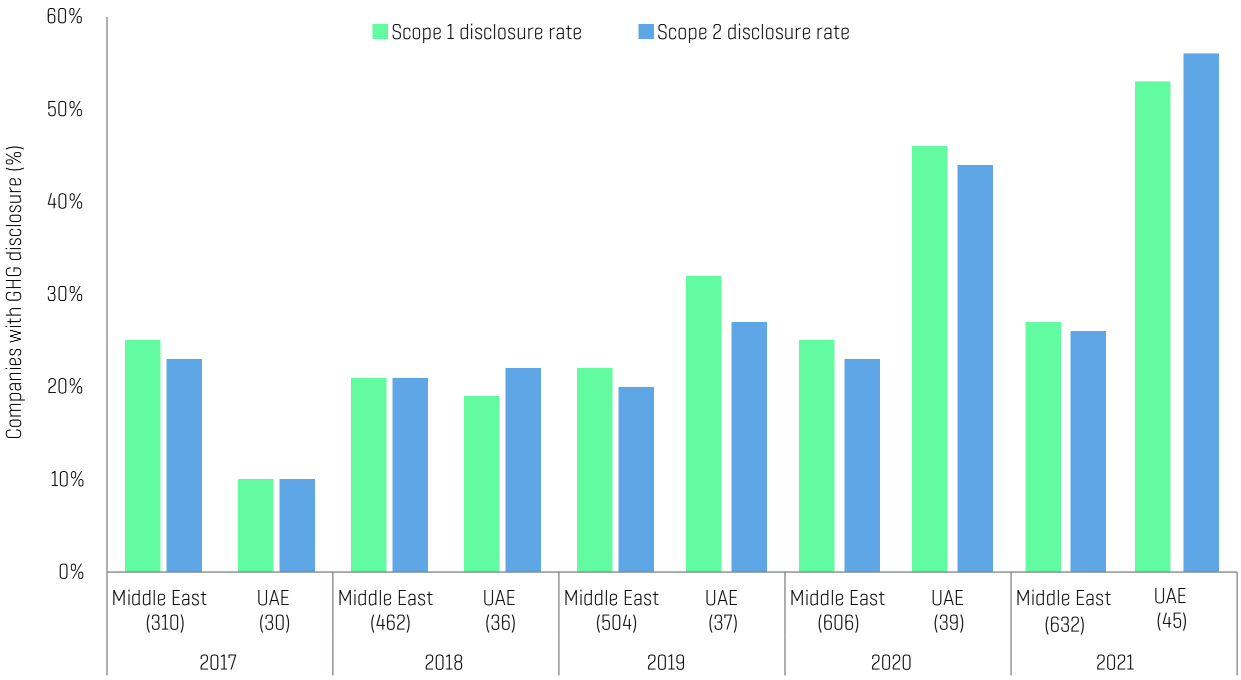
Several countries are setting targets to reduce carbon emissions as part of their transition pathway. For example, Saudi Arabia has pledged to cut emissions, while the UAE in July 2023 said it would reduce carbon emissions by 40% by 2030, up from a previous target of 31%.

GHG emissions disclosure is improving but lags other parts of the world

Against this backdrop, data from S&P Global Sustainable 1 demonstrates that an increasing number of companies headquartered in the Middle East are disclosing their GHG emissions – though disclosure rates for the region lag the rest of the world. Out of a universe of 632 companies headquartered in the Middle East for full-year 2021 (the most recent year for which data is available), around 25% disclose Scope 1 and Scope 2 GHG emissions. This rate is approximately 20 percentage points lower than disclosure levels for the rest of the world.

GHG disclosure in the UAE has ramped up since 2018

Scope 1 and Scope 2 emissions disclosure rates for companies in the United Arab Emirates and Middle East region



Data as of October 2023.
Analysis based on FY2017 to FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

UAE disclosure outpaces regional peers and rest of the world

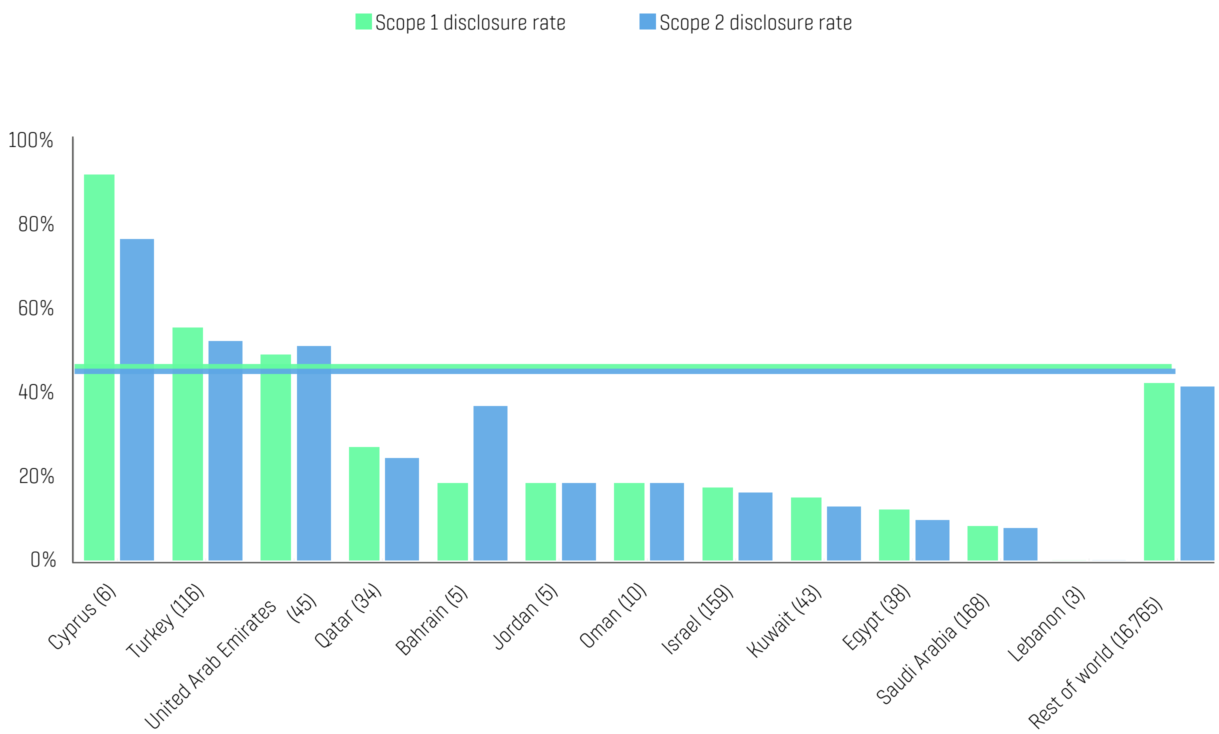
Some countries in the Middle East are ahead of peers in the region and the rest of the world in terms of disclosure rates. For example, our analysis shows that companies headquartered in Turkey and the UAE have higher disclosure rates on Scope 1 and Scope 2 emissions than the averages for the rest of the world. The average Scope 1 disclosure rate for the UAE is 53% for Scope 1 and 56% for Scope 2, compared to averages of 46% and 45%, respectively, for the rest of the world.

This makes sense in the context of other developments in both countries. Turkey has reporting requirements in place for listed companies and the UAE authorities earlier in 2023 launched a consultation on principles for effectively managing climate-related financial risks.

Companies headquartered in the UAE have improved their disclosure of Scope 1 and Scope 2 GHG emissions over the last five years, according to S&P Global Sustainable1 Trucost Environmental data. Among the 45 UAE companies assessed, more than half disclosed Scope 1 and Scope 2 GHG emissions, the data shows, which is 20 percentage points higher than disclosure levels for the rest of the region.

GHG disclosure rates in Turkey and UAE are ahead of other regions

Middle East region company Scope 1 and Scope 2 emissions disclosure rates by country (2021)



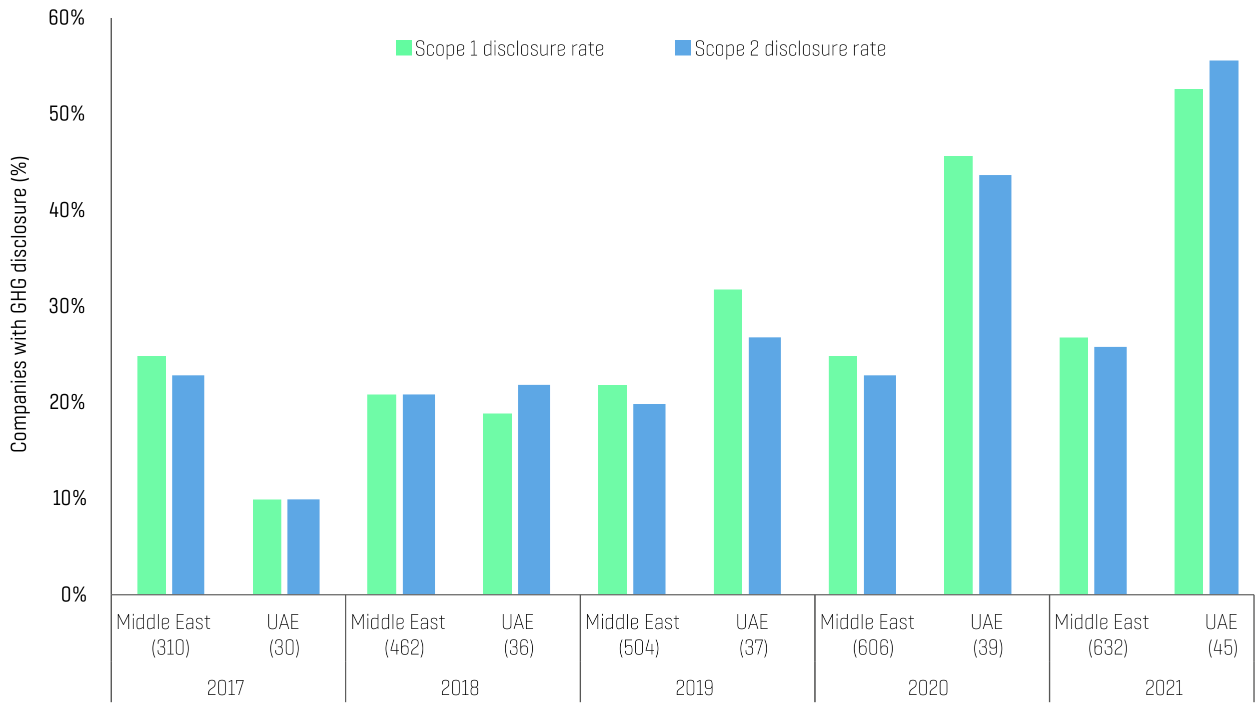
Data as of October 2023.
Analysis based on FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

Disclosure rates in the region and globally appear likely to continue growing over time as climate reporting becomes mandatory in an increasing number of jurisdictions. The creation of the International Sustainability Standards Board and the publication of its first two sustainability disclosure standards in June 2023 is expected to drive more disclosure around the world.

Countries in the Middle East are taking steps to implement their own regulatory frameworks, which could encourage companies in the region to increase their disclosure rates. UAE-based exchange Dubai Financial Market, for example, in 2019 launched guidance on environmental, social and governance (ESG) reporting to promote ESG best practices by issuers. And in January 2023, the GCC Exchanges Committee released a unified set of ESG disclosure metrics that include 29 standards aligned with the World Federation of Exchanges and the Sustainable Stock Exchanges Initiative, across categories like GHG emissions, energy and water usage, employee turnover, gender diversity, data privacy and ethics. The GCC Exchanges Committee comprises exchanges Bahrain Bourse, Boursa Kuwait, QSE, Muscat Stock Exchange, Saudi Exchange, Abu Dhabi Securities Exchange and Dubai Financial Market, and aims to support the development of regional capital markets.

GHG disclosure in the UAE has ramped up since 2018

Scope 1 and Scope 2 emissions disclosure rates for companies in the United Arab Emirates and Middle East region



Data as of October 2023.
Analysis based on FY2017 to FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

Alongside improvements in disclosure, emissions are still rising

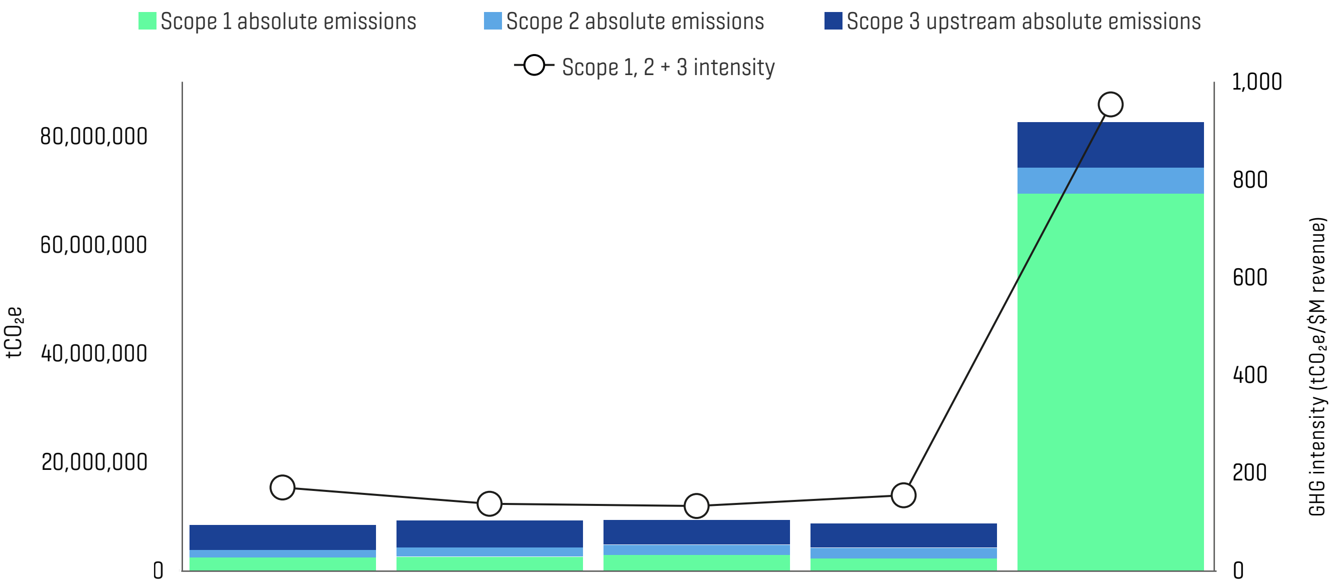
While disclosure rates appear to be improving in the Middle East, the region has much work to do to lower emissions. GHG emissions totaled 1.1 billion metric tons for the 632 Middle East-headquartered companies in our analysis for 2021, the most recent year available. Five years earlier, that number was 370 million tons – a difference partly explained by the smaller analysis universe of 310 companies in 2017. It also demonstrates that companies may have to accelerate their transition pathways to reduce their emissions as their countries transform to become less dependent on fossil fuels.

In the UAE, the GHG emissions captured in our dataset jumped significantly in 2021 due to the addition of one utility company to the universe; that single company accounts for 76% of the emissions associated with the companies headquartered in the UAE.

Across the Middle East, total GHG emission intensity – a measure of a company's carbon emissions relative to the revenues it generates – increased to 900 metric tons per million US dollars in 2021 from 650 metric tons per million US dollars in 2017, among that same growing universe of companies. The figures take into account Scope 1 emissions, which come from direct operations, and Scope 2 emissions, which are indirect emissions primarily derived from purchased energy, as well as Scope 3 upstream indirect emissions arising from company's supply chains.

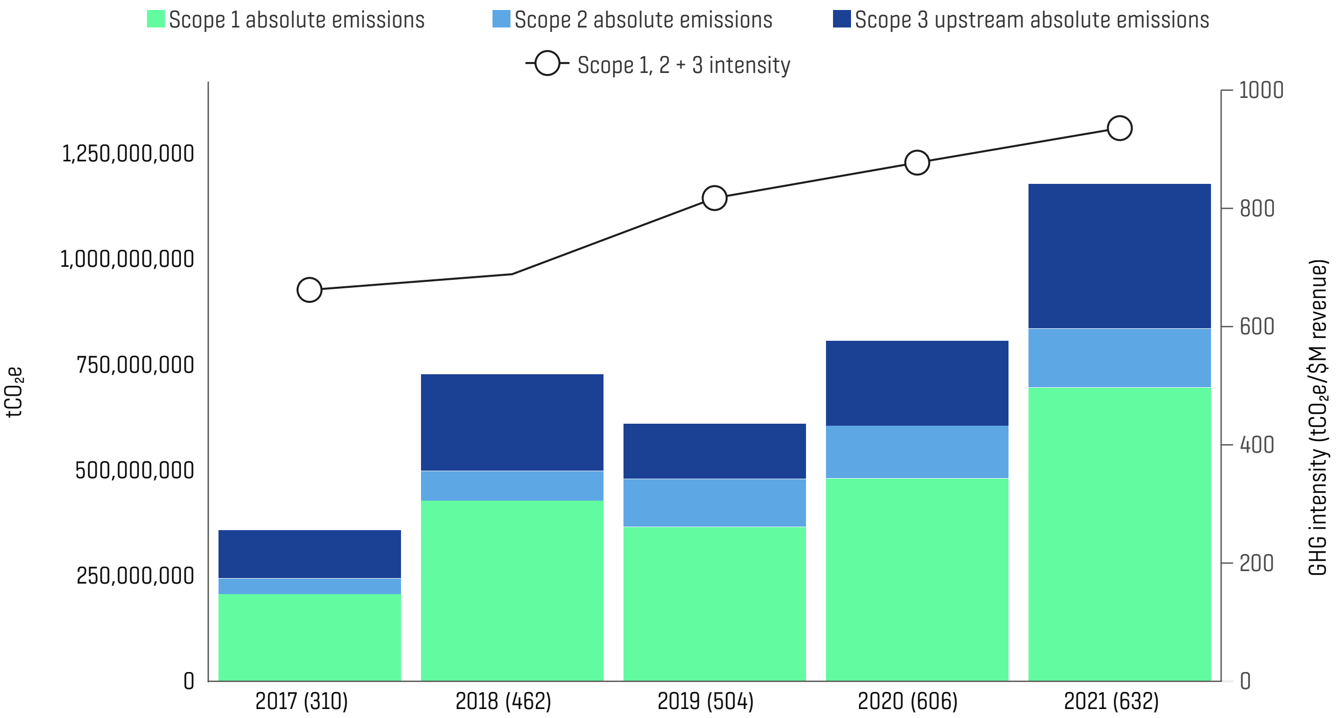
Recorded UAE emissions jump in 2021 due to addition of utility company to dataset

United Arab Emirates GHG emissions and intensity performance over time



Data as of October 2023.
tCO_2e = metric tons of carbon dioxide-equivalent.
* Emissions increase in 2021 largely due to inclusion of a utility company that accounts for 76% of the emissions associated with companies headquartered in the UAE.
Analysis based on FY2017 to FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

Company GHG emissions intensity has climbed in the Middle East region since 2017



Data as of October 2023.
tCO_2e = metric tons of carbon dioxide-equivalent.
Analysis based on FY2017 to FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

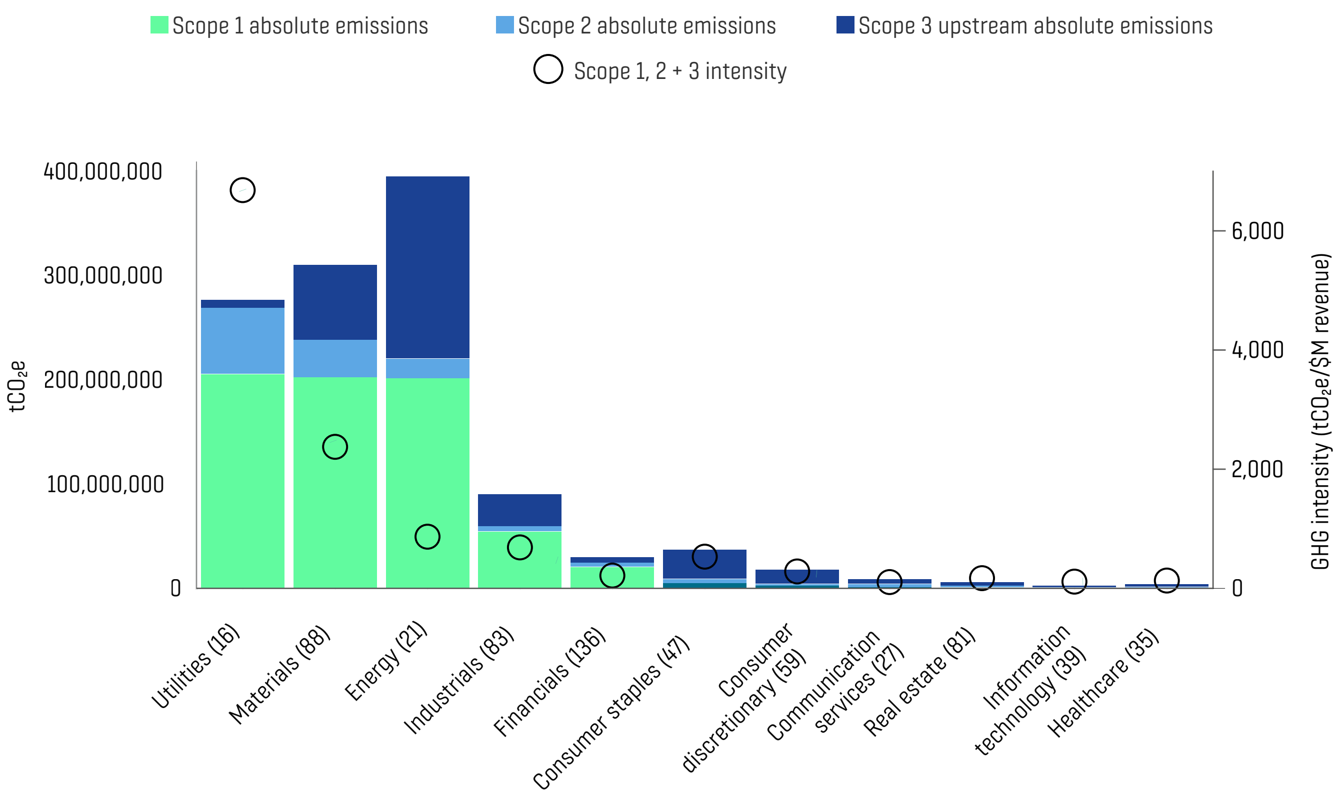
Energy, materials and utilities sectors responsible for most Middle East emissions

The region's dependence on hydrocarbons is reflected in the fact that most of the emissions from companies headquartered in the Middle East come from carbon-intensive sectors. More than 80% of the corporate GHG emissions across Scope 1, 2 and 3 upstream are from carbon-heavy sectors. The energy sector accounts for 34% of emissions, the materials sector accounts for 26%; and utilities companies account for 23% from a universe of 632 companies headquartered in the Middle East. These figures reflect 2021, the latest year for which data is available.

Companies based in Saudi Arabia, the region's largest oil producer, produce the greatest amount of emissions at 61%, followed by Turkey at 19% and the UAE at 7% across Scope 1, 2 and 3 upstream emissions. Out of the companies disclosing in 2021, there were 168 headquartered in Saudi Arabia, 116 in Turkey and 45 in the UAE.

Utilities, materials and energy sectors generate the greatest emissions

Middle East region company Scope 1, 2 and 3 performance by sector (2021)



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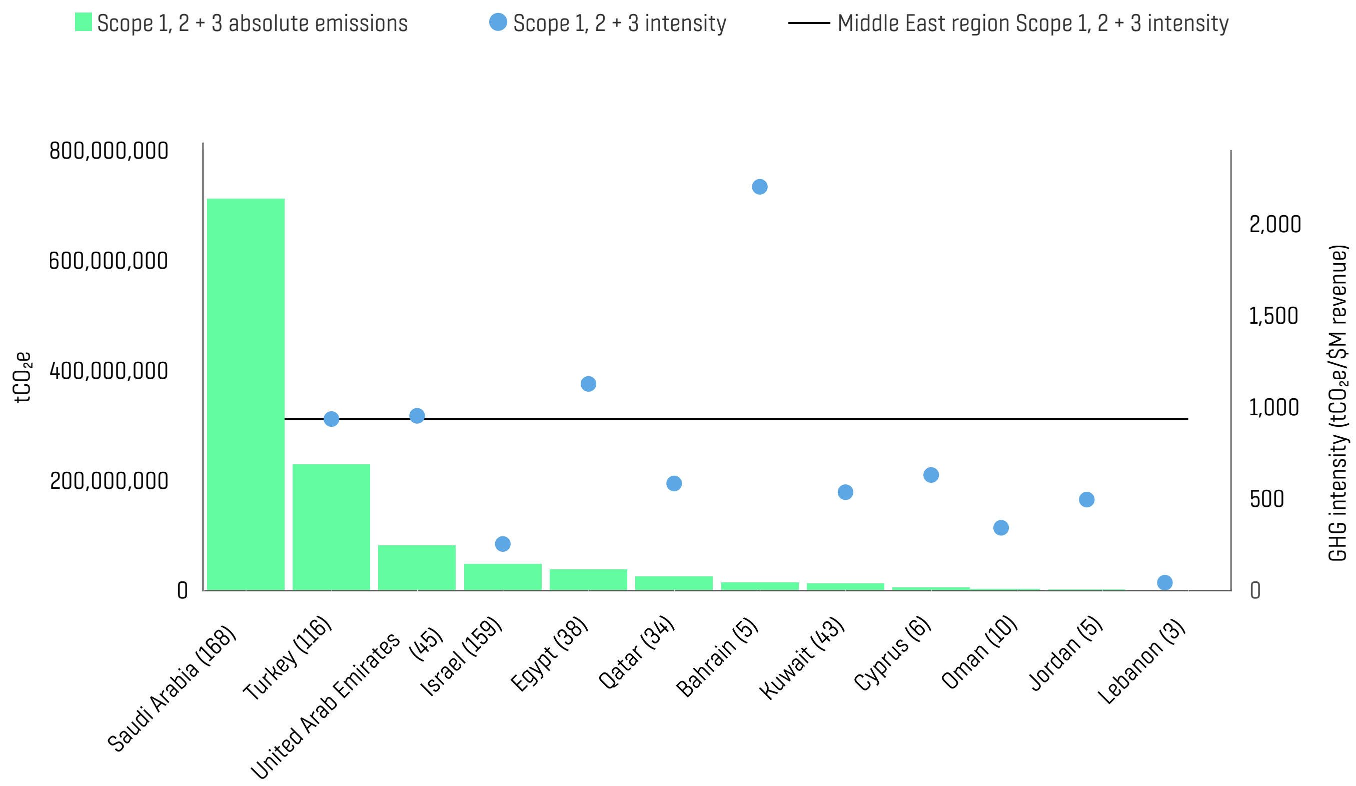
Analysis based on FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

GHG intensity varies widely in the Middle East region

Middle East region company combined Scope 1, 2 and 3 emissions and intensity by country (2021)



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tCO_2e = metric tons of carbon dioxide-equivalent.
Analysis based on FY2021 company data from S&P Global Sustainable1 Trucost Environmental Dataset.
Source: S&P Global Sustainable1.

Conclusion

Companies headquartered in the Middle East face a number of significant challenges as they are located in fast-growing economies with rising populations and carbon-heavy industries. But they can take steps to boost their sustainability by setting emissions reduction targets, outlining clear and credible transition pathways and enhancing disclosure along the way.

The UAE's presidency of COP28 has highlighted the Middle East's role in the energy transition. The region now has the opportunity to assess where it has been and where it is heading on the path toward decarbonization.

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