

Environmental, Social, Governance (ESG)

&

Accelerating the Transition to Circular

Economy for Climate Resilience

\$145.4 trillion of Global Assets Under Management are set to rise by 2025 by institutional investors

\$1.3 trillion are looking to be invested
around the world every year

The new global economic growth due to a
Circular Economy in 2030 estimated to
\$4.5 trillion

Circular Economy initiatives have the potential to save up to **\$2.4 trillion** per year in waste management costs by 2030

Growing ESG Landscape

ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024

Global assets under professional management (\$T)

■ ESG-mandated ■ Non-ESG mandated



Note: All amounts are in US dollars.

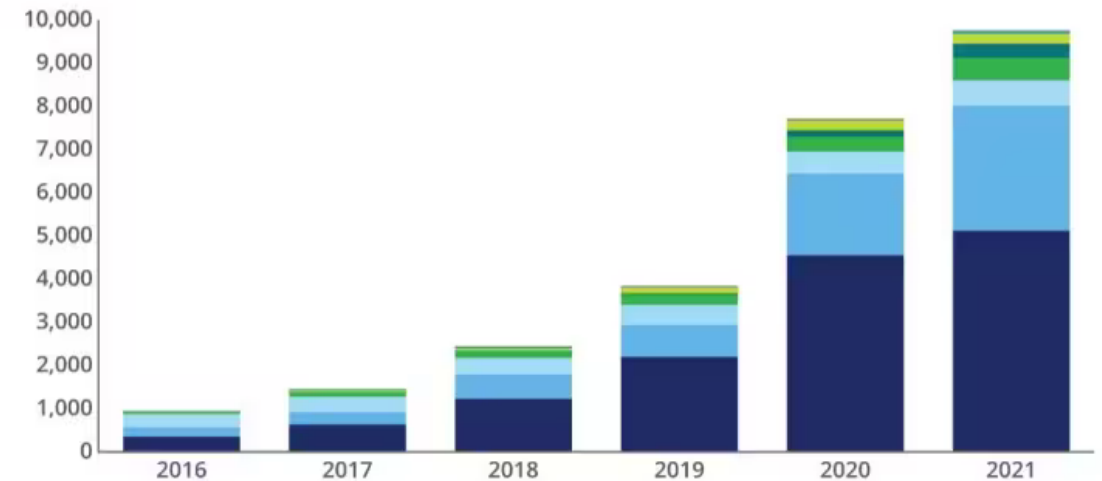
Source: Proportion of ESG-mandated data through 2020 from Global Sustainable Investment Alliance; DCFS analysis through 2025.

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ESG-aligned funds have seen strong growth across all 13F filings since 2016

Total number of ESG funds in 13F filings

■ General ESG ■ Renewables ■ Water ■ Climate-focused ■ Electric vehicles
■ Religious values ■ Gender equity ■ Empowerment ■ Impact



Note: 2021 as of September 30, all other years as of December 31.

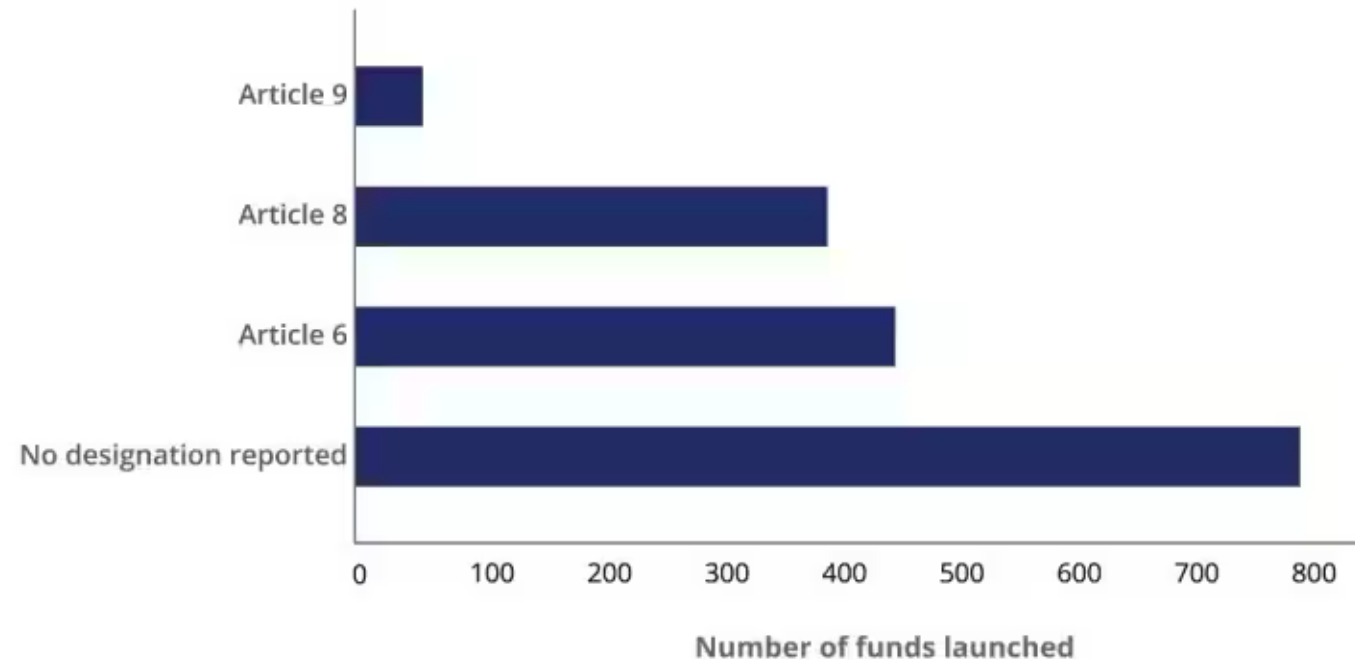
Source: DCFS analysis of SEC filings.

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2022: SFDR

Article 8 and Article 9 funds represented more than half of SFDR designated funds in the first nine months of 2021

Primary share launches in the EU (Q1–Q3 2021)



Source: DCFS analysis and Refinitiv data.

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ESG Investing: Trends, Growth, and Regulatory Considerations

Global ESG Shift

- Worldwide movement towards adopting ESG investing standards.
- Regulators actively integrating ESG considerations in their jurisdiction.

ESG-Mandated Assets by 2024

- Anticipation of ESG-mandated assets comprising 50% of all global professionally managed assets by 2024.
- Highlights the substantial and growing influence of ESG in investment decisions.

ESG Fund Launches

- Future ESG fund launches expected to align with principles akin to Article 8.
- Emphasis on integrating ESG characteristics into the investment decision-making process.

ESG Investing: Trends, Growth, and Regulatory Considerations

Addressing Concerns

- Encouragement for investment managers to conduct a thorough review of ESG disclosures.
- Consistent implementation of compliance policies to address regulatory and investor concerns.

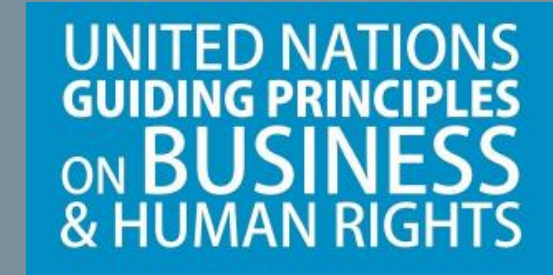
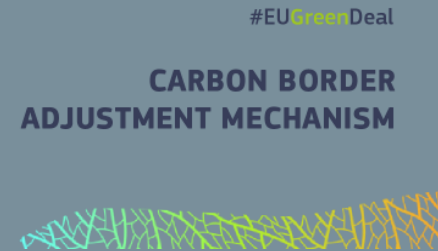
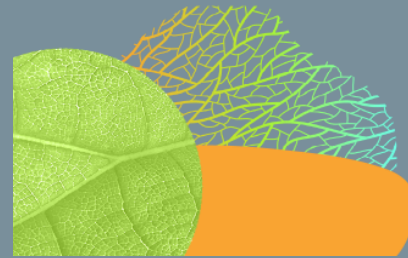
Digital Transformation for Sustainability

- Responsible digital transformation as a viable approach to adopting sustainability initiatives.
- Enhances client engagement as stakeholders increasingly consider societal impacts alongside financial metrics.

Third-Party Verification for ESG Performance

- Investment management firms may benefit from third-party verification or assurance.
- Provides necessary data for assessing and validating their ESG performance.

International Best Practices



United Nations
Global Compact



ESG:

A Driver for Circular Economy in the
Arab Region

What is ESG?



GOVERNANCE

- Commitment to Corporate Governance
- Board of Directors Structure
- Minority Shareholders
- Disclosure and Transparency
- Anti-bribery and Anti-corruption
- Whistle-blower Management
- Business Continuity and Crisis Management



ENVIRONMENTAL

- Greenhouse Gas Emissions Energy Efficiency
- Water Management
- Waste Management
- Resource Efficiency
- Biodiversity and Deforestation
- Environmental Factors within the Supply Chain
- Land Contamination



SOCIAL

- Child Labor
- Forced Labor
- Diversity, Equity, and Inclusion
- Rights of Women
- Rights of Vulnerable Groups
- Working Conditions and Terms of Engagement
- Health and Safety
- Social Factors within the Supply Chain

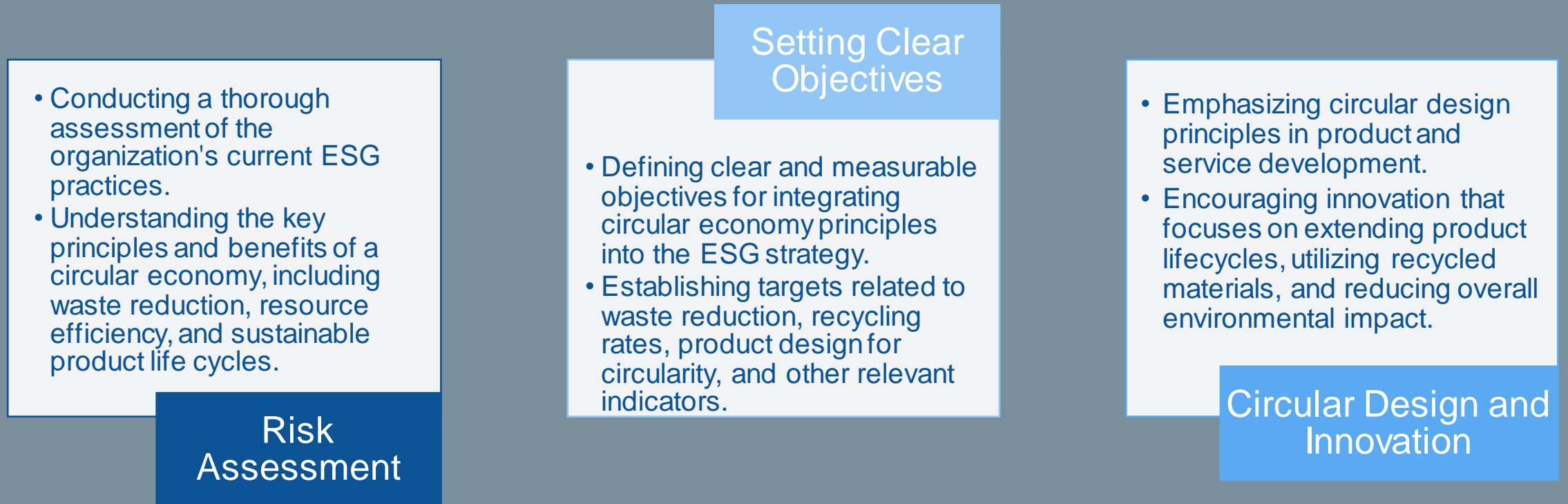


Sustainable Development Goals (SDGs)



Integrating **Circular Economy** within the **Private Sector**

Integrating Circular Economy within the Private Sector



Integrating Circular Economy within the Private Sector

- Evaluating and optimizing the supply chain to promote circular practices.
- Collaborating with suppliers who share a commitment to sustainability and circular economy principles.

Supply Chain Integration

Product Life Cycle Management

- Implementing strategies for managing the entire product life cycle, from design and production to end-of-life disposal or recycling.
- Considering factors such as product durability, repairability, and recyclability.

- Implementing measures to minimize waste generation at every stage of operations.
- Optimizing resource use and explore opportunities for recycling and reusing materials within the organization.

Waste Reduction and Resource Efficiency

Integrating Circular Economy within the Private Sector

Organizational Competency and Training

- Enhancing ESG reporting by incorporating circular economy metrics and key performance indicators (KPIs).
- Communicating transparently with stakeholders about the organization's circular economy initiatives and progress.

ESG Reporting and Transparency

- Fostering a culture of sustainability and circular thinking among employees.
- Providing training programs to educate staff on the principles of circular economy and their role in its implementation.

- Staying informed about relevant regulations and standards related to circular economy and ESG in the industry and geographic region.
- Ensuring compliance with existing and emerging requirements.

Regulatory Compliance

Integrating Circular Economy within the Private Sector

- Exploring partnerships with organizations, NGOs, and industry associations that focus on circular economy initiatives.
- Participating in industry collaborations to drive collective action toward circularity.

Partnerships

Incentives and Recognition

- Providing incentives for employees and departments that contribute significantly to circular economy goals.
- Seeking external certifications or recognition for the organization's commitment to circularity within the ESG framework.

- Establishing a continuous improvement process, regularly reviewing and updating circular economy initiatives based on performance data and changing circumstances.
- Adapting strategies to embrace new technologies and best practices in circular economy.

Continuous Improvement

THE NEED FOR

National

ESG STEWARDSHIP PROGRAMS

Arab Countries' Share of FDI 2022

| Country | FDI 2022 (in billions of dollars) | % out of Global Share |
|--------------|-----------------------------------|-----------------------|
| UAE | 22.73 | 1.75 |
| Egypt | 11.4 | 0.88 |
| Mauritania | 11.1 | 0.85 |
| Saudi Arabia | 7.87 | 0.61 |
| Somalia | 7.8 | 0.60 |
| Djibouti | 5.4 | 0.42 |
| Oman | 3.72 | 0.29 |
| Morocco | 2.14 | 0.16 |
| Bahrain | 1.95 | 0.15 |
| Tunisia | 1.5 | 0.12 |
| Jordan | 1.37 | 0.11 |

| Country | FDI 2022 (in billions of dollars) | % out of Global Share |
|----------------------|-----------------------------------|-----------------------|
| Kuwait | 0.75 | 0.06 |
| Sudan | 0.57 | 0.04 |
| Lebanon | 0.359 | 0.03 |
| Comoros | 0.3 | 0.02 |
| Algeria | 0.08 | 0.01 |
| Qatar | 0.08 | 0.01 |
| Libya | 0 | 0.00 |
| Syrian Arab Republic | 0 | 0.00 |
| Yemen | -0.37 | -0.03 |
| Iraq | -0.8 | -0.06 |

The share of Arab countries in the global Foreign Direct Investment (FDI) amounts to **only 6%** of the total \$1.3 trillion in 2022.

The World Bank estimated in 2019 that only **5% of waste** in the MENA region is recycled, with a significant portion ending up in landfills or open dumpsites

Role of Governments

The role of **Governments** in facilitating the linkage between ESG principles and the transition to a circular economy:

Adopting it on a national level

Enforcing and implementing it

Incentivizing corporates to embed it in their long-term strategies

Raising awareness on its potential growth and long-term benefits

Role of Regulators

The role of **Regulators** in facilitating the linkage between ESG principles and the transition to a circular economy:

Formulating and implementing policies that may include incentives, penalties, and clear guidelines

Mandating ESG reporting and requiring businesses to conduct environmental impact assessments

Setting targets for waste reduction, incentivizing resource efficiency, and encouraging the adoption of circular business models

Setting and enforcing corporate governance standards that incorporate ESG criteria

Monitoring compliance with ESG and circular economy regulations

Adapting to the evolving ESG landscape and circular economy practices

Role of Ministries

The role of **Ministries** in facilitating the linkage between ESG principles and the transition to a circular economy:

Establishing and enforcing regulatory frameworks that incentivize and mandate ESG considerations and circular economy practices

Facilitating coordination and collaboration among different government departments

Developing sector-specific strategies that address the unique challenges and opportunities within various industries in the Arab region

Allocating resources to support research and development initiatives focused on sustainable and circular technologies

Engaging in international collaboration to exchange knowledge, best practices, and experiences with other countries and global organizations

Role of Financial Institutions

The role of **Financial Institutions** in facilitating the linkage between ESG principles and the transition to a circular economy:

Integrating ESG criteria into investment decision-making processes

Green Financing and Investment

Integrating ESG risk assessments into their due diligence processes

Encouraging transparency by requiring companies to disclose ESG-related information

Creating incentives for businesses in the Arab region to adopt circular business models

Role of Standard Setting Bodies

The role of **Standard Setting Bodies** in facilitating the linkage between ESG principles and the transition to a circular economy:

Development of ESG Standards

Circular Economy Frameworks

Metrics for Measuring and Reporting

Guidance for Integration

Education and Capacity Building

Role of International Organizations

The role of **International Organizations** in facilitating the linkage between ESG principles and the transition to a circular economy:

Facilitating the exchange of knowledge and best practices related to ESG and circular economy transitions (organizing workshops, conferences, training programs)

Advocating for policies at the regional level that support ESG integration and circular economy initiatives

Offering financial support in the form of grants, loans, or investment funds to encourage businesses in the Arab region to implement ESG principles and transition to circular business models

Facilitating collaborative research and development projects

Providing platforms for networking and collaboration that can facilitate connections between stakeholders in the Arab region and the global ESG and circular economy community

Promoting cross-border partnerships between businesses, governments, and NGOs in the Arab region

Role of Civil Society

The role of **Civil Society & NGOs** in facilitating the linkage between ESG principles and the transition to a circular economy:

Engaging local communities in the Arab region, ensuring that their voices are heard and their concerns are addressed

Monitoring the actions of businesses and governments in the Arab region to ensure compliance with ESG standards and circular economy principles

Providing training and capacity-building programs to empower local communities, businesses, and individuals in the Arab region with the knowledge and skills needed to adopt ESG practices and embrace circular economy principles

Contributing to research efforts focused on ESG issues, circular economy trends, and the environmental and social impacts of various industries in the Arab region

Encouraging sustainable consumption patterns among individuals and communities in the Arab region

Ensure that the transition to sustainability is inclusive, respects human rights, and addresses social equity concerns in the Arab region

It WORKS

Capital Concept's ESG Stewardship Program

Developed methodologies in collaboration with the United Nations Lebanon, IFC, and EBRD, anchored in the UN's Business and Human Rights Guiding Principles and revised by UNIDO, ILO, FAO, UNDP, and WHO before being examined by the IFC and EBRD.

These methodologies were acclaimed during the Geneva UNBHR congress in November 2018 for their unique approach to investor protection.

Launched the ESG Stewardship Program

Onboarded 100 flagship companies

Developed ESG Programs, Audits, and Certifications

Capital Concept's Impact




Finance


Corporate
Governance &
Market Access


Innovation &
Efficiency


Environmental



Finance



Finance

- Facilitated access to finance for a total of **USD 1.1 Billion** in the region.
- Contributed to the increase of enterprise value (EV) of the 100 companies which embarked on their ESG journey. The total EV has significantly increased from **USD 27B to USD 31B**, with an average of **15% premium**.

According to McKinsey, 25% of executives and investors would pay a **20-50% premium** to acquire a company with a positive ESG record, 7 % would pay a premium of more than **50 percent** and even those who believe ESG has no effect on shareholder value would still pay a **10% premium** for strong ESG companies, while the median among those who say ESG programs increase value for shareholders is a **premium of 15 percent**.



**Corporate
Governance &
Market Access**



Corporate Governance & Market Access

- Integration of **robust governance structures** to ensure adherence to ESG principles.
- Expanding **access to markets** for sustainable products and services through different initiatives.

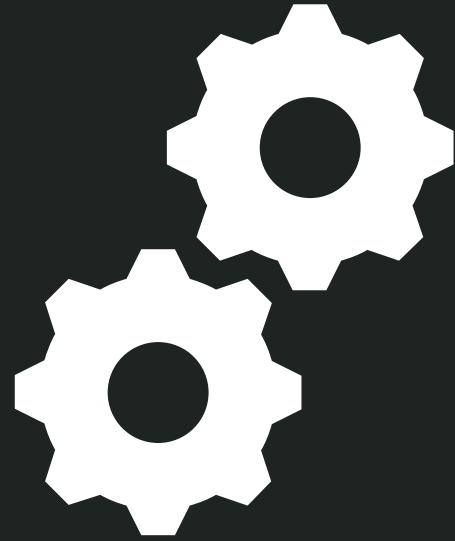


Environmental



Environmental

- Implementation of comprehensive **waste management strategies**, emphasizing the reduction and responsible disposal of waste throughout the value chain.
- Prioritization of **Greenhouse gas emissions** reduction strategies.
- Promotion of **renewable energy sources** to drive sustainable consumption.
- Enhancing **resource efficiency** to minimize environmental footprint.



**Innovation &
Efficiency**

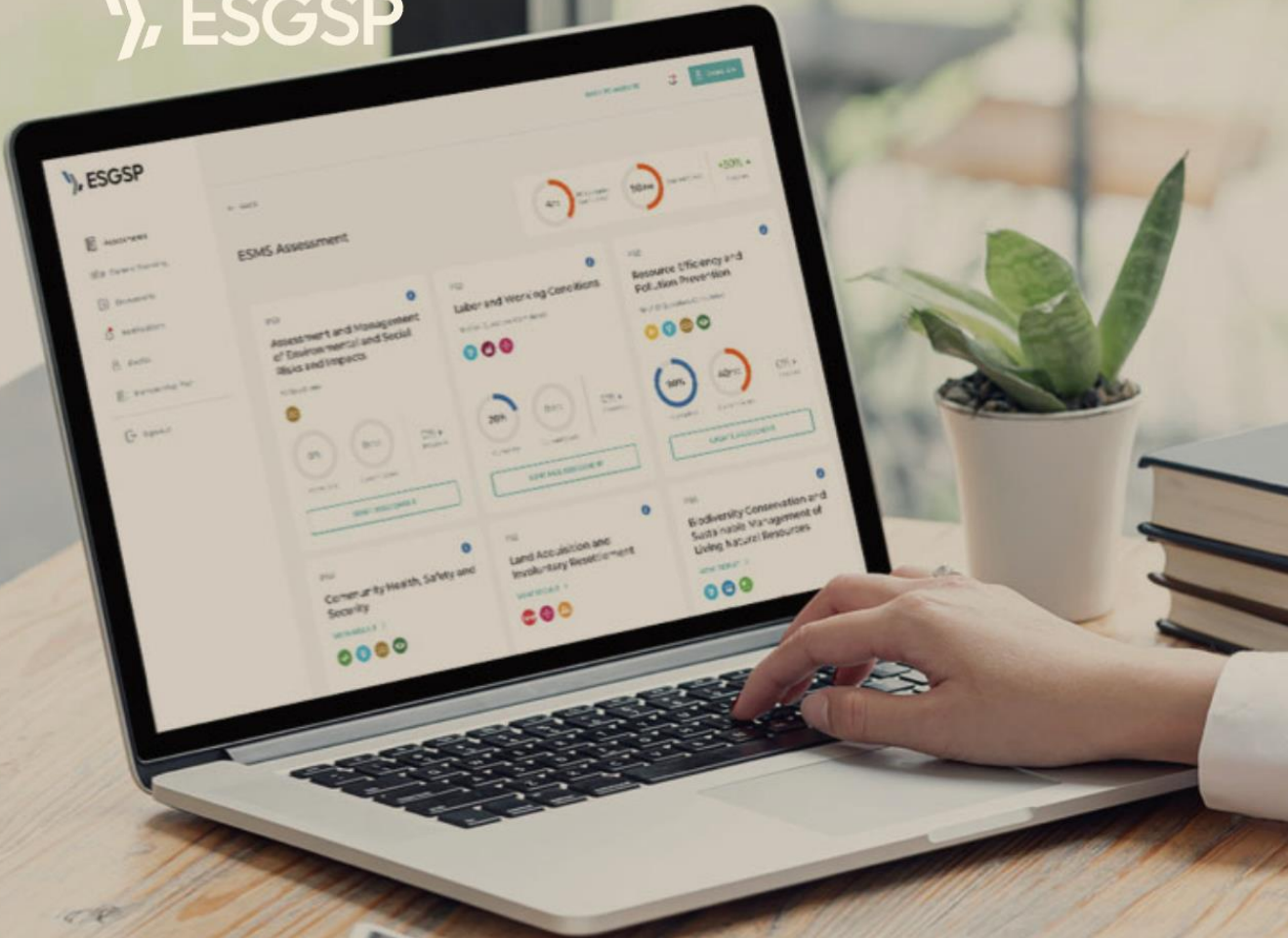


Innovation & Efficiency

- Encouraging a **culture of innovation** with a focus on sustainable technologies and practices.
- Adoption of measures in supply chain optimization, including **repurposing** and **sustainable product design**.
- Introduction of circular economy principles in launching new product lines, contributing to a **positive inflection point in corporate behavior**.

Capital Concept's Impact





ESGSP

BY CAPITAL CONCEPT SAL

The world is changing and so must we!

“

If we want to make sustainable impact on current world challenges, government action alone is not sufficient, we need to engage and involve the business world - corporates and investors.

”

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