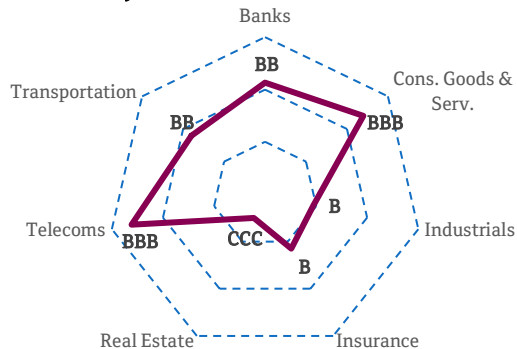


ESG Primer: Qatari Companies Warm Up to Sustainability as the Globe Simmers

We note EU's climate observatory has confirmed July 2023 to be the warmest in the 174-year history of observations, eclipsing a July 2019 record. Increased frequency of such newsflow/anecdotes have helped push the ESG or sustainable investing agenda to the forefront as governments, corporates and investors confront the practicalities of trying to keep the average increase in global temperatures below 1.5-2.0°C compared with pre-industrial levels. **While focusing on "environmental" challenges has become synonymous with the ESG agenda, "social" and "governance" elements remain integral to the global sustainability goal. The QSE officially adopted "ESG" in 2016 while the QNV2030 emboldens the "E" as integral to Qatar's vision/strategy. The crux of the underlying thesis of sustainable investing is that companies improve their chances of long-term success by actively incorporating their environmental or social impact in their decision-making – an emphasis on long-termism over short-term myopic investing.** Companies that score well on ESG metrics are believed to anticipate future risks and opportunities better, and are more disposed to longer-term strategic thinking, and focused on long-term value creation. **While a noble cause, ESG is beset with controversies as the scourge of "green-washing" by investee companies drew the ire of investors. We also note the 'very long-term' nature of ESG investing is, at times, its own nemesis: it fails, in some instances, to address the more pressing needs of the day.** As recently as 4 August, S&P Global announced the suspension of its alphanumeric ESG scoring in its credit reports, instead sticking with less controversial ESG analytical narrative paragraphs. Notwithstanding some backlash, Larry Fink, CEO of the world's largest asset manager BlackRock, is a notable protagonist of ESG investing; but even he has dialed back somewhat given that any reference to the term "ESG" has become a political hot potato, especially in the US, and viewed with suspicion in some circles. Referencing 1Q2023 data, FactSet spotlighted the lowest number of S&P 500 companies citing "ESG" during earnings calls since 2Q2020. There is a palpable gravitation toward "sustainability" away from "ESG" – while still used interchangeably, the former seems much more encapsulating. Another bone of contention, unlike measuring financial performance – as is the case with IFRS or US GAAP – is the lack of a harmonized global criterion to measure ESG. This makes compliance or tracking compliance a challenge. However, we do note remedies are underway, with the IFRS Foundation's International Sustainability Standards Board (ISSB) recently announcing new global sustainability and climate disclosure standards that should become effective starting January 2024. **Net-net, we believe it is safe to assume that "ESG" by any other name is here to stay and companies that score well on sustainability are likely, among other things, to lower their cost of capital in the future relative to their lower-scoring counterparts, which bodes well for market valuation, other things being equal. Furthermore, and contrary to common belief, sustainability does not necessarily come at the cost of higher returns/profitability. In fact, the two seemingly conflicting objectives can co-exist, and can even be a source of alpha as global empirical evidence suggest – Qatar's ESG returns also mimic this global trend with the MSCI QSE 20 ESG Index slightly edging MSCI Qatar. We note that MSCI rates Qatar's sovereign ahead of regional peers in ESG. Moreover, QNBK's high rating (#1 in Qatar/Top-2 among GCC banks), augmented by its sizeable weight in the QSE, puts Qatar front and center on the sustainability map.**

QSE Sector ESG Performance*



QSE Top-Five ESG Firms*

Ticker	Rating	Score
QNBK	A	6.4
QFLS	A	6.0
MCCS	A	5.9
ORDS	BBB	5.3
VQFS	BBB	4.9

Source: MSCI, QNBFS Research; *Ratings & scores as of July 2023; See Appendix for MSCI's methodology and framework; Note: While raters/data providers do not generally calculate an aggregate average score for a given stock exchange or sector, QNBFS has calculated rough estimates by weighting each company's score with its market cap (as of August 15, 2023) to arrive at approximate aggregate averages. A default assumption is that companies with a rating/score for each exchange are a representative sample. A major limitation then is that sample sizes may not be broad enough or consistent over the years; moreover, there is high probability of survivorship/backfill/positive selection biases

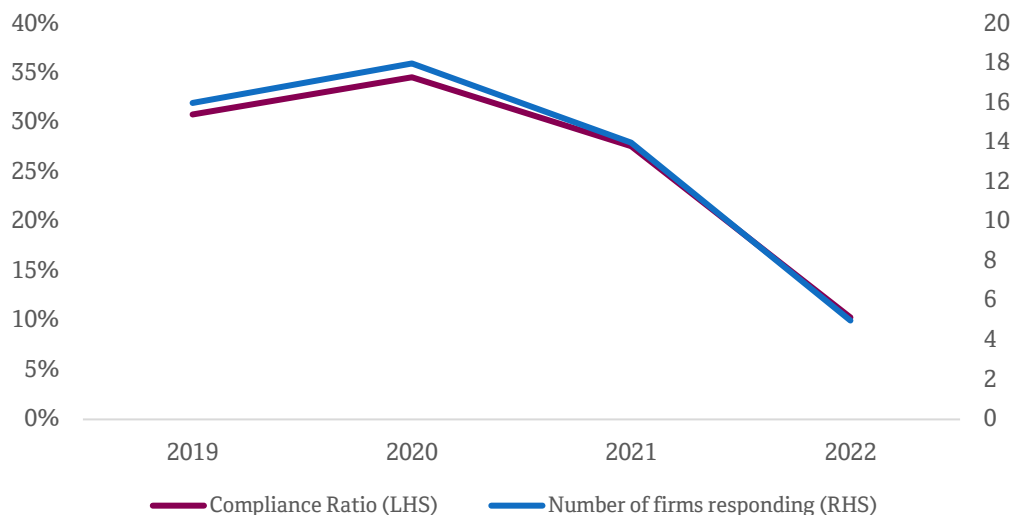
Qatar/QSE's ESG Journey Highlights

- **Qatar envisions transforming into an advanced society by 2030 with a focus on four key pillars: human, social, economic and the environment. It can be argued, three of these pillars have ESG connotations.** For example, for "E", an Environmental Sector Strategy (ESS) was created to support QNV2030, premised on the need to sustain the environment for the present and future generations. That culminated in the establishment of the Ministry of Environment and Climate Change in 2021 as Qatar set a bold goal of reducing greenhouse gas emissions by 25% by 2030, tying this commitment into the larger global climate goals and the Paris Agreement. More than 90 countries have at least pledged a timeframe within which they hope to achieve net-zero or carbon neutral status – 2050 is the target year set by most countries, although some pledges are as late as 2070. Over 60% of Middle Eastern respondents in the 2023 PwC survey on ESG affirmed their companies have incorporated ESG issues into their strategies – Qatari companies formed the 3rd-largest group among these respondents.
- **The regulatory framework is evolving to integrate ESG and notable developments include:** the 2015 Companies Law and its 2021 Amendment, QFMA Corporate Governance Codes (2014 and 2016), QSE ESG Guidelines (2016), and various labor reforms as recently as 2022. In late 2022, QFMA published a draft amendment to its Governance Code, to bring Qatar's publicly-listed companies more in line with international best practices.
- **Even before the formal adoption of "ESG", a lot has happened that still falls under the purview of ESG, specifically in corporate governance/reporting** (including the QFMA Corporate Governance Codes mentioned above) and social spaces. Those developments included mandating listed companies to: (1) appoint IR officers, (2) create & maintain dedicated IR sections on company websites and (3) publish investor presentations/hold investor conference calls after reporting results. Interestingly, **one Bloomberg Intelligence studyⁱⁱ showed that "better governed" and higher momentum companies delivered 10-30 bps more in excess returns.**

QSE Sustainability Platform Rankings

- In December 2016, the Qatar Stock Exchange issued guidance on ESG reporting and launched a web platform (QSE Sustainability Platform), which allows listed companies to record their progress in adopting sustainability. It is a detailed scorecard that queries data such as energy used per employee, average hours of training per employee and percentage of independent directors. The idea was to phase in mandatory ESG reporting gradually. QSE’s ESG scores are based on percentage-of-completion of these disclosures, rather than actually scoring these disclosures. **It is somewhat surprising that this voluntary self-reporting databank has low compliance levels (see Appendix: Table 1: QSE Sustainability Dashboard).** We do note that QNB Group has been noticeably persistently fully-compliant (100%). Comparatively, the overall average compliance ratio is 26% over the past four years. The median firm has 0% compliance ratio – only 19 companies have a >0% compliance ratio since 2019.

QSE Sustainability Platform Compliance Ratio



Source: QSE, QNBFS Research

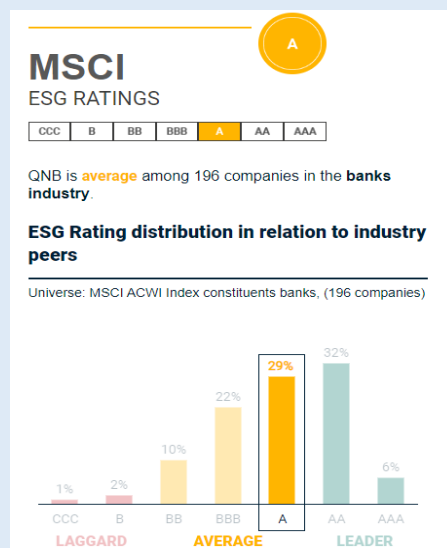
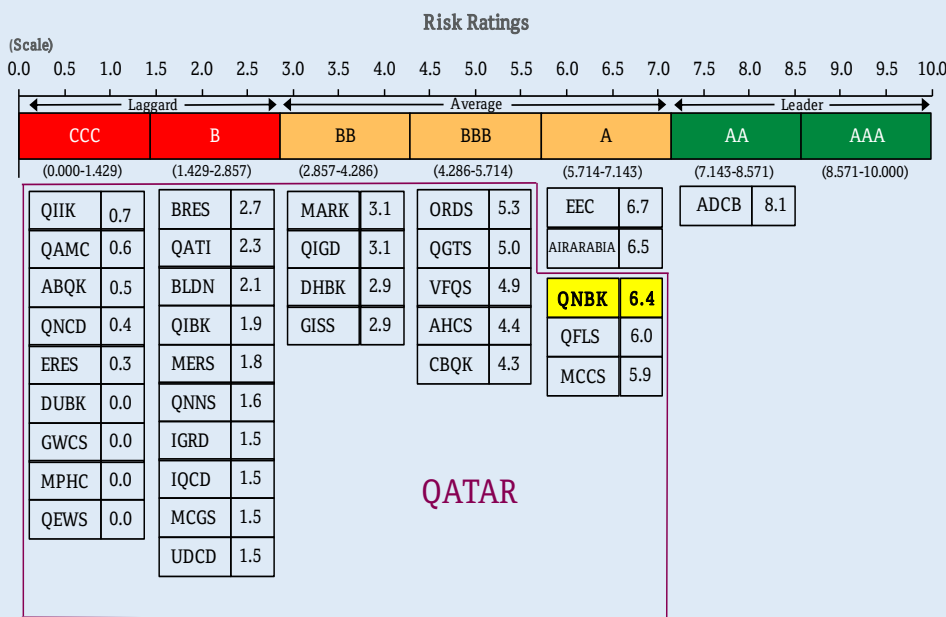
Summarized QSE ESG Reporting Framework

Environment	Social	Governance
Environmental Policy	Full-time Employees	Board Diversity
Environmental Impacts	Employee Benefits	Board Independence
Energy Consumption	Employee Turnover Rate	Board Separation of Powers
Energy Intensity	Employee Training Hours	Voting Results
Carbon/GHG Emissions	Employee Health	Gender Pay Ratio
Primary Energy Source	Employee Injury rate	CEO Pay Ratio
Renewable Energy Intensity	Human Rights Policy	Incentivized Pay
Water Management	Human rights Violation	Ethics Code of Conduct
Waste Management	Child & Forced Labor	Supplier Code of Conduct
	Women in the Workforce	Bribery/Anti-corruption Code
	Qatarization	Sustainability Report Filing
	Community Work	
	Local Procurement	

Source: QSE, QNBFS Research

Spotlight on QSE's Top-Rated Firm: QNB Group as Qatar's ESG Trailblazer

QNB has the highest MSCI ESG rating among the 31 Qatari-rated companies and is among the Top 4 in the GCC, and Top 2 in GCC banks (see graph). QNB's high ESG rating was not achieved overnight and is a testament to management's unwavering commitment and efforts in this arena. QNB's sustainability division was established in 2018. We note that QNB's MSCI ESG rating has trended upward since 2018 from "BBB" reaching a high of "AA" in 2021. QNB's current MSCI ESG rating is at "A" (see graph). Some of the rating factor strengths that puts QNB ahead of its peers include human capital development, financing environmental impact, consumer financial protection, privacy and data security and access to finance. [Sustainability](#) forms a key pillar of QNB Group's strategy. Its sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. QNB Group's sustainability journey is well distinguished and it was the first bank in Qatar to launch a green bond valued at \$600mn (see graph below).

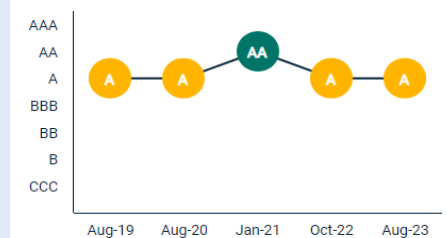


QNB Sustainability Journey

2018	2019	2020	2021	2022
<ul style="list-style-type: none"> - Launch of QNB Group's Sustainability strategy and framework 	<ul style="list-style-type: none"> - Full support of QSE ESG platform and UN Sustainable Stock Exchange Initiative - Published first QNB Group Sustainability Report - Signatory to UNGC 	<ul style="list-style-type: none"> - Issued \$600 Mn green bond, the first in Qatar - Launch of Environmental and Social Risk Management Policy Framework - UN75 signatory - Strategic partner for Qatar Sustainability Week - Launched Sustainable Finance Framework and Committee 	<ul style="list-style-type: none"> - First independent limited assurance of Group Sustainability Report - Independently assured Green Bond Allocation Report, and Environmental Impact Report - Two Global Finance awards - Climate Bond Initiative (CBI) Award - First bank in the region to receive MSCI ESG AA rating - \$50Mn green private placement with European Bank for Reconstruction and Development (EBRD), first such deal in Türkiye (QNB Finansbank) - Signed UN Women Empowerment Principles (WEPEs, QNB Finansbank) 	<ul style="list-style-type: none"> - Market-leading Sustainable Finance and Product Framework and Second Party Opinion (SPO) - First green repo transactions in Qatar - Commenced climate risk scenario analysis and recommendations of TCFD - Four Global Finance awards - COP27 sponsor, event host, panellist, and exhibitor - Commitment to exclude and exit coal financing (QNB Finansbank) - 100% of energy from renewable sources (QNB Finansbank) - ISO 14001 Environmental Management System certificates (QNB Finansbank)

ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.



Source: QNB Group, MSCI; Note: Ratings & scores as of July 2023; QNB rating as of August 2023

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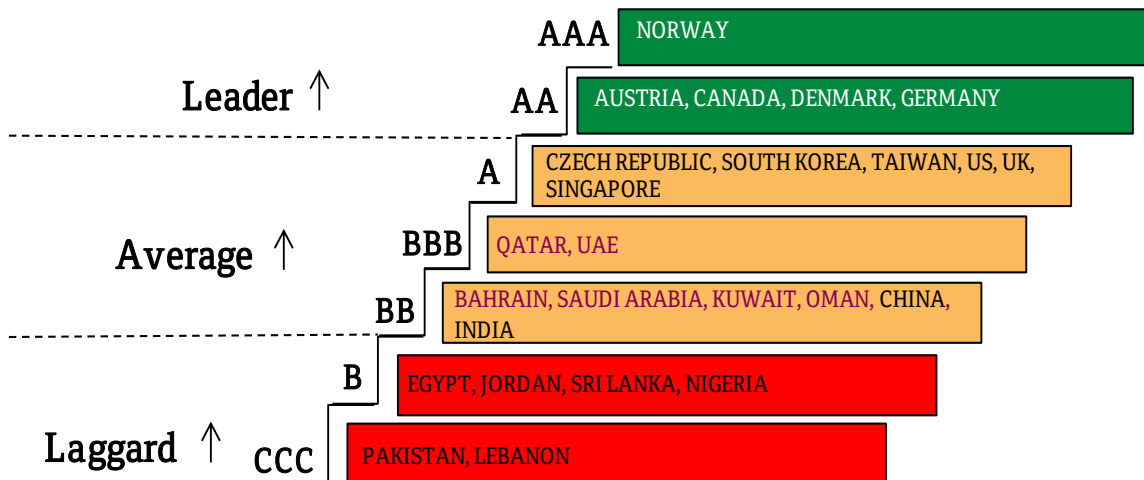
International ESG Ratings

- Various international bodies/agencies including the MSCI, Sustainalytics, RobecoSAM and Bloomberg independently report regularly on the ESG statuses of sovereigns and corporates. However, the crude and qualitative nature of some ESG measures adds to the complexity of impartially reporting the “true” scores. We do note that there are ongoing efforts to harmonize reporting; the EU seems to be leading in that regard – with its taxonomy on ESG launched in 2020, which defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and other broader environmental goals. Meanwhile, the US is not as forthcoming as Europe, with some backlash against ESG come to the fore. However, its latest Inflation Reduction Act – with a considerable emphasis on the environment – is arguably the USA’s biggest signal yet on where it wants the money to flow.
- Sustainability Accounting Standard Board’s (SASB) intentions to play a standard-setting role, similar to that of the Financial Accounting Standards Board for financial data, are coming to fruition. In August 2022, the International Sustainability Standards Board (ISSB) of IFRS Foundation assumed responsibility for SASB Standards. Moreover, in June this year, ISSB announced the official launch of its new global sustainability and climate disclosure standards, which are expected to form the basis of sustainability reporting into the broader financial reporting process. The new standards will apply for annual reporting periods starting January 2024.
- While we include other rating agencies in some of the analysis/tables, our main point of reference for this report is MSCI as we believe it to be the most widely-followed index in this part of the world, plus it has a wider universe coverage.

Sovereign ESG Rankings

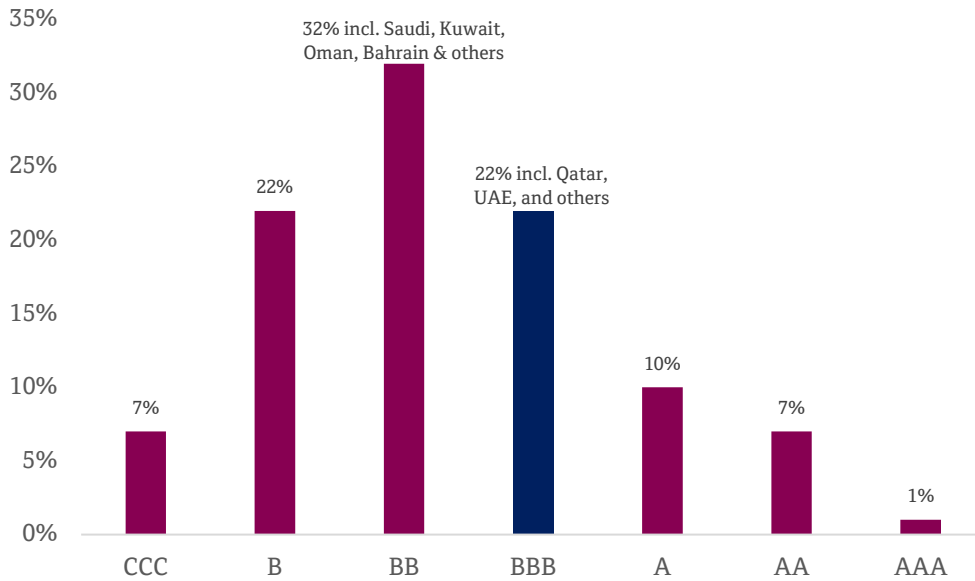
- Various ESG ratings for sovereigns have begun to appear. MSCI rates the Qatari sovereign a regional best BBB with a “Neutral” outlook, at par with the UAE, and above other regional peers, all tied at BB. Except for Kuwait, all GCC countries have maintained the same score since 2018 – Kuwait was downgraded from BBB in 2018 to BB in 2019, a rating it has maintained ever since. Nordic countries tend to top the lists of various raters. Within MENA, Qatar is rated in the Top 10 by MSCI, with both its Social and Governance scores in the Top 10.

MSCI ESG Sovereign Ratings Sample: A Global Perspective



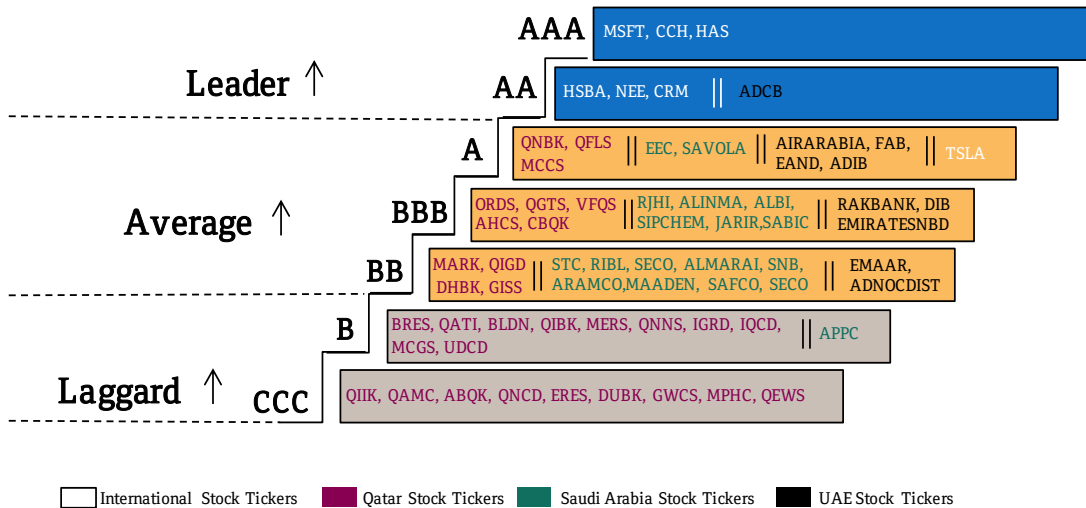
Source: MSCI, QNBFS Research; Note: Ratings as of July 2023

MSCI ESG Global Sovereign Ratings Distribution



Source: MSCI, QNBFS Research; Note: Ratings & distribution as of July 2023

MSCI ESG Corporate Rankings Sample: A Global Perspective



Source: MSCI, QNBFS Research; Note: Ratings as of July 2023

- Regionally, based on the market cap-weighted average of select Qatar, Saudi and UAE-listed companies, Qatar and Saudi rank marginally below the average while UAE plots above average. While UAE stands out driven by its three highly rated banks (AA & A) plus two non-bank companies (A), it has a limited sample size compared with both Qatar and Saudi. Specifically, most UAE companies have no ratings, including its biggest company, IHC – which makes the calculation somewhat skewed. Meanwhile, Qatar is somewhat disadvantaged because it has the most exhaustive sample. Qatar’s standouts are QNB Group, QFLS and MCCS, all with an A rating, but there is room for improvement given the proportion of companies rated CCC (lowest rating) is still high.

Regional Corporate ESG Snapshot by Different Data Providers

Index	MSCI	Sustainalytics	RobecoSAM	Bloomberg
QSE	BB	29.9%	41.0%	32.7%
Tadawul	BB	43.5%	54.3%	54.0%
ADX+DFM	BBB	23.8%	52.2%	44.1%
Average	BB	41.6%	53.4%	53.1%

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; Note: While raters/data providers do not generally calculate an aggregate average score for a given stock exchange or sector, QNBFS has calculated rough estimates by weighting each company's score (as of July 2023) with its market cap (as of August 15, 2023) to arrive at approximate aggregate averages. A default assumption is that companies with a rating/score for each exchange are a representative sample. A major limitation then is that sample sizes may not be broad enough or consistent over the years; moreover, there is high probability of survivorship/backfill/positive selection biases

MSCI ESG Regional Corporate Trends

Country	2019	2020	2021	2022	2023
Qatar	BB	BB	BB	BB	BB
Saudi	BB	BB	BB	BB	BB
UAE	B	BB	BBB	BBB	BBB

Source: MSCI, QNBFS Research; Note: While raters/data providers do not generally calculate an aggregate average score for a given stock exchange or sector, QNBFS has calculated rough estimates by weighting each company's score (as of July 2023) with its market cap (as of August 15, 2023) to arrive at approximate aggregate averages. A default assumption is that companies with a rating/score for each exchange are a representative sample. A major limitation then is that sample sizes may not be broad enough or consistent over the years; moreover, there is high probability of survivorship/backfill/positive selection biases

- Locally, the Telecoms and Consumer Goods & Services sectors lead the way among QSE sectors based on MSCI scoring and rating. Banks, Industrials and Real Estate are areas that need significant improvement given their sizeable weighting in the QSE. **We do note without QNBK's high score and large index weighting, the banking sector, and indeed the QSE score, would be considerably worse.**

QSE ESG Sector Scoreboard by Different Data Providers

Sector	MSCI	Sustainalytics	RobecoSAM	Bloomberg
Banks & Financial Services	BB	26.2%	58.7%	35.3%
Consumer Goods & Services	BBB	25.6%	44.7%	24.5%
Industrials	B	40.4%	13.6%	22.2%
Insurance	B	n/a	10.0%	35.3%
Real Estate	CCC	23.7%	13.1%	18.7%
Telecoms	BBB	29.3%	37.4%	44.3%
Transportation	BB	21.5%	3.5%	27.5%
QSE Average	BB	29.9%	41.0%	32.7%

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; Note: While raters/data providers do not generally calculate an aggregate average score for a given stock exchange or sector, QNBFS has calculated rough estimates by weighting each company's score (as of July 2023) with its market cap (as of August 15, 2023) to arrive at approximate aggregate averages. A default assumption is that companies with a rating/score for each exchange are a representative sample. A major limitation then is that sample sizes may not be broad enough or consistent over the years; moreover, there is high probability of survivorship/backfill/positive selection biases

- Aside from a few leaders (QNBK, QFLS, MCCS, CBQK, ORDS, VQFS), Qatari-listed corporates fare poorly in terms of global ESG ratings scores and there is much work to be done to improve the sustainability efforts as well as its disclosure in order to improve this. **However, we remain confident that the QSE and Qatari-listed corporates remain on the right track and envision future improvements in rankings.**

QSE ESG Company Scoreboard

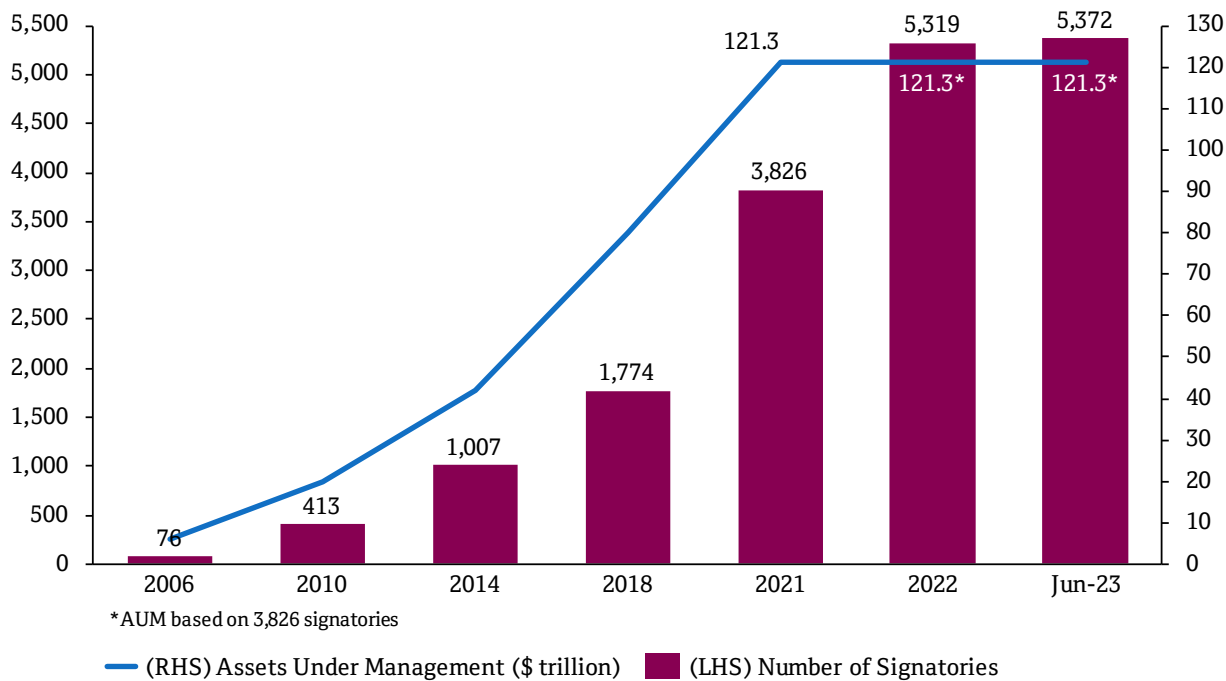
COMPANY NAME	Market Cap* (\$ MILLION)	MSCI (AAA-CCC)	Sustainalytics % from 100	RobecoSAM % from 100	Bloomberg % from 100
Banks & Financial Services					
Qatar National Bank	\$ 41,751.15	A	23.9%	83.0%	n/a
Masraf Al Rayan	\$ 6,328.73	BB	31.6%	5.0%	24.5%
Qatar Islamic Bank	\$ 13,066.19	B	27.8%	62.0%	n/a
Commercial Bank of Qatar	\$ 6,838.30	BBB	27.7%	17.0%	47.7%
Qatar International Islamic Bank	\$ 4,197.54	CCC	33.1%	3.0%	n/a
Doha Bank	\$ 1,455.07	n/a	n/a	51.0%	n/a
Ahli Bank	\$ 2,741.62	CCC	n/a	1.0%	29.6%
Qatar First Bank	\$ 463.88	n/a	n/a	1.0%	n/a
National Leasing	\$ 119.02	n/a	n/a	n/a	n/a
Dlala	\$ 82.51	n/a	n/a	n/a	n/a
Qatar Oman Investment Company	\$ 75.00	n/a	n/a	n/a	n/a
Islamic Holding group	\$ 76.73	n/a	n/a	n/a	n/a
Dukhan	\$ 6,087.16	CCC	n/a	n/a	n/a
	\$ 83,282.89	BB	26.2%	58.7%	35.3%
Consumer Goods & Services					
Qatar Fuel	\$ 4,472.49	A	25.6%	50.0%	24.5%
Mannai Corp	\$ 653.17	A	n/a	n/a	n/a
Medicare Group	\$ 474.37	B	n/a	19.0%	n/a
Al Meera Consumer Goods Company	\$ 798.96	B	n/a	30.0%	n/a
Salam International	\$ 227.64	n/a	n/a	n/a	n/a
Widam Food Company	\$ 112.32	n/a	n/a	n/a	n/a
Zad Holding Company	\$ 1,087.93	n/a	n/a	n/a	n/a
Qatar Cinema	\$ 57.97	n/a	n/a	n/a	n/a
Qatar German For Medical Devices	\$ 76.89	n/a	n/a	n/a	n/a
Baladna Q.P.S.C.	\$ 795.17	B	n/a	n/a	n/a
Mekdam	\$ 110.84	n/a	n/a	n/a	n/a
	\$ 8,867.74	BBB	25.6%	44.7%	24.5%
Industrials					
Industries Qatar	\$ 21,755.31	BB	41.7%	19.0%	n/a
Electricity & Water	\$ 5,458.06	CCC	48.0%	1.0%	18.5%
Aamal	\$ 1,486.09	BBB	n/a	27.0%	35.6%
Qatari Investors Group	\$ 586.54	BB	n/a	11.0%	n/a
Mesaieed Petrochemical Holding Co	\$ 6,650.65	CCC	30.2%	8.0%	n/a
Gulf International Services Company	\$ 1,185.14	BB	n/a	2.0%	n/a
Qatar Cement	\$ 698.92	CCC	n/a	18.0%	n/a
Qatar Industrial Manufacturing	\$ 404.06	n/a	n/a	n/a	n/a
Investment Holding Group	\$ 1,998.09	B	n/a	n/a	n/a
Qatar Aluminum Manufacturing Co	\$ 2,069.32	CCC	n/a	4.0%	n/a
	\$ 42,292.18	B	40.4%	13.6%	22.2%
Insurance					
Qatar Insurance	\$ 1,987.90	B	n/a	10.0%	35.3%
Qatar General Insurance	\$ 319.23	n/a	n/a	n/a	n/a
Qatar Islamic Insurance	\$ 370.29	n/a	n/a	n/a	n/a
Doha Insurance	\$ 309.95	n/a	n/a	n/a	n/a
Al Khaleej Takaful Group	\$ 213.56	n/a	n/a	n/a	n/a
QLM	\$ 280.71	n/a	n/a	n/a	n/a
Bema	\$ 208.46	n/a	n/a	n/a	n/a
	\$ 3,690.09	B	n/a	10.0%	35.3%
Real Estate					
Ezdan Holding Group	\$ 7,930.28	CCC	n/a	13.0%	n/a
Barwa Real Estate	\$ 2,936.21	B	23.7%	16.0%	23.1%
United Development Company	\$ 1,150.89	B	n/a	7.0%	7.5%
Mazaya Qatar	\$ 252.43	n/a	n/a	11.0%	n/a
	\$ 12,269.81	CCC	23.7%	13.1%	18.7%
Telecoms					
Ooredoo	\$ 9,813.96	BBB	29.3%	41.0%	46.3%
Vodafone Qatar	\$ 2,149.56	BBB	n/a	21.0%	34.9%
	\$ 11,963.52	BBB	29.3%	37.4%	44.3%
Transportation					
Qatar Gas transport	\$ 5,835.38	BBB	21.5%	87.0%	n/a
Qatar Navigation	\$ 3,144.41	B	n/a	8.0%	27.5%
Gulf Warehousing	\$ 538.32	CCC	n/a	33.0%	n/a
	\$ 9,518.11	BB	21.5%	3.5%	27.5%
	\$ 171,884.34	BB	29.9%	41.0%	32.7%

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; Note: While raters/data providers do not generally calculate an aggregate average score for a given stock exchange or sector, QNBFS has calculated rough estimates by weighting each company's score (as of July 2023) with its market cap (as of August 15, 2023) to arrive at approximate aggregate averages. A default assumption is that companies with a rating/score for each exchange are a representative sample. A major limitation then is that sample sizes may not be broad enough or consistent over the years; moreover, there is high probability of survivorship/backfill/positive selection biases

Why Companies Should Care About Sustainability: Investors' Perspective

- Investors are taking note and the flow of funds toward companies perceived to be more ESG-compliant is palpable. The world's largest money managers/insurers/SWFs now have manifestos that specifically address ESG/sustainability in their investment processes: companies will ignore addressing sustainability concerns at their own peril. The UN Principles for Responsible Investing (PRI) is a set of six principles that provide a global standard for responsible investing as it relates to ESG factors: the first principle is to incorporate ESG in investment analysis and decision-making. This initiative had 5,372 signatories with a combined \$121trn in AUMs by the end of 2Q2023. Related is the UN Global Compact initiative that seeks to align business operations and strategies with ten universally accepted principles in areas of human rights, labor, environment and anti-corruption: It has about 15,000 corporate signatories from 160 countries. **Overtime, companies that fail to address ESG could see their cost of capital rise considerably relative to their more ESG-compliant peers as they are under weighed and/or excluded outright in capital allocation decisions by providers of capital.**

PRI Signatory Growth: Signatories and AUMs



Source: UN Principles for Responsible Investing

- The adoption of sustainable investment strategies can be thought of as hedging the portfolio against knowable risks by expanding the conceptual framework to incorporate the latest best practice in risk management. In addition, recent empirical research shows that considering sustainability factors within investment practices do not necessarily come at an opportunity cost of lower returns.

Expected Increase in ESG Adoption by the Industry

	Weighted average	% 2021 Survey	% 2022 Survey
12 Months from now		26.7	40.0
2-3 years from now		35	48.2
5 years from now		43.6	57.4
Ten years from now		52.3	64.2

Table 1: Approximately what percentage of your asset management portfolios in your firm do you expect will contain ESG elements in the future?
Base: All respondents (300)

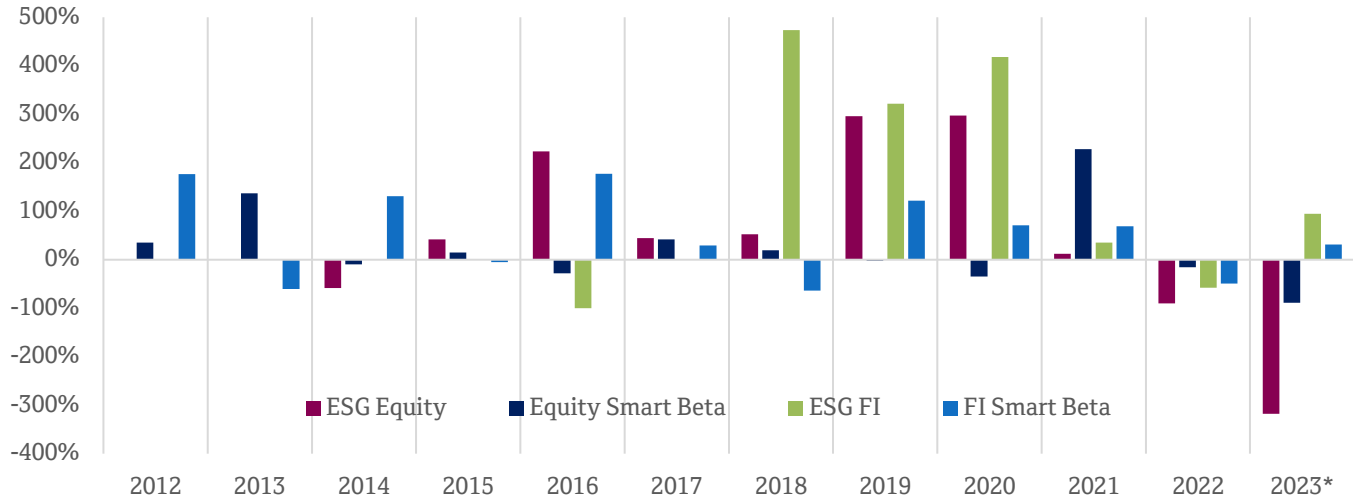
Source: Index Industry Association - 2022 ESG Survey Report Extracts

Increase in ESG Adoption by Asset Class

	2021	2022
Fixed Income / bonds	42%	76 %
Equities / stocks	53%	74 %
Commodities	37%	47 %

Table 2: In which asset classes does your company currently implement ESG criteria? (Percent of respondents)
Base: All respondents (300)

US-listed ETFs' Fund Flows Growth Rate: ESG Funds vs. Aggregate Smart Beta Funds



Source: Bloomberg, QNBFS Research; *Not annualized

- US ETF data on smart beta passive investing show that strong growth in ESG funds during 2018-2020 corresponds with the elevated hype of ESG as well as the proliferation of “green” bonds. While a recent decline is palpable as issues of “green-washing” began to surface, we think it is a temporary blip as the sector goes through some overdue recalibration.

A Case for the ESG Factor and its Performance: Empirical Evidence Overview

- The traditional framing of ESG or sustainable investing insinuates that its adoption “adds a layer of costs for businesses without direct/observable economic benefits/gains”, but this assertion has been largely rebuffed. Overall, empirical findings present strong evidence that sustainable investing does not entail compromising on financial performance. One of the main tenets of classical finance is the concept that returns on financial assets are driven by their exposure to non-diversifiable economic/market risks – based on the work of Harry Markowitz and William Sharpe in the mid-20th century. This original school of thought has since been extended to include various other factors that have proven to influence investment returns. Notably, the famous 1992 Fama-French three-factor model (which incorporates value and size factors) as well as further variations that include momentum, low volatility and quality factors, have now been widely adopted by both academia and professional money managers. The common idea here is that expected returns are driven by exposures to the various factors, and the models built on these factors enable investors to form a portfolio that delivers the highest risk-adjusted expected returns.
- At a portfolio level, the new thinking on ESG implies that it is another factor just like size or momentum. Consequently, the non-consideration of ESG, as a factor, during the investment process leads to suboptimal returns as the portfolio takes on higher risks than necessary for a given level of expected return. The “E”nvironmental in ESG addresses the impact of businesses’ activities on the natural ecosystem; “S”ocial is concerned with companies’ relations with its workforce, customers, and society; and “G”overnance encompasses systems put in place for management to act in the best interests of its long-term shareholders and other stakeholders.
- At a company level, if costs incurred for environmental or social damage are overlooked or insufficiently priced, companies run the risk of having to internalize higher costs in the future resulting from new regulation and/or legal action. Another problem is litigation risk in relation to environmental or social damage. Once again, if markets fail to price these risks correctly, considering environmental and social aspects when assessing return expectations could lead to superior results. A 2015 HBS ¹paper focusing on material ESG topics – by making use of the Sustainability Accounting Standards Board’s determination of material criteria for the different industries – found strong evidence that the stocks of companies that show a good performance on material ESG issues

¹ Khan, M., Serafeim, G., & Yoon, A. (2015). Corporate sustainability: First evidence on materiality. HBS Working paper 15-073
Monday, 28 August 2023 qnbfs.com

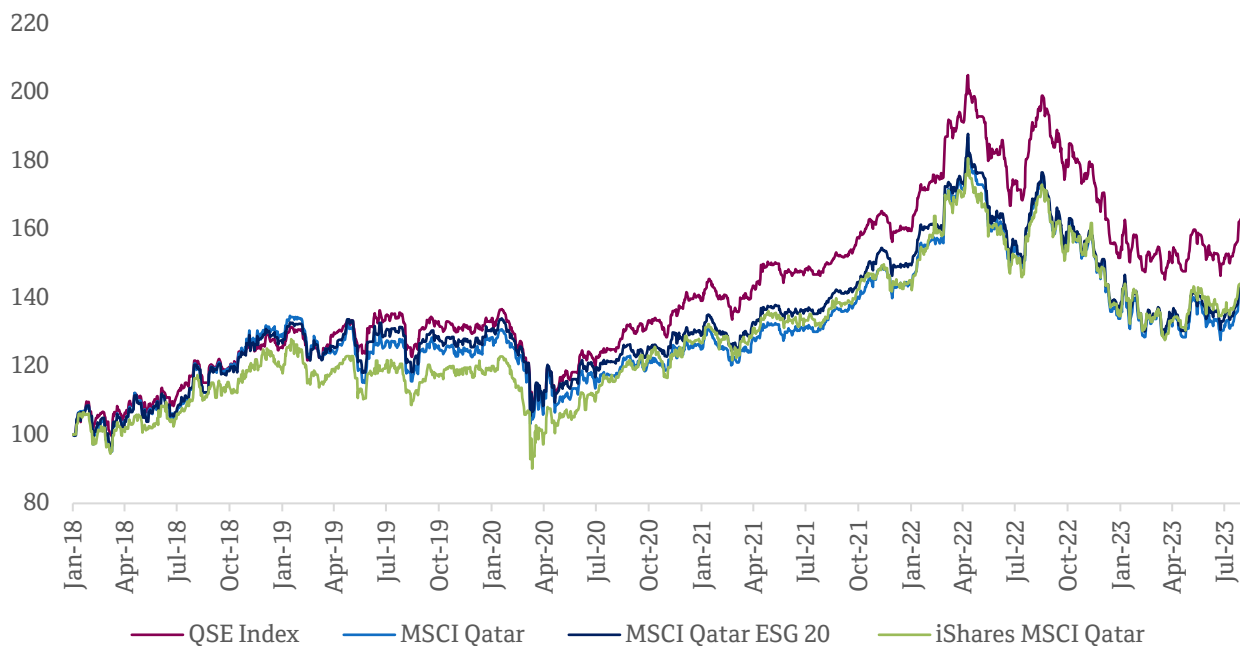
outperform weak ESG performers. It is therefore possible to have a positive impact, reduce reputational risks, and at the same time achieve decent returns.

- **The performance of portfolios or funds that incorporate an ESG focus in their investment policy can be compared against broader peer groups.** ²MSCI (2015) analyzed the performance of an ESG-tilted global equity portfolio against a global benchmark as well as ESG's effect on other individual factors: (1) The ESG portfolio outperforms by 1.1% per annum; 0.76% of this performance is attributable to style factors, while 0.43% represents genuine stock-specific returns (with another -0.1% attributable to country and currency effects). (2) The results for the individual styles indicate that stocks with higher ESG ratings tend to have lower stock-specific risks, come primarily from the mid-cap space, and tend to have a higher valuation.

QSE Index vs. MSCI Qatar vs. MSCI Qatar ESG

- **Since 2018, the MSCI Qatar Index is up 39.9% vs. MSCI QSE ESG's 41.4%, on a total-return basis, with almost a perfect correlation of returns at 0.94. Additionally, the ESG index has lower volatility, which further bolsters its risk-adjusted returns.** Meanwhile, the QSE Index outperforms both MSCI indices in nominal and risk-adjusted terms. The QSE Index is up 60.5% over the same period, and it has the lowest volatility among the three indices. This superior performance by the QSE Index, drawing from tenets of portfolio theory, likely emanates from its more balanced weighting methodology/approach, which caps the weight of constituents at 15% – it enhances index diversification and bodes well for risk-adjusted returns. Also, anecdotally and specific to Qatar, some of the QSE constituents with low ESG scores (hence lower ESG weights) have done well, relative to the market, over the period under review.

Index Total Return Performance (Base=100)

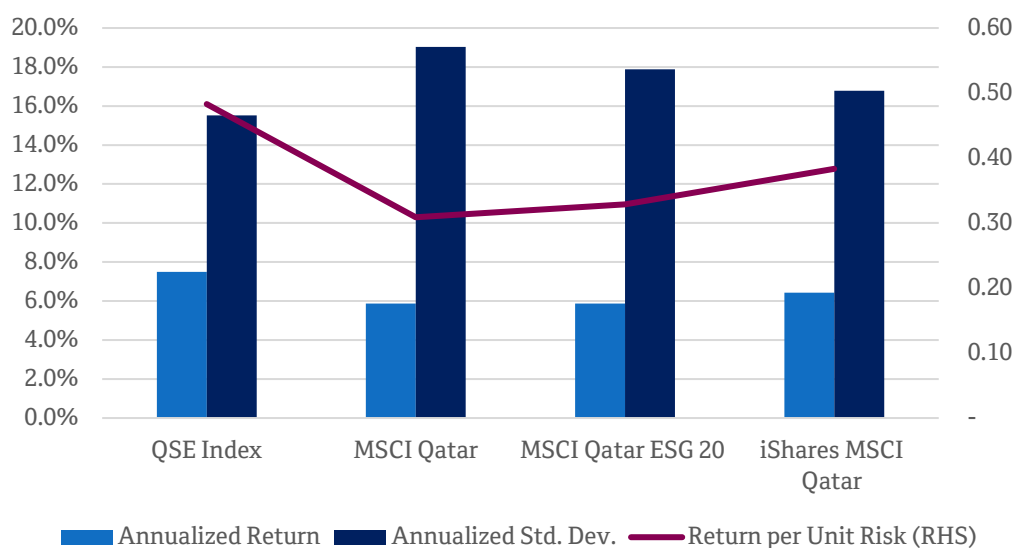


Source: Bloomberg, MSCI, iShares, QNBFS Research

- We included the ETF that tracks MSCI Qatar, iShares MSCI Qatar ETF, to give a sense of the tracking error investors may expect should a similar ESG fund come to the market.

² Nagy, Z., Kassam, A., & Lee, L. (2015). Can ESG add alpha? An analysis of ESG tilt and momentum strategies. MSCI Research paper Monday, 28 August 2023 qnbfs.com

Summary of Top-Level Descriptive Stats on Indices' Performance



Source: Bloomberg, MSCI, iShares, QNBFS Research

QSE Index vs. MSCI Qatar ESG Holdings

Ticker	QSE Index Weight* (%)	MSCI QSE ESG Weight* (%)
QNBK	14.6	28.9
CBQK	7.8	11.5
QIBK	15.0	9.7
MARK	6.4	8.0
IQCD	14.9	5.9
QFLS	5.0	5.6
QGTS	5.2	5.6
ORDS	4.7	5.1
QIIK	4.9	2.9
MPHC	3.1	2.4
QEWS	4.3	2.3
DHBK	1.6	2.3
BRES	2.2	1.7
QNNS	4.0	1.6
VFQS	1.5	1.4
DUBK	N/A	1.1
GISS	1.3	1.1
QAMC	1.4	1.0
QATI	N/A	1.0
MERS	N/A	0.8
BLDN	0.8	N/A
ERES	0.7	N/A
IGRD	0.6	N/A
Total	100.0	100.0

Source: Bloomberg, MSCI; *Weight as of August 13, 2023; #Weights as of August 10, 2023

Appendix 1

QSE Sustainability Platform

In 2016, QSE joined the Sustainable Stock Exchanges Initiative of the United Nations (“SSEI”). In December 2016, Qatar Stock Exchange (QSE) introduced an optional ESG Guidance reporting framework to nudge companies into incorporating ESG reporting into their existing reporting processes. This is in addition to other existing reporting obligations listed companies have. While optional, there is a plan to make it mandatory eventually. What is noteworthy is that the uptake has been low thus far:

Table 1: QSE Sustainability Dashboard: Percentage of Completion

Company	2019	2020	2021	2022
QNBK	100%	100%	100%	100%
QIBK	94%	97%	97%	97%
Gulf warehousing	84%	97%	97%	97%
CBQK	94%	97%	94%	94%
WOQOD	91%	94%	94%	94%
BLDN	13%	13%	13%	13%
Ahli Bank	100%	100%	100%	0%
Ooredoo	100%	100%	100%	0%
Doha Bank	100%	100%	100%	0%
Vodafone	91%	91%	97%	0%
Nakilat	97%	97%	97%	0%
United Development	94%	94%	94%	0%
Industries Qatar	0%	84%	91%	0%
Mesaieed petrochem.	0%	84%	81%	0%
Lesha Bank	56%	59%	72%	0%
Aamal	97%	97%	0%	0%
National Leasing	97%	97%	0%	0%
Widam Food	91%	94%	0%	0%
International Islamic Bank	81%	66%	0%	0%
Qatar Industrial Manuf.	0%	0%	0%	0%
Qatar National Cement	0%	0%	0%	0%
Gulf international services	0%	0%	0%	0%
Salam international	0%	0%	0%	0%
Milaha	0%	0%	0%	0%
Medicare	0%	0%	0%	0%
Qatari Investors Group	0%	0%	0%	0%
Al Meera	0%	0%	0%	0%
Barwa	0%	0%	0%	0%
Doha Insurance	0%	0%	0%	0%
Ezdan	0%	0%	0%	0%
Inma Holding	0%	0%	0%	0%
Mannai Corp.	0%	0%	0%	0%
Mazaya Real Estate	0%	0%	0%	0%
Qatar Cinema	0%	0%	0%	0%
Qatar Electricity & Water	0%	0%	0%	0%
General Insurance	0%	0%	0%	0%
Qatar insurance	0%	0%	0%	0%
Qatar Islamic Insurance	0%	0%	0%	0%
Qatar Oman Investment	0%	0%	0%	0%
Zad Holding	0%	0%	0%	0%
Estithmar Holding	0%	0%	0%	0%
Al Khaleej Takaful	0%	0%	0%	0%
Life & Medical Insurance	0%	0%	0%	0%
QAMCO	0%	0%	0%	0%
Dlala Holding	0%	0%	0%	0%
Mekdam	0%	0%	0%	0%
Qatari German Med.	0%	0%	0%	0%
Masraf Al Rayan	0%	0%	0%	0%
Beema	n/a	n/a	n/a	n/a
Dukhan Bank	n/a	n/a	n/a	n/a
Meeza	n/a	n/a	n/a	n/a
Compliance Ratio	31%	35%	28%	10%

Source: QSE, QNBFS Research;

MSCI Rating System: An Overview

MSCI is currently the most widely followed global ESG rater, enhanced by the fact that most funds track its system of indices. Some fund managers use it for exclusionary reasons (screening), and others use it for responsible investing criteria (impact). The MSCI QSE 20 ESG ³Index aims to represent the performance of an investment strategy that by re-weighting free-float market cap weights based upon certain ESG metrics seeks to increase exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, subject to a cap on the weight of individual constituents. MSCI uses a letter-based (transmuted from a composite numerical score) system to rate leaders and laggards:

MSCI Rating System

MSCI RATING	SCORE RANGE	
	Lower bound	Upper bound
AAA	8.571	- 10.000
AA	7.143	- 8.571
A	5.714	- 7.143
BBB	4.286	- 5.714
BB	2.857	- 4.286
B	1.459	- 2.857
CCC	0.000	- 1.459

Source: MSCI

MSCI Ratings



Source: MSCI

Index construction: The system considers stocks that are in the parent index, the MSCI Qatar Investable Market Index (IMI). The IMI represents the performance of large, mid and small-cap stocks of the Qatar equity for an investor following a trading calendar of a Sunday through Thursday week: **(1)** MSCI Qatar IMI Index companies that are involved in very severe ESG controversies or are involved with manufacture of controversial weapons are excluded. This is part of a general initial screening conducted by MSCI and we note that none of the Qatari companies are involved in such activities/controversies. **(2)** ESG re-weighting factor is defined such that it reflects an assessment of both the current ESG profile (based on the current MSCI ESG Rating) as well as the trend in that profile (based on the MSCI ESG Rating Trend). **(3)** The securities are re-weighted from the free-float market cap weights of the parent index using this combined ESG score. **Finally**, the top 20 securities are selected based on the weights derived in the previous step, and security weight is capped at the maximum-security weight in the parent index. This implies, like many indices, the MSCI ESG is market cap-weighted.

MSCI Ratings Framework

MSCI ESG Score									
ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Finance	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Health Care	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Opportunities in Nutrition & Health	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment			Accounting	
					Chemical Safety				

■ Universal key issues applicable to all industries

Source: MSCI

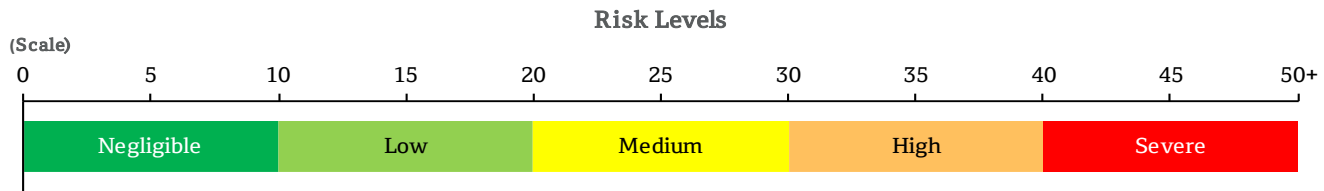
Rebalancing. The Index is rebalanced on a quarterly basis, usually on the last business day of February, May, August and November, coinciding with the February, May, August and November Index Review of the MSCI Global Investable Market Indexes.

³ https://www.msci.com/eqb/methodology/meth_docs/MSCI_QSE_20_ESG_Index_Methodology_Oct2021.pdf
Monday, 28 August 2023

Sustainalytics Rating System: An Overview

Sustainalytics is also a well-established global ESG rater with a wide coverage. Sustainalytics ESG risk ratings measure the degree to which a company’s economic value is at risk driven by ESG factors or, more technically speaking, the magnitude of a company’s unmanaged ESG risks. A company’s ESG Risk Rating is comprised of a quantitative score and a risk category. The quantitative score represents units of unmanaged ESG risk with lower scores representing less unmanaged risk. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Based on their quantitative scores, companies are grouped into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a ‘high risk’ assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered. This means that all types of companies can be directly compared with each other. With the ESG Risk Ratings’ scores, Sustainalytics has a single currency for ESG risk.

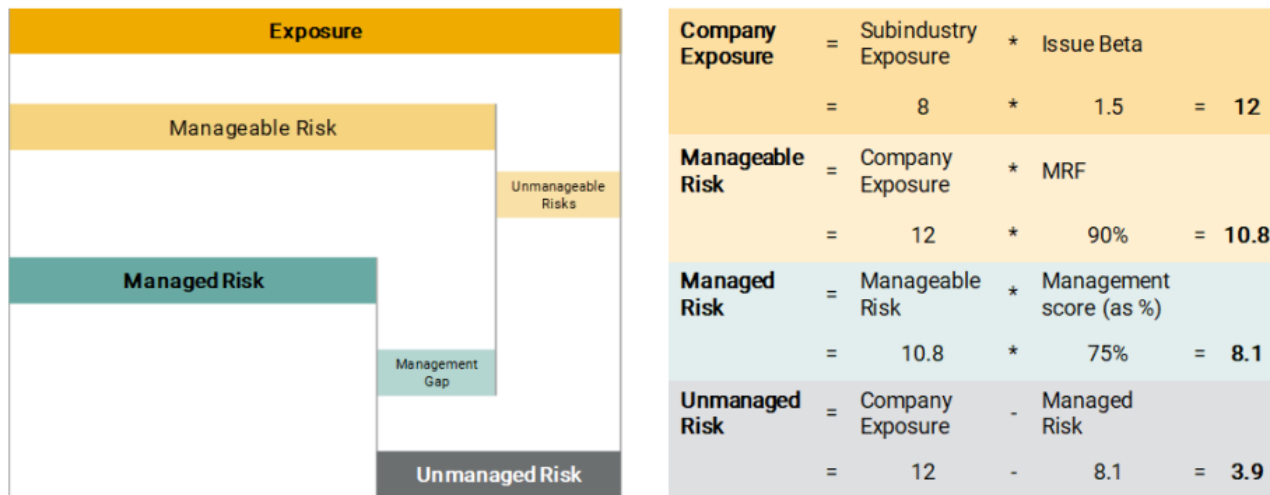
Sustainalytics Ratings Framework



Source: Sustainalytics

Calculating the ESG Risk Ratings. The ESG Risk Ratings scoring system for a company is best thought of as occurring in three stages (from top to bottom, see Exhibit below). The starting point is determining exposure. The next stage is assessing management and the degree to which risk is managed, and the final stage is calculating unmanaged risk. This structure applies to individual material ESG issues as well as the company’s overall ESG Risk Ratings. Sustainalytics classifies a company as a part of its comprehensive universe or core universe primarily by its market capitalization as well as its inclusion in major global and regional indexes. Sustainalytics' Core Framework covers 20-30 management indicators, whereas its Comprehensive Framework covers over 70 management indicators.

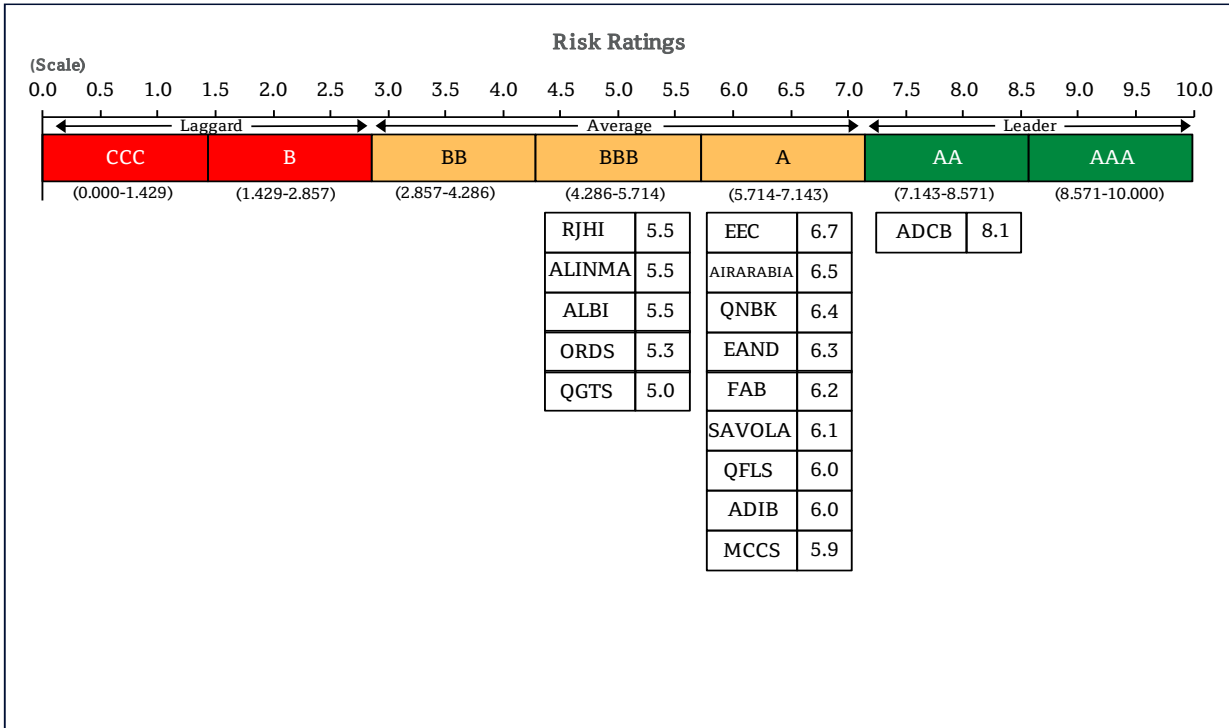
Sustainalytics ESG Risk Ratings Scoring Structure



Source: Sustainalytics

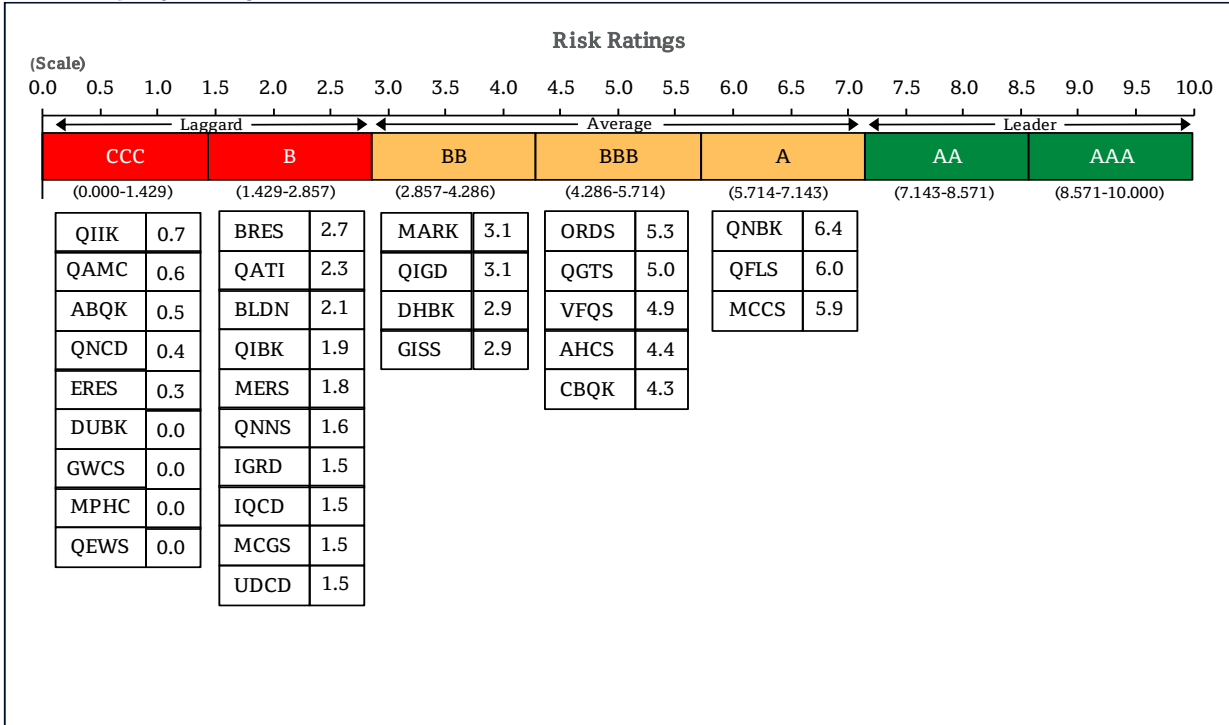
Appendix 2: Tables & Graphs

MSCI Top 5 Company Ratings: Qatar vs. Saudi Arabia vs. UAE



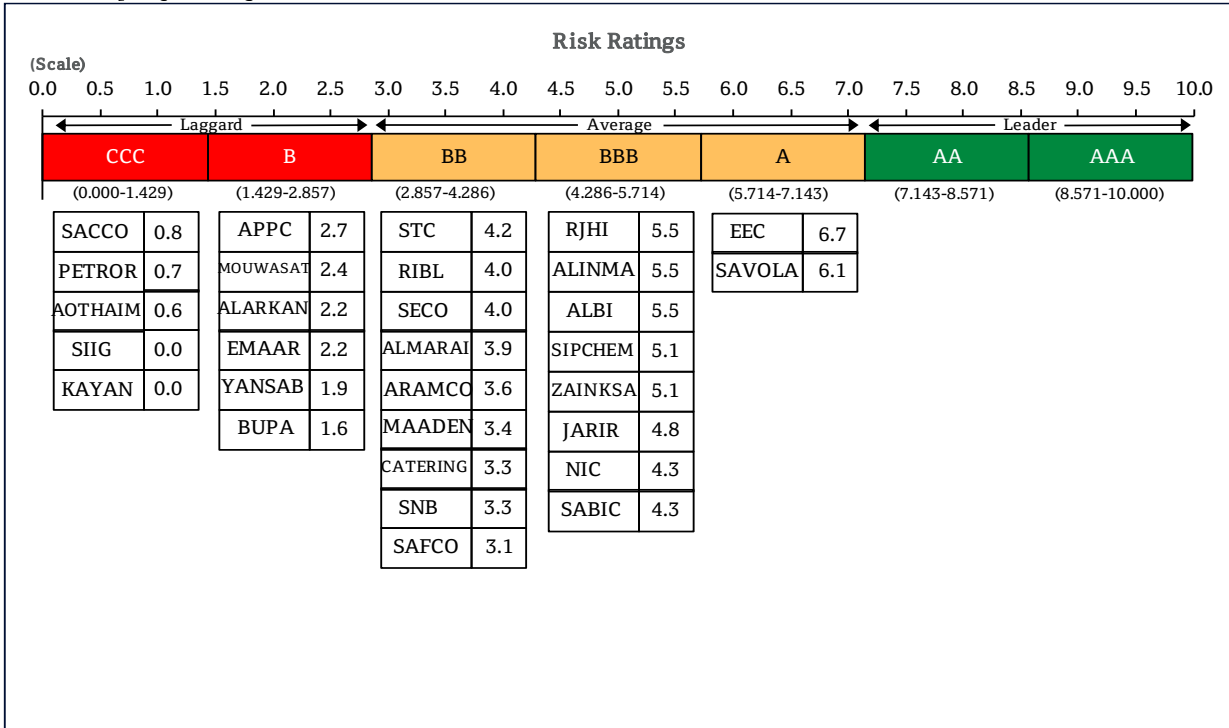
Source: MSCI, QNBFS Research; Note: Ratings & scores as of July 2023

MSCI Company Ratings: Qatar



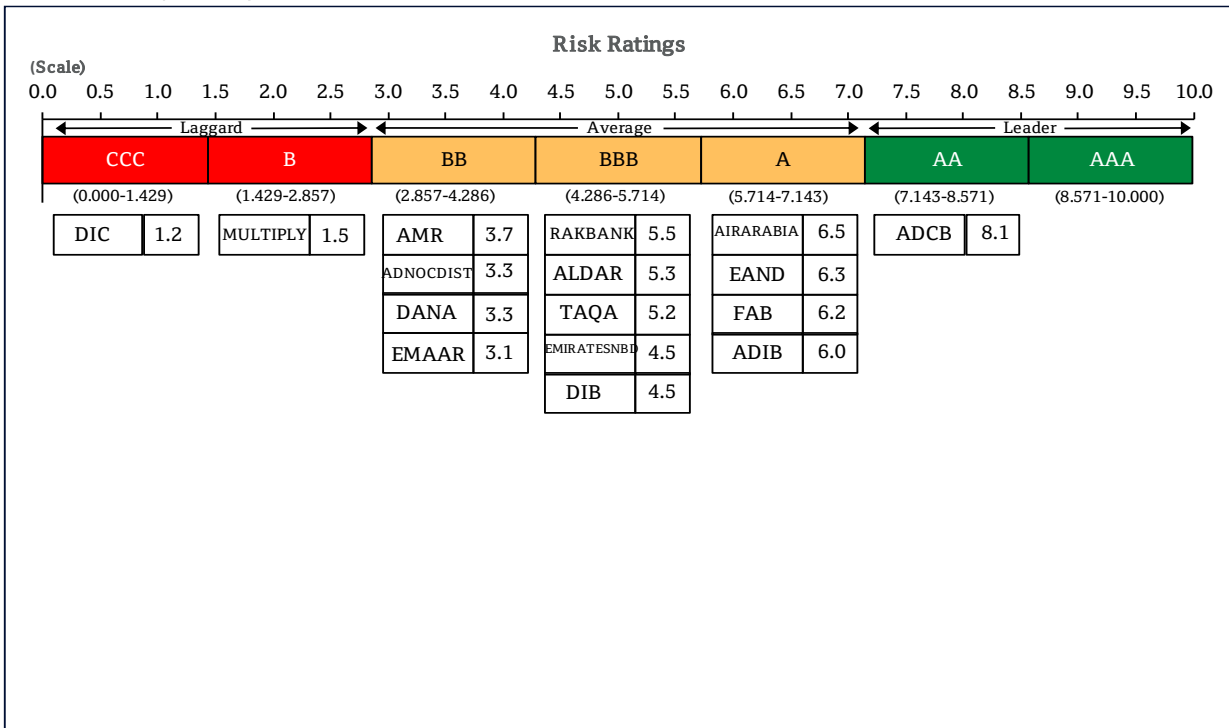
Source: MSCI, QNBFS Research; Note: Ratings & scores as of July 2023

MSCI Company Ratings: Saudi Arabia



Source: MSCI, QNBFS Research Note: Ratings & scores as of July 2023

MSCI Company Ratings: UAE



Source: MSCI, QNBFS Research; Note: Ratings & scores as of July 2023

Table 2: Saudi Arabia Select Ratings by Different Data Providers

COMPANY NAME	Market Cap* (\$ MILLION)	MSCI (AAA-CCC)	Sustainalytics % from 100	RobecoSAM % from 100	Bloomberg % from 100
Saudi Basic Industries Corp	\$ 69,499.61	BBB	28.9%	92.0%	n/a
Riyad Bank	\$ 24,032.95	BB	29.5%	12.0%	29.8%
Saudi Aramco	\$ 2,209,618.47	BB	46.3%	55.0%	56.1%
Al Rajhi Banking & Investment Corp	\$ 77,204.02	BBB	25.5%	65.0%	n/a
BUPA Arabia	\$ 7,605.77	B	29.6%	27.0%	35.0%
Almarai Co Ltd	\$ 17,595.31	BB	35.8%	67.0%	46.8%
SAVOLA	\$ 5,103.36	A	45.4%	42.0%	n/a
Saudi Airlines Catering Company	\$ 2,317.19	BB	n/a	35.0%	30.4%
Alinma Bank	\$ 18,954.44	BBB	30.9%	37.0%	34.9%
Saudi National Bank SJSC	\$ 56,864.00	BB	28.2%	20.0%	32.0%
National Industrialization Co	\$ 2,371.72	BBB	33.2%	62.0%	n/a
Rabigh Refining & Petrochemical Co.	\$ 4,588.33	CCC	42.0%	40.0%	n/a
Saudi Arabian Mining	\$ 40,056.30	BB	49.4%	57.0%	n/a
Sahara International Petrochemical Co.	\$ 7,184.56	BBB	28.2%	56.0%	n/a
Saudi Telecom Co	\$ 54,450.69	BB	21.1%	71.0%	43.7%
Yanbu National Petrochemicals Co	\$ 6,545.58	B	34.4%	13.0%	24.9%
Bank Albilad	\$ 11,090.08	BBB	27.4%	35.0%	n/a
Ethihad Etisalat Co	\$ 9,329.66	A	31.2%	47.0%	n/a
Saudi Electricity Co	\$ 23,659.31	BB	36.2%	62.0%	n/a
Mobile Telecommunications Co. Saudi Arabia (Zain)	\$ 3,090.72	BBB	28.0%	12.0%	10.3%
Dar Al Arkan Real Estate Development Co.	\$ 5,257.34	B	30.3%	20.0%	32.2%
Advanced Petrochemical Co.	\$ 3,025.51	B	31.6%	25.0%	34.8%
Emaar Economic City	\$ 2,773.59	B	29.6%	6.0%	37.9%
Jarir Marketing Co	\$ 4,881.77	BBB	18.2%	73.0%	n/a
Saudi Kayan Petrochemical Co	\$ 4,966.54	CCC	36.0%	16.0%	33.5%
Saudi Cement	\$ 2,275.97	CCC	n/a	7.0%	22.4%
Abdullah Al Othaim Markets	\$ 3,478.98	CCC	n/a	16.0%	n/a
Saudi Arabian Fertilizer	\$ 17,690.63	BB	45.0%	25.0%	28.0%
Mouwasat Medical Services Co.	\$ 5,864.95	B	36.4%	12.0%	n/a
Saudi Industrial Investment Group	\$ 5,014.43	CCC	37.6%	3.0%	26.4%
Bank Al-Jazira	\$ 3,965.45	BB	26.1%	12.0%	33.6%
Company For Cooperative Insurance	\$ 4,771.93	n/a	n/a	12.0%	n/a
		BB	43.5%	54.3%	54.0%

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; *As of August 15, 2023; Note: Ratings are as of July 2023

Table 3: UAE Select Ratings by Different Data Providers

COMPANY NAME	Market Cap* (\$ MILLION)	MSCI (AAA-CCC)	Sustainalytics % from 100	RobecoSAM % from 100	Bloomberg % from 100
Abu Dhabi National Energy Company	\$ 104,380.71	BBB	n/a	41.0%	n/a
Emirates Telecommunications Group Co PJSC	\$ 49,626.74	A	25.5%	53.0%	47.2%
First Abu Dhabi Bank PJSC	\$ 42,408.85	A	23.3%	77.0%	n/a
Abu Dhabi Commercial Bank	\$ 17,656.67	AA	21.0%	78.0%	41.2%
Abu Dhabi National Oil Company For Distribution	\$ 13,340.23	BB	24.7%	70.0%	63.4%
Aldar Properties PJSC	\$ 11,088.30	BBB	15.5%	94.0%	n/a
Multiply Group PJSC	\$ 10,794.15	B	15.8%	n/a	n/a
Abu Dhabi Islamic Bank	\$ 10,817.59	A	29.6%	33.0%	54.7%
Americana Restaurants International PLC	\$ 9,700.79	BB	n/a	n/a	n/a
The National Bank of Ras Al Khaimah	\$ 3,121.48	BBB	n/a	41.0%	36.8%
Emirates NBD PJSC	\$ 29,062.78	BBB	28.6%	54.0%	38.5%
Emaar Properties	\$ 16,315.10	BB	26.4%	28.0%	42.5%
Dubai Islamic Bank	\$ 11,196.93	BBB	31.6%	31.0%	19.7%
Dubai Investment	\$ 2,836.15	CCC	n/a	34.0%	51.6%
Air Arabia PJSC	\$ 3,468.48	A	n/a	5.0%	n/a
Dana Gas Company	\$ 1,757.84	BB	n/a	32.0%	n/a
International Holding Company PJSC	\$ 239,891.37	n/a	n/a	n/a	n/a
		BBB	23.8%	52.2%	44.1%

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research;* As of August 15, 2023; Note: Ratings are as of July 2023

Table 4: MSCI ESG Regional Sovereign Trends

Country	2018	2019	2020	2021	2022	2023
Qatar	BBB	BBB	BBB	BBB	BBB	BBB
Saudi	BB	BB	BB	BB	BB	BB
UAE	BBB	BBB	BBB	BBB	BBB	BBB
Bahrain	BB	BB	BB	BB	BB	BB
Kuwait	BBB	BB	BB	BB	BB	BB
Oman	BB	BB	BB	BB	BB	BB

Source: MSCI; Note: Ratings are as of July 2023

Table 5: MSCI ESG Ratings Trend – Qatar*

Company	2019	2020	2021	2022	2023
Qatar National Bank	A	A	AA	A	A
Qatar Fuel (Woqod)	A	A	A	A	A
Mannai Corporation					A
Ooredoo	BBB	BBB	BBB	BBB	BBB
Qatar Gas Transport Co (Nakilat)	BBB	BBB	BBB	BBB	BBB
Vodafone Qatar	A	A	A	A	BBB
Aamal Company			BBB	BBB	BBB
Commercial Bank of Qatar	BBB	A	BBB	BBB	BBB
Masraf Al Rayan	B	BB	BB	BB	BB
Qatari Investors Group			BBB	BB	BB
Doha Bank Ltd	BB	BB	BB	BB	BB
Gulf International Services	B	B	BB	BB	BB
Barwa Real Estate Co		B	B	B	B
Qatar Insurance Co	B	B	CCC	CCC	B
Baladna			B	B	B
Qatar Islamic Bank	BB	B	B	B	B
Al Meera Consumer Goods	BB	BB	BB	BB	B
Qatar Navigation			B	B	B
Estithmar Holding					B
Industries Qatar	B	B	B	B	B
Medicare Group			B	B	B
United Development Co	B	B	B	B	B
Qatar International Islamic Bank		B	B	B	CCC
Qatar Aluminum Manufacturing Co			CCC	CCC	CCC
Ahli Bank	BB	BB	BB	CCC	CCC
Qatar National Cement Co			CCC	CCC	CCC
Ezdan Real Estate	B	BB	B	CCC	CCC
Dukhan Bank					CCC
Gulf Warehousing Co			CCC	CCC	CCC
Mesaieed Petrochemical Holding Co	CCC	CCC	CCC	CCC	CCC
Qatar Electricity & Water Co	B	B	CCC	CCC	CCC
Qatar Weighted Average	BB	BB	BB	BB	BB

Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; *Ratings as of July 2023

Table 6: MSCI ESG Ratings Trend - Saudi

Company	2019	2020	2021	2022	2023
Saudi Basic Industries Corp	BBB	BBB	BBB	BBB	BBB
Riyad Bank	B	B	B	BB	BB
Saudi Aramco	BB	BB	BB	BB	BB
Al Rajhi Banking & Investment Corp	B	BB	BB	BBB	BBB
BUPA Arabia	BB	BB	BB	B	B
Almarai Co Ltd		BBB	BBB	BBB	BB
SAVOLA		BBB	BBB	BBB	A
Saudi Airlines Catering Company	B	B	BB	BB	BB
Alinma Bank	BB	BB	BB	BB	BBB
Saudi National Bank SJSC	BB	BB	B	BB	BB
National Industrialization Co		BB	BB	BB	BBB
Rabigh Refining & Petrochemical Co.		B	CCC	CCC	CCC
Saudi Arabian Mining	BB	BB	BB	BB	BB
Sahara International Petrochemical Co.	BB	BB	BB	BBB	BBB
Saudi Telecom Co		CCC	B	B	BB
Yanbu National Petrochemicals Co	CCC	B	B	B	B
Bank Albilad	BB	BBB	BBB	BBB	BBB
Etihad Etisalat Co		B	BB	BBB	A
Saudi Electricity Co	B	B	B	BB	BB
Mobile Telecommunications Co. Saudi Arabia (Zain)		B	BB	BBB	BBB
Dar Al Arkan Real Estate Development Co.	CCC	CCC	B	B	B
Advanced Petrochemical Co.		CCC	CCC	CCC	B
Emaar Economic City	CCC	B	B	B	B
Jarir Marketing Co	B	BB	BB	BBB	BBB
Saudi Kayan Petrochemical Co	CCC	CCC	CCC	CCC	CCC
Saudi Cement	CCC	CCC	CCC	CCC	CCC
Abdullah Al Othaim Markets		B	B	CCC	CCC
Saudi Arabian Fertilizer	CCC	CCC	BB	BB	BB
Mouwasat Medical Services Co.		B	B	B	B
Saudi Industrial Investment Group	CCC	CCC	CCC	CCC	CCC
Saudi Arabia Weighted Average	BB	BB	BB	BB	BB

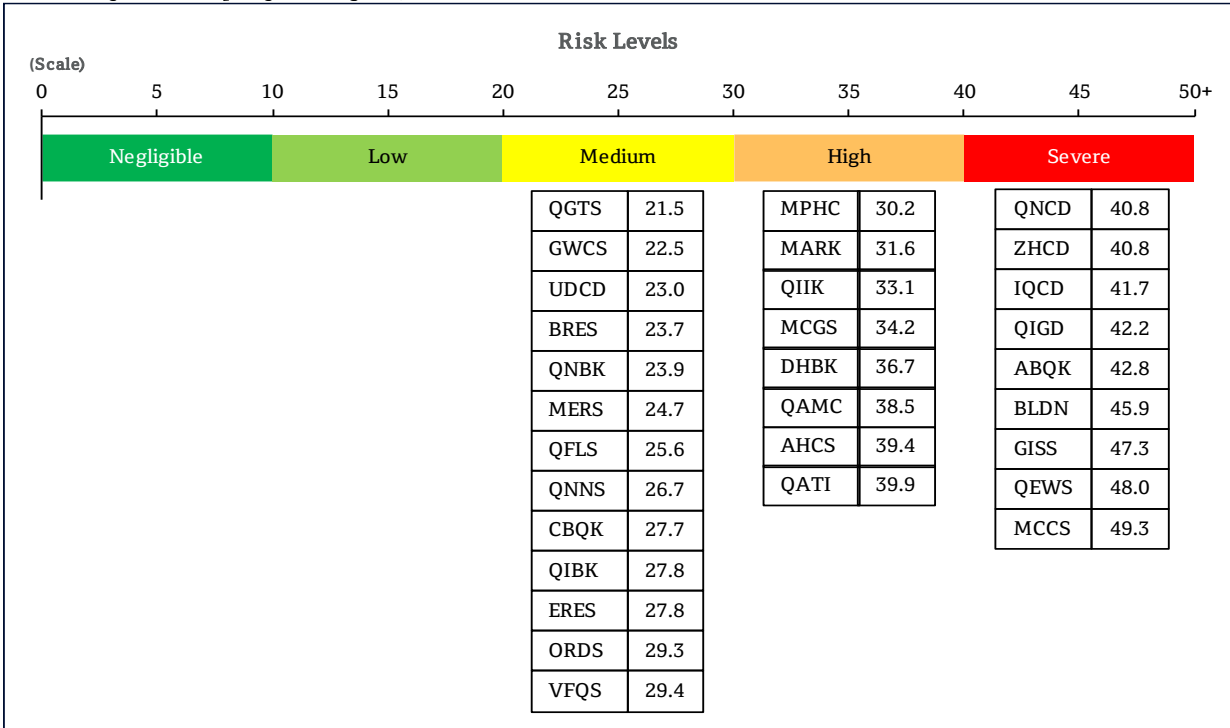
Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; *Ratings as of July 2023

Table 7: MSCI ESG Ratings Trend - UAE

Company	2019	2020	2021	2022	2023
Abu Dhabi National Energy Company	B	CCC	B	BBB	BBB
Emirates Telecommunications Group Co PJSC		BBB	A	A	A
First Abu Dhabi Bank PJSC		A	AA	A	A
Abu Dhabi Commercial Bank	A	A	AA	AA	AA
Abu Dhabi National Oil Company For Distribution			A	BBB	BB
Aldar Properties PJSC		BB	BB	BBB	BBB
Multiply Group PJSC					B
Abu Dhabi Islamic Bank			A	A	A
Americana Restaurants International PLC					BB
The National Bank of Ras Al Khaimah	BB	BB	BBB	BBB	BBB
Emirates NBD PJSC	BBB	BBB	BBB	BBB	BBB
Emaar Properties	B	B	CCC	B	BB
Dubai Islamic Bank	BBB	BBB	BB	BBB	BBB
Dubai Investment	CCC	CCC	CCC	CCC	CCC
Air Arabia PJSC	A	A	BBB	A	A
Dana Gas Company					BB
UAE Weighted Average	B	BB	BBB	BBB	BBB

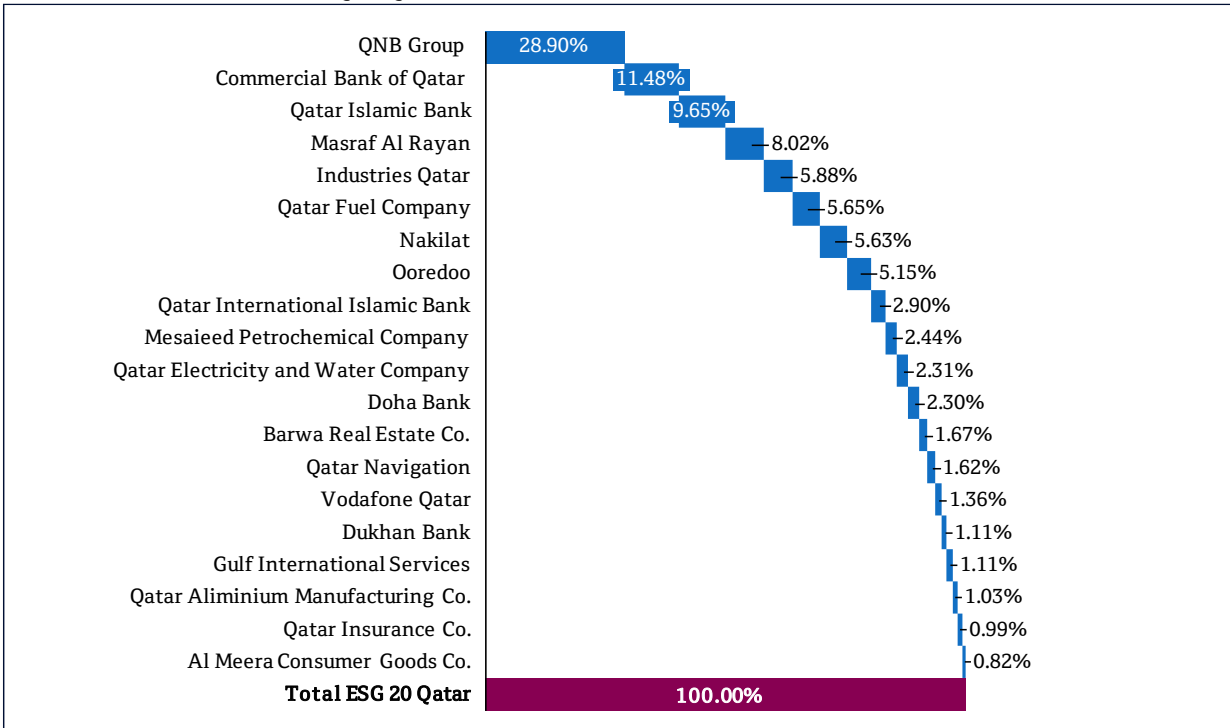
Source: MSCI, Bloomberg, Sustainalytics, QNBFS Research; *Ratings as of July 2023

Sustainalytics Company Ratings: Qatar*



Source: MSCI, QNBFS Research; Ratings as of August 15, 2023

MSCI Qatar ESG 20 Index Weightage*



Source: MSCI, QNBFS Research; Weights as of August 10, 2023

End Notes for Further Reading

ⁱ The Economist. (July 7, 2023). Global temperatures have broken records three times in a week. Retrieved from [economist.com](https://www.economist.com).

ⁱⁱ Andrews, Simone & Hebert, Noel. (2021). ESG Factors Impact On Credit. Bloomberg.

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