

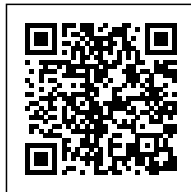
# MIDDLE EAST COMPANIES EMBRACE ESG PROGRESS, PWC STUDY REVEALS

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With Suzan Taha

The latest **PwC ESG Middle East Report** reveals encouraging developments in the region's approach to environmental, social, and governance (ESG) issues. Middle East companies are demonstrating increased commitment to sustainability, with 64% of respondents adopting a formal ESG strategy, representing a significant rise compared to the previous year. The report emphasizes that 73% of businesses are actively working towards or have committed to achieving carbon-neutrality, indicating a growing focus on addressing climate change.

Key findings from the report indicate that approximately one-third of organizations have appointed a Chief Sustainability Officer (CSO) to lead their ESG initiatives, signifying the shift of responsibility from CEOs to specialized sustainability roles. The survey also highlights that two-thirds of respondents believe senior leadership should allocate more time to addressing ESG issues, emphasizing the importance of executive involvement in driving sustainability agendas.

Despite progress, several challenges remain. Nearly half of the surveyed companies face difficulties accessing green financing products and incentives, hindering their ability to execute sustainable initiatives. Additionally, addressing the skills agenda is a crucial aspect, as 41% of respondents

identify a lack of internal expertise in sustainability as a major barrier to ESG implementation.

The report emphasizes the need to focus on four critical areas to further accelerate ESG transformation in the region: policy coherence, integrating ESG throughout organizational operations and strategy, building sustainability skills, and enhancing access to and clarity on green financing.

Notably, 70% of companies report on their ESG efforts, with a quarter of them publishing stand-alone ESG reports. Furthermore, 59% of reporting companies undergo formal audit or assurance processes, highlighting the growing importance of transparent and accountable reporting practices.

"In last year's survey, companies in the Middle East were in the early stages of their ESG journeys with many only just starting to think about developing their ESG strategies. This year, our survey finds that companies have taken concrete steps in progressing their ESG actions while highlighting significant gaps, notably within sustainability skills and green funding," said **Yahya Anouti**, PwC Middle East's ESG Leader. "Alongside an increased appetite and progress seen on ESG in the region, companies are developing a stronger sense of what is needed to further progress on their ESG agenda. Businesses expect governments in the region to step up and develop policy frameworks similar to the Green New Deal in Europe for the Middle East region ahead of COP28. We strongly believe that with the right coordinated response from governments, 2023 could be the region's most environmentally transformative year yet."

The report underscores the significance of unlocking green funding opportunities and fostering sustainability skills to realize the region's climate ambitions fully. Despite the Middle East's active involvement in raising green finance, one-third of respondents cite funding constraints as a barrier to ESG implementation, and a skills shortage in sustainability expertise persists.

"ESG transformation requires a joint effort between businesses and government bodies. To accelerate progress, companies must prioritise ESG imperatives, while policymakers should continue to develop clear policies and regulations to support their ambitions," says **Stephen Anderson**, PwC Middle East's Strategy and Markets Leader. "Green standards, improved circular infrastructure and tangible incentives for green growth are becoming increasingly important for companies in the region. The three most desired ESG-related government policies are clear policies and regulations, certification mechanisms, and tangible incentives for green growth, which businesses hope to see announced at COP28."

Looking ahead, the COP28 summit presents a significant opportunity for the Middle East to further drive its sustainability agenda. Governments and businesses must maintain momentum and continue taking decisive action to achieve net-zero and carbon-neutral commitments. Policy coherence, integrating ESG thinking, focusing on sustainability skills, and improving access to green finance are critical next steps on the path to a more environmentally transformative future for the region.