

The path to **sustainable commerce** in GCC

DECEMBER 2023



VISA

Sustainability is everyone's job

As the 28th United Nations Climate Change Conference (COP28) unfolds, Visa, in alignment with its sustainability commitment, has undertaken a study spanning the UAE, Kuwait, Qatar, and KSA. This research delves into understanding consumer behavior and merchant preparedness regarding sustainable commerce. With a financial perspective, the report also explores innovation within the payment industries.

In the GCC, sustainability is swiftly emerging as a concern for both consumers and businesses. Notably, there is a surge in youth-led consumer awareness and demand for sustainable commerce, encompassing social and environmental considerations.

Within the business landscape, governments and financial institutions are recognized as primary drivers of sustainable commerce in the GCC. To instill sustainability as a practice across all businesses, clear regulatory roadmaps, impact-driven partnerships, and a circular economy approach are deemed essential at every level.

The report reveals that large and medium businesses in the GCC are actively adopting roadmaps towards sustainable commerce. However, micro and small businesses, while aware of the concept, encounter challenges such as the perceived high cost of transformation and the absence of supportive partnerships.

The responsibility to champion sustainable commerce primarily lies with large corporations, leveraging their size, scale, and reach. Empowered consumers wield their purchasing power to advocate for sustainable choices. Simultaneously, fostering awareness and implementing reward structures can significantly influence sustainable consumer behavior.

This white paper encapsulates the current landscape of sustainability understanding among businesses and consumers in the GCC. Furthermore, it presents best practice options, serving as a guide for charting the way forward in the pursuit of a more sustainable future.



The urgency of climate action drives sustainable commerce

The shift toward a global net-zero economy is transforming the approach of businesses and consumers towards sustainable practices. Fueled by a sense of urgency, an increasing number of consumers are opting for products and services aligned with sustainability. In this transition, governments, along with large and small businesses, play vital roles as stakeholders.

Governments in the Middle East and North Africa (MENA) region have committed to the Paris Agreement on climate action. Between 2021 and 2023, an estimated 60% of the emissions and GDP in the region have come under net zero pledges.¹

Reporting and standards related to sustainability are becoming essential. Global ESG regulation has increased 155% in the past decade.²



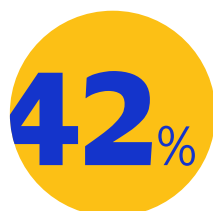
We have several international agreements concerning climate change. There is the Paris Agreement, the commitments that countries have made [NDCs], climate conferences like COP28, and the Kuwaiti commitment on carbon neutrality in 2060."

Business and finance Professional, Kuwait

Consumers' main sources of information about the sustainability of brands / companies



opt for social media as the main source of information



say they rely on the government for information



Informed consumers are driving change by favoring companies that prioritize sustainability. This is creating market demand for greener options."

Dr. Saeeda Jaffar, SVP and Group Country Manager, GCC, Visa

Progress toward net zero



Early green shoots

- Initial NDC submissions
- Isolated projects/policy announcements



Ambition crystallizing

- Net-zero announcement
- Renewable energy plans in mix
- Plans for breakthrough tech like hydrogen
- Started monitoring emissions of some sectors



Roadmap taking shape

- Stronger policy, connection to grid
- Finance availability
- Developing regulatory landscape
- Emerging ESG in business

	UAE	Saudi Arabia	Qatar	Kuwait
Share of total MENA emissions	13%	37%	8%	8%
Net zero announced	✓ 2050	✓ 2060	-	✓ 2060
NDC announced	✓	✓	✓	✓
2030 NDC target vs. BAU	-27%	-26%	-25%	-6%

Source: Closing the Climate Action Gap: Accelerating Decarbonization and the Energy Transition in MENA. World Economic Forum. October 2023.

GCC consumers have a high awareness of climate change

The Middle East is especially vulnerable to the effects of human-caused climate change, experiencing heat waves, declining precipitation, extended droughts, sandstorms and floods, and rising sea levels.³

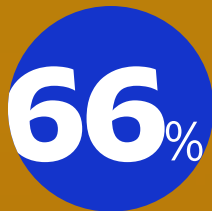
If global greenhouse gas emissions continue to grow at the current rate, climate modeling calculations show that average winter temperatures in MENA will rise by 2 to 3 degrees Celsius and summer temperatures will rise by about 5 degrees Celsius by 2050.⁴

The results of the 2023 Sustainable Commerce Study conducted by Visa in four countries of the Gulf Cooperation Council show that consumers in the region view climate change as a major threat and are switched on to the need for climate action.

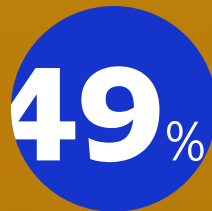
Awareness of the problem is high



say "it is our responsibility to save the planet for future generations"



believe they can play a role in addressing climate change



say climate change is one of the topmost challenges facing humanity, along with the rising cost of living

Source: Visa 2023 Sustainable Commerce Study



I don't think we can hold one entity or sector alone to be the flag-bearer of sustainability. It's an eco-systemic revolution where every touchpoint needs to play an active role in imbibing and promoting sustainability."

Mustafa Bosca, Co-founder and Chief Decarbonisation officer, Carbon Sifr

The future is sustainable



Source: Visa 2023 Sustainable Commerce Study



When you ask the youth what concerns them the most when they go out into nature, all of them have similar stories – such as: 'On my family's farm, the camels eat plastic and die.' It's very simple to draw the connection."

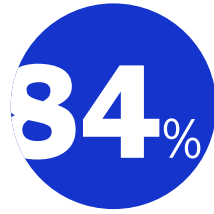
Monica Cooney, Emirates Nature-WWF, UAE



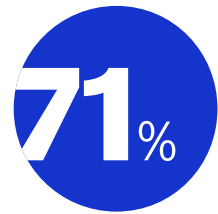
Consumers opt for sustainable commerce when the cost-benefit is clear

A third to half of all consumers in the Visa 2023 Sustainable Commerce Study – depending on their location – say they consciously choose sustainable products, even if they have to pay a premium for them.

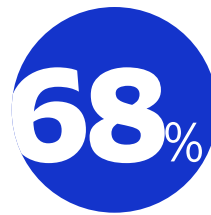
Consumers are aware of sustainable practices across the lifestyle spectrum and say they are implementing green practices in their lives.



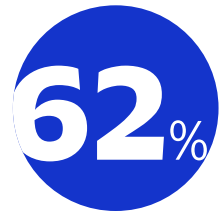
say reducing paper usage is their top sustainable practice some, most, or all of the time



buy natural or organic product some, most, or all of the time

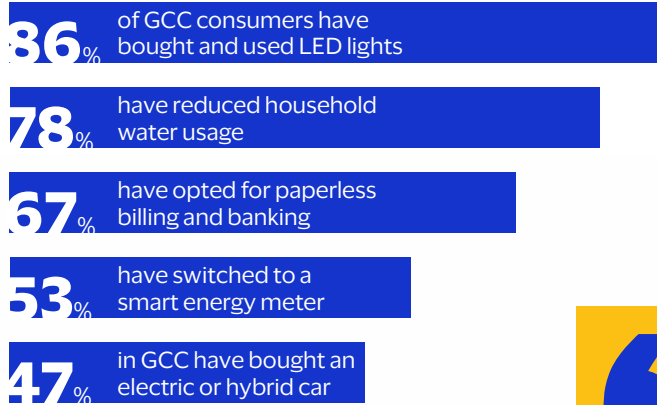


believe that sustainable (digital) payment options can have a substantial impact on society's carbon emissions



support local communities, like a farmer's market, small traders etc., some, most, or all of the time

Usage in the past 12 months



Over the past decade or so, sustainability has taken many forms. Whether it is product-based or service-based, there's a gradual pick-up on sustainable practices in industries and verticals that many of us would have never heard of in the past."

Abdullah Fahad Aleeban, Payment Business Deputy Manager, Alinma Bank



Young consumers are major drivers of sustainable commerce

Young GCC consumers (8-18 years old) demonstrate a heightened receptiveness to sustainable practices and a greater environmental consciousness compared to other demographics, according to parents who responded to the Visa study. Their adopted habits include switching off electrical appliances not in use (40%), washing dishes or laundry with cold water (33%), and walking or cycling to places (30%).

About half of the younger consumers aged between 18-24 consciously choose sustainable products, even when they pay more for them.

The primary influencers driving sustainability habits among the youth include family members making it compulsory for their children to follow sustainable behaviors (59%), social media (57%), and school mandates (51%).

Youth are making green choices

Source: Visa 2023 Sustainable Commerce Study



of 18-24-year-olds buy natural/organic products some, most, or all of the time compared to 71% of all consumers surveyed



of 18-24-year-olds pay a premium for sustainably produced products some, most, or all of the time, compared to 59% of all consumers surveyed

My child chooses sustainable

According to parents, among kids between 8 and 18



opt for locally sourced products



Carry their own bags while shopping to reduce plastic waste



buy from brands that have sustainable products





Banks and payments companies can guide consumer choices

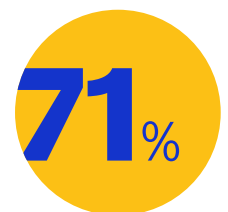
As with products, consumers are willing to choose banks and payment service providers (PSPs) based on their sustainability-linked options from paperless statements to rewards for sustainable behavior to green mortgages.

Finance and payment companies also have the opportunity to bridge the gap between businesses and consumers by developing products and services that support

sustainability. These include communicating with customers on what constitutes sustainable behavior, incentivizing it, and offering better rates and fees for such behavior.

At the same time, nearly half of the surveyed consumers expect their bank to guide them in making sustainable financial choices (43%) and to help them understand the environmental impact of their purchases (44%).

Consumers respond positively to sustainable options from banks and payment providers

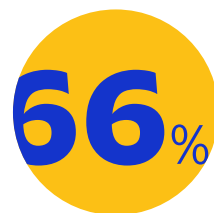


are willing to recommend banks that offer sustainable payment options

Top sustainability-linked financial options consumers would go for in the next 12 months



Source: Visa 2023 Sustainable Commerce Study



opted for a bank with strong green credentials in the past 12 months



shifted investments to more ethical or sustainable options

Large corporates take the lead, SMEs need to step up

Larger companies in the UAE, KSA, Qatar, and Kuwait have pledged and implemented initiatives to reduce emissions, increase renewables, and scale low-carbon technologies such as green hydrogen and sustainable aviation fuel (SAF). The UAE's Emirates airline, for instance, recently successfully tested the world's first A380 flight powered by SAF.⁵

According to the Visa 2023 Sustainable Commerce Study, MSMEs in the GCC have a general awareness of sustainability but lack a holistic and contextual comprehension of the concept. The main barriers include cost implications for both businesses and consumers, fear and resistance to change, pressure from competition, and lack of technical knowledge.

Enablers of sustainability include regulatory policies and frameworks to foster the ecosystem, sustainable financing, a collaborative approach by various stakeholders. Many businesses face pressure from global partners to adopt sustainability standards.



“In our sector, there is no clear mechanism to check what is sustainable. There are no rules for the customer or the business to know whether something is truly good for the planet. It’s all very confusing.”

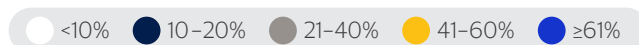
Small Business Owner, Event Management, Qatar

However, climate leadership by businesses in the region trails that of its global peers with only 12% of having committed to net zero targets and 6% having clear roadmaps to achieve these goals.¹ Regional SMEs still need to get on board the simultaneous transformations taking place globally – digital and sustainable – including design, building and scaling products, and operations and services that are more intelligent, more efficient, more sustainable, and more resilient. Research shows that 80% of a product’s environmental impact is linked with decisions made at the design stage.⁶

Sustainability scorecard of large companies in select GCC economies

	Emissions disclosures %				Emission target setting %		
	ESG reports	S1 and S2 emission disclosures	S3 emission disclosures	CDP disclosures	Net-zero targets	Defined roadmap	SBTi assessed/ in process targets
All MENA companies (203 companies)	46%	41%	15%	7%	12%	7%	6%
UAE (35 companies)	80%	83%	40%	11%	29%	17%	11%
KSA (34 companies)	38%	32%	3%	12%	18%	9%	6%
Qatar (28 companies)	61%	61%	7%	4%	7%	0%	0%
Kuwait (25 companies)	48%	40%	20%	4%	4%	4%	12%

Sectors: Energy and refining; aviation; consumer products, retail and logistics; chemicals and fertilizers; metals and mining; construction materials and real estate; finance services and investment groups; telecom; and utilities. Data taken during Oct-Nov 2022.



Source: Closing the Climate Action Gap: Accelerating Decarbonization and the Energy Transition in MENA. World Economic Forum. October 2023.

Cost and awareness emerge as main challenges

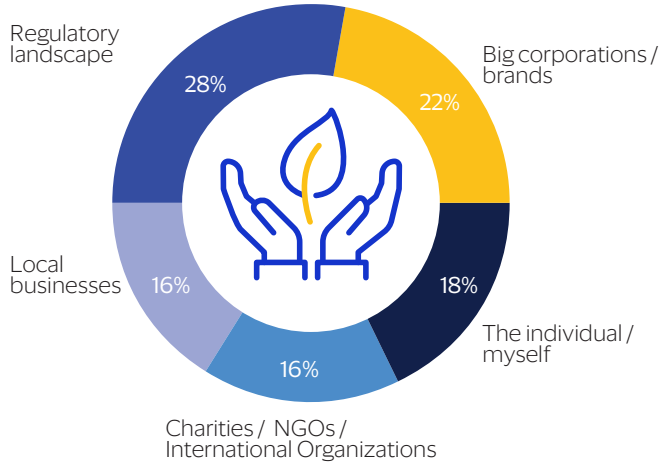
In markets with significant uptake of sustainable commerce, governments and businesses drive awareness. In the GCC, a significant barrier for the majority of consumers (51%) lies in the perceived higher cost of sustainable products, and a lack of awareness (51%) of the environmental and social impact of consumption choices.

The absence of clear standards and certifications contribute to an awareness gap. Lack of information about sustainable products and services to make informed choices is a barrier for 44% of respondents.

The Visa 2023 Sustainable Commerce Study indicates that businesses in the GCC are managing challenges related to adapting to regulatory landscapes, securing necessary financial resources, and balancing perceived cost factors, all with the goal of providing sustainable products and services to consumers.

Brands that provide clear information on ingredients used in products help consumers make spending decisions.

Who do consumers perceive as playing the largest role in promoting sustainability?



Source: Visa 2023 Sustainable Commerce Study



How do consumers gauge the sustainability of a product or brand?

Packaging and certifications are the primary options for ascertaining sustainability. Consumers pick these over advertising, source of the product, or information on a company's website. As their picks for the top 3 options, consumers choose:



Source: Visa 2023 Sustainable Commerce Study



I think there's a growing understanding, but there is still confusion about what the term means, especially among businesses, since there's no concrete direction on what sustainability could mean for specific businesses."

Banking and payments professional, UAE

Adopting sustainable commerce in the GCC

Policies and laws set by regulatory bodies / government have the most impact on implementing sustainability, according to the Visa Sustainable Commerce in GCC Survey 2023. This is followed by efforts by companies and brands, and lastly, actions taken by individuals.

Governments have integrated climate change considerations and net zero targets into their national strategies. Holistic economic and regulatory policies have the power to unleash incentive structures for businesses of all sizes. In line with global norms and tighter regulations in export markets, including the US, EU, and China, businesses will be expected to invest in sustainable technologies, cleaner production methods, and stricter environmental standards and reporting to maintain market standing.¹



In many countries, there are subsidies and tax breaks. I think this is one of the areas globally where governments can encourage businesses."

Medium Business Owner, Logistics, KSA

The World Bank recommends creating pathways for sustainable finance by unlocking private capital, supporting national budgets and expenditures, and strengthening financial institutions for green investments.⁷ Visa, for instance, has issued a USD 500 million green bond in 2020 – the first of its kind by a digital payments network.

Globally, companies are aligning their climate targets with the Science-Based Targets initiative (SBTi), which represents globally accepted frameworks for emissions disclosure and target-setting.

As of November 2023, 6,701 companies have set or are committed to setting SBTs.⁸ Visa has committed to set science-based targets at the 1.5-degree Celsius ambition level through the SBTi.



Financial institutions can promote sustainability by giving loans and assistance to businesses willing to make a change. The government and banks should work together."

Mohammad Alarbeed, Sustainability & Governance Manager, Kuwait Finance House

How regulation drives sustainable commerce



Ethical sourcing standards for all sectors



Industry-specific sustainability standards and certifications



Incentives and recognition programs for businesses of all size



Sustainability roadmaps for businesses and vendors



The way forward

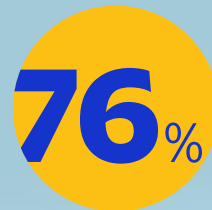
A sustainability roadmap for business

- **Seek compliant suppliers:** ESG-weighted procurement decisions encourage suppliers to measure, disclose, and reduce their emissions.
- **Adopt policy:** Businesses can work proactively with governments to meet reporting requirements and make commitments.
- **Demonstrate leadership:** Adopt net-zero targets, and apply best practice to roadmaps. Visa, for instance, has signed The Climate Pledge, an initiative founded by Amazon and Global Optimism with more than 100 companies that have also committed to reach net zero emissions by 2040.
- **Maximize consumer awareness:** Use the circle of influence to educate consumers and promote sustainability.
- **Build capacity:** Update and share best practice in sustainability reporting, methodologies, and frameworks based on industry-specific standards and certifications.
- **Collaborate:** Engage with climate leaders, industry associations, and financial institutions on platforms and events such as COP28.

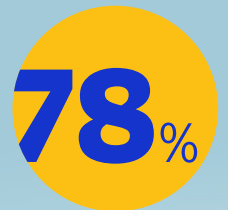


Top drivers and influencers of sustainable practices

Consumers in the GCC strongly agree or agree that governments, incentive programs, and brands are among the top influencers and changemakers in ensuring sustainability



believe it's important for people to urge governments to take action to ensure a sustainable future



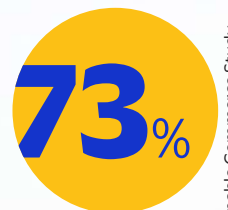
say we need stricter laws and regulations to protect the environment



believe incentive programs should be developed to encourage brands to be more sustainable



say brands have a huge commercial opportunity in advocating and promoting sustainability



are proponents of prioritizing environmental and social initiatives that can play an essential role in shaping the future



CASE STUDIES AND VOICES

Emirates Nature-WWF's Leaders of Change program

Emirates Nature-WWF's Leaders of Change program, in partnership with Visa, aims to empower the next generation of environmental leaders. Via training and ideation sessions, and volunteering excursions, the program creates opportunities for participants to discover wild spaces and wildlife, ultimately changing mindsets across the country. It empowers individuals to act for nature – through real, impact driven conservation projects that are being implemented on the ground.



Visa came on board to provide financial and strategic support, thus amplifying the impact of the program. Participants have gone on to

launch their own environmental initiatives, contribute to conservation efforts, and influence policy at various levels.



From where we were to where we are now, the way sustainability gets interpreted has evolved drastically. Now it demands stakeholders with distinct areas of expertise to come together and work together to solve bigger issues. Not just recycling, but also curbing unnecessary usage of harmful materials, replacing them right at the beginning with environmentally friendly materials...it's like reverse planning.

Shashank Singh, VP, CM, Visa Qatar & Kuwait Cluster



There is a need for balance, the right education with the right awareness and with the right substitutes... Because in the end especially for small businesses if you impose a lot of these things on them, they're just not going to survive. I think an intervention from a government perspective would help.

Dr. Saeeda Jaffar, SVP, GCM, Visa, GCC



The youth are very much aware. When we talk to students, they know about composting, about soil... they're ready. They don't have prejudice. They're ready to make positive changes.

Co-founder, impact driven start-up, UAE

Waste Lab

The Waste Lab, a startup focused on sustainable solutions supports women entrepreneurs in their efforts to build and grow their businesses. Founded by two women who saw an opportunity to make a significant difference in the food waste management sector, and contribute to a circular economy.

The Waste Lab's unique business model focuses on sorting and recycling food waste into valuable nature-based composting and repurposing solutions. As a winner of She's Next, Empowered by Visa program, the Waste Lab has been able to scale up its operations, increase its product range, and expand its customer base.

Ecolytiq

In November 2023, Visa launched Visa Eco Benefits in collaboration with ecolytiq and Mashreq, a first of its kind product in the region. This new solution integrates eco-friendly features into card payments, enabling users to understand, track and control their environmental impact. It aligns with Mashreq's goals to offer products that promote climate-positive behavior.

The climate banking platform overlays carbon emissions calculations onto transaction data, so customers gain more transparency on their spending. Carbon footprint analytics then personalizes climate insights to customers to educate and encourage climate action.

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METHODOLOGY

Visa commissioned 4sight to conduct a study on the overview of the progress made by GCC businesses, consumers, and institutions in sustainability.

The methodology involved conducting structured online interviews to elicit qualitative insights from a diverse range of participants.

Consumers		MSMEs		Key opinion leaders		Visa experts	
 UAE	409	UAE	8	UAE	3	UAE	1
 KSA	407	KSA	7	KSA	3	KSA	1
 Kuwait	416	Kuwait	7	Kuwait	2	Kuwait	1
 Qatar	415	Qatar	7	Qatar	2	Qatar	1
Total	1647	Total	29	Total	10	Total	4

AUTHORSHIP

The findings and outcomes presented in this paper are based on the results of 2023 Sustainable Commerce study commissioned by Visa. Data from a four-country survey was put into perspective by White Paper Media Consulting using contextual research.

Infographic and report design is by White Paper Media Consulting.

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