GUIDING PRINCIPLES ON SUSTAINABLE FINANCE IN THE UAE

BACKGROUND:

1) The United Nations Framework Convention on Climate Change was opened for signature in 1992 and today has a near-universal adoption. In 2015, the 2030 Agenda for Sustainable Development was adopted by all UN Member States, at the heart of which are the Sustainable Development Goals (SDGs). In addition, within the Convention, the Paris Agreement on Climate Change was signed in 2016. A large number of organisations, bodies and task forces, both public and private sector, have been working to support achieving the SDGs globally (see examples at Annex A) and a great deal of material has been published on this subject world-wide.

2) Subsequently, the United Arab Emirates (UAE) formally ratified the Paris Agreement in September 2016, and became the first country in the Middle East to take this important step. Equally, the UAE has demonstrated its commitment to the pursuit of a sustainable growth pathway, including addressing climate change, through a number of national and emirate-level initiatives, such as the UAE 2021 Vision National Agenda, the UAE Green Agenda 2015-2030, the National Climate Change Plan (2017-2050), the Dubai Declaration (2016), and the Abu Dhabi Sustainable Finance Declaration (2019).

3) The UAE’s commitment to re-orientate and diversify the economy, and its pursuit of a sustainable growth pathway, are a long-term strategy. The transition will provide new business and investment opportunities across the UAE’s sectors and industries, both now and well into the future. Investors will need to consider different categories of risk associated with the transition of the economy and the pursuit of a sustainable growth pathway.

Mبادئ ارشادية حول التمويل المستدام في الإمارات العربية المتحدة

خلفية:

1) افتتحت اتفاقية الأمم المتحدة الإطارية بشأن التغير المناخي للتوقيع في سنة 1992 وقد بلغت اليوم حد تبنيها عالميا تقريبا. في عام 2015، تبنت جميع الدول الأعضاء في الأمم المتحدة أجندة التنمية المستدامة لسنة 2030، وأهم ما تضمنت أهداف التنمية المستدامة (SDGs). وبالإضافة إلى ذلك، ضمن الاتفاقية، تم توقيع اتفاقية باريس بشأن التغير المناخي في عام 2016. وقد بدأت عدد من المنظمات والهيئات وقوى العمل، من القطاعين العام والخاص، على العمل على دعم تحقيق أهداف التنمية المستدامة على مستوى العالم (انظر الأمثلة الواردة في الملحق A) وتم نشر الكثير من المواد حول هذا الموضوع في مختلف أنحاء العالم.


3) التزام الإمارات بإعادة توجيه الاقتصاد وتنوعه، ومتانتها سبيرة النمو المستدام، هي استراتيجية طويلة الأجل. ستوفر النقرة فرص جديدة للعمل والاستثمار في مختلف القطاعات والمنافذ في الدولة، حاليا ومستقبلا. سيكون على المستثمرين النظر في النتائج المختلفة من المخاطر المرتبطة بفرص الاستثمار المستدام وتقييم تلك المخاطر حسب استراتيجية الاستثمار وملف المخاطر.
sustainable investment opportunities and assess these in line with their investment strategy and risk profile.

4) These Guiding Principles (‘the Principles’) represent the shared views of the regulatory authorities in the UAE (collectively referred to as ‘Authorities’):

- Ministry of Climate Change and Environment;
- Central Bank of the UAE;
- Insurance Authority of the UAE;
- Securities and Commodities Authority;
- Abu Dhabi Global Market;
- Dubai Financial Services Authority;
- Dubai Islamic Economy Development Centre;
- Abu Dhabi Exchange;
- Dubai Financial Market; and
- Nasdaq Dubai.

AIMS:

5) Through the endorsement of these Principles, the Authorities aim to demonstrate their joint commitment to foster and actively encourage, through the choice of standard-setting means available to them, their respective regulated communities and stakeholders to harmonise their activities with the UAE sustainability priorities.

6) At the national level, the Principles support the implementation of the UAE’s sustainability priorities. Internationally, the Principles signal that the UAE recognises the importance of Environmental, Social and Corporate Governance (ESG) factors to the investor community. At the regulated community level, the Principles aim to facilitate the UAE’s transition to a more sustainable economy and help organisations to develop strategies which re-orientate and diversify the economy.
help mitigate risks of reduced global demand for oil, adapt to the physical risks of climate change and explore the new investment opportunities it presents.

**APPROACH:**

7) These Principles are voluntary, and represent the first stage of the Authorities’ joint work, as part of the effort to ensure that the transition is effected in a gradual and consultative manner. We recognise that the starting circumstances of issuers, investors and of other stakeholders – business structure, management information systems and strategies – differ and time is needed to develop appropriate sustainability strategies and publish ESG data.

8) Following the endorsement of these Principles, the Authorities undertake to implement appropriate measures, which may include guidelines and policies, to encourage the UAE financial firms, including banks, insurers, financial intermediaries, issuers, asset and wealth managers and investment funds as well as corporates and other entities under their purview to develop strategies to incorporate ESG considerations in their business activities and decision-making, risk frameworks and in the context of exploring new investment opportunities.

9) These Principles take into consideration Sharia law requirements, principles and guidelines, and are intended to apply as set out below:

a) ‘**Issuers**’ (e.g. Banks - in their capacity as Issuers - including Islamic banks, Corporates and Public Agencies, including government owned companies and Sovereign Wealth Funds) are encouraged to adopt all

مع المخاطر الفعلية للتغير المناخي وسبر فرص الاستثمار الجديدة التي تقدمها.

**الأسلوب:**

7) هذه المبادئ هي مبادئ اختيارية، تمثل المرحلة الأولى من العمل المشترك للسلطات، كجزء من الجهود المبذولة لضمان تنفيذ الانتقال تدريجياً ومع استشارة الجهات المختصة. ندرك أن ظروف البدء للمصدرين والمستثمرين وغيرهم من أصحاب المصالح – هيكل العمل ونظم واستراتيجيات معلومات الإدارة – تختلف وأن تطوير استراتيجيات الاستدامة المناسبة ونشر بيانات الحوكمة البيئية والاجتماعية وحوكمة الشركات بحاجة لبعض الوقت.

8) بعد اعتماد هذه المبادئ، تتعهد السلطات بتنفيذ تدابير مناسبة قد تتضمن ارشادات وسياسات لتشجيع المؤسسات المالية في الدولة، بما فيها البنوك وشركات التأمين والوسطاء الماليين والمصدرين ومديري الأصول والثروات وصناعي الاستثمار والمؤسسات وغيرها من الجهات العاملة في ذلك المجال على تطوير استراتيجيات تضمن اعتبارات للحوكمة البيئية والاجتماعية وحوكمة الشركات في نشاطات عملها ووضع القرار فيها، وإطارات المخاطر في سياق استكشاف فرص استثمار جديدة.

9) تأخذ هذه المبادئ بعين الاعتبار متطلبات قانون الشريعة، والمبادئ والارشادات وتهدف لتطبيقها على النحو التالي:

أ) تشجيع "المصدرين" (مثل البنوك - بصفتها الجهات المصدرة – وتشمل البنوك الإسلامية، والمؤسسات الوكالات العامة، وتشمل الشركات المملوكة للحكومة وصناعي الثروات السيادية)
three (3) Principles set out below; and

b) ‘Intermediaries’ (e.g. Banks - in their capacity as Intermediaries, Exchanges, Advisory Firms, Credit Rating Agencies) and ‘Investors’ (e.g. Insurance Companies, Asset Owners, Asset Managers, Sovereign Wealth Funds and Pension Funds and Brokerages) are encouraged to adopt Principles 1 and 3 set out below.

RECOGNITION OF KEY INTERNATIONAL INITIATIVES AND RECOMMENDATIONS

10) The Authorities recognise and acknowledge the significance of key international initiatives and best practice to date, and take into consideration the recommendations and principles of established international organisations and bodies, including:

a) the UN Framework Convention on Climate Change and the subsequent Paris Agreement; and

b) the UN Sustainable Development Goals, as well as the key international initiatives set out in Annex A.

GUIDING PRINCIPLES

Principle 1: Integration of ESG Factors into Governance, Strategy and Risk Management

1) It is recognised that incorporating ESG factors into an organisation’s governance, risk management framework and strategy will better align the financial industry with broader objectives of sustainable development and can have a positive impact on the value of investments.

2) The Authorities undertake to encourage the organisations under their purview to

ب) تشجيع "الوسطاء" (مثل البنوك - بصفتهم وسطاء ويرجع ذلك إلى المؤسسات الاستشارية ووكالات تصنيف الائتمان) و"المستثمرون" (مثل شركات التأمين ومالك الأصول ومديري الأصول وصناديق الثروات السيادية وصناديق التقاعد ومؤسسات التموين) على تبني المبادئ الثلاثة المبينة فيما يلي؛ و

b) ‘Intermediaries’ (e.g. Banks - in their capacity as Intermediaries, Exchanges, Advisory Firms, Credit Rating Agencies) and ‘Investors’ (e.g. Insurance Companies, Asset Owners, Asset Managers, Sovereign Wealth Funds and Pension Funds and Brokerages) are encouraged to adopt Principles 1 and 3 set out below.

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Eine Dokumentseite mit Text in arabischer und englischer Sprache. Der Text beinhaltet dieselben Informationen wie oben, jedoch in einem formatierten Layout. Die Inhalte sind identisch, aber die Layout- und Formatierungsanweisungen sind hinzugefügt worden.
integrate ESG considerations into organisations’ risk frameworks, governance, business conduct, investment processes, corporate strategic oversight and product development. This should be achieved through their board of directors and senior management and be consistent with director and officer fiduciary duties. This could be done through:

a) Identifying and considering opportunities, as well as any associated risks and threats, afforded by ESG-compliant investing. A high level of due diligence should be applied to lending and investments decisions where ESG impacts are material;

b) Integrating consideration of opportunities and risks from ESG factors at all levels of organisations’ businesses, strategy and financial planning where such information is material; and

c) Enhancing the organisation’s ESG performance through the development and enhancement of suitable products, services and otherwise promoting sustainability in all organisations’ activities.

3) The key international initiatives (set out in Annex A) and recognised reporting standards (set out in Annex B) provide useful frameworks which organisations can make use of in this area.

Principle 2: Minimum Eligibility Requirements

4) A wide range of financial instruments and products may incorporate sustainability elements, for example: debt instruments (including loans, bonds, debentures and other fixed income products), sukuk, equity instruments, collective investment funds, structured products and investable indices, de-risking instruments (such as insurance,
takaful), and warrants or other derivative instruments.

5) The Authorities recognise the importance of adopting certain common terminology (a taxonomy) and minimum eligibility requirements of what constitute ‘sustainable’ financial products for the benefit of all stakeholders, including issuers, investors and the financial industry. Pending adoption of an appropriate taxonomy in the UAE, the Authorities encourage issuers to rely on internationally recognised taxonomies for ‘sustainable’ and/or ‘green’ products and instruments, such as those set out in Annex C.

6) It is acknowledged that other criteria for defining what is ‘sustainable’ may be used, provided that departures from the established taxonomies and reasons for them are appropriately disclosed to all relevant parties.

7) As a minimum, the following components should be present in a product sought to be categorised as ‘sustainable’:

a) Process for Project Evaluation/Selection:

Investors / lenders should be in a position to evaluate:

- the sustainability/ESG objectives of the investment and how these will be achieved;

- the process for determining how the project fits within the eligible sustainability/ESG project categories; and

- related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material ESG risks.
associated with a project.

**b) Use of Proceeds:**

All designated sustainable projects should provide a clear description of how the project will benefit the ESG goals, how this will be assessed and, where feasible, quantified.

**c) Management of Proceeds (where applicable):**

Clear accounting of the proceeds, investment of the proceeds, and returns on investment to enable investors to track the continuous ‘sustainability’ of the product.

**d) Recording, disclosing and reporting:**

Information on the use of proceeds should be kept up-to-date, updated in case of material developments, readily available to relevant parties and adequately reported, where relevant.

**8) In addition to the above criteria, certification and external reviews perform a key function, as they can confirm compliance with external, objective standards, thereby providing assurance to investors, as well as regulators and other relevant stakeholders, that the ESG claims made by issuers have been subject to independent review and scrutiny.**

**9) Alongside the formal role of verifiers in the certification process, other independent third parties may also be able to provide differing forms of assurance. These includes environmental consultants, providing pre-issuance opinions on various aspects of the issuance framework; audit firms, conducting annual reviews of the post-issuance allocation of proceeds of a green/sustainable project; and rating agencies, assessing the impact of assets on sustainable goals and any associated climate-related risks.**
Principle 3: Promotion of Appropriate ESG-Related Reporting and Disclosures

10) The Authorities recognise that it is important to encourage more transparency on how organisations measure and monitor their adoption of ESG-related practices. Visibility of the metrics and targets used by an organisation, together with appropriate disclosures, allows investors and other stakeholders to assess better that organisation’s potential risk-adjusted returns, ability to meet financial obligations, general exposure to ESG-related issues, and progress in managing and adapting to such issues. This information also provides a basis for comparing organisations and gauging their relative performance in respect of the promotion of ESG practices.

11) The Authorities undertake to encourage their respective regulated entities to produce timely and relevant information on key ESG metrics. Such reporting would aim to disclose ESG-specific risks, processes, initiatives and performance, in accordance with internationally recognised reporting standards of financially, environmentally or socially material information.

12) The reporting should be consistent with national disclosure obligations and should take into account internationally recognised reporting standards on ESG matters, such as those set out in Annex B.
الملحق A:
المبادرات والمؤسسات العالمية الرئيسية

- المصارف المركزية وشبكات المشرفين على تحويل النظام المالي إلى نظام أخضر
- مبادرة سندات المناخ
- ائتلاف وزراء المالية المعنى بإجراءات مواجهة تغير المناخ
- مجموعة الخبراء الفنيين في الاتحاد الأوروبي للتمويل المستدام
- الشبكة الدولية للمراكز المالية للاستدامة
- تنمية المنظمة الدولية لهيئات الأوراق المالية ولجنة الأسواق الناشئة
- المنصة الدولية للتمويل المستدام
- الشبكة المالية المستدامة
- ملتقى التأمين المستدام
ANNEX B:
INTERNATIONALLY RECOGNISED REPORTING STANDARDS RELATED TO ESG MATTERS

- AAOIFI Sharia Standards on screening parameters for socially responsible and sustainable investments
- Climate Disclosure Standards Board
- Global Reporting Initiative
- International Financial Reporting Standards, as applicable to sustainable investments
- Sustainability Accounting Standards Board (SASB)
- Task force on Climate related Financial Disclosures (TCFD)
- The AAOIFI Accounting Standards, as applicable to sustainable investments
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<td>- مبادئ الاستثمار المسؤول</td>
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<td>- The Climate Bonds Standard of the Climate Bonds Initiative</td>
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<td>- The European Commission Action Plan on Sustainable Finance and associated regulatory proposals</td>
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<td>- The Green Bonds Principles of the International Capital Markets Association</td>
<td>- مبادئ سندات المناخ للرابطة الدولية لأسواق المال</td>
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<td>- The Green Loan Principles of the Loan Market Association</td>
<td>- مبادئ القروض الخضراء لرابطة أسواق القروض</td>
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<td>- The Sharia Standards of The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)</td>
<td>- معايير هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية الشرعية (AAOIFI)</td>
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