



UNITED ARAB EMIRATES
MINISTRY OF CLIMATE CHANGE
& ENVIRONMENT

UAE Sustainable Finance Framework

2021 - 2031

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Foreword

On behalf of the Ministry of Climate Change and Environment, it is my great honor to present the UAE Sustainable Finance Framework as a crucial milestone in mainstreaming climate change and environmental sustainability in financial decision making and risk management. The Framework – the first of its kind in the country – is envisaged to enhance the supply and demand for sustainable finance and strengthen the enabling environment for climate- and green investments through strong stakeholder collaboration.

Developed in partnership with our national & international partners, the Framework convened multiple stakeholders of the financial sector – including the government, private sector firms, and research institutes/academia – who provided valuable input and feedback. Therefore, I extend my sincere appreciation to our partners for their commitment and support, and I look forward to further strengthening our partnership to enhance the UAE's capacity to accomplish its climate goals and facilitate the transformation towards a green economy.

Since the UAE ratified the Paris Agreement in 2016 in contribution to global climate action, the country has achieved great strides in transitioning from a hydrocarbon-based economy to a low-carbon, climate resilient, circular economy. Spearheaded by the country's top leadership, the UAE government developed the UAE Vision 2021, Green Agenda 2015-2030, National Climate Change Plan 2017-2050, and a range of sectoral strategies and policies to promote energy efficiency, clean energy, and climate-smart technological innovation in many areas such as waste management, food security, and air quality, among others.

Despite this great momentum, it is widely acknowledged that the scale of investment required to implement various green economy and climate goals are well beyond the capacity of the public sector alone. Thus, we strongly encourage the private sector to step up and accelerate the notable progress achieved in developing innovative sustainable finance products, covering both climate change mitigation and adaptation. In support of private sector efforts, the government is committed to help address existing gaps and challenges in the sustainable finance space to strengthen the enabling environment for sustainable finance products and climate- and green investments. We hope that this will help facilitate green recovery from the pandemic, thereby contributing to our fervent efforts to build back better and come out stronger from the crisis by unlocking new opportunities through sustainable finance.

**His Excellency Dr. Abdullah bin Mohammed
Belhaif Al Nuaimi**

Minister of Climate Change and
Environment



1. Introduction

It has become widely acknowledged that environmental and climate change risks pose significant mid- to long-term threats, negatively impacting almost every economic sector, including agriculture, fisheries, forestry, healthcare, real estate, and tourism, as well as critical physical infrastructure such as power plants, wastewater treatment plants, waste management facilities, desalination plants, and road infrastructure.

In recognition of existing and potential environmental and climate change risks in the UAE, the concept of the green economy¹ (promoting environmental sustainability², resource efficiency, and social inclusiveness) has emerged as a strategic priority for the government over the past decade. Accordingly, the federal and local governments have developed a series of strategies, such as the UAE Vision 2021, National Green Agenda 2015-2030, National Climate Change Plan 2017-2050, as well as sectoral and emirate-level strategies^{3, 4}, which have collectively laid a foundational policy and regulatory framework in support of the nation's pathway toward a green economy.

As the UAE moves forward in implementing national strategies and promoting a successful transition to a green economy, competent government entities and regulators acknowledge that close coordination and collaboration with the private sector is critical. In particular, the scale of the investment required is well beyond the capacity of the public sector alone, drawing attention to the importance of sustainable finance as one of the crucial pillars of the green economy.

The need for prioritizing sustainable finance has only become more pronounced during the global COVID-19 pandemic, which has had a profound impact across all

aspects of society in the UAE. Beyond addressing the immediate health issues, as the UAE economy looks towards formulating its recovery plans, growing attentions are demanded to better understand and manage environmental, social, and governance (ESG) risks in addition to climate risks to fend off future disruptions of this magnitude. Therefore, sustainable finance will not only serve as a deal enabler or investor/ implementor for sustainable projects, but also as a solution to mitigate and manage current/future risks associated with the wide range of environmental, social, and climate risks.

Against this backdrop, the Sustainable Finance Framework is intended to support the development of a strengthened enabling environment for diversified and innovative sustainable finance products, as well as the mobilization of private capital towards environmentally sustainable and climate-resilient investments. The government's objectives for the Framework are to address existing gaps and challenges related to mainstreaming sustainable finance practices, create incentives for taking on board sustainable finance products/initiatives, and to improve supply and demand of sustainable finance products and climate- and green investment projects.

In an effort to better understand relevant best practices, an international benchmarking exercise was undertaken against jurisdictions similar in stages of economic development and in ambition to that of the UAE. A thorough review of key in-country milestones was then conducted, along with a comprehensive consultation with private financial institutions, based on which a set of recommendations has been designed specific to the country's needs and opportunities.

¹ While there is a slight difference in terms of the definition of the green economy among the countries, in general, the green economy is defined as low carbon, resource efficient, climate-resilient, while socially inclusive economy.

² Including low-carbon and climate-resilient pathway.

³ E.g. National Energy Strategy 2050.

⁴ Abu Dhabi Vision, Environment Vision 2030 – Abu Dhabi, Dubai Plan 2021, Dubai Clean Energy Strategy 2050, Ras Al Khaimah Energy Efficiency and Renewable Energy Strategy 2040, etc.

2. Key Milestones Since 2016 State of Green Finance in the UAE Report

The Sustainable Finance Framework builds upon the initiatives undertaken following the publication of the 2016 State of Green Finance in the UAE report. Together with a national survey jointly conducted by the Ministry

of Climate Change and Environment (MOCCA), the Central Bank of the UAE, the Insurance Authority (IA), the Securities and Commodities Authority (SCA) and the Dubai Financial Services Authority (DFSA), the 2016 Report had proposed five recommended steps to strengthen sustainable finance practices. Since then, various public and private entities have progressed a number of initiatives in support of implementing these recommendations, as highlighted in Table 1.

Table 1: Relevant Sustainable Finance Initiatives in the UAE: 2016-2020

Relevant Recommendation	Relevant Initiatives	Explanation
Recommendation 1: Establishment of working groups to learn from best practices and to draw industry-wide consensus on the direction of sustainable finance	Dubai Declaration on Sustainable Finance	Launched in 2016 to formalize the commitment of financial institutions in the UAE to achieving a climate-resilient, inclusive green economy, in line with the goals set forth in the UAE Green Agenda 2015-2030.
	Abu Dhabi Sustainable Finance Declaration	In 2019, the Abu Dhabi Global Market (ADGM) spearheaded the launch of the Abu Dhabi Sustainable Finance Declaration. With signatories including leading UAE authorities and private sector entities, the Declaration emphasizes collaboration between government, regulators and other stakeholders in addition to traditional financial institutions.
	Dubai Sustainable Finance Working Group	Launched in 2019 ⁵ aims to foster the incorporation of ESG considerations in the Dubai financial sector, mainstreaming ESG risk analysis and identifying business opportunities for innovation.
	ADGM Sustainable Finance Working Group	Launched in 2019, comprising UAE government agencies, financial regulatory authorities and stock exchanges, including MOCCA and the Central Bank of the UAE. The Group announced Guiding Principles on Sustainable Finance in January 2020, which are intended to serve as a catalyst in the increased implementation and integration of sustainability practices among the UAE's financial entities. A survey to assess progress of implementation of the Principles was undertaken in late 2020, with the view to identifying further measures to support the private sector.

⁵ Aside from DFM and DIFC, the 10 other founding members of the group are Nasdaq Dubai, Hawkamah Institute of Corporate Governance, Dubai Electricity and Water Authority, Dubai Islamic Development Centre, Aramex, DP World, HSBC, Emirates NBD, Dubai Islamic Bank and Societe Generale.

<p>Recommendation 3: Establishment of working groups to learn from best practices and to draw industry-wide consensus on the direction of sustainable finance</p>	ESG Academy	HSBC Middle East hosted a series of ESG Academy webinars for clients, focused specifically on the rise of sustainability-linked financial products, green projects and asset finance, sustainable agriculture and the energy transition.
	Roundtable on Sustainable Finance	ADGM and Standard Chartered Bank co-hosted a roundtable discussion in November 2019, which resulted in a whitepaper titled the 'Opportunities and Challenges for Sustainable Finance in the UAE' ⁶
	The ADGM Academy (ADGMA) – Certificate in Sustainable Finance in the Middle East and Africa region	The ADGM Academy (AGMA), in partnership with the London Institute of Banking & Finance (LIBF), announced the launch of the region's first Certificate in Sustainable Finance in the Middle East in 2019. Offered through the ADGM Academy's School of Sustainable Finance and developed by LIBF, the qualification is set to address the sustainable imperative by examining banking and finance from the 'ground up', reviewing industry assumptions around markets, forecasting, risk, credit, investment and more.
	State of Sustainable Finance Report	ADGM, in partnership with the UAE Ministry of Climate Change and Environment (MOCCA) and with the support of leading authorities in the UAE, published the State of Sustainable Finance Report. The report outlines the collective achievements of stakeholders from the private and public sectors, contributing towards the UAE's sustainable finance agenda.
	Abu Dhabi Sustainable Finance Forum	ADGM launched the Abu Dhabi Sustainable Finance Forum in 2018, the first event in Abu Dhabi focused on the adoption of sustainable finance in the region, as part of the Abu Dhabi Sustainability Week.
<p>Recommendation 5: Setting a mechanism to estimate the green finance market and monitor financial sector initiatives</p>	Participation in Task Force on Climate-related Financial Disclosures (TCFD)	First Abu Dhabi Bank (FAB), UAE Insurance Authority, and Standard Chartered Bank have signed up to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, a voluntary framework on climate-related financial disclosures, which has emerged as a de facto international benchmark.

⁶ Available at <https://www.sc.com/en/feature/opportunities-and-challenges-sustainable-finance-in-uae/>

	The Abu Dhabi Global Market (ADGM) Sustainable Finance Agenda	The ADGM Sustainable Finance Agenda, published in January 2019, sets a roadmap for developing a sustainable finance hub that supports capital formation, as well as the creation and issuance of products, that aim to catalyse the achievement of the UAE's economic, social and environmental objectives.
	ESG Reporting Guide – Dubai Financial Market	Dubai Financial Market (DFM), Dubai's stock exchange, has published its own ESG reporting guide ⁷ in November 2019 to encourage voluntary disclosure, in alignment with existing SCA and DFM rules and regulations. Recognizing the overlap between ESG and Shari'a as well as the growing investor interest in sustainability, DFM has updated its Shari'a standards to cover the issuance of green instruments such as green sukuk, shares and green investment funds.

3. Areas for Further Public Institutional Support

Robust progress has been demonstrated in three of the 2016 Report's five recommended areas, as highlighted in Table 1 (i.e. 1. working group, 3. capacity building, 5. monitoring mechanism), yet further work on developing these areas is needed and ongoing. Meanwhile, activities related to the two other recommended areas has seen relatively less momentum and going forward, will require the dedicated leadership of competent government and public sector players, in coordination with private sector inputs.

- **Recommendation 2:** Conduct a baseline study on the country's market potential of green projects and investment opportunities
- **Recommendation 4:** Development of policy measures that enable scaling up green finance practices

In order to be precise in determining the concrete next steps, MOCCA sought to refresh its data set related to the current sustainable finance landscape. A follow-up consultative survey was conducted in August 2020, targeting signatories of the Dubai and Abu Dhabi Declarations on Sustainable Finance. The responses

received from leading financial institutions and relevant public sector stakeholders helped to guide the development of this Framework through identifying areas where support is required most in the near term.

Results from the survey demonstrate that attention towards sustainability has grown significantly, with all respondents indicating that climate-related issues were either very or at least somewhat important to their core business operations. Yet despite this heightened awareness, the level of alignment of sustainability considerations with the overall business strategy was varied and on average, there was only partial integration into activities such as capital allocation, budgeting and setting of KPIs. The barrier which was overwhelmingly identified by respondents was the lack of high-quality data, particularly related to activities such as risk management and the application of minimum eligibility requirements for investment evaluation and selection. Looking specifically at the investing function of financial institutions, almost all respondents acknowledged that there is demand for more green financial instruments; however, nearly the same amount of respondents also cited confusion about the definitions of and differences between terms such as responsible, environmental, impact, sustainable and green investing, etc. Lastly, in terms of ESG-related reporting and disclosure, the barrier

⁷ "Dubai Financial Market ESG Reporting Guide," Dubai Financial Market, November 2019, https://www.dfm.ae/docs/default-source/default-document-library/esg-reporting-guide_en.pdf?sfvrsn=60fa0_7681

most often cited by respondents was the lack of clarity and understanding of the requirements.

The stakeholder sentiments collected from the market survey helped to inform on the areas of intervention which require the most attention in order to further mainstream sustainable finance practices. Recommendations were designed accordingly, falling under the three main pillars of the Framework:

- **Pillar 1:** Mainstream sustainability in financial decision-making and risk management
- **Pillar 2:** Enhance supply and demand for sustainable finance products and green investment projects
- **Pillar 3:** Strengthen enabling environment that promotes sustainable finance practices through collaboration between financial and real sector stakeholders

The critical need for government engagement in achieving these pillars is evident: ongoing progress will require close collaboration between relevant ministries, financial regulators and private financial sector participants.

4. UAE Sustainable Finance Framework

In line with growing threats associated with environmental and climate risks and in light of the global COVID-19 pandemic, which has had a profound impact across all aspects of society in the UAE, there has been a growing demand to better understand and manage such risks to fend off future disruptions of similar magnitude. Accordingly, sustainable finance will not only serve as a deal enabler or investor/implementor for sustainable projects, but also as a solution to mitigate and manage current/future risks associated with the wide range of

environmental, social, and climate risks.

Following on from the public and private initiatives implemented since the 2016 State of Green Finance in the UAE report, including the Dubai Declaration on Sustainable Finance and the Abu Dhabi Sustainable Finance Declaration, and in line with the UAE's ambition to promote a successful transition to a green economy, as reiterated by a number of national policy and strategies⁸, the UAE Sustainable Finance Framework aims to deepen cooperation between the public and private sectors and seeks to create an improved enabling environment to mainstream sustainable finance practices, resulting in greater volumes of climate- and green investments within the UAE.

Based on a stocktake of the key sustainable finance initiatives executed since the 2016 State of Green Finance in the UAE Report, a consultative survey of associated stakeholders in both the public and private sectors, and international benchmarking of global sustainable finance best practices of relevance to the UAE, the recommendations outlined in the Framework below are designed to address existing gaps and challenges identified in the marketplace.

The Framework presents a set of recommendations to mitigate the private sector's risks and to incentivize sustainable finance products/initiatives. Furthermore, the improved supply and demand of sustainable finance products and climate- and green investment projects are also prioritized as a key action theme of the Framework. Lastly, as a forward-looking recommendation, the provision of capacity building to existing and future sustainable finance professionals is highlighted through the development of accreditation schemes for sustainable finance training programmes, promotion of entrepreneurship and innovation in sustainable sectors, as well as the launch of relevant university curricula to promote continuous innovation and growth in the UAE sustainable finance sector.



⁸ e.g. National Green Agenda 2030-2015, National Climate Change Plan 2050-2017, UAE National Energy Strategy 2050, UAE National Air Quality Strategy 2031-2021, UAE Circular Economy Policy, etc.)

Pillar 1: Mainstream sustainability in financial decision-making and risk management




	<p>Embed sustainability considerations into existing policies, legislation, and directives pertaining to public and private financial activities</p>
	<p>Include the management of climate-related risks in the mandates of relevant federal, municipal and local supervisory authorities</p>
	<p>Establish regulatory guidelines for the assessment and management of ESG- and climate-related risk exposures in lending and investment activities of financial institutions</p>
	<p>Develop environmental stress testing tools to aid financial services sector, including commercial and investment banking, asset management and insurance</p>
	<p>Propose standardized guidance on ESG- and climate-related reporting and disclosure, in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations</p>

Pillar 2: Enhance supply and demand for sustainable finance products and green investment projects

	<p>Establish a nation-wide common taxonomy for sustainable finance, along with tools for identifying and assessing eligible projects</p>
	<p>Explore public finance options for providing green finance incentive mechanisms, such as tax deductions / exemptions, targeted refinance schemes, guarantees and other risk sharing instruments, in transitioning from business-as-usual to green economic projects</p>
	<p>Incentivize financial institutions to develop and market sustainable products and services, such as green deposits, green mortgages, green bonds / sukuk, green loans and green insurance / takaful</p>
	<p>Assess readiness and opportunities for sovereign green bond issuance to fund eligible projects</p>

	<p>Develop climate- and green investment project pipeline in targeted sectors, in alignment with national green economy strategies</p>
	<p>Support the implementation of pilot projects in nascent sectors and technologies that contribute to green economic growth to boost market awareness and interest</p>

Pillar 3: Strengthen enabling environment that promotes sustainable finance practices through collaboration between financial and real sector stakeholders

	<p>Forge partnerships between academia, incubators, NGOs and private sector to promote research and development (R&D) in green finance, green technology and green innovation areas</p>
	<p>Equip the next generation of financial professionals with necessary knowledge and skills in sustainable finance through development of relevant university curriculum and student internship opportunities</p>
	<p>Consider accreditation schemes for sustainable finance training programmes, as well as dedicated training incentives for financial industry professionals and project developers</p>
	<p>Promote entrepreneurship and innovation in sustainable sectors, including the provision of access to concessional funding, venture capital, grants, and technical assistance</p>

Sustainable finance is evolving globally from niche to mainstream and countries are increasingly cognizant that the needs and opportunities for sustainable finance will not be met without active engagement to promote financial system shifts, including through market innovations, voluntary/mandatory standards, public-private partnerships, and supporting policy, regulatory and fiscal measures.

Therefore, setting the UAE on a path towards a more environmentally-sustainable, resource-efficient, and socially-inclusive economic model, and particularly the

successful implementation of each of the recommendations outlined in this Framework, will require in-depth discussions among relevant ministries, financial regulators, academia and private financial sector participants. Accordingly, strengthened in-country capacity in the sustainable finance sector will help to ensure that the UAE remains at the forefront of global efforts to fight climate change and protect the environment as a model green economy, while strengthening the competitiveness of the UAE's financial services sector.

5. Annex 1: International Benchmarking on Public Finance Initiatives and Relevant Legislation

Having determined the areas in which near-term interventions would be most impactful in mainstreaming sustainable finance in the UAE, MOCCAIE looked towards surveying relevant activities in jurisdictions similar in stages of economic development and in ambition to that of the UAE in order to benchmark against global best practices.

Each of the governments included below has demonstrated its commitment to fostering sustainable finance as a tool for achieving its respective sustainability- and climate-related goals and taken independent steps to establishing an enabling environment. Examples were selected to illustrate the different routes taken by governments in different parts of the world, to showcase common themes and to highlight milestones which have helped to set the tone for the development of sustainable finance practices globally. Particular focus was also placed on selecting initiatives most relevant for application to the UAE market, including activities falling under the various proposed areas of intervention drawn from the stakeholder survey.

5.1 European Union

• Public finance planning

In December 2019, the European Commission announced its own European Green Deal⁹, the first comprehensive plan for achieving sustainable development in any major world region. The Green Deal sets out an action plan for achieving the EU-wide goal of climate neutrality by 2050,

and the investment pillar of the plan was published as the Sustainable Europe Investment Plan (SEIP)¹⁰ the following month.

The SEIP sets out to achieve its goals across three dimensions. Along with (1) the creation of an enabling framework for the identification of sustainable investments and (2) the provision of direct support to public and private investors in executing sustainable projects, the Commission also committed to (3) mobilizing through the EU budget at least €1 trillion of sustainable investments over the upcoming decade. At least 25% of the EU budget will be allocated towards climate investments and private funding will be crowded in through risk mitigating mechanisms provided by the European Investment Bank.

• EU Taxonomy

In June 2018, the European Commission set up a Technical Expert Group on Sustainable Finance (TEG) to assist in a number of key areas falling under its Action Plan on Financing Sustainable Growth; two such activities were the development of a voluntary EU Green Bond Standard and a wider EU taxonomy. Work on the Green Bond Standard is ongoing; a proposal for the Standard¹¹ was published in June 2019 and the consultation period to collect the views of interested parties has been extended to October 2020.

Meanwhile, the Taxonomy Regulation, which sets forth a clear classification system to help companies, project promoters and issuers to identify which activities are climate-friendly, came into force in July 2020¹². The Regulation defined six environmental objectives and the TEG final report, which had been published in March 2020, focuses on eligible activities contributing to the

⁹ "The European Green Deal," European Commission, 11 December 2019, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1588580774040&uri=CELEX:52019DC0640>.

¹⁰ "Commission Communication on the Sustainable Europe Investment Plan," 14 January 2020, https://ec.europa.eu/commission/presscorner/detail/en/fs_48_20

¹¹ "TEG Report. Proposal For An EU Green Bond Standard," EU Technical Expert Group on Sustainable Finance, June 2019, https://ec.europa.eu/info/files/-190618-sustainable-finance-teg-report-green-bond-standard_en

¹² "Regulation (EU) 852/2020 of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment," 18 June 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

first two: climate change mitigation and adaptation. A Platform on Sustainable Finance¹³ has been launched, comprised of experts from the private and public sectors, to assist the Commission in preparing technical screening criteria for eligible activities related to the remaining four objectives:

- i. sustainable use and protection of water and marine resources;
- ii. the transition to a circular economy;
- iii. pollution prevention and control; and
- iv. the protection and restoration of biodiversity and ecosystems.

The fully developed EU Taxonomy, which will be available in 2022, is expected to cover all activities contributing to a net-zero economy in the EU by 2050, as per the European Green Deal.

5.2 France

• Landmark legislation on mandatory climate-related disclosure

France's pioneering piece of legislation related to sustainable finance was adopted in August 2015 as Article 173 of the Law on the Energy Transition for Green Growth (LTECV)¹⁴. In addressing the Paris Agreement, the Law is intended to specify the means by which France would achieve its targets while Article 173 focuses on the financial component, in recognition of the critical role which investors must play in the global response to climate change.

Through this piece of legislation, France became the first country to introduce extensive climate change-related reporting for asset owners (companies) and asset managers (institutional investors) on a legally binding basis. The law applies across all asset classes, from financial assets such as equities and bonds to physical assets such as infrastructure and real estate. Applicable institutions are required to explain how they take ESG criteria into account in their risk management and investment policies, as well as report on the impacts on their operations of both physical and transition risks on account of climate change¹⁵.

• Sovereign green bond

In January 2017, France issued its first sovereign green bond (green OAT) at an initial offering of €7 billion, which remains the largest green bond issuance to date; the benchmark has since been tapped a number of times, most recently in July 2020, for a further €20.4 billion¹⁶. At such a large cumulative size, the green OAT now offers the same liquidity as conventional treasury bonds. Proceeds are managed in compliance with general budget rules and in practice, proceeds are managed like those of a conventional sovereign bond except that allocations to Eligible Green Expenditure are tracked and reported. As disclosed by its most recent annual report, Eligible Green Expenditures have been used to achieve the green OAT's four main objectives of mitigation, adaptation, biodiversity and pollution and split amongst the key sectors of buildings, living resources, transport, energy, adaptation and pollution.

¹³ The Platform will be chaired by a representative from the UN Principles for Responsible Investment (PRI) and the full list of members was published in October 2020. "Members of the EU Platform on Sustainable Finance," https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/eu-platform-on-sustainable-finance-members_en.pdf.

¹⁴ "LOI n° 992-2015 du 17 août 2015 relative à la transition énergétique pour la croissance verte," 17 August 2015, https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000031045547.

¹⁵ Though mandatory to comply, it is not mandatory to report: Article 173 uses the "comply or explain" principle, providing investors with flexibility in choosing the most suitable way to fulfil the law's objectives, given their own investment and marketing strategies.

¹⁶ "OAT 25 %1.75 JUNE 2039," Agence France Trésor, <https://www.aft.gouv.fr/en/titre/fr0013234333>.

Sovereign Green Bond Issuances

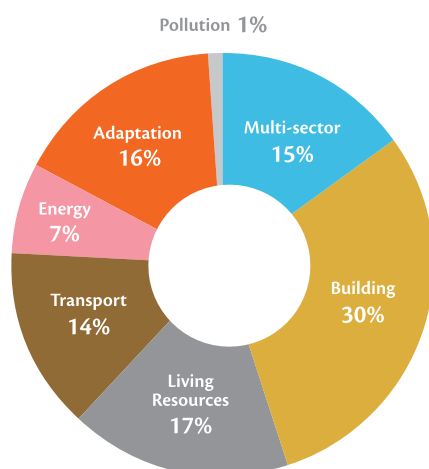
In preparation for the issuance of a sovereign green bond, a country needs to have in place an established pipeline of eligible green expenditures for which the bond's proceeds will be used. The choice of eligible sectors should be a reflection of the country's environmental priorities and their existing capacities to achieve those targets, in alignment with national planning strategies.

Eligible projects can be defined quite broadly and as there is no set international standard in the market for what is considered "green", national governments create their own definitions when detailing the use of proceeds in their Green Bond Frameworks. Governments may choose to draw on voluntary guidelines like the ICMA Green Bond Principles and the Climate Bonds Standard as reference points.

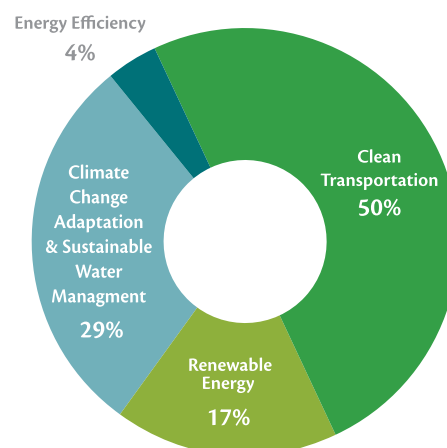
Once the eligibility criteria for use of proceeds have

been determined, sovereign issuers need to set out their processes for project evaluation and selection as well as mechanism for management of proceeds, in tracking the flow of funds. Results should then be publicly reported on an annual basis, generally with the opinion of a third-party auditor. The amount and level of information shared is at the discretion of the issuer but commonly includes the list of allocations for the year alongside brief descriptions of the funded projects, as well as output performance and impact indicators for the components of the portfolio.

Two countries with notable sovereign green bond issuances are France and the Netherlands, having issued the largest sovereign green bond to date and the world's first AAA-rated sovereign green bond, respectively. In accordance with the eligible sectors specified in their respective Green Bond Frameworks, actual use of proceeds as per their allocation reports for 2019 are indicated below^{17 18} :



Where feasible and available, specific results were provided in relation to the projects funded by the bond allocations. For example, in the case of France, energy retrofits had been determined as one of the four focus areas of the country's National Low-Carbon Strategy; in addressing this priority, the building sector received the highest allocation of the green bond's proceeds and €1.4 billion were used as tax credits, benefitting 930,000 households



which underwent energy-saving renovations of their primary residences. Meanwhile, a large proportion of funds from the Netherlands' green bond went towards the maintenance of the country's railway infrastructure, which operates on 100% renewable energy. Avoided carbon emissions as a result of the investments were estimated to be 0.18 Mton per year for each of 2018 and 2019.

¹⁷ "Green OAT Allocation and Performance Report 2019," Agence France Trésor, https://www.aft.gouv.fr/files/medias-aft/3_Dette/3.2_OATMLT/3.2.2_OATVerte/Agence20%France20%Trésor_Green20%OAT20%UK.pdf.

¹⁸ "State of the Netherlands Green Bond Report," Dutch State Treasury Agency, 28 May 2020, <https://english.dsta.nl/subjects/green-bonds/documents/publication/28/05/2020/green-bond-report>.

5.3 United Kingdom

• Government-led policy framework

In 2008, the Climate Change Act¹⁹ was adopted by the UK Parliament, making the UK the first country to set out legally binding mitigation targets. The Act committed the UK to reducing its greenhouse gas emissions by 80 per cent by 2050, compared to 1990 baseline levels; this target was made more ambitious in 2019 when the UK became the first major economy to commit to a 'net zero' target, with the aim to do so by 2050.

The Bank of England's initial area of focus in relation to climate change had been on potential impacts on the insurance sector and a report on the topic was published by in September 2015²⁰ by the Prudential Regulation Authority (PRA), the UK's financial regulatory agency. Subsequently, in September 2018, the Bank published a review of the impact of climate-related risks on the wider UK banking sector²¹. The report highlighted that a transition in thinking is taking place from viewing climate change as solely a potential reputational risk to a core financial and strategic risk.

• Strengthened national climate finance

In 2012, the UK Government launched the Green Investment Bank (GIB), the world's first publicly funded bank designed to mobilize private finance into the green energy sector. Though it was ultimately acquired by Macquarie, an Australian financial institution, GIB helped to finance more than £12 billion of UK green infrastructure projects between 2012 and 2017.

In September 2017, the independent Green Finance Taskforce was convened to help deliver the investment needed to meet the National Industrial Strategy and Clean Growth Strategy and maximize the UK's share of the global green finance market. Furthermore, the UK's national Green Finance Strategy²² was announced in July 2019 to align private sector financial flows with environmentally sustainable growth while strengthening

the competitiveness of the national financial services sector. It maintains three main pillars:

- i. Greening Finance: integrating climate and environmental risk factors into financial decision making;
- ii. Financing Green: accelerating finance to support the delivery of the UK's carbon targets and clean growth, resilience, and environmental ambitions;
- iii. Capturing the Opportunity: ensuring the UK financial sector captures domestic/international commercial opportunities arising from the above two pillars (e.g. climate-related data and analytics, new green financial products and services)

5.4 Asia-Pacific Region

While the Asia-Pacific region's sovereign green bond activity has been limited in comparison to the size of the EU market, rapid growth of the sustainable finance sectors in the region has been backed by government-led sustainable finance policy frameworks and guidelines, including for the issuance of corporate green bonds. For example, in 2015, green bond issuances in Asia represented less than 10% of global volumes; however by 2017, it reached \$43.4 billion, accounting for 36% of the global volume²³, mainly led by China and other developed and emerging economies such as Japan, South Korea, Singapore, Indonesia and Malaysia. The greater Asia-Pacific region now supplies the second highest amounts of global green bond issuances, after only Europe.

As the region's largest economy by far, China has naturally taken leadership in driving market expansion. The country's National Development and Reform Commission (NDRC) announced the Guidance for Issuing Green Bond in 2015, followed by Guidelines for Establishing the Green Financial System in 2016. The Guidelines were developed jointly by the Bank of China, Ministry of Finance, Ministry of Environmental Protection, China Banking Regulatory Commission, China Securities Regulatory Commission, China

¹⁹ The Green Bond Market in Asia Pacific. International Capital Market Association. 2018.

²⁰ Guide to Chinese Climate Policy. Green Finance. Center on Global Energy Policy – Columbia University.

²² The People's Bank of China. <http://www.pbc.gov.cn/english/3131759/130721/index.html>

²³ Including China Development Bank, China International Capital Corporation, China Construction Bank and the Agricultural Development Bank of China.

Insurance Regulatory Commission, and the National Development and Reform Commission to collectively mobilize and incentivize more social (or private) capital to invest in green sectors, while restricting investment in polluting sectors. In 2019, at the Second Belt and Road Forum, the Green Investment Principles for the Belt and Road Initiative were endorsed by 28 major financial institutions, and collectively, China accounted for the majority of the global green bonds proceeds with 13.2% market share with \$22.9 billion in proceeds.

Meanwhile, in light of the importance of green finance in meeting the region's infrastructure needs, the Association of Southeast Asian Nations (ASEAN) developed its own set of ASEAN Green Bond Standards (ASEAN GBS) in November 2017, based largely on ICMA's Green Bond Principles. Issuers who wish to issue and label green bonds as ASEAN Green Bonds must demonstrate compliance with the ASEAN GBS, in alignment with the four core guideline components of (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds, and (4) reporting.

Green Sukuk

As the principles of Islamic finance are closely aligned with sustainable investment, there are natural opportunities for the growth of the green Islamic finance market. In order to comply with shari'a principles, funds raised through the issuance of a sukuk must be applied to investments in identifiable assets or projects; as such, in applying use of proceeds to earmarked sustainable investments, the governance and monitoring structure would already be in place for a green sukuk.

In terms of market development, the ASEAN region has seen the most activity thus far, led by Malaysia and Indonesia: as of 2019, green sukuk represented 23% of green financing in the ASEAN region²⁹. In support of the growth of the green Islamic financing, the Securities Commission Malaysia introduced its Sustainable and Responsible Investment (SRI) Sukuk framework in 2014³⁰; by 2017, the world's first green sukuk was issued by a Malaysian renewable energy group, with proceeds allocated to the construction of a 50MW large-scale solar project.

The Republic of Indonesia issued the world's first sovereign green sukuk in February 2018 and Indonesia remains the only sovereign green issuer in the ASEAN region; funds from the \$1.25 billion sukuk were allocated to projects in five main areas: sustainable transport; renewable energy; waste to energy and waste management; energy efficiency; and resilience to climate change. Following the success of its inaugural issuance, Indonesia returned to the market in February 2019 for a further \$750 million of green sukuk. It is reported that use of proceeds from the two sukuk have resulted in a combined Co2 emissions reduction of 8.9 million tons.³¹

Seeing the global potential for green Islamic financing, the Islamic Development Bank (IsDB) produced its Sustainable Finance Framework³² and issued its first green sukuk in November 2019. The issuance, which raised €1 billion, was the world's first AAA-rated green sukuk. Subsequently in June 2020, IsDB issued the world's first sustainability sukuk, raising \$ 1.5 billion to support responses to COVID-19 in its Member Countries³³

²⁴ Guide to Chinese Climate Policy. Green Finance. Center on Global Energy Policy – Columbia University.

²⁵ The People's Bank of China. <http://www.pbc.gov.cn/english/3131759/130721/index.html>

²⁶ Including China Development Bank, China International Capital Corporation, China Construction Bank and the Agricultural Development Bank of China.

²⁷ Global Green Bonds: 2019 full year review. <https://www.theasset.com/capital-markets/39561/global-green-bonds-2019-full-year-review>

²⁸ "ASEAN Green Bond Standards," ASEAN Capital Markets Forum (ACMF), October 2018, <https://www.theacmf.org/images/downloads/pdf/AGBS2018.pdf>.

²⁹ "ASEAN Green Finance State of the Market 2019," Climate Bonds Initiative, December 2019, https://www.climatebonds.net/files/reports/cbi_asean_sotm_2019_final.pdf.

³⁰ "Sustainable and Responsible Investment Sukuk Framework. An Overview," Securities Commission Malaysia, November 2019, <https://www.sc.com.my/api/documentms/download.ashx?id=2-84491531b7e-4362-bafb83-bb33b07416>.

³¹ "Green Sukuk Issuance Allocation and Impact Report," Ministry of Finance Republic of Indonesia, March 2020, <https://www.djpr.kemenkeu.go.id/page/loadViewer?idViewer=9468&action=download>.

³² "Sustainable Finance Framework," Islamic Development Bank, November 2019, [https://www.isdb.org/sites/default/files/media/documents/11-2019/IsDB20%20Sustainable20%20Finance20%20Framework20%20\(Nov202019%\).pdf](https://www.isdb.org/sites/default/files/media/documents/11-2019/IsDB20%20Sustainable20%20Finance20%20Framework20%20(Nov202019%).pdf).

³³ "Islamic Development Bank Issues US\$ 1.5 Billion Debut Sustainability Sukuk in Response to COVID-19-," Islamic Development Bank, 19 June 2020, <https://www.isdb.org/news/islamic-development-bank-issues-us-15-billion-debut-sustainability-sukuk-in-response-to-covid19->

5.5 GCC Region

• One Planet Sovereign Wealth Fund

Within the GCC region, public finance drivers of sustainable finance are most evident in the initiatives undertaken by the region's sovereign wealth funds (SWFs)³⁴

In December 2017, the One Planet Sovereign Wealth Fund Working Group (OPSWF) was established, with four of the six founding members coming from the GCC³⁵ to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term and diversified asset pools. Following six months of close collaboration amongst its members, the Working Group published the One Planet Sovereign Wealth Fund Framework in 2018.

One Planet Sovereign Wealth Fund Framework

The three main principles of the Framework are listed below with select actions which have been taken forward by members in implementation:

1. Alignment: incorporating climate-related financial risks into new and existing responsible investment policies

- The Abu Dhabi Investment Authority (ADIA) created eight internal asset class-specific task forces to provide recommendations in consideration of climate change. Quarterly reports are also being prepared to the investment committee to explain how climate developments may impact investment portfolios

2. Ownership: engaging with asset managers of their respective SWFs to apply the Framework within their existing institutional mandates and investment management agreements

- The Kuwait Investment Authority (KIA) introduced the Framework to more than 130 asset managers and incorporated the principles in many of their investment management agreements

- Saudi Arabia's Public Investment Fund (PIF) has also extended application of the Framework to their direct investments, including in its engagement with the Saudi Giga-Projects, comprised of substantial investments in entertainment and sustainable tourism projects, which have been designed from the outset to incorporate climate-related issues in their core business operations

3. Integration: integrating the consideration of climate-related risks and opportunities into their existing mandates, priorities and expertise

- ADIA scaled up its investment in renewable energy. They have announced additional capital investment in sectors such as utility-scale wind, solar and small hydro capacity

- PIF is investing in renewable energy and clean technology, including more than \$1 billion in Lucid Motors, an electric vehicle maker. PIF is also leading the implementation of 70% of Saudi Arabia's renewable energy pipeline over the next decade

Since its establishment, the number of institutions supporting the OPSWF Framework has grown rapidly, from six SWFs with \$3 trillion assets under management (AUM) in 2018 to 33 financial institutions with \$30 trillion

AUM including the Abu Dhabi Investment Authority (ADIA) and the Mubadala Investment Company from the UAE.^{36 37}

³⁴ With control over such a significant pool of funds, the SWFs wield significant influence in the ways in which global investment capital is allocated and with their long-term investment horizons, SWFs are uniquely positioned to promote long-term value creation and sustainable market outcomes.

³⁵ The six founding members of the group are the Abu Dhabi Investment Authority (ADIA), Kuwait Investment Authority (KIA), the NZ Super Fund (NZSF), Norges Bank Investment Management, the Public Investment Fund (PIF) of the Kingdom of Saudi Arabia, and Qatar Investment Authority (QIA).

³⁶ On 20th November 2020, the founding OPSWF members welcomed nine new SWFs to the initiative including Mubadala Investment Company from the GCC region.

³⁷ One Planet Summit Sovereign Wealth Funds Framework Companion Document 2020, https://oneplanetwfs.org/wp-content/pdfs/web/viewer.html?file=https://oneplanetwfs.org/download/23/online-publication/-20201120_1/1008opswf-companion-document2020-.pdf.

6. Annex 2: Market-based Sustainable Finance Examples in the UAE

Within the UAE, a number of financial institutions have taken advantage of the opportunities arising from the growing demand for sustainable products and services. Following consultations with the respective institutions, key milestones and achievements related to the development of the local sustainable finance market have been captured in the case studies below.

• BNP Paribas



<p>Mission</p>	<p>Contribute to a responsible and sustainable economy by financing and advising clients according to the highest ethical standards</p>
<p>Sustainable Finance Practices</p>	<ul style="list-style-type: none"> • Integrate economical, social, civic and environmental commitments into business operations • Develop tools to measure environmental and social impact • Address fundamental challenges of today: environment, local development, social inclusion
<p>Key Milestones</p>	

In 2019, the Group signed **over 60 sustainability-linked loans (SLLs) for a total of over EUR 6.2 billion**

The Banker Investment Bank Awards 2020
Investment Bank of the Year for Sustainability-Linked Loans

BNP Paribas participated in the issue of EUR 2.5 billion SDG-linked bond for Italian energy group ENEL

BNP Paribas 3stepIT provides companies with a **comprehensive life cycle management service** for their technology equipment

1st leveraged Sustainability-linked loan and 1st linked to a Standard & Poor's ESG rating for a Spanish telecoms provider Masmovil

Launch of BNP Paribas Asset Management's "Sustainability" strategy, which will apply ESG criteria to all of its investment processes as of 2020

• **First Abu Dhabi Bank (FAB)**



As the UAE's largest bank, FAB supports the country's sustainability objectives included in the UAE Vision 2021, the UAE Green Agenda 2015-2030, the Abu Dhabi Economic Vision 2030 and the United Nations' Sustainable Development Goals (SDGs) for 2030.

<p>Sustainable Finance Practices</p>	<ul style="list-style-type: none"> • Voluntarily measure, benchmark and report performance in alignment with: the Global Reporting Initiative (GRI), Equator Principles (EP), Carbon Disclosure Project (CDP), Task Force on Climate-Related Financial Disclosures (TCFD), Abu Dhabi Sustainable Finance Declaration and Abu Dhabi Securities Exchange (ADX) ESG Guide for Listed Companies • Secured inclusion in MSCI Emerging Markets ESG Leaders Index and FTSE4Good ESG index series • As of 2020, aligned strategies and operations with United Nations Global Compact (UNGC) and the UNGC's 10 Principles encompassing human rights, labour, the environment and anti-corruption • Chair of International Capital Markets Association (ICMA) Middle East, actively participating in actively involved in the Green Bond Principles Committee
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Key Milestones



- Masdar



Established in 2006, Masdar, Abu Dhabi Future Energy Company, is a global leader in renewable energy and sustainable urban development, wholly owned by Mubadala Investment Company.

Active in more than 30 countries, Masdar is both a developer and operator of utility-scale and off-grid renewable energy projects, and has invested in mainly solar and wind power projects with a combined value of over US\$14.3 billion.

The electricity generating capacity of all projects, either fully operational or under development, is in excess of 8 GW. Combined, they displace almost 5.4 million tonnes of carbon dioxide per year. At the beginning of 2019, Masdar set a target of doubling its renewable capacity – then at 4GW – within five years. The company now expect to exceed that target before the end of 2020.

Masdar invests with its partners to demonstrate the viability of clean technologies at scale to multiple stakeholders, particularly policymakers and the wider financial community. The company is active in both developed economies and emerging markets, everywhere from Morocco to Indonesia, and from Serbia to the United States. Such projects need to meet strict commercial and bankability criteria to be approved.

Masdar has the in-house capability to conduct end-to-end project development for greenfield infrastructure, but may also engage later in the project lifecycle. This could be at the time of financial close, when it would participate in the late-stage negotiations and construction management.

Masdar leverages 'green' financial instruments to bring innovative technology to market, be they bonds, loans, or a hybrid of the two. One example of the latter was the GBP 1.27 billion refinancing of Masdar's stake in the 402-megawatt (MW) Dudgeon offshore wind farm in the United Kingdom, one of the world's largest offshore wind projects.

Masdar and the other shareholders, Equinor and China Resources Group, announced in December 2018 the signing of a hybrid refinancing that included approximately GBP561 million of commercial bank debt and GBP706 million of senior secured notes privately placed with institutional investors, finally maturing in 2032. The original financing for Dudgeon was successfully closed in 2016.

In 2018, Masdar also signed the first green revolving credit facility (RCF) in the Middle East, to provide funding for new and ongoing investments. The three-year facility included a number of green features, consistent with the Loan Market Association's Green Loan Principles, introduced in the UK that year to help establish a framework for green lending across global markets.

Sustainable Real Estate

In January 2020, Masdar announced plans for the first sustainable real estate investment trust (REIT) in the region, based on commercial properties in Masdar City. Established as a private trust at Abu Dhabi Global Market, the REIT will provide an alternative method for third-party investors to direct capital toward sustainable development goals. The long-term aim is to list as a public REIT on the ADGM, creating an opportunity for retail and institutional investors to invest in a financial product backed by high-quality assets and based on clear sustainability specifications.

• Standard Chartered



<p>Sustainability Framework</p>	<ul style="list-style-type: none"> • Sustainability Philosophy: embed sustainability across business, operations and communities through sustainability framework • Sustainability Aspirations: provide tangible targets for sustainable business outcomes aligned to the UN Sustainable Development Goals (SDGs) • Position Statements: set out environmental and social client standards • Green and Sustainable Product Framework: mapped to SDGs, listing out organizational views on eligible sustainable activities • Set ambitious sustainable finance targets: by 2024, will finance and facilitate \$35 billion of clean technology and will provide \$40 billion of project financing for sustainable infrastructure
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Key Milestones

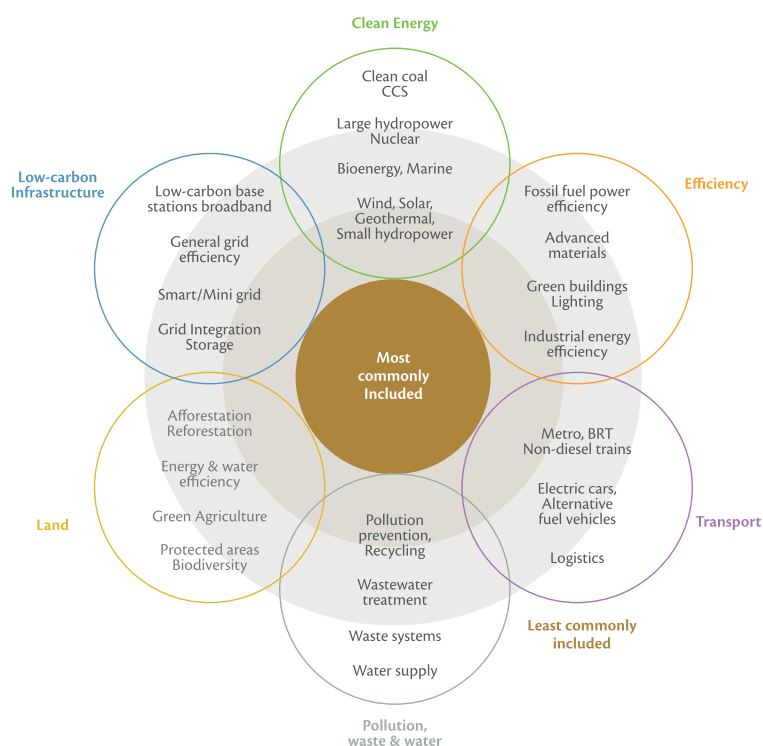


7. Annex 3: Sustainable Finance Concepts and Key International Initiatives

• Sustainable Finance Definitions and Taxonomy

The growing interest in sustainable finance reflects the increasing commitment of financiers across both the public and private sectors to influencing societal and environmental outcomes through their investment decisions. However, as they look towards incorporating sustainability considerations into their capital allocation processes, one of the main challenges faced by investment professionals is the lack of standardization of definitions.

In 2016, UNEP Inquiry published a short background note on key definitions and concepts³⁸; the note sought to map out the existing “sustainable” practices in G20 countries and to highlight the areas of convergence and difference.



Voluntary third-party standards which have been introduced in the international marketplace were individually intended to inform investors and provide guidance on the types of projects which would be considered “green”, “sustainable” or “responsible”. But as the various sets of guidelines had been developed independently, the result has been the emergence of differing while, at times, overlapping classifications leading to a lack of comparability and consistency between investments.

Naturally, countries have also reached their own conclusions about which sustainability-focused sectors are most suitable for achieving their respective economic and environmental targets and the areas of overlap and divergence reflect the differing capabilities and priorities.

³⁸ “Definitions and Concepts. Background Note,” UNEP Inquiry, September 2016, http://unepinquiry.org/wp-content/uploads/1/09/2016_Definitions_and_Concepts.pdf

• Sustainable Finance Definitions and Taxonomy



China, Green Projects Catalogue (bonds): energy saving, pollution prevention and control, resource conservation and recycling, clean transportation, clean energy, ecological protection



France, Climate & Energy Transition Label (institutional investments): buildings, industry, waste, transport and Information and Communications Technology (ICT)



United Kingdom, Green Investment Bank (development finance): offshore wind, waste, energy efficiency, biomass, onshore wind, and hydropower



Climate Bonds Standard (bonds): buildings, industry, waste, transport and ICT

The EU Taxonomy, the first part of which was published in March 2020, aims to be the world's first comprehensive "green list" classification system for sustainable economic activities, though it would only apply to EU Member States. There remains no global initiative to develop a classification which would be relevant across asset classes and countries around the world.

To facilitate the mainstreaming of sustainable finance practices worldwide, a number of international initiatives have given rise. Led by representatives from both the public and private sectors who are informed about the

risks and opportunities presented by the global transition to a sustainable, low-carbon economic model, these initiatives foster greater cross-border collaboration and knowledge-sharing amongst relevant stakeholders.

• Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) was launched during the inaugural One Planet Summit in 2017. Members of the network agree to share best practices and contribute to the development of environmental and climate risk management in the financial sector; both ADGM's Financial Services Regulatory Authority (FRSA)

and the Dubai Financial Services Authority (DFSA) are amongst the network's 69 members.

In May 2020, the NGFS published A Guide for Supervisors, which gathers leading practices of the supervisory community and stems from inputs provided by its contributing members. The Guide sets out five recommendations for courses of action to be taken by NGFS members and the broader community of banking and insurance supervisors to integrate climate-related and environmental risks into their work.



• Coalition of Finance Ministers for Climate Action

At the annual meetings of the International Monetary Fund (IMF) and the World Bank in October 2018, it was recognized that the world's finance ministers have a unique capacity to address the challenges posed by climate change as they are the policymakers who most

clearly understand the economic consequences, both from a risk and an opportunity standpoint. Consequently, in April 2019, governments from 26 countries joined forces to launch the Coalition of Finance Ministers for Climate Action. Since its launch, finance ministers from fifty countries have signed on to the Helsinki Principles²³, a set of six principles that promote national climate action, especially through fiscal policy and the use of public finance.

²³ "Helsinki Principles," Coalition of Finance Ministers for Climate Action, <https://www.financeministersforclimate.org/sites/cape/files/inline-files/FM20%20Coalition20%-20%Principles20%final.pdf>.

• Task Force on Climate-related Financial Disclosures (TCFD)

In September 2015, then Bank of England Governor Mark Carney delivered a landmark speech²⁴, warning of the current and prospective financial stability risks stemming from climate change. The speech marked a collective call for action for a more coordinated approach to providing information to financial industry players. Consequently, in December 2015, an industry-led Task Force on Climate-related Financial Disclosures (TCFD) was convened by the Financial Stability Board (FSB)²⁵ at the request of the G20

Finance Ministers and Central Bank Governors to review how the financial sector can take account of climate-related issues. In June 2017, the TCFD Recommendations²⁶ were released, providing a voluntary framework for companies and other organizations to develop more effective and consistent climate-related financial disclosures through their existing reporting processes. Since their publication, the Recommendations have emerged as a de facto international benchmark for the disclosure of climate-related risks by financial institutions. As of 2019, the Recommendations have been endorsed by institutions representing \$118 trillion of assets under management globally²⁷.

• International Climate Change-Related Reporting and Disclosure Guidelines

Adopted in August 2015, France's Article 173 of the Law on the Energy Transition for Green Growth (LTECV) introduced the world's first regulatory framework for ESG disclosure, and more broadly, for the incorporation of ESG parameters into the risk management and investment policies of asset owners (companies) and asset managers (institutional investors) on a legally binding basis.

Since then, as recognition continues to grow that disclosure of non-financial information can be a useful mechanism for communication of risk management information to investors, a wide range of institutions from jurisdictions around the world have followed suit with their own sets of ESG- / climate-related reporting requirements and recommendations. Research conducted of the global marketplace has identified over 1,750 sustainability reporting provisions across 60 countries, with environmental topics consistently the most prevalent of the requirements, while governance topics have been the least²⁸.

The almost overwhelming number of inputs have been provided by a broad spectrum of stakeholders, ranging from regulators and policy makers through legislative channels to non-governmental organizations and industry standard-setters via voluntary platforms. The provisions themselves also vary considerably from country to country and from organization to organization. Corporate climate change-related reporting schemes have not developed in a uniform pattern and the lack of consistency and coherence between disclosure requirements can be seen as complex, costly and confusing.

²⁴ "Breaking the tragedy of the horizon – climate change and financial stability," Bank of England, September 2015, 29, <https://www.bankofengland.co.uk/-/media/boe/files/speech/2015/breaking-the-tragedy-of-the-horizon-climate-change-and-financial-stability.pdf>.

²⁵ The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system.

²⁶ "Recommendations of the task force on climate-related financial disclosures," Task Force on Climate-Related Financial Disclosures, June 2017, <https://www.fsb-tcfd.org/wp-content/uploads/06/2017/FINAL-2017-TCFD-Report11052018-.pdf>

²⁷ "2019 Status Report. Task Force on Climate-related Financial Disclosures," June 2019, <https://www.fsb-tcfd.org/wp-content/uploads/-/2019/06/2019TCFD-Status-Report-FINAL053119-.pdf>.

²⁸ "Insights from the Reporting Exchange: ESG Reporting Trends," Climate Disclosure Standards Board, https://www.cdsb.net/sites/default/files/cdsb_report_1_esg.pdf.

Five of the leading voluntary frameworks and standard setters, each with their own sets of guidelines:



The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, which were released in June 2017, was an attempt to introduce some level of convergence and since then, the publication has emerged as the de facto international benchmark for the disclosure of climate-related risks; the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB) were two of the organizations engaged in the industry-led consultations in drafting the Recommendations. The Recommendations are structured around four key thematic areas which reflect the types of information investors and other market participants have expressed that they need in order to make better, more informed decisions.: governance, strategy, risk management, and metrics and targets.

Nevertheless, despite taking steps towards higher standardization, the Recommendations are not expected to be uniformly adopted by financial institutions across the globe. Individual organizations will have to decide for themselves the extent to which the Recommendations are applicable, given their current monitoring and reporting capabilities, and keeping in mind existing disclosure obligations within the jurisdictions in which they operate. Companies falling under French regulation, for example, would have to consider how to align their Article 173 reporting with the TCFD Recommendations; in response, the Autorité des Marchés Financiers, the French financial market authority, has already held workshops to facilitate this process. French-based multinational companies, such as Axa Investment Managers, have also successfully issued reporting aligning both sets of guidelines ²⁹ .

²⁹ "Article 173 – TCFD combined report", Axa Investment Managers, April 2020, https://www.axa-im.com/documents/607482/20195/AXA+IM+Art173+_TCFD+report2020+_EN+Final.pdf/75285f5c-ea5c1-b7f79-f-1d244dd67ad26?t=1588253218494.

• Green Bond Principles and Climate Bonds Initiative

As institutions, both public and private, consider the issuance of green bonds as a possible channel for raising funds for their operations, they seek guidance as to how they may go about this process. No generally accepted common standard yet exists to guide issuing, monitoring or reporting, but two sets of guidelines have emerged which currently serve as the main benchmarks for the overall market.

Climate Bonds Initiative (CBI) is an international not-for-profit organization which aims to scale up the global green bond market by providing resources on market intelligence as well as a Climate Bonds Standard and Certification Scheme³⁰, which serves as a tool for issuers to determine the types of investments which could be considered “green” and has been in operation since December 2010. The Standard can be used as a reference point by institutions setting up their own green bond standards and/or directly applied to a bond issuance as part of the green certification process. Cumulative certified green issuance under the Standard reached \$100 billion in December 2019³¹; three sovereign green bonds which have received CBI certification are Nigeria, the Netherlands and Chile.

In March 2012, CBI, the Clean Energy Business Council of the Middle East and North Africa (CEBC) and the Gulf Bond & Sukuk Association (GBSA) launched a Green Sukuk Working Group. The group aims to channel market expertise to develop best practices and promote the issuance of green sukuk, which are shari’a compliant investment securities that finance projects meeting eligibility criteria developed by the International Climate Bond Standards scheme.

The International Capital Market Association (ICMA) is another international not-for-profit organization, which brings together members from debt securities markets to inform its work on regulatory and market practice issues. Traditionally, ICMA’s three core areas of focus had been the primary; secondary; and repo and collateral markets. As the size and relevance of sustainable fixed income products have grown, a fourth area has been established for green, social and sustainability bonds. A consortium of investment banks established the first edition of the Green Bond Principles (GBP) in January 2014 and the ICMA was nominated to serve as the Secretariat. While the GBP focuses more on the process of bond issuance, including the elements to be incorporated within a Green Bond Policy Framework, the Climate Bonds Standard delves more deeply into the use of proceeds, providing a detailed taxonomy of eligible green projects by sector which fall under their certification scheme.

³⁰ <https://www.climatebonds.net/files/files/climate-bonds-standard-v20191210-3.pdf>

³¹ “First USD 100bn Certified against the Climate Bonds Standard: A Global Milestone for Robust Green Investment Frameworks,” Climate Bonds Initiative, 5 December 2019, https://www.climatebonds.net/files/releases/media_release100-bn_certified_under_climate_bonds_standard_-_051219final.pdf.

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