



ABU DHABI GLOBAL MARKET  
سوق أبوظبي العالمي

## FEEDBACK STATEMENT

**Regarding Consultation Paper  
No. 6 of 2022 –  
*Proposals for a Sustainable  
Finance Regulatory Framework  
for ADGM***

**4 July 2023**

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## Introduction

### Why we are issuing this statement

1. The Financial Services Regulatory Authority (“FSRA”) and the Registration Authority (“RA”) of Abu Dhabi Global Market (“ADGM”) jointly issued Consultation Paper No. 6 of 2022 (“CP”) to seek views on their proposals for a regulatory Framework for sustainable finance (the “Framework”). In this paper “ADGM” is used to refer to the FSRA and the RA collectively, and where appropriate the FSRA and the RA are referred to individually.
2. ADGM received detailed and constructive responses to the proposals contained in the CP and have considered them in finalising the Framework which has now been implemented by way of amendments to the RA’s Companies Regulations 2020 (“CR 2020”), the FSRA’s Financial Services and Markets Regulations (“FSMR”), and the Conduct of Business (“COBS”), Funds (“FUNDS”), Markets (“MKT”) and Glossary (“GLO”) Rulebooks. In addition, Supplementary Guidance has been issued to aid users of the Framework.
3. Sustainable Finance is a strategic priority for ADGM. In October 2021, the UAE announced its “Net Zero by 2050 Strategic Initiative” and ADGM has an important role to play in achieving its success. This includes cultivating a vibrant ecosystem for SusFin in ADGM, through becoming a hub where capital can be raised for investments seeking a positive environmental impact alongside financial returns. Advancing these outcomes further requires both a robust regulatory Framework and effective stakeholder engagement.
4. Through this feedback statement, ADGM wishes to acknowledge and address the helpful responses received from a range of local and international market participants, both to the consultation paper and through other engagements with stakeholders. This Feedback Statement focusses on the most material points raised by respondents concerning the proposals contained in the consultation paper, i.e. those that have led either to a change in the Framework as it was proposed or that will require future consideration on the part of ADGM.
5. The Framework is the next phase in ADGM’s development of an ecosystem for sustainable finance, which will serve Abu Dhabi and the UAE more widely. Beyond this, ADGM is also collaborating with peer UAE authorities and members of the UAE Sustainable Finance Working Group (“SFWG”) to develop a number of measures related to sustainable finance. The SFWG published a High-Level Statement<sup>1</sup> in November 2021 that outlined substantive measures to help integrate sustainability into their regulatory frameworks, in the areas of corporate disclosure standards, developing a UAE green taxonomy and integrating sustainability into corporate governance. This was followed in November 2022 by a Public Statement which provided an update on the

<sup>1</sup> <https://www.adgm.com/media/announcements/uae-regulators-and-exchanges-issue-high-level-statement-on-sustainable-finance>

group's progress<sup>2</sup>. The most recent initiative has been in the last of these areas, namely the recent consultation on "Principles for the Effective Management of Climate-Related Financial Risks"<sup>3</sup>.

6. Accordingly, further development of the Framework will include finalising proposals to incorporate climate risk into risk management and governance processes. ADGM is also collaborating with peers in the SFWG to help develop and deliver the UAE's green taxonomy; how this can best be integrated into the Framework will be considered at a later stage.
7. Capitalised terms which appear in this paper have the meanings attributed to them in the FSRA's Glossary, unless otherwise defined.

## **Changes to the Framework Following Consultation**

### **A. Green and Climate Transition Funds and Portfolios**

8. ADGM received significant support for its proposals on funds and discretionary managed portfolios. In particular, respondents welcomed the proposal to distinguish between 'green' and 'climate transition' strategies that will enhance investor trust and help promote investment in the green transition. There was significant support for the various elements of flexibility built-into the Framework, including that regarding the green or climate transition taxonomy used to assess the eligibility of investments in the portfolio. Other feedback requested the provision of more specificity regarding the taxonomies that would qualify as 'published, independent and credible'.
9. The proposal to require third party attestation for taxonomy-aligned investments (in the case of Public Funds) was considered to be a positive measure, and many respondents encouraged ADGM to consider extending the requirement to other fund types, such as Exempt Funds. Some industry participants expressed a desire to see more prescriptive rules in relation to the nature of third party attestors. However, in general and aside from extending third party attestation to Exempt Funds, most respondents recommended that ADGM continue on its present path of allowing for some flexibility at this stage and look to build upon it as the market for sustainability-focused funds and portfolios grows over time.
10. ADGM carefully considered all feedback received. It particularly noted the feedback from a number of Fund Managers which requested that Exempt Funds also be subject to third party attestation when investing in taxonomy-aligned assets. This feedback suggested that such a measure would add credibility to the Framework. Consequently, we have extended the third party attestation requirement to Exempt Funds. Qualified Investor Funds will be permitted to self-attest a portfolio's alignment to a taxonomy, which we deem appropriate given the institutional nature of clients in these fund types.

<sup>2</sup> <https://www.adgm.com/media/announcements/the-uae-sustainable-finance-working-group-issues-second-public-statement#:~:text=The%20second%20public%20statement%20builds,the%20UAE's%20Sustainable%20Finance%20Taxonomy>

<sup>3</sup> <https://www.adgm.com/media/announcements/consultation-on-principles-for-the-effective-management-of-climate-related-financial-risks>

11. Aside from this change, further guidance has been added to the Supplementary Guidance accompanying the Framework to help clarify expectations of the FSRA for third party attestors, and ensure that only appropriate green or climate transition taxonomies are adopted. In light of encouragement from respondents to retain the present level of flexibility afforded by the Framework and consider enhancements over time, ADGM is committed to periodic review and iteration of the Framework. This will consider, among other factors, expanding the types of assets which qualify as 'green' or 'climate transition'. Further enhancements will best be introduced when the Framework has been implemented and bedded-in over a period of time and when funds or portfolios are actually applying its requirements in practice.
12. Respondents also invited the FSRA to extend its approach to the social and governance aspects of sustainability, through 'ESG'-labelled funds and portfolios. ADGM acknowledges the importance to the market of establishing an equivalent framework in that area and is open to considering the development of requirements for funds and portfolios carrying an 'ESG' label. However, this would require further and significant engagement with stakeholders to determine its form, and likely require a separate consultation. ADGM will consider developing such a framework in future taking into account various factors such as feasibility, resource availability, and market demand.

### **B. Green Bonds and Sukuks, Sustainability-linked Bonds and Sukuks**

13. ADGM's proposals on green bonds and sukuks, as well as sustainability-linked bonds and sukuks, received positive feedback. Many stakeholders stated that receiving a designation for these instruments would be helpful in signalling the issuer's commitment to avoiding greenwashing, thereby enhancing the credibility and marketability of these debt instruments, as well as showcasing the UAE's role in financing the transition to net zero.
14. Some stakeholders encouraged ADGM to consider enhancing the requirements for obtaining a designation, such as by setting standards for external verifiers of in-scope instruments. However, most stakeholders recognised that the Framework is a deliberately flexible first step in building an ecosystem for green bond issuance and encouraged ADGM to build upon it over time.
15. Following consideration, we have removed guidance that the designation would only be available to issuers undertaking a public offer, in order to extend the availability of the designation to Exempt Offers. ADGM will consider extending the scope of the Framework to include transition bonds and other sustainable bonds when the International Capital Markets Association (ICMA) or equivalent body has produced a set of principles governing such issuances. ADGM will continue to monitor, review and build-on its green bond and sukuk Framework to ensure that it remains effective in promoting transition financing and meets the evolving needs of issuers and investors.

### **C. ESG disclosures**

16. The feedback from the market in relation to the proposed environmental, social and governance ("ESG") disclosures was overwhelmingly positive, including widespread acknowledgement of ADGM's efforts to create a flexible yet credible set of requirements. The intention to capture a meaningful number of entities in an initial iteration alongside the potential to expand the scope of application in due course was supported by a

number of stakeholders. Also positively received was the initial flexibility on acceptable disclosure standards, and the intention to consider moving to International Sustainability Standards Board (“ISSB”) standards in due course. Significant feedback was also received in relation to setting a target date for the ESG disclosures Framework to become a mandatory obligation.

17. In light of the feedback received, the ESG disclosures regulations have been published with no material changes to the Framework proposed at consultation. Therefore, in-scope ADGM companies including regulated financial services firms and large private commercial entities will now be required to make ESG disclosures on a ‘comply or explain’ basis.
18. ADGM has also determined that it would be most appropriate to set a date for moving to a mandatory disclosure requirement only after a post-implementation review of the Framework. This will allow ADGM to assess companies’ readiness for a mandatory Framework and whether the ISSB standards should be applied as the sole standard for disclosures to be made against. Consideration was also given to lowering the size threshold for in-scope entities. At this stage, an appropriate number of entities will be captured by the disclosure requirements as proposed, and accordingly this aspect will also be more appropriately re-assessed in the light of data received following implementation of the Framework.
19. The first disclosures will be received by ADGM as early as 2024. This is in addition to the requirements for listed and reporting entities introduced by the FSRA as part of its capital markets review last year. The output of the planned post-implementation review will determine future iterations of the Framework. The review will be consultative in nature, and due notice will be provided of any changes to be implemented.

#### ***D. Designation marks and fees***

20. ADGM requested stakeholders’ views on whether the granting of the designations should be subject to a fee. Many respondents encouraged ADGM not to charge such a fee in order to incentivise the proliferation of sustainability-oriented products and services in ADGM. However, ADGM believes that the resources required by the FSRA to determine eligibility for designation and other, related supervisory activities warrant a fee. Given this, the FSRA will consult in future on proposals for a fee to apply to products and services seeking a designation. Until such a fee is finalised and implemented, no charge will apply for a designation.
21. ADGM has also finalised the designation marks that may be used to demonstrate applicable products or services purport to adhere to the requirements in the Framework. These will be listed on our website: <https://www.adgm.com/initiatives/sustainable-finance>.

#### ***E. Post-implementation review***

22. ADGM is committed to undertaking a post-implementation review of all aspects of the Framework in 2025. This will help to refine and enhance the Framework in line with international standards and best market practices and to take on board the experience of market participants in its application. The review will be consultative in nature, and its

output will determine the future evolution of the Framework and other, supporting initiatives.

### **Conclusion**

23. ADGM wishes to express its gratitude for the detailed and constructive feedback it has received from the consultation. This feedback has not only helped to shape the implementation of the Framework but has also highlighted areas that ADGM will need to examine as part of its commitment to move the Framework forward in the near- and medium-term future.
24. Sustainable finance will remain a strategic priority for ADGM in 2023, the UAE's "Year of Sustainability" as it prepares to host COP28 later in the year, and beyond. ADGM looks forward to continuing to work hand-in-hand with stakeholders as it plays its part in shaping the UAE's 'green falcon' economy, including peer regulatory authorities in the UAE and beyond, in order to help shape its ecosystem into a world-class hub for sustainable finance to further the UAE's Net Zero Strategic Initiative.