Appendix 3

General Rulebook (GEN)

*In this attachment underlining indicates new text and striking through indicates deleted text.

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3.6 Climate-Related Financial Risks

3.6.1 An Authorised Person must consider, as part of its systems and controls for managing risks, whether Climate-Related Financial Risks may be material to its:

(1) business model and strategy;

(2) financial position; or

(3) ability to meet its regulatory obligations.

3.6.2 Where an Authorised Person identifies material Climate-Related Financial Risks, it must take reasonable steps to understand and manage such risks in a manner proportionate to:

(1) the nature, scale and complexity of those risks;

(2) the size and complexity of the Authorised Person's operations; and

(3) the nature of the Authorised Person's activities and exposures.

Guidance

1. In assessing whether Climate-Related Financial Risks are material, an Authorised Person should consider relevant factors, including:

   a. the nature and extent of exposures to climate-sensitive sectors;

   b. geographic exposures to climate-vulnerable regions;

   c. the tenor of exposures and typical investment horizons;

   d. stakeholder expectations and public commitments made by the Authorised Person; and

   e. the Authorised Person's business model and strategic direction.

2. An Authorised Person should reassess the materiality of its Climate-Related Financial Risks periodically.

3. An Authorised Person should develop climate risk models or conduct scenario analysis, including stress testing, where it is proportionate to do so.

4. Rule 3.6 complements other risk management requirements for Authorised Persons. Notwithstanding the requirements of Rule 3.6, Climate-Related Financial Risks should

be considered within existing frameworks for risk management, capital adequacy, and disclosure. Additional expectations for Authorised Persons to consider and manage Climate-Related Financial Risks specifically are set out in [PRU (Chapters 10 and 11), PIN (Chapter 2) and CIB (Chapter 2)].

5. Rule 3.6 is consistent with and supports the implementation of the UAE Sustainable Finance Working Group's Principles for the Effective Management of Climate-related Financial Risks (November 2023), published by the Regulator as Guidance. Authorised Persons should refer to these principles for additional context on supervisory expectations.

6. Reasonable steps to understand and manage material Climate-Related Financial Risks should include:

   a. governance, such as Board and Senior Management awareness, assigning clear responsibility for oversight;

   b. more detailed risk analysis, such as identifying where Climate-Related Financial Risks may concentrate, understanding transmission channels;

   c. risk monitoring, such as tracking relevant metrics or indicators, monitoring developments in climate policy and markets;

   d. risk mitigation, such as considering climate factors in decisions, taking steps to reduce concentrated exposures where appropriate; and

   e. disclosure, such as providing stakeholders with transparency on material Climate-Related Financial Risks and management approach.

7. The Regulator expects that the approaches of Authorised Persons to identifying and managing Climate-Related Financial Risks will develop over time as their understanding matures, data improves, and market practices evolve. Authorised Persons should be able to demonstrate improvement in their approach to Climate-Related Financial Risks over time.

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7.3 Complaints recording procedures for Professional Clients

7.3.1 (1) An Authorised Person must have adequate policies and procedures in place for the recording of Complaints made against it by Professional Clients.

(2) The policies and procedures for handling Complaints must be documented in writing and provide that Complaints are handled fairly, consistently and promptly.

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