

ESG INTELLIGENCE

 **ABU DHABI
GLOBAL MARKET**

ABU DHABI GLOBAL MARKET (ADGM)

International Sustainable Finance Centre

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January 2022

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Ahmed Jasim Al Zaabi, Chairman, ADGM



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An enabling ecosystem with business-friendly and transparent regulation, particularly in sustainable finance and ESG, will support the attraction of green capital and the development of the sustainable finance industry

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The Covid-19 pandemic has undoubtedly accelerated the adoption and integration of ESG practices in both business and government, and advanced the sustainable finance industry around the globe. ADGM is proud to be at the forefront of the sustainable finance industry and remains committed to collaborating with its partners to promote the integration of ESG considerations and sustainable finance into all that it does.

ADGM developed the Sustainable Finance Agenda to align with the UAE's priorities in this area and will continue to incorporate sustainability principles into its regulatory framework. As a leading international financial centre, ADGM's focus on further developing its sustainable finance ecosystem will support the continued development of a thriving business environment that advances the country's sustainability agenda.

The UAE became the first GCC country to announce a net-zero carbon commitment – the Net Zero by 2050 Strategic Initiative – to attract inflows from global capital markets as investors increasingly seek ESG-compliant investments. ADGM believes that the continued provision of an enabling ecosystem with business-friendly and transparent regulation, particularly in the space of sustainable finance and ESG, will support the attraction of green capital and the development of the sustainable finance industry. ADGM is a global centre for green finance and is committed to advancing in this space.

In addition to capital inflows from international investors, there is increased appetite from family offices and high-net-worth individuals (HNWIs) for

sustainable investments. The pandemic has accelerated the demand for responsible investment from HNWIs as they seek to diversify their portfolios and capitalise on green opportunities.

International financial centres must support the development of the sustainable finance industry by placing these principles at the core of their operations and leveraging their position to bring together regulators, policymakers and corporations to collaborate, share knowledge and drive industry advancement. For ADGM, initiatives such as the UAE Guiding Principles, the Abu Dhabi Sustainable Finance Declaration and the Abu Dhabi Sustainable Finance Forum have contributed to the rapid maturation of Abu Dhabi's sustainable finance industry and cemented its position as one of the world's leading locations for sustainable finance deals.

The objective of the Abu Dhabi Sustainable Finance Declaration is to create a framework for fostering green and sustainable investment in Abu Dhabi, the UAE and the wider MENA region. The goal is both ambitious and critical, acting as a crucial driver for partnerships and the application of best practices. Since its inception in 2019, the declaration has motivated the advancement of the broader sustainable finance ecosystem.

The collaborative efforts among leaders in the Abu Dhabi government, the private sector and ADGM have played an outsized role in moving the economy closer to net-zero carbon emissions. In this way, ADGM remains dedicated to advancing the sustainable finance agenda towards a bright economic future.

THE JOURNEY SO FAR



National commitments to UN SDGs require an effective sustainable finance ecosystem



Shaping the future

The UAE has demonstrated a strong commitment to the UN Sustainable Development Goals (UN SDGs), a roadmap consisting of 17 goals and 169 targets to transform the world by 2030 by achieving human well-being, economic prosperity and environmental sustainability. At the formal adoption of the UN SDGs, the UAE’s policymakers pledged to “leave no one behind” and “shift the world onto a sustainable and resilient path”. A National Committee on SDGs involving 17 federal-level ministries, authorities and councils has also been set up to map targets and implement a comprehensive plan for their attainment.

In support of the UN SDGs, clear commitments and plans have been set out under the UAE Green Agenda 2015-30 and the National Climate Change Plan 2017-50, which focus on the areas of energy, environment and building a productive green economy. Furthermore, all major economic and sector development strategies at the federal and emirate level have been devised in alignment with the UN SDGs, as policymakers make concerted efforts to ensure the country is on a sustainable trajectory.

In October 2021 the UAE became the first country in the Gulf to commit to net-zero carbon emissions by 2050 ahead of the COP26 UN Climate Change Conference in Glasgow, Scotland. The UAE will be able to shape the global sustainability agenda further when it hosts the COP28 UN Climate Change Conference in 2023. The scale of investment required to achieve the UN SDGs and net-zero carbon emissions underscores the importance of developing a viable sustainable finance ecosystem. To encourage the uptake and flow of sustainable investment, the UAE has launched the Sustainable Finance Framework 2021-31 and is in the process of refining its robust regulatory environment and rolling out innovative financial products.

COP26 helps to push forward the global sustainable finance agenda

Public and private commitments will boost climate finance



Glasgow Financial Alliance for Net Zero (GFANZ)

Made up of more than 450 banks, insurance firms and asset managers across 45 countries, committed to \$130trn of private capital to accelerate decarbonisation of the economy by 2050.

Glasgow Leaders' Declaration on Forests and Land Use

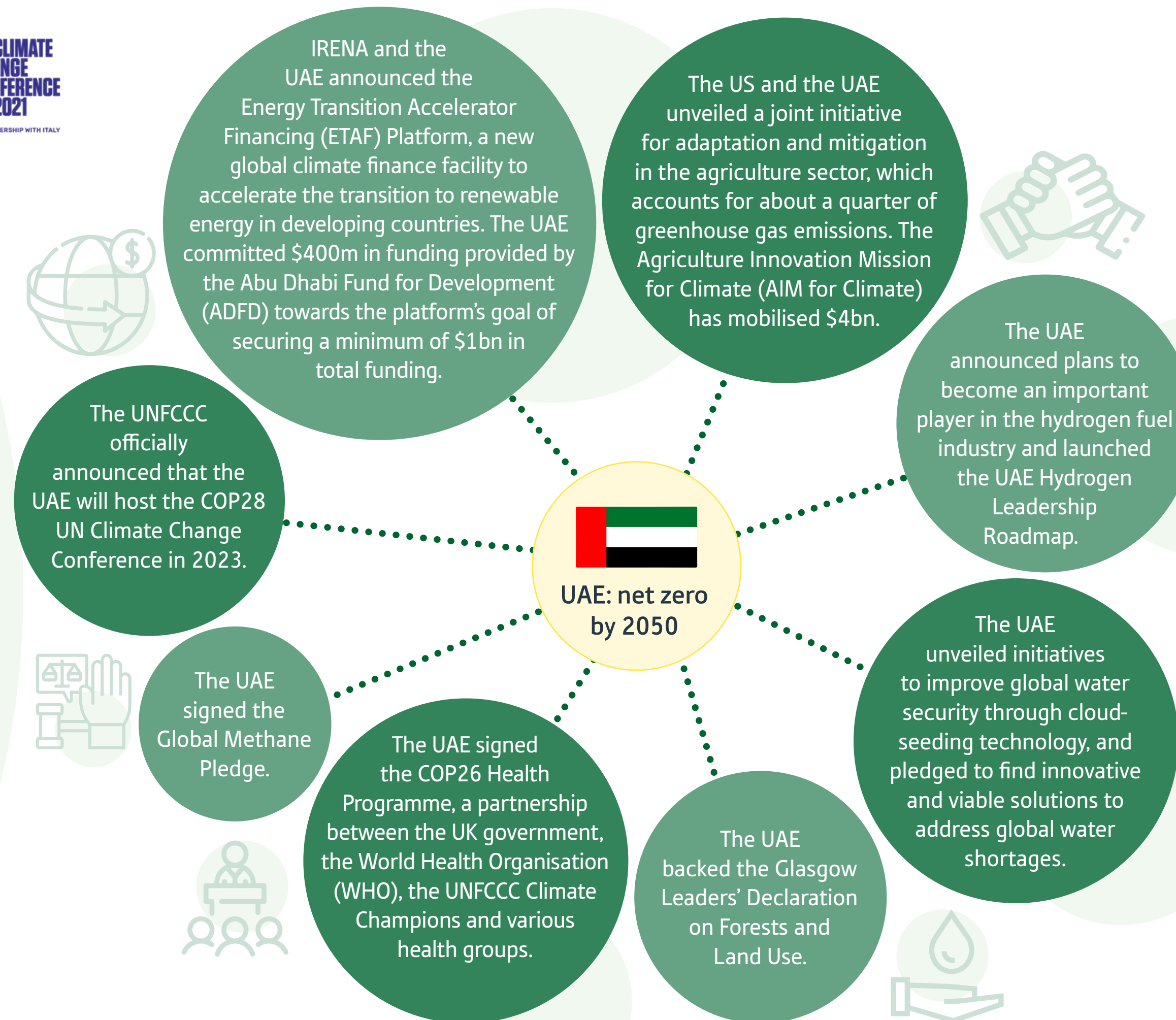
Countries representing over 90% of the world's forests committed to halt and reverse deforestation and land degradation by 2030, with \$12bn of public funds and \$7.2bn in private investment.

Climate Finance Delivery Plan

Clarified when and how developed countries will meet the \$100bn climate finance goal. Developing countries remain hopeful that the target will be reached by 2023, even if donors have not been able to produce clear data on how adaptation finance would be scaled up.

Global Methane Pledge

Over 100 countries representing 70% of the global economy joined the initiative to reduce global methane emissions by at least 30% from 2020 levels by 2030. The US and the EU announced a significant expansion of financial and technical support to assist with implementation, and global philanthropic groups committed \$328m in funding for methane mitigation strategies.



Carbon credit market

Six years after the Paris Agreement, the rules for a new voluntary global carbon market were established at the COP26 UN Climate Change Conference in Glasgow, Scotland, paving the way for a boom in emissions trading. The new framework consists of a centralised system open to the public and private sectors, and a separate bilateral system that allows countries to trade carbon credits to help meet their climate goals. The price of carbon credits, which organisations can trade or use to emit a prescribed amount of CO₂, soared in 2021, and trading for the year reached an estimated \$1bn – providing new opportunities for financial centres and green finance centres such as ADGM.

Sustainable Finance Agenda developed by ADGM in line with the UAE's sustainability priorities

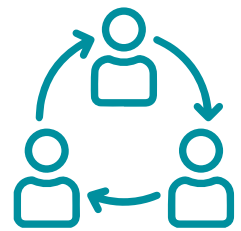
Four pillars of ADGM's Sustainable Finance Agenda

Regulation



ADGM is currently developing its regulatory framework for sustainable finance. ADGM will focus on (a) standards for green-labelled products and services, to help investors identify investments with a sustainability objective; and (b) ensuring firms incorporate climate change risk into their risk management. As part of this, ADGM will help to develop a green taxonomy alongside peer authorities in the UAE. Its regulatory framework will be developed over 2022 in line with international best practices.

Collaboration



Building collaboration with national and international stakeholders to achieve synergies and advance sustainable finance. ADGM has been building cooperation by:

- Promoting constructive dialogue with key stakeholders, including the UAE authorities, commercial organisations and industry standard-setters through its consultative working group on sustainable finance
- Facilitating partnerships between the government, regulators, financial institutions and other stakeholders to demonstrate their joint commitment and harmonise their activities with the UAE's sustainability priorities
- Developing joint initiatives with local and international partners to create innovative and ambitious products that will expand the UAE's sustainable finance offering

Knowledge & Awareness



Increasing knowledge, awareness and acceptance of sustainable finance through events, education and training programmes, while developing expertise in this area. By doing so, ADGM hopes to:

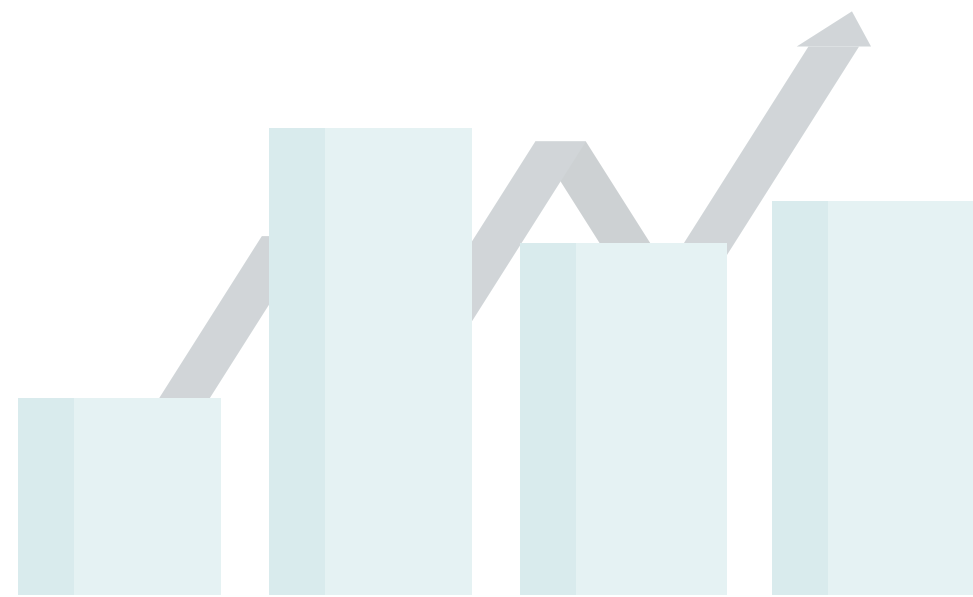
- Facilitate the UAE's transition to a more sustainable economy and support the implementation of its sustainability priorities
- Heighten awareness by developing unique courses to familiarise the UAE public with key sustainable finance concepts and provide professional qualifications, while also organising events to facilitate knowledge-sharing
- Reorient organisations on the principles of sustainability while helping to develop strategies that integrate ESG considerations into the UAE's investor community

Ecosystem



Developing a sustainable finance ecosystem with a diversity of institutions, product offerings and services to support capital formation and ensure availability of financing to achieve UAE's sustainability goals. ADGM is making this happen through:

- Enhancing the ESG performance of companies by developing a wide range of financial instruments and services which can advance sustainability across operations
- Promoting innovation to support new ideas and fresh thinking to help lower costs, foster collaboration and make transactions easier, quicker, more robust and more sophisticated
- Fostering a culture of effective risk management while unlocking new business and sustainable investment opportunities across various UAE sectors and industries



Clear progress in building a viable green investment ecosystem in Abu Dhabi

ADGM is at the forefront of efforts to develop a deep sustainable finance ecosystem and mainstream green investment in the region. Progress under each pillar of the Sustainable Finance Agenda has been achieved by

working closely with key public and private stakeholders, both locally and internationally, to determine how best to harness capital flows for long-term social, environmental and economic benefit. Looking ahead, the focus

is now firmly on exploring how to leverage regulation and innovation to develop new sustainable asset classes and establish Abu Dhabi as a leading destination across the sustainable finance value chain.

Progress made by ADGM across four pillars of its Sustainable Finance Agenda

Regulation



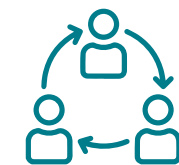
UAE Guiding Principles on Sustainable Finance

First-of-its-kind initiative developed by ADGM with 10 UAE financial regulators and exchanges to set out guiding principles on sustainable finance and increase the implementation of sustainable practices among the UAE's financial entities.

ADGM's sustainable finance regulatory framework

The development of ADGM as a sustainable finance centre will rely on the establishment of a regulatory framework which outlines criteria for green-labelled financial products and services, and ensures that climate change risk is taken into account at all levels of firms' risk management. As well as addressing the risk of greenwashing, a strong regulatory framework can foster the growth of the sustainable finance market, as investors gravitate towards financial centres with robust standards. ADGM's initial focus will be on standards governing products and services labelled as sustainable. Amendments to its capital markets framework will also be published in early 2022, covering ESG disclosure for listings and offers, responsible sourcing of commodities and emissions allowances. It will also develop a green taxonomy governing green-labelled activities in partnership with peer authorities.

Collaboration



UAE Sustainable Finance Working Group

Together with a panel of leading UAE authorities and financial regulatory bodies and exchanges, ADGM helped establish a Sustainable Finance Working Group in 2019 to support the UAE government's sustainable growth agenda, in line with international best practices, and encourage closer collaboration and joint initiatives among its members.

Abu Dhabi Sustainable Finance Declaration

A collaborative framework launched in 2019 by ADGM in collaboration with the Ministry of Climate Change and Environment (MoCCA), the Central Bank of the UAE, and the Securities and Commodities Authority. The framework was adopted by the government, regulators, and key UAE and international companies to incorporate sustainability into investments and new asset classes in Abu Dhabi, the UAE and the wider region. The declaration has been signed by 59 public and private sector entities to date.

Knowledge & Awareness



Abu Dhabi Sustainable Finance Forum (ADSFF)

Part of Abu Dhabi Sustainability Week and the signature event in Abu Dhabi focused on the adoption of sustainable finance. ADSFF convenes top global institutional investors, regulators, international agencies, development finance institutions and project developers to showcase concrete progress and actions in scaling sustainable finance in the MENA region and around the world.

School of Sustainable Finance

The ADGM Academy's School of Sustainable Finance was set up to deliver a suite of sustainable finance training programmes that will provide delegates with internationally recognised professional qualifications. The Executive Certificate in Sustainable Finance is offered in collaboration with the London Institute of Banking & Finance, featuring specialised modules on the core principles of banking and finance aligned with sustainability.

Ecosystem



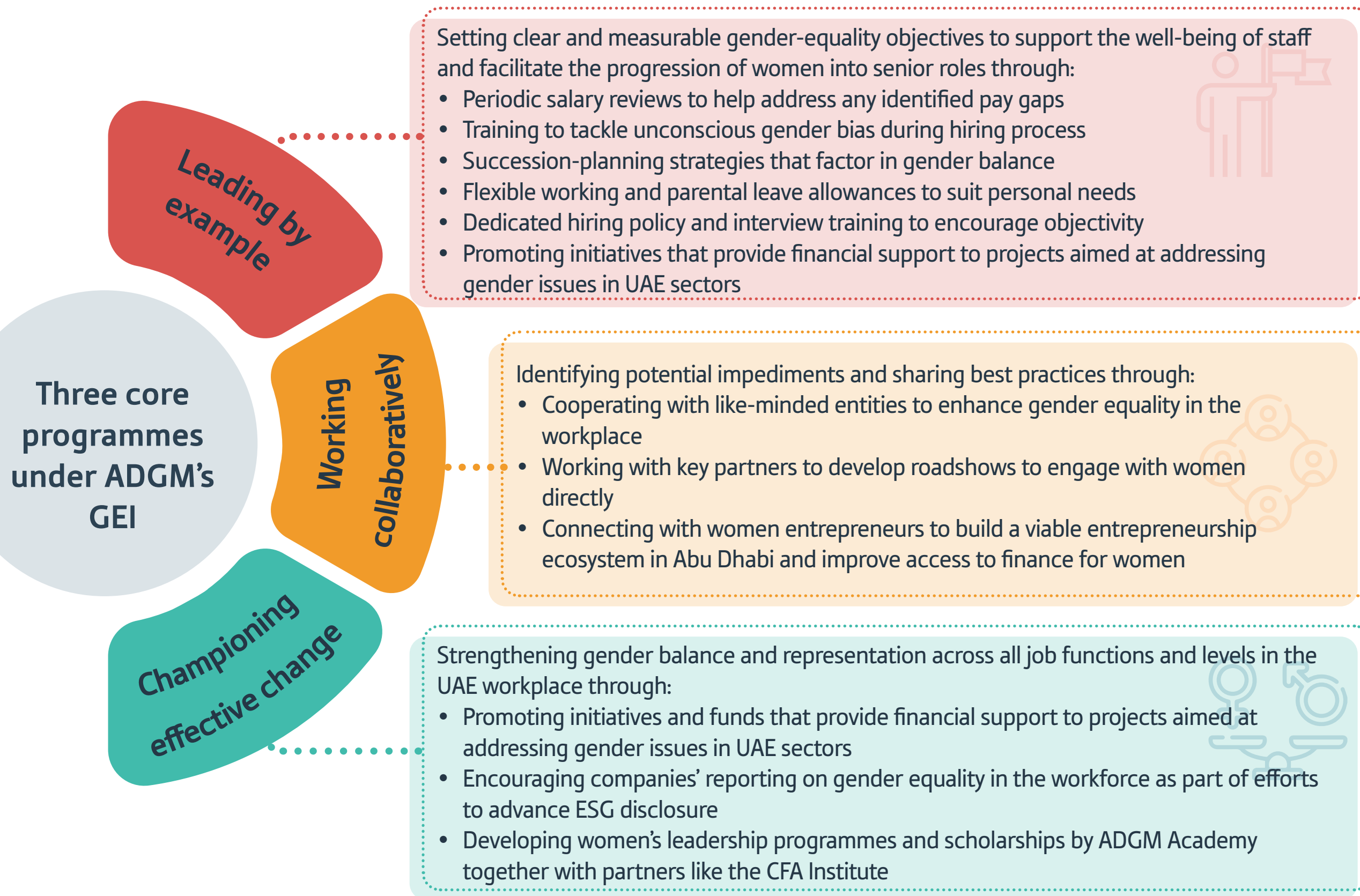
State of Sustainable Finance Report

ADGM's goal of developing a deep sustainable finance ecosystem is coming to fruition as many ADGM members have introduced new initiatives and are reinforcing their dedication to the objectives of sustainable finance, as highlighted in the report published by ADGM in partnership with the MoCCA on efforts made by signatories of the Abu Dhabi Sustainable Finance Declaration. The report further serves as a call to action to accelerate collective efforts on sustainable finance in the UAE.

ADGM Sustainable Finance Platform

Understanding that disclosure is key in sustainable investment and ESG assessment, ADGM is working with Sustainability Excellence on the ADGM Sustainable Finance Platform, an ESG performance tool designed to track sustainable finance activity in the region. ADGM signatory companies will be assessed by the platform according to 25 key performance indicators, which are based on publicly available data.

Commitment to gender balance and female empowerment demonstrated via ADGM's Gender Equality Initiative



Top-down change

In line with SDG 5 on Gender Equality and the UAE's Vision 2021 goal of achieving gender balance in the workforce, ADGM launched the Gender Equality Initiative (GEI) to promote female empowerment across all work functions by boosting the number of women employed and encouraging women's participation in senior management and leadership roles. Through the initiative's three programmes, ADGM aims to increase focus on the social component of ESG in the UAE and support the UAE's global efforts in advocating for "gender markers" and other measures to advance the position of women in society.

Achievements made since ADGM's GEI was launched



- Roundtable on gender equality and entrepreneurship featuring over 50 delegates hosted with the US Embassy in 2019.
- Gender equality working group comprising members from different industries formed, with the first meeting held in October 2020.
- Webinar series on gender equality launched as part of the ADGM Webcast Series to facilitate discussions on gender balance.
- Strategic partnerships to advance gender equality with entities such as the Women in Sustainability, Environment and Renewable Energy Forum (WiSER); Aurora50; Authority of Social Contribution - Ma'an; 30% Club; Hub71; UN Women; French Business Group; and the UAE Federal Statistics and Competitiveness Authority.

Positive transformation

With Emirati women making up about 70% of all university graduates and around two-thirds of public sector workers, the UAE ranked 18th globally in the 2020 UN Development Programme Gender Equality Index and scored 82.5 out of 100 points in the World Bank's "Women, Business and the Law 2021" report. In fact, the UAE performed better than any other country in the MENA region. Thanks to a recent mandate issued by the Securities and Commodities Authority for women's participation on the boards of listed firms, 19 listed companies had appointed female board members by August 2021, and 111 companies are set to appoint a female board member by the first quarter of 2022.

Abu Dhabi Sustainable Finance Forum 2022 promotes investment with positive economic, social and environmental impact

National & global collaboration



- Support the country on its national climate goals and programmes: Net Zero by 2050 Strategic Initiative

The Abu Dhabi Department of Energy announced its net-zero commitment in November 2021, during the COP26 UN Climate Change Conference. Key sector initiatives over the next decade will help accelerate the UAE's sustainable economic growth while supporting its Net Zero by 2050 Strategic Initiative.

- Measure progress towards Abu Dhabi's Sustainable Finance Agenda
- Foster dialogue among industry leaders and decision-makers from the global sustainability and financial community
- Reinforce relationship between economic resilience and ESG, and how businesses and markets have performed and will respond post pandemic

Economic development



- Promote sustainable finance and investment for fostering positive economic, social and environmental impacts
- Analyse the latest actions in sustainable finance from ADGM and its partners from the region and beyond that will support economic recovery
- Explore the UAE's Sustainable Finance Framework plans and how these will strengthen its economic resilience

Technology & innovation



- Bring together innovative financial institutions dedicated to sustainable financial recovery through ESG-linked investment
- Analyse utility of innovative financial solutions such as sustainable sukuk (Islamic bonds), bonds and loans in bankable projects
- Survey the progress of previous ADSFF initiatives, such as the Abu Dhabi Declaration on Sustainable Finance

Abu Dhabi Sustainability Week 2021 in figures

500
speakers

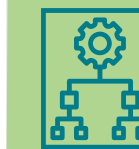
175
countries

100,000
views

ADGM: Catalysing international investment under the Sustainable Finance Agenda



Hosts the Abu Dhabi Sustainable Finance Forum, since 2019



Promotes the UAE Guiding Principles on Sustainable Finance, focused on the integration of ESG factors into governance, strategy and risk-management functions



Participates in collective action to create a framework for fostering and integrating sustainable finance and its practices into markets



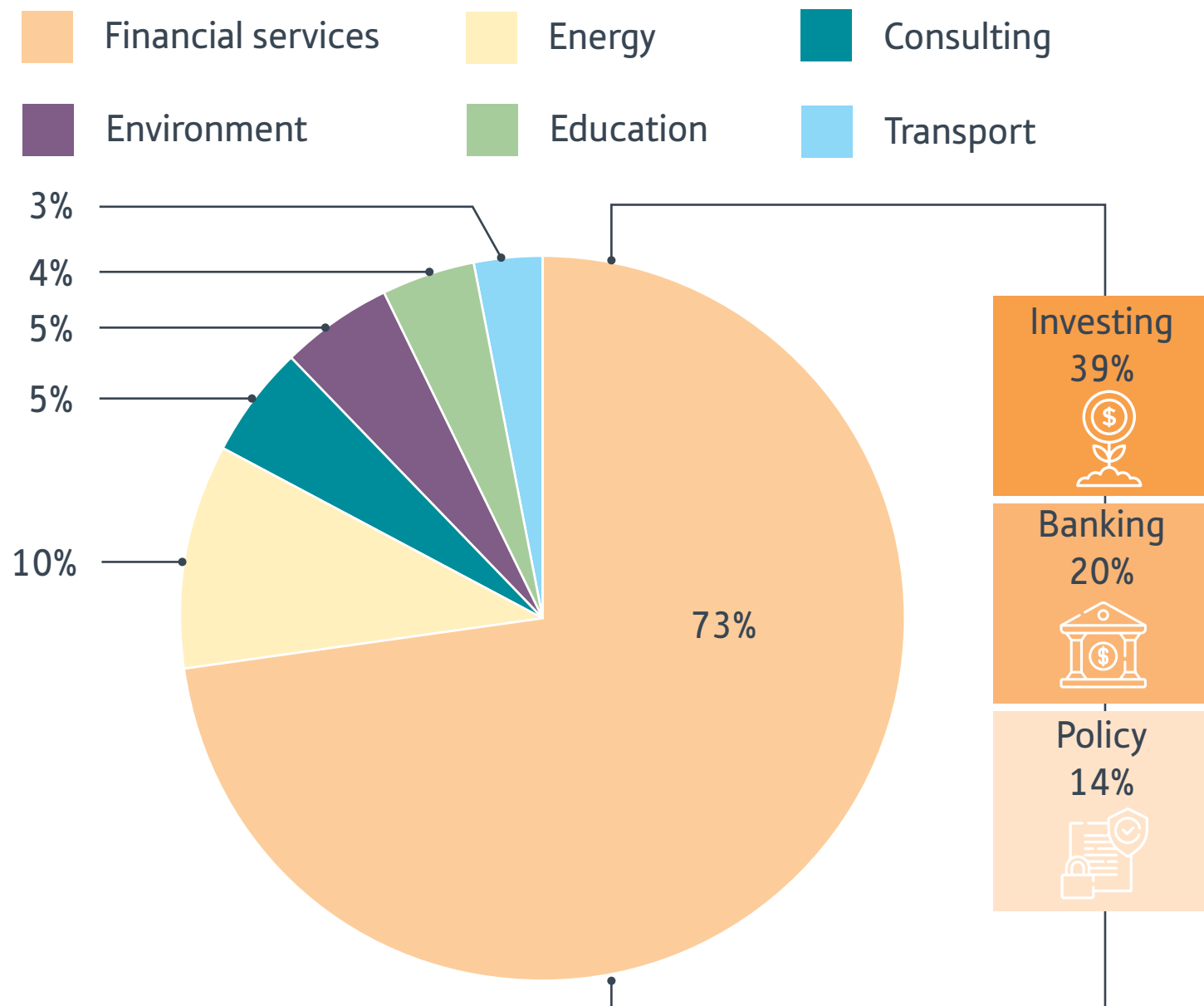
Organises webinars and education and training programmes such as the Executive Certificate in Sustainable Finance with the London Institute of Banking & Finance

ADGM's ecosystem is well suited to transformative action

Partners

At the time of writing there were 59 signatories to the Abu Dhabi Sustainable Finance Declaration. While entities engaging in the financial services sector, including those formulating public policy and regulation, account for 73% of the participants, the relative share of signatories from other sectors is expected to expand over time. This expansion is desirable, since the signatories reflect the corporate landscape, and they have a direct stake in the decisions of regulators, particularly those participating in the UAE Sustainable Finance Working Group.

Distribution by sector of the Abu Dhabi Sustainable Finance Declaration signatories

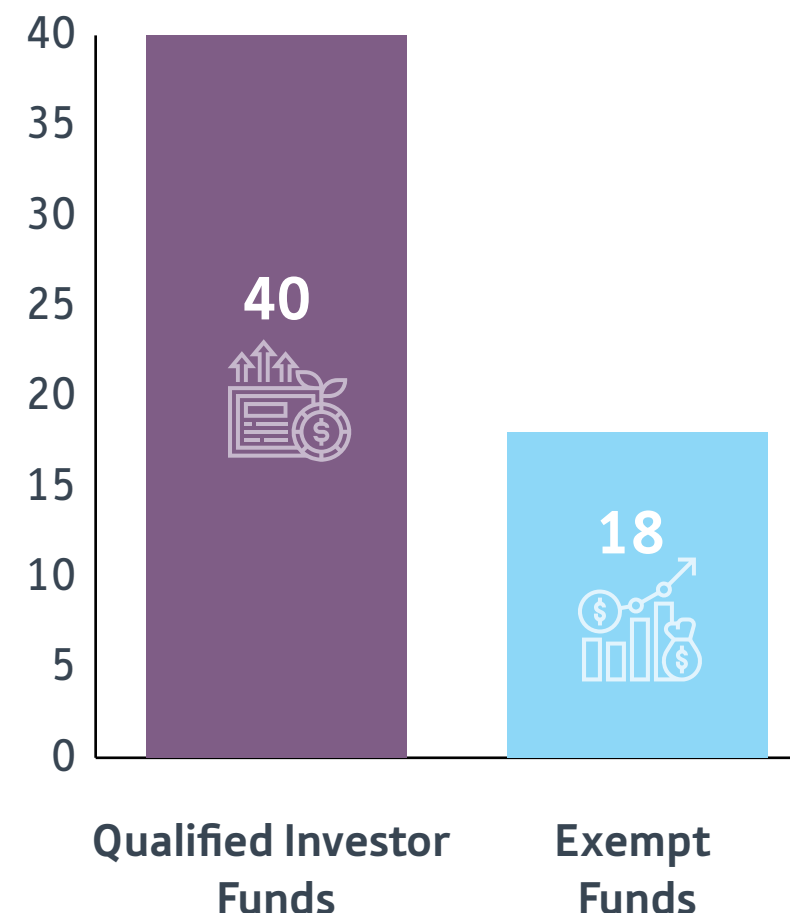


Ecosystem

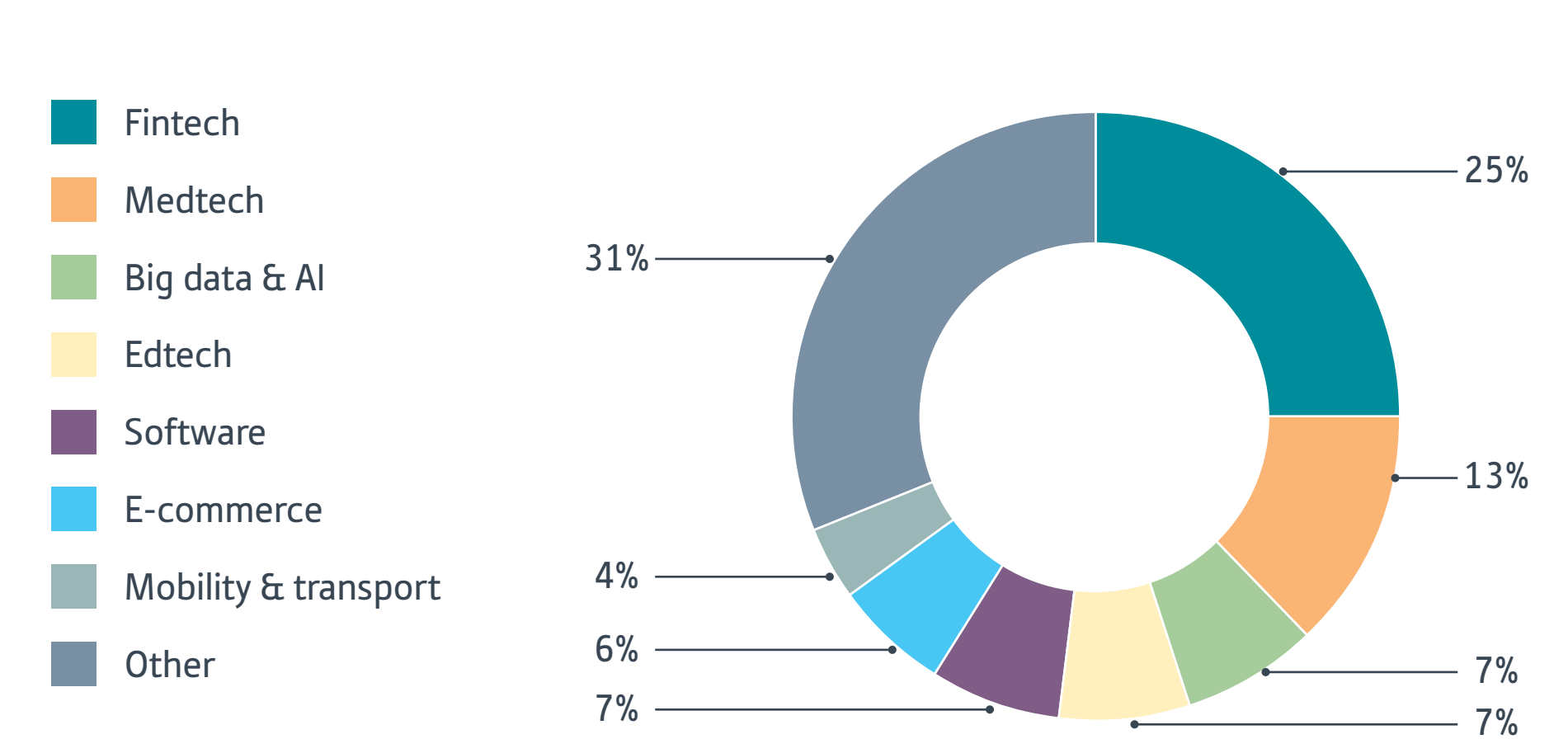
One of the principal activities undertaken in at ADGM is investment fund management, with 58 funds active as of January 2022. None of these funds were open to retail investors. Under ADGM classification, 40 were considered qualified investor funds, intended only for sale to market counterparties and other sophisticated professional clients by private placement, and with a minimum capital of \$500,000. This reflects ADGM's focus on institutional investors. In addition, ADGM is a space for innovation, with 16 firms registered at ADGM Digital Lab, its regulatory sandbox, and 22 financial technology (fintech) start-ups operating at Hub71, Abu Dhabi's national start-up ecosystem, of which ADGM is a main partner. Although fintech is the main activity at Hub71, it also hosts a number of start-ups in sectors directly linked to socio-economic progress, such as education technology and medical technology.



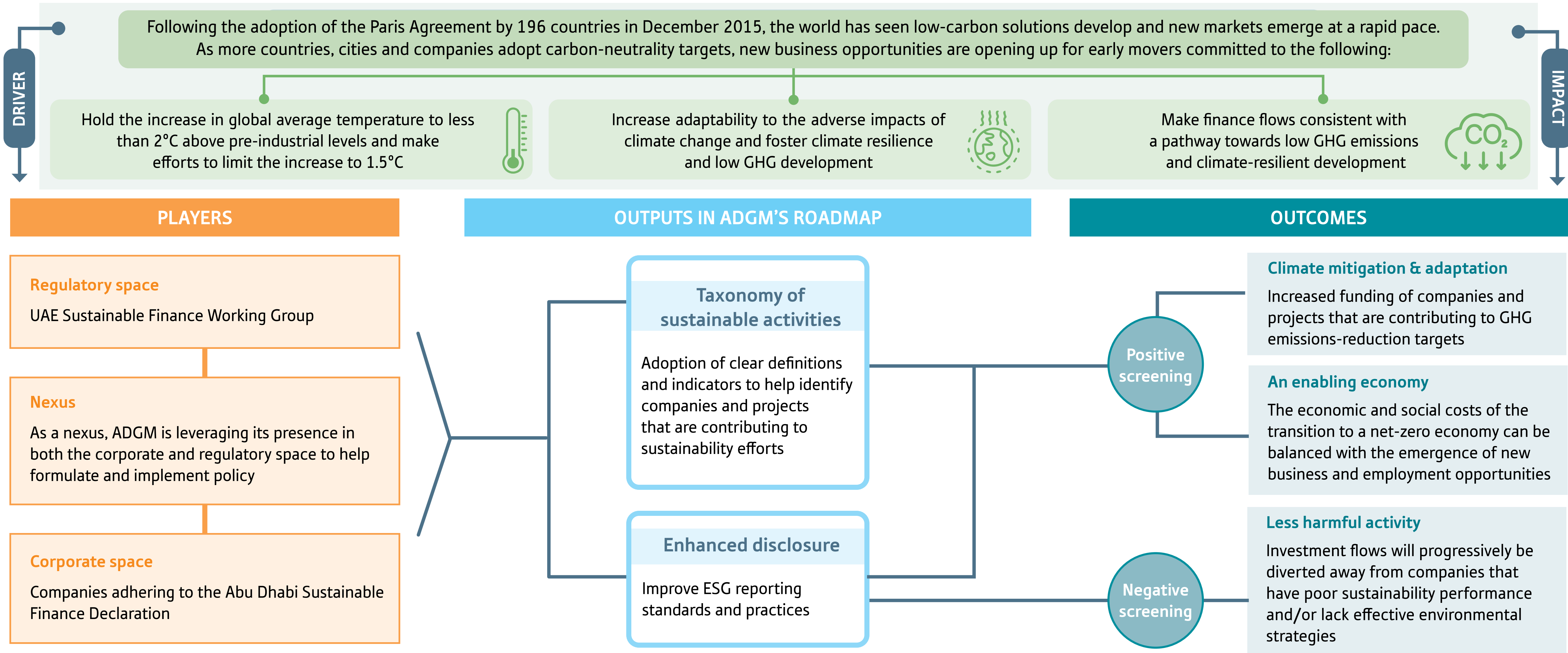
Funds at ADGM by type



Distribution by sector of start-ups at Hub71



Engagement with regulators and businesses enables investment dynamics aligned with global sustainability agenda



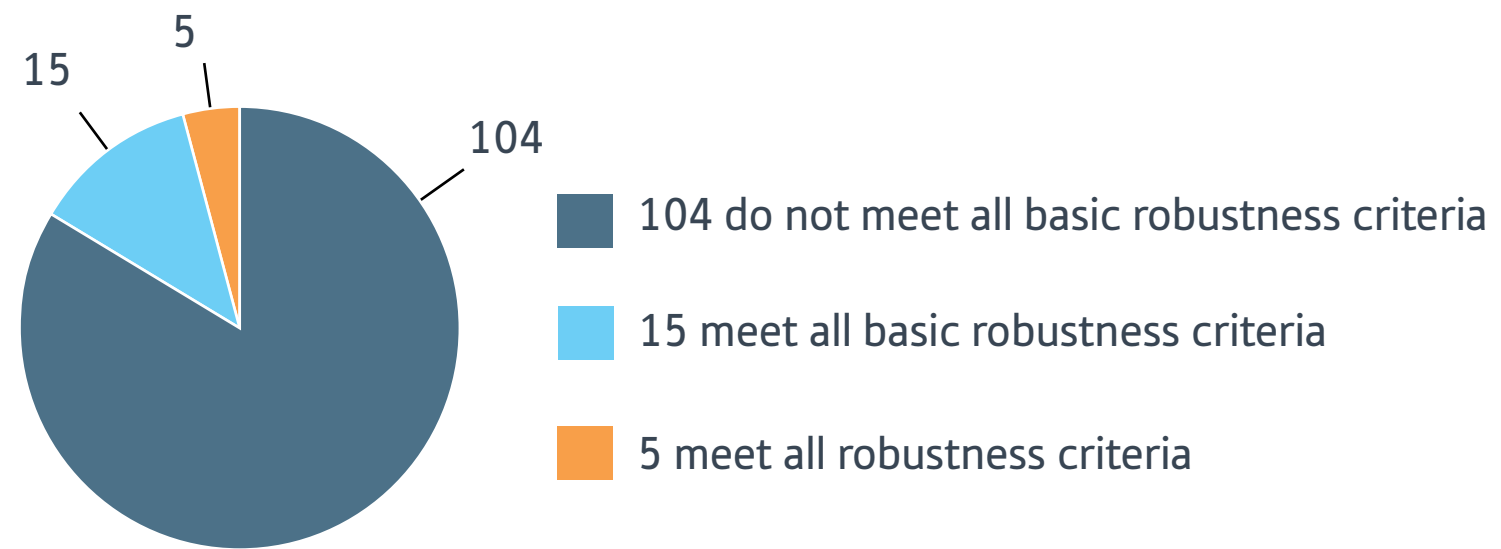
ADGM'S UNIQUE VALUE PROPOSITION


ABU DHABI GLOBAL MARKET
سوق أبوظبي العالمي

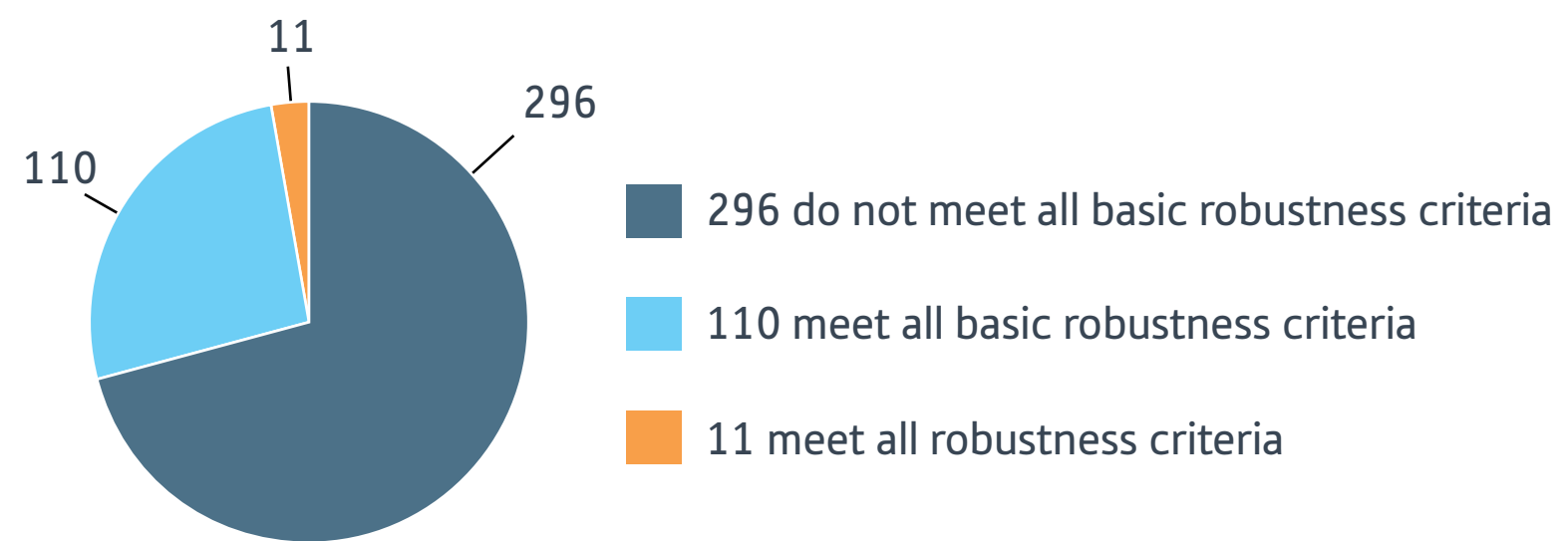
ADGM's ecosystem enables multilevel engagement to prevent greenwashing

A 2021 by report by the Energy & Climate Intelligence Unit and the University of Oxford's Net Zero examined all the countries and companies on the Forbes Global 2000 list according to a series of criteria to assess the robustness of national and corporate net-zero pledges. The findings demonstrated a gap between declaratory policy and actual planning, implementation and accountability through reporting

Out of 124 countries with net-zero pledges,



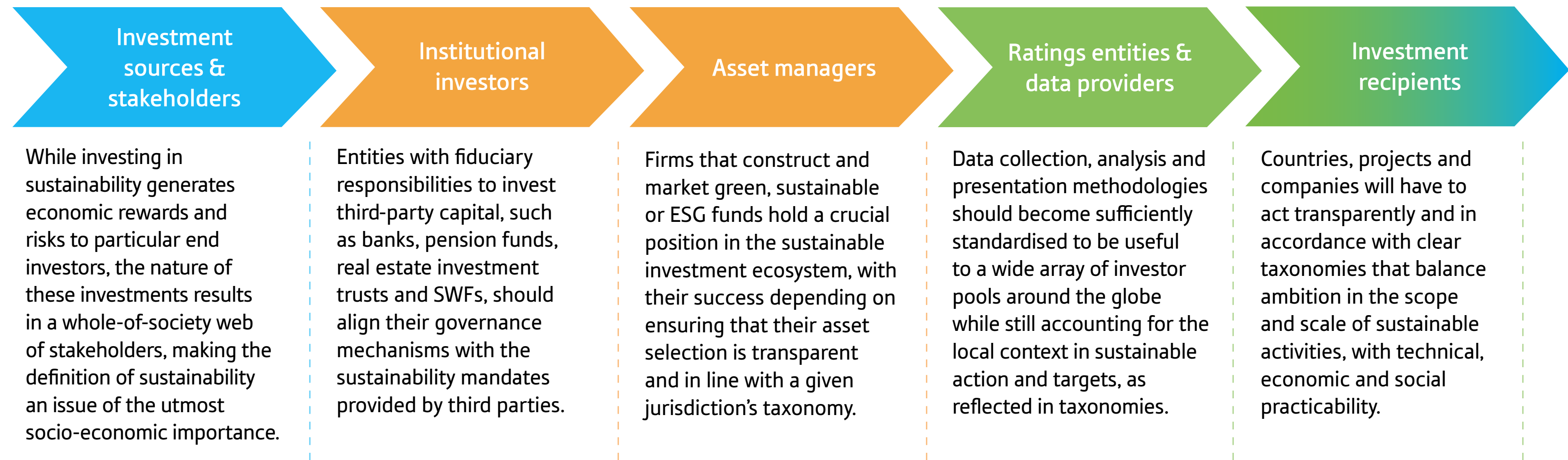
Out of 417 companies with a net-zero pledge in the Forbes Global 2000 list,



ADGM's transformative action spans the entire sustainable investment chain

Facilitating engagement between end investors and asset managers to embed sustainability mandates in their relationship is helping to ensure unity of action and accountability. Owing to its expertise, ADGM is able to draw on successful regional experiences, such as the participation of several GCC sovereign wealth funds (SWFs) in the creation of the One Planet SWF Framework.

Looking ahead, ADGM and its peer authorities and regulators in the GCC region are weighing the extent to which ESG reporting becomes mandatory. With this in mind, standardisation in ESG reporting and third-party verification will be key areas of consideration in future planning.



Investment sources & stakeholders
While investing in sustainability generates economic rewards and risks to particular end investors, the nature of these investments results in a whole-of-society web of stakeholders, making the definition of sustainability an issue of the utmost socio-economic importance.

Institutional investors
Entities with fiduciary responsibilities to invest third-party capital, such as banks, pension funds, real estate investment trusts and SWFs, should align their governance mechanisms with the sustainability mandates provided by third parties.

Asset managers
Firms that construct and market green, sustainable or ESG funds hold a crucial position in the sustainable investment ecosystem, with their success depending on ensuring that their asset selection is transparent and in line with a given jurisdiction's taxonomy.

Ratings entities & data providers
Data collection, analysis and presentation methodologies should become sufficiently standardised to be useful to a wide array of investor pools around the globe while still accounting for the local context in sustainable action and targets, as reflected in taxonomies.

Investment recipients
Countries, projects and companies will have to act transparently and in accordance with clear taxonomies that balance ambition in the scope and scale of sustainable activities, with technical, economic and social practicability.

The Paris Agreement recognises a principle of “common but differentiated responsibilities and respective capabilities” in pursuit of climate goals, which reflects different national circumstances. Therefore, when establishing the UAE sustainability taxonomy, ADGM and its partners are taking into account the transition challenges inherent to a hydrocarbons-dependent economy. Beyond simply green financing, there is significant scope in the UAE for sustainability-linked or transition financing, as seen with Etihad Airways' \$1.2bn sustainability-linked loan in October 2021. Looking ahead, broad and inclusive participation from a wider variety of stakeholders will help to increase the stability and lower the costs associated with this systemic transition. An expansion in the number of entities participating in ADGM fora, particularly non-financial entities, will prove vital in this area.

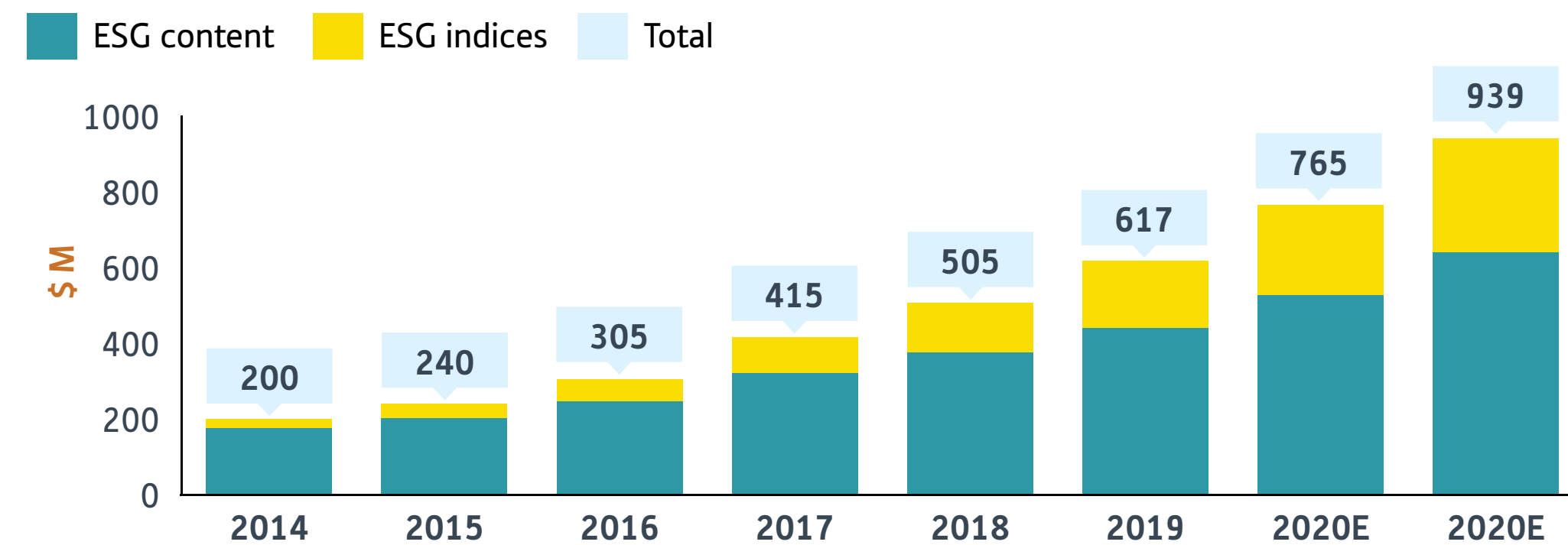
ADGM facilitates the application of fintech to address sustainability challenges

Examining fintech through a sustainability lens sets a course for ADGM to generate impact through technological innovation and policy

Improving ESG data

Data is the backbone of ESG investing, which has given rise to an industry of its own with some 200 ESG data providers and myriad fintech start-ups. In 2019 this data market was valued at \$617m and could reach \$1bn in 2021. However, ESG data is characterised by fragmentation and disparity in reporting, both in terms of indicators and format. Additionally, much ESG information is also self-reported, leading to potential biases.

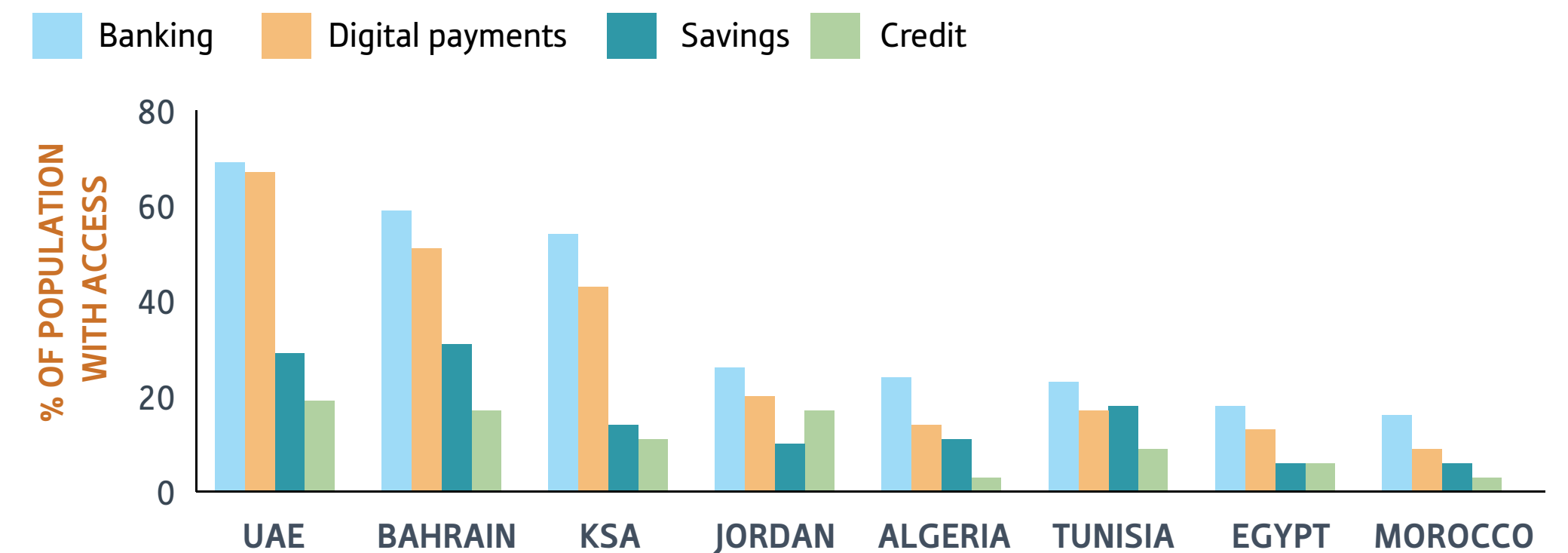
Value of global ESG data market



Boosting financial inclusion

Guaranteeing universal access to financial services is an enabler for eight of the UN SDGs, notably ending poverty, hunger and gender inequality. However, according to latest studies, in the MENA region the overall financial inclusion rate is 20%, against 76% globally. While fintech has demonstrated a positive impact on financial inclusion, the effects of disruptive technology on financial stability, compliance and consumer protection must also be accounted for.

Financial inclusion in selected MENA countries



ADGM has built strong capabilities to enable the development of fintech to address these challenges

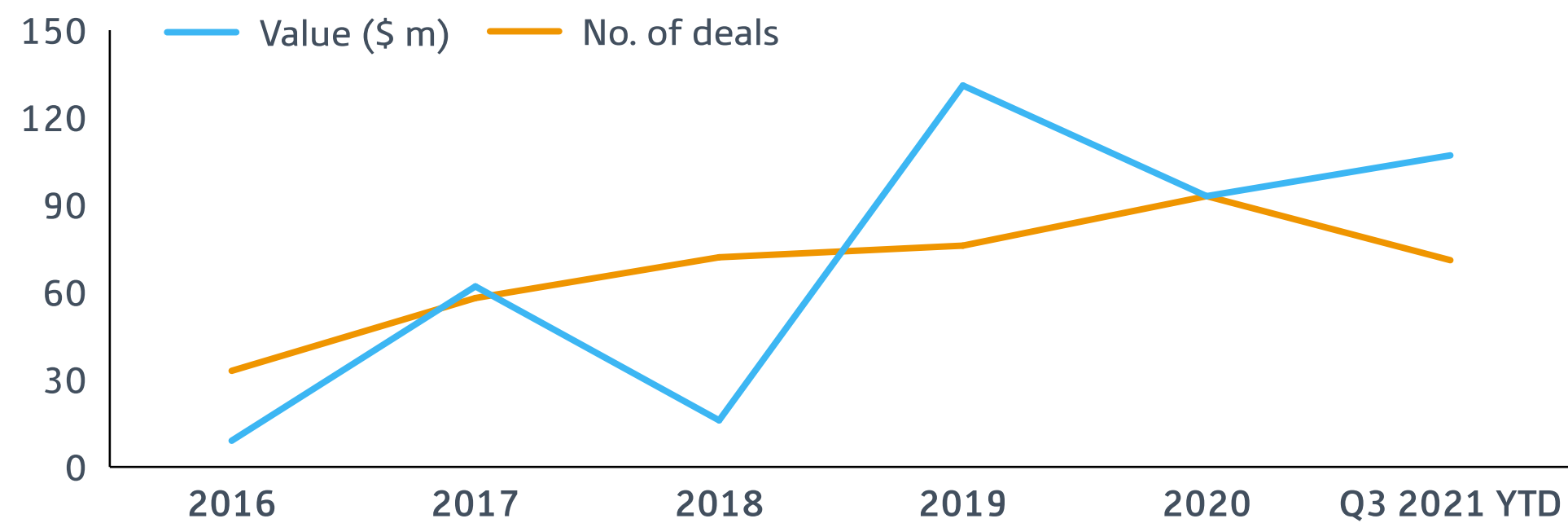
By leveraging AI and big data, involving tools such as satellite imagery and natural language processing, ESG data can be collated, analysed and presented in a cost-effective manner, filling information gaps on companies and specific assets and enabling better decision-making. ADGM is strengthening its joint efforts with Abu Dhabi's start-up ecosystem, Hub71, to advance in this direction, as well as facilitating technical cooperation through ADGM Digital Lab, a virtual sandbox environment for testing digital solutions to address pain points. Local research players, such as Mohamed bin Zayed University of Artificial Intelligence, will also be an important part of the engagement strategy.

Financial innovation requires balancing opportunity with safeguards to protect the economy and consumers. Therefore, regulators have an active role to play. In this regard, ADGM Digital Lab provides space for technological innovators to test the alignment of new solutions with regulatory requirements, allowing for both effective oversight and practical dialogue between innovators and regulators. At the same time, real financial inclusion requires cooperation between traditional banks and fintech companies. By gathering both sides in the same location and creating opportunities for exchanges, such as the Abu Dhabi Sustainable Finance Forum, ADGM nurtures this cooperation.

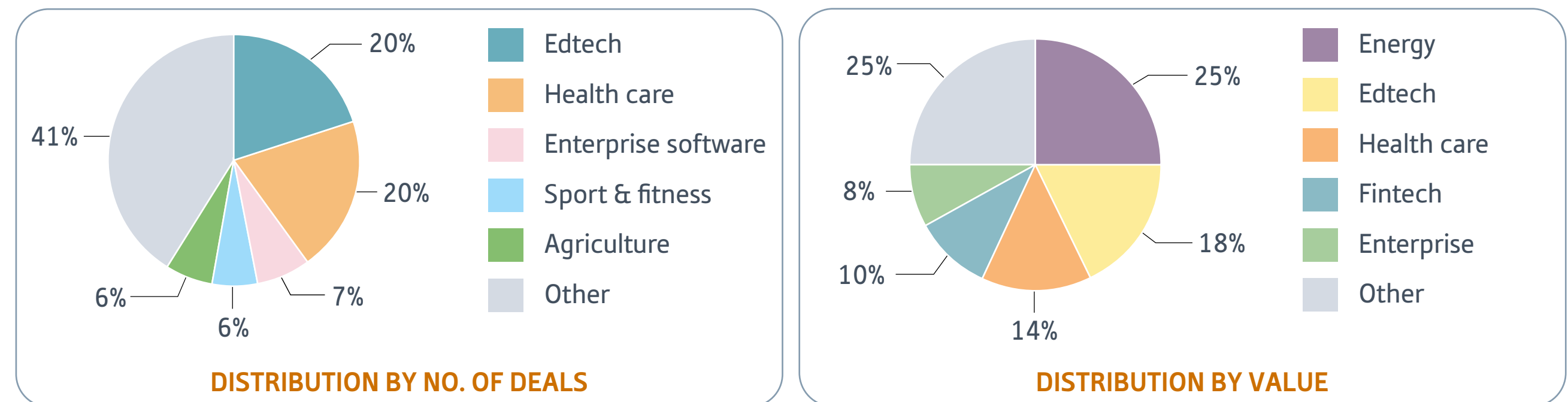
Having developed a core foundation and know-how in the regulation of digital assets since 2018, ADGM has a strong interest in supporting the sustainable development of blockchain applications. Through the UAE Sustainable Finance Working Group and collaboration with the signatories of the Abu Dhabi Sustainable Finance Declaration, ADGM can explore ways to reduce the environmental footprint of blockchain-based digital assets.

Regulation, incentives and applied research accelerate impact investment in venture capital

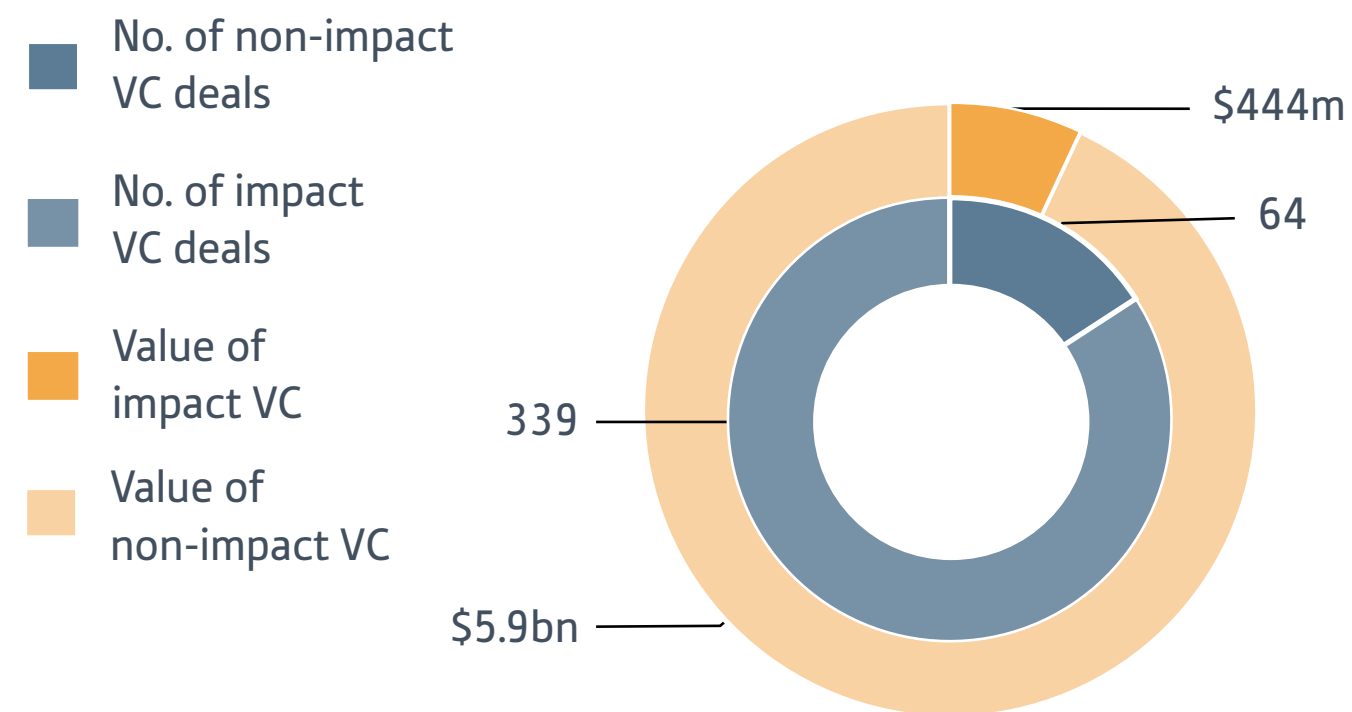
With a clear upward trajectory in the number of deals, 2021 looks to be a record year for VC impact investment in the MENA region, with the value of investment committed in the first nine months already representing 82% of the all-time heights set in 2019.



While there is notable fragmentation in terms of the number of deals by sector, there is a considerable value concentration in the energy, edtech and health care sectors, which together amount to well over 50%.



However, impact investment represents a small fraction of the VC capital scene in the region, which in the period from 2016 to Q3 2021 saw over 400 deals, attracting \$6.3bn. Impact investment represented 16 deals and 7% of the total.



While globally VC lags behind other types of investment in terms of ESG considerations, ADGM is well positioned to contribute to change

ADGM Financial Services Regulatory Authority periodically updates its VC Framework – with the latest changes introduced in May 2021.

ADGM's emergence as a centre for sustainable finance is underpinned by the ongoing development of a regulatory framework which outlines criteria for green-labelled financial products and services, and ensures that climate change risk is taken into account at all levels of firms' risk management. In turn, VC funds active in ADGM should accordingly be incentivised to adopt more sustainable investment policies focused on companies that generate positive impact.

As ADGM works to finalise its proposals for a sustainable finance regulatory framework, the initial focus is on standards governing products and services labelled as sustainable, as well as on a green taxonomy governing green-labelled activities in partnership with peer federal and regulatory authorities across the UAE. This will provide VC firms with greater regulatory certainty and impetus to adopt sustainable strategies.

Training, research and awareness-raising contribute to inclusive solutions

Training



The advancement of sustainability goals requires the specific acquisition of knowledge, skills and expertise

- Governments, companies and NGOs will need to provide the necessary training to navigate a rapidly developing business and policy landscape, while ensuring employees can remain focused on their core functions.
- ADGM Academy is contributing to meeting this need through a wide range of bespoke courses that reflect the evolving needs and demands of market practitioners. ADGM Academy's Executive Certificate in Sustainable Finance is a prime example of the credentials and micro-credentials on offer to enable professionals to broaden their expertise in this area.

Research



The transition to an environmentally and socially sustainable economy calls for advanced, policy-relevant and multidisciplinary research to help overcome challenges

- Goal-oriented, sustainability-focused research is based on multilevel and cross-sector collaboration. Owing to their transversal nature, financial centres have enhanced visibility across economic systems, which enables them to identify opportunities for impactful joint research.
- ADGM is uniquely positioned to play a role in this area owing to its deep resources and broad mix of partners and ADGM-based companies. One area of interest is sector-specific carbon-offset architectures, as evidenced by Etihad Airways' offset plans in partnership with Respira, an international offset finance house and relative newcomer to ADGM.

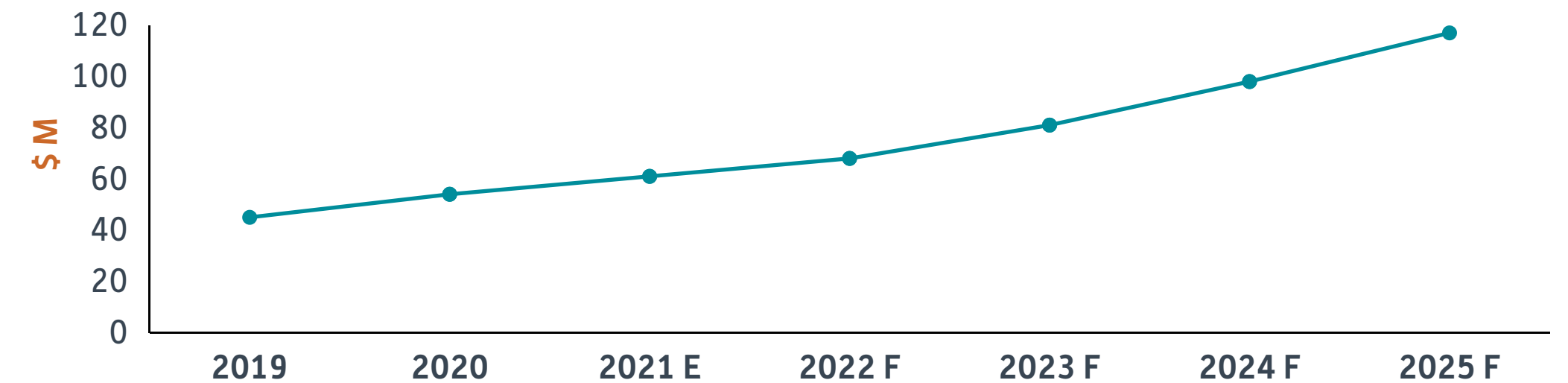
Awareness



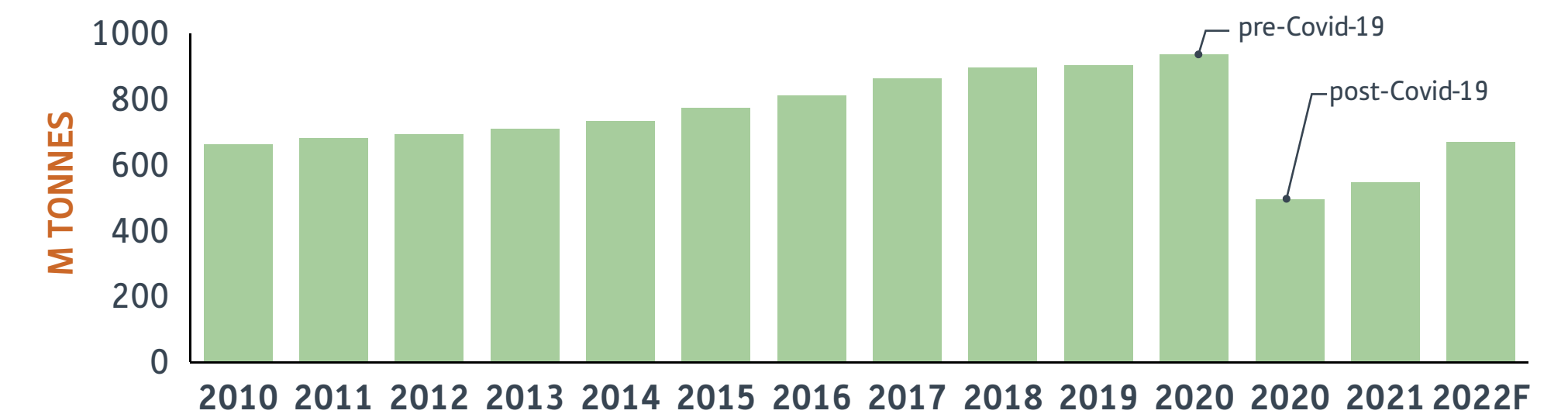
The pathway to a sustainable future is long and requires an enhanced sense of awareness to navigate a shifting social, economic, political and technological landscape

- In the long term, sustained progress and unity of purpose is the result of continuous dialogue to ensure appropriate actions are identified and all stakeholders' interests are adequately balanced. Now that sustainability is firmly on the agenda in a broad sense, awareness-raising will become more granular, focusing on specific issues and categories of stakeholders, particularly those that are currently under-represented, such as workers.
- ADGM, through engagement initiatives such as the Sustainable Finance Forum, Abu Dhabi Sustainability Week and the Zayed Sustainability Prize, is fostering this type of awareness to ensure nobody is left behind.

Growth in the market for short, competency-based courses

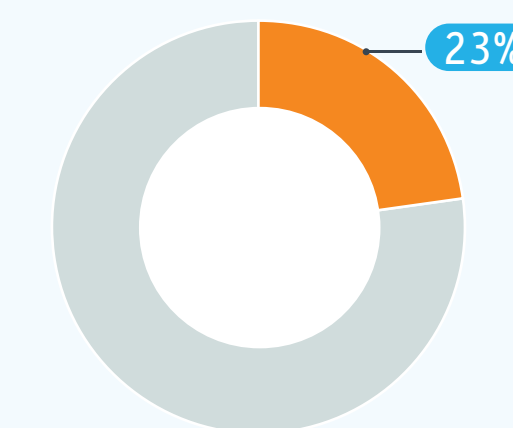


Carbon dioxide emissions from worldwide commercial aviation

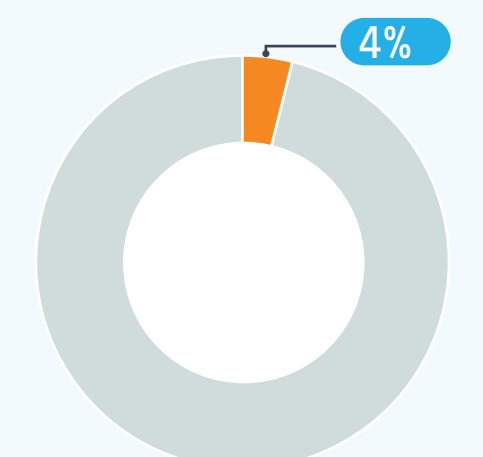


According to a 2021 study conducted by the World Benchmark Alliance, out of 180 leading companies in the oil and gas, electric utility and auto manufacturing sector...

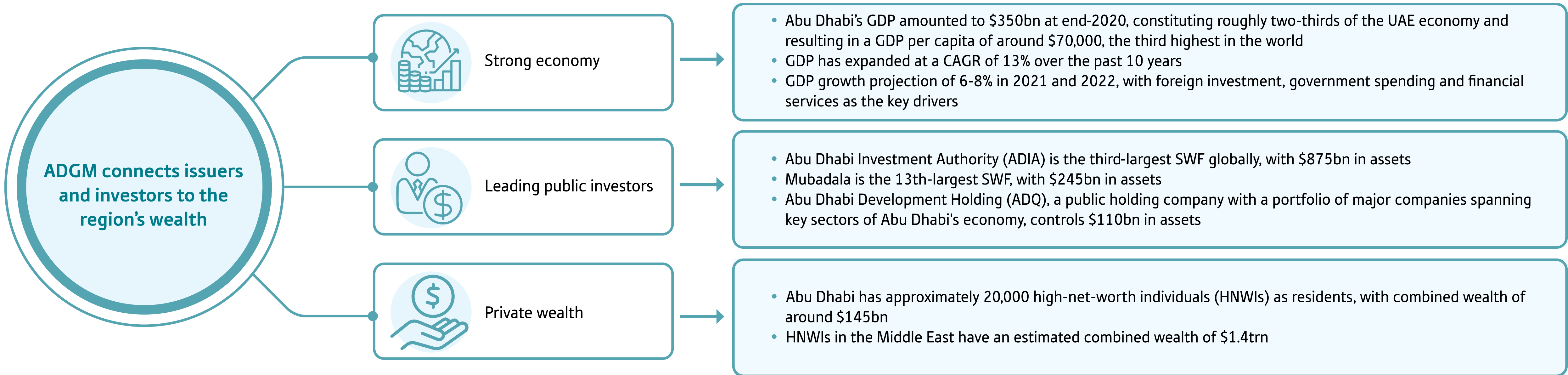
23% give support to displaced workers



4% demonstrate advocacy for just transition policies and regulations



ADGM supports sustainable asset issuers and investors through its role in shaping policy and channelling capital



A partner to define sustainability...

The development of taxonomies of sustainable assets is of crucial importance, both at a global and a regional level. The distinct characteristics of the economies of the UAE and other GCC countries, together with their specific national circumstances and goals, mean that any future taxonomy in the region will reflect the local socio-economic, cultural and technological context.

With ADGM working with its partners to deliver an UAE taxonomy, there is an opportunity for corporate and government players to shape the future of sustainable investment in the region in a way that aligns with their strategies and funding needs.

...ready to support new solutions...

Abu Dhabi, like other GCC economies, is reliant on hydrocarbons revenue. In this context, Abu Dhabi's private and public players are looking at ways to boost the development of carbon capture and storage technologies as a tool to reduce carbon emissions and produce blue hydrogen, as well as to speed up the adoption of solar-based or green hydrogen.

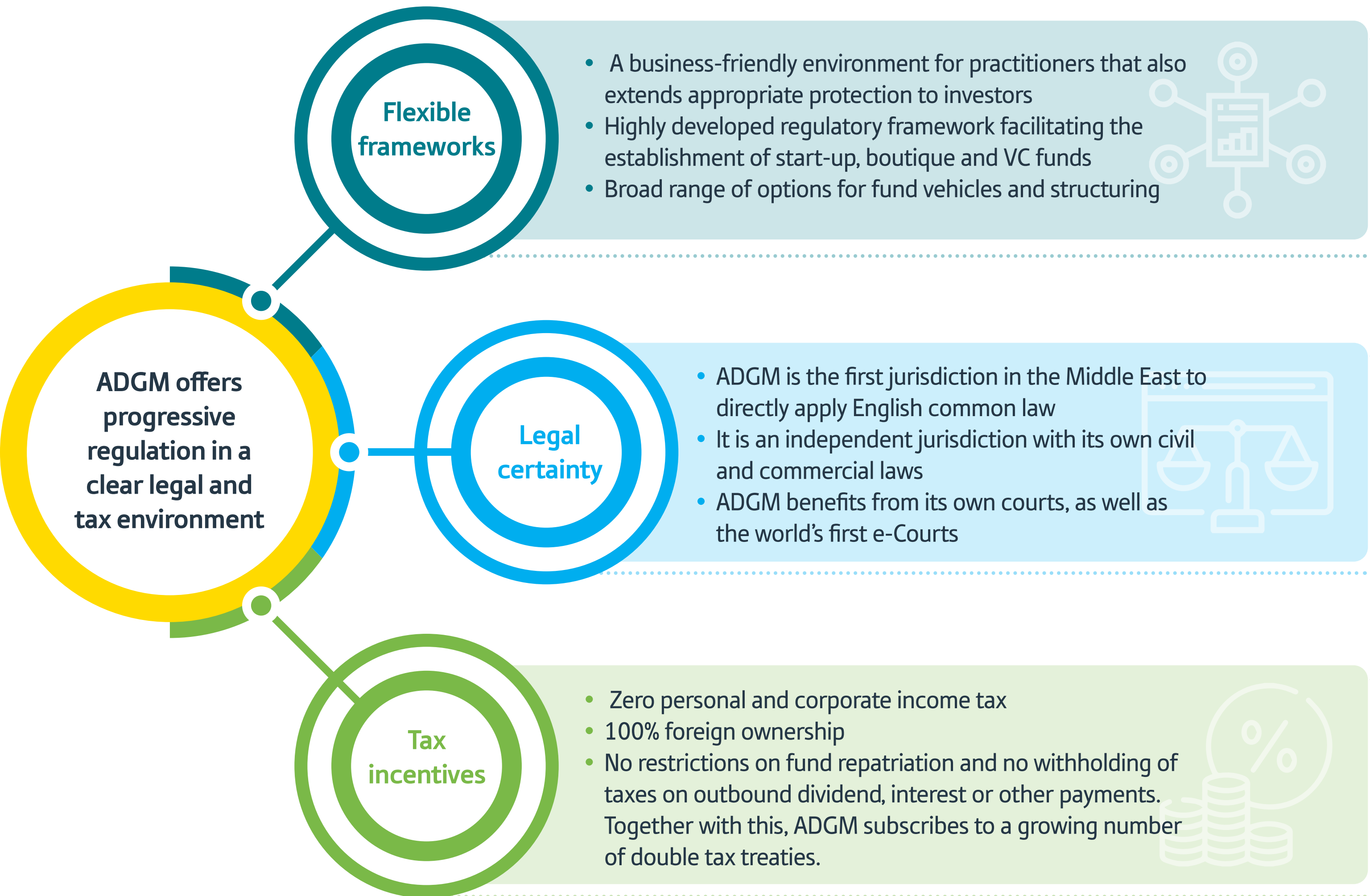
ADGM helps to channel funds towards such transformational endeavours through its sustainable finance ecosystem.

...in an increasingly committed region

With the UAE and Saudi Arabia aiming to become carbon neutral by 2050 and 2060, respectively, and leading companies in the region setting ambitious sustainability targets, the next decades will see an acceleration in the growth of sustainable finance. At the same time, high-profile events in the region – such as Dubai Expo 2020, the 2022 FIFA World Cup in Qatar and the COP28 UN Climate Change Conference in the UAE in 2023 – will shine a further spotlight on sustainability.

ADGM, which is a prime venue for awareness-raising, is uniquely positioned to capitalise on the global attention on a rapidly changing region to attract green asset issuers and investors.

ADGM's forward-looking regulatory framework and incentives are key enablers of sustainable finance



For financial intermediaries, ADGM is...

An engine for growth...

As a financial centre, ADGM enables growth by hosting the different financial intermediaries required to mobilise capital for sustainability. ADGM-based companies engaged in fund and asset management have at their disposal a variety of fund vehicles and structuring options that account for the needs of public-private partnerships. Sector-specific frameworks have also been developed, including for venture capital and sharia-compliant investment, two areas of particular relevance to sustainable investment.



... in a financially thriving economy...

Abu Dhabi is home to some of the region's largest banks, including First Abu Dhabi Bank and Abu Dhabi Commercial Bank (both signatories to the Abu Dhabi Sustainable Finance Declaration), and \$370bn in banking assets. With more than two-thirds of the UAE's wealth originating in the capital, Abu Dhabi's public and private institutions, notably Abu Dhabi Investment Authority and Mubadala (also signatories of the declaration), are among the largest investment organisations in the world. By being in close proximity to all these institutions, ADGM entities benefit from access to attractive options to draw capital and structure funding for large-scale projects.

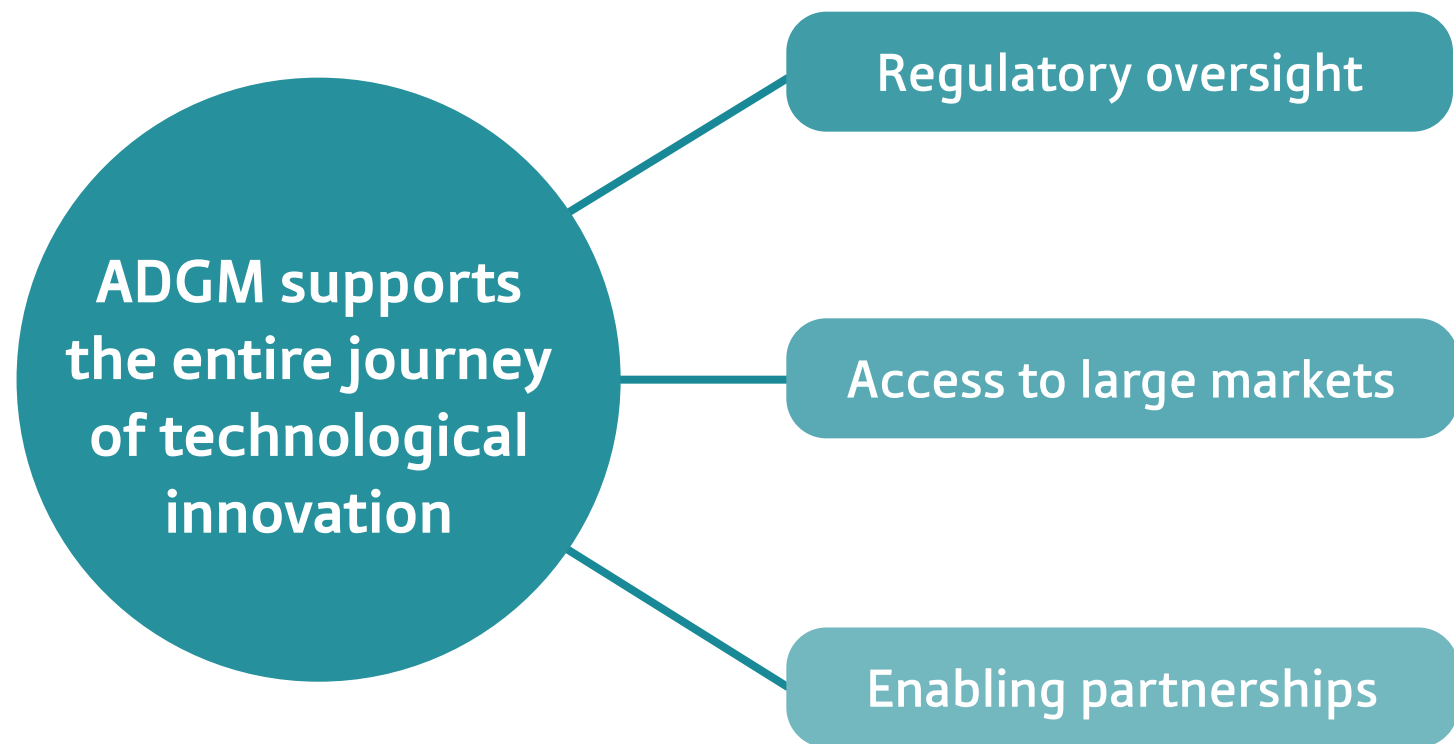


... fostering talent and prosperity

Achieving a sustainable future requires a broad mix of talent to navigate risks and achieve unity of purpose in pursuit of sustained action. To this end, ADGM seeks to reduce uncertainty by being a predictable jurisdiction based on English common law, which safeguards organisations' commercial interests through a zero-tax environment without restrictions on profit repatriation. Regarding talent attraction, the employees of ADGM entities can benefit from the UAE's attractive visa programmes, including the Golden Visa system.



Regulatory testing and network facilitation are the pillars of ADGM's approach to fintech



- ADGM set up the region's first fintech regulatory regime, including the first virtual asset framework and first regulatory sandbox, which is the second-most-active globally after London
- The ADGM Financial Services Regulatory Authority (FSRA) has been ranked the number one fintech regulator in MENA in 2021 by Seamless Middle East, and most innovative MENA fintech regulator in 2021 by FinX
- ADGM is the gateway to highly populated markets in the Middle East, Africa and South Asia, where gaps in financial services present opportunities for fintech innovators. Almost 50% of the world's 1.7bn financially excluded adults are concentrated in those regions.
- Hub71 fosters collaboration to identify overseas market needs and entry points
- Local entities, such as ADIO, and industry giants, such as Microsoft, lend financial and non-financial support to Abu Dhabi's fintech start-ups
- Events such as FinTech Abu Dhabi and Abu Dhabi Sustainability Week provide additional opportunities for partnership development

For fintech innovators, ADGM is...

A pioneering regulator...



The ADGM Financial Services Regulatory Authority has established enabling regulation to harness the potential of rapidly evolving technology. In 2016 ADGM established its first fintech framework. In 2018 it created a regulatory framework for online private financing platforms and a virtual asset framework, the first of its kind in the region. In this architecture, ADGM Digital Lab ensures that new technologies are adequately tested before being deployed. Open to both ADGM-licensed entities and beyond, either start-ups or well-established firms, the Digital Lab enables technology to foster innovation in a regulated and safe environment.

... supporting socially focused innovation...



Pyypl, a start-up providing financial services to unbanked or underbanked consumers in the Middle East and Africa, is registered in ADGM Digital Lab and was ranked seventh out of the UAE's top-10 rising companies in the 2021 LinkedIn top start-ups list. Meanwhile, Finverity, a trade finance platform directly connecting companies in need of working capital optimisation to institutional investors, was a finalist in the 2020 FinTech Abu Dhabi Innovation Challenge, hosted by ADGM Digital Lab. These cases serve as examples of ADGM's support to fintech firms that are generating a positive impact in the area of financial inclusion.

... through collaborative frameworks



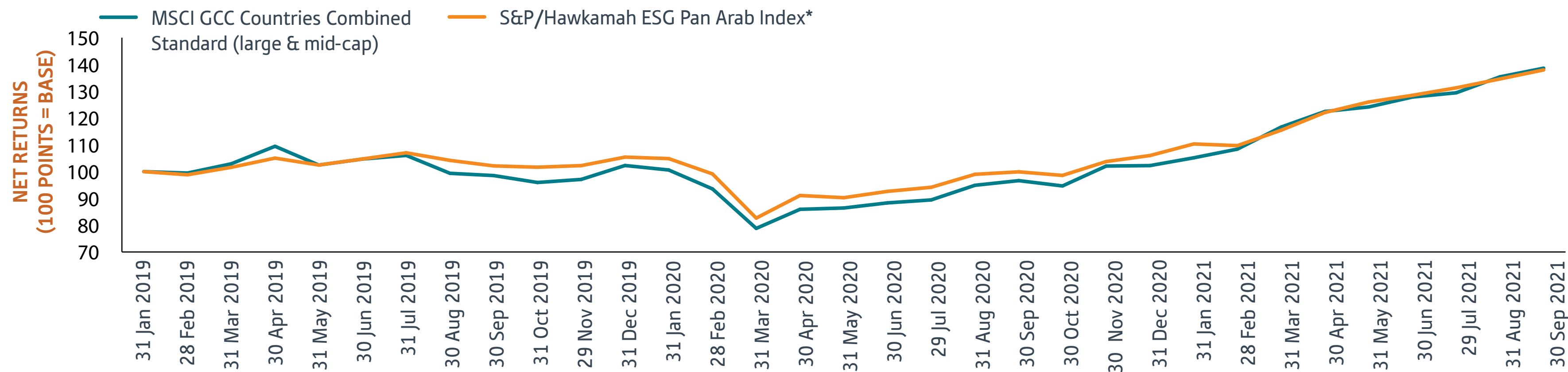
At a national level, the Central Bank of the UAE established a fintech office to coordinate national efforts in this area, requiring collaborative approaches to nurturing innovation. In this regard, ADGM is home to Hub71, whose TechStars programme connects leading financial entities to promising fintech start-ups to facilitate market access and funding. This adds to the efforts of other Abu Dhabi players aligned with ADGM's vision, such as ADIO, which organised the Plug and Play Abu Dhabi Fintech programme. Microsoft, another ADGM partner, leads the GrowthX Accelerator programme for local fintech start-ups.

TRENDS IN SUSTAINABLE FINANCE



Economic transformation and positive ESG equity performance bode well for GCC sustainability financing

Stocks from ESG-leading companies outperformed during 2020



*Out of 50 companies, 46 are based in the GCC, amounting to 93.3% of the index's total value

The GCC region is witnessing a large expansion of green and sustainability-related financing

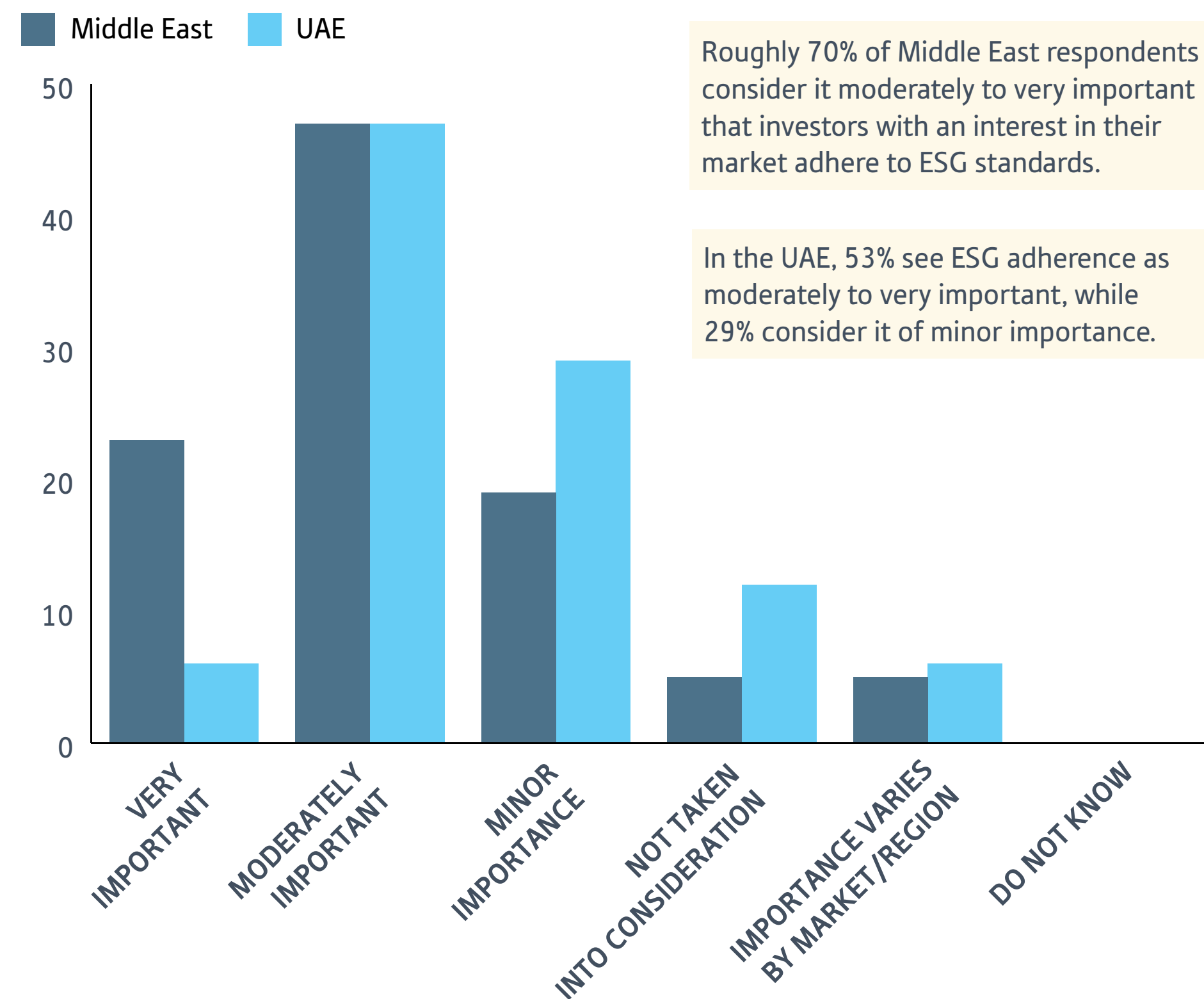
Mar 2017	Sep 2018	Oct 2018	Oct 2018	Sep 2019	Oct 2019	Jun 2020	Sep 2020
First Abu Dhabi Bank's (FAB, then NBAD) \$587m green bond	Masdar's \$75m green loan	Majid Al Futtaim's (MAF) first \$600m green sukuk	DP World's \$2bn green loan	FAB's \$50m and \$20m green bonds	MAF's second \$600m green sukuk	FAB's HK\$750m Hong Kong dollar-denominated green bond	Saudi Electric Company's \$1.3bn green standalone sukuk (dual tranche)
Jun 2021	Apr 2021	Mar 2021	Jan 2021	Nov 2020	Sep 2020	Sep 2020	Sep 2020
FAB's RMB150m Chinese yuan-denominated green bond	The Red Sea Development Company's \$3.77bn green loan	Emirates NBD's \$1.75bn sustainability-linked refinancing loan	FAB's CHF260m Swiss franc-denominated green bond	Etihad's \$600m transition sukuk	Qatar National Bank's \$600m green bond	\$561m financing for Shuaa Energy 3 PSC (SPV for fifth phase of the Mohammed Bin Rashid Al Maktoum Solar Park in Dubai)	

Ripe for sustainability

Amid the dual shock arising in 2020 from subdued economic activity and the oil price crash, GCC companies championing sustainability outperformed leading regional stock indices. In the context of a global shift away from fossil fuels, which casts a shadow over the long-term profitability of oil and gas companies that are not pursuing transition strategies, ESG-focused businesses will assert their prominence. This anticipates investment flows to businesses actively participating in the region's sustainable economic transformation. In the first half of 2021 sustainability-linked finance in the whole MENA region reached \$6.4bn, an increase of 38% compared to FY 2020, with GCC companies being the main drivers.

OBG's ESG CEO Survey reveals the main drivers for sustainable investment in the Middle East

How important is adherence to ESG standards for investors with an interest in your market(s) of operations?

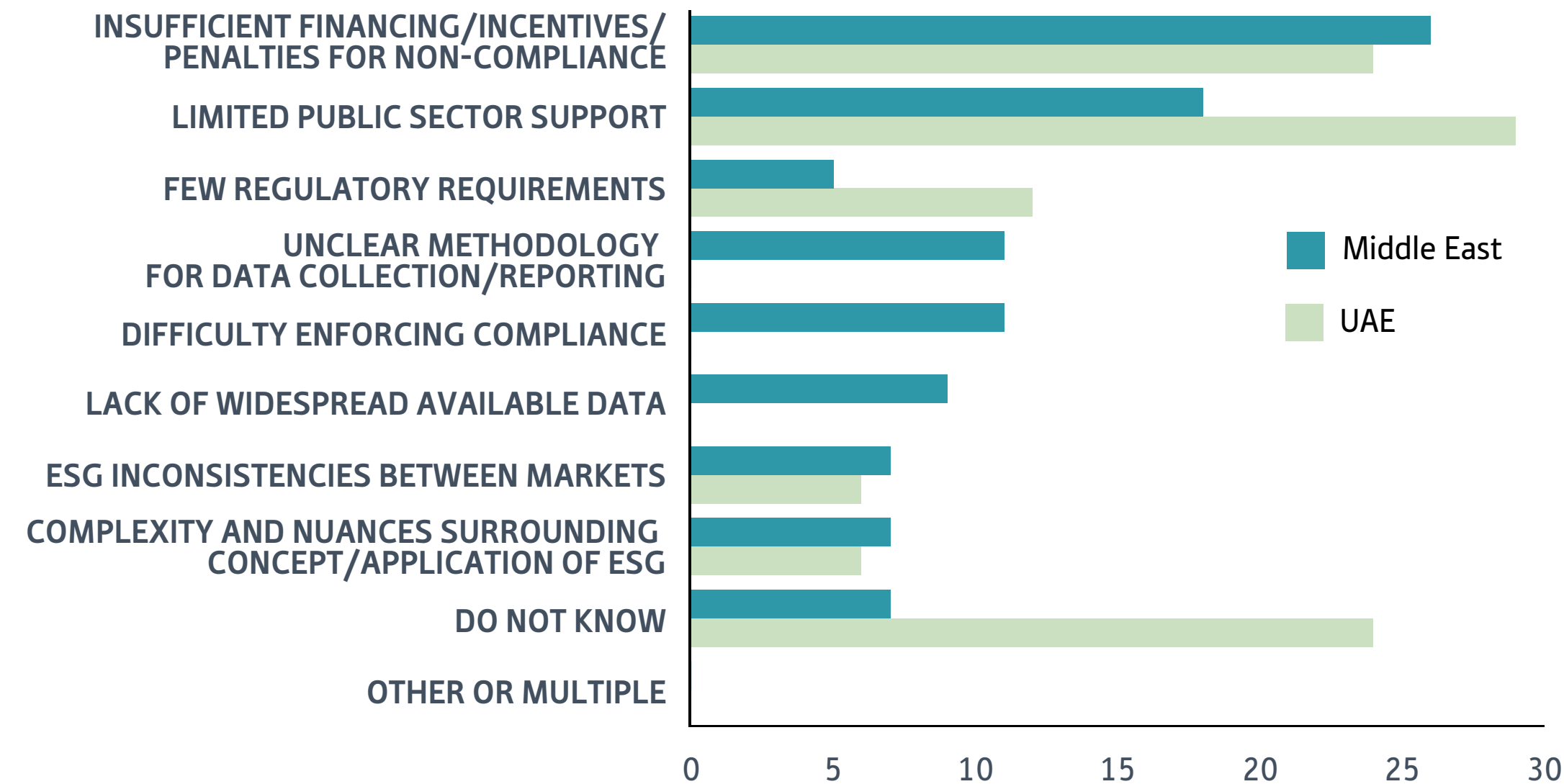


Roughly 70% of Middle East respondents consider it moderately to very important that investors with an interest in their market adhere to ESG standards.

In the UAE, 53% see ESG adherence as moderately to very important, while 29% consider it of minor importance.

Over 350 C-suite executives from across the Middle East, Africa, Latin America and Asia took part in OBG's survey from July to September 2021. Executives were from a broad range of sectors, with financial services and energy most highly represented. Approximately 15% of companies were publicly listed.

Which do you identify as the biggest obstacle to greater ESG adherence across your market(s) of operation?



In line with global trends, companies in the Middle East cite insufficient financing, incentives and penalties for non-compliance (26%) as the biggest obstacle to greater ESG adherence in the region.

This is, however, followed by few regulatory requirements (18%), a lack of widespread available data (11%) and unclear methodology for data collection/reporting (11%).

In the UAE, few regulatory requirements is named as the biggest obstacle, at 29%, followed by insufficient financing, incentives and penalties for non-compliance (24%).

Which factor has had the most influence on your ESG commitments to date, or looks set to drive ESG commitments in the future?



In the Middle East, the top-three factors influencing companies' ESG commitments are regulatory requirements (23%), internal demand (19%) and risk management (18%).

For the UAE, internal demand is the most influential (29%), followed by regulatory requirements (18%) and external demand (18%).

SUMMARY





How is a consistent and comprehensive taxonomy for sustainable finance being produced for the UAE market?

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

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

The UAE Sustainable Finance Working Group comprises numerous federal and local UAE regulators and capital markets, and is chaired by ADGM. It has issued a High-Level Statement on Sustainable Finance to achieve regulatory consistency and coordination in order to promote sustainable finance in the UAE.

This outlined three key deliverables that the UAE authorities will strive to accomplish. First, undertaking a targeted study to encourage consistent corporate ESG disclosure standards across the UAE. Second, strengthening corporate governance by UAE companies to contribute to driving the

sustainability agenda. Lastly, developing a UAE taxonomy of sustainable activities, which would constitute a major milestone in the economic transition towards sustainable development. The implementation of the deliverables will be achieved through both legislative and non-legislative means, and in coordination with all the relevant authorities so that sustainability is incorporated into regulatory frameworks in a holistic way. The initial focus will be on standards for products and services that are labelled as sustainable.

Amendments to the capital markets framework will be published in early 2022, covering ESG disclosure for listings and offers; responsible and sustainable sourcing of commodities; and carbon-emissions allowances for companies.

What are the most effective tools to encourage companies to adopt more holistic ESG policies and reporting practices?

GIVANAKIS: It is important to first raise awareness and then develop expertise. To ensure that the UAE has adequate and sustainable talent capital, ADGM Academy has established initiatives to raise the level of proficiency in sustainability and sustainable finance literacy in the UAE and the wider region.

As of the beginning of 2022 the academy had 22 managerial professionals who completed the Executive Certificate in Sustainable Finance, which was developed by the London Institute of Banking & Finance, and the academy recently opened enrolment for the programme’s third cohort. The academy has also introduced the Sustainable Finance Knowledge Series, which serves a wider audience and helps to increase participants’ understanding of this relatively new topic.

“
A High-Level Statement on Sustainable Finance has been issued to achieve regulatory consistency and coordination in order to promote sustainable finance in the UAE
”

6 Key Takeaways

1

The Covid-19 pandemic has underlined the importance of risk mitigation and sustainable value creation. In turn, this creates opportunities for global financial centres to establish themselves as **viable ecosystems for sustainable investment and capital-raising.**

2

The **UAE has already made significant progress in its sustainable finance agenda**, with the country taking a whole-of-society approach to achieving net-zero carbon emissions by 2050. Alongside peer authorities and regulators, **ADGM has a leading role to play** in facilitating this transition by stimulating sustainable finance flows and innovations.

3

As global investors increasingly seek financial markets with robust standards and credible green credentials, **ADGM's status as a sustainable finance centre will be supported by a holistic regulatory framework** governing green-labelled products and services and supporting transparent corporate disclosures and responsible business practices.

4

The **creation of a green taxonomy for the UAE** will reflect the national socio-economic, cultural and technological context and take into account local transition challenges. By doing so, **the taxonomy will support national net-zero ambitions** by helping to identify and attract capital to companies and projects best positioned to contribute to sustainability efforts.

5

Beyond its current regulatory plans, ADGM is **well positioned to cement its status a global sustainable finance centre** thanks to its robust and independent legal system based on English common law, combined with a business-friendly environment, a national government committed to ambitious climate goals, and close connections to deep pools of private, corporate and institutional wealth.

6

The emergence of ADGM as a sustainable global finance centre will be further supported by ongoing engagement with partners, investors and firms based in the jurisdiction to **raise awareness of sustainability opportunities**, as well as research and training initiatives led by **ADGM Academy to expand local expertise in sustainable finance.**

ESG INTELLIGENCE

In collaboration with

