



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

Vision

"To be a global leader in promoting
good corporate governance"

Motto

सत्यं वद। धर्मं चर।

Speak the truth. Abide by the law.

Mission

"To develop high calibre professionals
facilitating good corporate governance"

#ICSIMiddleEastConf

ICSI MIDDLE EAST CONFERENCE

Theme : Responsible Investment for Sustainable Future

Co-Host : ICSI Middle East (DIFC) NPIO

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- **MSME & Accelerators:** Structuring, implementation of running the accelerators and fundraising.
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- **Dispute Resolution:** Arbitration and mediation



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ICSI MIDDLE EAST CONFERENCE

Theme

**RESPONSIBLE INVESTMENT
FOR SUSTAINABLE FUTURE**

Day & Date

4 – 6 SEPTEMBER, 2024

Venue

GRAND HYATT, ABU DHABI, UAE

August, 2024

For Private Circulation Only

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Published by :

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Laser Typeset by:

AArushi Graphics, New Delhi

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In this era of unparalleled change, the landscape of business and governance is experiencing a profound transformation. As we sprint towards a future characterized by extreme connectivity and complex challenges, the attainment of sustainable development has shifted from being a choice to a necessity. This document provides valuable insights to steer through this fluid environment, delving into the pivotal issues that are moulding the future of corporate operations and governance.

The financial landscape is undergoing a profound transformation, driven by the need to address global challenges such as climate change and social inequality. Responsible investment has emerged as a foundation of this shift, demanding a new level of accountability and transparency from businesses and investors alike. Company Secretaries, as the guardians of Corporate Governance, play a pivotal role in steering organizations towards a sustainable future driving a positive change.

Company Secretaries have uniquely positioned themselves to influence the integration of sustainability principles into organizational strategy and operations. Their expertise in regulatory compliance, stakeholder engagement, and strategic decision-making is essential in driving responsible investment practices.

The theme of the Conference i.e, "**Responsible Investment for Sustainable Future**," convenes at a pivotal moment. As the stewards of Corporate Governance, Company Secretaries are shaping the trajectory of this new era of investment. By understanding the intricacies of global stewardship codes, the sustainability footprints of sovereign wealth funds, and the dynamics of ESG investing, Company Secretaries can drive meaningful change.

This Backgrounder for the Middle East Conference, discusses Global Trends, Opportunities and Challenges in Responsible Investments; Private Equity Investment -Governance Perspective; Global Stewardship Codes and Reporting Behaviour on Responsible Investment; Sustainability Footprints of Sovereign Wealth Funds; India-UAE Bilateral Ties; ESG Investment.

We hope that the deliberations and recommendations from this conference will pave way for enhancing and defining the new role of Governance Professionals.

CS B Narasimhan

President, The ICSI

ABOUT THE CONFERENCE

Investing in a sustainable future is not a choice, it's an imperative. Imagine a world where financial growth and environmental responsibility go hand-in-hand. This is the power of responsible investing, where your money can make a positive impact while building a more sustainable future for generations to come. The world is facing unprecedented challenges such as climate change, resource depletion, and social inequality. Traditional investment strategies often overlook these critical issues. The new emerging approach is Responsible Investment.

Responsible Investment goes beyond just financial returns. It integrates environmental, social, and governance (ESG) factors into the investment decision-making process. This means considering a company's impact on the planet, its workforce, and its overall governance practices alongside its financial performance. Investing in companies committed to sustainability is the key to unlocking a double win: a healthy planet and a healthy portfolio.

In line with its vision of becoming a global leader in promoting good corporate governance and its mission to develop high-caliber professionals who facilitate good corporate governance, the Institute of Company Secretaries of India (ICSI) is catalyzing another opportunity for knowledge sharing by organizing its Middle East Conference in Abu Dhabi on 4-6 September, 2024 followed by a study tour on 6th September, 2024 to Abu Dhabi Securities Exchange (ADX) and Khalifa Economic Zones Abu Dhabi (KEZAD).

The theme of the conference, "**Responsible Investment for Sustainable Future**", is set to bring forth a channel of discussions, equipping Company Secretaries with the know-how, that can help organizations find innovative solutions like green financing and carbon credit mechanisms and pair responsible investment with strong corporate governance.

The ICSI Middle East Conference in Abu Dhabi promises a deep dive into the world of responsible investment. The sessions will explore Global trends, Opportunities and Challenges in Responsible Investments; Regional focus into the specific considerations for responsible investment within Asia and the Middle East; The role of global stewardship codes and reporting behaviour in driving responsible investment forward; and Sustainability footprints of Sovereign Wealth Funds.

The conference will also focus on India-UAE bilateral relationship through collaborative discussions, aimed at unlocking mutually beneficial investment opportunities that would drive economic growth, create jobs, and foster a more sustainable future for both nations.

As a platform to connect with thought leaders, industry pioneers, and prospective investors, the Conference will help in shaping the future of responsible investment.



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The Institute of Company Secretaries of India (ICSI), is a premier National body, constituted under the Company Secretaries Act, 1980. Working under the aegis of the Ministry of Corporate Affairs, Government of India, the ICSI is the only recognized professional body in India to make provision for the regulation and development of the profession of Company Secretaries. As a proactive body, the ICSI focuses on providing top-quality education to students of Company Secretary(CS) Course and sets the best quality standards for CS members.

Headquartered in New Delhi, the ICSI has four Regional Offices in New Delhi, Chennai, Kolkata, and Mumbai. It has a Centre for Corporate Governance, Research, and Training (CCGRT) in Navi Mumbai, Hyderabad, and Kolkata each, and 73 Chapter Offices across the length and breadth of the country and six Overseas Centres at Australia, Canada, Singapore, UAE, UK, and USA. With more than 74,000 members and about 2,00,000 students, the ICSI has the largest membership and student base of Company Secretaries in the world and has evolved as an inclusive body in the global corporate governance map.

Regarding admission to the Company Secretary Course, student with 10+2 and/or graduate qualifications appear in Company Secretary Executive Entrance Test (CSEET) and after qualifying the same, a student is required to pass Executive and Professional Level examinations conducted by the Institute and various prescribed trainings for successful completion of the course. Then after, person is eligible to obtain Membership (Associate Company Secretary) from the institute.

An associate member of the Institute, after certain standing and professional achievement, is conferred with Fellow Membership (Fellow Company Secretary). The law requires membership of the Institute as eligibility for appointment to certain positions. Companies of certain sizes are required to have members of the Institute as company secretaries. Members of the Institute are, therefore, employed as company secretaries in companies and also in capacities supporting company secretaries in those companies.

Company Secretaries have recognitions under various laws relating to company law, income tax, securities laws, foreign exchange, competition law, etc. They have also recognition to provide representation services before various authorities and tribunals.

The Institute strongly believes that its members need to upgrade their capability on continuous basis to meet the changing needs of the corporate sector and the economy. In order to be conversant with the latest changes taking place in legal, economic and business environment, a Company Secretary is required to attend workshops/ seminars / research colloquiums etc. conducted at various avenues across the country. For attending such workshops / seminars / research colloquiums etc. members are awarded CPE (Continuous Professional Education). Further, the institute has launched various certification courses for career enhancement of the Members, like PMQ (Post Membership Qualification) Course for the career enhancement of the Members.

The ICSI is the first Professional Body across the globe to have introduced the **Secretarial Standards (SS)** to bring uniformity to the diverse secretarial practices followed across corporate boards. While two of these Secretarial Standards, **SS-1 & SS-2** have been mandated by the Government of India for observance by all Companies in the country, **the Malaysian Association of Company Secretaries (MACS), has adopted the ICSI Secretarial Standards for benchmarking its own Standards.**

To keep pace with the changing dynamics of the global governance framework, the ICSI has also signed a number of MoUs and is associated with various International Organizations. These associations facilitate the two-way flow of knowledge and professional potential through reciprocal participation in capacity-building programmes of both organizations.

To know more about ICSI, please visit www.icsi.edu.

A hand holding a lightbulb with a plant growing inside, symbolizing sustainable investment. The background is a blurred cityscape with a network of white dots and lines overlaid. The lightbulb is filled with a green plant, and the top of the bulb is glowing with a bright light. The overall theme is sustainable investment and a bright future.

Responsible Investment for Sustainable Future

Introduction

Responsible investment refers to an approach of investment that actively considers the Environmental, Social and Governance (ESG) parameters while taking investment decisions. It involves deep analysis of long-term growth perspective and market conditions of investee entities. The concept of responsible investment has grown rapidly with more demanding integration of ESG parameters while making investment into the stocks.

Though the concept is not new, it is getting more attention of investors nowadays. Apart from traditional financial statements, this approach covers integrated ESG analysis with sustainable growth opportunities. Responsible investment has gained significant traction in recent years as investors increasingly recognize the importance of ESG practices. This approach acknowledges that companies that effectively manage ESG risks and opportunities may be better positioned for long-term success. This recognition has led to a significant increase in demand for ESG-focused investment products and services.

Responsible investors may have different objectives and percentage consideration of ESG factors while taking investment decisions. While a set of investors focus exclusively on financial returns coupled with ESG impact, the other set of investors consider financial returns on priority with reasonable positive outcomes on ESG parameters. However, in both the cases the ESG factors play a crucial role while taking investment decisions.

Responsible investment is a modern-day investing which is also known by different names since inception such as Socially Responsible Investing, Green Investing, Ethical Investing, Sustainable investing and Impact investing etc.

Initially, the concept of responsible investment has commonly been referred to as Socially Responsible Investment (SRI). It is a strategy that incorporates ethical, sustainable, and societal considerations into investment decisions, thereby aligning financial objectives with broader ESG goals.

Investors can act to improve the sustainability outcomes associated with their investments through their responsible investment approach and active stewardship. This involves making their investments consistent with global sustainability goals and thresholds, aiming to increase positive outcomes for people and the planet and decrease negative ones. Investors engage in responsible investing for a range of reasons including:

- to align investments with their own or their clients' personal values and ethics;
- to reduce risk; and
- to achieve sustainable financial returns in the short and long term.

All kinds of investors can be responsible investors, whether they are individuals choosing where to put their savings or superannuation; a trustee of a trust or foundation; or an institutional investor such as fund manager, bank or asset manager.

Responsible investment complements traditional financial analysis and portfolio construction techniques by influencing companies or assets through continuous engagement on ESG parameters which is commonly known as Stewardship. The core purpose of responsible investment is to ensure that 'doing good' from the investment should prevail. Investors particularly Institutional Investors should encourage best ESG practice at companies through constructive engagement to ultimately drive a more responsible world.

With environmental concerns taking centre stage for investors, the ESG investing has grown multi-fold. Following the global trend, Indian investors has also started evaluating companies on ESG parameters in addition to the financial performance.

While there is no set benchmark as to what constitutes responsible investment, companies focused on environment, social parameters with robust governance framework are considered as more promising targets for Responsible investing.

The environment is getting polluted and depleted day by day. The oceans, seas, and rivers are increasingly being polluted with toxic wastes, damaging the ecological balance of water sources. While global warming has become an alarming reality, sustained efforts on environment front are needed to control it. Globally measures are taken to ensure that companies follow the best practices for environment preservation and energy conservation.

It is wise to invest in companies that follow good corporate governance and responsible practices. This is because the transparency in conduct and integrity of companies plays a major role in the profit-generating capacity of the company. Companies that are adhering to market regulations and compliances have more prospects for steady and sustainable growth.

Responsible investing is a holistic way of investing where one can be assured that the investee companies are ethical and follow ESG norms which helps them achieve better top-line growth. ESG compliant companies can be identified through various ESG metrics. These ESG metrics are qualitative and quantitative and provide a holistic assessment of the company in terms of environmental friendliness, social awareness, and corporate social responsibility. For investors, ESG metrics can play an important role in making their investment decisions. The metrics that investors need to look for while investing in ESG compliant companies are greenhouse gas emissions, energy conservation, water treatment, waste treatment, labour practices, executive compensation, ethics, company values and governance policy etc.



Examples of ESG parameters that are typically assessed by the investment community are:

ENVIRONMENTAL	● Environmental management ● GHG emissions ● Water management ● Waste management ● Energy consumption ● Biodiversity
SOCIAL	● Social development ● Health, Safety and Sanitation ● Equal opportunity ● Human rights ● Data privacy ● Anti-corruption
GOVERNANCE	● Composition of Board and Committees ● Internal controls and audits ● Executive compensation ● Adequacy of disclosures ● Protection of Shareholders rights

Background and Evolution of Responsible Investment



The idea for investors and corporates to act in a socially responsible manner has a long history. Social screening of investment opportunities has emerged in the religious communities which screened out investment opportunities in the so-called "sin stocks" which refers to companies involved in the business of tobacco, gambling or alcohol, or were involved in slavery. The socially responsible investing approach may find roots with the Quakers, a group of individuals who were part of the Religious Society of Friends in the 17th century which casting out companies that profited from slavery or war.

While socially responsible investing started as a simple activity associated with religious societies, today it is evolved immensely and emerged as a mainstream practice to embrace ESG at both individual and corporate level.

With more and more awareness about the ESG concepts, the market has also witnessed the concept of ESG ratings and indices to become more prevalent in recent years. Today investors are actively looking to integrate ESG factors into their portfolios. As the world faces increasing challenges related to climate change and social issues, responsible investment will continue to play a critical role in the way companies operate and measure their performance.

In India, sustainability measures in the regulatory realm are evolving since its inception. It started with the voluntary Corporate Social Responsibility (CSR) initiatives which encouraged companies to integrate social and environmental concerns in their business operations.

In 2009, the Ministry of Corporate Affairs (MCA), Government of India issued the 'Voluntary Guidelines on Corporate Social Responsibility' as a precursor towards mainstreaming the concept of business responsibility. In June 2011, the United Nations Human Rights Council (UNHRC) adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs) which India has endorsed.

In the year 2011, the Ministry of Corporate Affairs (MCA), Government of India, released a set of guidelines titled as "National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business (NVGs)". These guidelines were expected to provide guidance to businesses on what constitutes responsible business conduct. The Guidelines were articulated in the form of nine Principles with the Core Elements to actualize each of the principles. A reading of each Principle, with its attendant Core Elements, provides a clear basis for putting that Principle into practice. Since these Guidelines are applicable to large and small businesses alike, a special section has also been included on how micro, small and medium enterprises (MSMEs) can be encouraged to adopt the Guidelines.

In 2012, the Securities and Exchange Board of India (SEBI) mandated top 100 listed companies by market capitalisation to submit Business Responsibility Reports (BRRs) describing the initiatives taken by them from an environmental, social and governance perspective. Later on, the requirement of BRRs was extended to top 500 listed companies in the year 2016 and to the top 1000 listed companies in the year 2019. The BRR was based on the Business Reporting Framework of the NVGs.

In September 2015, the international community adopted a global sustainable development agenda, the 2030 Agenda for Sustainable Development (2030 Agenda), at the United Nations General Assembly. It comprises 17 Sustainable Development Goals (SDGs) and 169 detailed sub-targets. Building upon the Millennium Development Goals (MDGs) adopted in 2000, the 2030 Agenda calls on each member state of the United Nations to implement the 17 SDGs and the associated sub-targets in their own country and to support goal implementation in all other parts of the world by 2030. Significantly, the SDGs recognize the role of business as a major driver for economic growth and infrastructure, whilst explicitly calling for businesses to act in accordance with the United Nations Guiding Principles (UNGPs).

In order to align the NVGs with the SDGs and the UNGPs, the process of revision of NVGs was started in 2015. After, revision and updation, the "National Guidelines on Responsible Business Conduct (NGRBC)" were issued in the year 2019 which has been designed to assist businesses to perform above and beyond the requirements of regulatory compliance.

The principles enshrined under the NGRBC are given below:

NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT



In the year 2021, the SEBI introduced Business Responsibility and Sustainability Reporting (BRSR) for top 1000 listed companies by market capitalisation. The BRSR seeks disclosures from listed entities on their performance against the nine principles of the 'National Guidelines on Responsible Business Conduct' (NGRBC) and reporting under each principle is divided into essential and leadership indicators.

The BRSR is intended towards having quantitative and standardized disclosures on ESG parameters to enable comparability across different companies and sectors. Such disclosures will help the investors to make better investment decisions. The BRSR also enable companies to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social and environmental impacts.

The listed entities already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks (such as GRI, SASB, TCFD or Integrated Reporting) may cross-reference the disclosures already made under such framework to the disclosures sought under the BRSR.

To further strengthen the BRSR framework and enhance the reliability of ESG disclosures, SEBI introduced BRSR Core in 2023. This is a subset of BRSR and requires disclosure of a company's performance against nine ESG attributes. Each attribute comprises select key performance indicators. It is a more stringent approach to sustainability reporting than BRSR as the disclosures under BRSR Core require reasonable assurance. Reasonable assurance refers to getting affirmation from a third party (assurance provider/auditor). It will enhance investor confidence on the disclosures provided under the BRSR Core.

Objectives of Responsible Investment



The main objective of responsible investment is to consider environmental, social and governance parameters as well as financial performance to create sustained and long-term value for investors and the society as a whole.

Responsible investment should not be understood to mean sacrificing profits or putting success on the backburner and considering only non-financial parameters. Instead, it has become a crucial element to any organization's successful strategy as today no business can survive without addressing the ESG issues. A business with key ESG risks is less successful in several domains including profitability, growth, employee retention and investment opportunities. Focusing on ESG can differentiate a business by appealing to environmentally and socially conscious investors as well as consumers which will in turn enhance brand reputation, customer loyalty and long-term profitability.

Another objective of responsible investing is to create positive impact amongst the society. There are two ways this can be done. The first is stock selection i.e. by choosing a right portfolio including "green" stocks with a positive societal impact (such as clean energy).

The second method is stewardship: By voting and actively engaging on ESG issues, investors can increase a company's positive impact or reduce its negative impact. Importantly, while stock selection involves investing in green companies and disinvesting from brown companies, stewardship might involve investing in brown companies and engaging with them to reduce their negative impact (such as encouraging a tobacco company to develop less harmful products).

In some cases, financial returns and societal impact will overlap. For example, if a company has strong ESG performance and it's not tapped by the investors yet, investment in such a company will create both financial returns and societal impact. However, in some cases where ESG performance is already priced in and company's shares are at a premium, further investment may not enhance financial returns so progressively but it will certainly create societal impact given the proven records by such entities.

More important objective of the responsible investment is the values of investors that drive their investment pattern. History provides many examples of what can happen when businesses fail to consider and prioritise environmental, social and governance (ESG) related factors.

For example, a client wishes to invest in companies that reflect its values. This can be done through stock selection, by responsibly investing in companies that align with the investor's values and avoiding companies that do not. However, different responsible investors will have different values; one may believe that an alcohol company contradicts its values, but another may not.

One may have reasons to invest responsibly and there could be a few positive and negative lists for value-driven responsible investment as under:

- Choose companies that run professionally on ESG parameters and are open to engage with stakeholders to improve their business practices.
- Choose companies that actively address the global challenges such as climate change, pollution and social upliftment.
- Avoid investing in companies that pollute or damage the environment, deal in the arms trade or support unfair trade and labour practices.
- Avoid investing in tobacco companies or companies that indulge in gambling or production of alcohol.

Principles for Responsible Investment (PRI)



The Principles for Responsible Investment ('PRI') were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. In early 2005, the then United Nations (UN) Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. A 20-person investor group drawn from institutions in 12 countries was supported by a 70 persons group of experts from the investment industry, intergovernmental organisations and civil society.

The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership. Since inception, PRI is the world's leading proponent of responsible investment. The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals is to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

The principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.

Principles of Responsible Investment are reproduced below with possible actions:

Principles	Possible Actions
Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.	● Address ESG issues in investment policy statements. ● Support development of ESG-related tools, metrics, and analyses. ● Assess the capabilities of internal investment managers to incorporate ESG issues. ● Assess the capabilities of external investment managers to incorporate ESG issues. ● Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis. ● Encourage academic and other research on this theme. ● Advocate ESG training for investment professionals.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.	● Develop and disclose an active ownership policy consistent with the Principles. ● Exercise voting rights or monitor compliance with voting policy (if outsourced). ● Develop an engagement capability (either directly or through outsourcing). ● Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights). ● File shareholder resolutions consistent with long-term ESG considerations.

Principles	Possible Actions
	● Engage with companies on ESG issues. ● Participate in collaborative engagement initiatives. ● Ask investment managers to undertake and report on ESG-related engagement.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest	● Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative). ● Ask for ESG issues to be integrated within annual financial reports. ● Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact). ● Support shareholder initiatives and resolutions promoting ESG disclosure.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.	● Include Principles-related requirements in requests for proposals (RFPs). ● Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate). ● Communicate ESG expectations to investment service providers. ● Revisit relationships with service providers that fail to meet ESG expectations. ● Support the development of tools for benchmarking ESG integration. ● Support regulatory or policy developments that enable implementation of the Principles.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.	● Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning. ● Collectively address relevant emerging issues. ● Develop or support appropriate collaborative initiatives.
Principle 6: We will each report on our activities and progress towards implementing the Principles.	● Disclose how ESG issues are integrated within investment practices. ● Disclose active ownership activities (voting, engagement, and/or policy dialogue). ● Disclose what is required from service providers in relation to the Principles.

Principles	Possible Actions
	● Communicate with beneficiaries about ESG issues and the Principles. ● Report on progress and/or achievements relating to the Principles using a comply-or-explain approach. ● Seek to determine the impact of the Principles. ● Make use of reporting to raise awareness among a broader group of stakeholders.

These Principles serve PRI valuable platforms for formalising and focusing their responsible investment efforts, raising internal awareness and providing a common language and set of expectations for PRI's investment partners, PRI's portfolio company management teams and other stakeholders.

PRI Reporting ensures accountability, facilitates learning and development and generates insights on the responsible investment market. The vast majority of large asset owners are evaluating managers' incorporation of material ESG factors in the investment process and more than 90% of managers say that material ESG factors contribute to how they select individual assets. Attention to sustainability outcomes continues to grow, with 75% reporting that they identify sustainability outcomes associated with their investments.

Responsible Investment in Asia and Middle East



Responsible investment principles are gaining traction across Asia and the Middle East, with countries such as Japan, South Korea, Singapore, and Hong Kong at the forefront of integrating ESG factors into investment strategies. In the Middle East, nations like the UAE and Saudi Arabia are also advancing in this realm. Regulatory frameworks are evolving to bolster responsible investment practices. For example, market regulators like Securities and Exchange Board of India (SEBI), Singapore Exchange and Bursa Malaysia etc. have implemented guidelines for ESG disclosures and sustainability reporting. Similarly, regulatory bodies in the Middle East are increasingly emphasizing ESG factors in corporate governance standards.

Responsible investment rests on the recognition that environmental, social and corporate governance issues shape companies' risks and opportunities, and that factoring these parameters into investment decisions can improve long-term returns while potentially fostering more responsible and resilient business. In recent years it has been embraced by investors and asset managers, propelled by the promise of sustainable profits as well as growing public concern over climate, conservation and human rights. Decades of economic growth have raised living standards and generated new wealth, but Asia now produces a majority of the planet's carbon emissions, suffers devastating pollution and faces rampant biodiversity loss. Rapidly growing energy needs and continued dependence on fossil fuels complicate the task of transition. Furthermore, Asia's centrality to the world's supply chains makes its environmental and human rights practices global concerns.

ESG is a promising framework for understanding risk and opportunity in Asia due to the prominence of ESG concerns, and decisions by high profile investors can have a signalling effect.

Sustainability related regulations have been phased in across Asia based on still emerging international norms, with mandatory reporting frameworks starting to replace voluntary ones. Regulators have also implemented rules for fund labelling to combat greenwashing. Many Asian countries have developed taxonomies to help define sustainable financing and to facilitate international capital flows. ESG ratings and index providers have also come under scanner to increase transparency in their framework. These moves to improve consistency and comparability will improve the credibility of responsible investment across Asia's diverse economies.

Asia's high savings rates have created a pool of capital with the potential to support sustainable investment in the region and beyond. Asia is home to some of the world's largest institutional investors, including pension funds and sovereign wealth funds, and many have embraced ESG strategies. Retail interest is also rising, supported by public interest in sustainability matters as well as wider understanding of emerging ESG issues.

Responsible investing has also grown rapidly in Asia and Middle East, although it is still behind Europe and America. The increased interest in ESG in Asia and Middle East is a welcome development. Asia now has at its disposal vast pools of capital that could be leveraged to finance a transition to sustainable growth, not only in the region but beyond.

Responsible investment approach is gaining momentum in Asia and the Middle East, spurred by evolving regulations, increasing investor interest, and a stronger dedication to sustainable development. Despite challenges, these regions are positioned to exert substantial influence on the trajectory of global sustainable finance.

Today's governments are proactive in introducing new tools and frameworks to accelerate finance towards a green and sustainable economy. Gulf Cooperation Council (GCC) countries, which include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, are

increasingly focusing on ESG parameters. GCC countries are majorly run by oil and gas revenues, and a transition to a more sustainable economic model in these countries is essential. In UAE and Saudi Arabia, regulations and initiatives are in place to encourage companies to improve their ESG disclosure and performance. Companies are emphasising on waste management and integrating sustainability into their operations and supply chains. Also on reporting front, they are making disclosures about their ESG performance to remain transparent and build trust amongst the stakeholders.

UAE

United Arab Emirates (UAE) Sustainable Finance Framework 2021-2031 is a 10-year nationwide multi-sectoral document serving as a milestone, aiming to bolster financial sustainability by integrating environmental and climate change considerations into mainstream finance. It envisions enhancing both the supply and management of finance through robust risk management and strategic investments in green and climate-resilient projects.

The Sustainable Finance Framework was built upon the initiatives undertaken following the publication of the 2016 Report on State of Green Finance in the UAE. The Report had recommended five steps to strengthen sustainable finance practices. As per UAE Sustainable Finance Framework 2021-31, significant progress has been demonstrated in three recommendations (out of total five recommendations) which were made in 2016 Report on State of Green Finance, yet further work on developing these areas is ongoing. Activities related to the two other recommended areas require the dedicated leadership and coordination with private sector inputs.

*Key Milestones on recommendations made in 2016 Report on State of Green Finance in the UAE are given below:

Recommendation	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 aims to foster the incorporation of ESG considerations in the Dubai financial sector, mainstreaming ESG risk analysis and identifying business opportunities for innovation

Recommendation	Initiatives	Explanation
	ADGM Sustainable Finance Working Group	Launched in 2019, comprising UAE government agencies, financial regulatory authorities and stock exchanges, including MOCCAE 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.
Recommendation 3: Establishment of working groups to learn from best practices and to draw industry-wide consensus on the direction of sustainable finance	The ADGM Academy (ADGMA) – Certificate in Sustainable Finance in the Middle East and Africa region	The ADGM Academy, 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 (MOCCAE) 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.
Recommendation 5: Setting a mechanism to estimate the green finance market and monitor financial sector initiatives	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.

Recommendation	Initiatives	Explanation
	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 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.

*Source: UAE Sustainable Finance Framework 2021 - 2031

OTHER SUSTAINABILITY INITIATIVES IN UAE



The UAE Net Zero by 2050 strategic initiative is a nationwide initiative to achieve net-zero emissions by 2050. This would help make the UAE the first Middle East and North Africa (MENA) nation to do so. National initiatives such as the UAE Vision 2021 and the UAE Green Agenda 2015-2030 align with the Paris Agreement and UN SDGs. The UAE government regards climate change as a significant concern and has enhanced its global participation and internal policies, placing it among regional leaders in climate action over the past decade. Additional initiatives include Dubai 2040 Urban Master Plan, Dubai Clean Energy Strategy, and Dubai Carbon Abatement Strategy.

Abu Dhabi Vision 2030 aims to build a sustainable and diversified economy with seamless integration into the global economy. Moreover, Abu Dhabi Department of Economic Development (ADDED) has unveiled a new circular economy framework to accelerate Abu Dhabi's transition towards a smart and sustainable economy by empowering the industrial sector to champion responsible production and consumption across waste management, parts supply, and manufacturing. The Securities and Commodities Authority (SCA) requires listed companies to publicly disclose their sustainability management approach, including relevant performance metrics and how it impacts strategy and performance.

The Abu Dhabi Global Market (ADGM) presented its Sustainable Finance Agenda Declaration at the Abu Dhabi Sustainable Finance Forum (ADSFF), recognizing the UAE and Abu Dhabi's commitment to tackle climate change and promote green, sustainable finance in the region.

Masdar, the UAE's clean energy leader, has recently signed an agreement to explore a commercial project converting green hydrogen to methanol and then to Sustainable Aviation Fuel (SAF). The project targets the decarbonization of emission-intensive sectors such as aviation and maritime industries. The initiative will utilize CO₂ captured from industrial sources and combine it with green hydrogen produced via renewable energy-powered electrolysis. This process aims to produce green methanol and SAF, offering a sustainable alternative to traditional fuels. The agreement follows a successful test flight conducted during COP28 in December 2023, showcasing the potential of converting methanol to SAF. This project aligns with Abu Dhabi's Low Carbon Hydrogen Policy, promoting low-carbon hydrogen as a future energy source. It is a strategic step towards economic growth, sustainability, and energy security. The policy supports the UAE's broader goals under the National Hydrogen Strategy, aiming to position the UAE as a leading global producer of low-carbon hydrogen by 2031.

DUBAI FINANCIAL MARKET (DFM'S) GUIDE TO ESG REPORTING



Dubai Financial Market (DFM) is a stock exchange in Dubai, United Arab Emirates (UAE). Listed companies on the DFM are required to disclose ESG information in their annual reports. It includes information about their environmental performance, social responsibility initiatives, and governance practices.

DFM's Guide to ESG Reporting aim to promote ESG reporting practices and support listed companies on their sustainability reporting journey. DFM's guidelines aim to promote sustainability in capital markets in alignment with commitment to the UAE vision, the SDGs, the Sustainable Stock Exchanges (SSE) initiative, and DFM's Sustainability Strategy 2025.

In 2020, DFM launched the first of its kind UAE ESG Index in cooperation with S&P Dow Jones Indices and Hawkamah, aiming to strengthen the UAE markets' competitiveness by encouraging all listed companies to embrace ESG best practices as they expand.

A Memorandum of Understanding has been signed with the Global Reporting Initiative (GRI) to encourage the use of its sustainability reporting standards. DFM companies are encouraged to use GRI Standards to report on their ESG performance. The DFM may also encourage sustainable investments in companies that demonstrate a strong commitment to waste management and sustainability.

DFM is committed to becoming the leading sustainable financial market in the region by 2025. DFM strategic plan is already in motion, encompassing concrete actions such as expanding the listing of green securities, championing transparency and standards by actively promoting ESG reporting and disclosures among our listed companies, fostering global and local investor awareness, and pioneering impactful ESG initiatives in middle east region.

ESG issuances have witnessed a rapid growth in Dubai with a total value of USD 26.45 billion with over 167,000 investors in 2022, marking a pivotal step forward. Dubai's prominence as the region's foremost jurisdiction for green products amplifies DFM's dedication to sustainability and ESG initiatives. Initiatives, such as the launch of the S&P/Hawkamah ESG UAE Index and comprehensive sustainability guide for capital markets, along with efforts to unite diverse market participants for robust ESG reporting, significantly contribute to shaping a cohesive ESG landscape and has contributed to significantly enhancing ESG disclosures in UAE.

In 2022, 100% of DFM's listed companies disclosed ESG data, adhering to the latest Securities and Commodities Authority (SCA) regulations on sustainability reporting. These initiatives at the land of UAE are an inspiration towards commitment to a greener and more sustainable future by promoting responsible investing.

Companies in the Middle East face a number of significant challenges as they are located in fast-growing economies with rising populations and carbon-heavy industries. But they are taking steps to boost their sustainability by setting emissions reduction targets, outlining clear and credible transition pathways and enhancing disclosure along the way.

The UAE's presidency of COP28 has highlighted the Middle East's role in the energy transition. The region now has the opportunity to assess where it has been and where it is heading on the path toward decarbonization.

SAUDI ARABIA

The Capital Market Authority (CMA) oversees Saudi Arabia's capital markets and ensures their stability and growth. Listed companies in Saudi Arabia are required to report ESG information as part of their annual reports. CMA promotes ESG practices in the capital markets in a proactive manner. The sustainability Information Disclosure System (SIDS) provides a centralized platform for

ESG disclosure by the CMA. To ensure accuracy and reliability, companies are required to disclose ESG information through SID. Investors can use the SID to assess a company's ESG performance and identify potential risks and opportunities.

Companies are encouraged to incorporate sustainability into their operations and investment decisions by the CMA. The guidelines encourage the inclusion of ESG factors in strategic decisions and the improvement of ESG performance.

In 2018, Saudi Exchange became a partner exchange supporting the UN Sustainable Stock Exchanges Initiative to promote ESG awareness initiatives and encourage sustainable investment, in collaboration with market participants such as issuers and investors. These measures aim to improve transparency and accountability, which are essential aspects of responsible investment.

The Public Investment Fund ("PIF") has developed a green framework for financing drawn from the concept of the Circular Carbon Economy ("CCE"), which was launched by the Kingdom of Saudi Arabia during its Presidency of the G20 in 2020. PIF's Green Finance Framework will contribute to achieving both the Kingdom's objectives of implementing the CCE concept and meeting the United Nations' SDGs.

Saudi Green Initiative (SGI), Launched in 2021, supports Saudi Arabia's ambition to reach net zero emissions by 2060 through the Circular Carbon Economy approach and is also accelerating the country's transition to a green economy. Three overarching targets guide SGI's work - emissions reduction, afforestation, and land and sea protection.

QATAR

Qatar Sustainability Assessment (QSA) is an assessment of the sustainability performance of companies in Qatar. This QSA is based on the Global Reporting Initiative (GRI) standards and is intended to help Qatari companies assess and improve their sustainability efforts.

The QSA covers environmental, social, and governance (ESG) aspects and aims to assist companies to identify areas for improvement and track their sustainability performance over time. Sustainability assessments are conducted by qualified sustainability experts, and the results are used to provide companies with sustainability ratings.

Qatar Stock Exchange (QSE) and Qatar Financial Centre (QFC) support the QSA, which aims to promote sustainability in the financial sector. Additionally, the QSA provides investors and stakeholders with reliable and transparent information on the sustainability measures of companies listed on QSE. These vital ESG disclosures can be used to make investment decisions and promote sustainability practices.

OMAN

The Capital Market Authority of Oman has issued regulations that require listed companies to disclose their ESG performance through comprehensive reports on ESG. The regulations are aimed at increasing transparency and accountability within the capital market and promoting sustainable business practices.

Through these reports, companies are expected to address a range of ESG factors, including their environmental impact, social responsibility, and governance practices. This information will enable investors to make informed decisions about the long-term sustainability of the companies, therefore fostering sustainable investment in the capital market of Oman. The regulations are part of the Capital Market Authority's broader efforts to develop and promote sustainable finance in the country.

KUWAIT

The Capital Markets Authority (CMA) in Kuwait has established guidelines to promote the consideration of ESG factors in the country's capital markets. Companies listed on the Kuwait Stock Exchange (KSE) are required to disclose their ESG practices and performance in their annual reports, according to these guidelines.

The CMA's guidelines outline the types of ESG information that should be disclosed, including a company's policies and practices related to environmental protection, social responsibility, and governance. This information will help investors better understand the long-term sustainability of a company's operations and assess its impact on the environment, society, and its stakeholders. The CMA developed an ESG disclosure framework to enhance corporate transparency and accountability. This framework guides companies on how to measure and report on ESG issues and how to use ESG information.

BAHRAIN

Bahrain has placed a strong emphasis on incorporating ESG factors into its capital markets. The Central Bank of Bahrain (CBB) has provided guidelines and recommendations for financial institutions to consider ESG factors in their investments and operations, in order to promote corporate transparency, accountability, and sustainability. The Bahrain Bourse, the country's stock exchange, has taken proactive steps to promote ESG disclosure and engagement among companies listed on the exchange. The Bahrain Bourse has developed a centralized ESG reporting platform to provide investors and other stakeholders with valuable ESG data.

As part of the country's ESG goals, the CBB encourages financial institutions to consider environmental, social, and governance impacts when developing their ESG policies. This helps ensure that these institutions make investments and operate in a manner that supports the long-term stability and prosperity of Bahrain.

JAPAN

In recent years, Japan has made a massive shift to begin to integrate environment, social, and governance (ESG) factors into its investment strategies. Japanese institutional investors, including pension funds and asset managers, are increasingly integrating ESG factors into their investment decision-making processes. In 2015, the Tokyo Stock Exchange, with support from the Financial Service Agency (FSA), issued the Japanese Corporate Governance Code. The Japanese Government Pension Investment Fund (GPIF), the world's largest pension fund signed the UN Principles for Responsible Investment (UNPRI) in 2015.

Japan was one of the first countries, along with the U.K., to introduce mandatory reporting requirements on the country's largest companies in line with the Task Force on Climate related Financial Disclosures (TCFD). This move enhances amendments made to the Tokyo Stock Exchange's Corporate Governance Code in 2021, which made specific mention of sustainability topics including climate change, human rights and the fair and appropriate treatment of the workforce.

Japan's Stewardship Code was issued on 26th February 2014 and it was first revised in the year 2017. In 2020, the Financial Services Agency (FSA) of Japan has further revised the Stewardship Code to include sustainability and ESG. In the same year, the Ministry of the Environment updated the Green Bond Guidelines, giving them greater prominence to investors while reducing the cost and administration barriers for issuers.

CHINA

China Sustainable Investment Forum (China SIF), established in Beijing as a non-profit organisation in 2012, is dedicated to promoting responsible investment and providing an internationalised platform for exchanging and sharing ideas on issues concerning sustainable development, with focus on facilitating ESG integration, advocating green finance, and contributing to a responsible capital market in China as well as its sustainability.

The “Green Finance Guidelines for the Banking and Insurance Industry”, issued in June 2022 states that banks and insurance institutions should strengthen their engagement and stewardship, and develop and implement targeted management measures for clients with potentially significant ESG risks. The guideline provides a policy basis for banks and insurance asset management institutions to implement engagement and stewardship.

In November 2022, the “G20 Framework for Transition Finance”, led by the People’s Bank of China (PBoC) as Co-Chair of the G20 Working Group on Sustainable Finance, was launched. It is the first-time major countries have reached an international consensus on the development of transition finance.

INDIA

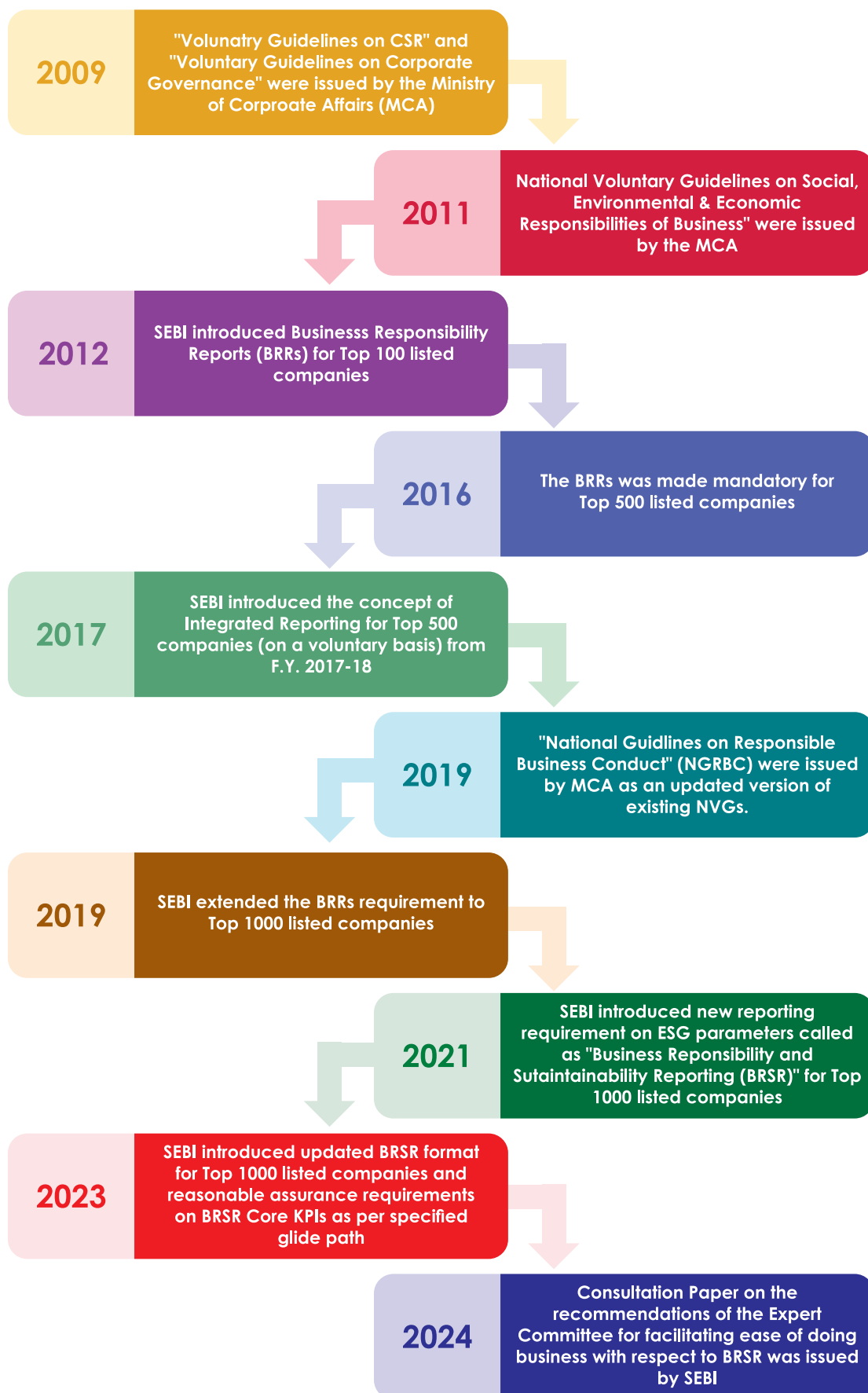
The Companies Act 2013 requires companies to undertake Corporate Social Responsibility (CSR) initiatives in communities, and has since, provided additional rules and guidance on the areas and target groups of such interventions in consistency with national socio-economic priorities.

Indian stock exchanges, including the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), have launched ESG indexes that track companies based on their ESG performance. This provides investors with a way to invest in companies that are committed to sustainability and responsible business practices. Institutional investors in India have shown an increasing interest in ESG investing.

National Voluntary Guidelines for Responsible Financing (2016) were developed by the Indian Banks’ Association through a process of consultations with financial institutions to provide a systematic standardised framework of action catering to banking sector’s risks, opportunities and responsibilities around ESG factors in an integrated manner. The financial institutions were requested to adopt the Guidelines, as they can address the sustainable development issues like climate change, water conservation, poverty reduction, energy efficiency, social inclusion etc. by taking proactive steps on ESG parameters. The Guidelines outline following broad principles:

- Principle 1: Ethical conduct and E&S Governance
- Principle 2: Integration of ESG risk management in business activities
- Principle 3: Minimizing environmental footprint in internal operations
- Principle 4: Environmentally friendly products, services and investment
- Principle 5: Enabling inclusive human and social development
- Principle 6: Stakeholder engagement
- Principle 7: Commitment to human rights
- Principle 8: Disclosure

Apart from above, several regulatory initiatives were also undertaken in India to promote responsible business conduct and ESG disclosures, some of them are depicted below:



India's Achievements on SDGs

World leaders adopted the SDGs in 2015 as the principal framework to guide the future growth and roadmap to achieve inclusive social, economic and environmental development.

India has committed to the SDGs, which provide a framework for sustainable development and social responsibility, and has launched several initiatives to achieve these goals.

India being the world's most populous country, plays a disproportionately important role in the achievement of the SDGs. Despite global headwinds, India has risen to the occasion and invested significantly across the Goals. India's strong ownership of the SDG framework has been remarkable and its commitment to SDG localisation, from national to sub-national to local levels, has been a globally celebrated success story. India's large-scale government interventions for poverty reduction, human centric and digitally enabled safety nets, huge strides in financial inclusion, near-saturation of basic services, and an expansive commitment and impressive delivery of renewable energy infrastructure are only a few chapters in India's journey of SDG achievements.

India is the fastest growing economy in the world. It is imperative that this growth includes all people, everywhere. This is where SDGs become important as India's achievements in SDGs are critical for global successes.

The 18th G20 Summit with theme of "One earth, One Family, One Future" was conducted in India during 9th - 10th September, 2023 in which G20 Leader's Declaration was adopted. This declaration was adopted unanimously by all the G20 countries on the first day of the Summit itself. One of the major highlights of the declaration was: "Committed to implement the G20 2023 Action Plan to Accelerate Progress on SDGs." In order to accelerate the progress on SDGs, the G20 New Delhi Leaders' Declaration committed to "take collective action for effective and timely implementation of the G20 2023 action plan to accelerate progress on the SDGs", including its High-Level Principles. Target to achieve SDGs perfectly align with India's commitment and vision of 'Viksit Bharat' (Developed India) by 2047.

With just six years remaining to the 2030 deadline, current progress falls far short of what is required to achieve the SDGs according to "the Sustainable Development Goals Report 2024" published by the United Nations. As per the report, at global level only 17 percent of the SDG targets are on track to be met by 2030, with the remaining showing limited progress or a reversal of progress. However, in the midst of global challenges, India's approach to sustainable development looks promising. A snapshot of various schemes/initiatives aligned with SDGs priorities is given below:

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
Goal 1: No Poverty	● Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) ● Deen Dayal Antyodaya Yojana (DAY)-National Rural Livelihood Mission (NRLM) ● Deen Dayal Antyodaya Yojana (DAY)-National Urban Livelihood Mission (NULM) ● Pradhan Mantri Jan Dhan Yojana ● Pradhan Mantri Jeevan Jyoti Bima Yojana

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
	● PM Awas Yojana ● DDU – Grameen Kaushalaya Yojana ● PM Jeevan Jyoti Bima Yojana ● National Social Assistance Programme (NSAP) ● Atal Pension Yojana
Goal 2: Zero Hunger	● National Food Security Act, 2013 ● Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) ● National Food Security Mission ● PM POSHAN Abhiyan ● Kisan Credit Card (KCC) ● PM Kisan Sampada Yojana ● PM Fasal Bima Yojana ● National Mission of Sustainable Agriculture ● Mission for Integrated Development of Horticulture ● National Mission for Edible Oils - Oil Palm (NMEO-OP) ● National Livestock Mission ● Soil Health Card Scheme ● Scheme for Modernization and Reforms through Technology in Public Distribution System (SMART - PDS)
Goal 3 : Good Health and Well-being	● National Health Mission ● Pradhan Mantri Jan Arogya Yojana (Ayushman Bharat) ● Mission Indradhanush 5.0 ● Saksham Anganwadi and POSHAN Abhiyan 2.0 ● Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA) ● PM Matru Vandana Yojana ● PM Jan Aushadhi scheme ● National Ayush Mission (NAM) ● Pradhan Mantri Swasthya Suraksha Yojana ● Pradhan Mantri TB Mukta Bharat Abhiyaan ● Anaemia Mukta Bharat ● Janani Suraksha Yojana (JSY)

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
Goal 4 : Quality Education	● Samagra Shiksha ● New India Literacy Programme ● Mid-day Meal Scheme (PM POSHAN) ● Pre and Post matric Scholarship schemes for SCs ● PM SHRI (School for Rising India) ● Eklavya Model Residential Schools ● Rashtriya Avishkar Abhiyan (RAA) ● National Means cum Merit Scholarship ● Padhe Bharat Badhe Bharat (PBBB) ● Skill Strengthening for Industrial Value Enhancements (STRIVE) - EAP ● PM Uchchatar Shiksha Abhiyan (PM-USHA)
Goal 5 : Gender Equality	● Beti Bachao Beti Padhao Scheme ● Sukanya Samridhi Yojana (Girl Child Prosperity Scheme) ● MUDRA Yojana ● Janani Suraksha Yojana (JSY) ● Shakti Sadan ● Kasturba Gandhi Balika Vidyalyay (KGBV) ● Pragati Scholarship Scheme for Girls ● Women Helpline Scheme ● One-Stop Centre Scheme
Goal 6 : Clean Water and Sanitation	● Swachh Bharat Mission ● Jal Jeevan Mission (JJM) ● AMRUT 2.0 Scheme ● PM Krishi Sinchayee Yojna (PMKSY) ● Mission Amrit Sarovar ● Jal Shakti Abhiyan: Catch the Rain ● Atal Bhujal Yojana ● Pradhan Mantri Krishi Sinchayee Yojana ● National River Conservation Programme (NRCP)

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
	● Namami Gange - Integrated Ganga Conservation Mission ● National Perspective Plan (NPP)
Goal 7 : Affordable and Clean Energy	● SAUBHAGYA scheme ● PM Ujjwala Scheme ● Unnat Jyoti by Affordable LED for All (UJALA) ● PM-KUSUM Scheme ● Rooftop Solar Programme ● Green Energy Corridors (GEC) ● Bio-Energy Programme ● National Green Hydrogen Mission ● Deen Dayal Upadhyaya Gram Jyoti Yojana ● National Solar Mission ● Faster Adoption and Manufacturing of Electric Vehicles (FAME) Scheme ● PM Surya Ghar Muft Bijli Yojana ● Electric Mobility Promotion Scheme (EMPS)
Goal 8 : Decent Work and Economic Growth	● Production Linked Incentive (PLI) Scheme ● PM Employment Generation Programme (PMEGP) ● Skill India ● Pradhan Mantri Kaushal Vikas Yojana (PMKVY) ● National Skill Development Mission (NSDM) ● Pradhan Mantri MUDRA Yojana (PMMY) ● National Apprenticeship Promotion Scheme (NAPS) ● Skill Development Mission ● Deendayal Upadhyaya Antyodaya Yojana ● National Urban Development Mission ● Udyami Bharat Scheme
Goal 9 : Industry, Innovation and Infrastructure	● Digital India ● PM GatiShakti - National Master Plan for multi-modal connectivity ● Industrial Corridor Development Programme ● National Logistics Policy

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
	● North East Industrial Development Scheme (NEIDS) ● Udyami Bharat Scheme ● Bharatmala Project ● PM Mega Integrated Textile Region and Apparel (PM MITRA) ● Border Area Development Programme (BADP) (ACA) ● Pradhan Mantri Gram Sadak Yojana (PMGSY) ● Make in India/ Start up India ● Ease of doing business initiatives ● PM Gram Sadak Yojana
Goal 10 : Reduced Inequalities	● Aspirational Districts and Blocks Programme ● Vibrant Village Programme ● Pradhan Mantri Vishwakarma Scheme ● Umbrella Programme for Development of Minorities ● Umbrella Programme for Development of Scheduled Castes, Scheduled Tribe and other vulnerable groups ● Scheme for Development of Other Backward Classes and Denotified, Nomadic and Semi-nomadic Tribes. ● PM Development Initiative for North East Region ● Scheme for development of Economically Backward Classes (EBCs) ● Pradhan Mantri Jan Vikas Karyakram (PMJVK)
Goal 11 : Sustainable Cities and Communities	● Smart Cities Mission ● PM e-bus Seva Scheme ● Atal Mission for Rejuvenation of Urban Transformation (AMRUT) ● Swachh Bharat Mission-Urban ● Pradhan Mantri Awas Yojana- Urban ● National Heritage City Development and Augmentation Yojana (HRIDAY) ● Prime Minister's Street Vendors' Atmanirbhar Nidhi (PM SVANIDHI) ● MRTS and Metro Projects ● National Livelihood Mission - Ajeevika

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
	- PM Awas Yojana - City Investment to Innovate, Integrate and Sustain 2.0 (CITIIS 2.0) - Pradhan Mantri Awas Yojana (PMAY)
Goal 12: Responsible Consumption and Production	- Lifestyle for Environment (LiFE) - National Policy on Biofuels - PM-KUSUM Scheme - Renewable Energy: Renewable Energy Global Investment Promotion Meet and Expo (RE-INVEST) - National Clean India Fund (NCEF)
Goal 13: Climate Action	- National Action Plan on Climate Change - National Mission for Sustaining the Himalayan Ecosystem - National Clean Air Programme - National Mission for a Green India - National Solar Mission - National Mission for Enhanced Energy Efficiency - National Water Mission - Compensatory Afforestation Fund Management and Planning Authority (CAMPA) - National Mission for Sustainable Agriculture - National Cyclone Risk Mitigation Project
Goal 14: Life Below Water	- Neel Kranti Mission (Blue Revolution) - National Plan for conservation of Aquatic Ecosystems (NPCA) - Pradhan Mantri Matsya Sampada Yojana - Sagarmala Project - Interlinking of Rivers - National Coastal Mission - Ocean Services, Technology, Observation, Resources, Modelling and Science (OSTORMS) - Mangrove Initiative for Shoreline Habitats & Tangible Incomes

Sustainable Development Goals	Goal Wise Key Programmes/Initiatives* of Government of India
Goal 15: Life on Land	● National Afforestation Programme (National Mission for a Green India) ● Integrated Development of Wild Life Habitats ● Project Tiger ● Project Elephant ● Nagar Van Yojana ● National Action Programme to Combat Desertification ● National Agroforestry Policy
Goal 16: Peace, Justice and Strong Institutions	● PRAGATI 2.0: Pro-Active Governance and Timely Implementation ● Modernisation of Police Forces ● RTI (Right to Information Act) ● Rashtriya Gram Swaraj Abhiyan ● Integrated Child Protection Scheme (ICPS) ● Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas

**Source: SDG INDIA Index 2023-24 published by NITI Aayog, Government of India*

Global Trends, Opportunities and Challenges of Responsible Investment



With growing interest in ESG disclosure and ratings, there is a demand from global investors for an objective assessment of the ESG performance of a company. ESG rating agencies evaluate publicly disclosed qualitative and quantitative non-financial data and transpose this information into ESG scores, ratings, and insights that are used by investors to inform their investment decisions. ESG indices are widely sought by investors to identify better-governed, environmentally and socially responsible companies, thus enabling them to identify attractive investment opportunities.

One of the most notable trends in responsible investing is the growing interest from institutional investors. According to a survey by Morgan Stanley, in 2020, 86% of asset owners globally were pursuing or considering ESG integration. This shift is being driven by a growing recognition of the potential risks and opportunities associated with ESG factors, as well as a desire to align investments with broader societal and environmental goals.

Even though climate-focused finance is more crucial than ever, ESG investment is facing a backlash in some markets, both from those who say it has gone too far and from those who believe it does not go far enough. The ESG concept gained traction because it identified key non-financial issues confronting business, but its broadness invites diverging interpretations, and cracks have emerged among the interests united under its banner. Environmental and social priorities sometimes turn out to be at odds, with fossil-fuel phase-out threatening jobs, while renewable-energy supply chains face human-rights as well as environmental controversies. Even within financial institutions there has been disagreement over how to practice ESG, turning some firms' sustainability leaders into industry critics. Much of the discontent stems from the strategic ambiguity that ESG has carried from its inception: its use as a tool for risk management and valuation does not always square with its common interpretation as a basis for sustainable business and finance.

Another trend in responsible investing is the increasing availability of ESG data and tools. As more companies disclose information about their ESG performance, investors have greater access to information that can help them make more informed investment decisions. This trend is being supported by a growing number of ESG data providers and ratings agencies, which are providing investors with a range of ESG-related metrics and ratings.

There is also a growing trend towards ESG theme-based investing. This is not a novel thing, it involves investing in companies and funds that focus on specific ESG themes, such as renewable energy or gender diversity. ESG themed investing can provide investors with a way to align their investments with specific values or goals, while also potentially generating strong financial returns.

Responsible investment is gaining prominence among global investors, spurred by evolving societal expectations, regulatory mandates, and the recognition of enduring sustainability advantages. Though companies and investors understand that making the global economy more sustainable and inclusive will be a priority in the upcoming years, it will not be an easy route ahead. All stakeholders will need to collaborate to find appropriate ways to finance the transition in a manner that considers the complex interdependencies of many key environmental and social issues.

The sustainability impacts of companies can often be attributable to their upstream or downstream activities in addition to their direct operations. With the European Union (EU) Corporate Sustainability Reporting Directive (CSRD), it is clearer the extent to which companies in Europe and beyond will be required to measure, manage and report on their value chain impacts. The CSRD and Corporate

Sustainability Due Diligence (CSDDD), for instance, apply also to non-European companies with significant activities in the EU.

One of the biggest opportunities is the potential for responsible investments to generate strong financial returns. According to a study by Morgan Stanley, companies with high ESG ratings have tended to outperform those with lower ratings over the long term. This suggests that there may be a financial incentive for companies to improve their ESG performance, and for investors to prioritize ESG considerations in their investment decision-making.

Another opportunity is the potential for responsible investing to drive positive social and environmental change. By investing in companies that prioritize ESG factors, investors can help support the transition towards a more sustainable and responsible economy. This can have a positive impact on society and the environment, while also potentially generating strong financial returns.

Finally, there is also an opportunity for the responsible investing industry to continue to innovate and evolve. As investors and asset managers continue to prioritize ESG considerations, there is likely to be a growing demand for new and innovative ESG investment products and services. This could include new ESG themed funds, as well as more sophisticated ESG data and analytics tools.

Despite the growing interest opportunities of responsible investing, there are several challenges that the industry faces. One of the biggest challenges is the lack of standardization in ESG data and ratings. ESG data providers and ratings agencies often use different methodologies and criteria to assess companies, which can make it difficult for investors to compare and evaluate different investments for making responsible investment decision.

Another challenge is the lack of regulatory clarity around responsible investing. While there has been some progress in this area, with regulators in many jurisdictions now requiring companies to disclose ESG related information, there is still a lack of consistent regulatory frameworks that would provide investors with greater confidence in ESG related disclosures.

Finally, there is also a challenge around greenwashing. This refers to the practice of companies making false or exaggerated claims about their ESG performance, in order to attract ESG oriented investors. Greenwashing can make it difficult for investors to assess the true ESG performance of companies and can undermine the credibility of the ESG investing industry as a whole.

Stewardship Codes, ESG Disclosures and Reporting



Stewardship is about preserving and enhancing long-term value as part of a responsible investment approach. Institutional Investors can yield significant influence in the management of investee entities as they are entitled to exercise voting rights therein and have regular meetings with senior management to improve upon the ESG parameters.

Institutional Investors, while discharging their stewardship responsibilities, may also avail the services of Service Providers like investment consultants, proxy advisors, data and research providers, etc. to get the best information about entities. As a result, Service Providers play a key role in the investment community as they provide necessary information that support the Institutional Investors to fulfil their stewardship responsibilities.

Applied in an investment and capital markets context, institutional investors are the agents, or stewards, on behalf of assets owned by the end beneficiaries of stewardship. These beneficiaries include individual savers, pensioners, and holders of long-term insurance policies. They rely on institutional investors as their agents, which include both asset owners and asset managers to act in their interests.

Institutional investors invest in a range of assets, including the equity and debt of listed companies, to produce investment returns for their beneficiaries. Particularly for pension funds and insurance companies funding annuities, the perspective of institutional investors is typically long-term. Both institutional investors and their beneficiaries therefore have a strong interest in ensuring that investee companies are successful and sustainable over time. This has broader systemic implications in terms of promoting healthy capital markets and economic development as well as positive environmental and social outcomes. The success of stewardship implementation also relies on participants understanding their roles and working in good faith to contribute positive outcomes. These participants extend along the "investment chain" from the end provider of capital to the user of capital and include specific roles for asset owners and asset managers, companies, regulators, and service providers to play in making stewardship a reality.

Institutional investors should use their influence over current or potential investees/issuers, policy makers and other stakeholders to maximise overall long-term value for beneficiaries.

Examples of ways to influence investees and issuers are summarised below:

- Engaging with current or potential investees/issuers, across all asset classes
- Voting at shareholder meetings
- Filing shareholder resolutions/proposals
- Fulfilling direct roles on investee boards and board committees
- Meeting with management, challenging the wrongdoings /Litigating.

Examples of ways to influencing other stakeholders:

- Engaging with policy makers and standard setters
- Contributing to public good by providing inputs to policy makers
- Engaging in public discourse and disclosures that support stewardship goals
- Negotiating with, and monitoring others in the investment chain (e.g. asset owners engaging with investment managers).

Undertaking stewardship is widely considered part of an investor's fiduciary duty to their clients and ultimate beneficiaries. It's important to consider the outcome achieved and the process followed to assess whether these duties have been met.

Globally, Stewardship Codes are issued by different bodies for Institutional Investors/ Service Providers to ensure transparency while discharging their ownership and governance obligations in relation to the clients and/or beneficiaries. Stewardship improves the overall investment ecosystem while protecting the interest of ultimate Investors. While Stewardship Codes are most fundamentally a statement of investor responsibilities, the effective implementation of stewardship activities requires constructive coordination of many market participants.

The UK was the first in developing a Stewardship Code in 2010, with subsequent editions in 2012 and 2020. Soon after the UK Stewardship Code, few other jurisdictions also formulated stewardship codes.

In India, the Insurance Regulatory and Development Authority of India (IRDAI), the nodal agency for regulating the insurance sector, enacted guidelines on stewardship code for the insurers in 2017 which stands revised in the year 2020. The Pension Fund Regulatory and Development Authority (PFRDA) issued stewardship code for pension funds in 2018. After that the Securities and Exchange Board of India (SEBI) issued Stewardship Code for Mutual Funds and Alternative Investment Funds (AIFs) in relation to their investment in listed equities in the year 2019. The most recent development is the enactment of procedural guidelines for proxy advisories in India by the SEBI in August 2020.

A list of Global Stewardship Codes is placed at **Annexure - I**.

ESG Disclosures & Reporting Frameworks



ESG reporting is the disclosure of environmental, social and corporate governance activities undertaken during a particular period. As with all disclosures, its purpose is to shed light on a company's ESG activities and making disclosures with transparency to all stakeholders. Since ESG reports summarize the qualitative and quantitative benefits of a company's ESG activities, investors can screen investments, align investments to their values, and avoid companies with the risk of environmental damage, social missteps or corruption.

ESG Reporting is also an effective way to demonstrate that how a company is meeting ESG goals and showcase that the projects are genuine and not meant for greenwashing. To facilitate disclosure of ESG matrix, some of the Global Reporting Framework are discussed below:

Global Reporting Initiative (GRI)



Established in 1997, GRI is the independent, international organization that helps businesses and other organizations to take responsibility for their impacts by providing them with the global common language to communicate those impacts.

The GRI Sustainability Reporting Standards (GRI Standards) help organizations increase their transparency and communicate their sustainability contributions and impacts. By better understanding, managing and disclosing impacts, organizations can unlock benefits that inform decisions, reduce risks, improve business opportunities and strengthen stakeholder relationships. This, in turn, enables companies to demonstrate their contributions towards environmental stewardship and societal wellbeing.

There are three categories of GRI Standards:

- The Universal Standards support the company in identifying its material topics by laying out important principles when preparing a report. They also contain disclosures on the organization's specific context, such as its size, activities, governance and stakeholder engagement.
- The Sector Standards, when available and applicable to the reporting organization, support companies within sectors to determine their material topics and what to report for each topic. For example, an oil company reporting in accordance with the GRI Standards is required to use the Oil and Gas Sector Standard.
- The Topic Standards contain disclosures that organizations use to report their impacts in relation to a topic and how it manages these impacts. For example, a business can use the GRI Standard on water and effluents to report their impacts on the environment because of its water withdrawal from areas facing water stress and how it manages these impacts.

Standards by Sustainability Accounting Standards Board (SASB)



SASB was founded as a non-profit organisation in 2011 to help businesses and investors develop a common language about the financial impacts of sustainability. Over the years, the corporate sustainability disclosure landscape became very complex. Many global businesses and investors called for simplification and clarity in this landscape.

The 77 industry-based SASB Standards provide useful, comparable information to investors and are cost-efficient for companies. The SASB Standards group sustainability topics into five “sustainability dimensions”: the environment, human capital, social capital, business model and innovation, and leadership and governance.

International Financial Reporting Standards (IFRS) – S1 & S2



The IFRS Foundation is a not-for-profit corporation founded on the principle that better information leads to better decisions. Investors need reliable, transparent and globally comparable information about companies to make better investment decisions. IFRS Standards meet this need by enabling companies worldwide to provide such information to their investors. Responding to the need for consistent and comparable sustainability information to facilitate investment

decisions, in 2021 the IFRS Foundation created the International Sustainability Standards Board (ISSB) which operates alongside the International Accounting standard Board (IASB). The ISSB develops IFRS Sustainability Disclosure Standards and so far, two standards i.e. IFRS S-1 and IFRS S-2 are issued by the IFRS.

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

Task Force on Climate-Related Financial Disclosures (TCFD)



The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks – risks related to climate change. In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support market transparency and more informed capital allocation.

The disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets. The four recommendations are interrelated and supported by 11 recommended disclosures that build out the framework with information that should help investors and others understand how reporting organizations think about and assess climate-related risks and opportunities.

Concurrent with the release of TCFD's 2023 status report on October 12, 2023, the TCFD has fulfilled its remit and disbanded. The FSB has asked the IFRS Foundation to take over the monitoring of the progress of companies' climate-related disclosures.

Carbon Disclosure Project (CDP)



CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.

CDP was established as the "Carbon Disclosure Project" in 2000, asking companies to disclose their climate impact. Since then, the scope of environmental disclosure, to incorporate deforestation and water security have been broadened, while supporting cities, states and regions.

CDP works with companies to catalyse urgent action towards a sustainable net-zero, deforestation-free and water-secure world. Companies can disclose their environmental information through CDP's full corporate and SME corporate questionnaires.

Sustainable Finance and Footprints of Sovereign Wealth Funds



Sustainable Finance

Sustainable finance refers to the various financial instruments that are dedicated to mobilizing financing for activities that have positive impacts on the environment and society. But more broadly, it incorporates the roles, responsibilities, and activities of the overall financial system as it seeks to mobilize financing and minimize risks. So sustainable finance also includes good governance, policies and regulations that create the enabling system in which resources are driven towards environmental and social priorities.

Sustainable finance provides better returns as well as helping the planet and making society fairer and more inclusive, evidence is mounting that sustainable businesses actually offer higher returns for investors. Sustainable finance has a key role to play in the world's transition to net zero by channelling private money into carbon-neutral projects.

Sustainable finance is about financing both what is already environment-friendly today (green finance) and what is transitioning to environment-friendly performance levels over time (transition finance). Transition finance is about financing private investments to reduce today's high greenhouse gas emissions or other environmental impacts and transition to a climate neutral and sustainable economy. For instance, these could be investments in green production methods or reducing the environmental footprint as far as possible, where no green technologies are yet available.

Transition finance is often needed by companies that want to become sustainable but need to do so in steps over time - in other words, companies with different starting points that want to finance their journey towards a sustainable future.

Green Financing



At its simplest, green finance is any structured financial activity – a product or service – that's been created to ensure a better environmental outcome. It includes an array of loans, debt mechanisms and investments that are used to encourage the development of green projects or minimize the impact on the climate of more regular projects.

One common green finance instrument is the green bond or a green loan which is similar to a green bond which raises capital for green eligible projects. However, a green loan is based on a loan that is typically smaller than a bond and done in a private operation.

A green bond usually has a bigger volume, may have higher transaction costs, and could be listed on an exchange or privately placed. Green loans and green bonds also follow different but consistent principles: The Green Loan Principles and the Green Bond Principles (GBP) of the International Capital Market Association (ICMA). Both instruments specify that 100% of the proceeds should be used only for green eligible activities.

On the other hand, a Green Index Fund is a type of investment fund designed to track the performance of a group of environmentally friendly stocks, bonds, or other financial instruments. These funds focus on investments in companies that demonstrate a commitment to sustainability, clean energy, and responsible resource management.

At COP 26, India underlined the need to start the one-word movement 'LIFE' which means 'Lifestyle for Environment' urging for mindful and deliberate utilization instead of mindless and destructive consumption of natural resources. The Hon'ble Prime Minister of India in Glasgow in November 2021 further enhanced the ambition on addressing climate. These include five nectar elements (Panchamrit) of India's climate action:

- Reach 500GW non-fossil energy capacity by 2030
- 50 per cent of its energy requirements from renewable energy by 2030
- Reduction of total projected carbon emissions by one billion tonnes from now to 2030
- Reduction of the carbon intensity of the economy by 45 per cent by 2030, over 2005 levels
- Achieving the target of net zero emissions by 2070

In keeping with the ambition to significantly reduce the carbon intensity of the economy, the Union Budget 2022-23 announced the issue of Sovereign Green Bonds.

The issuance of Sovereign Green Bonds aims to help Government of India in tapping the requisite finance from potential investors for deployment in public sector projects aimed at reducing the carbon intensity of the economy. Accordingly, a Green Bond Framework (Framework) was proposed which sets forth the obligations of the Government of India as a Green Bond issuer. The framework was designed to comply with four components and key recommendations of the International Capital Market Association (ICMA) Green Bond Principles (2021). These principles recommend delineation of a clear process and disclosure by the issuer to enable the investors and banks and others to understand the characteristics of the green bond.

The Union budget 2024-25 also envisages various green initiatives including:

- (i) Commitment on taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation related investments.
- (ii) Policy document on 'Energy Transition Pathways' to balance the imperatives of employment, growth and environmental sustainability to be brought out.
- (iii) Appropriate regulations for transition of 'hard to abate' industries from the current 'Perform, Achieve and Trade' mode to 'Indian Carbon Market' mode to be put in place.

Carbon Credit



To meet the worldwide net-zero target, companies will need to reduce their own emissions as much as they can (while also measuring and reporting on their progress, to achieve the transparency and accountability that investors and other stakeholders increasingly want). For some companies, however, it's prohibitively expensive to reduce emissions using today's technologies, though the costs of those technologies might go down in time. And at some businesses, certain sources of emissions cannot be eliminated. For example, making cement at industrial scale typically involves a chemical reaction, calcination, which accounts for a large share of the cement sector's carbon emissions.

Purchasing carbon credits is one way for a company to address emissions where it is unable to eliminate it completely. Carbon credits are certificates representing quantities of greenhouse gases that have been kept out of the air or removed from it. While carbon credits have been in use for decades, the voluntary market for carbon credits has grown significantly in recent years.

Carbon markets are trading systems in which carbon credits are sold and bought. Companies or individuals can use carbon markets to compensate for their greenhouse gas emissions by purchasing carbon credits from entities that remove or reduce greenhouse gas emissions.

One tradable carbon credit equals one tonne of carbon dioxide or the equivalent amount of a different greenhouse gas reduced, sequestered or avoided. When a credit is used to reduce, sequester, or avoid emissions, it becomes an offset and is no longer tradable.

There are broadly two types of carbon markets: compliance and voluntary. Compliance markets are created as a result of any national, regional and/or international policy or regulatory requirement. Voluntary carbon markets – national and international – refer to the issuance, buying and selling of carbon credits, on a voluntary basis.

Sustainability footprints of Sovereign Wealth Funds



Sovereign Wealth Funds (SWF) are commercial investors, with a fiduciary duty to maximise risk-adjusted returns according to their mandate and save for future generations. SWFs are special purpose investment funds or arrangements that are owned by the Government, usually created from balance of payments surplus, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surplus, and/or receipts resulting from resource exports.

SWFs are operated mostly for macroeconomic purposes by holding, managing, or administering assets to achieve financial objectives, and employ a set of investment strategies that include investing in foreign financial assets. SWFs receive their mandates from their governments. They are unlikely to take climate-related action on their own, and unless governments provide them with the resources necessary to meet associated costs. These costs may include the upgrading of mandates, governance structures, investment strategy, partnerships and risk-management frameworks, as well as recurrent costs associated with operating as active climate-aligned owners.

SWFs are expanding quickly in all parts of the world and are becoming a major force in global capital markets. What makes SWFs an attractive match for the financing of sustainable development, is their intrinsically long term and large-scale nature. Because of their unique set up, SWFs tend to have longer-term or well-defined liabilities, which enable them to invest in more illiquid assets. Furthermore, certain SWFs, such as sovereign development funds, have a specific mandate to invest in sectors that support the social and economic development of local economies. While there may be instruments and opportunities to support the SDGs across the asset-class spectrum.

Over the last 15 years and especially around the time of the financial crisis, interest in and attention to the investment policies of SWFs have grown. Since the global financial crisis of 2007-2008, more than 30 new SWFs have been established.

SWF's focus is on the long-term and immunity from pursuing short-term financial returns, it is reasonable to expect that SWFs may be in a prime position to focus on long-term corporate and societal sustainability by taking environmental, social, and governance (ESG) issues into account in their investment decisions.

As SWFs are substantial state-owned entities actively investing in global assets, they create a friction between market capitalism and state capitalism. Expansionary investment policies and a lack of

transparency give rise to suspicions about the motives behind their investments and their potential contribution to economic, financial, or political disruption.

By nature, SWFs act as long-term investors with the aim of leaving a legacy and safeguarding national wealth for future generations. Therefore, it is reasonable to expect that SWFs' investment policy is geared towards more responsible firms which have de facto policies aiming at sustainability. Due to their size and significant market power, SWFs have the potential to catalyze change with regard to eliminating pollution, improving working conditions, pursuing gender equality, and reducing corruption. In addition, responsible and sustainable investing has been increasingly becoming part of the societal preferences, and by investing the state's assets, SWFs need to respond to societal demand.

SWFs and other institutional investors frequently cite a lack of low-carbon investment opportunities as a challenge when seeking to climate-align their portfolios. Portfolio climate alignment should be seen as a dynamic process, where reducing the emissions of carbon-inefficient portfolio companies may count as much toward emissions reduction objectives as buying shares of companies that are already carbon efficient.

Furthermore, high-capacity sovereign funds could seek to build the capabilities required for developing new low-carbon assets. To achieve higher allocations to green, SWFs would need to undertake major investments in capacity building across several areas.

SWFs can undertake climate-related engagement with their portfolio companies either directly or through their asset managers. SWFs manage a large share of the world's invested capital. On the other hand, Strategic Investment Funds (SIFs) which are very small compared to SWFs and are domestically focused to mobilise private capital for investment in priority sectors.

SWFs and SIFs are complementary in several ways, and the synergies between them could be further exploited. Sovereign funds could benefit from collaborating more closely with SIFs that already have many of the skills required for playing an important role in climate finance, as well as with pension funds that have built the capacity for direct infrastructure investment.

For SIFs, collaboration with SWFs provide an opportunity to scale their investments in low-carbon infrastructure and other climate-related assets. This could be done by channelling part of SWFs capital through SIFs, or by setting up joint investment platforms with SIFs to pool resources and expertise to co-invest in green infrastructure.

SWFs in India

In the Union Budget 2015-16, the formulation of the National Investment and Infrastructure Fund Limited (NIIF) was announced and the same was established in the year 2015. NIIF has been set up as a collaborative investment platform for international and Indian investors, anchored by the Government of India, which manages funds with investments in different asset classes and diversified sectors that generate attractive risk-adjusted returns.

NIIF manages over USD4.9 billion of equity capital commitments across its four funds – Master Fund, Private Markets Fund, Strategic Opportunities Fund, and India-Japan Fund, each with a distinct investment strategy committed to support the country's growth needs.

Master Fund managed by NIIFL is India's largest infrastructure fund, that aims to participate in the robust Indian infrastructure story. The fund invests in high quality businesses and assets across core infrastructure sectors, via both operating and greenfield opportunities. With considerable experience in investing, building and operating infrastructure assets, the fund focuses in areas that are critical to India's economic development and long-term growth prospects.

Abu Dhabi Investment Authority (ADIA) signed the first international investment agreement of worth USD 1 billion with the NIIF in October 2017. Since then, a surge in direct investments in India by global sovereign wealth funds has been noted. On 26th February, 2024, Goldman Sachs and Mubadala, the sovereign wealth fund of Abu Dhabi, entered into a US\$1 billion private credit agreement aimed at co-investing in the Asia-Pacific region, with a particular focus on India.

Foreign investors from major economies are showing keen interest in becoming a part of India's business ecosystem. India is predicted to be the fastest-growing G20 economy for the coming years and tapping into its upward trajectory are various global investors, including those from the hydrocarbon-rich Gulf states. To promote foreign investment, in its Union Budget 2020, the India proposed a 100 percent tax exemption on dividend, interest, and long-term capital gains income arising from overseas SWF investments in India.

The Hon'ble Finance Minister, Nirmala Sitharaman, in the interim budget for the year 2024-25, has also announced extension of particular tax benefits for start-ups and investments from sovereign wealth or pension funds until March 31, 2025.

The largest sovereign wealth fund in the UAE, ADIA has been given the green signal to operate through the tax-neutral finance hub of GIFT City in the state of Gujarat. The foreign investors have expressed their keen interest in the growing Indian market which continue to bring direct SWFs investors like the Kuwait Investment Authority, ADIA, Norway Government Pension Fund Global etc. to maintain their foothold in India.

ESG and Responsible Investment - Future Ahead



Traditionally, the primary concern of investors has been the level of returns provided by an investment, with general ambivalence towards how those returns have been generated. Now, the industry is seeing a drive towards responsibility in its stewardship of investor money, with investors seeking to understand how their savings are being invested.

The past decade has witnessed a sharp acceleration in the trend toward sustainability in investment management and the embrace of ESG factors in financial analysis. ESG investing has existed in one form or another for much of the last century, yet it is only over the last decade that it has reached a critical mass. This development reflects a confluence of factors. Chief among them is greater demand from end investors including institutional asset owners and retail investors for investment products and solutions that take account of ESG risks and opportunities. Investors have also expressed a desire for investments that align with certain environmental or social goals so called non-pecuniary objectives. Governments and regulators have also exerted pressure on the investment industry to contribute toward broader sustainability-oriented policy goals. These factors have led to rapid growth in the development of ESG related financial products.

The growing investor interest in ESG factors reflects the view that environmental, social and corporate governance issues including risks and opportunities can affect the long-term performance of issuers and should therefore be given appropriate consideration in investment decisions. Thus, the extent to which the responsible investment approach incorporates forward looking financially material information into expectations of returns and risks, and the extent to which it can help generate superior long-term returns.

The ESG financial ecosystem is evolving, including issuers and investors who disclose and use information related to environmental, social and governance issues. Financial intermediaries, as well as government and international organisations are influencing the emerging practises in ESG and responsible investing. While constructive and inclusive progress has been made to develop ESG practices by several ESG players, it has generated the spread of a wide array of investment terminology, and disclosure frameworks which resulted in metric inconsistencies and lack of comparability for investors.

ESG methodologies are improving and becoming more transparent, scoring remains in a state of transition, with some rating providers still in the way of refining their methodology through the inclusion of factors such as materiality. There is a range of scoring methodologies in terms of determining which data to analyse and include, metrics weighting, materiality and how to consider missing information. Moreover, subjective judgment is layered particularly regarding absolute and relative scores within and across industries.

ESG and responsible investment are becoming standard considerations in investment decisions across all sectors. This integration is not just a trend but a fundamental shift towards sustainable, impact based and ethical investment practices. The future of ESG and responsible investment is poised for significant growth and impact for several reasons including the following:

- Investors increasingly acknowledge that integrating ESG factors can boost long-term financial returns and mitigate risks. This shift is propelled by institutional investors, asset managers, and retail investors alike, placing greater emphasis on sustainability and ethical considerations.
- Governments and regulatory bodies are increasingly enforcing the disclosure of ESG metrics and considerations. This is pushing companies to embrace greater transparency and integrate ESG factors into their core business strategies.

- Addressing global challenges like climate change, social and income inequality and corporate governance issues requires enormous efforts from both investors and companies. ESG and responsible investment provide frameworks for tackling these sensitive and complex issues responsibly and sustainably.
- Advances in technology, such as blockchain, big data analytics and AI, will facilitate better measurement and reporting of ESG metrics. This will aid more informed investment decisions and encourage companies to improve their ESG performance.



*Case Studies on
Responsible Investment*

First Abu Dhabi Bank (FAB): Integration of ESG Risk Considerations

In 2021, FAB introduced an ESG lens into the risk management processes to minimise exposure to potential losses resulting from ESG issues and cultivate opportunities that create positive environmental and social impacts through their core business of providing financial products and services.

Project details and learnings

Climate problem: Changes in market dynamics, such as the establishment of emission standards and carbon prices, will have a direct impact on the financial positions of FAB's clients, making climate risk an important element of credit decisions. FAB is already working on understanding the climate risks associated with its non-green assets and measures to mitigate them. The bank committed to implementing the recommendations of the Taskforce for Climate-related Financial Disclosures' (TCFD) around Governance, Strategy, and Risk Management in 2021 and is currently integrating the TCFD framework to publish disclosures in 2023.

Commercial opportunity: Tackling climate change opens opportunities for financial institutions to provide innovative financing products for energy efficiency upgrades, renewable power generation, green buildings, green transport, and climate-smart agriculture and architecture. In addition, there is a growing community of investors seeking new climate and environmentally friendly opportunities, which FAB can use to diversify its funding base and reduce its funding costs. FAB's assumption is that a greener composition of its assets will lead to a lower portfolio risk grading (credit and other risk channels), which will reduce the cost of funding of its liabilities, similar to the dynamics observable in the green bond market.

Solution:

Integration of ESG Risk Considerations:

A stand-alone ESG risk assessment tool, developed by FAB, provides ESG risk ratings to the bank's entities (clients and vendors) and portfolios. The tool combines qualitative inputs from ESG risk questionnaires with quantitative risk data from ESG rating agencies to grade portfolios under 'Acceptable', 'High' and 'Severe'.

While FAB cooperates with ESG rating agencies on data sharing, the bank's ESG risk assessment is driven by its internal policies and methodology.

Strategies and escalations have been designed around these ESG risk ratings in line with the Group ESG Risk Policy.

FAB's ESG risk assessment at counterparty, transaction and vendor level begins with conducting negative screening against a list of clients, countries, and activities that are ineligible for business based on the bank's strategic ESG preference, values, and local requirements.

In addition to negative screening, the Bank also applies different approaches in conducting business with certain countries and sectors of heightened sensitivity to ESG risks, which the bank calls 'ESG critical activities' (e.g., palm oil industries, waste incineration without energy capture, hazardous substances). These are not considered within the exclusionary list, but have the potential to pose negative impacts on the environment and society. In such cases, FAB applies certain conditions to limit its exposure to critical activities (e.g., revenues generated from critical activities should not be more than 25% of the entity's revenue, ESG risk mitigation measures are in place with a clear action plan, ESG monitoring, KPIs, etc.).

Climate Risk Assessment and Stress Testing:

As part of FAB's measures to respond to growing interest from stakeholders (regulatory agencies, investors, clients, risk rating agencies and internal stakeholders), it initiated climate stress testing on all its bank portfolios to identify related physical and transition risks of climate change. FAB has carried out two climate risk stress testing/scenario analysis exercises for two of its international portfolios – Hong Kong and UK, in voluntary submissions to the Hong Kong Monetary Authority and the Bank of England. These exercises are part of the development of capability and infrastructure for larger scale climate risk assessment exercises in the future. The results have also increased FAB's awareness of its portfolio climate risk exposure and will lead to internal data-driven climate risk management processes in the future. In line with the TCFD's recommendations, the bank assesses two sources of climate risk – transition risk and physical risk.

On a macro level, under each climate risk scenario, the macro-economic indicators are expected to reflect the combined impact of the transition risk and physical risks. On a customer level, FAB's pilot climate stress testing was aimed to assess customers' physical and transition risk impact on financial performance. The testing followed three key steps: (1) Climate/transition scenarios, (2) Borrower-level calibration, and (3) Portfolio impact assessment.

Existing barriers: Lack of easy access to ESG related data from suppliers, vendors, clients, etc.

Learnings: This project is viewed as a crucial risk mitigation measure, which aids FAB in its collaboration with various business lines to provide innovative financing products for emerging sustainability issues. It enables FAB to take decisions backed by data to support the growing community of investors seeking new climate- and environment-related opportunities.

Eurizon Capital S.p.A (Investment manager - Italy)

Eurizon Capital SGR S.p.A. is the largest institutional investor in Italy with years of experience in equity, bond, multi-asset, and quantitative management to meet the needs of investors. In making its investment choices, Eurizon assigns an important role to ESG factors and broader responsible investing principles, including the efforts of investee companies to align to a net-zero pathway. As a signatory of the Net Zero Asset Managers initiative, they have committed to engage with investee companies that have lagged in the decarbonisation process. Eurizon has identified cement as a critical sector due to the difficulties it faces in reducing CO₂ emissions to achieve the goal of net-zero emissions by 2050.

Frazier Healthcare Partners (Investment manager – US)

Frazier Healthcare Partners is a middle-market, healthcare-focused private equity investor. As part of defining the firm's Diversity, Equity, Inclusion and Advancement (DEIA) strategy, the group came up with a holistic scorecard, comprising 20 metrics with a maximum potential score of 100. To choose what they believe are the right metrics, they focused on KPIs that were reflective of objective indicators of Equity, Inclusion and Advancement collated to workforce productivity, retention rates, and other human capital drivers. In 2021, they rolled the scorecard out across their portfolio of majority-owned companies which was shared directly with companies, allowing them to report on their metrics on a semi-annual basis to their Boards. In 2022, they saw the DEIA Scorecard results in comparison with the initial baseline. There was widespread improvement in the scores, more than they had hoped for. This initiative shows the power of establishing specific ESG metrics in driving accountability through Board governance.

SBI Funds Management (Investment Manager – India)

SBI Funds Management (SBIFM) is currently the largest asset manager by AUM in India, offering a wide range of actively managed mutual funds and index funds. They have introduced a new process of assessing IPOs using a proprietary ESG framework. The process makes use of the Red Herring Prospectus (RHP) filed by companies with the regulator, publicly available information through news, articles, blogs, and databases, as well as corporate engagement to understand ESG initiatives. SBIFM's process for IPO ESG assessment has enabled the investment team to apply an ESG lens to investment decisions and engage with companies prior to investing.

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Annexure-I

List of Global Stewardship Codes

Sl. No	Name of the Code/ Principles/Guidelines	Issued by
Responsible Investment		
1	Principles for Responsible Investment	UN - Principles for Responsible Investment (PRI)
Stewardship		
1	The UK Stewardship Code, 2020 – United Kingdom	Financial Reporting Council of the United Kingdom
2	Australian Asset Owner Stewardship Code, 2024 - Australia (W.e.f. 01.07.2024)	Australian Council of Superannuation Investors
3	Stewardship Framework for Institutional Investors, 2017 – US	Investor Stewardship Group
4	ICGN Global Stewardship Principles, 2020	International Corporate Governance Network
5	Guidelines on Stewardship Code for Insurers, 2020 - India	Insurance Regulatory and Development Authority of India (IRDAI)
6	Common Stewardship Code, 2018 - India	Pension Fund Regulatory and Development Authority (PFRDA)
7	Stewardship Code, 2019 - India	Securities and Exchange Board of India (SEBI)
8	AMEC Stewardship Code, 2016 - Brazil	Capital Market Investors Association
9	CCGC Stewardship Principles, 2020 - Canada	Canada Coalition for Good Governance
10	Stewardship Code, 2016 - Denmark	Committee on Corporate Governance of the Danish Business Authority
11	EFAMA Stewardship Code, 2018	European Fund and Asset Management Association
12	Principles of Responsible Ownership, 2016 - Hong Kong	Securities and Futures Commission
13	German Stewardship Guidelines, 2020	The DVFA Governance & Stewardship Commission

14	Italian Stewardship Principles, 2016 - Italy	The Italian Association of Managed Savings
15	Principles for Responsible Institutional Investors, 2020 - Japan	Council of Experts on the Stewardship Code, Financial Services Agency
16	Stewardship Code for Institutional Investors, 2017 - Kenya	Capital Markets Authority
17	Principles on the Stewardship Responsibilities of Institutional Investors, 2016 – Korea	Korea Corporate Governance Service
18	Malaysian Code for Institutional Investors, 2014 - Malaysia	Minority Shareholder Watchdog Group
19	Dutch Stewardship Code, 2018 - Netherlands	Eumedion Corporate Governance Forum
20	Singapore Stewardship Principles 2022 - Singapore	Stewardship Asia Centre
21	Code for Responsible Investing in South Africa, 2022 - South Africa	Committee on Responsible Investing by Institutional Investors in South Africa
22	Swiss Stewardship Code, 2023	The Asset Management Association Switzerland and Swiss Sustainable Finance
23	Stewardship Principles for Institutional Investors, 2020 - Taiwan	Taiwan Stock Exchange
24	Thai Securities and Exchange Commission Investment Governance Code, 2017 - Thailand	Securities and Exchange Commission, Thailand



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throughout their lifecycle



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