

GLOBAL CLIMATE FINANCE CENTRE · UAE TNFD CONVENOR

Integrating Climate and Nature in UAE Transition Finance

Strengthening the Next Phase of Sustainable Finance

IN COLLABORATION WITH



NATURE ALPHA

Authors and contributors

This publication was authored by Khalid Tebe with contributions from Zahra Hashi and Antonio Caffisch, all from the Global Climate Finance Centre.

The geospatial and financial materiality assessment was prepared by Nature Alpha. The team comprised Dr. Vian Sharif, Liesl van de Vyver Blackman, and Charles Low.

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Disclaimer

The views expressed in this publication are those of the Global Climate Finance Centre in its capacity as UAE TNFD Convenor. They do not represent the formal position of the SFWG, any of its member institutions, or the UAE Government, and are offered to inform the continuing work of those institutions. It is not a TNFD publication, and it does not represent the formal position of the TNFD. The analysis does not assess compliance, asset quality, environmental performance, or individual entities or assets. Sector-level discussion is directional and aggregate, and should not be read as a performance assessment of any sector or operator.

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Executive Summary

UAE institutions can integrate nature through the instruments they already operate, with no need for a separate regime at this stage. Climate and nature are two sides of the same transition: climate change is one of the principal drivers of nature loss, and healthy natural systems underpin the low-carbon economy. The international architecture is converging on that link, and nature-related factors are now entering the international sustainable finance baseline. The IFRS Sustainability Disclosure Standards, which the UAE's disclosure architecture already references, are moving the same way. The International Sustainability Standards Board has agreed to propose nature-related disclosure requirements in the form of an IFRS Practice Statement, with an exposure

draft expected for public comment in October 2026. Together, the TNFD Recommendations, the sector guidance, and the IFRS-TNFD collaboration now give a coherent international reference point. The Global Climate Finance Centre (GCFC) asks how these factors can strengthen the UAE's sustainable finance agenda. The answer is that the UAE's architecture already uses materiality-based instruments that can carry nature-related information where it is financially relevant. The opportunity is to make implicit alignment explicit, at a pace UAE institutions and market participants choose, shaped by market awareness, the expectations that firms with international footprints meet in other jurisdictions, and the maturity of data and methods.

Climate and nature are two sides of the same transition.

The new empirical evidence sits in two places, alongside the legal and regulatory mapping. A geospatial and financial materiality assessment of more than two thousand UAE-located assets, prepared for this publication, finds water availability the dominant nature-related pathway in the quantified work, with the condition of Gulf marine ecosystems the second channel. The marine channel matters most for desalination and coastal sectors, which depend on the quality of the seawater they draw in and on the shoreline systems around their assets. It rests on dependency and proximity analysis rather than the scenario quantification, which water dominates. These are the channels through which nature reaches finance most directly. Under the most pronounced forward-looking scenario, operational sensitivity is indicatively material across the assessed locations, up to about 18% to 2050; under the two milder scenarios it holds at around or below 1%. The risk concentrates in the more stressed water futures. Operational sensitivity is a scenario-based metric, a measure of how far operating costs and revenues could move under more stressed conditions. Its use is in screening and prioritisation, helping institutions find the assets, sectors, and locations where fuller, decision-grade assessment is worth commissioning.

A targeted stakeholder consultation, also conducted for this publication, points the same way. Respondents recognise that nature-related issues are material, single out water availability as the most consistently relevant, and want guidance that fits inside the sustainability and transition frameworks they already use.

Across UAE instruments, three features matter for the next phase of work. Design is principles-based and proportionate, resting on materiality; disclosure is anchored in the IFRS Sustainability Disclosure Standards; and the supervisory and reporting machinery built for climate already extends to other material sustainability information, with SFWG coordination holding the system together. Because of this, the hooks for nature already sit inside the existing instruments, and the points where developing international guidance takes effect in UAE practice are partly in place. None of this calls for a separate nature-finance regime. It calls for better use of existing materiality reviews, disclosure processes, transition-planning tools, and sustainable finance product frameworks. UAE institutions and market participants can use this work to strengthen domestic implementation, and the country can contribute practical evidence from an arid, coastal, infrastructure-intensive economy to the international nature-finance practice base.

Water is the dominant nature-related pathway in the UAE economy, and it is also the substantive focus of the UAE's co-hosting of the 2026 United Nations Water Conference with Senegal in December 2026. The nature-finance evidence developed here feeds directly into the water financing agenda the UAE is building for that conference. The opportunity is an integrated approach to climate and nature, one that advances the UAE's net-zero commitments and its nature-positive ambitions together, consistent with the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

As the international guidance puts it, there is no net zero without nature. The UAE's water and nature work is one practical expression of that link. Water is a question of entity-level materiality, but it is also a system-level priority for an arid, coastal economy. This publication notes

where water-related criteria can enter existing sustainable finance instruments; detailed classification, payer matching, and investment structuring at system level are addressed in GCFC's Water Finance Framework.



Flamingos at Al Qudra Lakes.

Key Findings

Five findings follow. The first three carry the analytical weight of the publication; the final two are judgments that follow from them.

1. Water availability is the dominant nature-related pathway for the UAE economy, with Gulf marine ecosystem condition the second channel. The geospatial assessment of UAE-located assets finds water availability the pathway that drives the quantified sensitivity, with the state of Gulf marine ecosystems material for desalination and coastal-dependent sectors at seawater intakes and coastal interfaces. The marine channel is identified through dependency and proximity analysis rather than the scenario quantification, which water dominates. The two readings do different jobs. The scenario quantification sizes the financial exposure, where water dominates; the dependency and proximity analysis shows where marine conditions warrant monitoring and locational screening before they reach the numbers. Under the most pronounced forward-looking scenario, operational sensitivity is indicatively material across the assessed locations, up to about 18%, reported as a directional, scenario-based figure and not a forecast or loss estimate. Gulf marine ecosystems reflect the basin's naturally warm and saline conditions together with cumulative regional pressures, which makes their condition both a dependency for the assets that rely on them and a factor that warrants careful, ongoing management.

2. The UAE's sustainable finance architecture provides the entry points through which nature can be addressed within existing instruments. The principal openings are materiality-based reporting and supervision and the references to the IFRS Sustainability Disclosure Standards that run across the disclosure regimes. These hooks already sit inside the instruments operated by the Central Bank of the UAE, the CMA, the ADGM, the DFSA, the country's exchanges, and the SFWG.

3. UAE market participants recognise that nature is material and want it built into the frameworks they already use. Respondents to the targeted stakeholder consultation conducted for this publication identify nature-re-

lated issues as material at a substantial rate, and they point to water availability as the most consistently relevant. They want sector-specific guidance carried inside the sustainability and transition frameworks they operate today. The findings converge with the geospatial evidence.

4. The international architecture for nature-related finance is approaching the maturity that supports timely engagement. The TNFD Recommendations, the sector guidance, the IFRS Foundation-TNFD collaboration, and the ISSB's proposed IFRS Practice Statement on nature-related disclosures constitute a coherent international reference point. This reference point is consistent with the direction UAE instruments already take, and engagement with it sits naturally within existing UAE disclosure entry points.

5. The UAE is positioned to contribute to international practice on nature-related finance in arid, coastal, infrastructure-intensive economies. Its materiality-based architecture, the analytical evidence developed here, the policy mandate it holds across federal authorities and emirate-level institutions, and the convening platform it operates internationally, including co-hosting the 2026 UN Water Conference with Senegal, together let the UAE help close the under-representation of arid, coastal, infrastructure-intensive economies in the international practice base. Bridging climate and nature through practical market application is the substantive opportunity.

At a glance

- Water availability is the dominant nature-related pathway in the quantified assessment.
- Operational sensitivity reaches up to about 18% under the most pronounced 2050 scenario, and around or below 1% under the milder ones.
- A targeted consultation of senior UAE market participants points in the same direction.
- The instruments to integrate nature already exist; no separate nature-finance regime is needed at this stage.

01

SECTION ONE

Introduction

The question the publication answers, the evidence it brings to it, and the route the argument takes.

The UAE's sustainable finance architecture has moved from framework design to implementation. Federal authorities, financial regulators, the country's exchanges, and the two financial free zones each operate sustainability-related instruments within their remits, coordinated through the UAE Sustainable Finance Working Group, which has issued principles for climate risk management, sustainability disclosure, and climate transition planning. Reporting entities and financial firms are now putting these instruments into practice.¹

Implementation raises a practical question for reporting entities, regulators, and financial institutions. When nature becomes financially relevant, where does it fit in the UAE's existing sustainable finance architecture? Water availability, marine ecosystem condition, heat exposure, and the integrity of coastal systems shape the operating environment for sectors central to the UAE's economic development. The frameworks for working with these factors have caught up. The IFRS Foundation and the Taskforce on Nature-related Financial Disclosures have established a formal collaboration, and the International Sustainability Standards Board has agreed to propose nature-related disclosure requirements in the form of an IFRS Practice Statement, with an exposure draft expected for public comment in October 2026.² The international disclosure standards that UAE instruments already reference now name nature more explicitly.

The Global Climate Finance Centre (GCFC) is the official UAE Convenor for TNFD. In that role, GCFC works alongside UAE institutions, reporting entities, and the firms that support them, weighing how TNFD-informed approaches can complement the country's sustainable finance architecture and where nature can take a proportionate place within it as it develops.

The publication asks one question. How can nature strengthen the UAE's sustainable finance agenda as it moves from framework design to market execution, building on the instruments already in place? Answering it rests on two working definitions. Transition finance, as used here, means the financing that supports the UAE

economy's path to net zero by 2050: the lending, capital-market instruments, transition plans, and product frameworks that fund the shift in energy, industry, and the built environment. Integrating climate and nature in transition finance means treating nature-related dependencies, and over time impacts, within the same materiality, disclosure, and risk processes that already address climate. UAE market participants begin this phase with advanced climate and sustainability practice and earlier-stage nature practice. The task is to close that gap proportionately.

The argument develops as follows. Section 2 describes the UAE's physical setting and the operating environment it creates, and why nature is relevant here. Section 3 maps the UAE's sustainable finance architecture and the features that open entry points for nature. Sections 4 through 6 examine where the economy interacts most directly with natural systems, what international frameworks contribute, and how UAE entities can integrate them in a phased and proportionate way. Section 7 draws the evidence together, states what it supports and what remains open, and closes on the position the UAE is in. The purpose throughout is to inform the next phase of market execution: evidence on where nature is financially relevant in the UAE, a map of the instruments already in place, and an illustrative approach for integration.

The publication draws on three inputs: the body of UAE federal law, regulator instruments, and SFWG outputs in force, informed by consultations with UAE regulators and market actors; a targeted stakeholder consultation with selected UAE market participants; and a geospatial and financial materiality assessment of UAE-located assets prepared for this publication, drawing on the TNFD LEAP (Locate, Evaluate, Assess, Prepare) approach and recognised global biodiversity and water datasets. The Data and Methodology annex describes the consultation and assessment methodology.

GCFC offers this publication in its capacity as the official UAE Convenor for TNFD. It is GCFC's own analysis, prepared to inform the next phase of market execution.

02

SECTION TWO

Why Nature Matters for Transition Finance in the UAE

How an arid, coastal setting turns the condition of natural systems into something finance has to price.

The UAE sits along the southern coast of the Arabian Gulf, a shallow and semi-enclosed sea with waters that renew slowly, warm summer surface temperatures, and naturally high salinity.³ Inland, the country has an arid climate and high summer temperatures. The population, the country's major urban corridors, and the bulk of the desalination capacity that supplies the country's drinking and industrial water are concentrated along the Gulf coast.⁴ The UAE has built systems suited to this environment.

These systems are integral to the UAE's development model. Desalination provides the majority of potable water, around 42% of total requirement and the greater part of municipal supply, while agriculture and landscaping draw on groundwater, treated wastewater, and other water-management systems. Cooling sustains year-round commercial and residential activity. Coastal engineering has extended the developable land along the Gulf shoreline. None of these works in isolation. The condition of Gulf marine ecosystems sets the operating conditions for desalination intakes; summer heat drives cooling demand and building performance; the integrity of coastal ecosystems supports the resilience of waterfront assets.

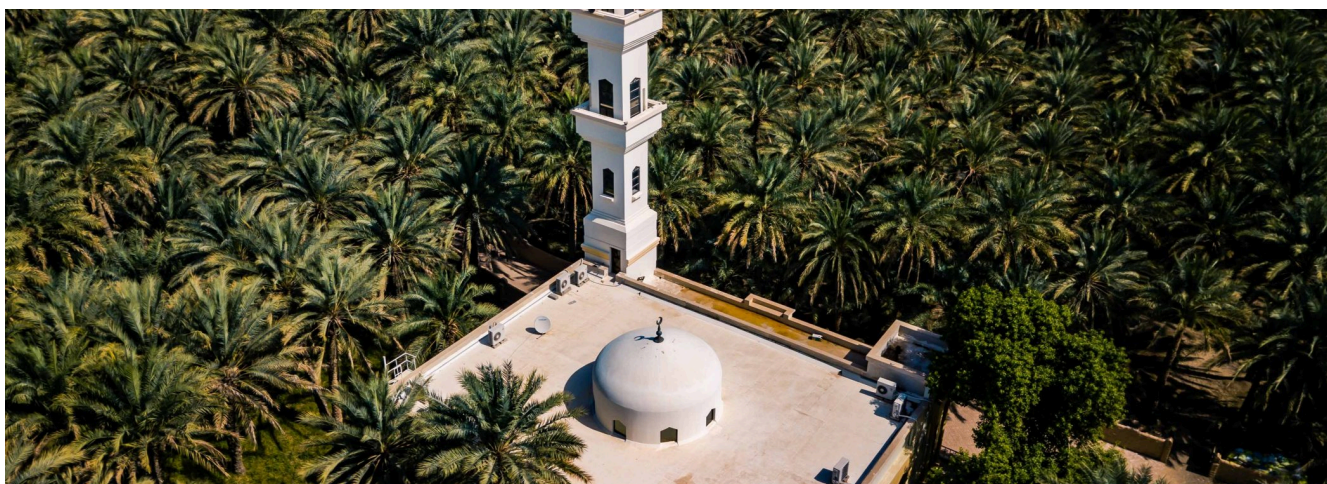
For the firms that build and run this infrastructure these are operational realities, and they are factors their banks, insurers, and investors weigh as part of their work. When those conditions shift, so can the costs, performance, and insurability of the assets, and that is what brings these interactions into finance.

International frameworks treat these interactions as a category related to climate but distinct from it. Climate-related risk is shaped principally by greenhouse gas concentrations and the warming, sea level changes, and weather variability that follow. Nature-related risk is shaped by the condition of the ecosystems that economic activity interacts with. The two are closely linked. Climate change is itself one of the principal drivers of nature change, and both are increasingly addressed through common governance, materiality, disclosure, and risk-management structures. An entity can extend the climate materiality process it already runs to cover nature, a point Section 6 develops. Recent international developments, including the IFRS-TNFD collaboration and the ISSB's proposed nature-related Practice Statement, reflect a deliberate effort to bring them together within a coherent disclosure architecture.

Climate change is itself one of the principal drivers of nature change.

Figure 1 sets out climate, nature, and the UAE economy as three interacting systems. Climate-related risks and nature-related factors connect to each other, and both connect to the UAE economy through distinct but over-

lapping channels. Materiality is the framing that lets reporting entities address climate, nature, social, and governance information within a single coherent framework.



Al Ain Oasis.

FIGURE 1

Climate, nature, and the UAE economy: three interacting systems.

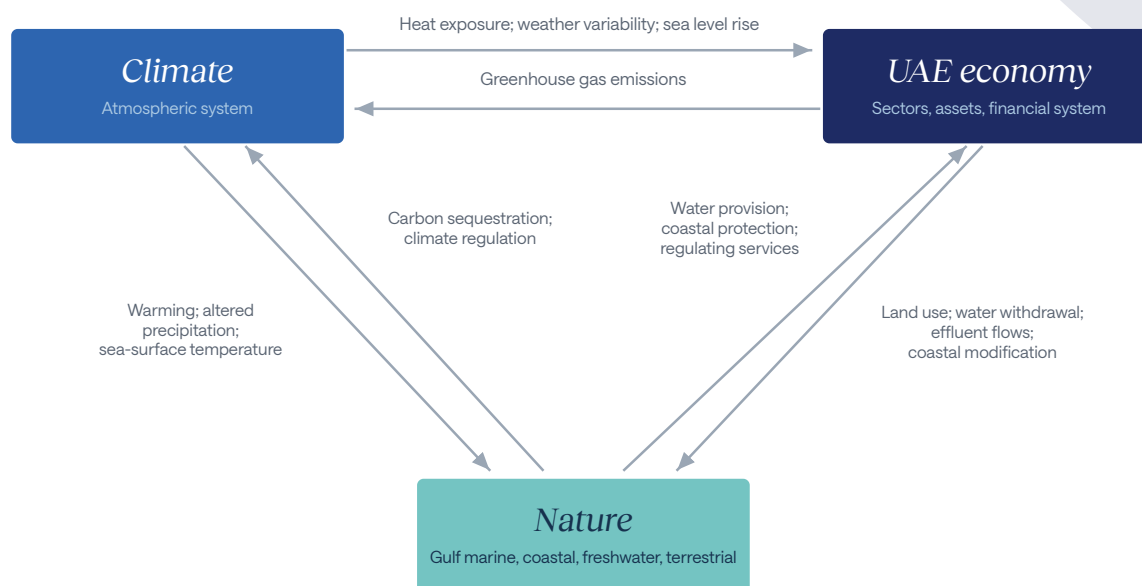


Figure 1. Climate, nature, and the UAE economy: three interacting systems. Each pair of systems exchanges influences in both directions. Climate-related risks are conventionally addressed through climate frameworks; nature-related considerations are addressed through nature-related frameworks; the two are connected. Source: prepared for this publication.

For UAE reporting entities and the institutions that work with them, nature matters in three main ways. The first is the physical setting. UAE assets and the firms running them operate in one of the world's most water-constrained natural environments, a condition the country has long addressed through advanced desalination, water planning, infrastructure investment, and resource-management policy. A geospatial analysis of more than two thousand UAE-located assets prepared for this publication, drawing on recognised water and marine ecosystem datasets, places the assessed locations among the world's most water-constrained operating environments on the international index maintained by the World Resources Institute.⁵ Those global datasets need supplementing with region-specific data to reflect the UAE context fully, a point the methodology annex and Section 5.5 develop.

Water is one part of that setting; the sea is the other. The Gulf is a shallow, semi-enclosed basin with waters that renew slowly, naturally warm summer surface temperatures, and high salinity. Cumulative human-influenced readings for the basin reflect these features together with combined regional pressures from across the wider Gulf, so they describe the basin as a whole and cannot be

traced to any one country.⁶ UAE engineering, planning, and operational practice have managed these conditions for decades. They also carry financial weight over the medium and long term, through cooling costs, asset replacement cycles, insurance considerations, and the reliability of input flows for sectors such as water utilities and large-scale cooling.

The second way runs through where the UAE economy sits relative to ecologically significant areas. The coastline supports a growing economy alongside a network of natural areas of national and international ecological importance. The UAE has designated forty-three federal protected areas, including ten wetlands of international importance under the Ramsar Convention and several sites recognised as UNESCO biosphere reserves, some of them marine and coastal.⁷ This network has been built up as economic activity continued, with federal and emirate authorities designating, mapping, and managing the areas. Significant infrastructure and development sit close to areas of recognised ecological value, and managing those interfaces is part of how the assets are understood and supported. The question for reporting entities and their financiers is how that geography shapes the way nature is taken into account.

The third way connects these physical and spatial characteristics to financial outcomes. It rests on a specific

technical metric, operational sensitivity, so the box below sets out what that metric measures and what it does not.

Understanding operational sensitivity

Operational sensitivity is a scenario-based sensitivity metric used in this publication to estimate how revenue or operating costs across UAE-located assets could be affected by changes in ecosystem services under a specified forward-looking scenario. It is reported as a percentage of revenue or operating cost. The metric is intended as an input to institutional consideration of nature-related materiality.

Operational sensitivity is not a forecast, an impairment estimate, a credit rating, or an assessment of current asset performance, and does not measure environmental impact, regulatory compliance, or asset quality. Results vary materially by sector, geography, dependency pathway, and modelling assumption, and the methodology is set out in the Data and Methodology annex.

18%

up to about

Under the most pronounced forward-looking scenario, operational sensitivity reaches up to about 18% across the assessed locations to 2050, with an asset-weighted mean closer to 15%, expressed as a percentage of revenue or operating cost. Under the two milder scenarios it holds at **around or below 1%.**

The geospatial assessment estimates how revenues and operating costs across UAE-located assets could move under forward-looking scenarios that include nature-related conditions. Under the most pronounced scenario, operational sensitivity reaches up to about 18%, with an asset-weighted mean closer to 15%, expressed as a percentage of revenue or operating cost.⁸ Section 5.4 sets out how nature-related dependency has been found to be financially material in other financial systems.

Figure 2 traces how nature-related conditions in the UAE setting reach finance. Water, marine ecosystems, coastal

systems, and heat shape the operating environment of UAE assets, which in turn shapes operations at the entity level. Materiality is the test that decides which of those realities are significant enough to enter the sustainable finance architecture. It is applied mainly through the IFRS Sustainability Disclosure Standards, alongside the voluntary standards and stewardship expectations that market practice also runs on. Heat sits in the diagram as a climate-driven condition. It belongs there because it reaches entities through the same operating-environment layer and interacts with the others, through cooling-water demand and stress on ecosystems.



Hatta Dam and reservoir, Hajar mountains.

FIGURE 2

How nature-related considerations reach the UAE financial system.

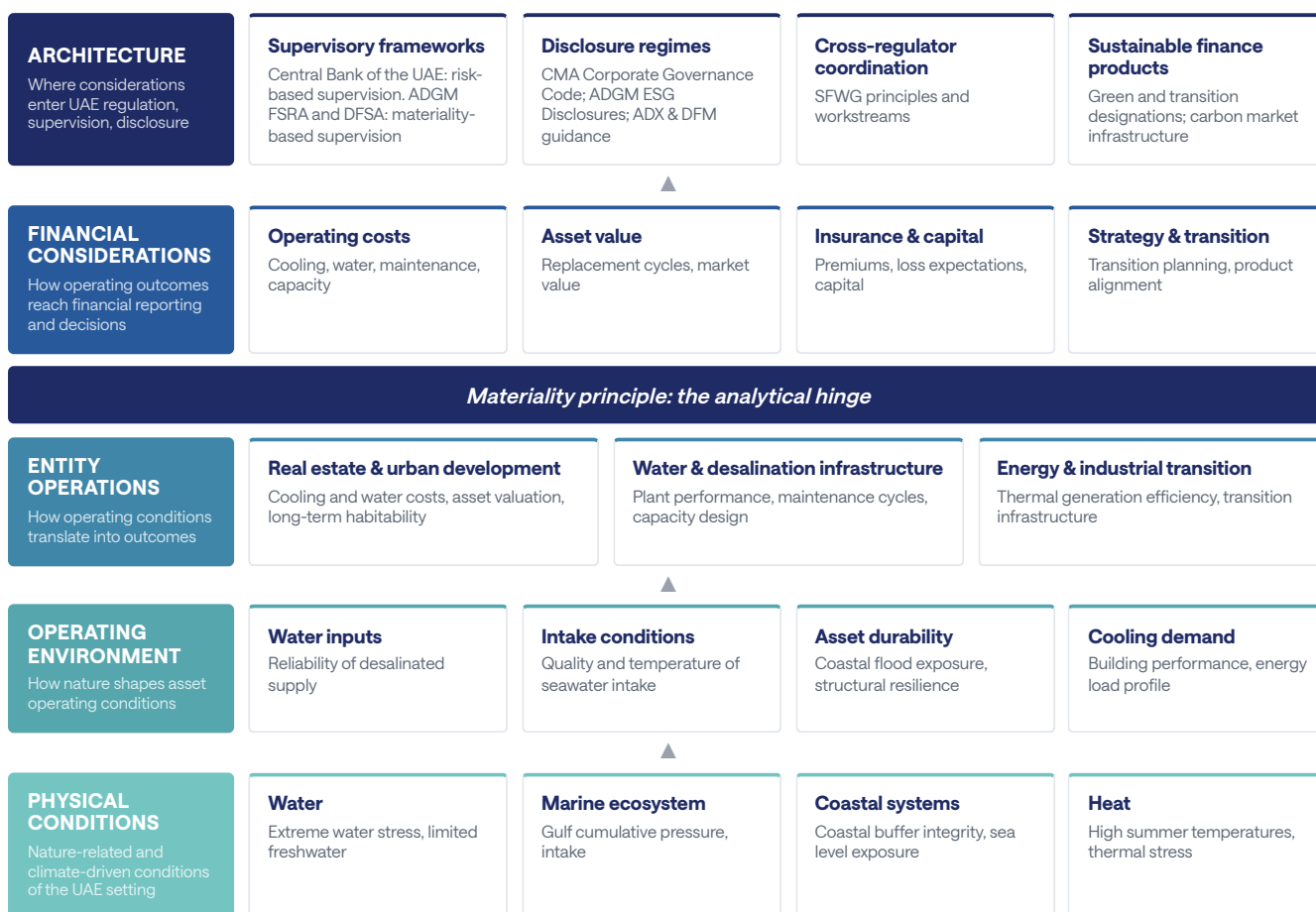


Figure 2. How nature-related considerations reach the UAE financial system. Stacked transmission channel showing how nature-related conditions propagate through operating environment, entity-level operations, and financial considerations to enter the UAE sustainable finance architecture. Source: prepared for this publication.

To complement the legal, regulatory, and geospatial analysis, GCFC ran a targeted consultation with selected UAE market participants. Respondents pointed to the same pattern the geospatial assessment found. Water availability is the most consistently named material issue, and nature is becoming more relevant across reporting entities.

Whether nature enters analytical and disclosure frameworks is principally a question of materiality. Materiality here is the test of whether information about a risk or opportunity is significant enough that a reasonable user of financial reporting would weigh it in their decisions. Where it could reasonably be expected to influence those decisions, the entity considers it and, where appropriate, discloses it. The principle is not specific to climate, nature, social, or governance issues; it is the general framing under which all are addressed. International dis-

closure standards have used it to extend coverage from climate to nature.

UAE instruments work on the same principle. The Central Bank of the UAE's binding climate-related financial risk regulation rests on a materiality-based assessment of risks that affect a financial firm's business model, financial position, and ability to meet regulatory obligations. The SFWG's sustainability disclosure principles, the ADGM Registration Authority's ESG disclosure regime, the Capital Market Authority's corporate governance code, and the disclosure guidance issued by the country's exchanges all apply materiality-based reporting that, in principle, covers all material sustainability-related information. Read analytically, these instruments already supply the institutional and legal basis for taking nature into account where it is financially relevant to the entity concerned.

03

SECTION THREE

The UAE Sustainable Finance Architecture

The instruments and institutions in place, and the entry points they provide.

The UAE's sustainable finance architecture brings together federal authorities, financial regulators, the country's exchanges, and financial free zones. Coordination is what turns these parts into a single system. The SFWG supplies that integrating function: each regulator works within its own remit, while the Working Group aligns climate-risk, sustainability-disclosure, and transition-planning principles across the system. One concept recurs in the table below. An analytical reference point is the specific provision or concept inside an instrument, a materiality test, an IFRS reference, or a risk-management expectation, that lets an entity bring nature into scope.

At the federal level, the Ministry of Climate Change and Environment (MOCCAE) leads on national climate and biodiversity policy. The federal framework covers measurement, reporting, and verification of greenhouse gas emissions across the economy, National Adaptation Planning, the National Register for Carbon Credits, and

the National Biodiversity Strategy aligned with the Kunming-Montreal Global Biodiversity Framework.⁹ The Ministry of Finance and the Ministry of Economy sit alongside MOCCAE in the SFWG, bringing the public-finance and economic-policy perspectives that shape where the system is heading.

The Central Bank of the UAE regulates and supervises licensed financial institutions operating onshore. Its binding climate-related financial risk regulation, which currently applies to banks and insurers, sets minimum supervisory expectations on governance, risk appetite, strategy, risk management, capital and liquidity adequacy, and scenario analysis, applied on a proportionate, risk-based basis. The same proportionate, risk-based machinery is available for nature. Institutions can draw on it when a nature-related factor is financially relevant and already connected to their risk-management processes.¹⁰

The same proportionate, risk-based machinery is available for nature.

The UAE Capital Market Authority (CMA) runs one of the region's most developed listed-company disclosure regimes, supervising listed companies on the onshore exchanges. Its corporate governance code requires annual sustainability reporting by listed public joint stock companies, and the CMA supervises the carbon credit trading platforms, which links climate policy to capital-markets supervision in one institution.¹¹ The Abu Dhabi Securities Exchange and the Dubai Financial Market each issue detailed ESG reporting guidance for their listed companies, both pointing to the IFRS Sustainability Disclosure Standards among the recommended bases. When those standards add the planned Practice Statement on nature-related disclosures, the existing references already in the CMA's code and the exchange guides are the route by which it reaches UAE listed-company reporting.

The ADGM runs two regimes that together cover sustainability within its remit. The ADGM Financial Services Regulatory Authority supervises financial firms in the ADGM and administers the sustainable finance regulatory framework covering green and climate transition fund and portfolio designations and sustainability-linked

debt instruments. The ADGM Registration Authority operates a complementary regime for ESG disclosures by ADGM-incorporated companies above defined thresholds, on a comply-or-explain basis under which entities apply the guidance or explain why it does not fit. The split is deliberate. The FSRA handles prudential supervision, with materiality-based concepts firms can apply to financially relevant nature-related factors, and the Registration Authority handles company-level disclosure through its references to the IFRS Sustainability Disclosure Standards.¹²

The Dubai Financial Services Authority administers the parallel financial-services regime in the Dubai International Financial Centre. It has published a sustainable finance roadmap that sets strategic direction rather than binding requirements, and supports market initiatives including the DIFC Sustainable Finance Catalyst, which channels capital toward sustainability-aligned investments. Like its counterparts, the DFSA applies materiality to the risks DIFC firms manage. That same test is where nature-related factors can be brought in as the international baseline evolves.¹³

The SFWG is the coordination mechanism that holds these elements together. It has issued sector-wide principles on the management of climate-related financial risks, on sustainability-related disclosures, and on climate transition planning, each drawing on relevant international standard-setters and developed through public consultation. The workstream structure, with cross-regulator and public consultation on every output, has become a working model for coordination on sustainability matters. The principles set a common understanding among UAE financial-sector regulators on the minimum expectations they intend to apply, with each regulator deciding how to apply them to the firms in its scope. Continuous horizon-scanning means the Working Group can take up nature-related disclosure guidance at the pace and in the sequence its members judge appropriate.¹⁴ Industry bodies, including the UAE Banks Federation, support coordination and capacity-building across the banking sector.

Three features of this architecture carry the rest of this publication. The first is flexibility. The SFWG issues principles, not detailed rules; the Central Bank's binding regulation turns on risk-based application; and the disclosure regimes run by the ADGM Registration Authority, the CMA, and the exchanges work through materiality, in some cases on a comply-or-explain basis. A system built this way can take on a new consideration as it becomes relevant, without rewriting the underlying instruments.

The second is that the disclosure components rest on international sustainability standards. The CMA's Corporate Governance Code, the ADX and DFM guides,

the ADGM disclosure regime, and the SFWG's disclosure principles all reference the IFRS Sustainability Disclosure Standards alongside other internationally recognised frameworks. Those standards apply, in principle, to all material sustainability-related risks and opportunities. As they take on nature-related disclosure guidance, the UAE's existing references give that guidance a built-in route into UAE reporting.

The third is that the substantive content of UAE financial-sector instruments is framed mainly around climate and broader sustainability. Where an instrument is framed around climate, the machinery it sets up, governance, risk management, scenario analysis, disclosure, can be applied to other categories of material sustainability-related risk. Where it is framed around sustainability disclosure more broadly, the scope already reaches nature where it is material. The next phase of work is to help UAE entities apply these instruments to nature in practice, where it makes sense, at a pace that reflects the maturity of available data and methods.

The common thread is that each institution's role in nature-related work is an extension of what it already does, not a new mandate. The SFWG provides the cross-regulator coordination through which that work can be aligned.

Table 1 sets out the principal instruments of the architecture, the institutions responsible for them, the scope each covers, and where in each instrument nature-related work can connect. Section 4 looks at where in the UAE economy these factors matter most in practice.



Coastal lagoon, Ras Al Khaimah.

Institution	Principal Instrument(s)	Scope of Application	Sustainability Coverage	Analytical Reference Points for Nature-Related Considerations
Ministry of Climate Change and Environment	Federal climate legal framework; National Register for Carbon Credits; National Biodiversity Strategy	Federal, all sectors above defined emission thresholds	Climate (mitigation, adaptation, carbon credits); national biodiversity policy lead	Federal coordination on biodiversity policy is the national policy interface through which nature reaches the financial sector.
Ministry of Finance / Ministry of Economy	Sustainable finance policy direction; SFWG membership	Federal	Sustainable finance, public finance, economic policy	Sets the strategic policy direction within which nature can be addressed.
UAE Sustainable Finance Working Group	Principles for the Effective Management of Climate-related Financial Risks; Principles for Sustainability-Related Disclosures; Principles for Climate Transition Planning	Cross-regulator coordination; principles applied by each member regulator in its remit	Climate risk, sustainability disclosure, climate transition	The sustainability disclosure principles cover material sustainability-related information, and nature falls within that scope where it is financially relevant. The transition planning principles add a framework institutions can draw on as nature is brought into transition practice over time.
Central Bank of the UAE	Climate-related Financial Risk Management Regulation; supervisory expectations	Banks and insurers under CBUAE supervision	Climate-related financial risk	The materiality and proportionality concepts the regulation applies to climate-related financial risk are the same concepts institutions can draw on for a financially relevant nature-related factor.
UAE Capital Market Authority	Corporate Governance Code (mandatory sustainability reporting); supervision of carbon credit trading platforms	Listed public joint stock companies; carbon market infrastructure	Sustainability disclosure, climate, carbon markets	The mandatory sustainability reporting requirement covers material sustainability-related information, which brings nature into scope where it is financially relevant to the listed entity.
Abu Dhabi Securities Exchange	ESG Disclosure Guidance for Listed Companies	ADX-listed companies	Sustainability disclosure aligned with IFRS Sustainability Disclosure Standards and other international frameworks	Aligned with the IFRS Sustainability Disclosure Standards, which cover all material sustainability risks and opportunities, nature included where it is financially relevant to the listed company.
Dubai Financial Market	Guide to ESG Reporting	DFM-listed companies	Sustainability disclosure aligned with IFRS Sustainability Disclosure Standards and other international frameworks	The same IFRS baseline applies; material nature-related risks sit within the standards' general scope where they bear on the issuer.
ADGM Financial Services Regulatory Authority	Sustainable Finance Regulatory Framework (green and transition fund designations, sustainability-linked debt instruments); supervisory expectations	Financial firms in the ADGM	Sustainable finance product regulation, climate-related financial risk supervision	The materiality-based supervisory concepts the FSRA applies to climate-related financial risk are the same ones firms can draw on for a financially relevant nature-related factor. Sustainable finance product designations can take nature into account within their eligibility criteria.
ADGM Registration Authority	ESG Disclosures Regime (Companies Regulations and supporting guidance)	ADGM-incorporated companies above defined thresholds	Sustainability disclosure on a comply-or-explain basis, referencing IFRS Sustainability Disclosure Standards and other international frameworks	References to the IFRS standards bring material nature-related risks and opportunities into scope on the same comply-or-explain basis as other sustainability information.
Dubai Financial Services Authority	Sustainable Finance Roadmap; supervisory expectations and market support initiatives	Financial firms in the DIFC	Sustainable Finance Roadmap (strategic direction), sustainability disclosure	The DFSA Roadmap's strategic direction, together with the DFSA's supervisory machinery on sustainability-related disclosures, is where nature can be addressed where it is financially relevant.

Table 1. The UAE Sustainable Finance Architecture: Principal Instruments, Scope, and Analytical Reference Points for Nature-Related Considerations

Source: Authors' compilation based on publicly available instruments. Detailed citations for each instrument are provided in the endnotes. The table sets out the principal instruments most relevant to nature-related considera-

tions. It is illustrative rather than an exhaustive list of each institution's instruments; several institutions, including the Central Bank of the UAE, also issue and supervise on the basis of the SFWG principles.



Ras Al Khor Wildlife Sanctuary, Dubai.

04

SECTION FOUR

Where Nature Is Material in the UAE Transition Context

The geospatial evidence on where nature reaches the financial system.

Where do nature-related factors matter most for long-term resilience, financing, disclosure, and planning? The sectors below carry the clearest answer, and they already operate within sophisticated regulatory, engineering, and environmental-management frameworks built over decades.

4.1 The country-level pattern

Water dominates the country-level pattern. Every assessed UAE location falls in the highest, Extremely High, water-stress category of the World Resources Institute Aqueduct index, a structural condition the country has long managed through advanced desalination, water planning, infrastructure investment, and resource policy.¹⁵ The assessment confirms this condition across the asset base; it is a known feature of the operating environment, not a new discovery in it. Water availability is the dominant pathway in the geospatial assessment, carrying the larger part of the aggregate scenario-based operational sensitivity across forward-looking scenarios.

Gulf marine conditions come second. The Gulf is a shallow, semi-enclosed sea: its waters renew slowly, summer surface temperatures run naturally warm, and salinity is high. The cumulative human-influenced readings for the basin (composite indices of pressure from shipping, coastal modification, and effluent flows) reflect these distinctive characteristics together with combined regional pressures across the wider Gulf, and cannot be traced to

any one country.¹⁶ Marine ecosystem condition matters most to sectors with direct dependencies on seawater intake and coastal proximity, in particular water and desalination infrastructure and coastal real estate.

The third finding is when these characteristics become financially relevant. The geospatial assessment estimates operational sensitivity under three forward-looking scenarios aligned with the IPCC pathways and projected to 2050. Under the two milder scenarios the modelled sensitivity stays low, around or below 1%. Under the most pronounced scenario (SSP5/RCP8.5) it rises to a mean of roughly 15%, reaching up to about 18%, with Water Security and Quality accounting for more than 90% of the modelled sensitivity. The modelled exposure is, in substance, a water exposure. The futures in which UAE assets come under material operational pressure are the futures in which water becomes scarcer or more costly to secure. The profile is scenario-concentrated: little sensitivity in the milder futures, material sensitivity in the stressed water futures. That shape is what makes a materiality-and-screening response proportionate now, with repricing a question for later evidence. The metric captures physical, dependency-driven risk, the operational disruption arising from degradation of ecosystem services, not transition risk. Table 2 summarises the scenario results. All figures are directional outputs, so the results are most reliably read at the level of the asset base as a whole.¹⁷

The modelled exposure is, in substance, a water exposure.

Forward-looking scenario	Mean operational sensitivity	Dominant pathway
SSP1/RCP2.6, Global Sustainability (lower stress)	Around 0.4% (asset-weighted)	Water Security and Quality
SSP3/RCP6.0, Regional Rivalry (intermediate)	Around 1.1% (asset-weighted)	Water Security and Quality
SSP5/RCP8.5, Fossil-Fuelled Development (most pronounced)	Approximately 15% (asset-weighted), up to about 18%	Water Security and Quality (over 90% of the modelled sensitivity)

Table 2. Modelled operational sensitivity by forward-looking scenario, to 2050. Operational sensitivity is the modelled change in operating costs or revenues. Figures are directional outputs from a single specialist provider's scenario methodology; the assessed asset base is concentrated in Dubai. Source: Nature Alpha Nature Value at Risk assessment.

Three sectors central to the UAE's transition agenda show these characteristics most directly: real estate and urban development, water and desalination infrastructure, and energy and industrial transition. They emerged as a preliminary selection from engagements with the UAE TNFD Consultation group, and they share three traits: transition-finance relevance, direct dependence on water or coastal systems, and enough asset-level evidence to support scenario analysis.

4.2 Real estate and urban development

Real estate and urban development sit at the centre of the UAE's economic model. The sector contributes a substantial share of non-oil GDP and has expanded steadily, with major corridors developing across Dubai, Abu Dhabi, Sharjah, and the Northern Emirates. UAE banks have committed significant capital to the sector through traditional lending, sustainable finance facilities, and green bond issuance, and listed real estate developers feature prominently on the country's exchanges.

Three things shape the sector's nature-related profile. The first is the heat and water profile of the operating environment. UAE summer temperatures drive cooling demand that translates into substantial operational water and energy consumption, and the sector's reliance on desalinated water for landscaping, construction, and tenant use makes water availability a material input to its long-term cost structure. The operational sensitivity estimates bear this out: real estate is among the sectors where Water Security and Quality is the dominant pathway.

The second is coastal concentration. Much of the UAE's waterfront development runs along the Gulf coastline, sited close to coastal ecosystems including mudflats, mangroves, and reef systems that contribute to coastal resilience and ecological function. The coastline supports both these ecologically significant areas and an extensive network of urban developments, with UAE federal and emirate authorities overseeing how development and conservation advance side by side.¹⁸

This integrated coastal geography is characteristic of the country, where nationally significant infrastructure, urban development, and designated ecological areas are managed together through planning, environmental approvals, and emirate-level stewardship. The Ras Al Khor

Wildlife Sanctuary, a wetland of international importance designated under the Ramsar Convention, sits alongside one of Dubai's major real estate corridors. The Al Zorah Protected Area in Ajman, a Ramsar-designated coastal mangrove area, lies within an integrated coastal development context. These examples show the interfaces between economic activity and ecologically significant areas. Proximity reflects heightened ecological sensitivity that calls for active management; it is not, in itself, an indication of performance. It is also why location-specific information supports planning, disclosure, and long-term resilience in a coastal economy where infrastructure, development, and environmental stewardship are closely connected.

The third consideration is the long-term resilience of real estate assets to physical conditions that intersect with nature: coastal flood risk shaped in part by the condition of natural coastal buffers, urban heat exposure shaped in part by green and blue infrastructure within the urban fabric, and water reliability shaped by the broader Gulf and aquifer systems. The firms developing and operating UAE real estate already engage with these factors through innovation, engineering, design standards, and operational practice. The open question for them and their banks, insurers, and investors is how the factors are systematically reflected in sustainability disclosure, transition planning, and product structuring.¹⁹ In coastal developments, rising groundwater levels and saline intrusion bear further on the long-term resilience of foundations and underground infrastructure. Residential and mixed-use developments close to the shoreline also carry coastal-flood exposure that feeds into the climate-risk portfolios of the institutions financing them. Soil salinity and ground conditions are a further consideration for landscaping and foundations in an arid, coastal setting, though they sit outside the water and marine pathways this assessment models.

4.3 Water and desalination infrastructure

Water and desalination infrastructure underpins the UAE's economic model. Desalination supplies most of the country's drinking water and much of its industrial water, while agriculture and landscaping draw mainly on groundwater and treated wastewater. The sector runs on large, integrated power and water complexes operated by emirate authorities and their commercial partners, sited along the Gulf and east coast.

The sector's defining feature, seen through nature, is how tightly its operations couple to the condition of the marine ecosystems at its intake points. Desalination plants draw seawater from the Gulf and the Sea of Oman. The temperature, salinity, biological load, and chemical composition of that intake water, including episodic harmful algal blooms and jellyfish ingress that can disrupt intake operations, govern how the plants perform, how often they need maintenance, how much energy the process consumes, and over the long term how new capacity is designed. Marine ecosystem condition is a direct input to the sector's operating economics. Water quality matters as much as water quantity here. The relationship runs both ways. Desalination returns brine and warmed water to the Gulf, so the sector's own discharges sit among the basin-wide pressures that, over time, bear on the intake conditions it depends on. This two-way coupling is managed within the environmental approvals that apply to each facility, and it is the clearest illustration in this publication of why better monitoring and region-specific data are an operational input rather than a reporting burden.

Nationally significant infrastructure operates within an integrated coastal planning context that includes designated marine protected areas. A major power and water complex operates adjacent to the Marawah Marine Biosphere Reserve, a UNESCO-designated area of more than four thousand square kilometres in Abu Dhabi's Western Region. A second major power and desalination complex operates in proximity to the Ras Ghanada Marine Protected Area in Abu Dhabi.²⁰

Both designations were established alongside ongoing operations, with UAE federal and emirate authorities responsible for the protected areas and the operating entities working under environmental approvals applicable to the sites. These spatial relationships matter because the sector's long-term operating performance is closely tied to the condition of the surrounding marine ecosystems, and the day-to-day management of those interfaces is part of how that performance is understood.²¹

Water and desalination infrastructure is a priority for further analytical refinement, given how closely water qual-

ity, intake conditions, and marine-system factors bear on long-term operational planning. Water Security and Quality is again the dominant pathway for the sector in the assessment. The TNFD has issued sector-specific guidance for water utilities and services that sets out the disclosure metrics relevant to this profile.

4.4 Energy and industrial transition

The UAE's energy transition has accelerated, with significant capital flowing into renewable generation, transmission, and grid-scale storage alongside the country's established energy and industrial base. The sector spans large public-sector operators, listed entities, and an active project finance market, and is central to the UAE's net zero by 2050 trajectory.

The sector carries two distinct sets of nature-related considerations. The first is thermal generation, still a significant part of the UAE generation mix. Thermal plants depend on water for cooling and processing, and the efficiency and reliability of cooling water systems is sensitive to the temperature and condition of the source water. Where plants sit on the Gulf coast, this ties the sector to the same marine ecosystem conditions that affect the water utilities sector.

The second is the spatial footprint of the transition itself. Renewable generation, transmission infrastructure, and supporting industrial capacity occupy significant land and coastal areas. Expansion is planned in coordination with the UAE's protected-area network, and the siting of new transition infrastructure is where nature bears most directly on development decisions.

Energy is also a priority for further analytical refinement, reflecting the water-cooling profile of thermal generation and the spatial relationship of the sector's coastal facilities with Gulf marine conditions. The TNFD has issued sector-specific guidance for electric utilities and power generators that addresses thermal generation specifically, including water use, plant heat rate, and impacts on adjacent ecosystems.²² For UAE operators and the institutions that finance them, this guidance supplies ready-made metrics for the exposures identified here, which shortens the path from finding to disclosure.

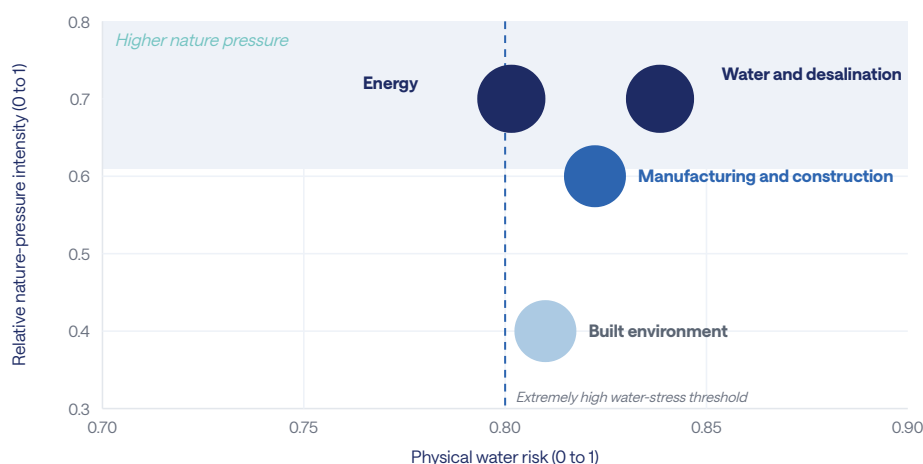
4.5 The pattern across sectors

Three patterns recur across the three priority sectors. Water availability is the dominant nature-related pathway, Gulf marine ecosystem condition the second, and the scenario-based sensitivity rises under more pronounced forward-looking scenarios. The coastline carries both significant economic activity and a network of designated areas of ecological value, so managing the interfaces between them, through planning, environmental approvals, and emirate-level stewardship, is a defining feature of how the relevant sectors operate. And the scenario-based operational sensitivity across the three sectors should be read as directional, since it derives from a single specialist provider's methodology and comparable assessments elsewhere use different metrics.

Two complementary views reinforce these patterns. Figure 3 profiles the assessed activity groups by physical water risk and relative nature-pressure intensity. Energy and water and desalination show the most significant interfaces with nature, while built-environment activities show the least; all groups sit in extreme water stress. That tracks the dominance of water and marine pathways across the priority sectors and the global sector findings. Pressure and dependency are different lenses. The built environment exerts comparatively low pressure on nature, yet its water dependency is what places real estate among the priority sectors examined here. These pressure profiles are presented as context for the dependency-based analysis rather than as a separate quantified finding.

FIGURE 3

Nature-pressure profile of assessed activity groups, by physical water risk and relative nature-pressure intensity; all groups sit in extreme water stress.



How to read

Further right means greater physical water risk, with every group sitting at or beyond the extreme-stress threshold. Higher up means greater overall nature pressure.

Energy, and water and desalination, carry the most significant interfaces with nature. The built environment carries the least.

Figure 3. Nature-pressure profile of assessed activity groups, by physical water risk and relative nature-pressure intensity; all groups sit in extreme water stress. Consistent with TNFD sector guidance and the ENCORE evidence base. Source: Nature Alpha NatureSense assessment, grouped.

Figure 4 turns to what respondents to the targeted consultation called material. It shows the distribution of nature-related issues they flagged as financially relevant to their organisation. Water availability and water stress drew the largest share of respondents, followed by biod-

iversity and ecosystem impacts. The profile aligns with the geospatial assessment, where water availability and Gulf marine ecosystem condition emerge as the dominant pathways, so the consultation corroborates the geospatial evidence.

FIGURE 4

Material nature-related issues identified by respondents to the targeted consultation.

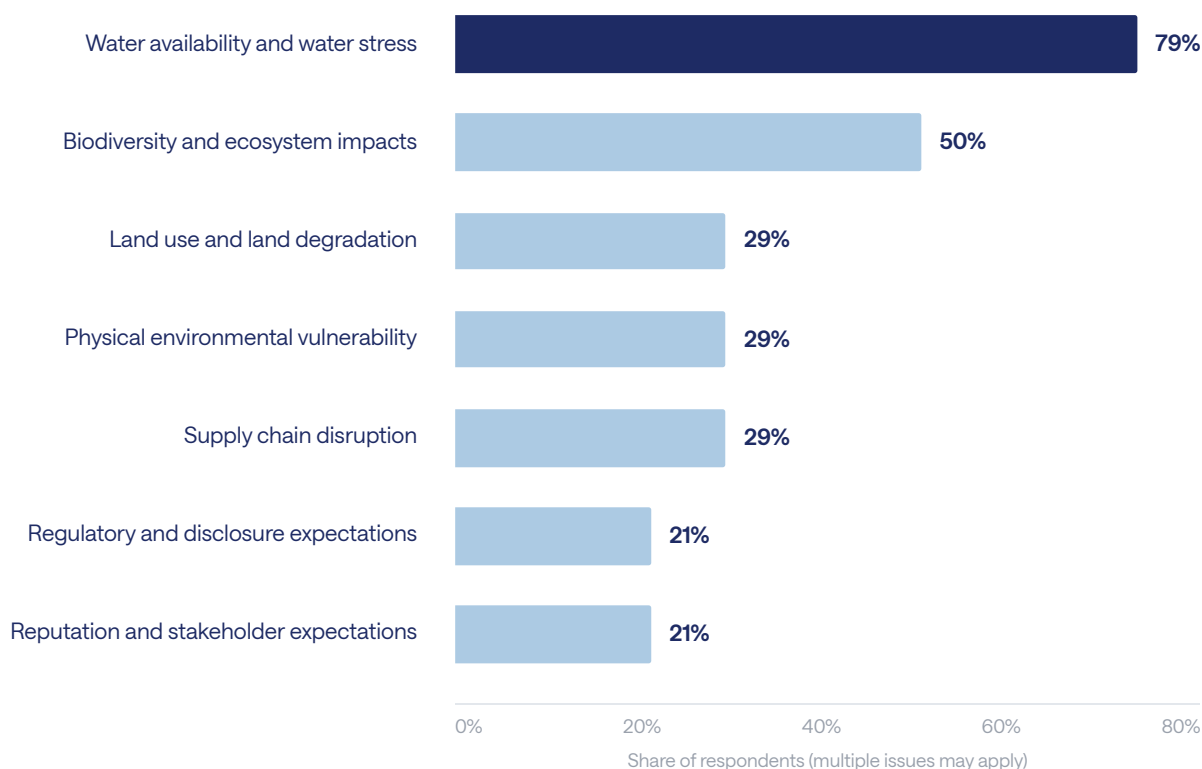


Figure 4. Material nature-related issues identified by respondents to the targeted consultation. Share of respondents to the consultation identifying each issue as financially relevant to their organisation. Findings are directional and reflect responses from selected market participants; they should not be read as statistically representative of the UAE market as a whole.

These three sectors are central to the transition finance agenda the SFWG and its members are advancing, and they are where the pilot asset-level evidence is most direct. The assessment spanned a broader set of economic activities across the energy, utilities, industrial, and built-environment value chains. Consistent with TNFD sector guidance and the underlying ENCORE evidence base, energy and the water and desalination groups show the

most significant interfaces with nature, driven primarily by land- and freshwater-use change, water dependency, and pollution, while built-environment activities show the lowest. These patterns reflect the physical nature of each activity, not the performance of any individual operator or asset, and are consistent with global sector findings. Figure 5 sets out the principal pressures behind each group, and Table 3 summarises the grouped profile.

FIGURE 5

Principal nature pressures across assessed activity groups.

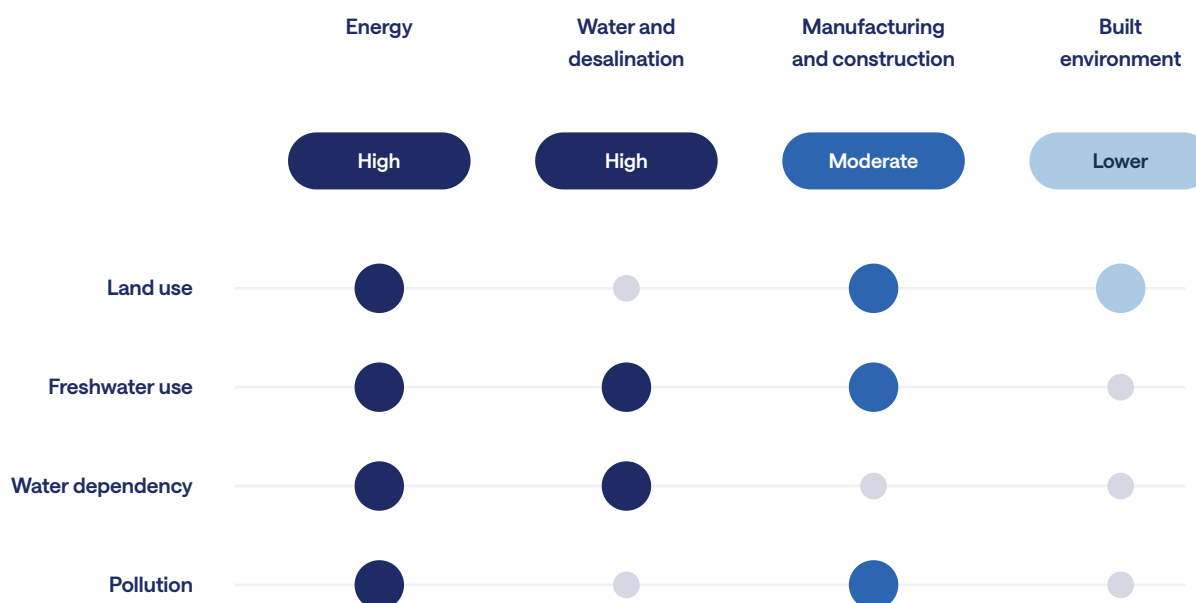


Figure 5. Principal nature pressures across assessed activity groups. Filled markers indicate the principal pressures of each activity group; chips show relative nature-pressure intensity on the NatureSense scale (High at or above 0.65, Moderate 0.50 to 0.65, Lower below 0.50). Source: Nature Alpha NatureSense assessment, grouped.

Activity group	Relative nature-pressure intensity	Principal nature pressures
Energy	High	Land and freshwater use, water dependency, pollution
Water and desalination	High	Water dependency, freshwater use
Manufacturing and construction	Moderate	Land use, water use, pollution
Built environment	Lower	Land use

Table 3. Indicative nature-pressure profile of assessed activity groups (relative intensity). Relative intensity across the assessed activity groups, consistent with TNFD sector guidance and the ENCORE evidence base. Banding on the NatureSense scale: High at or above 0.65, Moderate 0.50 to 0.65, Lower below 0.50. The profile reflects the physical nature of each activity type, not the performance of any individual operator or asset. Source: Nature Alpha NatureSense assessment, grouped.

The three sectors examined here, and the water and marine pathways the evidence emphasises, do not exhaust the nature-related factors relevant to the UAE economy. Soil salinity and land degradation in an arid setting, air quality, terrestrial ecosystems, and the dependencies that reach UAE entities through cross-border portfolios and supply chains all matter, and several were raised by respondents to the consultation. This publication focuses where the asset-level evidence is most direct. The wider set is identified for the next phase of work rather than as-

sessed here. International value-chain expectations are a further driver. As nature-related expectations extend along global supply chains, in the way carbon-related expectations have begun to, UAE entities with international footprints meet them through their clients and counterparties. Land use and land degradation are a case in point: around 29% of respondents identified them as material in Figure 4, which connects to the soil and desertification pathways noted here.

A further distinction matters for how this evidence is read. Materiality is assessed at the level of the individual entity, yet water is relevant at the level of the system. It can be strategically important for the UAE economy as a whole even where it is not yet financially material for a particular entity. That distinction shapes how supervisors and policymakers prioritise, as much as how individual firms report. The evidence locates the exposure. It does not supply the method for assessing and disclosing it. That is what the international frameworks contribute.

On the evidence assembled here, there is a limited need for a separate nature-finance regime. The need is for better use of existing materiality reviews, disclosure processes, transition-planning tools, and sustainable finance product frameworks, supported by better information on water, coastal systems, and ecosystem dependencies. The same analytical work that helps financial institutions understand nature-related materiality can also feed the water financing agenda the UAE and Senegal are taking forward as co-hosts of the 2026 UN Water Conference, where “Investments for Water” is one of six themes identified for the Interactive Dialogues.



Noor Island, Sharjah.

05

SECTION FIVE

What International Frameworks Contribute

How TNFD and the IFRS baseline supply the method, and how it relates to the UAE architecture.

5.1 The international landscape

International frameworks offer reference points UAE institutions and market participants can draw on selectively and proportionately, consistent with domestic priorities and the existing regulatory architecture. The TNFD's Recommendations cover Governance, Strategy, Risk and Impact Management, and Metrics and Targets. They were built in parallel with the TCFD recommendations and are meant for cross-sector use by reporting entities and financial institutions.²³ The work is now being drawn into the IFRS family. The IFRS Foundation and the TNFD have agreed a formal collaboration, and the ISSB has agreed to propose nature-related disclosure requirements as an IFRS Practice Statement, with an exposure draft expected for public comment in October 2026. Stakeholders will be invited to comment on the proposed requirements and on whether a Practice Statement is the right form.²⁴ The technical join between the two frameworks runs through the Sustainability Accounting Standards Board sector standards, which underpin both the IFRS Sustainability Disclosure Standards and the TNFD sector guidance and supply the sector-specific metric base. The framework sets out four lenses on an entity's relationship with nature: dependencies, impacts, risks, and opportunities. This publication concentrates on dependencies and the downside risks that follow from them, with impacts and opportunities identified as the potential next stage of work. IFRS S1 already applies, in principle, to all material sustainability-related risks and opportunities, nature included where it is financially relevant. The proposed Practice Statement, if and when finalised, would add application guidance to that scope.

These components are converging. The TNFD framework was built on the same foundations as IFRS S1 and

SASB, and the IFRS Foundation's collaboration with TNFD aligns nature-related disclosure with the sustainability disclosure baseline already in place. For entities and jurisdictions that reference the IFRS Sustainability Disclosure Standards, the international nature-related architecture is becoming an extension of disclosure expectations they already engage with.

The UAE market is already partly aligned with that international baseline. Figure 6 shows the disclosure frameworks respondents to the targeted consultation reported using or referencing. The IFRS Sustainability Disclosure Standards, TCFD, and ESG exchange listing-related guidance each appear in respondents' current reporting practice, to differing degrees, and together they form the architecture into which the proposed IFRS Practice Statement and TNFD recommendations will fit. The most-referenced framework was the GRI Standards, which sit alongside the IFRS Sustainability Disclosure Standards in many reporting practices. So the building blocks for nature-related disclosure are already partly in place. TNFD itself did not appear among the frameworks respondents currently reference in Figure 6, yet a number of UAE entities are early adopters of nature-related assessment, consistent with the gap between recognition and active use shown later in this section. The IFRS Sustainability Disclosure Standards are at present referenced by a minority of respondents, below the GRI Standards. The entry point this publication identifies therefore rests on direction and obligation: on the mandatory references already embedded in the CMA Corporate Governance Code and the exchange guidance, and on the trajectory of the international baseline. Today's voluntary uptake is a starting point, not the foundation of the case.

The building blocks for nature-related disclosure are already partly in place.

FIGURE 6

Disclosure frameworks referenced by respondents to the targeted consultation.

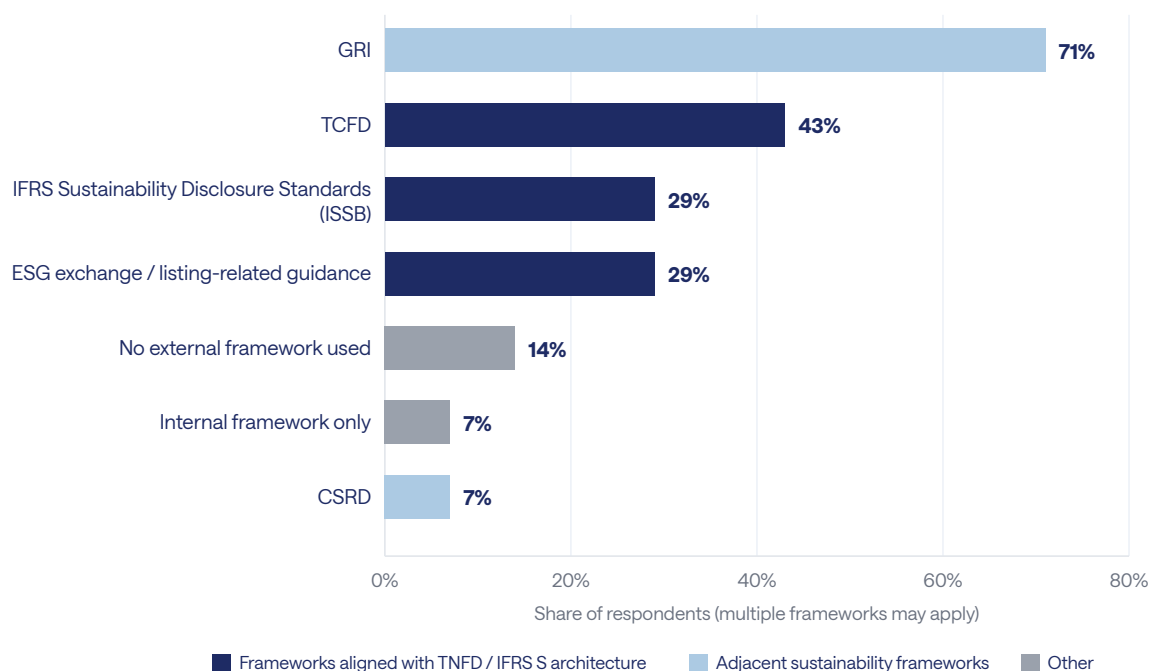


Figure 6. Disclosure frameworks referenced by respondents to the targeted consultation. Share of respondents using or referencing each framework in their sustainability-related reporting. Multiple frameworks may apply. Source: GCFC targeted stakeholder consultation. Percentages reflect consultation respondents only. Shares are directional.

5.2 What TNFD offers

The TNFD framework has three substantive components for UAE reporting entities and the firms that finance, insure, and support them. The first is the disclosure structure. It recommends disclosures across the same four pillars used by the TCFD, with fourteen recommended disclosures covering the governance of nature-related issues, the strategy implications, the risk and impact management arrangements, and the metrics and targets used. Because the structure mirrors TCFD, an entity already disclosing against TCFD or IFRS S2 can extend its existing reporting infrastructure to nature.²⁵ The governance disclosures also reach an entity's human-rights policies and its engagement with workers, local communities, and other affected stakeholders (TNFD Recommended Disclosure: Governance C). That matters here because coastal and infrastructure projects involve

communities and workforces alongside ecosystems, and the framework holds that engagement within the same disclosure structure as the environmental content.

Alongside the disclosure structure sits the LEAP methodology for nature-related assessment. LEAP stands for Locate, Evaluate, Assess, and Prepare. Locate identifies where an entity's operations or portfolio interact with nature, with particular attention to sensitive locations. Evaluate assesses the dependencies and impacts at those locations. Assess analyses the risks and opportunities that arise from them. Prepare covers the response and disclosure. LEAP is compatible with the scenario analysis used in climate-related disclosure under TCFD and IFRS S2, and it is meant to run with those methodologies. An entity already doing climate scenario analysis can extend that work to nature without standing up a second apparatus.²⁶

The third component, sector-specific guidance, completes the picture. The TNFD has issued guidance for financial institutions, electric utilities and power generators, water utilities and services, food and agriculture, and metals and mining, among others. Two are particularly relevant to the UAE: electric utilities and power generators, and water utilities and services. Their metrics cover water withdrawal and discharge, plant heat rate for thermal generation, water reuse and loss, and the spatial footprint of the catchments water utilities depend on.²⁷ The metric architecture distinguishes Core Global metrics, which apply across all sectors, Core Sector metrics, which apply on a comply-or-explain basis within the relevant sector, and Additional metrics, recommended where they bear on material issues.

The TNFD has also published additional guidance for financial institutions. It sets out how banks, insurers, and investors apply the LEAP approach and the recommended disclosures across lending, underwriting, and investment, with the primary focus on financed activities in the downstream value chain. Nature-related assessment is treated as part of an institution's overall risk-management processes, and it is as useful for client engagement and portfolio prioritisation as for disclosure. That is the same integration logic the UAE architecture applies to climate-related risk, and it is why the next section finds the fit between the two so direct.

5.3 How TNFD relates to the UAE architecture

From the assessment, three points connect the TNFD framework to the UAE sustainable finance architecture set out in Section 3. The first runs through the IFRS Sustainability Disclosure Standards. The CMA's Corporate Governance Code requirement for mandatory sustainability reporting, the ADX and DFM ESG reporting guidance, the ADGM Registration Authority's ESG Disclosures regime, and the SFWG's sustainability disclosure principles all reference those standards. IFRS S1 applies in principle to all material sustainability-related

risks and opportunities, nature included where it is financially relevant. The proposed IFRS Practice Statement on nature-related disclosures, drawing on the TNFD framework, would sit alongside IFRS S1 and IFRS S2 and guide how entities disclose material nature-related risks and opportunities. The IFRS references already written into UAE instruments can therefore give reporting entities a way in to nature-related guidance, where relevant, material, and consistent with the approach of the competent authorities.

The second runs through the materiality concepts the UAE architecture already applies. The Central Bank of the UAE's binding climate-related financial risk regulation, the SFWG Climate Risk Principles, the ADGM FSRA's supervisory expectations, and the UAE's disclosure regimes all apply materiality-based reporting and supervision to the categories of risk within their respective remits. Institutions and reporting entities can bring the same concepts to nature-related factors that are financially relevant. The TNFD framework supplies the assessment methodology, LEAP, and the metric set to do that work. A UAE institution can give nature-related factors the same analytical treatment it gives climate-related ones, under the instruments already in force, without waiting for new regulation.

A third point of connection sits in the technical fit between TNFD metrics and the analytical evidence available for UAE-located assets. The geospatial assessment prepared for this publication has mapped its findings to specific TNFD recommended metrics: Core Global metrics on spatial footprint, water consumption and withdrawal, and ecosystem condition; Core Sector metrics from the electric utilities and water utilities sector guidance; and Additional Global metrics on ecosystem service dependencies. The mapping shows the metric architecture can be applied for first-pass screening using available data. Section 5.5 identifies where UAE-specific data are needed before results are used for target-setting, pricing, or portfolio steering.²⁸

This pattern of connection also shows up in what respondents to the targeted consultation named as their constraints and as the support they would find most useful. Figure 7 sets out the most commonly cited barriers to bringing nature into practice, alongside the components of the international architecture that may help address each. Respondents pointed to a need for more granular, decision-useful data; for clearer metrics and methodologies; and for greater clarity as international nature-related disclosure practice continues to evolve. Each of these maps onto a part of the TNFD and IFRS architecture. TNFD-aligned geospatial datasets, including those drawn on for the assessment in this publication, supply data inputs. The TNFD LEAP methodology and Core Global and Core Sector metrics supply the methods. The

IFRS Sustainability Disclosure Standards baseline, with the proposed Practice Statement on nature-related disclosures, supplies the international standards reference. Because many UAE entities use multiple reporting frameworks, IFRS and TNFD alignment is best designed to coexist with widely used frameworks such as the GRI Standards. The preference for sector-specific guidance reported elsewhere comes from a separate question on the support respondents would find most useful, distinct from the barriers they most often cited. The practical consequence is a lower cost of adoption. UAE entities can add nature-related disclosure to the reporting stack they already run, with no need to choose between frameworks.

FIGURE 7

Barriers identified by respondents to the targeted consultation and the corresponding components of the international architecture.

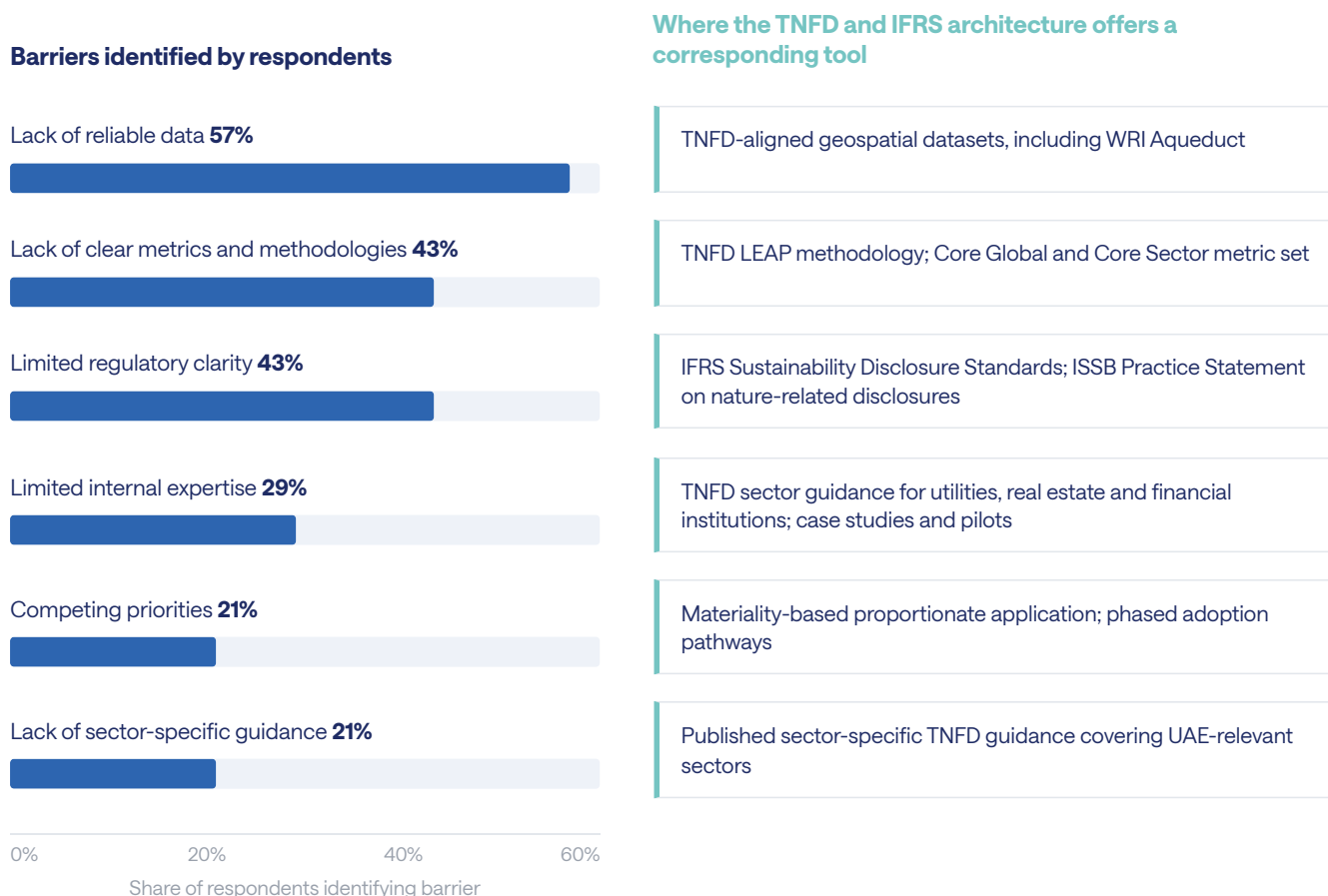


Figure 7. Barriers identified by respondents to the targeted consultation and the corresponding components of the international architecture. Left panel: share of respondents identifying each barrier. Right panel: components of the TNFD and IFRS architecture that may help address each. Dataset references in the right panel are illustrative. Source: GCFC targeted stakeholder consultation (left panel); TNFD and IFRS Foundation publications (right panel). Shares are directional.

Figure 8 illustrates the broader pattern. Respondents to the targeted consultation identify nature-related issues as moderately or highly material at a substantial rate. About a fifth report being highly familiar with the TNFD framework or actively using or assessing it (Figure 8), even though none yet references it in reporting (Figure 6). This is the early-adopter pattern the publication builds on. The opportunity is to support market participants with practical tools, sector guidance, and decision-useful data, drawn from the international architecture and ap-

plied through the UAE's materiality-based and IFRS-anchored instruments. The consultation also points to why recognition has so far outrun action. Respondents pointed less to disagreement about relevance than to capacity and awareness constraints: the need for more granular, decision-useful data, for clearer metrics and methodologies, and for greater regulatory clarity as international practice matures (Figure 7). The gap is one of capability and familiarity, the kind that better data, practical tools, and capacity-building can close.

FIGURE 8

Recognition of material relevance and active engagement with the TNFD framework.

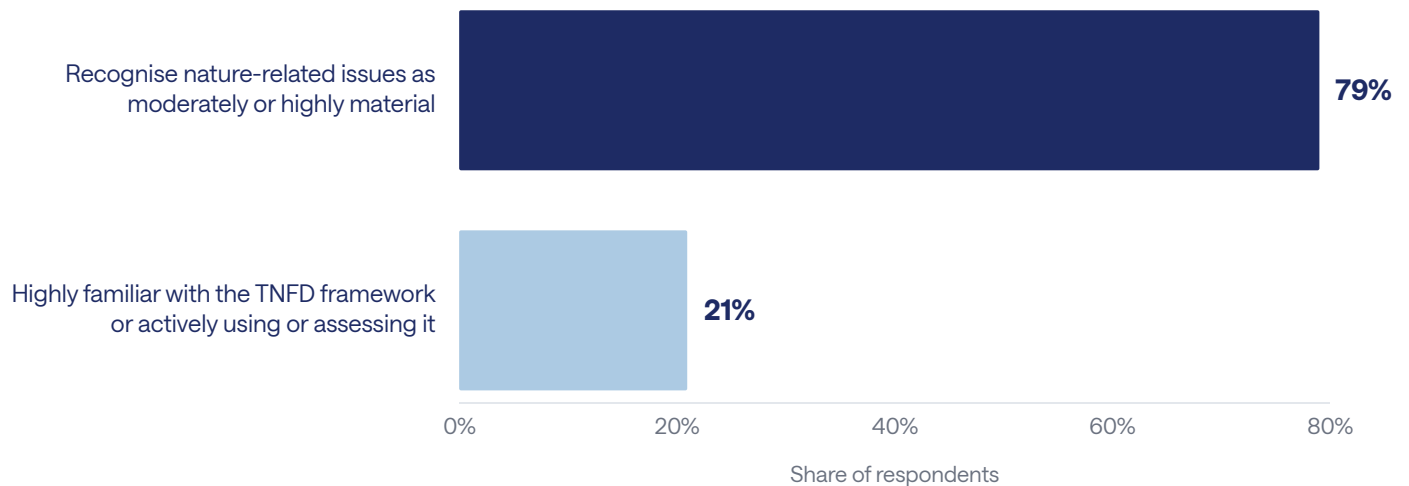


Figure 8. Recognition of material relevance and active engagement with the TNFD framework. Source: GCFC targeted stakeholder consultation. Percentages reflect consultation respondents only. Shares are directional.



Cormorants, Al Marmoom Desert Conservation Reserve.

5.4 From disclosure to financing decisions

Disclosure and assessment are not ends in themselves. Once nature-related conditions are visible and measurable, they can enter financing decisions through three channels: the pricing of risk in lending and credit, the pri-

cing and structuring of capital-market instruments, and the allocation and supervision of capital. Figure 9 sets out the chain. The sequence is necessary but it does not run on its own. Disclosure lets risk be recognised and priced; capital moves only once that information enters credit, pricing, and allocation decisions.

FIGURE 9

How nature-related information reaches financing decisions.



Figure 9. How nature-related information reaches financing decisions. Disclosure makes nature-related conditions visible so that lenders, issuers, and supervisors can price and act on them; each step in the chain depends on the ones before it. Sources are cited in the endnotes.

The first channel is already observable for climate and broader environmental risk. A growing body of empirical work finds that lenders price such risk into the cost of debt, charging higher loan spreads to more exposed borrowers and adjusting collateral and maturity terms accordingly.²⁹ Nature-related pricing sits at an earlier stage. Its foundation, the financial materiality of ecosystem dependency, is now documented in major financial systems. The European Central Bank finds that almost 75% of euro-area corporate loans are extended to firms critically dependent on at least one ecosystem service, and the Banque de France finds that 42% of the securities held by French financial institutions are issued by firms highly or very highly dependent on ecosystem services.³⁰

The Network for Greening the Financial System has set out the framework through which such dependencies

become financial risks for central banks and supervisors to consider.³¹ These figures measure dependency, and they say nothing about realised loss; each study is scoped to its own question on its own method. The European work measures how widely ecosystem dependencies run through lending and securities portfolios; this publication quantifies what one such dependency, water, means for the operations of UAE-located assets. Read together, they trace a single chain from dependency to exposure to financing decision. The institutional point is what carries for the UAE. Supervisors have found ecosystem dependency assessable within the risk frameworks they already operate, and that is the treatment the UAE's existing materiality-based instruments are equipped to give it.

The second channel runs through the instruments themselves. Capital-market instruments already carry a price signal for environmental performance. Green bonds have typically priced at slightly lower yields, or tighter spreads, than conventional equivalents, a greenium on the order of a few basis points in advanced markets and larger in emerging markets, and sustainability-linked structures embed pricing that adjusts with performance against defined targets.³² Several UAE channels could carry nature-related and water-related criteria into instrument design and pricing. They include the green, transition, and sustainability-linked designations operated within the ADGM framework; the direction the DFSA Roadmap sets, with sustainability-linked sukuk carrying water-related performance indicators; and the carbon-credit infrastructure the Capital Market Authority supervises. As those criteria enter instrument design, the price signal that already attaches to green and sustainability-linked instruments could begin to reward water-related and nature-related performance in the UAE market as well.

The third channel runs through allocation and supervision: portfolio prioritisation, client engagement, and the supervisory expectations the UAE architecture already applies to climate-related financial risk, which financial institutions may extend to nature-related factors that are financially relevant. What this publication does not do is estimate the size or direction of these effects in the UAE. The cost-of-capital evidence is strongest for climate and broad environmental risk, and nature- and water-specific pricing is still developing. The structuring of water investments, the matching of capital to credible payers, and the quantification of financing need are addressed in

GCFC's Water Finance Framework, the companion to this publication. The contribution here is to make the nature-related conditions visible and material enough that the transmission can begin.

5.5 Where further work would add value

The framework offers useful tools. UAE market application would benefit from further work in three areas: data, methodology, and sector-specific adaptation.

Global biodiversity and ecosystem datasets need supplementing with region-specific data to reflect the UAE context accurately. The assessment prepared for this publication identifies one example. The leading global mangrove dataset does not register meaningful mangrove cover at the assessed UAE asset locations, despite the documented presence of mangroves at sites such as the Eastern Mangroves and Al Zorah. This reflects the resolution limits of global datasets in the Gulf context rather than the absence of mangroves on the ground, and it points to a clear opportunity for data leadership. Region-specific datasets developed by the relevant UAE institutions and the academic and research community would strengthen the analytical foundation for nature-related assessment in the Gulf and in comparable settings. Some of that work is already underway. The Emirates Nature-WWF Nature-based Solutions for Climate, Biodiversity and People programme (2021 to 2024, supported by HSBC and delivered with UAE environmental authorities and partners) developed UAE blue-carbon estimates and the Environment Agency - Abu Dhabi Mangrove Restoration Guidelines for the UAE, both of which can strengthen the regional data base.

The second concerns methodology. Approaches for translating nature-related dependencies and impacts into financial metrics are at an earlier stage than the equivalent methodologies for climate-related risk. Forward-looking scenario tools, including the Nature Value at Risk methodology used in this publication, are developing. They produce credible orders of magnitude under specified scenarios, but the underlying ecological-economic relationships are less well-characterised than the equivalents on the climate side. The outputs are best read as inputs to institutional understanding rather than as point estimates of financial exposure, and as the methodology continues to develop UAE practice can both draw on and contribute to it. A further distinction matters here. Some data is enough for screening and prioritisation; data enough for target-setting, pricing, or portfolio steering is a higher bar. The present evidence supports the first more than the second. The outputs presented here should guide where institutions look first, while decisions on pricing, targets, and portfolio steering wait for the region-specific data described above. Integration also carries implementation risks worth naming. The first is credibility. As nature-related labels spread through product and disclosure practice, the claims they carry can move faster than the data behind them, so verification is what keeps early integration free of greenwashing risk. The second is complacency: a materiality review that finds nothing material today can become a reason to stop looking, when the finding should instead be retested as data and conditions evolve. The third is proportionality, since smaller entities carry a heavier rel-

ative burden than larger ones. The fourth is concentration, because reliance on a small number of specialist data providers concentrates model risk. Each of these is manageable, through assurance, proportionate application, and a widening data base. Naming them at the outset is what keeps integration credible as it scales.

The third concerns sector-specific adaptation. The TNFD sector guidance covers sectors central to the UAE economy, including utilities, real estate, financial institutions, and energy. Within those sectors, the guidance provides metrics that are credible at sector level but benefit from adaptation to specific sub-sectors and asset types. UAE-specific configurations, including integrated power and water complexes, mixed-use coastal developments, and the sukuk and Islamic finance instruments that feature in the UAE market, are areas where further work by UAE institutions and market participants could inform international practice. The TNFD sector guidance already extends to food and agriculture, metals and mining, and fishing and marine transport, which gives UAE institutions a ready basis for widening sector coverage in the next phase.

These points describe a maturing international architecture in which UAE institutions are well placed to engage, both by drawing on it and by contributing to its further development. The TNFD framework, the IFRS-TNFD collaboration, and the proposed IFRS Practice Statement together provide a coherent reference point, and the UAE's materiality-based, IFRS-anchored architecture can engage with it through the instruments already in force.



Hawksbill turtle, Arabian Gulf.

06

SECTION SIX

A Phased Approach

An illustrative, proportionate sequence for integrating nature through instruments already in force.

6.1 What the approach is and what it is not

What follows is an illustrative analytical approach for advancing nature within the UAE's sustainable finance architecture, offered to support discussion and institutional reflection. The sequence is analytical. The pace of each phase turns on the maturity of available data, methodology, and institutional readiness, and that pace is for UAE institutions and the entities engaged with them to judge.

The approach has three phases. The first builds on what is already in place, framed forward. The second engages

with the international standards developments expected in the near term, in particular the proposed IFRS Practice Statement on nature-related disclosures. The third describes the position the architecture could reach as nature becomes a standard component of practice over time. The phases overlap. Some entities and organisations are already advanced in work that the approach places in later phases; others are at earlier points on the same trajectory. The framing is analytical, not chronological.



Jubail Mangrove Park, Abu Dhabi.

FIGURE 10

Illustrative analytical approach for integrating climate and nature in UAE transition finance.



Figure 10. Illustrative analytical approach for integrating climate and nature in UAE transition finance. Three phases, each with four zones: a plain-language summary, actions for consideration, tools and instruments available, and indicators by end of phase.

6.2 Foundation: the instruments already in force

The foundation phase covers the work the UAE's architecture is positioned to undertake within the instruments already in force. The Central Bank of the UAE applies proportionate, risk-based supervision to climate-related financial risk, and financial institutions can draw on the same analytical concepts when nature-related factors are financially relevant. The SFWG's sustainability disclosure principles, the CMA's mandatory sustainability reporting requirement, the ADGM Registration Authority's ESG disclosures regime, and the disclosure guidance issued by ADX and DFM all apply materiality to sustainability-related information. That gives reporting entities a materiality test they already run, now extended to nature where it is financially relevant.

For reporting entities, the materiality reviews already conducted under existing climate and sustainability frameworks extend to nature-related dependencies and impacts. Where those are financially relevant, they enter the same governance, risk management, scenario analysis, and disclosure processes that climate already uses. For banks and insurers, this happens within the Central Bank's climate-related financial risk regulation. For listed entities, within the corporate governance code and the exchange ESG guidance. For ADGM-incorporated companies, within the Chapter 4A disclosures regime, and for financial firms in the ADGM and the DIFC, within the FSRA and DFSA supervisory frameworks. The instruments supply the entry points. Over time, the SFWG and its members may clarify application through guidance and capacity-building, moving entities from implicit coverage to confident practice without changing the underlying instruments.

This is also where capacity-building does its early work. UAE institutions, market participants, and the wider professional services ecosystem of auditors, advisers, and data providers each have capacity to build, and they build it through training, peer learning, sector roundtables, and engagement with the TNFD LEAP methodology and sector guidance. GCFC, as UAE TNFD Convenor, supports that work alongside its institutional partners, and the SFWG provides the cross-regulator coordination that keeps approaches aligned across the architecture. The foundation phase produces the operational experience that informs how the architecture develops next.

6.3 Integration: the October 2026 window and after

The integration phase covers the work that may follow as the international standards architecture develops explicit guidance on nature-related disclosure. This is the phase in which the proposed IFRS Practice Statement on nature-related disclosures becomes part of UAE practice through the entry points already referenced. The proposed Practice Statement would sit alongside IFRS S1 and IFRS S2, guiding how entities disclose material nature-related risks and opportunities without amending those standards. Its relevance for UAE entities would flow through the existing IFRS references in regulator instruments, and through any clarification the competent authorities choose to provide.

This is the phase in which the UAE's existing references to the IFRS Sustainability Disclosure Standards do active work. The CMA's Corporate Governance Code reference, the ADX and DFM guidance, the ADGM Registration Authority's ESG Disclosures Guidance, and the SFWG's sustainability disclosure principles all point to the IFRS baseline. As that baseline grows to include the proposed Practice Statement, those references give UAE reporting entities a route into nature-related guidance, consistent with the approach of the competent authorities.

For sustainable finance product regulation, this is where nature-related criteria become a practical part of how green, transition, and sustainability-linked designations are designed and supervised. The ADGM FSRA's sustainable finance regulatory framework operates eligibility criteria that can accommodate nature as international guidance on product design develops, with the DFSA Roadmap setting the strategic direction for the DIFC market. The carbon market infrastructure, the trading platforms the CMA supervises and the National Register for Carbon Credits maintained at federal level, offers one platform on which nature-based credits and similar instruments can develop as market demand emerges. Sustainability-linked structures, including sustainability-linked sukuk, blue bonds, and transition instruments, can carry nature-related and water-related criteria within their existing eligibility frameworks. These financing structures are related to, but distinct from, blue-economy financing, which targets ocean-based sectors directly.

For transition planning, this is where nature becomes a visible part of how UAE entities set out their transition strategies under the SFWG's Principles for Climate Transition Planning. International practice on integrating nature into transition planning is developing actively, and the SFWG's framework is flexible enough to accommodate it. Entities preparing plans under the principles address nature where it is financially relevant to the transition pathway, with the international practice base supporting the substantive content.

That practice base now has a concrete reference. In November 2025 the TNFD published guidance on nature in transition plans, built on the same climate transition-planning foundations that inform the SFWG's Principles for Climate Transition Planning, including the work of the Glasgow Financial Alliance for Net Zero, the Transition Plan Taskforce, and the IFRS Sustainability Disclosure Standards. It is organised around five themes that map onto the structure UAE entities already use: the ambition and objectives a plan sets (Foundations), the actions taken across the business (Implementation Strategy), value-chain, community, and stakeholder engagement (Engagement Strategy), Metrics and Targets, and Governance. It extends existing climate transition-planning practice, so UAE entities preparing plans under the SFWG Principles can draw on it for the methodological detail this phase calls for. The guidance is explicit that it addresses nature in transition planning, with no separate nature transition plan, and it retains, by the Taskforce's own account, sixteen of the nineteen Transition Plan Taskforce recommendations, adapted for nature. Its premise, that climate and nature have to be planned together, is the international counterpart to the position this publication takes for the UAE.

6.4 Maturity: nature as standard practice

The maturity phase describes the position the architecture reaches once nature is a standard component of how materiality is assessed, how disclosures are prepared, and how transition plans are developed across the UAE financial system. The practical application of UAE financial-sector instruments reflects nature alongside climate and the other categories of material sustainability-

related information already covered. Supervisory practice at the Central Bank of the UAE, the FSRA, the DFSA, and the CMA treats nature as an integrated part of the supervisory conversation, not a separate workstream. And the disclosure practice of UAE reporting entities carries nature through the same governance, strategy, risk management, and metrics structure that the international standards architecture supports for climate.

This phase is also where the data gaps identified earlier in this publication could be closed through region-specific work. The global biodiversity and ecosystem datasets that currently need supplementation in the Gulf can be complemented by region-specific data work led by the institutions best placed to develop it. The relevant UAE institutions and the research community both have natural roles in producing the data that supports fuller assessment of nature in the UAE context. As that work matures, the analytical foundation for materiality assessment, disclosure, and product design strengthens in turn, and UAE institutions can contribute to practice in comparable Gulf and Middle Eastern settings.

At maturity, firms manage climate and nature through one set of governance, materiality, risk-management, and disclosure processes, treating climate as one of the drivers of nature change. The international architecture has been moving this way. The UAE's architecture, principles-based and proportionate, anchored in the IFRS Sustainability Disclosure Standards, and coordinated across regulators, can operate within that integrated baseline as it develops. From here the architecture engages with each subsequent iteration of sustainability disclosure, with nature a standard part of how that engagement happens.

6.5 An illustrative internal operating model

The phases above describe how the architecture as a whole can take on nature over time. For an individual institution the question is narrower: what does this work look like inside the firm? The illustrative internal operating model below sets out five functions. Each sits within instruments and processes UAE institutions already operate, and none requires a new obligation.

Screen

The starting point is knowing where nature-related exposure sits. Institutions can screen portfolios and asset bases against location-specific water, marine, and ecosystem conditions, using the kind of geospatial evidence this publication draws on and the Locate step of the TNFD LEAP approach. Screening flags the assets, sectors, and counterparties where nature is most likely to be financially relevant, and where fuller assessment is warranted.

Assess

Where screening flags relevance, the assessment runs through the materiality process the institution already uses for climate and other sustainability matters, not a separate exercise. The same governance, risk-management, and scenario-analysis machinery applies. This is the operational form of the publication's central finding.

Engage

Much of the value sits with clients and counterparties. Institutions can use nature-related findings to inform client engagement, sector prioritisation, and the support they offer counterparties building their own capabilities. For financial institutions, the LEAP approach is as much a tool for engagement and portfolio prioritisation as for disclosure. TNFD's additional guidance for financial institutions describes such engagement as undertaken individually or collectively through stewardship platforms, and notes that institutions may adjust terms, pricing, or portfolio composition for lending, underwriting, and investment as part of the response.

Structure

Nature-related criteria can enter the design and eligibility of sustainable finance products. Green, transition, and sustainability-linked structures can carry water and ecosystem-related criteria, including water-linked sukuk and instruments. The same carbon-market infrastructure offers a platform on which nature-related instruments can develop as market demand grows.



Solar trees, Expo City Dubai.

Govern

Sustained integration needs ownership. Institutions can assign clear governance responsibility for nature-related work, define escalation points for material findings, and build capability across the first and second lines of defence. Some may find it practical, in the near term, to run nature-related work as a defined workstream while capability matures, before it settles into business as usual.

These five functions are less a sequence than a continuing cycle. Screening informs assessment, assessment informs engagement and product design, and governance closes the cycle and feeds experience back into screening. Figure 11 sets out the operating model. The functions are framed at the level of what an institution does, so a large bank and a smaller reporting entity can apply them proportionately, within the instruments each already operates.

FIGURE 11

An illustrative internal operating model for integrating nature-related considerations.

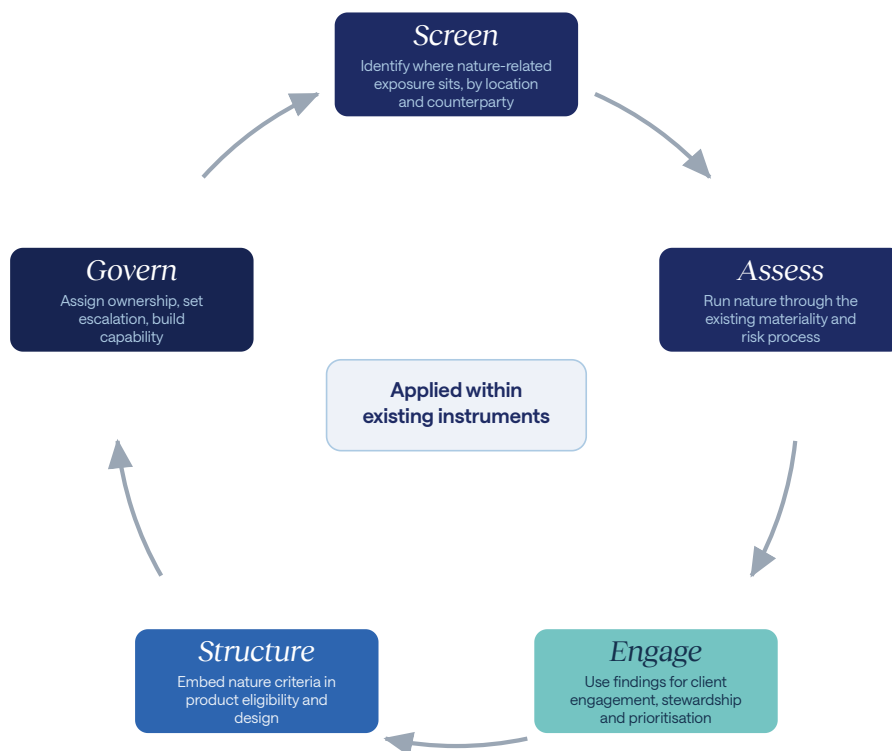


Figure 11. An illustrative internal operating model for integrating nature-related considerations. Five functions, Screen, Assess, Engage, Structure, and Govern, applied within existing instruments. Source: prepared for this publication.

6.6 How to begin

This publication is meant to support market execution, so what follows is an illustrative account of how an institution can begin, with each step using instruments and data already available.

Screen, using public data. An institution can run a first-pass screen of its portfolio or asset base today, without proprietary tools, using the public datasets this publication draws on: the WRI Aqueduct Water Risk Atlas for water stress, recognised marine and protected-area re-

gisters, and the Locate step of the TNFD LEAP approach. This shows where nature is most likely to be financially relevant and where fuller assessment is warranted.

Assign responsibility within an existing committee. Nature-related work does not need a new governance structure. An institution can place it within the committee that already owns climate-related financial risk, with the first line identifying exposures, the second line reviewing them within existing risk processes, and a defined point of escalation for material findings.

Nature-related work does not need a new governance structure.

Organisations are encouraged to use the October 2026 window, when the ISSB's exposure draft of the proposed IFRS Practice Statement on nature-related disclosures is expected for public comment. An institution that wishes to engage can use that window to shape application guidance from a UAE, arid and coastal perspective. Engagement is optional, and the expected October 2026 window gives institutions a planning anchor.

Help close the data gap. The clearest near-term contribution is region-specific data. As Section 5.5 notes, global datasets under-resolve the Gulf. The relevant UAE institutions and the research community can develop the data that would correct this, and GCFC, as UAE TNFD Convenor, can convene that work, building on regional efforts already under way.

Track progress. A small set of indicators would separate outputs from outcomes. At the output level: the number of listed entities whose materiality assessments explicitly consider nature; whether the SFWG issues guidance or a public statement that references nature; the develop-

ment of region-specific UAE datasets; and the number of UAE instruments issued with water-related or nature-related criteria. At the outcome level, over a longer horizon: whether nature-related information features in supervisory dialogue and, in time, in pricing or capital allocation. These indicators are illustrative, and they would also set the baseline for a future assessment of how far the work has progressed.

6.7 The approach as a frame for the next phase of work

Across the three phases, the architecture's materiality entry point, its IFRS-referenced disclosure regimes, and the supervisory and reporting machinery UAE institutions have built carry the work of integration. The approach describes a proportionate sequence. Institutions choose how to engage with it, and at what pace.

The approach does not stand alone. The institutions, reporting entities, and market participants that make up the UAE's sustainable finance ecosystem bring their own work programmes, constraints, and judgements to bear.



Reem Island, Abu Dhabi.

07

SECTION SEVEN

Conclusion

What the evidence supports, what remains open, and the position the UAE is in.



7.1 What the publication has shown

Nature-related finance in the UAE does not start from a blank page. The entry points are already in place: propor-

tionate, risk-based supervision, sustainability disclosure, transition-planning principles, and IFRS-referenced reporting guidance. This publication maps those entry points and sets out where the existing evidence leads.

Nature-related finance in the UAE does not start from a blank page.

The evidence shows where nature-related information becomes decision-useful for UAE entities: water availability, marine ecosystem condition, coastal interfaces, and the sectors that rely on them. Section 2 describes the operating environment that produces this profile, and how nature reaches the financial system through it. Section 3 maps the UAE's sustainable finance architecture and shows what each instrument already offers as a footing for nature. Section 4 presents the geospatial and consultation evidence on where in the UAE economy nature matters most in scenario terms, with water availability and Gulf marine ecosystem condition emerging as the dominant pathways. Section 5 sets out what the international architecture contributes and how it relates to UAE practice. Section 6 closes with an illustrative approach through which integration can proceed.

7.2 What the analytical evidence supports

The evidence developed across the publication points in one direction. The geospatial assessment finds water availability to be the dominant nature-related pathway across the assessed UAE asset base, with Gulf marine ecosystem condition the second channel. Scenario-based operational sensitivity reaches up to about 18% under the most pronounced scenario and around or below 1% under the milder ones, with material variation by sector, geography, and dependency pathway. Three priority transition sectors are examined in detail: real estate and urban development, water and desalination infrastructure, and energy and industrial transition. The targeted stakeholder consultation finds that a substantial share of respondents rate nature-related issues as moderately or highly material, that water availability and water stress is the most consistently identified material issue, and that respondents prefer sector-specific guidance and integration within existing frameworks. The international architecture, including TNFD, the proposed IFRS

Practice Statement, and the sector guidance, is approaching the maturity this work needs.

None of these findings is a definitive market diagnosis. The geospatial assessment is a scenario-based analytical exercise, not an assessment of compliance, asset quality, current financial performance, or environmental impact. The consultation reflects the views of selected respondents. The international architecture is itself developing. What the evidence collectively supports is the analytical case for the next phase: the UAE has built the institutional and methodological foundations within which nature can be integrated step by step, and the international architecture is approaching the point where engagement with it would be both timely and consistent with the direction UAE instruments already take.

Two limits of a materiality-based approach deserve to be stated plainly. The first is timing. Materiality is assessed at a point in time, yet some nature-related risks build slowly and then crystallise quickly, so a risk that is immaterial today can turn material faster than reporting cycles capture. The second is the maturity of methods and data. Financial-materiality methodologies for nature sit at an earlier stage than their climate equivalents, the headline estimates here come from a single specialist provider's scenario methodology, and global datasets under-resolve the Gulf, as the mangrove example in Section 5.5 shows.

These are reasons to treat the present finding as a current-stage judgment. The proportionate, iterative design of the UAE architecture, the SFWG's horizon-scanning, and the integration of nature into existing review cycles are the means through which it is kept under review. The conclusion that a separate nature-finance regime is not required at this stage holds on the present evidence, and the same materiality-based instruments would be the means of revisiting it should the evidence change.

Two questions follow, and are noted here as open. The first is whether financial materiality, assessed entity by entity, fully captures risks that are system-level, slow to develop, and at times irreversible, or whether forward-looking, precautionary considerations sit alongside it. The second is how this evidence translates into capital: where exposures are repriced, and what financing structures follow. The first is kept under review through the phased approach. The second is the subject of GCFC's Water Finance Framework, the companion to this publication.

7.3 The position the UAE is in

UAE institutions and market participants are well placed to take this forward. The country has built a coordinated sustainable finance architecture, anchored by the SFWG and the materiality-based instruments operated by the Central Bank of the UAE, the CMA, the ADGM, the DFSA, and the country's exchanges. That architecture issues principles, applies them proportionately, references the IFRS Sustainability Disclosure Standards, and is supported by federal authorities engaged in both climate and biodiversity policy. The UAE's arid, coastal, and water-constrained setting, served by infrastructure systems built up over decades, makes the relevance of nature unusually clear here, and gives UAE practice something to contribute to international thinking on how nature integrates into sustainable finance.

Water dominates the nature-related pathway in the UAE economy. It is also central to the UAE's co-hosting of the 2026 United Nations Water Conference with Senegal, convened in the UAE from 8 to 10 December 2026, with "Investments for Water" among the six themes identified for the Conference's Interactive Dialogues. The nature-finance work this publication supports and the water-finance work the UAE leads internationally address one question from two directions: how financial systems take account of the environmental conditions that economic activity depends on. The analytical evidence on the nature-finance side, the entry points through which materiality-based instruments integrate that evidence, and the regional practice the country is developing all connect to the water-finance agenda. Connecting the two strengthens both.

This publication is one input to the water finance discussions. It develops the analytical case, maps the entry points, and sets out a phased approach. The next steps will follow as institutions choose to take them forward: UAE-specific data, sector-specific application, capacity-building, and engagement with the international standard-setting community. GCFC, as the official UAE TNFD Convenor, will continue to support that work. The direction is set. There is no net zero without nature, and in the UAE the route between the two runs through water. The instruments for that work are already in hand.



Ras Al Khaimah at sunset.

A

ANNEX

Data and Methodology

This annex sets out the analytical inputs behind the publication so that readers can place its findings in context. There are three: the targeted stakeholder consultation; the geospatial and financial materiality assessment; and the public datasets and reference materials cited throughout.

A.1 Targeted stakeholder consultation

To complement the legal, regulatory, and geospatial analysis, the Global Climate Finance Centre ran a targeted consultation with selected UAE market participants and related institutions. It set out to capture practical insight into awareness, perceived materiality, implementation barriers, and the forms of support firms would want for bringing nature into sustainable finance practice. Respondents spanned the financial sector, the listed market, real estate, energy, water and infrastructure, advisory, and policy.

This was not a statistically representative market survey. The findings are directional and reflect the views of those who took part, and every percentage cited in the publication refers to the share of respondents answering the relevant question. The consultation ran in April and May 2026 and engaged fourteen senior figures from major UAE institutions and market participants, designed as a strategic engagement with large and systemically relevant players. Read the shares in Figures 4, 6, 7 and 8 as directional indications across that limited group, not as precise estimates of the wider market. Separately, the publication's headline findings, including the order of magnitude of the operational sensitivity and the prefer-

ence for integration over a stand-alone regime, were sense-checked in a live poll of UAE Alliance for Climate Action members, which broadly confirmed their direction. That poll was itself a directional sense-check, and the percentages in this publication refer only to respondents to the targeted consultation.

The consultation covered five thematic areas: organisational characteristics and roles; current sustainability reporting practices; the perceived materiality of nature; drivers and barriers to integration; and how firms would want nature-related expectations supported as the international architecture develops. Where the publication draws on responses (Figures 4, 6, 7 and 8 and the related prose), the source is identified.

A.2 Geospatial and financial materiality assessment

The geospatial and financial materiality assessment was prepared for this publication by Nature Alpha, in collaboration with the Global Climate Finance Centre. Nature Alpha is a specialist analytics provider in nature-related financial materiality, applying the TNFD LEAP (Locate, Evaluate, Assess, Prepare) methodology together with recognised global biodiversity, water, and ecosystem datasets. GCFC acknowledges Nature Alpha's contribution to the analytical work behind the geospatial and financial materiality findings. The quantitative findings reflect a single specialist provider's proprietary methodology. They are directional, are best read alongside sector expertise and local data, and are not endorsed by or attributable to the TNFD or any standard-setter.



Al Qudra Lakes.

The assessment covered more than two thousand UAE-located assets, mapping each to the ecological and water conditions at its location and producing scenario-based estimates of operational sensitivity to changes in ecosystem services. Three scenarios were used, aligned with the IPCC SSP1/RCP2.6, SSP3/RCP6.0, and SSP5/RCP8.5 pathways, following the provider's BES-SIM ecosystem-service framework with projections to 2050 and interpreted as a forward-looking range rather than a point forecast. The operational sensitivity metric reported in the publication is the scenario-based output under the most pronounced scenario, and results vary materially by sector, geography, dependency pathway, and modelling assumption. Revenue at Risk forms part of the underlying methodology but is not reported here; the Nature Value at Risk (NVaR) methodology is the umbrella term for the financial-materiality quantification component. The assessment was conducted in May 2026. In LEAP terms, it located more than two thousand UAE assets against water, marine, and ecosystem datasets (Locate), evaluated the dependencies present at each location (Evaluate), analysed the resulting scenario-based operational sensitivity through the NVaR and operational

sensitivity method (Assess), and mapped the results to TNFD recommended metrics for disclosure and prioritisation (Prepare). Where a location carries more than one nature-related dependency, the overlapping sensitivities are considered together rather than summed independently, to avoid double counting. Coverage spans the principal transition-relevant sectors and a range of ownership types. Assets are not individually identified, and the sample reads directional patterns rather than ranking specific entities. As a pilot, the assessment applied the methodology to an available sample rather than a complete national inventory, so geographic coverage across the Emirates is not yet uniform; extending and balancing it, with Abu Dhabi's strategic assets a particular focus, is a defined objective of subsequent phases. Table 4 sets out the geographic scope, and Figure 12 summarises the LEAP sequence. Two complementary Nature Alpha components do the work. NatureSense profiles nature-related pressures and proximity to ecologically significant areas, and is the source of the pressure and proximity profiles here. The Nature Value at Risk (NVaR) methodology provides the scenario-based financial quantification, and is the source of the operational sensitivity figures.

Geography	Coverage in this pilot	Priority for next phase
Dubai	Primary focus of the initial asset sample	Deepen sectoral coverage
Abu Dhabi	Selected strategic assets assessed as proof of concept	Priority for expanded coverage
Sharjah and Northern Emirates	Indicative coverage	Extend coverage

Table 4. Geographic scope of the pilot assessment. This initial assessment was conducted as a pilot, applying the methodology to an available sample of assets rather than a complete national inventory. Coverage in this phase is concentrated in Dubai, with selected strategic assets assessed in Abu Dhabi and the other Emirates to demonstrate the approach across diverse asset types and ecological contexts. A clear priority for the next phase is to broaden coverage across all seven Emirates, with the strategically significant infrastructure and natural-capital assets of Abu Dhabi a particular focus. Source: Nature Alpha assessment.

FIGURE 12

The TNFD LEAP approach applied to the UAE assessment.

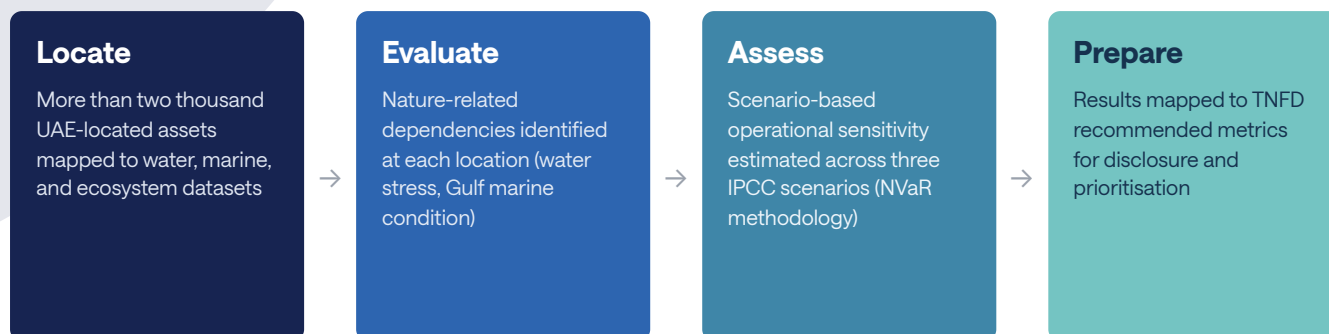


Figure 12. The TNFD LEAP approach applied to the UAE assessment. Source: prepared for this publication, applying the TNFD LEAP approach.

The assessment is a scenario-based exercise that identifies where nature-related information may be decision-useful for reporting, finance, and long-term planning. It does not assess compliance, asset quality, current financial performance, or the environmental impact of any individual entity, sector, or asset, and its findings should be read alongside sector expertise, local data, and institution-specific analysis. The specific limitations it surfaced, including coverage gaps in global biodiversity and ecosystem datasets in the Gulf context, are discussed in Section 5.5 and point to where UAE institutions and the academic and research community could develop region-specific data.

The mapping of assessment findings to TNFD recommended metrics is documented in the underlying assessment materials and summarised in the endnotes. The mapping covers Core Global metrics on spatial footprint (C1.1), water consumption and withdrawal (C3.0), and state of nature (C5.0); Core Sector metrics from the TNFD sector guidance for electric utilities and water utilities (in-

cluding EPC3.0 and WUC3.0/C3.1 on water-related disclosures); and Additional Global metrics covering ecosystem service dependencies.

A.3 Public datasets and reference materials

The geospatial assessment drew on recognised, publicly available international datasets. Water conditions used the World Resources Institute Aqueduct Water Risk Atlas, accessed via the SBTN/WWF framework and aggregated at HydroBasin level. Marine ecosystem condition was proxied by cumulative human-influenced impact scores derived from Halpern et al., which measure cumulative human pressure on the marine environment rather than ecosystem state directly, “Recent pace of change in human impact on the world’s ocean,” Scientific Reports. Protected-area designations drew on the Ramsar Sites Information Service, the UNESCO Man and the Biosphere Programme database, and the UAE federal and emirate-level protected-area registers. Mangrove cover used global mangrove cover datasets, whose limitations in the Gulf context are noted in Section 5.5.

Reference materials cited in the publication include the Recommendations of the Taskforce on Nature-related Financial Disclosures (September 2023); the TNFD Guidance on the application of the LEAP approach; the TNFD sector guidance for Electric Utilities and Power Generators (June 2024), Water Utilities and Services (final June 2025), Financial Institutions, Real Estate, and other sectors; the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2); the IFRS Foundation and TNFD Memorandum of Understanding; the Central Bank of the UAE Climate-related Financial Risk Management Regulation; the UAE Capital Market Authority (formerly the Securities and Commodities Authority) Joint Stock Companies Governance Guide; the ADGM Companies Regulations Chapter 4A on ESG Disclosures and the ADGM Financial Services Regulatory Authority Supplementary Guidance on the Sustainable Finance Regulatory Framework; the Dubai Financial Services Authority Sustainable Finance Roadmap; the DIFC Sustainable Finance Catalyst; the Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects; Cabinet Resolution No. 67 of 2024 on the National Register for Carbon Credits; and the UAE Sustainable Finance Working Group Public Statements and Principles on climate risk, sustainability disclosure,

and climate transition planning. Detailed citations are provided in the endnotes. Additional reference materials include the TNFD Guidance on Nature in Transition Plans (version 1.0, November 2025) and the TNFD Additional Guidance for Financial Institutions (version 2.0); the UAE Government water statistics; and the Emirates Nature-WWF Nature-based Solutions for Climate, Biodiversity and People programme together with the Environment Agency - Abu Dhabi Mangrove Restoration Guidelines for the UAE. The system-level financing of water is addressed in a companion publication, GCFC, Water Finance Framework (2026).

Publicly available sources support the legal, regulatory, international-framework, and environmental-reference materials cited here. The geospatial outputs, financial-materiality estimates, proximity scores, TNFD metric mapping, and stakeholder consultation findings are analytical inputs prepared for this publication, and should be read as directional evidence rather than independently published public datasets. The source hierarchy runs across five categories: public legal and regulatory sources; public international-framework sources; public environmental datasets; internal assessment outputs prepared by Nature Alpha for GCFC; and targeted consultation findings.



Western reef herons, Abu Dhabi.

Endnotes

- 1 UAE Sustainable Finance Working Group, Third Public Statement (2023); UAE Sustainable Finance Working Group, Fourth Public Statement issued during Abu Dhabi Finance Week 2025; CBUAE Rulebook entries on SFWG principles.
- 2 IFRS Foundation and Taskforce on Nature-related Financial Disclosures, Memorandum of Understanding. The ISSB has agreed to propose nature-related disclosure requirements in the form of an IFRS Practice Statement, with an exposure draft expected for public comment in October 2026. Stakeholders will be invited to comment on the proposed requirements and on whether a Practice Statement is the right form. The proposed Practice Statement would provide application guidance alongside IFRS S1 and IFRS S2.
- 3 Halpern et al., "Recent pace of change in human impact on the world's ocean," Scientific Reports.
- 4 Federal Competitiveness and Statistics Centre, UAE population and statistical data.
- 5 Source: Nature Alpha geospatial and financial materiality assessment prepared for GCFC for this publication. Water stress scores are sourced from the WRI Aqueduct Water Risk Atlas (public input dataset, see Annex A.3). Model outputs and aggregations are internal assessment outputs and are not independently available as public datasets.
- 6 Cumulative human-influenced impact scores derived from Halpern et al., reflecting combined effects of sea surface temperature, salinity, shipping, coastal modification, and effluent flows across the wider Gulf basin. The score measures pressure on the marine environment and is used here as a proxy for marine condition, not as a direct measure of ecosystem state.
- 7 Government of the UAE, policy portals on biodiversity and protected areas; Ramsar Sites Information Service; UNESCO Man and the Biosphere Programme database.
- 8 Source: Nature Alpha geospatial and financial materiality assessment prepared for GCFC for this publication. Operational sensitivity estimates under stressed forward-looking scenarios. Under the most pronounced scenario, operational sensitivity reaches up to about 18%, with an asset-weighted mean closer to 15%, expressed as a percentage of revenue or operating cost. Sectoral and regional breakdowns are set out in Section 4. Model outputs are internal assessment outputs and are not independently available as public datasets.
- 9 Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects; Cabinet Resolution No. 67 of 2024 on the National Register for Carbon Credits; Ministry of Climate Change and Environment, UAE National Biodiversity Strategy (under update to align with the Kunming-Montreal Global Biodiversity Framework).
- 10 Central Bank of the UAE, Climate-related Financial Risk Management Regulation, Circular 2025/8; earlier guidance on financial risks from climate change under Section H of the CBUAE Rulebook. Nature-related factors that are financially relevant can be considered within the regulation's existing processes, including credit and underwriting risk assessment, scenario analysis incorporated into the internal capital adequacy assessment process, and the governance of green and ESG-linked products. The regulation also provides for the Central Bank of the UAE to extend its application to other licensed financial institutions in due course.
- 11 UAE Capital Market Authority (formerly the Securities and Commodities Authority), Joint Stock Companies Governance Guide (Decision No. 3/Chairman of 2020, as subsequently amended); supervisory authority over carbon credit trading platforms conferred under Cabinet Resolution No. 67 of 2024.
- 12 ADGM Financial Services Regulatory Authority, Supplementary Guidance: Sustainable Finance Regulatory Framework; ADGM Companies Regulations (Amendment No. 2) 2023, Chapter 4A on ESG Disclosures; ADGM Registration Authority, Environmental, Social and Governance Disclosures Guidance.
- 13 Dubai Financial Services Authority, Sustainable Finance Roadmap; DIFC Sustainable Finance Catalyst (DIFC official communications, launched COP28 Finance Day 2023).
- 14 UAE Sustainable Finance Working Group, Principles for the Effective Management of Climate-related Financial Risks; Principles for Sustainability-Related Disclosures for Reporting Entities; Principles for Climate Transition Planning.
- 15 Source: Nature Alpha geospatial and financial materiality assessment prepared for GCFC for this publication. Water stress scores are sourced from the WRI Aqueduct Water Risk Atlas via the SBTN/WWF framework, aggregated at HydroBasin level (public input dataset, see Annex A.3). The aggregation across UAE locations is an internal assessment output.
- 16 Cumulative human-influenced impact scores derived from Halpern et al., as cited in note 6. The Gulf-wide reading reflects characteristics of the basin and the combined effect of regional activities, not characteristics specific to any one country.
- 17 Source: Nature Alpha Nature Value at Risk (NVaR) methodology, applied by Nature Alpha for GCFC for this publication. Operational sensitivity estimates produced under three scenarios aligned with the IPCC SSP1/RCP2.6, SSP3/RCP6.0, and SSP5/RCP8.5 pathways. The operational sensitivity is a scenario-based sensitivity metric used to understand how changes in ecosystem services could affect operating costs or revenues under specified assumptions. It is not a forecast, impairment estimate, credit rating, expected loss estimate, or assessment of current asset performance. Results vary materially by sector, geography, dependency pathway, and modelling assumption. Model outputs are internal assessment outputs and are not independently available as public datasets.
- 18 Government of the UAE, policy portals on biodiversity and protected areas; Ramsar Sites Information Service. The UAE's designated protected-area network reflects coordinated planning by federal and emirate authorities, across the relevant federal and emirate environmental authorities.
- 19 Sustainability disclosure guidance for real estate is addressed under the TNFD's cross-sector recommendations and the IFRS Sustainability Disclosure Standards, including IFRS S1 on general requirements for sustainability-related financial information.

- 20 The proximity score is a NatureSense measure, on a scale from zero to one, of how close an asset lies to a designated protected area, where values approaching one indicate immediate adjacency; it is a relational indicator of spatial overlap, not a measure of ecological harm. Proximity scores cited here are internal model outputs from the Nature Alpha geospatial assessment prepared for GCFC for this publication, not values published by UNESCO, Ramsar, or UAE official sources: Marawah Marine Biosphere Reserve / nearby power and water complex, 0.999 (the dataset's highest score for the UAE); Ras Ghanada Marine Protected Area / nearby power and desalination complex, 0.956. Protected-area designations are drawn from public sources: Marawah is a UNESCO Man and the Biosphere reserve covering approximately 4,255 km² (UNESCO source); Ras Ghanada is a marine protected area established under emirate-level legislation.
- 21 Environmental approvals for the relevant facilities are administered under federal and emirate frameworks, including Federal Law No. 24 of 1999 on the Protection and Development of the Environment and related implementing regulations. The relationship between operating infrastructure and protected-area designations reflects coordinated planning between operating entities and the responsible environmental authorities.
- 22 Taskforce on Nature-related Financial Disclosures, sector guidance for Electric Utilities and Power Generators (IF-EU, June 2024). The guidance addresses water use for processing, cooling, and consumption in power plants, including ash handling water, alongside plant heat rate for thermal generation.
- 23 Taskforce on Nature-related Financial Disclosures, Recommendations of the Taskforce on Nature-related Financial Disclosures (September 2023).
- 24 IFRS Foundation and Taskforce on Nature-related Financial Disclosures, Memorandum of Understanding (April 2025); International Sustainability Standards Board, decision (2026) to propose nature-related disclosure requirements in the form of an IFRS Practice Statement, with an exposure draft expected for public comment in October 2026.
- 25 TNFD Recommendations, Section B on the recommended disclosures.
- 26 TNFD, Guidance on the application of the LEAP approach, version 1.1; TNFD Recommendations, Section C on the relationship between the LEAP approach and the recommended disclosures.
- 27 Taskforce on Nature-related Financial Disclosures, Sector guidance for Electric Utilities and Power Generators (IF-EU, June 2024); Sector guidance for Water Utilities and Services, final version published June 2025 following consultation on the January 2025 draft; additional sector guidance for financial institutions, real estate, food and agriculture, metals and mining, among other sectors. The Sustainability Accounting Standards Board's sector classifications underpin the TNFD sector guidance.
- 28 Source: TNFD metric mapping from the Nature Alpha geospatial assessment prepared for GCFC for this publication. The mapping covers Core Global metrics including C1.1 (spatial footprint), C3.0 (water consumption and withdrawal), C5.0 (state of nature), Core Sector metrics from the TNFD sector guidance for electric utilities and water utilities including EPC3.0 and WUC3.0/C3.1 on water-related disclosures, and Additional Global metrics covering ecosystem service dependencies. The metric definitions are drawn from public TNFD sources; the application to UAE-located assets is an internal assessment output.
- 29 A growing body of empirical work finds that lenders price climate and environmental risk into the cost of debt. See, for example, Delis, de Greiff, Iosifidi and Ongena, Being Stranded with Fossil Fuel Reserves? Climate Policy Risk and the Pricing of Bank Loans; and Javadi and Masum, The Impact of Climate Change on the Cost of Bank Loans, *Journal of Corporate Finance* (2021).
- 30 European Central Bank, Occasional Paper Series No. 333 (2023), Living in a world of disappearing nature, and related ECB analysis (2024), reporting that almost 75% of euro-area corporate loans are extended to companies critically dependent on at least one ecosystem service; Banque de France, Svartzman and others, A Silent Spring for the Financial System? Exploring Biodiversity-Related Financial Risks in France, Working Paper No. 826 (2021), reporting that 42% of the securities held by French financial institutions are issued by firms highly or very highly dependent on one or more ecosystem services.
- 31 Network for Greening the Financial System, Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors (2024).
- 32 On the green-bond issuance premium, see for example Federal Reserve research reporting a green corporate bond yield spread roughly three to eight basis points lower at issuance, and International Monetary Fund analysis of the sovereign greenium of around four basis points in advanced economies and larger in emerging markets. Sustainability-linked instruments embed pricing that adjusts with performance against defined targets.

Abbreviations

ADGM	Abu Dhabi Global Market	IFRS SDS	IFRS Sustainability Disclosure Standards
ADX	Abu Dhabi Securities Exchange	IPCC	Intergovernmental Panel on Climate Change
CBUAE	Central Bank of the UAE	ISSB	International Sustainability Standards Board
CMA	UAE Capital Market Authority	LEAP	Locate, Evaluate, Assess and Prepare
CSRD	Corporate Sustainability Reporting Directive	NVaR	Nature Value at Risk
DFM	Dubai Financial Market	SASB	Sustainability Accounting Standards Board
DFSA	Dubai Financial Services Authority	SFWG	UAE Sustainable Finance Working Group
DIFC	Dubai International Financial Centre	SSP/RCP	Shared Socioeconomic Pathway / Representative Concentration Pathway
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposures	TCFD	Task Force on Climate-related Financial Disclosures
FSRA	Financial Services Regulatory Authority	TNFD	Taskforce on Nature-related Financial Disclosures
GBF	Kunming-Montreal Global Biodiversity Framework		
GCFC	Global Climate Finance Centre		
GRI	Global Reporting Initiative		



About the Global Climate Finance Centre

The Global Climate Finance Centre is an Abu Dhabi-based platform established as part of the UAE's COP28 legacy to help translate climate ambition into practical finance outcomes. Its mission is to position the UAE as a global climate finance hub while catalysing capital flows into emerging markets and developing countries by making climate finance more available, affordable, and accessible.

Abu Dhabi Global Market, Al Maryah Island, Abu Dhabi, United Arab Emirates

For more information, contact info@gcfc.com · gcfc.com