

## The ESG landscape -UAE

### ESG- Key Initiatives by UAE

#### Why ESG matters?

At its core, ESG stands for how we treat the planet (Environmental), how we interact with people (Social), and how we conduct ourselves in business (Governance). As international corporations expand their footprint across the GCC Region, understanding ESG in a regional context is no longer optional. It is a strategic necessity.

In this CNK UAE Newsflash, we explore key developments in the UAE that are increasingly influencing the ESG landscape in GCC.

#### Environmental Action: Regional Priorities, Global Pressure

Environmental concerns in the GCC region are uniquely shaped by climate vulnerabilities such as water scarcity, desertification, and extreme weather events. Against this backdrop, companies are expected to balance local environmental risks with global sustainability expectations.

#### Key actions and trends:

- Over 10,000 companies globally have committed to decarbonization targets under the Science Based Targets Initiative (SBTi).

- In the UAE, practical measures, from energy-efficient operations to renewable energy investments, are becoming standard.
- Emission reductions, while currently not mandatory, are being encouraged through Nationally Determined Contributions (NDCs) and voluntary frameworks.
- European regulations such as the EU Deforestation Regulation and Corporate Sustainability Due Diligence Directive (CSDDD) will affect GCC based exporters and subsidiaries operating in or with the EU.

#### Social considerations: Balancing Local Values with Global Expectations

Social sustainability in the GCC region requires a culturally sensitive approach. Companies must align global social standards such as diversity, equity, and human rights with regional values and norms.

#### Key areas of focus:

- Initiatives around localization of employment, youth and women empowerment, and mental well-being are gaining momentum.
- The CSDDD and EU Forced Labour Regulation require companies with significant EU presence, or operating in EU supply chains, to identify and address human rights risks.

- In the UAE, legal developments now protect domestic workers, promote pay equity, and introduce legislation around mental health at the workplace.

## Governance: Building Trust Through Transparency

Strong governance frameworks are essential for corporate credibility, particularly in a region where international investors and regulators are watching closely.

### Key developments:

- Listed companies in the UAE must now disclose ESG risks and performance metrics, in line with global standards like the GRI and TCFD.
- ADGM and DIFC have implemented whistleblower protections, data privacy, and employment regulations to strengthen ethical practices.
- Increasing scrutiny over greenwashing and unsubstantiated ESG claims underscores the importance of robust and verifiable governance structures.

## Regulatory Spotlight

### ESG Frameworks in the UAE

The UAE leads the GCC region in ESG policymaking, with ambitious climate commitments and detailed national strategies:

#### Key National Policies & Targets:

- UAE Net Zero 2050: First GCC country to commit to net-zero emissions.
- 3rd NDC (2024): 47% GHG reduction target by 2035 (base year 2019).
- Energy Strategy 2050 & Green Agenda 2015–2030: Long-term frameworks for clean energy, sustainable consumption, and economic diversification.

#### Noteworthy Regulations:

- Federal Decree-Law No. 11/2024 mandates companies to measure, report, and manage GHG emissions. Non-compliance penalties up to AED 2 million have been announced.
- SCA ESG Disclosure (2022): Listed companies must report on climate risk, emissions, labour standards, and diversity.
- Circular Economy Policy 2021 - 2031, Industrial Waste Valuation Policy (2022), and Waste Management Law (2018) provide structured guidelines for sustainable operations.

## Global Influence Meets Regional Action

While the GCC ESG regulatory landscape is still developing compared to other regions like India and the EU, there is clear momentum. UAE's leadership has hosted COP28, Saudi Arabia's Middle East Green Initiative, and broader commitments to sustainable finance are laying the foundation for future alignment with global standards.

## Conclusion

### From Compliance to Competitive Advantage

ESG is no longer a matter of ticking boxes. For international and regional companies operating in the UAE and the wider GCC region, ESG offers:

- A license to operate in increasingly regulated markets.
- A platform for innovation and efficiency.
- A tool to enhance stakeholder trust, mitigate risk, and drive long-term value.

### Thoughts to Ponder

As ESG regulations continue to evolve in the UAE and globally, it is essential for businesses to move beyond treating ESG as a mere compliance exercise. While regulatory adherence remains important, true ESG integration requires a conscious effort to embed sustainability into the core of your operations and strategy. In the UAE, authorities are increasingly emphasizing environmental and social accountability, and businesses must be prepared to meet these expectations with proactive and measurable initiatives. At CNK, we encourage our clients to see ESG not just as a regulatory obligation, but as an opportunity to lead with purpose—building long-term resilience, enhancing stakeholder trust, and contributing meaningfully to the protection of our environment and communities. Frame sustainability as protecting future generations or making smart business choices—not just hitting carbon targets.



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# CNK UAE

**Dubai:** +971 4355 9533

**Abu Dhabi:** +971 4355 9544

**Mumbai (Churchgate):** +91 22 6623 0600

**Mumbai (Vile Parle):** +91 22 6250 7600

**Chennai:** +91 44 4384 9695

**Vadodara:** +91 265 234 3483

**Ahmedabad:** +91 79 2630 6530

**GIFT City:** +91 79 2630 6530

**Bengaluru:** +91 91 4110 7765

**Delhi:** +91 11 2735 7350

**Pune:** +91 20 2998 0865

**Kolkata**

#### UAE

**903, Nassima Tower, Trade Centre 1, Sheikh Zayed Road, Dubai, UAE**

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