PRI RESPONSE

QATAR FINANCIAL CENTRE REGULATORY AUTHORITY PROPOSED AMENDMENTS TO GENERAL RULES ON CORPORATE SUSTAINABILITY REPORTING

March 2025

This document is provided for information only. It should not be construed as advice, nor relied upon. PRI Association is not responsible for any decision or action taken based on this document or for any loss or damage arising from such decision or action. All information is provided "as-is" with no guarantee of completeness, accuracy or timeliness and without warranty of any kind, expressed or implied. PRI Association is not responsible for and does not endorse third-party content, websites or resources included or referenced herein. The inclusion of examples or case studies does not constitute an endorsement by PRI Association or PRI signatories. Except where stated otherwise, the opinions, recommendations and findings expressed are those of PRI Association alone and do not necessarily represent the views of the contributors or PRI signatories (individually or as a whole). It should not be inferred that any third party referenced endorses or agrees with the contents hereof. PRI Association is committed to compliance with all applicable laws and does not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws. Copyright © PRI Association (2024). All rights reserved. This content may not be reproduced, or used for any other purpose, without the prior written consent of PRI Association.

To inform this paper, we have consulted our MENA signatories. Except where stated otherwise, the opinions, recommendations and findings expressed are those of PRI Association alone, and do not necessarily represent the views of the contributors or PRI signatories (individually or as a whole). It should not be inferred that any third party referenced endorses or agrees with the contents hereof. PRI Association is committed to compliance with all applicable laws and does not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws.

PRI Association
Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E:info@unpri.org

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Qatar Financial Centre Regulatory Authority (QFC) call for feedback on its proposed General (Corporate Sustainability Reporting) Amendments Rules 2025 and guidance document on “How to start the journey in applying the ISSB Standards”.

ABOUT THIS CONSULTATION

The QFC is proposing to adopt corporate sustainability reporting requirements for Qatari banks and insurers by amending its General Rules 2005 (GENE).

The proposed requirements apply to Category A firms and any other firm designated by the QFC for the purposes of corporate sustainability reporting, based on factors such as size. The QFC is consulting on these proposals, along with draft guidance on implementing the requirements, until 25 March 2025. The rules would apply in relation to financial years beginning on or after 1 January 2026.

The proposed requirements are aligned with the ISSB standards, which aim to deliver a global baseline of sustainability-related financial disclosures that meet the information needs of an entity’s investors, creditors and other lenders.

To facilitate implementation, the QFC has proposed to phase-in requirements related to Scope 3 GHG emissions and use of the Greenhouse Gas Protocol methodology to calculate emissions.

For more information, contact:

Benjamin Taylor
Senior Analyst, Driving Meaningful Data
benjamin.taylor@unpri.org

Eline Sleurink
Director Europe and interim Head of MENA
eline.sleurink@unpri.org

RESPONSE

Adoption of the ISSB standards will benefit investors

The PRI is a strong advocate for the introduction of sustainability disclosure requirements aligned with the ISSB standards by governments. As such, we welcome the QFC's regional leadership in this area, with its proposed adoption of the ISSB standards for banks and insurers. This can provide investors with the comparable, high-quality[1] sustainability reporting they need (and currently lack) from portfolio companies for decision-making, enabling them to allocate capital more efficiently – accounting for sustainability-related financial risks and opportunities and addressing sustainability goals[2].

We recently published a call to action for jurisdictions to commit to adopting both ISSB standards at pace. This was issued in collaboration with the London Stock Exchange Group, UN Sustainable Stock Exchanges initiative and World Business Council for Sustainable Development – and endorsed by 121 investors, companies, stock exchanges and other organisations. As we engage with local markets on sustainability reporting, we have consistently found that investors support the adoption of the ISSB standards by international and local standard setting and policymaking bodies.

Subtractions from the standards should be minimised

We also support the QFC's proposal to not deviate from the content of the ISSB standards, but instead achieve proportionality by phasing-in requirements related to Scope 3 greenhouse gas (GHG) emissions and use of the Greenhouse Gas Protocol methodology to calculate emissions. This is preferable because full content alignment with the standards will provide investors with more comparable and better-quality reporting across portfolios. We acknowledge this approach will require capacity building and welcome the QFC's draft guidance on implementing the standards. We stand ready to support the market as a partner to the ISSB's Partnership Framework for Capacity Building.

Similarly, we note the QFC's proposal allows subsidiaries subject to the rules to meet the requirements using group level accounts prepared either in accordance with ISSB standards or another set of standards that is highly aligned with ISSB standards, such as the European Sustainability Reporting Standards (ESRS). While the ESRS build on and are relatively well-aligned with the ISSB standards, there are differences between the two standards. Therefore, we recommend the QFC specifies that entities looking to assert compliance with the rules through ESRS reporting consider the ESRS-ISSB Interoperability Guidance, to ensure all requirements have been met.

---

[1] The ISSB standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB) and build on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, among other well established voluntary sustainability reporting frameworks. They have also been endorsed by the International Organization of Securities Commissions (IOSCO), which has recommended that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

[2] Investors around the world are increasingly committed to incorporating and pursuing sustainability outcomes such as those posed by the UN SDGs, Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Legal analysis from the A Legal Framework for Impact (LFI) project found that while there are differences across jurisdictions and investor groups, where investing for sustainability outcome approaches can be effective in achieving an investor's financial goals, the investor will likely be required to consider using them and act accordingly. The global LFI analysis and local LFI policy reports, such as the Japan Report, have consistently found that for investors to be able to pursue sustainability outcomes, market mechanisms such as mandatory sustainability disclosure are critical.

The standards should be implemented on an economy-wide basis

Investors need decision-useful sustainability reporting from portfolio companies across all sizes, sectors and regions. Therefore, we encourage the QFC to engage with relevant authorities and regulators, such as the Qatar Stock Exchange and Qatar Financial Markets Authority, to promote implementation of the ISSB standards by listed Qatari companies across each sector.

The QFC should consider building on the global baseline in the future

Investors' data needs are shaped by the approach they take to responsible investment. Approaches can include a combination of: (i) focusing on incorporating ESG risks and opportunities; (ii) addressing the drivers of financially material sustainability risks; and (iii) actively pursuing sustainability outcomes beyond investment value. All three approaches exist within PRI's signatory base.

Therefore, while all investors need sustainability-related information to inform their assessment of companies' risks and opportunities, some investors also need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. PRI's Legal Framework for Impact report demonstrates that as part of their responsibilities to clients and beneficiaries, investors may need to assess the sustainability outcomes which affect the system-level risks to which their portfolio is exposed, and therefore long-term returns. This is especially true for so-called universal owners, such as sovereign wealth funds who invest across entire economies. Many institutional investors now accept that, in acting in their clients' and beneficiaries' best financial interests, they should consider and respond to system-level risks that may affect long-term returns.

While the ISSB standards are expected to enable disclosure of some of this information, they are unlikely to provide investors with all the information they need on companies' impacts and dependencies. Therefore, in line with the IFRS Foundation's "building blocks" approach, the QFC should eventually consider disclosure requirements additional to the ISSB standards, capturing more information on entities' sustainability impacts and dependencies. Similar to the approach of the European Commission and Chinese Ministry of Finance, such additions should build on the GRI standards given their widespread global uptake.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of HKICPA further to promote the application of a sustainability disclosure in line with the global baseline in HK SAR.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org