

Advancing ESG Practices in Arab Capital Markets: A Regional Assessment



AFCM
ARAB FEDERATION OF
CAPITAL MARKETS

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About the Report

Building upon AFCM's 2020 and 2022 papers on ESG integration in the Arab world, which mapped disclosure metrics, KPIs, and regional sustainability trends, this updated report captures the key developments and progress made over the past five years. It evaluates how Arab stock exchanges are advancing in their ESG journeys, reflecting rapidly growing stakeholder expectations while navigating the challenges and backlash businesses face in implementing ESG practices.

This comprehensive review highlights new initiatives, evolving market maturity, and the increasing ambition within Arab capital markets to align with global sustainability imperatives. It also acknowledges persisting challenges, including disparities between listed and unlisted companies, uneven market development, and the need to attract capital while embedding sustainability and impact into market practices.

Through this report, AFCM reaffirms its commitment to fostering sustainable, transparent, and resilient capital markets that meaningfully contribute to the region's economic and social development.

The analysis is divided into six interconnected sections:

Part I outlines the general ESG practices of AFCM member exchanges, exploring the extent to which ESG considerations have been formally integrated within their operations, strategies, markets, and regulatory frameworks.

Part II delves into the specific frameworks proposed or adopted by each Arab exchange's ESG guidance, assessing the degree of alignment with globally recognized reporting standards and their adaptability to the regional context.

Part III examines the ESG metrics recommended by the WFE and how these are reflected in the guidance documents of Arab exchanges, highlighting convergence and divergence in metric selection and consistency in promoting the WFE's core KPIs.

Part IV reviews original sustainability plans versus new ESG strategies, roadmaps, and action plans introduced by exchanges, including their future vision on climate action, gender diversity, digital ESG platforms, and stakeholder education.

Part V explores key challenges facing Arab stock exchanges in effectively implementing ESG standards, adopting a realistic view of barriers hindering progress.

Part VI addresses strategies that Arab stock exchanges can adopt to promote ESG integration among listed companies without imposing overly burdensome regulatory requirements.

Scope & Purpose

This updated paper seeks to offer a holistic understanding of the evolving ESG landscape and practices in Arab capital markets. It identifies progress made, gaps remaining, and the potential for greater regional harmonization, with the ultimate objective of strengthening the role of stock exchanges as enablers of sustainability-driven growth momentum and positioning Arab capital markets as a forward-looking hub for sustainable finance regionally and globally.



Executive Summary

Environmental, Social, and Governance (ESG) imperatives are no longer optional, they are reshaping the foundations of finance, policy, and corporate accountability worldwide. In the Arab world, capital markets are moving from lagging awareness to becoming catalysts for sustainability-led economic transformation.

This 2025 AFCM update provides a comprehensive regional benchmark of ESG maturity and integration across 17 Arab stock exchanges. It highlights key milestones achieved since 2020 and charts a strategic roadmap to elevate Arab markets to global ESG leadership.

Key Highlights

- **Institutional Alignment:** Over 75% of AFCM member exchanges are affiliated with the UN Sustainable Stock Exchanges (SSE) and the World Federation of Exchanges (WFE).
- **Reporting Uptake:** 9 Arab exchanges now publish annual sustainability or ESG reports (up from 4 in 2020), with 6 mandating ESG disclosures as part of listing rules.
- **Framework Adoption:** While GRI and TCFD remain dominant, uptake of IFRS/ISSB S1 and S2 is accelerating, particularly in the GCC. Several exchanges (e.g. Egypt, Qatar, Jordan) are preparing phased ISSB alignment.
- **Metric Integration:** A growing number of exchanges are embedding WFE ESG metrics as key performance indicators, covering emissions, board diversity, human rights, and more.
- **Product Innovation:** Exchanges in Saudi Arabia, Egypt, UAE, and Bahrain are pioneering sustainable financial products, including green bonds, ESG ETFs, and voluntary carbon markets.
- **Sustainability Governance:** Exchanges such as ADX, EGX, and Tadawul have taken proactive roles in shaping sustainability governance at both issuer and market levels, including board training, ESG certification, and stewardship codes.

Strategic Implications for AFCM and Arab Exchanges

1. Scaling Sustainable Finance Markets

- The region must accelerate development of green, social, and sustainability-linked financial instruments, including bond and sukuk frameworks.
- Exchanges and regulators should create enabling environments with tax incentives, standardized disclosure templates, and green asset pipelines.

2. Voluntary Carbon Markets (VCMs)

- Following KSA and Egypt launch of Voluntary Carbon Markets, other Arab markets are exploring VCM platforms to monetize decarbonization and attract climate capital.
- AFCM can play a coordinating role in harmonizing carbon credit verification standards, regional registries, and trading infrastructure.

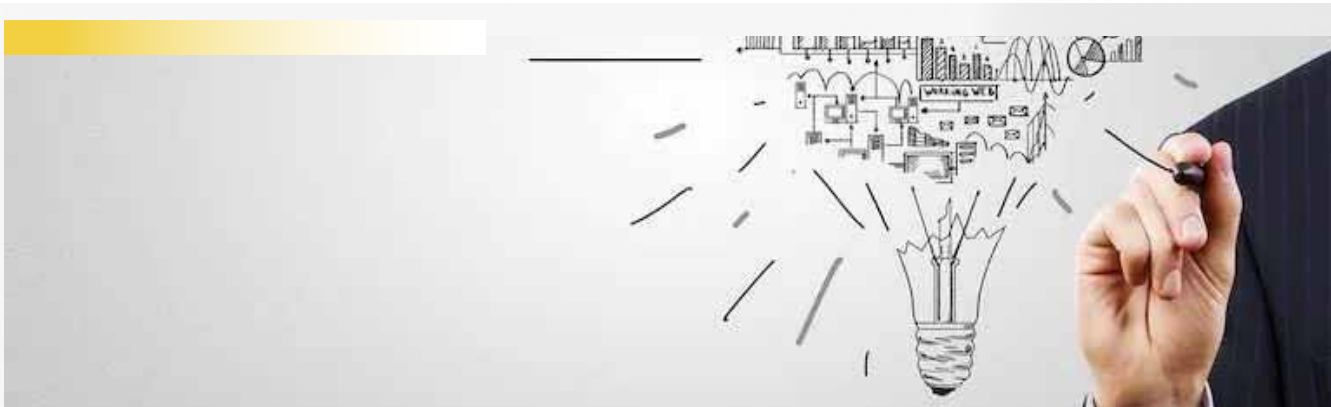


3. Embedding Sustainability Governance

- ESG must extend beyond disclosure to include board-level responsibility, stakeholder accountability, and performance-linked remuneration.
- AFCM can offer governance toolkits and training to help markets institutionalize sustainability oversight, aligned with OECD, IFC, and ISSB principles.

4. Addressing Regulatory and Sectoral Gaps

- Current ESG regulation primarily targets listed companies, creating an uneven playing field across value chains and high-impact sectors, especially in heavy industry, logistics, and agriculture.
- To ensure fairness and impact, policymakers and exchanges must coordinate to expand ESG obligations or incentives to non-listed companies and critical sectors with material sustainability risks.
- This includes designing proportional disclosure frameworks, sector-based taxonomies, and climate risk transparency tools.



5. Regional ESG Infrastructure

- AFCM is positioned to develop shared tools, such as ESG data hubs, pan-Arab ESG indices, and digital sustainability reporting platforms, to reduce fragmentation and enhance investor confidence.

6. Policy Convergence and Capacity Building

- Harmonizing ESG and climate reporting standards across Arab jurisdictions will reduce costs, attract ESG-focused capital, and improve cross-border comparability.
- AFCM can lead peer-learning initiatives and capacity-building tailored to non-GCC and frontier exchanges.

Outlook

The next phase of ESG development in Arab capital markets will depend on moving from reporting to performance, from voluntary to credible, and from isolated to integrated efforts. Expanding ESG governance to cover high-emitting sectors, SMEs, and non-listed entities is essential to ensure fairness, transparency, and regional competitiveness.

AFCM will spare no effort to enabling this shift, particularly through developing common frameworks for sustainable finance, operationalizing carbon markets, and embedding sector-wide sustainability governance. This report provides a foundation for a unified, actionable, and forward-looking ESG agenda, one that positions Arab markets not just as adopters, but as regional accelerators of responsible finance and long-term economic resilience.

Introduction

Over the past decade, Environmental, Social, and Governance and impact (ESG-I) practices have transitioned from being perceived as a voluntary or reputational exercise to becoming a strategic imperative across global capital markets. This shift reflects a broader recognition of ESG-I as a driver of long-term resilience, competitive advantage, and sustainable value creation, essential factors for investor confidence, capital flows, and systemic stability.

In this dynamic landscape, marked by economic uncertainty, shifting societal expectations, and rapid technological advancements, organizations face mounting pressure to future-proof their business models and build operational resilience. Sustainability is no longer a label or a compliance exercise; it has become integral to sound risk management, operational excellence, and sustained performance. As climate risks intensify and social accountability rises, the business case for sustainability has never been clearer.

Globally, markets increasingly recognize sustainability as both a strategic imperative and a competitive advantage. ESG integration is no longer considered a differentiator but a baseline expectation for markets seeking to attract global capital and align with international supply chains and investor mandates. Moreover, expectations are intensifying, from ESG disclosures to climate-risk alignment, requiring boardrooms to remain agile in navigating local and global requirements. With regulatory deadlines such as the EU's Carbon Border Adjustment Mechanism (CBAM) and supply chain sustainability requirements fast approaching, companies should proactively future proof their operating models to remain competitive.

Drivers of ESG Evolution

Region

Primary Drivers

Challenges

Arab Markets

National visions (2030, Net Zero), international investor pressure, IFC/WFE/SSE engagement, regulatory alignment (IFRS S1/S2).

Lack of uniform regulatory mandates, limited ESG literacy, gaps between listed and SME sectors.

European Union

Strong policy frameworks (EU Green Deal, SFDR, CSRD), investor activism, regulatory enforcement, public scrutiny.

Regulatory complexity, compliance burden, risk of greenwashing in reporting overload.

Global (USA/Asia/Other)

Investor pressure (BlackRock, etc.), global frameworks (IFRS, TCFD), regional initiatives, growing demand for sustainable finance.

Political polarization (US), fragmented standards, greenwashing accusations, data reliability.

For Arab capital markets, advancing ESG adoption is critical to ensuring their competitiveness, resilience, and relevance in this evolving global financial ecosystem. At a time when some global players are stepping back from sustainability commitments, the Arab region has a powerful opportunity to lead with purpose, championing responsible investment, long-term resilience, and shared value creation.

Role of Stock Exchanges in Advancing ESG

Stock exchanges, in this context, play a crucial role not only as facilitators of capital but also as enablers of finance, drivers of responsible business practices, and promoters of transparent ESG disclosures, robust governance, and sustainable long-term value creation. At this critical juncture, we must reaffirm that “doing what is right, not just what is easy,” is a necessity, not a choice. Sustainability governance today is not a procedural formality but a strategic factor, shaping access to markets, capital, and stakeholder trust. In a world marked by volatility and disruption, staying compliant is synonymous with staying competitive.

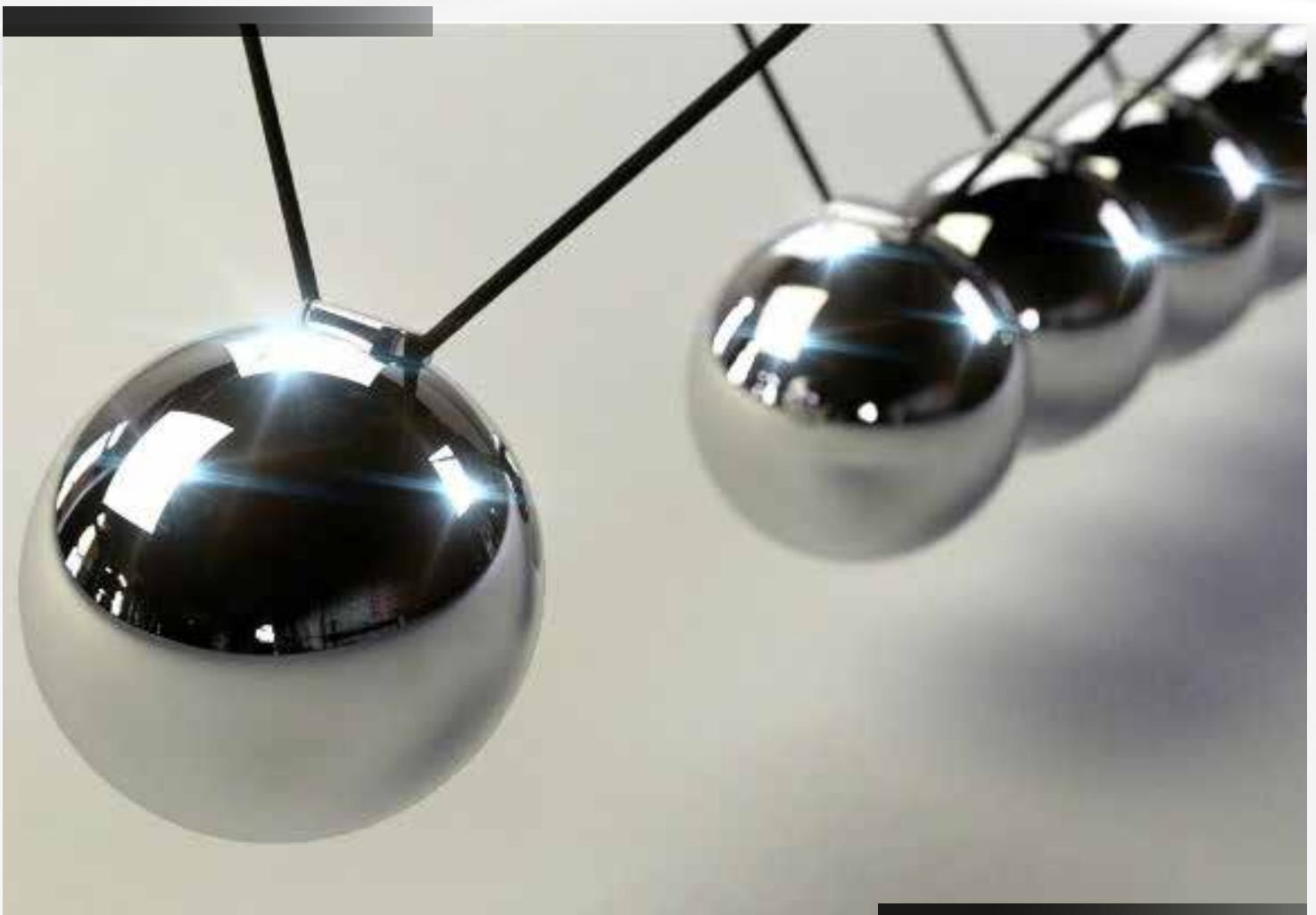
Region	Role of Exchanges	Key Initiatives
Arab Markets	Emerging as key enablers of ESG through guidance, reporting frameworks, ESG indices, green bond platforms, and awareness. Role evolving from passive to more proactive but still maturing.	AFCM collaboration; ESG guidelines; indices (e.g., Saudi, Dubai); capacity building; initial ESG disclosure mandates; alignment with WFE, SSE.
European Union	Exchanges are regulatory enforcers and market standard-setters. Deep involvement in shaping ESG standards through EU platforms. Strong integration with sustainable finance strategies.	ESG listings requirements; climate-related reporting frameworks; green and social bond platforms; sustainable finance taxonomies.
Global (USA/Asia/Other)	US exchanges mixed. Nasdaq more progressive, NYSE less involved. Asia exchanges like SGX, HKEX lead ESG integration. Latin America exchanges progressing through UN SSE.	ESG disclosure guides; green finance hubs (Singapore, HK); carbon trading platforms; sustainability indices; thematic ETFs.

Recognizing these dynamics early on, the Arab Federation of Capital Markets (AFCM) has played a pivotal role in driving ESG awareness and action across Arab stock exchanges, fostering a regional shift toward sustainable finance and responsible business practices.

Arab Region: A Trajectory of Progress and Momentum

Over the past five years (2020–2025), the Arab region has witnessed marked progress in ESG adoption and integration, moving from fragmented awareness and voluntary initiatives to more structured approaches aligned with international best practices. This progress has been driven by a combination of emergence of national sustainability agendas (e.g., Saudi Vision 2030, UAE Net Zero 2050, Egypt Vision 2030), enhanced investor engagement, regulatory shifts, and the active role of the Arab Federation of Capital Markets (AFCM).

Exchanges are moving beyond reporting frameworks to take on more proactive roles, including the launch of ESG indices and indicators, green instruments platforms, capacity-building programs, and participating in global initiatives such as the World Federation of Exchanges (WFE) and the UN Sustainable Stock Exchanges (SSE) Initiative.



Comparing Capital Markets

ESG Maturity Levels

Region	Sustainability Maturity	Current Focus
Arab Markets	Emerging but accelerating ESG maturity across AFCM markets, driven by alignment with national sustainability visions, evolving external regulations such as (CBAM), and engagement with initiatives from IFC, WFE, and SSE. While progress is clear, levels of advancement continue to vary significantly across markets.	Foundational ESG disclosure, capacity building, green finance platforms. Increasing emphasis on reporting alignment.
European Union	Advanced ESG maturity characterized by deep regulatory integration of sustainability through frameworks such as CSRD, SFDR, the EU Taxonomy, and CBAM. ESG considerations are fully mainstreamed within corporate reporting, embedded into risk management frameworks, and directly influence capital allocation decisions.	Moving from disclosure to measurable impact, double materiality, biodiversity, social factors, and supply chain due diligence.
Global (USA/Asia/Other)	Mixed ESG maturity persists across regions. In the United States, markets remain polarized, with progressive states advancing ESG integration while others face a growing backlash. Asia Pacific markets, particularly Singapore, Japan, and Hong Kong, continue to make steady progress. While the Global South generally exhibits lower ESG maturity, momentum is accelerating as markets increasingly recognize the strategic importance of sustainability for resilience and competitiveness.	Market approaches range from compliance-driven adoption to proactive voluntary leadership in ESG. There is growing focus on climate finance, biodiversity integration, and leveraging AI to enhance ESG reporting and disclosure practices.

Summary Insights for Arab Markets

- While Arab markets lag behind Europe in ESG maturity, they are catching up rapidly, driven by external regulatory pressures, national sustainability strategies, and rising investor demand for credible ESG practices.
- Stock exchanges are transitioning from ESG awareness to tangible action, moving beyond the development of ESG indices toward actively shaping market standards and regulatory frameworks.
- The risk of fragmentation remains if regional ESG efforts are not anchored by more unified mandates and harmonized frameworks.
- A clear opportunity exists for Arab markets to demonstrate leadership within emerging markets through credible, transparent, and proactive ESG adoption, particularly as parts of the West experience ESG fatigue and political pushback, creating space for agile markets to position themselves as reliable hubs for sustainable finance.



Key Differences: Arab Markets vs. EU / Global Peers

Aspect	Arab Markets	EU / Global Leaders
Regulatory Mandate	Evolving ESG practices across the region remain primarily anchored in voluntary or guided frameworks, with exchanges beginning to integrate IFRS S1 and S2 standards.	Mandatory, comprehensive ESG regulations embedded in law, such as CSRD and SFDR, are setting clear expectations for market participants.
Disclosure Depth	Reporting remains largely qualitative, reflecting varied levels of maturity among exchanges in ESG disclosure practices.	Disclosures are increasingly quantitative, audited, and scenario-tested, reflecting a shift toward robust, data-driven ESG reporting.
Financial Instruments	Early-stage initiatives, including green bond issuances, ESG indices, and pilot sustainable finance platforms, are gradually taking shape.	Mature green finance ecosystems are well-established, encompassing green bonds, loans, sustainability-linked funds, and carbon markets.
Investor Expectations	Progress is growing but remains uneven across the region, reflecting differing market capacities and priorities.	ESG considerations are institutionalized, directly influencing credit ratings, capital costs, and investment decisions.
Integration into Business Models	ESG integration is emerging in alignment with national development strategies, reinforcing sustainability within broader economic agendas.	ESG is integrated as a core element within corporate strategy, risk management frameworks, and financial valuation models.

Emerging Convergence Points

Despite regional differences, some areas of convergence are notable:

- Alignment on IFRS S1/S2 and GRI standards is emerging as a global baseline.
- Growing adoption of green and sustainable finance instruments across all markets.
- Stock exchanges globally recognize their expanded role in shaping ESG disclosure and capital allocation.
- Increasing emphasis on technology (AI, blockchain, ESG data platforms) to enhance ESG reporting and compliance.



Analysis & Results

3.1. ESG General Characteristics of Arab Exchanges

Advancing ESG Foundations: Regional Progress & Global Comparisons

The Arab Federation of Capital Markets (AFCM) encompasses a diverse group of stock exchanges operating across jurisdictions with varying levels of regulatory maturity, market depth, and economic development. As ESG considerations continue to shape global capital flows and redefine investment strategies, evaluating the general ESG attributes of AFCM members offers key insights into how well-positioned these exchanges are to champion sustainable finance and meet the evolving expectations of international investors.

This section presents a comparative assessment of the core ESG attributes of AFCM exchanges, highlighting regional progress, benchmarking trends against emerging markets and global peers, and identifying gaps to bridge in alignment with global best practices.



1. Membership in Global ESG-Focused Initiatives: Global Integration as a Signal of Commitment

The alignment of Arab exchanges with leading global sustainability initiatives demonstrates a tangible commitment to embedding ESG principles into market structures. AFCM member exchanges are increasingly active participants in global networks that shape sustainable finance discourse and practice.

• Key Milestones (2020–2025):

- As of 2025, over 80% of AFCM member exchanges are official partners of the UN Sustainable Stock Exchanges (SSE) Initiative, up from approximately 50% in 2020.
- A majority also hold membership in the World Federation of Exchanges (WFE), aligning with its Sustainability Principles and ESG Disclosure Guidance.

These affiliations provide AFCM members with access to technical resources, peer collaboration, and international visibility — positioning Arab exchanges as important contributors to the global sustainable finance ecosystem.

• Comparative Context (2025):

Region	Exchanges Members in UN SSE Initiative	Exchanges Members in WFE
Arab Markets	~80%	~80%
Asia-Pacific (ASEAN)	~90%	> 90%
Africa	~60%	~70%
Europe	~100%	~100%

• Regional Leadership Milestones:

AFCM's Arab Sustainable Exchanges Initiative (2024), in partnership with the UN SSE, catalyzed regional momentum:

- Net Zero Pledges (2024–2025): 7 Arab exchanges, including Bahrain Bourse, Muscat Stock Exchange, Amman Stock Exchange, Palestine Stock Exchange, Saudi Exchange, Tunis Stock Exchange, and Iraq Stock Exchange, have joined the Net Zero Financial Service Providers Alliance (NZFSPA), aligning with international climate commitments.



2. Sustainability Reporting Practices by Exchanges: From Awareness to Transparency

Publishing sustainability reports signals leadership in transparency, accountability, and ESG governance. Such reporting also sets a precedent for listed companies and reinforces exchanges' roles as standard-setters.

● Progress in the Arab Region (2020–2025):

- 2020: Only 4 exchanges produced annual sustainability reports.
- 2025: This number has more than doubled to 9 exchanges, including pioneers in the GCC and key progress from non-GCC markets (e.g., Amman, Egypt, Tunis).

● Comparative Context (2025):

Region	% of Exchanges Publishing Sustainability Reports
Arab Markets	~45%
Asia-Pacific	~80%
Europe	~100%
Africa (Excl. North)	~30%

● Observations:

- GCC exchanges lead due to alignment with national sustainability strategies.
- Non-GCC exchanges are closing the gap through AFCM-led initiatives and capacity building.

3. ESG Reporting as a Listing Requirement: From Voluntary Guidance to Regulatory Leverage

Mandatory ESG disclosure through listing rules represents a significant advancement in market maturity, embedding sustainability into market infrastructure. However, across emerging markets — and the Arab region — this remains a gradual evolution.

- **Progress in the Arab Region (2020–2025):**

- 2020: Only 2 exchanges mandated ESG disclosure.
- 2025: 6 exchanges now require ESG reporting as a listing obligation.

- **Comparative Context (2025):**

Region	Exchanges with Mandatory ESG Reporting (as % of total)
Arab Markets	~30%
Asia-Pacific	~70% (esp. Singapore, HK, Japan)
Europe	~95% (CSRD enforcement)
Africa (Excl. North)	~15%

- **Observations:**

- Mandatory ESG reporting is still emerging, often balanced by market capacity.
- Leading Arab exchanges mirror trends in Asia and Europe but lag behind in enforcement.



4. Written ESG Reporting Guidance for Issuers: Enabling Adoption Through Clear Roadmaps

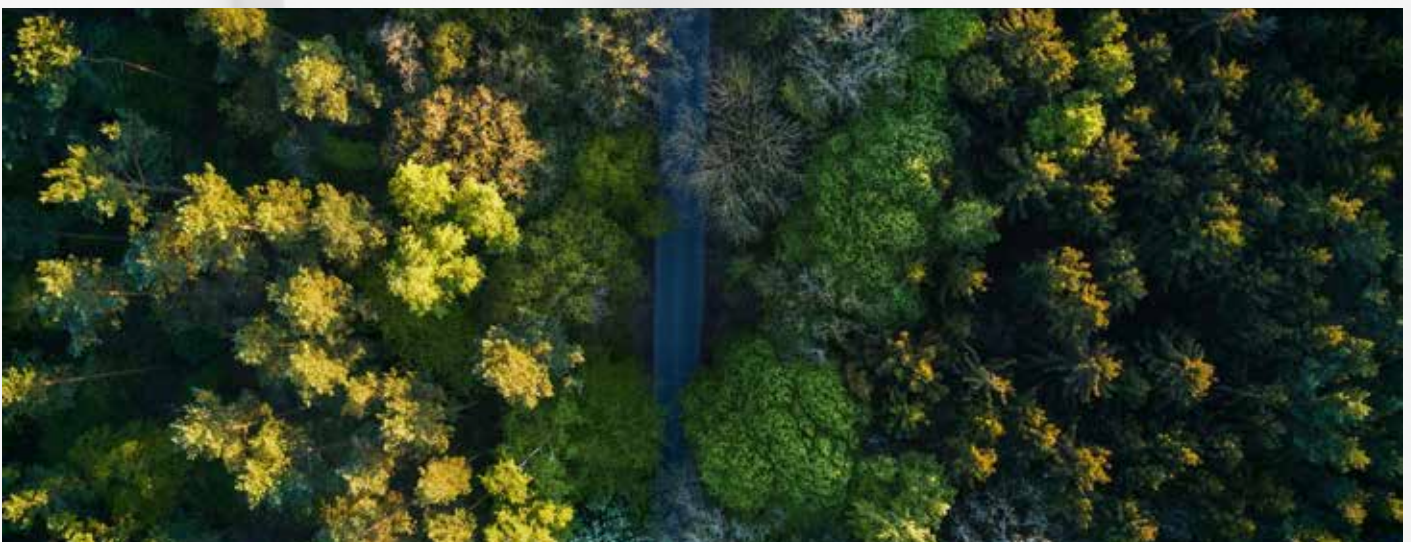
Formal guidance supports issuers in aligning disclosures with global standards (e.g., IFRS S1/S2, TCFD, GRI). Such guidance reduces uncertainty, promotes consistency, and fosters market readiness.

- **Progress in the Arab Region (2020–2025):**

- 2020: 8 exchanges issued guidance.
- 2025: 11 exchanges now provide written ESG guidance, tailored to national contexts.

- **Comparative Context (2025):**

Region	% of Exchanges Issuing ESG Guidance
Arab Markets	~55%
Asia-Pacific	~85%
Europe	~100%
Africa	~40%



5. ESG-Related Training and Capacity Building: Building Market Literacy for Sustainable Finance

Capacity building addresses a critical barrier in emerging markets: the knowledge gap among issuers, investors, and governance bodies. Structured education accelerates adoption and enhances market credibility.

- **Progress in the Arab Region (2020–2025):**

- 2020: 6 exchanges offered ESG-related training.
- 2025: 12 exchanges now provide structured programs, a 100% increase.
- Programs increasingly target specific stakeholders: boards, IR officers, compliance teams.

- **Comparative Context (2025):**

Region	% of Exchanges Running ESG Training
Arab Markets	~60%
Asia-Pacific	~90%
Europe	~95%
Africa (Excl. North)	~30%



Summary: Strengthening Foundations & Bridging Gaps

- **Strengths:**

- Growing institutional alignment through global partnerships (SSE, WFE).
- Expanded guidance frameworks and reporting practices.
- Increasing engagement in capacity-building and training.

- **Gaps to Address:**

- Mandatory reporting remains uneven; further alignment with IFRS S1/S2 and global trends needed.
- ESG adoption is still concentrated in leading markets (GCC) with others in earlier phases.
- Fragmentation in data consistency and comparability across markets.



Key Regional Takeaways: Progress and Gaps

Attribute	2020	2025	Progress
SSE Membership	~50%	~80%	+30%
Sustainability Reports	4 exchanges	9 exchanges	+125%
Mandatory ESG Reporting	2 exchanges	6 exchanges	+200%
ESG Reporting Guidance	8 exchanges	11 exchanges	+38%
ESG Training / Capacity-Building	6 exchanges	12 exchanges	+100%

Conclusion: A Positive Trajectory with Work Ahead

The Arab region has made measurable and accelerated progress over the past five years in embedding ESG within capital markets infrastructure. AFCM's leadership and collaboration with international bodies have been pivotal in elevating standards, deepening awareness, and fostering regional convergence.

However, compared to advanced markets in Europe and Asia-Pacific, gaps persist in regulatory enforcement, data infrastructure, and ESG integration across the full market spectrum. Continued efforts toward harmonization, capacity building, and the gradual transition from voluntary to mandatory disclosure will be essential for the region to fully align with global sustainable finance expectations and capture the benefits of enhanced investor confidence, market resilience, and competitiveness.



3.2. Frameworks Suggested by Arab Exchanges' ESG Guidance

Towards Global Alignment: Adoption of ESG Frameworks in Arab Capital Markets

Arab stock exchanges have increasingly recognized the strategic value of promoting structured, internationally aligned ESG disclosure practices to enhance market credibility, attract sustainable capital, and future-proof issuers' business models. This section examines the core ESG frameworks referenced in Arab exchanges' ESG guidance, highlighting adoption patterns, regional customization, and challenges in harmonization.

1. Global ESG Frameworks Referenced in Arab Exchanges' Guidance

Arab exchanges commonly reference globally recognized ESG frameworks to guide listed companies. These frameworks address different dimensions of ESG reporting, from general disclosures to sector-specific metrics and climate-related financial risks.

Framework	Purpose	Adoption Across Arab Exchanges (2025)
GRI	General ESG reporting across sectors	Universally cited; foundational for most exchanges
SASB	Sector-specific materiality & metrics	Increasingly adopted; complements GRI
TCFD	Climate-related risk governance & disclosures	Adopted by most GCC exchanges; gaining in others
IIRC	Integrated reporting for value creation	Cited selectively; emerging interest
CDSB	Environmental data linked to financial reporting	Limited direct use; elements integrated via TCFD/IFRS
CDP	Voluntary environmental disclosures	Occasionally cited; sector-specific (energy)
UNGC	Principles on human rights, labor, environment, anti-corruption	Cited as normative reference; not a reporting tool
IFRS / ISSB (S1, S2)*	Global baseline for climate & sustainability reporting	Emerging; GCC markets leading future alignment

*** Global Trend:** Following the ISSB's establishment in 2023, and consolidation of SASB, IIRC, CDSB frameworks, global momentum is converging toward adoption of IFRS S1 (General Requirements) and IFRS S2 (Climate-related Disclosures). As such, Arab exchanges are gradually preparing for this alignment.

2. Patterns of Adoption in Arab ESG Guidance

- GRI: The most universally cited framework due to accessibility and global recognition.
- SASB & TCFD: Increasingly referenced to enhance sector relevance and climate risk alignment.
- ISSB (IFRS S1/S2): GCC exchanges (Saudi, UAE, Qatar) are proactively considering future integration.
- UNGC: Frequently cited for principles; less so for technical reporting.

Illustrative Table of Framework Use by Exchange (See annex 2 for the full list):

Exchange	GRI	SASB	TCFD	IFRS S1/S2 (Planned)
ADX	✓	✓	✓	(anticipated 2026)
EGX	✓	✓	✓	Under review
DFM	✓	✓	✓	Roadmap aligned
Tadawul	✓	✓	✓	Preparing alignment
QSE	✓	✓	Partial	Consultation underway

3. Challenges in Framework Harmonization

While referencing global frameworks strengthens the credibility of Arab ESG guidance, a major challenge remains the lack of harmonization between exchanges in terms of recommended frameworks, reporting formats, and metric definitions. This fragmentation can lead to inconsistencies in disclosures across markets and make it difficult for investors to compare ESG performance regionally. Efforts by regional bodies could play a critical role in standardizing core ESG disclosure practices, while still allowing room for flexibility and contextual adaptation.

Fragmentation persists across the region:

- Divergent guidance on frameworks and metrics creates inconsistency.
- Investors face difficulty comparing ESG disclosures across markets.
- Lack of regional convergence slows progress towards IFRS global baseline adoption.

Opportunities:

- AFCM could play a central role in regional harmonization through common guidance aligned to ISSB standards.
- Accelerating convergence will enhance investor confidence, transparency, and comparability.



4. Regional Progress Toward ISSB Adoption

The launch of the IFRS Sustainability Disclosure Standards, particularly IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), by the International Sustainability Standards Board (ISSB) in 2023 marked a pivotal shift in global ESG disclosure and could accelerate regional harmonization. Hereby, several Arab stock exchanges have taken initial steps toward adopting or aligning with these IFRS standards, though the pace and depth of adoption vary significantly across the region:

Jurisdiction	Progress Toward IFRS S1/S2
Saudi Arabia (Tadawul, CMA)	Active engagement; anticipated roadmap post-2025
UAE (ADX, DFM)	Ongoing consultation with UN SSE, IFRS Foundation
Qatar (QSE, QFCRA)	Issued consultation papers; capacity building completed
Egypt (EGX, FRA)	Awareness building; pending regulatory endorsement
Jordan (ASE)	Early-stage consideration; no mandates yet

- **GCC exchanges (notably Saudi Arabia, UAE, and Qatar)** have expressed strong interest in integrating IFRS S1 and S2 into future ESG frameworks. These markets have mature regulatory environments and frameworks, are attracting international capital, and have already begun aligning with TCFD recommendations, which IFRS S2 builds upon.
- **The Saudi Capital Market Authority (CMA) and Tadawul Group** have actively participated in global sustainability dialogues and are exploring ISSB-aligned disclosure requirements as part of broader national strategies (e.g. Vision 2030, Green Saudi Initiative).
- **The Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX)** are engaging with IFRS and UN SSE partners to align sustainability disclosures with global investor expectations. While formal ISSB alignment hasn't been mandated yet, both exchanges are actively building ESG roadmaps that factor in IFRS S1/S2.
- **Qatar Stock Exchange** has been active in terms of capacity-building, where it hosted an ISSB-focused workshop with the IFRS Foundation and UN SSE to train listed companies on IFRS S1/S2. In December 2024, Qatar Financial Centre Regulatory Authority (QFCRA) published a consultation paper proposing an ISSB-aligned Corporate Sustainability Reporting Framework. If adopted, the framework would require IFRS S1/S2 disclosures for listed companies, banks, and insurers.
- **In North Africa and Levant regions**, awareness of ISSB standards is growing, but institutional and regulatory capacity still limits immediate adoption. Amman Stock Exchange has established a regulatory framework to permit the use of the IFRS Sustainability Disclosure Standards, namely IFRS S2 and the climate-relevant portions of IFRS S1, while the Egyptian Exchange (EGX) have engaged in ESG capacity building and support the adoption of the New IFRS S1 and S2 implementation once approved by the Egyptian Financial Regulatory Authority.





3.3. ESG Metrics Suggested by Arab Exchanges' Guidance

Benchmarking Disclosure: ESG Metrics and Best Practices Across Arab Exchanges

1. Evolution of Metrics Guidance

The World Federation of Exchanges (WFE), in alignment with the UN Sustainable Stock Exchanges (SSE) initiative, provides recommended ESG metrics to help exchanges enhance sustainability disclosure. These metrics align with global frameworks (TCFD, SDGs, SASB, GRI) and have been increasingly adopted across several Arab exchanges since 2015 and updated in 2018.

This section evaluates the extent to which WFE ESG metrics are referenced, adapted, or formally embedded in the sustainability guidance of Arab exchanges and highlights trends, gaps, and areas for alignment.

Key Developments:

- Metrics cover Environmental (E), Social (S), and Governance (G) factors, including climate impacts, diversity, human rights, and governance structures.
- Metrics support exchanges in guiding listed companies and meeting their own SSE commitments.



2. Regional Trends Shaping ESG Metrics

Trend	Impact on Arab Markets
"E"- Environmental	Transition policies (Saudi, UAE 2050/2060 pledges); stronger in GCC
"S"- Social	Advancements in D&I, data protection laws, AI ethics
"G"- Governance	Governance codes maturing; ESG screening in banking portfolios emerging

There is no doubt that the Arab region is experiencing a fast transformation, with this change enhancing economic growth, diversifying economies, creating jobs, and improving overall quality of life. In fact, there was a sequence of regional developments, yet still relatively modest, in relation to climate change, sustainable finance, social considerations, and good governance, as the last couple of years 2025 a relative uptick in sustainable finance transactions from the private and public sectors with numerous environmental related commitments from some governments in the GCC with net zero emissions target announcements.

3. Regional Adoption Patterns (2025 Snapshot)

Metric	Adoption in Arab Exchanges
GHG Emissions, Energy Use	ADX, EGX, MSX, Tadawul, DFM, QSE
Water & Waste Management	ADX, EGX, Tadawul, MSX
Board Diversity, CEO Pay Ratio	Broadly adopted
Human Rights, Non-Discrimination	Broad uptake
Anti-Corruption, Ethics Codes	Nearly universal
Climate Risk (TCFD-aligned)	GCC leaders (Saudi, UAE, Qatar) progressing

First, the “E” of ESG is increasingly coming to the forefront as governments, mainly in the GCC area, seek to establish a transition from oil and gas. In the run-up to the COP26 Climate Change Conference in Glasgow, the UAE committed to net-zero carbon emissions by 2050, Saudi Arabia and Bahrain also vowed to achieve net zero by 2060. Having two COPs took place in Egypt (2022) and the UAE (2023), climate action in the Middle East came under greater scrutiny. There was also some increase in GCC government-led and/or public- private partnerships for green financing, investment in renewable energy, and sustainability-linked sovereign issuances. However, Middle Eastern countries are powered almost exclusively on gas and oil, with little coal reliance, as few Middle Eastern countries have made any steps to embrace clean electricity by investing in solar power and other renewable energy technologies.

Second, the “S” (social) of ESG also saw advancement with the issuance of data protection laws, regulations on ethical use of technologies like artificial intelligence, and government initiatives related to human rights, diversity, and inclusion, yet still modest. However, social values, such as supporting communities, are also important for businesses in the region. This commitment was seen clearly during the pandemic, when family businesses in the region actively supported initiatives to help their people, suppliers, and local communities.

Third, the “G” (governance) of ESG is increasingly an area of focus in the region, mainly in addressing organizational culture, ethics and values. In fact, several countries in the region have issued governance codes and guidelines for banks, insurance companies, state-owned enterprises, securities companies, and small and medium-sized enterprises (SMEs). These guidelines and codes are issued by central banks, capital market regulatory authorities, and corporate governance institutes. As the ESG agenda advances in the Middle East, some banks in the region are beginning to screen their investment products and loan portfolios for climate impacts, illustrating how governance is in constant evolution in the region.

Key Observation:

Adoption of “E” metrics (climate, energy, emissions) is strongest in GCC markets. “S” and “G” metrics are more widely adopted regionally.

Comparative Global Context:

Region	Alignment with ISSB (IFRS S1/S2)
Europe	Near-complete (CSRD in effect)
Asia-Pacific	High (Singapore, HK, Japan aligned)
Arab Markets	Emerging (GCC ahead; North Africa/Levant trailing)

4. Challenges and Opportunities

Challenges	Opportunities
Fragmentation in metrics use	Regional alignment via international and regional initiatives
Inconsistent reporting standards	Adoption of IFRS S1/S2 for standardization
Gaps in mid-tier markets	Capacity building, shared reporting platforms

Conclusion: Arab Capital Markets at an Inflection Point

Progress Made (2020–2025):

- Strong uptake of global frameworks (GRI, SASB, TCFD).
- ESG metrics integration expanding in leading markets.
- GCC exchanges preparing for IFRS S1/S2 alignment.
- ESG training programs doubled across AFCM members.

Remaining Gaps:

- Full harmonization across exchanges.
- Inconsistent adoption of metrics, especially in “E” and “G” areas.
- Standardization of data and reporting quality still evolving.

Recommendations

Short-Term (1-2 years)	Medium-Term (-5 years)	Long-Term (5+ years)
Align regional guidance with IFRS S1/S2	Standardize core ESG KPIs across exchanges	Regional ESG data hub to support global comparability
Capacity-building initiatives for issuers, regulators	Mandate ESG disclosure for listed companies	Regional ESG taxonomy aligned with EU, Asia
Develop joint guidance on materiality assessments	Harmonize reporting timelines & assurance standards	Integration into cross-border green finance platforms

3.4. Sustainability Plans by Arab Exchanges

Over recent years, numerous Arab exchanges have advanced sustainability plans aimed at encouraging market participants to adopt ESG-aligned strategies and introduce climate-friendly products. These efforts align with the sustainable development visions of Arab governments and reflect the region's gradual transition towards more responsible, transparent, and resilient financial markets.



Abu Dhabi Securities Exchange (ADX)

In July 2019, ADX launched its ESG Disclosure Guidelines for listed companies, marking a significant step in fostering sustainable capital markets in the UAE. This initiative complements ADX's broader strategy to promote sustainable economic growth through ESG training programs and the adoption of global best practices.

ADX's guidelines set out 31 Key Performance Indicators (KPIs) to enhance market competitiveness and attract responsible, long-term investment. These efforts align with the UAE National Vision 2021 and Abu Dhabi Economic Vision 2030, which emphasize transitioning to a sustainable, knowledge-based economy. As of 2021, the UAE Securities and Commodities Authority (SCA) mandates ESG disclosures for all listed public joint-stock companies, reinforcing the UAE's leadership in sustainable finance.





Amman Stock Exchange (ASE)

ASE has made notable progress in advancing ESG adoption among listed companies, aligning with international standards to enhance transparency and accountability. ASE20 constituents are required to publish sustainability reports per GRI Standards, with 100% compliance achieved to date.

A significant milestone is ASE's Climate Disclosure Regulatory Framework, developed in collaboration with the IFC, which permits companies to adopt IFRS S2 and relevant climate-related portions of IFRS S1. ASE's guidance aligns with ISSB standards and aims to improve comparability and investor confidence in climate-related disclosures. Training sessions for ASE staff and listed companies were conducted in 2025, in collaboration with the UN SSE, IFRS Foundation, and IFC.

Key Milestones:

- Voluntary disclosures for ASE20 begin in 2026 (2025 fiscal year).
- Mandatory disclosures commence in 2027 (2026 fiscal year).
- Integration of ESG into annual reports for consistency and transparency.



Bahrain Bourse (BHB)

Bahrain Bourse is committed to advancing ESG integration in line with Bahrain's 2060 Net Zero Goals and Vision 2030, focusing on embedding sustainability within the capital markets and its own operations. BHB's ESG framework aligns with the UN SDGs and seeks to drive voluntary sustainability reporting and the development of ESG-focused financial products. BHB plays a key role in promoting responsible investment within Bahrain's financial ecosystem, contributing to the Kingdom's national and interim sustainability objectives.



Boursa Kuwait (BK)

Boursa Kuwait has been instrumental in integrating ESG principles within Kuwait's capital market, aligning with the "New Kuwait 2035" Vision. Following its 2017 accession to the UN SSE Initiative and subsequent MSCI Emerging Market upgrade in 2019, BK published its first ESG Reporting Guide in 2021, aligned with UN SDGs, GRI, and WFE standards. An updated ESG Reporting Guide (2022) introduced 30 key indicators and aligns with Kuwait's National Development Plan. Boursa Kuwait continues to strengthen market transparency, investor confidence, and sustainable investment through these efforts.



Casablanca Stock Exchange (CSE)

CSE has actively promoted sustainable finance following Morocco's hosting of COP22. Key initiatives include:

- 2017: ESG reporting guidelines launched with the AMMC.
- 2018: MASI ESG Index in collaboration with Moody's ESG Solutions.
- 2023: Revised MASI ESG methodology with Refinitiv, expanding the index to 20 constituents.
- Partnership with LSEG Data & Analytics to enhance issuer transparency.

CSE remains committed to advancing ESG integration in alignment with Morocco's national sustainability goals and COP commitments.



Dubai Financial Market (DFM)

Since 2019, DFM has pursued a comprehensive sustainability strategy structured around four pillars: best practice promotion, fostering sustainable finance, delivering a sustainable future, and responsible business conduct.

DFM's Guide to ESG Reporting (2019, updated 2023) aligns with the UAE Vision, UN SDGs, and UN SSE. DFM continues to champion transparency and capacity-building initiatives to solidify its position as a regional leader in sustainable finance.





The Egyptian Exchange (EGX)

EGX leads regional efforts in sustainable finance, aligning with Egypt's Vision 2030 and SDGs. EGX was the first globally to certify all listed companies on GRI-aligned sustainability reporting.

Key 2024 Milestones:

- Launch of Egypt's first regulated Voluntary Carbon Market (EGCX) to monetize emissions reductions and attract global climate finance.
- Leadership in ESG training, including IFRS S1/S2 standards and gender equality.
- Sectoral workshops on CBAM impact and carbon monetization.
- Integration of ESG modules into national financial literacy programs.



Muscat Stock Exchange (MSX)

MSX is aligning its sustainability ambitions with global best practices through initiatives focused on governance, transparency, and ESG product innovation, in support of Oman's broader environmental, social, and economic resilience goals.



Palestine Exchange (PEX)

PEX is actively embedding ESG through its participation in the UN SSE Initiative and NZFSPA. Upcoming milestones include:

- Launch of ESG Disclosure Guidelines aligned with global standards.
- Capacity-building programs and workshops.
- Collaboration with regulators on mandatory disclosure frameworks.
- Publication of PEX's inaugural sustainability report.

PEX aims to foster green finance and enhance investor confidence through robust ESG practices.



Qatar Stock Exchange (QSE)

QSE's sustainability efforts align with Qatar's Vision 2030 and the Third Financial Sector Strategy. Since issuing ESG Guidelines in 2016, QSE has advanced ESG integration through:

- Launch of the Sustainability Platform (2018).
- Introduction of the MSCI QSE 20 ESG Index (2021).
- Progress towards mandatory reporting aligned with ISSB Standards, supported by cross-regulatory workshops with IOSCO, IFRS, UNEP FI, and others.



Saudi Exchange (Tadawul)

Tadawul has actively championed ESG since joining the UN SSE in 2018. Key milestones include:

- 2021: ESG Disclosure Guidelines issued.
- 2022: Launch of ESG Advisory Initiative with 77 advisory sessions completed.
- 2024: 40% of Main Market issuers disclosed ESG data.
- 2024: Tadawul announced Net Zero Commitment by 2050 and joined NZFSPA.

Tadawul's proactive role strengthens Saudi Arabia's position as a regional ESG leader.



Tunis Stock Exchange (TSE)

TSE, in collaboration with the Financial Market Council and the IFC, issued its ESG Reporting Guide in 2021. Support programs for listed companies have enabled ESG reporting among pilot cohorts, with further expansion planned for 2025.

In May 2025, TSE published its first ESG Report (2024), reaffirming its role in driving ESG adoption within Tunisia's capital markets and supporting the development of ESG-linked indices and green bond frameworks.

Summary of Progress:

Arab exchanges are moving at varied paces but with converging ambition toward global ESG standards. While some markets have already embedded mandatory disclosures and climate reporting frameworks, others are actively laying foundations through guidance, capacity-building, and regional collaborations. The alignment with UN SDGs, ISSB, GRI, and national visions reflects a clear trajectory towards enhanced sustainability integration across the region's capital markets.

3.5. ESG Implementation: Challenges and Constraints in Arab Markets

While awareness of ESG is steadily increasing across the Arab capital markets, significant structural, cultural, and regulatory challenges continue to constrain the pace and depth of ESG adoption. These challenges are not unique to the Arab region but are more pronounced compared to advanced and some emerging markets where ESG practices have matured further.

1. Lack of Unified Regulations and Standards

Unlike the EU, where ESG disclosure is governed by unified frameworks such as the Corporate Sustainability Reporting Directive (CSRD), the Arab region remains fragmented. Each market operates under varied regulations, creating inconsistency for issuers and investors. This regulatory divergence hampers comparability and interoperability of ESG disclosures, both within the region and with global peers.

→ Global Benchmark:

EU CSRD (2024) enforces standardized ESG disclosures across 50,000+ companies. Arab Region: Fragmented voluntary guidance in place; 6 exchanges have mandatory ESG reporting vs. 20+ in EU.



2. Limited Awareness and Education

Across the Arab region, ESG literacy among boards, executives, and investors remains lower than global peers. Many market participants lack clarity on the financial materiality of ESG or its impact on valuations and risk. This lags behind Europe and parts of Asia-Pacific, where capacity- building has been integrated into regulatory and market reform.

→ Progress:

From 6 exchanges in 2020 to 12 exchanges in 2025 offering training initiatives.

EU/Asia Benchmark: Mandatory ESG literacy programs for listed firms in place in key markets.

3. Cultural and Economic Barriers

Economic structures reliant on hydrocarbons and industrial sectors create inherent conflicts with environmental goals. Short-termism persists, and ESG is often perceived as reputational rather than value-enhancing. Unlike Asia or the EU, where the energy transition is more advanced, Arab markets face headwinds in reconciling sustainability with entrenched economic models.

→ GCC Energy Transition: Net zero pledges (UAE 2050, KSA 2060) mark progress, but transition policies still evolving.



4. Data Availability and Transparency

Reliable, standardized ESG data remains scarce. Less than 40% of listed companies publish structured ESG reports, compared to 75%+ in Europe and 60% in Asia. Even among disclosures, depth and consistency vary significantly, limiting investors' ability to integrate ESG into decision-making.

→ Global Comparison:

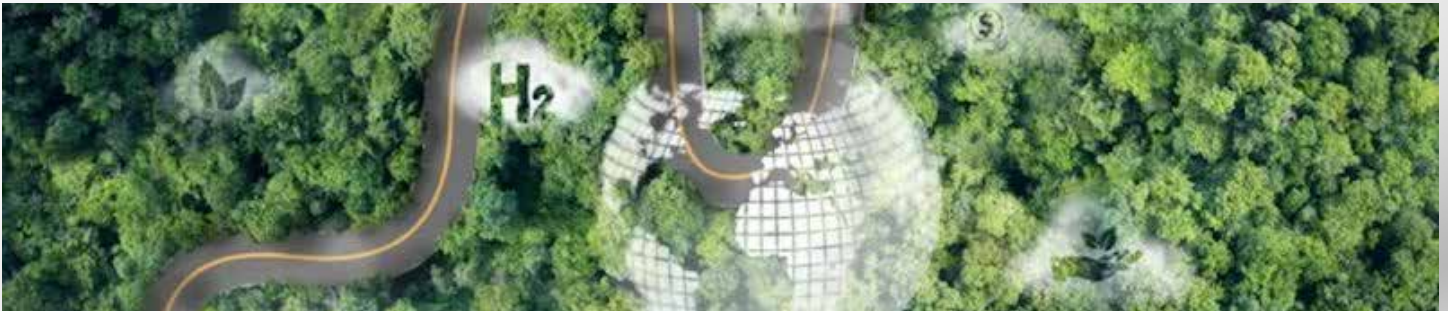
EU taxonomy-aligned disclosures increasing; Arab exchanges improving but at early stages.

5. Insufficient ESG Investment Instruments

The Arab region lacks a robust pipeline of ESG-focused financial products. While green bonds and sustainability-linked loans are emerging, volumes remain modest compared to Europe, which leads with over €500 billion in green bond issuances in 2023 alone.

→ Progress:

GCC sovereign green issuances growing; regional green finance remains under 5% of total issuance.



6. Resistance from Traditional Sectors

Heavy reliance on oil, gas, and heavy industries results in institutional inertia against ESG reforms, unlike diversified economies where ESG is embraced as competitive advantage. Resistance persists especially in environmental disclosures.

→ Trend Shift:

National Oil Companies (e.g., Aramco) exploring ESG strategies, signaling future normalization.



7. Political and Institutional Challenges

Governance structures in some markets remain weak or fragmented, affecting ESG enforcement. Transparency issues and political risks slow down ESG integration, whereas advanced markets benefit from stable, transparent regulatory ecosystems.

→ Comparative Lag:

ESG enforcement remains voluntary in most Arab exchanges; EU moving towards ESG legal accountability.



8. Infrastructure and Technological Gaps

Data platforms and digital reporting tools are underdeveloped. Advanced ESG data infrastructure in Europe (e.g., ESAP under development) and Asia outpaces Arab efforts.

→ Gap:

Few exchanges offer centralized ESG disclosure portals; fintech ESG integration still nascent.

9. Lack of Enforcement Mechanisms

Enforcement for non-compliance with ESG guidelines is weak or absent. Global peers are increasingly introducing penalties or tying ESG disclosures to access to capital markets.

→ Trend:

Arab regulators moving cautiously; GCC starting to integrate ESG into licensing frameworks.



10. Limited Incentives for ESG Adoption

Unlike in Europe, where taxonomies and incentives fuel ESG adoption, Arab companies often lack clear financial incentives to offset the perceived cost of ESG compliance.

→ Global Example:

EU green taxonomies linked to incentives; GCC exploring green finance incentives but not widespread.

11. Integration into Financial Systems

Traditional investment valuation models remain dominant; ESG is rarely embedded systematically into financial analysis across most Arab capital markets. In contrast, Europe integrates ESG into fiduciary duty frameworks.

→ Progressing:

Institutional investors in GCC starting to request ESG-aligned products; uptake still low.

12. Role of Sovereign Wealth Funds (SWFs)

While GCC SWFs (PIF, ADIA) are exploring ESG-aligned investments, integration is gradual and selective, contrasting with global leaders like Norway's GPF, which fully integrates ESG into its mandates.

→ Shift Emerging:

GCC SWFs increasing ESG alignment under Vision 2030/2050 frameworks.



13. Greenwashing Concerns

With rising ESG discourse, risks of superficial compliance without substantive change are growing. This is a global concern but acute in markets with weaker oversight.

→ Global Response:

Europe introducing anti-greenwashing regulations; Arab markets lagging but awareness growing.



3.6. Role of Arab Exchanges in Driving ESG Adoption: Opportunities Ahead

Arab exchanges are strategically positioned to accelerate ESG integration by leveraging incentives, voluntary guidelines, capacity building, and market innovation, following global examples of exchanges acting as ESG catalysts.

Recommended Levers for Exchanges (Aligned to Global Best Practice):

Global Best Practice	Arab Exchanges (Current / Potential Role)
Voluntary ESG Guidance	In place; expanding alignment to ISSB
ESG Indices & Recognition	Emerging (QSE, Tadawul); potential for growth
Education & Training	Doubled since 2020; opportunity to expand
ESG Data Platforms	Underdeveloped; strategic opportunity
Collaboration Ecosystems	Growing via AFCM, UN SSE
Sustainable Finance Links	Nascent; potential to scale via green bonds
National Policy Alignment	Strengthening ties to national visions
Gradual Governance Integration	Starting; scope for mandates (ISSB, TCFD)

Summary - Tangible Improvements Since 2020:

Metric	2020	2025	Progress
Exchanges with ESG Guidelines	8	11	+38%
Exchanges Publishing Sustainability Reports	4	9	+125%
Exchanges with Mandatory ESG Reporting	2	6	+200%
Exchanges Providing ESG Training	6	12	+100%



Conclusion & Recommendations

Progress has been made, but gaps persist.

Arab exchanges have made tangible progress in advancing ESG adoption through capacity-building, guidance, and international partnerships. Yet, significant gaps remain in fully embedding ESG within market structures to match global peers.

Closing these gaps will require:

- **Regulatory Harmonization:** Aligning ESG disclosure standards across markets to enhance comparability and attract investment.
- **Incentives for Adoption:** Creating financial and policy incentives to encourage ESG integration, offsetting perceived compliance costs.
- **Integration into Financial Systems:** Embedding ESG within valuation models, capital allocation, and risk frameworks to mainstream sustainable finance.
- **Robust Data Infrastructure:** Building reliable, standardized ESG data systems to support informed decision-making for issuers and investors.
- **Enforcement Mechanisms:** Strengthening monitoring and compliance to ensure ESG commitments translate into measurable action.

AFCM's Role in Advancing ESG Maturity

Driving Regional Momentum for ESG Integration

Over the past five years, the Arab Federation of Capital Markets (AFCM) has played a pivotal role in shaping the ESG landscape across the Arab region's capital markets. Recognizing the growing importance of sustainability to long-term value creation, risk management, and global investor confidence, AFCM has actively worked to advance awareness, build capacity, and foster alignment with international best practices in ESG integration.

AFCM's efforts have been guided by a strategic vision: to position Arab exchanges not only as facilitators of capital but as enablers of responsible finance, transparency, and sustainable economic growth. Through its initiatives, AFCM has accelerated the ESG maturity curve across the region, moving capital markets from early-stage awareness to more structured and impactful practices.

Key AFCM Contributions to ESG Progress in the Arab Region

1. Advocacy and Regional Alignment:

AFCM has leveraged its platform to champion ESG as a strategic imperative for regional exchanges and regulators, fostering alignment around international standards such as IFRS S1/S2, TCFD, and UN Sustainable Stock Exchanges (SSE) Initiative. By promoting convergence, AFCM has strengthened the region's collective positioning in global sustainable finance dialogues.



2. Knowledge Sharing and Capacity Building:

Through annual conferences, working groups, technical workshops, and reports, AFCM has raised awareness and equipped market participants, exchanges, regulators, listed companies, and investors, with the tools, frameworks, and knowledge to integrate ESG into governance, operations, and reporting. These efforts have helped bridge capacity gaps and accelerate learning curves.

3. Benchmarking and Market Mapping:

AFCM's biennial surveys and reports (2020, 2022, and this 2025 update) have provided valuable insights into ESG disclosure trends, maturity levels, and emerging best practices across Arab exchanges. These benchmarking efforts offer clear guidance on progress, gaps, and opportunities for future advancement.

4. Enabling Market Infrastructure Development:

AFCM has encouraged member exchanges to innovate through ESG indices, green bond platforms, sustainability reporting guidelines, and capacity-building programs, positioning Arab capital markets to attract sustainable finance and align with investor expectations.

Progress in Arab Capital Markets: 2020 – 2025

Over the past five years, Arab capital markets have made significant strides in ESG adoption and maturity, moving beyond foundational awareness toward more structured frameworks and tangible market offerings. This progress reflects growing recognition that sustainability and governance are integral to market stability, investor confidence, and alignment with national economic visions.



Key Achievements (2020–2025):

- Increased issuance of guidelines on ESG disclosure by Arab exchanges, aligned with global best practices.
- Launch of ESG indices and indicators in major exchanges (e.g., Tadawul, Dubai Financial Market, Boursa Kuwait).
- Establishment of green and sustainable finance platforms, supporting green bonds and sustainability-linked instruments.
- Enhanced investor engagement through education programs and reporting tools focused on ESG integration.
- Stronger alignment with global initiatives, including WFE Sustainability Principles and UN SSE.
- Participation in shaping the region's response to global regulatory developments (IFRS S1/S2, EU CBAM, etc.).

ESG Maturity Evolution in the Arab Region:

2020:

- Fragmented awareness; ESG seen as voluntary or reputational.
- Limited ESG reporting, primarily qualitative.
- Few exchanges with dedicated sustainability initiatives.

2022:

- Increased recognition of ESG's strategic importance.
- Early adoption of indices, reporting frameworks, and green finance pilots.
- Deeper engagement with international standards bodies.

2025:

- Broader, more structured adoption of ESG principles.
- Stronger integration of ESG into listing rules, reporting guidelines, and governance codes.
- Exchanges playing proactive roles in capacity-building and investor education.
- Movement toward convergence with global reporting frameworks and practices.

Looking Ahead: AFCM's Continued Leadership Role

As ESG integration becomes more sophisticated globally, AFCM is well-positioned to:

- Strengthen regional convergence on ESG reporting standards.
- Support exchanges in evolving from disclosure to impact measurement.
- Advance the development of green finance and sustainable investment products.
- Facilitate regional cooperation on ESG data, taxonomies, and capacity-building.
- Advocate for Arab markets as credible, responsible destinations for sustainable capital.

Through these efforts, AFCM will continue to support the Arab region's progress in ESG maturity, ensuring its markets remain competitive, resilient, and aligned with global sustainability priorities.



The information included in the following tables was gathered by the Arab Federation of Capital Markets (AFCM) based on surveys circulated among Arab exchanges, reflecting inputs provided directly by the member exchanges.

Annexes

Annex 1: The General ESG Characteristics for Arab Stock Exchanges

AFCM Members	SSE Partner	WFE Member	Has annual sustainability report	ESG reporting required as a listing rule	Has written guidance on ESG reporting	Offers ESG related training
Abu Dhabi Securities Exchange (ADX)	✓	✓	✓	✓	✓	✓
Amman Stock Exchange (ASE)	✓	✓	✓	✓	✓	✓
Bahrain Bourse (BHB)	✓	✓	✓	✓	✓	✓
Beirut Stock Exchange (BSE)	✗	✓	✗	✗	✗	✗
Casablanca Stock Exchange (CSE)	✓	✓	✗	✓	✓	✓
Dubai Financial Market (DFM)	✓	✓	✓	✓	✓	✓
Damascus Securities Exchange (DSE)	✗	✗	✗	✗	✗	✗

AFCM Members	SSE Partner	WFE Member	Has annual sustainability report	ESG reporting required as a listing rule	Has written guidance on ESG reporting	Offers ESG related training
Egyptian Exchange (EGX)	✓	✓	✓	✓	✓	✓
Iraq Stock Exchange (ISX)	✗	✗	✗	✗	✗	✗
Boursa Kuwait (BK)	✓	✓	✓	✗	✓	✓
Muscat Stock Exchange (MSX)	✓	✓	✓	✗	✓	✓
Palestine Exchange (PEX)	✓	✓	✗	✗	✗	✓
Qatar Stock Exchange (QSE)	✓	✓	✗	✗	✓	✓
Saudi Exchange (Tadawul)	✓	✓	✓	✗	✓	✓
Tunis Stock Exchange (TSE)	✓	✓	✓	✗	✓	✓

Annex 2: The Frameworks Suggested by Each Arab ESG guidance

AFCM Members	GRI	SASB	TCFD	IIRC	CDSB	CDP	UNGC
ADX	✓	✓	✓	✓	✓	✓	✓
ASE	✓	✗	✗	✗	✗	✗	✗
BHB	✓	✓	✓	✓	✓	✓	✓
BSE	✗	✗	✗	✗	✗	✗	✗
CSE	✓	✗	✗	✓	✓	✗	✓
DFM	✓	✓	✓	✓	✗	✓	✓
DSE	✗	✗	✗	✗	✗	✗	✗
EGX	✓	✓	✓	✓	✓	✓	✓
ISX	✗	✗	✗	✗	✗	✗	✗
BK	✓	✓	✗	✓	✗	✓	✓
MSX	✓	✓	✓	✓	✗	✓	✓
PEX	✓	✗	✗	✗	✗	✗	✗
QSE	✓	✓	✗	✓	✗	✓	✓
Tadawul	✓	✓	✓	✓	✓	✓	✓
TSE	✓	✗	✓	✓	✗	✗	✗

Annex 3: WFE metrics suggested in each Arab Exchange Guidance for ESG disclosure

Metric	ADX	ASE	BHB	BSE	CSE	DFM	DSE	EGX	ISX	BK	MSX	PEX	QSE	Tadawul	TSE
Direct & Indirect GhG Emissions	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Carbon Intensity	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✗	✓	✓
Direct & Indirect Energy Consumption	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Energy Intensity	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Primary Energy Source	✓	✓	✓	✗	✗	✓	✗	✓	✗	✗	✗	✗	✓	✗	✓
Renewable Energy Intensity	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✓	✗	✗
Water Management	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Waste Management	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Environmental policy	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Environmental impacts	✓	✓	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✓	✓	✗
CEO Pay Ratio	✓	✓	✓	✗	✗	✓	✗	✓	✗	✗	✓	✗	✓	✓	✓
Gender Pay Ratio	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓

Metric	ADX	ASE	BHB	BSE	CSE	DFM	DSE	EGX	ISX	BK	MSX	PEX	QSE	Tadawul	TSE
Employee Turnover Rate	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Gender Diversity	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Temporary Worker Rate	✓	✓	✓	✗	✗	✓	✗	✓	✗	✗	✓	✗	✗	✓	✓
Non-Discrimination	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✗	✓	✓
Injury Rate	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Global Health	✓	✓	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✓	✓	✓
Child & Forced Labor	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Human Rights policy	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Human Rights violations	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✓	✓	✗	✗
Board – Diversity	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Board – Separation of Powers	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✓	✓	✓	✓

Metric	ADX	ASE	BHB	BSE	CSE	DFM	DSE	EGX	ISX	BK	MSX	PEX	QSE	Tadawul	TSE
Board – Confidential Voting	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✓	✗	✗	✗
Incentivized Pay	✓	✓	✓	✓	✗	✓	✗	✓	✗	✗	✓	✓	✓	✓	✓
Fair Labor Practices	✗	✓	✓	✗	✗	✓	✗	✓	✗	✗	✗	✓	✗	✗	✗
Supplier Code(SC) of conduct	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✗
Ethics Code (EC) of conduct	✓	✓	✗	✓	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Bribery/Anti-Corruption Code	✗	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓
Tax Transparency	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✓	✗
Sustainability Report	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
Framework Disclosures	✓	✓	✓	✗	✓	✓	✗	✓	✗	✗	✓	✓	✗	✓	✓
External Validation, Assurance	✓	✓	✓	✗	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓	✗

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