



Funds Rules (FUNDS)

*In this attachment underlining indicates new text and striking through indicates deleted text.

3. FUND CRITERIA

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3.4 The different types of Domestic Funds

This table illustrates the different Rules applicable to the three categories of Domestic Fund.

The Fund Rules Chapters	Public Fund	Exempt Fund	QIF
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<u>Chapter 4: Specialist Classes of Funds</u>	✓ <u>Rules 20.4.3 and 20.4.4 do not apply</u>	✓ <u>Rules 20.4.5 and 20.4.6 do not apply</u>	✓ <u>Rules 20.4.5 and 20.4.6 do not apply</u>
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4. SPECIALIST CLASSES OF FUNDS

4.1 Specialist Funds

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ADGM Green Fund

4.1.7 A Fund is an ADGM Green Fund only if it complies with the ADGM Green Fund Rules, as set out in Part 8 of these Rules.

ADGM Climate Transition Fund

4.1.8 A Fund is an ADGM Climate Transition Fund only if it complies with the ADGM Climate Transition Fund Rules, as set out in Part 8 of these Rules.

Guidance

1. An ADGM Fund may only be referred to as an ADGM Green Fund or an ADGM Climate Transition Fund if it meets the criteria referred to in Rule 4.1.7 or Rule 4.1.8 and if the Fund Manager has made the required notifications to, or been granted the relevant approval by, the Regulator. Chapter 20 of this Rulebook contains detailed Rules concerning ADGM Green Funds and ADGM Climate Transition Funds.
2. A Fund that follows an environmentally-conscious investment strategy is not required to become an ADGM Green Fund or an ADGM Climate Transition Fund. However, only those Funds which meet all of the relevant criteria may use the terms "ADGM Green Fund" or "ADGM Climate Transition Fund" respectively (and any related marks or logos) in related documentation and promotional materials.

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PART 8: ADGM GREEN FUNDS AND ADGM CLIMATE TRANSITION FUNDS**20. REQUIREMENTS SPECIFIC TO ADGM GREEN FUNDS AND ADGM CLIMATE TRANSITION FUNDS****20.1 Application**

20.1.1 This Chapter applies to a Fund Manager and, if appointed, a Trustee of a Domestic Fund that is (or it is intended to be) an ADGM Green Fund or an ADGM Climate Transition Fund.

20.1.2 Only this Rule and Rules 20.1.1, 20.2.1 to 20.2.9, 20.3.1 to 20.3.11, 20.4.1 to 20.4.4, 20.4.7, 20.4.8 and 20.4.9 are applicable to Funds that are Exempt Funds or Qualified Investor Funds.

Guidance

1. A Domestic Fund may only be referred to as an ADGM Green Fund or ADGM Climate Transition Fund if it complies with the ADGM Green Fund Rules or the ADGM Climate Transition Fund Rules, as applicable, and if the Fund Manager has obtained the relevant approval from the Regulator for an ADGM Green Fund Designation or ADGM Climate Transition Fund Designation, as applicable.
2. A Fund that has green or climate transition objectives is not required to become an ADGM Green Fund or an ADGM Climate Transition Fund. However, only those Domestic Funds which have obtained the relevant designation may use such terminology in related documentation and promotional materials.

20.2 ADGM Green Funds

20.2.1 An ADGM Green Fund must be a Domestic Fund that meets the:

- (a) Green Fund Investment Requirement; and
- (b) Green Fund Attestation Requirement.

The Green Fund Investment Requirement

20.2.2 A Fund Manager of an ADGM Green Fund must ensure that the investment restrictions of the Fund as stated in its Constitution and/or most recently published Prospectus require:

- (a) Fund Property to comprise predominantly Eligible Green Fund Property; and
- (b) a restriction on investment in Fund Property that is inconsistent with the overall green objectives of the Fund.

This requirement is referred to as the “Green Fund Investment Requirement”.

Guidance

The Green Fund Investment Requirement shall not be breached if Fund Property includes cash or other liquid assets held temporarily pending investment or reinvestment, or for the purposes of managing redemptions or distributions.

20.2.3 An asset will be Eligible Green Fund Property if it is:

- (a) considered environmentally sustainable or equivalent under an Acceptable Green Taxonomy, provided that no more than one Acceptable Green Taxonomy may be used by an ADGM Green Fund; or
- (b) included in or otherwise tracks an EU Paris Aligned Benchmark.

20.2.4 A Fund Manager of an ADGM Green Fund must keep records of the due diligence process it has undertaken to assess whether Fund Property meets the Green Fund Investment Requirement at the time of acquisition and on an ongoing basis.

Guidance

1. The Green Fund Investment Requirement may be met by assets comprising Eligible Green Fund Property under Rule 20.2.3(a) or under Rule 20.2.3(b) or a combination of both.
2. The Regulator considers an Acceptable Green Taxonomy to be one which uses credible and independent accreditation standards published by a governmental body or a reputable industry association and made publicly available to determine which economic activities are environmentally sustainable. Examples of green taxonomies that will be considered Acceptable Green Taxonomies include:
 - a. the EU Green Taxonomy;
 - b. the ASEAN Taxonomy for Sustainable Finance; and
 - c. the Common Principles for Climate Mitigation Finance Tracking.
3. When considering whether assets meet the criteria under Rule 20.2.3, a Fund Manager should consider not only the investment in the immediate asset but any underlying assets. For example, where investing in Units, the Fund Manager should consider whether the underlying assets of the Fund would meet the Green Fund Investment Requirement.
4. Eligible Green Fund Property may track or be included in one or more EU Paris Aligned Benchmarks. For example, a Fund may track or include securities from multiple EU Paris Aligned Benchmarks.

The Green Fund Attestation Requirement

20.2.5 Subject to Rule 20.2.9, a Fund Manager of an ADGM Green Fund must appoint a third party to attest to its compliance with the ADGM Green Fund Investment Requirement on an ongoing basis and at least annually. This requirement only applies to that portion of the Eligible Green Fund Property that is invested in assets aligned with an Acceptable Green Taxonomy in accordance with Rule 20.2.3(a). This is referred to as the “Green Fund Attestation Requirement”.

20.2.6 A Fund Manager must, prior to the appointment of a third party to provide an attestation under Rule 20.2.5, take reasonable steps to ensure that the third party:

- (a) has the required skills, resources and experience to provide the attestation;
- (b) is independent of, and not subject to any conflict of interest with, the Fund Manager, the investment advisor (if any) or the Trustee (if any) of the Fund; and

- (c) has been provided with all documents, records and information necessary to give the attestation pursuant to Rule 20.2.7.

Guidance

A Fund Manager of an ADGM Green Fund which is an Exempt Fund or a Qualified Investor Fund may provide the required attestation statement pursuant to Rule 20.2.9(a).

- 20.2.7 A Fund Manager must ensure that an attestation obtained for the purposes of the Green Fund Attestation Requirement is addressed to and may be relied upon by the Fund, and includes the following statement:

“We attest that, as regards the [insert name of Fund] of [insert name of Fund Manager] (the Fund):

- (i) the investment restrictions of the Fund, as stated in its Constitution and most recently published Prospectus, meet the requirements of the Green Fund Investment Requirement; and
- (ii) the Fund is invested in compliance with the ADGM Green Fund Investment Requirement.”

- 20.2.8 A Fund Manager of an ADGM Green Fund must include a copy of the attestation statement described in Rule 20.2.7 in the ADGM Green Fund’s annual report.

Alternative Attestation Requirement

- 20.2.9 A Fund Manager of an ADGM Green Fund is not required to appoint a third party to attest to its compliance with the Green Fund Investment Requirement if:

- (a) the Fund is an Exempt Fund or a Qualified Investor Fund, in which case the Fund Manager must provide the attestation itself; or
- (b) all Eligible Green Fund Assets held as Fund Property are included in or otherwise track an EU Paris Aligned Benchmark pursuant to Rule 20.2.3(b), in which event the attestation is not required.

Guidance

1. Under Rule 20.2.9(b), the Green Fund Attestation Requirement does not apply to Eligible Green Fund Property that is included in or track an EU Paris Aligned Benchmark in accordance with Rule 20.2.3(b).
2. An ADGM Green Fund investing in Eligible Green Fund Assets under both Rule 20.2.3(a) and 20.2.3(b) is required to obtain attestation in relation to the assets meeting Rule 20.2.3(a).

20.3 ADGM Climate Transition Funds

- 20.3.1 An ADGM Climate Transition Fund must be a Domestic Fund that meets the:

- (a) Climate Transition Investment Requirement; and
- (b) Climate Transition Attestation Requirement.

The Climate Transition Fund Investment Requirement

20.3.2 A Fund Manager of an ADGM Climate Transition Fund must ensure that the investment restrictions of the Fund as stated in its Constitution and/or most recently published Prospectus require:

- (a) Fund Property to comprise predominantly Eligible Climate Transition Fund Property; and
- (b) a restriction on investment in Fund Property that is inconsistent with the overall climate transition objectives of the Fund.

This requirement is referred to as the “Climate Transition Fund Investment Requirement”.

Guidance

Climate Transition Fund Investment Requirement shall not be breached if Fund Property includes cash or other liquid assets held temporarily pending investment or reinvestment, or for the purposes of managing redemptions or distributions.

20.3.3 An asset is Eligible Climate Transition Fund Property if it is:

- (a) aligned with an Acceptable Climate Transition Taxonomy or equivalent, provided that no more than one Acceptable Climate Transition Taxonomy may be used by an ADGM Climate Transition Fund;
- (b) a Security issued in accordance with the:
 - (i) ICMA Green Bond Principles;
 - (ii) ICMA Sustainability-Linked Bond Principles; or
 - (iii) EU Green Bond Standard; andcompliance with which is subject to third party assurance, independent verification or equivalent assessment;
- (c) a Security included in or that otherwise tracks an EU Climate Transition Benchmark;
- (d) a Share or Debenture issued or otherwise provided by an entity that in the reasonable opinion of the Fund Manager:
 - (i) has published a credible net zero emissions targets and strategies; and
 - (ii) is on course to meet the net zero emissions targets; or
- (e) investment intended to facilitate the transition of real estate or infrastructure assets to become more environmentally sustainable, in the reasonable opinion of the Fund Manager.

Guidance

1. The Climate Transition Fund Investment Requirement may be met by Eligible Climate Transition Property meeting the criteria in each of Rules 20.3.3(a) to 20.3.3(e).

2. When considering whether assets meet the criteria in Rules 20.3.3(a) to 20.3.3(e), a Fund Manager should consider not only the investment in the immediate asset but any underlying assets. For example, where investing in Units, the Fund Manager should consider whether the underlying assets of the Fund would meet the Climate Transition Fund Investment Requirement.
3. Eligible Climate Transition Fund Property may track or be included in one or more EU Climate Transition Benchmarks. For example, a Fund may track or include securities from multiple EU Climate Transition Benchmarks.
4. Where a Fund Manager invests in real estate or infrastructure to facilitate their transition to become more sustainable pursuant to Rule 20.3.3(e), it should select third party metrics to help measure the assets' progress in achieving that sustainability objective. For example, a ADGM Climate Transition Fund investing in real estate may measure its assets' transition to become more sustainable using the Leadership in Energy and Environmental Design (LEED) rating system. Progress against those metrics should be disclosed to investors periodically, including in the annual report.

20.3.4 A Fund Manager of an ADGM Climate Transition Fund must keep records of the due diligence process it has undertaken to assess whether an investment meets the Climate Transition Fund Investment Requirement at the time of acquisition and on an ongoing basis.

The Climate Transition Fund Attestation Requirement

20.3.5 Subject to Rule 20.3.9, where an ADGM Climate Transition Fund invests in assets aligned with an Acceptable Climate Transition Taxonomy as Eligible Climate Transition Fund Property pursuant to Rule 20.3.3(a), the Fund Manager must appoint a third party to attest to its compliance with the ADGM Climate Transition Fund Investment Requirement on an ongoing basis and at least annually in relation to that proportion of the Eligible Climate Transition Fund Property. This is referred to as the "Climate Transition Fund Attestation Requirement".

Guidance

Under Rule 20.3.9, the Climate Transition Fund Attestation Requirement does not apply in relation to the Eligible Climate Transition Fund Property of the kind set out at Rule 20.3.3(b) to (e).

- 20.3.6 A Fund Manager must, prior to the appointment of a third party to provide an attestation under Rule 20.3.5, take reasonable steps to ensure that the third party:
- (a) has the required skills, resources and experience to provide the attestation;
 - (b) is independent of, and not subject to any conflict of interest with, the Fund Manager, the investment advisor (if any) or the Trustee (if any) of the Fund; and
 - (c) has been provided with all documents, records and information necessary to give the attestation pursuant to Rule 20.3.7.

Guidance

A Fund Manager of an ADGM Climate Transition Fund which is an Exempt Fund or a Qualified Investor Fund may provide the attestation required by Rule 20.3.5, pursuant to Rule 20.3.9.

20.3.7 A Fund Manager must ensure that an attestation obtained for the purposes of the Climate Transition Fund Attestation Requirement is addressed to and may be relied upon by the Fund, and includes the following statement:

“We attest that, as regards the [insert name of Fund] of [insert name of Fund Manager] (the Fund):

- (i) the investment restrictions of the Fund, as stated in its Constitution and most recently published Prospectus, meet the requirements of the Climate Transition Fund Investment Requirement; and
- (ii) the Fund is invested in compliance with the ADGM Climate Transition Fund Investment Requirement.”

20.3.8 A Fund Manager of an ADGM Climate Transition Fund must include a copy of the attestation statement described in Rule 20.3.7 in the ADGM Climate Transition Fund’s annual report.

Ability of the Fund Manager to Provide Attestation Statement

20.3.9 A Fund Manager of an ADGM Climate Transition Fund is not required to appoint a third party to attest to its compliance with the Climate Transition Fund Investment Requirement if the Fund is an Exempt Fund or a Qualified Investor Fund, in which case the Fund Manager must provide the attestation itself.

20.3.10 A Fund Manager of an ADGM Climate Transition Fund must:

- (a) disclose in the Fund’s Prospectus how it assesses, measures and monitors how Fund Property will meet the criteria in Rules 20.3.3(a) to 20.3.3(e) and the climate transition investment objectives of the Fund;
- (b) ensure it assesses, measures and monitors how Fund Property meets the criteria in Rules 20.3.3(a) to 20.3.3(e) and the climate transition investment objectives of the Fund; and
- (c) disclose in its annual report the Fund Property’s progress over the applicable period in helping to achieve the climate transition objectives of the Fund.

Guidance

1. A Fund Manager should include in its due diligence relevant to Rule 20.3.3(d) whether the relevant entity’s net zero emissions target has been validated under the Science-Based Targets initiative (SBTi). Failure to obtain validation under the SBTi or equivalent framework should be considered as reducing the likelihood that the entity has a credible net zero target.
2. A Fund holding Shares and Debentures in accordance with Rules 20.3.3(d) should identify such Shares and Debentures in the Fund’s annual report.
3. A Fund Manager of an ADGM Climate Transition Fund which has invested in real estate or infrastructure assets should include in the Fund’s annual report:

- a. the third-party sustainability metrics against which the real estate or infrastructure property will be measured and will seek improvement against over time;
- b. the timeframe for improvement relied upon by the Fund when making the investment in such real estate and infrastructure assets; and
- c. actual progress of the real estate or infrastructure assets against the relevant sustainability metrics identified in the annual report.

Systems and Controls

20.3.11 The internal audit or compliance function of a Fund Manager of a Public Fund which is an ADGM Climate Transition Fund must, at least annually, review the Fund's systems and controls to ensure ongoing compliance with the Climate Transition Fund Investment Requirement.

20.4 ADGM Green Fund Designation or ADGM Climate Transition Fund Designation

20.4.1 A Fund Manager must not promote a Fund as an ADGM Green Fund or ADGM Climate Transition Fund unless it has been granted an ADGM Green Fund Designation or ADGM Climate Transition Fund Designation, as applicable, for that Fund from the Regulator.

20.4.2 The notification or application required for the grant of the relevant designation must be made in such form as the Regulator may prescribe.

20.4.3 A Qualified Investor Fund or Exempt Fund intending to market an ADGM Green und or an ADGM Climate Transition Fund must:

- (a) provide written notice using the prescribed form to the Regulator prior to commencing the marketing of such Fund; and
- (b) provide a certification by the Fund Manager that the Fund intends to comply with the ADGM Green Fund Rules or ADGM Climate Transition Fund Rules.

20.4.4 Upon receipt of written notification in accordance with Rule 20.4.3, the Regulator will grant the Fund with an ADGM Green Fund Designation or ADGM Climate Transition Fund Designation and publish the name and details of the Fund on a list of ADGM Green Funds or ADGM Climate Transition Funds maintained by the Regulator on its website.

20.4.5 A Public Fund intending to operate as an ADGM Green Fund or an ADGM Climate Transition Fund must, in addition to all other information to be provided in accordance with these Rules, provide the Regulator with:

- (a) information on the investment restrictions, objectives and policy of the Fund relevant to the requirements of the ADGM Green Fund Rules or ADGM Climate Transition Funds Rules;
- (b) a statement by the Fund Manager to the effect that:
 - (i) the investment objectives of the Fund as stated in its Constitution and/or the Prospectus comply with the Green Fund Investment Requirement or Climate Transition Fund Investment Requirement prescribed under these Rules; and

- (ii) the Fund shall comply with the operational requirements of the ADGM Green Fund Rules or ADGM Climate Transition Fund Rules.

20.4.6 Upon granting a Fund with an ADGM Green Fund Designation or ADGM Climate Transition Fund Designation as applicable where applied for under Rule 20.4.5, the Regulator will publish the name and details of the Fund on a list of ADGM Green Funds or ADGM Climate Transition Funds maintained by the Regulator on its website.

Guidance

1. Once the Regulator has made a decision in relation to an application, it will without undue delay inform the Fund Manager in writing of its decision.
2. The Regulator may refuse to designate a Fund as an ADGM Green Fund or an ADGM Climate Transition Fund if it is not satisfied that the requirements of an ADGM Green Fund Rules or ADGM Climate Transition Fund Rules have been met or will be met on an ongoing basis.

Notification

20.4.7 A Fund Manager or, if appointed, the Trustee, of an ADGM Green Fund or an ADGM Climate Transition Fund must advise the Regulator immediately if it becomes aware, or has reasonable grounds to believe, that a material breach of the ADGM Green Fund Rules or the ADGM Climate Transition Funds Rules by an ADGM Green Fund or an ADGM Climate Transition Fund may have occurred or may be about to occur.

Cancellation of ADGM Green Fund Designation or ADGM Climate Transition Fund Designation

20.4.8 The Regulator may cancel an ADGM Green Fund Designation or an ADGM Climate Transition Fund Designation by delivery of written notification to the Fund Manager:

- (a) on its own initiative if the Regulator has reasonable grounds to believe that:
 - (i) the Fund is not in compliance with, or is unlikely to be in compliance with, the ADGM Green Fund Rules or the ADGM Climate Transition Fund Rules;
 - (ii) the Fund Manager or the Fund has contravened FSMR or the Rules;
or
 - (iii) it is desirable to do so in order to further one or more of the Regulator's objectives; or
- (b) on the application of a Fund Manager where the application for cancellation has been made with the prior notification of Unitholders.

20.4.9 Where the Regulator has cancelled, or proposes to cancel, an ADGM Green Fund Designation or a ADGM Climate Transition Fund Designation under Rule 20.4.8, it may, by written notice, direct the Fund Manager or, if appointed, the Trustee, to take such steps as the Regulator considers necessary or desirable to protect the interests of Unitholders in the Fund.

Guidance

The effect of a cancellation of an ADGM Green Fund Designation or an ADGM Climate Transition Fund Designation under this Rule is that:

- a. the Fund is no longer an ADGM Green Fund or an ADGM Climate Transition Fund for the purposes of these Rules. Neither the Fund Manager nor any other Person is permitted to make a representation that the Fund meets the requirements of an ADGM Green Fund or an ADGM Climate Transition Fund nor make an Offer of a Unit in the Fund or otherwise market the Fund using the relevant designation; and
- b. the Regulator will remove the Fund from the list of ADGM Green Funds or ADGM Climate Transition Funds maintained on the Regulator's website.

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