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ISLAMIC BANKING

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Opening doors
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Shariah investment
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SRI, ethical & green: Keeping values front and center

As concerns are rising over environmental, social and governance (ESG) issues, the ethical, green, ESG and sustainable and responsible investment (SRI) asset class has been growing fast over the past five years. The green Sukuk market has also been unfolding with both corporates and sovereigns tapping this segment. MARC ROUSSOT writes.

Asset management

Within the Islamic asset management sector, the ethical, SRI and ESG segment has been growing over the past few years as the number of value-based investors, particularly the millennials, is believed to be rising.

Over the past 12 months, a handful of value-based investment solutions have been rolled out.

In May 2019, UK-based Ascencia Investment Management forayed into the Islamic asset management industry with the launch of a fund of funds called the Ascencia Portfolio of Shariah Compliant Solutions, an ESG portfolio overlaid with Islamic investing principles.

In addition, BIMB Investment launched two funds in July and August 2018. The first one, developed with Arabesque and ValueCAP, was Malaysia's first Shariah compliant SRI equity fund under the Securities Commission Malaysia's SRI guidelines released in December 2017 while the second was the world's first ESG multicurrency Sukuk fund invested in both local and global investment grade Islamic papers.

In terms of investment, the Shariah compliant PNB–INSPiRE Ethical Fund placed US$920,000 in Japanese human resources tech start-up platform Grooves to aid the latter in expanding its services globally to cater to the ASEAN market, beginning with Malaysia.

Also, Malaysia's Employees Provident Fund signed the UN-supported Principles for Responsible Investment, underlining its commitment toward responsible investing and environment, social and governance best practices.

Green and SRI Sukuk

Overview
The nascent green Sukuk market is a growing one although certainly not as fast as the more mature green bond market dominated by issuances from China and France.

According to the Climate Bonds Initiative (CBI), out of the US$250 billion-worth of green bonds projected to be printed this year, US$152.9 billion-worth have already been issued during the first eight months of the year. In 2018, US$170.9 billion-worth of green bonds aligned with CBI definitions were issued. On the Islamic side, the lack of studies makes it difficult to estimate the size and depth of the green Sukuk market.

Regulations
With the ASEAN Green Bonds framework, the SRI Sukuk Framework introduced by the Securities Commission Malaysia and Otoritas Jasa Keuangan's regulations on issuance and requirements for green bonds, Southeast Asia is one of the most advanced regions in the world in terms of regulations facilitating both green bonds and Sukuk issuances.

The Securities and Exchange Organization of Iran also started working on the development of a potential green Sukuk framework or regulation in April 2018 as the Islamic Republic seeks financing for the development of renewable energy projects. However, no concrete announcements have been made so far.

Issuances
Since July 2017 and the issuance of the world's first green corporate Sukuk facility, with Tadau Energy raising RM250 million (US$60.45 million) out of Malaysia, a number of green Sukuk papers have been auctioned by both corporates and sovereigns.

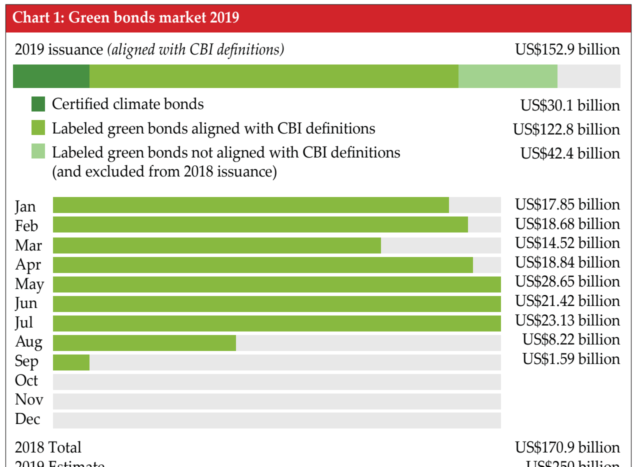
Quantum Solar Park Malaysia auctioned green Sukuk worth RM1 billion (US$247.36 million) in October 2017 while Indonesia printed the world's maiden green sovereign Sukuk in 2018.

Pasukhas Green Assets placed the first tranche of its 20-year RM200 million (US$47.95 million) Islamic medium-term note program compliant with the ASEAN Green SRI Sukuk framework in February 2019 with the proceeds to be utilized for Pasukhas's hydropower plant in Sungai Rek, Kelantan and to explore other renewable energy assets in Malaysia.

The UAE's Majid Al Futtaim also sold a US$600 million green Sukuk facility. The proceeds of the Sukuk will be used to fund environmentally-friendly projects in areas such as renewable energy and sustainable water management.

Telekosang Hydro One is planning to print the world's first rated mini-hydropower project Sukuk for RM470 million (US$112.99 million), while the Islamic Corporation for the Development of the Private Sector and Al-Sharif Group & KEC are exploring the possibility of collaborating in structuring and arranging the issuance of a green Sukuk facility.

Chart 1: Green bonds market 2019



Source: CBI

Corporate sustainability spotlight: In conversation with Dr Simon Lord

As interest in green and socially responsible financing grows, sustainability in business is becoming one of the biggest issues of our time. But there are inevitable tensions creating conflict in this space: between moral and commercial requirements, between shareholder and stakeholder demands, between developed and developing market priorities. On the 3rd December 2019 at the inaugural IFN Green & Sustainable Finance Forum, we were delighted to welcome DR SIMON LORD, the chief sustainability officer of Sime Darby Plantation and one of the most influential corporate sustainability leaders in Asia Pacific, to discuss some of the toughest questions facing the industry — and the corporate world — in today's environment.

The world's largest palm oil plantation company by planted area and with a market cap of around US$36.4 billion, Sime Darby produces around 2.48 million tonnes (4%) of the world's crude palm oil output annually, of which about 98% is Certified Sustainable Palm Oil (CSPO). The firm is a vital cog in the wheel of Malaysia's Islamic finance industry – the company is one of just a handful of plantation companies classified as Shariah compliant by Malaysia's Securities Commission, and has been active in both the domestic and international Sukuk markets, including the first internationally rated multi-currency Sukuk Ijarah program from an Asian corporate back in 2013, and a RM2.2 billion (US$529.2 million) Islamic deal in 2016 that was the largest perpetual Sukuk issuance to date by a non-bank entity, and the first perpetual Sukuk globally to be based on the principle of Wakalah. In 2017 Sime Darby signed a deal with Malaysia's Halal Industry Development Corporation to create a pioneering new Halal industrial park at the Weifang Sime Darby Port in China to facilitate the penetration of Malaysian Halal products into the One Belt One Road (OBOR) network, and in 2018 the firm was added to the Dow Jones Islamic Market Malaysia Titans 25 Index. Its chairman, Abdul Rahman Ahmad (appointed October 2019) is the former president and group CEO of Permodalan Nasional (PNB), Malaysia's largest state-owned investment company and a driving force in the field of Islamic finance. Sime Darby, it is safe to say, is big on Islamic finance.

In this hard-hitting IFN interview, Dr Lord spoke openly with Ashraf Gomma Ali, the regional head of Shariah advisory and governance, positive impact and responsible banking at CIMB Islamic, about the moral and commercial challenges facing corporates today as they struggle to integrate sustainability concepts into their strategic business practice.

What is sustainability?

"At a corporate level, sustainability is often separated out into three separate concepts: environmental, economic and social (EES) — or People, Planet, Profit — or as I prefer — People, Planet, Prosperity (PPP)," said Lord. "But the crucial point is where these three elements interlock. It might be equitable, it might be bearable, it might well be viable. But only when those three items are kept in balance, is it sustainable at the center."

Sime Darby defines 'People' as contributing to a better society. 'Prosperity' is about delivering sustainable futures and sustainable development. But environment is a trickier question. "We spend a lot of time talking about doing no harm — but actually as a corporate, just by existing, by occupying space, we are having an impact," said Lord. "So for us the definition of sustainability around the environment is to minimize environmental harm, because we can never actually eradicate it."

Shareholder tension

A key issue for corporates today is how they can balance competing demands — from regulators, from stakeholders, and from shareholders (to whom they have a legal obligation). So what is the purpose of a corporate, and what responsibility does it have towards a better society?

"Corporates are not entities in terms of living. They are not organisms. They can have no morality, no faith," argued Lord. "It is the individuals within it that are its guiding light."

Most corporate definitions around sustainability focus on including environmental, economic and social considerations into the business model, with reference to promoting the interests of its shareholders. But most corporate definitions now have another line that says — "whilst balancing the needs of diverse stakeholders". And that is the key difference.

"That is what we are trying to do as corporates. That is why we changed the word 'profit' to 'prosperity'," explained Lord. "Profit is not a dirty word — without it, you cannot sustain anything. But for us, prosperity better defines the agricultural sector, because we are working in so many rural environments that you actually do end up uplifting and empowering communities. Of course, you can also end up harassing and damaging communities as well — it is a fine line. It is about persuading your shareholders that this is the future, and this is the right path to tread. Those shareholders have children. And they will have nothing to inherit, if we continue the way we are going."

People versus planet

Community is a core concept for Lord, who believes that looking after people is vital — not least in terms of good business practice. But sometimes, the two elements can come into conflict. For example, we hear a lot about the trade-off between social and environmental issues. But it can be challenging to manage the tensions between the developed world, which arguably caused much of the damage, and the developing world, which wants to create its own social prosperity and resents the developing world for impeding that progress.

"I can understand why people get annoyed with what they call 'colonial environmentalism'," agreed Lord. "As a world, we should be looking at where the best practices are. We should not be squandering what people refer to as natural capital — what I like to

think of as natural infrastructure. But we are not quite there yet when it comes to balance."

As an example, he cited an experience in Liberia, where poverty is severe. "As part of our corporate social responsibility (CSR) approach we worked with the communities, we put in simple things like latrines, water wells, clinics, schools, roads. We supplemented their diet with enriched rice. Because these were the people who would ultimately become our employees. But after extensive research and measurements, we realized that the areas in Liberia that we wanted to develop would actually be classified as deforestation. These communities that we had been working with were desperate for us to develop them. But if we had, we would have been in breach of the principles of deforestation that we had agreed to. So I had to say no. It haunts me to this day. It is a moral dilemma. And we have not got it right yet. We have not yet got the balance right between development and conservation, if it leaves whole communities behind."

Sustainability in question

The real question however, in commercial terms, is perhaps whether a multinational corporation like Sime Darby can ever be truly sustainable. In light of the numerous and longstanding controversies around the asset class – is sustainable palm oil an oxymoron?

"I can understand the perception," said Lord. "You look at a sea of a single commercial monocrop and it causes inevitable concern. Many people have tried to say that there is still biodiversity there — but no, there isn't. You cannot grow agricultural crops and still expect the same level of biodiversity to exist as previously. Orangutans have been killed in the name of palm oil. There is a long history of ills in the palm oil sector. That is why we got together in 2002, to discuss how negatively we were being perceived."

As a result, the industry created the Roundtable on Sustainable Palm Oil (RSPO) in 2004, with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders. The initiative is today the most successful label of sustainability in terms of market penetration (estimated at 20%).

"It is the strongest sustainability standard in the world. The Responsible Soil Roundtable, the Green Stewardship Council, the Forest Stewardship Council — nothing comes close to the degree of scrutiny that is held within the RSPO standards. If a company achieves RSPO certification, it is a station on the journey toward sustainability. But I never want to stand up and say yes, at Sime Darby we are sustainable, job done, now we can go home. All we can do today is to act responsibly. The call as to whether we are truly sustainable will be made by the next generation."

Commercial considerations

But how can you persuade corporates who only care about profit? How is it possible to convince someone who doesn't believe in sustainability, that incorporating sustainable considerations is a good idea? The answer, apparently, is simple.

"If your answer from the board is no, then you have asked the wrong question," stated Lord. "Reframe it. Put it back into terms they understand. And re-present it, because you clearly haven't given them what they wanted — that is your fault. That is where the stamina comes in. Sometimes you have an idea and it is 'no, no, no' for two years, then suddenly it is yes. You have to be water against the stone, you have to erode it. Does sustainability cost? Yes, no doubt about it. Is it the right thing to do? Yes, no doubt about it. So marrying those two – there is no one size fits all. It is about the issues and tactics that lead into your strategy. That is what convinces people.

"If you produce palm oil sustainably, you are adding about US$8-12 per ton. That is making you, at today's price (which are rubbish, by the way), less competitive. But how many people, who have got RSPO certified, have then jettisoned those principles because the price is too high? None. Once you start on the journey, you have to stick to it."

Corporate responsibility

One of the most important elements in promoting the process toward corporate sustainability, is the support of the regulating authorities. Here, Malaysia has set an excellent example within the palm oil industry — although Lord believes that there is still some way to go, and urges that the responsibility also lies with the large corporates to support the process.

"There are four things that governments can do in situations like this. The first is to legislate. The second is to incentivize. The third is to create an enabling environment. And the last is to monitor the situation."

In 2014 Malaysia launched the Malaysian Sustainable Palm Oil standard (MSPO), an obligatory national scheme for all palm oil plantations, independent and organized smallholdings, and palm oil processing facilities, which was made mandatory by the end of 2019.

"In my opinion, the only way we will ever get smallholders linked to the value chain of sustainability is through the MSPO," said Lord. "The government has given incentives for small farmers and SMEs to get certified, and you need that, because the costs of certification are high. But we are struggling in Malaysia. We said we would get all 660,000 smallholders certified by December 2019. We are not going to make it. Why? Because we didn't put a sufficient enabling environment in place to get them there. It is a great idea, it is great to incentivize this, but it needs more work. It is time for companies like us to put their backs into it."

Islamic focus

But where does Islamic finance come into all this? The answer is both nowhere and everywhere. Islamic principles exist at the heart of Malaysian society, Malaysian industry and the Malaysian economy. And Islamic principles overlap substantially not only with the concept of sustainability, but with its commercial implementation.

"Back in 2008 the OIC Fiqh Academy addressed the environmental challenge and passed a very strong resolution ruling that in Islamic law it is prohibited to use resources in a way that is unsustainable," pointed out Ashraf.

"They called on governments to institute laws to stop this from happening and to educate people. These resolutions are very strong. You can have external monitoring such as certification, but if the top scholars in the world are saying that your corporate actions are morally wrong, and people are shown how to behave differently, then faith can be a very strong motivator. Malaysia is a Muslim-majority country, and the appeal to people's religious morality should be considered. It is a powerful tool to use toward moving people in the right direction."

The full recording of the interview, along with all other sessions and debates of at the 2019 IFN Green & Sustainable Finance Forum, can be found at http://ifn-tv.com/.

Renewable energy in Kazakhstan — what to expect?

Kazakhstan, at least on the surface, seems to have a strong political will to attract investments in renewable energy projects as demonstrated by its official general policy. The government of Kazakhstan, for instance, made an official commitment to increase the share of renewable energy in domestic electricity generation from the current 2% in 2019 to 3% by the end 2020, 6% by 2025, 10% by 2030 and 50% by 2050.

One may get an impression, however, that the Kazakh government pulled these targets for the development of renewable energy out of its hat as such targets are neither justified nor consistently stated in different pieces of legislation and state programs.

For instance, Kazakhstan's Strategic Development Plan 2025, the Green Economy Concept dated the 30th May 2013 and the Order of the Minister of Energy of Kazakhstan No 478 dated the 7th November 2016 (Order 478) set the same target of 3%. However, the Strategic Development Plan 2025 provides the same 3% target but for all types of renewable energy sources. Order 478 effectively limits the 3% target only for wind, solar, hydro and biogas power plants, whereas the Green Economy Concept stipulates the 3% target only for wind and solar power plants. What is more confusing is that under the Strategic Development Plan 2025, the 3% target shall be met by 2021, whereas Order 478 and the Green Economy Concept provide 2020 as the deadline. Other targets also have the same problem.

It seems that the current renewable energy policy documents of Kazakhstan fail to give clear targets for renewable energy development because the government itself does not clearly understand why and how it needs to support renewable energy, especially since Kazakhstan has in abundance of cheap coal and gas.

For instance, it is still not clear what the major goals are for the Kazakh government in terms of renewable energy development in the country: whether it is energy security as in the EU or local industry and technology development as in Russia or somewhere else.

The dilemma is that a case study on Spain showed that even developed and wealthy nations are not always able to instantly afford to turn their backs on coal and gas and have ambitious targets for renewable energy development. That is why for Kazakhstan it is, evidently, reasonable to set renewable energy targets so as to have enough time to wait when every source of green energy can compete on the cost basis with coal and gas-fired power plants.

Coal is dirty, but it is too early for Kazakhstan to jump all the way to renewable energy. To get from the present fossil fuel to the renewable future, Kazakhstan needs to first move at least from coal to natural gas to reduce emissions from coal and provide the population and the industry the energy it needs in the most cost-effective way.

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Environmental, Social, And Governance:

Why Linking Loans To Sustainability Performance Is Taking Off

September 3, 2019

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Key Takeaways

- The sustainability linked bank debt market, which grew nearly sevenfold in 2018, is quickly catching up to the more dominant and mature green loans market.
- A growing number of borrowers are tying interest margins to the environmental, social, and governance performance of entities.
- Improved transparency and credibility in setting, reviewing, and reporting sustainability performance targets would ensure robust growth and confidence in this evolving asset class.
- This could also help sustainability linked loans become a mainstream practice in the wider debt capital markets.

The sustainable finance market is continuing to evolve and develop innovative products to encourage improved environmental and social performance. With the launch of the Green Loan Principles in 2018, the bank market has become an important area of activity for sustainability focused financing. While the responsible loans market still represents a relatively small part of the broader capital markets, it is growing dramatically--up US$32 billion since 2018 and totaling a combined US$111.5 billion as of July 2019, according to estimates by Environmental Finance.

A growing number of companies are including sustainability in their corporate strategies and investment decisions. What's more, environmental, social, and governance (ESG) considerations are now also finding their way into loan pricing. So-called sustainability or ESG linked loans have emerged as the latest innovation for bank loans, both investment grade and speculative grade. These loan instruments and contingent facilities, including guarantee lines or letters of credit, aim to provide incentives for borrowers to set and achieve ambitious sustainability performance targets (SPTs). Currently, SPTs include any number of factors, including a company's ESG score from an external provider, key performance indicators, and other equivalent metrics tracking improvements in a borrower's sustainability profile.

S&P Global Ratings believes effective and standardized ESG disclosure is required to ensure that market growth for green bank loans is robust. In our view, effective disclosure would entail improving transparency and credibility in setting, reviewing, and reporting SPTs. Widespread adherence to initiatives such as the Sustainability Linked Loan Principles (SLLPs) will go some way to ensuring that disclosure is standardized. We believe that marrying effective disclosure with consistent reporting practices could help ESG linked loan pricing become a mainstream practice in the debt capital markets.

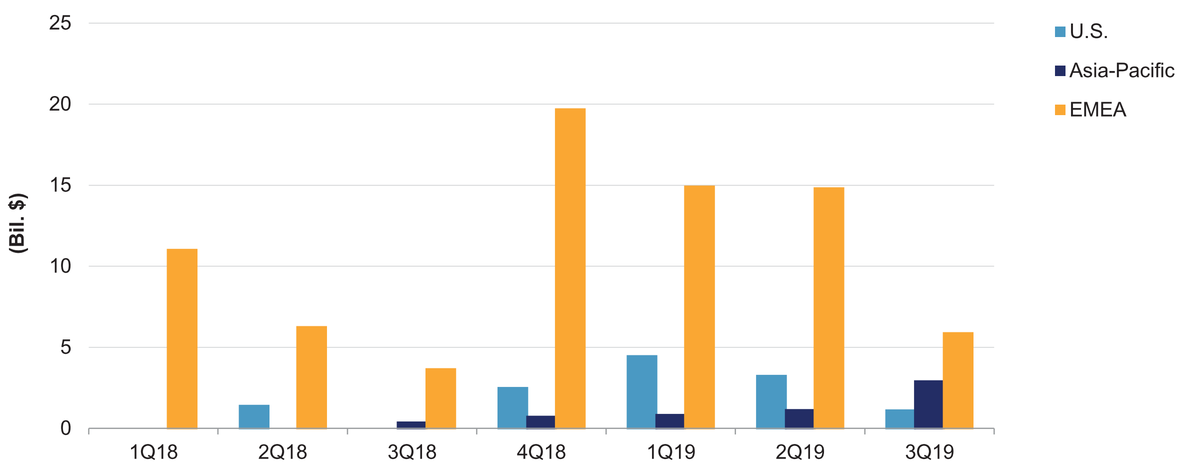
The Rise Of Sustainability Linked Loans

Since the first green-labelled loan closed in 2014, such instruments have dominated the broader responsible loans market, which comprises green loans and sustainability linked loans, and has a combined value of US$75 billion, according to a Bloomberg estimate. Although the first sustainability linked loan was issued in 2017, this segment of the bank debt market is quickly catching up. Last year, sustainability linked loans grew nearly sevenfold to US$36.4 billion, according to Bloomberg.

Europe leads in the issuance of sustainability linked loans, with borrowers and lenders in the region pushing the envelope to link loans to ESG performance (see chart 1).

Chart 1

Global Loans Linked To Sustainability Performance Targets



EMEA--Europe, the Middle East, and Africa. Source: Bloomberg.

For example, Spain's fourth-largest telecoms operator, Másmóvil, in July 2019 issued the first loan in Europe to include an ESG component in a leveraged loan package. The €1.7 billion financing package included a €100 million revolving credit facility (RCF) and a €150 million capital expenditure (capex) line with the interest rates on the loans tied to the ESG Evaluation score on Másmóvil. The ESG Evaluation score of 67/100, which S&P Global Ratings gave to Másmóvil in July 2019, serves as the initial reference benchmark for determining changes in the interest rate on both the capex line of credit and the RCF, according to Másmóvil. If the ESG Evaluation score deteriorates, the interest rate on the loan will rise by 15 basis points; if it improves, the rate will decrease by 15 basis points. In Europe, the typical impact is usually plus or minus 5% to 10% of the margin, depending on the cost of capital, according to ING.

Másmóvil's loan is by no means a market exception to loans linked to an ESG score. In early 2018, France-based Danone partnered with 12 lenders to link its €2 billion syndicated credit facility to an independently verified ESG score--thought to be the first instance of a company explicitly doing so. Later that year, Adelaide Airport in Australia took out an A$50 million loan with an interest rate linked to the airport's ESG score.

There are also instances of borrowers choosing specific ESG criteria against which they are scrutinized, such as U.K. recycling company Renewi, which linked the interest rate of its €550 million green loan with its environmental performance in areas such as recycling, greenhouse gas emissions, and vehicle fleet efficiency. Another example comes from Pearson, a U.K.-based publishing and education company, which took out a US$1.2 billion RCF in late February 2019 with a margin adjustment linked to a social target, namely increasing enrollment in Business and Technology Education Council courses.

Evidently, there is demand in the market for loans that do not only serve to refinance existing debt, but also offer flexibility for further growth in line with ESG criteria. However, the market has also voiced concerns, namely: How to define and disclose ESG credentials to ensure the credibility of the sustainability linked label.

Transparency And Best Practice

The need for transparency and effective sustainability-related disclosure in such transactions is clear, particularly when such factors are directly influencing loan pricing.

The Green Loan Principles emphasize this need for transparency to safeguard the credibility of the "green" label, stating that tracking must show how proceeds from green loans go toward specific green projects. While this ensures transparency about the appropriate allocation of funding, it also serves to lessen the risk of "greenwashing," whereby a company disseminates misleading or unsubstantiated claims regarding the environmental benefits of company practice.

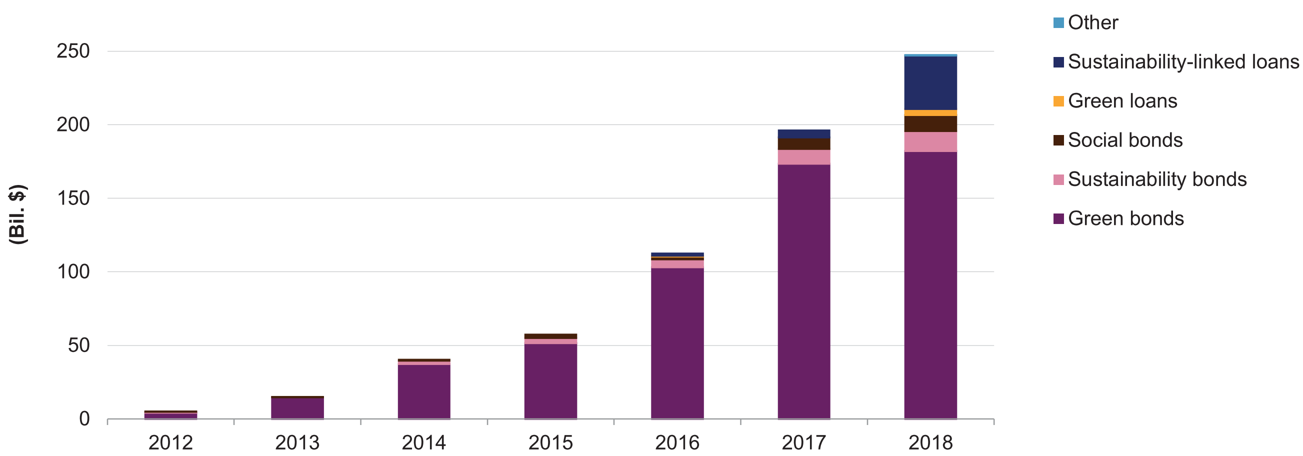
In a similar vein, the Loan Market Association, Asia Pacific Loan Market Association, and the Loan Syndications and Trading Association in March 2019 published Sustainability Linked Loan Principles to improve disclosure practices in the sustainability linked loan market. The SLLPs have four core components, spanning:

- How a sustainability linked loan product must fit into the borrower's broader corporate social responsibility strategy;
- The setting of appropriately ambitious SPTs for each transaction;
- Reporting practices on progress in meeting SPTs;
- The value of using a third party to review and verify a borrower's performance against its SPTs.

In contrast to Green Loan Principles, under the SLLPs the sustainability linked label is not dependent on dedicating loan proceeds to defined green projects. Instead, a borrower can apply the "sustainable" label to any type of loan instrument that provides incentives to pursue ambitious, predetermined sustainability performance objectives and improve its overall sustainability profile. This significantly broadens the types of loan facilities that can be linked to sustainability objectives to include letters of credit, various capital lines, and RCFs (such as those from Másmóvil and Adelaide Airport).

Chart 2

Growth Of Sustainable Finance Instruments



Source: BloombergNEF.

In our view, it is important to address concerns about self-reported and unaudited performance data as well as self-policed and self-determined objectives for sustainability labeling. Indeed, SPTs that are set, measured, and reported internally pose the equivalent risk of "greenwashing," namely "ESG washing," in the sustainable loan market. Investors could be dissuaded by a market where companies could misreport performance and where a variety of company-specific targets could make benchmarking difficult.

That said, robust transparency could lessen many of these risks. For example, Másmóvil's ESG-linked loan package includes strong transparency, given that pricing advantages are explicitly linked to an independent ESG Evaluation score by a third party. The SLLPs strongly recommend the use of a qualified third party to review whether the borrower has met SPTs--for loans where information is made publicly available as well as for those whose details are private.

External review of borrower performance against SPTs is one potential solution, particularly as meeting ESG targets unlocks favorable interest rate incentives that could translate into material financial savings for the borrower. Moreover, these savings come directly from lender margins. So it may be in the interest of lenders to use a third-party assessment to reconcile qualitative nonfinancial SPT criteria with quantifiable financial benefits or penalties.

Enhancing Investor Insight

Assessing ESG performance is inherently a complex task. While investors have often relied on credit ratings to qualify the default risk an entity faces, ESG performance analysis demands a more holistic perspective.

For example, we recently rated Másmóvil 'BB-' with a stable outlook and separately gave the company an ESG Evaluation score of 67 out of 100 points. Alone, its credit rating communicates to investors that we believe Másmóvil has the capacity to meet it debt obligations commensurate with a 'BB-' level of creditworthiness. The ESG Evaluation, however, looks at the entity's performance on 12 key ESG factors and the impact these may have on stakeholders.

What Is An ESG Evaluation?

S&P Global Ratings' ESG Evaluation is a cross-sector, relative analysis of an entity's capacity to operate successfully in the future and is grounded in how ESG factors could affect stakeholders and potentially lead to a material direct or indirect financial impact. It aggregates an overall ESG Profile score (comprising three separate scores for Environmental, Social, and Governance) and an opinion of the company's ESG preparedness. It provides investors with insights into the opportunity and risk profile of an entity, incorporating analysis of both the region and sector and an assessment of its ability to adapt to emerging and disruptive changes over a long-term horizon.

By focusing solely on an entity's performance on ESG factors and ensuring the score can be adjusted in the event of changes that could materially affect it, an ESG score could be linked to a margin ratchet for a sustainability linked loan. Investors may also stand to gain added insight from the stand-alone ESG score, which could allow for benchmarking.

Focused ESG performance analysis is not only relevant to ESG-linked loan pricing. In August 2019, ING announced the first-ever sustainability improvement derivative (SID), linked to the price of an interest rate swap provided by the bank to SBM Offshore. Similar to an ESG-linked loan, the SID's price is linked to SBM Offshore's independently assessed ESG performance, alongside trading risk, capital requirements, and profit, according to ING. Over time we expect there to be further innovation in linking sustainability performance to other capital market instruments.

We think that sustainability focused financing acknowledges an underlying advantage of ESG performance analysis. Some empirical data suggests there may be a link between strong performance on ESG factors and improved corporate financial performance and investment returns (see "The ESG Advantage: Exploring Links to Corporate Finance Performance," published on April 8, 2019). Although much more research needs to be done in this area, we believe independent and consistent analysis of ESG metrics can help anticipate potential financial risks and opportunities in the longer term, such as evolving environmental regulations and disruptive technological advancements. For companies with speculative-grade ratings, comprehensive ESG risk analysis could also be a means of providing added insight for investors and influencing market sentiment for leveraged loans.

The incorporation of ESG factors into sustainability linked loans is still in its infancy, and we have yet to see how this market will develop. But increasing standardization and transparency, as well as forward-looking and holistic risk assessments, could lay the groundwork for borrowers and lenders to increasingly embed ESG not only into financial decisions but financial instruments too. As such, the sustainability linked loan market is in our view poised to expand further. Indeed, with the right tools, this market could be on the cusp of impressive growth, which may further spur sustainable business practices around the globe.

The authors would like to acknowledge the contribution of Lucy Davies of Moorgate Finn Partners.

Related Research And Criteria

S&P Global Ratings research

- Environmental, Social, And Governance (ESG) Evaluation: Másmóvil Ibercom S.A., July 11, 2019
- 2018 Annual Global Leveraged Loan CLO Default and Rating Transition Study, June 19, 2019
- Environmental, Social, And Governance Evaluation Analytical Approach, April 10, 2019
- The ESG Advantage: Exploring Links To Corporate Financial Performance, April 8, 2019

Other research

- "Introducing the world's first sustainability improvement derivative," ING press release, Aug. 13, 2019
- "Sustainability Linked Loan Principles," Loan Market Association, March 2019
- "Chinese Food Giant Raises $2.1 Billion in Country's First Sustainability Loan," July 16, 2019
- "MASMOVIL achieves a 67/100 ESG rating from S&P," Masmovil press release, July 11, 2019
- "Green and sustainability loans: the growth accelerates," Environmental Finance, July 1, 2019
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- "Green Loan Principles," Loan Market Association, December 2018

This report does not constitute a rating action.

Malaysia's central bank unveils sustainability initiatives to drive the Islamic finance sector

Bank Negara Malaysia (BNM) is preparing guides for the palm oil, energy efficiency and renewable energy sectors to supplement its Value-Based Intermediation (VBI) Financing and Investment Impact Assessment Framework (VBIAF) as part of a series of measures, which include formulating a green finance taxonomy, to drive the sustainability agenda. NESSREEN TAMANO reports.

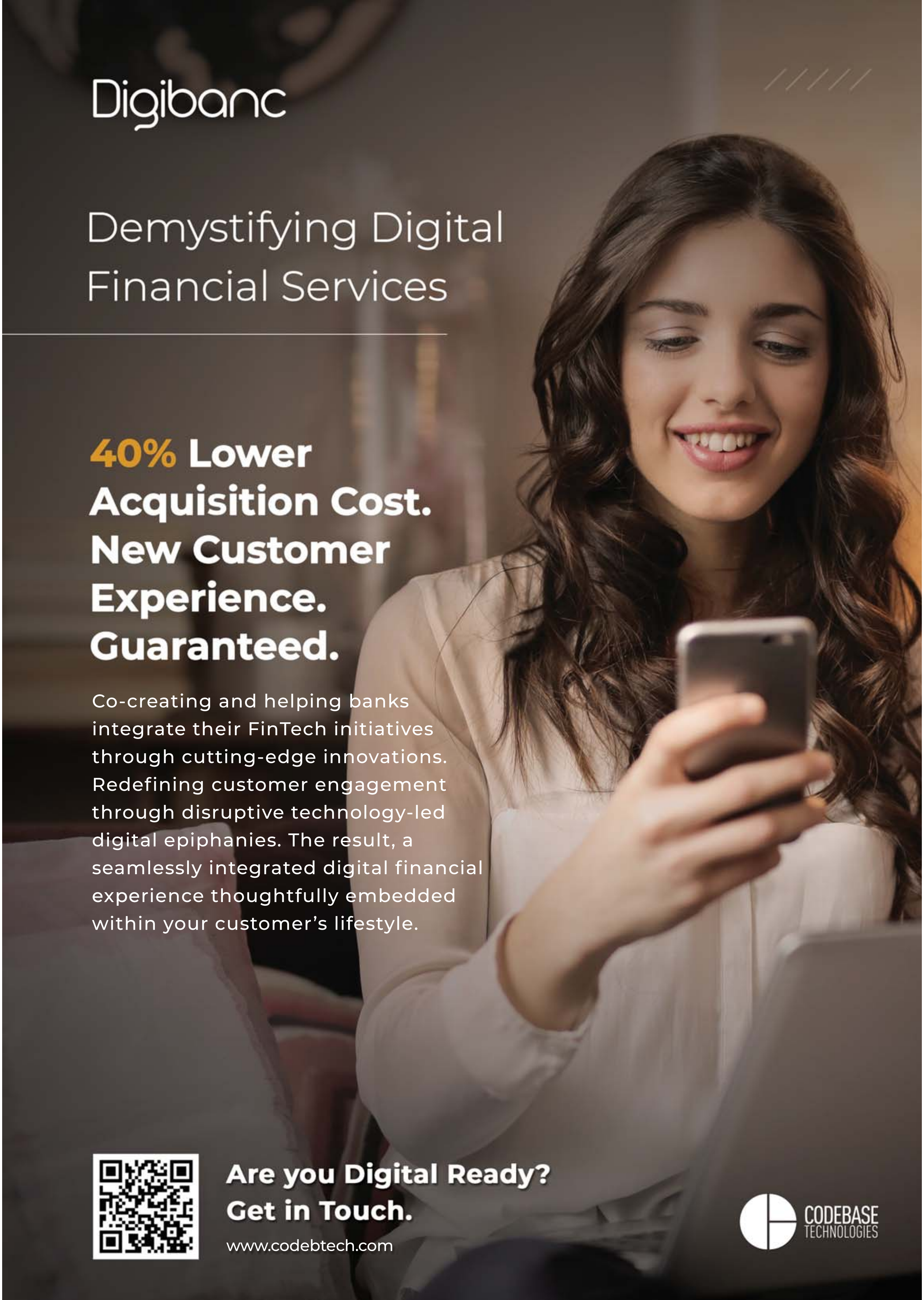
Confirming these initiatives at the IFN Green & Sustainable Finance Forum 2019 which welcomed over 260 delegates, BNM Assistant Governor Adnan Zaylani Mohamad Zahid in his keynote address shared that the sector-specific guides to complement the VBIAF with technical and step-by-step procedures for practitioners in those sectors will be issued for consultation next year.

The regulator is also working on releasing the first draft of a taxonomy for green finance over the next few weeks.
"Another focus area of the bank is in developing greater standardization of understanding and definition of green finance for the domestic financial industry. The development of a principles-based taxonomy aims to achieve this, which would support informed decisions and analysis of exposures to climate change in fundraising, lending and investment activities. Ultimately, this can potentially increase financing to green projects," explained Adnan.

Affirming the view that Islamic finance is primed to advance the sustainability agenda, the central banker also revealed that the upcoming Financial Sector Blueprint 2021-25, currently in the works, will take into consideration the role of the financial sector in achieving the UN Sustainable Development Goals (SDGs). Malaysia in 2018 ranked 55th out of 156 countries in terms of its overall SDG performance; the country aspires to perform better and has committed several policies including allocating a RM10 million (US$2.39 million) matching fund toward a joint UN SDG–government fund to co-finance SDG initiatives in the country. It has also set an annual target of RM350 billion (US$83.7 billion) from private investments by 2020 for SDGs.

"The larger aspiration is the adoption of VBI to bring about continued, sustained, sustainable positive impacts to the economy and society," said Adnan, adding: "It should be noted that many VBI offerings of Islamic banks are already meeting contemporary sustainability themes but more will be forthcoming."

The industry can also expect more VBI offerings from the Takaful sector: it is learned that a dedicated task force has been formed by the Takaful industry to formulate a strategic roadmap to advance VBI in their business offerings and practices.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Malaysia charts way forward for SRI agenda with new five-year roadmap

Leveraging its Islamic capital markets global leadership, the Securities Commission Malaysia (SC) is elevating its proposition by imbuing sustainability into its activities as outlined in its newly-launched Sustainable and Responsible (SRI) Roadmap for the Malaysian capital market as well as expanding the scope of its 2014 SRI Sukuk Framework to appeal to a wider base of investors while aligning it closer to international standards. NESSREEN TAMANO reports.

The SRI Roadmap aims to create a facilitative SRI ecosystem and chart the critical role of the capital market in addressing the funding gap in the green, social and sustainable sectors. The five-year roadmap has identified five overarching strategies and 20 strategic recommendations to drive this, including widening the range of SRI instruments, increasing the SRI investor base, building a strong SRI issuer base, instilling a strong internal governance culture and designing an information architecture in the SRI ecosystem.

Believing that the roadmap would be vital in catalyzing the growth of SRI domestically and regionally, SC Chairman Syed Zaid Albar shared: "Suffice to say that we would like to see a diverse base of issuers, investors and market intermediaries develop and grow this asset class. Presently, the bulk of current SRI project financing revolves around renewable energy projects. We would certainly encourage more variety and innovative structures that leverage on the abundant resources Malaysia and the region have to offer."

According to the Ministry of Energy, Science, Technology, Environment and Climate Change, RM33 billion (US$7.89 billion) in investments are needed for Malaysia to meet its renewable energy target by 2025 which involves the biodiverse Southeast Asian nation to generate 20% of electricity from renewable energy sources.

Malaysia is the most prolific manufacturer of SRI Sukuk offerings anywhere in the world, raising a total of RM4.3 billion (US$1.03 billion) through 10 of such offerings as at the end of October. The SC, first globally to strategically formulate an SRI framework for Sukuk offerings back in 2014, is keen to expand and internationalize its offerings, and has updated its existing SRI Sukuk Framework to that end.

"We have revised the SRI Sukuk Framework to align it more closely to international standards. This includes expanding the list of eligible SRI projects, enhancing disclosure and reporting requirements and further clarification on the role of the external reviewer. The revisions are expected to increase its appeal to a broader demographic, including foreign issuers," Syed Zaid explained, adding that potential green SRI Sukuk issuers are now eligible to apply for the SC's Green SRI Sukuk Grant Scheme, which assists in defraying the cost of external review. The grant has so far been disbursed to five successful applicants.

The revised SRI Sukuk Framework comes on the heels of Budget 2020, tabled in August 2019, where Finance Minister Lim Guan Eng also announced incentives for sustainable Sukuk issuances, as detailed in a previous IFN report. "The government would like to see more issuances of SRI Sukuk to finance (green, social and sustainable) projects. That is why, at the recent 2020 Budget, I had announced an extension of the income tax deduction on the cost of issuance of SRI Sukuk to 2023," the finance minister said.

Abu Dhabi ramps up green focus; launches accelerator program to boost green Sukuk and bonds

Abu Dhabi's Department of Energy (DoE) has launched its Green Bond Programme, an accelerator established in partnership with the Abu Dhabi Global Market (ADGM) and the Abu Dhabi Securities Exchange (ADX) that aims to position the emirate as a regional hub for the issuance of green bonds and green Sukuk. NESSREEN TAMANO reports.

According to a statement, the DoE's undersecretary, Mohamed Jarsh Al Falasi, said: "We will work with ADGM, ADX and other key stakeholders to clear a path and develop a transparent framework for green bonds." He added that the issuers of green bonds/Sukuk — financial institutions, governments and companies — will be established, regulated and listed in Abu Dhabi, with the proceeds from the issuance supporting sustainable and efficiency projects both inside and outside the emirate.

The DoE will be issuing a consultation paper with more details about the green bonds/Sukuk policy, which will cover energy and water efficiency schemes, green buildings, electric vehicle charging infrastructure, carbon capture and water technology and management. The paper will set out clear qualification, reporting and certification criteria in line with international benchmarks such as the International Capital Markets Association and green bond principles.

The scheme is expected to open opportunities for green financing and refinancing for the emirate's sustainable projects, and draw in energy consultants, banks, law firms, auditors and other specialist advisors to build a strong green and sustainable finance infrastructure.

Meanwhile, the Dubai Islamic Economy Development Centre (DIEDC), the Dubai Financial Services Authority, NASDAQ Dubai, the Dubai Financial Market (DFM), the ADX, the ADGM and other authorities in the UAE have published the Emirates' first Guiding Principles on Sustainable Finance, designed to encourage efforts to implement and integrate sustainable practices in the UAE's financial entities and secure a sustainable economic future for the country.

In September 2019, the DIEDC, the Dubai International Financial Centre and the DFM started work with the global Climate Bonds Initiative (CBI) to develop the standards of certification for green Sukuk along the lines of the CBI Climate Bonds Standard and Certification scheme, which comprises a robust pre and post-issuance assurance framework.

The green bond market in the Middle East and Africa is worth more than US$2 billion, while overall, the global green bond market was worth over US$230 billion in 2019 and is expected to grow to around US$350 billion in 2020, according to the DoE.

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Grappling with changing weather patterns, Kenya mulls conducive green Sukuk framework

As Kenya considers introducing a dedicated framework on green Islamic finance, a debut green Sukuk facility is not expected anytime soon following the country's first green bond issuance in October. MARC ROUSSOT has more.

Kenya's Capital Market Authority (CMA) plans to formulate a national policy document on Islamic finance providing specific guidance for the emergence of a green Islamic finance ecosystem.

If needed, legal and/or regulatory amendments could be introduced following the release of the framework, the CMA told IFN.

The project follows the establishment of the Green Bonds Program. Launched back in March 2017, the program, based on seven goals including the promotion of green Islamic finance, led to a maiden corporate green bond issuance in October 2019.

The conventional paper worth KES4.3 billion (US$41.06 million) was issued by Nairobi-based property developer Acorn Holdings to build environmentally-friendly student accommodation.

The CMA's initiative also comes as Kenya tries to revive its Islamic finance agenda after years of relative apathy. But the emergence of Kenya's green Islamic finance is likely to take some time as the industry in general is slow to take off in the country, despite its public goal to become a regional hub.

"The Green Bonds Program has had consultations with potential Sukuk issuers; there is interest but at this stage we have yet to secure a formal commitment that would initiate support from the program," says Nuru Mugambi, the director of public affairs at the Kenya Bankers Association, a key stakeholder in the Green Bonds Program.

Initial impetus is also unlikely to come from the government mainly due to Kenya's high indebtedness preventing the government from tapping the capital market, according to Nasser Abdulwahab, the Shariah manager at First Community Bank.

"I cannot say that there are no plans for a green Sukuk issuance in the future, but I do not foresee the government issuing a green Sukuk in the near future. The first green bond has been issued by a company not even by the government," Nasser shares.

Nonetheless, such funding is not completely off the table. The government opened a three-month window on the 29th November to mobilize domestic and external resources to address the devastation caused by floods and mudslides.

Green finance is a top priority for the Kenya government as it recognizes the growing threat climate-related risks pose to its growth. At least 120 people died in November, including 43 on the 23rd November alone, due to unusual heavy rains. Although it is impossible to look at individual weather events and attribute them to climate change, a pattern is emerging according to specialists.

The country aspires to become a regional leader in the field with its Green Bonds Program, designed to channel funds to seven target sectors including agriculture particularly vulnerable to changing rain patterns recorded since the 1960s.

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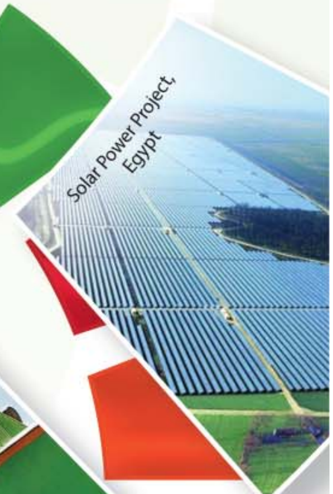

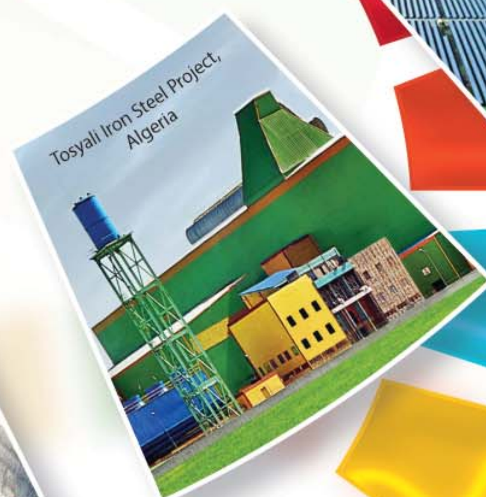

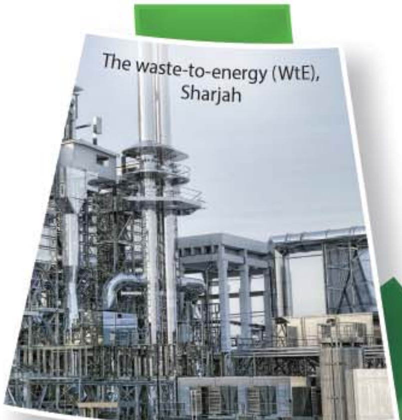

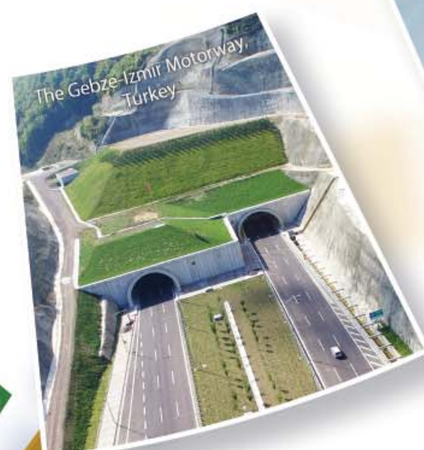

About ICIEC

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a member of the Islamic Development (IsDB) Group. The driving ambition behind the creation of ICIEC was to strengthen the economic relations between member countries of the OIC on the basis of Islamic Shariah. The ICIEC vision is to be recognized as the preferred enabler of trade and investment for sustainable economic development in Member Countries. Its mission is to facilitate trade and investment between member countries and the world through Sharia-compliant risk mitigation tools.

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Hong Kong should develop green bonds and green Sukuk listing capabilities simultaneously

Although rooting from different academic theories and operating with different financial mechanisms, green Sukuk and green bonds are highly related and serve the purposes of the same arena, which is the funding needs of global sustainable development projects. Dubai continuously takes the lead in the green Sukuk field, and Hong Kong, being one of the international financial centers with proven track records of successful sovereign Sukuk issuances worth US$3 billion so far, should capture this golden opportunity and expedite itself in this race.

On the 4th December 2019, Dubai welcomed the IsDB to issue EUR1 billion (US$1.11 billion) of green Sukuk. This is the first green Sukuk issued by the IsDB under its sustainable financial framework. This is also the third time the IsDB has listed Sukuk in the international exchange in the Middle East this year, with two US$1.5 billion listings in April and October respectively. The IsDB currently trades 11 Sukuk on the Nasdaq Dubai with a total value of US$13.65 billion.

The IsDB's latest Sukuk is the bank's second euro-denominated issuance listed on the Nasdaq Dubai, highlighting the exchange's role as a multi-currency city center. By value, Dubai is one of the world's largest Sukuk downtowns, with a current total of US$65.4 billion.

While in Asia, the Hong Kong Special Administrative Region government announced on the 22nd May 2019 that the first batch of green bonds under its green bond plan was successfully sold, with an issuance amount of US$1 billion and a five-year term. It was settled on the 28th May 2019 and listed on the Hong Kong Stock Exchange and the London Stock Exchange.

Despite the recent financial market volatility, global investors have strong demand for these green bonds, with subscriptions exceeding US$4 billion, four times higher than their issuance. This batch of green bonds was subscribed by more than 100 international institutional investors, and eventually 50% was allocated to Asian investors, 27% to European investors, and 23% to US investors.

The financial secretary of Hong Kong said that the global investors' positive response to the issue proves that they are affirming the credit situation of Hong Kong and reflects their support for Hong Kong's efforts to promote sustainable development and combat climate change. The funds raised by the government's green bond program will be transferred to the Capital Works Reserve Fund to provide funding for public works projects that are environmentally friendly and promote the sustainable development of Hong Kong.

Green bonds can flourish in Hong Kong. Why not green Sukuk? In my previous report 'Can Hong Kong have a NASDAQ-like Sukuk listing to platform?' (Volume 16 Issue 42) dated the 23rd October 2019, I have provided the importance of this issue. Hong Kong should seriously face this trend by establishing such a listing platform to grab some excellent green Sukuk issuers like the IsDB, in order to shorten its distance with Dubai and other leading Islamic finance centers. Hong Kong should act on it without further delay.

Wafee Yeung is the managing director of Allalah Consulting. He can be contacted at wafee@allalah.com.

IsDB's 'AAA'-rated Green Sukuk is the first in global capital markets

The IsDB, post an announcement in the Sukuk Summit in Luxembourg, successfully priced its pioneering green Sukuk with an issue size of EUR1 billion, which is also its first denominated in euros. Additionally, the Sukuk is also the first ever 'AAA'-rated green Sukuk in global capital markets. It was priced at par with a profit rate of 0.037% payable annually with the EUR1 billion issued in five-year trust certificates.

Sukuk proceeds would be utilized in climate change and green projects in the 57 member countries of the IsDB. The initiative, to attract socially responsible investors as well as to encourage investment to combat climate change, synchronizes with Luxembourg's 2030 agenda for sustainable development goals.

European investment banks foretell a fall in bonuses attributed to reasons like shrinking revenue, negative rates and costly technological upgrades, among others. The notable feature in this scenario is that the budget for IT and cyber-security would remain unchanged on account of the high demand for expertise in these domains for the finance industry. The year witnessed job cuts and cost-saving initiatives at the largest banks in the region, and this is likely to continue.

Meanwhile automation and comprehension challenges resulting from financial machine-learning will increase the job cuts, creating the requirement for personnel endowed with both financial acumen and the ability to work with algorithms. Technology is developing at a very fast pace, and for any technological tool to be used in financial dealings efficiently utilizing its maximum advantage, appropriate regulations need to be in place. Usage of technology without appropriate laws to regulate it, like blockchain for example, can result in an increase in cybercrime and money laundering.

Facebook, with its cryptocurrency strategy, drew a warning from the European Central Bank on the need for regulations to ensure a seamless integration of tech giants with the finance industry. Islamic finance can take an opposite strategy with a similar outcome by integrating its financial domain with the requisite emerging technologies supported by regulations.

The first step can be a global cryptocurrency or even a digital currency for financial dealings in the Islamic finance sector across borders, with its own exchanges for converting the digital currency to fiat. Transactions across borders can take place in the digital currency, absolving the loss in exchange rates across different geographical regions. The banks can even function like exchanges where they add a slightly higher transaction fee to compensate for the exchange into digital currency, which should be priced less than the exchange rate for converting from the sender's fiat to the receiver's fiat.

To accomplish any dealing in the sector, the client would need to purchase the global digital currency first. This can later on be upgraded to a cryptocurrency, when a scalable and secure blockchain platform is available for mass usage. The functioning can be analogous to Stellar blockchain's XLM for global financial transactions, but in a digital currency functioning in a centralized environment.

The year witnessed a manufacturing slowdown with concerns of recession in the air in Germany, which has been impacted negatively by the US-China trade war. A recession in Germany will have negative connotations for the rest of Europe. However, Luxembourg witnessed an increase in retail sales and this can be an avenue to target the consumers of the halal economy in the region while encouraging Shariah compliant investment in the sector.

Nida Khan is a doctoral researcher at the SEDAN Research Group of the Interdisciplinary Centre for Security, Reliability and Trust. She can be contacted at nida.khan@uni.lu.

Halal industry, green and sustainable finance: A match made in heaven

IFN Green and Sustainable Finance Forum, which took place in Kuala Lumpur on the 3rd December 2019, brought together over 260 delegates including policy-makers, financial institutions, asset managers, institutional investors and members of the public.

The event, organized by REDmoney events, highlighted the opportunities for Islamic finance and banking to support and fund projects related to green and sustainability in key sectors such as agriculture, education, health and housing. The one-day event featured a series of keynotes, interviews and panels from various local and international speakers.

In the session "Developing Sustainable Finance in Southeast Asia through Islamic Finance and Investment", all panelists including myself acknowledged that the interest toward green and sustainable finance is growing massively. Indonesia as one of the emerging countries began to take a step forward in promoting sustainable finance by introducing the Roadmap for Sustainable Finance and becoming the first country to issue a sovereign green Sukuk.

Another area focusing on the promotion of sustainable agenda is social finance; Indonesia combines commercial finance and social finance through cash Waqf-linked Sukuk, Sukuk-linked Waqf, Islamic rural banks and microfinance institutions like Baitul Maal wat Tamwil (BMT), among others.

Green and sustainable finance should also be used to support the development of the Halal industry, particularly to meet the growing demand for Halal products. Green, sustainable finance and the Halal industry is a match in heaven.

Meanwhile, the regional head of commercial and transaction banking (Islamic) of CIMB, Hussam Sultan, emphasized three points in the session. First, green and social elements are already embedded in Islamic finance. Thus, there should not be green Sukuk because Sukuk should already be green and responsible. Second, SMEs should also be engaged and linked in our development as we go along. Lastly, the role that accounting standards play in making sure whatever the businesses do and their impact on earth are reflected and measured in financial statements.

Southeast Asia has huge potential to lead the world in the development and promotion of green and sustainable finance particularly in the key sectors, and green Sukuk has become the most powerful tool in providing funds to these sectors.

As the last remarks of the session, Hussam said: "Doing good to society should not be something that we should discount. We should be proud of it; even if the financial return is lower, the return to society is higher."

Dr Sutan Emir Hidayat is the director of Islamic financial education and research at the National Committee for Islamic Finance, Indonesia. He can be contacted at sutan.emir@knks.go.id.

Indonesia's green retail Sukuk: First of its kind

The world's most populous Islamic nation recently reinforced its status as a leader in the sovereign green Sukuk market while attracting a new generation of investors with its first-ever green retail Sukuk. NESSREEN TAMANO has the details.

Indonesia's IDR1.46 trillion (US$104.1 million), two-year Green Retail Sukuk ST006 offered a 6.75% floating rate (with floor) coupon with a fixed spread of 175bps and was traded online to attract younger investors. The issuance welcomed 7,735 investors (2,908 new and more than 51% of the total were millennials), with an order volume of IDR189 million (US$13,476.3) per investor.

"The demand is quite big; it shows the millennial generation's interest in investing in Islamic government securities. This is what the government expects to increase financial inclusion, especially from the millennials," a representative from the Indonesian Ministry of Finance's Directorate of Islamic Financing told IFN.

The issuance of the green retail Sukuk facility — structured under the Wakalah concept — was in collaboration with 23 partners including Bank Central Asia, HSBC Indonesia, Bank Mandiri, Bank Negara Indonesia, PermataBank, Modalku, Danareksa Sekuritas and Investree. Proceeds from the Sukuk will be used to finance and refinance environmentally friendly projects, targeting five areas of the global Sustainable Development Goals (SDGs) such as innovation and infrastructure, clean and affordable energy, and sustainable communities.

The Directorate of Islamic Financing said there were three main reasons why they chose an Islamic issuance over a conventional one. The first is the similarity of issuance structure, as the Green Bond/Sukuk Framework requires underlying assets, just as Islamic government securities do to ensure Shariah compliance. Another reason is legal — Law Number 19/2008 on Islamic Government Securities stipulates that Islamic government securities be issued for budget financing that includes project financing, whereas Law Number 24/2002 on Government Securities (conventional) do not regulate that conventional bonds be used for project financing.

The third reason — a compelling one — is that the country has had substantial experience in issuing green Sukuk, having done so in the global market in 2018 and 2019. This time around, leveraging on this past experience, the Indonesian government is tapping the domestic market with a green retail Sukuk, a unique issuance and the first of its kind.

"The Green Retail Sukuk ST006 is unique in that it was issued using a green framework, in which the underlying assets are green projects already marked as Climate Budget Tagging in the national budget. The issuance will also follow the existing green framework mechanism, which includes green impact reporting."

The issuance was not without challenges — the green retail Sukuk paper was issued with the slowdown of the global economy in the background, with central banks including Bank Indonesia (BI) cutting rates up to four times since the start of 2019.

"The return for retail government Sukuk therefore tends to also be lower, as the BI rate is used as the reference rate. The government had to then transform the key message while marketing the retail green Sukuk, from return-oriented only to green and sustainable issues, encouraging investors to buy green Sukuk to contribute to combating the impact of climate change," the directorate said.

ST006 Green Retail Sukuk

IDR1.46 trillion

Ministry of Finance
Republic of Indonesia

26th November 2019

Issuer	The Republic of Indonesia, through Perusahaan Penerbit SBSN as the SPV
Obligor	The Republic of Indonesia
Size of issue	IDR1.46 trillion
Mode of issue	Bookbuilding through distribution channels (selling agents)
Purpose	Financing/refinancing green projects/assets
Tenor	Two years
Issuance price	100%
Profit rate	6.75% floating with floor (175bps fixed spread to BI 7-DRRR)
Payment	Bullet
Currency	Indonesian rupiah
Maturity date	10th November 2021
Bookrunners	Distribution channels: 15 banks, three securities houses, five fintech companies
Face value / minimum investment	IDR1 million (US$71.3)
Governing law	Law number 19/2008 on Islamic government securities
Shariah advisor	National Sharia Board (DSN-MUI)
Structure	Wakalah
Tradability	Non-tradable
Investor breakdown	Resident individual investors, total 7,735 investors
Underlying assets	Eligible green projects under the state budget

CIMB focuses on sustainability-linked financing

CIMB Group, the parent of CIMB Islamic, has allocated RM3 billion (US$731 million) for its recently launched Sustainability-Linked Loans, a type of financing instrument and/or contingent facility where the borrower receives financing incentives upon achieving pre-agreed sustainability performance targets, aligned with any of the UN Sustainable Development Goals, according to Bernama.

IsDB pledges support for refugees

The IsDB, along with other multilateral development banks (MDBs) such as the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank and the World Bank Group, has pledged its support for refugees and people affected by forced displacement, including hosting communities, across a wide range of sectors and policy instruments, according to a press release.

The MDBs will promote and support the essential contribution of the private sector to develop sustainable and inclusive programs, with the Global Compact on Refugees, a framework to ensure more predictable and equitable sharing of responsibility.

GPIF partners with IsDB

The IsDB has partnered with Japan's Government Pension Investment Fund (GPIF) to support the further development of sustainable and green Sukuk markets in its pursuit toward achieving the UN Sustainable Development Goals (SDGs) in its 57 member countries, confirmed a statement. Under this agreement, asset managers of the GPIF will explore green, social and sustainable investments with a focus on climate mitigation and adaptation, poverty alleviation and women and youth development in the member countries. The partnership is in line with the IsDB President Five-Year Program.

IsDB issues maiden green Sukuk

The IsDB has raised EUR1 billion (US$1.1 billion) from its first-ever green Sukuk issuance. The five-year paper carrying a 0.04% profit rate, which is the lowest profit rate in IsDB history, received very strong demand, according to a press release. Reuters had reported that the 'AAA'-rated financial institution was offering investors 28bps over midswaps for the debt sale.

The deal attracted several new investors from Europe including Swiss National Bank and many asset managers specializing in green financing whom the IsDB met on a roadshow in Luxembourg this month. Investors also included a couple of multilateral partners including the World Bank.

Working group formed to advance sustainable finance

A working group consisting of UAE regulators, authorities and financial exchanges has been formed to advocate sustainable finance and investments for the long-term growth of the UAE economy, according to a press release.

The Working Group on Sustainable Finance includes the Central Bank of the UAE, the Securities and Commodities Authority, the UAE Insurance Authority, the Dubai Islamic Economy Development Centre, the Dubai Financial Services Authority, the Dubai International Financial Centre, NASDAQ Dubai, the Dubai Financial Market and the Abu Dhabi Securities Exchange, among others.

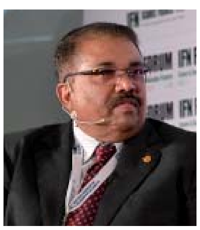
IsDB inks MoU with CEDARE

The IsDB has signed an MoU with the Centre For Environment and Development for the Arab Region and Europe (CEDARE) to enhance and formalize cooperation and collaboration between the two parties, according to a statement.

The main objective of the MoU is to promote knowledge-sharing, co-finance programs and projects, build climate and environmental resilience and promote socioeconomic development sustainability, in addition to providing coordinated and harmonized technical assistance to their common member countries in a cost-effective and efficient manner

Developing Sustainable Finance in Southeast Asia through Islamic Finance and Investment

Southeast Asia has the potential to become a global leader in the development and promotion of sustainable finance across a wide range of key sectors, including energy, agribusiness, healthcare and education. However, now is the time to push forward and build on existing achievements. What must governments, regulators and the private sector do to create effective responsible finance ecosystems and build toward the achievement of the UN Sustainable Development Goals such as the alleviation of disease and reduction of global population displacement? What role can the regional Islamic finance industry play?



PROF DR OBIYATHULLA ISMATH BACHA

Board Member, Bank Kerjasama Rakyat Malaysia

CHORTIP SVETARUNDRA

Director, Bond Department, Securities and Exchange Commission, Thailand

HUSSAM SULTAN

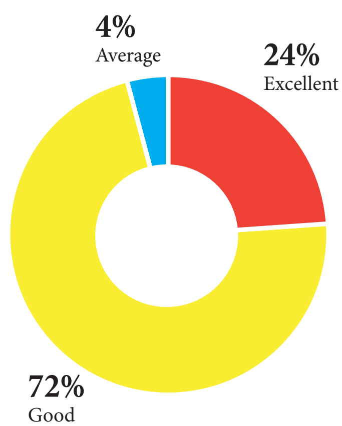
Regional Head, Commercial and Transaction Banking (Islamic), CIMB

NIELS KNUDSEN

Deputy Resident Representative, Malaysia, Singapore, Brunei Darussalam, United Nations Development Programme

DR SUTAN EMIR HIDAYAT

Director of Islamic Financial Education and Research, Komite Nasional Keuangan Syariah (National Committee of Islamic Finance)



Financing Renewable, Responsible, Social and Sustainable Projects

What role does Islamic finance play in the funding of green, sustainable, social and responsible initiatives and how available are Islamic facilities for these projects in reality? Through an expert panel, we analyze project uses, product structures, rating and reporting issues and ask how Islamic financial products can provide effective funding for sustainable and environmentally responsible projects and initiatives in Southeast Asia. What of other important strategic sectors: healthcare, housing, education and agriculture?

FIROZ ABDUL HAMID

Advisor, Bank Kerjasama Rakyat Malaysia

CHAIRIL NAZRI AHMAD

Head of Sector – Energy and Facilities Management, UiTM Holdings

ERNEST NAVARATNAM

Group CEO, Cenergi SEA

JUNIZA ZAHARI

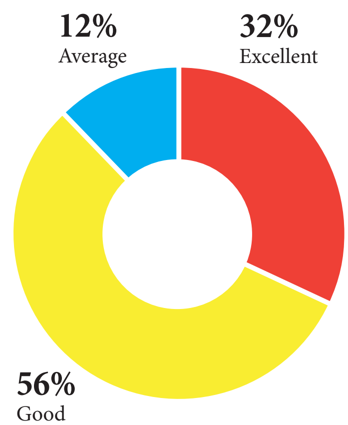
Director, Debt and Capital Markets, Affin Hwang Investment Bank

ROZANI OSMAN

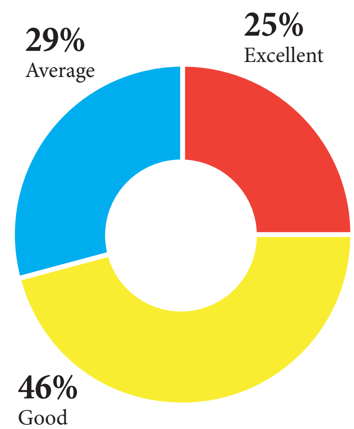
Senior Financial Sector Specialist, The World Bank

SID KUSUMA

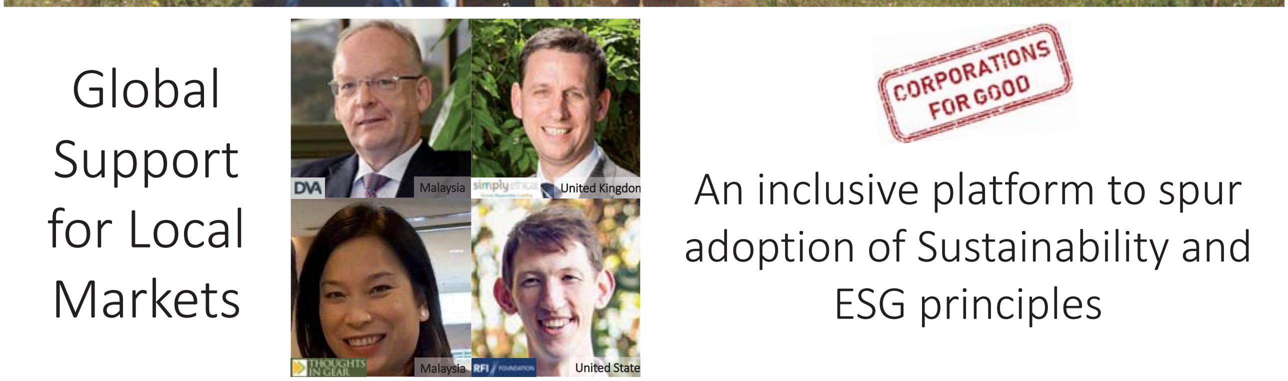
Senior Vice-President – Head of Securitization, Sarana Multigriya Finansial



Presentation: Corporations for Good — Democratizing Sustainability in Malaysia



MARGIE ONG — *CEO, Thoughts in Gear*



Our gathering in November had:

- Regulators
  (Securities Commission and Bursa)
- Government
  (Ministry of Trade)
- Companies
  (of all sizes and industries)

Reach out to us if:

- You want to be a corporation for good
- You want to start the movement in your country

Environmental, Socially Responsible Investing and Islamic Investment: Opportunities for Development and Growth

We examine responsible investment in Asia and ask how ethical and Islamic finance can potentially become closer interlinked. We also discuss how Southeast Asia can grow its existing environmental, social and governance (ESG) niche among asset managers and owners and what role Islamic and ESG asset management can play toward achieving the UN Sustainable Development Goals. How can the industry overcome the relative scarcity of credible climate-related and low-carbon investment opportunities and what role do institutional investors play in the shift toward sustainable investments? Lastly, how can ESG risk, reward and impact be effectively measured and evaluated, and what benchmarks and tools are available?

MARGIE ONG

CEO, Thoughts in Gear

ALEX ROWE

Portfolio Manager, Nomura Global Sustainable Equity, Nomura Asset Management

AZMAN ZAINUDDIN

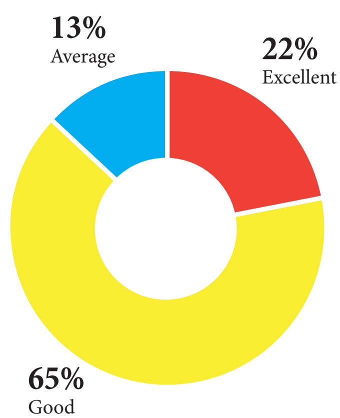
CEO, Quantum Solar Park

HAKAN OZYON

Senior Portfolio Manager, Global Ethical Fund

SIMON CHEN

Vice-President — Strategy and Business Management, Moody's Investors Service



Finance, Technology, Innovation and Sustainability

What role do technology and innovation play in bringing together corporates, projects, asset owners and investors toward the growth of sustainability, responsible corporate finance and behavior?

VINEETA TAN

Managing Editor, Islamic Finance news

BIKESH LAKHMICHAND

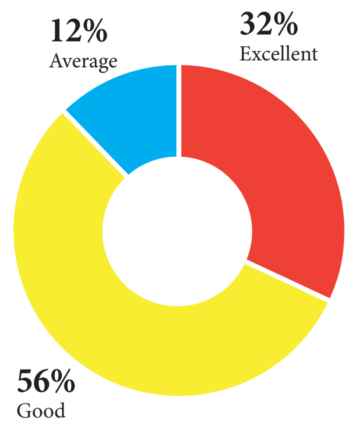
CEO, 1337 Ventures

RAHEEL IQBAL

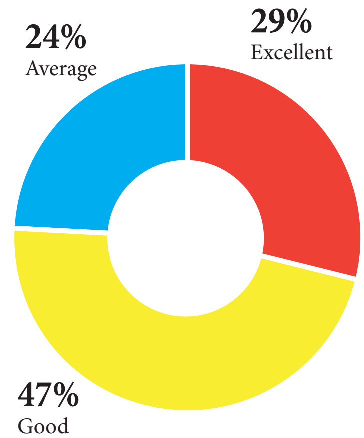
Managing Partner, Codebase Technologies

SHUBHOMOY RAY

Founding Partner, InfraBlocks Capital



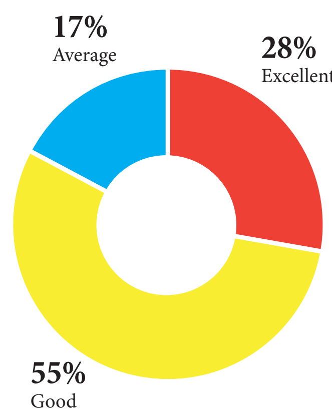
Keynote Interview: Financing Sustainable Energy in Malaysia and the Region



Interviewer: **DR WEI-NEE CHEN** — *Chief Strategy Officer, The Sustainable Energy Development Authority (SEDA) Malaysia*
Interviewee: **HATINI MAT HUSAIN** — *Senior Director/Head Debt Markets Advisory, Affin Hwang Investment Bank*

HARD Issues: Making Sustainability Matter

Through a short, concise interview, we step outside the comfort zone and ask the tough questions the industry wants to hear.



Interviewer: **DR SIMON LORD** — *Chief Sustainability Officer, Sime Darby Plantation*
Interviewees: **ASHRAF GOMMA ALI** — *Regional Head, Shariah Advisory and Governance/Positive Impact and Responsible Banking, CIMB Islamic*

SPEAKERS' LIST

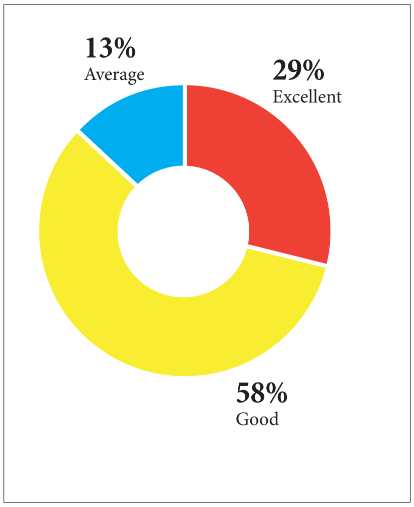
Name	Company Name
ADNAN ZAYLANI	Bank Negara Malaysia
ALEX ROWE	Nomura Asset Management
ASHRAF GOMMA ALI	CIMB Islamic
AZMAN ZAINUDDIN	Quantum Solar Park
BIKESH LAKHMICHAND	1337 Ventures
CHAIRIL NAZRI AHMAD	UiTM Holdings
CHORTIP SVETARUNDRA	Securities and Exchange Commission, Thailand
DR SIMON LORD	Sime Darby Plantation
DR SUTAN EMIR HIDAYAT	Komite Nasional Keuangan Syariah (National Committee of Islamic Finance)
DR WEI-NEE CHEN	The Sustainable Energy Development Authority (SEDA) Malaysia
ERNEST NAVARATNAM	Cenergi SEA
FIROZ ABDUL HAMID	Bank Kerjasama Rakyat Malaysia
HAKAN OZYON	Global Ethical Fund
HATINI MAT HUSAIN	Affin Hwang Investment Bank
HUSSAM SULTAN	CIMB
JUNIZA ZAHARI	Affin Hwang Investment Bank
MARGIE ONG	Thoughts in Gear
NIELS KNUDSEN	United Nations Development Programme
PROF DR OBIYATHULLA ISMATH BACHA	Bank Kerjasama Rakyat Malaysia
RAHEEL IQBAL	Codebase Technologies
ROZANI OSMAN	The World Bank
SHUBHOMOY RAY	InfraBlocks Capital
SID KUSUMA	Sarana Multigriya Finansial
SIMON CHEN	Moody's Investors Service
VINEETA TAN	Islamic Finance *news*
ZAINAL IZLAN ZAINAL ABIDIN	Securities Commission Malaysia

COMPANIES' LIST

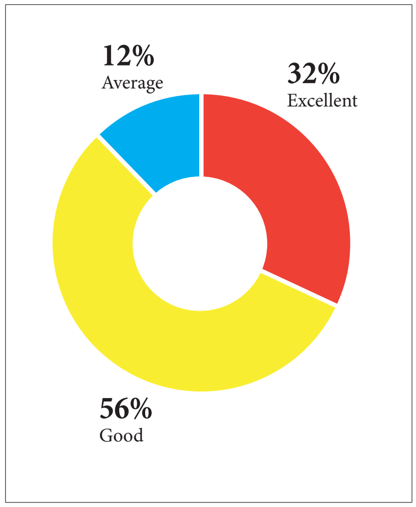
Accenture
Adnan Sundra & Low
Affin Hwang
Aichmi Group
Airestec
Alliance Islamic Bank
Ambank
Ambank Islamic
Amundi Islamic
Apad
AR Consultancy
Asia Meranti
Azmi & Associates
Baker McKenzie
Bank Islam
Bank Muamalat
Bank Negara Malaysia
Bank Pembangunan Malaysia
Bank Rakyat
Bill Morrisons
BNP Paribas
British High Commission
Capital Markets Malaysia
CDP Hong Kong
Chemlab
Chen Yidan Foundation
Christopher Joseph & Associates
CIMB Islamic Bank
DDCAP
Deloitte
Desaku Maju Marketing
Eastspring Investments
Employees Provident Fund
Eternal Asset Management
Etiqa Family Takaful
Etiqa Insurance & Takaful
Fasset
FX2 Ventures
Genesis Advent Group
Hamzah Daud Daros & Siti Nor
Herbert Smith
HSS Engineers
IAP Integrated
IIBF
INCEIF
Institute of Actuaries
International Islamic University Malaysia
International Shariah Research Academy for Islamic Finance
Intersoft
Jezzelton Enterprise
KIC Resource
Koperasi Tentera
Kumpulan Wang Persaraan
Kuwait Finance House
Limkokwing University
LTT Global Communications
Malaysia Herbal Soap
Malaysian Global Innovation & Creativity Centre
Malaysian Investment Banking Association
Maybank Islamic
Mayuree International
MDEC
Mercy Mission Malaysia
Mestecc
Midas Capital Alliance
Molpay
MRA Consultants
MSIM Holdings
Muamalat Invest
Muhibbah Engineering
Neo Craft & Creation
Nextgreen Global
Nomura
OCBC Bank
Perbanas University
Permodalan Nasional
PM tv
Prudential Assurance
Putra Business School
Rahmat Lim & Partners
RHB Bank
RHB Investment Bank
RHB Islamic Bank
RHB Islamic International Asset Management
Samo Education Solution
Sapura Secured Technologies
Saturna
SCG Capital Group
Securities Commission Thailand
Securities Commission Malaysia
Siti Nor & Partners
SME Corporation Malaysia
Standard Chartered Bank
Standard Chartered Saadiq
Starterpod
State Insurance Brokers
Sustainable Development & Renewable Energy
Syarikat Takaful Malaysia
Szabist University Pakistan
TA Securities
Teknologi Tenaga Perlis Consortium
Thoughts in Gear
TKA Group
Umison Construction
Unitec Institute of Technology
United Overseas Bank
Universiti Kebangsaan Malaysia
Universiti KL
Universiti Sains Malaysia
Universiti Tunku Abdul Rahman
University of Port Harcourt
UOB
Utrecht University
Viavisi
WM & Co
Wong & Partners
WWF Malaysia
Yayasan Bank Rakyat
Yayasan Peneraju Pendidikan Bumiputera
YBL Resources
ZA Bank

OVERALL EVALUATION

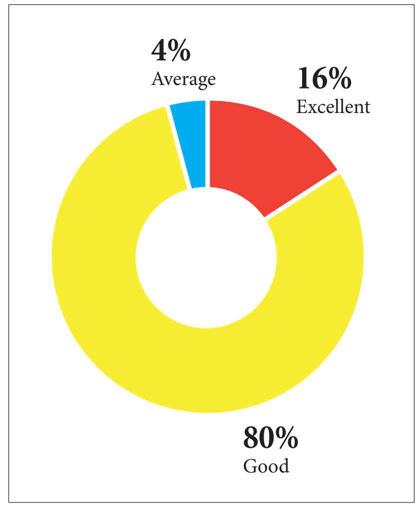
Pre-event Contact



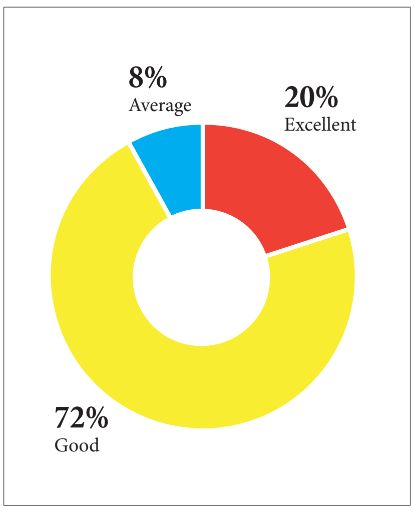
Venue & Facilities



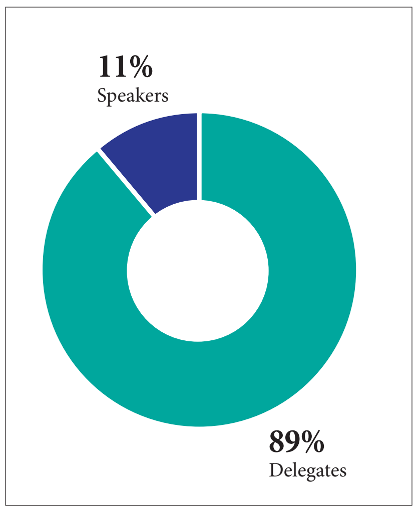
Overall Evaluation of the Event



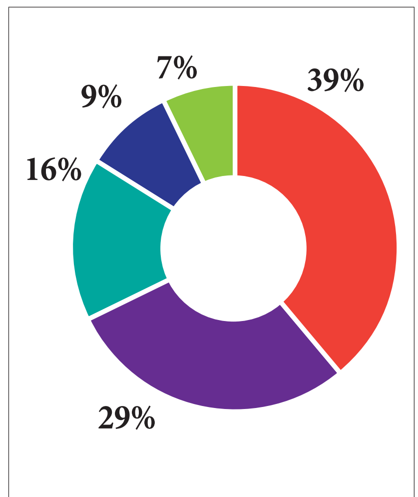
Overall Evaluation of the Speakers



Delegate Breakdown

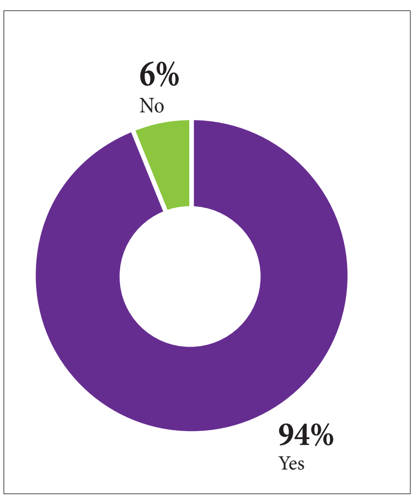


Delegate Job Title Breakdown



Delegate Job Title	No
Board Level Management	97
Senior Management	74
Management	39
Executive	23
Others	18
Total	**251**

Delegates Who Would Like to Attend IFN Green & Sustainable Finance Forum 2020



Delegate Breakdown (International & Local)