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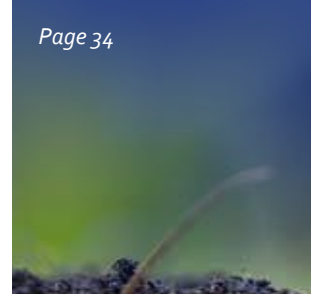
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SRI, ETHICAL AND GREEN: AN EMERGING MARKET

Socially responsible investing, also known as ethical and green investing, means investing in companies engaging in ethical and socially-conscious themes like environmental sustainability. Over the past 12 months, investment related to environmental, social and governance (ESG) and sustainable and responsible investment (SRI) continue to gain significant global momentum, including in the Islamic finance space. JEVITHA MUTHUSAMY writes.

Green and SRI Sukuk

Overview

The Climate Bonds Initiative (CBI)'s report indicated that green bonds worth US\$258.9 billion were issued in 2019, an increase compared with US\$171.2 billion in 2018. Meanwhile, the nascent green Sukuk market has been rapidly growing over the years. Despite the overall growth, according to the CBI, green bonds, loans and Sukuk included in the Climate Bonds database for the first half of 2020 are down 26% year-on-year, reaching a total volume of US\$91.6 billion likely as a result of the COVID-19 pandemic. According to IFN, green Sukuk issuance from June 2017 to the 15th September 2020 stood at US\$8.53 billion while green Sukuk outstanding stood at US\$506.05 million.

Issuances

Saudi Electricity Company in September 2020 issued its US dollar-denominated, fixed-income, **international green Sukuk** which also received an 'A2' rating with a negative outlook from Moody's Investors Service.

Meanwhile, IFN has learned that Uzbekistan is planning to tap the **green Sukuk market** and Atabek Nazirov, the director of Uzbekistan's Capital Markets Development Agency, said that more details on the Sukuk deal will be confirmed soon.

In June 2020, the IsDB issued a five-year **US\$1.6 billion green Sukuk** facility with proceeds from the issuance being used to finance projects in member countries in response to the coronavirus crisis while in November 2019, the IsDB **raised**

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EUR1 billion (US\$1.18 billion) from its first-ever green Sukuk issuance.

The Indonesian government in the same month received an orderbook of **US\$16.66 billion for its US\$2.5 billion green Sukuk** comprising a five-year US\$750 million paper, 10-year US\$1 billion facility and a 30-year US\$750 million Wakalah paper. Separately, Indonesia offered the retail **green Sukuk series ST007** from the 4th November to the 25th November 2020 which received a total of IDR5.42 trillion (US\$382.81 million) in sales. The settlement for the retail green Sukuk series ST007 was carried out on the 2nd December 2020. The country also issued a **green Sukuk facility** in 2019 worth IDR1.46 trillion (US\$97.37 million).

Meanwhile, CIMB Niaga Syariah is **looking to issue green Sukuk** in line with the UN Sustainable Development Goals.

In June, comprising Turkey's **Zorlu Energy** became the first green Sukuk issuer in its country. The green Sukuk facility which targets qualified investors is part of a TRY450 million (US\$60.23 million) issuance program.

“As GCC countries look toward less carbon-intensive economies, this could fuel the rise in green projects which are likely to be funded through the Sukuk market”

Malaysia's Edra Solar, in September 2019, issued its RM245 million (US\$58.92 million) Edra Solar's Sustainability SRI Sukuk, Malaysia's first ASEAN SRI Sukuk, proceeds from which will be used to finance Edra Solar's 260-acre 50 MWac solar power plant in Kedah while Cypark Resources raised RM550 million (US\$128.82 million) through a SRI Sukuk Murabahah program in 2019 that will be channeled to three 30 MWac solar photovoltaic projects.

In the same year, the UAE's Majid Al Futtaim sold a US\$600 million 10-year corporate green Sukuk facility that was oversubscribed multiple times with proceeds from the Sukuk being used to fund environmentally-friendly projects in areas such as renewable energy and sustainable water management.

Other developments

Halpro Engineering in October 2019 was awarded the **highest Environmental Benefit rating** by RAM Sustainability for its solar

plant under its proposed RM195 million (US\$46.9 million) green Sukuk, placing it in the Tier-1 Environmental Benefit category.

In the third quarter of 2019, the **Dubai Islamic Economy Centre** signed an MoU with the Dubai International Financial Centre, the Dubai Financial Market and the CBI to share knowledge and expertise on growing green Sukuk.

The IsDB in an agreement has partnered with Japan's Government Pension Investment Fund to support the further **development of sustainable and green Sukuk markets** in its pursuit of achieving the UN Sustainable Development Goals in its member countries. ESG and the capital market

Over the past 12 months, a number of value-based investments have been rolled out in several countries.

In August 2020, Maybank Asset Management launched the **Maybank Global Sustainable Equity-I Fund**, an ESG portfolio looking to invest in a diversified portfolio of global Shariah compliant equities.

The **Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF)** Sectoral Guide Working Group has issued the first cohort of the VBIAF Sectoral Guides on Palm Oil, Renewable Energy and Energy Efficiency in August 2020 which looks to incorporate ESG risk considerations in the financing and investment decision-making process.

In June 2020, **Capital Markets Malaysia** launched the Malaysian Sustainable Finance Initiative which consists of workshops and training courses to foster greater understanding of financing solutions through the lens of ESG factors.

Meanwhile in January 2020, BNP Paribas Asset Management rolled out its ESG compliant fund, the **BNP Paribas Greater China Equity Syariah USD fund**, which focuses on China's Islamic equity market.

The Securities Commission Malaysia in November 2019 released the Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market which aims to create a facilitative SRI ecosystem and chart the role of the capital market in driving Malaysia's sustainable development.

Malaysia's Public Mutual in November 2019 launched its **Public e-Islamic Sustainable Millennial Fund** to tap into the growing demand for sustainable investment strategies driven by millennials.

In August 2019, the **Dubai Financial Market** launched its Guide on Environmental, Social and Governance Reporting to promote issuers' embracing of ESG best practices.

Meanwhile in 2019, Fitch Ratings launched its **ESG scores for Islamic banks** which capture heightened reputational risk compared to their conventional peers.

Outlook

As SRI becomes increasingly popular, green bonds and Sukuk issuances are expected to increase. Meanwhile, as GCC countries look toward less carbon-intensive economies, this could fuel the rise in green projects which are likely to be funded through the Sukuk market. (F)



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KEYNOTE ADDRESS BY SHARIFATUL HANIZAH SAID ALI, THE EXECUTIVE DIRECTOR OF ICMD AT THE SECURITIES COMMISSION MALAYSIA, AT IFN GREEN & SUSTAINABLE FINANCE ONAIR FORUM



Distinguished guests, ladies and gentlemen, Assalamu'alaikum and a very good day to all.

Firstly, I would like to thank the organizers, REDmoney and its forum partners, for inviting me to this event.

Although this event is conducted virtually or 'on-air' as the forum says, it is encouraging to note the industry's ongoing passion and participation for the sustainability agenda. The alignment of sustainable finance to the values and principles of Islamic finance and investing has become a globally accepted concept among issuers and investors.

Recognition of this alignment is at the heart of the SC [Securities Commission

Malaysia]'s initiatives in sustainable financing which we embarked on in 2014 when the SC issued its SRI [sustainable and responsible investment] Sukuk Framework.

Since then, there has been significant traction in this space. I believe Malaysian issuers have issued the largest number of corporate Sukuk issuances to date, currently standing at 11 green and sustainable Sukuk issuances. This is due in no small part to the entire ecosystem of industry players. It has been heartening to note that our intermediaries — from the investment banks to the rating agencies, law firms and Shariah advisors have accepted and embraced the need for sustainable financing and have



SHARIFATUL HANIZAH SAID ALI
Executive Director, Islamic Capital Market Development, Securities Commission Malaysia

worked alongside the regulators to advance its development.

As 2020 draws to close, allow me to first highlight some of the SC's more recent efforts in championing and facilitating sustainable finance.

At the end of 2019, the SC revised its SRI Sukuk Framework, expanding the list of SRI projects deemed eligible under the framework to provide clarity while encouraging diversity and innovation in the types and variants of sustainable Sukuk. To date, the 11 corporate issuances are to finance a range of projects including large-scale solar [projects], green buildings, hydropower and education.

As we continue to build up a holistic sustainable finance ecosystem, to those in the audience, allow me to encourage you to consider other innovative projects that may be financed under the framework. Growth and development in this space will be underpinned by the breadth of projects and innovative transactions.

To further encourage sustainable finance, the government of Malaysia in its budget proposal last month announced measures that I believe will continue to advance Malaysia on an upward trajectory in developing its sustainable finance ecosystem.

To encourage the issuance of sustainable Sukuk and bonds, the SRI Green Sukuk Grant issued by the SC has now been extended to cover not just green Sukuk but all types of SRI Sukuk and bonds. Further, the tax exemption on this grant has been extended for five years ending 2025.

The government will also continue the Green Technology Financing Scheme 3.0 or GTFS3.0 with a fund size of RM2 billion [US\$499.04 million] for two years up to 2022 which will be guaranteed by Danajamin to encourage the issuance of SRI Sukuk. The GTFS is a special financing scheme that was first introduced in 2010 by the government to support the development of green technology in Malaysia.

Earlier this year, the Malaysian government issued the 'Sukuk Prihatin' to contribute toward the country's economic recovery following the COVID-19 pandemic. Following this, the government has announced the issuance of its first sovereign

sustainability bond or Sukuk for environmental and social initiatives in 2021. This issuance will be yet another significant milestone for Malaysia in signaling the commitment by the country as a whole — government, regulators, investors, corporates and intermediaries.

I would be remiss if I did not speak on the impact that COVID 19 has had on our efforts in driving the sustainability agenda. I assure you that the agenda has not taken a back seat. If anything, the pandemic has provided greater impetus, urgency and motivation to consider environmental, social and governance factors in how to move forward.

While funding a transition to a low-carbon economy is still high on the sustainability agenda, we are now taking a closer look at how funding can make a greater impact on social issues: protecting jobs and livelihoods, ensuring greater equality and alleviating poverty.

In this regard, the capital market is well placed to utilize the concept of Waqf or Islamic endowment, which we believe can be a tool for growth in the social finance space.

In this context, I am pleased to share another recent milestone by the SC. Last month, the SC launched the Waqf-Featured Fund Framework to facilitate the offering of unit trust funds and wholesale funds with Waqf features that integrate commercial and social objectives.

I am pleased to note that several Islamic fund management companies have expressed strong interest and [are] working on readiness to launch Waqf-featured unit trust funds.

For Waqf to thrive as a capital market product, it is important that there is a stable, sustainable and consistent income stream from Waqf assets. On the topic of Waqf, allow me to once again urge you to look beyond the norm, to consider the possible innovative, diversified use of Waqf assets, perhaps through the issuance of Waqf-enabled Sukuk for Shariah compliant social infrastructure projects.

Much work has been done in identifying how this concept, so naturally aligned with social outcomes, may be used within the context of sustainable finance and investing. I am certain that the future holds much promise for Waqf-enabled sustainable financing and funding and I



look forward to seeing how this is utilized by our industry.

Within the social finance space, Islamic crowdfunding has also been instrumental in facilitating fundraising through the capital market for social projects, particularly in the microfinance and small-to-medium enterprise (SME) segments. To date, the SC has observed that a reasonable amount has been raised through Islamic crowdfunding platforms and I expect that we will see further growth within this space as more micro enterprises and SMEs continue to seek funding to sustain and grow their businesses.

As I draw to a close, please allow me to leave you with something to consider. The pandemic has given us a new lens through which to view how and what we finance, fund and invest in.

Social, governance and environmental principles are being prioritized more than ever before and as a whole, the business world is now placing a significantly larger emphasis on the concept of 'doing good'.

As titans of the Islamic finance industry and leaders of Islamic financial institutions, I urge you all to consider how Shariah compliant finance and funding can take the lead in the delivery of innovative funding solutions that will further the development of our sustainable ecosystem.

With this, I wish to express my deepest appreciation to everyone present here today, and I look forward to the panel session ahead. Thank you. 🙏

HOW CAN ENERGY TRANSITION POWER A BETTER FUTURE?

Economic, political and environmental factors are converging on an unprecedented scale, creating a great deal of uncertainty. It is a phenomenon we are calling 'The Great Instability'.



Looking at the current global pandemic, there could be no truer example of this volatility and instability. COVID-19 has been front-of-mind for most governments and societies, but another arguably more important issue persists: climate change.

Potential solutions exist in the form of renewable energy and, fortunately, there is growing awareness of the need for advances in this area. In the era of The Great Instability, how can energy transition power a better future?

Energy transition – Not so easy

From pushing the renewables sector, encouraging adopters and innovators, and punishing carbon offenders, many governments are putting green policies on the agenda.

Governments and individuals will therefore play a crucial role in the energy transition, as will technology and science. In particular, our ability to produce, transport and consume renewable energy.

The energy sector itself will also play a crucial role, as a source of both emissions and solutions. Energy companies have a focus on reducing their carbon footprint and innovating in renewables, and many offer interesting business models. How long this transformation will take and how much it will cost is something to consider when looking at the full picture.

Reshaping energy production

Energy is literally everywhere, we possess global sources of sustainable energy, with no hegemonic states or powers to control their access and prices. Moreover, unlike coal and oil, renewable energy does not require significant transformation.

Despite this, it is still quite expensive to provide sufficient generation capacity and speed to meet today's huge energy demands, and new infrastructures are needed.

To date, high subsidies and low interest rates have facilitated significant investment and easy borrowing, helping firms to invest in research and development, bringing down the aforementioned costs.

However, monetary and fiscal policies are susceptible to change. An increase in interest rates or decrease in subsidies could hinder energy companies' access to the loans and investments needed to make energy production more cost-efficient and, in turn, jeopardize the growth of renewables.

Reshaping energy transportation

Renewable energy is harder to transport than fossil fuels, and the existing grid networks of most countries would need to be updated and connected to new production facilities, most likely at great cost.

Storage is another factor. The sun does not necessarily always shine, nor the wind blow. Yet, power is always needed. Storage is the solution and our ability to store renewable energy is improving, but remains expensive currently.

Solving these issues will require, along with innovation and scientific breakthrough, significant investment.

Reshaping energy consumption

On average, an electric car still costs more than a diesel or petrol car. For most, a like-for-like comparison will only be possible once batteries become cheaper and more efficient. Indeed, aside from their price, there are significant concerns around electric cars' range and the ability to charge them.

On the other side, more and more cities are pushing for electrifying transport, adopting more-stringent regulations and even becoming car-free. Companies and consumers are increasingly evaluating the costs and benefits of changing habits and embracing digitization and a zero-carbon lifestyle. The more the sector progresses and becomes more competitive, the quicker and easier it will gain consensus from the public.

The full picture

At BNP Paribas Asset Management, we're exploring investment opportunities in a world more uncertain than ever, and we consider renewable energy, despite certain challenges, a once-in-a-generation chance to shape a better future while targeting attractive returns. The COVID-19 pandemic has only served to reinforce this view. It has shown that despite globalization and technological advances, the world is still a fragile place and susceptible to disruptive shocks. Resiliency needs to be improved and sustainable investing has a key role to play in this.

To this end, all of our funds integrate environmental, social and governance (ESG) considerations. And for those who wish to invest with an even more explicit sustainability angle, we offer thematic investment solutions focused on environmental markets and energy transition – which are leading the transition to a sustainable economy.

Click [HERE](#) to learn more about the investment themes in The Great Instability.

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ARE YOUR ASSET MANAGERS AS SUSTAINABLE AS THEY CLAIM?

Based on recent Principles for Responsible Investment (PRI) data, there are now over 2,500 signatories (including more than 2,000 asset managers), together representing over US\$90 trillion in assets under management. That is the equivalent of the world's GDP!



While becoming a PRI signatory does include commitments such as incorporating environmental, social and governance (ESG) issues into investment decisions, actual practices often remain insufficient. This is leading to legitimate investor concerns on so-called greenwashing/ESG washing.

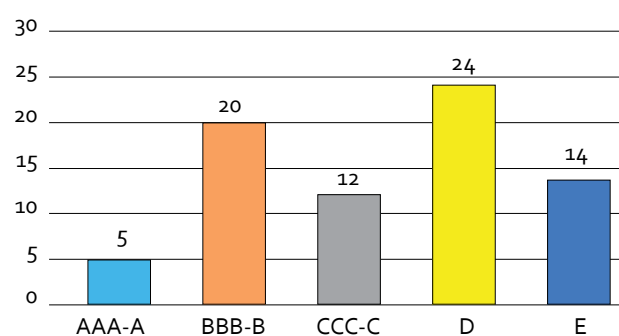
Three recent third-party assessments help lift the lid on asset managers' sustainability practices, providing enhanced transparency in the market.

ShareAction's 'point of no returns' report

This report analyzes 75 of the world's largest asset managers holding over US\$56 trillion in assets under management. Using a TCFD¹-aligned questionnaire, it assesses overall responsible investment governance, as well as three thematic areas: climate change, human rights and biodiversity.

Encouragingly, 92% of asset managers took part. This demonstrates a high willingness in the industry to engage. The results, however, are mixed. Ranging from 'AAA' ('Gold Standard') to 'E' ('Laggards'), only five managers — including BNP Paribas Asset Management — show industry leadership, having earned an 'A' rating (see Chart 1).

Chart 1: Only five asset managers achieve an 'A' rating, with over half falling in the bottom two rating bands



Source: ShareAction, March 2020

More than half — 50% of which are PRI signatories — fall into the bottom 'D' and 'E' categories. This includes the world's six largest managers. Topics-wise, the average percentage score ranges from a high of 40% for responsible investment governance to only 18% for biodiversity. That low score highlights the need for enhanced biodiversity practices.

¹ TCFD: Task force on Climate-related Financial Disclosures

WWF's 'RESPOND' study and tool on asset managers' responsible investment practices

RESPOND (Resilient and Sustainable Portfolios that Protect Nature and Drive Decarbonization), launched in January 2020, takes a slightly different angle. More than a ranking, it is designed as a tool to help asset managers improve portfolio resilience and alignment with a low-carbon and sustainable future.

Asset managers are assessed using the World Wide Fund for Nature (WWF)'s proprietary responsible investment (RI) framework. Its six pillars echo an investment consultant approach: Purpose, Policies, Processes, People, Products and Portfolio. The framework, based on public disclosure, aligns with TCFD recommendations and PRI reporting.

The report, which focused on 22 'ESG-leader' asset managers (including BNP Paribas Asset Management), showed how important first steps have been taken to address climate-related risks. It also highlights how a number of leading asset managers need to enhance existing RI policies to cover broader natural capital issues in their investments, including:

- water risk
- deforestation
- biodiversity loss, and
- ocean degradation.

They should make greater reference to science-based criteria when addressing sustainability issues in their investment portfolios.

Majority Action's 'Climate in the boardroom' report

Through investments made on behalf of their clients, asset managers hold voting rights that give them a unique position to ensure investee companies are run in the long-term interests of investors. This report analyzed voting practices of 25 of the world's largest asset managers, to assess to what extent they are fulfilling their fiduciary duty by using this influence to steer investee companies toward aligning their practices with the goals of the Paris Agreement.

Although most managers claim they support the fight against climate change, the report shows that only a few — including BNP Paribas Asset Management — have indeed translated their stated commitment into policies to consistently hold corporate boards accountable for addressing climate-related concerns, including support for climate-critical resolutions (see Chart 2).

This low number slows progress on climate action. The report says that at least 16 of these critical climate votes would have received majority support had two of the largest asset managers voted in favor.

Improving transparency and raising the bar

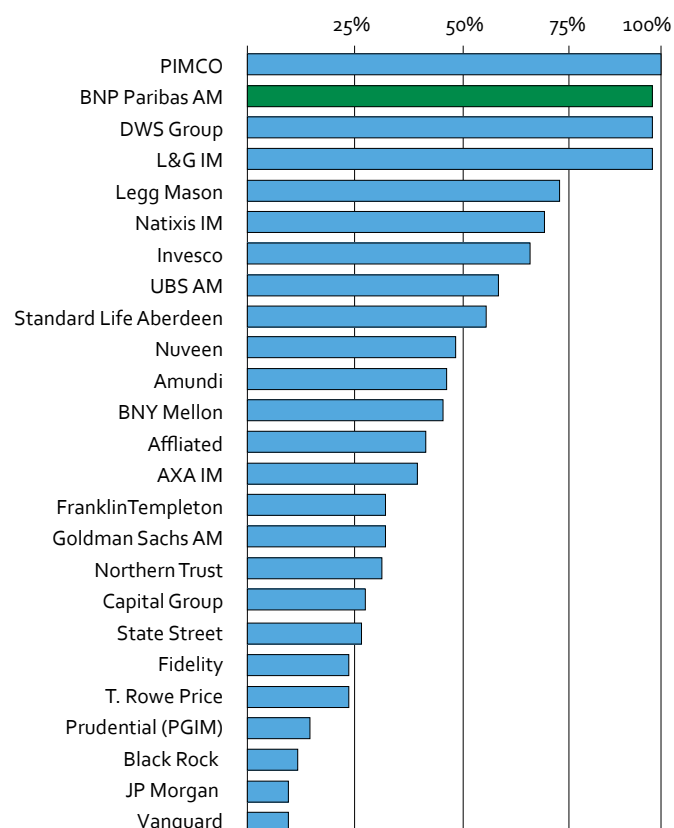
In conclusion, we believe this increased scrutiny of asset managers is welcome in three ways.

First, it provides sustainability-minded investors with useful information to help guide their decision of where to put their investments.

Second, the greater transparency and accountability help address 'greenwashing/ESG washing' concerns, creating stakeholder pressure for lagging asset managers to enhance their sustainability practices.

Third, these frameworks represent a useful tool for asset managers — including sustainability leaders — to identify areas for further

Chart 2: Only four asset managers showed consistent support for climate-critical resolutions



Source: Majority Action, September 2019

improvement and best practices in addressing pressing sustainability issues in their investments.

Any views expressed here are those of the author as of the date of publication, are based on available information, and are subject to change without notice. Individual portfolio management teams may hold different views and may take different investment decisions for different clients.

The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay. Past performance is no guarantee for future returns.

Investing in emerging markets, or specialised or restricted sectors is likely to be subject to a higher-than-average volatility due to a high degree of concentration, greater uncertainty because less information is available, there is less liquidity or due to greater sensitivity to changes in market conditions (social, political and economic conditions).

Some emerging markets offer less security than the majority of international developed markets. For this reason, services for portfolio transactions, liquidation and conservation on behalf of funds invested in emerging markets may carry greater risk.



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PUSHING MALAYSIA'S SUSTAINABLE DEVELOPMENT GOALS AGENDA

Global attention on the environmental, social and governance (ESG) front has been increasing steadily in the last few years. In 2014, Malaysia was among the first to introduce the Sustainable and Responsible Investment (SRI) Sukuk Framework. Its latest achievement was the SRI Roadmap in 2019. To date, a total of 11 corporates have gone to the SRI Sukuk market. Nine are rated and the remaining unrated. The present low interest rates are a boon to new issuers, with rates reducing from an average of 5–6% in 2017 to 4–5% for 'AA'-rated papers with similar tenors in 2020.

Growing awareness of ESG-linked indicators has also been reverberating through the banking sector. In May 2020, Axiata Group raised its inaugural US\$800 million syndicated multicurrency Islamic sustainability-linked financing (SLF).

The SLF represents a first-of-its kind Islamic financing in Malaysia, sourced from a group of banks led by OCBC Al-Amin Bank.

Unsurprisingly, commercial reasoning tipped the balance (ie better pricing levels) to encourage corporates to support the SLF objectives. Similar to international sustainability-linked loans, SLF allows

conditions to adjust the profit rate based on the customer's ESG performance in reference to the Sustainability-Linked Loan Principles.

In Axiata's SLF, the ESG conditions are tied to the company's commitment to reduce carbon emissions and continued qualification as a FTSE4Good Bursa Malaysia Index constituent (Source: Responsible Investing: Refocusing on sustainable financing, The Edge Malaysia, 1st July 2020).

Ongoing discussions between the Value Based Intermediation Community of Practitioners and Bank Negara Malaysia on modifying Islamic banks' capital charges could encourage Islamic banks to pass through more competitive prices to their customers.

Tax incentives have also been highlighted as a medium to crystallize opportunities for a successful financial close.

A key stimulus for the pipeline of SRI Sukuk (Diagram 1) had been the introduction of tax incentives in 2016. The government of Malaysia has always adopted the stance that foregone tax revenue is not considered a loss, but rather an opportunity to achieve a more stable financial market by diversifying funding sources and easing asset-liability mismatches.

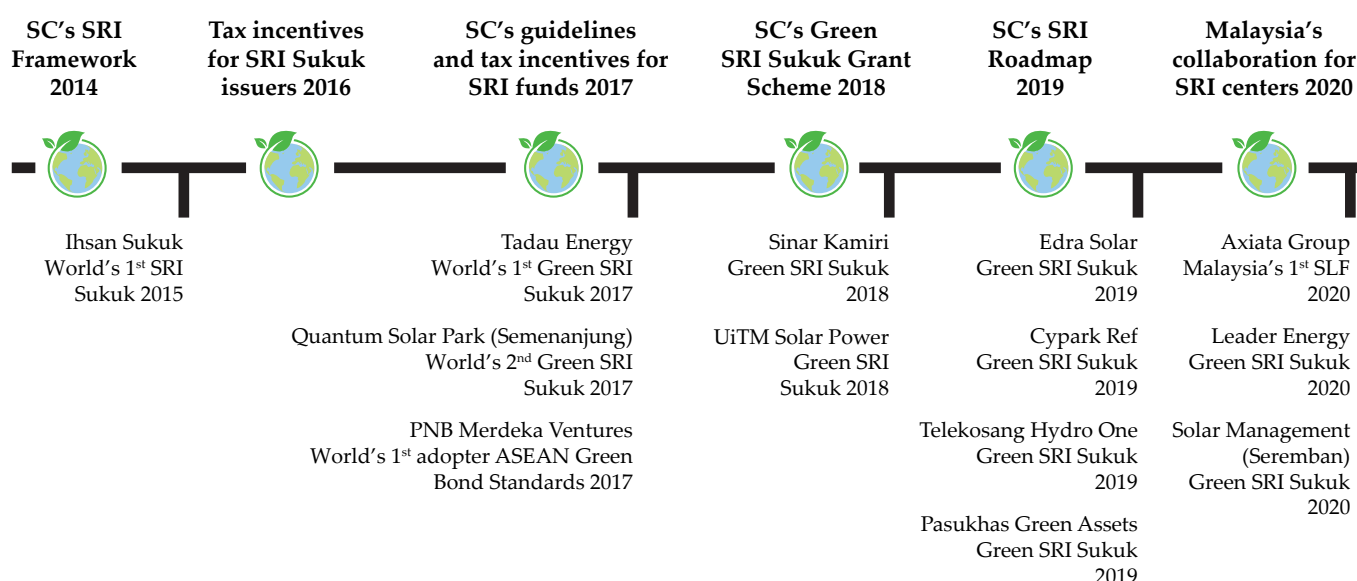
Additionally, awareness of the multiplier effect that can be achieved by fueling economic growth via the bond/Sukuk market in support of eco-friendly infrastructure, for example solar power and hydropower, has benefited the government of Malaysia's ambition of moving away from fossil fuels.

Needless to say, more concerted efforts can be made when all market players unite in support of the sustainable development goals agenda.

As market stakeholders eagerly await the new SRI initiatives and tax incentives widely anticipated to be unveiled under Budget 2021, Malaysia's ambition of attaining its Islamic Finance Hub 2.0 goals will share similar values linked to the SC's SRI Roadmap. ☺

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Diagram 1: SRI-related initiatives and examples of financing (2014–20)



Sources: RAM and Securities Commission Malaysia (SC)

Note:
1) The highlighted initiatives relate to Sukuk and SLF. For other SRI initiatives in the Malaysian capital market, please refer to the SC's SRI Roadmap.
2) The SC announced the establishment of two SRI centers of excellence in January and July 2020. These represent: a) collaboration between Capital Markets Malaysia and Global Compact Network Malaysia to reinforce sustainable practices in the private sector; and b) the Malaysian Sustainable Finance Initiative — an initiative with the UK government to provide capacity-building programs and an online repository for green and sustainable finance.



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ISDB'S SUKUK: A LANDMARK SUSTAINABILITY ISSUANCE

The IsDB's US\$1.5 billion five-year issuance is its first-ever sustainability Sukuk, a strong follow-up to its landmark green Sukuk issued in November 2019 and a demonstration of the multilateral's commitment to prioritizing the UN Sustainable Development Goals (SDG) when responding to its 57 member countries. The paper is also touted as the first-ever 'AAA'-rated sustainability Sukuk in the global capital markets. **NESSREEN TAMANO** has the details.

The Sukuk issuance was priced under the IsDB's US\$25 billion Trust Certificate Issuance Program at a spread of 55bps over five-year US dollar midswaps for a final coupon of 0.91% per annum, representing the lowest profit rate the bank has achieved for a dollar Sukuk issuance. It was well subscribed by global investors, with 53% allocated to the Middle East, 37% to Asia, 8% to Europe and 2% to others.

"The attractive pricing achieved in a market environment which is cautiously opening up once again validates the IsDB's strong credit and financial position, reaffirmed by its 'AAA' ratings," the bank said, adding that it made a compelling story for investors, especially sustainable and responsible investment ones, to participate in the orderbook.

In line with the IsDB's Sustainable Finance Framework under the Social Projects Category, proceeds from the sustainability Sukuk paper will be used to assist member countries in managing the impact of the COVID-19 outbreak. The issuance is part of the bank's US\$2.3 billion 'Respond, Restore, Restart' aid package aimed at supporting the recipient countries' healthcare systems and SMEs, which were the hardest hit by the pandemic.

The funds will be exclusively deployed toward social projects with a focus on access to essential services and SME financing and employment generation, under the SDG-3: Good Health and Well-Being and SDG-8: Decent Work and Economic Growth umbrellas. The project categories are identified as per the guideline standards set by the International Capital Market Association under its Sustainability Bond Guidelines (2018) and Social Bond Principles (2018).

Dr Bandar Hajjar, the president of the IsDB, said: "With the success of this transaction, I also call upon the Islamic finance industry to promote sustainable and social Sukuk as alternate asset classes that have the potential to counter the multifold impact of COVID-19."

"The transaction demonstrates Emirates NBD's growing capabilities in ESG [environmental, social and governance]-related financing, an area which will only grow in importance and relevance as businesses across the globe seek to maintain their resilience during these challenging times," said Fahad Abdulqader Al Qassim, CEO of Emirates NBD Capital. ☺

IsDB's sustainability Sukuk

US\$1.5 billion



June 2020

Issuer	IsDB
Purpose	To assist member countries in managing the impact of COVID-19
Tenor	Five years
Profit rate	0.91%
Payment	Semi-annual
Joint lead manager/ bookrunner	Citi; Credit Agricole, Emirates NBD, GIB Capital, HSBC, the Islamic Corporation for the Development of the Private Sector, Natixis, Societe Generale, Standard Chartered Bank
Co-manager	Kuwait International Bank
Investors	Region: MENA (53%), Asia (37%), Europe (8%), others (2%) Type: Central banks and official institutions (79%), bank treasuries (16%), fund managers and private banks (5%)
Listing	NASDAQ Dubai, Euronext Dublin, Bursa Malaysia (under the exempt regime)
Rating	'Aaa' by Moody's Investors Service, 'AAA' by S&P Global Ratings, 'AAA' by Fitch Ratings Each has a stable outlook

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A fast-growing trillion-dollar industry, the sustainable and ethical finance sector has also gained traction within the Shariah finance space. The IFN Green and Sustainable Finance OnAir Forum 2020 took place on the 14th and 15th December 2020 gathering leading experts in the region to discuss green policies, opportunities and challenges.

IFN GREEN AND SUSTAINABLE FINANCE FORUM 2020 REPORT/SESSION ONE

POLICY, REGULATION AND ACTION – MANAGING RISK AND SPEEDING THE SHIFT TO SUSTAINABLE AND RESPONSIBLE FINANCE

We ask a respected panel to identify and discuss significant events and imminent major global shifts in policy, regulation, behavior and activity, how these influence responsible and sustainable finance and the implications for investors and financial institutions. What is 'Green Incentivization', which regions and governments are driving this and how will it influence the financial landscape? Do we need standardized sustainability disclosure and reporting standards and should issuers of ESG ratings be made more accountable? If so, how? What is the impact of policy action by governments in the areas of energy systems, renewables, transport and agriculture, and can policy transition risk be identified and measured? How can forward-looking tools such as scenario analysis assist in the development of relevant, effective financial regulatory frameworks to allow for the management and mitigation of climate risk? Are UN SDGs still attainable, and if not what do we do? What do all these factors mean for the strategies, activities and objectives of regulators, financial institutions, issuers and investors and what options does Islamic finance offer?

YOUR PANEL



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Writer and Analyst



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Global Head of
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MARTINA MACPHERSON
SVP Strategic ESG
Engagement, Moody's



SUNITA RAJAKUMAR
Founder, Climate
Governance Malaysia



WATER CHEUNG
Senior Partner,
CEO Asia Pacific,
StormHarbour Securities
(Hong Kong)



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POLICY, REGULATION AND ACTION — MANAGING RISK AND SPEEDING THE SHIFT TO SUSTAINABLE AND RESPONSIBLE FINANCE

The IFN Green and Sustainable Finance OnAir Forum 2020 opened on the 14th December 2020 with an immersive and enlightening discussion on policy, regulation and action in the realm of sustainable and ethical finance. Moderated by Firoz Abdul Hamid, the conversation benefited from insights of leading experts in the region and beyond: Dr Adam Ng, a sustainable finance expert with WWF-Malaysia; Gabriel Wilson-Otto, the global head of sustainability research at BNP Paribas Asset Management; Hussam Sultan, CIMB's regional head of commercial and transaction banking (Islamic); Jennifer Schwalbenberg, an associate director at DDCap Group; Martina Macpherson, Moody's Investors Service's senior vice-president for ESG (environmental, social and governance) engagement; Sunita Rajakumar, the founder of Climate Governance Malaysia; and Water Cheung, a senior partner and CEO for Asia Pacific at StormHarbour Securities (Hong Kong).

Let's start with ABC

ESG, SRI (socially responsible investment), PRI (Principles for Responsible Investment), VBI (value-based intermediation) — the ethical and sustainable finance realm is seemingly teeming with acronyms.

"My favorite joke is that it's alphabet soup when you start looking at different standards and ESG terminology and it just becomes impossible to follow all the acronyms," shared Wilson-Otto.

While this may be a tongue-in-cheek analogy, Wilson-Otto's comparison underscores a persisting issue of the industry which resonated with the rest of the panel: the lack of an effective taxonomy for sustainable finance. And without proper definitions for the diverse sector, policymaking and development may be hindered.

"Listening to the panelists speak so far, I have listed about 12



Firoz

interchangeable terms we can use: sustainable, responsible, ethical, purpose, value-based, ESG, positive impact and so on," Hussam chimed in, later explaining: "All of these are debates and questions that we can talk about endlessly. Question is: when do the regulators come and put a definition here? Or if the regulators don't come up with a definition, how do we then have standards which are globally agreed upon so that we can move on? Where do we start? How do we price all these definitions? I think this is the challenge that we have."

The importance of taxonomy

Essentially, sustainable and responsible finance is a spectrum of various activities with different focus areas as well as strategies but are all intrinsically interlinked. But proper taxonomies to classify activities into green and brown, for example, are of paramount importance, including as a screen



Wilson-Otto



Hussam

to avoid greenwashing, opined Sunita.

The governance structure, when dealing with both responsible and sustainable investment, is absolutely critical to avoid potential issues such as greenwashing.

"The way that I tend to personally think about the difference between the two is with a Venn diagram with a lot of overlap in the middle, but with responsible investment tilting slightly more toward value-driven investment and sustainability encompassing that, but also dealing with some other decisions which might be made on financial materiality," echoed Wilson-Otto.

An example of this is incorporating water efficiency or environmental degradation as part of a fundamental decision based on the expectation that these issues may be priced at some stage in the future. In other words, sustainable investment is about resilience



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and being aligned with environmental or social objectives but at the same time, it is also a cold financial reality to support a firm's underlying business.

That being said, the momentum to create standardization and harmonization in the sector by governments and prudential regulators is moving apace.

The UN Sustainable Development Goals (SDGs) for example are seen as a step in the right direction of providing guidance to entities in their sustainability journey.

"I think the 17 explicitly-stated goals (SDGs) are a good development — the direction is more quantifiable, more forward-looking, have quantitative skills, [and] a quantitative target," noted Cheung.

The data and reporting challenge

So, what are some of the biggest challenges facing sustainable and responsible finance?

"The first challenge here is of sustainability, disclosure, practice and data. And this data has to be both sustained, sufficiently standardized as well as scientifically significant in that it has to be benchmarked against certain globally recognized standard targets such as the science-based target initiative that is aligned with the Paris Agreement," according to Dr Ng.

The general industry consensus is that it is important to have proper robust analysis, measurement and reporting disclosures such as climate change analysis as well as biodiversity and natural capital accounting to form effective policies.

"This is important and complicated in the sense that there's an uncertain time horizon and also feedback loop from many weaknesses in the climate change, economic models and collective bias, and therefore more research and collaboration from regulators, institutions and science-based organizations is urgently required," Dr Ng expounded.

With over 200 frameworks in place with regards to reporting disclosures, including the recent International Financial Reporting Standards consultation, the next question is: are we on the pathway to mandatory reporting?

"Yes, it is needed, but there's always this balancing act between business



leaders which sets the bar very high and regulation. And none of us really want to live in a world where regulation is the driving force. So ultimately, you want businesses to be able to lead this," answered Sunita.



Cheung

A few countries are already taking steps to make sustainability reporting disclosure mandatory including New Zealand and the US.

"There are over 60 countries and national authorities right now who support the Task Force on Climate-related Financial Disclosures (TCFD). And the most forward-looking are enshrining it in law, for example, New Zealand. And if you look at companies with a market capitalization of greater than US\$10 billion, almost half are already disclosing in line with most of the TCFD recommendations. So there are many routes to making this mandatory and they are complementary. But the important thing is to agree in the direction we're traveling. By managing what gets measured, we can facilitate a smooth transition to a low carbon economy," shared Sunita.

Also positive is the fact that an informal working group structured similarly to the TCFD is the Task Force on Nature-related Financial Disclosures whose mission is to "provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and



Dr Ng

impacts on nature, aiding in the appraisal of nature-related risk and the redirection of global financial flows away from nature-negative outcomes and toward nature-positive outcomes".

The formation of this taskforce is important as there is an urgent need to recognize the interconnectedness between nature and climate. DBS Bank is the first bank in the Asian region to be part of the informal working group, which is hoped to be a formal taskforce in 2021.

"If we are now moving away from a global normative framework toward regulatory standards and taxonomies, we will create by remit, ultimately different regional type of emphasis and different interpretations for responsible or sustainable finance, and this is definitely an area to watch. We will also need to watch that increasing regulation might actually incentivize the type of developments that we have been seeing, especially when and where sustainable finance is concerned," Macpherson at Moody's chimed in. "So, to keep growth momentum in this market, we need to have a balanced approach. We need to have policy and regulatory oversight to define when [and] how we talk about green and social. But then ultimately, we need to have sufficient flexibility when and how these different types of frameworks and standards can be interpreted so we are not creating regional silos."



Rajakumar



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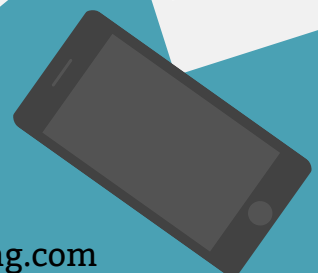
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Investor impact

So how does sustainable finance actually affect investors? In general, it is a positive movement toward good.

Investors are mobilizing at an unprecedented level in the history of the investment community, thinks Sunita. "As an asset manager, you are one step removed from the portfolio itself. So, they are having to look closely at what companies are telling them about their strategy. They have to assess their credibility. And so, they are being viewed as a proxy to the quality of management, not only in terms of what they want to achieve in the next few decades, but also the levels of precision and discipline in which capital is being used."

Investors are becoming more proactive and demanding accountability: from voting on the firm's climate or sustainability plan, to insisting on mandatory disclosures, and voting out management who are not able to deliver.

Awareness is key

While there are various green incentives and measures from governments and corporates to develop green and sustainable financing, the lack of awareness however is still an issue.

"If you are talking about the people on the street, I think at this point the most immediate thing is to increase their awareness and then to incentivize them to pull the trigger and invest in this kind of product. They may get a bit confused by different product offerings, different kinds of names, but I think that's a



Macpherson

message that we need to deal with," Cheung opined.

Schwalbenberg agreed: "We need to educate the retail consumer and the SME consumer about coming into sustainability, about wanting sustainable financing products, and then looking at sustainability within their own supply chain."

"When we think about awareness, there's also a question of capability and skill set-building. And this isn't just pushing it onto retail investors to say they need to be sophisticated when they think about ESG and understand a lot of ESG terms," echoes Wilson-Otto.

As an industry, Wilson-Otto added that there is more asset management and corporations can do as well as the government and NGOs. "What we are seeing is: at every level, a huge number of initiatives and programs that are starting to be rolled out, whether it's formal capability exercises, subsidies from the government, whether it's collaborative learning initiatives and platforms from NGOs across the region ... But I think that we all need to take into account that, as we can see from this panel and the discussion, it is incredibly complex. It is very fast-moving. And this is also why the idea of a taxonomy is very important."

In a nutshell

While it is undeniable that all stakeholders have a role to play in building the green and sustainable finance industry, the panelists were of the consensus that regulators play an especially important role

as they are able to mandate, provide guidance and coordinate cohesive and synchronized measures.

"From an investor perspective, it's not about whether a government can put a dollar figure on the [year] 2050 or 2100 impact of climate change or any other sustainability issue," Wilson-Otto opined. "It's more about looking at the direction of travel, the frameworks that can be put in place and also encouraging the right behaviors for market participants."

Ultimately, what needs to be put in place to ensure the sustainability of the whole gamut of green/ethical finance investment movement? The answer is: standardization, harmonization, the development of a more robust set of building blocks to facilitate common language, communication and understanding.

"I think we need some sort of pathway to mandatory disclosure but one thing that would be really good is if we can mainstream the climate conversation. To do that, we are going to need language that is understandable and accurate so that people on the street, so to speak, get the full implications of it," according to Sunita.

There is a need for the finance world to align toward global standards for impact measurement in order to make SDG-compliant investments the norm of dealmaking. "We need initiatives to attract investments from the public and private sectors and ultimately to normalize sustainable and responsible finance," noted Macpherson. 📌



Schwalbenberg

KEY TAKEAWAYS

Over the last 18 months, we have seen key sustainable finance developments in the ESG policy and regulatory space, in Asia, and globally. At the same time, sustainable finance has fast become one of the most important themes for financial services institutions.

Adapting business, financial and service models towards climate and sustainability risk and opportunities management will not just be a source of competitive advantage, but also become a regulatory necessity.

Alignment on a strategic, operational and transactional level to establish long term resilience, as set out by the UNEP FI Responsible Banking Principles, is becoming a pre-requisite.

To ensure that sustainable finance activities are future-fit, the financial services industry requires frameworks, products and partnerships that are well suited to meet the expectations and outcomes aligned with the Paris Agreement, Net-Zero Commitments and the Sustainable Development Goals.

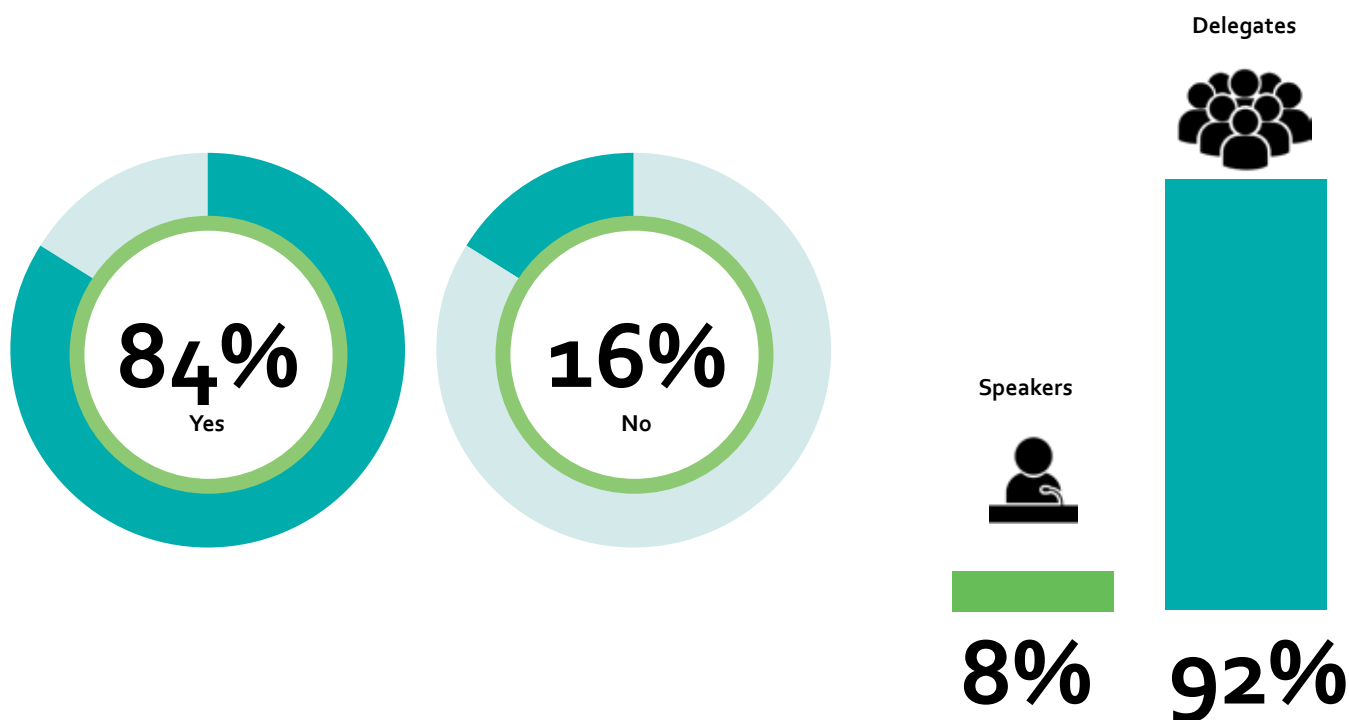
Martina Macpherson is the head of ESG Strategy at Oddo BHF Asset Management and president of the Network for Sustainable Financial Markets.



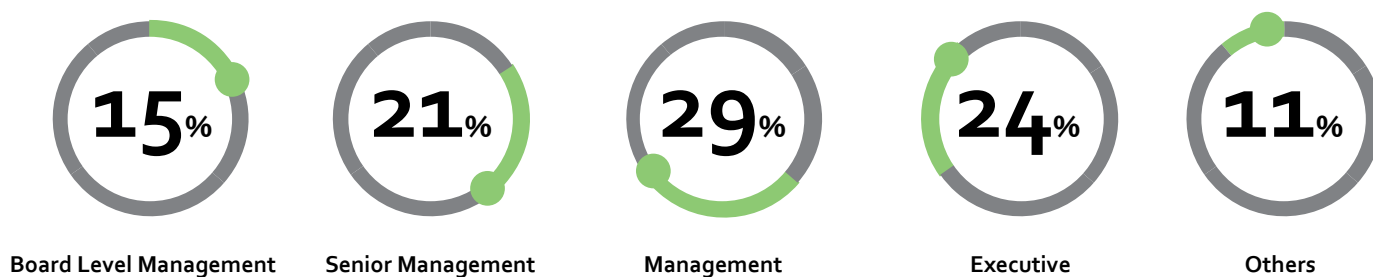


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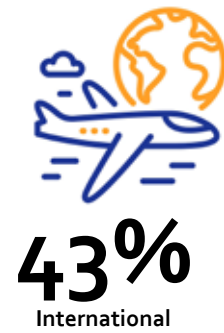
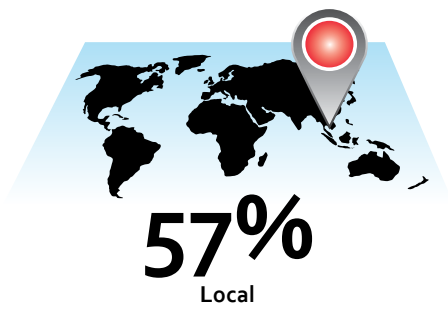
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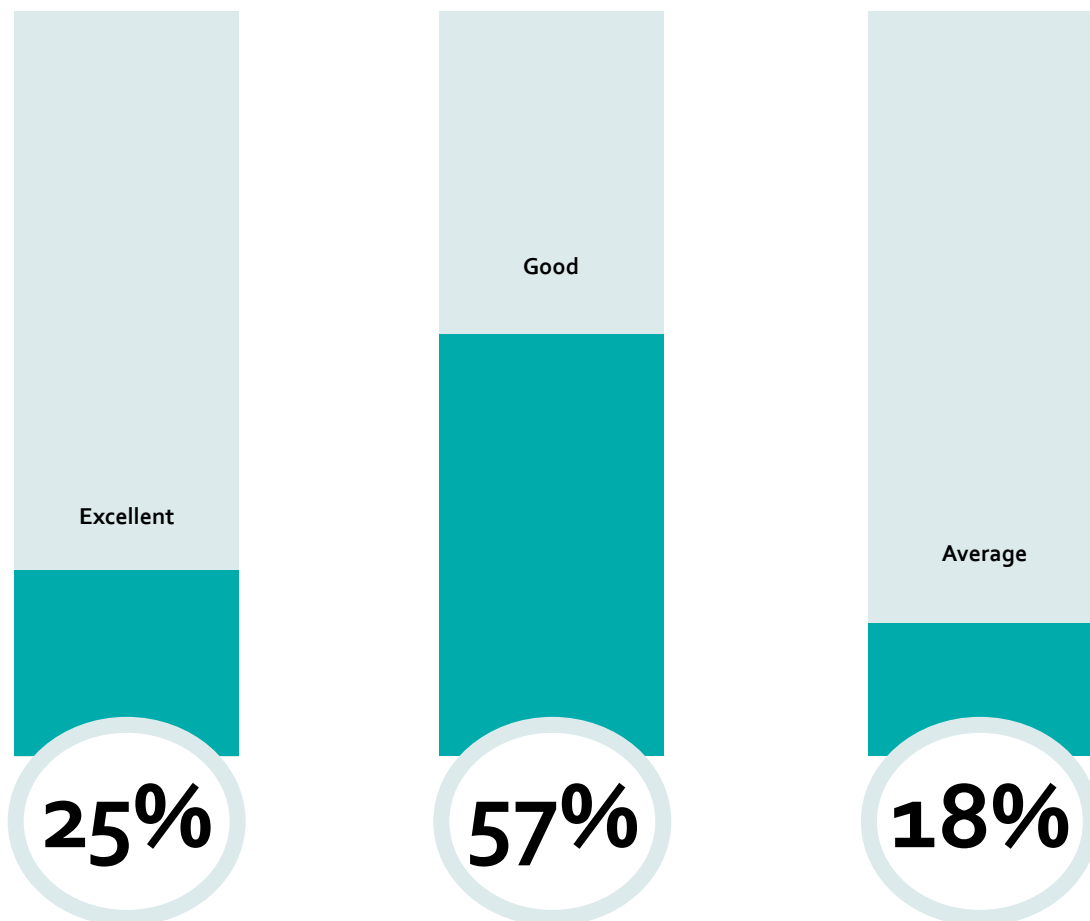


DELEGATE BREAKDOWN (INTERNATIONAL & LOCAL)



SESSION EVALUATION

POLICY, REGULATION AND ACTION – MANAGING RISK AND SPEEDING THE SHIFT TO SUSTAINABLE AND RESPONSIBLE FINANCE



DISCUSSION INTRODUCTION

THE REAL DEAL: GREEN FINANCING INSTRUMENTS AND SUSTAINABLE AND RESPONSIBLE INVESTMENT

What do social, recovery and pandemic bonds offer and are these instruments effective and fit for purpose? Beyond credit, what types of vehicles will we see financing sustainable, social and humanitarian projects and what do Islamic finance structures offer? With green bonds and Sukuk among the world's fastest growing asset classes, what new and exciting opportunities do these structures offer? Do retail investors play a role? What is the evolution of disclosure requirements and regulatory frameworks for green issuers? What asset classes and investment strategies represent tangible transition from high to low or zero carbon and from 'at-risk' to sustainable? How do investors manage rapidly changing taxonomies, sustainability reporting and disclosure requirements and keep track of what investments can be defined as sustainable? How are large, institutional investors playing a progressive role and what SRI-related demands are they making on investment managers? Are investors using green bond and Sukuk issuance as an indicative measure of an issuer's low-carbon positioning, and how can organizations take advantage of this? We seek the views of a respected panel.

YOUR PANEL



DR RENARD SIEW
Advisor, Centre for Governance and Political Studies



CEDRIC RIMAUD
Program Manager, Climate Bonds Initiative



LEILA KAMDEM-FOTSO
Sustainable Finance Expert, Partner, Mazars



NICHOLAS GANDOLFO
Director – Sustainable Finance Solutions (Asia Pacific), Sustainability



NICOLE MARTENS
Head: Africa and Middle East, United Nations Principles for Responsible Investment



TAYYABA RASHEED
Head of Investment Banking Group, Faysal Bank

THE REAL DEAL: GREEN FINANCING INSTRUMENTS AND SUSTAINABLE AND RESPONSIBLE INVESTMENT

The second day of the IFN Green and Sustainable Finance OnAir Forum 2020 gathered international experts: Cedric Rimaud, the program manager of Climate Bond Initiative; Leila Kamdem-Fotso, a partner at Mazars; Nicholas Gandolfo, the director of sustainable finance solutions (Asia Pacific) at Sustainalytics; Nicole Martens, the head of Africa and Middle East for United Nations Principles for Responsible Investment; and Tayyaba Rasheed, the head of investment banking group at Faysal Bank. Moderated by Dr Renard Siew, an advisor at the Centre for Governance and Political Studies, the panel explored how investors are embracing this new asset class and the challenges faced in mainstreaming sustainable and green finance.



Growing demand, growing sophistication

Worth over US\$1 trillion, the sustainable investment industry is a sector that is not only growing in value but also in sophistication.

"Stakeholders are demanding high levels of transparency on environmental, social and governance (ESG) disclosures. So, the game has really changed," noted Dr Siew. "We have seen the proliferation of a number of frameworks as well as rating tools that have emerged to help us take a deeper dive to look at investments across different regions."

The changing dynamics of the game, which resulted in the explosion of frameworks and



supporting tools, are also driven by the increased participation of stakeholders across the globe.

"We have seen a real proliferation of countries getting involved in sustainable finance as well as corporates from different sectors with different and evolving uses of proceeds as well as different formats," Gandolfo observed. "Transition is very topical at the moment: how companies can link some of their transition strategies to financing and things like sustainability-linked instruments — definitely a lot is happening."

And this uptick in the adoption of sustainable/green financing strategies is not only a moral decision, but a financial one.



"There is increasing evidence of the financial materiality there. The market demand is growing. Policy and regulation are putting a lot of pressure on investors and they are looking increasingly for guidance on how to do this. And they might buy into it in principle," according to Martens.

Very much about disclosure

The theme of disclosures, which was heavily discussed on Day 1, made its way to Day 2 as well, underscoring the importance of transparency and standardization in reporting for sustainable finance to flourish.

There is an avalanche of disclosure requirements and frameworks so to speak, with new requirements in

Europe (including mandatory taxonomic disclosures in the UK over the next few years) and Asia. It has become imperative for these disclosures to be reliable and to take into consideration the impact on financial statements.

"We can expect more disclosure requirements and we can also expect that the landscape in terms of [the] regulation framework to become even more fragmented before we see international convergence becoming a reality," Kamdem-Fotso said. "This obviously means a lot of challenges for investors and issuers as well."



Kamdem-Fotso

Data is a key challenge, from bridging the gaps in data availability and data sourcing to ensuring the reliability of data and putting in place the right mechanisms to process the data and producing it to the quality that is expected. Maintaining consistency (and quality) is a challenge as there are risks of conflicting disclosures due to the different frameworks across different jurisdictions. This also poses a challenge for analysis and evaluation, because analysis is only as good as the data disclosed.

"Frameworks are great in terms of providing reference points and giving confidence to the market," said Gandolfo. "But it is important to keep building frameworks in a somewhat coherent manner so that multiple frameworks can be used. We can't have a one-size-fits-all framework, but to the extent that there's common architecture, common language about what should be in these different types of frameworks [which] is good."

Making that transition

Multilateral agreements and commitments such as the Kyoto Protocol of 1997 and the Paris Agreement of 2016 reflect how climate change has become a real global issue as identified by scientists and policymakers.

"The novelty of the [Paris Agreement] was that nations agreed to use finance as a driving force to put our societies back on track to limit climate change and since then, we have seen very strong growth in green bonds and green securities — today we have about US\$1 trillion of green bonds outstanding globally, and this is a significant amount. Yes, it's still 1% of [the] total amount of debt outstanding for the bond market, but this was achieved in only five years so you can imagine the

rapid growth this represents," Rimaud expounded.

Over the last half a decade, relevant thematic instruments (particularly in the fixed income space) such as green bonds, infrastructure bonds, transition bonds and pandemic bonds have changed how finance is being perceived.

"Finance is no longer a way to generate returns — it's a way to generate a return plus some additional benefits that are very tangible," noted Rimaud, adding: "To be honest, the disclosure aspect is not really the real issue. The real issue is to accelerate this trend and to make sure that the capital that is parked in developed economies that is earning negative returns is reallocated to projects that have positive returns in developing economies and where we can develop renewable energy projects, water management systems, low carbon transportation, waste management systems and so on."

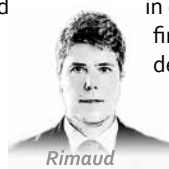
Martens agreed. There are indeed a lot of activities in the fixed income space as far as sustainable finance asset classes are concerned, but there is also gathering momentum within the private markets, especially in the Middle East and Africa.

"Large-scale infrastructure projects are getting more and more attention because there's a growing understanding that these are investments that can provide you with a sustainable and acceptable financial return over time but also generate significant social and economic and environmental impact. And so, investors are moving from the thought process of understanding which ESG factors would impact their portfolio to thinking about the impact of their portfolio on the broader stability market and how does that in turn affect the ability of their portfolio to generate a return," Martens explained. "We are seeing a lot more institutional investors looking to private markets, looking to see that they have that control as they can sit on a board, they can actually have a say. And then infrastructure for sure, is a really big appeal, especially in emerging markets."



Tayyaba

Indeed, there has been a growing momentum toward green infrastructure projects in emerging markets. Take Pakistan for example. According to Tayyaba, prior to 2003, green financing or projects were virtually off the radar until the government began



Rimaud

in earnest to look at this alternative financing with new policies and dedicated units.

There have been a few green projects in Pakistan since 2013 which have proved successful.

"About 11 projects last year (2019) achieved financial goals and most of them had stomachached structuring as well, and two of them were exclusively based on Islamic structuring models," shared Tayyaba.

And the potential is immense.

"The current energy mix of Pakistan is about 5.5% renewable energy being generated by solar, biomass and wind. Compared to India, they are far ahead of us at the moment as 24% of their energy is of renewable sources, while Bangladesh is far behind," according to Tayyaba. "The aim is to increase Pakistan's number to 30% by 2030."

To achieve this aim, Tayyaba noted that the Asian Development Bank has established a new framework which favors renewable energy projects instead of thermal, or coal, technology. "I believe that all the stakeholders within the system are now aligned and everybody understands the advantages that sustainable financing and green financing offer to investors."

Pushing the limits

So, how is this sustainability movement influencing asset managers and what role do investors and stakeholders play in this narrative of sustainable finance?

"What we are seeing increasingly is that investors are looking to push the limits. They are looking to ask for more. The asset owners are asking not just a financial return, they also are asking for impact. A couple of them have started setting themselves near-zero targets as funds, which obviously then trickles down into the market and starts getting investment managers on board. We see the Investment Asset Owners Alliance has been followed very closely. So, there is really a movement at the moment in that sense," said Martens.

According to Martens, asset owners across Africa are taking steps to capacitate themselves and to empower themselves by building their own knowledge and understanding of these issues throughout the pandemic. "We have seen a lot more questions, requests for education to be

able to ask the right questions and to put pressure on their investment managers and we are seeing them holding their managers and their consultants to account, which is a really great trend to see. There's always room for more, but we have definitely seen some growth in the pressure that's being put down the investment chain."

Moving forward

The relatively young industry is still evolving, with changing taxonomies and rules. So how should investors be navigating this changing landscape?

"Just [like] with any regulatory changes, it is important to stay on top of the roadmap and know what is coming in the months and years. It is important to have a very clear data strategy in place and to know where you are going to find the data and to comply with the different standards and frameworks," opined Kamdem-Fotso, who emphasized that robust governance is also necessary. "I think what we are seeing with ESG is that it has definitely moved from the old CSR [corporate social responsibility] approach where it was really

limited to a very narrow scope of functions involved in firms."

It is therefore important to identify the right metrics to monitor and to have the right processes in place to manage and measure those metrics. Equally important is to have the right skills to quantify and analyze these metrics.

"As far as the taxonomies go, it is really important that they are as much as possible applicable across markets because of the nature of investments. But we have to make sure that they are appropriately nuanced," highlighted Martens. "For example, Nigeria or South Africa are still heavily dependent on fossil fuels and their trajectory is a bit different. What is important is the end goal or overarching objective is shared so that we are all moving toward the same point so that the taxonomies are aligned in where they are going; they might just take different paths to get there."

Gandolfo chimed in: "Common language will really help, and the understanding that there's going to be some localization aspects of the market in lots of parts of

Asia as well. But that's not a bad thing — we should embrace that. Staying on top of the market is key as well."

While the discussion may have centered around large institutions and governments, such developments in the green and sustainable finance space are also an opportunity for small companies to get on board as well.



Martens

"These frameworks at the end of the day are not very complex; what is complex is how many there are," according to Rimaud. "But the Green Bond Principles from the International Capital Market

Association for example, give ample flexibility even to small businesses to issue a green, social or sustainable bond. So, let's not focus too much on the complexity of the regulatory framework."

From the discussion, a vital piece to solving the sustainable finance puzzle was succinctly put by Martens: "No one investor, no one policymaker or regulator or company can solve this on their own — collaboration really is the only way forward." 🌱

KEY TAKEAWAYS

There are very promising trends in the sustainable investment space. Take up of green bonds/Sukuk are among the world's fastest growing asset classes and this is consistent across different geographies.

There needs to be more harmonization (convergence) of taxonomies, sustainability reporting and disclosure requirements. Support and alliances are important to share best practices.

Retail investors have a role to play in the 'green' transition but may not necessarily be aware of the opportunities that exist.

Large institutional investors are playing a more progressive role and putting pressure on investment managers to embed ESG into their assessments.

There needs to be clarity in communicating outcomes/goals. Consistent disclosures and higher levels of engagement/transparency are required to avoid 'greenwashing'.

Dr Renard Siew is the advisor at the Centre for Governance and Political Studies.



Transition finance has a major role to play in meeting the SDGs and Paris agreement targets. Every sector can be financed through sustainable finance — it's no longer limited to the obvious green assets such as renewable energy or green housing.

The shift is moving from a 'use of proceeds' approach to a more encompassing alignment of firms' entire strategies with ESG objectives.

Don't put it off until next year and start working on incorporating ESG now. Setting clear priorities and taking transparency seriously is really the key.

Green finance is available to smaller issuers. Frameworks such as the Green Bond Principles or the Social Bond Principles are flexible enough to suit all sizes of assets and issuers.

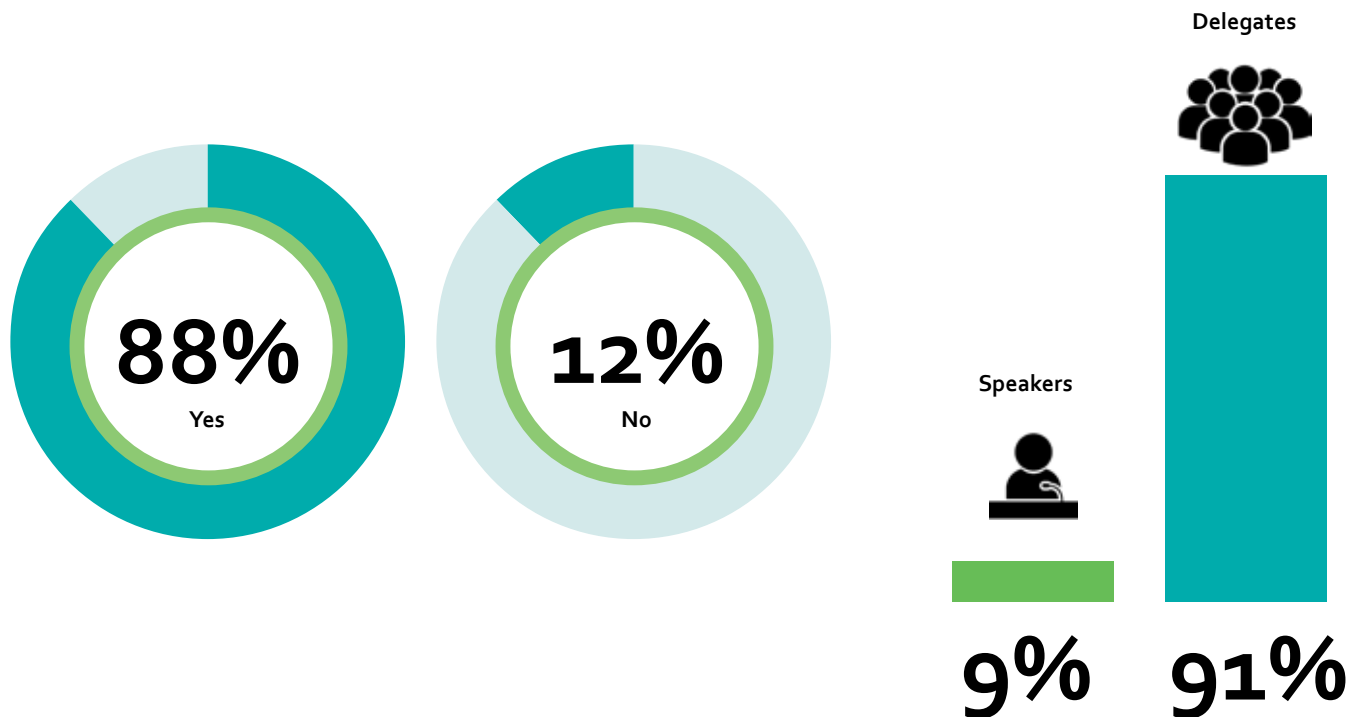
Leila Kamdem-Fotso is the sustainable finance expert, partner at Mazars.



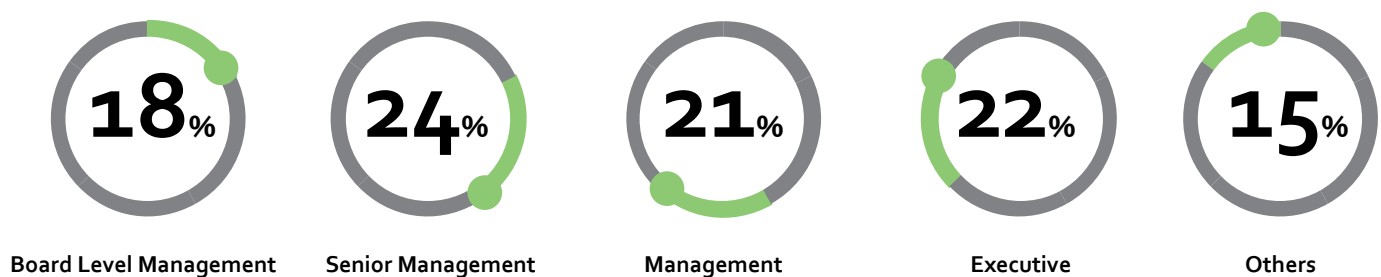


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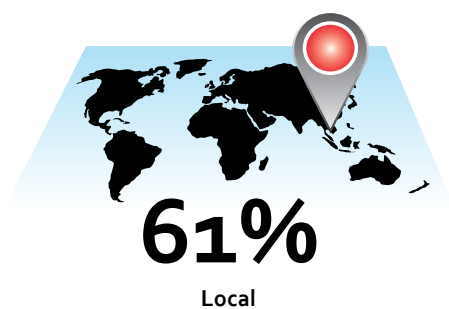
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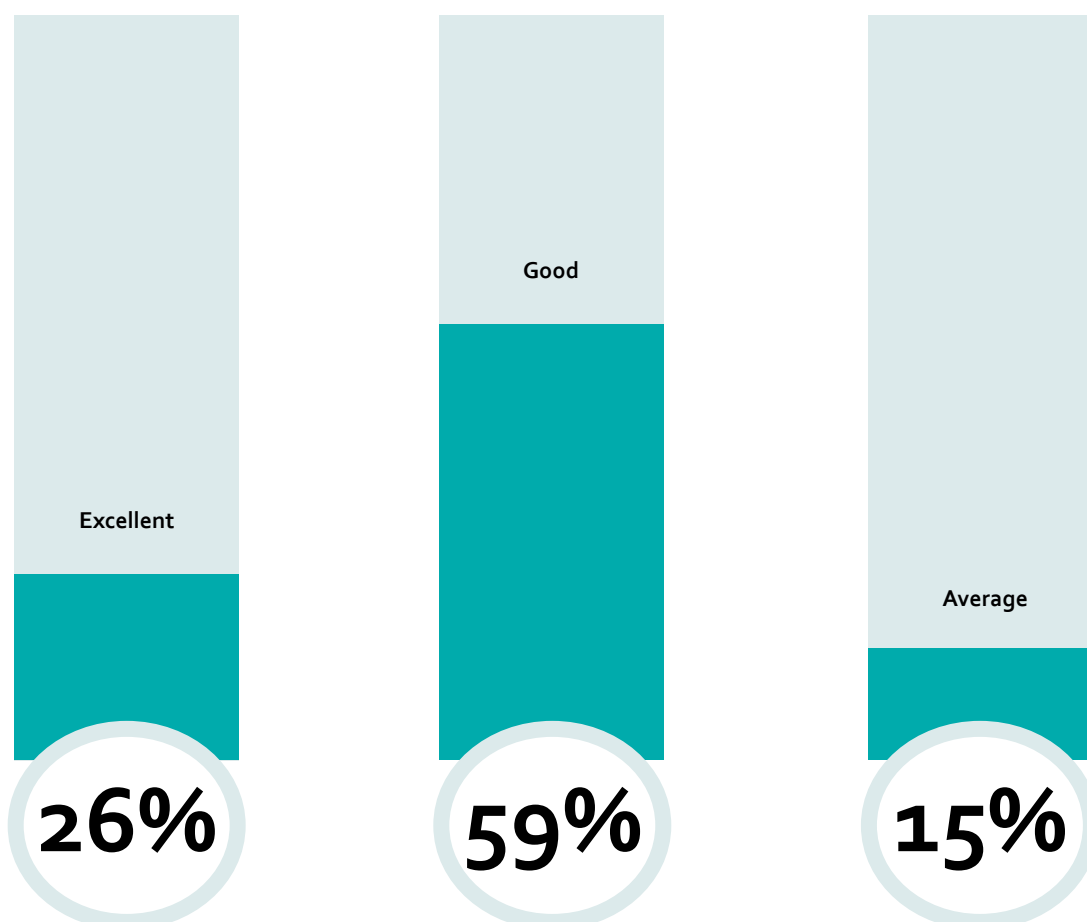
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THE REAL DEAL: GREEN FINANCING INSTRUMENTS AND SUSTAINABLE AND RESPONSIBLE INVESTMENT



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ADFiM	Employees Provident Fund	Monetary Authority Brunei
Adnan Sundra & Low	Eximbank Indonesia	Moody's Investor Service
AIBIM	Faysal Bank	MRA Consultants
Airestec	Finance office of Turkey	Natinal Bank of Egypt
AKSET Law	FINEOPOLIS Consulting	National Bank of Pakistan
Allied Asset Advisors	Frontier Business & TechCentre	National Debt Management Center
Alliott Hadi Shahid Chartered Accountants	FTI Consulting	National Investor Services
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