



# ISFI Annual Report 2023

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# Transitioning away

**The UAE has succeeded where other COP hosts has failed: to rally over 190 nations to agree on a deal to “transition away” from fossil fuels. It has only taken 30 years, and an oil producer to seal the deal.**

There was an incredible amount of attention given to the fact that it was the UAE hosting the 2023 United Nations Climate Change Conference or Conference of Parties (COP28); even more so because the climate talks were presided by an “oil man”, Sultan Ahmed Al Jaber, the head of the Abu Dhabi National Oil Company.

This confirms what many Islamic finance practitioners have argued for when it comes to oil-producing nations tackling the issue of climate sustainability: it takes one in the game, to know how to win it.

The Islamic finance industry's expectations for COP28 were also high; many were hopeful that the fact it was hosted by an Islamic finance giant, it would mean some meaningful deals incorporating Shariah compliant instruments, or initiatives that would have lend more credibility to Islamic finance as a sustainable finance solution at an international stage. Some initiatives were announced at the sidelines of COP28, but were they at the level practitioners were hoping for? Let's just say, more could have been done.


Still, landmark deals were made – the fossil fuel language was one, the monetary pledges toward the loss and damage fund were another. But, vulnerable and poor nations still

need hundreds of billions to fund their transition away from hydrocarbons and to tackle the very real effects of climate change.

There is still a lot of work to be done, and there is still tremendous opportunity for Islamic finance to be part of the solution. As we explore in this year's Islamic Sustainable Finance and Investment Annual Report, we have seen encouraging, groundbreaking even, deals and measures supporting the ESG agenda. We trace some of the most important developments and highlight some landmark transactions. And we look forward to more to come. ☺

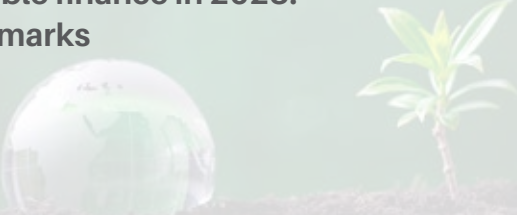
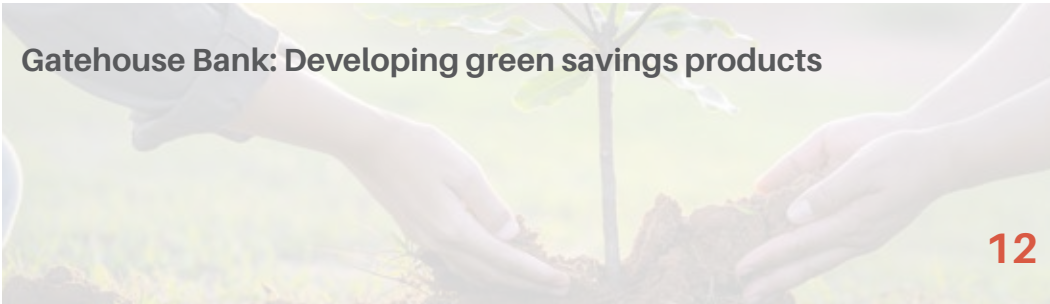

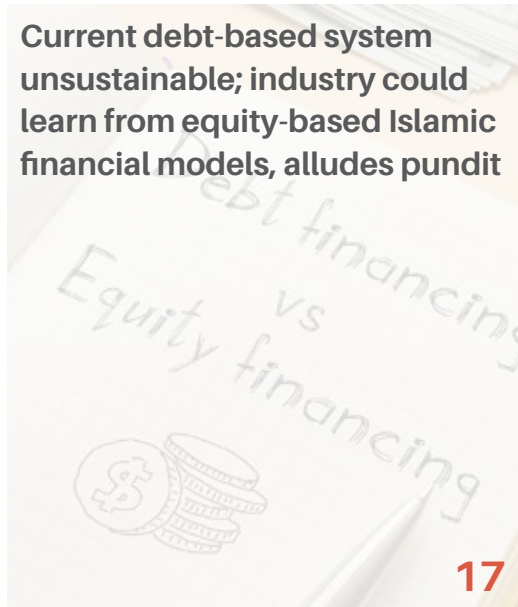
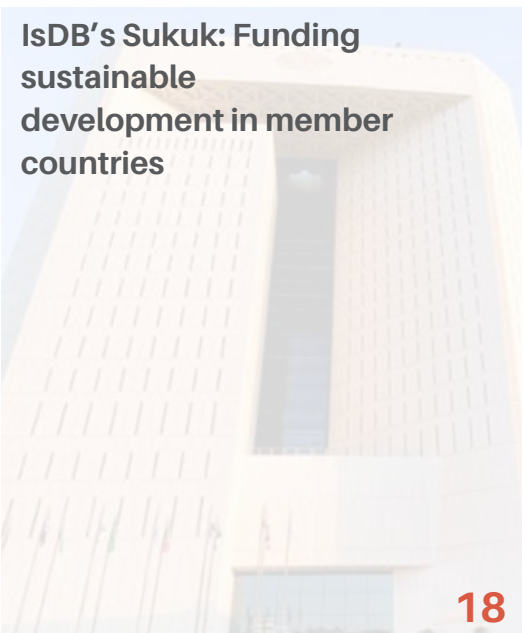
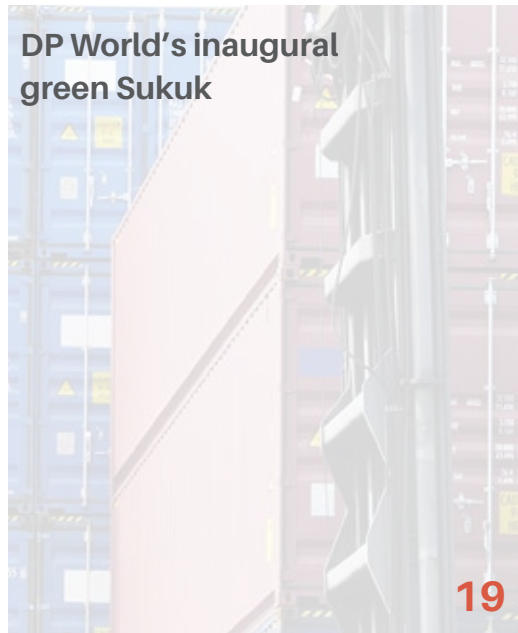


Vineeta Tan,  
Managing Editor  
REDmoney Group

 <p><b>EDITORIAL</b></p> <p>Vineeta Tan – <i>Managing Editor &amp; Director</i> Vineeta.Tan@REDmoneygroup.com</p> <p>Lauren McAughtry – <i>Contributing Editor</i> Lauren.McAughtry@REDmoneygroup.com</p> <p>Sasikala Thiagaraja – <i>Senior Contributions Editor</i> Sasikala.Thiagaraja@REDmoneygroup.com</p> <p>Kenny Ng – <i>Senior Copy Editor</i> Kenny.Ng@REDmoneygroup.com</p> <p>Nessreen Tamano – <i>News Editor</i> Nessreen.Tamano@REDmoneygroup.com</p> <p>Marlena Kareem – <i>ISFI Editor</i> Marlena.Kareem@REDmoneygroup.com</p> <p>Hanif Namora Siregar – <i>IFN FinTech Lead</i> Hanif.Namora@REDmoneygroup.com</p> <p>Janette Joseph – <i>Publishing manager</i> Janette.Joseph@REDmoneygroup.com</p> <p><b>PRODUCTION</b></p> <p>Hasnani Aspari – <i>Head of Production</i> Hasnani.Aspari@REDmoneygroup.com</p>	<p>Norzabidi Abdullah – <i>Senior Production Manager</i> Zabidi.Abdullah@REDmoneygroup.com</p> <p>Eumir Shazwan Kamal Bahrin – <i>Senior Graphic Designer</i> Eumir.Shazwan@REDmoneygroup.com</p> <p><b>MARKETING</b></p> <p>Ammar Ali – <i>Database Manager</i> Ammar.Ali@REDmoneygroup.com</p> <p>Govina Selvanthran – <i>Marketing Manager</i> Govina.Selvanthran@REDmoneygroup.com</p> <p><b>SALES</b></p> <p>Andi Lenny – <i>Business Development Manager</i> Andi.Lenny@redmoneygroup.com</p> <p>Eliza Jane – <i>Business Development Manager</i> Eliza.Jane@REDmoneygroup.com</p> <p>Jaya Chitra Kunchiraman – <i>Subscriptions Development Director</i> Chitra.Kunchiraman@REDmoneygroup.com</p> <p>Karthik Thivan – <i>Subscriptions Development Manager</i> Karthik.Thivan@REDmoneygroup.com</p> <p>Sandra Spencer – <i>Associate Publisher</i> Sandra.Spencer@REDmoneygroup.com</p> <p>Sunitapreet Kaur – <i>Associate Publisher</i> Sunita.Kaur@REDmoneygroup.com</p>	<p><b>ADMINISTRATION</b></p> <p>Haja Najubudeen – <i>Operations and HR Manager</i> Haja.Najubudeen@REDmoneygroup.com</p> <p>Aidiazrul Idrus – <i>Finance &amp; Accounts Manager</i> Aidiazrul.Idrus@REDmoneygroup.com</p> <p>Nur Mas Ayu Mohamad Ali – <i>Finance Executive</i> Mas.Ayu@REDmoneygroup.com</p> <p><b>MANAGEMENT</b></p> <p>Andrew Tebbutt – <i>Managing Director</i> Andrew.Tebbutt@REDmoneygroup.com</p> <p>Andrew Morgan – <i>Managing Director &amp; Publisher</i> Andrew.Morgan@REDmoneygroup.com</p> <p>Published By: ☺ <b>REDmoney</b> Sdn Bhd</p> <p><b>MALAYSIA</b> Unit E-12B-2.1, Level 12B, The Icon (East Wing), No.1, Jalan 1/68F off Jalan Tun Razak, 50400, Kuala Lumpur, Malaysia Tel: +603 2162 7800 Fax: +603 2162 7810</p> <p><b>UK</b> 16-19, East Castle Street, London, W1W 8DY, United Kingdom, Tel: +44 20 7097 9206</p> <p><b>islamicsustainable.com</b></p>
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# Welcome to Gatehouse Bank

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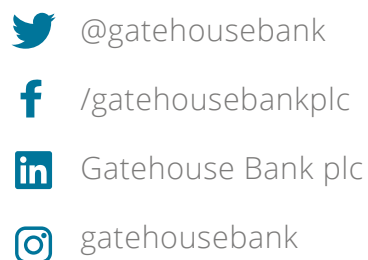
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# Islamic sustainable finance in 2023: trends and landmarks

**The Islamic sustainable finance space has seen tremendous growth over the past year albeit from a low base. Sustainable finance issuances in core Islamic finance countries alone have more than double in the first nine months of 2023 to reach US\$22.1 billion, with Islamic issuances significantly contributing to the growth, according to S&P Global Ratings (S&P).**

**The sector has seen several trends over the past year including developments in the regulatory space, newcomers entering the Islamic voluntary carbon market (VCM) landscape and the issuance of sustainability Sukuk and bank financing deals, to name a few.**

## Regulations

2023 has been a big year for sustainable finance regulations both Islamic and conventional. In June this year, International Sustainability Standards Board (ISSB) under the International Financial Reporting Standards issued the long-awaited sustainability standards.

While the 'General Requirements for Disclosure of Sustainability-related Financial Information' and the 'Climate-related Disclosures' standards are currently voluntary, they could become mandatory in specific jurisdictions as the regulatory landscape evolves.

Also introduced this year as a global standard were the finalized recommendations for the Taskforce on Nature-related Financial Disclosures in September.

This year also saw stricter naming conventions for sustainable funds being introduced. The Securities

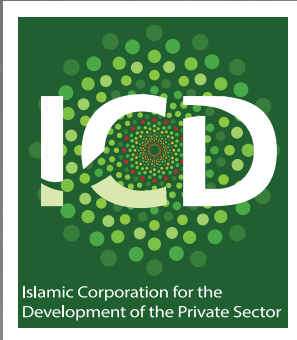
Commission Malaysia issued new guidelines to facilitate the implementation of the ASEAN Sustainable and Responsible Funds Standards in Malaysia. In lockstep, the European Securities and Markets Authority and the UK's Financial Conduct Authority closed their consultation periods for their guidelines for the naming of funds with ESG or sustainability-related terms.

In the GCC, the Abu Dhabi Global Market's Financial Services Regulatory Authority introduced fund rules in July 2023 concerning the labelling of sustainability-related products.

The Islamic capital market has also seen some notable sustainable regulation developments. In March 2023, the Arab Monetary Fund released a guidance for sustainable sovereign instruments including Sukuk as part of the GCC's strategy to develop green taxonomies.

In South Asia, The Pakistani government, a regular issuer of Sukuk, hired an Islamic bank to advise on the issuance of a green Sukuk. The facility will be the country's first sovereign green Sukuk. The government of Bangladesh has also made sustainable finance efforts by easing the rules on social impact Sukuk in September this year, allowing it to be traded in the secondary market at a negotiated price.





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Bangladesh, which has one green Sukuk under its belt in the private sector, is looking to issue its debut sovereign green Sukuk soon. Notably, the International Finance Corporation, the private sector development arm of the World Bank Group, is also actively engaged in developing Bangladesh's Sukuk market.

Separately, Indonesia, which is one of the most celebrated sustainable Sukuk issuers, is also hoping to expand its offerings by amending their existing Waqf regulations. This will allow them to issue their cash-Waqf-linked Sukuk in other denominations and attract foreign capital to develop Waqf assets.

## VCMs

The development of the VCM space has been arguably the most exciting development in Islamic sustainable finance this year. Players from multiple jurisdictions have been entering the space. What is particularly exciting is the potential for using carbon credits as underlying assets for Islamic finance transactions. This could provide a more sustainable alternative to the current dominant underlying assets for Islamic finance transactions including crude palm oil.



***The development of the VCM space has been arguably the most exciting development in Islamic sustainable finance this year***

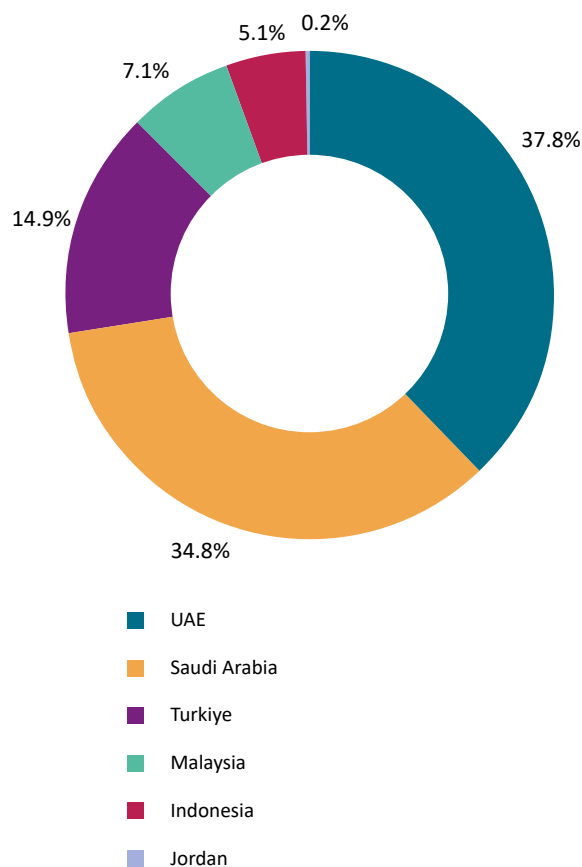


In March this year, Bursa Carbon Exchange under Bursa Malaysia, held its inaugural carbon auction selling 150,000 Verra-registered carbon credits. The auction follows the launch of the exchange late last year as the world's first Shariah compliant carbon exchange.

In Saudi Arabia, the Regional Voluntary Carbon Market Company (RVCMC) held its sophomore carbon auction, selling 2.2 million tons of carbon credits in the largest ever carbon credit auction. Owned by the Saudi Public Investment Fund and the Tadawul Group, the RVCMC secured the first ever Fatwa to use carbon credits as underlying assets for Islamic finance transactions on the sidelines of the 27th United Nations Climate Change Conference of the Parties (COP27) last year.

As of now, the RVCMC has two Fatwas. One from the International Islamic Trade Finance Corporation (ITFC), the trade finance arm of the IsDB, and one from the Saudi

Chart 1: What are the two main driving factors driving your institution to adopt and offer ESG products?



Source: S&P

National Bank for Murabahah and Tawarruq-based transactions. The RVCMC is expecting to facilitate the first Islamic finance transaction with carbon credits as underlying assets with the ITFC in the near future.

As a newcomer to the market, Indonesia launched its carbon exchange, the IDXCarbon, in September 2023. It also held its inaugural carbon emission credit trading. The auction sold thirteen carbon credits equating to nearly 460,000 metric tons of carbon dioxide equivalent. The auction follows the issuance of the country's carbon trading rules in August this year. While the exchange is not Shariah compliant at the moment, the Indonesian Financial Services Authority has confirmed that there is the possibility of pursuing Shariah compliance in the long run.

While the space has seen considerable growth this year, it is not free from criticism, with VERRA, an international climate action standard-setter and carbon credit registry, embroiled in a series of backlash from numerous publications regarding the efficacy of its registered carbon projects.

## Deals

This year saw a number of landmark Islamic sustainable finance transactions, with the total volume of sustainability



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Sukuk increasing by around 50% to US\$6.7 billion in the first half of the year compared with 2022, according to S&P. The issuance of sustainable Sukuk as a whole has been increasing, with the UAE, Saudi Arabia and Turkiye representing the top sustainable Sukuk issuers for the first nine months of 2023. Several Islamic banks took their first leap into the Islamic sustainable capital market space with debut issuances. Real estate Sukuk have also been a notable development.

In April this year, Al Rajhi Bank issued its US\$1 billion debut dollar sustainable Sukuk. In July, First Abu Dhabi Bank issued the UAE's first AED-denominated green Sukuk worth AED 1.3 billion (US\$353.89 million). Closing off the year with another debut sustainable Sukuk bank issuance, Abu Dhabi Islamic Bank issued its inaugural US\$500 million dollar-denominated sustainable Sukuk in November 2023.

In addition to banks issuing green Sukuk, 2023 also saw a few sustainable Sukuk to finance real estate projects. Aldar Investment Properties, a real estate developer and investment company based in Abu Dhabi, debuted its US\$500 million green Sukuk in May.

In May this year, UDA Holdings issued its inaugural RM500 million (US\$106.56 million) Sukuk to finance the development of Waqf projects including residential and housing projects on Waqf land. Also in Malaysia, Sime Darby property, which is a regular Sukuk issuer, included a RM200 million (US\$42.62 million) sustainable Sukuk tranche under its August RM600 million (US\$127.87 million) offering to fund its land acquisition efforts. The proceeds from its debut sustainable tranche will contribute to building its sustainable real estate portfolio.

Islamic capital issuers aside, banks have also been active in the Shariah sustainable space. Several sustainable bank financing deals in the GCC have seen the inclusion of an Islamic tranche in the larger financing effort.

Spurred by Saudi Vision 2030 and similar sustainability initiatives, these deals include a number of project

financings under Saudi Arabia's sustainable NEOM mega project as well as broader clean energy projects in the GCC from the likes of ACWA power, Rawabi Energy, Abu Dhabi National Energy Company or TAQA and Abu Dhabi Future Energy Company, known as Masdar.

## Moving forward

Islamic sustainable finance is poised to further develop in the coming year with COP28 taking place in the UAE. Already, the Islamic Corporation for the Insurance of Investment and Export Credit has launched its climate change policy and ESG framework on the sidelines of COP28, which will see the insurance arm of the IsDB Group increase its intervention in sustainable projects.



***With Islamic finance assets concentrated in oil-producing countries with pronounced sustainability initiatives, the Islamic sustainable finance space is likely to continue to grow***



With Islamic finance assets concentrated in oil-producing countries with pronounced sustainability initiatives, the Islamic sustainable finance space is likely to continue to grow. According to S&P, 68.3% of Islamic banking assets are distributed in the GCC. The region, particularly Saudi Arabia, will remain supportive for the growth of the Islamic sustainable finance sector in the next one to two years, projected the ratings agency.

The substance-based shift from focusing on Halal to Tayyib, where Islamic financial products and services are aspired to be not only permissible, but also wholesome and beneficial to society, in addition to the ramping up of climate initiatives are trends we can expect to see moving forward.

In October this year, the Securities Commission Malaysia launched the voluntary principles-based Maqasid Al-Shariah Guidance for the Islamic Capital Market Malaysia, which was grounded in the principle of achieving Tayyib in the space. The Global Ethical Finance Initiative is also set to introduce a Tayyib seal to ensure that Tayyib-based considerations are being considered in investment decisions and strategies. 





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# Gatehouse Bank: Developing green savings products

**Environmental considerations and concern for the future are prevalent among consumers, with ONS figures revealing that three quarters (75%) of UK adults are worried about climate change.<sup>1</sup> These concerns are spurring changes in consumer behavior, with Deloitte’s Sustainable Consumer Report 2023 revealing that, despite the ongoing cost-of-living crisis, more consumers have made changes toward adopting a sustainable lifestyle, compared with 2022.<sup>2</sup>**

At Gatehouse Bank, we have observed this first-hand among our customers. Earlier this year, the bank collaborated with the **Islamic Finance Council UK (UKIFC)** to distribute a survey gauging the awareness and understanding of the United Nations Sustainable Development Goals (UN SDGs) among Islamic finance retail customers.<sup>3</sup> The survey revealed that 90% of Gatehouse Bank customers find it important for the products they purchase to align with their values and ethics and 74% said that they would be willing to pay a premium for products aligned to the UN SDGs.

Within this context, it is vital to continue raising awareness of ethical products on the market, including Shariah compliant finance, which is increasingly being viewed as a more ethical

alternative to conventional banking, attracting customers from all walks of life, including those of all faiths, or no faith. Using Shariah principles as a foundation, Gatehouse Bank aims to develop products with an ethical focus and has formalized its commitment to do good for society, the economy and the environment by becoming a founding signatory to the UN Principles for Responsible Banking in 2019 — the first Shariah-compliant bank to do so.

In 2021, Gatehouse Bank conducted a survey of over 2,000 nationally representative respondents\*, which revealed that consumers believe that only a third (33%) of UK companies are doing enough to support the environment and tackle climate change. With this in mind,

<sup>1</sup> ONS: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/threequartersofadultsingreatbritainworryaboutclimatechange/2021-11-05>

<sup>2</sup> Deloitte Sustainable Consumer Report 2023: <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

<sup>3</sup> UKIFC: <https://ukifc.com/islamic-finance-global-survey/>





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## MISSION

ITFC is a catalyst for trade development among OIC Member Countries and beyond



The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. It was established with the primary objective of advancing trade among OIC member countries, which would ultimately contribute to the overarching goal of improving socioeconomic conditions of the people across the world. Commencing operations in January 2008, ITFC has provided over US\$70 billion of financing to OIC member countries, making it the leading provider of trade solutions for these member countries' needs. With a mission to become a catalyst for trade development for OIC member countries and beyond, the Corporation helps entities in member countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools, which would enable them to successfully compete in the global market.



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P.O. Box 55335, Jeddah 21534,  
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the bank sought to design its Woodland Saver product range of fixed term deposit and cash ISA accounts, which would allow its customers to give back to the environment while enjoying competitive returns on their savings. To this day, the product line is unique in the UK market, as no other Shariah compliant provider offers a similar savings product.

The Woodland Saver accounts support the creation of new woodlands in the UK, as for every account opened or renewed, the bank plants a tree as a sapling on behalf of the customer in a certified UK woodland project. This is vital, as according to the **Woodland Trust**, only 13% of the UK is currently covered by woods and forests.<sup>4</sup>

The greatest challenge in designing this product range was selecting and partnering with the right organization to facilitate the tree-planting process. Ultimately, Gatehouse Bank partnered with **Forest Carbon**, an organization which pioneered the idea of carbon-financed woodland creation in the UK and is leading in the field of woodland growth and peatland restoration. Working with Forest Carbon ensures that the saplings are planted in projects that are certified by the UK government's **Woodland Carbon Code**, which verifies that the projects:

- Are responsibly and sustainably managed to national standards
- Are publicly registered and independently verified, and
- Meet transparent criteria and standards to ensure that real carbon benefits are delivered.

Boosting woodland growth is an important part of the effort to combat the negative effects of climate change and environmental degradation. It also offers a host of other benefits to the environment and the community, which are aligned to the UN SDGs, particularly Sustainable Cities and Communities (SDG 11), Climate Action (SDG 13) and Life on Land (SDG 15):

- Boosting biodiversity
- Flood mitigation
- Reducing air, water and soil pollution
- Carbon sequestration (according to **Viessmann**, the average tree could absorb around a tonne of carbon dioxide (CO<sub>2</sub>) over its lifetime)<sup>5</sup>
- Providing employment in the local area, and
- Improving community wellbeing through green spaces.

Since the Woodland Saver accounts launched in 2021, Gatehouse Bank customers have helped plant over 38,000 trees at four key woodland projects across the UK: Jon's Wood in County Durham, Lowther Whale in Cumbria, Wester



*Charles Haresnape, CEO of Gatehouse Bank, planting his own Woodland Saver tree.*

Coshieville in Perthshire, and Talla & Gameshope (Phase 2) in Moffat, Scotland.

The trees planted in Lowther Whale have created a natural habitat for red squirrels, whose numbers had been dwindling in the area. Due to this project's use of sensitive forest management practices, red squirrels are now thriving in the area and the habitat is expected to flourish as the new woodland matures. (🌳)

*\*The survey was commissioned by Gatehouse Bank and carried out by Opinium, which sampled 2,000 nationally representative respondents from 08/01/2021 - 11/01/2021.*

*Gatehouse Bank is a Shariah compliant UK challenger bank which offers a range of ethical savings products and finance for UK residential and commercial real estate. In line with the Shariah principles of transparency, fairness and ethical venture, Gatehouse Bank aims to provide responsible, ethical and sustainable finance products in the UK.*



<sup>4</sup> The Woodland Trust: <https://www.woodlandtrust.org.uk/blog/2018/04/woods-forests-facts/>

<sup>5</sup> Viessmann: <https://www.viessmann.co.uk/en/heating-advice/boilers/how-much-co2-does-tree-absorb.html>



# A case study on the world's first Climate Bonds Initiative-certified Sukuk

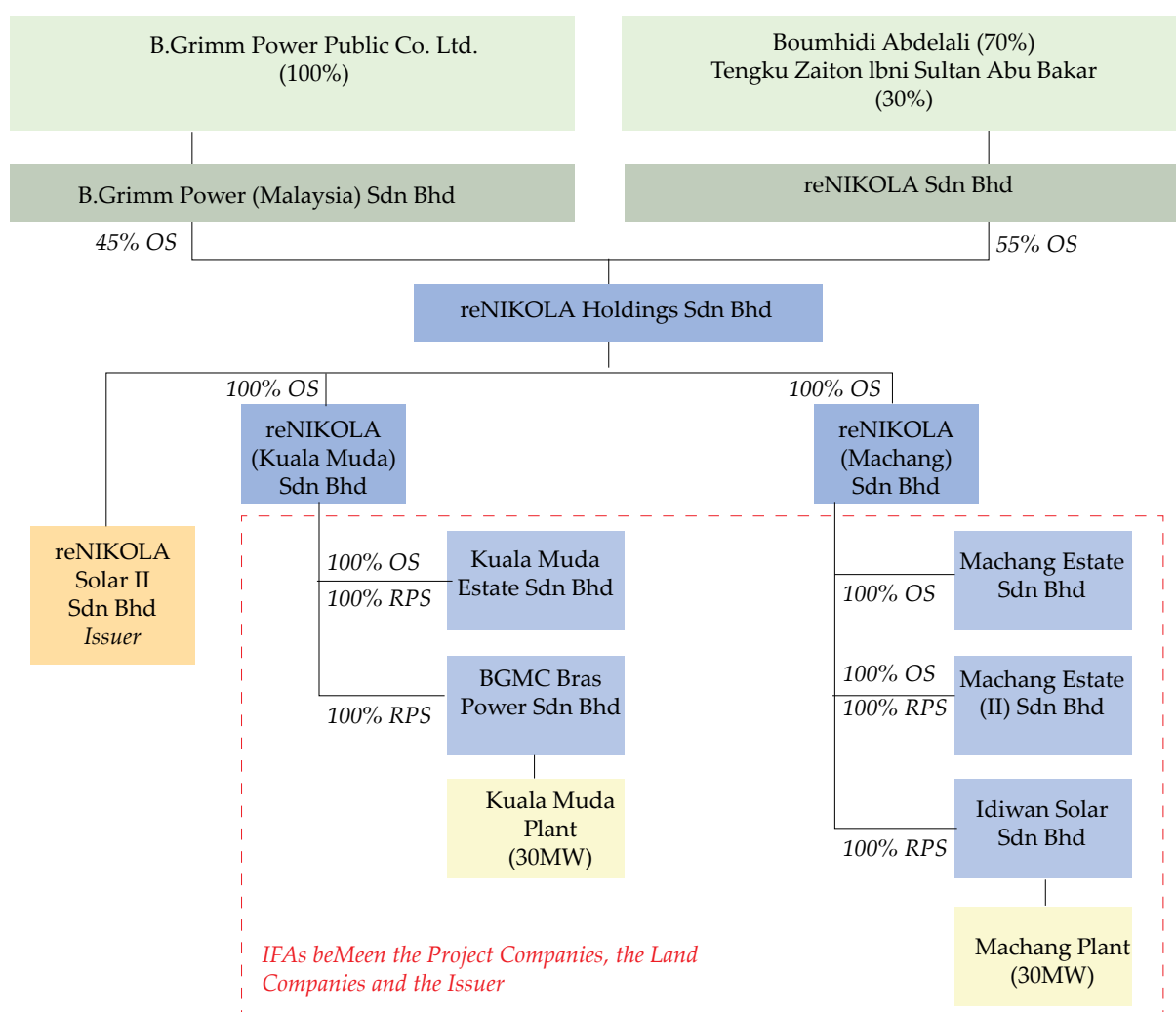
reNIKOLA Solar II, a financing vehicle for Malaysian pure-play renewable energy power producer and developer reNIKOLA, issued the world's first Climate Bonds Initiative (CBI)-certified Sukuk worth RM390 million (US\$83.42 million) on the 29th September this year. ISFI spoke to Khong Ho Ming, the executive director and COO of reNIKOLA, about this landmark issuance.

The proceeds from the one-off issuance, which was based on the Murabahah concept, will be primarily channeled toward refinancing its Kuala Muda and Machang renewable energy plants, Khong shared. The Sukuk will also refinance the parcels of land that the solar plants are situated on.

The energy plants were previously financed through Sukuk issued by BGMC Bras Power and Idiwan Solar, both of which were short-term unrated facilities.

Notably, the two plants were initially slated to be refinanced through Sparks Energy 1's proposed SRI Sukuk of up to RM220 million (US\$47.06 million). MARC Ratings issued an 'AA-IS' preliminary rating for the private renewable energy developer-operator's proposed Sukuk in October 2020 but withdrew the rating in July 2022, citing concerns over legal disputes between project sponsors over the sponsorship structure of the solar power project companies.

Figure 1: Parties to the Sukuk transaction



OS= ordinary shares; RPS= redeemable preference shares; IFA= intercompany financing agreement

Source: reNIKOLA Solar II



According to Khong, the refinancing Sukuk allowed reNIKOLA to amalgamate the financing under the two project companies into a larger issuance size, which appeals to more investors in Malaysia, offering better liquidity.

The Sukuk facility also allows the company to access long-term fixed-rate financing, with the longest-termed tranche in the multi-tranched issuance holding a tenor of 18 years. Khong shared that a bank project financing, in contrast, will typically not accommodate such a long tenor.

“For our two solar plants, they have a power purchase agreement with the national energy utility company for 21 years...

“When we decided to do our second Sukuk to refinance the earlier financing, we had to match the duration of the Sukuk to the cash flow that will be generated from these two solar plants,” Khong explained.

According to the COO, the decision to refinance the projects under a labeled issuance was not driven by a pricing consideration, although he believes that the CBI certification contributed to the facility securing preferential profit rates.

“It is important for issuers like us to set an example in the market,” Khong shared, explaining why reNIKOLA opted for CBI-certification above and beyond issuing standard sustainable Sukuk, which it has **done** once in 2021.

According to Khong, reNIKOLA will continue to seek Islamic sustainable financing to fund its future projects as project development is a capital-intensive business. The format of bank versus capital market financing will be determined largely by the markets that the projects are situated in.

“There’s a saying that goes ‘if you cannot finance it, you cannot build it’. For us, it is important to tap the capital market for us to have projects going forward.” (P)

*This is an excerpt of an interview with Khong Ho Ming. To hear the full conversation, log on to [islamicSustainable.com](https://www.islamicSustainable.com).*

## reNIKOLA Solar’s Climate Bonds Initiative-certified Sukuk

RM390 million (US\$83.42 million)



29<sup>th</sup> September 2023

### Summary of terms and conditions

Issuer	ReNIKOLA Solar II
Size of issue	RM390 million (US\$83.42 million)
Mode of issue	Bookbuilding, bought deal
Purpose	Refinancing
Tenor	One year to 18 years
Issuance price	100%
Profit rate	3.89-5.25%
Payment	Semi-annual
Currency	Malaysian ringgit
Maturity date	27 <sup>th</sup> September 2041
Lead arranger(s)	Hong Leong Investment Bank, MIDF Amanah Investment Bank
Principal advisor(s)	Hong Leong Investment Bank, MIDF Amanah Investment Bank
Governing law	Malaysian law
Legal advisor(s)/counsel	Adnan Sundra & Low
Islamic structure	Murabahah via Tawarruq arrangement
Listing	No
Underlying asset	Shariah compliant assets
Rating	‘AA2/Stable’ by RAM Ratings
Shariah advisor(s)	MIDF Amanah Investment Bank
Tradability	Yes



# Current debt-based system unsustainable; industry could learn from equity-based Islamic financial models, alludes pundit

**To build a sustainable financial ecosystem, the finance industry needs to explore SME-focused financing models and separate itself from a debt-based system, says a global finance commentator, building the case for equity-driven Shariah compliant mechanisms. VINEETA TAN has more.**

"We really need to start experimenting with different types of financial models which actually concentrate on social enterprises, micro, small and medium enterprises, rather than just lending to the rich and lending to multinational corporations which actually don't need the money. If micro, small, medium enterprises account for 70-80% by number of businesses, they account for 70% of the employment and they account for roughly 40-50% of GDP depending on the country. Why aren't they getting more than 50% of the credit?" asks Andrew Sheng, a former financial regulator in Asia.

Andrew, previously a financial regulator in Malaysia and Hong Kong who is currently the chief advisor to the China Banking and Insurance Regulatory Commission, in a conversation with IFN, emphasized that the current debt-based financial system is not sustainable, as he believes that excess consumption is financed by excess debt.

"We are consuming the global resources at an unsustainable rate. And if we carry on pushing GDP and consume on growth, all we are doing is pump more carbon dioxide into the air and destroying biodiversity," Andrew opined, adding that: "If you borrow from the future, you can always consume today's resources."

Commenting that the industry is still finding its footing in channeling resources toward social enterprises and sustainable initiatives, Andrew believes that emerging markets must be proactive in mobilizing effective measures.

"What is very hopeful, in my view, is that Malaysia is a leader in Islamic finance, and Islamic finance is not debt-financed because it does not believe in usury or interest-based instruments ... So Islamic finance is basically equity-based finance with ethics-based principles — that's the right way to go," according to Andrew. "The only problem is that no Islamic country has yet been able to develop, very successfully, an Islamic stock market." ☺

*This is an excerpt of an interview with Andrew Sheng. To hear the full conversation on the sustainability of the global financial system and the way forward, log on to IFN Podcast. ☺*



# IsDB's Sukuk: Funding sustainable development in member countries

The IsDB has issued its second public Sukuk issuance of 2023, raising US\$1.75 billion to fund sustainable development projects in its member countries. NESSREEN TAMANO has the story.

The multilateral bank successfully priced the five-year trust certificates under its US\$25 billion trust certificate issuance program, at par with a profit rate of 4.91%. The Islamic paper is payable on a semi-annual basis.

The Sukuk received an oversubscribed orderbook, and witnessed participation from real money accounts and official institutions, as well as a number of first-time investors.

In terms of geographical distribution, 65% was allocated to MENA, 19% to Asia, 15% to Europe and 1% to US offshore investors and others. The investor pool consisted of 58% central banks and official institutions, 38% bank treasuries, 3% asset and fund managers and others, and 1% corporates.

Proceeds from the issuance will be used by the IsDB for sustainable development interventions such as positive climate action, fighting food insecurity and building resilience.


"The interventions are guided by the fit-for-purpose 'Realigned Strategy' of the bank with a stronger focus on green, resilient and sustainable infrastructure as well as inclusive human development," the IsDB said in a statement.

The mandated joint lead managers and joint bookrunners for the transaction were Barclays, BNP Paribas, Dubai Islamic Bank, First Abu Dhabi Bank, the Islamic Corporation for the Development of the Private Sector, JPMorgan, Mizuho, NATIXIS and Standard Chartered Bank.

"We are very pleased to have executed the issuance in a volatile market backdrop. The massive investor response reaffirms their confidence in the bank's 'AAA'-rated paper.

Photo: IsDB



IsDB's Sukuk	
US\$1.75 billion	
 البنك الإسلامي للتنمية Islamic Development Bank	
26 <sup>th</sup> September 2023	
Summary of terms and conditions	
Issuer	IsDB
Tenor	Five years
Profit rate	4.91%
Payment terms	Payable semi-annually
Joint lead managers and bookrunners	Barclays; BNP Paribas; Dubai Islamic Bank; First Abu Dhabi Bank; Islamic Corporation for the Development of the Private Sector; JPMorgan; Mizuho; NATIXIS; Standard Chartered Bank
Geographical allocation	65% MENA; 19% Asia; 15% Europe; 1% US offshore and others
Investor pool	58% central banks and official institutions; 38% bank treasuries; 3% asset and fund managers and others; 1% corporates

We are thankful to them, especially the new ones, including the central bank community and bank treasuries," said Mohammed Sharaf, the IsDB treasurer, and Zakky Bantan, the manager of the capital markets division.

The IsDB issued its first public Sukuk for 2023 in March: a US\$2 billion facility carrying a five-year tenor that was also oversubscribed.

The multilateral bank has been vocal about the role of green Sukuk in mobilizing climate finance resources, and has this year started discussions with the French government to explore green Sukuk opportunities, and with the International Committee of the Red Cross for the possibility of a humanitarian Sukuk facility to address humanitarian crises in IsDB member countries. (📷)



# DP World's inaugural green Sukuk

DP World Crescent, an SPV of Dubai-based logistics company DP World, issued a 10-year green Sukuk facility worth US\$1.5 billion on the 6th September this year. Based on the Wakalah concept, DP World's inaugural green Sukuk will finance the company's green, social and sustainable projects.

According to White & Case, the legal advisors for the dealers of the facility, the issuance was well received, demonstrating the appetite for innovative and sustainable Sukuk in the domestic UAE, GCC and international markets.

On the 13th September, the facility was listed on the London Stock Exchange, along with its previous issuances under its US\$5 billion Sukuk program.

The issuer's social impact portfolio includes its international marine and inland terminal operations, maritime services, maritime transport, industrial parks, economic zones, logistics and ancillary services and technology-driven trade solutions.

DP World also has a portfolio contributing to positive environmental impact including the management of international marine and inland terminal operations, maritime services, maritime transport and industrial parks.

Notably, the sizes of the social impact and environmental impact portfolios contributing to various SDGs are not clearly determined due to a lack of data.

Under DP World's Sustainable Finance Framework, the proceeds from its sustainable issuances will be channeled toward clean transportation, green buildings, energy efficiency, renewable energy and socioeconomic advancement projects.

As part of DP World's decarbonization strategy, it will also be purchasing carbon credits and nature-based solutions including blue carbon initiatives under its Ocean Enhancement Programme.

Under the Sustainable Finance Framework, the issuer will limit the use of carbon credits to 5% for its long-term target of reaching net zero. Further, carbon credits will play no role in achieving its near-term target to achieve a 28% reduction in carbon emission.

It is worth noting that ISS Corporate Solutions (ISSCS), which provided the second-party opinion for DP World's Sustainable Finance Framework, does not consider carbon credits as valid reduction measures.

Given that DP World has committed to reducing 70% of its actual greenhouse gas emissions and offsetting the remaining 30% as part of its plan to be carbon-neutral by 2040, ISSCS considers carbon reduction core to its framework.

"The company will exercise its judgment and sole discretion in determining the businesses and projects that will be financed by the proceeds," the issuer, which does not guarantee the proceeds of the green facility, remarked. (P)

DP World's Inaugural Green Sukuk	
 <b>6<sup>th</sup> September 2023</b>	
Summary of terms and conditions	
Issuer	DP World
Size of issue	US\$1.5 billion
Purpose	To finance eligible green, social and sustainable projects.
Tenor	10 years
Profit rate	5.5%
Currency	US dollar
Maturity date	16 <sup>th</sup> September 2033
Principal advisor(s)	Citigroup, Dubai Islamic Bank, First Abu Dhabi Bank, JPMorgan, Deutsche Bank, Emirates NBD Capital, HSBC
Dealer(s)	Citigroup, Dubai Islamic Bank, First Abu Dhabi Bank, JPMorgan, Deutsche Bank, Emirates NBD Capital, HSBC, Standard Chartered Bank
Governing law	English law
Legal advisor(s)/counsel	Clifford Chance, on behalf of the issuer. White & Case, on behalf of the dealers.
Islamic structure	Wakalah
Listing	London Stock Exchange
Underlying asset	Shariah compliant assets
Rating	'Baa2' by Moody's Investors Service, 'BBB+' by Fitch Ratings
Shariah advisor(s)	Shariah advisory boards of Citi Islamic Investment Bank, Khalij UK, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC Bank Middle East, JPMorgan Securities and Standard Chartered Bank



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25<sup>th</sup> April 2024  
Conrad Dubai, Sheikh Zayed Road

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**FORUM**  
2024

2<sup>nd</sup> September 2024  
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**IFN** **OMAN**  
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