

ISLAMIC FINANCE WEBINAR SERIES 4: SOCIAL AND SUSTAINABLE SUKUK

Presenters:

Geoffrey Ng, CFA, Board of Governors, CFA Institute

Margaret Franklin, CFA, President and CEO, CFA Institute

Dr. Zamir Iqbal, VP Finance and Chief Financial Officer,
Islamic Development Bank (IsDB)

Mohammed Shoaib, CFA, Chief Executive Officer, Al
Meezan Investment Management Limited

Sarwat Ahson, Executive Director, CFA Society Pakistan

Sharifah Sarah Syed Mohamed Tahir, Managing Director,
Client Coverage, Group Global Banking, Maybank

Usman Zafar, CFA, Board Member and Chair of Advocacy
Committee, CFA Society Doha

Zeeba Askar, CFA, Head of Banking and Finance Centre,
Bahrain Institute of Banking and Finance

Alexander Perjéssy, Vice President - Senior Analyst,
Sovereign Risk Group, Moody's Investors Service

Geoffrey Ng, CFA,

Board of Governors,
CFA Institute



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ISLAMIC FINANCE WEBINAR SERIES: FUNDAMENTAL PRINCIPLES OF ISLAMIC FINANCE

			
Naila Firdausi Asa, CFA, Fixed Income Analyst, PT Manulife Aset Manajemen Indonesia	Zeeshan Ahmed, PhD., Dean and an Associate Professor, Karachi School of Business and Leadership (KSBL) Pakistan	Adam Ng, PhD., Sustainable Finance Expert, WWF -Malaysia	Mohammad Shoib, CFA, CEO, Al Meezan Investment Management Limited

Islamic Finance Webinar Series Part 2: Innovation in Islamic Banking

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INNOVATION IN ISLAMIC BANKING**

			
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**ISLAMIC FINANCE SERIES 3:
PRACTICES AND OPPORTUNITIES IN ISLAMIC CAPITAL MARKETS
PANEL DISCUSSION**

			
Naila Firdausi Asa, CFA, Fixed Income Analyst, PT Manulife Aset Manajemen Indonesia	Iggi Haruman Ahsien Head of Capital Market, National Sharia Board of Indonesian Council of Ulemas	Ridzham Zaidi Rizzuwan ICM Strategy & Industry Insight & Analytics, Securities Commission Malaysia	Mohammad Shoib, CFA, CEO, Al Meezan Investment Management Limited

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Margaret Franklin, CFA

President and CEO,
CFA Institute



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- Rahmat Halim, CFA – CFA Society Indonesia
- Sarwat Ahson – CFA Society Pakistan



Dr. Zamir Iqbal,

VP Finance and Chief Financial Officer,
Islamic Development Bank (IsDB)





Social Sukuk - An Instrument to Combat Covid-19 Pandemic

Dr. Zamir Iqbal
VP Finance and CFO
Islamic Development Bank (IsDB)

CFA Institute Webinar
3 June 2021

Capital Market Instruments in the ESG Landscape

Environmental, Social and Governance (ESG) Instruments

Green Sukuk/Bond

100% of the proceeds are used for projects that qualify as Green (incl. Climate Change considerations)

Social Sukuk/Bond

100% of the proceeds are used for projects that qualify as Social, such as Healthcare, Poverty Alleviation and Education

Social Impact Bond

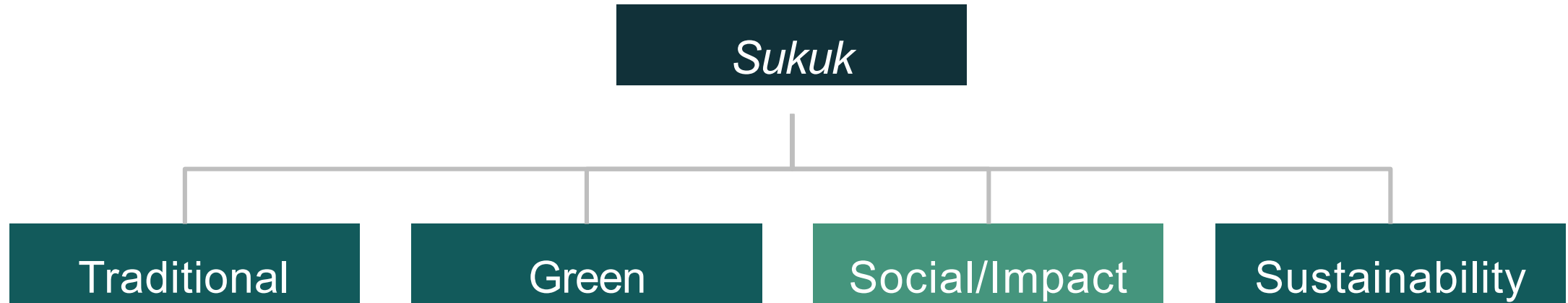
Results-based. The payout to investors is contingent upon social results being achieved. Results are verified before payout.

Sustainability Sukuk/Bond

Proceeds are used for a project mix of Green and Social

Sukuk

- It is the primary Islamic instrument that offers fixed income characteristics similar to that of a Senior Unsecured debt obligation.
- In commercial terms, procedures and issuance process, it is identical to the conventional bonds.
- Structures of *Sukuk* are certified by a well-defined governance framework to ensure compliance with Islamic Law.
- Innovative structures are being pursued to tap into the vast potential of other Islamic concepts such as Waqf and Zakat.



Labelled Sukuk

- As an Islamic instrument, Sukuk proceeds cannot be utilized towards prohibited sectors such as alcohol, weapons, gambling, etc.
- This inherent ‘use of proceeds’ made the traditional Sukuk a ‘socially responsible investment’ by default, much earlier than Green/Social bonds came to fruition.
- With the emergence of Green/Social bonds in the conventional space, further specification of ‘use of proceeds’ was embraced by Sukuk issuers to show alignment with the Sustainable Development Goals agenda and therefore, attract SRI and ESG focused investors as well.
- As a result, labelled instruments such as Green, Social and Sustainability Sukuk came to the fore.

Sustainability and SDGs at IsDB

IsDB is a AAA-rated supranational and multilateral development bank with 57 Member Country shareholders and a mandate of delivering social and economic development with a focus on sustainability in its Member countries and Muslim communities worldwide.



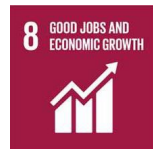
Green

- Climate Action
- Adaptation
- Mitigation



Social

- Health
- Education
- Women & Youth
- SMEs

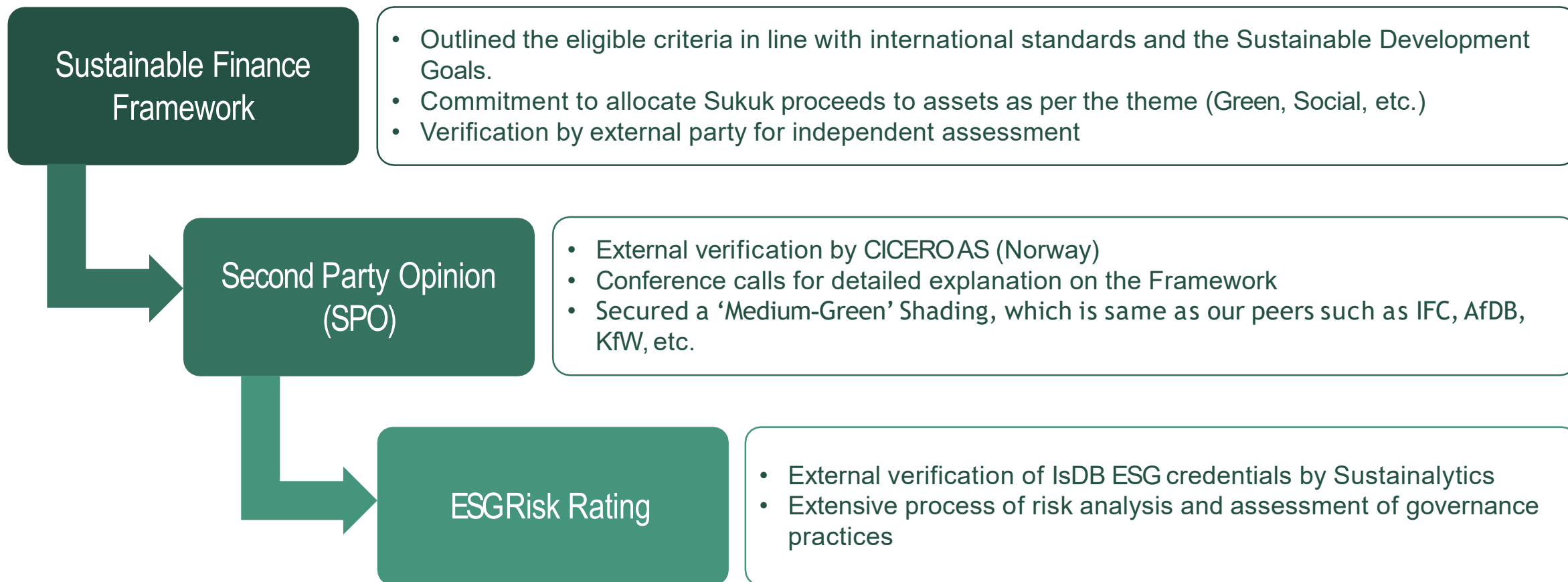


ESG

- Environmental and Social Safeguards
- Strong Governance



The Journey to COVID-19 Sustainability Sukuk



COVID-19 Sustainability Sukuk



- IsDB Sustainable Finance Framework (in line with global standards)
- Identified eligible assets pool of US\$ 6 billion plus (Green and Social assets)
- Second Party Opinion (SPO) - Medium Green Shading by CICERO (Norway)
- ESG Risk Rating - 11.5 out of 100 - Strong low-risk rating (Sustainalytics)



- On the back of our debut Green Sukuk (€1 billion in November 2019) and with the Framework and all credentials, market announcement followed by investor roadshows, conference calls and extensive dialogue



- First-ever AAA-rated Sustainability Sukuk raising US\$ 1.5 billion, priced at 0.908% profit rate payable semi-annually, issued to assist Member Countries in tackling the aftermath of the global pandemic triggered by COVID-19



- Annual impact report to be published for investors/stakeholders to show use-of-proceeds exclusively towards COVID-19 projects
- Impact Report will be subject to external party's review for validation of use-of-proceeds



Potential and Challenges

- Resilient and Green Recovery
- Putting SDGs back on track
 - Proceeds of the [COVID-19 Sustainability Sukuk](#) will be utilized towards projects that focus on ‘access to essential services’ and ‘SME financing and employment generation’ categories under the umbrellas of ‘SDG-3: Good Health and Well-Being’ and ‘SDG-8: Decent Work and Economic Growth’.
- Changing Dynamics of Development Finance
- Enabling Environment
 - ESG Frameworks
 - Islamic Finance Eco-system

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THANK YOU
MERCI BEAUCOUP

Islamic Finance Webinar Series 4: Social and Sustainable Sukuk Panel Discussion



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Alexander Perjéssy,
Vice President,
Senior Analyst,
Sovereign Risk
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Service



POLLING 1

Do you consider the factor of social impact of an instrument (bond or sukuk) an important consideration in your investment decision making?

Polling Results	
a) Yes —	90%
b) No —	10%



POLLING 2

In your opinion, which is the most important sustainable development goal?

	Polling Results
a) Poverty alleviation _____	55%
b) Climate Change _____	20%
c) Gender Equality _____	2%
d) Health _____	13%
e) Infrastructure _____	11%



THANK YOU

