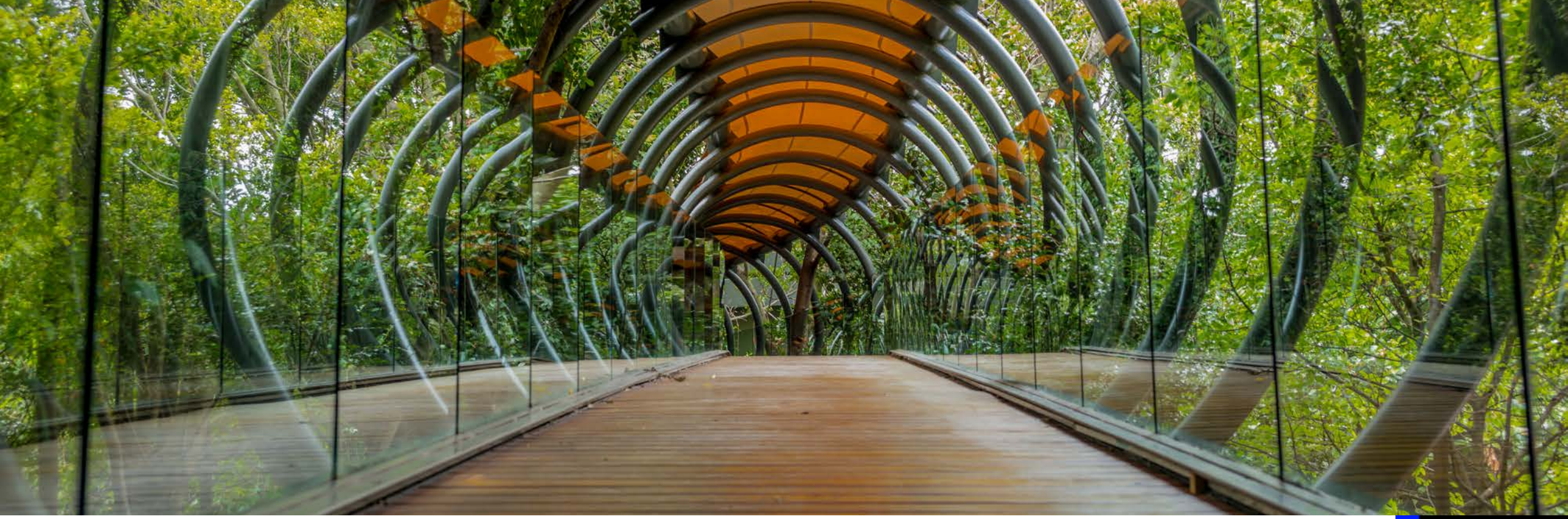


Financing a Sustainable Future

Green and Sustainability Sukuk Report 2022

20 September 2022

GLOBAL ETHICAL FINANCE INITIATIVE

REFINITIV®

An LSEG Business

About the report

Overview

The “Green and Sustainability Sukuk Report 2022” is a collaboration between Refinitv, an LSEG business, the Islamic Finance Council UK (UKIFC) and the Global Ethical Finance Initiative (GEFI) as one of the outcomes of the High-Level Working Group on Green Sukuk (HLWG) in its first year.

Contents

1. **Green and Sustainability Sukuk Overview**
   - Role of Islamic finance and sukuk in delivering SDGs
   - Green and sustainability sukuk landscape
   - Recent developments: Covid shifting market dynamics toward sustainability sukuk
2. **Ecosystem for Green and Sustainability Sukuk**
   - Policies and regulatory landscape (including international standards and taxonomies)
   - Industry development (HLWG)
   - Second opinion providers
3. **Roadmap for Green and Sustainability Sukuk**
   - Opportunity sizing
   - Key recommendations

High-Level Working Group on Green Sukuk (HLWG)

Overview

- Launched at COP26 (Nov 2021)
- 3-year initiative under the Global Islamic Finance and UN SDGs Taskforce.
- Aims to develop and promote green and sustainability sukuk to attract capital at scale to finance SDG projects.

Main objectives

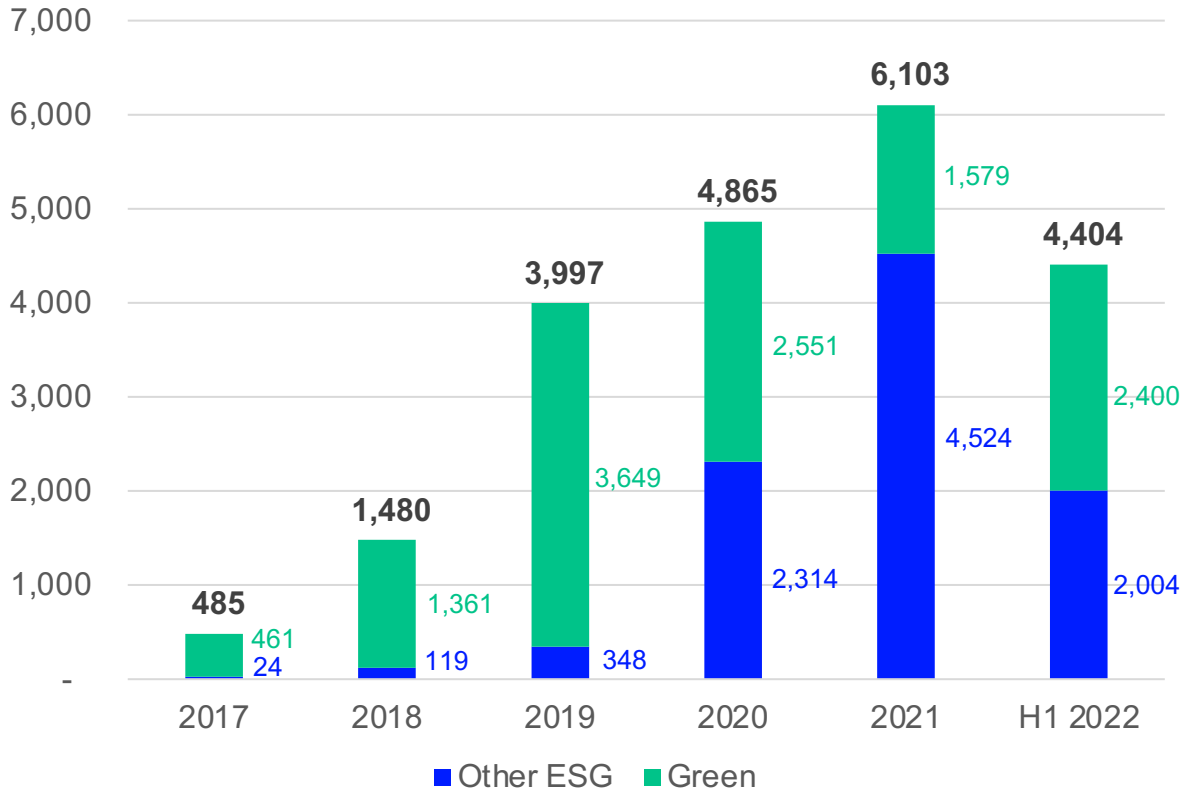
- Ensuring green and sustainability sukuk are featured at annual COP summits up to and including 2023;
- encouraging better regulatory and standards alignment of Islamic finance with the global ESG finance movement; and
- identifying and addressing existing challenges for green and sustainability sukuk on the supply and demand sides.

Report insights

Key findings

- Global ESG bond issuance hit $1 trillion mark in 2021, and $429 billion in H1 2022
  - 70% average growth since 2019
- Green and sustainability sukuk reached $4.4 billion in H1 2022, following a record issuance of $6.1 billion in 2021.
  - 1% of ESG bond issuance
  - 4% of total sukuk issuance.
- Green sukuk made up 26% of total ESG sukuk in 2021 vs. 91% in 2019
  - drop in green sukuk countered by surge in sustainability sukuk during Covid pandemic.

Green and sustainability sukuk issuance 2017 – H1 2022



Source: Refinitiv

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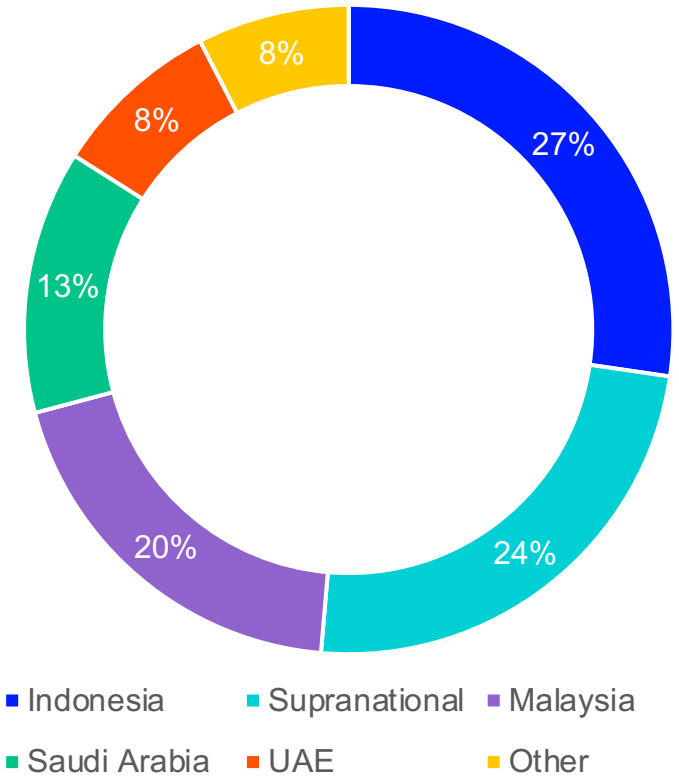
Report insights

Key findings

Top issuers 2017 – H1 2022

Issuer	Cumulative issuance
Indonesia Gov.	$5.8 billion
IsDB	$5.1 billion
Saudi Electricity	$1.3 billion
Majid Al Futtaim	$1.2 billion
Infracorp	$900 million

Cumulative issuance by country 2017 – H1 2022



Demand

Average subscription rate

4.4

for green and sustainability sukuk

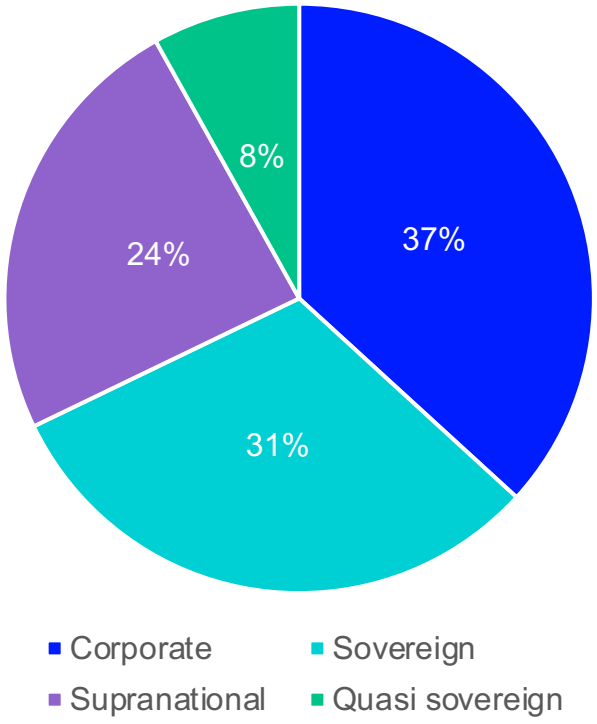
3.3

for traditional sukuk

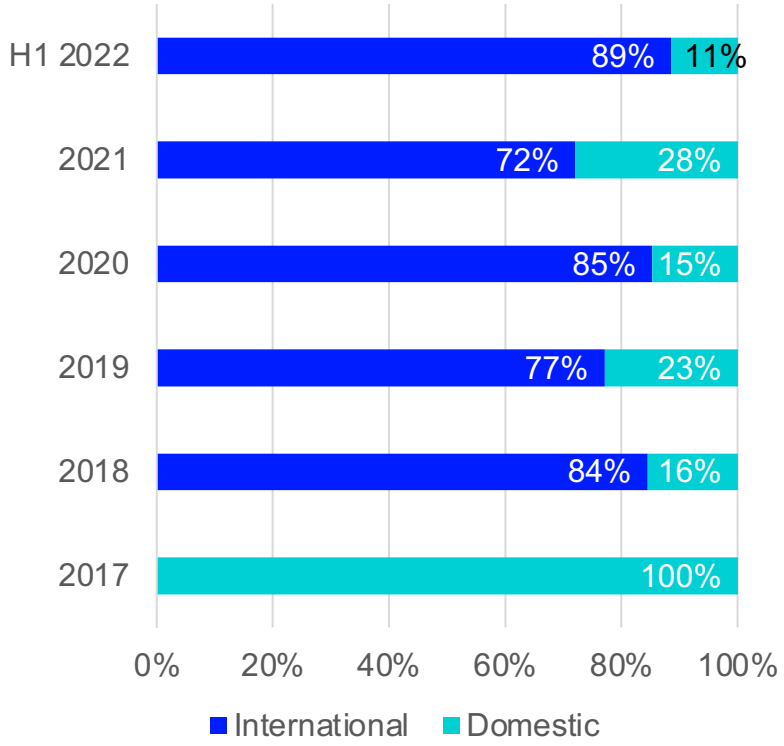
Report insights

Key findings

Cumulative issuance by issuer type 2017 – H1 2022



Green and sustainability sukuk by market of issue 2017 – H1 2022



Issuer type

Corporates were the most active issuers

91%

of the total number of issuances

37%

of total value issued

Markets

82%

average of green and sustainability sukuk issued in international markets

Survey insights

ESG mandates

are the primary motivation for investing in green and sustainability sukuk

46%

of investors consider second party opinions the most useful tool for assessing sukuk green and sustainability credentials.

54%

of investors have already integrated ESG criteria within their Shariah-compliant portfolios.

42%

of investors say ESG reporting and screening criteria were the main reason for not investing in green and sustainability sukuk.

Green and sustainability sukuk roadmap

It is estimated that $30 billion to $50 billion of capital dedicated to SDGs could be raised through green and sustainability sukuk by 2025, according to UKIFC.

Key recommendations

Promote common regional and international standards

- Develop ESG sukuk masterplans/ roadmaps
- Introduce specific ESG sukuk guidelines or regulations
- Harmonise taxonomy approaches
- Adapt internationally accepted green and sustainability standards for sukuk applications
- Standardise ESG disclosure and reporting requirements and mandate ESG assurance
- Build issuer awareness and a specialised ESG talent pool

Build capacity with issuers and enhancing the wider ecosystem

<u>Increase issuance volume</u>

- Incorporate green and sustainability sukuk within government funding mix
- Offer issuers cost-reduction incentives
- Establish ESG segments within stock exchanges

<u>Innovation</u>

- Support issuance of transition sukuk
- Introduce blue and nature sukuk
- Use Sukuk-Waqf to fund social finance projects

Expand the investor base beyond traditional sukuk investors

- Offer incentives for investors
- Promote investor awareness and capacity building
- Attract investors with no Shariah compliance mandate

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Thank you

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