UKIFC

Global Islamic Finance and UN SDGs TaskForce

Key Outputs Report

December 2023

HM Government

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

LSEG

GEFI

SUSTAINABLE DEVELOPMENT GOALS

IMPACT

Executive Summary

The Global Islamic Finance and UN SDGs Taskforce was a unique collaboration between the public and private sectors to raise awareness and understand the role Islamic finance can play in achieving the United Nations Sustainable Development Goals (SDGs).

With assets estimated to be over US $3.8 trillion, Islamic finance is one of the fastest growing sectors in the global financial industry. Achieving the 17 SDGs, as outlined in the UN's 2030 Agenda for Sustainable Development, has been estimated to require over US$5 trillion per year of investment, with the financing gap standing at around $2.5 trillion per year.

As the blueprint to achieving a better and more sustainable future for all, addressing issues such as climate change, education and equality; and unlocking the necessary finance requires a coordinated global effort.

Despite a natural synergy between many principles of the Maqasid al Shariah and the SDGs, analysis conducted by UKIFC highlighted a distinct lack of engagement across the global Islamic finance sector.

Launched in 2020 by the UKIFC and the UK Government, the Taskforce brought together over 200 Islamic finance institutions and industry stakeholders from across the globe to better understand and address the challenges and opportunities presented to the sector by the SDGs.

The Taskforce examined the potential contribution of the Islamic finance sector to closing the SDGs funding gap whilst enhancing its commercial success and addressing the climate-related nationally determined contributions (NDCs).

With advocacy activities at COP26, COP27 and COP28 along with the UNGA and G20 summit coupled with the production of a number of technical resources over three years, the Taskforce has successfully engaged and built strong momentum across four working groups: Disclosures and Reporting; Education and Awareness; Pakistan; and the High-Level Working Group on Green Sukuk.

This impact report presents an overview of the Taskforce's membership and activities, as well as highlights key outputs and makes recommendations for future activities.

As Secretariat and co-founders, the UKIFC thanks all the Founding Institutional partners, namely HM Government, Islamic Development Bank, State Bank of Pakistan and London Stock Exchange Group and the working group Chairs and all members who have assisted in facilitating the positive results of this taskforce – from Talk to Action.

$30bn - $50bn opportunity in green and sustainable Sukuk

95% convergence between the UN SDGs goals and targets and principles of Shariah

CONVENE
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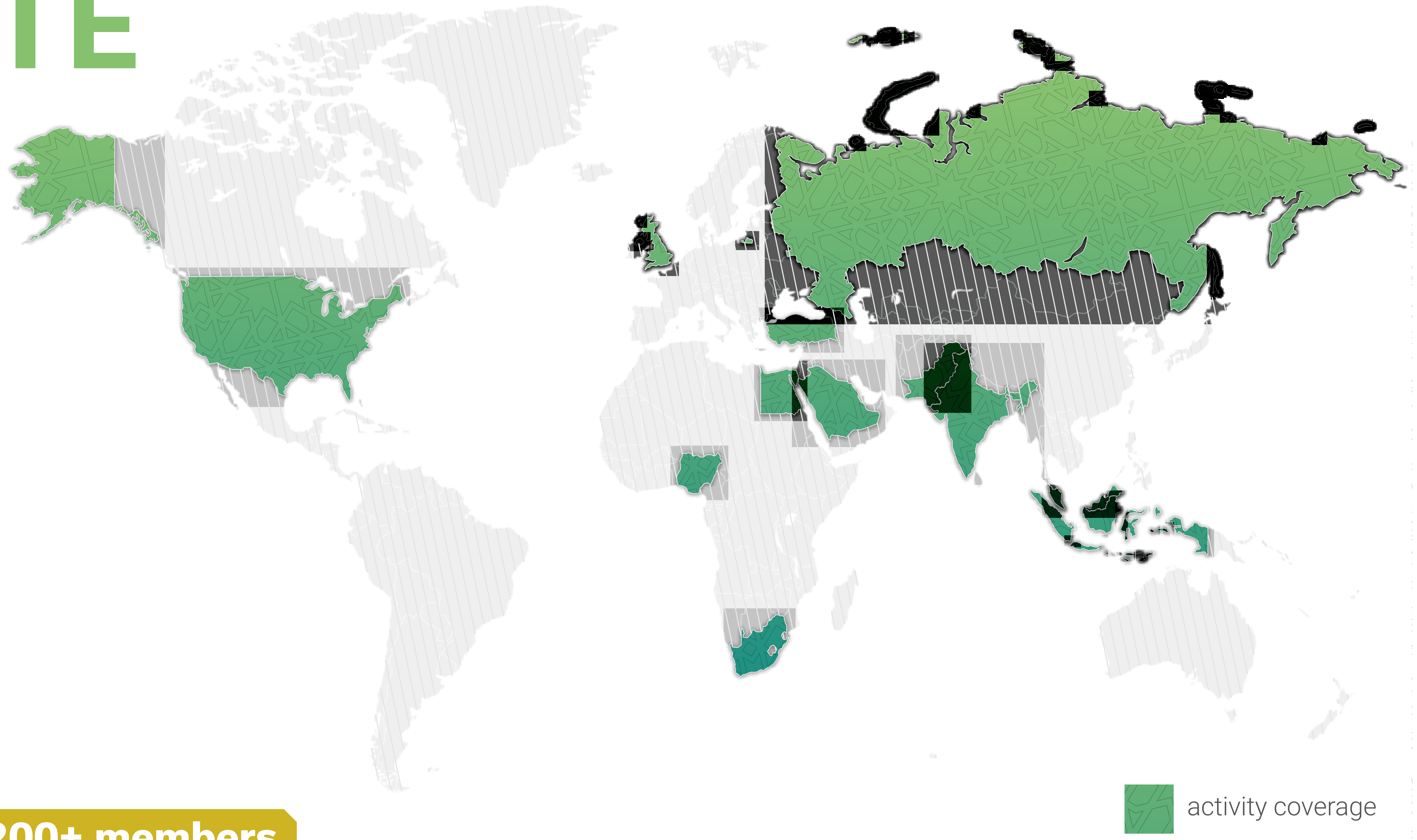
BUILDING GLOBAL ECOSYSTEMS



With UKIFC's sector knowledge and leverging GEFI's strength and leading position in conventional sustainability markets, we were uniquely able to:

1. guide Islamic Financial Institutions (IFIs) through the myriad of sustainable finance frameworks
2. better understand the nuances and unique characteristics of IFIs to enhance their engagement with the global sustainable finance movement

200+ members

72 CEO/Global Heads

13 countries represented

4 work programmes

TECHNICAL RESOURCES DELIVERED

MEMBERSHIP PROFILE

200+ SENIOR STAKEHOLDERS

- **70%** C-suite and head of departments
- **30%** Government regulators, NGOs & academics
- **4** work programmes
- **13** countries represented
- **8** technical resources delivered

Overview

Launched early 2020, with the UK Government and Islamic Development Bank as founding partners, the UKIFC as co-founder undertook the Secretariat responsibilities successfully co-ordinating and delivering this strategic initiative over three years. Following the launch, the State Bank of Pakistan and London Stock Exchange Group joined as partners further building momentum and enhancing reach.

7 Taskforce meetings

G20, COP, UNGA & DIFC events

50+ bilateral meetings

11 technical resources delivered

HM Treasury

John Glen
Economic Secretary to the Treasury and City Minister (2020)

"I am pleased we're now a founding country partner and observer member of the new Islamic Finance SDG Taskforce. This Taskforce will bring together the global Islamic finance community so it can help us meet our international, environmental and sustainability objectives.

IsDB البنك الإسلامي للتنمية Islamic Development Bank

H.E Dr Bandar Al Hajjar
IsDB President (2020)

"It gives me great pleasure to meet you all virtually to discuss how Islamic Finance can close the SDGs financing gap. I would like to thank UK Islamic Finance Council for organizing, with the support of HM Treasury, this important event.

Workstreams

The working groups emerged as a result of consultation with Taskforce members. Many valuable suggestions were made and the below four priority areas were identified.

1 Education and Awareness

This working group was established at the first Taskforce meeting with members agreeing upon the pressing need to improve market knowledge, understanding and adoption of the SDGs.

It delivered a 4 part report series looking at the commercial opportunities the SDGs present, PRI, UN PRB, and Shariah and the SDGs providing unique insights.

In addition, a pioneering global survey was commissioned successfully capturing global retail customers understanding, attitudes and expectations from their banks with regards to the SDGs and sustainability linked products. The process managed by Sultan Choudhury, successfully captured 2000 respondents from Pakistan, Malaysia, the UK, Australia, and Nigeria. Never before had such a global retail survey been undertaken.

3 High-Level Working Group on Green Sukuk

The working group was launched in collaboration with Her Majesty's Treasury, the Ministry of Finance in the Republic of Indonesia Ministry of Finance, the Islamic Development Bank, the London Stock Exchange Group (LSEG), and the Global Ethical Finance Initiative (GEFI) at COP26. It was established to coordinate international efforts and promote green and sustainability Sukuk as an asset class that can attract capital at a scale for projects that will mitigate the impact of climate change. It launched a report on green Sukuk in partnership with Refinitiv, now LSEG. This workstream is chaired by Shrey Kohli of LSEG. It is still ongoing and has had over 30 meetings in group and bilateral formats.

2 Pakistan

The working group was established following an announcement by the Governor of the State Bank of Pakistan at the second meeting of the Taskforce in November 2020. The SDGs align with the seven pillars of Pakistan's Vision-2025, which provides a comprehensive long-term strategy for achieving inclusive growth and sustainable development. The working group was led by Pakistan's Central Bank - State Bank of Pakistan in conjunction with the UKIFC. It launched a report on SDGs and sustainability, delivered training, and successfully resulted in the country's largest bank official signing up to the UN PRB.

4 Disclosures and Reporting

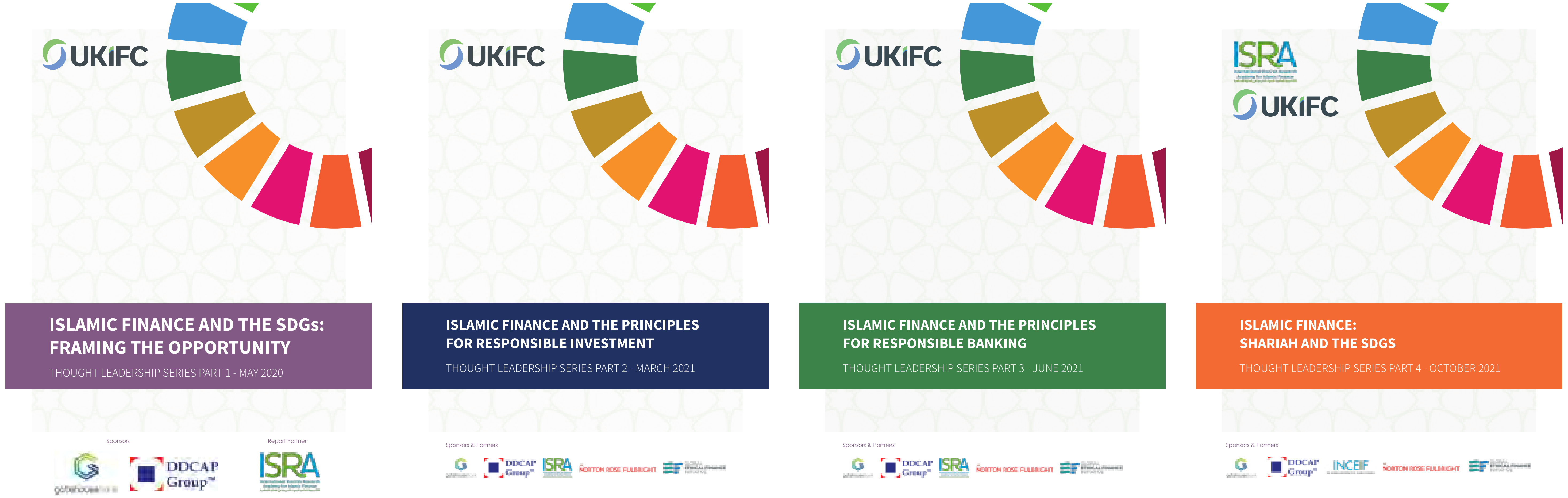
Focusing on UNEP FI's Principles for Responsible Banking (PRB), the working group provided a forum for IFIs to build a more uniform disclosure approach through shared experiences. A technical guidance note was produced that better reflects the nuances of IFIs under the PRB reporting requirements and explains the inherent parallels between Islamic finance principles and the PRB by offering common disclosure statements.

The PRB is a leading global sustainable banking framework that allows banks to take steps to align their basic strategy, decision-making, lending, and investing practices. It has over 300 signatory banks. The workstream was chaired by Gatehouse Bank, the world's first fully Shariah-compliant stand-alone Islamic finance institution (IFI) to sign up to the PRB.

1 Education and Awareness

Education and awareness successfully delivered through multiple events and key global forums and the delivery of 4 seminal reports and a pioneering global survey designed to inform practitioners and encourage action. The survey was the first time such research had ever been undertaken at a global level to understand banking customers perspectives and needs towards sustainable banking products.

Shariah alignment, disagreements and sensitivities were also unpacked in a report co-authored by leading Shariah scholars and Malaysia-based ISRA unpacking Shariah and the SDGs. Over 95% convergence was identified with only minimal disagreements.



4 seminal reports

Partners

ISRA

DDCAP Group™

NORTON ROSE FULBRIGHT

CIMB GROUP

gatehousebank

HBL

Islamic Bank Australia

Jaiz Bank ...FOR A BETTER LIFE

DIFC

GEFI

The survey objectives were to:

- Determine the current state of consumer awareness Islamic Finance to sustainable development goals
- Establish whether there is desire or motivation from consumers to drive these sustainable development goals through their consumption and specifically consumption of Islamic Financial services i.e. establish demand
- Establish whether consumers believe there is a link between Islamic Finance values and the importance of supporting sustainability goals
- Understand which of the SDGs resonate the most with Islamic Finance consumers and whether there are regional or age differences
- Determine whether consumers want to “find out” more about sustainability development and understand the best way / channel to educate consumers

Key findings from the survey:

- Reducing poverty and hunger was seen as the most important SDG focus area (80% said it was important).
- 71% said SDG alignment would make them more likely to use their bank’s products.
- 87% were willing to pay a premium for SDG-aligned products (median premium of 4.4%).

2000 respondents **6 financial institutions**

4 continents **4 reports produced**

READ THE SURVEY HERE →

READ THE SURVEY HERE →

Following an approach from the State Bank of Pakistan (SBP), this working group was established not just for the Islamic banking teams, but all banks in Pakistan to better understand the SDGs and by extension the global sustainability agenda. Assisted by UKIFC Senior Advisor, S.Fahim Ahmed, together with SBP lead GM Abbasi the working group was hugely successfully in providing a co-ordinated introduction for local banks to the global sustainable banking movement.

The working group demonstrated positive collaboration showing how Islamic finance initiatives were able to work together with their counterparts in the conventional banking teams to focus on the shared sustainability agenda.

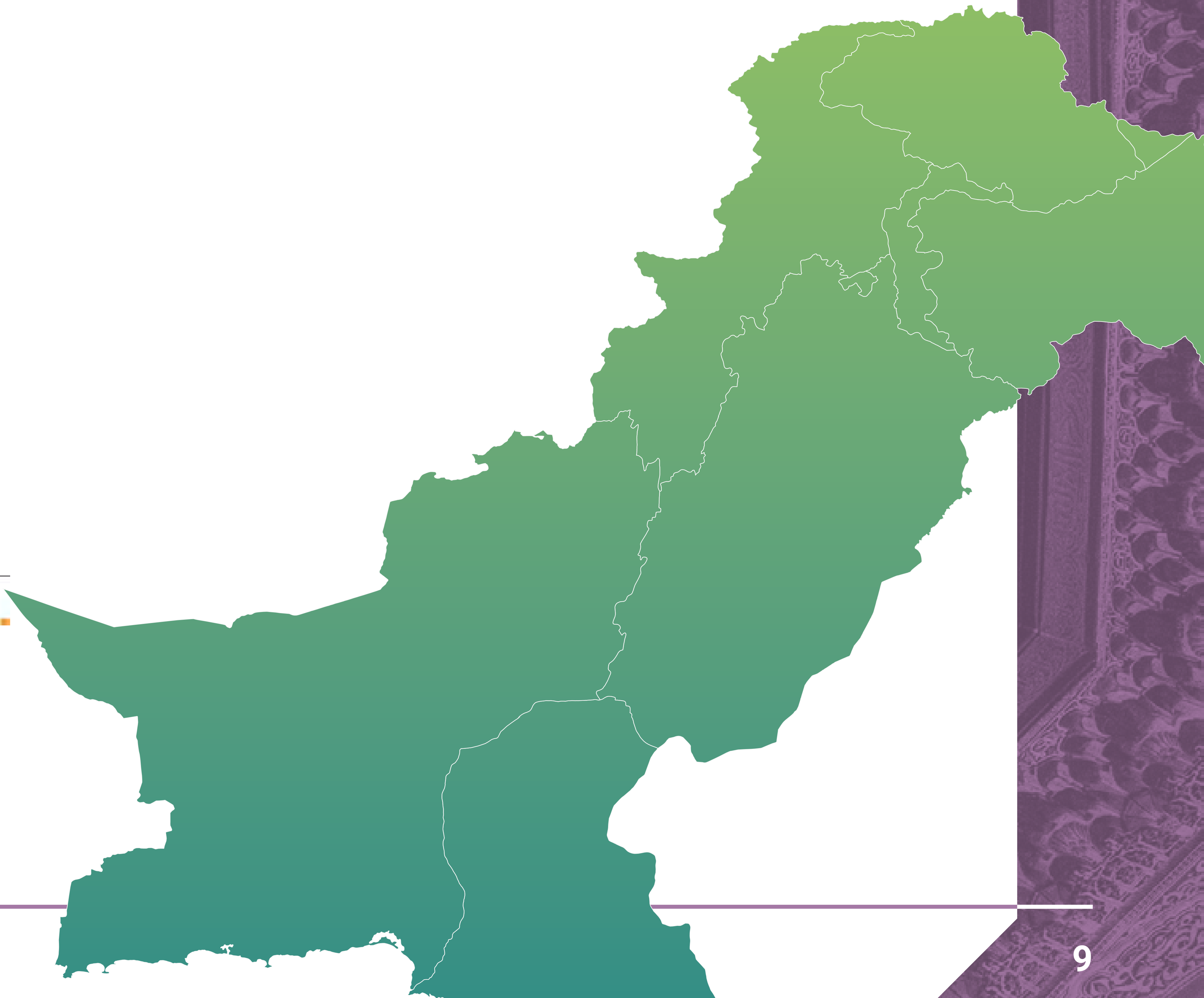
Objectives

- **Prepare a country report outlining state of play within the Pakistan market with regards to awareness of and engagement with the SDGs / sustainable banking agenda.**
- **Build capacity and encourage Pakistani banks to commit to the PRB.**
- **Facilitate necessary technical tools (including risk management) and targets to assist both the banks and the SBP in furthering their engagement with the SDGs / sustainable banking agenda**
- **Share international experiences and insights with Pakistan stakeholders and provide opportunities to improve their international networks for cross-border activities.**

Co-chair

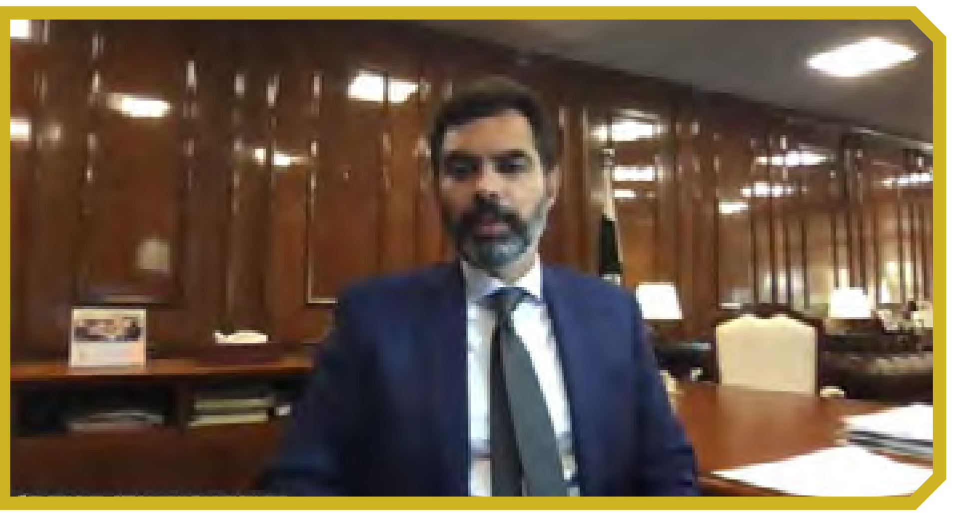
Partners

> "The session today was excellent. It was a privilege to have attended. The format – from scene-setting, practical application to case studies – was really good, and all excellent speakers."
>
> **Capacity Building participant**

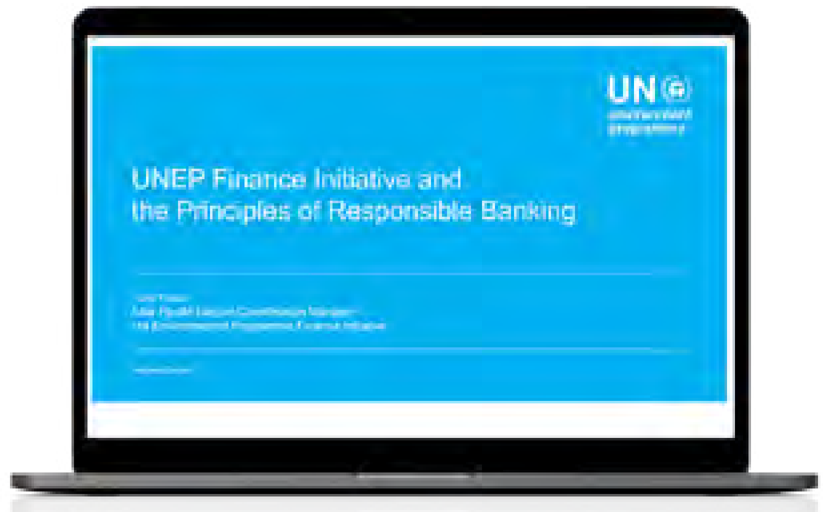


Activity

- Held ten formal working group meetings between December 2020 and June 2022
- Climate and Environmental Risk Management workshop
- Capacity building workshop on Sustainable Banking and PRB; and Implementing the PRB with Standard Chartered
- Banks' ranking of key SDGs in terms of priority, to meet country needs along with its alignment with business strategy
- 53+ additional bilateral and direct meetings



Former State Bank of Pakistan Governor HE Dr. Reza Baqir addressing a global Taskforce meeting where he highlighted the regulatory framework the country has established for green finance and announced the set-up of a country level working group as part of the Taskforce



UNEP Finance Initiative's Asia Pacific Region Co-ordination Manager delivered a presentation as part of the 'Sustainable Banking and the Principles for Responsible Investment' capacity building session delivered in partnership with the State Bank of Pakistan.

MAJOR ACHIEVEMENT

As a direct output of the working group, HBL, the largest bank in Pakistan, has become the country's first official signatory of the UN Principles for Responsible Banking.

READ THE REPORT HERE →

Objectives

- Ensure green and sustainability Sukuk is highlighted at annual COP summits up to and including 2023 to increase awareness of the instrument
- Assist and enhance existing established global standard setting bodies and regulatory initiatives run by the UN, IsDB and others
- Identify and address specific existing challenges for green and sustainability Sukuk on the supply and demand side

Founding Partners

LSEG

HM Treasury

MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

Strategic Partners

Emirates NBD

GEFI

Sri Mulyani Indrawati
Minister of Finance, Republic of Indonesia. (2021)

"As a pioneer in the issuance of international Green Sukuk, the Ministry of Finance of Indonesia is honoured to be able to work together with Her Majesty's Treasury, the UK Islamic Finance Council, the Islamic Development Bank, the London Stock Exchange Group and the Global Ethical Finance Initiative to further develop Green Sukuk market. The initiative aims to promote Green Sukuk as an alternative financing instrument, which combines two principles that are very much aligned, to a wider audience globally, and enabling issuers not to only tap Sukuk investors but also Socially Responsible Investment (SRI) investors across the world.

Julia Hoggett
Chief Executive
London Stock Exchange plc (2021)

"The launch of the High-Level Working Group on Green Sukuk is a significant milestone for the development of Islamic Finance and sustainable finance globally. I am delighted that LSEG is a founding member to help scale green Sukuk through our markets and data, allowing companies to access finance in a manner consistent with their faith and values. Green Sukuk are strongly linked to assets in the growing green economy, and can help mobilise the capital needed to fund the U.N. Sustainable Development Goals.

Activity

- Held over 30 meetings, including bilateral and focus groups
- COP27 and G20 events held with UK Government, MoF Indonesia, IsDB and key lead arrangers and issuers
- Together with Refinitiv (LSEG company) the high-level working group delivered the 2020 state of the market report detailing the $30-$50bn market opportunity, key trends and a 3-point roadmap to build the market with 11 recommendations
- Initiated engagement with ICMA and IsDB and COP28 Climate Champions office on preparing a 2024 green and sustainable Sukuk guidance note
- Prepared a knowledge portal which would be a one – stop shop with case studies on how to successfully engage with the market
- Engaged with IsDB on developing and delivering a capacity building programme for DMOs in member countries
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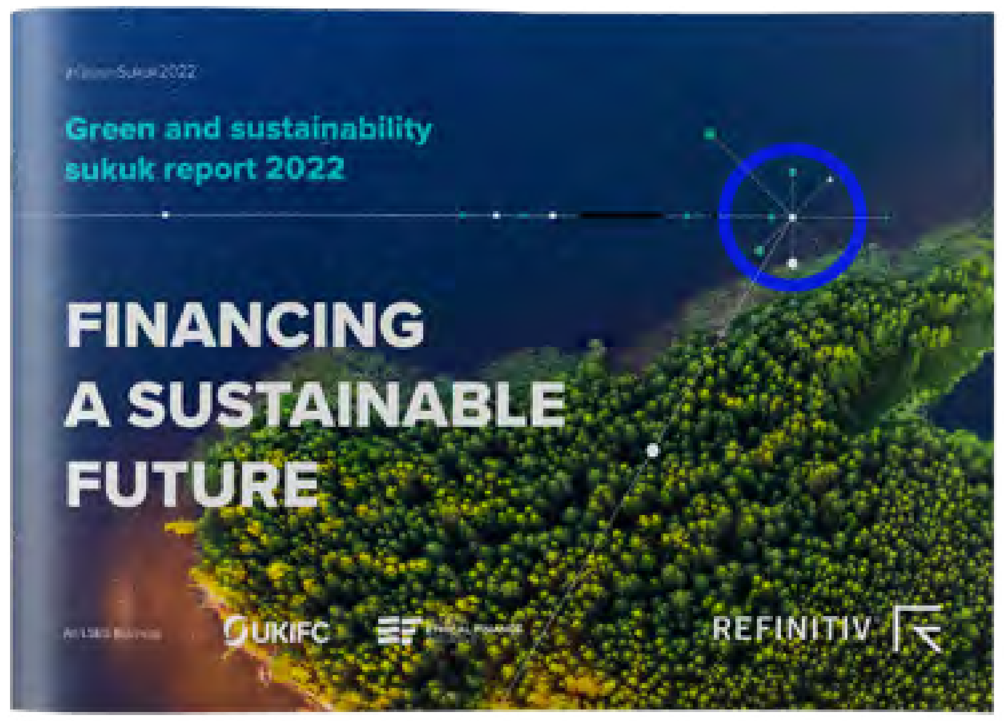
Claire Dorrian

Shrey Kohli

Dr Zamir Iqbal ISDB



READ THE REPORT HERE →

WATCH THE ISLAMIC FINANCE & THE SDGS 2021 VIRTUAL SUMMIT →

READ THE REPORT HERE →

G20 INDONESIA 2022

As part of Indonesia's G20 presidency, we hosted an official event to promote green Sukuk

4 Disclosures and Reporting

With disclosures and reporting identified as a priority area, this working group provides a platform for relevant stakeholders to come together to share experiences with a view to developing a more consistent approach amongst Islamic financial institutions regarding disclosure. The scope focused on UNEP FI's Principles for Responsible Banking (PRB).

The objectives were to:

- Share experiences on approach to reporting under the UN PRB
- Identify and develop a framework for UN PRB disclosures tailored for Islamic financial institutions
- Produce a toolkit/guidance note providing practical assistance and where helpful templates to assist and encourage global Islamic financial institutions to engage with the UN PRB

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Lead Partner

gatehousebank

Partners

BPMB Malaysia Development Bank

CIMB GROUP

DDCAP Group™

General Council for Islamic Banks and Financial Institutions CIBAFI

GIB

Jaiz Bank ...FOR A BETTER LIFE

Recommendations

The multiple successful output from this Taskforce demonstrates the importance of ecosystem building initiatives and how, if carefully managed, collaboration can mobilise action that results in positive market impact. This requires a strong, astute, and technically versed Secretariat role, the commitment of institutional partners and the multiple members, which this Taskforce has greatly benefited from.

Achieving the SDGs will require concerted efforts over the remaining years to 2030 and a key recommendation is that a platform, endorsed by the relevant UN agency that would be the foremost platform for promoting SDGs in the Islamic Finance industry. It would play an integral role in delivering the recommendations below and carry-on fostering collaboration between the private and public sectors. Also, based on the data from the membership representation, there is a need to expand advocacy to the Americas.

1. Education and Awareness

a. Leverage report data to develop a campaign to inform and influence Islamic banking shareholders and board members

b. Develop a training and advisory offering to support Islamic banks to develop and implement sustainable banking frameworks and products

c. Widen the participating bank roster and re-run the report periodically

2. Pakistan

a. Undertake phase 2 of the working group addressing the Country report recommendations and facilitate a structured training programme targeting 1000 bankers

b. Package up the approach taken in Pakistan and promote to other countries/regions

3. Disclosures and Reporting

a. Engage with UNEP FI team to:

- Update guidance note
- Review latest PRB signatory list/Initiate campaign to non-signatories IFIs
- Send guidance note to all relevant signatories (comms campaign)
- Develop a training session/programme for IFI PRB signatories
- Develop a consultancy offering to support IFIs with PRB onboarding, monitoring and reporting

b. Engage with PRI to determine need for IFI investment guidance note (and / or link to the developing concept of Tayyib ("Shariah compliant + ESG")

4. High-Level Working Group on Green Sukuk

a. i. Developing and implementing a structured 18/24-month programme (in partnership with IsDB) starting in 2024 targeting policy setters, select issuers, regulators, investors, and emerging market stock exchanges (virtual/hybrid)

ii. Deliver a knowledge portal (in progress) with all relevant technical case studies, reports and other resources to guide and encourage potential issuers of green and sustainable Sukuk

b. Deliver a technical guidance note together in partnership with ICMA to provide enhanced clarity and certainty to market stakeholders

c. Advocacy – deliver a programme of events, including COP29, and potential roadshows promoting green and sustainable Sukuk

Member Recommendations

1. Continuous engagement by Financial Institutions (FIs) with international organizations specialising in ethical and sustainable finance to learn from their expertise.

2. FIs and other business entities should incorporate SDGs and Green Finance-related targets in their strategic plans. This would help them benefit from the domestic and international markets.

3. FIs should have a dedicated 'SDG and Green Finance Department' headed by a senior official to set and achieve targets while liaising with other relevant departments, top management, and the Board of Directors (BoD).

4. FIs should create awareness among their clients' base toward the SDGs and Green Finance.

5. At the global level, international Islamic infrastructure institutions such as IFSB, AAOIFI, IsDB, and IIFM should individually and collectively explore ways and means to encourage the Islamic financial services industry to be part of leading UN initiatives in the area of sustainable finance.

6. To encourage banks' regulatory authorities to set up a "Facilitation Desk" to enhance regulatory support.

7. A taxonomy (based on international best practices) on what constitutes green and sustainable from an Islamic lens, should be considered, developed and agreed upon by stakeholders.

FIs should have **a dedicated 'SDG and Green Finance Department' headed by a senior official** to set and achieve targets while liaising with other relevant departments, top management, and the Board of Directors (BoD).

Acknowledgements

UKIFC wishes to thank all the institutions and individual participants who have supported the efforts of the Taskforce. The principles underlying Islamic economics, where properly applied, can provide solutions to the most pressing sustainability challenges the world is facing today. The Islamic finance industry can, and must, play an important role in achieving this and contribute to framing and directing the global sustainable finance movement.

> **Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.**
>
> Margaret Meade

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UKIFC is a leading not-for-profit body committed to promoting and enhancing the global Islamic and ethical finance industries. As a pioneer in advocating the role of Islamic finance in delivering positive social outcomes, UKIFC is the Secretariat for the Global Islamic Finance and UN SDGs Taskforce.

GEFI has become the hub at the centre of the ethical finance movement, organising and coordinating a series of programmes to promote finance for positive change.

GEFI's Path to COP28 campaign seeks to encourage and support financial institutions to a just transition from commitment to implementation, measurement, and reporting. This report is an output of the Unlocking Islamic Finance workstream that is led by UKIFC and was formally launched at a Path to COP28 event with Host Financial Centre Partner DIFC in Dubai on 28th February 2023.

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