



The Socially Responsible Investment Sukuk as a Financial Tool to Address the Risk of Climate Change

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Keywords:

Green Sukuk, Islamic Finance, ESG, SDG

ABSTRACT

The purpose of this paper is to emphasize the likelihood of Socially Responsible Investment (SRI) Sukuk to be used as a tool to address the climate changes and improve the environment and economy by generating positive social impact. This paper has adopted a descriptive and analytical approach, as this research paper has used qualitative methodology and analyzes the commonalities between SRI Sukuk and SDGs as a financial tool to address the risk of climate change. The literature review revealed a growing participation and interest in SRI Sukuk. Funds and proceeds are increasing at an increasing rate annually. Additionally, the paper considers the factors of Sustainable Development Goals (SDGs) as well as Environmental, Social, and Governance (ESG) objectives, embedding SRI Sukuk with positive impact. This paper is solely focused on the conceptual nature on SRI Sukuk and Green Sukuk. Additional research is needed to better understand different segments of social impact. Despite gaining international attention from many countries, SRI Sukuk remains a topic with relatively low research and user engagement within Islamic Finance. This paper aims to raise awareness and improve comprehension of SRI Sukuk within Islamic Finance.

Keywords:

Sukuk Hijau, Keuangan Islam, ESG, SDG

ABSTRACT

Sukuk Investasi Bertanggung Jawab Sosial sebagai Alat Keuangan untuk Mengatasi Risiko Perubahan Iklim. Tujuan dari penelitian ini adalah untuk menekankan kemungkinan Sukuk Investasi Bertanggung Jawab Sosial (SRI) digunakan sebagai alat untuk membantu perubahan iklim, dan juga meningkatkannya dengan memberikan dampak sosial yang positif terhadap lingkungan dan perekonomian. Penelitian ini menggunakan pendekatan deskriptif dan analitis, karena penelitian ini menggunakan metodologi kualitatif dan menganalisis kesamaan antara Sukuk SRI dan SDGs sebagai alat keuangan untuk mengatasi risiko perubahan iklim. Dari tinjauan literatur, penelitian ini menemukan adanya peningkatan partisipasi dan minat terhadap Sukuk SRI. Dana dan hasil meningkat pada tingkat yang meningkat setiap tahunnya. Selain itu, makalah ini juga memuat faktor-faktor Tujuan Pembangunan Berkelanjutan (SDG) serta tujuan Tata Kelola Sosial Ekonomi yang memberikan dampak positif pada Sukuk SRI. Tulisan ini hanya fokus pada sifat konseptual SRI Sukuk dan Green Sukuk. Penelitian tambahan diperlukan untuk lebih memahami berbagai segmen dampak sosial. Meskipun Sukuk SRI telah diperhatikan secara internasional oleh banyak negara. Masih sepinya lalu lintas para peneliti dan pengguna terkait Keuangan Islam. Selanjutnya kesempatan ini dimanfaatkan untuk memberikan pemahaman dan pemahaman lebih terhadap Sukuk SRI di bidang Keuangan Islam.

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INTRODUCTION

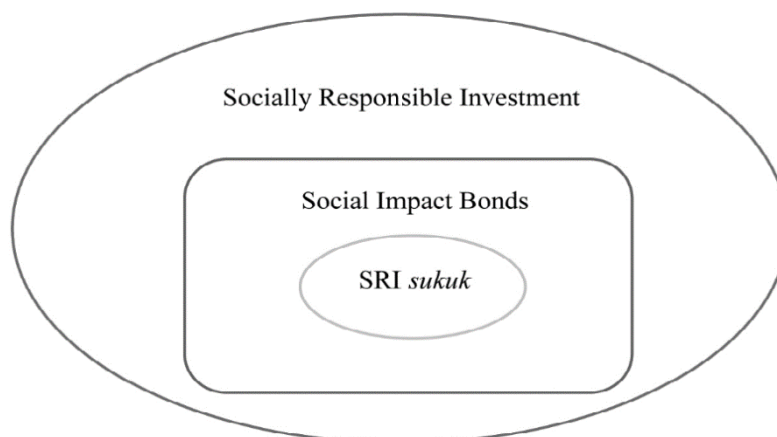
The social financial instruments are experiencing rapid growth. Consequently, supporting them with capital can lead to positive social outcomes. These investments are viewed as catalysts for accelerating social goals, such as those outlined in the 2030 Agenda for Sustainable Development.

Social finance refers to investments that work towards achieving environmental goals while also having a positive economic impact. It is a global concern, with organizations like the United Nations Development Programme and the World Bank examining the social financial development and governance framework (Hilbrich, 2021).

In the context of Islamic finance's contribution to the Sustainable Development Goals (SDGs), we have witnessed impressive growth in the segment of Socially Responsible Investment (SRI). Through social development, Islamic finance seeks to achieve both social impact and financial return, all while adhering to Sharia principles. According to Azman (2019), the market size in the United States of America reportedly increased from USD 8.7 trillion in 2016 to USD 12 trillion in 2018. It is further estimated to be near USD 12 trillion with a projected growth rate of 11% annually.

Despite the growth of SRI going unnoticed in academic literature, there is a need to raise awareness about its effectiveness in terms of environmental, social, and governance (ESG) impact (Wagemans et al., 2013). This paper will primarily focus on the environmental aspect of the SDGs, where high greenhouse gas emissions trap heat, causing climate change. This phenomenon affects food supply, weather patterns, and contributes to air pollution (Nunez, C., 2019). Therefore, our objective for this paper is to explore the potential of Islamic social financial instruments, such as SRI Sukuk, and their contribution to green impact in mitigating climate change. Additionally, SRI Sukuk/Green Sukuk is a type of Socially Responsible Investment that falls under the broader category of Social Impact Bonds.

Figure 1: Structure of Socially Responsible Investment



Source: Azman 2016

LITERATURE REVIEW

Concept of Socially Responsible Investment

SRI (Socially Responsible Investment) is a type of investment that targets social and environmental projects with the intention of generating positive impact (Renneboog et al.,



2008). Within the financial market, SRI also works towards achieving the objectives set by the 2030 Agenda for Sustainable Development.

SRI employs strategies that contribute to environmental sustainability while protecting the people living within those environments. Consequently, shareholders are drawn to projects that align with their values and offer positive outcomes, such as a greener impact or mitigating risks that endanger nature. This focus on positive impact can lead to increased investment due to SRI's strong reputation among high-value investors seeking long-term financial returns.

The framework of SRI aligns with Environmental, Social, and Governance (ESG) principles, emphasizing transparency, problem disclosure, and accountability (Holland, 2016).

Concept of Islamic Socially Responsible Investment

SRI (Socially Responsible Investment) in Islamic finance is a form of investment that targets social and environmental projects while adhering to Sharia rules and principles. Therefore, in addition to ethical considerations and social and environmental parameters, Sharia compliance becomes an integral part of the investment decision. This is a key distinction between SRI in Islamic finance and conventional SRI.

SRI Sukuk, consequently, differs from Social, Sustainable, and Green Bonds. SRI Sukuk follows the guidelines of Maqasid al-Shariah and leverages Sharia-compliant contracts to generate financial returns (Azman, 2016).

METHODOLOGY

This paper has adopted a descriptive and analytical approach, as this research paper has used qualitative methodology and analyzes the commonalities between SRI Sukuk and SDGs as a financial tool to address the risk of climate change. In collecting the data, these resources were applied, i.e. library research, content analysis, research articles and institution's report. The methods were used to obtain theoretical data from secondary sources. These resources were used to explain the SRI Sukuk and SDGs: tools and mechanism and relevant literature supporting the topic, as well as qualitative research with a case study approach from various countries that are contributing to the SRI Sukuk Impact such as Indonesia, Malaysia, and others.

RESULT AND DISCUSSION

SRI-Linked Sukuk Framework: The case of Malaysia

The main features of SRI-linked Sukuk Framework include components such as identifying the financial structure of SRI linked Sukuk where financial returns are predefined based on the achieved sustainability goals during the tenure of the sukuk. Proper selection of KPI is an important component as the issuer of the sukuk must select their KPI based on their strategies that should be relevant where it provides high significance of the project that is towards sustainability. Added to that, the issue must set a realistic, consistent with its sustainability KPI where these measurable targets should be predefined before the issuance of the SRI-linked sukuk in order to calibrate the performance. In addition, an external reviewer must be appointed to provide a report on pre and post issuance stages where the performances will be matched against the KPI set based on the timeline of the sukuk issuance. Once complete, the issuer then must publish all the components mentioned where the sukuk holders can assess the issuers' performance in accordance with the KPI and Calibration of Sustainable Performance Target (Zico Law 2022).



Malaysia is a leader in developing a framework for Sustainable and Responsible Investment (SRI) Sukuk. Established in 2014 by the Securities Commission Malaysia, the framework emphasizes the importance of financing projects that generate positive social impact. It promotes Islamic financial instruments that contribute to social and environmental good through the issuance of SRI Sukuk and Green Sukuk.

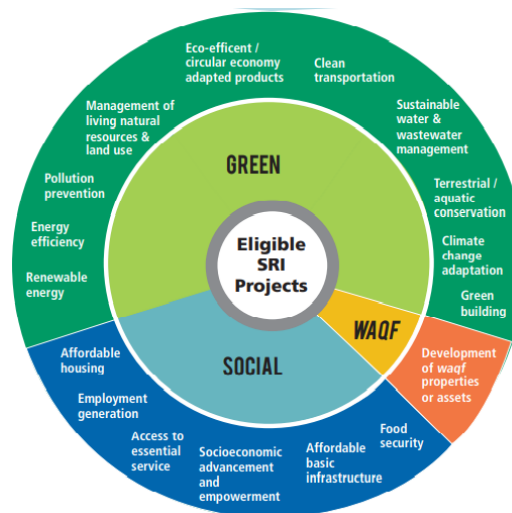
The framework establishes guidelines for accepting projects that meet social investment criteria, such as environmental protection, green energy promotion, and reduced greenhouse gas and CO₂ emissions. Transparency is a core principle. The framework ensures transparency regarding the SRI projects undertaken and their expected impact by adhering to Environmental, Social, and Governance (ESG) standards (Marwan & Ali, 2016).

SRI Sukuk proceeds fund activities related to the Sustainable Development Goals (SDGs), including energy efficiency, air pollution prevention, renewable energy, natural resource sustainability, land protection, climate change mitigation, aquatic and terrestrial biodiversity conservation, water pollution prevention, and green buildings (Securities Commission Malaysia, 2023).

Enhanced disclosure requirements, reporting standards, and the introduction of external reviewers in 2019 led to a significant increase in issuances. By December 2019, 10 SRI Sukuk had been issued in Malaysia, totaling an estimated RM4.77 billion (Malaysian Sustainable Finance Initiative, 2023).

Both Green Sukuk and SRI Sukuk are Islamic financial instruments used to improve the nation's environmental sustainability. The first Green SRI Sukuk, compliant with the SRI Sukuk framework, was issued under the Securities Commission in 2017 (Capital Markets Malaysia, 2023). Green SRI Sukuk proceeds fund projects specifically designed for green impact, benefiting communities, the environment, and social and natural well-being. Specific examples of these projects will be elaborated on in the case studies presented later in this paper.

Figure 2: Majority of Green Projects



Source: Securities Commission 2019

Impact of Social Financial Instruments on SRI

The framework itself promotes social bonds to maximize financing for social sustainability and environmental progress. It also emphasizes transparency by requiring



disclosure on how debt is used while maintaining transparency. The main factors of Social Bond Principles are uses of proceeds, evaluating the project and selection, managing the proceeds, and preparing final report (ICMA 2021).

According to the International Capital Market Association (ICMA), social bonds are not strictly bonds, but rather contracts used to finance large-scale social impact projects (Petroske et al., 2017). These bonds are governed by a structured framework established by the Social Bond Principles (SBP), alongside the Sustainability Bond Guidelines (SBG) and Green Bond Principles (GBP).

These investments primarily focus on improving access to education, healthcare, and employment, while also incorporating human rights, supporting small and medium enterprises, and reducing greenhouse gas and CO2 emissions. The success of these investments is tracked through the Impact Reporting and Investment Standards (IRIS), which aligns with the SDGs. Organizations like the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN) monitor and evaluate these policies to ensure they adhere to the framework and align with the SDGs (Gang & Scheck, 2020).

Finally, the core characteristics of social impact include the intention to generate positive social, environmental, and natural impact, the expectation of receiving a financial return on the social investment, a commitment to measuring performance, and the reporting of achieved social impact (Azman et al., 2019).

Benefits of Social Financial Framework

Social finance has demonstrably shown strong performance in mitigating social, financial, and economic crises. It offers a solution to issues like inequality, poverty, unemployment, and low wages by encouraging people to prioritize financial returns from environmental and social projects.

Social finance frameworks typically focus on achieving a "triple bottom line" of social, economic, and environmental benefits, often referred to as "planet, people, and profit" (Rexhepi, 2017). As we will explore below, social financial frameworks offer a multitude of benefits.

Maintain Social Protection

Social financial frameworks are designed to emphasize the importance of social security protection. They are structured to assist in poverty reduction and prevention by stimulating domestic demand, promoting decent work, and sustaining national economic growth. This aligns with the implementation of social protection systems within the context of the Sustainable Development Goals (SDGs).

Budgeting public expenditures towards social objectives

A robust framework pinpoints areas needing improvement. This allows the government to allocate sufficient budget resources towards social impact initiatives in the country. It achieves this by eliminating ineffective, low-impact investments in favor of investments that can generate significant socio-economic changes. This can be done through efficient monitoring of Emerging Market Economies (EMEs) and ensuring their involvement in programs that safeguard social welfare



Promoting growth through protection system

Social financial frameworks encourage policies that protect people through unemployment benefits, healthcare, and support programs for children and the elderly. This social safety net fosters a stable economic environment that promotes a competitive business landscape and ultimately contributes to a sustainable business cycle. Social investments in areas like environmental health and climate change mitigation are measured to assess their social impact (Azman et al., 2019).

Encouraging commitment from the key players

Governments, the International Capital Market Association (ICMA), private foundations, and other stakeholders collaborate to improve social and economic well-being. A well-defined regulatory framework for channelling financial resources towards social good and economic growth fosters strong commitment from these key players. Transparency and clear guidelines are essential for building a resilient social security system and innovating policies to secure additional resources to advance the Sustainable Development Goals (SDGs) (International Labour Organization, 2018).

Influencing organizations and government

Social finance frameworks empower governments to mitigate potential social risks. They also encourage collaboration between governments, institutions, and private investors. By channelling funds effectively through relevant organizations, social finance fosters positive economic and social change by addressing national challenges while generating financial returns for investors (Tian et al., 2021).

Motivating social, green, and social bonds

Since social financial frameworks align with ICMA's Guiding Principles, they motivate and encourage projects that aim to improve climate change, reduce pollution, create job opportunities, and generate positive environmental and social benefits. Social bonds are often used for green bonds that finance projects focused on lowering carbon emissions and mitigating climate change (Park, 2018).

This can be achieved through various means, including attracting outsourced contributions, financing future construction projects that adhere to ICMA guidelines, and focusing on areas like plantation development, water conservation, deforestation prevention, and responsible land use (Sustainable Fitch, 2022). Social bonds also help lessen the socio-economic impact of environmental crises and build green resilience (Peeters et al., 2020).

Overall, the social financial framework serves as a foundation for creating new approaches to social security with a focus on human well-being. It contributes to achieving full sustainable development, ensuring families' well-being, and ultimately, improving quality of life for future generations.

Application of the SRI Sukuk in various jurisdictions

The application of the SRI Sukuk has gained traction in various jurisdictions around the world. This section delves into specific countries that have issued Green/SRI Sukuk and explores their contributions.



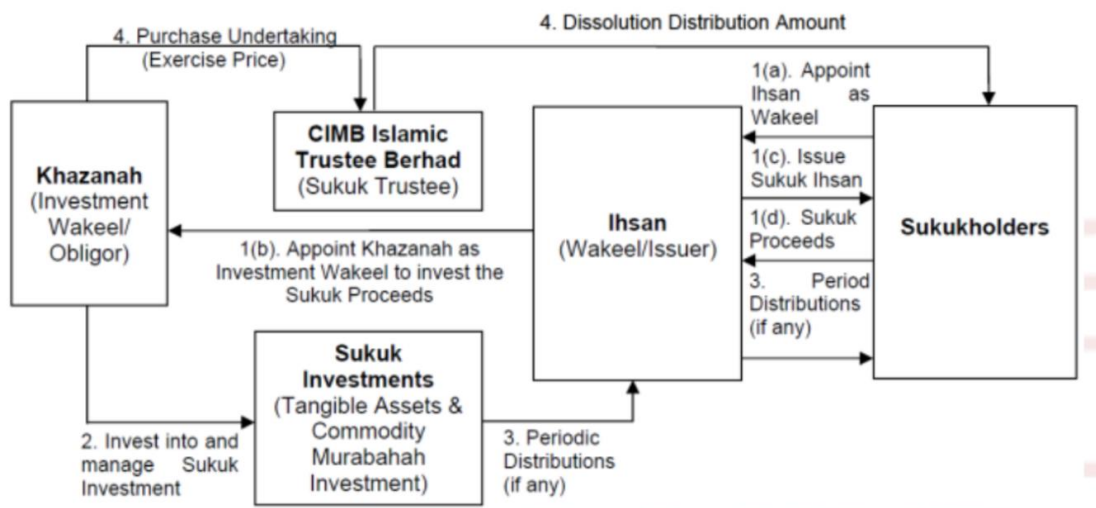
Malaysia

We will briefly highlight several SRI Sukuk issuances in Malaysia and provide a high-level description of each one.

a. Khazanah Malaysia

According to the Securities Commission of Malaysia, the first SRI Sukuk, named "Ihsan Sukuk," was launched in 2015 by Khazanah Malaysia Berhad under the Shariah Wakalah contract. This 25-year Sukuk has a total value of RM1 billion, with the first issuance of RM100 million rated AAA(s) by RAM Rating Services Berhad. It offered a 4.3% annual return for a period of 7 years. Notably, the proceeds were used to fund Yayasan AMIR's Trust School Programme (Khazanah Nasional, 2023).

Figure 3: The structure of Ihsan Sukuk



Source: Mujahid 2015

b. Khazanah-backed Cenergy SEA Bhd

Khazanah-backed Cenergy SEA Bhd has also made significant contributions through Green Sukuk issuances. They issued a RM1.5 billion Green Senior Sukuk with an A1 rating, with RM280 million allocated towards their expansion plan for sustainable energy solutions with a focus on reducing carbon emissions through investments in green projects (Cenergy SEA, 2023). Furthermore, on December 23rd, 2021, they successfully issued a green SRI Senior Sukuk under the Shariah Wakalah contract for a total of RM210 million, earmarked for the renewable energy sector (The Star, 2021). This issuance consisted of a 5-year sukuk for RM85 million with a 5.30% annual profit rate and a 7-year sukuk for RM125 million with a 5.55% profit rate (Murugiah, 2022).

Cenergy SEA Bhd's commitment to Green Sukuk issuances was recognized with the Best ASEAN Green SRI Sukuk award at The Asset Triple A Islamic Finance Awards 2022.

c. SGI-Mitabu Sdn Bhd

Malaysia's journey in Sustainable and Responsible Investments (SRI) has steadily improved over the years. According to Capital Markets Malaysia, the successful launch of the



Securities Commission's Islamic Fund and Wealth Management Blueprint facilitated an SRI Sukuk-funded green project for building a 50-megawatt solar panel facility.

In 2012, Australian company Solar Guys International and Mitabu successfully raised USD 100 million through a green Sukuk structured in Malaysia under a Power Purchase Agreement, to finance the construction of a solar panel located in Indonesia (SRI and Green Sukuk, 2016).

d. Tadau Energy Sdn Bhd

Another notable example is the green project launched in 2017 for constructing large-scale solar photovoltaic power plants in Kudat, Sabah, which marked the first-ever green Sukuk issuance. As of 2021, green Sukuk accounted for 18% (RM1.5 billion) of the total RM8.3 billion in cumulative SRI Sukuk issued in Malaysia (Capital Markets Malaysia, 2023). Additionally, RAM reaffirmed its AA3/Stable rating for the RM250 million green Sukuk issuance (Azman, 2017).

e. The Bond Pricing Agency Malaysia Market Capital

The Bond Pricing Agency Malaysia (BPAM) reports that as of March 31, 2021, Islamic bonds issued under the Sustainable and Responsible Investment framework aligned with the Sukuk framework had a market capitalization of MYR 6.71 billion, with maturities of at least 3 months (BPAM, 2023).

f. Eonas Resource to Energy Sdn Bhd

According to the RAM Sustainability external review, Eonas Resource to Energy Sdn Bhd's SRI Sukuk issuance demonstrably complies with the sustainability and green guidelines, achieving Tier-3 under green buildings and Tier-1 for renewable energy. Located in Pengerang, Johor, Malaysia, the company's primary objective is to utilize proceeds from its Murabaha SRI Sukuk issuance towards pollution prevention, clean transportation, a green and sustainable environment, and more. The company issued its ER2E Sukuk for RM500 million, adhering to the guidelines provided by the SRI Sukuk framework (Press Releases, 2022).

g. CIMB Islamic

CIMB Islamic has been a frontrunner in ESG/Green/SRI Sukuk issuances. They were recognized for their contribution with the "Best Green Sukuk of the Year 2022" award for structuring the Republic of Indonesia's record-breaking USD 3.25 billion Green Sukuk, the largest global Sukuk deal in Indonesia's history (CIMB Islamic, 2022). This issuance included a USD 750 million green Sukuk tranche (Lee, 2021).

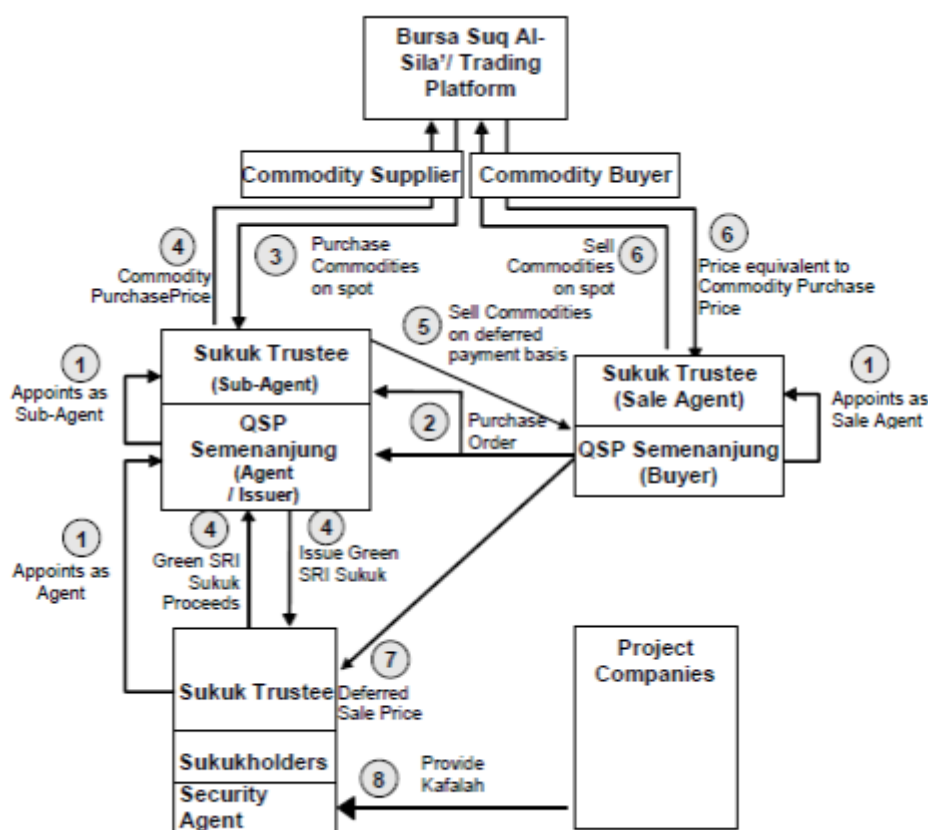
h. Quantum Solar Park Malaysia (HoldCo)

Quantum Solar Park Malaysia Sdn Bhd issued a green Sukuk to finance solar PV power plants, following the structure outlined in Figure 7. With the endorsement of the Center for International Climate and Environmental Research (CICER), HoldCo appointed CIMB Investment Bank as the principal advisor and Maybank and CIMB Investment Bank as joint lead managers for the issuance of the green Sukuk (Information Memorandum, 2017). The issuance comprised RM35 million of Green SRI Sukuk with a profit rate of 5.96% under the



Shariah-compliant Murabaha structure. The proceeds were directed towards solar energy projects (Islamic Markets, 2020).

Figure 7: Issuance of QSPM



Source: <https://iq.islamicmarkets.com/sukuk/qsp-green-sri-sukuk-quantum-solar-park-malaysia-rm35-million-7/structure>

i. Pasukhas Green Assets Sdn Bhd

Pasukhas Green Assets Sdn Bhd, a company focused on the energy and power sector, issued a RM200 million green Sukuk with a maturity date of February 28, 2039 (BMAM, 2021).

j. Leader Energy Sdn Bhd (LESB)

Leader Energy Sdn Bhd (LESB) issued a RM260 million ASEAN Green SRI Sukuk under the Wakalah contract. The Sukuk matures on July 16, 2038. Incorporated in 2017, LESB operates in the infrastructure industry with a focus on power investments in Vietnam and Cambodia. Their solar power projects generate 49MWac (BPAM, 2021).

k. UiTM Solar Power Sdn Bhd

UiTM Solar Power Sdn Bhd issued a RM240 million green Sukuk to finance the development of a 50MWac solar power plant in Pahang, contributing to a greener environment. The Sukuk matures on April 25, 2036.



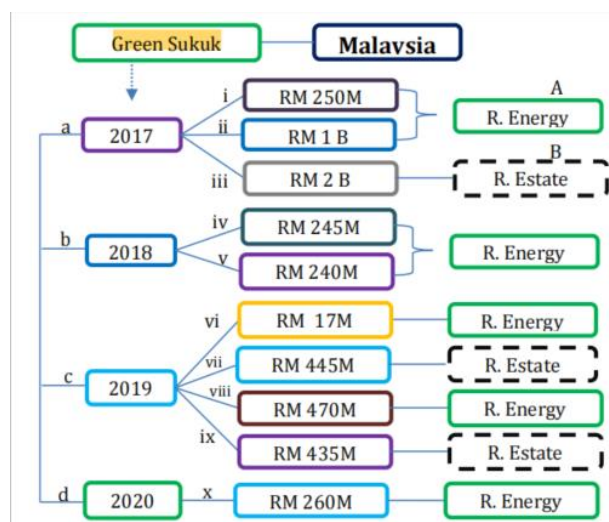
Malaysia leads as the largest sukuk market globally, surpassing Saudi Arabia and Indonesia, with 35% of the global outstanding sukuk. The country also continues its regional leadership in SRI (Sustainable and Responsible Investment) sukuk, with three SRI Sukuk totalling RM2.2 billion lodged with the Securities Commission Malaysia by the end of October 2023. Additionally, Malaysia contributes significantly to the total issuance of ASEAN Green, Social, and Sustainability bonds and sukuk, accounting for 27% of the amount whopping US\$41 billion (Phillip Mutual Berhad, 2023).

According to the International Energy Agency (IEA), to achieve net-zero emissions by 2050, around USD 4 trillion in annual clean energy investment worldwide is needed by 2030, opening up investment opportunities across sectors. Malaysia requires RM 1.2 trillion to RM 1.3 trillion in energy transition financing by 2050. The financial sector, particularly the capital market, must support funding and investments in these areas to align with government priorities (Phillip Mutual Berhad, 2023).

In the 2024 Budget announcement, the government supports Sustainable and Responsible Investment (SRI) by extending tax exemptions for fund management companies and tax deductions for SRI-linked sukuk and ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) issuances. Additionally, a biodiversity Sukuk initiative worth up to RM1 billion for degraded forest replanting is planned, with potential carbon credit generation. (Phillip Mutual Berhad, 2023).

The figure below illustrates Malaysia's initiatives in issuing Green Sukuk (GS) for the renewable energy sector. As shown, issuances in 2017 included RM250 million and RM1 billion worth of green Sukuk. In 2018, an additional RM245 million and RM240 million were issued for the energy sector. Issuances continued in 2019 with RM17 million and RM470 million, and in 2020 with a final issuance of RM260 million for renewable energy (Rahman et al., 2022).

Figure 4: Green Sukuk in Malaysia



Source: Rahman et al 2022

Indonesia

According to Rahman (2022), by March 2018, Indonesia had issued a total of \$5.5 billion in green Sukuk. These proceeds are used for projects like large-scale hydropower plants,



sustainable natural resource management, green buildings, and green tourism. Notably, the Indonesian Ministry of Finance issued the first global green Sukuk in March 2018.

The issuance successfully attracted \$1.25 billion in funds with a five-year SBSN maturity. It was also oversubscribed by 2.5 times, indicating strong market demand for sustainable investment in Indonesia. The UNDP (2020) reports that 51% of the total issuance funds were used to refinance national green projects from 2016, with the remaining 49% used for new financing.

The proceeds from green Sukuk issuances are exclusively used to finance or refinance expenditures directly related to "Green Projects" or "Eligible Green Projects." These projects adhere to the Green Bond Principles, promoting the transition to low-emission economic growth and climate resilience.

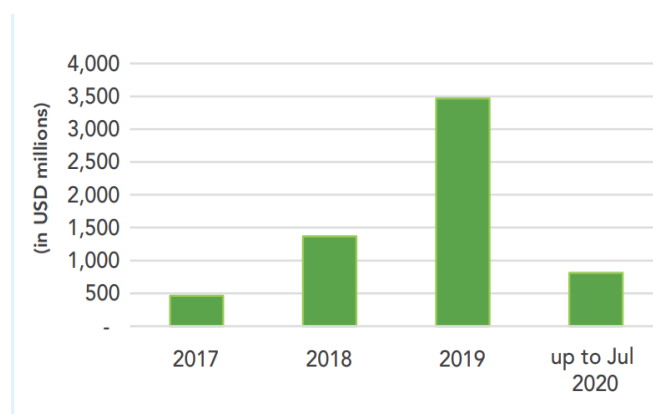
Green Sukuk issuance not only increases government revenue but also contributes to reducing carbon emissions. It fosters environmental awareness and improves public understanding of green investment culture.

According to Hasibuan (2019), the Indonesian Ministry of Finance determined the sales proceeds for the ST006 series Green Sukuk Retail offering. The total purchase order volume reached IDR 1,459,880,000,000 (one trillion four hundred fifty-nine billion eight hundred and eighty million rupiah) from 7,735 investors. Offered from November 1-21, 2019, ST006 had a floating rate of return with a floor of 6.75% and a settlement date of November 28, 2019. The issuance involved collaboration with 23 distribution partners, including Sharia commercial banks, commercial banks, securities companies, special securities companies, and financial technology companies (Hasibuan, 2019).

The United Nations Development Programme (UNDP) of Indonesia recognizes the potential of green Sukuk for advancing the green economy and addressing climate change. They estimate that green Sukuk could raise USD 50 billion by 2025, supporting greenhouse gas emission reduction aligned with the Paris Agreement.

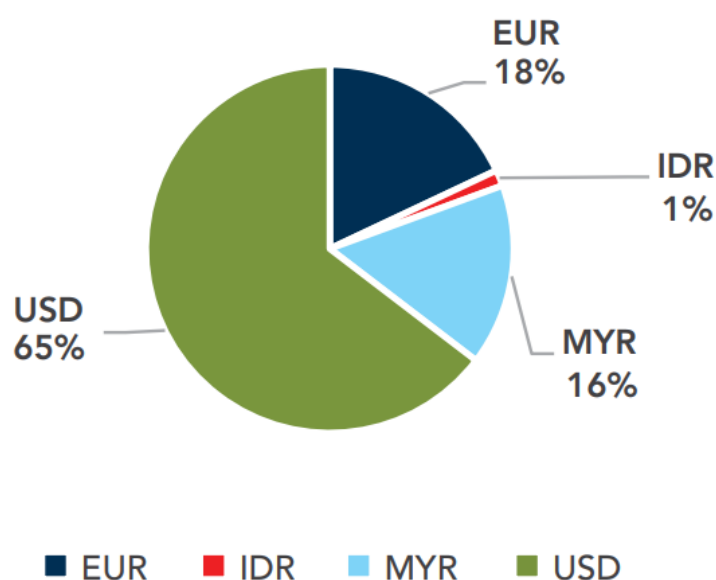
Indonesia's green Sukuk market has grown significantly, with issuances reaching USD 3.5 billion in 2019. As shown in Figure 5, green Sukuk issuance increased rapidly, from an estimated USD 500 million in 2017 to USD 3.5 billion in 2019. However, the COVID-19 pandemic caused a major decline. Institutions like the UNDP, Islamic Development Bank (IsDB), and Principles for Responsible Investment (PRI) are taking initiatives to raise green Sukuk issuance to achieve Sustainable Development Goals (SDGs). Figure 6 highlights the top issuers across four countries, responsible for approximately USD 6.1 billion in issuances (World Bank, 2020).

Figure 5: Green Sukuk Issuance



Source: World Bank Group 2020



Figure 6: Currency dominated in Green Sukuk Issuance

Source: World Bank Group 2020

SRI Sukuk Across the Globe

Saudi Arabia

According to a 2021 Arab News report, Fitch Ratings highlighted the potential for significant growth in green Sukuk issuances in the Gulf countries. They noted that the market had already doubled in size, with a record issuance of USD 6 billion in 2020. Bennett. O (2021) further strengthens this point by mentioning Saudi Electricity's successful USD 1.3 billion green Sukuk issuance.

Additionally, the Jeddah-based Islamic Development Bank (IsDB) launched a USD 2.5 billion sustainability Sukuk to support green and social impact projects (News. A, 2021).

Dubai, UAE

Majid Al Futtaim, a well-known shopping mall operator, pioneered the world's first green Sukuk issuance in the region. Valued at USD 600 million with a 10-year tenor, the Sukuk aims to achieve a greener environment by reducing carbon emissions and investing in future green projects like renewable energy and energy efficiency. The company's Chief Sustainability Officer stated that this initiative will have a significant socio-economic impact and benefit the environment (Salaamgateway, 2019).

Bangladesh

The Bangladesh Export Import Company (BEXIMCO) successfully issued a BEXIMCO Green Sukuk worth TK 30 billion (approximately USD 354.6 million) with a 5-year tenor. The issuance was funded through a combination of private placements, existing shareholders, and an Initial Public Offering (IPO). Approved by the Bangladesh Securities and Exchange Commission, the proceeds will be used for green projects like the Korotoa and Teesta solar power plants, promoting renewable energy generation and mitigating climate change by reducing greenhouse gases (Salaamgateway, 2021).



Sudan

According to Alawsat. A 2021, it has been stated that Sudan faces electricity shortages and frequent power cuts due to insufficient power generation capacity. To address this issue, Sanabel, a subsidiary of the Bank of Khartoum, launched its first green Sukuk of 4.75 billion Sudanese pounds (approximately USD 11.3 million) to finance a project with a daily generation capacity of 55MWaT.

Worldwide Contribution by Islamic Development Bank (IsDB)

In 2019, the Islamic Development Bank (IsDB) successfully raised €1 billion in a 5-year green Sukuk with a profit rate of 0.037%. The funds will be channeled to 57 member countries across different regions: 51% to North Africa, 38% to Europe, 6% to Asia, and 5% to other regions (Salaamgateway, 2019). The Sukuk received a AAA rating from S&P and Fitch (IsDB, 2019).

CONCLUSION

This research aligns with Masson et al. (2014) in highlighting that building solar panels and renewable energy infrastructure in cities contributes to achieving Sustainable Development Goals (SDGs) related to the environment. By reducing CO₂ emissions, air pollution, and climate change impacts, green Sukuk issuances promote a more sustainable future. It is recommended that companies involved in Green/SRI Sukuk issuance prioritize using proceeds for renewable energy projects that generate power for national grids. Additionally, promoting green Sukuk in other countries could significantly increase their contribution to Environmental, Social, and Governance (ESG) objectives.

The World Bank (2021) reports that the global Green Sukuk market is dominated by USD (65%), followed by EUR (18%), MYR (16%), and IDR (1%). This highlights the potential for broader currency diversification within the Green Sukuk market.

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