


Enabling Greater Access to Facilitate Sustainable and Transition Finance

As Malaysia transitions to a low-carbon economy, the role of the capital market can be further harnessed to mobilise private investments in enabling greater access to sustainable and transition financing needs. Towards this end, the SC has released the Sustainable and Responsible Investment-linked (SRI-linked) Sukuk Framework to facilitate companies including those in hard-to-abate sectors to tap into the capital market. The SRI-Linked Sukuk Framework, which was released on 30 June 2022, aims to facilitate fundraising by companies, addressing their sustainability concerns such as climate change or social agenda, with features that relate to the issuer's

sustainability performance commitments. This will also cement further Malaysia's ICM position in driving the sustainability agenda.

Read more on media release 'SC Releases New Sukuk Framework to Facilitate Companies' Transition to Net Zero'.

 <https://www.sc.com.my/resources/media/media-release/sc-releases-new-sukuk-framework-to-facilitate-companies-transition-to-net-zero>

The SC led the development of the ASEAN SLBS which was introduced by the ACMF. The ASEAN SLBS aims to facilitate the role of sustainability-linked bonds in funding companies that contribute to sustainability.

SRI-Linked Sukuk Framework

Background

With the accelerated shift towards building a climate-resilient future, high-emitting industries have a higher risk of being phased out if they are unable to manage an orderly and timely transition to low-carbon activities. However, a huge financing amount is required for these companies to transition, which cannot be met by green financing instruments. Globally, sustainability-linked bonds (SLB) and sustainability-linked sukuk (SLS) have proved to be useful financial instruments for issuers, mainly from the high emitting sectors to raise financing in meeting their transition needs.

In 2021, a total of 271 deals amounting to US\$130.2 billion were issued given the growing interest in SLB and SLS globally.*

What is an SRI-linked sukuk?

An SRI-linked sukuk is sukuk where the financial and/or structural characteristics vary depending on whether the issuer achieves its predefined sustainability objectives within a predefined timeline.

Key features of the framework



Characteristics

The financial and/or structural characteristics of the SRI-linked sukuk vary depending on whether the issuer achieves the KPIs



Key Performance Indicators (KPIs)

Sustainable commitments that the issuer would want to improve



Sustainable Performance Targets (SPTs)

Pre-defined targets against which the KPIs are assessed



External review

A report prepared by an independent third party to provide an opinion on the issuer's framework and a verification of the KPIs



Reporting

Issuer's obligation to report at least annually, on the performance of the KPIs

*Source: Climate Bonds Initiative.