

Intermediating Beyond Profits: Inaugural Islamic Banking Industry

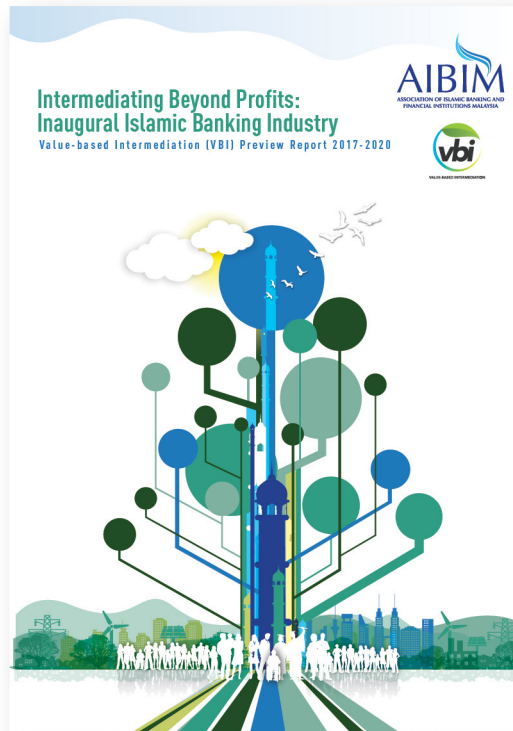
Value-based Intermediation (VBI) Preview Report 2017-2020

AIBIM
ASSOCIATION OF ISLAMIC BANKING AND
FINANCIAL INSTITUTIONS MALAYSIA



VALUE-BASED INTERMEDIATION





Intermediating Beyond Profits: Inaugural Islamic Banking Industry Value-based (VBI) Preview Report 2017-2020

This concept was inspired by our theme, “Sustainability through Islamic Values”. The most prominent feature of our design is the “graphic tree”. This highly stylised “graphic tree” represents sustainability and growth, and is built upon the foundation of Islamic banking and principles, represented here by the Islamic architectural dome pillars.

The growth of the “graphic tree” also symbolises upward mobility and the elevation of society through sustainable banking practices. Bringing home the notion of “Sustainability”, we have also incorporated on the horizon an ecosystem of sustainability through the use of icons - represented by windmills, solar panels, a green landscape, homes and people. In terms of colour, the blue tones represent AIBIM’s corporate colours while the green tones represent “sustainability” and Islam. Together, they integrate harmoniously.



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About AIBIM

AIBIM is a dynamic, visible, responsive and effective organisation representing the voice of Islamic finance industry.

We are driven by the Value-based Intermediation thrust that our members subscribe to in serving customers, the community and protecting the environment. We promote sound Islamic banking system and practice in Malaysia, represent the interest of our members locally and abroad, provide advice and assistance to our members pertinent to the development of Islamic banking and finance at a local, regional and global level. We also coordinate human capital development initiatives for members as well as promote public awareness.

Established in 1995, AIBIM was known as the Association of Interest-Free Banking Institutions Malaysia prior to assuming its present name, Association of Islamic Banking and Financial Institutions Malaysia on 16 May 2018. Almost all banking intermediaries offering Islamic banking in this country are our members. Today, we have 26 member banks as follows:

Domestic Banks



Development Financial Institutions



Locally Incorporated Foreign Banks



About this Report

“Intermediating Beyond Profits: Inaugural Islamic Banking Industry Value-based Intermediation Preview Report 2017-2020” (the Report) is based on a survey conducted by AIBIM to all member banks. The data and findings in this Report is based on submissions from 19 member banks, some of which may not have responded fully. The reporting period covered January 2017 to September 2020.



Foreword from the **Chairman (Interim)**



بسم الله الرحمن الرحيم
السلام عليكم ورحمة الله وبركاته

First and foremost, let me record my sincere appreciation to the members of AIBIM for their commitment to working together on this inaugural report.

Islamic banking is, by nature, a form of faith-based finance – banking in accordance with the principles of Shariah. Shariah is essentially a set of values based on the Al-Quran and Sunnah, which among others, includes being ethical, sustainable, responsible, transparent, green and equitable. Over the past decade or so, mainstream banks are voluntarily adopting these values, whereas Islamic banking practitioners must embrace it to provide Islamic banking services.

We are seeing our role in gaining grounds for several reasons. We generate positive and sustainable impact which, aside from pursuing profit, ensuring that the people and planet are not jeopardised, consistent with the Islamic teachings that we are Khalifah for humankind. We deliver these values through practices, conduct, and offerings yet ensure our shareholders' sustainable returns and safeguard long-term interests, consistent with the teachings of Amanah or trusteeship.

Most importantly and as we will elucidate in this report, the intended outcomes of Shariah encompasses ethical, sustainable, responsible, transparent, green and equitable considerations. Since embarking on embracing Value-based Intermediation (VBI) in 2017, we realise that VBI is a call for Islamic banking institutions to be consistent with universal values, including:

- Our sustainable development values are consistent with the 17 Sustainable Development Goals. The recent issuance of VBIAF Sectoral Guides on Palm Oil, Renewable Energy and Energy Efficiency a testament to this point
- Our environmental values align with the Government's aspiration and commitment to reducing GHG emissions intensity to Gross Domestic Product (GDP) by 45% by 2030 as a signatory to the 2015 Paris Agreement

- Our commitment to responsible and professional conduct towards our valued customers is concomitant with the requirements of Shariah as encapsulated in the Shariah contract with our customers, which is also consistent with Bank Negara Malaysia's issuance of the Policy Document on Fair Treatment of Financial Consumers which was issued on 6 November 2019 to inculcate high standards of responsible and professional conduct among financial services providers
- Our application of entrepreneurial mindset in supporting asnaf (recipients of zakat) and B40 micro-sellers via iTEKAD, deployment of sadaqah and waqf initiatives which reflects AIBIM's commitment in empowering the community by having an entrepreneurial mindset, values consistent with VBI

Much more similar work that our member banks have done, are doing and will do in the foreseeable future can be gathered from this report.

AIBIM's role has matured and transformed into a leading and recognised the voice that promotes not only the interest of member banks but also a concerted view in ensuring that financial intermediation serves the best interest of its important stakeholders in a fair, transparent and equitable manner required by Shariah.

We intend to further elevate this by a 3-year plan launched on 28 June 2019. We believe the current situation provides us with the opportunity to grow VBI. This report sets the scene for the difference banking with such values are making to the environment, people's lives, businesses and communities in this country. We are formulating new initiatives on in this regard. We will continue to build on the successes and learn from our 'misses' as Islamic banking industry brings the intrinsic values and achieves the scale that makes it accessible to all.

Thank you for making this report a reality.

#IslamicBanksCare #STAYSAFE #KITAJAGAKITA

Sincerely yours,

Mohd Muazzam Mohamed
Chairman (Interim)
Community of Practitioners



Terminology & Abbreviations

Agrobank	Bank Pertanian Malaysia Berhad
Alliance Islamic	Alliance Islamic Bank Berhad
AmBank Islamic	AmBank Islamic Berhad
Bank Islam	Bank Islam Malaysia Berhad
Bank Muamalat	Bank Muamalat Malaysia Berhad
Bank Rakyat	Bank Kerjasama Rakyat Malaysia
BNM	Bank Negara Malaysia or Central Bank of Malaysia
CIMB Islamic	CIMB Islamic Bank Berhad
CoP	Community of Practitioners
CVI	Corporate Value Intent as described in VBI Implementation Guide
ESG	Environmental Social & Governance
HSBC Amanah	HSBC Amanah Malaysia Berhad
IBI	Islamic banking institution
Maybank Islamic	Maybank Islamic Berhad
MDEC	Malaysian Digital Economy Corporation
OCBC Al-Amin	United Nation's Sustainable Development Goals 2030
PayNet	Payments Network Malaysia Sdn Bhd
Public Islamic	Public Islamic Bank Berhad
Report	This report, "Intermediating Beyond Profits: Inaugural Islamic Banking Industry Value-based Intermediation Preview Report 2017-2020"
RHB Islamic	RHB Islamic Bank Berhad



SDG	United Nation's Sustainable Development Goals 2030
SCSB	Standard Chartered Saadiq Berhad
SUSBA	<p>Sustainable Banking Assessment¹, a tool developed by WWF to show year-on-year changes and highlights progression or regression in banks' performance on the integration of environmental and social (E&S) considerations in their corporate strategy and decision-making processes. The objectives are to:</p> <ul style="list-style-type: none"> • Highlight the potential for the financial sector to drive sustainable development in ASEAN and beyond. • Provide a decision-useful assessment framework that incorporates environmental and social issues most relevant to the ASEAN region. • Help stakeholders assess banks' management of climate risk amid strong global support for the Task Force on Climate-Related Financial Disclosures (TCFD) framework, UNEPFI Principles for Responsible Banking (PRB), and other initiatives. • Help shareholders, potential investors, regulators and civil society representatives to track banks' progress and performance on ESG integration by displaying the evolution of results year-on-year. • Present the results in an online interactive platform that allows users to compare selected banks and indicators based on their preferences
VBI	Value-based Intermediation, as described in the VBI Strategy Paper and Implementation Guide ie "an intermediation function that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests"
VBIAF	VBIAF Financing and Investment Impact Assessment Framework – Guidance Document issued by BNM on 1 November 2019 (BNM/RH/DP028-8)
VBIAF Sectoral Guides	3 VBIAF sectoral guides for the Palm Oil, Renewable Energy and Energy Efficiency Sectors developed together with the VBIAF Working Group and spearheaded by CoP which consultation period ended 30 November 2020
VBI Implementation Guide	"Implementation Guide for Value-based Intermediation" issued by BNM on 3 October 2018 (BNM/RH/DP 034-4)
VBI Strategy Paper	Strategy paper on "Value-based Intermediation: Strengthening the Roles and Impact of Islamic Finance" issued by BNM on 12 March 2018 (BNM/RH/DP 034-2)
WWF	World Wide Fund for Nature

¹Refer to www.susba.org for more details

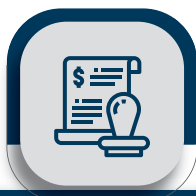


Islamic Banking Industry & VBI: 2017-2020

The survey respondents have intermediated over RM155.6 billion² in VBI related/aligned initiatives that created the following impact:



1 out of every 3 IBIs' deposits and investment accounts are VBI-aligned worth RM36.8 billion



1 out of every 10 financings approved by IBIs are VBI-aligned worth over RM94.2 billion



Nearly 35,000 deserving families now own affordable homes in over 190 projects, through almost RM20 billion more financing



Over 1000 public infrastructure accounts supported for better living standards, through RM24.1 billion additional financing



100,000+ SMEs & micro-SMEs supported with over RM40 billion financing provided



4500+ more renewable energy & green projects to conserve our environment via more than RM8.8 billion financing



Nearly ½ (by value) and 2/3 (by portfolio) of our members' investment portfolio are in SRI, SDG, ESG, green, renewable and similar VBI-aligned initiatives³ worth approximately RM24.6 billion



1800+ accounts in 450+ zakat, waqf, charities and sadaqah initiatives professionally managed worth RM190 million

²Information reflected herein is aggregate deposits, investment accounts' balances and other liabilities, and total financing & assets aligned or related to VBI collected from 19 member banks

³Similar initiatives refer to initiatives that promotes environmental sustainability which may not necessarily be classified under the SC list of Green or SRI sukuk



Chapter I: Introduction

At the time of this Report, the entire world is still grappling with the most challenging period in living memory, a global health crisis of a scale and magnitude never seen before. It has since evolved into a full blown global economic and financial crisis. International Monetary Fund⁴ believes the impact of COVID-19 pandemic is expected to result in 2020 to end with a 4.4% contraction. Global economic recovery is expected to begin in 2021, projected at 5.2 percent, 6.3 percentage points lower than pre COVID-19 projections. Lower-income households are expected to be the worst hit and this may even derail the advancements in eradication of extreme poverty in the world since the 1990s. Although the situation in Q1 2021 is not expected to be as severe in Malaysia, contraction in global trade, consumption and services output has had and is expected to continue to have a major impact on the economy. This affects financial intermediation which necessitated among others industry-wide measures including moratorium on financing repayments. The road to recovery remains uncertain as we now weather the third wave of the pandemic. As with the rest of the world, COVID-19 has plunged the nation into a period of uncertainty.

Against this prevailing environment, we at AIBIM are reflecting on the journey that member banks have embarked slightly over 2 years ago after the launch of VBI with BNM at Global Islamic Finance Forum 2018 when we first advocated this initiative. Pioneered by our CoP, VBI became the catalyst for our members to subscribe to banking practices to achieve specific impact including ESG, sustainability, green, ethical and similar initiatives. UN's Sustainable Development Goals 2030 and Principles of Responsible Banking under United Nations Environment Programme Finance Initiative are just some of the initiatives subscribed to or supported.

The coming months will undoubtedly be a very challenging recovery period but AIBIM member banks remain committed and intend to further amplify their commitment and seriousness to intermediate beyond profits, thereby setting the tone on what to expect from AIBIM member banks, moving forward. In the remaining parts of this Chapter I, we will begin with setting the context - who is our CoP, the VBI journey and the types and forms of intermediation that we consider as based on values. Chapter II will highlight the progress that AIBIM member banks has made, measured both by quantitative and qualitative impacts with some of our thought leaders' reflections of the journey thus far. Finally, Chapter III will provide a synopsis of future plans in this area both at AIBIM and by our member banks.

A. Value-based Intermediation Community of Practitioners

The VBI Community of Practitioners or CoP was initiated with 9 Islamic banks in 2017. Today, 50% or 13 AIBIM member banks are in the CoP, namely **Agrobank, Alliance Islamic, AmBank Islamic, Bank Islam, Bank Muamalat, Bank Rakyat, CIMB Islamic, HSBC Amanah and Maybank Islamic, OCBC Al-Amin, Public Islamic, RHB Islamic and SCSB**. It is a collaborative platform for industry players to strategically advance industry-wide implementation of VBI agenda. The following are their mandates:

- i. To serve as a single reference point to identify possible impediments related to VBI
- ii. To spur industry-wide VBI initiatives
- iii. To promote continuous industry wide knowledge exchange
- iv. To expand the pool of expertise and talent in VBI in Malaysia

In carrying out this mandate, the following values have been made as the guiding principles for CoP members⁵.

1. Openness & Transparency

- Fair and transparent disclosure on each IBI's intent in adopting VBI to all relevant stakeholders to avoid any information asymmetry, which will be done gradually
- Gain insights, opportunity and knowledge on areas of business improvements through wider, more constructive collaboration with NGOs, societies and government, among others
- Active, meaningful and inclusive stakeholder engagements as part of the governance for decision making process

2. Responsible

- Be a "good citizen" bank by becoming an enabler of stakeholders' aspirations. This can include:
 - **Government:** Low carbon target, SDG 2030 and Paris Accord
 - **BNM:** Responsible and professional conduct in a financial service provider, fair dealings, inclusive financing, enhanced financial literacy
 - **Islamic economy:** use VBI as the driver/enabler
- **Community empowerment** through provision of financial solutions that create positive impact to the triple bottom line
- **Self-governance** via embed of the culture of self-discipline within the operations and practices of IBIs
- **Best conduct practices** in IBI's offerings, processes and treatment toward their stakeholders to ensure of efficient services delivery

3. Diligence & Resourcefulness

- To strategically plan VBI implementation via a holistic framework where both industry and individual banks work towards a smooth gradual transition to be a values-based institution end-to-end
- To implement performance matrix for financial and non-financial aspects
- To plan and conduct strategic networking with relevant key stakeholders to acquire information and insights presently beyond the capacity and capability of our member banks.

⁴International Monetary Fund. 2020. World Economic Outlook: A Long and Difficult Ascent. Washington, DC, October.

⁵The values are extracted from VBI Strategy Paper, 2020 Strategy Plan and VBI related statement available in the public domain by CoP members



B. The VBI Journey

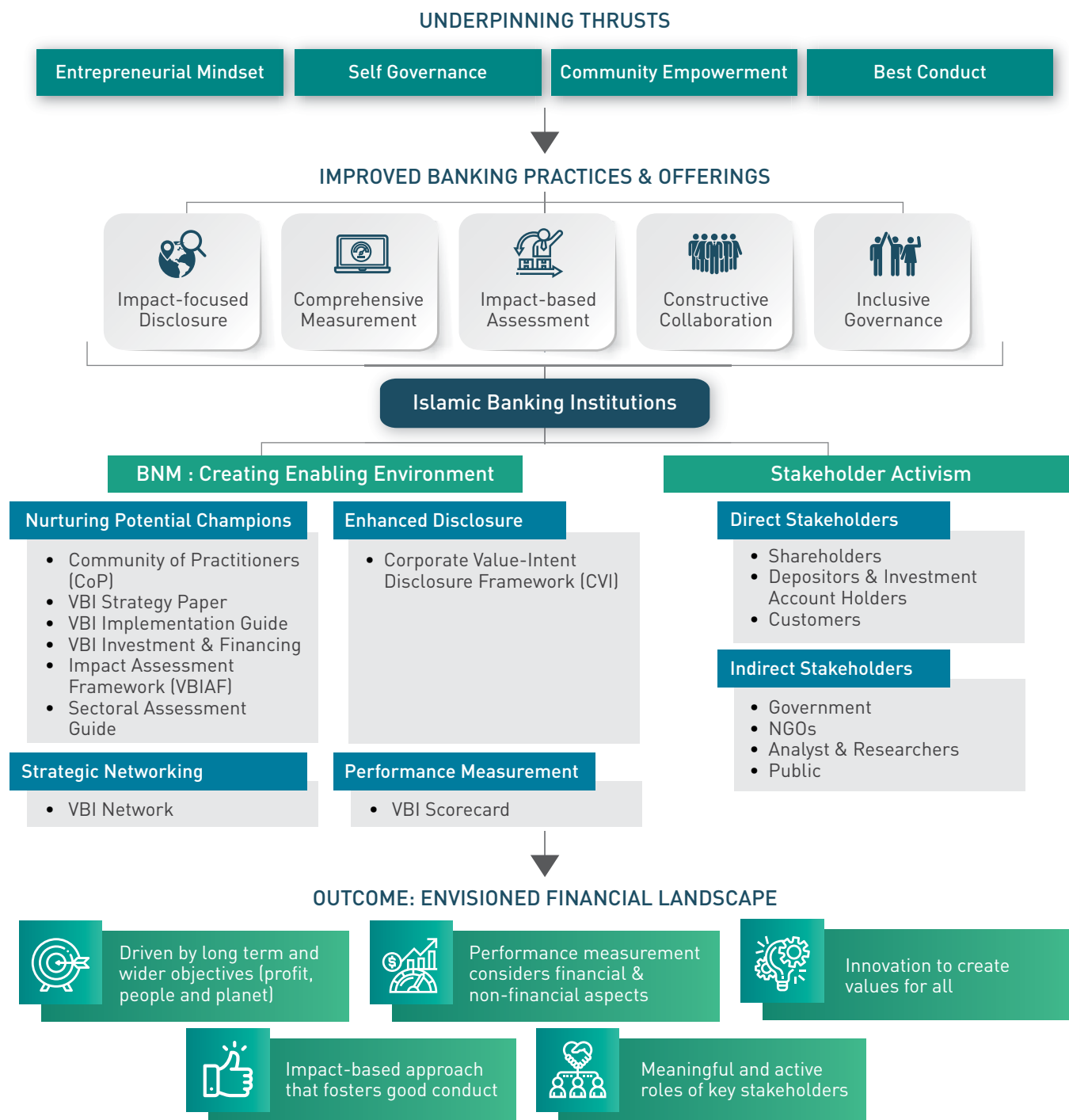
1. Inception

Implementation of VBI began in 2018 with CVI, which articulates IBIs' commitment to VBI and forms the basis for the formulation of all policies and systems from the front office to the back office which includes customer service, marketing, product development, risk management, treasury, compliance, finance, human resource and information technology.

The CVI is a framework that provides “a structured mechanism to formulate solid strategic intent, monitor the progression of implementation strategy and measure the end-outcome (impact)”⁶.

Diagram 1

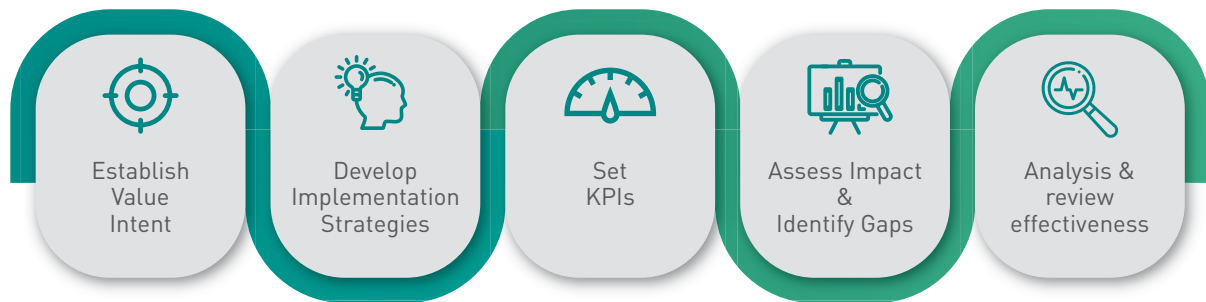
Overall Framework of Value-based Intermediation



Source: Adapted from BNM's VBI Implementation Guide 2018

⁶VBI Implementation Guide, page 4

Diagram 2
Corporate Value Intent Framework



Source: Adapted from BNM's VBI Implementation Guide 2018

Diagram 1 sets out the Overall framework of VBI whilst **Diagram 2** is a depiction of the steps involved in a CVI framework. This framework essentially provides for continuous review and improvements as IBIs progress with the VBI implementation. Effectively the steps are:

Step 1: Establish Value Intent

IBIs are expected to establish and declare their strategic intent or commitment based in *maqasid Shariah* (ie *amal ma'ruf, nahi munkar* or do good and prevent harm, inclusive and fair wealth creation and preservation). For those who are already subscribing available references and tools (eg UNEP FI and Equator Principles), they are required to ensure consistency with Shariah.

Step 2: Develop Implementation Strategies

Implementation strategies for VBI must be integrated with the IBI's business focus and banking operations. This may encompass leadership and culture; operations; products and services; transparency and stakeholder management.

Step 3: Set Impact-based KPIs

IBIs are expected to identify measurable KPIs for each implementation strategy that is **more impact-based**, such as new jobs created and less process-based, (ie to avoid measuring KPIs by number of engagement sessions held).

Step 4: Assess Impact & Identify Gaps

IBIs are expected to conduct periodic review from time to time of implemented strategies and identify gaps based on KPIs established to ascertain if the impact expected from the strategies have been achieved.

Step 5: Analyse and Review Effectiveness

IBIs are then expected to analyse and review effectiveness of the strategies and performance thus far to identify areas to be addressed to improve delivery of expected impact.

Apart from the CVI framework, the Guiding Principles to Implementation provides further guidance. These are summarised in **Diagram 3**.

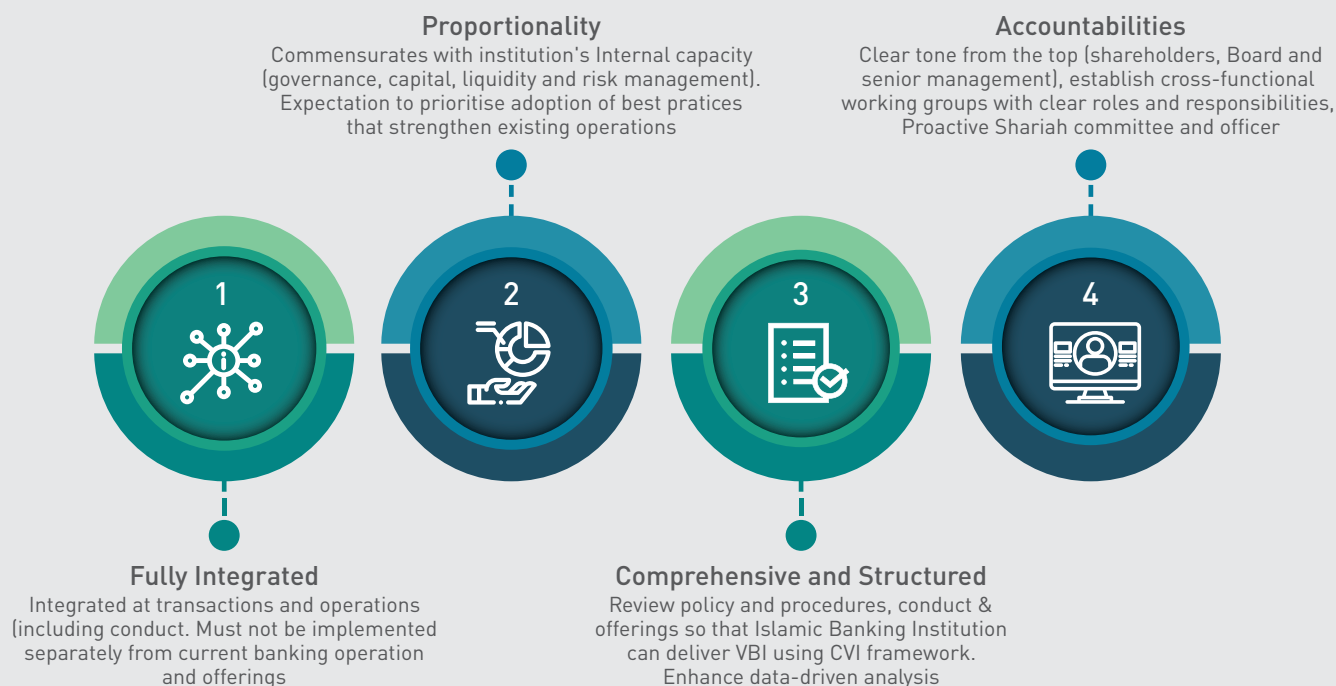
By Q4 2020, advocacy was further reinforced by adopting VBI as the theme of the flagship Global Islamic Finance Forum 2018 biennial event.

Participants that facilitated in the initiation of this journey were invited to join and speak at the event held at Sasana Kijang, BNM.

The Governor of BNM also delivered her keynote address based on this theme⁷.



⁷Governor's Keynote Address at the Global Islamic Finance Forum 2018 (GIFF) - "Value Based Intermediation - Beyond Profit", accessible at "Speeches & Interviews" tab at www.bnm.gov.my

Diagram 3**Guiding Principles of VBI Implementation**

Source: Adapted from BNM's VBI Implementation Guide 2018

2. Implementing VBI

The same BNM Guide explained the 4 phases involved in implementing VBI, which was adapted from SBN Global Progress report. The phases can be summarised in Diagram 4 below.

Diagram 4**Phases of VBI Implementation**

Source: AIBIM, adapted from BNM VBI Implementation Guide 2018

3. VBI Financing and Investment Impact Assessment Framework – Guidance Document

On 1 November 2019, BNM issued VBIAF which was jointly developed by the CoP, the International Centre for Education in Islamic Finance (INCEIF), World Bank Group (Malaysia Office) and the WWF (Malaysia and Singapore Offices). Two main reasons were cited for the issuance of the document:

- Facilitate implementation of an impact-based risk management system for assessing financing and investment activities of Islamic financial institutions in line with their respective VBI commitments; and

- A reference for other financial institutions intending to incorporate environmental, social and governance (ESG) risk considerations in their own risk management system

By 10 September 2020, with the support of BNM, we jointly organised with Islamic Banking & Finance Institute Malaysia (IBFIM) a Virtual Townhall via 3 webinars to syndicate 3 VBIAF sectoral guides for the Palm Oil, Renewable Energy and Energy Efficiency Sectors developed together with the VBIAF Working Group, spearheaded by our CoP. A 3-month consultation period starting 24 August to 30 November 2020 has been set.



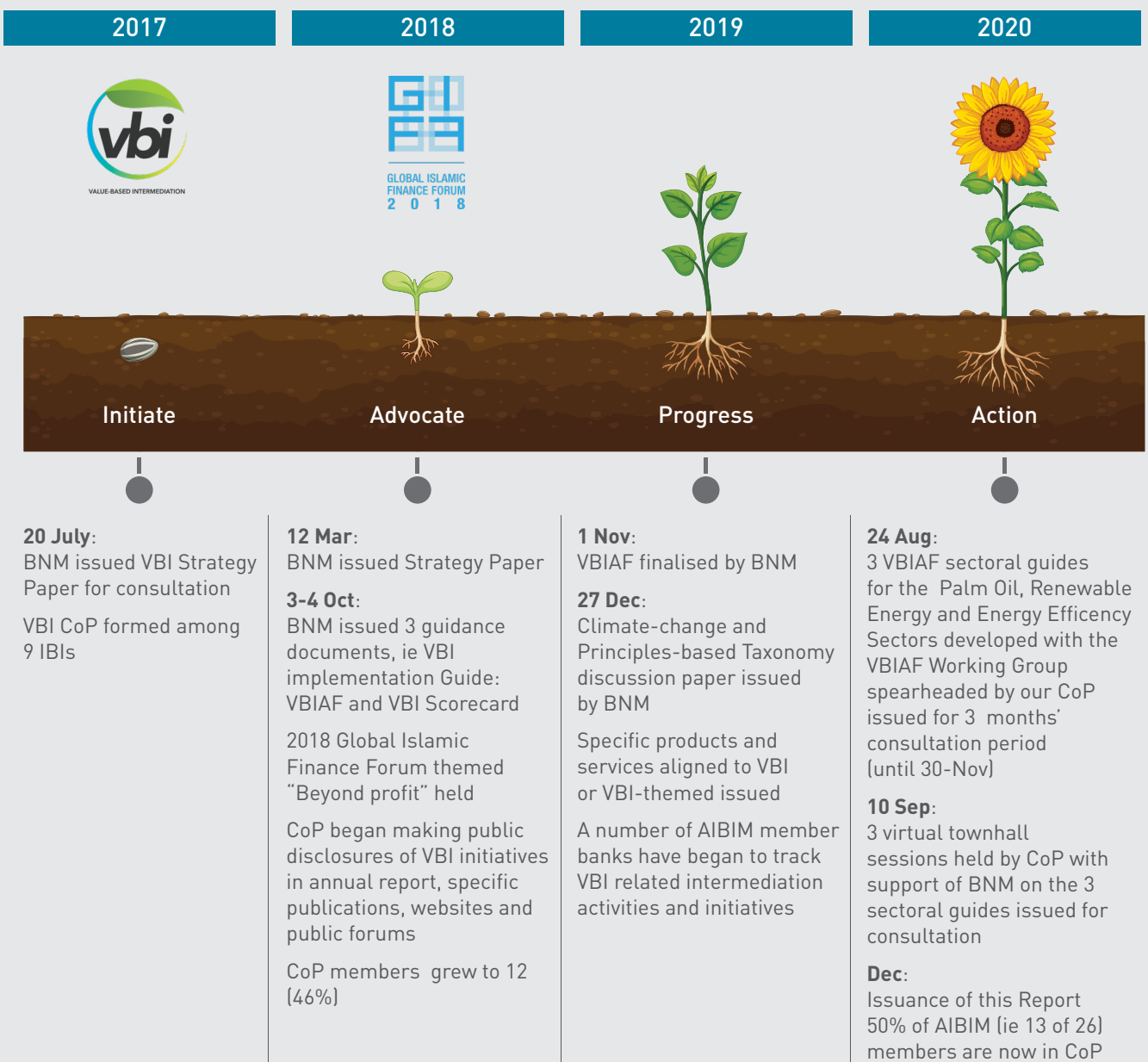
Premised on VBIAF, the industry has since advanced VBI and **Diagram 5** sets out the VBI growth up to the date of this Report.

As can be seen, VBI represents a unique industry-regulator-NGO initiative to address pressing climate, environmental as well as common sustainable development related issues in addition to societal needs for financial intermediation confronting the world today.

The COVID-19 pandemic elevates these sustainability concerns to an all-time high.

The next Chapter of this Report will cover the progress that our member banks have made thus far, both in qualitative and quantitative impacts, in line with the KPI setting advocated in the VBI Implementation Guide measures impact as the value created from VBI.

Diagram 5
Growth of VBI



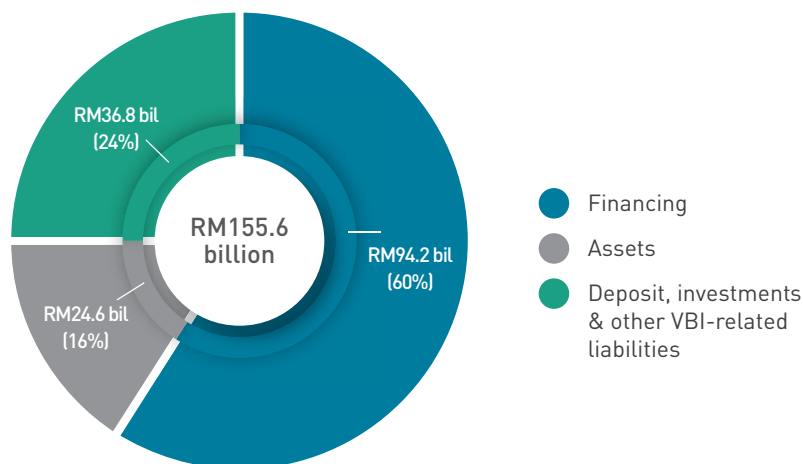
Source: AIBIM, 2020

Chapter II: VBI Highlights

A. Funds intermediated with VBI

During the period covered in this Report⁸, survey respondents from the Islamic banking industry has intermediated approximately **RM155.6 billion** in aggregate VBI-related or aligned initiatives in the form of financing (RM94.2 bil or 60%), deposits, investment and other VBI-related liabilities (RM36.8 bil or 24%) and investment assets (RM24.6 bil or 16%) (see **Chart 1**):

Chart 1:
VBI-Related/Aligned Intermediation (2017-Sep 2020)



Source: AIBIM, 2020

B. VBI Financing

VBI related or aligned financing for the period amounted to over **RM94.2 billion** across **almost 235,000 accounts**. This accounts for nearly 26% of total financing approved in terms of value and slightly above 10% in terms of number of accounts approved.

By value, SMEs and MicroSMEs are the largest recipients at RM40.6 billion or 43% of total VBI related financing, followed by public infrastructure⁹ (RM24.1 billion or 25.6%) and affordable homes (RM19.6 billion or 20.8%) (see **Chart 2**).

Viewed from the lens of accounts approved, affordable homes accounted the most, with over 51% (nearly 120,000 accounts). SMEs and MicroSMEs account for the next most number of accounts, at 43% (nearly 101,000 accounts).

Chart 2:

Total Value of VBI-Related/Aligned Financing (RM¹⁰ bil)

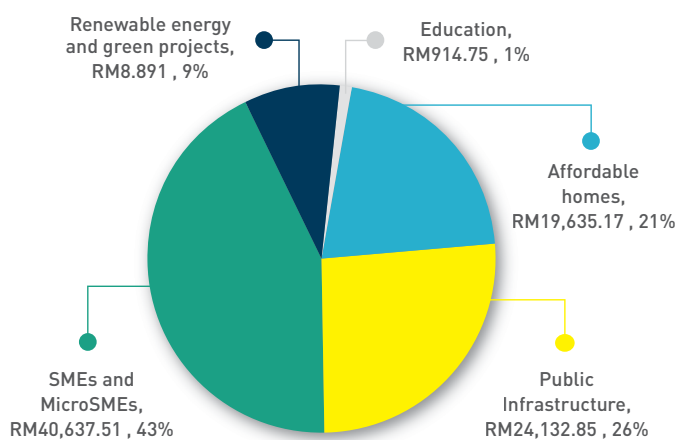
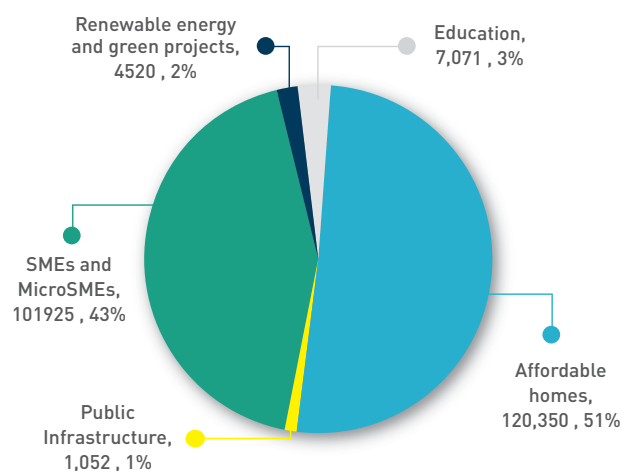


Chart 3:

Total Number of Accounts for VBI-Related/Aligned Financing



⁸i.e. January 2017 to September 2020

⁹Educational establishments, roads, public transport, public infrastructure, mosques, madrasahs and charitable/non-profit establishments



C. VBI Assets/Investments

Investments in VBI-aligned or related instruments (ie sukuk, shares, indices and funds) amounted to **RM24.6 billion** across 62 portfolio asset classes. These include those categorised in the SRI, ESG, Green, sustainable spaces. This means **nearly half (48%) of our member banks investment portfolio of over RM51.3 billion (by value) or 2/3 by portfolio/asset classes** are VBI aligned or related.

D. VBI Deposit and Investment Accounts

On the other side of the balance sheet, 1 out of every 3 **deposit and investment accounts** totalling more than **6.4 million** that our member banks have are VBI-related or aligned (**Chart 4**). In terms of balances outstanding, the amount (**nearly RM36.8 billion**) is **still marginal at 8.12%** out of over RM453.1 billion of outstanding deposit, investment and other liabilities (**Chart 5**). This indicates that although the number of depositors/investment account holders who are already having savings/investment account products aligned/related to VBI is sizeable, the amount intermediated under our member banks' liabilities is still small.

Chart 4:
Total number of accounts for deposit, investment accounts and other liabilities related/aligned to VBI

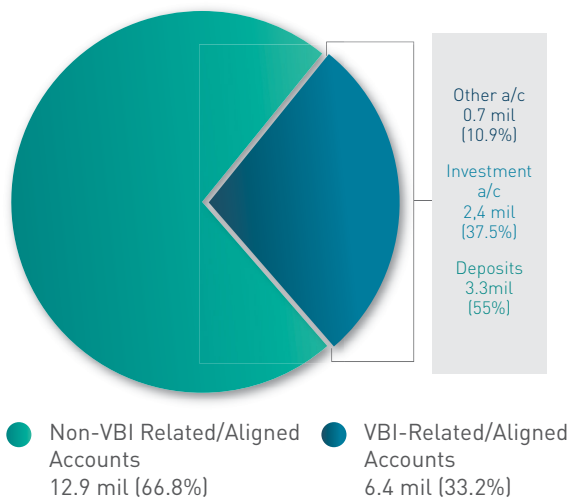
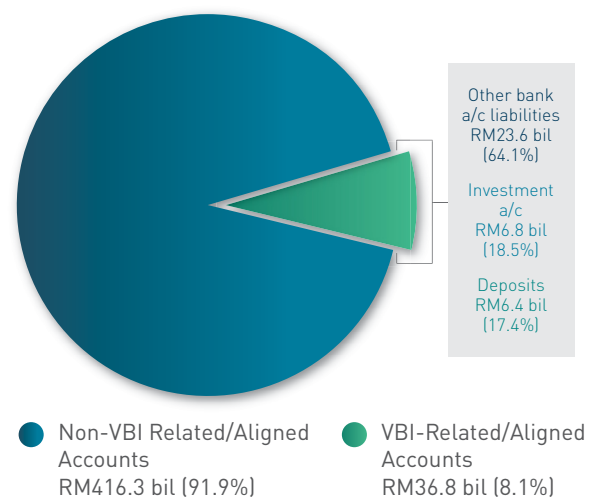


Chart 5:
Total value of deposit, investment accounts and other liabilities balance related/aligned to VBI (RM billion)



Source: AIBIM, 2020

Source: AIBIM, 2020

E. Impact to community

1. VBI & Zakat, Waqf and Sadaqah

Apart from traditional Islamic financial intermediation activities, our member banks have also intensified presence in Islamic social finance tools including zakat, waqf and sadaqah/donation funds management. For the period covered in this report, our members collectively manage RM161.6 million from a pool of over 1300 accounts in 69 projects, 403 charitable funds accounts across nearly 93 thousand causes worth nearly RM5 million and sponsored and managed sadaqah of over RM10 million, and almost RM58 million in VBI-related bancatakaful and unit trust offerings.

QURBAN8.0 SYRIA SEDEKAH SEMBELIHAN

SYRIACARE

MALAYSIA NATIONAL QR

Approved by participating banks and e-wallets

SEDEKAH

KAMBING RM1,100

KAMBING RM550

KAMBING RM5,950

SEDEKAH TIADA HAD MINIMUM

Berikan mereka secebis kegembiraan pada Aidiladha ini.

www.syriacare.org.my/qurban4syria/

03 2600 5500

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DRB-HICOM

There are also other specific initiatives in this space and they include:

- **AmKasih**, a CSR initiative to serve as a platform to reach out to the community and provide food aid initiatives to targeted groups **particularly the B40**, providing them an allowance to help offset the cost of essential daily food items to assist the urban hard core poor via AmBank Islamic.
- Together with a fintech, **Sadaqa House**, an Islamic crowdfunding platform launched by Bank Islam in 2018 to realise projects for **underserved segments such as health, education and economic empowerment, including environment**. Bank Islam's zakat and charity committee will first conduct a due diligence process prior to channeling the monies raised as an added assurance that the recipients are deserving and genuine
- Donations and sadaqah by QR payments at mosques, with **DuitNow QR** by Bank Muamalat and **SyuQR** by RHB Islamic Bank, both using QR payments technology facilitated through PayNet. **MAE e-wallet** of Maybank Islamic is also mobilised to enable financial inclusion for the poor
- Zakat distribution via social crowdfunding platform via **social crowdfunding platform**. Launched in 2019 by Alliance Islamic, **Sociobiz** deploys social funds towards promoting economic empowerment among the underprivileged. Community contributions are raised to help financially disadvantaged individuals start or expand a business or to learn a new life skill to earn a sustainable livelihood. For every contribution made by the public, Alliance Islamic matches the amount with its own zakat funds – thereby encouraging community participation in helping a disadvantaged community member be financially self-sustaining through entrepreneurship. More than 20 campaigns have been raised from single mothers and the poor to the physically disabled. It also collaborates with Global Sadaqah as the digital crowdfunding partner.
- Bank Muamalat, through its internal expertise has launched **Jariah Fund**, a crowdfunding platform for social welfare projects which was set up to help

those in need and for the betterment of society through the application of financial technology (fintech). In the first phase, beginning September 2020 until March 2021, Bank Muamalat will work with five non-governmental organisations (NGOs), namely Yayasan Sejahtera, Yayasan Ikhlas, Yayasan Muslimin, The National Autism Society of Malaysia (NASOM) and Malaysian Association for the Blind (MAB). These NGOs will act as the Bank's charitable partners to monitor the selected campaigns posted on the platform. Phase One of the project aims to channel about RM40,000 (US\$9,582) to selected beneficiaries through six community-based projects focusing on education, health and economic empowerment initiatives.

2. Empowering Community

With rising unemployment due to Covid-19 related lay-offs, our members are also doing our part in assisting to get those impacted to get back on their feet. Among them is start-up SME financing offered by AmBank Islamic and through AmBiz series, SMEs are given networking exposure and opportunity to obtain halal certification so as to expand their market reach. SCSB has a programme in place to train entrepreneurs. Alliance Islamic has a programme called Halal in One where entrepreneurs can get financing, halal certification and related support at the same place.

A key enabler to empowering the community to weather this challenging environment is the ability to reach to their customers. With intermittent movement control orders, such ability becomes key to the survival of businesses as the frequency of visiting "brick and mortar" shops reduce. In this respect, empowering our member banks' customers with the ability to accept e-payment or cashless payment is critical.

Bank Muamalat for instance has partnered the Terengganu State government to **enable micro-sellers** at Pasar Payang in Kuala Terengganu to **go cashless** via enabling them to offer contactless cards and QR payments by accepting customers' payments using MyDebit ATM cards or DuitNow QR. Similar initiatives were also done at Penang wet markets, in collaboration with the state government there.



Apart from this, affordable alternatives to point-of-sale terminals are now available with "Tap-on-Phone", a solution developed with a home-grown Malaysian fintech pioneered with PayNet which enables **micro-sellers to use their smartphones to receive payments with MyDebit ATM cards issued by our member IBIs**. A number our member banks now offer this functionality.

To inculcate the culture of e-payments among digital native millennials, Bank Islam works with another local fintech for **universities to go fully cashless** so that once they graduate, these young professionals will have going cashless habit ingrained.

With limited employment opportunities, this in turn will favourably impact their route to becoming an e-commerce merchant or entrepreneur.



In the agricultural front, Agrobank has in place several strategic collaborations with various government-linked companies and agencies such as:

- **Micro financing** for B40, with Petronas
- **Chili Fertigation Group Financing scheme**, with National Farmers' Association (NAFAS)
- **Financing rice farmers**, Malaysia Agriculture Development Authority (MADA)
- **Affordable homes' financing for young settlers and fishermen**, with Federal Land Development Authority (FELDA), Rubber Industry Smallholders Development Authority (RISDA) and Lembaga Kemajuan Ikan Malaysia (LKIM)
- **Financing facility targeted for young agropreneurs in agriculture sector**, through Program Agropreneur Muda under Ministry of Agriculture & Food Industries or MAFI

This is in addition to programmes to encourage its large agro-based customers to adopt sustainability practices through certifications such as Malaysian Sustainable Palm Oil (MSPO) and MyGAP (Malaysian Good Agriculture Practices).

Another important aspect is to prepare farmers for 21st century advancements by implementing precision farming techniques. Use drone technology and smart sensors so that crop fertigation and crop growth can be monitored more precisely are becoming commonplace. Such technology not only saves time but also the resources needed for farming activities. Crop spraying used to take hours and can result in wastages but with drone crop spraying, it will take minutes and wastage is minimised as the spray is more uniformed and targeted.



FELCRA in this regard has launched Smart Agriculture model in 2019. In collaboration with MDEC, FELCRA and PayNet, DuitNow QR payments can now be made by farmers for drone services. Piloting this month with FELCRA padi farmers in the Seberang Perak area, this will be extended nationwide and will favourably impact over 100,000 farmers throughout the country. Unemployed youths in the area are being trained to become drone pilots thus creating employment opportunities. What is more interesting, the drone technology is by home-grown Malaysian company, nurtured through MDEC.

Bank Muamalat Malaysia Bhd has collaborated with SIRIM Bhd to financially assist small and medium enterprises (SMEs) under the SIRIM-Fraunhofer programme. Through the partnership both parties will be able to fulfil SMEs' financial needs and provide assistance in improving their productivity by using technology to stay competitive amid the Industrial Revolution 4.0. The SIRIM-Fraunhofer programme was implemented in 2016 to increase the productivity of SMEs in the manufacturing sector through technology penetration.

CIMB Islamic was recognised as the "Best Social Impact Islamic Finance House in Asia" at the Alpha Southeast Asia's inaugural ESG Green Finance Awards

in 2020 for its work in entrepreneurship particularly among the B40 and disadvantaged.

Entrepreneurship programmes at CIMB Islamic began well before VBI. First launched in 2017 in partnership with Taylor's Education Group ("Taylor's"), the programme initially targeted potential entrepreneurs from among the young B40 category. At inception, 10 young entrepreneurs were enlisted. By 2018, the number of young entrepreneurs grew to 126. With RM515,090 allocated, 107 were given grants from CIMB Islamic to progress their entrepreneurial ideas.

Allocations were raised to RM2.0 million in 2019 which meant more than 500 more entrepreneurs and small business owners from over 21 low cost housing (PPR) areas in Klang Valley and Selangor benefited. They included single parents, disabled persons and refugees. CIMB Islamic also broadened its network of partners to encompass public universities, zakat institutions and Baitulmal. Today, multiple streams exist including "Program Keusahawanan Universiti", "Program Keusahawanan Marketplace" and "Program Keusahawanan Digital" aimed at helping entrepreneurs gain knowledge, improve their skill sets and establish business linkages and opportunities for growing their businesses.



Apart from the above, CIMB Group's has MicroBizReady which offers mentoring and education support to micro-SMEs with necessary survival toolkits for them to thrive, particularly during the very challenging COVID-19 environment and beyond. Collaborations with Taylor's, International Centre for Education in Islamic Finance ("INCEIF") and Shopmatic, enabled distillation of lessons learnt in the last four years to help nurture resilient micro-enterprises to become SMEs. 30 micro-SMEs from the food and beverage, catering, retail and service industries had successfully undergone the programme. Plans are now under way for at least 150 more micro-SMEs to be enlisted into this programme this year.

F. Impact to Customers

Customers of our member banks have also reached out to our member banks to do more social and public good. These customers have expressed desire to leverage on our member banks' robust governance and screening process so that those who deserve assistance do get funding needed in full and not be subject to unscrupulous middlemen. To address this need, several member banks have since begun offering either value-added services or specific products to assist customers to meet their needs in this respect. Below are some examples:

- Many member banks facilitate **internet savvy customers to channel funds to waqf, donation and other social good purposes** including Bank Islam, Bank Muamalat, CIMB Islamic, Maybank Islamic, and Public Islamic thus ensuring the intended recipients do receive the funds channelled to them
- **Social impact deposit campaign** launched by Maybank Islamic enables customers who place fixed deposits to help extend financial relief to those whose incomes are affected by the Covid-19 pandemic
- Alliance Islamic has **Do-Good-As-You-Go ("DGAYG")**, a programme where their banking customers are given the opportunity to support charities and causes of their choice as part of their day-to-day banking transactions – whether it may be deposit placements, payments, or via simple standing instructions on funds transfers. Like SocioBiz, all contributions will be matched by Alliance Islamic and channeled to recipients via our programme partners. Additionally, contributors will receive a tax exemption receipt and can track the impact of their contributions via SocioBiz.
- CIMB Islamic in partnership with Takaful IKHLAS General Berhad launched **Motor Takaful Plan with Waqf**, where RM50 for every successful application will be given as waqf seed fund to provide transportation for children from undeserved community to attend school

G. Impact to Climate, Environment and Sustainability

Although climate change, environmental sustainability and ESG considerations are relatively new to us and our member banks, significant progress has been made in advancing this as an offering.

CIMB Islamic is a signatory to the Collective Commitment to Climate Action at the UN Secretary General's Climate Action Summit 2019. It is also a

founding member and was the **first and only ASEAN signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB)** launched by 132 banks across 49 countries, representing more than USD47 trillion in assets in September 2019, a member to Global Investors for Sustainability Development (GISD) Alliance (UN's initiative to free up trillions of dollars from the private sector to finance the Sustainable Development Goals), as part of the CIMB Group.

Sustainable financing was formally recognised as a policy at CIMB Group since 2019. The Sustainable Financing Policy (GSFP) involved risk-based sustainability due diligence across the various industries in addition to the development of specific Sector Guides detailing the expectations of clients in the Palm Oil, Construction & Real Estate, Oil & Gas, and Forestry sectors. By 8 December 2020, CIMB introduced its Coal Sector Guide, the first banking group in Malaysia and Southeast Asia to commit to phasing out financing coal energy generation related portfolios by 2040 as asset-level or general corporate financing for new or expansion of thermal coal mines and coal-fired power plants. As a member of the Product and Innovation Sub-Committee of Joint Committee on Climate Change (JC3), a platform co-chaired by Bank Negara Malaysia and Securities Commission Malaysia, established in September 2019 to pursue collective actions for building climate resilience within the Malaysian financial sector, CIMB Islamic has been vocal in highlighting measures to address market gaps in green finance landscape. This enabled CIMB Islamic to contribute to a gap analysis on the renewable energy (RE) and energy efficiency (EE) for Malaysia and the region as well as provided recommended further measures to progress sustainable banking and finance in Malaysia.

HSBC Amanah became the **first international bank in Malaysia to become an official member of the United Nations Global Compact (UNGC)** via UNGC's local chapter, the Global Compact Malaysia (GCMY). In December 2019, the bank launched Malaysia's first VBI disclosure that serves to highlight and inform stakeholders about HSBC Amanah's role in leading and driving VBI efforts in Malaysia. HSBC Amanah was also Issuer of the World's first UN SDG Sukuk of RM500 million

In addition, WWF, one of the VBI partners, has assessed South East Asian banks' and the region's national commitment to sustainable finance using SUSBA¹⁰. SUSBA is an interactive toolkit that enables assessment and benchmarking of critical Environmental & Social integration performance for banks across the globe. It enables year-on-year changes to be identified and highlights progression or regression in banks' performance on the integration of environmental and social (E&S) considerations in their corporate strategy and decision-making processes.

VBI has been included as a national initiative towards this end.

Using a 6-pillar framework, Principles for Responsible Banking and Task Force on Climate-related Financial Disclosures, these frameworks assess robustness of banks' commitments and financing policies in key sectors such as palm oil.

48 banks have been assessed in 11 countries using 11 ESG indicators. **8 banks were assessed in Malaysia –**

¹⁰Refer to www.susba.org for more details



all are our member banks, 2 of which are full-fledged institutions, i.e. Bank Islam and Bank Rakyat. WWF remarked that 1 of our member banks is the most improved bank in Southeast Asia on this front. SUSBA 6 pillars measures the Purpose, Policies, Processes, People, Products and Portfolio aspects of each bank.

Part of the Asia Sustainable Finance Initiative, our member banks' involvement in the assessment reflects the resolve and commitment towards not only VBI but also in delivering sustainable finance.

A key aspect to environmental sustainability is to ensure the value and supply chain is responsibly sourced.

Alliance Islamic has taken “**#BuyForImpact**” initiative where they have committed to promoting responsible procurement in their own business and among employees. AmBank Islamic adopts responsible sourcing as a Group policy whilst RHB Islamic introduced the first debit card in Asia Pacific with paywave technology using recycled materials. RHB Visa WWF Debit Card-i that supports marine life via the Ocean Harmoni initiative, working together with WWF and University Malaysia Terengganu. This is also aligned with SDG14 to conserve and sustainably use marine ecosystem.”

In terms of offerings, the following are some examples from our members:

- HSBC Amanah is the first to issue an **ESG Islamic structured product** in Malaysia and **VBI-related Takaful Future Secure**, a solution to address wasiat structures.
- Public Islamic is among our member banks that offer preferential rates for **Energy Efficient Vehicle financing** under its AITAB package due to the carbon emissions savings impact and Solar Plus BAE Personal Financing-i was introduced where our existing customers can apply for financing to **install rooftop solar panel** for their residential houses
- In line with CIMB's Group Sustainability Policy, CIMB Islamic has formulated a Positive Impact Products & Services (PIPS) Framework to streamline and guide the development of a suite of banking products and services that maximise the Group's net positive impact to the environment, society and the economy in alignment with the SDGs. The framework enabled CIMB Islamic to offer the following products as part of its suite of VBI offerings:
 - CIMB SME Renewable Energy Financing
 - Preferential financing rates for new hybrid vehicles and residential properties certified under the Green Building Index (“GBI”) as part of its VBI offerings
 - EcoSave Savings Account-i, which channels 0.2% of the total average portfolio balance of this savings account to environmental-focused projects and activities.

RM1.0 million was contributed towards the conservation efforts of Setiu Wetlands, Terengganu, in collaboration with World Wide Fund for Nature Malaysia (“WWF-Malaysia”). Free Tree Society also received RM250,000 for their valuable work in conserving the natural environment and building public awareness.

Sustainability themed Sukuk and Syndication are also intermediated by our members, including:

- RM245 million IMTN by Edra Solar, the **first green sukuk in local currency** issued under the ASEAN Sustainability and Sustainable & Responsible Framework, advised by SCSB and OCBC Al-Amin
- **World's first sustainability-linked syndicated financing** of USD800 million by Axiata Group Berhad that was arranged by OCBC Al-Amin, while Overseas Chinese Banking Corporation Limited, Maybank Islamic Berhad, and MUFG Bank (Malaysia) Bhd were the financiers;
- UiTM Solar Power Sdn Bhd's RM240 million Green SRI Sukuk, the **first educational institution to issue solar sukuk in the world** which Shariah structure was advised by Maybank Islamic
- **Cypark Ref Sdn Bhd's SRI Sukuk Solar photovoltaic power plant projects** which Shariah aspects was also advised by Maybank Islamic.



H. COVID-19: #IslamicBanksCare

In a show of solidarity to help alleviate the adverse impact of COVID-19 pandemic, our members have also collected over RM343,000 to fund over RM195,500 medical appliances and necessities, nearly RM70,000 in food, over RM55,500 staff hostel supplies and around RM20,000 in other items to 7 public hospitals. A few individual member banks have also launched their own COVID-19 related relief programmes.

Among them is Alliance Islamic which at the onset of the COVID-19 pandemic, partnered Citrine Capital, NGO Hub and Malaysian Global Innovation and Creativity Centre (“MaGIC”) in a Social Enterprise Sustainability Initiative to raise funds for 11 social enterprises focused on pandemic remediation initiatives for communities. The monies crowdfunded via SocioBiz were used to procure 7,000 units of hygiene essentials and 67,303 meals, which were then distributed to communities in need. Apart from community assistance, SocioBiz also supports the operations of the social enterprises for the operations of the social enterprises for approximately 2 to 3 months and sustain the livelihood of their B40 employees. This is in addition to Maybank Islamic social impact deposit explained earlier¹¹ as well as the moratorium and other assistance that AIBIM member banks render to affected customers.

¹¹see Part G of Chapter 2

Chapter III. Conclusion

A. Thought Leaders' Reflections

The progress of our VBI endeavours will not be possible without a clear tone set from the top to resonate and underscore the importance and commitment to these initiatives. Below are some of our thought leaders' reflections of our journey thus far.



Khadijah Iskandar
Covering President/CEO

Khadijah Iskandar, Covering President/CEO of Agrobank remarked "VBI has always been an integral part of Agrobank ever since our establishment of more than five decades as it is well-aligned with the object, powers and social obligations of Agrobank as provided in Bank Pertanian Malaysia Berhad Act 2008

Our new Vision and Mission statement: "Advancing Agriculture Beyond Banking" charts a new growth landscape for agriculture sector as we focus on B40, women and youths. Our VBI practice is centered on 3 pillars: Economic

Development, Social (Community) Empowerment and Environmental Sustainability. We are also supportive of UN SDGs and these are clearly enshrined in our 5-year strategic business plan 2021-2025."





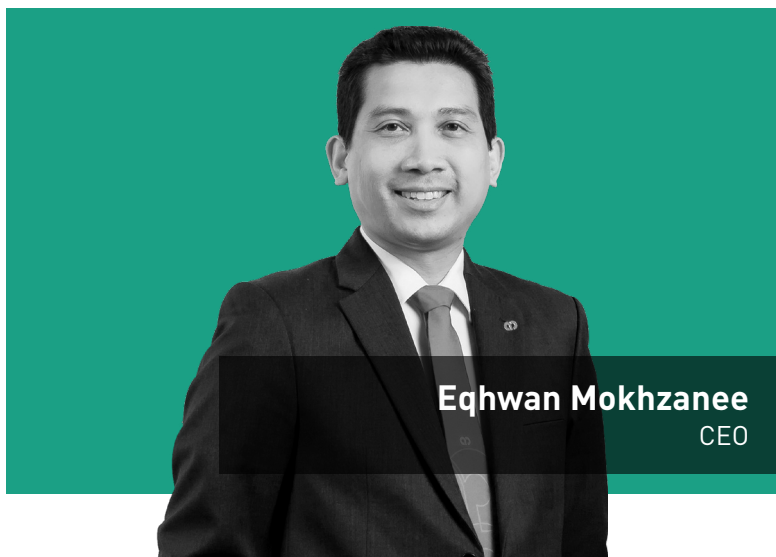
Rizal Il-Ehzan Fadil Azim
CEO

"Our journey in propagating and embedding VBI elements into our business stems from our Group's mission of "Building Alliances to Improve Lives". We believe in improving the lives of our customers, employees, partners, community, and shareholders through both banking and non-banking means.

Alliance Islamic mission is to mobilise communities to promote economic inclusion and nurture successful businesses with positive impact on society and the environment. It is our goal that socially and environmentally aware business practices become more mainstream among

business owners, and community support and activism become key drivers of economic empowerment opportunities and financial inclusion." said CEO, Rizal IL-Ehzan Fadil Azim.



**AmBank Islamic**

Eghwan Mokhzanee
CEO

To AmBank Islamic “VBI is a manifestation that inherent fairness and social responsibility principles are inextricably linked to Shariah compliance and is therefore poised to support the demand for value-based banking,” said Eghwan Mokhzanee, CEO of AmBank Islamic. “We are on a journey to embed VBI principles into business practices, conduct and offerings.

AmBank Group’s sustainability agenda, ‘Responsible Lending & Source of Funds’, is being looked at from the lens of VBI. AmBank Islamic has committed VBI as part of the AmBank Group’s 10 material sustainability matters¹² and has put in

motion several initiatives to integrate VBI principles into its practices, conduct and offerings. VBI will be a game changer to drive Islamic finance industry to the next level of growth.” he added.

¹²Details in AmBank Group’s web page <https://www.ambankgroup.com/eng/islamic/IslamicBanking/Pages/ValueBasedIntermediation.aspx>





Mohd Muazzam Mohamed
CEO

To Bank Islam “Our realisation of the intended outcomes of VBI is centred on the following pillars: Sustainable Prosperity, Values-based Culture, Community Empowerment, Customer-Centricity, Real Economy, and Digitalisation.

Bank Islam’ sustainability as a corporate and business entity is determined by our interactions with the market environment and ability to effectively fulfil the needs of our stakeholders. In becoming the force of good, we focus on

conducting our business in an ethical manner, practicing sound judgement and good governance, thereby helping to promote better lives for everybody,” according to CEO, Mohd Muazzam Mohamed.





Khairul Kamarudin
CEO

“Bank Muamalat aspires to become a financial institution that gives equal emphasis to economic value creation while upholding ethical values. VBI provides the pathway for IBIs to deliver deeper value propositions and embrace Shariah principles in a holistic manner.

Banks need to expand their roles from merely being a conduit for government stimulus, by channelling financial assistance to SMEs during the coronavirus pandemic. As we navigate through this crisis, it is crucial for IFIs to leverage on VBI initiatives to effect change. Bank Muamalat will

continue to amplify VBI to expand our outreach, re-strategise to meet rising expectation and go beyond its shareholders expectations, to deliver greater good for the benefit of the community and economy,” explained Khairul Kamarudin, CEO of Bank Muamalat.





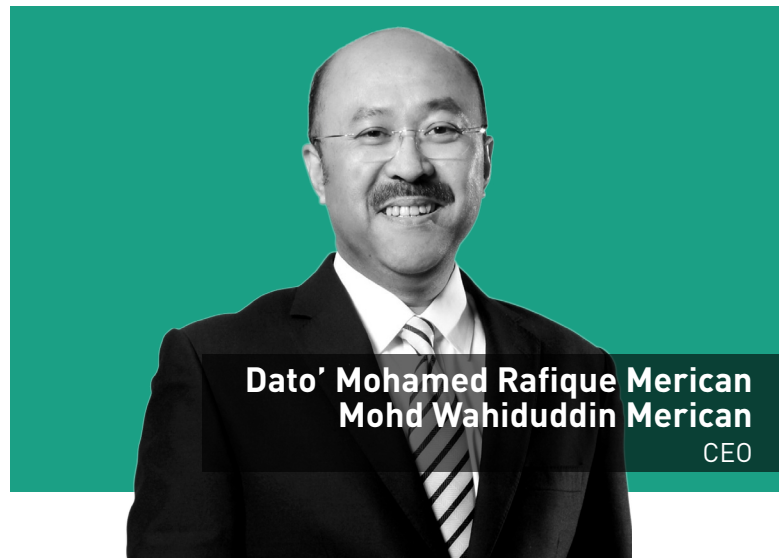
Ahmad Shahrman Mohd Shariff
CEO

CIMB Islamic believes “COVID-19 made us see the interconnectedness between economic, social and environmental impacts to our communities and society. VBI’s purpose is to deliver outcomes aligned to core ethical values and sustainability goals, in line with Shariah.

CIMB Islamic is focused on encouraging exchange of ideas and adoption of sustainable business models to help businesses emerge stronger, more resilient and better prepared for future challenges, post-pandemic. There is a natural connection, alignment and convergence with

the ethos of sustainable finance, and its embodiment is VBI. There is a need to instil the mind-set that profits and sustainability are not at odds,” explained Ahmad Shahrman Mohd Shariff, its CEO.

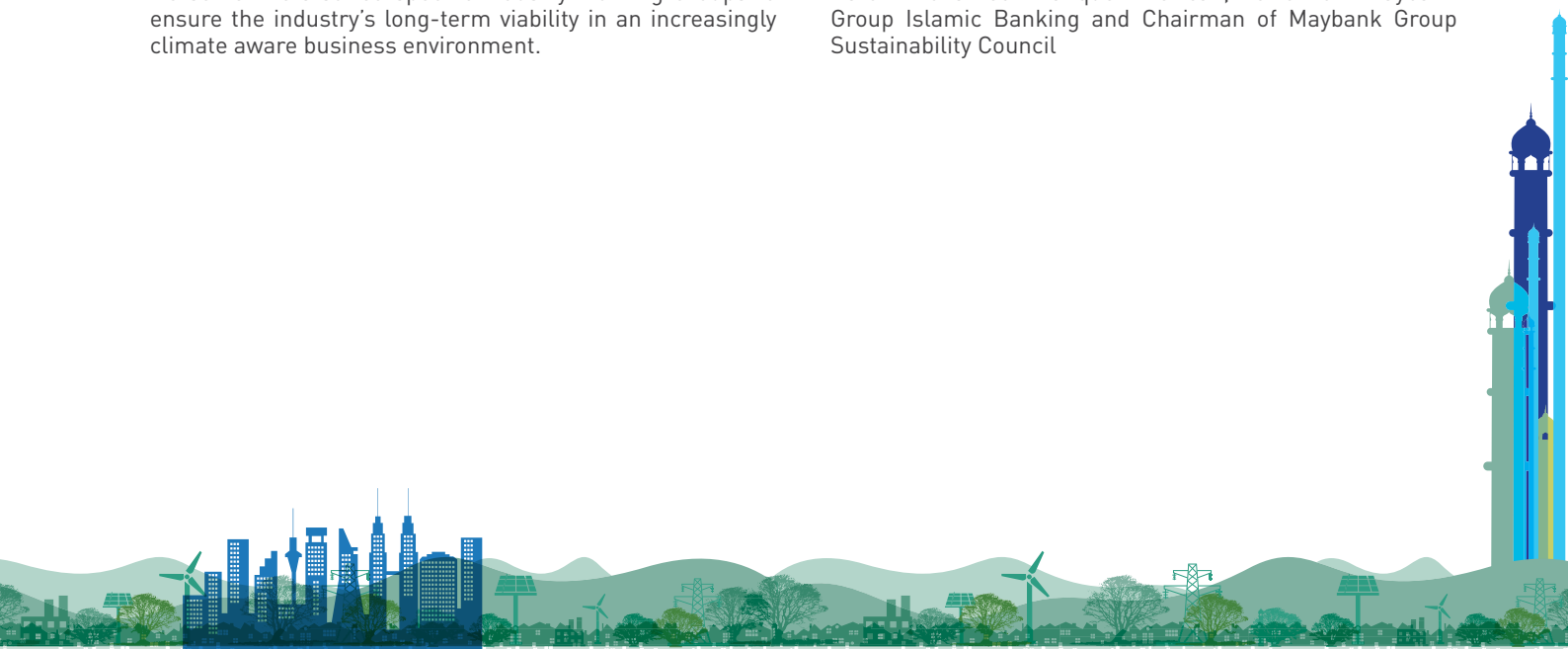


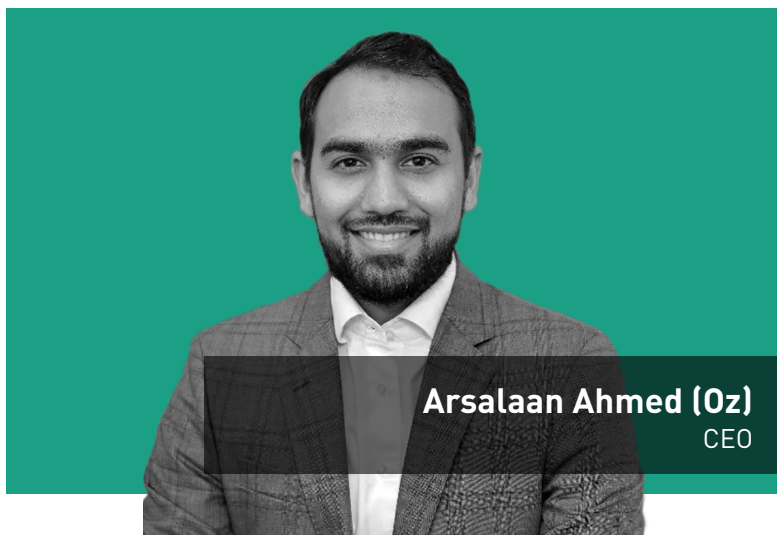


"VBI is underpinned by the principles of Maqasid al-Shariah and aligns with Maybank Group's mission in 'Humanising Financial Services'. Maybank Islamic is committed to creating inclusive and sustainable impact to the communities that it serves."

We leverage on our strategic position in the market to create inclusive and sustainable impact in the communities we serve. We also led specific industry Working Groups to ensure the industry's long-term viability in an increasingly climate aware business environment.

The task of fulfilling our Sustainability agenda compels us to engage and collaborate with various stakeholders. Dato' Mohamed Rafique Merican, CEO of Maybank Group Islamic Banking and Chairman of Maybank Group Sustainability Council





"It was a journey aimed at realigning the core of Islamic banks and their activities closer to Islamic banking principles. Those principles include the need to ensure there is a balance beyond self-interest stretching to the people we live with and planet we live in. Doing well and doing good are not mutually exclusive.

Islamic banks could do a better job of leading that reality. At HSBC Amanah, we support this idea and are focused on delivering shared value; doing so today and with an eye on tomorrow. It almost seems surreal to say that the

industry needs to move closer to aligning interests with the environment and society. But we do have to say it and mean it. VBI helps Islamic banks not just to say it but ultimately do it," said its CEO, Arsalaan Ahmed (Oz).

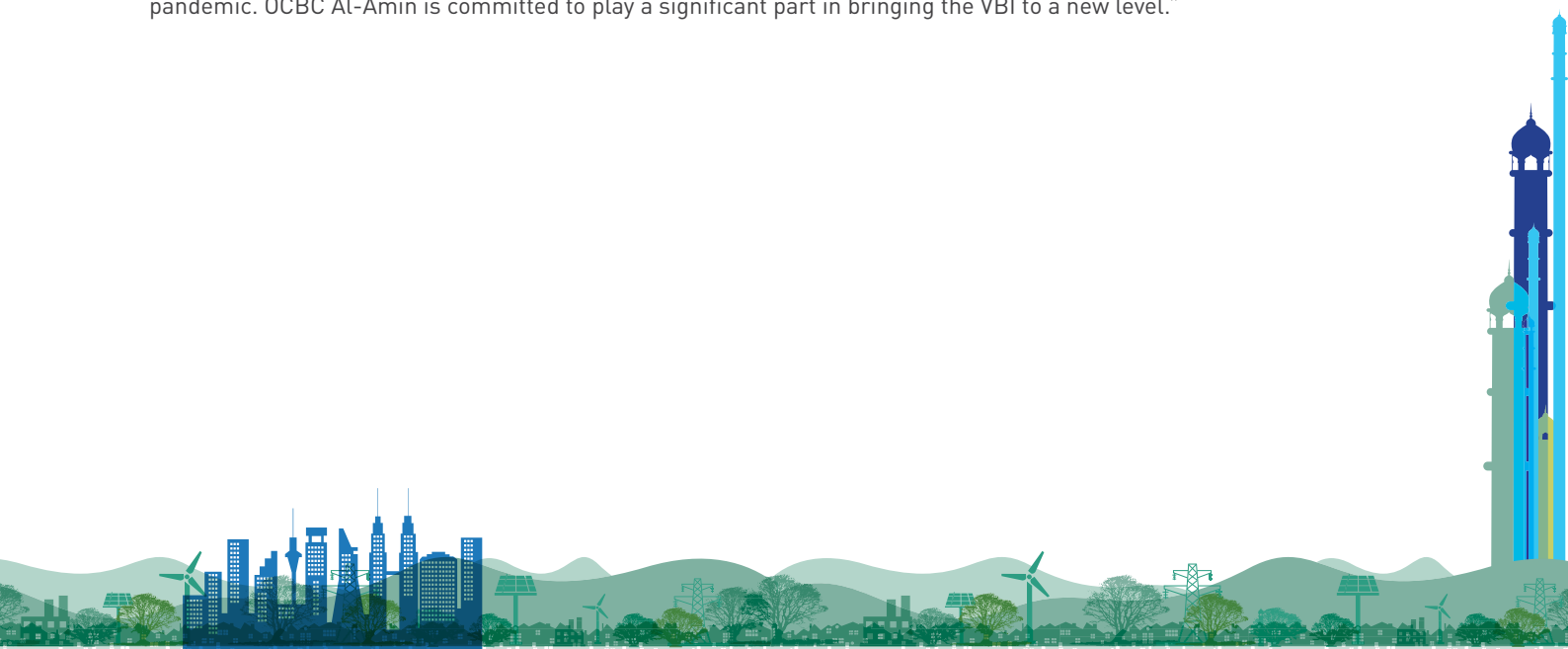




Syed Abdull Aziz Syed Kechik
CEO

Syed Abdull Aziz Syed Kechik, CEO of OCBC Al-Amin said “OCBC Al-Amin has been and will continue to focus on sustainable financing opportunities as part of our long-term growth strategy within the responsible financing framework we established in line with the Environmental and Social Risk Management (ESRM).

We are also actively exploring strategic collaborations in the sustainability and VBI space to address impact of COVID-19 pandemic. OCBC Al-Amin is committed to play a significant part in bringing the VBI to a new level.”



**PUBLIC ISLAMIC BANK**

(14328-V)

WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

Syamsul Azuan Ahmad Fauzi
CEO

“Following our active participation in CoP and VBIAF Sectoral Guide Working Group, we have since introduced innovative products and right-minded organizational practice, Public Islamic fully embraces the VBI culture and contributes to the best of the Bank’s ability towards achieving VBI’s desired goals.

With the industry-wide collaboration i.e. Community of Practitioners, Public Islamic believes that banks in the future will shift their mind-sets to not only being profit-oriented organizations, but also contribute more towards

sustainability of the economy, environment and community. We have demonstrated this commitment through two new VBI related product offerings,” according to CEO of Public Islamic, Syamsul Azuan Ahmad Fauzi.



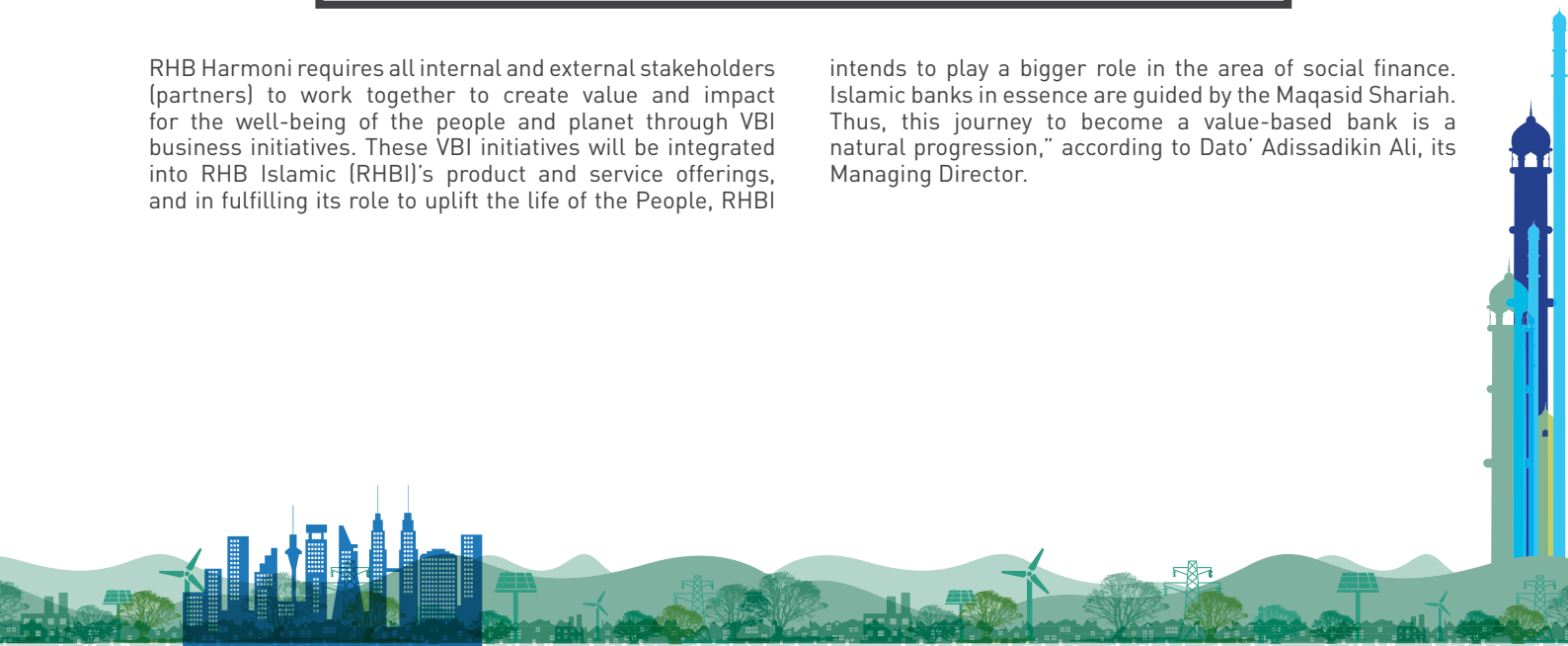


Dato' Adissadikin Ali
CEO

For RHB Islamic, “As work continues amongst the CoP Islamic banks to further improve the VBI Scorecard, RHB Islamic has forged ahead in taking on VBI objectives in its business activities under an overarching ecosystem themed as “RHB Harmoni”. 2020 saw the cohesive realignment of all business activities; arranged and bucketed by the VBI tenets that each strives to achieve within the objectives of Profit, People and Planet.

RHB Harmoni requires all internal and external stakeholders (partners) to work together to create value and impact for the well-being of the people and planet through VBI business initiatives. These VBI initiatives will be integrated into RHB Islamic (RHBI)’s product and service offerings, and in fulfilling its role to uplift the life of the People, RHBI

intends to play a bigger role in the area of social finance. Islamic banks in essence are guided by the Maqasid Shariah. Thus, this journey to become a value-based bank is a natural progression,” according to Dato’ Adissadikin Ali, its Managing Director.





Mohd Suhaimi Abdul Hamid
CEO

SCSB has always adhered to the Environment and Social Risk Management principle and is a strong supporter of the VBI initiative. "The underpinning principle behind VBI is one of the never settling for just doing good."

When companies go the extra mile, the outcome is phenomenal and can have a reverberating and lasting positive impact to the environment, community and economy. VBI is an important initiative in moving the Islamic financial industry to the next level of growth that is sustainable, with clear value propositions. It is aimed at strengthening the

roles and impact of Islamic banking institutions in generating positive and sustainable impact to the economy, community and environment; through their practices, offerings and conduct without compromising the financial returns to shareholders," said CEO, Mohd Suhaimi Abdul Hamid.



B. Concluding Thoughts

Admittedly, quite a considerable way lies ahead in our VBI journey.

Then again, on reflection, we have gone beyond the initial steps to forge ahead with initiatives and activities to gather the needed momentum for the required scale so that VBI succeeds in bringing the intended value-added impact. To ensure we move in tandem and lockstep with one another, it is important to ingrain and embed VBI into our strategies.

For these reasons, VBI forms the foundation of our 3-year plan. There are 3 key pillars underpinning AIBIM's plan:



1. Group Interest Advocacy

This entails AIBIM acting as the voice of the industry in Government and regulatory engagements, mandatory and voluntary industry-led initiatives.

2. Growth and Innovation

Essentially, this is to enable our members to drive initiatives to on growth and innovation areas industry coordination with BNM, government agencies and ministries as well as multilateral development banks.

3. Serving the Community and Capacity Building

This is where VBI is pursued where effectively, AIBIM facilitates contribution to the sustainability, awareness and human capital development agenda.









Moving forward, as we continue to weather this uncertain times, customers of our member banks can expect VBI to increasingly provide the much-needed impetus for positive value-adding impact as VBI becomes the renewed main focus of our financial intermediation activities – above and beyond profits.



Our new Vision sets a clear direction in enhancing value **Beyond Banking**



Advancing Agriculture Beyond Banking

Financing		Beyond Banking	
 Program Agropreneur Muda to attract youth into agriculture sector	 Paddy-i scheme financing to address national food security	 Strategic collaboration with various companies and agencies with aim to empower B40	 Advisory service & training programs to upgrade skills of agropreneurs
 Value chain financing covering the upstream, midstream and downstream segments	 Agro Makanan PENJANA scheme to ease burden due to Covid-19 pandemic	 Deployment of AgroAgents to widen customer coverage and accessibility	 Promotes good and sustainable agriculture practices through relevant certifications
Entrepreneurial Mindset		Community Empowerment	
Good Self-Governance		Best Conduct	



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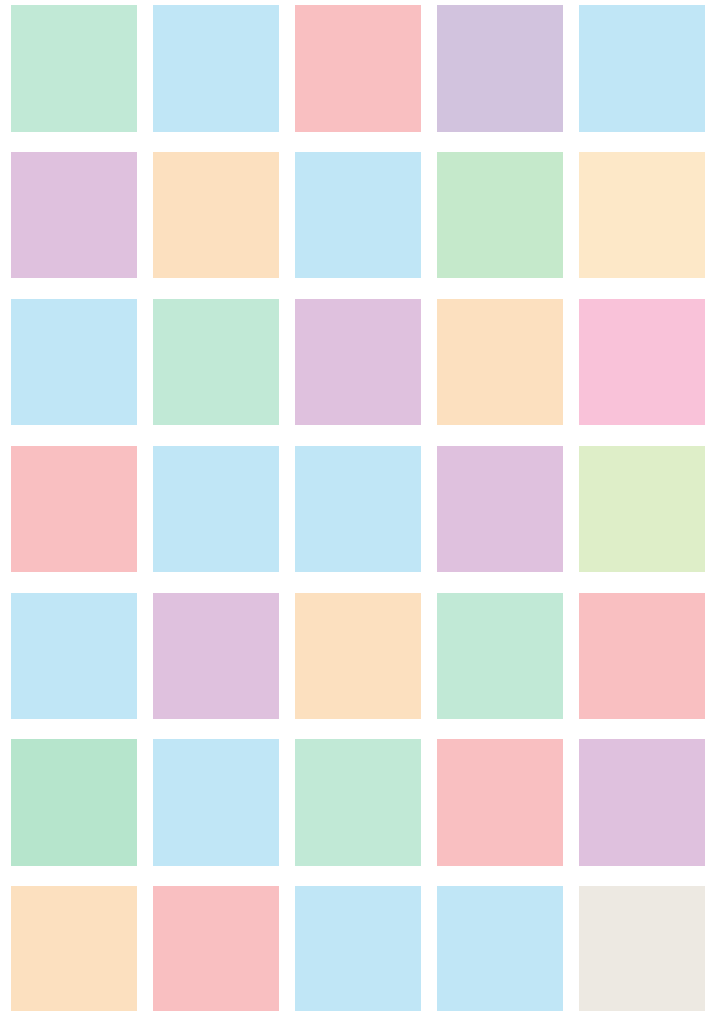
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(Product Category : Charity)
- Or
- **Funds Transfer**
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 - Insert donation amount
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- ◆ **Manfaat Dunia Akhirat** – Sumbangan yang manfaatnya berterusan di dunia dan pahalanya berkekalan di akhirat.
- ◆ **Pengecualian Cukai** - Semua sumbangan daripada individu atau korporat adalah layak untuk pengecualian cukai.
- ◆ **Kempen dan Rakan Amal yang dipercayai dan disahkan** – Pertubuhan/Yayasan/ Badan Bukan Kerajaan (NGO) / Pertubuhan Bukan Berasaskan Keuntungan (NPO) yang mengendalikan kempen diperiksa secara menyeluruh oleh panel yang boleh dipercayai untuk memberikan ketelusan sepenuhnya.
- ◆ **Sumbangan Masa Sebenar** - Setiap sumbangan dikemas kini secara masa nyata (real time)

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Your Bank of Choice

We Grow Sustainably

As one of the largest Islamic financial institutions in the world, Bank Rakyat **recognises the significant responsibility** it owes to the community - not just in this country but the world as a whole - and is determined to become a **champion of sustainable development.**

This is a natural progression for our Bank, which was established 66 years ago using a cooperative business model with the mandate to empower communities for the economic development of the nation and social development of the people.

We forged a strategic partnership with the United Nations and made history as the first Malaysian organisation to be accredited under the United Nations Country Team 'Together for SDG's Hub' programme in 2019. An important milestone, this partnership ensures that our vision, strategic overlay, priorities, and work processes are aligned with the Sustainable Development Goals (SDGs).

Sustainability is important for the Bank as it seeks to remain relevant to critical customer segments, especially the digitally-connected, sustainability conscious millennials who will form the core of the Bank's customer base in the near future. The adoption of VBI will assist us in enhancing our practices and offerings beyond Shariah-compliance, to positively contribute to our community and the environment.

The Bank's particular focus on socioeconomic development offers exciting opportunities for revenue growth from a more diversified and innovative product offering and for penetrating new market segments, namely the SME, micro, and informal sectors. This is also in line with the Ministry of Entrepreneur Development and Cooperatives (MEDAC)'s National Entrepreneurship Policy 2030 aspirations to strengthen the role of DFIs in supporting the creation of a holistic ecosystem for entrepreneur development.



To access our Sustainability Report, please scan the QR code with your smart device.

Affirming Our Commitment to People and Planet

At CIMB Islamic, we are proud of our role as a sustainability champion for a leading ASEAN banking group through initiatives such as Value-Based Intermediation led by Bank Negara Malaysia and CIMB Group's pioneering membership of the UN's Environment Programme Finance Initiative Principles for Responsible Banking. Throughout this challenging period, CIMB Islamic remains committed to the triple bottom line of people, planet and profit.

Alongside moratoriums for those in need, we introduced MicroBizReady and GreenBizReady programmes to finance the underserved micro SME sector as well as provide access to the potential of the green economy. We also reaffirmed our environmental commitments via a RM1 million pledge for wetland conservation, made possible through CIMB Islamic's first green Savings Account product, EcoSave-i.

Throughout the year, we introduced several programmes to benefit Malaysia's Asnaf, working with State Religious authorities to provide vocational skills and grants for informal business owners. In addition, our Motor Takaful campaign generated funds to purchase bicycles for school children, enabling them to begin journeys of their own.

These are some of the many initiatives that represent our ongoing mission to ensure we give back to the communities that sustain us. We look forward to sharing this journey with our customers, clients and stakeholders toward a better tomorrow for our planet and our children's children.

FORWARD  **Sustainability**





We are not just a bank. We are a story to be told.

In HSBC Amanah, we believe doing good and doing well are not mutually exclusive. For all to thrive and prosper, creating sustainable futures for you, for our communities, for the environment and for the wider world are in the heart of what we do.

A purpose driven organization

Our belief is that all financial institutions should incorporate elements of the HSBC Amanah internal purpose as part of their overall purpose where shared value creation is focused on the long term in order for financial institutions to play an increasingly positive role.

Through our **Value Based Intermediation (VBI) disclosure** in December 2019 which is the **FIRST in Malaysia**, it further accelerated our effort in advancing the VBI agenda and setting a leading example in the industry. We have committed to our shareholders and board to transition HSBC Amanah into **HSBC Group's FIRST sustainable entity by 2020**, a key to building a planet that prioritises resilience, social mobility and the environment alongside economic growth in fulfilling our Group's ambition to build a net zero carbon economy.

Walking the talk

Our sustainability aspiration resonates with the United Nations Sustainable Development Goals (UN SDG). In 2018, we issued the **World's FIRST UN SDG Sukuk** in alignment to the adoption of HSBC Group's UN SDG Bond framework. The issuance won 7 awards, namely the 2019 Islamic Deal of the Year by The Asset Triple A and 2018 Deal of the Year by Islamic Finance News.

The middle of the following year saw the introduction of **Malaysia's FIRST ESG Islamic Structured** product, a show of HSBC Amanah's commitment in sustainably innovating products that fulfil our commitment on VBI and towards the overall sustainability agenda by HSBC.

Making sustainability accessible to all

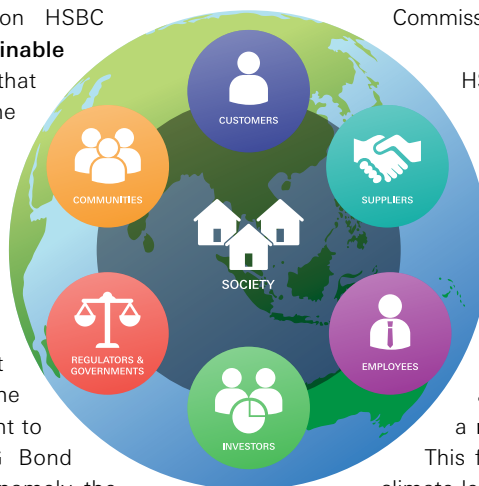
As one of the founding members of BNM-led Committee of Practitioners for VBI, our leading efforts led to HSBC Amanah becoming a member of the **Joint Committee on Climate Change (JC3)** since 2019 and leading the **JC3 sub-committee 4 (SC4)** for 'Engagement & Capacity Building' where 237 participants from over 60 organizations across 5 different industries were trained over a 3-day series of interactive webinar, as part of the ASEAN Low Carbon Energy programme, an initiative under the UK Prosperity Fund, through collaboration between Ernst and Young (EY), BNM, Securities Commission and JC3.

HSBC Amanah is also the **FIRST international bank in Malaysia** to become an official member of the **United Nations Global Compact (UNGC)** via UNGC's local chapter, the **Global Compact Malaysia (GCMY)**.

Staying true to our commitment

In February 2020, HSBC Amanah marked another significant milestone when the bank acted as the sole sustainability structuring bank for a **market leading Sustainability-linked financing**. This further reinforces our commitment in applying a climate lens to our financing decision to shift to a net-zero carbon economy by supporting and bringing our customers along our VBI journey.

Being awarded as the **2020 Islamic ESG Bank of the Year** (as part of The Asset Triple A Islamic Finance Awards), further cements HSBC Amanah's credentials on VBI thought leadership in trailblazing the financial services pivot from thinking about 'me and now' to 'us and later' for our people, planet and prosperity.



Public Islamic Bank “Go Green Campaign” Distinctively for Energy Efficient Vehicle (EEV) and Solar Panel Financing

Public Islamic Bank (PIBB) has included the Value Based Intermediation (VBI) values as part of our product development process for the benefit of the customer and the society as a whole. Our products and services takes into account not only the customer’s financial and banking requirements, but also incorporate elements and values that have positive impact on the well-being of the customer, the environment and the society in general.

As part of the Community of Practitioners (COP) of VBI, PIBB takes an active role in ensuring changes are happening within the Islamic banking industry which adopts Socially Responsible Investment (SRI) values.

Our journey in the VBI initiative came to fruition with our first “green financing” product offering which is the Energy Efficient Vehicle (EEV) campaign, where our customers get to enjoy low financing rates for the purchase of exclusive hybrid/electric and alternative fuel vehicles. The campaign started on 1 April 2020 and has achieved 820 accounts and RM81.7 million as at October 2020. The estimated carbon emission reduction per year under this package is 1,715.42 tonne/year*, as compared to passenger vehicles using conventional fuel. With the encouraging response and our commitment to VBI, we expect to extend this offering to year 2021.

Our next project is the SOLAR Plus BAE Personal Financing-i. By switching to sustainable solar energy, customers enjoy savings on their electricity bills, and at the same time contributing positively to the environment by reducing the carbon footprint and CO₂ emissions with the consumption of clean energy source. Our pilot project for 2021 is expected to generate between 25 – 50 megawatts of solar power capacity for residential homes.

By venturing into these initiatives, PIBB is able tap into the new market segment and has proven that “green financing” products bring positive impact to the environment while providing attractive financing packages for our customers’ needs.

The campaigns introduced by PIBB is in line with BNM’s Climate Change and Principle-based Taxonomy Discussion Paper under Guiding Principle 1 (GP 1) – Climate Change Mitigation which is to reduce Green House Gases (GHG)¹ in the atmosphere.

PIBB is committed to pursue positive impact energy-sustainability projects in Malaysia.

For detailed information on the above, customers are welcomed to visit our Branches/Hire Purchase Centres, log on to PIBB website at www.publicislamicbank.com.my or call our toll-free number at 1-800-22-7777 during normal working hours. Terms and conditions apply.

¹ Carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and chlorofluorocarbons (CFC) are the primary greenhouse gases (GHG).

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