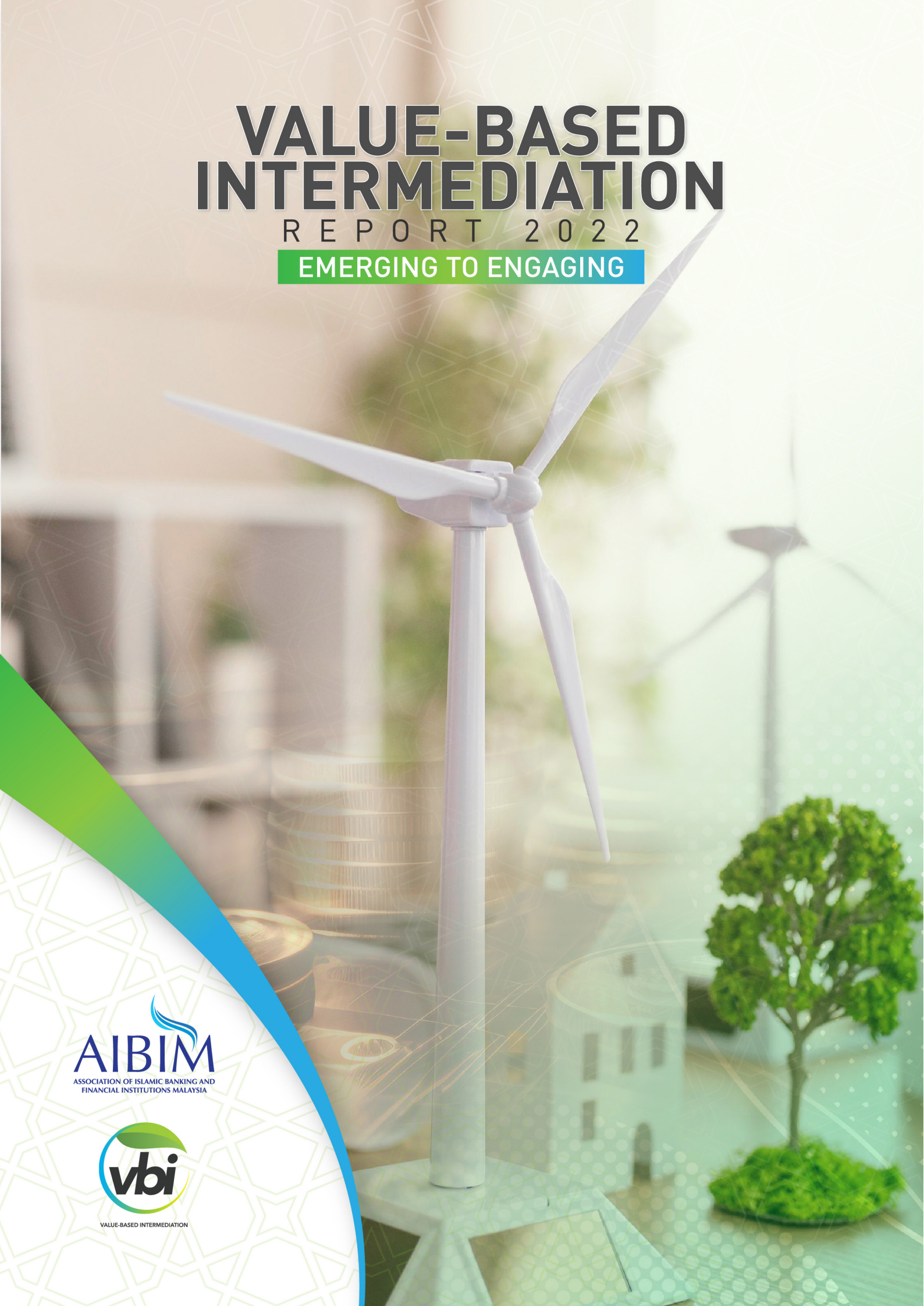
VALUE-BASED INTERMEDIATION

REPORT 2022

EMERGING TO ENGAGING



AIBIM
ASSOCIATION OF ISLAMIC BANKING AND FINANCIAL INSTITUTIONS MALAYSIA

vbi
VALUE-BASED INTERMEDIATION

ACKNOWLEDGEMENT

INCEIF UNIVERSITY | ISRA RESEARCH MANAGEMENT CENTRE

The Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) has commissioned the ISRA Research Management Centre of INCEIF University to produce this *Value-based Intermediation Report 2022: Emerging to Engaging*. The authors are Dr. Noor Suhaida Kasri, Mezbah Uddin Ahmed, Dr. Imene Tabet and Khairun Nisaq Taslim.

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FROM THE CHAIRMAN'S DESK

The time has come for us to reflect and deliberate upon our progress in Value-based Intermediation (VBI). 2023 marks the third successive year in which the industry has diligently gathered data to produce a thorough report on our combined effort to serve the public interest.

The member banks of AIBIM produced the *Value-based Intermediation Report 2022: Emerging to Engaging* with great focus and commitment, leaving a profound impression on me. It showcases how the Islamic banking fraternity collaborates to effectively address the complexities of funding, financing, and managing risks within the broader framework of the VBI initiative. This includes the critical component of climate finance, climate transition, and adaptation in the domains of Environmental, Social, and Governance (ESG) considerations.

The report shows a commendable improvement in the accessibility of banking services such as financing, assets, deposits, and value-added services. The substantial rise of green financing among Islamic banks in Malaysia throughout 2022 deserves special attention. In the current year, green financing has shown a notable expansion, with a growth of over 2.32 times. This growth trend culminated in a cumulative sum reaching RM16.51 billion.

The financial sector is experiencing a significant change as more people demand Islamic financial products and services, prioritising sustainability. Both investors and customers now place sustainability at the forefront of their considerations when choosing financial products. This shift is demonstrated by the substantial increase of RM9.40 billion in net-zero and green financing within Islamic banks in 2022.

AIBIM is thrilled to announce that we are moving from the 'Emerging' phase to the 'Engaging' phase of our VBI journey. This transition is a significant step towards a more profound and sustained commitment to VBI principles among our member banks. It indicates the growing awareness of the significance of sustainability, ethical practices, and the alignment of our financial services with broader societal goals.

We are starting these efforts and actively engaging in global strategic partnerships, stakeholder engagements, and enhanced transparency. This report is evidence of our industry's evolution and guides the ongoing journey toward establishing VBI as an integral part of Islamic banking in Malaysia.

Small and medium enterprises (SMEs) and micro-SMEs (MSMEs) play a crucial role in the sustainability of our economy. Islamic banks have played a pivotal role in supporting the two segments by dedicating 20.28% of total net-zero and green financing (RM3.35 billion) and 39.12% of social financing (RM24.08 billion) to them. This demonstrates our unwavering commitment to creating a positive impact on both the financial landscape and society at large.

Our approach is driven by implementation, and it harmoniously aligns with *maqasid al-Shariah*, a clear vision from Bank Negara Malaysia (BNM). We have a robust ESG framework and aim to achieve the country's aspirations and targets.

We are deeply committed to enhancing the significance of social finance and optimising the efficacy of Islamic financial instruments to effectively solve existing deficiencies. Our dedication to fostering innovation and adaptability will continue as we address the tangible needs of the market and consistently enhance our operational protocols. The reporting of impact measurement is anticipated to become increasingly prevalent in future discussions.

May this report serve as a valuable resource as we strive collectively for a brighter and more prosperous VBI-oriented future for the Islamic financial industry and our nation.

Sincerely,
Dato' Mohd Muazzam Mohamed
Chairman
VBI Community of Practitioners

SECTION 1

OVERVIEW

About AIBIM

AIBIM is a dynamic, visible, responsive, and effective organisation representing the Islamic finance industry. It promotes a sound Islamic banking system and practice in Malaysia. In addition, it serves as a dedicated advocate for its members, both domestically and internationally, offering valuable guidance and support essential for the growth and advancement of Islamic banking and finance at local, regional, and global scales. Furthermore, AIBIM takes the lead in orchestrating initiatives which focus on enhancing the human capital development of its members while also actively promoting public awareness of Islamic finance.

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. Today, it hosts 26 member banks as identified below:

Domestic Banks

- AFFIN ISLAMIC
- ALLIANCE ISLAMIC BANK
- AmBank Islamic
- BANK ISLAM
- Bank Muamalat
- PUBLIC ISLAMIC BANK
- CIMB ISLAMIC
- HongLeong Islamic Bank
- Maybank Islamic
- MBSB BANK
- midf INVESTMENT
- RHB Islamic

Development Financial Institutions

- AGRO BANK
- BANK RAKYAT — Your Bank of Choice
- BSN

Locally Incorporated Foreign Banks

- alrajhi bank
- BNP PARIBAS NAJMAH
- citi
- HSBC Amanah
- Kuwait Finance House — Licensed Islamic Bank
- MUFG
- OCBC Al-Amin
- standard chartered saadiq islamic
- SMBC SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
- UOB 大华银行

Digital Islamic Bank

ACS Digital Berhad

About This Report

The *Value-based Intermediation Report 2022: Emerging to Engaging* marks the third edition in a series that has been integral in tracking the progress and impact of VBI initiative within the Islamic banking industry in Malaysia. The inaugural report, *Intermediating Beyond Profits: Inaugural Islamic Banking Industry Value-based Intermediation (VBI) Preview Report 2017–2020,* laid the foundation for understanding the organic journey of Malaysian Islamic banking institutions in implementing VBI initiative. The second report, *Value-based Intermediation Full Report 2021*, confronted the unprecedented economic challenges brought forth by the COVID-19 pandemic and featured the role of the VBI industry in alleviating the financial hardship faced by the unserved and underserved communities.

As we unveil the 2022 edition of the VBI reports, we find ourselves at a unique juncture. This third report, building on the insights of its predecessors, offers something even more profound. It provides a trajectory of VBI progress, not just a snapshot of the current state. While challenges persist, exemplified by the continuing rise in global temperatures, this report underscores the pressing need for financial institutions to critically assess their endeavours and align them with a trajectory that can avert potentially catastrophic consequences.

To this end, this year's report centres its focus on the evolution of Islamic banks from Emerging to Engaging in their VBI journey. We look at their various initiatives and explore the avenues through which these initiatives can be harnessed to maximise their influence on socioeconomic development. We delve deeper into the role of Islamic banking in achieving sustainability, resilience, and ethical financial practices that are critical in shaping a prosperous and sustainable future for Malaysia and the global community.

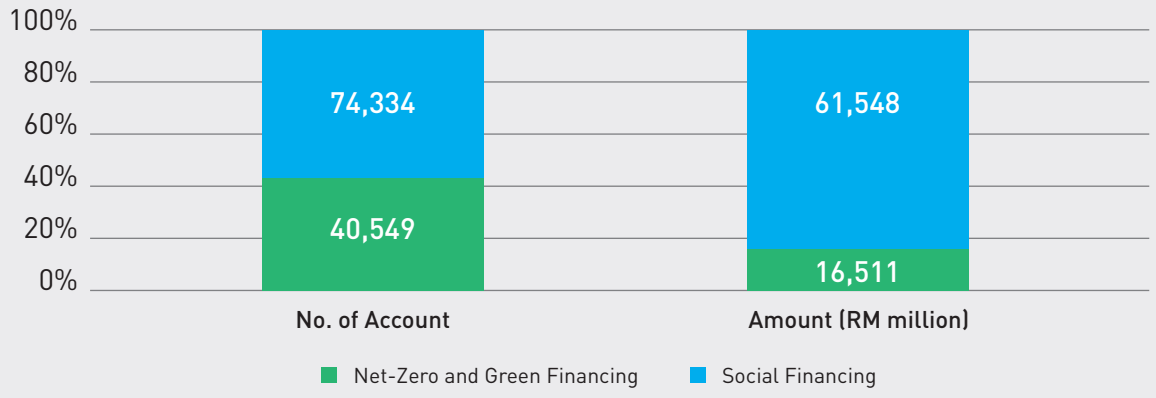
The findings highlight the transformative impact of Islamic banks' VBI activities from January to December 2022. It looks at their efforts, their alignment with national agendas, the evolution of impact measurement practices, the acceleration of VBI green financing, and the forward-looking strategies to maintain the VBI momentum within the ever-evolving ecosystem.

The information, data, and findings presented in this report have been primarily derived from surveys conducted by AIBIM and ISRA Research Management Centre, encompassing all AIBIM member banks. While we have exercised due diligence in presenting a comprehensive report on the growth of the VBI initiative, it is essential to note that the findings presented in this report are contingent on the responses obtained from AIBIM member banks.

VBI Snapshots

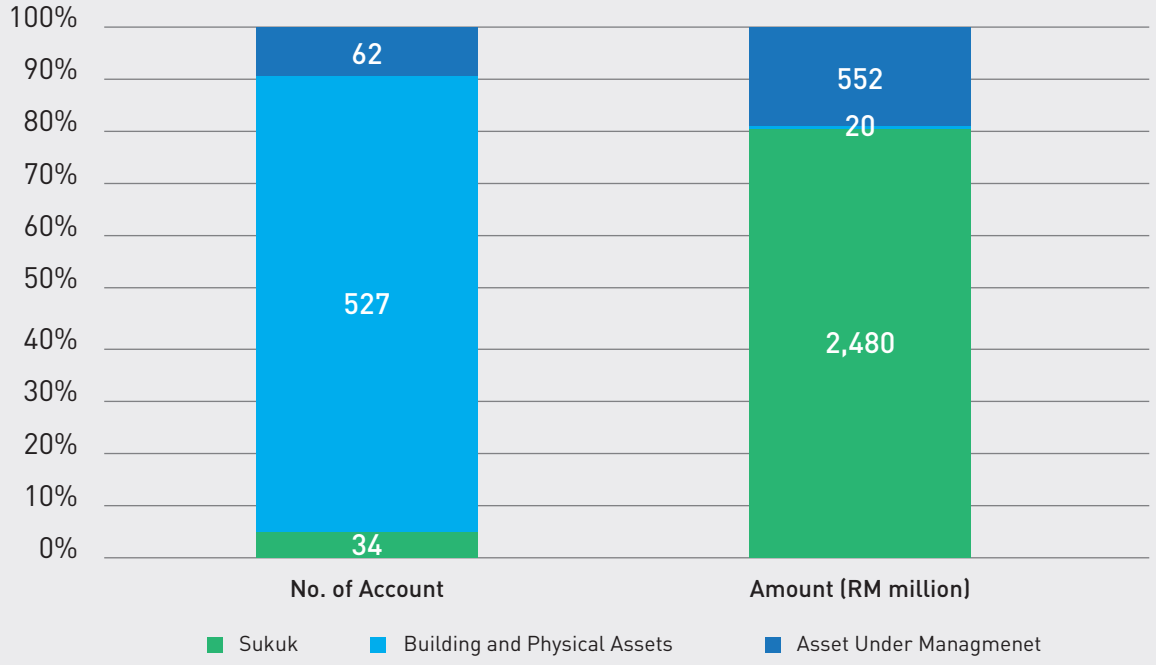
The VBI initiative data provided here is sourced from the survey conducted by AIBIM of its member banks. Based on the information received, a total of RM131.64 billion have been intermediated by the Islamic banks, serving 4.95 million accounts, in VBI activities during the period covered in this report. This shows a continued firm commitment of the Islamic banks in Malaysia to aligning their activities with the VBI thrusts—Entrepreneurial Mindset, Community Empowerment, Good Self-Governance, and Best Conduct. The snapshots of the VBI activities in 2022 are provided in Figure 1.1 to Figure 1.4.

Figure 1.1: VBI Financing



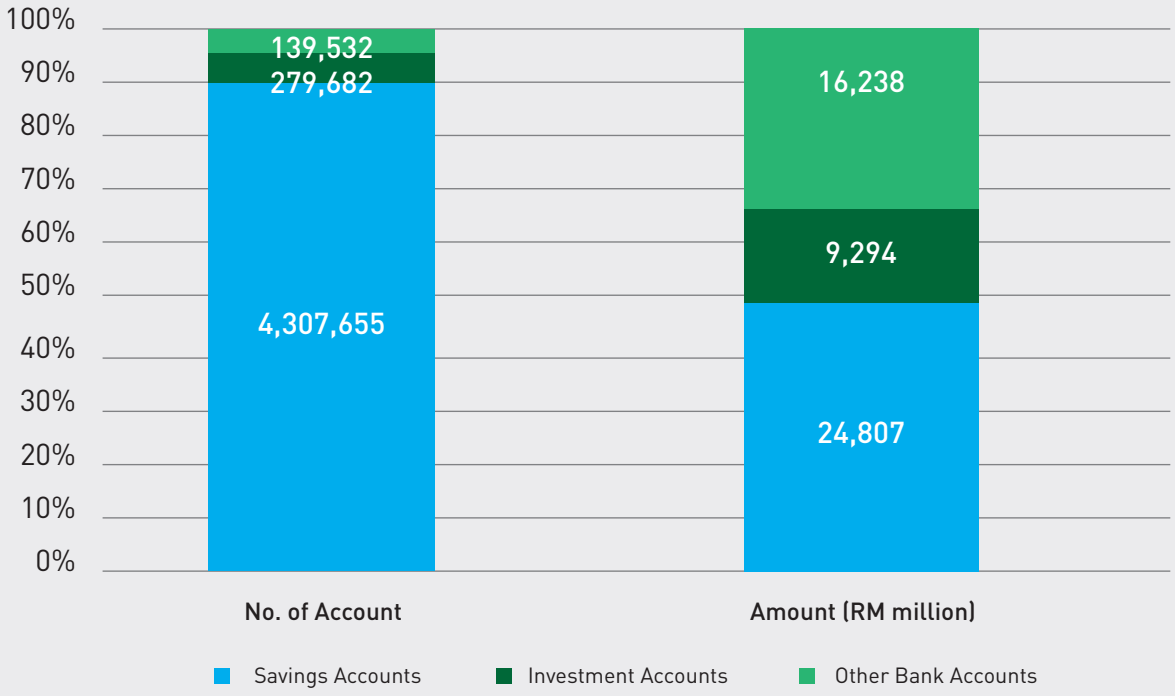
Source: AIBIM

Figure 1.2: VBI Investments



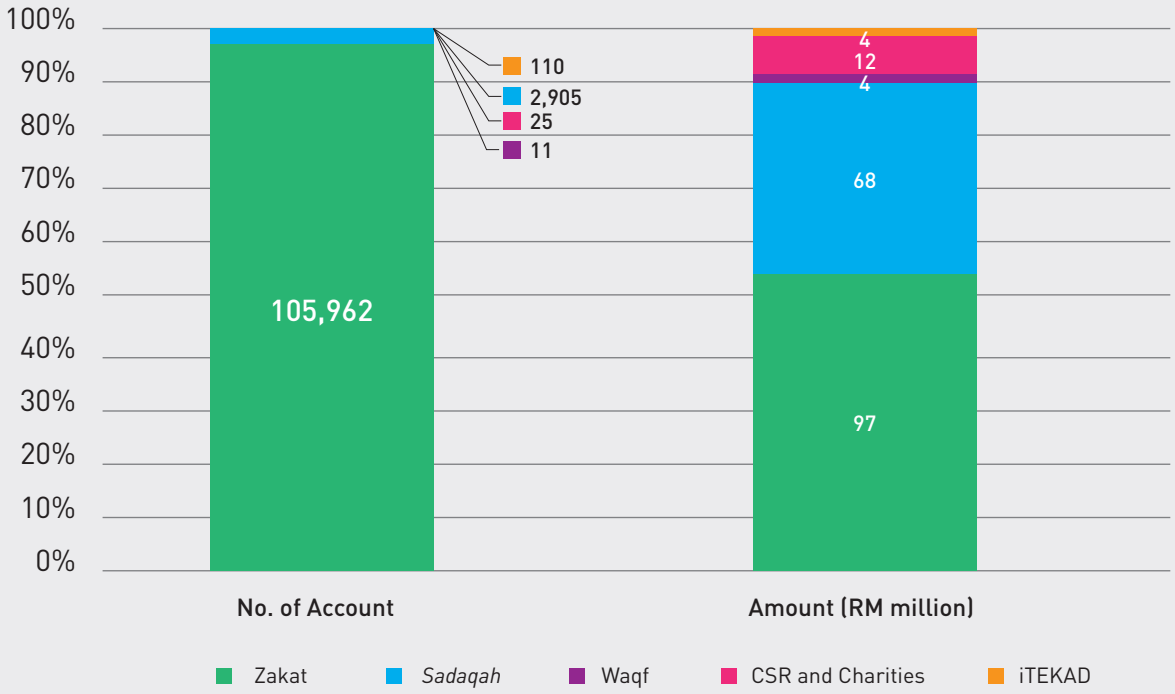
Source: AIBIM

Figure 1.3: VBI Deposit and Investment Accounts



Source: AIBIM

Figure 1.4: Zakat, Charities, and iTEKAD



Source: AIBIM

SECTION 2

VBI FROM EMERGING TO ENGAGING

VBI Developmental Journey

The *Value-based Intermediation Report 2022: Emerging to Engaging* focuses on the fact that VBI has advanced to actionable directives. For example, the development of the BNM Guidance Document on Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) and the VBIAF Sectoral Guides; tracking, monitoring, and disclosures of VBI initiatives; and developing VBI impact measurement approaches by AIBIM members. The AIBIM members have kept moving forward with sustainability by enhancing their capabilities, modernizing their risk management and infrastructure, and improving their sustainability disclosures. Additionally, they support their clients in adopting sustainable practices to facilitate the shift to a low-carbon economy.

The VBIAF Sectoral Guides stand out as a prominent initiative that the VBI Community of Practitioners (CoPs) has undertaken. In alignment with a steadfast commitment to ongoing progress, the CoPs are presently engaged in the development of the 3rd Cohort Sectoral Guides. These forthcoming guides will encompass four specific sectors: Agriculture, Mining and Quarrying, Road Transportation, and Waste Management, with their publication anticipated before the end of 2023.

VBI Initiatives by Thrusts

The four VBI underpinning thrusts serve as a framework for each contribution and as its guiding principles in planning, developing, and implementing VBI initiatives and practices by these thrusts–Entrepreneur Mindset, Community Empowerment, Good Self-Governance, and Best Conduct. The data sources used in the VBI construction are based on the survey distributed by AIBIM to each CoP and non-CoP member, together with recent sustainability reports, CoP members' official websites and the most recent Annual Reports.

Entrepreneur Mindset (EM)

Promoting entrepreneurial endeavours through providing SMEs and start-ups with Shariah-compliant financing and support, as well as business networks and advisory services, offered by Islamic banking institutions. This comprises funding for green SME programmes, the Low Carbon Transition Facility (LCTF) for SMEs, and Sustainable Development Goals (SDGs)-linked deposits to facilitate and support firms and entrepreneurs. It also involves financing sustainable business and finance. Figure 2.1 provides a snapshot of the VBI activities undertaken by the Islamic banks in 2022 that fall under the EM thrust.

Figure 2.1: VBI Activities Under EM

RM2.80 billion
allocated for SMEs and MSMEs financing

RM50.03 billion
inked in Memorandum of Understanding (MoU) with business partners

RM1.06 billion
allocated for entrepreneurship support to *asnaf* communities

RM116 million
financing approved to businesses

RM949 million
SDG-linked deposits by businesses

RM10 million
financing support for customers and the public affected by COVID-19

RM405.04 million
provided for sector-specific financing such as food and tourism sectors

Community Empowerment (CE)

Empowering communities through the provision of financial solutions that have a positive impact through participation in charitable, zakat, health, crowdfunding, free health services, and educational support, as well as by establishing waqf payment services and pandemic relief programmes faced by underprivileged families and orphanages across the country. Figure 2.2 provides a snapshot of the VBI activities undertaken by the Islamic banks in 2022 that fall under the CE thrust.

Figure 2.2: VBI Activities Under CE

RM14 billion
provided for public health and education

RM8 billion
offered to general customers under affordable housing schemes

RM1.60 billion
donated to underprivileged people

RM10.72 million
zakat allocation for *asnaf*

RM5 million
allocated to customers and businesses under financial security programmes

RM11.02 billion
allocated for relief during disasters, especially for flood and COVID-19 affected customers

8,000 families
from underprivileged segments received boxes containing basic food necessities

14,320 people
received food and non-food products to lessen the impact of the annual monsoon floods

Good Self-Governance (GS)

Participation of all stakeholders is embedded in the governance system. It relates to any decision made that will affect shareholders and their extended stakeholders and in which the culture of self-discipline is embedded in the governance procedures within the operations and practices of Islamic banking institutions. This includes establishing the Group sustainability committee, implementing the whistleblowing policy and anti-corruption policy, and initiating an ESG risk management framework. Figure 2.3 provides a snapshot of the VBI activities undertaken by the Islamic banks in 2022 that fall under the GS thrust.

Figure 2.3: VBI Activities Under GS

ESG-Based Partnership
signed via MoUs worth RM70 million

ESG Risk Management Framework
launched in line with its commitment towards banking sustainability

Anti-Corruption Plan
introduced to reflect its continuous commitment to ensuring the strictest code of conduct, good governance, and integrity

Triple Bottom Line (TBL) Framework
developed to help the bank further its aspirations as a practitioner of VBI

Best Conduct (BC)

Modernising the procedures and attitudes of Islamic banking institutions towards all stakeholders, including their customers and employees. This conduct aims to continuously improve stakeholder satisfaction. This includes launching awareness campaigns, CSR projects, green learning and training programmes, employee well-being programmes, financial literacy training for youngsters, and holding roundtable discussions. Figure 2.4 provides a snapshot of the VBI activities undertaken by the Islamic banks in 2022 that fall under the BC thrust.

Figure 2.4: VBI Activities Under BC

RM0.02 million
launched **awareness campaigns** for the public

RM110 million
provided **training programmes** for employees and others

RM120 million
offered **employees well-being programmes** such as staff financing and others

RM0.87 million
organised **charitable activities**

2,305 employees
participated in **volunteer services**

RM2.64 million
provided **gift prizes** for customers and public

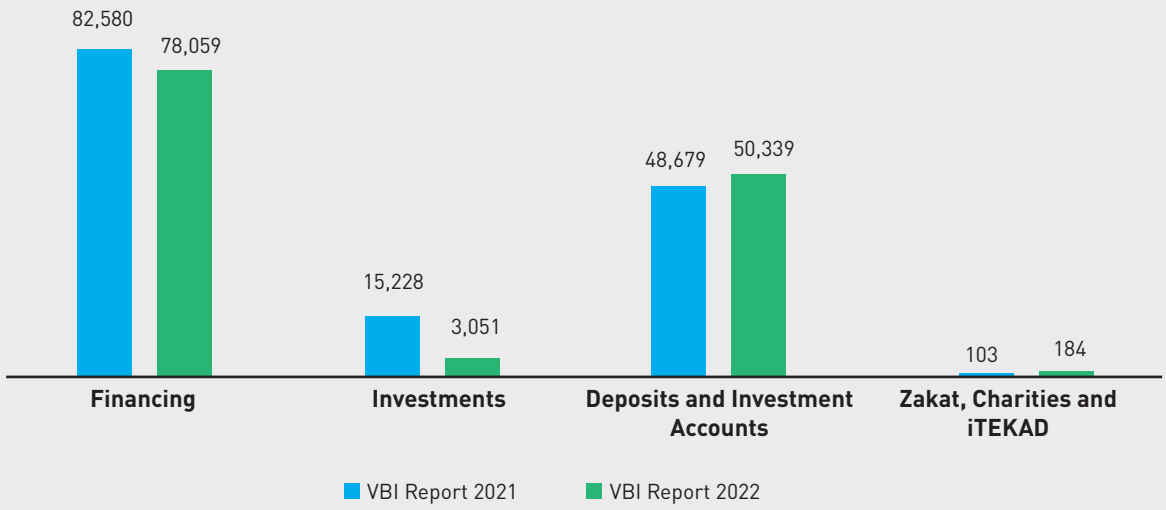
Funds Intermediated with VBI

Financing is the dominant tool used by Islamic banks in achieving their VBI objectives. The Islamic banks are also playing a greater role in managing zakat, *sadaqah*, and charity funds, and offering blended finance (via i-TEKAD programmes) to assist low-income micro-entrepreneurs.

The data gathered from the survey responses presents a substantial increase in net-zero and green financing (RM9.40 billion or 2.32 times increase) and public infrastructure financing (RM5.87 billion or 1.51 times increase). However, as the economy recovered from COVID-19, the relaxed financing facilities available in 2021 under the Targeted Relief and Recovery Facility (TRRF) for COVID-19 resuscitation, moved to targeted ones in 2022. This shift in financing policy impacted non-green SME and MSME financing in 2022. Meanwhile, the investment amount highlights the need for a greater supply of assets with Sustainable and Responsible Investment (SRI), SDGs, ESG, and green agendas.

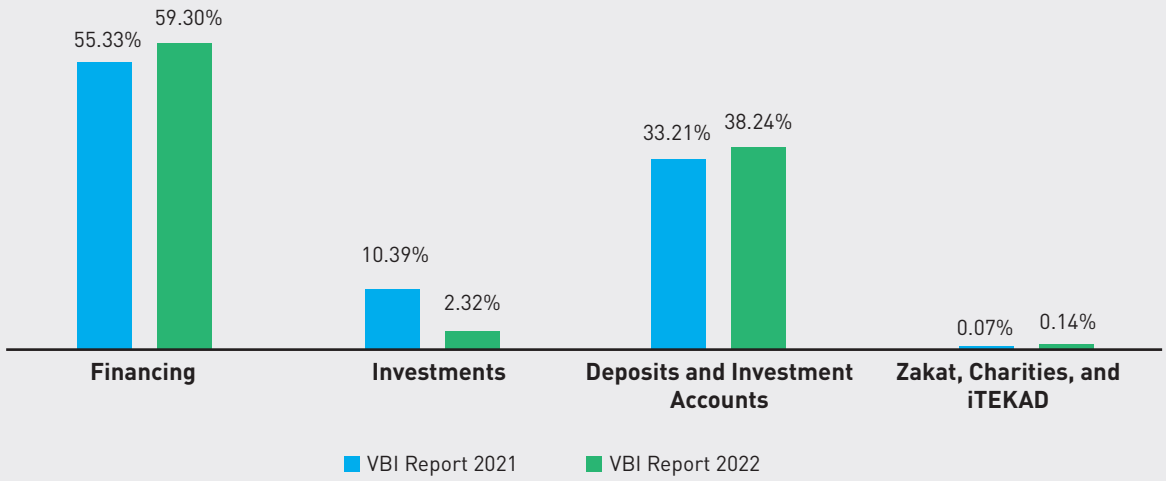
Figure 2.5 and Figure 2.6 provide a comparison between 2021 and 2022 in VBI initiatives.

Figure 2.5: VBI Initiatives (in RM million)



Source: AIBIM

Figure 2.6: VBI Initiatives (% out of the Period's Aggregate)

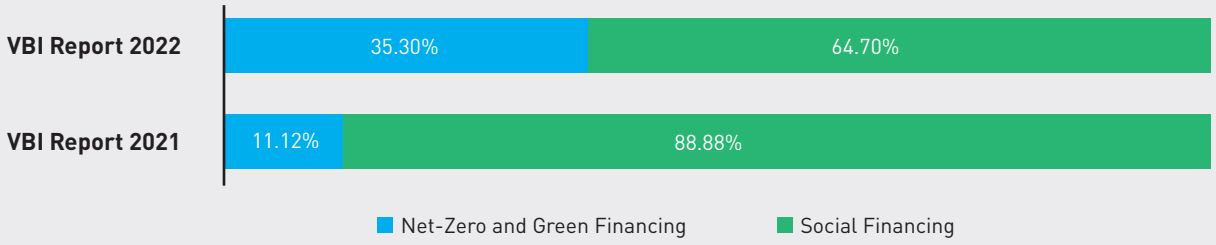


Source: AIBIM

VBI Financing

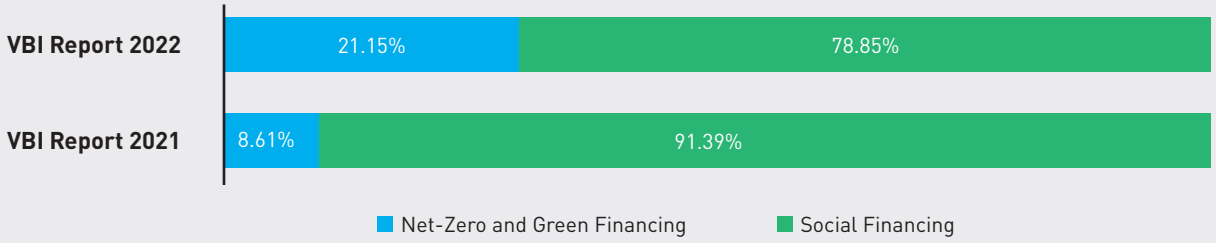
In 2022, the RM78.06 billion VBI financing served 114,883 accounts. The VBI financing in this year accounted for 10.83% of the total financing amount. As in the previous report, SMEs and MSMEs are the largest recipients of VBI financing in 2022, representing 35.14% of total VBI financing. Figure 2.7 and Figure 2.8 show that there is an increased focus on net-zero and green financing.

Figure 2.7: Distribution of VBI Financing Accounts



Source: AIBIM

Figure 2.8: Distribution of VBI Financing Amounts

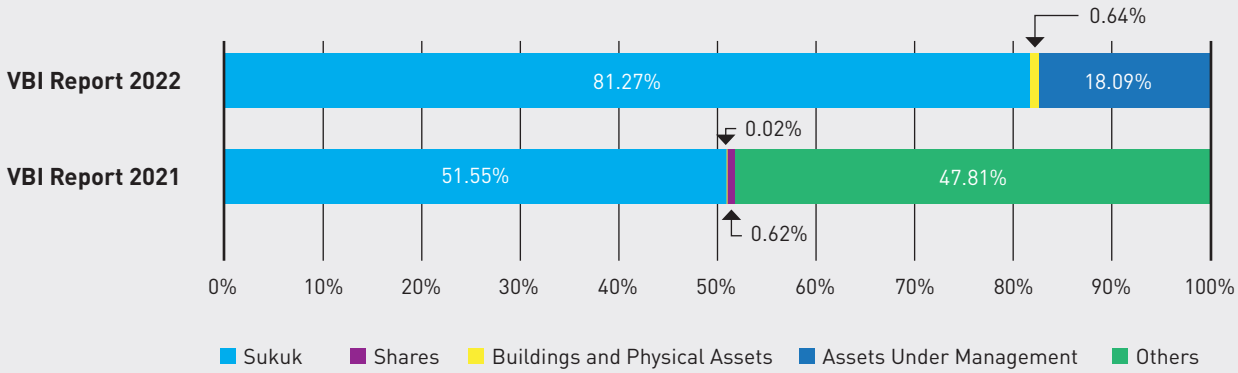


Source: AIBIM

VBI Investments

The VBI investments include investments in sukuk, shares, and funds with SRI, SDGs, ESG, green, and similar agendas. It also includes investments in green buildings and physical assets. The survey respondents reported RM3.05 billion as VBI investments in 2022, mostly contributed by the corporate sector (98.09%). However, the investments were mostly in sukuk as identified in Figure 2.9.

Figure 2.9: Distribution of VBI Investments by Amounts

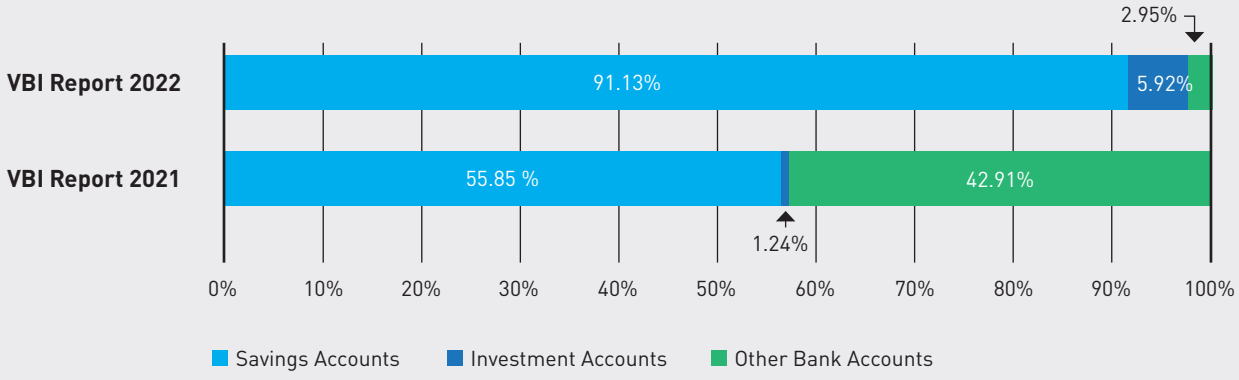


Source: AIBIM

VBI Deposit and Investment Accounts

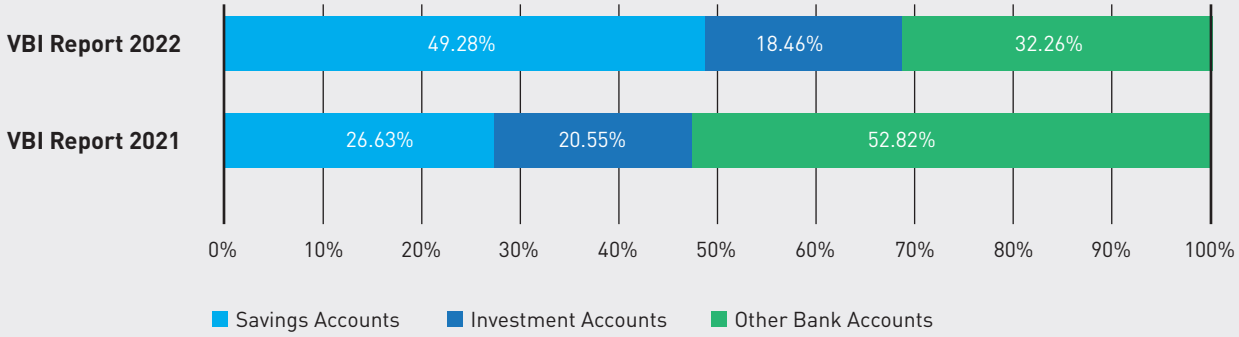
The survey respondents reported RM50.34 billion as VBI deposit and investment accounts for 2022, representing 11.81% of total deposit and investment accounts. This is an increase from 2021 by RM1.66 billion. Figure 2.10 and Figure 2.11 shows the distribution of VBI-related deposit and investment accounts in terms of number of accounts and amounts.

Figure 2.10: Distribution of Number of Accounts of VBI-Related Deposit and Investment Accounts



Source: AIBIM

Figure 2.11: Distribution of Amounts of VBI-Related Deposit and Investment Accounts

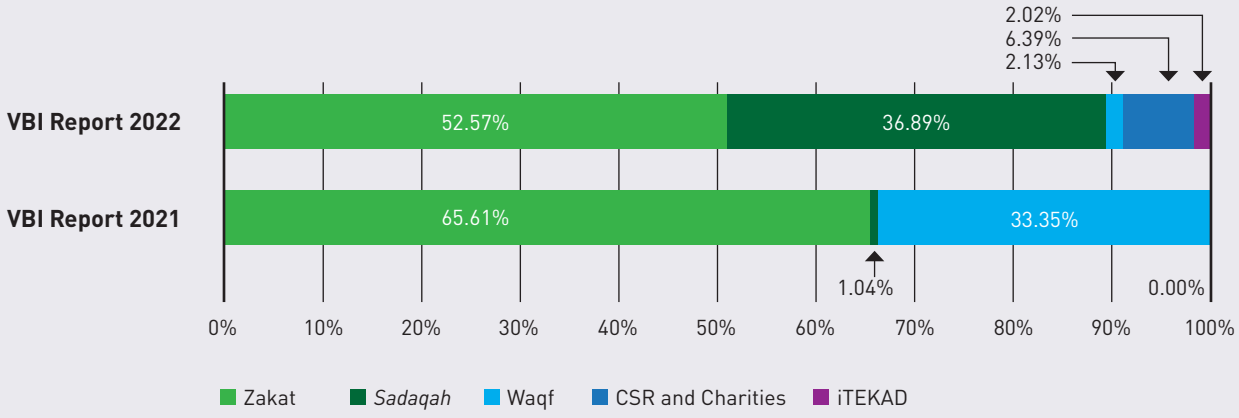


Source: AIBIM

Zakat, Charities, and iTEKAD

The survey respondents reported RM185 million intermediated by them for various zakat, *sadaqah*, and charity programmes including for the iTEKAD initiative. This is an increase of RM81 million from 2021. Figure 2.12 provides a comparison between 2021 and 2022.

Figure 2.12: Distribution of Zakat, Charities, and iTEKAD Amounts



Source: AIBIM

SECTION 3

SUPPORTING THE NATIONAL AGENDAS

Introduction

In the Government of Malaysia's efforts to ensure that the fruits of economic growth are distributed equitably across regions and communities, several national policies and initiatives have been implemented. Spearheading these national policies and initiatives is the national aspiration, outlined in The Twelfth Malaysia Plan 2021 that aims for the nation to achieve net-zero GHG emissions as early as 2050. The Plan ensures that energy policies and programmes are environmentally responsible while taking into consideration the socio-economic implications.

These national policies align with the VBI's broader goal of creating new growth opportunities for the economy while mitigating the risks of climate change. VBI-related initiatives and plannings have been implemented to manage and mitigate risks associated with the inevitable impact of climate change—both physical and transition risks. These initiatives ensure that the domestic economy—and by extension, businesses, and individuals—are not adversely affected by climate change and that the nation eventually benefits from the opportunities offered by the green transition (BNM, 2023).

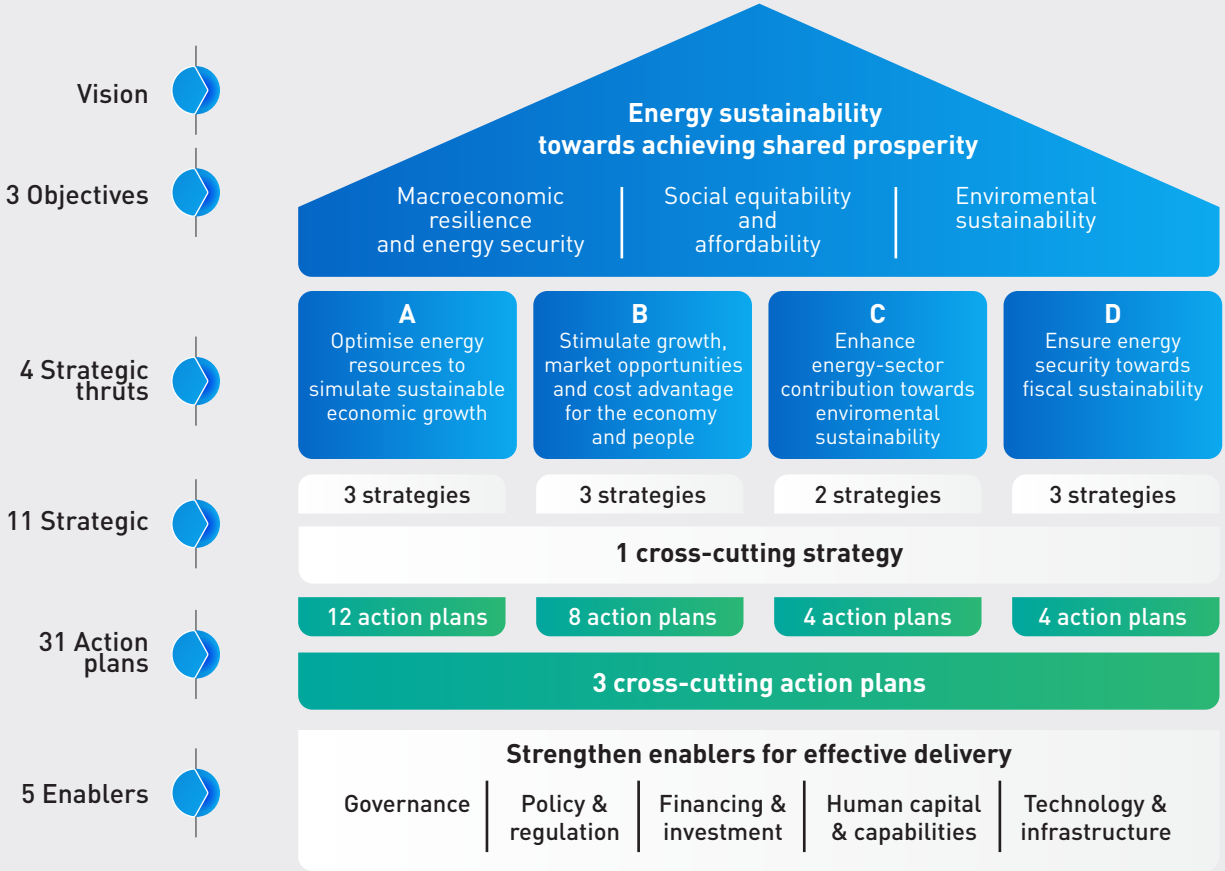
Excerpts of key national policies aligned with VBI are illustrated briefly below. These policies are selected due to their 2022 issuance except for the National Energy Transition Roadmap (NETR). Although NETR was recently introduced in 2023, its inclusion in this section is relevant as it aligns with the overall theme of the report, particularly on the green and energy transition narrative in Sections 5 and 6 of this report.

National Energy Policy (NEP) 2022–2040

The introduction of the NEP 2022–2040 underscores the Government's commitment towards energy transition. It lays the groundwork for the transformation in the energy landscape. It spearheaded a pragmatic move towards a cleaner energy mix by promoting enhanced demand side management and encouraging the development, commercialisation, and adoption of green technologies as well as the upskilling of the energy sector workforce in meeting future industry needs. It promotes an attractive investment climate, which includes increased compliance in meeting ESG commitments for key energy sub-sectors, such as the upstream oil and gas sector (see Figure 3.1) (EPU, 2022).

As part of NEP's action plan to support the scale-up of demand-side management initiatives with strengthened enablers, several actions are being undertaken. Among them are the continuation of the Green Technology Financing Scheme (GTFS), awareness on cleaner energy, and unlocking private financing by equipping banks with the ability to evaluate energy efficiency projects. This enables more sustainable private sector-led financing for energy efficiency investments leveraging on the Energy Service Company (ESCO) and Energy Performance Contract (EPC) (EPU, 2022).

Figure 3.1: Framework of NEP 2022–2040



Source: EPU (2022)

Low Carbon Nation Aspiration (LCNA) 2040

As part of the NEP initiatives above, the Government launched the LCNA 2040. The LCNA 2040 aims to achieve various targets in the energy-related sectors covering both electrical and non-electrical components in transport, and the industrial, residential, and commercial sectors. It targets a higher level of urban public transport modal share, electric vehicle (EV) penetration, share of alternative lower carbon fuels in heavy vehicles and marine transport and enhanced energy efficiency in industrial and commercial as well as residential sectors. It also entails a higher level of renewable energy penetration in the installed capacity and total primary energy supply (TPES), with no new coal power plant (EPU, 2022).

Given that private and public investments are expected to facilitate the transition as planned in the LCNA 2040 in a timely manner (see Figure 3.2), the Government is expected to establish catalytic incentives and supportive regulatory frameworks to spur investments and transition to low-carbon economic growth ecosystems for the country (EPU, 2022).

Figure 3.2: Implementation of LCNA 2040

Twelfth Plan (2021–2025)

- Improve rural electricity supply to achieve 99% coverage
- Implement step change in industry energy efficiency (EE) through enforcement of Energy Efficiency and Conservations Act (EECA), energy audits and Minimum Energy Performance Standards (MEPS)
- Increase usage of smart meter and smart grid as well as upgrade grid
- Improve Sabah power supply reliability
- Improve fuel economy standard for vehicle

Thirteenth Plan (2026–2030)

- Grow gas-based petrochemical hubs
- Thrive Third-Party Access (TPA) gas market, investments in regasification terminal (RGT) for energy security
- Increase upstream investments to develop deepwater, marginal and sour gas fields[1]
- Enhance OGSE players capacity through consolidation and international participation
- Phase down broad-based energy subsidies, move to market-based pricing
- Capture growth with LNG uptake in marine bunkering

Fourteenth & Fifteenth Plans (2031–2040)

- Thrive domestic EV ecosystem, with at scale EV penetration
- Adopt large scale energy storage for renewable energy
- Implement pilot and market entry programmes of hydrogen as well as next generation bioenergy
- Establish globally competitive hydrogen export hub in Sarawak
- Enhance energy efficiency with digital technology adoption
- Capture growth opportunities of biofuels in marine and aviation sectors

[1] Fields with high carbon dioxide ($C0_2$) and hydrogen sulphine (H_2S) contents

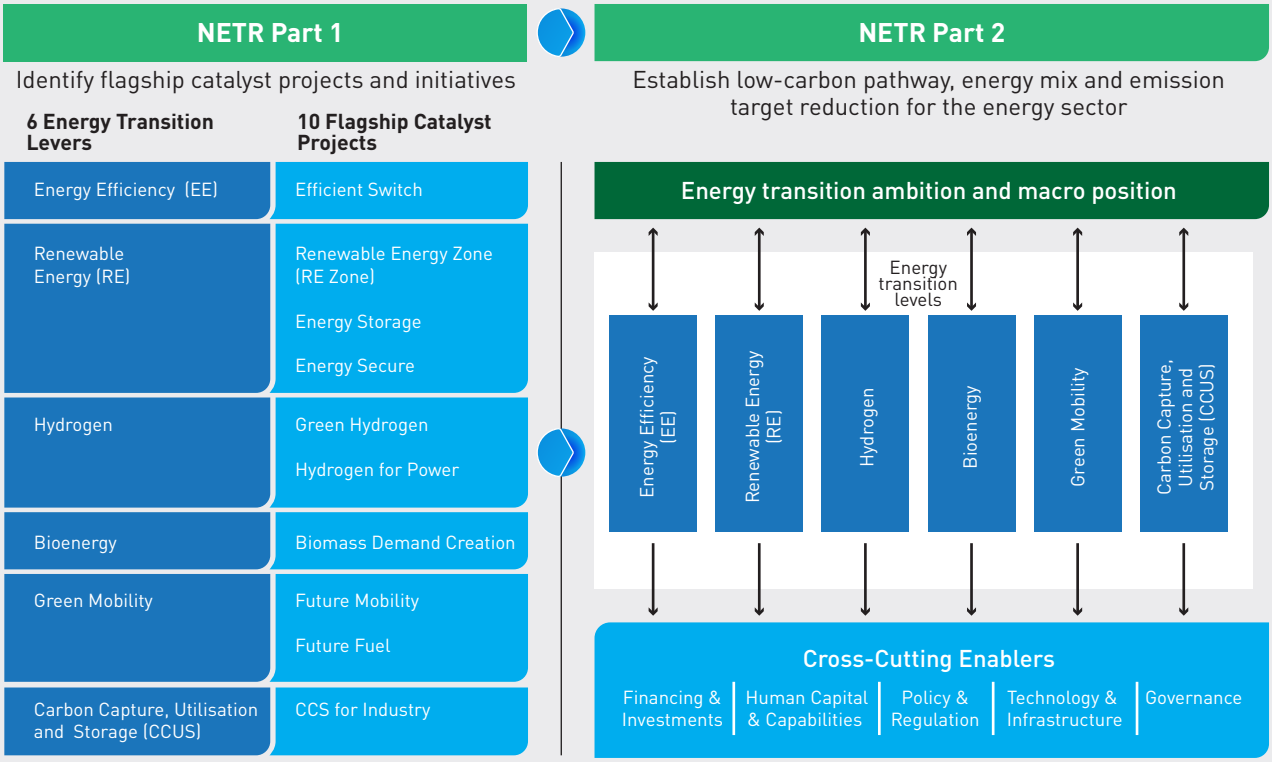
Source: EPU (2022)

National Energy Transition Roadmap (NETR)

Building from the NEP strategic implementation initiative and accelerating Malaysia's energy transition, the Government introduced the NETR to guide Malaysia transforming its economy towards a more sustainable path through carbon footprint reduction and to transition from a conventional economy based on fossil fuels to a high-value green economy. Six energy transition levers are covered in NETR's catalyst projects: energy efficiency (EE), renewable energy (RE), hydrogen, bioenergy, green mobility, and carbon capture, utilisation, and storage (CCUS).

These levers will be implemented via 10 flagship catalyst projects that are aimed at reducing GHG emissions by at least 10 Mt per year (in NETR Part 1), while NETR Part 2 will focus on establishing a low-carbon pathway alongside an energy mix and emission target reduction for the energy sector in the country (see Figure 3.3) (MOE, 2023).

Figure 3.3: Parts 1 and 2 of NETR



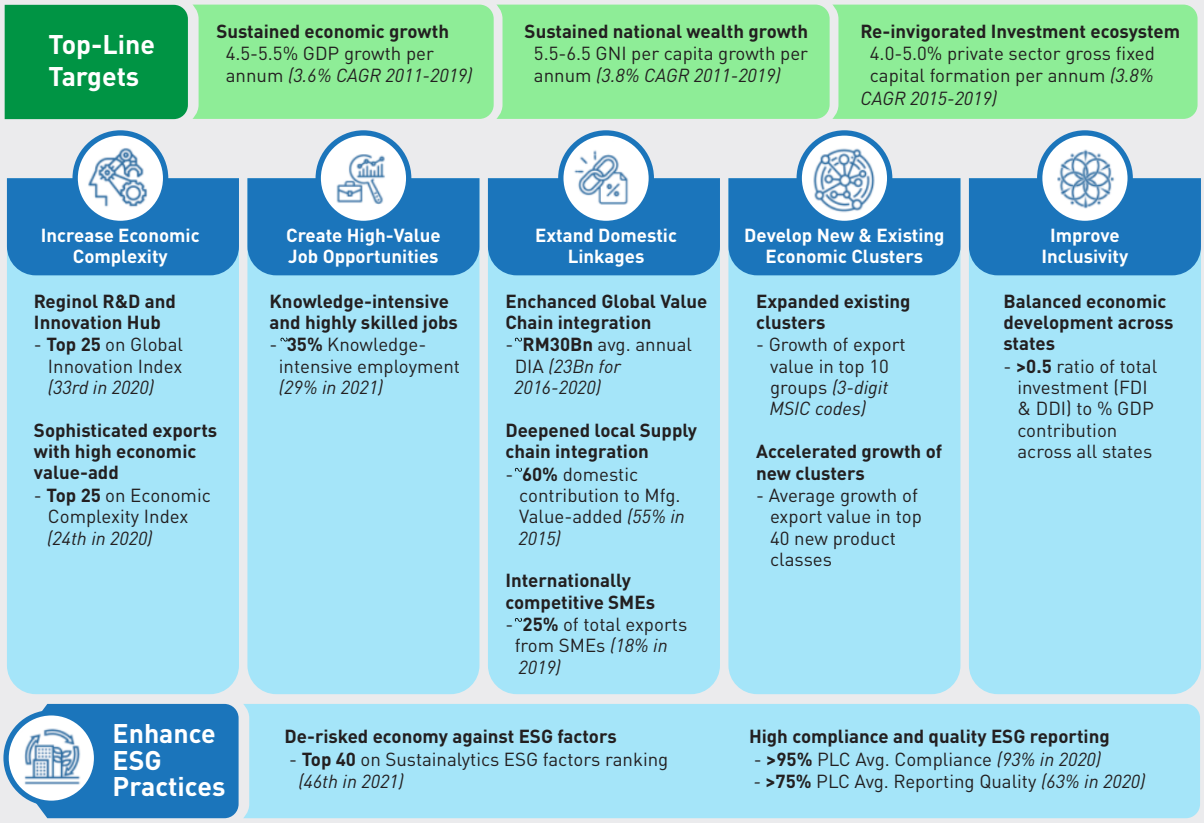
Source: MOE (2023)

NETR Part 2 will also explore the provision of technology transfer and green financing through bilateral and multilateral cooperation. Targeted investments, people strategies, and international cooperation planning, as well as policy and regulatory frameworks will be further strengthened to develop the infrastructure, technology, and talent needed to scale up and sustain decarbonisation efforts (MOE, 2023).

New Investment Policy (NIP)

The NIP has been introduced by the Government as the working policy to delivering the National Investment Aspirations (NIA). The NIP, anchored on the NIA, supports designated initiatives that meet Malaysia's priorities across national blueprints including the Twelfth Malaysia Plan and the Shared Prosperity Vision 2030. Five pillars have been outlined in the NIA to ensure that investment in Malaysia meets the following expectations: increase economic complexity, create high-value job opportunities, extend domestic linkages, develop new and existing economic clusters, and improve inclusivity (see Figure 3.4) (MITI, 2022).

Figure 3.4: Target Goals and Metrics of the NIP

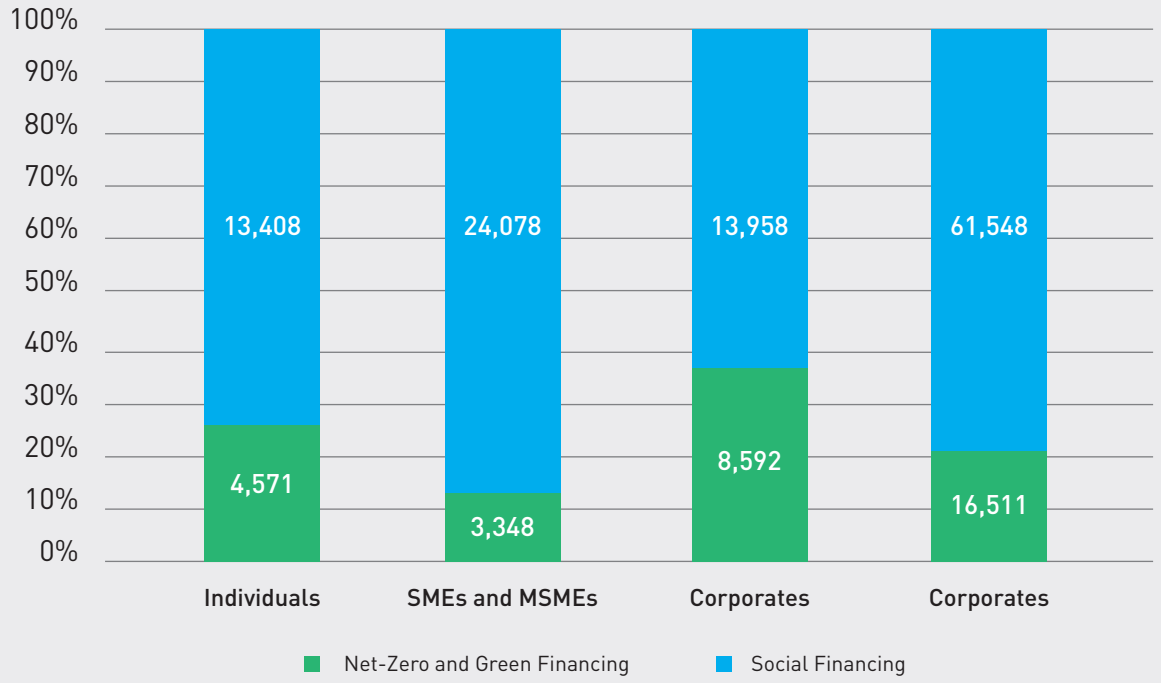


Source: MITI (2022)

Given that ESG practices underpin the execution of these NIP pillars across the economy, it is imperative that only investments which can propel Malaysia towards an enhanced ESG positioning are supported. To assess Malaysia's overall progress in ESG adoption, the ESG Factor Ranking has been introduced, encompassing over 30 metrics across three dimensions. The Ranking assesses the country's ability to utilise and manage its assets, whilst mitigating further ESG risks. For its effective implementation, ESG disclosures will be adopted at the industry scale through national quality measurement disclosures and national-level progress tracking with the support of quality data (MITI, 2022).

In short, VBI is aligned with the above-mentioned national policies as demonstrated in this report. The contributions showcased in Sections 4, 5 and 6 clearly manifest the key role played by the Islamic banking sector in converting these national policies into real action. Figure 3.5 depicts the VBI sector's contribution by channelling finance to activities that are climate friendly, supporting green transitions and promoting financial inclusivity among the underserved and unserved.

Figure 3.5: VBI Sector Contribution in Green and Transition Economic Activities (Total VBI Financing in RM million)



Source: AIBIM

These national policies testify the Government's commitment in building a sustainable, balanced, progressive, and inclusive ecosystem. Nonetheless, a harmonised effort across industry and the wider economy is needed to enable national-level transition while meeting the national priorities. This will help create a virtuous cycle of economic development towards lasting prosperity for Malaysia.

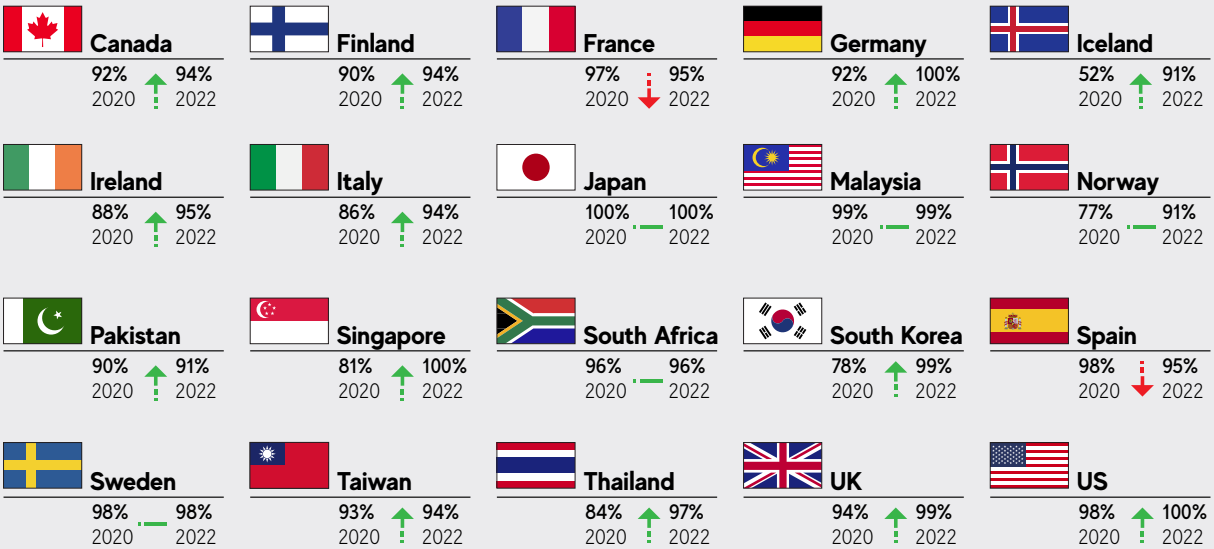
SECTION 4

THE IMPACT MEASUREMENT FRAMEWORK

Global Overview

Impact measurement and sustainability reporting are becoming key global trends among major listed companies. For these companies, their annual sustainability report is a key communication tool to capture and disclose to the stakeholders their business sustainability impact and contribution to the United Nations SDGs. Based on KPMG's Survey of Sustainability Reporting 2022, the global sustainability reporting rate inches closer to full disclosure among the world's largest companies. Nearly all (i.e., 96%) of the world's 250 largest companies report on sustainability. Malaysia ranks among the top countries with sustainability reporting rates higher than 90%. Figure 4.1 provides a snapshot of countries, territories, and jurisdictions with sustainability reporting rates higher than 90%.

Figure 4.1: Countries, Territories, and Jurisdictions with Sustainability Reporting Rates Higher Than 90%



Source: KPMG (2022)

The Global Reporting Initiative (GRI)[1] remains the most dominant standard used by the companies surveyed, while some have a clear preference for the Sustainability Accounting Standards Board (SASB)[2] or local stock exchange guidelines (refer to Figure 4.2). Nearly three-quarters of companies report their carbon targets against the Task Force on Climate-related Financial Disclosures (TCFD)[3], leading to more consistent and comparable climate disclosure. Most of these companies report on SDGs, with 10% of them reporting in terms of all 17 SDGs. The diverse range of reporting standards currently used around the world makes comparisons across companies and markets challenging (refer to Table 4.1). Nonetheless, alignment is in progress, driven by initiatives such as the IFRS Sustainability Disclosure Standards of the International Sustainability Standards Board (ISSB) and the Corporate Sustainability Reporting Directive (CSRD) of the European Union (KPMG, 2022).

[1] GRI is an independent, international organisation that helps businesses and other organisations take responsibility for their impacts, by providing them with the global common language to communicate those impacts.
[2] SASB was founded as a nonprofit organisation in 2011 to help businesses and investors develop a common language about the financial impacts of sustainability.
[3] TCFD was established in December 2015 by the Group of 20 (G20) and the Financial Stability Board (FSB). consists of governance, strategy, risk management, and metrics and targets. It will become mandatory for companies to report on these disclosures by 2025 in some parts of the world including Malaysia.

Figure 4.2: Top 10 countries, Territories, and Jurisdictions by Percentage of Companies Surveyed Reporting Against GRI Standards, Stock Exchange Guidelines, and SASB Standards

GRI		Stock Exchange		SASB	
Singapore	Italy	South Africa	Thailand	USA	Chile
100%	90%	100%	61%	75%	58%
Taiwan	Austria	Malaysia	China	Canada	Uruguay
99%	89%	95%	61%	72%	56%
Chile	Finland	India	UAE	Brazil	Hungary
96%	87%	89%	47%	64%	56%
Brazil	Jappan	Singapore	Mexico	Mexico	Argentina
93%	87%	85%	46%	63%	55%
Spain	Argentina	Taiwan	Kazakhstan	UK	Taiwan
93%	85%	82%	45%	59%	52%

Table 4.1: Frameworks/Initiatives That Dominate the Impact Measurement Global Ecosystem

Organisations	Frameworks/Initiatives	Overview
International Bank for Reconstruction and Development and The World Bank	Impact Evaluation in Practice Handbook	The handbook provides practical guidelines for designing and implementing impact evaluations, along with a non-technical overview of impact evaluation methods. The handbook has been a valuable resource for the international development community, universities, and policymakers looking to build better evidence around what works in development.
International Finance Corporation (IFC), World Bank Group	Frameworks for Measuring Impact by Sector	IFC has developed over two dozen sector frameworks to assess projects across all four IFC industries—Financial Institutions; Infrastructure and Natural Resources; Manufacturing,

Organisations	Frameworks/Initiatives	Overview
		Agribusiness and Services; and Disruptive Technologies and Funds. These sector frameworks are a step-by-step guide to assessing IFC projects, providing an analytical frame to facilitate judgments of a project's expected outcomes and contribution to market creation. They articulate the development impact thesis for IFC's activity in a sector, define benchmarks for the assessment of gaps and intensities, and provide rating conventions for core impact claims and likelihood assessments.
Global Impact Investing Network (GIIN)	IRIS+	IRIS+ is the generally accepted impact accounting system that leading impact investors use to measure, manage, and optimize their impact. Proper use of the IRIS+ system ensures a minimum level of consistency in a user's impact claims and performance, which makes it easier for investors to analyse and extract useful information for decision-making. The use of IRIS+ also facilitates the comparison of impact information. The IRIS+ system is designed to minimize confusion about how to set objectives, describe and understand impact, assess success, and clearly communicate impact performance with other impact investing stakeholders.
United Nations Environment Programme – Finance Initiative (UNEP FI)	Portfolio Impact Analysis Tool for Banks	The tool is designed to guide banks through an impact analysis of their portfolios. Developed jointly with signatories of the Principles for Responsible Banking and UNEP FI Member Banks, the tool helps banks analyse the impacts associated with their portfolios. The analysis will enable banks to set targets where it matters in order to drive their contribution to society's goals, as required by the Principles for Responsible Banking.

Source: International Bank for Reconstruction and Development / The World Bank (2016), IFC (2023), GIIN (2023), UNEP FI (2023)

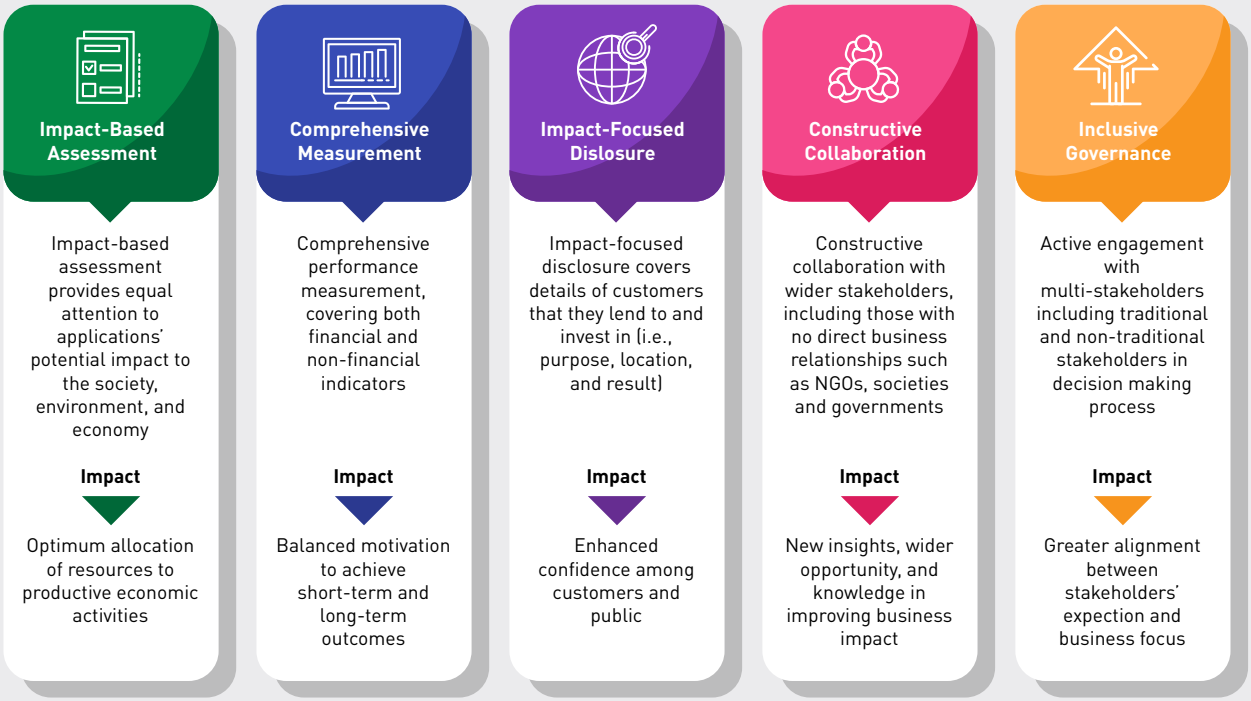
Impact Measurement Framework in Malaysia

The impact measurement landscape in Malaysia is fast evolving with regulators such as BNM, Securities Commission Malaysia (SC), and Bursa Malaysia playing an active role in driving this agenda forward. Numerous initiatives have been launched by the regulators to align Malaysia's impact measurement practices towards global standards. Notable among them are the VBIAF Guidance Document, the VBIAF Sectoral Guides, the Climate Change and Principles-based Taxonomy (CCPT), and the Data Catalogue by the Joint Commission on Climate Change (JC3).

VBIAF Guidance Document Issued on 1 November 2019

Since the introduction of VBI in 2018, Malaysian Islamic banking institutions have undergone tremendous changes in realigning and repositioning their establishments towards meeting the VBI commitment. This required them to revisit their strategies and risk assessment and management systems including identifying, measuring, monitoring, mitigating, and reporting impact and risk exposures in meeting the VBI commitment (see Figure 4.3).

Figure 4.3: What Do Value-Based Banking Practices Look Like?



Source: BNM (2018)

To enable the industry to acquire a complete and accurate understanding of the impact-based risks associated with financing and investment activities, the VBIAF Guidance Document requires the industry to adopt a robust approach to impact measurement and reporting. This demands the establishment of clearly defined criteria and factors in the impact-based risk measurement, which includes considering the impact on micro and macro factors, e.g., on customers, the environment, and society.

The scope, context and level of granularity, and frequency of the reports/disclosure must be appropriately tailored to the needs of the different groups of users of the reports (internal and external). This entails the inclusion of detailed information, for instance:

- details of the governance framework and its impact on business strategies;
- description of key impact-based risks affecting the Islamic banking institution, e.g., key cross-cutting issues in sensitive sectors;
- information about processes of customer acceptance decisions (i.e., methodologies and criteria underpinning customers' decision-making processes on positive impact delivery or negative impact reduction claim) and client engagement and monitoring processes; and
- at the portfolio level strategy and reporting, providing information pertaining to, for example, processes for periodical review of portfolio exposures to climate-related risks and other environmental and social issues, e.g., deforestation or human rights risk across the portfolio. The methods used should also be disclosed.

Another important prerequisite of the VBIAF is aligning impact-based reporting with other national and international standards, conventions, and best practices on sustainability (see Table 4.2). This helps to boost the competitiveness of the domestic industry players and helps them gain acknowledgement from global peers.

Table 4.2: Widely Used Local and International Transparency and Disclosure Frameworks for Materiality and Disclosure Purposes

Domestic	International
▪ **BNM:** • CCPT • Policy Document on Climate Risk Management and Scenario Analysis • VBIAF Guidance Document • VBIAF Sectoral Guides (1st Cohort) ▪ **AIBIM** • VBIAF Sectoral Guides (2nd Cohort) ▪ **SC:** • Malaysian Code on Corporate Governance (MCCG) ▪ **Bursa Malaysia:** • Sustainability Reporting Guide • Sustainability Toolkits • Main Market Listing Requirements ▪ **Association of Chartered Certified Accountants (ACCA):** • Sustainability Reporting Guidelines for Malaysian Companies	▪ **UN:** • SDGs • UNEP FI ▪ **Integrated Reporting Framework of the IFRS Foundation** ▪ **TCFD** ▪ **GRI Sustainability Reporting Standards** ▪ **GRI G4 Standard (Financial Sector Supplement)** ▪ **SASB financial sector standards** ▪ **Islamic Financial Services Board (IFSB)'s Revised Standard on Disclosures to Promote Transparency and Market Discipline for Institutions Offering Islamic Financial Services (Banking Segment)** ▪ **S&P Global Corporate Sustainability Assessment** ▪ **Carbon Disclosure Project (CDP)**

Source: BNM (2019), Sustainability Reports of the CoPs

Industry-Led VBIAF Sectoral Guides

To support the implementation of the VBIAF, six VBIAF Sectoral Guides have been issued covering six selected key economic sectors in Malaysia (refer to Figure 4.4). These Sectoral Guides help financial institutions implement an ESG impact-based risk assessment framework by recommending key impact-based risk factors of the sector or activity which can typically generate significant risks if not well managed but could present opportunities if the risks are proactively addressed. They essentially provide the parameters which facilitate a financial institution to overlay its credit or investment decisions with an ESG risk score. This enables the financial institution to derive final outcomes which incorporate the ESG impact of its financing and investment decisions. The Sectoral Guides also provide transparency to customers and investors in relation to financial institutions' ESG assessment considerations in arriving at their final financing and investment decisions.

Figure 4.4: VBIAF Sectoral Guides

Source: AIBIM

1. **Palm oil:** Due to its significant contribution to Malaysia's economy and its susceptibility to environmental and social issues, the palm oil sector was selected as part of the 1st cohort of the VBIAF Sectoral Guides. The palm oil guide focuses on upstream activities, which covers growers (e.g., estates, independent smallholders, organised smallholders) and palm oil millers.

2. **Renewable energy:** The renewable energy guide was issued in the 1st cohort of the VBIAF Sectoral Guides due to its links with Malaysia's economic development and its ability to reduce the production and consumption of fossil-based fuels. The guide primarily focuses on the direct impact of downstream power producers (e.g., public and private utilities providers), such as: (a) solar PV installations, including both land-based and floating developments; (b) processing plants installation for biofuels and biomass; and (c) hydroelectric power plants, including impoundment infrastructure (dam structures), river diversion structures (run-of-river), and pumped storage.

3. **Energy efficiency (EE):** Being one of the key activities in reducing greenhouse gas (GHG) emissions and tackle climate change risks, energy efficiency was selected in the 1st cohort of the VBIAF Sectoral Guides. The energy efficiency guide covers the following final energy users in respect of the EE activities related to: (a) owners and tenants of buildings (residential and commercial, but excluding industrial facilities); (b) owners and tenants of industrial facilities and users of commercial appliances; (c) owners of on road private or passenger and commercial or freight vehicles; (d) consumer of domestic or consumer appliances; and (e) ancillary service providers.

4. **Oil and gas (O&G):** The O&G sector, despite being part of an extractive industry susceptible to impacts on the environment and society, is also a catalytic force, with many socio-economic benefits that are beyond its direct contribution to national wealth creation. The O&G guide focuses on three operational components of its lifecycle, namely upstream (exploration, field development, and production exploration), midstream (transportation, processing, storage, and distribution) and downstream (gas processing, refining and petrochemicals, and retail and marketing).

5. **Construction and infrastructure (C&I):** The C&I sector significantly contributes to the nation's economic development as it provides much-needed support to the economy by forward and backward linkages with other sectors of the economy. The C&I guide includes design (of commercial and residential buildings, roads and railways, utility projects such as dams and reservoirs, etc.), civil engineering, and specialised activities such as demolition and site preparation, electrical, plumbing, and other construction installation activities, building completion and finishing, under four designated C&I lifecycles: Design, Construction, Operations, and Decommissioning.

6. **Manufacturing:** The manufacturing sector is the mainstay of the Malaysian economy as it has the most significant multiplier effect on the nation's activities and growth. The manufacturing guide covers manufacturing lifecycle under: (a) inputs, which include procurement of raw materials necessary equipment and facilities for the manufacturing operations/production; (b) operations, which relate to actual operations and production of the raw materials into the finished product; and (c) outputs, which pertain to the finished products for sale and distribution as well as end-of-life management.

Climate Change and Principle-based Taxonomy (CCPT)

The CCPT was issued by the BNM in April 2021 in collaboration with the Risk Management Subcommittee of the JC3. CCPT introduces a principle-based taxonomy for financial institutions to assess and categorise economic activities according to the extent to which the activities meet climate objectives and promote the transition to a low-carbon economy. Economic activities are assessed following five Guiding Principles:

- Guiding Principle 1: Climate change mitigation
- Guiding Principle 2: Climate change adaptation
- Guiding Principle 3: No significant harm to the environment
- Guiding Principle 4: Remedial measures to transition
- Guiding Principle 5: Prohibited activities

In supporting an orderly transition, the CCPT recognises remediation measures and introduces a progressive system of transition categories to acknowledge concrete efforts and commitments by businesses to adopt sustainable practices. It also facilitates standardised classification and reporting of climate-related exposures to support risk assessments at the institution and systemic levels, strengthen accountability and market transparency, and encourage financial flows towards supporting climate objectives.

In efforts to align and converge the VBI and climate risk initiatives, VBIAF Sectoral Guides serve as a complementary resource to the CCPT through the inclusion of case studies that meticulously address CCPT Guiding Principles, especially in the 3rd Cohort Sectoral Guides.

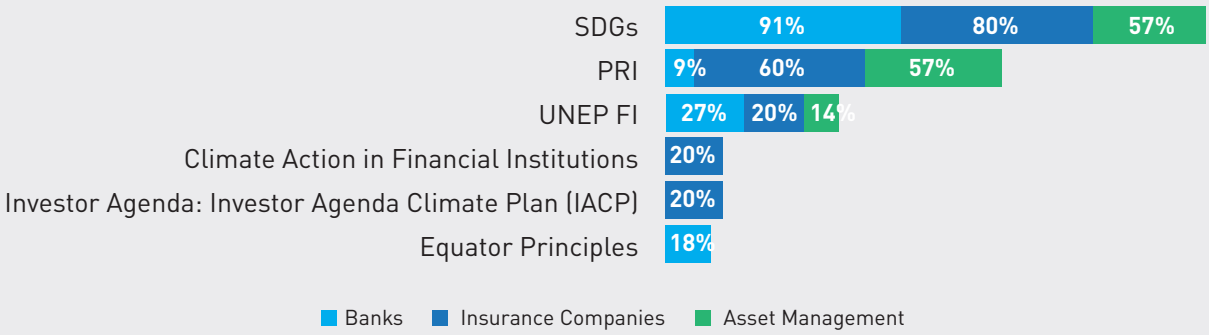
JC3 Data Catalogue

JC3 was established in 2019 by the SC and BNM as a platform to guide building climate resilience within the Malaysia financial sector. Cognisance of the lack of quality climate-related data that can be easily accessible in managing climate-related risks and supporting decarbonisation, in July 2021, the JC3 Subcommittee on Bridging Data Gaps developed a Data Catalogue. This Data Catalogue identifies available climate data sources to support various use cases needed by the financial sector, alongside meeting VBIAF requirements for the adoption of a robust approach towards impact measurement and reporting (JC3, 2022a).

State of Adoption of Sustainable and Impact Reporting in Malaysia

The adoption of sustainability and impact reporting is becoming more visible. In a JC3 survey in November 2021, the adoption of sustainability reporting frameworks has seen an increase. Many banks are now incorporating global sustainability frameworks and policies such as the VBI principles, SDGs, and the Principles for Responsible Investment (PRI), among others, with boards leading and working together with the senior management team in setting the right strategies, targets, and frameworks. Of the various sustainability frameworks, 79% of the respondents are aligned with the SDGs, 33% are aligned with the PRI, and 21% are aligned with the Principles for Responsible Banking (see Figure 4.5).

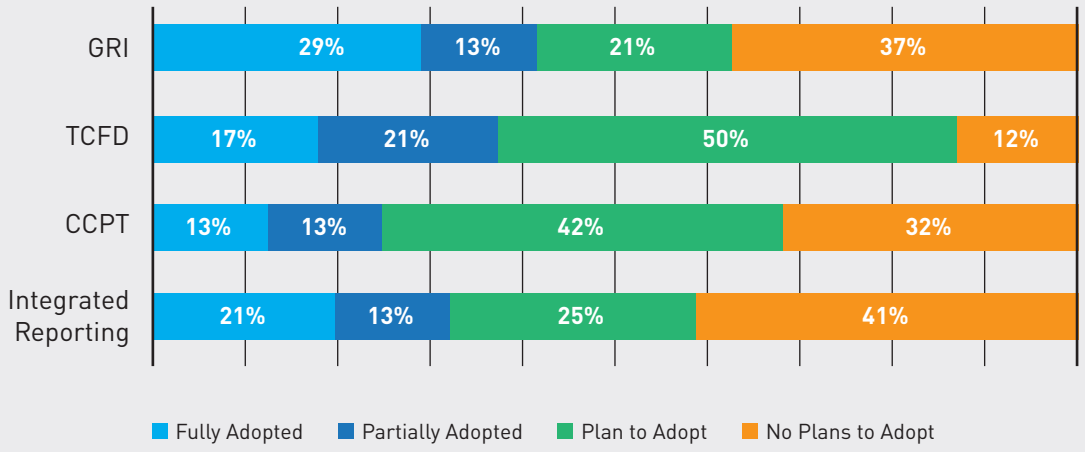
Figure 4.5: Alignment with Global Sustainability Frameworks and Policies



Source: JC3 (2022b)

Despite the greater alignment with the international sustainability framework, sustainability or impact reporting has a lower adoption level. The survey found that 29% of respondents have adopted the GRI framework, while there is potential for growth in the adoption of TCFD, with 50% of respondents saying that they have plans to adopt TCFD in the coming future (see Figure 4.6).

Figure 4.6: Adoption of Sustainability or Impact Framework by the Financial Industry



Source: KPMG (2022)

A similar issue is seen in the disclosure framework and verification. The survey result reveals that a portion of the survey respondents has yet to adopt a sustainability disclosure framework as part of their reporting process. For those who have, only 21% have conducted third-party verification on their disclosures. A stronger disclosure framework and verification reporting framework are important components of the sustainability agenda, and many stakeholders are demanding more robust, transparent, and quality disclosures that will build trust among stakeholders and investors (JC3, 2022b).

To align with the global best practice, wider industry sustainable/impact reporting adoption is inevitable. Figure 4.7 to Figure 4.9 showcase sustainable/impact reporting of three selected Islamic banks in Malaysia (via Group reporting). The style and format of impact reporting of these Islamic banks varies as it depends on the sustainable/impact reporting standards they are aligned with. These sustainable/impact reporting initiatives demonstrated the Malaysian financials' commitments on sustainability and climate issues. While these steps are valued highly, encouragement is necessary in accelerating the sustainable/impact reporting adoption as part of reporting exercise among the peers in the industry.

Figure 4.7: Maybank Sustainability Report 2022

Impact Measurement

Key Environmental Metrics: Year-on-Year Performance*		
Metric	**FY2019^•**	**FY2022**
Total GHG Emissions (tCO_2e)	147,133	**62,311**
Scope 1 Emissions	3,641	**10,111**
Scope 2 Emissions	127,650	**38,887†**
Scope 3 Emissions	15,842	**13,313**

* Data covers GHG emissions Group-wide.
^ FY2019 GHG emissions listed here reflect the baseline number for the Group.
† Total emissions have reduced by 51,120 tCO_2e via the purchase of mRECs.
• 2019 baseline is being externally validated

Key Environmental Metrics: Year-on-Year Performance#				
Metric	**FY2018**	**FY2019**	**FY2020‡**	**FY2021‡**
Total GHG Emissions (tCO_2e)	76,274	50,554	72,741	68,001
Scope 1 Emissions	1,791	85	53	845
Scope 2 Emissions	68,750	39,948	65,950	60,793
Scope 3 Emissions	5,733	10,521	6,738	6,363

\# Data covers six strategic buildings in Malaysia for 2018 and seven strategic buildings in Malaysia for 2019 and 2020. For 2021, data covers 60% of our emissions computed via activity data. In addition, the GHG emissions presented in this report has been internally verified and externally assured by the independent assurance provider.
‡ 2020 and 2021 figures have been rounded up.

Beyond monitoring our operational GHG emissions, we also track other Group-wide metrics related to our direct environmental impacts, including electricity, water and paper consumption, detailed below. Guided by our sustainability strategy, we have implemented targets across our areas of environmental impact.

Key Environmental Metrics: Year-on-Year Performance*		
Metric	**FY2019^•**	**FY2022**
Electricity Consumption (kwh)	174,346,696	**148,783,308**
– Strategic Buildings	54,722,420	**51,053,403**
– Other Premises	119,624,276	**97,729,905**
Water Consumption (m^3)		**786,281**
Paper Consumption (kg)		**1,789,029**
Waste Management (kg)		**199,661**

* Data covers electricity consumption Group-wide.
^ FY2019 electricity consumption listed here reflects the baseline number for the Group.
• 2019 baseline is being externally validated

Key Environmental Metrics: Year-on-Year Performance#				
Metric	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Electricity Consumption (kwh)	50,174,884	54,733,420	50,102,311	114,357,919
– Strategic Buildings				48,121,864
– Other Premises				66,236,055
Water Consumption (m^3)	514,102	466,769	411,983	483,254
Paper Consumption (kg)*			1,323,439	1,183,091
Waste Management (kg)				53,803

\# Data covers six strategic buildings in Malaysia for 2018 and seven strategic buildings in Malaysia for 2019 and 2020.
* Paper consumption for 2018 to 2019 was monitored in terms of sheets, rather than kilograms. 2018 to 2020 data covers Malaysian and Singaporean operations only, while 2021 data was Group-wide.

Financed emissions by asset class

	2021				2022			
Asset class	**Total lending and Investment (RM'mil)**	**Financed Emissions (tCO_2e)**	**Emission Intensity (tCO_2e / RM'mil)**	**PCAF Data Quality Score**	**Total lending and Investment (RM'mil)**	**Financed Emissions (tCO_2e)**	**Emission Intensity (tCO_2e / RM'mil)**	**PCAF Data Quality Score**
Listed equity and bond	71,935	7,376,014	102.5	4.1	74,207	5,949,004	80.2	4.9
Business loans and unlisted equity	235,823	11,031,113	46.8	5.0	254,700	13,860,307	54.4	5.0
Project finance	7,730	1,993,533	257.9	4.3	7,809	998,419	127.9	4.3
Commercial real estate	18,687	522,506	28.0	4.5	2,413	24,803	10.3	4.2
Mortgages	147,203	1,047,984	7.1	4.5	168,081	1,199,146	7.1	4.5
Motor vehicle loans	69,366	3,680,509	53.1	4.5	75,996	3,729,869	49.1	4.9
TOTAL	**550,744**	**25,651,659**	**46.6**		**583,206**	**25,761,548**	**44.2**	

Financed emissions by selected economic sector

	2021			2022		
Economic sector	**Total lending and Investment (RM'mil)**	**Financed Emissions (tCO_2e)**	**Emission Intensity (tCO_2e / RM'mil)**	**Total lending and Investment (RM'mil)**	**Financed Emissions (tCO_2e)**	**Emission Intensity (tCO_2e / RM'mil)**
Power & Utilities	18,657	9,186,223	492.4	18,933	8,933,912	471.9
Agriculture (including Palm Oil)	16,459	3,777,687	229.5	23,451	3,515,342	149.9
Oil & Gas	13,100	3,708,627	283.1	14,480	4,789,814	330.8
Real Estate & Construction	64,503	777,982	12.1	72,692	314,896	4.3
TOTAL	**112,719**	**17,450,519**	**154.8**	**129,556**	**17,553,964**	**135.5**

Reporting Standards:

- Bursa Malaysia's Main Market Listing Requirements
- Bursa Malaysia's Sustainability Reporting Guide
- GRI Sustainability Reporting Standards
- MCCG
- SDGs
- TCFD

Source: Maybank (2022)

Figure 4.8: CIMB Sustainability Report 2022

Impact Measurement

GREENHOUSE GAS (GHG) EMISSIONS (CONTINUED)

TOTAL GHG EMISSIONS

Scope (tCO_2e)	2019	2020	2021	2022	Reduction in GHG Emissions (%) 2022 vs 2019	Absolute Emission Targets for 2022
Direct GHG emissions (Scope 1)	4,997.9	2,195.8	5,023.9	**2,620.0***	**47.6**	**4,997.9**
Indirect GHG emissions (Scope 2)	89,836.0	81,754.5	66,941.0	**71,416.2***	**20.5**	**75,610.9**
Other indirect GHG emissions (Scope 3), excluding Category 15[1]	161.4	165.2	189.4	**4,241.7**	**N/A**	**N/A**
Other indirect GHG emissions (Scope 3), category 15 – financed emissions	14,488,924.1	13,855,810.2	13,810,649.8	**N/A**	**N/A**	**N/A**
Total (Scope 1 + 2) GHG emissions	94,833.9	83,950.3	71,964.9	**74,036.2***	**21.9**	**80,608.8**
Total (Scope 1+2+3) GHG Emissions	14,583,919.4	13,939,925.6	13,882,804.2	**78,277.9**	**N/A**	**N/A**

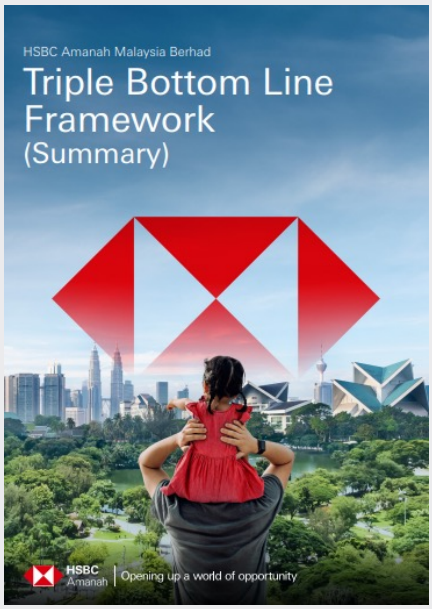
Success Measures	2019 Baseline	2022 Performance	2024 Goals and Commitments[1]
Climate Change			
GHG emissions reduction (Scope 1 and 2)[2]	94,834 tonnes CO_2e	74,036 tonnes CO_2e, reduction of 22% from baseline	25% reduction from 2019 baseline; towards net zero by 2030
Diversity and Inclusion			
Women in leadership (GCEO-2 level and above)	38% women in leadership (2020 baseline)	42.4% women in leadership	45% women in leadership
Gender pay gap[3]	1 (Male) : 1.00 (Female) for Key Management 1 (Male) : 0.97 (Female) for Senior Management (2020 baseline)	1 (Male): 0.98 (Female) for Key Management 1 (Male): 0.98 (Female) for Senior Management	CIMB is committed to reducing the gender pay gap

Reporting Standards:

- Bursa Malaysia's Main Market Listing Requirements on Sustainability
- GRI
- SASB
- S&P Global Corporate Sustainability Assessment
- TCFD
- UNEP FI
- UN Principles for Responsible Banking

Source: CIMB (2022)

Figure 4.9: HSBC Triple Bottom Line Report 2022



The Triple Bottom Line Framework (TBL Framework) is intended to further the aspirations of HSBC Amanah as a practitioner of VBI. The TBL Framework is intended to be an approach to classification, governance, and process implementation in relation to financing assets that are originated by and/or managed by HSBC Amanah in order to assess eligible TBL Assets. TBL Assets are financing assets that meet the parameters defined in the TBL Framework developed by HSBC Amanah.

HSBC Amanah has made progress towards defining and classifying its TBL assets in line with VBIs. In 2022, the definition and classification of the TBL assets have been finalised and disclosed via the release of HSBC Amanah's *Triple Bottom Line Framework (Summary)* document. The financing assets that meet the parameters defined in the TBL Framework are 49%, as of 31 December 2022.

Reporting Standards:

- FTSE Russell Index Provider Methodology
- HSBC Group Sustainability Policies
- International Capital Market Association Sustainable Finance Principles
- Loan Market Association-Related Principles (Green, Social, and Sustainable)
- SDGs
- TCFD
- CCPT
- VBI Guidance (Implementation Guide for VBI, VBIAF Guidance Document, VBI Scorecard)

Source: HSBC (2022a), HSBC (2022b), HSBC (2022c)

Given the current landscape of impact measurement in Malaysia, BNM's *Financial Sector Blueprint 2022–2026* is set to adopt further initiatives to achieve greater consistency and consolidation in this impact reporting realm, as follows:

- **Industry collaboration:** Collaborating with the industry to develop better measures of value and impact in promoting more transparent disclosures.
- **Greater stakeholder activism:** Facilitating greater stakeholder activism through higher quality disclosures. With meaningful disclosures on impact, stakeholders can engage with financial institutions to address gaps and accelerate impact creation.
- **Quality disclosures:** Facilitating improvements in the quality and usefulness of impact-based disclosures.
- **International best practice:** Aligning existing disclosure practices with international practices. This will foster greater confidence among key stakeholders (e.g., investors and financial consumers) and inevitably nudge the industry to continuously improve as well as provide greater visibility of VBI activities beyond national borders.

- **Better comparability:** Providing guidance on reporting metrics to improve comparability and quality of disclosures in collaboration with the CoPs. A major focus will be to mitigate the risks of 'impact washing' in these disclosures, which may include reducing the subjectivity or discretion accorded to certain parameters.
- **Climate risk disclosure:** Continue supporting the effective implementation of the CCPT to strengthen practices in the disclosure of climate risk by financial institutions. The disclosure of climate-related risks is a critical step toward addressing climate data gaps and accelerating the path to a net-zero emissions economy.
- **VBIAF greater promotion:** Continue promoting further integration and alignment with the VBIAF and its Sectoral Guides, which provide sector-specific toolkits for financial institutions to incorporate ESG risk considerations in their financing and investment decisions (BNM, 2022a).

In sum, the VBI sector must continue learning from leading practices. The lessons learned will accelerate the domestic Islamic banking sector's capabilities to take VBI embracement to greater heights through a better adoption of impact measurement practices. With significant concerns about the changing climate, increased conflict, rising inflation, escalating cost of living, and the looming threat of another recession, long-term value creation in a purpose-led, sustainable, low-carbon economy is the best business solution for today.

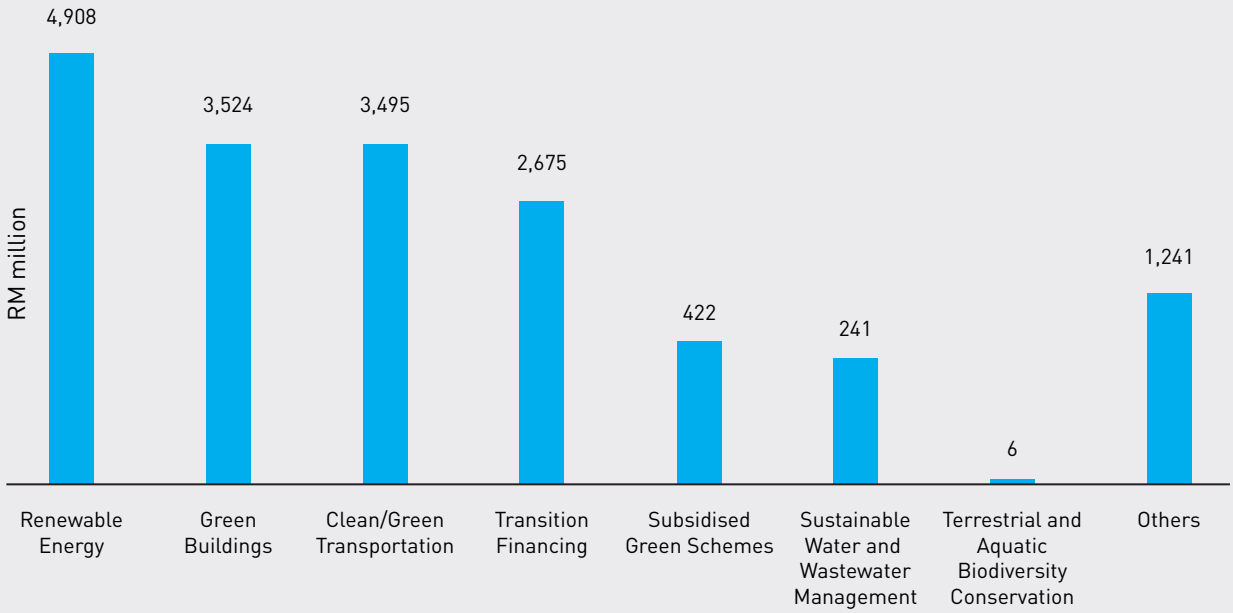
SECTION 5

VBI'S GREEN FINANCING ACCELERATION

The Green Financing Boom

The green financing in Malaysia witnessed a commendable growth of 2.32 times from 2021 to 2022, reaching a total of more than RM16.51 billion. The rising demand for green financial products and services is indicative of a profound shift within the financial sector, where sustainability has emerged as a central concern for both investors and investees. This shift is clearly reflected in the impressive growth of net-zero and green financing by Islamic banks, which increased by a remarkable RM9.40 billion in 2022. Notably, renewable energy financing witnessed an increase of 2.91 times, while green building financing surged by an impressive 8.74 times. Figure 5.1 provides a breakdown of the net-zero and green financing of the Islamic banks in 2022.

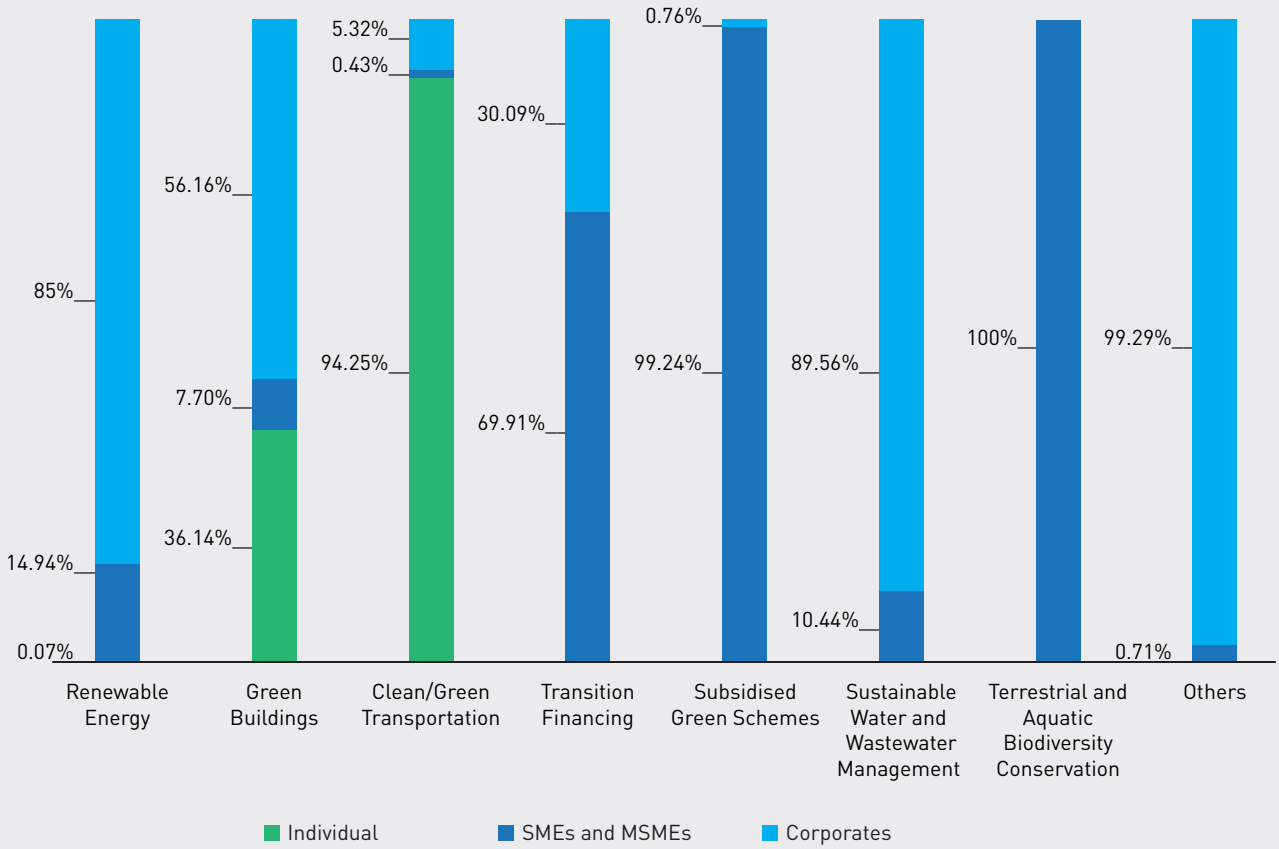
Figure 5.1: Net-Zero and Green Financing by Islamic Banks in 2022



Source: AIBIM

The breakdown of net-zero and green financing of Islamic banks in 2022 reveals a balanced distribution. For instance, the financing directed towards individuals, SMEs/MSMEs and corporates was RM4.57 billion (27.68%), RM3.35 billion (20.28%) and RM8.59 billion (52.04%) respectively. As identified in Figure 5.2 and elaborated in Figure 5.3, corporate financing primarily focused on renewable energy, green buildings, and wastewater management, while SMEs benefitted from transition financing and subsidised green schemes. Individuals, on the other hand, predominantly accessed financing for green transportation. This distribution highlights the inclusivity and diversity of the VBI activities undertaken by Islamic banks in 2022.

Figure 5.2: Net-Zero and Green Financing by Customer Type



Source: AIBIM

The substantial growth in green financing reflects the industry's strong post-COVID recovery. Islamic banks have not only weathered the pandemic but have also emerged as key players in advancing sustainability and have shown strong momentum. In addition, several banks have taken proactive steps towards green finance in 2022. For instance, Public Islamic Bank's achievement in disbursing more than RM7 billion for solar panel financing by the end of 2022 serves as a tangible testament to this trend (Kuen, 2023). CIMB, Hong Leong Bank, Maybank, and RHB participated in the 2022 Paris Agreement Capital Transition Assessment (PACTA) pilot, which provided them with a baseline assessment of their efforts, and which reflects their commitment to carbon accounting and aligning their lending practices with national targets as well as global climate goals (2Degree Investing Initiative & WWF Malaysia, 2022).

Figure 5.3: Summary of Islamic Banks' VBI Green Initiatives in 2022

Renewable Energy

- Islamic banks directed **RM4.91 billion** towards renewable energy financing in 2022, compared to RM1.26 billion in 2021. This substantial increase of 2.91 times underscores the banking sector's pivotal role in supporting the growth of renewable energy projects, reducing carbon emissions, and securing a sustainable energy future.
- **85%** of renewable energy financing was extended to corporates, highlighting the institutional focus on energy efficiency among Malaysian corporates and the potential for promoting energy efficiency among individuals and MSMEs.

Clean/Green Transportation

Clean and green transportation received **RM3.49 billion**, reflecting a focus on sustainable mobility solutions, 94.25% of which was for individuals in the form of financing for electric and hybrid vehicles.

Subsidised Green Schemes

RM422 million was directed to subsidise green schemes, **99.24%** of which was for SMEs.

Transition Financing

In 2022, Islamic banks allocated **RM2.67 billion** towards transition financing, signaling their commitment to facilitate a shift towards sustainable practices, particularly for SMEs and MSMEs that received about 69.91% of the total transition financing.

Green Buildings

Green building financing reached **RM3.52 billion** in 2022. This significant allocation emphasises the industry's dedication to promoting energy-efficient and environmentally friendly construction practices. This translates into sustainable urban development and resource conservation and a reflection of Malaysia's commitment to eco-friendly construction practices.

Terrestrial and Aquatic Biodiversity Conservation

Conservation efforts were supported with **RM6 million**, which was not previously reported, underscoring the increasing awareness of the role of financing for conservation efforts in achieving VBI targets.

Sustainable Water and Wastewater Management

RM241 million was dedicated to sustainable water and wastewater management.

Source: AIBIM

Green Growth Drivers

Several key factors have played pivotal roles in driving the rapid expansion of green financing within Malaysian Islamic banks in 2022. These factors are poised to continue influencing the trajectory of Islamic banks' green transition in the years ahead.

- **Regulatory catalysts:** Islamic banks have been proactively responding to impending regulatory requirements through efforts that have driven the green financing growth we witness today. In 2022, BNM announced the Climate Risk Stress Testing exercise, scheduled for 2024 (BNM, 2022b). Challenges such as data availability persist; according to the JC3 Report on Climate Data Catalogue, only half of the required data for the stress test and assessments is currently accessible; however, progress is underway (JC3, 2022a). This is particularly significant as listed companies are mandated to provide reports for the TCFD by 2025 under Bursa Malaysia's enhanced Sustainability Reporting Framework.

  Additionally, BNM's CCPT has significantly advanced data standardisation efforts, hence addressing a long-standing challenge in the climate finance landscape (BNM, 2021).

- **Global catalysts:** In addition to domestic regulations, global factors are driving Malaysian banks towards their green finance transition. In 2022, the Sustainability Standards Board (ISSB) issued guidance and reliefs to support financial institutions in disclosing Scope 3 emissions as part of its Climate-Related Disclosures Standard (S2) (IFRS, 2023). The phased implementation of these mandates provides banks with the necessary time to align their internal processes accordingly.

VBI Green Transition Pathway

With the strong trajectory and momentum at which Islamic banks are contributing to net-zero and green financing, there are a few landmarks that can be expected to be reached by the Islamic banking sector by 2024.

- **Baselining:** The year 2023 will be a crucial period for Islamic banks to lay the groundwork for meeting the 2024 deadlines for TCFD disclosures and BNM's Climate Risk Stress Testing exercise, in addition to the Malaysia Energy Transition Roadmap launched in 2023, which has re-emphasised the role of financing in transitioning the Malaysian economy. These milestones will represent pivotal moments for Islamic banks to assess their progress and impact in the realm of sustainability. They have catalysed significant efforts towards achieving a sustainable energy transition, particularly the staggering increase of green financing towards cleaner transportation, renewable energy, green buildings, and transitioning activities.

- **Impact assessment, more disclosures, and enhanced data granularity:** These activities that are in the pipeline will provide a baseline for Islamic banks to assess their green and transition financing. As a result, Islamic banks will be expected to provide more comprehensive disclosures and improve data granularity, allowing stakeholders to gain deeper insights into their environmental commitments and risk management strategies.

Once the baseline is created, the expected shift would be from capturing and reporting total financing to impact assessment and monitoring.

- **Expanding beyond climate to nature-based finance:** Biodiversity conservation is gaining recognition as a crucial component of sustainability. BNM's report on *Nature-Related Financial Risks in Malaysia* highlights the significance of this shift (World Bank Group & BNM, 2022). Islamic banks exhibit the highest dependency on ecosystem services, particularly those related to climate regulation and surface water. This dependency underscores their substantial exposure to real estate activities and wholesale sectors. The report further reveals that 55% of Islamic banks' portfolios are exposed to physical risks stemming from sectors highly dependent on ecosystem services.

In conclusion, the Islamic banking sector in Malaysia is experiencing a profound shift towards sustainability, driven by regulatory imperatives, international commitments, and a broader recognition of the importance of nature-based solutions. The years ahead will be instrumental in aligning the industry with sustainability goals and transitioning toward a greener and more resilient future.

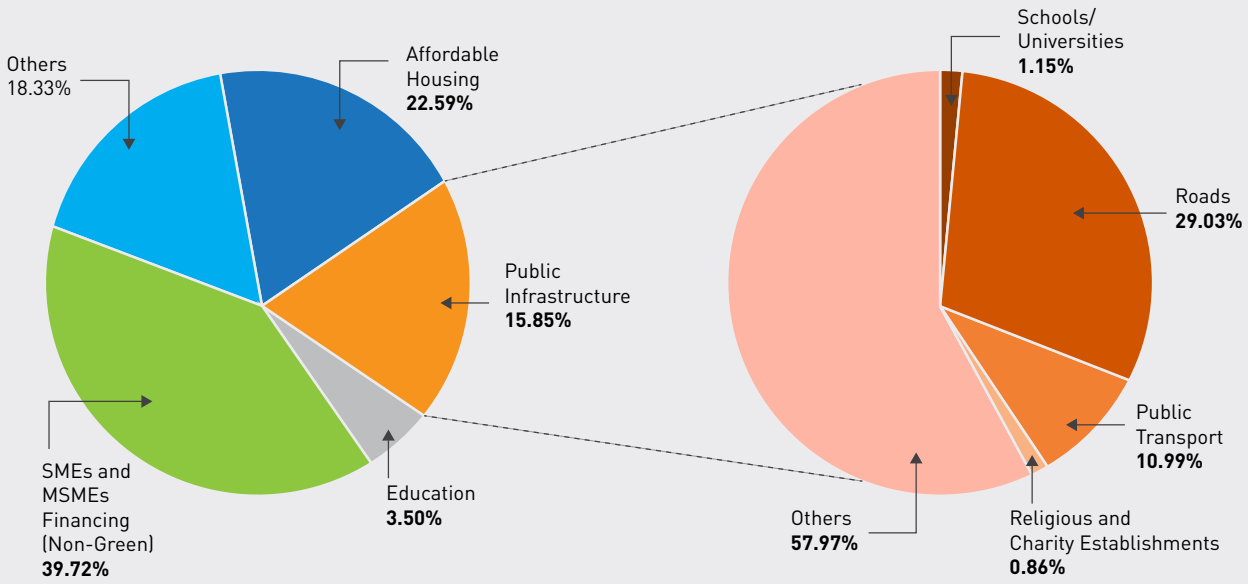
SECTION 6

THE VBI FOCUS ON SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development is one of the key concerns of the VBI initiative and is accordingly captured through its Entrepreneurial Mindset and Community Empowerment thrusts. Section 2 highlighted that, based on a desktop study of the published reports, the Islamic banks have intermediated or undertaken to intermediate RM55.37 billion under Entrepreneurial Mindset and RM34.64 billion under Community Empowerment thrust in 2022. This indicates an ongoing strong commitment of the Islamic banks in Malaysia to socio-economic development.

The survey responses revealed a similar scenario. Despite an increased focus on green and net-zero financing in 2022, VBI financing is still dominated by social financing, as 78.85% of the total VBI financing was for this segment. RM61.55 billion was for social financing, serving 74,334 accounts in 2022. The sectors served under social financing include affordable housing, public infrastructure (e.g., educational institutions, roads, public transport, and religious and charity establishments including mosques and madrasahs), and SMEs and MSMEs. SMEs and MSMEs hold the biggest share of social financing as 42,599 accounts received RM24.45 billion. Affordable housing holds the second biggest share as 30,332 accounts received RM13.91 billion for 25,661 units. Figure 6.1 shows the ratio of funds contributed to social financing sectors.

Figure 6.1: Distribution of Social Financing Amount



Source: AIBIM

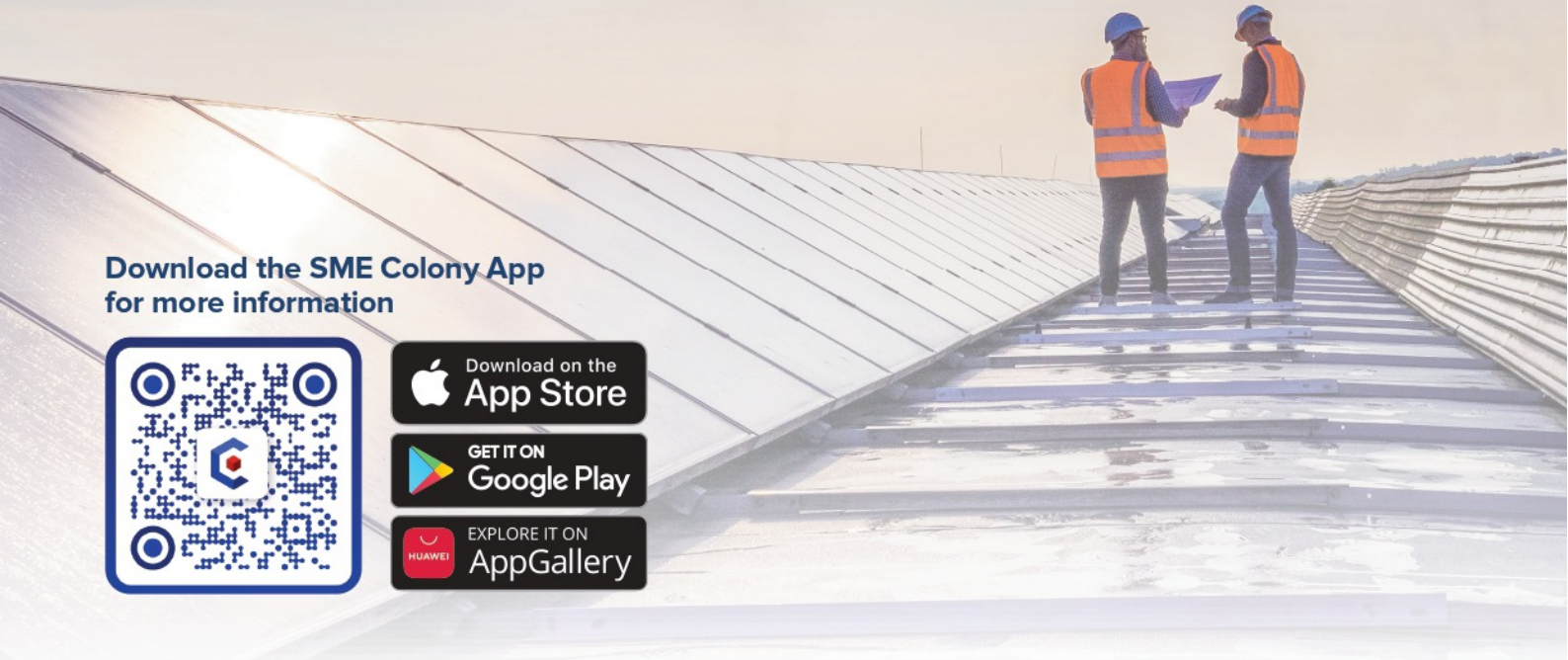
Selected socio-economic development cases from the Islamic banks in Malaysia are presented next. Some of these are tied with net-zero and green financing initiatives. For Islamic banks that are subsidiaries of conventional banks, some of these are funded by Islamic banks alone and some others are at the group level where the funds are sourced from both conventional and Islamic segments. These cases show that the banks have undertaken a wide range of VBI activities during 2022 that made a positive impact in various fronts including empowering the community, building competencies to elevate members of the lower income segments, raising awareness, access to education and better facilities, and various other forms of financial assistance. The cases signal a change toward a more comprehensive and inclusive approach to finance as VBI aims to build a more just and sustainable economic system that benefits not just shareholders but also the larger community and the environment by coordinating financial activity with more general societal goals.

ESG

AFFIN
BizSolar-i

To finance the purchase and installation of Solar Panel Photovoltaic System on your business premises.

- Financing up to **RM5,000,000**
- Financing tenure up to **10 years**
- Solar Panel Vendors authorised by **SEDA**



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PERBANKAN ISLAM

AFFIN ISLAMIC

AFFIN signed a Memorandum of Understanding (MoU) with Universiti Teknologi MARA (UiTM) to establish the Kompleks AT-Tijarah AFFIN-UiTM, a sustainability driven initiative that will provide entrepreneurial opportunities to UiTM students and the surrounding local communities. In addition, AFFIN gave a zakat contribution of RM100,000 to the UiTM Endowment Fund, which will provide deserving students with financial aid for their studies at the university. They also contributed to UiTM's Food Bank, donating RM10,000 to UiTM Shah Alam and another RM5,000 to UiTM Puncak Alam. These funds will be used to help students buy food and other necessities.

As part of AFFIN's commitment to adopt value-based practices, the Bank hosted the SME Sustainability Conference, which aimed to foster awareness of ESG issues and the need for sustainability to be an integral part of the business operations of SMEs and start-ups. During the event, the Bank officially launched AFFIN Aspira, a banking proposition for start-ups that provides comprehensive all-in-one solutions for SMEs, including transactional, financing, protection, advisory and support services that will help them achieve their business aspirations. The bank's AFFIN BizDana-I Start-Up Financing Scheme Third Tranche (in collaboration with the Credit Guarantee Corporation Malaysia Berhad) was also launched during this event. At the close of the fiscal year, a third tranche of the scheme with allocations of RM30 million was introduced. AFFIN BizDana-i provides initial working capital financing for SMEs that have been in operation for between 6–36 months, with a minimum financing amount of RM100,000 and a payment tenure of up to seven years. Participants at the SME Sustainability Conference were also treated to an insightful SME BizChat session during which a discussion took place on the current state of awareness and adoption of ESG practices by the Malaysian SME community.

BANK PERTANIAN MALAYSIA BERHAD 200801010522 (811810-U)

AGRO BANK

VALUE-BASED INTERMEDIATION (VBI)

INCORPORATING VBI TO ACHIEVE SUSTAINABLE DEVELOPMENT

ECONOMIC GROWTH ENGINE

Financed RM10.1 billion to agriculture sector as mandated financing and contribute towards national food security

UPWARD MOBILITY

Upward migrated 1,015 business customers from micro to small, and small to medium-sized businesses

FINANCIAL INCLUSION

Deployed 434 AGROAgents nationwide and 9 mobile Automated Teller Machines (ATMs) in Sarawak to serve the local communities

MOBILIZING MODERNIZATION IN AGRICULTURE SECTOR

For the purpose of achieving food security, Agrobank has aided modernization to the customers, in line with the National Agrofood Policy (NAP) 2.0.

PROGRAM MODENISASI RANTAIAN NILAI AGROMAKANAN (PMRNA)

Support agro-food value chain based on the Industrial Revolution 4.0 (IR4.0)

PROGRAM PEMODENAN VESEL DAN MEKANISASI TANGKAPAN (PVMT)

Encourage the use of environmentally friendly equipment and increase the mechanization of vessel catch equipment

AGRO BANK

In line with Agrobank's vision of 'Advancing Agriculture Beyond Banking' and its mission of 'Elevating the standards of agriculture and providing sustained supports that create values to communities, economy, environment, and stakeholders', Agrobank continues to supply the changing needs of its customers through its Agrobank Centre of Excellence (ACE). ACE is a hub of excellence for entrepreneurial development that offers targeted capacity building initiatives for farmers and agricultural entrepreneurs through training and guidance programmes. It provides high-impact structured entrepreneurship programmes and offers business advisory services along with financial management advice and credit. In order to effectively utilise the socio-economic development efforts among the developmental fraternity, ACE has gone through several phases of defining and perfecting its methodology. The most popular approach involves bringing together various stakeholders in a multi-partite business model that includes Islamic social funding, entrepreneurial and training curricula, state agencies, and well-known anchor companies in the continuous effort to provide a successful and effective project outcome.

Basmi Miskin Tegar – Inisiatif Pendapatan Rakyat (IPR) Wilayah Persekutuan Kuala Lumpur is a notable initiative in 2022 led by ACE. This programme supports the Government's policies and strategies in implementing poverty solutions at the grassroots level as well as a zero percent hardcore poverty target by 2025. In line with the aspirations of the Twelfth Malaysia Plan (RMK-12), especially the elimination of hardcore poverty and reducing socio-economic inequality, this programme is a strategic collaboration between Agrobank and the Ministry of Economy through the University of Malaya. Agrobank's primary initiative is to equip the target group with both technical and soft entrepreneurship skills in specific business sectors, serving as the Bank's flagship programme. The aim is to enhance the community's economic well-being by introducing entrepreneurship development programmes and creating an additional income source for them. Additionally, Agrobank intends to grow its customer base by transforming *asnaf* individuals into micro customers. Phase 1 of the programme began with 120 participants, and it currently has 99 participants actively involved. A notable outcome of this programme is the improvement in the income performance of the programme's participants.

Business Incubator Program for Melon Manis Terengganu (MMT) 1.0 is another notable initiative of ACE in 2022. It involved 10 graduates from the University of Sultan Zainal Abidin (UniSZA) participating in a six-month incubator programme with guidance from ACE, UniSZA, and Koperasi Permodalan Sahabat (Ko Sahabat) as an anchor company. The anchor company supplies the project input and provides the mentoring to all participants, while Agrobank monitors the participants' performance, provides coaching sessions to support their business growth, and extends appropriate resources including financing. The MMT 1.0 programme has successfully completed four cycles of melon planting, with each cycle taking approximately three months to finish. The programme achieved sales that could reach up to RM14,000 for each cycle. In total, the programme has generated sales exceeding RM50,000. Due to the programme's favourable outcomes, it has paved the way for the continuation of MMT 2.0 for the year 2023.

RISING SIGNIFICANCE OF ESG AMONG MALAYSIAN SMEs

The sustainability agenda has been accelerated for Malaysian small and medium enterprises (SMEs) and with the buying trend moving toward eco-friendly alternatives, many companies are realising the importance of adopting sustainable practices in their operations. Additionally, the introduction of Bursa Malaysia's enhanced sustainability disclosure requirements in September 2022 changed the reporting landscape for both Main Market and ACE Market listed companies. This call to action sparked a domino effect throughout the supply chain, especially for SMEs, as they contribute 37.4% of Malaysia's GDP and are expected to support their larger customers' ESG targets. About 60% of SMEs believe that adopting environmental, social and governance (ESG) principles will enhance their capabilities and performance in meeting these business opportunities, according to the ESG insights report on Malaysian SMEs jointly commissioned by Alliance Bank, UN Global Compact Network Malaysia & Brunei (UNGCMYB) and SME Corporation Malaysia.

The study noted that 3 out of 5 SMEs recognised that ESG can help them create long-term value, a strong workforce and open up new market opportunities for growth, thus improving their overall financial standing and productivity.

ESG adopters cited improving productivity, cost savings from energy and waste efficiencies as well as brand reputation as the top three reasons behind Malaysian SMEs adopting ESG practices in their strategy.

Top 3 Motivations for Non-ESG Adopters

52% Help to improve productivity

50% To meet market demand

46% Market expensions/ attract new customers

The Business Case for ESG & Why It Matters?

Develop Competitive Differentiator

- Sustainable practices can improve SME's competitiveness
- Improve brand reputation as ESG becomes increasingly important to customers, investors, regulators and companies

Unlock New Business Opportunities

- Tap into new supply chain opportunities
- Become or remain relevant to multinationals in export oriented industries (European Union, USA, Asia Pacific, etc)

Generate Profits while Saving the Planet

- Cost savings generated from improving efficiencies
- Improved customer loyalty
- Enhance long term sustainability of the business

It is evident that ESG practices can be turned into a competitive advantage to create long term value and unlock new business potentials for SMEs to innovate and grow. The top five benefits identified by ESG adopters were increased awareness among customers, cost savings, improved profits, better risk management and increased revenue. As the value recognition of ESG is notable, 58% of non-ESG adopters have expressed interests in adopting ESG practices for business benefits.

TOP 5 BENEFITS GAINED BY ESG ADOPTERS FROM PRACTICING ESG

41% Gained more awareness among consumers /customers

39% Cost Savings — 11% of the ESG adapters achieved more than 50% cost savings

39% Improved profits

34% Better risk management

33% Increased revenue — 18% of the ESG adapters achieved more than 50% cost increased revenue

The trend is clear; that commitment to sustainable practices and the triple bottom line (people, planet and profit) have shown to create positive impact on the social, economic and environmental dimensions while producing superior financial returns and better business performance for ESG adopters among SMEs.

KEY TAKEWAYS

ESG ADOPTERS	NON-ESG ADOPTERS
SMEs that have adopted elements of ESG or have included ESG practices into their strategy.	SMEs that have yet implemented ESG practices into their businesses.
Challenges	**Barriers**
• Resource constraints • Unclear vision/directives • Lack of know-how	• Uncertainty over impact of ESG • Limited ESG knowledge • Financial constraints
Motivation	**Support Needed**
• Improved productivity • Obtain cost savings • Enhance brand reputation	• Financial support from banks • Training opportunities • Tax incentives

"Early adoption puts companies ahead of their competition and better equips them for success in the long run. Together with our key ESG partners, we aim to create a more sustainable future for businesses and communities alike."

Kellee Kam
Group Chief Executive Officer, Alliance Bank

"As the backbone of our economy, SMEs can be important change agents helping to achieve a sustainable future for all. Together with Alliance Bank, we are taking a pragmatic approach by providing tools to help SMEs better navigate today's ESG landscape."

Faroze Nadar
Executive Director, UNGCMYB

"It is imperative for Malaysian SMEs to embrace ESG to remain relevant and competitive in the domestic and global markets. I believe this report will complement the PKSlestari initiative by SME Corp. Malaysia specifically in developing a policy framework to encourage and accelerate the adoption of ESG among SMEs."

Rizal Nainy
Chief Executive Officer, SME Corp Malaysia

Alliance Bank launched this joint survey to encourage businesses to kickstart their journey towards sustainability and provide guidance on how to turn ESG practices into a source of competitive advantage and success.
Scan the QR code to download your copy today!

Visit alliancebank.com.my for further information and to discover more interesting insights in helping SMEs better navigate their sustainability journey, don't miss our next article in the upcoming **September 2023** issue!

ALLIANCE BANK

ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Economic Empowerment Programme: Uplift Livelihoods of *Asnaf* and B40 Micro Entrepreneurs

The Alliance Islamic Economic Empowerment Programme (EEP) is a structured programme aimed at alleviating the livelihood of *asnaf* and those from the B40 segment through micro entrepreneurship. The programme provides business training, skills and knowledge to participants to enable them to earn a living from business.

EEP 2.0, which was launched in September 2022 and concluded in March 2023, was the 2nd edition of the programme and was done in collaboration with the training partner - People System Consultancy (PSE).

THE IMPACT

- 50 participants were trained and mentored for 2 months.
- 74% of participant's income doubled by an average of 109%.
- 37 participants developed social media marketing.
- 74% of participants developed business plans for the first time.

Read about their success story!

Puan Nur Atiqah Bt Mohd Ismail

Location: Langkawi
Personal background: Married with two children
Business: Ice blended and Lokcing
Social impact: Better children's health care (able to afford private clinic) and education (tuition)
Economic impact: Average monthly income increased from RM500 to RM2,000

Puan Nur Atiqah applied the Sales Strategy learnings and relocated her business to a more visible location outside her house. She also refurbished her stall to make it more attractive. She was able to market her products effectively and successfully attracted more customers and increased her income.

The programme provided the micro entrepreneurs a platform for formal entrepreneurship training which most participants are experiencing for the first time. The programme exposed them to entrepreneurial knowledge and skills, and created a micro entrepreneur community where they can continue to learn from and support each other.

Alliance Islamic Bank will continue to support initiatives such as 'EEP' in line with the VBI aim of generating positive and sustainable impact to the economy, community and environment.

Forward Banking with a Conscience

alrajhi bank Malaysia is committed to supporting the development and diversification of Malaysia's economy, community, and environment by championing not just profits and prosperity but also people and planet.

Integrating Value-Based Intermediation (VBI) in our practices and conduct to generate a positive impact for all also underlines our overarching objective to deliver the intended outcomes of Shariah.

Enterprises embracing sustainability require all our effort. At alrajhi bank Malaysia, that pathway is VBI.

Find out more at www.alrajhibank.com.my

مصرف الراجحي
alrajhi bank

www.alrajhibank.com.my

alrajhi bank Malaysia is committed to a Value-Based Intermediation approach to implement sustainable banking practices.

alrajhi bank Malaysia is deeply committed to generating a positive and sustainable impact to Malaysia's economy, community, and environment. Our overarching objective is to deliver the intended outcomes of Sharia through practice.

To further this goal, we proactively developed a broad-based sustainability framework in 2022 aligned with VBI strategy and VBIscore-card guidelines. As a result, alrajhi bank Malaysia has made great strides in achieving our VBI objectives.

Forward Banking With A Conscience

VBI Principles	Impact
Good self-governance	• Demonstrating our readiness to encourage financial flows towards companies and projects that meet climate objectives and provide greater transparency in reporting climate-related exposures. To this end, we classified financing customers by their economic activities under BNM's Climate Change and Principle-based Taxonomy (CCPT) guidelines. We implemented ESG classification requirement for alrajhi bank Malaysia's entire corporate book. • Incorporating sectoral guidelines into our existing evaluation, assessment, and financing processes. We now require Malaysian Sustainable Palm Oil (MSPO) or Roundtable on Sustainable Palm Oil (RSPO) certification for all corporate clients' oil palm plantation and crude palm oil-related activities.
Community empowerment	• Provided RM1.34b across 39 corporate accounts to finance schools, roads/highways, hospitals, government offices, drainage/sewerage, water-supply, transport civil and infrastructure and various other public amenities. This includes lending to green/renewable energy activities. • We aim to provide financing under the My First Home Scheme from BNM's Fund for Affordable Homes for lower income groups. Promoting financial inclusivity through initiatives targeting the B40 (low income) market segment is major goal for us. Today, 50% of our Retail Home Financing portfolio (more than 1,400 accounts) are for First Time home buyers (including for Affordable Housing). • Providing financial assistance for the less fortunate in our community and beyond. To this end, we have provided more than RM230,000 in charitable donations and natural disaster relief funding from 2022 to date.
Facilitation of entrepreneurial activities	• RM2.4b in financing for 213 Small & Medium-sized Enterprises (SME) accounts.

> *"Enterprises embracing sustainability require all our effort. At alrajhi bank Malaysia, that pathway is VBI."*

Arsalaan (Oz) Ahmed
Chief Executive Officer
alrajhi bank Malaysia

BANKING ON SUSTAINABILITY

As a financial institution which embraces sustainability, AmBank Islamic's business objectives are beyond generating profits. We aim to create shared prosperity by underpinning our business strategies with value-based intermediation (VBI) and environment, social and governance (ESG) principles.

We are conscious of the critical role played by financial institutions in this endeavour, in line with the United Nations Sustainable Development Goals (SDGs) and Maqasid Shariah. Underpinned by VBI principles, we undertake responsible banking, are conscious of our self-conduct and create positive impact to our communities.

RESPONSIBLE BANKING

Mitigating ESG and Climate Change Risks

- **Greening the Value Chain:** Build awareness & assist SMEs' transition to low carbon practices and report GHG emissions
- **Establish an Exclusion List:** Describe business activities excluded from new/additional financing/refinancing
- **Conduct ESG risk assessment and climate change classification** as part of our financing practices
- **Climate Risk Mitigation:** Building capabilities for the requirements of BNM Policy Document on Climate Risk Management and Scenario Analysis
- **Renewable Energy Collaboration:** Provide customers with free solar installation & reduced tariffs
- **Products:** Offer green mortgage & financing for electric vehicles (e.g. named as one of the preferred financing package providers for Tesla cars)

Financial Inclusion

- **Social Finance:** Support low-income entrepreneurs via the iTEKAD programme
- **SME Sector-Financing and Other Banking Products:** Finance SMEs & participate in government-backed schemes
- **Supporting SMEs Beyond Financing:** Enhance SMEs' networking & capacity-building via AmBank BizCLUB & BizRACE programmes
- **Affordable homes:** Provide financing for affordable homes

CONSCIOUS SELF-CONDUCT

Responsible Consumption

- **Carbon Credit:** The 1st Islamic bank in Malaysia to secure carbon credit in the inaugural Bursa Carbon Exchange auction
- **Energy Management:** Reduced electricity consumption & conversion to LED lighting systems via renewable energy sources
- **Waste Management:** Includes printing monitoring, digital solutions & onsite recycling
- **Instill Awareness:** Share Bank's environmental performance with stakeholders, launch sustainability webinars & promote 'No Single Use Plastic'

Responsible Procurement

- **Supplier Screening and Onboarding:** Aligned with ESG requirements, anti-bribery & corrupt practices
- **Green Sourcing & Procurement:** Include reduced plastic-related stationery & procuring tier-one brand IT products

POSITIVE SOCIETAL IMPACT

Community Empowerment

- **Zakat (Islamic Tithe):** Empower lower-income communities through contributions
- **Financial Literacy:** Assist in refining financial, credit, & debt management knowledge

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Greening the Value Chain: Supporting Transition via Financing Solutions and Capacity Building

BNM Greening Value Chain (GVC) Programme

The BNM GVC Programme was launched in conjunction with the Finance Day at COP27 on 9 November 2022 and aims to assist Malaysian SMEs in implementing impactful and long-term change to green their operations. Pantas Software Sdn Bhd (Pantas) is the coordinator and sole software partner of GVC.

AmBank Group is the official banking partner to Pantas in this GVC programme. The partnership aims to provide financing solutions to SMEs that promote climate resilience, reduce GHG emissions and contribute to a more sustainable future.

This will enable SMEs to demonstrate their commitment to tackle climate change, while also benefiting from financing solutions and BNM's LCTF of RM2 billion to support their growth and development.

GVC Initiatives

To demonstrate AmBank Group's commitment to the GVC Programme, AmBank Islamic has taken on the following initiatives:

- **Building internal capabilities:** Pantas is training the Relationship Managers to build AmBank's internal capabilities.
- **Capacity building for SME customers:** Pantas will conduct training for AmBank's SME customers.
- **Providing carbon accounting tool to SME customers:** AmBank's SME customers will be given access to Pantas Lite Software to kick-start the practice of GHG emission monitoring and reporting.

EMPOWERING COMMUNITIES

BANK ISLAM

40 1983-2023 YEARS

Ayuni is a home-based rabbit farm microentrepreneur in Kedah, among 900 others receiving microfinancing and funding escalator from Bank Islam.

For the past 40 years, Bank Islam Malaysia Berhad has been dedicated to promoting prosperity for those we serve. As we continue to move forward, our focus remains on providing Shariah-compliant banking and financial services that create sustainable value for our stakeholders.

Our initiatives, such as **Sadaqa House**, an Islamic crowdfunding platform and **iTEKAD** microfinance, providing blended financial solutions to low-income microentrepreneurs, help create a sustainable future for all.

Thank you for choosing Bank Islam as your preferred financial partner.

40 years of Advancing Prosperity for All.

www.bankislam.com

BankIslamFB bankislam myBankIslam BankIslamChannel

View our Sadaqa House Impact Report

BANK ISLAM

Bank Islam Fostering Green Financing

Bank Islam has been among the pioneers in adopting BNM's VBI initiative since its introduction in 2018, which essentially champions sustainability practices as it focuses on creating positive value and impact on the economy, community, and environment. Bank Islam Chief Executive Officer Mohd Muazzam Mohamed said, 'Since 2018, the bank's business units have been using the VBI checklist to assess Shariah compliance and environmental and social risk factors, including environmental impact, employment equality and corporate governance, during the credit evaluation for onboarding of new financing and an annual review of existing funding. Assessments shall be in the form of onboarding checklists, and ESG and climate reviews are to be carried out to determine ESG risks related to new and existing customers which may impact the bank.'

Bank Islam is developing a holistic ESG and Climate Risk Policy that is anticipated to incorporate and continue earlier efforts outlined under the VBI initiative. The Bank is set on being at the forefront of green financing – a segment which has been earmarked as significant to the Bank since 2016.

As part of the nation's efforts to help businesses transition to a low-carbon economy, the country's first publicly listed pure Islamic bank provides companies with simplified access to green and sustainable financing to build resilient businesses.

Mohd Muazzam shares that the Group has kicked off a five-year business strategy roadmap, also known as LEAP25, ultimately aimed at it becoming a prominent offeror of Shariah-ESG total financing solutions by the end of 2025. It also aims to have leadership in digital banking and social finance.

In the first two years of LEAP25, Bank Islam has made great strides and is on track to reach its goal of RM4 billion in ESG-rated financing assets with an approved RM3.05 billion green financing portfolio as of June 2023. Mohd Muazzam said, 'To accomplish this, the Bank aims to release products with specific ESG and climate-positive effects, such as renewable energy and sustainable waste management.'

Among the industries that have benefited from the bank's green financing scheme so far are –renewable energy—solar and hydro, which account for up to 60% to 65% of Bank Islam's green financing portfolio, 25% in green buildings, and the remaining 10% in sustainable waste management.

Not limiting itself to a specific segment, the bank is also looking into financing other industries that incorporate green technologies or measures that ensure sustainable values without compromising the environment.

Bank Muamalat
Better lives, together بنك معاملات

Towards #BetterLivesTogether

Financing for a sustainable future

VBI Financing Portfolio

Bank Muamalat aligns businesses with Value-based Intermediation (VBI) principles to generate positive and sustainable impact to the economy, community and environment while delivering financial returns.

Green financing

Sustainable partnership

Collaborates with Malakoff Corp Bhd. to offer environmentally conscious financing aimed at bolstering renewable energy initiatives (solar panel, electric vehicle and its charger box and BESS)

Low Carbon Transition Facility

Enforces sustainable practices for SMEs across various industries through the provision of financial support for both capital expenses and operational funding.

Learn more at

www.muamalat.com.my

Supporting the society

Corporate Social Responsibility (CSR)

Bank Muamalat places high priority back to the community that it operates, through organizing and implementing diverse and far-reaching CSR initiatives.

iTEKAD

A restricted investment account where Bank Muamalat will source funds from investors to invest in businesses owned by Asnaf and B40 individuals. This unique initiative transcends mere funding, as it encompasses a holistic approach to empower micro-entrepreneurs via:

- Micro financing
- Structured training program
- Seed capital
- Halal certification facilitation (if applicable)

Bank Muamalat
Better lives, together

The iTEKAD Programmes

iTEKAD is a social finance programme that aims to assist low-income microentrepreneurs to strengthen their financial management and business acumen towards generating sustainable income. It offers working capital with an affordable microfinancing arrangement to eligible applicants. Further, the applicants will receive structured entrepreneurship and financial management training to ensure more holistic understanding, skills, and knowledge in managing their ventures efficiently and sustainably.

For Bank Muamalat, the programme is divided into two programmes: iTEKAD Mawaddah and iTEKAD Mahabbah. What distinguishes between these two models are the capital provider and the Shariah contracts that are being used. Both programmes aim to empower eligible micro-entrepreneurs among *asnaf* and B40 individuals to achieve financial resilience, generate sustainable income, and contribute to the community. An integral part of the programme is to provide Halal Certification and financial advisory for participants to better manage their businesses in collaboration with the appointed training consultants.

The first approach, called **iTEKAD Mawaddah**, is a programme that combines investment funds with social financial instruments (zakat funds) with the goal of providing financial aid to individuals who are entitled to apply. It uses a Shariah-compliant restricted investment account product based on the two-tier concept of *mudarabah*, which is a contract between the capital provider and the entrepreneur. In 2022, the iTEKAD Mawaddah programme has onboarded 20 entrepreneurs, and it has released a total of RM114,709 for working capital and RM126,680 for training fees to these entrepreneurs.

The second model, which is **iTEKAD Mahabbah**, is based on benevolent loan *(qard)*. This newly introduced initiative under iTEKAD programme started with the pilot programme launched with a strategic partnership with the Pahang State Government called i-PUSH. Through the programme, the Bank aims to assist entrepreneurs through financial assistance, micro financing, training, and halal certification assistance to *asnaf,* B40, and SMEs throughout Pahang. This initiative has reached 716 applicants throughout Pahang, with financing amounting to RM6.047 million for 2022.

Navigate a Sustainable Banking Future:

Empowering Today, Ensuring Tomorrow

At Bank Rakyat, we integrate Value-Based Intermediation into the core of our business operations and activities to leave positive impacts on the society and environment.

KEMENTERIAN PEMBANGUNAN USAHAWAN DAN KOPERASI

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MALAYSIA MADANI
DKN 2030

Bank Rakyat has pioneered two groundbreaking initiatives in 2022 which is Bank Rakyat Entrepreneur Leadership Series (BRELS), consists of RAKYATpreneur 3.0 and the Bank Rakyat UNIpreneur 2.0.

BRELS is an innovative initiative that boosts the spirit of entrepreneurship within local communities and university students among *asnaf* and B40 groups. It focuses on fostering MSMEs across various sectors. By providing access to affordable microfinance, aspiring entrepreneurs from underserved communities were given the opportunity to thrive and contribute to the nation's economic growth. Moreover, through these initiatives, the Bank actively supported the growth of the entrepreneurial ecosystem and empowering individuals to create sustainable livelihoods.

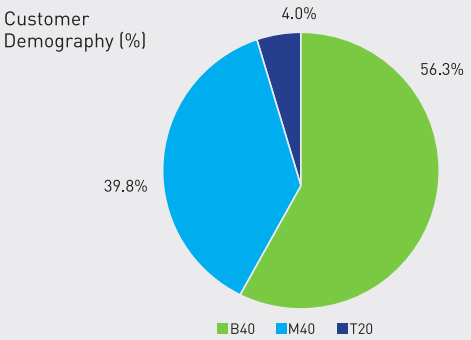
RAKYATpreneur 3.0 saw the participation of 243 *asnaf* entrepreneurs from community-based micro businesses throughout Malaysia. These participants had micro businesses with monthly revenues between RM1,000 to RM8,000 and managed to raise seed funding amounting to RM5,000 or RM10,000. With entrepreneurial skills training including business model canvas, utilisation of digital platforms, and sales and marketing, 60% of RAKYATpreneur 3.0 improved the revenues of their businesses during the six-month period.

Acknowledging the untapped potential within the youth demographic, the Bank Rakyat UNIpreneur 2.0 initiative homes in on university students, fostering a culture of innovation and entrepreneurship from an early age. Bank Rakyat collaborates with 24 selected higher education institutions to provide students with a comprehensive platform that nurtures their business ideas into tangible ventures. Each of the participants received RM3,000 seed funding, and the Bank collaborates with higher education institutions to design training modules for budding entrepreneurs. From 500 participants, 66% of them reported an increase in sales, and they have access to banking services via the opening of a current account.

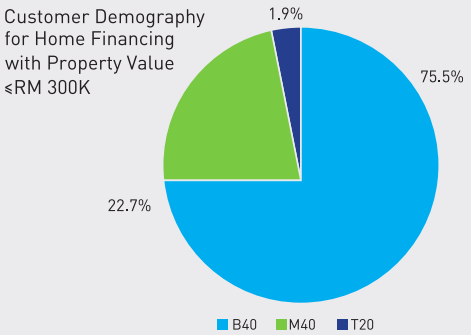
The continuation of RAKYATpreneur and Bank Rakyat UNIpreneur initiatives has successfully helped many *asnaf* entrepreneurs since the initiatives were introduced in 2020 and 2021. To date, a total of 1,833 entrepreneurs and *asnaf* students have been successfully assisted, contributing to bridging income disparity. Bank Rakyat continues to empower *asnaf* entrepreneurs through the RAKYATpreneur and Bank Rakyat UNIpreneur with a total fund allocation of more than RM8 million since the initiatives started in 2020.

By empowering local entrepreneurs, Bank Rakyat paves the way for a more inclusive and prosperous society. These initiatives stand as exemplary practice indicators, illustrating how Islamic financial institutions can be powerful catalysts for sustainable positive change.

Bank Simpanan Nasional (BSN), which is owned by the Ministry of Finance, was established with a mandate to encourage the development of savings and investment among Malaysians, focusing on serving the underserved and unserved segments as well as micro businesses. BSN's practices, products and services are meant to nurture socio-economic growth, consistent with principles of VBI, beyond temporal or transitional initiatives.



By doing so, BSN has successfully retained the low-income households (B40) as the largest share of our customer demography at 56.3%. Our main products focusing on the low-income segments are mainly through home financing and micro financing.



As of December 2022, BSN has financed more than 56,300 accounts (75.5%) of low-cost houses (less than RM300,000 property value) to B40 segment. This amounts to RM6.2 billion borrowing in total, and BSN intends to continue to enable more Malaysians to be homeowners in the near future.

In empowering Malaysia's micro businesses, BSN has been equipping them with the necessary skills to migrate into SMEs, which has yielded the following positive spillover in the economy:

1,524 Micro entrepreneurs have improved their businesses in terms of fixed assets, i.e., tools, equipment, machines, storage/ chiller, etc., which have also increased their customer base.	**1,081 Micro entrepreneurs** have successfully graduated to SMEs with annual sales more than RM300k.	**5,870 New jobs created** with 3,479 employed full-time and 2,391 employed part-time.

BSN is also focusing on various financial inclusion and literacy initiatives especially for students. In 2022, 893,400 account holders (RM593 million students' deposits) are eligible to join the incentive programme that awards students and schools monthly reward points for saving regularly.

As part of the Financial Education Network (FEN) to raise awareness and inculcate financial literacy, BSN have visited 44 schools (8,000 students) throughout 2022 during the Financial Literacy Tour (Jelajah Celik Kewangan 2022).

Injecting sustainability, shaping a better tomorrow

THANK YOU FROM TOMORROW

Driving sustainability through value-based intermediation has always been at the core of what we do at CIMB Islamic Bank in becoming a purpose-driven organisation.

BEST SOCIAL IMPACT ISLAMIC FINANCE HOUSE 2021

The Banker ISLAMIC Banking AWARDS 2022 WINNER ISLAMIC RETAIL BANK OF THE YEAR

IFN Awards DEALS OF THE YEAR 2022

IFN Awards BEST BANKS 2022

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Connect with us on: **CIMBMalaysia** **CIMBMalaysia** **CIMB_Assists**

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CIMB ISLAMIC

CIMB ISLAMIC

In 2022, CIMB Islamic in Malaysia contributed a total of RM9.36 million in corporate zakat, in addition to RM2.5 million in donations towards charitable causes through various programmes aimed at improving the living standards of underserved communities in Malaysia.

CIMB Islamic has a long-term collaboration with Taylor's Community, the CSR division of Taylor's Education Group, to provide financial grants and capacity-building opportunities to micro-entrepreneurs. These initiatives aim to empower socio-economic groups such as the B40 and *asnaf* communities by enhancing their business knowledge and skills, as well as establishing business connections. Since 2017, a total of RM2.3 million in grants has been provided to 455 micro-entrepreneurs, with funding of RM300,000 contributed in 2022.

The iTEKAD CIMB Islamic Rider Entrepreneur Programme, launched in 2021, supports BNM's iTEKAD umbrella initiative, which mobilises social finance to support the *asnaf* and B40 communities achieve financial resilience and generate sustainable income. This programme aims to provide participants with job opportunities as food delivery riders with Foodpanda Malaysia, supplemented by quality training from Taylor's Community on entrepreneurship. Yayasan Waqaf Malaysia's role in this strategic partnership is as a waqf fundraiser, whilst Yayasan Belia Malaysia is the programme's overall coordinator mobilising the procurement and distribution of motorcycles to the participants.

In iTEKAD 2.0, CIMB Islamic focused on 45 participants from the underprivileged B40 and *asnaf* groups in the Klang Valley. Participants received training and guidance to expand their business opportunities and increase productivity in the community. Upon completion of the programme, 23 participants received a total of RM300,000 in seed funding from Yayasan Waqaf Malaysia and CIMB Islamic, which included a motorcycle grant and a one-year employment opportunity with Foodpanda, our food delivery partner.

CIMB Islamic collaborated with the Centre for Islamic Economics at International Islamic University Malaysia (IIUM) to provide Islamic microfinance, entrepreneurship training and financial assistance to micro-entrepreneurs from underserved communities within IIUM's student community. The programme benefitted 11 beneficiaries who received grants amounting to RM59,500 in 2022, bringing the total grants since 2018 to RM415,000.

Hong Leong Islamic Bank

HLB Jumpstart – Micro Business

This is a social finance programme, that was launched by Hong Leong Islamic Bank (HLISB) in October 2022 as a part of its VBI offerings. This programme offers assistance to women entrepreneurs and underserved B40 communities who might not have the resources to find full-time employment as well as to prospective business owners who lack the credit history and opportunity to launch their small businesses. The programme aims to elevate social finance as a crucial component of the Islamic finance ecosystem, in line with BNM's Financial Sector Blueprint 2022–2026.

Through this initiative, HLISB disperses funding through its two partners, MADCash and AlfieTech, which provides zero-profit financing and capital opportunities to start a business. Through MADCash, participants will be provided with seed funding of up to RM4,000 with a payback tenure of 12 months at a zero-profit rate. As part of the programme, the participants will also be assigned a mentor who will provide guidance and share best practices to build a successful and sustainable business. AlfieTech, on the other hand, will create a credit line in the e-commerce platform equivalent to the value of seed funds of up to RM1,500 for the participants' utilization. The participants will utilise the credit line to purchase and sell goods based on a dropship business model. The e-commerce credit will be utilised by placing orders on their in-house proprietary platform. The programme also provides training on how to manage the business as well as assigning a mentor to the participants who will provide guidance and coaching to the participants in managing their business.

The ultimate goal is to help the underserved micro-entrepreneurs, which can include gig economy workers, homemakers, and thin-file individuals and to improve their livelihoods by having a sustainable source of income. Since the launch of the programme, this initiative has benefited 40 participants comprising of women entrepreneurs and the underserved B40 communities.

HLB Earth Hero

This is a digital initiative that aims to instil responsibility for the environment, as well as foster smart money management for junior bank customers who are children below 18 years of age. It leverages on the Bank's HLB Pocket Connect, a first-in-market interactive and personalised banking platform specifically designed for young savers to learn to 'Earn, Save and Spend', while proactively doing their part for the environment by completing tasks under the 'Task' section in HLB Pocket Connect. For every 20 virtual trees planted, HLB will plant one real tree in the Lower Kinabatangan area on their behalf and provide them with a certificate with GPS location coordinates of the tree planted in their name.

In a short period of time, these junior bank customers eagerly participated in completing all the virtual gamification and educational tasks assigned to them via the HLB Pocket Connect platform. At the end of the first run of the campaign, their resounding efforts resulted in 2,500 trees being planted. Today, positive changes in the biodiversity of Lower Kinabatangan have been felt, with endangered animals like orangutans, elephants, and sun bears having been spotted repopulating the area again.

HSBC Amanah: Celebrating Excellence in Islamic Banking and Sustainable Finance

HSBC Amanah awarded the World's Best International Islamic Bank 2023

by Euromoney Islamic Finance Awards 2023

- Since 2017, HSBC Amanah has been a founding member of the Value-Based Intermediation (VBI) Community of Practitioners and was the first global Islamic bank to publish a blueprint aligned to VBI.[1]

HSBC Malaysia awarded Islamic International Bank of the Year and Innovation in Islamic ESG Award 2023

by The Banker Islamic Banking Awards 2023

- In 2022, HSBC Amanah announced the launch of its Triple Bottom Line (TBL) framework, taking its inspiration from the central bank's VBI initiative.
- On the governance level, HSBC Amanah was the first bank to issue a Task Force on Climate-related Financial Disclosures report in 2021 and issued a second report in 2022, ahead of a mandatory deadline set for 2024.[2]

HSBC Amanah is again crowned ESG Bank of the Year (4th consecutive year), Best Islamic Trade Finance Bank (6th consecutive year) and Best Islamic Loan Adviser 2023

by The Asset Triple A Islamic Finance Awards 2023

- During the review period, HSBC Amanah continued to sharpen its focus on offering sustainable finance solutions to clients. HSBC Amanah has been able to embed ESG into different aspects of its product suite.[3]

HSBC Malaysia awarded Malaysia's Best International Bank 2023

by Asiamoney 2023

- HSBC Amanah has contributed and made driving sustainability in Malaysia a priority. With the launch of the TBL framework, it emphasizes ESG among clients.[4]

Other 2023 HSBC Amanah Awards:

Best Social Sukuk (MY EG Services)	The Asset Triple A Islamic Finance Awards 2023
Best Green Financing (Ikano Johor Jaya)	
Best ASEAN Social SRI Sukuk (CAGAMAS)	
Best Islamic Cross Border Financing (PNB Battersea)	
Best Supply Chain Finance Solution (UEM Edgenta)	
Best Corporate Sukuk – Real Estate (Eco World Capital)	
Best Corporate Sukuk – Manufacturing (VS Capital Management)	
Best Islamic Loan (OMSSB Group)	
Best Local Currency Sukuk (Point Zone (M))	
Best Structured Product (Twin Win)	
Best Social Loan (Jayyid Land)	The Asset Triple A Country Awards for Sustainable Finance 2023
UK Deal of the Year for Permodalan Nasional	IFN Deals of the Year
Most Innovative Bank	IFN Best Banks Poll, Country
Lead Manager (Issue Count) Award	MARC's Lead Manager's League Table Award

HSBC Amanah

For more information on our products and solutions, do visit www.hsbcamanah.com.my

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HSBC Amanah's Sustainability Journey

As a founding member of the VBI CoPs in 2017, since that time, HSBC Amanah has been an active proponent of VBI and has played an active role in the formulation of the VBI Sectoral Guides for the industry and is developing new products to deliver value-based outcomes, including HSBC Amanah's issuance of the world's first SDG sukuk in 2018 and the ESG charity feature enabling credit card holders to donate their points towards charities and non-profits that deliver positive impact. Most significantly, in order to ensure a meaningful and significant contribution as a Value Based Intermediary and facilitator of sustainable finance, HSBC Amanah launched Project Cocoon in 2020.

The Triple Bottom Line Framework

Guided by VBI, HSBC Amanah's TBL Framework is a comprehensive approach to classification, governance, and process implementation in relation to financing assets that are originated and managed by HSBC Amanah. The TBL Framework was formulated with reference to authoritative sources, namely the collective VBI guidance parameters from BNM, HSBC's sustainability policies, and prevailing regulatory and policy directions for Islamic financial institutions in Malaysia.

HSBC Amanah's TBL Framework enables the establishment of baseline parameters for the future via a robust framework of assessment and classification that can be applied to financial activities. The TBL Framework has been developed toward ensuring integrity both in conceptualisation and practical application. A Second-Party Opinion (SPO) by United Nations Global Compact Malaysia and Brunei (UNGCMYB) with regard to the TBL Framework found that 'the process that has been undertaken to develop HSBC Amanah's TBL Framework is a detailed, methodological and verifiable approach that aligns towards meeting the targeted SDGs'.

Achievements

HSBC Amanah has made progress towards defining and classifying our TBL assets in line with VBI. In 2022, the definition and classification of the TBL assets have been finalised and disclosed via the release of HSBC Amanah's Triple Bottom Line Framework (Summary) document. The financing assets that meet the parameters defined in the TBL Framework are 49%, as at 31 December 2022. The TBL% represents the ratio of balances of financing and advances that meet the parameters defined in the TBL Framework vis-à-vis the total customer financing and advances originated by and/or managed by Amanah. Data is subject to limited assurance by PwC in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. For HSBC Amanah's Triple Bottom Line Framework (Summary) and PwC's limited assurance report, see *www.hsbcamanah.com.my/content/dam/hsbc/hbms/documents/tbl-framework-summary-2022.pdf.*

Committed to building your sustainable tomorrow, today.

Maybank Islamic. Committed to invest in the common good.

We work towards securing a brighter future by keeping sustainable finance at the forefront of our goals for the next generation.

Humanising Financial Services.

Maybank Islamic

Maybank Islamic

Add Good to Cart

In December 2022, as part of Maybank Islamic Berhad's commitment in promoting the common good, it launched the 'Add Good to Cart' campaign. This campaign is dedicated to providing sustainable aid to those in need within Malaysia and beyond. Key highlights of this initiative are:

- In collaboration with the implementing partner, MERCY Malaysia, funds collected will support emergency response, recovery, mitigation, and preparedness efforts during disasters. The contributions play a vital role in humanitarian and health-related development, improving the lives of households across ASEAN.
- The initiative aims to raise awareness and encourage the public to contribute to a community emergency fund. Maybank Islamic also inspires online shoppers to proactively donate instead of waiting for an emergency to occur.

Energy for Life

Maybank Islamic Berhad initiated the 'Energy for Life' initiative, which involved the installation of solar panels to selected beneficiaries in Sabah, in collaboration with Yayasan Amal Malaysia Cawangan Sabah (YAMCS). Key highlights of this initiative are:

- 'Energy for Life' provides sustainable energy solutions to 900 beneficiaries in Sabah. By equipping local communities with solar panels, we aim to improve their social status and economic well-being.
- This initiative significantly reduces the financial burden of using generators and offers up to 8 hours of nighttime power with a single daylight charge, resulting in substantial monthly savings for beneficiaries.
- Access to sustainable energy is a critical factor for socio-economic development, and this initiative is aligned with Maybank Group's sustainability commitment to enhance the lives of 2 million households across ASEAN by 2025.

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(Winners Are Dreamers Campaign and Dare to Dream Campaign)

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* Subject to stock availability and first come first serve basis.

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MBSB BANK

MBSB Bank Berhad | Registration No.: 200501033981 (716122-P)

Saya amat bersyukur dan gembira menjadi sebahagian daripada peserta GRAP. Ilmu serta tunjuk ajar yang diberikan menerusi program ini amat membantu kami dalam menguruskan perniagaan dengan lebih baik.

Dengan menerapkan pengetahuan yang dipelajari, perniagaan yang saya usahakan bersama suami, Indizar Taib kini bertambah maju. Pendapatan bulanan yang dijana menjangkau lebih 150% daripada dahulu. Ini pastinya memberikan harapan kepada kami untuk terus mempertingkatkan perniagaan dalam menyediakan masa hadapan yang lebih cerah untuk anak lelaki kami yang berusia 10 tahun."

WAHEEDA RAZAK
Warung Roti Canai Bob
PPR Desa Rejang,
Setapak, Kuala Lumpur

Boosting Microentrepreneurs' Incomes

MBSB Bank's Growth Entrepreneurship Assistance Programme (GRAP) saw 23 microentrepreneurs grow their monthly income by 95% upon programme completion.

The collaborative effort with Islamic Relief Malaysia provided training in online sales, marketing and product development to participating residents of Projek Perumahan Rakyat (PPR) in Setapak, Kuala Lumpur, 80% of whom were women.

Encouraged by this result, MBSB Bank will roll out GRAP 2.0, targeting participants from Selangor.

MBSB Bank intends to promote greater socioeconomic advancements, particularly within the B40 community.

7 **Months of Training & Mentoring**
February - August 2022

>95%
of monthly income growth

No. of Beneficiaries

23 **Families**
Residents of PPR Desa Rejang, Setapak, Kuala Lumpur

80%
Women
(8% single mothers)

20%
Men

Type of Business

84%
Food Business

16%
Others
(Dropship agents and sewing)

MBSB BANK

MUFG Bank (Malaysia) Berhad

Being a subsidiary under the Mitsubishi UFJ Group, Inc., MUFG Bank (Malaysia) Berhad (MUFG) has been unwavering in its focus on empowering a brighter and more sustainable future for our clients and the community. Having had a presence here in Malaysia for the past 65 years, MUFG has played a vital role in Malaysia's economic development by providing the best possible banking services and continuously promoting our services to local and Japanese investors.

The Islamic financing arm of MUFG since 2008 has tapped new business opportunities from various parts of the world, making it the first Japanese bank to offer Islamic banking products and services. MUFG's dedication to sustainability is evident through its public commitment to achieve net-zero emissions in its finance portfolio by 2050 and its own operations by 2030. To date, MUFG has disbursed and approved Islamic ESG and green financing of around MYR 1 billion since 2019, including the recent collaboration with one of Malaysia's leading automotive companies.

In MUFG, we have a proud history of serving the communities in which we live and work. It is a key component of our overall community effort and supports our goal to serve as an engaged corporate citizen. Out of the many initiatives that the Bank has conducted, the Bank believes that providing a safe and secure environment to school students and teachers is important and is aligned with the government's initiative to improve the quality of education and health facilities in the country. We have upgraded the Bank's adopted school facilities, made a donation of basic stationaries to the school and has other upcoming projects that will be considered and implemented this year.

Constructing a Promising Tomorrow

Public Islamic Bank demonstrates a strong commitment to sustainability by integrating eco-conscious practices through Value-based Intermediation (VBI). We strike a balance between economic growth and environmental stewardship, embracing renewable energy through solar financing and responsible banking via green financing facilities. Our journey emphasises that prosperity can coexist with sustainability, setting an example for industries globally.

For more information, please visit www.publicislamicbank.com.my | Call 03-2176 6000 or visit any PB/PIBB Branch

PUBLIC ISLAMIC BANK
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

PUBLIC ISLAMIC BANK BERHAD 197301001433 (14328-V)

Constructing a Promising Tomorrow

Mobilising Synergies, Towards Sustainability

Public Islamic Bank, in line with the Group's Enviromental, Social & Governance (ESG) journey, has taken proactive measures to promote sustainability initiatives and deliver meaningful results to our customers and other stakeholders. With sustainability in mind, Public Islamic Bank has established products and services driven by Bank Negara Malaysia's (BNM) Value-based Intermediation (VBI) proposition, and is committed to deliver long term value through its core retail and commercial banking business.

Introduction of Green Financing Facilities

Public Islamic Bank capitalise on the sustainability space by introducing the Green Financing Facilities (GFF) in 2022. The Bank offers preferential rate financing packages to customers who wish to purchase properties that are certified as green building by authorized bodies namely GreenRE and Green Building Index (GBI). Developing a green building primarily focuses on aspects such as energy and water efficiency, environmental preservation, and reducing carbon emissions. By leveraging on the Bank's prominent position in property financing segment, Public Islamic Bank will further drive its efforts to promote GFF to both existing and prospective customers.

Growth of Solar Financing

Since its introduction in the year 2020, Public Islamic Bank has expanded its network in the solar financing segment through strategic collaboration with four solar system companies as at 2022. The Bank focuses on educating our staff and customers on the environmental and financial benefits of installing solar system. The increase in demand for solar system has driven the Bank in ramping up the promotion of solar financing for both residential and commercial sectors. The purpose is twofold: to boost the adoption of green and renewable energy and to amplify awareness on financing options that directly increase customers' financial gains.

In addition to financing facilities, Public Islamic Bank extends zero percent easy payment plan through our credit cards. The facility opens up more opportunities to both staff and customers who wish to purchase and install solar panel system on their homes.

Public Islamic Bank's aspiration is to be the lead provider in offering solar financing solutions to our customers as part of the Bank's commitment to ESG principles.

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For avoidance of doubt, RHB Islamic Bank only promotes and manages promotions in relation to RHB Islamic Bank products and its related proposition only.

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Member of PIDM
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SMART SAWAH BERSKALA BESAR ASNAF

NEWS

RHB Islamic sumbang dron, lori kepada LZNK

oleh ROSHILA MURNI ROSLI 30 Mac 2023 04:19pm Masa membaca: 2 minit

Petani di bawah program Smart SBBA bergambar bersama dron dan lori sumbangan Zakat Wakalah daripada RHB Islamic.

A- A A+

Untuk berita terkini Sinar Harian, ikuti Telegram dan TikTok kami

RHB Islamic Bank Berhad (RHB Islamic atau RHB) menyerahkan dua dron pertanian dan sebuah lori tipper bernilai hampir RM300,000 melalui sumbangan Zakat Wakalah untuk meningkatkan taraf hidup petani asnaf di Kedah, dengan kerjasama Lembaga Zakat Negeri Kedah (LZNK).

Sinar Harian | LZNK | Newswav

RM 270,956

Zakat fund allocated and paid by RHB Islamic to LZNK for the purchase of a steel tipper and 2 agricultural drones

70 beneficiaries

The 2 agriculture drones and a tipper truck benefited almost 70 farmers in Kedah to enhance their productivity and defray part of transportation costs.

Strategic Partner LZNK

Event Date: 16 March 2023

4 SDGs Supported

BEST-BYOB

"Best Be Your Own Boss"

Collaboration Partner : pernas

RM397,560

Zakat fund

utilised and disbursed for training and pre-franchise business packages to all participants.

iTEKAD

BEST-BYOB is recognized as iTEKAD, an initiative by BNM which refers to a blended social finance programme to support low-income micro entrepreneurs. The pre-franchise entrepreneurship programme was developed to assist B40 entrepreneurs through social finance instruments (zakat), micro-financing, and structured training.

BIT-brand owners participated by providing opportunity to asnaf participants to receive pre-franchise business package under their brands **14**

Asnaf participants successfully completed pre-franchise entrepreneurship training with Pernas **41**

6 Months period for monitoring and supervision on all participants by BIT brand owners **6**

Sustainable Development Goals (SDGs) Supported **3**

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Youth Development with Future Makers by Standard Chartered

As Malaysia's oldest operating bank for 148 years, Standard Chartered Malaysia is committed to promoting social and economic development in the country. Future makers by Standard Chartered is its global initiative to tackle inequality and promote greater economic inclusion. Our aim is to raise USD75 million between 2019 and 2023 through fundraising and Group matching to support disadvantaged youths, especially girls and people with visual impairments to learn, earn and grow. Since its launch in 2019, Future makers programmes have reached more than 1,008,280 youths globally, while in Malaysia, close to 10,000 youths have benefitted from various initiatives.

Goal: Our award-winning global education programme for adolescent girls (aged 12–18) combines sports with life-skills training to empower girls with the confidence, knowledge, and skills they need to be integral economic leaders in their families and communities. Goal has reached out to close to 9,000 girls nationwide since its launch in Malaysia in 2018.

In 2022, Standard Chartered reached out to 2,000 girls nationwide, with 91 of them completing the full Goal 20-week module. Goal 2022 also offered one of the best and most interesting modules – the Be Digitally Savvy module – to empower our Goal girls digitally with e-sports that replaced netball game to instil teamwork and communication skills. Malaysia is the only market globally to have both modules as part of the Goal programme. Standard Chartered also conducted cybersecurity lessons to equip our girls with basic cybersecurity knowledge to ensure they stay vigilant and safe while using the internet.

Digital Entrepreneurs: Our Digital Entrepreneurs (DE) X Future makers programme is designed to prepare unemployed and underemployed graduates for meaningful employment in the digital economy through a digital readiness course and career mentorship. The DE x Future makers programme is a collaboration programme with our NGO partner, mereka.my to nurture a digital-ready workforce and future-proof budding entrepreneurs and businesses via a digital readiness course comprising education, simulated work experiences, exposure and mentorship. The programme provides scholarships to low-income youths for the eight-week course, which includes a project placement to build on technical skills and a one-year career mentorship. In 2022, 240 participants graduated from the course, and close to 180 of them completed the project placement with partner SMEs.

SECTION 7

MOVING FORWARD

Challenges and Opportunities

The year 2022 brought with it distinctive challenges, including escalating concerns about climate change, increased conflict, rising inflation and escalating cost of living. The rise in temperature underscores the pressing need to address global sustainability objectives and avert potential catastrophic consequences. As we unveil this third report, it allows us to discern the trajectory of VBI's progress and its profound impact on socio-economic development.

At a time when climate change and sustainability concerns have taken centre stage, financial institutions find themselves at the crossroads of influence. They hold the pivotal role of intermediating economic activities, shaping the landscape of supported ventures, and ultimately determining whether these activities exacerbate or mitigate sustainability risks. There are however several challenges that need to be addressed to reap the benefits of this role.

- **Data gap:** A key challenge facing the Islamic banking sector is the presence of data gaps in impact measurement and reporting. This issue inhibits the accurate assessment of the sector's impact on sustainability goals. Addressing data gaps is especially crucial in light of emerging regulatory frameworks such as the TCFD and the need for comprehensive climate risk disclosures. Overcoming this challenge requires concerted efforts to enhance data collection, management, and reporting practices within the industry.

- **Capacity building:** Building the capacity of Islamic banks to effectively measure, report, and manage their impact is essential. This includes developing the necessary skills, knowledge, and infrastructure for robust impact measurement practices. As the sector increasingly focuses on green financing and sustainability, capacity building becomes paramount to ensure accurate and reliable impact assessments.

- **Impact assessment:** While several banks have started baselining exercises for their VBI performances, ensuring the accuracy and credibility of impact data remains a challenge. Developing impact assessment mechanisms will be critical as Islamic banks seek to demonstrate their contributions to sustainability.

Considering these challenges, we delve into the strategic channels through which the VBI initiative can be effectively mobilised, ensuring they yield the most significant impact on socio-economic development. The following are the opportunities that can be utilised in addressing the challenges.

- **Harmonising frameworks:** Collaborating with industry stakeholders and regulatory bodies, such as BNM, presents an opportunity to harmonise impact measurement frameworks. Aligning these frameworks with international standards, including the TCFD and VBIAF Sectoral Guides, can foster consistency and comparability in impact reporting. It enables Islamic banks to benchmark their performance against global best practices and to enhance transparency.

- **Leveraging development initiatives:** Leveraging ongoing development initiatives can accelerate the adoption of impact measurement practices. Collaborative projects with government agencies and industry associations can provide Islamic banks with the necessary resources and expertise to enhance their impact measurement capabilities. These initiatives should extend to capacity building, data sharing, and the development of standardised tools through which Islamic banks can monitor and assess their VBI progress.

- **Move to nature-based finance:** Recognising the importance of biodiversity conservation as part of sustainability presents an opportunity for Islamic banks. Aligning their financing activities with nature-based solutions can help address the challenges outlined in the World Bank and BNM's report on nature-related financial risks (World Bank Group & BNM, 2022). This transition can open new avenues for net-zero and green financing while mitigating risks associated with ecosystem dependencies.

- **Collective action:** As the shift from Emerging to Engaging continues, VBI provides a significant opportunity for Islamic banks to engage in collective action across various sectors. This includes playing a significant value intermediation role via supporting the halal economy, contributing to socioeconomic development, and partnering with SMEs, particularly in the context of carbon border adjustments. These collective efforts can amplify Islamic banks' impact on sustainability goals and create a more resilient and inclusive financial landscape.

Recommendations for Future Action: A Roadmap for Continued Growth

In light of what has lapsed, we explore the path ahead for the Islamic banking industry in Malaysia to continue its VBI growth in line with the sustainability pathways that the wider industry is geared to. The journey toward a prosperous, inclusive, and sustainable future continues with a focus on overcoming challenges, seizing opportunities, and setting a roadmap for sustained growth. Much like the previous years, the experience of 2022 has highlighted the pressing issue of climate change and the urgency of addressing it. This serves as a stark reminder for Islamic banks to assess their efforts and commitment to align with global sustainability goals to avert catastrophic consequences.

- **Enhance impact measurement and reporting:** Islamic banks should strengthen their impact measurement practices by developing standardised metrics and improving data collection and reporting mechanisms. This will ensure the accuracy and transparency of impact disclosures, enabling stakeholders to assess the tangible benefits of the VBI initiative.

- **Diversify green financing initiatives:** To broaden their sustainability impact, Islamic banks should diversify their green financing portfolio. This includes exploring opportunities in renewable energy, sustainable agriculture, circular economy projects, and nature-based solutions. By supporting a wider range of environmentally friendly initiatives, they can contribute to a more sustainable future.

- **Invest in capacity building:** Prioritising capacity building and training programmes for their teams is essential. Islamic banks should equip their staff with the skills and knowledge required for sustainable finance, impact measurement, and adherence to sustainability criteria. This investment empowers employees to drive the VBI initiative effectively.

- **Foster collaborative partnerships:** Collaborative initiatives with government bodies, non-governmental organisations, and fellow financial institutions can magnify the impact of VBI efforts. Islamic banks should establish partnerships and consortia for large-scale sustainable projects, promoting systemic change and reinforcing their commitment to sustainability.

These recommendations form a comprehensive path forward that aligns with the inevitable trajectory of the wider financial industry. They offer Islamic banks a strategic means to embrace *maqasid al-Shariah* while advancing their VBI agenda. These strategic steps are in perfect harmony with BNM's *Financial Sector Blueprint 2022–2026* and have the potential to propel the entire industry forward, making substantial contributions to national socio-economic growth and development. As the industry continues to evolve and adapt, these recommendations provide a solid foundation for progress, building upon the achievements of previous years and guiding the Islamic banking sector toward a brighter, more sustainable future.

Glossary

Asnaf	Specific categories of recipients who are eligible to receive zakat.
B40	Bottom 40% of households with the lowest income.
Net-Zero or Green Financing	Financing that aims to offset the environmental impact of projects.
iTEKAD	A blended social finance programme to support low-income microentrepreneurs via social finance instruments (donations, social impact investment, zakat, and cash waqf), microfinancing, and structured training.
Maqasid al-Shariah	The ultimate objectives of Islamic law (Shariah)
Qard	A benevolent loan
Sadaqah	Non-obligatory donations to needy people
Sukuk	Certificates of equal value which evidence undivided ownership or investment in the assets using Shariah principles.
Triple Bottom Line	A framework comprising People, Planet, and Profit/Prosperity that reflects the intended outcomes of VBI.
VBI	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.
Waqf	Islamic endowment
Zakat	Obligatory almsgiving of a portion of one's wealth to those in need, i.e., *asnaf.*

Abbreviations

ACCA	Association of Chartered Certified Accountants
ACE	Agrobank Centre of Excellence
AIBIM	Association of Islamic Banking and Financial Institutions Malaysia
ATMs	Automated Teller Machines
BC	Best Conduct
BNM	Bank Negara Malaysia
BRELS	Bank Rakyat Entrepreneur Leadership Series
BSN	Bank Simpanan Nasional
CCPT	Climate Change and Principle-based Taxonomy
CCUS	Carbon Capture, Utilisation, and Storage
CDP	Carbon Disclosure Project
CE	Community Empowerment
C&I	Construction & Infrastructure
CoPs	Community of Practitioners
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
DE	Digital Entrepreneurs
EE	Energy Efficiency
EECA	Energy Efficiency and Conservation Act
EEP	Economic Empowerment Programme
EM	Entrepreneurial Mindset
EPC	Energy Performance Contract
ESCO	Energy Service Company
ESG	Environmental, Social, and Governance
EU	European Union
EV	Electric Vehicle
FEN	Financial Education Network
FSB	Financial Stability Board
FTSE	Financial Times-Stock Exchange
GHG	Greenhouse Gas
GIIN	Global Impact Investing Network
GRI	Global Reporting Initiative
GS	Good Self-Governance
GVC	Greening Value Chain
HLB	Hong Leong Bank
HLISB	Hong Leong Islamic Bank

IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IIUM	International Islamic University Malaysia
ISAE	International Standard on Assurance Engagements
ISRA	International Shari'ah Research Academy
ISSB	International Sustainability Standards Board
JC3	Joint Commission on Climate Change
LCTF	Low Carbon Transition Facility
LCNA	Low Carbon Nation Aspiration
MCCG	Malaysian Code on Corporate Governance
MMT	Melon Manis Terengganu
MSMEs	Micro, Small and Medium Enterprises
NGOs	Non-Government Organisations
NIP	New Investment Policy
NIA	National Investment Aspirations
NEP	National Energy Policy (Dasar Tenaga Negara)
NETR	National Energy Transition Roadmap
O&G	Oil & Gas
PACTA	Paris Agreement Capital Transition Assessment
PRI	Principles for Responsible Investment
RE	Renewable Energy
SMEs	Small and Medium Enterprises
SASB	Sustainability Accounting Standards Board
SC	Securities Commission Malaysia
SDGs	Sustainable Development Goals
SRI	Sustainable and Responsible Investment
S&P	Standard and Poor's
TBL	Triple Bottom Line
TCFD	Task Force on Climate-related Financial Disclosures
TPES	Total Primary Energy Supply
TRRF	Targeted Relief and Recovery Facility
UiTM	Universiti Teknologi MARA
UNEP FI	United Nations Environment Programme – Finance Initiative
UNGCMYB	United Nations Global Compact Malaysia and Brunei
UN	United Nations
VBIAF	Value-based Intermediation Financing and Investment Impact Assessment Framework
VBI	Value-based Intermediation

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