Guidance on Green, Social and Sustainability Sukuk

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ICMA
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IsDB
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LSEG

Authors and Acknowledgements

This Guidance is the result of a collaboration between the International Capital Market Association (ICMA), the Islamic Development Bank (IsDB) and the LSEG (London Stock Exchange Group). The main authors are:

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Table of Contents

I Background

In recent years, two segments of the global financial markets have grown in importance and size and have become more mainstream: Sustainable Finance and Islamic Finance. Both segments have parallels, with the core principles of Islamic finance such as ethics, responsibility and transparency sharing strong commonalities with sustainable investing practices, especially with respect to social and responsible investing (SRI).

Growth in the two increasingly overlapping areas has also been reflected in the fixed income market through the issuance of sustainable bonds[1] and sustainable sukuk[2]. This was recognised by the G20 Sustainable Finance Working Group under the Indonesian Presidency, with the support of the High-Level Working Group on green and sustainability sukuk that was established at COP-26[3], which in 2022 called for "scaling-up" of sustainable finance instruments, including green sukuk, to help plug the massive climate funding gap[4].

Issuers of sustainable sukuk can typically be either **traditional sukuk issuers** that have green and/or social eligible assets within their portfolio of Shari'ah compliant assets and wish to diversify their funding sources and broaden their investor base by attracting more sustainable investors; or **conventional bond and sustainable bond issuers** that may issue in sukuk format, or intend to do so in the future thus broadening their investor base to sustainable investors, sukuk investors and/or sustainable sukuk investors.

To facilitate the growth of the sustainable sukuk market, the International Capital Market Association (ICMA), the Islamic Development Bank (IsDB) and the LSEG (London Stock Exchange Group) came together at COP28 in the UAE in December 2023[5] to develop this guidance for market participants, especially potential green and sustainability sukuk issuers and investors, that are less familiar with the structure of these instruments.

More concretely, this practical guide aims to:

- provide issuers and key market participants with information on how sukuk may be labelled as green, social or sustainability aligned with the ICMA Principles through examples, case studies and best practices, and thus help the development of the green, social and sustainability sukuk market;
- increase investors' awareness of sukuk as an asset class in global fixed income markets;
- enable a wider set of bond and sukuk issuers around the world to access sustainable capital and thus help unlock further investment towards the achievement of the United Nations Sustainable Development Goals (U.N. SDGs); and
- help confirm the wide applicability of the Principles across the global sukuk market, and ensure that the market continues to develop with high standards and integrity.

The Guidance builds on the existing global market standards that underpin the global sustainable bond markets: the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG), and the Sustainability-linked Bond Principles (SLBP)[6] provided by the International Capital Market Association (ICMA), collectively known as "the Principles." These voluntary global market standards have outlined best practice for sustainable bonds since 2014, promoting integrity in the development of the market by clarifying the approach for issuance.

This guidance is meant to be used in conjunction with the Principles.

1 Sustainable bonds include green, social, sustainability (GSS) and sustainability-linked bonds (GSSS)
2 Sustainable sukuk include those sukuk that are aligned with the Green, Social and Sustainability-Linked Bond Principles and the Sustainability Bond Guidelines
3 https://fiskal.kemenkeu.go.id/baca/2022/07/06/4353-pemerintah-semakin-fokus-kembangkan-green-sukuk-lewat-g20
4 Sustainable Finance Report 2022: https://g20sfwg.org/document-repository/
5 https://www.icmagroup.org/News/news-in-brief/icma-isdb-and-lseg-announce-collaboration-to-develop-a-practitioners-guide-on-the-issuance-of-green-sukuk/
6 At this stage this guidance focuses on use-of-proceeds sukuk.

II Introduction to Sukuk

Sukuk are the primary capital market instruments in Islamic finance that follow the principles of Shari'ah (Islamic) law and offer fixed income characteristics similar to bonds, based on the sharing of underlying profits or income streams. Thus, in practice, sukuk can be generally considered as the Islamic finance equivalent of bonds.

Sukuk (plural of the Arabic word "Sakk" meaning 'certificate') are defined as *"…Certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership) of assets of particular projects or special investment activity…"*[7]. The requirement for having an underlying pool of eligible assets stems from the Islamic principles of finance being linked directly with real economic activity, transparency on the use of proceeds (UoP) and rendering the sukuk as tradable. Eligible assets in this context refer to Shari'ah-compliant assets whereby a negative screening is applied to exclude assets from sectors that are prohibited by Shari'ah principles, such as those generating revenues from selling alcohol, gambling, adult entertainment, weapons, among others.

Most Islamic financing contracts that represent ownership can be bought and sold and therefore, can be monetized in the form of transferable securities, such as sukuk.

Sukuk share similarities with conventional bonds found in the international capital markets, as they can typically be traded, listed, rated, etc. In commercial and operational terms, sukuk typically have certain features identical to conventional bonds in that they:

- are often structured as certificates governed by English law (usually in the form of Trust Certificates)[8]
- usually replicate the financial performance and investment risk of a typical 'senior unsecured' Eurobond
- follow similar debt capital market execution processes
- settle and clear through International Central Securities Depositories (ICSDs), or domestic securities settlement systems
- have periodic distribution payments (similar to coupons) and most have bullet redemption payment mechanics (for senior unsecured sukuk)
- have similar protections for investors, and
- do not require any additional system upgrade/implementation by investors to participate as a potential investment.

One of the key differences to a conventional bond is that for sukuk, the issuer undertakes additional efforts to comply with the principles of Shari'ah. This entails (a) legal documentation that needs to be approved by a Shari'ah board composed of Islamic scholars with financial acumen, and (b) the availability of a sufficient amount of Shari'ah-compliant assets to underpin the sukuk structure.[9]

Sukuk can be structured in a number of ways[10], providing flexibility for prospective issuers depending on the nature of the underlying assets available to them and their intended use of the proceeds.

Asset-based sukuk is the most prevalent structure in the market. In this structure, similar to a conventional senior unsecured bond, there is a contractual claim against the sukuk obligor whereby the investor only takes the primary credit risk of the sukuk obligor.

7 Shari'ah Standard No. 17 published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
8 Domestic Sukuk issuances in certain jurisdictions usually follow local law instead of English law
9 Typically, the requirement is that the assets put forward to support the sukuk are of at least equal value to the principal amount being raised, or in some hybrid structures, the value of tangible assets amounts to at least 51% of the total value of the portfolio.
10 For the purpose of this Note, the most prevalent structure i.e.,' 'asset-based' sukuk is used as a reference. For definitions and details of other structures in the market, see Annex 3.

In an asset-based sukuk structure, investors have an “undivided beneficial ownership interest” in the underlying portfolio with no recourse to the assets and their credit quality. As a result, the sukuk issuer is obligated to pay the sukuk holder irrespective of the performance of the underlying portfolio of assets.

The legal basis for asset-based sukuk is well recognised by the market and by the global rating agencies. International and cross-border asset-based sukuk are structured as senior unsecured obligations and labelled as trust certificates under English law. Given the similar characteristics between sukuk and conventional bonds, the sukuk market has also witnessed asset-based issuances from sovereign issuers outside of the traditional Islamic finance markets such as the United Kingdom, Luxembourg and Hong Kong, among others.

Other sukuk structures, such as Tier-2 sukuk, Additional Tier-1 (AT1) sukuk, exchangeable sukuk, convertible sukuk and the very rarely used asset-backed sukuk (similar to conventional asset-backed securities with recourse to assets) have also been issued in the market.

Generally, sukuk structures comply with the Shari’ah standards set out by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which is one of the standard-setting bodies for the Islamic finance industry. Different countries and jurisdictions implement and enforce such standards through their national regulatory bodies in line with their respective national regulations. This is also witnessed in terms of governance, whereby part-decentralized and part-centralized Shari’ah boards are in place in different jurisdictions.

Strong Synergy between Islamic Finance and Sustainable Finance

Islamic finance and sustainable investing share a number of common principles, thus complementing each other as a means of both capital raising and investments.

Islamic finance promotes sustainable development and aligns with the U.N. SDGs through:

- providing an additional layer of governance (Shari’ah) that helps in the allocation of issuance proceeds and directs them towards projects/companies that are aligned with both Shari’ah standards and ESG/sustainability criteria;
- promoting financial inclusion (and thereby leaving no one behind) for those who might not engage with the financial sector for religious reasons or for lack of access, which are major challenges in overcoming poverty;
- promoting environmental safeguarding and climate change mitigation in line with the defined role of humans as trustees and stewards of the Earth;
- its ability to attract new sources of funding that remain untapped by conventional green and sustainable finance; and
- its ability to provide resilience during financial crises due to a core principle of avoidance of speculative instruments and strong linkage to the real economy.

Furthermore, for Islamic finance instruments such as sukuk to obtain approval by a Shari’ah board, the business and the assets of the obligor should align with the overarching objectives of Shari’ah which promote the societal well-being through safeguarding (a) human life, (b) faith, (c) intellect, (d) posterity, and (e) property and wealth.

In both sustainable bonds and sustainable sukuk, the concept of exclusions/negative screening is often extended to investments that would be harmful to the environment or detrimental to social objectives. As an example, the ASEAN Green Bond Standards[11] which are aligned with the GBP and include green bonds and green sukuk, explicitly mention ineligible projects as being *“Fossil fuel power generation projects”*.

In line with mentioned commonalities between Islamic principles and SRI, ineligible projects under the ASEAN Social Bond Standards[12] mention exclusions that are equally not deemed Shari’ah-compliant or sustainable as being *“Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry”*.

11 https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards
12 https://www.theacmf.org/initiatives/sustainable-finance/asean-social-bond-standards

III The ICMA Principles for Sustainable Bonds

The International Capital Market Association (ICMA) provides the voluntary standards that have come to underpin the global sustainable bond market: the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-linked Bond Principles (SLBP), together referred to as the "Principles".

Green, social and sustainability (a mix of green and social) bonds are so-called "use of proceeds" (UoP) bonds where the proceeds are intended to be allocated towards eligible green and/or social projects.

Sustainability-linked bonds are general purpose bonds where the focus is on the issuer (to achieve certain sustainability-linked targets) rather than the use of the proceeds.

At this stage this guidance focuses on UoP sukuk, but the general principles of how the structuring of a sukuk can work together with the application of the Principles applies across all types of sustainable bonds.

Green Bonds

According to the GBP, green bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the GBP.

Social Bonds

According to the SBP, social bonds are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible social projects and which are aligned with the four core components of the SBP.

Sustainability Bonds

Sustainability bonds are bonds where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance a combination of both eligible green and social projects. Sustainability bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying green projects and the latter to underlying social projects.

While the cornerstone of UoP bonds are the green and/or social projects, market participants, especially investors typically take a holistic view of the issuer and the financing being raised. The Principles therefore encourage issuers to position the information on project evaluation and selection within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental and social sustainability.

Furthermore, issuers are encouraged to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.

Themes under the Principles

Transition Finance

Issuers aiming to issue green or sustainability sukuk in order to raise finance in relation to climate transition, should follow the disclosure recommendations in ICMA's Climate Transition Finance Handbook and mention this in the bond/financing framework in addition to the alignment with the Principles.

Blue Finance

Blue bonds are essentially green bonds that finance marine or freshwater related projects. Therefore, blue sukuk would essentially be green sukuk financing "blue" projects in alignment with the GBP. Specific guidance on Ocean finance can be accessed from the practical guide for "Bonds to Finance the Sustainable Blue Economy".

Gender Finance

Gender bonds are essentially social bonds that raise capital to reduce "the gender gap", i.e. the inequalities that persist between women and men. Therefore, gender sukuk would essentially be social sukuk financing projects that advance gender equality objectives in alignment with the SBP. Specific guidance on gender finance can be accessed from the practical guide for "Bonds to Bridge the Gender Gap".

IV Green, Social and Sustainability Sukuk (together, “Sustainable Sukuk”) and Eligible Project Categories for Sustainable Sukuk

Given the commonalities between sustainable finance and the principles of Islamic finance, sustainable sukuk have more recently emerged as a new type of sukuk.

This includes **green sukuk** which are UoP instruments that finance or re-finance eligible green projects (that are also Shari’ah-compliant) in line with the GBP. **Sustainability sukuk** are another widely used type of instrument, where the proceeds are allocated to a mix of Shari’ah-compliant green and social projects, in line with the SBG. **Social sukuk**, which are UoP instruments that finance or re-finance eligible social projects in line with the SBP and that are Shari’ah-compliant, exist as well but like social bonds have seen a lower volume of issuance.

Eligible Project Categories for Green Sukuk

The GBP explicitly recognise several broad categories of eligibility for green projects, which contribute to environmental objectives such as:

- climate change mitigation
- climate change adaptation
- natural resource conservation
- biodiversity conservation, and
- pollution prevention and control

These five objectives are also applicable to the green sukuk market.

The GBP include the following eligible green project categories which are all eligible for green sukuk or the green part in a sustainability sukuk:

- **Renewable energy** (including production, transmission, appliances and products);
- **Energy efficiency** (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- **Pollution prevention and control** (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- **Environmentally sustainable management of living natural resources and land use** (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);
- **Terrestrial and aquatic biodiversity conservation** (including the protection of coastal, marine and watershed environments);
- **Clean transportation** (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);

- **Sustainable water and wastewater management** (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- **Climate change adaptation** (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems);
- **Circular economy adapted products, production technologies and processes** (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services); **and/or certified eco-efficient products;** and
- **Green buildings** that meet regional, national or internationally recognised standards or certifications for environmental performance.

Green projects can also include other related and supporting expenditures such as research and development (R&D) that may relate to more than one category and/or environmental objective. R&D is also eligible for sukuk.

As the eligible project categories under the GBP are not very prescriptive, issuers of green bonds, and thus green sukuk, are encouraged to provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including if applicable, exclusion criteria; and also disclose any green standards or certifications referenced in project selection.

Eligible Project Categories for Social Sukuk

The Social Bond Principles (SBP) include the following eligible social project categories which are all eligible for a social sukuk or the social part in a sustainability sukuk:

- **Affordable basic infrastructure** (e.g. clean drinking water, sewers, sanitation, transport, energy);
- **Access to essential services** (e.g. health, education and vocational training, healthcare, financing and financial services);
- **Affordable housing;**
- **Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition"** (such provision and/or promotion could include SME financing and microfinance);
- **Food security and sustainable food systems** (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers); and
- **Socioeconomic advancement and empowerment** (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

As the eligible project categories under the SBP are not very prescriptive, issuers of social bonds, and thus social sukuk, are encouraged to provide information on the related eligibility criteria, including if applicable, exclusion criteria, and also disclose any social standards or certifications referenced in project selection.

For social projects, issuers should also identify the relevant **target population(s)**. The SBP acknowledge that the definition of a target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public.

The target populations identified under the SBP relevant to social sukuk or the social part in a sustainability sukuk are those that are:

i. living below the poverty line;
ii. excluded and/or marginalized populations and/or communities
iii. people with disabilities,
iv. migrants and/or displaced persons;
v. undereducated;
vi. underserved, owing to a lack of quality access to essential goods and services;
vii. unemployed and/or workers affected by climate transition;
viii. women;
ix. aging populations and vulnerable youth; and
x. other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity

Sustainable sukuk with a theme, such as "**transition**" sukuk, "**blue**" sukuk or "**gender**" sukuk can also be issued in the same manner. Issuers should refer to the ICMA Climate Transition Finance Handbook and specific guidance on blue finance from "Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide" and "Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality" respectively for further information relating to such thematic issuance. (Also see page 5).

V Issuing a Green, Social or Sustainability Sukuk

The purpose of this section is to identify the steps for an issuer to issue a sustainable sukuk. This guidance notes that the issuance of publicly traded sukuk, trust certificates or bonds in the capital markets is a complex process that is subject to relevant securities laws and regulation that are specific to each jurisdiction. It is imperative that issuers hire appropriate financial and legal advisers to guide them through the process.

In essence, sustainable sukuk are sustainable bonds that are structured in a Shari'ah-compliant manner whereby, in addition to the sukuk component, the proceeds are aligned with the Principles (consistent with the eligible project categories for sustainable sukuk as described in section IV).

In terms of market practice, issuers of sustainable sukuk follow a process that is largely similar to that of issuers of sustainable bonds. This includes creating a sustainable financing framework[13] aligned with the four core components ("pillars") of the GBP/SBP/SBGs i.e. (1) Use of Proceeds (2) Process for Project Evaluation and Selection (3) Management of Proceeds, and (4) Allocation and Impact Reporting. The issuer then obtains a pre-issuance external review[14] of the framework in the form of a Second Party Opinion (SPO). Typically, the issuer would publish its framework and the SPO to engage with investors. A more detailed description of this process is provided in Annex 4 to this guidance.

The issuer will also need to ensure that the proceeds are invested in a Shari'ah-compliant manner.

In summary, any issuer of a sustainable bond, such as a green, social or sustainability bond, should be able to issue sustainable sukuk provided that the instrument is structured in a Shari'ah-compliant manner.

When it comes to the structuring and issuance of sustainable sukuk, different types of issuers may have different starting points depending on the nature of their organisation and its activities. For example:

- **An issuer that is already active in the conventional bond markets wants to issue a sustainable sukuk:** to do so, it would need to apply a "Shari'ah screen" to its entire portfolio of assets to determine which assets would be Shari'ah-compliant and whether it has assets of sufficient value to support a sukuk issuance (both services are sometimes provided by Shari'ah advisory firms) and then have this determination endorsed by a Shari'ah board to allow it to structure the sukuk. The issuer could then set up a sustainable financing framework, as described above, setting forth the use of proceeds in line with the Principles.
- **An issuer that is already active in sustainable bond markets wants to issue a sustainable sukuk:** to do so, it would need to determine which of the eligible projects within its green, social or sustainability framework are Shari'ah compliant. It would also structure the funding instrument as a sukuk.
- **An issuer that is already active in the sukuk market or is an Islamic organisation where Shari'ah principles underpin all elements of its operation, wants to issue a sustainable sukuk:** such an issuer would already be following the exclusion/negative screening process as described in section II. It may then wish to create a sustainable finance framework to ensure that the projects it funds from a sustainable sukuk are aligned with the Principles.

Case studies of recent sustainable sukuk are presented in Annex 1 to this guidance. An overview of the sustainable sukuk market is presented in Annex 2. Annex 3 covers different types of sukuk structures, and Annex 4 outlines the typical issuance process for sustainable bonds which is applicable to sustainable sukuk as described above.

13 This is typically a green bond framework or green financing framework or sustainable financing framework depending on what kind of instruments it is meant to cover.
14 See ICMA's guidelines for external reviews: https://www.icmagroup.org/sustainable-finance/external-reviews/

Annex 1 – Case Studies

Dubai Islamic Bank Sustainability Sukuk

Issuer	DIB SUKUK LIMITED
LEI	549300U3ZMUHC2JQLL56
Obligor	Dubai Islamic Bank PJSC
Obligor LEI	5493003E7YRAQY3JGW88
Obligor Rating	A3 (Stable) / A (Stable) (Moody's / Fitch)
Obligor Sector	Banking
Format	Regulation S, Registered, Category 2
Ranking	Senior, unsecured
Sukuk Structure	Wakala
Documentation	Drawdown under DIB Sukuk Limited's USD 7,500,000,000 Trust Certificate Issuance Programme
Issue size	USD 1,000,000,000
Tenor	5-year
Pricing Date	26 February 2024
Settlement Date	4 March 2024
Maturity Date:	4 March 2029
Profit Rate	5.243% (Fixed rate, payable semi-annually in arrear, 30/360)
Periodic Distribution Dates	Semi-annually on 4 March and 4 September in each year, up to and including the Maturity Date, subject to the Following Business Day Convention (for payment purposes only). First Periodic Distribution Date is 4 September 2024.
Listing	Euronext Dublin
Governing Law	English law and UAE law
Denominations	USD 200,000 and integral multiples of USD 1,000 in excess thereof
Use of Proceeds	An amount at least equal to the net proceeds will be used to finance/refinance, in whole or in part, Eligible Sustainable Projects in line with DIB's Sustainable Finance Framework. Eligible project categories include: Access to Essential Services, Clean Transport, Energy Efficiency, Green Construction/Buildings, Pollution Prevention & Control, Renewable Energy Projects, Affordable Basic Infrastructure and Sustainable Water or Wastewater management
ISIN	XS2749764382
SPO	ISS ESG

Saudi National Bank Sustainability Sukuk

Issuer	SNB SUKUK LIMITED
Obligor	The Saudi National Bank
Obligor's Ratings	A1 (positive) by Moody's, A- (stable) by S&P and A- (stable) by Fitch
Issuer LEI	549300NDOY781U1WVO54
Obligor LEI	5586006ZEFQ542K7CY16
Obligor Sector	Banking
Documentation	SNB Sukuk Limited U.S.$5,000,000,000 Trust Certificate Issuance Programme
Format	Regulation S, Category 2, Registered form
Ranking	Senior, Unsecured
Sukuk Structure	Wakala and Commodity Murabaha
Currency	U.S. Dollars
Issue Size	USD 850,000,000
Tenor	5 years
Pricing Date	20 February 2024
Settlement Date	27 February 2024
Maturity Date	27 February 2029
Profit Rate	Fixed, 5.13%, Semi-Annual in arrears, 30/360
Listing	London Stock Exchange's International Securities Market (ISM)
Law	English and Saudi law for certain underlying Islamic documents
Denominations	USD 200,000 and integral multiples of USD 1,000 in excess thereof
Clearing	Euroclear and Clearstream, Luxembourg
Use of Proceeds	To finance and/or refinance, in whole or in part, Eligible Projects (as defined in the Sustainable Finance Framework dated November 2021). Eligible project categories include: Employment Generation/Alleviate Unemployment, Environmentally Sustainable Products, Land Preservation, Renewable Energy Projects.
ISIN	XS2747631914
SPO	S&P Global

Saudi Electricity Company Green Sukuk

Issuer	SAUDI ELECTRICITY SUKUK PROGRAMME COMPANY
LEI	549300KZ4IZK3RMUO096
Obligor	SAUDI ELECTRICITY COMPANY SJSC
Obligor LEI	549300FXO4ZXUIAXGP41
Obligor Sector	Electric Utilities
Obligor Rating	A (Fitch)/ A1 Moody's/ A S&P
Format	Regulation S, Registered, Category 2
Ranking	Senior Unsecured
Sukuk Structure	Ijara-Murabaha
Documentation	Issuer's Sukuk Trust Security Programme
Issue size	USD 1,200,000,000
Tenor	10 year
Pricing Date	3 April 2023
Settlement Date	11 April 2023
Maturity Date	11 April 2033
Profit Rate	Fixed Rate, 4.632%
Periodic Distribution Dates	Semi-Annually
Listing	London Stock Exchange's Main Market
Governing Law	English Law and Saudi Law for certain underlying Islamic documents
Denominations	USD 200,000 and integral multiples of USD 1,000 in excess thereof
Use of Proceeds	In line with Issuer's Green Sukuk Framework. Eligible project categories include Energy Efficiency and Renewable Energy.
ISIN	XS2608256827
SPO	Moody's ESG Solutions (Vigeo Eiris)

FAB Sukuk Company

Issuer	FAB SUKUK COMPANY LTD
LEI	549300JEV79SSEDKS489
Obligor	First Abu Dhabi Bank PJSC
Obligor LEI	2138002Y3WMK6RZS8H90
Obligor Sector	Banking
Obligor Rating	Aa3/AA-/AA- (M/S&P/F)
Format	Regulation S Registered Category 2
Ranking	Senior Unsecured
Sukuk Structure	Wakala-Murabaha
Documentation	Issued under USD 5bn Trust Certificate Issuance Programme
Issue size	AED 1,300,000,000
Tenor	3 years
Pricing Date	19 July 2023
Settlement Date	27 July 2023
Maturity Date	27 July 2026
Profit Rate	4.93%
Periodic Distribution Dates	Semi Annually
Listing	London Stock Exchange's Main Market, Abu Dhabi Securities Exchange
Governing Law	English Law and UAE law
Denominations	AED 500,000 and integral multiples of AED 5,000 in excess thereof
Use of Proceeds	An amount at least equal to the net proceeds will be used to fund Eligible Shari'ah compliant Green Projects in line with FABs Sustainable Finance Framework, which is available on its website. Eligible Project Categories include: Climate Change Adaptation, Clean Transport, Circular Economy Adapted/ Eco-efficient Products, Production Technologies/Processes, Energy Efficiency, Green Construction/Building, Pollution Prevention & Control, Renewable Energy Projects, Sustainable Management of Living Natural Resources, Sustainable Water or Wastewater management, Terrestrial Biodiversity Conservation
ISIN	XS2655377823
SPO	ISS ESG

DP World Crescent Ltd

Issuer	DP WORLD CRESENT LTD
LEI	21380096JRTWB8TL9236
Obligor	DP World Ltd
Obligor LEI	549300M3U2DNF4QVSS04
Obligor Sector	Transport Infrastructure
Obligor Rating	Baa2 (Moody's) / BBB+ (Fitch)
Format	Regulation S
Ranking	Senior Unsecured
Sukuk Structure	Wakala-Murabaha
Documentation	Issuer's $5 billion Sukuk Trust Certificate Issuance Programme
Issue size	USD 1,500,000,000
Tenor	10 year
Pricing Date	6 September 2023
Settlement Date	13 September 2023
Maturity Date	13 September 2033
Profit Rate	Fixed Rate, 5.5%
Periodic Distribution Dates	Semi-Annually
Listing	London Stock Exchange's Main Market, Nasdaq Dubai
Governing Law	English Law and UAE law
Denominations	USD 200,000 and integral multiples of USD 1,000 in excess thereof
Use of Proceeds	In line with Issuer's Sustainable Finance Framework. Project categories include: Clean Transportation Green Buildings Energy Efficiency Renewable Energy
ISIN	XS2677631355
SPO	ISS ESG

Indonesia Government Green Sukuk

Issuer	PERUSAHAAN PENERBIT SURAT BERHARGA SYARIAH NEGARA INDONESIA III
LEI	254900G208H6Q0L5B953
Obligor	Republic of Indonesia
Obligor LEI	529900FWX0GRR7WG5W79
Obligor Sector	Government
Obligor Rating	BBB (Fitch)/ Baa2 (Moody's)/ BBB (S&P)
Format	Regulation S/ Regulation 144a
Ranking	Senior unsecured
Sukuk Structure	Wakala bil istithmar
Documentation	U.S.$35,000,000,000 TRUST CERTIFICATE ISSUANCE PROGRAM
Issue size	USD 1,000,000,000
Tenor	10 year
Pricing Date	7 November 2023
Settlement Date	15 November 2023
Maturity Date	15 November 2033
Profit Rate	5.6%
Periodic Distribution Dates	Semi-annually
Listing	Singapore Exchange, Nasdaq Dubai
Governing Law	English Law
Denominations	USD 200,000 + USD 1,000
Use of Proceeds	The Republic intends to invest an amount equal to the net proceeds it receives from the issue of the Certificates exclusively to finance, or re-finance expenditure directly related to Eligible SDGs Expenditures with Green and Blue focus as defined in the Green Bond & Green Sukuk Framework of the Republic, which is described in Republic of Indonesia SDGs Government Securities Framework in the Offering Memorandum.] Project categories include: Climate Change Adaptation, Clean Transport, Energy Efficiency, Green Construction/Buildings, Renewable Energy Projects, Sustainable Management of Land Use, Sustainable Management of Living Natural Resources, Sustainable Transport, Sustainable Water or Wastewater management, Waste Management
ISIN	US71567RAY27 (Reg S)/ US71567PAY60 (Reg 144A)
SPO	CICERO

Islamic Development Bank Sustainability Sukuk

Issuer	ISDB TRUST SERVICES NO.2 SARL (LUXEMBOURG INCORPORATED AND FULLY GUARANTEED BY ISDB)
LEI	222100S88XMYHA1E3547
Obligor	The Islamic Development Bank
Obligor LEI	254900TNNQC073KOJ554
Obligor Sector	Supranational
Obligor Rating	Aaa / AAA / AAA (Moody's, S&P, Fitch) Zero-risk weight for ISDB guaranteed deals under BIS
Format	Regulation S
Ranking	Fixed Rate, Senior, Unsecured Trust Certificates
Sukuk Structure	Wakala bil istithmar
Documentation	IsDB's $25 billion Trust Certificate Issuance Programme
Issue size	USD 2,500,000,000
Tenor	5 years
Pricing Date	24 March 2021
Settlement Date	31 March 2021
Maturity Date	31 March 2026
Profit Rate	1.262%
Periodic Distribution Dates	Semi-annually
Listing	Euronext Dublin and Nasdaq Dubai
Governing Law	English Law
Denominations	USD 200,000 + USD 1,000
Use of Proceeds	To finance/refinance new/existing eligible projects in the social (90%) and green (10%) sectors in accordance with the IsDB Sustainable Finance Framework. Eligible project categories include: Clean Transport, Employment Generation/Alleviate Unemployment, Pollution Prevention & Control, Renewable Energy Projects, Social Housing/ Affordable Housing, Financing for SME/Microfinance, Sustainable Management of Land Use, Sustainable Management of Living Natural Resources, Affordable Basic Infrastructure, Sustainable Development Projects, Sustainable Water or Wastewater management.
ISIN	XS2318745937
SPO	CICERO

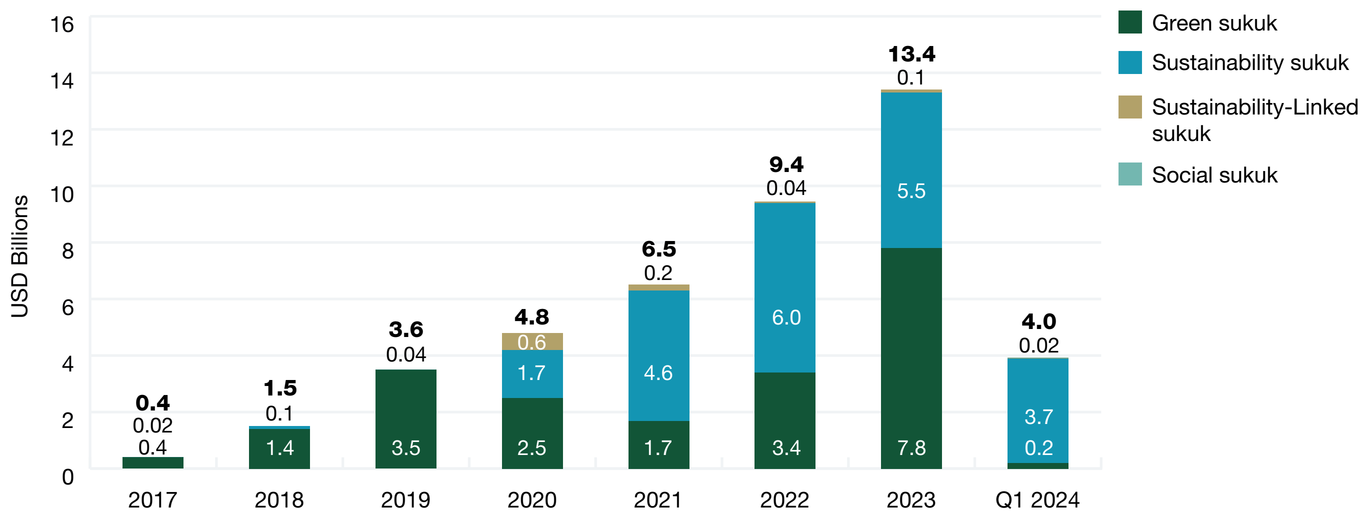
Annex 2 – Snapshot of the Sustainable Sukuk Market

As of Q1 2024, the global issuance of sustainable bonds reached a total of $235.4 billion, according to data from LSEG. The total issuance of sustainable sukuk in Q1 2024 amounted to $4.0 billion, representing an increase of 17.2% from the same period in 2023.

In 2023, sustainable sukuk issuance reached a total of $13.4 billion, exceeding the full-year total of $9.4 billion for 2022. This marked the seventh consecutive record year of issuance since the market's inception in 2017. This compares to overall sukuk issuance of $212.5 billion in 2023, which grew by 8.7% compared to 2022.

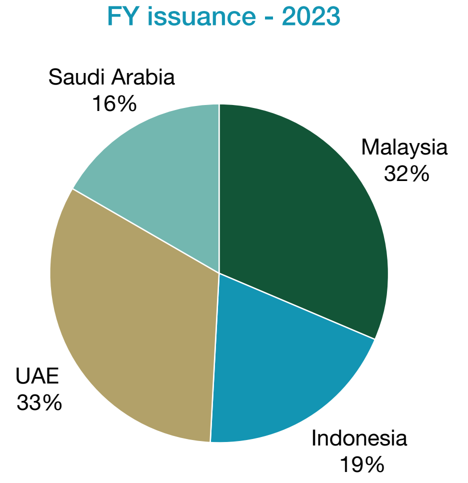
Over the period 2017-2024 Q1, a cumulative value of $42.7 billion of sustainable sukuk was issued.

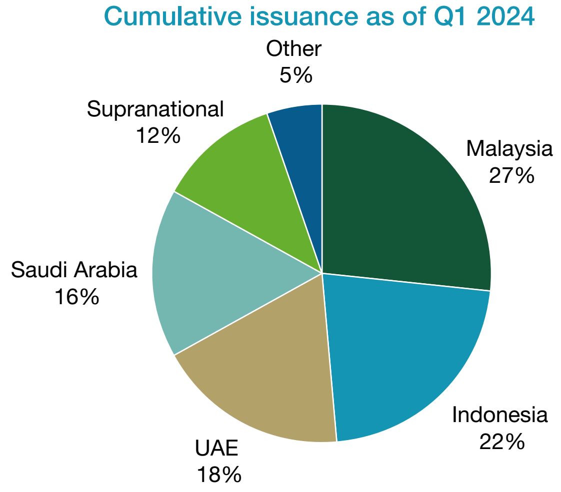
By year-end 2023, sustainable sukuk constituted 1.6% of the total sustainable bond issuance and 6.2% of the total sukuk issuance.



Source: LSEG data

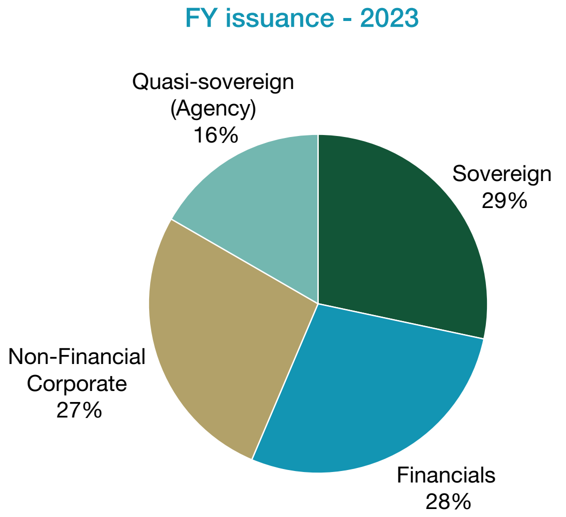
Sustainable sukuk issuance by country (% of value of sukuk issued)

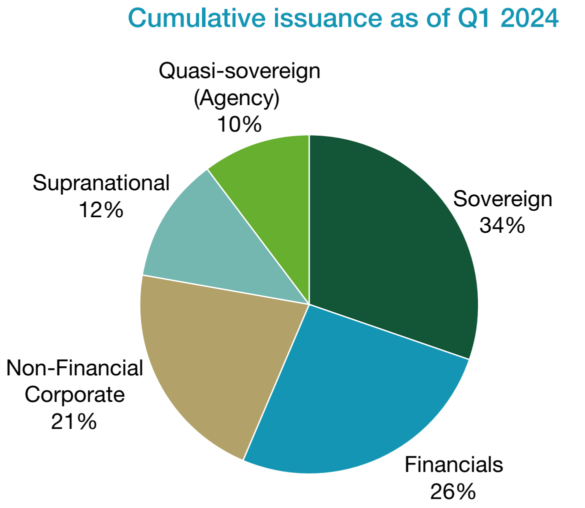




Source: LSEG data

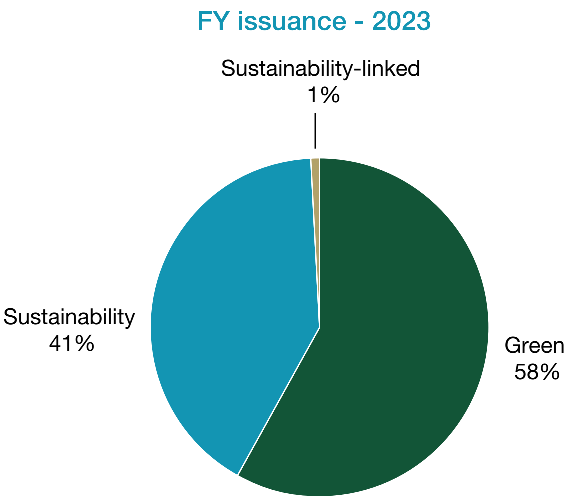
Sustainable sukuk issuance by issuer type (% of value of sukuk issued)

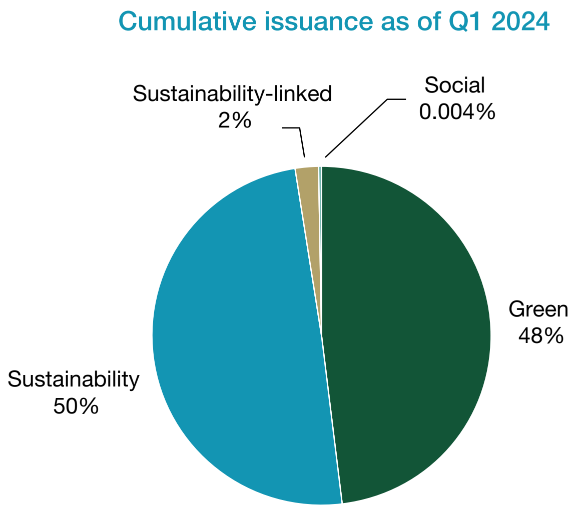




Source: LSEG data

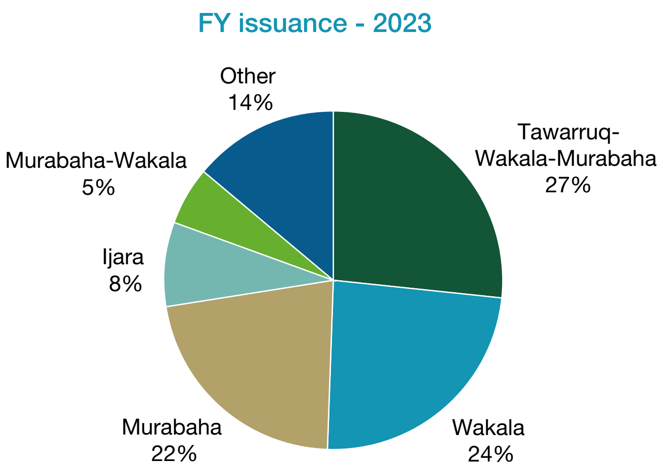
Sustainable sukuk issuance by ESG type (% of value of sukuk issued)

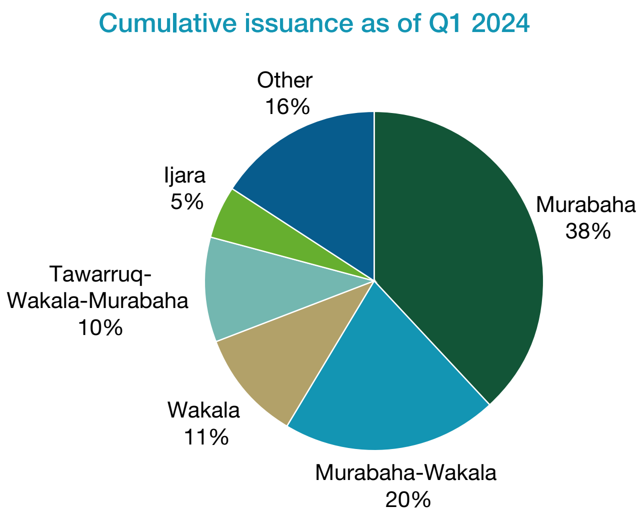




Source: LSEG data

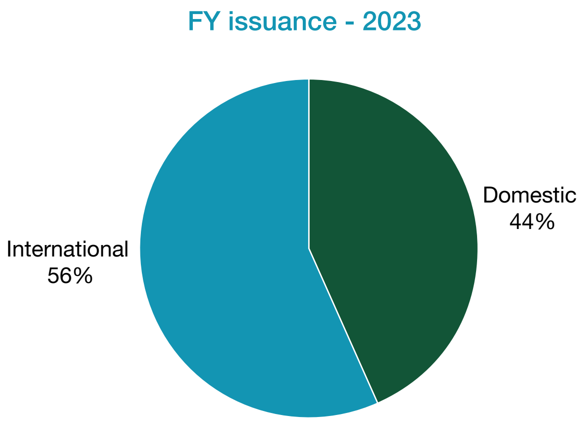
Sustainable sukuk issuance by Islamic structure (% of number of sukuk issued)

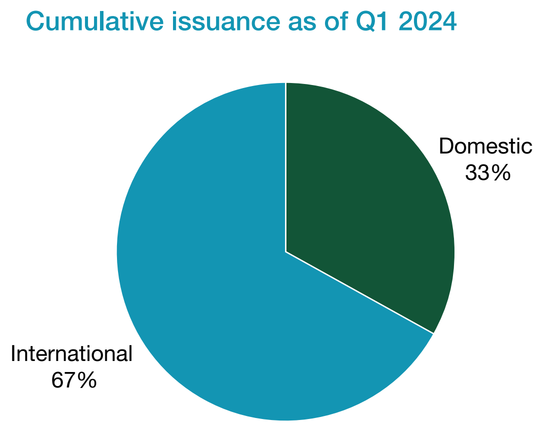




Source: LSEG data

Sustainable sukuk issuance by market of issue (% of value of sukuk issued)





Source: LSEG data

Top 10 issuers of sustainable sukuk by value of proceeds

FY ISSUANCE 2023		
Issuer	**Amount issued** (USD bn)	**Share**
Indonesia Govt	2.6	19.3%
DP World	1.5	11.2%
Malaysia Govt	1.2	9.3%
Saudi Electricity Co	1.2	9.0%
Dubai Islamic Bank	1.0	7.5%
Al Rajhi Bank	1.0	7.5%
Majid Al Futtaim Properties	0.5	3.7%
Abu Dhabi Islamic Bank	0.5	3.7%
Aldar Properties	0.5	3.7%
Tnb Power Generation	0.4	3.2%

CUMULATIVE ISSUANCE AS OF Q1 2024		
Issuer	**Cumulative issuance** (USD bn)	**Share**
Indonesia Govt	9.6	22.0%
Islamic Development Bank	5.1	11.6%
Malaysia Govt	3.6	8.2%
Dubai Islamic Bank	2.8	6.3%
Saudi Electricity Co	2.5	5.7%
Al Rajhi Bank	2.3	5.2%
Majid Al Futtaim Properties	1.7	3.9%
Saudi National Bank	1.6	3.7%
DP World	1.5	3.4%
Amanat Lebuhraya Rakyat	1.2	2.7%

Source: LSEG data

Regionally, sustainable sukuk issuance has been led by issuers from Malaysia, Indonesia, the UAE, and Saudi Arabia[15], which have collectively raised 83.3% of the cumulative total issuance by Q1 2024. GCC-based entities issued sustainable sukuk worth $3.6 billion in Q1 2024. This figure represents more than half of their full-year level in 2023. Corporates based in the UAE had issued $4.4 billion worth of these sukuk in 2023, accounting for 32.5% of the global total.

15 Excluding issuances from the Islamic Development Bank, which are classified as supranational.

As of Q1 2024, the Indonesian and Malaysian governments remain the only sovereigns that have issued sustainable sukuk, collectively raising $13.2 billion, or 30.2% of cumulative issuance.

Meanwhile, corporates and banks currently dominate sustainable sukuk issuance across all markets except for Indonesia, accounting for 47.8% of cumulative value issued by Q1 2024.

Banks represent the largest share of sustainable sukuk issued by Q1 2024, contributing 21.9% of the cumulative issuance, with significant issuance from Saudi Arabia and the UAE.

Sustainable sukuk have mostly been issued in international markets, making up an average of 75.4% of total annual issuance between 2018 and Q1 2024. All sustainable sukuk from GCC issuers have been issued in the Eurobond market. In contrast, international issuances of traditional sukuk constituted an average of 25.2% of the annual issuance.

Typically, subscription ratios for sustainable sukuk have been higher than for traditional sukuk.

Annex 3 – Sukuk Structures

Sukuk Ijarah

Ijarah ('lease') is a contract that enables a lease of the usufruct of tangible assets. The issuer of Sukuk Ijarah is the seller of an asset to be leased on promise, the subscribers are the buyers of the asset, while the funds mobilised through the subscription are the purchase price of the asset. Sukuk Ijarah can be structured as an asset-based or asset-backed instrument.

Sukuk Wakalah / Wakalah-bil-Istithmar

Wakalah ('agency') is an investment agency contract. The issuer of Sukuk Wakalah is the investment agent, the subscribers are the principals, and the realised funds are the entrusted capital of the investment. The certificate holders own the assets represented by the certificates with its benefits and risks, and they are entitled to the profits, if any. Sukuk Wakalah can be structured as an asset-based or asset-backed instrument.

Sukuk Murabaha

Murabaha ('sale with profit') is a sale contract with spot delivery, deferred payment and full disclosure including the cost and profit on the sale. The issuer of Sukuk Murabaha will hold the assets on the trust on behalf of the subscribers (certificate holders), who purchase the goods for selling to another party at cost plus a profit and on deferred payment terms. Sukuk Murabaha can be structured as an asset-based instrument.

Sukuk Musharakah

Musharakah is a 'partnership' contract where two or more parties contribute capital, assets and/or labour to a productive enterprise, with profits being shared according to an agreed upon ratio, while losses are shared according to the proportion of investment by each party. The issuer of Sukuk Musharakah is the managing partner, while both the issuer and the certificate holders contribute capital, either in cash or kind. The certificate holders jointly own the assets of Musharaka along with the issuer and both parties share in the profits (as per an agreed upon ratio) and losses (as per capital contribution). Sukuk Musharakah can be structured as an asset-based or asset-backed instrument.

Sukuk Mudharabah

Mudharabah is an 'agency partnership' contract where a managing partner or agent (Mudharib) invests on behalf the investing partner or owner of capital (Rabb-al-maal). The issuer of Sukuk Mudharabah is the managing partner, the subscribers are the owners of capital, and the realised funds are the Mudharaba capital. The certificate holders own the assets of Mudharaba and the agreed upon share of the profits belongs to the owners of capital and they bear the loss, if any. The managing partner is entitled to an agreed upon share of the profits but does not bear any of the losses other than from willful negligence or misconduct. Sukuk Mudharabah can be structured as an asset-based or asset-backed instrument.

Sukuk Istisna'a

Istisna'a (turnkey/build-to-order) is a contract for financing the manufacturing or construction of assets. The issuer of Sukuk Istisna'a is the manufacturer (supplier/seller), the subscribers are the buyers of the intended asset, while the funds realised from the subscription are the cost of the asset. The certificate holders own the asset manufactured and are entitled to the sale price of the certificates or the sale price of the asset sold on the basis of a sale purchase contract or a parallel Istisna'a, if any. Sukuk Istisna'a are project-backed Sukuk.

Sukuk Salam

Salam (forward sale) is a contract for manufacturing of fungible goods with immediate payment and deferred delivery. The issuer of Sukuk Salam is a seller of the goods of Salam, the subscribers are the buyers of the goods, while the funds realised from the subscription are the purchase price (Salam capital) of the goods. The holders of Salam certificates are the owners of the Salam goods and are entitled to the sale price of the certificates. Sukuk Salam can be structured as asset-based instrument.

Hybrid Sukuk

Hybrid Sukuk combines a number of contracts due to the particular lifecycle of the underlying project or due to the use of several underlying assets. A common hybrid combination is Istisna'a and Ijara, where the asset is constructed for a specific period of time after which it is leased to another party for the remaining period until maturity. The investment is recovered through receipt of lease payments and/or upon sale of the leased asset upon maturity. Hybrid Sukuk can be structured as an asset-based or asset-backed instrument.

Bay' bil thaman ajil

A contract to sell a Shari'ah-compliant asset for deferred payment (usually at a mark-up to the actual cost of the asset), thereby creating an obligation on the buyer to repay at a future date and creating a right to receive payment (debt asset) for the seller. In its sukuk application, the issuer sells its existing BBA assets to the certificate holders, who then recover their investment through repayment of the BBA debt over the tenor of the sukuk. These certificates can be structured as an asset-based instrument.

Bay' ad dayn

A contract to sell debt. In its sukuk application, it refers to the sale to the certificate holders of existing debt assets (sales receivables, Murabaha receivables, BBA receivables, Bay' al 'ina receivables) by the issuer or creating a debt asset via means of a Bay' al 'ina transaction by the issuer. The certificate holders recover their investment through repayment of the debt by the obligors. These certificates can be structured as an asset-based Sukuk instrument.

Bay' al 'ina

A sale and buyback contract or twin sale. In its sukuk application, the issuer of the certificate sells a Shari'ah-compliant asset to the certificate holders for spot payment at cost price. The certificate holders sell the asset back to the issuer for deferred payment with a markup representing the profit margin. This thereby creates a debt obligation on the issuer, which is the principal asset of the sukuk. Both sale contracts are executed separately. It is practised only in Malaysia. These certificates can be structured as an asset-based instrument.

Annex 4 – Issuance Process for Sustainable Bonds

Pre-issuance

A. Create a Bond Framework to Finance a Sustainable Bond

A bond (or sometimes financing) framework is the foundation of sustainable bond issuances. The framework is a publicly available document that outlines how the issuer will ensure that its green, social or sustainability bond/sukuk is aligned with the four core components of the Principles (GBP/SBP):

i. Use of proceeds,

ii. Process for project evaluation and selection,

iii. Management of proceeds, and

iv. Reporting (Allocation and Impact Reporting).

The framework can also reflect how the bond is intended to contribute to global sustainability targets such as the SDGs. The framework should describe the issuer's overarching sustainability objectives, policies, and strategy. Investors will consider the bond framework when deciding to invest in a bond. The framework is typically developed jointly with the issuer's advisers, including the specialized team of its lead-underwriting bank as well as environmental consultants when needed.

Useful additional ICMA resources:

- Guidance Handbook provides additional information in form of Q&As on how to interpret the Principles, especially for their practical application for transactions, as well as in the context of market development and complementary initiatives; and,
- A High-Level Mapping to the Sustainable Development Goals, which seeks to offer a broad frame of reference by which issuers, investors and bond market participants can assess the financing objectives of a given green, social, or sustainability bond program in relation to the SDGs.

B. Define and Confirm Project Categories

Eligible green/social projects can cover the financing or refinancing of investments and other related and supporting expenditures, as well as physical and financial assets including bank loan portfolios. Issuers can refer to the non-exhaustive list of eligible project categories under the GBP (SBP for social).

Environmental and social risks: The focus of green and social bonds is on the eligible projects rather than on the issuer itself. It should nonetheless be noted that the GBP and SBP recommend that issuers clearly communicate to investors their environmental and social sustainability objectives overall, and how they identify and manage potential environmental and social risks associated with the selected projects.

C. Obtain an External Review

The Principles recommend that issuers appoint (an) external review provider(s) to assess, through a pre-issuance external review, the alignment of their green, social or sustainability bond, program and/or framework with the four core components of the GBP, SBP and SBG. While there are multiple types of external reviews, the most common approach is to seek a second party opinion (SPO) on the bond framework and make it publicly available on the issuer's website. This is generally done by the issuer contracting an SPO provider. SPOs are important to disclose to both potential investors and other key stakeholders of the company, country, or institution.

For more details issuers should see the pre-issuance checklist for green bonds and the pre-issuance checklist for social bonds respectively.

Post-issuance

D. Management of Proceeds

An essential feature of the Principles with respect to UoP bonds is the focus on management and allocation of proceeds. It is important to note that market practice has moved increasingly to the simpler tracking of "equivalent amounts" of net proceeds rather than the other methods mentioned in the GBP. It is crucial to underline the recommendation for issuers to use an external auditor, or a third party, to verify the internal tracking method and the allocation of funds derived from the net proceeds.

E. Allocation and Impact Reporting

The Principles recommend annual reporting of both allocations to projects and their expected impact. Impact reporting is also essential as investors want to be informed of positive outcomes of their investments. Examples of indicators and metrics can be found in ICMA's Harmonised Framework for Impact Reporting.

F. Obtain an External Review

Post-issuance, it is recommended that an issuer's management of proceeds be supplemented using an external auditor, or a third party, to verify the internal tracking and the allocation of funds from the green, social and sustainability bond proceeds to eligible projects. More details on types of external review and how to manage the review process can be found in ICMA's Guidelines for External Reviewers, which provides voluntary guidance relating to professional and ethical standards for external reviewers, as well as to the organisation, content and disclosure for their report.

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