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## Malaysia's Progress in Green Sukuk

The Malaysian bond and sukuk market are strategically positioned to offer essential financing for productive and socially responsible projects. Malaysia has pioneered the issuance of Green SRI Sukuk since the introduction of the Sustainable & Responsible Investment (SRI) Sukuk framework in 2014. In 2017, Malaysia issued the world's first green SRI sukuk – to finance the construction of large-scale solar photovoltaic power plants in Kudat, Sabah. Since then, Green SRI Sukuk as a funding instrument has gained widespread appeal in Malaysia.

[According to Dato' Seri Dr. Awang Adek Hussin, the Chairman of Securities Commission Malaysia](#), with 35% of the global outstanding sukuk, Malaysia leads as the largest sukuk market, surpassing Saudi Arabia and Indonesia. Malaysia continues its regional leadership in SRI sukuk, with three SRI Sukuk totalling RM2.2 billion lodged with the SC by end-October 2023. The country also contributes significantly, accounting for 27% of the total issuance of ASEAN Green, Social, and Sustainability bonds and sukuk amounting to US\$41 billion.

In fact, according to International Energy Agency (IEA), to reach net zero emissions by 2050, annual clean energy investment worldwide will need around USD4 trillion by 2030, which translates to pockets of opportunities for investment across various sectors and industries. Malaysia, alone, requires energy transition financing needs at between RM 1.2 trillion and RM 1.3 trillion by 2050 according to National Energy Transition Roadmap (NETR). Given the substantial financing needs, the financial sector, especially the capital market, must persist in facilitating funding and investments in these crucial areas to align with the Government's priorities.

[In the recent Budget 2024 announcement](#), the Government remains committed to ongoing support for SRI. The Government plans to extend the tax exemption to fund management companies that manage SRI funds as well as tax deductions on the cost of issuing SRI sukuk until the assessment year 2027. Income tax exemption expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by SC between 1 Jan 2024 until 31 Dec 2025. Separately, the Federal Government will pioneer the issuance of biodiversity sukuk up to RM1 billion involving the replanting of degraded forests that will in turn generate carbon credit. This replanting initiative will be undertaken in collaboration with interested state governments and will potentially benefit from some of the carbon credit generated.

Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. Please click on the [link](#) to learn more or email us at [phillipmutual@phillipcapital.com.my](mailto:phillipmutual@phillipcapital.com.my) if you require any further information.

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