

Malaysian Initiatives to Support Sustainable and Responsible Investment (SRI) Especially through Sukuk Approach

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ABSTRACT

This paper attempts to discuss the initiatives offered by the Malaysian's government to support the SRI primarily through Sukuk approach. This paper is conceptual; thus, the methodology of this paper is qualitative focusing on document analysis method by analysing previous researches, books, reports, official website and articles. Based on the analysis, this paper found four main initiatives offered by Malaysia's government to support SRI approaches, and those are guidelines and frameworks, tax deductions, tax initiatives and Green Technology Financing Scheme. This paper useful to strengthen current studies related to SRI, especially in Malaysian contexts. Besides, this paper also provides a clear picture related to initiatives taken by Malaysia to support SRI and thus, might offer a new dimension in SRI implementation.

1. Introduction

The world is nowadays facing lots of challenges in ensuring sustainable development, especially in terms of environment, social and economic. Among the most significant challenges that we are facing nowadays are climate changes, poverty, foods and water safety, corruption and unemployment. A survey by World Economic Forum (2017) related to top-10 most concerning world issues revealed that climate change is the most pressing issue affecting the world today. The survey indicated that 48.8% of the survey participants chose climate change as their top concern, and 78.1% said they would be willing to change their lifestyle to protect the environment.

Besides, the report also added, another issues that also has been concerned among the world populations are wars (38.9%), inequality income distributions (30.8%), poverty (29.2%), religious conflicts (23.9%), government accountability and transparency (22.7%), food and water security (18.2%), lack of education (15.9%), safety and security (14.1%); and lack of economic opportunity and unemployment (12.1%) (World Economic Forum, 2017).

Thus, acts from the issues concerned, the global organizations like United Nations (UNs) started to put another significant milestone in developing new dimensions of world's sustainability by developing lots

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of initiatives to overcome the issues. However, these initiatives demands commitment from all significant parties around the world to achieve the targeted mission like quotes from CEO of United Nations Principles for Responsible Investment (UN-PRI) in 2018, she said, "Everything we have done this year – and everything we plan to do in the future – cannot be done without the support of our signatories/members of UNPRI" (UN-PRI Annual Report, 2018, pp. 5).

Until today, a lot of global initiatives launched around the world to ensure the world sustainability such as environment, social and governance initiative (ESGs), Sustainable and responsible investment initiative (SRIs) and the current's initiative, i.e. sustainable development goals (SDGs). One of the world impacts initiative launched by the UN-PRI in 2006 is SRI concept. Generally, there are several acronyms for "SRI", such as Social Responsible Investment; Sustainable, Responsible, and Impactful Investments; Socially Responsible Investments; and others. However, regardless of the term used, they reflect the same fundamental aims and goals.

SRI has been developed to enhance the investment decision making to consider the social well-being factors as well as profit generated. A standard definition of SRI is: "Integrating personal values and societal concerns with investment decisions" (Joan and Thomas, 2015; Statman, 2006; Shank et al., 2005; Schueth, 2003). SRI also has been defined as an investment strategy that emphasizes the combination between financial return with other social and environmental benefits (Salina and Adam, 2017; Brzeczynski and McIntosh, 2014; Fung and Yau, 2010).

Malaysia, as one of the significant developing country, also has taken the proactive approach together with the world standing to support the SRI initiative. Several initiatives provided by the Malaysian government to support the SRI by ensuring few efforts such as issuing guidelines, framework, incentives, and so on so forth. However, this paper is focused on Islamic finance context in supporting the SRI initiatives as an attempt to explain in details the initiatives initiated by the Malaysian government to support the SRI approach via the Islamic finance industry.

Therefore, the subsequent sub-topics of this paper discusses few matters related to SRI and Islamic finance as follows: Section 2 describes the establishment and the development of SRI concept. Section 3 discusses the current issuances of SRI concept in Malaysia and Section 4 presents several initiatives embarked by the Malaysian government to support SRI approach, while Section 5 comprises the conclusion remarks.

2. Establishment of SRI in Malaysia

The term of SRI has officially announced for the first time in Malaysia by the former sixth prime minister during his speech in National Budget's 2014 on 25 October 2013. During his speech, he stressed that in order to maintain Malaysia's position as a leader in the Islamic capital market as well as to improve competitiveness in the global ranking, efforts would be enhanced to promote the country as a home for SRI. He added, as the beginning, RM1 billions of fund has allocated for companies that demonstrate high performance in the SRI Index (Ministry of Finance Malaysia, 2013).

On 28 August 2014, Securities Commission Malaysia (SC) has announced the revisions of its sukuk guideline by including the new requirements for the issuance of SRI sukuk. In Part E, Chapter 20 of the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors explains that SRI Sukuk can be used to the projects that aim to preserve and protect the environment and natural resources, conserve the use of energy, promote the use of renewable energy, reduce greenhouse gas emission or/and improve the quality of life for the society. Besides, the guideline also highlighted the details of the project for each component as well as assessment and disclosure requirements for the issuer (Securities Commission, 2015).

Among the objectives of the launched SRI Sukuk guideline are to meet the demand of retail and investors' need which is to access a broader range of investment products and facilitate greater participation in the Sukuk market. Besides, the guideline also plays a role as an indication of growing concerns over the environmental and social impact of business; and higher demand for stronger governance and ethics from businesses. Moreover, the objective also to facilitate the creation of a conducive eco-system for SRI investors and issuers (Rafe Haneef, 2016; SC, 2014).

On 22 December 2014, the SRI Index launched by Bursa Malaysia that known as FTSE4Good Bursa Malaysia (F4GBM) index alliance with Financial Times Stock Exchange as part of the worldwide FTSE4Good Index Series. The index also aligned with other leading global SRI frameworks such as the GRI and the Carbon Disclosure Project (Ruhaya et al., 2018). Through this initiative, the player in the industry, such as the investors, shareholders, and clients expect the companies will provide a greater responsibility and transparency in their investments (The Star, 2014). Furthermore, government Malaysia through Valuecap Sdn. Bhd. Which is one of the government-linked investment holding company was allocated RM one billion to create an SRI fund used to buy shares from the Bursa Malaysia SRI index (The Star, 2015).

3. Current Issuances of SRI in Malaysia

In 18th June 2015, the first SRI sukuk has issued by Khazanah Nasional Berhad via Ihsan Sukuk Bhd which act as Special Purpose Vehicle (SPV). Ihsan Sukuk Bhd was established in early 2015 to issue a ringgit denominated SRI Sukuk programme amounted RM1 billion (Ghani, 2015). This SRI sukuk is structured to promote a new method of fund “trust schools” through the Islamic capital market. This sukuk also created another milestone for Islamic Capital Markets (ICM) as the first SRI sukuk approved under SRI Framework by SC and was rating as AAA by RAM Rating Services Bhd (RAM Ratings, 2015).

In details, Yayasan Amir (YA) has been appointed to lead the Yayasan Amir's Trust School Programme to roll-out 20 schools. YA incorporated by Khazanah Nasional Berhad is a non-profit organisation (NPO) to help in improving the quality of education in Malaysian public schools through public-private partnerships with the Malaysian Ministry of Education (Ghani, 2015). The periodic distribution rate for the projects is 4.3% per annum within 7-year tenure (The Star Online, 2015) by using contract *Wakalah Bi Al-Istithmar* (Rafe Haneef, 2016). This type of contract used in the investment purpose, where the *wakil* as trustee shall not be held liable to compensate losses of the capital except if the loss is due to his misconduct (*ta'addi*), negligence (*taqsir*), or breach of specified terms (*mukhalafah alshurut*). Besides, this kind of contract also entitled the *wakil* to share either a part or all of the excess in the event of investment return is higher than the expected return due to an incentive for proper management of the investment.

On 13 June 2017, Khazanah issued another RM100 million as a second SRI Sukuk as well as the continuation from the first SRI Sukuk. As of June 2017, the Trust Schools Programme has been rolled out to 83 schools across ten states, creating better outcomes for over 65,000 young Malaysians. The structure of the SRI Sukuk based on Islamic principle contract, which is *Wakalah Bi Al-Istithmar* as discussed before. CIMB Investment Bank Berhad appointed as the sole Lead Arranger, while Maybank Investment Bank and RHB Investment Bank acted as Joint Bookrunners and Joint Lead Managers for this investment (Khazanah Nasional, 2017).

Based on the annual progress report Yayasan Amir's Trust School Programme 2018, this project went through the phases progressively as planned, and the state of Kelantan became the youngest state to be in this programme involving five schools, in Jeli. Furthermore, this initiative currently had expended the scope by included 23 Pejabat Pendidikan Daerah (PPDs) and 10 Jabatan Pendidikan Negeri (JPNs) into this programme (Yayasan Amir Annual Report, 2018).

In July 2017, Tadau Energy Sdn. Bhd. Which is one of the renewable energy and sustainable technology investment firm issued the world's first green Sukuk under SC's SRI Sukuk Framework amounted RM250 million (RAM Ratings, 2017). The issuer used the Shariah principles contract of *istisna'* (manufacturing sale) and *ijarah* (leasing) to finance the construction of large scale solar (LSS) photovoltaic power plants in Kudat, Sabah, with a tenure of two to 16 years.

SC during the announcement the successful of issued the world's first green Sukuk also added, each company that involves in green investment also has been promoted the great incentives by the government with aims to attract more green issuers and to grow the green practises. This project also indicated that the successful collaboration between SC, Bank Negara Malaysia (BNM) and the World Bank in their efforts to facilitate the growth of SRI Sukuk, to tackle global infrastructure needs through introducing innovative financial products and bring more awareness to the market. Moreover, World Bank Representative to Malaysia, Faris Hadad-Zervos added, the success of this joint-partner indicated that Malaysia is playing a pioneering role in utilising capital markets primarily in the Islamic finance sector (SC, 2017).

Referring to a report published on October 2018, RAM rating agency has put this project as AA3/Stable rating. The rating reflected the strong debt-servicing ability as steady cashflows were expected to be generated from this project. Although the project was delayed of close to 6 months compared to the originally scheduled 31 March 2018, the commercial operations date (COD) of Tadau's 48-MW unit had already achieved on 26 September 2018. Based on report, the main reasons in delaying completion were challenges in scheduling the testing and commissioning works, the unfamiliarity of the engineering, procurement and construction contractor with domestic regulations and in managing local workers, a change in the Malaysian Construction Industry Development Board's policy on the approval and inspection of imported steel structures, used for the mounting of PV panels (RAM Ratings, 2018).

Following the success of Green SRI Sukuk Tadau, the Quantum Solar Park Malaysia Sdn Bhd launched the world's largest green SRI Sukuk amounted RM1 billion in October 2017 to fund the construction of Southeast Asia's largest solar photovoltaic plant project in three districts: Kedah, Melaka and Terengganu. This is the largest solar power project of its kind in South-East Asia and will generate about 282,000MWh of electricity to Tenaga Nasional Bhd yearly for 21 years. By the end of 2017, Malaysia saw the issuance of four green SRI Sukuk totalling RM3.5 billions to finance solar projects and green buildings (Capital Market Malaysia, 2018).

The development of SRI in Malaysia continues to progress when in December 2017, PNB Merdeka Ventures Sdn Bhd, a wholly-owned subsidiary of Permodalan Nasional Berhad, issued unrated Green SRI Sukuk via its Sukuk programme of up to RM2 billion to fund the construction of the 83-storey Merdeka PNB118 Tower. Upon the completion by 2020, this building will become the third tallest building in the world. In ranks, this is the third and largest Green SRI Sukuk to be issued in Malaysia (The Sunday Daily, 2017). The SRI sukuk programme is the first adopter of the ASEAN Green Bond Standards launched by the SCM-led ASEAN Capital Markets Forum in November 2017. This sukuk also complies with the SRI sukuk framework.

Based on Ernst & Young Advisory Services 2019 report, the third party independent agency appointed by PNB Merdeka Ventures Sdn Bhd, the project in term of proposed use of proceeds, policies and procedures for management of proceeds and the reporting on use of proceeds in relation to PNBMV's green sukuk issuance does not meet the criteria outlined in PNBMV's sukuk framework, in most of material aspects. Based on the analysis, the biggest issue faced by this project was failed to fulfil the requirement as set by the framework. Only two requirements had shown good impact, which was in term of construction waste management; and health and safety.

In January 2018, Sinar Kamiri Sdn Bhd, an indirect subsidiary of Mudajaya Group Berhad, issued a Green SRI Sukuk of up to RM245 million for purposes of financing the construction/development of a 49MW solar photovoltaic facility in Sungai Siput, Perak (Chandra, 2017). The issuer used the Shariah Principle contract of *Wakalah Bi Al-Istithmar*, and the proceeds from the Sukuk will be solely used for the design, construction, ownership, operation and maintenance of the project.

In April 2018, Universiti Teknologi Mara, under indirect subsidiary UiTM Solar Power Sdn Bhd issued Green SRI Sukuk of up to RM240 million to finance the development and operation of the 50MW utility solar power plant in Gambang, Pahang. This issuer has put UiTM as the first institute of higher learning educations in the world to issue a Green SRI Sukuk (Chonghui, 2018). In a statement, this initiative is a part of UiTM's mission to help fulfil the national aspiration of promoting Malaysia's green technology, accelerate the country's economy and boost sustainable development.

Currently, based on the report released by Center for International Climate Research (CICERO) 2018, the early assessment to this project had categorized as 'dark green' level which was the highest level among this categories. Dark green means the projects and solutions that are realizations today of the long-term vision of low carbon and resilient climate future. Typically, this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities. Moreover, the report also revealed that UiTM Solar Power was able to become a leading role in Malaysia in supporting the transition to low carbon in the future.

Until the end of 2018, the Sukuk issuers under SRI Sukuk frameworks up to RM882.3milions from the issuers of three megaprojects (SC Annual Report, 2018). This achievement indicated that SRI in Malaysia has a bright future to be grown.

4. Initiatives to Support SRI in Malaysia

Various legislations and initiatives were introduced by the Government, which have helped boost the development of the SRI market in Malaysia. SC is one of the bodies that has been given responsibilities to provide guidelines and requirements for the SRI Sukuk product offering.

4.1 Revision in Sukuk Guidelines by SC

In 2011, SC launched the Capital Market Masterplan 2, which aimed to promote socially responsible financing and investment. Among the goals of this masterplan were to create a conducive environment for the issuers and investors of SRI as well as to sustain in the long term by providing a better balance between the business and society purposes. Besides, the masterplan also aimed to manage the growing trend of new financial products or instruments such as social impact bonds (SIB), green bonds and others (Islamic Capital Market, 2017).

In October 2013, the former sixth prime minister of Malaysia announced to promote Malaysia as a hub for SRI market during his 2014's Budget speech. That efforts to ensure the capital market industry in Malaysia became stronger and able to remain Malaysia as the leader among Islamic capital market issuers. Subsequently, on August 2014, SC revised the Guidelines on Sukuk in order to incorporate new requirements for the issuance of SRI Sukuk projects.

The new SRI sukuk guidelines by SC stated that an issuer must ensure the purpose of funding must fulfil the eligible projects that aim to:

1. preserve and protect the environment and natural resources;
2. conserve the use of energy;
3. promote the use of renewable energy;
4. reduce greenhouse gas emission; or

5. improve the quality of life for society.

Besides, existing projects are also eligible to be categorised under the SRI project if their physical assets/activities relate to the following sectors:

- 1) Natural resources – projects relating to -
 - a) sustainable land use;
 - b) sustainable forestry and agriculture;
 - c) biodiversity conservation;
 - d) remediation and redevelopment of polluted or contaminated sites;
 - e) water infrastructure, treatment and recycling; or
 - f) sustainable waste management projects.
 - 2) Renewable energy and energy efficiency – projects relating to–
 - a) new or existing renewable energy (solar, wind, hydro, biomass, geothermal and tidal);
 - b) efficient power generation and transmission systems; or
 - c) energy efficiency, which results in the reduction of greenhouse gas emissions or energy consumption per unit output.
 - 3) Community and economic development – projects relating to–
 - a) public hospital/medical services;
 - b) public educational services;
 - c) community services;
 - d) urban revitalisation;
 - e) sustainable building projects; or
 - f) affordable housing.
 - 4) Waqf properties/ assets – any projects that undertake the development of waqf properties/ assets.
- The SC guideline also highlighted the requirements whereby an issuer is obliged to disclose (via disclosure documents or a prospectus), the items are:
- a) details of the eligible SRI project and, to the extent possible, impact objectives from the eligible SRI project; and
 - b) a statement that the issuer has complied with the relevant environmental, social and governance standards or accepted best practices relating to the eligible SRI project.

The guideline added, the company may also appoint the independent party to make an assessment and to report on the eligible SRI project. The report can be performed in various approaches such as via disclosure documents or prospectus but with the mutual consent between all parties involved. These approaches also should be applied for the case of SRI sukuk issued to retail investors.

The company that involved in SRI investment also responsible for providing an annual report to the investors, in which the report must include:

- a) The original amount earmarked for the eligible SRI project;
- b) The amount utilised for the eligible SRI project;
- c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and
- d) Where feasible and to the extent possible, the impact objectives from the eligible SRI project.

Under the transparency and disclosure requirement of the guideline, the issuers are responsible for highlighting those criteria in their report. The report must be published publicly via newsletters, website updates, annual report or any other communication channels. The issuers also allowed to appoint the independent third party to fulfil those requirements with consent from both the issuer and the independent party.

The SRI Sukuk guidelines also added one of the exciting areas, which are the *waqf* (endowment) of properties/assets as one of the eligible categories for SRI projects. This mechanism has gained massive interest in Islamic economics history, where it has been used to overcome a few fundamental problems such as poverty alleviation and others. According to the Centre for Islamic Wealth Management (2015), the accumulated funds for the establishment of waqf projects can be realised through several instruments, including:

- a) Cash waqf or e-waqf fund
- b) Per-square feet value certificate, and
- c) Sukuk issuance.

These instruments can provide the avenue for investors to dedicate the wealth towards perpetual returns which can benefit the society.

Until the end of 2018, another four guidelines and frameworks related to the SRI ecosystems are launched, those are:

- a) ASEAN Green Bond Standards 2017

This standard is also known as ASEAN GBS issued by the ASEAN Capital Markets Forum (ACMF) in November 2017. The ASEAN GBS aims to push for a standardized set of rules for green bonds across ASEAN member countries where, at this point of time, most of the ASEAN countries either only have their green bond standards or no green bond standards at all. Besides, this standard also meant to help the countries involved to implement their commitments under the Paris Agreement and the Sustainable Development Goals (SDGs).

The ASEAN GBS were developed based on ICMA's Green Bond Principles (GBP) and tailored to meet the needs and commitment of ASEAN. The standard to be used only for issuers and projects in the ASEAN region, but it excludes fossil fuel related project. The ASEAN GBS thus intends to enhance the transparency for issuers of green bonds, reduce due diligence costs and help investors make informed decisions. It also guides market participants on the use and management of proceeds, processes for project evaluation and selection, and reporting.

- b) Guidelines on SRI Funds 2017

These guidelines have issued to facilitate and encourage more significant growth of SRI funds in Malaysia. The SC announced the introduction of these guidelines would bring another significant step towards further development of the SRI ecosystem in Malaysia, reinforcing their positioning in the regional SRI segment as well as global leadership in Islamic finance.

The guidelines, which enable funds to be designated as SRI, will widen the range of SRI products in the market and attract more investors in the SRI segment. The guidelines would be eligible to fund products within the SC's oversight, such as unit trust funds, real estate investment trust funds, exchange-traded funds, venture capital and private equity funds and others. Fund managers that manage qualified SRI funds under these guidelines will be eligible for tax incentives as announced in the 2018 budget.

- c) ASEAN Social Bond Standards 2018

ASEAN Social Bond Standards or ASEAN SBS is one of the key initiatives by the ACMF to develop social asset classes in line with the growing importance of social finance in ASEAN. These standards are complementary to ASEAN Green Bond Standards (ASEAN GBS) that were first introduced in November 2017.

The ASEAN SBS was developed based on the International Capital Market Association (ICMA)'s Social Bond Principles (SBP). The ASEAN SBS aims to provide specific guidance on how the SBP is to be applied across ASEAN in order for social bonds to be labelled as ASEAN Social Bonds. Thus, the issuers

who wish to issue and label social bonds as ASEAN Social Bonds must demonstrate compliance with the ASEAN SBS.

d) ASEAN Sustainability Bond Standards 2018 (ASEAN SUS)

These standards intend to guide the issuance of ASEAN Sustainability Bonds. ASEAN SUS will be exclusively applied to finance or re-finance a combination of both Green and Social Projects that respectively provides benefits to the environmental and social. Thus, the issuers of an ASEAN Sustainability Bond must comply with both the ASEAN GBS and the ASEAN SBS. The proceeds allocated for the project must not be used for ineligible projects in the ASEAN GBS like fossil fuel power generation projects, as well as in the ASEAN SBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weapons).

The ASEAN SUS was developed based on the International Capital Market Association (ICMA)'s Sustainability Bond Guidelines. The ASEAN SUS are aligned with the four core components in the ASEAN Green Bond Standards (ASEAN GBS) and ASEAN Social Bond Standards (ASEAN SBS) which are the use of proceeds, the process for project evaluation and selection, management of proceeds, and reporting. It is also recognised that there is a market of sustainability-themed bonds, including those linked to the SDGs, in some cases issued by organisations that are mainly or entirely involved in sustainable activities, but their bonds are not aligned to the four core components of the ASEAN GBS and ASEAN SBS.

As a conclusion, in developing a facilitative ecosystem to strengthen Malaysia's position as a regional leader in sustainable investment, the SC has intensified its efforts in promoting and introducing green, social and sustainable investment to all asset classes.

4.2 Tax deduction

Tax deduction for the expenditure incurred on the issuance or offering of SRI sukuk approved or authorized by, or lodged with, the SC for the year of assessment from January 2018 until the year of assessment December 2020. The tax deduction applies to SRI Sukuk in which 90% of the proceeds raised from the issuance or offering of the SRI Sukuk are used solely to fund SRI projects as specified in the guidelines by the SC (SC, 2017).

To be eligible for tax deductions under the Green SRI Sukuk incentives, the SRI Sukuk issuer must utilise the SRI Sukuk framework by ensuring the purpose of funding is eligible under SRI projects. The projects must be aimed, among others, to preserve and protect the environment and natural resources, conserve the use of energy, promote the use of renewable energy, reduce greenhouse gas emissions and more. A list of eligible SRI projects are set out in Chapter 7, Part 3, Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (SC, 2015).

4.3 Tax incentives

This scheme called 'green incentives' that provide tax exemption for green technology activities in energy, transportation, building, waste management and supporting services activities. Launched by the government in 2014, this scheme aims to provide investment tax allowance for the purchase of green technology equipment and income tax exemption on green technology services and systems to develop Malaysia as a green economy hub by encouraging green procurement, services and systems provider.

This scheme divided into three initiatives, which are:

- a) Green investment tax allowance for projects.
- b) Green investment tax allowance for assets.
- c) Green income tax exemption.

In details, these tax incentives aimed to archive the following objectives:

- a) to encourage investments in green technology industries and the adoption of green technology by private sectors.
- b) to encourage companies to purchase assets that have been verified is green technology assets.
- c) to facilitate the transition of expiring existing tax incentives relating to renewable energy, energy efficiency and green building projects.
- d) widening the coverage across various priority green technology industries and supporting services activities.
- e) facilities the nation journey to reduce 45% carbon emissions by 2030.

Recently in 2019's budget, the government has expended the list of the green asset from 9 to 40 assets that give excellent opportunities to the companies to utilise these incentives. Among the new assets that recently included in this scheme such as biomass, biogas, anergy management systems, waste treatment, waste disposal and others (MyHijau Malaysia, 2019).

4.4 Financing incentives

Financing incentives under the Green Technology Financing Scheme (GTFS) with total funds allocation of RM5 billion until 2022 (SC, 2017). This initiative is put under the management of the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) and GreenTech Malaysia. Among the main objective of this scheme are to finance investment for the production of green products, the utilization of green technology and to finance assets related to energy-efficient project and energy performance contracting.

Under this scheme, there are four main scopes which are eligible to be funded, which is in energy, water and waste, building and township as well as transportation projects. The scheme is offered to the companies that fulfilled the minimum requirement, which is:

- a) Projects must be located within Malaysia, utilising local and imported technology.
- b) Financing Tenure: Up to 10 -15 years.
- c) Eligibility Criteria: Legally registered Malaysian -owned companies (at least 51%) in all economic sectors.

All products, equipment and systems also must be in line with the following criteria to allow them to apply the scheme:-

- a) Minimize degradation of the environment;
- b) Zero or low greenhouse gas emission;
- c) Safe for use and promotes a healthy and improved environment for inhabitants;
- d) Conserve the use of energy and natural resources;
- e) Promote the use of renewable energy resources.

Besides, the company also should fulfil the specific criteria set under this scheme based on the scope of projects involved whether in energy, water and waste, building and township as well as transportation projects (GreenTech Malaysia, 2016).

5. Conclusions

Generally, this paper attempts to discuss the initiatives offered by the Malaysian government to support the SRI ecosystems. Thus, from the analysis, the study found that the government of Malaysia has put great efforts to develop and to promote the SRI concept by providing many initiatives. Among the initiatives offered as spelt out in the guidelines and frameworks, tax deduction, tax incentives and financing incentives scheme. In term of guidelines and frameworks, until end of 2018, there are five

standards and guidelines were launched, namely SRI Sukuk guideline, ASEAN Green Bond Standards, Guidelines on SRI Funds, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards.

Therefore, it has been proven that the government has intensified its efforts to put the SRI integration become one of the standard practices in Malaysia's investment. The authorities' institutions such as from MESTECC, SC, BNM, GreenTech, Bursa Malaysia are holistically mobilized to achieve these objectives. The future of SRI Sukuk in Malaysia is promising, and the issuance of SRI Sukuk is expected to grow in the next few years, primarily to support more environmentally sustainable infrastructure projects. This will further strengthen Malaysia's position as the primary catalyst for Shariah-compliant SRI Sukuk in the world.

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