VBIAF: Transforming Islamic Finance Through Impact

Bank Negara Malaysia's Value-Based Intermediation Financing & Investment Impact Assessment Framework

What is VBIAF?

Impact-Driven Framework

Guides financial institutions to assess financing based on sustainable impact and Shariah principles

ESG Integration

Incorporates environmental, social, and governance factors into Islamic banking decisions

Risk Management Tool

Identifies and manages ESG-related risks in financing and investment activities

Core Objectives

Sustainable Impact

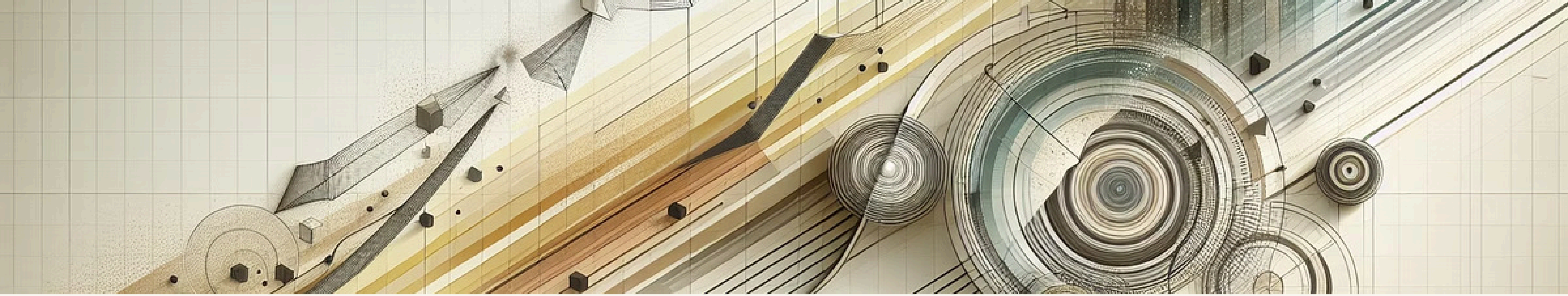
Generate positive impacts on economy, society, and environment while maintaining financial returns

Shariah Alignment

Incorporate principles of doing good, preventing harm, and promoting welfare into decision-making

Risk Mitigation

Serve as comprehensive risk management tool for ESG-related financing risks



VBIAF Development Timeline

01

2018: Foundation

BNM released VBI Implementation Guide, VBI Scorecard (Consultative), and VBIAF (Consultative)

02

November 2019: Official Launch

VBIAF was officially finalized and published, marking a milestone in Islamic sustainable finance

03

April 2021: CCPT Release

Climate Change and Principle-based Taxonomy issued to support sectoral assessments

Sectoral Guides Rollout

1st Cohort - March 2021

Palm Oil, Renewable Energy, and Energy Efficiency sectors launched

2nd Cohort - March 2021-2022

Oil & Gas, Construction & Infrastructure, and Manufacturing guides released

3rd Cohort - September 2024

Agriculture, Mining & Quarrying, Road Transportation, and Waste Management added

1st Cohort Industries

Palm Oil

Sustainable plantation practices and responsible supply chain management

Renewable Energy

Clean energy projects supporting Malaysia's carbon neutrality goals

Energy Efficiency

Technologies and practices reducing energy consumption across sectors

2nd Cohort Focus Areas

Oil & Gas

ESG screening for cleaner technologies, EV power systems, renewables, and carbon capture storage

Manufacturing

Circular economy, recyclable materials, emissions management, and green transition practices

Construction & Infrastructure

Sustainable building practices, green materials, and infrastructure resilience

3rd Cohort: Latest Additions

Agriculture

Sustainable farming, resource efficiency, and ethical community relations in food production

Mining & Quarrying

Responsible extraction practices and environmental rehabilitation

Road Transportation

Clean mobility solutions and sustainable logistics

Waste Management

Circular economy principles and waste-to-resource initiatives

Shariah-Aligned Impact Principles

Do Good

Promote beneficial activities that create positive societal impact

Prevent Harm

Avoid financing activities that cause environmental or social damage

Common Good

Prioritize collective welfare and sustainable development

Risk Management Through ESG Lens

Environmental Risks

Climate change, pollution, and resource depletion impacts

Social Risks

Community relations, labor practices, and social equity

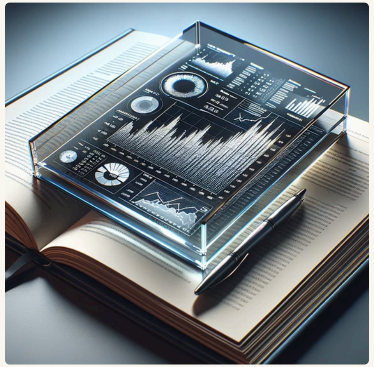
Governance Risks

Corporate transparency, ethics, and regulatory compliance

Implementation Strategy

Nurturing Champions

Developing internal advocates and expertise within financial institutions



Enhanced Transparency

Improved disclosures and reporting standards for stakeholder confidence

Performance Metrics

Scorecards and measurement tools for tracking impact and progress

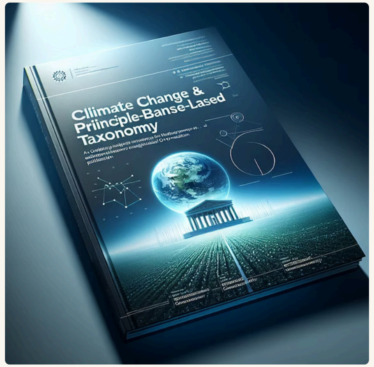
Stakeholder Collaboration

Partnership approach involving regulators, institutions, and industry players

Ecosystem Integration

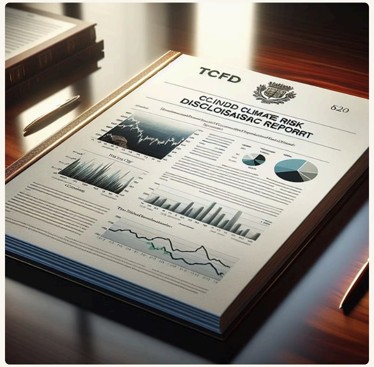
VBIAF

Investment alignment tool for Malaysia



CCPT

Principle-based taxonomy for climate



TCFD

Climate risk disclosure guidelines

Malaysia Framework

Integrated national sustainability policy

VBIAF works alongside CCPT and climate-risk guidelines, forming a comprehensive sustainability framework for Malaysia's financial sector.

The Future of Islamic Sustainable Finance

11

Sectoral Guides

Comprehensive coverage across key economic sectors

2019

Framework Launch

Pioneering sustainable Islamic finance regulation

100%

Voluntary Adoption

Industry-driven implementation with regulatory support

VBIAF represents Malaysia's leadership in integrating Islamic principles with sustainable finance, creating a model for global Islamic banking transformation.