

Agrarius lists first Shari'ah-compliant sustainability-linked Sukuk on the JSE

Agrarius Sustainability Engineered (Agrarius) today listed Africa's first Shari'ah-compliant sustainability-linked Sukuk (Sukuk) on the Johannesburg Stock Exchange (JSE).



Source: 27Four

The listing of the Sukuk constitutes the inaugural issuance by the company under its R10bn Shari'ah compliant sustainability-related asset backed note programme focusing on the agriculture sector, which was registered and approved by the JSE during September 2022.

The inaugural issuance, in terms of which Agrarius targeted to raise R500m, was oversubscribed by investors and the proceeds from the issuance will be invested in green and sustainable projects and transactions in the agriculture-sector value chain.

Agrarius is the brainchild of and is administered by 27four Investment Managers, a majority women-owned and led South African firm.

Generally speaking, Sukuk instruments are Shari'ah compliant fixed-income debt instruments that generate periodic profit distributions, comparable to corporate or governmental bonds.

However, what makes a Sukuk unique is that it represents an ownership interest in an asset or a pool of assets and the proceeds from the issue of Sukuk instruments can only be used for ethical purposes.

The Agrarius Sukuk which is issued for a term, of 36 months, will mature on 28 October 2025 and is expected to start making periodic profit distributions to investors from 30 September 2023.

Shari'ah-compliant instruments forbid paying interest and instead reward investors through the sharing of profits.

Raising debt for green, social and sustainable investment

The Sukuk has been listed on the sustainability segment, established by the JSE to assist companies to raise debt for green, social, and sustainable investment projects.

Following today's listing, the number of sustainability instruments listed on the JSE's sustainability segment has risen to 54, pushing up the segment's market capitalisation to over R32bn.

In pre-listing media reports, Agrarius said a significant portion of the proceeds from issuances under its new programme will be invested in existing agri-businesses that are looking for capital to expand their operations.

"Agrarius' mission is to transform the agriculture sector from an extractive economy to a circular economy mobilising pools of capital to projects that meet both investor return targets and broader sustainability objectives," says Werner Opperman, chief executive officer of Agrarius.



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28 Oct 2022

14

Valdene Reddy, director of capital markets at the JSE, has applauded the innovativeness of Agrarius' sustainability-linked Sukuk, saying it will lead to capital formation in the agricultural sector, which is currently severely under-served by traditional finance.

"The JSE encourages product innovation in the sustainability space. This issuance by Agrarius showcases an investment approach that differs from traditional models.

"We welcome the mechanisms to enable access to funding to grow pivotal sectors within the South Africa economy," explains Reddy.

The JSE launched the sustainability segment in June 2020 with the aim of providing a platform for companies to raise debt for green, social, and sustainable initiatives.

This year, the segment was expanded to allow for sustainability-linked bond issuances, which allow for the cost of capital to be directly linked to sustainability outcomes and impact.

The segment makes it accessible and easier for companies to list and trade sustainability-related instruments to raise funds for activities directed at sustainable development.

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