

Islamic Finance and Socially Responsible Investment

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"Corporate Governance
Worldwide"

Islamic Finance and Socially responsible Investment (SRI)

- What is corporate responsibility?
ICC: “Voluntary commitment by business to manage its activities in a responsible way”,
OECD: “Effective *fit* between businesses and the societies in which they operate”
- Driving Forces behind corporate responsibility
 - i. Stakeholder pressures
 - ii. Regulators’ (legal) pressure
 - iii. Organizational-internal-financial issues
- Voluntary compliance versus regulation



Islamic Finance and Socially responsible Investment (SRI)

- Codes of Conduct, Ethics
 - i. Employment, labor relations,
 - ii. Environmental management,
 - iii. Social issues such as human rights, consumer protection,
 - iv. Ethical issues such as fighting bribery and corruption

- Global developments
 - i. UN Global Compact (e.g.Coca-Cola)
 - ii. Ceres Principles
 - iii. Global Reporting Initiative
 - iv. OECD Guidelines for Multinationals

- Controversy confronted



Islamic Finance and Socially responsible Investment (SRI)

- Islamic Finance and SRI
 - ✓ Is an ethical and equitable mode of finance
 - ✓ Relatively young but growing industry
 - ✓ Should be shari'ah compliant
 - ✓ Should achieve convergence and harmonization in differing jurisdictions, and interpretations of different Islamic countries
 - ✓ Should not only be competitive at the global level, but also target globally accepted Islamic standards
 - ✓ Should be transparent and accountable
 - ✓ Should be sustainable – *Dow Jones Islamic Market Sustainability Index*

