



**ISRA**

International Shari'ah Research  
Academy for Islamic Finance  
الأكاديمية العالمية للبحوث الشرعية في المالية الإسلامية

 **UKiFC**

# ISLAMIC FINANCE: SHARIAH AND THE SDGS

THOUGHT LEADERSHIP SERIES PART 4 - OCTOBER 2021

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## DEFINED TERMS

**BAZNAS** - The National Board of *Zakat*, known locally as Badan Amil *Zakat* Nasional

**BMMB** - Bank Muamalat Malaysia Berhad

**BNM** - Bank Negara Malaysia

**CSR** - Corporate Social Responsibility

**ESG** - Environmental, Social and Governance

**GB & LC** - Green Bond and Loan Committee

**GCC** - Gulf Cooperation Council

**IF** – Islamic Finance

**IFI** – Islamic Finance Institution

**INCEIF** - International Centre for Education in Islamic Finance

**IsDB** - Islamic Development Bank

**ISF** – Islamic Social Finance

**ISRA** - International Shari'ah Research Academy for Islamic Finance

**KWAN** - Klinik *Waqf* An-Nur

**OIC** - Organisation of Islamic Cooperation

**PRB** - The UN Principles for Responsible Banking

**PRI** - Principles for Responsible Investment

**PSI** - Principles for Sustainable Insurance

**SDGs**- UN Sustainable Development Goals

**SOP** - Standard Operating Procedures

**SRI** - Socially Responsible Investing

**SSB** - Shariah Supervisory Board

**UKIFC** - Islamic Finance Council (UK)

**UN** - United Nations

**UNDP** - United Nations Development Programme

**UNHCR** - United Nations High Commissioner for Refugees

**VBI** - Value-based Intermediation

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## FOREWORD

Environmental, social, and governance shortcomings have recently led to several initiatives sponsored by the United Nations including the Sustainable Development Goals (SDGs). According to United Nations Development Programme, the SDGs comprise a global agenda that represents a universal framework for comprehensive development. It aims to plan for a better and sustainable future and address the global challenges faced by people and the planet. Prominent among the goals are eradication of poverty, dealing with climate and environmental degradation, improving human health and education, and a range of other goals involving the environment and socio-economic development.



**Sheikh Dr. Mohamed Ali Elgari**

One of the most salient factors that challenges the achievement of the SDGs by 2030 is the shortage of financial resources. Several reports and studies revealed that Islamic finance sector has the capacity to mobilise funds to meet part of the USD 5-7 trillion annual funding gap that needs to be satisfied to achieve the 2030 target. With a handful of notable exceptions, research has shown that there is still quite limited engagement by the global Islamic finance sector with the SDGs, albeit the Islamic Development Bank (IsDB) has been a beacon amongst all multilaterals in deploying issuance proceeds to align with SDG targets. Besides that, there are some initiatives which aim to strengthen and support sustainability in Islamic finance institutions (IFIs) such as Sustainable and Responsible Investments (SRI) and Environmental, Social and Governance (ESG), as well as Value-Based Intermediation (VBI) initiated by the Malaysian Central Bank. Altogether, these initiatives aim to play an important role in the preservation of the environment and several socio-economic development issues promoted by SDGs.

It is no surprise that the importance of adopting these initiatives at the level of IFIs has emerged. This is clearly shown by the ways that IFIs have been doing business whereby reporting is becoming more comprehensive in covering ESG and SDG concerns.

Having said that, the issue of their compatibility with the ethical values propagated by Islam and maqasid al-Shariah has emerged in the contemporary Islamic financial discourses and practices. While the UN's SDGs, SRI and ESG have become the mantra of global authorities in realigning their existing system towards a more responsible, sustainable, and inclusive financial ecosystem, the assimilation of maqasid al-Shariah in contemporary Islamic financial practices remains inadequate compared to what is required of the Islamic financial industry to achieve social and economic development.

In other words, IFIs are required to adopt a more proactive approach to delivering the requirements of maqasid al-Shariah and therefore to associate and integrate objectives

such as the SDGs within their business model and policy formation. Taking a step further, the current understanding and interpretation of maqasid requires a grand framework that integrates maqasid al-Shariah the SDGs and provides direction for how financial transactions should be arranged in an Islamic economic system.

This report, which is jointly produced by ISRA and UKIFC, is the last part of a four-part thought leadership series incorporating Shariah scholars' perspectives on the the SDGs. The report deliberates the relationship between Shariah and SDGs and highlights some of the key principles of Shariah which support the SDG agenda. It highlights the Shariah scholars' understanding and perspectives on the SDGs, and the alignment of each goal with the principles and provisions of Shariah. The report also demonstrates how the SDGs can be materialized by presenting the case study of HSBC Amanah. Challenges the SDGs pose to IFIs and the potential role of the SSB in relation to developing new Islamic finance products to support achieving the SDGs was also examined.

I would like to take this opportunity to express my gratitude to ISRA and UKIFC for this important report, which aims to build on the nascent development of the SDGs amongst the Islamic finance community. My profound thanks also go to all the contributors and the production team from ISRA and UKIFC for their relentless efforts.

## INTRODUCTION

This report is the last part of a four-part thought leadership series delivered by the International Shari'ah Research Academy for Islamic Finance (ISRA) in partnership with the Islamic Finance Council UK (UKIFC). The series is intended to inspire IFIs to embrace the SDGs and demonstrate to the world that consideration for people, planet and purpose can coexist with profit and form the heart of the next generation of Islamic financial products. This part will mainly document the current level of knowledge, understanding and perspectives on the SDGs amongst key IF industry stakeholders, primarily Shariah scholars.

The concept of sustainable development was articulated for the first time in the Brundtland Report, also called "Our Common Future", published in 1987 by the World Commission on Environment and Development (WCED) and supported by the UN. According to the Report, sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

In 2015 the UN introduced the new global development agenda for 2015 through 2030 and adopted a set of seventeen SDGs for the action of the member states. According to UNDP, the SDGs as a global agenda represent a universal framework for comprehensive development. The aim is to plan for a better and sustainable future and address the global challenges faced by people and the planet. Prominent among the goals are eradication of poverty, dealing with climate and environmental degradation, improving human health and education, and a range of other goals across the environmental and socio-economic development.

One of the most salient factors challenging the achievement of the SDGs by 2030 is the shortage of financial resources. Several reports and studies stated that around US\$5-7 trillion dollars are required every year to achieve the SDGs, and these cannot be obtained from the government or even from the donor agencies. In other words, there is a huge gap between the available resources and fund requirements to achieve the SDGs. Thus, the SDGs will have very substantial resource implications across developed and developing countries. For instance, in developing countries alone, the required investment for the SDGs would be approximately US\$ 2.5-3 trillion per year for food security, basic infrastructure (road, water and sanitation, and power stations), health, education, and climate change mitigation. Because of the new development agenda, all possible resources must be mobilized if the world is to succeed in achieving the SDGs.

Our first report, launched in May 2020, provided an introduction to the SDGs within the context of Islamic finance. It explored the role the Islamic finance industry can play in addressing the SDG funding gap and attempted to better understand the commercial opportunities the SDGs present for the sector. Key conclusions included:

- There has been limited participation from the IF sector in leading UN initiatives (such as Principles for Responsible Investment (PRI), Principles for Responsible Banking (PRB) and Principles for Sustainable Insurance that support financial institutions seeking to align with the SDGs.
- To achieve SDG targets, ISDB member countries will need annual funding of between US\$700 billion and US\$1 trillion, which represents around 40% of the total global SDG financing gap.

- Commercial opportunities for the IF sector include tapping into emerging global liquidity pools seeking SDG-aligned products and increasing tactical alignment with development bank funders.
- Alignment with the SDGs supports the *tayyib* (wholesome) concept, which contends that the focus of IF products and services should be on the evaluation of wider societal impact rather than an overly legalistic analysis of Shariah compliance.
- With assets expected to reach US \$3.8 trillion in 2022, through its adeptness at innovative financial structuring, IF is particularly well placed to create innovative instruments that will drive capital towards the SDGs.

The second report of the series, 'Islamic Finance and the Principles for Responsible Investment', was published in March 2021 and provided an overview of the engagement of Islamic finance with the Principles for Responsible Investment. Key conclusions included:

- Whilst a small number of organisations are making significant progress, there is a pressing need to raise awareness in Organisation of Islamic Cooperation (OIC) member states, and beyond, about responsible investing and the 'triple bottom line' benefits to be achieved by integrating Shariah compliance with ESG strategies.
- With OIC countries amongst those in greatest need of SDG investment, more work must be done to raise awareness and inspire practical action when it comes to IFs and the SDGs.
- Only 12 of the 57 OIC member states contained organisations which were PRI signatories. Despite the OIC member states having a collective population of over 1.82 billion (24% of the total world population) only 1% of the 3,575 PRI worldwide signatories are based within them.
- Despite the natural synergy between IF and the SDGs, less than half of the PRI signatory IFs reviewed mention the SDGs in detail on their websites and associated documents.
- Analysis of 12 PRI signatories highlighted that even amongst those IFs engaged in responsible investing there is a lack of (a) consistency when it comes to taxonomy and (b) a generally agreed approach to measurement and reporting.
- There is an opportunity for PRI signatories to collaborate in developing a clear and consistent approach in these areas that can help position Shariah-compliant ESG engagement as a beacon of responsible investment.
- There is an opportunity for the PRI to enhance its activities by means of greater engagement with the IF investment community.

The third report of the series, 'Islamic Finance and the Principles for Responsible Banking', was launched in June 2021 and provided an analysis of responsible banking in the Islamic finance sector, assessing the level of engagement with the PRB amongst banks in OIC member states and analysing the approaches used by nine Islamic finance signatories. Key conclusions included:

- Only 3 of the 221 signatories are fully shariah compliant with a further 6 "window" operations having established and substantial Islamic finance activities. Whilst a comparatively small number of organisations have become PRB signatories, there

is a pressing need to raise awareness and drive further action in OIC member states and beyond. PRB was only launched in September 2019 and as momentum builds, it is anticipated that more banks will become signatories of the PRB in the future.

- Although the principles of IF are broadly aligned with the SDGs, only four of the nine institutions selected for review as being either fully Shariah-compliant or a prominent Islamic 'window' within a conventional bank publicly promote the use of the SDGs either as a framework for strategy, an impact assessment tool, or to set tailored goals.
- 49 of the 57 OIC member states do not have any PRB signatory organisations. Awareness of the PRB in OIC member states could be increased through working groups, targeted awareness and outreach activities.

The previous reports focused on the industry approach towards achieving the SDGs. This report will provide a detailed analysis of interviews conducted with Shariah scholars to ascertain their views on the SDGs. It will explore the current level of knowledge of Shariah scholars regarding the SDGs and their views on the implementation of the SDGs such as eradicating poverty and hunger and promoting quality education, decent work, economic growth, and climate change.

Whilst the SDGs have a clear development agenda and thus are relevant to the world of Islamic social finance (*zakat, sadaqah, waqf, etc.*), the focus of this report (like the previous three reports in this series) is on the role of the commercial Islamic banking and finance sector in achieving the SDGs.



## KEY FINDINGS

This report employs a qualitative method of research using content analysis and semi-structured interviews to analyse the current level of knowledge, understanding and perspectives on the SDGs amongst key Islamic finance industry stakeholders, primarily Shariah scholars. The findings from the report include:

- The SDG agenda represents an opening to present the value proposition of Islamic finance to the world economy in a language understood by all. SDGs provide an opportunity to IFIs that should be adopted as part of the business proposition.
- Shariah scholars are fully aware of the SDGs and the potential of their implementation in Islamic finance, and they are quite familiar with related frameworks such as ESG, SRI and VBI.
- The SDGs can be aligned with the Islamic principles, and the very few issues contradicting Shariah, which are related to the definition of gender equality, do not undermine the value proposition of the SDGs as a viable framework for sustainability. The Shariah scholars showed a great deal of flexibility when they ascertained that the SDGs are in line with *maqasid al-Shariah* (spirit of the law), understanding that the values of Islamic finance are universal.
- There is no great difference between the *maqasid al-Shariah* and the SDGs as they are basically compatible with each other, and the only difference is in the means (*wasa'il*). *Maqasid al-Shariah* are fixed and aim at establishing *maslahah* (common good/benefit) and preventing or removing *mafsadah* (harm). On the other hand, means (*wasa'il*) are subject to change and can be categorized with the nature of the *maqasid* they serve and should be customized to successfully achieve the objective of Shariah in the context of ever-changing circumstances.
- The *maqasid* discussion in the financial sphere should be extended to integrate various sustainable development instruments (i.e., SRI, ESG and VBI) and provide a grand framework that integrates SDGs and *maqasid al-Shariah* and provides direction for how financial transactions should be arranged in an Islamic economic system. By pursuing sustainable development instruments such as SRI sukuk and Shariah-compliance, the Islamic finance industry would benefit from a larger investor base and gain broader mainstream relevance.
- The role of Shariah scholars should not be limited to the approval of the compliance of the product but can extend to include SDG ambitions and values. Shariah scholars could come up with new innovative products that balance profit and purpose for the IFIs which ultimately help society to achieve and reach these goals.
- In order to cater for the SDGs, there should be better harmonization and standardization in Islamic finance practices. Harmonization in Islamic finance aims to create clarity, consistency and greater integration between Shariah rulings, national laws and global standards and hence bring the industry a step further, which will in turn, contribute to achieving the SDGs.
- The integration of *waqf* and *zakat* with the financial sector can play a major role in realising SDGs such as reducing the vulnerability of the poor and developing the education and health sectors.

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- In pursuing the SDGs in socio-economic activities, philanthropic instruments such as *waqf*, *zakat* and *sadaqah* will rank supreme due to their potential in instilling cooperation, solidarity and alternative finance.
  - The issuance of sustainable sukuk can be part of the Covid-19 response through the alignment between the underlying principles of Islamic finance and SRI.
  - The emergence of fintech should trigger innovations among the Islamic finance industry players and promote creativity by providing new perspectives and practices in financial transactions.
  - Shariah scholars should understand the technical aspects of sophisticated financial instruments and the implementation of fintech in Islamic finance to keep pace with the developments that are taking place in the market. In this regard, Shariah scholars and industry players must work together to produce innovative Shariah-compliant products that fulfil the needs of the society and help in realizing the objectives of the SDGs.

## RESEARCH APPROACH

The primary objective of this report is to document the current level of knowledge and understanding of the SDGs amongst Shariah scholars in the Islamic finance industry.

To attain this objective, interviews were performed with ten Shariah scholars involved in various capacities with IFIs around the world.

These capacities include:

- Shariah Committee.
- Chairman of Shariah Committee.
- Deputy Chairman of the Shariah Supervisory Board.
- Members of Shariah Advisory Council.
- Member of Financial Regulation Advisory Council of Experts.

The interviewees were asked several questions focusing mainly on the current level of knowledge and understanding of the SDGs among Shariah scholars and their perspectives on them. These included:

- the existing understanding of Shariah scholars and their approach to “sustainability” (CSR/SDGs/etc.)
- the alignment of the SDGs—including ESG and SRI—with Islamic finance principles and *maqasid al-Shariah*
- the opportunities and challenges the SDGs present to IFIs.
- the potential for innovation using Islamic social finance and fintech.

The analysis included a qualitative method of inquiry and utilised the inductive method and content analysis to explore the current level of knowledge and understanding of the SDGs among Shariah scholars and their perspectives on them. Articles, reports and policies relevant to the SDGs were also reviewed to gain detailed insights which form the basis of the case studies contained within.

## OVERVIEW OF SHARIAH AND THE SDGS

Shariah is defined as divine laws for Allah's creatures concerning belief, worship, ethics, transactions and code of life with all its various ramifications that govern their relationship with their creator, mankind and the universe.<sup>i</sup>

It is also defined as the sum of commandments and divine laws relating to belief and conduct which adoption in Islam has been made compulsory to attain its welfare objectives in the community.<sup>ii</sup>

From the above definitions, it can be concluded that Shariah encompasses a set of divine laws concerning the belief, morality and conduct of human beings, deduced from the Qur'an and the Sunnah. In addition, Shariah is more than just a set of laws in the modern sense. It encompasses a set of welfare objectives which are manifested in ethical and moral values. The ethical and moral values are in place to ensure the welfare of human beings.

This is clearly stated by **Imam Abu Hamid Al-Ghazali**, a great Islamic scholar from the early centuries, in his illustration of *maqasid's* holistic approach:

The very objective of the Shariah is to promote the well-being of the people, which lies in safeguarding their faith (*dīn*), their lives (*nafs*), their intellect (*'aql*), their lineage (*nasl*), and their wealth (*māl*). Whatever ensures the safeguarding of these five serves the public interest and is desirable, and whatever hurts them is against the public interest, and its removal is desirable.<sup>iii</sup>

**Ibn al-Qayyim** echoed the same perspective when he said:

Shariah is based on wisdom and achieving people's welfare in this life and in the hereafter. Shariah is all about justice, mercy, wisdom and good. Thus, any ruling that replaces justice with injustice, mercy with its opposite, common good with mischief, or wisdom with nonsense, is a ruling that does not belong to the Shariah even if it is claimed to be so according to some interpretations.<sup>iv</sup>

Therefore, the objectives of Shariah (*maqasid al-Shariah*) entail a holistic approach that aims to elevate humanity to the highest rank by making them upright, spreading virtue among them, establishing public interest, fighting the promotion of harm, and ensuring balanced relationships between the self, the community and the universe in which people live.

One of the trends in Shariah is ensuring sustainability of life on earth, preservation of the environment and several socio-economic development issues. These considerations are in line with the objectives of Shariah which aim to bring benefits to mankind and prevent harm from them and are also part of broad ethical values propagated by Shariah. In other words, Islam as a religion of peace with its ultimate goal to be a blessing for mankind persuaded nations 1,400 years ago to implement SDGs such as; preserving the environment, promoting fairness and establishing justice in all aspects, community development and human capital development, consumer protection, and good governance. To elaborate, in Islam, the preservation of the environment, for instance, entails preserving the environment's resources by properly utilising and maintaining them and by prohibiting their extravagant use and destruction or depletion without necessity or significant need. Preserving the environment is classified by scholars as an

auxiliary objective (*maqṣad taba'ī*) to the objective of preserving wealth. However, they emphasise that, from a certain perspective, it transcends all the essential objectives of Shariah. The preservation of religion, for instance, is based on the principle of stewardship and maintenance of the earth, and the first degree of this stewardship is to make the earth flourish and make it physically sound by preserving the environment in which humans carry out their activities.

In other words, Islam has established a clear world view on the environment. It promotes a comprehensive and harmonious notion of the environment and links it with the concept of harnessing (*taskhīr*). The Qur'an emphasizes that the environment includes everything in the heavens and the earth. Allah says:

﴿ وَسَخَّرَ لَكُمْ مَا فِي السَّمَوَاتِ وَمَا فِي الْأَرْضِ جَمِيعًا مِنْهُ إِنَّ فِي ذَلِكَ لَآيَاتٍ لِقَوْمٍ يَتَفَكَّرُونَ ﴾

"He has subjugated for you whatever there is in the heavens and whatever there is in the earth" (al-Qur'an 45:13).

This implies that all the natural elements are harnessed and directed to serve human beings in their journey towards their Creator. In addition, the environment is created by Allah to serve the human race and to enable them to serve the duty of stewardship. This is what is meant by deployment and harnessing (*taskhīr*). Various verses have shown how heavenly bodies are subjected in their movements to serve humans. The Qur'an says:

﴿ أَلَمْ تَرَوْا أَنَّ اللَّهَ سَخَّرَ لَكُمْ مَا فِي السَّمَوَاتِ وَمَا فِي الْأَرْضِ وَأَسْبَغَ عَلَيْكُمْ نِعَمَهُ ظَاهِرَةً وَبَاطِنَةً ﴾

"Have you not seen that Allah has subjugated for you what is in the heavens and what is on the earth, and has perfected His blessings on you, both outward and inward?" (al-Qur'an 31:20).

As a vicegerent of Allah, the core obligation of human beings with regard to the environment is to do good and avoid harm. This is clearly stressed in the definition of Allāl al-Fāṣī, which states that: "The overall objective of Islamic Law is to populate and civilize the earth and preserve the order of peaceful coexistence therein; to ensure the earth's ongoing well-being and usefulness through the piety of those who have been placed there as God's vicegerents."<sup>v</sup> The Qur'an gives clear instructions in several places not to destroy the planet. The Qur'an says:

﴿ وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا ﴾

"Do not make mischief on the earth after it has been set in order" (al-Qur'an 7:56)

﴿ وَلَا تَبْغِ الْفُسَادَ فِي الْأَرْضِ إِنَّ اللَّهَ لَا يُحِبُّ الْمُفْسِدِينَ ﴾

"Do not seek to make mischief (*fasād*) in the land" (al-Qur'an 28:77).

*Fasād*, which can be translated as chaotic disorder, includes all acts committed towards the natural environment. The Qur'an says:

﴿كُلُوا وَاشْرَبُوا مِنْ رِزْقِ اللَّهِ وَلَا تَعْتُوا فِي الْأَرْضِ مُفْسِدِينَ﴾

“Eat and drink of what Allah has provided, and do not go about the earth spreading disorder” (al-Qur'an 2:60).

Moreover, Shariah clearly prohibits excessive emission of pollutants into the air. This proscription is supported by core Islamic legal maxims, namely:

“لا ضرر ولا ضرار”

“Harm shall neither be inflicted nor reciprocated.” Sunan Ibn Majah, 2340.

This maxim is a word-for-word quotation from the Prophet (PBUH) that has been adopted as a legal maxim. The related Islamic legal maxim says: “Harm is to be eliminated.” Likewise, the International Islamic Fiqh Academy issued its Resolution No. 185 (11/19) on “The Environment and Its Protection from the Islamic Perspective” condemning any harm inflicted on the environment and further stating:

All acts and behaviour that entail any harm to the environment or abuse thereof are prohibited; for example, acts and behaviour that lead to the disruption of environmental balance, or that target or use resources unfairly without regard to the interests of future generations. [This judgment is] in accordance with the Shariah maxims on the necessity of eliminating harm.

Besides that, Shariah has legislated a number of rules and ethical codes that aim to achieve benefits (*maslahah*) to community development, human capital, consumer protection, quality education and eradicating poverty. For instance, there are ample items of evidence that demonstrate Shariah's emphasis on community development. For example, the Qur'an states in Surah al-Ma'idah:

﴿وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ﴾

“Help one another in righteousness and piety, and do not help one another in sin” (al-Qur'an 5:2).

In addition, *maqasid al-Shariah* promote the principle of safeguarding public interest, which refers to the consideration of people's well-being in every aspect of life including commercial transactions. This principle is reflected in all Islamic legal rulings and principles to guide human interactions including financial and commercial transactions. Within this

context, *maqasid al-Shariah* in its holistic approach aims at elevating humanity to the highest rank by making them upright, spreading virtue among them, establishing public interest, fighting the promotion of harm, and ensuring balanced relationships with the self, the community and the universe in which people live.

Based on the aforementioned, Shariah is a comprehensive concept that encompasses a set of welfare objectives that are manifested in ethical and moral values. These ethical and moral values are in place to ensure the welfare of human beings. Over 1,400 years ago, Shariah legislated a number of rules and ethical codes that aim to implement SDGs such as the principles of environmental preservation, development of the community, and eradicating poverty and hunger, among many others.

## MOVING FROM “HALAL” TO “TAYYIB” – THE ROLE OF THE SDGS

*Tayyib* (wholesome) is a concept which is mentioned over 40 times in the Quran and indicates a gradation that is superior to the allowable (*halal*) or Shariah compliant as is referred to in the industry. It can be seen analogous to the use of the terms “shades of green” or “deep green” in the conventional financial world when referring to climate friendly financial instruments.

The contemporary rise of the mainstream ESG market, as reflected in the emergence of responsible investing and sustainable banking movements, are a response to the post global financial crisis where the social purpose of banking was publicly challenged (Lord Turner, Chairman FSA, 2009) and the pressing overt challenges climate change is presenting to global stability and biodiversity loss. Resulting consumer expectations, increase in climate regulation and global frameworks for sustainability have been accompanied by the adoption of the SDGs by the private sector.

The UKIFC with its partners have been developing the concept of *Tayyib* as a framework that can guide the integration of contemporary progressive ESG factors (including the SDGs) into existing Islamic finance modalities thereby enhancing the sustainability and social consciousness of the products. For example, considering the carbon footprint of the activity being financed or child labour within supply chains or the impact of deforestation on biodiversity and natural habitat loss are factors not typically focused on by the existing Shariah governance mechanisms in the Islamic finance industry. With such issues becoming increasingly relevant to consumers and regulators, addressing these by integrating the SDGs provides the opportunity for IFIs to innovate and enhance positive impact.



## UNDERSTANDING OF THE SDGs AMONG THE SHARIAH SCHOLARS

Along with the literature analysis, interviews were undertaken with a number of Shariah scholars to get a broad view on their current understanding of and perspectives on the SDGs and their implications for contemporary Islamic banks. Ten Shariah scholars from across Malaysia, the GCC, West Africa and the UK were interviewed (list in Appendix 1). The views obtained were the individual reflections of these scholars upon the SDGs and do not constitute a formal industry codified position. The interviews provided a valuable insight showing a spectrum of interpretation and provide an indicator of the general understanding of scholars regarding the SDGs and their relevance.

The interpretation of the findings was organised along with the report's objective using thematic analysis through coding. The transcripts produced a number of themes that emerged from the participants' responses. Therefore, the discussion in the following sections will be based on the themes that emerged from the interviews.

Regarding the level of knowledge and understanding about the SDGs, all participants/interviewees reported that they are aware of the SDGs. According to them, sustainability aims to achieve the needs and requirements of the present without compromising the capacity of future generations to meet their own needs. Interviewees used the term 'sustainability' several times with CSR and ESG interchangeably. One said:

“ *I understand sustainability in the same sense as ESG.*

“ *Sustainability is not limited to SDGs. It encompasses other initiatives like CSR and ESG.*

In addition, Shariah scholars see sustainability as an intrinsic part of Islamic finance in its true form. Most of the participants called for the use of the SDGs as a good differentiator for a bank that wishes to stand out from the crowd. Respondents had these things to say:

“ *I think the SDGs present an opportunity for IF to leverage on because through your engagement when you embrace the SDGs as part of your business proposition it will differentiate you.*

“ *Partially, IFIs are contributing, but to my belief it is not up to a level we would want. Definitely, IBs need to be more active in terms of reaching these goals through their financial structure.*

“ *When you embed the SDGs as part of your business proposition, that will differentiate your bank from other banks.*

“ *The focus in Islamic finance [currently] is always on the legal side (product development). From my point of view, we should not stop there. We should look further to the social impact of the business model.*

Besides that, the Shariah scholars go further and discuss their opinion on the alignment of each goal with the principle and provisions of Shariah. The following section will discuss the opinion and understanding of Shariah scholars about the 17 SDGs.



## GOALS 1, 2 & 3: NO POVERTY, ZERO HUNGER, AND GOOD HEALTH

Under these goals, the Shariah scholars discuss the link between SDGs—namely SDG 1, 2 and 3—and Islamic finance and consider the latter as a potential solution for poverty and a means of enhancing social and economic development, including education and health care.

They maintained that the SDGs are aligned with the philosophy of Islamic finance and can play an active role in achieving most of the goals. This is due to the prospects of Islamic finance in addressing the vulnerability of the poor, financial stability, development, and most importantly, in resource mobilisation. They agreed that, despite global acceptance of the concept, funding gaps remain the biggest challenge for achieving the SDGs worldwide.

Participants also mentioned that *waqf* and *zakat* funds are among the main pillars that should be examined as dominant factors of an Islamic financial instrument. They suggest providing *waqf* and *zakat* to eradicate hunger and poverty. In addition, unlocking the potentials of Islamic finance by introducing innovative products such as *waqf*, *zakat*, and Islamic microfinance could improve financial inclusion, financial sector stability, and ultimately, enhance the contributions of Islamic finance to the SDGs. According to them, *waqf* is considered as an important Islamic instrument and can directly be used for poverty alleviation and financing other SDGs, mainly the education and healthcare sectors.

This is clearly established over 1,400 years ago whereby Islamic social finance such as *zakat*, *waqf* and *sadaqah* made a great impact in poverty alleviation and the enhancement of social and economic development including education, health care and infrastructure development. In fact, it has been adopted and applied outside the Muslim world as a role model, as exemplified by the establishment of Merton College through endowment at the University of Oxford. Additionally, the institution of *zakat* could help in providing support to needy and poor people who are struggling to meet basic needs and may lead to an achievement of the SDGs.

In addition, the interviewees unanimously agreed that Islamic microfinance can also be used to enhance the resilience of the poor as most Muslim countries have a high level of poverty. The provision of microfinance by the Islamic financial sector is very small.

Therefore, establishing waqf-based microfinance as suggested by many scholars would help to reduce the vulnerability of the poor and boost their capabilities through innovative business models.

Based on that, the respondents have proposed the integration of waqf and zakat with the financial sector, which can play a major role in realising SDGs such as reducing the vulnerability of the poor and developing the education and health sectors. Further, the application of zakat and waqf can be expanded to protect the non-poor who are vulnerable to becoming poor due to adverse shocks.<sup>vi</sup>

Respondents had the following to say:

“ *IF deals with poverty through benevolent loans, micro credit and zakat. Apart from business environment, philanthropic like waqf is part of IF even though they don't go through the banking sector.*

“ *SDG 2 (Zero Hunger) – This is not just to do with Islam. The best of Islam [Muslims] would want to eradicate hunger. Feeding people is one of the highest virtues in Islam. It is the duty of Muslims, but the corporations are not into this business really. The charitable sectors are taking care of this.*

“ *SDG 3 (Good health and well-being) – This can done though long-term waqf. Waqf is an exchangeable word for sustainable. The endowment concept has been there for years.*



## GOAL 4: QUALITY EDUCATION

This goal stresses on equitable quality education opportunities for all with no discrimination. In this regard, most participants agreed that Islamic law emphasises on the importance of seeking knowledge as the Messenger of Allah, peace and blessings be upon him, said, “Seeking knowledge is an obligation upon every Muslim (man or woman).” (Sunan Ibn Mājah 224).

Participants mentioned that Islam has enacted many ways to spread knowledge and fight ignorance such as charities and *zakat*, as well as *waqf*, which is used to develop education (Educational Endowment).

One Shariah scholar revealed that Islamic finance offers products that have a social economic impact. He mentioned Bank Muamalat Malaysia Berhad (BMMB) introduced a cash *waqf* scheme which is used to develop education, health care, infrastructure and to train young entrepreneurs. He mentioned about the first SRI sukuk, called Sukuk Ihsan, by Khazanah Nasional Berhad.

The proceeds from the Sukuk Ihsan issuance, which is exclusively targeted at institutional investors, were channelled to Yayasan AMIR, a not-for-profit organisation to improve the accessibility of quality education in Malaysian government schools. It has reached over 65,000 students and 83 trust schools across ten states in Malaysia.<sup>vii</sup> This shows that Islamic finance products such as Sukuk Ihsan can be used positively as a means to provide funding for enhancing and promoting quality education.

In the same way, many studies emphasised that *zakat* can play a vital role in providing quality education. In many Muslim-majority countries, there are mosque-based schools which effectively channel *zakat* funds to ensure religious and modern education. Effective management of *zakat* can play a crucial role in terms of boosting institutions to create synergistic effects.<sup>viii</sup> Likewise, financial assistance can be given to the poor students in the form of benevolent loans (*qard hasan*) out of the *zakat* fund. This financial assistance would be refundable out of the income generated upon the student’s graduation and the ultimate goal of this refund would be to increase the *zakat* fund and help other destitute and poor students.<sup>ix</sup> The participants mentioned that Islamic social finance instruments such as *zakat* and *waqf* could play an efficient role in providing quality education and ultimately enhance the contributions of Islamic finance to the SDGs.

“ I am all for the alleviation of poverty and better education and health etc.

“ SDG 4 – the first verse in the Quran was revealed on reading – promoting education.



## GOAL 5: GENDER EQUALITY

This goal focusses on achieving gender equality and empowering all women and girls. According to the interviewed Shariah scholars, all people are equal before the law and no discrimination shall be imposed between man or woman and poor or rich. Shariah shuns discrimination on the basis of colour, gender and religion in a corporate setting, especially in a multi-ethnic and multi-religious society.

Abu Nadrah reported: The Messenger of Allah, peace and blessings be upon him said during the middle of the day at the end of the pilgrimage:

*“O people, your Lord is one and your father Adam is one. There is no favour of an Arab over a foreigner, nor a foreigner over an Arab, and neither white skin over black skin, nor black skin over white skin, except by righteousness”.* (Musnad Ahmad Ibn Hanbal 24204).

Participants mentioned that gender equality (SDG 5) is considered differently giving rise to challenges (i.e., the role and responsibility of women vs. men; the issue of inheritance, and the issue of same-sex unions that is forbidden by Islam but acknowledged by the UN). Having said that, most participants agreed that this is not expected to hinder Islamic finance taking up the SDGs and that the parameter of gender equality should be developed in line with Shariah principles.

- “ *The devil is in the details. How to interpret gender equality: if you speak about gender equality and permissibility of marriage with the same sex, we see conflicts with the fundamentals of Islam. Otherwise, the SDGs came at the right time. But this [conflict] will not hinder the integration of SDGs in IFs.*
- “ *In the 17 areas [SDGs], all are in line with Shariah except that in certain areas there might be an interpretation that differs but that is not a hindrance [to the SDGs application in IF]. For example, Goal 5: some people might interpret it as gender equality for everything. In Islam, in certain areas, there are certain responsibilities assigned to men and certain responsibilities to women.*
- “ *Going through the SDGs – e.g.: gender equality – if it is about dignity, Islam requires that but if it means men are treated just like women with total disregards to the difference in the sexes then I think there are some areas where Islam would say it is not suitable. Not because they are not equal but because they are different.*
- “ *The element of inheritance: this one cannot be changed in terms of the portion of inheritance for men and women as mentioned in the Quran.*



## GOAL 6: CLEAN WATER AND SANITATION

This goal aims to ensure access to clean water and sanitation for all. According to the UN, billions of people—mostly in rural areas—still lack these basic services. Worldwide, one in three people does not have access to safe drinking water, two out of five people do not have a basic hand-washing facility with soap and water, and more than 673 million people still practice open defecation. (<https://www.un.org/sustainabledevelopment/water-and-sanitation/>)

Most of the respondents stated that Islam urged the necessity and importance of cleanliness as it is considered half of faith. Apart from that, providing clean drinkable water and food to all people is a responsibility of the government in the first place, then individuals themselves. Islam commands the ruler to look after the comfort of citizens and ensure their well-being. One of the participants mentioned:

*“Muslim populations have fallen behind because of infrastructure failure. This used to be the individual’s responsibility and now it is a collective responsibility beyond the capacity of private players so there should be some state-backed interventions.”*

Participants also condemned the wasting of water and mentioned that the Prophet (PBUH) said: *“Do not waste water even if you are at a running stream.”* (Sunan Ibn Majah, 425). Thus, there was a consensus among scholars that extravagance in using water is forbidden, even at sea.

Some Shariah scholars mentioned a remarkable initiative which was used to achieve this goal, namely Badan Amil Zakat Nasional’s (BAZNAS) Water and Sanitation Project in Boyolali, Indonesia. The National Board of Zakat, known locally as BAZNAS, came up with an innovative program which aims to construct private lavatories for underprivileged households. It was implemented as a scheme between BAZNAS and the local government in November 2018 to construct toilets for 40 households. Prior to this project, the local residents had difficulty in accessing the sources of water, which are primarily the nearby river and rainwater. This led the local people to develop unhealthy traditions such as open defecation, and as a result, diarrhoea has frequently affected residents.<sup>x</sup>

## 7 AFFORDABLE AND CLEAN ENERGY



### GOAL 7: AFFORDABLE AND CLEAN ENERGY

The Shariah scholars revealed that the use of green energy has become an integral part of the SDGs, which have been incorporated into the economic growth plans of many nations. They noted that the preservation of the environment and socio-economic development issues have been the focus of renewed investor attention, as showed by the growing interest in renewable and clean energy as well as SRI. In other words, investors have become more sensitive to ESG issues. This is clearly shown by the new trend of global investment that is focusing strongly on investing in renewable and clean energy.

Shariah scholars stated also that, besides the 2030 SDGs, the Paris Agreement on Climate Change marks a key turning point for a global stable and sustainable society. One of the most important provisions of those agreements is to face climate change and environmental degradation and to promote affordable and green energy. More importantly, the use of affordable and green energy has become an integral part of the SDGs, which have been incorporated into the economic growth plans of many nations.

They add that several countries such as Indonesia and Malaysia have recently witnessed a remarkable development in renewable energy investments using SRI sukuk that have been introduced to facilitate and promote sustainable and responsible investing. In addition, participants agreed that sustainable development concepts such as SRI and ESG can play a major role in addressing the threat faced by the environment and society and have the potential to achieve the SDGs.

Therefore, there was unanimous agreement among Shariah scholars that by pursuing sustainable development instruments such as SRI and ESG hand-in-hand with Shariah compliance, the Islamic finance industry would benefit from a larger investor base and gain broader mainstream relevance.

“ There are quite a number of infrastructure-based products such as green sukuk. For instance, in Malaysia, the first SRI sukuk, valued at RM 250 million, was issued to partly finance large-scale solar construction.

“ Indonesia has also recently issued USD 1.25 billion of green sovereign sukuk, whose revenues will be partly used to finance renewable energy projects.

“ HSBC Amanah in Malaysia issued a new structured product which is SDG-compliant as well.



## GOAL 8, 9 & 11: DECENT WORK AND ECONOMIC GROWTH, INDUSTRY, INNOVATIONS AND INFRASTRUCTURE & SUSTAINABLE CITIES

According to Shariah scholars, all these goals can be considered as an output of the human development chain when all previous goals are met. To explain, when humans secure a pleasant life which consists of education, safety, food and drinking water, electricity and medication, people will start generating positive thinking which encourages innovation, prosperity and economic growth.<sup>xi xii</sup>

Further, there was unanimous agreement among the Shariah scholars that using philanthropic instruments such as *zakat*—as a creative mode of financing—can be used to enhance these goals through funding infrastructure projects.

*Zakat* and *waqf* funds may provide income support to poor workers or insolvents for skill enhancement programmes, thereby contributing to human capital development, which can provide decent work.<sup>xiii</sup>

Further, the *zakat* institutions can play a key role in promoting real economic activities through wealth circulation and efficiency in resource utilization for the purpose of achieving economic growth, fulfilling society’s basic needs, eliminating poverty and improving human wellbeing.

“ To a certain extent these goals are interrelated with each other such as SDG 8, 9 and 11.

“ ...This is very much in line with this notion of *maqasid al-Shariah*, namely, to realise the benefits (*maslahah*) and avoiding the harms or difficulties (*mafsadah* and *mashaqqah*), which means when you have good infrastructure and industry it will bring more *maslahah* (benefit) to society at large.

“ SDG 11 (*Sustainable Cities*) – if you look to the history of Islam, *awqaf* and *zakat* are employed to build sustainable cities and to bring benefit not only for a certain period of time but for a long period of time...

“ We need to work for these kinds of initiatives because they will bring good and prevent harm for the society...





## GOAL 13, 14 AND 15: CLIMATE ACTION, LIFE BELOW WATER AND LIFE ON LAND

These goals deal with the preservation of life on land and under water, climate action and the protection of the environment. Participants noted that Islam encourages people to use resources wisely and to be just in all matters of life. The Quran mentions:

*“Corruption has appeared throughout the land and sea by [reason of] what the hands of people have earned so He may let them taste part of [the consequence of] what they have done that perhaps they will return [to righteousness]” (Al-Rum [30]: 41).*

The Messenger of Allah, peace be upon him said:

*“Don’t waste water even if you are at a running stream” (Imam Ahmad, 6768).*

Shariah scholars unanimously agreed that excessive exploitation of the natural environment can be decreased rationally when individuals consider intergenerational welfare and justice to be important factors in their economic decisions. Some scholars suggest that the effective solution to the environmental problems lies in the overall worldview that mirrors the link between man, nature and his Creator as well as the implications of one’s actions in the hereafter. In Islam, the worldly view of life instils stewardship, meaning the responsible and reasonable use of natural and environmental resources without pushing planetary boundaries and causing loss of precious biodiversity.<sup>xiv xv</sup>

In addition, participants stressed the importance of ethical use of natural resources to equally promote the welfare of society, along with other living organisms, as well as future generations. This is clearly discussed in the literature and study of religions whereby the association between humans and nature should be in the form of custodianship and not of dominance.<sup>xvi</sup> Human beings may utilise the resources to meet their needs, but this should be only in a way which does not distress ecological balance and that does not compromise the ability of future generations to fulfil their needs.<sup>xvii</sup> These principles and moralities lead many scholars to consider Islam as an environmental-friendly religion.<sup>xviii</sup>



## GOAL 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

This goal aims to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Most of the participants classified this goal, particularly peace, under the preservation of life in Islamic law. The word Islam in Arabic, is derived from the same root as salam, which means peace. Accordingly, all Muslims are required to greet each other with 'May peace and blessings be upon you'. The Quran says:

*"When you are greeted with a greeting, greet in return with what is better than it or (at least) return it equally. Certainly, Allah is ever careful account taker of all things" (An-Nisa [4]: 86).*

Besides, the Shariah scholars mentioned that upholding the principle of justice or 'adl is a basic objective of Shariah. Justice literally means placing things in their right place where they belong. It is to establish a balance by way of fulfilling rights and obligations and by eliminating excess and disparity in all spheres of life. This is in line with Ibn Qayyim al-Jawziyyah, who mentioned that justice must be followed and upheld wherever it is found, within or outside the declared provisions of the law. It is the supreme goal and objective of Islam. Therefore, the concept of justice in Shariah is not confined to judicial aspects but, rather, covers all areas of life including individual justice, social justice and international justice. It is a well-established principle in Shariah and is fused in every aspect of life, including Islamic law, business and finance. This is obvious from the objectives and comprehensive approach that the Quran has taken towards justice. The Quran says:

*"We have already sent Our messengers with clear evidences and sent down with them the Scripture and the balance that the people may maintain [their affairs] in justice." (Al-Hadid 57:25)*

Some Shariah scholars mentioned that the Islamic financial system attempts to realise economic justice through wealth circulation, efficiency in resource utilisation, fulfilment of society's basic needs, elimination of poverty and improvement of human wellbeing. The main purpose of resource circulation (distribution) is to achieve justice, maximum efficiency and improvement of human wellbeing in general.

In addition, Shariah scholars unanimously agreed that governance is an important organisational framework for strong corporation. In order to achieve the institutional goals, the corporation needs to govern the relationship between the board of directors, management, shareholders, customers, and all stakeholders. Besides, the governance framework should aim to achieve specific objectives such as determining the exact roles and responsibilities of the stakeholders, bolstering the supervisory and control functions of the board of directors, strengthening the risk management mechanisms, boosting the customers' confidence in the corporation, and eliminating corruption and the agency problem.



## GOAL 17: ENCOURAGES THE DEVELOPMENT OF GLOBAL PARTNERSHIP

This goal aims to strengthen the means of implementation and revitalize the global partnership for sustainable development.

All Shariah scholars agreed that Islam encourages humans and nations to live peacefully, do good, know each other, and to resolve disputes with wisdom. the Quran says:

*“O mankind! We have created you from male and female and made you into nations and tribes that you may know one another. Verily, the most honourable of you with Allah is that (believer) who is pious. Verily, Allah is All-Knowing, All-Aware”* (Al-Hujurat [49]:13).

Participants also mentioned that there are ample items of evidence that demonstrate Shariah’s emphasis on community development and helping each other. For example, the Qur’an states in Surah al-Ma’idah:

*“...Help one another in righteousness and piety, and do not help one another in sin”* (al-Qur’an 5:2).

“ *We should together do what is good and prevent what is harmful and not assist each other to do evil. We need to think in a broader context that benefits should not only us but also for future generations.*

“ *Partnership is very important; in order to achieve any goals, we need to work together. In the context of SDGs, none of the goals can be achieved except when we work together, and this is in line with the notion of Islam that propagates working together in achieving any permissible goal.*

## ALIGNMENT OF THE SDGS WITH MAQASID SHARIAH

Concerning the question of the SDGs' alignment with Islamic principles and the Islamic finance industry, most of the respondents believed that the current trends in Islamic finance are ensuring sustainability of the industry, and this is very much in line with the objective of Shariah and the ethical values propagated by Islam.

The Islamic view on economics has some fundamental differences with conventional economics. Unlike the current capitalist system that is based on self-interest, Islamic finance is based on the principles designed to regulate self-interest and give primary consideration to the need of society at large.

The Shariah scholars unanimously agreed that the Islamic finance industry does not exist merely to capitalise on the huge financial market; rather, it aims to achieve a greater and universally beneficial purpose through the various commandments, prohibitions and doctrines that guide it.

According to them, the key ethical principles underlying Islamic finance systems - such as promoting socio-economic justice, advocating human well-being, establishing justice in all aspects, eradicating poverty and hunger - are built and inferred from Shariah sources that provide detailed commands of dos and don'ts on both the legal and ethical level.

In response to the question related to the role of IFIs with regards to sustainability-linked factors such as the environment, social issues and corporate governance, participants noted that Islamic finance has been criticised for focusing more on the legal compliance aspect of the products and overlooking the philosophical foundation of Islamic economics, which emphasises social justice, ethical finance and human well-being. In other words, the Islamic finance industry is criticised for the minimal social impact and sustainability that it has created, along with missing the Islamic economic system foundations such as social justice, human-centered economic growth and development. This is in line with a number of studies which criticise the Islamic finance industry for being more technical, legalistic and stressing on form rather than substance and mimicking conventional products.<sup>xix xx</sup>

Nonetheless, respondents revealed that there are ongoing efforts and various initiatives that have been considered to reinforce ethics and social justice in Islamic finance. This includes various sustainable development instruments such as SRI, ESG and VBI initiated by the Malaysian Central Bank. Altogether, these initiatives aim to play an important role in the preservation of the environment and several socio-economic development issues.

Some Shariah scholars noted that VBI shares similarities with SDGs specifically on the intended outcomes. However, the underlying reason for VBI is its reliance on Shariah in determining its underlying values, moral compass and priorities. VBI's launch was intended to position Islamic finance to become more prominent and a leading agent of positive change for the financial system and operate within a network economy that is built upon shared values of integrity, inclusivity and sustainability.<sup>xxi</sup> VBI is another attempt to integrate Islamic finance with *maqasid al-Shariah* and the values propagated are also in line with ethical considerations in Shariah. Participants mentioned:

“ I strongly believe that these initiatives such as VBI, ESG, SRI are very much part and parcel of the teaching of Islam and if implemented will surely support the SDGs on ensuring prosperity to the entire society.

“ VBI is a concept introduced by the Central Bank of Malaysia with the aim to re-orient Islamic finance business models towards realizing the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment through practices, processes, offerings and conduct.

“ In principle, all these concepts are the same. They resemble each other and they tend to create social economic impact; however, the main difference between SDGs and VBI are the Shariah framework.

“ VBI is related to finance and tends to achieve social economic impact that should be done within the Islamic principles and values. However, the SDGs are a global framework that does not concern finance only. It comprises finance and non-finance initiatives, and it aims also to create social economic impact regardless of religion and ethnicity.

In terms of the alignment of the SDGs and *maqasid al-Shariah*, participants agreed that most of the SDGs are in line with the *maqasid al-Shariah* and there is a strong link between *maqasid al-Shariah* and SDGs, as both are considered to achieve various socio-economic justice and increasing human wellbeing.

In the same way, most Shariah scholars clearly stated that *maqasid al-Shariah* represent a comprehensive concept that explicates the objectives of Shariah related to human life. They claimed that the *maqasid* discussion in the financial sphere should be extended to integrate various sustainable development instruments such as SRI and ESG and provides a grand framework and direction of how financial transactions should be arranged in an Islamic economic system.

Within this context, participants noted that the establishment of Islamic finance is not only for the reason of having a *halal* (Shariah-compliant) financial structure but most importantly, its establishment is also purported to achieve various aspects of socio-economic justice as mandated by the objectives of Shariah (*maqasid al-Shariah*) as part of realising human well-being (*maslahah*).

As a result, Islamic finance should re-redirect financial strategy to ensure financial access to all dimensions of society and hence promoting wealth distribution, equality and social mobility. This should be done by incorporating innovative products as potential tools that could enhance financial inclusion and intermediation, reduce risks and vulnerability of the poor, and more broadly contribute to financial stability and development. The Shariah scholars commented:

- “ *The SDGs can be embedded within the general maqasid.*
- “ *Most of the goals can be regrouped into the five categories. The maqasid were developed in a pre-industrial age. Most of the SDG goals are creations of industrialisation. So, the maqasid should be expanded to deal with post-industrial issues.*
- “ *We should not confine ourselves to Al-Ghazali’s classification. We should look at the broader objectives of Shariah to bring benefit and prevent harm from mankind.*
- “ *Maqasid al-Shariah is the way forward. Right now, too much emphasis is on form over substance. I am a proponent of the substance driven by maqasid al-Shariah.*
- “ *Most of the SDGs are part of the higher objectives of Shariah... When you see the SDGs as a whole, there is no contradiction to the maqasid.*
- “ *The majority of SDGs are aligned with maqasid al-Shariah. Others like equal rights in inheritance are contentious and do not align with Islam.*

With regard to the differences between the SDGs with Islamic finance and *maqasid al-Shariah*, the participants revealed that the SDGs in many areas are compatible with the Shariah and what is important is how to interpret the different goals and understand them within the framework of Shariah. To explain, a number of participants mentioned that the interpretation of the relationship between *maqasid* and the SDGs should be based on the flexibility and understanding of different conditions, cultures, customs as well as the needs of people at different times and places; all these factors have to be taken into account when interpreting the differences between the SDGs and *maqasid al-Shariah*.

The participants mentioned that one of the controversial goals is gender equality. However, when interpreting this goal, we should take into consideration the norms and customs which might be different from one society to another. There might be certain kinds of tasks are typically undertaken by men for example, the UK construction industry is hugely male dominated. This goes back to the norms and circumstances in the community, and it might be different from one jurisdiction to another, but opportunities should be provided for all genders.

Having said that, the Shariah scholars unanimously agreed that there is no difference between the *maqasid al-Shariah* and the SDGs as they are compatible with each other, and the only difference is in the means (*wasa'il*). Participants mentioned that *maqasid al-Shariah* are fixed and aim at establishing *maslahah* and preventing or removing *mafsadah*. On the other hand, means (*wasa'il*) are subject to change and can be categorized with the nature of the *maqasid* they serve and should be customized to successfully achieve the objective of Shariah in the context of ever-changing circumstances.

Participants claimed:

“ *There is the fiqh maxim which says that it is not impossible to change a ruling with the change of time and place, and throughout history we have seen that there are some circumstances in which our great scholars changed some of their views based on the new culture, customs and situation in which they were in.*

“ *Imam Shafi'i, when he was in Iraq gave his view on several areas related to Islamic law, but when he moved from Iraq to Egypt, he changed some of his views in order to ensure that it is compatible with the circumstances in which he found in Egypt.*

“ *We need to look into the circumstances, the jurisdictions, the culture, and the customs in which these particular goals are being implemented.*

Some participants explain the implication of this issue on Islamic banking modalities; for example, the type of financing that should be prioritized in IFIs. There might be certain jurisdictions in which the emphasis should be given to empower the small and medium enterprises because of the lack of funding for this group of businesses. By doing this, we are implementing the intended objectives of Shariah (*maqasid al-Shariah*) as we are giving priority to the needy group in the society and empowering them to excel in their life or business.

Therefore, it is important for the Islamic financial industry to examine which of the 17 SDGs should be prioritized. Different jurisdictions will have different needs and requirements. This is in line with the ultimate objective of Shariah which calls for giving priority to fulfilling the essentials (*darurriyyat*) and then embarking on fulfilling the luxuries or embellishments.

## POTENTIAL ROLE OF THE SSB IN RELATION TO THE SDGS

Shariah Scholars discussed their views and perceptions on the role that needs to be played by Shariah scholars in implementing the SDGs. There seemed to be two divergent views.

A number of the interviewees felt that the role of Shariah scholars should not be limited to the approval of the compliance of the product but should, instead, extend to include SDG ambitions and values. Shariah scholars should come up with new innovative products that are not necessarily fully profitable to IFIs but would help society to achieve and reach these goals. Shariah scholars are mandated to come up with new innovative products and not just focus on the legal compliance aspect of the products. The respondents commented:

“*Shariah scholars should be concerned with the maqasid and not just legal approval. Shariah scholars should review whether a project is really green or not.*”

“*Their roles should be expanded beyond the Shariah. So, they should sit on the sustainability committee as they should on the remuneration committee, audit committee and any others.*”

“*The scholars can play their role to ensure that they go beyond the legal environment, but they need regulators to play a role too.*”

“*In general today we really lack innovation in IF, and that is due to the monopoly we see between Shariah boards and scholars; e.g. we have 20 scholars monopolizing the whole thing. As a result we don't see a lot of innovation. Therefore, central banks should not allow scholars to sit on multiple boards and organizations.*”

“*We need people to sit and structure products, and Shariah scholars must drive this.*”

Other interviewees noted that Shariah scholars are not privileged to make such business decisions at their IFIs. The business decision making is with the board of directors. They mentioned:

“*The Shariah scholars can say if there is strong evidence that a product is bad for the environment, and then they might be able to veto its approval, but to influence decision making on the positive impact side will be more challenging.*”

“*Shariah could play a complementary role but not a primary role. They should also be involved in ongoing reviews of course, but it is not the sole role of the Shariah committee.*”



It was also mentioned that, in order to serve and cater for the SDGs there should be better harmonization and standardization in Islamic finance practices. Interviewees noted that the harmonisation in this regard does not deny the differences in *fatwa* or Shariah considerations in Islamic finance practise. The emphasis is on finding harmony or minimizing the extreme differences in *fatwa* that would disrupt the Islamic finance market. In other words, harmonization in Islamic finance aims to create clarity, consistency and greater integration between Shariah rulings, national laws and global standards and hence bring the industry a step further. The respondents commented:

“ Today we don't have a legal framework for IF globally starting from main IF countries like Malaysia and UAE and Bahrain – so how do you want me to convince the non-Muslim that IF is an international theory and solution? As an investor, at the end of the day, if I am not backed by a legal framework, how will I secure my rights?

“ If we created a product today, it has to be supported by a legal framework

“ Products are being unified by everybody, so to put a legal code around that should not be impossible.

In this regard, it is expected that there will be more effort by the regulators to establish a centralised Shariah body. For example, the Central Bank of UAE organised a meeting of members of Central Shariah Boards across the globe. This was done as the continuation of the first meeting which was organised by Bank Negara Malaysia (BNM) in 2018. The objective of this meeting is for the members to exchange their experiences and resolutions so that they can be of benefit to all. This kind of interaction was deemed key to foster greater connectivity and collaboration among Shariah scholars and financial supervisory authorities to unlock the full value proposition of Islamic finance, including its engagement with the SDGs.

## CHALLENGES AND OPPORTUNITIES OF SDGS TO THE IFIS

While all scholars interviewed in this report agree that the SDGs are in line with *maqasid al-Shariah* (with the exception of a few issues), the challenges and opportunities of applying the SDGs are worth highlighting.

### Challenges:

1. One of the challenges is the supreme authority assigned to the SDGs by the global discourse on sustainability. This authority has triggered debates on whether the SDGs and *maqasid* are intertwined to the extent that the consideration of one may undermine the other. The challenge of this approach is that the *maqasid al-Shariah* value proposition in Islamic finance may be diluted and replaced by the SDGs.
2. There is a lack of an **“integration framework”** between the SDGs and *maqasid al-Shariah*. Adoption challenges existing less so on theoretical aspects of the SDGs but, rather, the technical and practical aspect of it. Each SDG comes with targets and specific indicators that pose big challenges for implementation in the current Islamic finance industry. For example, SDG 8 (Sustained Economic Growth), the target 8.1 states:

*Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.*

The indicator for this target emphasises the “annual growth rate of real GDP per capita” (8.1.1). The challenge is how can Islamic finance ascertain its share in the 7% target, and who is going to monitor such a process locally and globally? What are the Islamic financial products, and standard operating procedures (SOPs) that are suitable to achieve the SDGs?

3. The challenge of producing human capital able to grasp and apply the SDGs on the ground in the operational areas of product development, prudential requirements and governance. This may require the alignment of human capital technical skills with the SDGs’ targets and indicators. This will also affect the succession plans as the new human capital must be savvy of the SDGs’ value proposition before they are employed.
4. The challenge of the absence of any SDG performance benchmarks specific to Islamic finance.

### Opportunities:

1. The SDG agenda is an opportunity to present the value proposition of Islamic finance to the world economy in a language understood by all. Most of the Shariah scholars agreed that SDGs are an opportunity for IFIs and that they should be adopted as part of the business proposition. The Shariah scholars mentioned:

“ *The SDGs are an opportunity for the industry because they are accepted globally so by entrenching it we can use it to propagate the industry, i.e. to tell people across the world that Islamic finance is in line with the SDGs.*

“ *I think the UN SDGs present an opportunity for IF to leverage...when you embrace SDGs as part of your business proposition it will differentiate you.*

“ *The SDGs are in line with our beliefs. The SDGs are an opportunity [not a threat to the IF industry] with some restrictions in some areas.*

2. The SDGs can play a role in enlightening the world about *maqasid al-Shariah* and the position they occupy in Islamic finance.
3. Islamic finance can leverage on the infrastructure provided for the SDGs to develop new sustainable products.
4. Green banking and Islamic banking can be promoted to the world as the most sustainable forms of banking.
5. Green *takaful* products can be promoted as one of the most sustainable forms of risk protection.
6. Green *sukuk* can be positioned as one of the most sustainable instruments for the infrastructure projects.
7. In pursuing SDGs in socio-economic activities, Islamic social finance instruments such as *waqf*, *zakat* and *sadaqah* will rank supreme due to their potential in instilling cooperation, solidarity and alternative finance.

## OPPORTUNITY FOR INNOVATION USING ISLAMIC SOCIAL FINANCE AND FINTECH

### Islamic Social Finance (ISF)

The Shariah scholars highlighted the potential of Islamic finance by introducing innovative products that include elements such as *waqf*, *zakat*, and *sadaqah*, and Islamic microfinance could improve financial inclusion and ultimately enhance the contributions of Islamic finance to the SDGs. There was a consensus among the participants that ISF can play a very important role in achieving the SDGs. The different tools available in ISF such as *waqf*, *zakah* and *sadaqah* can be used in supporting different goals set by the UN such as no poverty and zero hunger as well as good health and education, economic growth and decent work.

The participants mentioned that IFIs should be proactive in employing *zakat* and *waqf* in providing products that suit certain underserved categories in the society. Unlocking the potential of ISF instruments such as *zakat*, *waqf* and *sadaqah* could play an efficient role in poverty alleviation, empower vulnerable groups in society, and ultimately enhance the contribution of ISF to meeting sustainable development needs.

In addition, the participants stated that there are different products of Islamic finance that can be used to assist in achieving the SDGs. For example, *sukuk* have been used to finance education such as *Sukuk Ihsan*, which was issued by *Khazanah* in Malaysia to fund and upgrade some of the underprivileged schools in Malaysia. *Waqf* can also be used to build infrastructure for the betterment of the society such as to provide clean water and sanitation as well as providing clean energy for the society. Similarly, *waqf* can be used to assist the under privileged to have access to healthcare at minimum costs. For instance, in Malaysia, *Waqf An-Nur Corporation* has set up a network of hospitals and *waqf* clinics called the *Klinik Waqf An-Nur (KWAN)*. The participants mentioned:

“ Most Islamic banks are paying the *zakat*, but they can also be proactive in channelling *waqf* proceeds and this what is happening in Islamic banks, especially in Malaysia where many Islamic banks have incorporated a *waqf* product.

“ The Islamic bank can invest this money of *waqf* as mandated by the *waqf* regulators and authorities and of course distribute the profit and returns to the needy.

“ The Islamic bank can play a big role in employing *waqf* in order to achieve some of the SDGs, especially those related to poverty, health and education.

“ Islamic finance institutions should adopt *waqf* and *zakat* by either channelling, investing or financing *waqf* projects.



*We have also noticed the World Bank and UNHCR are very much interested in waqf and even in zakat instruments. That's why they have come up with proposals and reports, and they are trying to really put waqf and zakat into practice, and definitely this will serve the SDGS directly or indirectly.*

In addition, participants noted that innovation in the Islamic capital market sector, particularly in social and sustainable sukuk, is considered as an alternative tool for mobilizing financing that could gain broader relevance and attract socially responsible investors, which will in turn contribute to the SDGs.

The interviewees add that the Covid-19 pandemic and economic lockdowns have severely hurt global economic activity. As a result, the issuance of sustainable sukuk can play a vital role in addressing different socio-economic development issues including those posed by Covid-19. In this context the participants mentioned several initiatives such as:

1. The IsDB raised US\$1.5 billion with its first-ever sustainability sukuk to tackle the aftermath of the Covid-19 pandemic in its member countries. The proceeds from the debut sustainability issuance will be exclusively deployed towards social projects with a focus on 'access to essential services' and 'SME financing and employment generation' categories under the umbrellas of 'SDG-3: Good Health and Well-Being' and 'SDG-8: Decent Work and Economic Growth'.
2. The Ministry of Finance in Malaysia recently issued the country's first digital sukuk, the RM500 million Sukuk Prihatin under the National Economic Recovery Plan (PENJANA). The issuance was in response to requests from many quarters to contribute towards the country's economic recovery efforts and post-recovery measures of the Covid-19 pandemic. The proceeds from the Sukuk Prihatin will be channelled to the Covid-19 fund for the implementation of economic recovery measures that include, among others, research grants for infectious diseases.
3. The Indonesian government made a similar move, issuing two green sukuk totalling US\$2 billion. This was in line with a strategy under the government's economic master plan to seek innovative sources of financing for domestic infrastructure projects. Similarly, Indonesia issued another green sukuk in June 2020 worth US\$750 million to finance sustainable development projects and cushion the blow of the Covid-19 pandemic.

Therefore, there was unanimous agreement among the interviewees that Islamic finance, including ISF and sustainable sukuk, can be part of the Covid-19 response through the alignment between the underlying principles of Islamic finance and SRI. Apart from sustainable development instruments, *waqf*, *zakat* and *sadaqah* can be used in the circumstances of pandemics such as Covid-19.

### **Fintech as an enabler**

It is worth noting that fintech has been identified by the participants as a key element to achieve the objective of ISF, which will in turn contribute to achieving the SDGs.

The participants noted that the emergence of fintech should trigger innovations among the Islamic finance industry players and promote creativity by providing new perspectives

and practices in financial transactions. Shariah scholars should understand the technical aspects of sophisticated financial instruments and the implementation of fintech in Islamic finance to keep pace with the development that is taking place in the market. In this regard, Shariah scholars and industry players must work together to produce innovative Shariah-compliant products that fulfil the needs of the society and help in realizing the SDGs.

The participants ascertained that innovation and fintech, including blockchain and smart contracts, could be the way forward to overcome the challenges faced by *zakat* and *waqf* institutions. For instance, using blockchain platform by *zakat* institutions would enable tracking of *zakat* funds throughout the whole process lifecycle, from the point of donation to distribution of funds. This will, hopefully, increase the total collection of *zakat* and its distribution to the needy, which will ultimately help to improve the social economy.

The participants noted that:

“*Fintech is an important tool that can be used in order to support and enhance the potential of all philanthropic instruments such as waqf, zakah and sadaqah and others.*”

“*Fintech can be used to advance the management of waqf. It can also assist in ensuring transparency and good governance in the management of waqf. For example, fintech can be used in recording all the assets of waqf and ensuring that these assets are being used and managed in a proper manner.*”

“*One of the issues that is prevalent nowadays regarding waqf is that in several jurisdictions there are no proper records and accounts for waqf assets, and this has resulted in people questioning the integrity of those people or entities entrusted to manage waqf assets.*”

“*By utilizing fintech, this issue of records and accounts as well as the transparency issues related to the management of the assets of waqf can be overcome.*”

“*As for zakat, the issue related to collection disbursement as well as the record of the recipient of zakat can also be overcome by using fintech.*”

## Focus on Sustainability

The bank's sustainability aspiration resonates with the SDGs where it prioritises six SDG targets in alignment to HSBC Group's strategy through financing and investments as well as business operation. The SDGs adopted are SDG4: Quality Education; SDG 7: Affordable and clean energy; SDG 8: Decent work and economic growth, SDG11: Sustainable cities and communities; SDG 12: Responsible consumption and production; SDG 13: Climate Action. To materialize the transformation to a sustainable bank in light of SDGs, the bank developed project COCOON. The project is designed to develop a sustainability strategy aiming to become a sustainable bank by the year 2022. In 2020, COCOON project identified key initiatives to achieve the goal of a sustainable bank. These initiatives are derived from four different categories, namely customized financial solutions, capacity building, external disclosures, and cultural transformation. The Cocoon project was a culmination of several initiatives, namely VBI, HSBC Amanah UN SDG Sukuk Framework, and the Task Force on Climate-Related Financial disclosures (TCFD).

### 1. Value-based Intermediation (VBI):

Introduced in July 2017, VBI is an initiative driven by Bank Negara Malaysia with the aim of delivering intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. Bank Negara Malaysia, in collaboration with HSBC Amanah and other Islamic banks, has formed the VBI Community of Practitioners (CoP) to materialize the VBI agenda. By integrating VBI into the core business practices of the bank, it will generate a positive impact and ensure sustainability of the business through the lens of Triple Bottom Line – People, Planet and Prosperity.

At Amanah, VBI also means identifying and assessing material issues indicated by the bank's stakeholders, namely the customers, suppliers, employees, investors, regulators, governments and communities.

The bank's adoption of the SDGs has accelerated the implementation of the VBI agenda, locally and at the international level.

### 2. HSBC Amanah UN SDG Sukuk Framework:

HSBC Amanah aims to grow in a sustainable manner with a clear focus on moving towards a low-carbon economy to protect the planet, as well as to support the growth of communities. It is within this framework that the HSBC Amanah's UN SDG Sukuk Framework falls. The Framework is part of HSBC's Group, which aims to develop green and sustainable sukuk by providing investors access to funding sustainable infrastructure without contravening Islamic Shariah law.

To materialize the framework, HSBC Amanah launched the world's first SDG sukuk in 2018 (SDG Sukuk - MYBV11802740).

The SDG sukuk framework of Amanah comprises the following elements:

- **Use of proceeds:** the utilization of the proceeds is in line with SDG3, SDG4, SDG6, SDG7, SDG9, SDG11, SDG13.
- **Evaluation:** Definition of sustainable finance and the details of the project are defined and ratified by the Green Bond and Loan Committee (GB & LC)
- **Funds tracking:** The GB & LC tracks the Use of Proceeds via its internal information system.
- **Reporting:** For allocation reporting, confirmation that the use of proceeds of the SDG Bond(s) issued conforms with the HSBC SDG Bond Framework. As for impact reporting, HSBC recognises the importance of disclosing the use of funds to the investors and the actual impact.

### 3. Task Force on Climate-Related Financial Disclosures (TCFD)

In October 2020, the bank announced a new climate ambition to become net zero in financed emissions by 2050 or sooner. The bank aims to support customers by setting a new target to mobilise between USD750 billion and USD1 trillion of sustainable finance and investments by 2030, underpinned by strong governance, risk management and metrics to measure progress.

#### Products

A few products have been launched by HSBC Amanah in line with SDG and ESG, namely SDG sukuk, ESG structured product and sustainability-linked financing.

1. SDG Sukuk: the sukuk was issued in October 2018. The main details of the issuance include the following:

- Issue amount: RM500,000,000
- Tenor: 5 years
- SDGs related:
  - SDG 3: Good health and well-being
  - SDG 6: Clean water and sanitation
  - SDG 7: Affordable and clean energy
  - SDG 9: Industry, innovation and infrastructure
- The lowest coupon for a 5-year non-government guaranteed sukuk/bond in the MYR market in 2018; lowest coupon by a financial institution for a 5-year sukuk/bond in the MYR market in 2018.
- The tightest spread over the 5-year benchmark Malaysian Government Securities for a financial institution since 2013 and for an Islamic bank in the MYR market since HSBC Amanah's inaugural MYR Sukuk offering in 2012.



## 2. HSBC Amanah ESG Islamic Structured Product:

- The product was launched in June 2019 and is the first in the Malaysian market.
- The product enables customers to obtain potential return that is linked to the performance of an ESG-related index with environment and social causes.
- The product is VBI and sustainability driven.

### **Engagement with the Principles for Responsible Banking**

HSBC Amanah is not a signatory of the PRB but it has adopted the Equator Principles for determining, assessing and managing environmental and social risk when financing projects. The bank is also a member of the PRI, UN Global Compact as well as UN Framework Convention on Climate Change.

### **ESG Framework**

The bank developed its own ESG framework and set a number of policies. The policies include, sustainability risk, chemicals industry, energy, forestry, mining and metals, defence equipment, health and safety, remuneration practices and governance, statement on human rights and financial crimes.

ESG-related activities are constantly reported in the ESG reports such as ESG Updates, Strategic Report, Social and Environmental Key Facts.

## CONCLUSION AND THE WAY FORWARD

This report seeks to review the interplay between the SDGs and Shariah and the implications for the Islamic finance sector. Through interviews with Shariah scholars, analysis of literature and case studies on Islamic banks views towards the SDGs were explored and presented.

The report found that shariah scholars are familiar with sustainability related frameworks (e.g. VBI) and the underpinnings of the associated ESG and SRI thematic, all of which revolve around the SDGs framework. The responses from the scholars showed that they are aware of the SDGs and the potential of their implementation in Islamic finance. They agreed that the SDGs can be aligned with the Islamic principles and that the very few issues contradicting Shariah, which are related to absolute gender equality, do not undermine the value proposition of the SDGs as a viable framework for sustainability. The Shariah scholars showed a great deal of flexibility when they ascertain that the SDGs are in line with *maqasid al-Shariah*, affirming the universal values of Islamic finance.

In addition, the Shariah scholars revealed that the *maqasid* discussion in the financial sphere should be extended to integrate various sustainable development instruments (i.e., SRI, ESG and VBI) and provide a grand framework on the integration of the SDGs and *maqasid al-Shariah* and the direction of how financial transactions should be arranged in an Islamic economic system. By pursuing sustainable development instruments such as SRI sukuk the Islamic finance industry would benefit from a larger investor base and gain broader mainstream relevance.

The report also found that Shariah scholars are aware of the opportunities that the SDGs can provide Islamic finance. This is obvious in some responses that encourage leveraging on the SDGs to take Islamic finance to the global market. That would mean greater penetration of the Islamic finance value proposition and demonstration of its unique features, being based on profit-and-loss sharing, and the prohibition of interest (*riba*), uncertainty (*gharar*) and speculative activities in financial markets.

However, the number of SDG-based products in Islamic finance are too few to judge the actual potential of the SDG agendas. The lack of an integration framework between the SDGs and *maqasid al-Shariah* as well the possibility for SDGs to supersede *maqasid al-Shariah* represent real challenges to the effective application of an “SDG-*maqasid* framework” in Islamic finance. Developing such a framework is a key enabler towards developing products that enhance the economy, empower communities and protect the environment – i.e. a *Tayyib* category of products.

It is equally important to unlock the potential of Islamic social finance instruments such as *waqf*, *zakat* and *sadaqah* due to their potential in instilling cooperation, solidarity and enabling alternative blended finance mechanisms. Fintech was specifically noted as an enabler for this.

Possibly the most telling insights was the view that Shariah scholars and industry players must work together better to produce innovative products that fulfil the needs of society and help in realizing the SDGs. Whilst scholars are not technical experts on climate related data, their training and deep social insights places them uniquely well to assist financial institutions in addressing the ‘S’ in ESG which will be key to driving the broader sustainability agenda captured by the SDGs.

## APPENDIX 1

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### List of interviewed scholars/participants: (in alphabetical order)

| Name                     | Position  |
|--------------------------|---|
| Abdurrahman Yousif Habil | Formerly general council Abu Dhabi Islamic Bank   |
| Dr Bashir Aliyu Umar     | Secretary and member of Financial Regulation Advisory Council of Experts of Central Bank of Nigeria (FRACE-CBN) |
| Shaykh Haytham Tamim     | Utrujj Foundation, UK   |
| Dr Khalid Al Janahi      | General Advisor for Dubai Islamic Economy Development Centre (DIEDC)  |
| Dr Marjan Muhammad       | Member of Bank Negara Malaysia Shariah Advisory Council (SAC)   |
| Dr Mohamad Akram Laldin  | Member of Bank Negara Malaysia Shariah Advisory Council (SAC) and Shariah advisor at many IFIs                  |
| Dr Mudassar Siddiqui     | Fiqh Council North America, US and Sohar Islamic Bank, Oman   |
| Mufti Barkatulla         | Islamic Bank of Britain, Taqwaa Advisory, UK  |
| Dr Said Bouheraoua       | Shariah member of the Central Bank of Oman and Chairman of Affin Islamic Shariah Committee.                     |
| Dr Younes Soualhi        | Member of Shariah Committee of HSBC Amanah Malaysia and Member of Shariah Committee - Bursa Malaysia            |

## Interview Questions:

1. What is your existing understanding of and approach to “sustainability” (=CSR/SDG/ etc.)? What are you doing, and do you expect this to change?
2. Are sustainability-linked factors such as the environment, social issues and corporate governance important to the business and your role as a scholar?
  - A. If so, how and why?
  - B. If not, should it be?
3. How do the SDGs align with the Islamic finance industry and its principles (*maqasid Shariah*) in your opinion? And are they relevant?
4. Do any clash with Islamic principles? If so, which ones and why?
5. Do you see a need for greater awareness amongst the scholar community on sustainability-linked topics such as the SDGs? If so, would you like to see work towards capacity building specifically for scholars on sustainability/SDGs, and who should be delivering this?
6. Are IFIs doing enough to address broader “sustainability” issues? If not, what more should they be doing and what responsibility/degree of engagement should the SSB have in that process?
7. Do current IFI products make significant social impact? That is, do they demonstrate social returns alongside financial returns (in the way mainstream products are starting to do; e.g., impact sukuk, green mortgages, etc.)?
8. How can *waqf* and *zakat* institutions (the third sector) contribute in supporting the social dimension of Islamic finance and the SDGs? In other words, what is the role of Islamic social finance in supporting the SDGs?
9. What is the potential of fintech in enhancing/supporting philanthropic instruments such as *zakat* and *waqf* and how would this contribute to achieve SDGs?
10. Are SDGs an opportunity [or a threat] to IFIs? If so, please describe the opportunity [or threat].

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