Application Guidelines for the Islamic Sustainable Investing Platform

A listing of independently assessed, validated and showcased Islamic investment products that are directly aligned to sustainability goals

Tayyib Inspired

Contents

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Section 1 Introduction

The Islamic Sustainable Investing Platform (the Platform)

The Platform is a listing of independently assessed, validated and showcased Islamic investment products that are directly aligned to sustainability goals. The Platform is for Shariah compliant asset managers and product originators and focuses on four asset classes – Equity Capital Markets, Sukuk Capital Market, Real Estate and Impact Investing as reflected by Private Equity.

The Platform is inspired and framed by the Islamic concept of "Tayyib" (pure, wholesome, and impactful). It complements the existing "halal" paradigm successfully built by the early Islamic finance pioneers and supports the development of the Islamic asset management sector. At its heart it seeks to reflect Shariah compliance coupled with enhanced focus on active sustainable (also referred to as ESG/Responsible) investing framed by Islamic values.

Tayyib Inspired

The concept of Tayyib draws inspiration from Islamic sources, including the Quran and Sunnah, signifying an aspiration for excellence and goodness in all aspects of life. There are 46 verses in the Quran with reference to the term Tayyib and its derivatives (see appendix 1).

The Shariah law is the "north-star" within the Islamic world. The Tayyib concept is framed through scriptural references using principles within the maqasid al-Shariah (objectives of Shariah) and usul ul fiqh (legal) categorisations such as mandoob, wajib, makrooh (recommended, obligatory, highly discouraged).

It is important to note that the Platform **does not seek to define Tayyib**. It intentionally takes a "Tayyib Inspired" approach towards encouraging enhanced integration of sustainability (also referred to as ESG/responsible investing) factors within the Islamic asset management sector.

An increase in global initiatives seeking to enhance sustainability considerations within Islamic Financial Institutions (IFI) illustrates the growing prominence of sustainability. Initiatives such as the UAE Central Bank HSA Guiding Principles Regarding Islamic Sustainable Finance[1], Securities Commission Malaysia (SC) principles-based Maqasid Al-Shariah Guidance for Islamic Capital Market Malaysia[2] and it's SRI Sukuk framework[3] along with Bank Negara Malaysia (BNM) Value-based Intermediation (VBI) Financing and Investment Impact Assessment Framework[4] are leading examples in the move towards sustainability.

Collectively, a Tayyib inspired global movement can support the development of financial markets that better combine sustainable investing and Islamic finance to create a more responsible, inclusive and equitable world.

[1] https://www.centralbank.ae/en

[2] https://www.sc.com.my/resources/media/media-release/sc-unveils-principles-based-maqasid-al-shariah-guidance-for-islamic-capital-market

[3] https://www.sc.com.my/resources/media/media-release/sc-releases-new-sukuk-framework-to-facilitate-companies-transition-to-net-zero

[4] https://www.bnm.gov.my/-/value-based-intermediation-financing-and-investment-impact-assessment-framework-guidance-document

A Pragmatic Step with a Global Vision

Over the past 50 years, Islamic finance has successfully been established as a leading global faith-based form of finance reaching over US$4 trillion[5]. It is differentiated on its ethical parameters derived from the Islamic tradition and has considerable similarities with the Christian faith. Islamic finance is anchored around select key principles, including do no harm (akin to an exclusionary approach) and the ban on interest.

Building on this success, the Platform is introduced aiming to enhance the Islamic asset management sector by incorporating sustainability factors.

Islamic Sustainable Investing

The Platform seeks to encourage Islamic asset managers and product originators to augment existing practices by enhancing incorporation of leading market practice in sustainability into their investment processes. This aligns with the global movement of businesses becoming increasingly conscious of their societal impact through issues such as climate change.

Whilst ESG activity originates from a risk management perspective and the term “sustainability” has developed a wider connotation. We recognise there is a taxonomy challenge within the sector with varying terms such as ESG, sustainability, SRI (Socially Responsible Investing) often used interchangeably. Appendix 2 provides a background on the terminology used in the sector. This document will use the term sustainability going forward.

Empowering Growth in Islamic Sustainable Finance

The Platform will empower Islamic asset managers and product originators to access global faith neutral sustainability linked liquidity pools, estimated to be US$38 trillion with estimates it could reach US$53 trillion by 2025[6]. It identifies and incorporates leading conventional market sustainability practices being prioritised by global institutional asset owners.

Along with the natural footprint of Islamic asset managers and product originators being in emerging markets, including the global south, by enhancing sustainability considerations into their investment process, Islamic asset managers can enhance their share of global assets under management (AUM).

Encouraging innovation and expanding choice for existing Islamic finance consumers

Currently, Shariah compliant Islamic investment products operate essentially upon two key restrictions: 1) a negative screening excluding impermissible sectors; and 2) limitation on conventional debt and non-permissible income.

All Islamic investment products require Shariah certification. Within this Shariah compliant universe, products can vary significantly in terms of their sustainability considerations. For example, a Shariah

[5] ICD – Refinitiv Islamic Finance Development Report 2022: Embracing Change https://icd-ps.org/
[6] Bloomberg https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/

compliant investment in an oil drilling venture in Alaska would not have any distinction from a Shariah compliant investment in renewable energy.

Conventional sustainability markets offer various methods for reflecting commitment to sustainability, such as investment product certifications and signing up to recognised frameworks for net zero, UN Guiding Principles on Human and Business Rights, etc.

The Platform will provide a showcasing of independently assessed and validated products that are directly aligned to sustainability goals which the market can clearly distinguish.

Global Collaboration – mainstream sustainability and Islamic finance

The Islamic finance industry has been successfully established with a compliance ('Halal') paradigm. Whilst there is a natural alignment between sustainability and Islamic principles there has been limited engagement between the sustainability and Islamic finance sectors.

Combining approaches benefits both conventional and Islamic markets. Islamic principles can present additional perspectives and solutions to challenges and tension points emerging within the global conventional sustainability market. With over 1.6bn Muslims globally ensuring all voices are included in addressing the "S" in ESG enables a more considered and relevant solutions.

Contemporary Islamic finance has principally grown from an exclusionary basis. The sector can benefit from the considerable global developments in sustainability classification (e.g. SFDR, UK SDR), reporting (e.g GRI) and accounting frameworks and approaches to issues such as nature and biodiversity (e.g. TNFD).

COP28 – launching the Platform and the Secretariat

The Islamic Sustainable Investing Platform is administered by the Tayyib Secretariat which was launched at COP28 (see section 6). It follows several years of market assessment and was the output of a market driven initiative formally commissioned in 2022.

The Secretariat aims to amplify existing sustainability initiatives and develop market tools (such as the Platform) to support financial institutions in combining sustainable investing and Islamic finance.

The Secretariat will build on the launch of the Platform undertaking further research and development to refine and articulate Islamic sustainable investing principles considerations in collaboration with global parties. The Secretariat will promote Islamic sustainable investing with a view to contribute and collaborate with key stakeholders in both the Islamic finance and conventional sustainable finance arenas.

This approach will allow for the Islamic finance sector to benefit from developments in mainstream sustainable finance and contribute its voice to help inform discussions and shape developments in the global mainstream markets.

The Platform – showcasing Islamic sustainable investment products

The rise of sustainable investing demonstrates the increasing market demand and consequently provides an opportunity and need for the Platform – a clear and easy way to showcase Shariah-compliant investments that incorporate sustainability factors.

The Platform builds on earlier successes by introducing a forward-looking approach to Islamic asset management, inspired by the concept of Tayyib. It aims to enrich Islamic finance with sustainability considerations, empower asset managers, and contribute to global sustainability discussions, while acknowledging the notable divergences and respecting the distinct principles of Islamic finance.

Section 2 Methodology

The Islamic Sustainable Investing Platform guidelines ("Guidelines") have been developed using a principles and alignment based approach. This approach offers flexibility to fulfil requirements with adaptability and innovation while avoiding rigidity. It also encourages the development of fresh perspectives on how to embody Tayyib inspired principles as these are further developed.

Convergence and Additionality Approach

The Guidelines have been developed with a recognition of the inherent interconnection between the fundamental principles of Islamic finance and the sustainability considerations integral to responsible investing.

The approach underpinning the creation of the Guidelines acknowledges the mature state and ongoing evolution of responsible investing. It recognises the current proliferation of conventional sustainability frameworks and the challenges being faced by market practitioners and avoids duplication. Accordingly, the approach taken is guided by the following:

1. **Market Approach Led by Practitioners:** the assessment and validation approach adopted is pragmatic and seeks to minimise the barrier to adoption by avoiding unnecessarily onerous requirements on Islamic asset managers and product originators.

2. **Referencing Leading Frameworks:** the Guidelines have utilised existing leading sustainability frameworks and standards as adopted by market practitioners, ensuring a robust foundation and avoiding duplication.

3. **Applying a "Shariah Lens" to Identify Additionality:** sustainability frameworks are considered in the context of Islamic principles. From a shariah lens, certain approaches utilise legal (fiqhi) categorisations of mandoob, wajib, makrooh (recommended, obligatory, highly discouraged) and others utilise the lens of a deeper reflection on the Maqasid al-Shariah (objectives of Shariah). The Guidelines includes the identification of additional positive Islamic sustainable investing factors for consideration.

Identification of Frameworks

The Guidelines are grounded in extensive consultations with asset managers and industry stakeholders to identify the key sustainability frameworks applicable to Islamic products within the four asset classes under consideration: Equity Capital Markets, Sukuk Capital Markets, Real Estate and Private Equity (as a proxy for Impact Investing).

The development of the Guidelines considered a range of existing sustainability guidance (frameworks, standards, etc.) relevant to investment management. This encompassed, among others, the CFA Global ESG Disclosure Standards for Investment Products, EU SFDR Regulation, UK SDR Regulation, GRI Standards, ICMA Bond Principles, Net Zero Investment Framework (NZIF), Principles for Responsible Investment (PRI), Value Based Intermediation (VBI, Malaysia) SASB Conceptual Framework, UAE Central Bank HSA Resolution re The Guiding Principles Regarding Islamic Sustainable Finance, Taskforce on Climate-Related Disclosures (TCFD), Operating Principles for Impact

Management (OPIM), SDG Impact Standards, SRI Sukuk Framework and the Integrated Reporting Framework. As frameworks evolve at pace, the Guidelines will look to embed any new relevant principles in future versions.

Investing With Faith Inspired Thinking

Sustainable investing and faith-based investing, such as Islamic finance, share common principles and practical techniques. Islamic finance, governed by Shariah principles, inherently considers its impact on society and the environment, extending far beyond investment processes into matters of worship, personal conduct, societal issues, and more. Acknowledging ontological positions on the purpose of wealth and the economy and its inter-relationship with concepts of well-being, spirituality and human relationship with the planet and other living creatures is critical to engaging with Islamic finance and other faith communities.

Role of Shariah Scholars

Shariah scholars have historically played a central role in the establishment of contemporary Islamic finance. Their responsibilities have evolved to encompass product development, innovation, supervision of Islamic finance operations and compliance, and participation in policy and regulation development.

The AAOIFI exposure draft[7] reflects that Shariah decision-making should consistently consider maqasid al-Shariah, including corporate social responsibility and sustainability considerations. This development sets further expectations that Shariah scholars working with Islamic asset managers and product originators should actively engage in sustainability considerations. However, given that Shariah scholars may lack familiarity with select sustainability matters, additional practical guidance on their role would be beneficial. The UAE Central Bank HSA Resolution re The Guiding Principles Regarding Islamic Sustainable Finance notes that Internal Shariah Supervision Committees must now include sustainability aspects in their decision making by applying Shariah legal maxims that deal with weighting harm and benefits.

Accordingly, Shariah scholars are expected to play a pivotal role in defining concepts, helping to navigate and direct evolving sustainability considerations, setting clear prioritisations and addressing authenticity challenges. In addition, utilising scholars' inherent wisdom to navigate qualitative components innately present within the "S" in ESG can address limitations which traditional quant-focused financial practitioners may have.

The Secretariat will undertake ongoing consultation with Shariah scholars as the Guidelines are further developed and refined.

Embracing UN Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) represent a set of global development objectives adopted by numerous organisations. The SDGs naturally align with Shariah, with limited

[7] The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shariah Decision Making Process exposure draft https://aaoifi.com/

contradictions largely related to the definition of the family unit[8]. Within these Guidelines, expectations for Platform applicants regarding the SDGs is specifically highlighted across each asset class.

[8] The UKIFC issued a thought leadership piece on Shariah and the SDGs which discussed the natural alignment between the SDGs and the Tayyib concept, refer "Islamic Finance : Shariah and the SDGS Thought Leadership Series Part 4" October 2021 https://www.ukifc.com/

Section 3 Application Criteria

To join the Platform, products should demonstrate, as appropriate:

1. Formal Shariah compliance

2. Active management demonstrating proactive engagement with investee companies

3. Consideration of sustainability parameters

4. Engagement with or adoption of leading market sustainability frameworks

5. Alignment and or compliance with local applicable regulatory green and sustainability frameworks and international frameworks, including EU SFDR and UK SDR

6. Consideration of additional *Tayyib inspired* factors (Islamic Sustainable Investing Principles)

Products will be assessed and verified against the above factors for their eligibility to join the Platform and be showcased on the listing.

As the sustainable investment industry develops and grows, stakeholders will become more sophisticated and familiar with frameworks leading to convergence. The Guidelines have recognised this trend, and the following sections focus on the frameworks that practitioners have identified as market leading.

The Guidelines aim to provide a coherent approach, whilst allowing tailoring to the size and resources of the relevant organisation. Further refinement of these guidance notes will be undertaken over the first 24 months as market feedback on the Platform is obtained.

Equity Capital Markets

Islamic equity capital markets investing is principally characterised by the application of two lenses, being negative screens (the avoidance of non-permissible sectors) and financial ratios (seeking to pragmatically limit the level of conventional leverage and income derived through non-permissible activities).

Current leading conventional market practice towards sustainability frameworks proactively incorporate factors such as net zero targets, impact on nature and biodiversity, modern slavery and human trafficking, diversity and inclusion and engagement techniques.

Increasing sophistication and enhanced global co-ordination is occurring as the prominence of the sector has increased with both asset owners requiring increased disclosure on sustainability factors and global regulators developing taxonomies and issuing regulations for the sector.

Leading Market Practice

Within the Equity Capital Markets asset class, leading global market practice frameworks identified include Principles for Responsible Investment (PRI) and Net Zero Investment Framework (NZIF).

PRI guidance for Equity Capital Markets[9] provides a comprehensive description of what ESG-integrated analysis is, and how it works in practice with a five-part process to assist with constructing ESG-integrated investment processes.

NZIF provides a six component recommended actions, metrics and methodologies framework[10]. Signatories to the Net Zero Asset Managers Initiative are aligned to the NZIF and the requirements include disclosing in line with PRI or Carbon Disclosure Project (CDP)[11] annual reporting processes.

Key parameters which underpin both frameworks include:

- Strategy, Investment Policy, and Beliefs
- Governance
- Investment Process
- Targets, Monitoring, and Reporting
- Stewardship / Market Engagement

[9] A Practical Guide to ESG Integration for Equity Investing is available on the PRI website https://www.unpri.org/listed-equity/esg-integration-in-listed-equity-a-technical-guide/11273.article

[10] Net Zero Investment Framework is available on the Paris Aligned Asset Owners website https://www.parisalignedassetowners.org/net-zero-investment-framework/

[11] CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts, for more details refer to https://www.cdp.net/en/info/about-us

Platform Joining Criteria

Shariah compliant products will be assessed by the Secretariat for eligibility for the Platform using the following criteria:

- The organisation is a formal signatory to PRI or NZIF[12] or internationally recognised initiatives or Secretariat approved regional initiatives following the key parameters underpinning market leading frameworks. Consideration of all sustainability parameters will be assessed. We note consideration of the SDG's is incorporated into PRI and NZIF

- Treatment under local applicable regulations for green and sustainable financial products.

- The organisation has incorporated, as applicable, the aspects noted in Section 4 Consideration of Islamic Sustainable Investing Principles

Products with a Shariah certificate which meet the above criteria can apply to join the Platform. The Secretariat will undertake a verification process to seek assurance on how the asset manager or product originator is addressing the criteria noted. Further information is included in Section 5.

[12] for e.g. by being a signatory of the Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/

Sukuk Capital Markets

Over ten types of sukuk structures exist in the market seeking to provide fixed income like investment certificates using Islamic contracts.

Similarly, within conventional DCM, sustainability bonds have various guises including green bonds, blue bonds, performance linked bonds, etc. Key characteristics can include the restriction on the use of proceeds, the creation of sustainability frameworks and third-party verification.

The Islamic finance sector's innovation in developing sukuk makes it particularly comfortable with these unique/key structural characteristics of sustainability linked bonds, particularly the restriction on use of proceeds and additional governance. In 2014 the Securities Commission Malaysia issued the Sustainable and Responsible Investment Sukuk Framework, one of the first Islamic jurisdictions to provide a regulatory framework addressing fundraising that incorporate sustainability concerns such as climate change or social agenda.

Leading Market Practice

The International Capital Market Association (ICMA) Principles and the Climate Bonds Standard are the prevalent frameworks in use in the global green and sustainable bond market. In Malaysia the Sustainable and Responsible Investment (SRI) Sukuk framework is well established.

ICMA has issued five sets of sustainability related guidance applicable to Sukuk capital markets: Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles and Blue Bond Guidance[13]. ICMA also provides a mapping to the SDGs which can be used as a reference point to evaluate the financing objectives of a bond.

The Climate Bonds Standard and Certification Scheme is a voluntary labelling scheme for investments and entities. The Climate Bonds Scheme consists of the four certification options; 1) use of proceeds; 2) asset certification, 3) entity certification, 4) sustainability linked debt as noted in the Climate Bonds Standard V4.0[14].

The Sustainable and Responsible Investment (SRI) Sukuk framework was issued by the Securities Commission Malaysia in 2014[15] with an update issued in 2019[16]. The framework covers alignment with the SDGs, utilisation of proceeds, project evaluation and selections, management of proceeds, reporting, external review, and eligible SRI projects.

[13] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks

[14] https://www.climatebonds.net/climate-bonds-standard-v4

[15] https://www.sc.com.my/regulation/guidelines Contained in Chapter 7 of the Security Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and Chapter 20 of the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors

[16] https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416

Platform Joining Criteria

As most green and sustainable sukuk in issuance currently follow ICMA principles, Climate Bonds Standard[17], or the SRI Sukuk framework, there is an established approach to sustainability within the sukuk market, which these Guidelines will align to. There would be limited value in developing a new set of requirements when the existing approach addresses integrating sustainability considerations into the sukuk issuance process.

Sukuk products will be assessed by the Secretariat for eligibility for the Platform using the following criteria:

- Adoption of the ICMA principles, the Climate Bonds Standard and Certification Scheme, SRI Sukuk Framework, or any other regional green/sustainable sukuk framework **with** associated third-party verification. We note guidance on the SDGs is provided for each of these frameworks[18]

- Incorporated, as applicable, the aspects noted in Section 4 Consideration of Islamic Sustainable Investing Principles

- Assessment of the sustainability characteristics relating to the use of any underlying asset or commodity used in structuring the sukuk

- For convertible sukuk, assessment of sustainability characteristics relating to the underlying business asset

The Secretariat will undertake a verification process to seek assurance on how the sukuk issuer or asset manager is addressing the criteria noted. Further information is included in Section 5.

[17] At the end of Q3 2023 LSEG data indicated approximately 93% of all green sukuk issued are aligned with the CBI taxonomy or CBI methodology

[18] Guidance available:
ICMA Principles - High Level Mapping to the Sustainable Development Goals https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/
Climate Bonds Initiative – Green Bonds A Bridge to the SDGs https://www.climatebonds.net/resources/reports/green-bonds-bridge-sdgs
Sustainable and Responsible Investment Sukuk Framework - Pg.6 Aligning the Framework with the SDGs https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416

Real Estate

Real estate is a major asset class for the global Islamic finance sector, and often one of the preferred investments by Islamic asset owners.

Sustainable practices in relation to construction, land development and energy efficiency are well-established within the real estate sector and are supported by certifications, risk assessment tools and comparable datasets (e.g., GRESB - Global Real Estate Sustainability Benchmark, CRREM - Carbon Risk Real Estate Monitor).

Leading Market Practice

There are a wide range of ESG certifications schemes available[19] for use by construction and engineering firms, including multi-issue certifications such as LEED, BREAM, and PEARL, as well as single-issue certification providers such as WELL and Fitwell. These typically cover various aspects of sustainability in real estate, including design, energy and water efficiency, emissions reduction, sustainable building practices, and social and governance factors.

There is also an increasing number of net zero carbon buildings standards being developed by individual country members of the World Green Building Council.

The PRI approach to real estate does not recommend a specific certification, but rather directs investors to ensure whichever certification is in place aligns to their stated ESG/sustainability objectives. The PRI starter guide provides guidance on incorporating ESG factors into the steps of the real estate investment process[20]. The PRI also provides a mapping of reporting frameworks, and practices that can be referred to[21].

[19] These include, but are not limited to: Leadership in Energy and Environmental Design (LEED), Building Research Establishment Environmental Assessment Method (BREEAM), the National Association of Home Builders (NAHBGreen) in the US, the Green Building Council of Australia's Green Star rating, and the Pearl Rating System in the UAE

[20] Introductory Guides to Responsible Investment Real Estate https://www.unpri.org/introductory-guides-to-responsible-investment/an-introduction-to-responsible-investment-real-estate/5628.article

[21] Mapping ESG: A landscape review of certifications, reporting frameworks and practices https://www.unpri.org/real-estate/mapping-esg-a-landscape-review-of-certifications-reporting-frameworks-and-practices/11348.article

Platform Joining Criteria

Shariah compliant products will be assessed by the Secretariat for eligibility for the Platform using the following criteria:

- The organisation has certifications or is a signatory to PRI or internationally recognised initiatives or Secretariat approved regional initiatives following the key parameters underpinning market leading frameworks. .

- Incorporated, as applicable, the aspects noted in Section 4 Consideration of Islamic Sustainable Investing Principles

- The organisation has considered how it can implement the SDG's[22]

Products with a Shariah certificate which meet the above criteria can apply to join the Platform. The Secretariat will undertake a verification process to seek assurance on how the asset manager or product originator is addressing the criteria noted. Further information is included in Section 5.

[22] Relevant guidance includes RICS Advancing Responsible Business in Land, Construction and Real Estate Use and Investment Making the Sustainable Development Goals a Reality https://www.rics.org/about-rics/responsible-business/un-sustainable-development

Private Equity

The growth in Islamic finance has been well documented and this provides an opportunity for private equity investors. Over 50% of investment deals in the Islamic economy are reported as being private equity transactions, with expectations of continued growth over the coming years.[23]

Leading Market Practice

Leading frameworks for integrating ESG into investing within the private equity asset class include the Operating Principles for Impact Management (OPIM), Global Impact Investing Network (GIIN) Guidance, NZIF, and PRI.

OPIM is a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle. OPIM sets out 9 principles across the following process areas: Strategic Intent, Origination & Structuring, Portfolio Management, Impact at Exit, and Independent Verification[24].

GIIN promotes and supports the growth of the impact investing industry and provides:

i. Core Characteristics of Impact Investing highlighting 4 key components – (i) Intentionality, (ii) Use Evidence and Impact Data in Investment Design, (iii) Manage Impact Performance, and (iv) Contribute to the Growth of the Industry[25]

ii. The IRIS+ system to help investors measure, manage, and optimize their impact - IRIS+ provides the market with how to implement the Core Characteristics[26]

The NZIF guidance for private equity provides adapted NZIF concepts related to targets with four types of targets for organisations to choose for their net zero ambitions. It recognises General Partners and Limited Partners influence on portfolio companies varies and provides guidance for each type of target covering metrics, timescales and required actions.

For private equity investors the PRI has introduced a guide that provides an overview of applying the principles to private equity and covers the steps to implement responsible investment.[27] The PRI also launched the Impact Investing Market Map in 2018 to provide a methodology to help asset owners, asset managers and fund managers identify impact investing companies based on thematic investments[28].

[23] Salam Gateway.com Islamic Private Equity: Has it come of age?, Zainab Mansoor, August 31, 2023 https://salaamgateway.com/story/islamic-private-equity-has-it-come-of-age
State of the Global Islamic Economy Report 2022 https://www.dinarstandard.com/post/state-of-the-global-islamic-economy-report-2022

[24] https://www.impactprinciples.org/9-principles

[25] https://thegiin.org/characteristics/

[26] https://iris.thegiin.org/about/

[27] https://www.unpri.org/introductory-guides-to-responsible-investment/an-introduction-to-responsible-investment-private-equity/4941.article

[28] https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map/3537.article

Platform Joining Criteria

Shariah compliant products will be assessed by the Secretariat for eligibility for the Platform using the following criteria:

- The organisation is a formal signatory to OPIM or PRI or the NZIF[29] or internationally recognised initiatives or Secretariat approved regional initiatives following the key parameters underpinning market leading frameworks. We note that OPIM are mapped in the SDG Impact Standard Mapping Document[30] and consideration of the SDG's is incorporated into PRI and NZIF

- The organisation can evidence being aligned to the GIIN Core Characteristics with a framework for measuring outcomes using either Iris+ or an alternative

- The organisation has incorporated, as applicable, the aspects noted in Section 4 Consideration of Islamic Sustainable Investing Principles

Products with a Shariah certificate which meet the above criteria can apply to join the Platform. The Secretariat will undertake a verification process to seek assurance on how the asset manager or product orginator is addressing the criteria noted. Further information is included in Section 5.

[29] for example, for NZIF product provider is a signatory to the Net Zero Asset Managers Initiative

[30] SDG Impact Standards Mapping Document available at https://sdgimpact.undp.org/

Section 4 Consideration of Islamic Sustainable Investing Principles

Applicants will be assessed on how they have considered Islamic sustainable investing principles. An initial set of principles underpinning Tayyib have been identified alongside a set of considerations which provide additionality to existing ESG frameworks by taking into account Islamic principles. The principles identified below are deemed as being additive to the existing leading market sustainability practice. The Secretariat will undertake further collaborative R&D to refine such *Tayyib Inspired* principles in conjunction with Shariah scholars.

Principles

1. Stewardship – climate and the environmental
2. Company conduct – human rights and social justice
3. Societal impact and responsibilities
4. Profit, wealth and well-being

Illustrative considerations around the practical application of the above principles are noted below. These are relevant to both the asset manager's processes and to how they engage, assess and monitor investee companies. Whilst the below considerations will form part of the application assessment process, they are not intended to be an exhaustive list and are expected to develop in due course.

Additional Islamic Sustainable Investing Assessment Considerations

I. *Does the organisation have a stated social or ethical purpose alongside the profit motive? (Corporate Social Responsibility / Islamic purpose of wealth)*

II. *How does the business consider the principle of trusteeship and stewardship in reference to the long-term impact of its operations on the environment (climate, nature and biodiversity, etc.)*

III. *What are the organisations approach towards waste and pollution, circular economy, regeneration, GHG emissions in context of the concept of being a trustee of planetary resources? How is this reflected in their operational approaches?*

IV. *What is the impact of the business on the communities in which it operates, on employees, on customers and suppliers from a wellbeing and spiritual lens?*

V. *What is the organisations belief towards the concepts of sufficiency, preordained wealth (rizq) and growth? How is this reflected in the product design and growth strategies of the company?*

VI. *Describe the organisations use, if any, of speculative financial instruments (e.g. derivative contracts) or interest bearing financing.*

VII. *How does the organisation approach synthetically structured or contentious Islamic financing contracts as identified by local or regional regulators?*

VIII. *How does the organisation currently engage the Shariah Supervisory Board in assessing and measuring investment impact on broad ESG metrics, including the SDGs, and the goals of Maqasid?*

IX. *How is relevant market guidance from AAOIFI, IFSB, local regulators (e.g. SC Malaysia, UAE Central Bank), National Shariah Councils, the OIC Fiqh Academy and other such bodies taken into consideration?*

X. *What, if anything, does the organisation do to promote the principle of Tayyib with other stakeholders within its sphere of influence?*

Section 5 Admission to the Islamic Sustainable Investing Platform

Any organisation conforming with these Guidelines can apply to the Secretariat to join the Platform. The process requires the submission of an application form included in appendix 3.

Applicants will thereafter be subject to an independent assessment and validation as detailed below and be listed on the Platform webpage.

Annual Self-Assessment and Periodic Verification

Applicants are required to complete an initial due diligence questionnaire and verification. Thereafter an annual Self-Assessment questionnaire will be issued. The Secretariat will have an annual meeting to discuss the responses noted within the Self-Assessment questionnaire and where required may request additional information.

A verification exercise will be conducted by the Secretariat at least once every three years. The objective of the verification exercise is to undertake a more detailed assessment and validate that a signatory has:

a) maintained itself as a formal signatory to the standards and frameworks identified in the Guidelines for the asset classes applicable and is meeting the requirements set out within them;

b) demonstrated consideration of Tayyib in investment decision-making and management as set out in the Guidelines.

Existing Frameworks – comply or explain

To meet the Platform requirements an applicant does not necessarily need to comply with all aspects of each of the applicable frameworks mentioned within the Guidance section. The adopted approach is for an applicant to comply or explain – where aspects of an applicable framework are not relevant an explanation is to be provided. The role of the Secretariat in such instances will be to assess the reasonableness of the explanations provided by the signatory.

Admission to the Platform may still be achieved where a signatory has not formally signed up to the identified frameworks. However, in such instances the Secretariat will validate the signatory has demonstrated their investment decision-making and asset management practices meet the objectives set out in leading sustainability frameworks.

In addition, it is recognised that there is the potential for there to be regional nuances in the adoption of ESG frameworks, due to local regulatory requirements or guidance[31]. Such regional nuances will be taken into consideration during the verification exercise.

Where issues are identified with an applicant's conformance with the Guidelines, the issues will be discussed with the applicant's management and a remediation plan agreed, if appropriate.

[31] As an illustration, in Malaysia, the Value Based Intermediation (VBI) guidelines for the Islamic finance industry aim to deliver the intended outcomes of Shariah which are categorised into people, planet, and profit / prosperity and is aligned to the SDGs.

Product Showcasing

Products which successfully apply will be listed on the Platform webpage and have the opportunity to:

1. Participate across a structured systematic advocacy programme of global events (conferences, roundtables, etc.) initially throughout 2024 and 2025
2. Co-produce thought leadership to showcase the product sustainability features towards proactively sharing of insights

Collectively the showcasing seeks to promote innovative asset managers and product providers committed to the ISF agenda thereby encouraging the development of the ecosystem.

Fees

Fees are set at a fixed fee of £5,000GBP per year. The fees at the initial phase have been set to be inclusive and encourage adoption. The fee will be reviewed in January 2025 and thereafter on a two-year basis.

Delisting

An organisation will no longer be eligible for the Tayyib Platform if they fail to meet any of the following requirements: pay the fixed annual fees on a timely basis, provide a completed annual self-assessment questionnaire with sufficient detail, or refuse a verification exercise to be completed.

In exceptional circumstances, where an organisation falls into disrepute or verification identifies material issues of non-conformance with the Guidelines and an organisation refuses to engage consistently and/or effectively to address such issues over a reasonable period the organisation will no longer be eligible for the Tayyib Platform.

Guidance on use of the Platform

Signatories may use the term "Islamic Sustainable Investing Platform" and the term "Tayyib Inspired Investing" (together, the "Marks"), in promotional, instructional, or reference materials, including on their websites. For clarity, the Marks may not be sublicensed or otherwise used in connection with any business or activity that is not within the scope of the Signatory's Covered Assets (see appendix 4 for details).

Guidelines Update

Guidelines dealing with sustainability frameworks are dynamic and evolutive, responding to developments in the sustainability space. The Tayyib Secretariat will be responsible for publishing updates and conveying this to Platform members.

Section 6 Tayyib Secretariat

The Tayyib Secretariat will be responsible for managing the Platform and Guidelines. The Tayyib Secretariat will have four core functions:

i. **Administer the Platform** – process applications, schedule and manage the annual self-assessment process, organise and perform a verification exercise, maintain online portal of Platform products, and address all Platform related queries.

ii. **Promotion of the Platform** – the Tayyib Secretariat will promote the adoption of the Platform amongst the Islamic asset management sector.

iii. **Advocacy** – the Tayyib Secretariat will present the Tayyib concept and underlying Islamic principles with a view to contribute and collaborate with key stakeholders in the conventional ESG and Sustainable finance space. Including perspectives from Islamic finance can help to inform and shape the discussions and developments in the mainstream sustainable finance sector.

iv. **Research & Development** – the Tayyib Secretariat will build on the initial research that supported the Tayyib Platform development to further identify and define the concept of Tayyib and associated considerations arising from applying a maqasid lens by asset class. This will be done in cooperation with Islamic scholars and supported by academia and practitioners. In addition, the Secretariat will undertake a regular assessment, supported by Global Ethical Finance Initiative (GEFI), of mainstream ESG frameworks to ensure relevant developments are incorporated by the Tayyib Platform.

Appendices

Appendix 1 – Tayyib References in Scripture

Appendix 2 – Terminology in the ESG and Sustainability Sector

Appendix 3 – Applicant Information and Application Form

Appendix 4 – Islamic Sustainable Investing Platform Terms and Conditions