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Trakya Üniversitesi



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Site içi arama

4th International Trakya Accounting Finance Auditing Conference

Ana Sayfa » Scientific Programme 4th INT TRAKYA ACCOUNTING FINANCE AUDITING CONFERENCE

Scientific Programme 4th INT TRAKYA ACCOUNTING FINANCE AUDITING
CONFERENCE [Sayfayı Yazdır](#)

*4th INTERNATIONAL TRAKYA ACCOUNTING FINANCE AND
AUDITING CONFERENCE*
*4. ULUSLARARASI TRAKYA MUHASEBE FİNANS VE DENETİM
KONFERANSI*

November 21st, 2019 - 21 Kasım 2019

*Balkan Congress Hall, Trakya University, Edirne, Turkey - Balkan Kongre
Merkezi, Edirne, Türkiye*

19:34

44@trakyauniv.edu.tr



11.00 - 13.00 Konferans Konuşmaları

11.00 – 11.30 **Prof.Dr. Necdet Şensoy,**

Former Board Member – Central Bank of Republic of Turkey

Director of the Research Center on Islamic Economics and Economics Systems – Istanbul Commerce University

(Eski Yönetim Kurulu Üyesi, Türkiye Cumhuriyet Merkez Bankası,

İslam Ekonomisi ve Ekonomik Sistemler Araştırma Merkezi Direktörü – İstanbul Ticaret Üniversitesi)

"An Overview of Islamic Finance in Perspective of United Nations Sustainable Developments Goals"

"Birleşmiş Milletler Sürdürülebilir Kalkınma Hedefleri Perspektifinden İslam Finansa Genel Bakış"



İSTANBUL TİCARET
ÜNİVERSİTESİ

11.30 - 12.00 Conference Photo - Konferans Fotoğrafı

Coffee Break

**AN OVERVIEW OF ISLAMIC FINANCE IN
PERSPECTIVE OF UNITED NATIONS
SUSTAINABLE DEVELOPMENT GOALS**

21 November 2019

Prof. Dr. Necdet Sensoy
Istanbul Commerce University
Faculty of Business Administration

Topics to be covered

1. Background of developments
2. UN Sustainable Development Goals
3. Principles for Responsible Investment
4. Sustainability Accounting & Reporting
5. Global Reporting Initiative (GRI)
6. Maqasid Al Sharia
7. Responsible Finance Institute Foundation
8. Compatibility of Islamic Finance to Sustainability Standards
9. Conclusion

Background of developments

ECONOMIC PARADOXES

- *Growth versus Environmental Sensitivity*
- **Greed versus Conscience**
- *Profit maximization versus Social Responsibility*

Trade off ??

FINANCE – Evolution

Capitalism

- Wild Capitalism
- Moral Capitalism
- Ethical Finance
- Green Finance

Islamic Economics and Finance

- Elimination of Riba
- Refrain from non-halal business
- Sensivity to environment
- Respect to human resources

SELECTIVE INVESTORS & Funds

Ethical Finance in US

Funds seeking ESG
sensitive, socially
responsible companies
are increasing in
investment market

Islamic Finance in US

i.e. Azzad Asset
Management

www.azzadfunds.com

Go Green

ETHICAL FINANCE- Green Bond

- USD 47.9 bn of green bond issuance (42% growth on Q 1 2018)
- According to the US SIF Foundation's 2018 report «*US sustainable, Responsible and Impact investing Trends*» more than one out of four dollars under professional management invested according to SRI strategies (12 trillion \$ or more)
- www.ussif.org

Islamic Finance - Green Sukuk

- In March 2018 The Government of Indonesia issued US \$ 1.25 billion
- Green Sukuk Issuance Allocation and Impact Report
Feb2019

sdgphilanthropy.org

Conscience Emerges

- **U.N. SUSTAINABLE DEVELOPMENT GOALS**
- **ESG : Environmental, Social, Governance**
- **PRI INITIATIVE : Principles of Responsible Investment**
- **Sustainability Accounting Standards Board**
- **Global Reporting Initiative**
- **Sustainability Reporting**
- **Integrated Reporting**

Parallel Trends

Conventional Finance

- *UN-SDG*
- *Principles of Responsible Investment*
- *Sustainability Accounting Standards Board*
- *Global Reporting Initiative*

Islamic Finance

- *Maqasid al Sharia*
- *Responsible Finance Institute Foundation*
- *Socially Responsible Investment and The Case for Islamic Investment*

CONVENTIONAL FINANCE

By Conscience

U.N. SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development

17 Goals of Sustainable Development

*adopted by world leaders in September 2015 at
UN Summit, officially came into force
by Jan.1,2016*


**SUSTAINABLE
DEVELOPMENT
GOALS**

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



What is Responsible Investment (RI)?

- *RI incorporates an active consideration of environmental, social and corporate governance (ESG) factors within investment decision making and ownership practices.*

- **What is ESG?**

- ESG is an acronym, used globally, describing the so-called corporate governance triple bottom line, namely environment, social matters and governance.

- **What is the objective of the UN PRI?**

- *To implement a set of global principles that facilitates the integration of environmental, social and governance (ESG) factors into mainstream investment decision-making and ownership practices.*

How can RI create investment value?

- RI helps identify ESG-related risks as well as opportunities
- Lengthening the investment horizon can enhance long-term value
- *Strong ESG performance can result in new opportunities and reduced risks for investee firms*
- Macro issues such as climate change or corruption can impact performance of the economy as a whole and are therefore material to entire portfolios
- Active ownership is important to protect and strengthen investments

WHAT IS THE PRI

Principles of Responsible Investment

The PRI is the world's leading proponent of responsible investment.

It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government;

PRI is supported by, but not part of, the United Nations.

PRI

www.unpri.org

- A tool kit for integrating ESG issues into mainstream investment practices and across asset classes
- Grounded in fiduciary duty
- Voluntary and aspirational
- A global collaborative investor network
- A forum for discussion and concrete action on long-term risk issues and value drivers
- A secretariat providing practical guidance on emerging ESG issues and implementation support for signatories

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

*The Principles were developed by investors, for investors.
In implementing them, signatories contribute to
developing a more sustainable global financial system.*

They have nearly 1,700 signatories, from over 50 countries, representing US\$62 trillion.

The six Principles for Responsible Investment

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5

We will work together to enhance our effectiveness in implementing the Principles.

Principle 6

We will each report on our activities and progress towards implementing the Principles.

Sustainability Accounting Standards Board (SASB)

an independent non-profit organization

19 members

develops sustainability accounting standards which are for voluntary use in disclosures

FiveBroad Sustainability Dimensions

By SASB

Environment

- GHG emissions
- Air quality
- Energy management
- Fuel management
- Water and wastewater management
- Waste and hazardous materials management
- Biodiversity impacts

Social capital

- Human rights and community relations
- Access and affordability
- Customer welfare
- Data security and customer privacy
- Fair disclosure and labeling
- Fair marketing and advertising

Human capital

- Labor relations
- Fair labor practices
- Diversity and inclusion
- Employee health, safety, and wellbeing
- Compensation and benefits
- Recruitment, development, and retention

Business model and innovation

- Lifecycle impacts of products and services
- Environmental and social impacts on assets and operations
- Product packaging
- Product quality and safety

Leadership and governance

- Systemic risk management
- Accident and safety management
- Business ethics and transparency of payments
- Competitive behavior
- Regulatory capture and political influence
- Materials sourcing
- Supply chain management



Sustainability / Sustainability Accounting

Sustainability:

corporate activities that maintain or enhance the ability of the company to create value over the long term.

Sustainability Accounting:

the measurement, management, and reporting of such corporate activities.

Social Capital

Business is expected to contribute to society in return for a social license to operate

- ✓ human rights,
- ✓ protection of vulnerable groups,
- ✓ local economic development,
- ✓ access to and quality of products and services,
- ✓ affordability,
- ✓ responsible business practices in marketing
- ✓ customer privacy

Human Capital

HR are key assets to delivering long-term value

- ✓ Health and safety of employees
- ✓ Employee engagement
- ✓ Diversity
- ✓ Incentives and compensation

G4 SUSTAINABILITY REPORTING GUIDELINES



USING THE GUIDELINES TO PREPARE A SUSTAINABILITY REPORT: THE STEPS TO FOLLOW

PREPARE TO DISCLOSE GENERAL STANDARD DISCLOSURES

- Identify the General Standard Disclosures required for the chosen ‘in accordance’ option
- Check if there are General Standard Disclosures that apply to the organization’s sector. **The GRI Sector Disclosures can be found at www.globalreporting.org/reporting/sector-guidance**
- Read the Principles for Defining Reporting Quality
- Plan the processes to disclose the General Standard Disclosures
- Consult the information presented in the *Implementation Manual* for explanations of how to disclose the General Standard Disclosures
- Dedicate adequate time and attention to complete the General Standard Disclosures under the section ‘Identified Material Aspects and Boundaries’ (pp. 28-29). These General Standard Disclosures are a central element of both ‘in accordance’ options, and should be disclosed for both. To do this: Read the Principles for Defining Report Content (pp. 16-17)
- Read the three steps for defining material Aspects and Boundaries, presented in the *Implementation Manual* (pp. 31-40), and use the visual support for these steps (p. 90)

PREPARE TO DISCLOSE SPECIFIC STANDARD DISCLOSURES

- Specific Standard Disclosures are Disclosures on Management Approach (DMA) and Indicators. They are presented under Categories and Aspects, as displayed in Table 1 on the next page
- Identify the DMA and Indicators related to the material Aspects
- Check if there are Aspects and Specific Standard Disclosures that apply to the organization's sector. The Sector Disclosures can be found at www.globalreporting.org/reporting/sector-guidance
- Read the Principles for Defining Reporting Quality (pp. 17-18)
- Plan the necessary processes to disclose the Specific Standard Disclosures. The report should cover DMA and Indicators for **identified material Aspects** (pp. 62-235 of the *Implementation Manual*). Aspects that are not identified as material do not need to be covered in the report
- Consult the information presented in the *Implementation Manual* for explanations of how to disclose the Specific Standard Disclosures
- Information on topics considered material by the organization but not covered by the GRI Aspects list can also be included

PREPARE THE SUSTAINABILITY REPORT

- Present the information prepared
- Electronic or web-based reporting and paper reports are appropriate media for reporting. Organizations may choose to use a combination of web and paper-based reports or use only one medium. For example, the organization may choose to provide a detailed report on its website and provide an executive summary, including its strategy and analysis and performance information, in paper form. The choice will likely depend on the organization's decisions on its reporting period, its plans for updating content, the likely users of the report, and other practical factors, such as its distribution strategy
- At least one medium (web or paper) should provide users with access to the complete set of information for the reporting period
- In case of unintended discrepancies between the first part *Reporting Principle and Standard Disclosures* and the second part *Implementation Manual*, the first part contains the authoritative text and shall apply.

ISLAMIC FINANCE

Its intrinsic value

Maqasid al Sharia
Objectives of Islamic Law

- Developed since early islamic era
- Contemporary Researchers on Islamic Finance refers to this concept very frequently

preserve and enrich :

1. Faith,
2. Life,
3. Intellect,
4. Posterity and
5. Wealth

*Whatever ensures the safeguarding of these five,
Serves **public interest** and it is **Desireable**
(al-Ghazali)*

MAQASID AND THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

1. Faith :
2. Life : No poverty, Zero Hunger, Good health and wellbeing, sustainable cities and communities
3. Intellect, Peace, Justice and Strong Institutions, Reduced Inequalities
4. Posterity : Quality Education, Clean Water and Sanitation, Climate Action, Life below Water, Life on Land, Gender Equality
5. Wealth : Decent work & economic Growth, Industry, Innovation & Infrastructure, Affordable and Clean Energy

*Do Economics & Finance help
safeguarding of these five ?*

For example: To Preserve and Enrich Faith

- “MAKE INFERENCE”

Fraud can be considered as a sin.

Sin damages (cover) Faith.

Regulations to prevent Fraud

safeguards Faith

(ie.COSO Control Environment)

To Preserve and Enrich Life and Intellect

Everything done to ensure;

Adequate Nutrition,

Clothing,

Proper upbringing and education for spiritual
development,

Housing , *A Healthy spiritual and physical
environment,*

Medical Facilities, Comfortable transport

(Chapra,p.8)

Posterity = offspring

«Preserve and protect rights of future generations»

The following are not complying :

- Transferring debt obligations to future generations
- Transferring degraded environment to the future generations

Tariqullah Khan,

www.linkedin.com/pulse/ethics-islamic-finance-tariqullah-khan

To Preserve and Enrich Wealth

Economics *focus on Acquisition of Wealth*

Finance **focus on Management, maintenance
and increase of wealth**

Falah & Hayat Tayyibah;

**To achieve Falah & Hayat Tayyibah,
Economic Development is necessary
which is “mostly qualitative” .**

**As well as Economic Growth
which is “purely quantitative”.**

Economic and Social Development

Economic and Social Development

provides opportunity for :

- *Education and health,*
 - **Rule of Law**
- **Equitable Distribution of Income & Wealth.”**

ISLAMIC FINANCE

Helps Preserve and enrich
Wealth

Protect the Life



Protect the Posterity



Protect the Wealth



Convergence of Islamic Finance to Sustainability Standards

- ***CIBAFI «Environmental&Social Responsibility Award»***
- ***Institute of Responsible Finance Foundation***

Responsible Finance Institute Foundation

rfi-foundation.org

THE ISLAMIC FINANCE ESG REPORT

Provides insights into the *commonalities*
between ESG & Islamic Finance investing,
using a specialized screening methodology to
*highlight ESG related risks with islamic
investments*

RFI Foundation & IFSB

RESPONSIBLE FINANCE

Ethical and Islamic Finance

Meeting the Global Agenda

Responsible Finance-Ethical & Islamic

- Finance and Serving Economy
- Finance and Bringing Value to Society
- Finance and Environmental Sustainability
- Ethical Aspects of Finance
- Responsible Finance and Financial Stability

CIWM

**CENTRE FOR
ISLAMIC
WEALTH MANAGEMENT**



BNP PARIBAS

The bank for a changing world.

INCEIF

THE GLOBAL AUTHORITY IN ISLAMIC FINANCE

MALAYSIA

**WORLD'S ISLAMIC FINANCE
MARKETPLACE**

SRI & THE CASE FOR ISLAMIC INVESTMENT

The Islamic Proposition to SRIs (1)

- A reduction in *uncertainty and in leverage levels* in the business community;
- Establishing a level playing field through *reasonable profit-taking and equitable bargaining power for transacting parties*;
- *Maintaining stability by removing of business operations based on speculative ends*;

The Islamic Proposition to SRIs (2)

- Eradication of ***business activities that have destructive objectives on men and nature*** for the sake of continued and assured economic stability for future generations;
- Promoting sustainable business and investment activities that entail positive results with stable future prospects and the welfare of men and the societies they live in;

The Islamic Proposition to SRIs (3)

- Stimulating entrepreneurial vision, trade and industry growth based on sound relationships that span industries, suppliers and customers and on mechanisms that channel wealth and assets originating from capital owners, savings and charitable funds to achieve profits.

The Islamic Proposition to SRIs (3)

- All this is achieved while providing opportunities for success for those seeking to improve their circumstances.
- This approach reduces the isolated nature of conventional saving and investment schemes;

The Islamic Proposition to SRIs (4)

- Linking capital markets to real economic activities where capital owners and financial institutions become buyers, sellers and partners instead of creditors. This translates in a more active business environment where investors take part in clearly specified businesses and transactions;

The Islamic Proposition to SRIs (5)

- As a result of all of the above, greater stability builds its way into the economies of nations, ensuring socio-economic wellbeing and spurs growth in a tenable manner that can be seen in carefully choosing business activities anchored in Sharia and characterised by long term perspectives.

Number of SRI funds

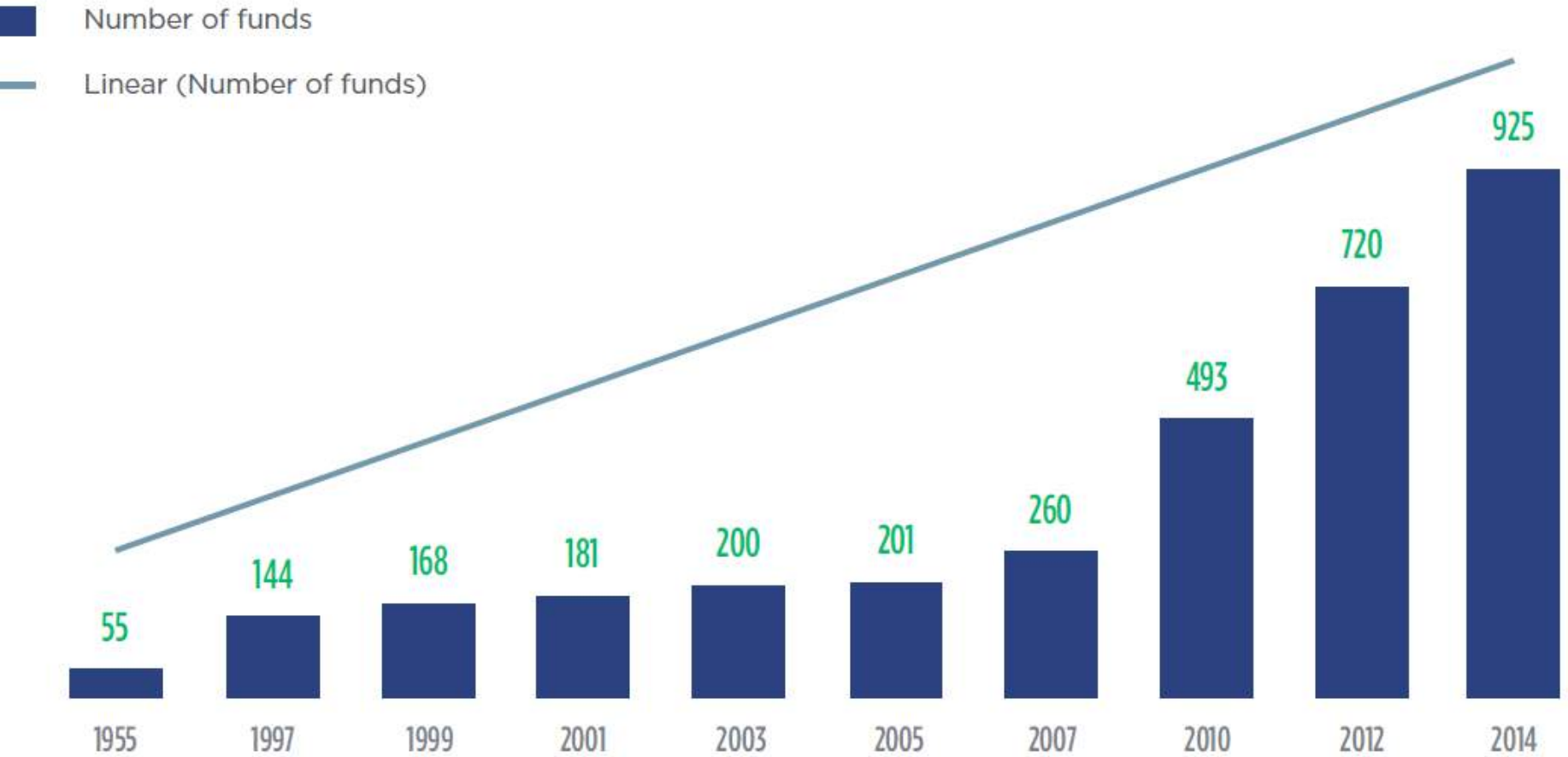


Figure 1: Growth of SRIs between 1995 and 2014 based on US SRI Funds
Data: EurekaHedge, Bloomberg

ASSETS UNDER MANAGEMENT

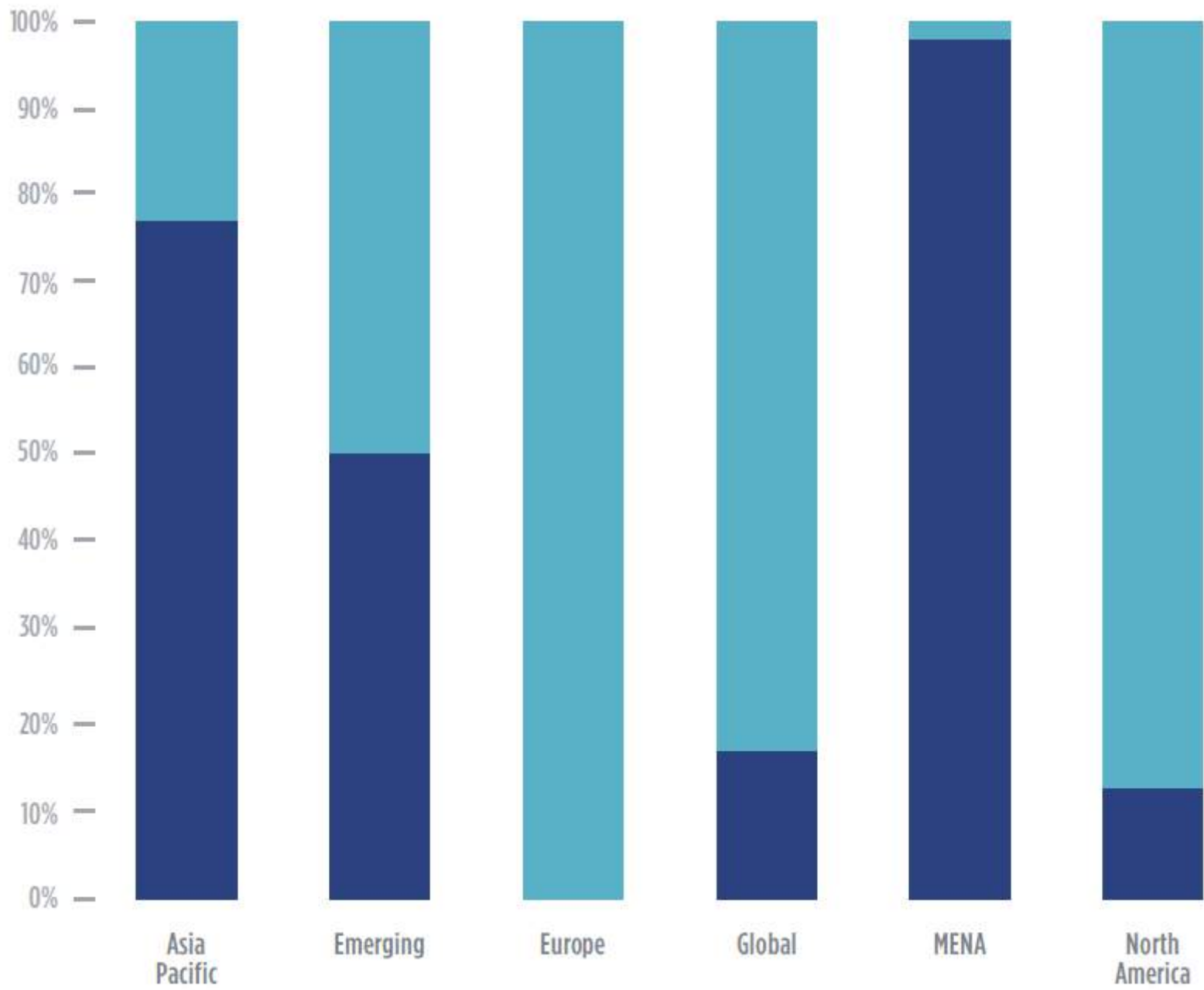
- Islamic
- SRIs

The overall joint distribution of the number of Islamic / Ethical funds in 2015, when compared to Islamic funds alone, shows that the vast majority of Ethical funds in the MENA and Asia-Pacific region are actually Islamic funds (96% of MENA funds and 80% of Asia-Pacific Funds).

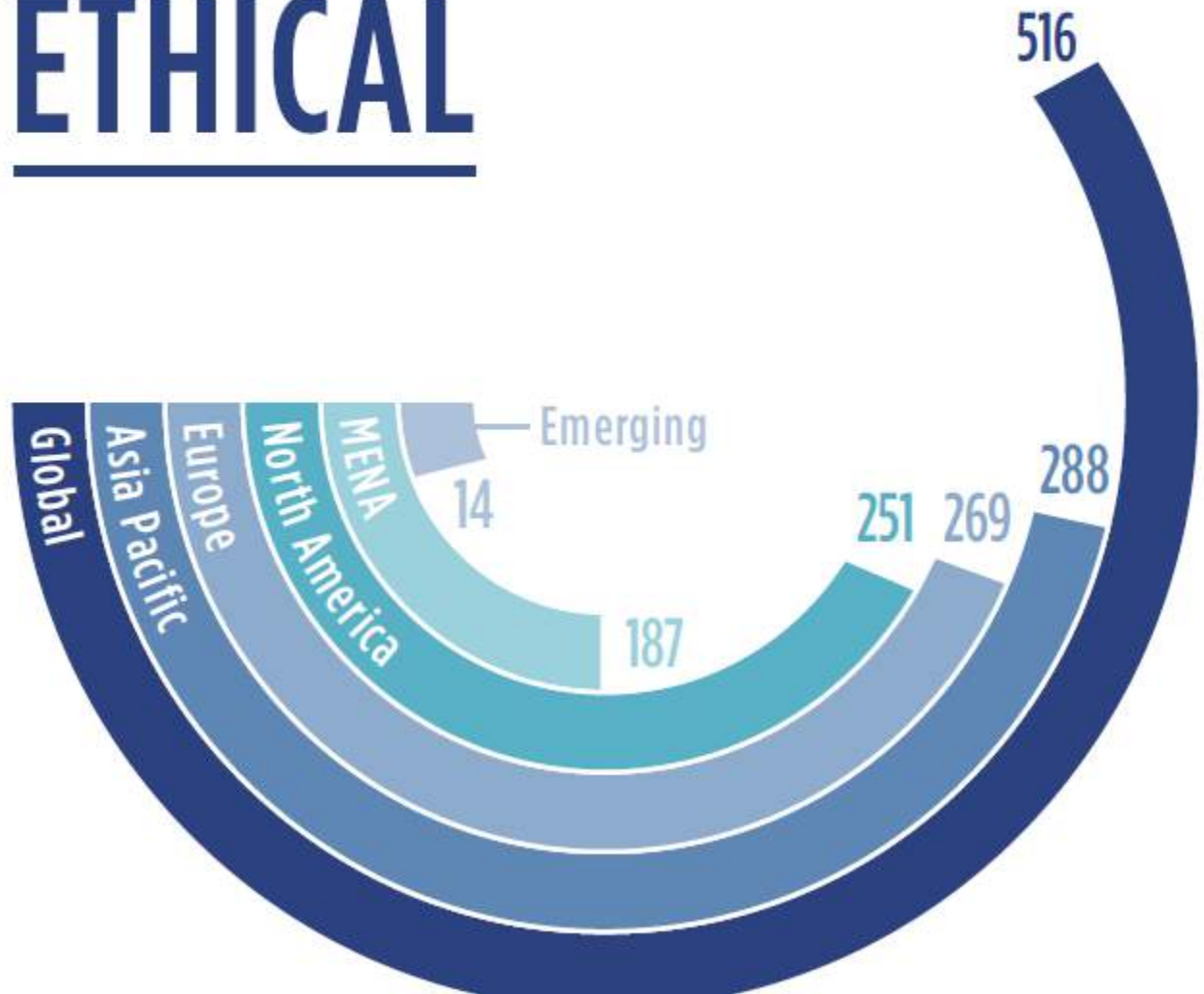
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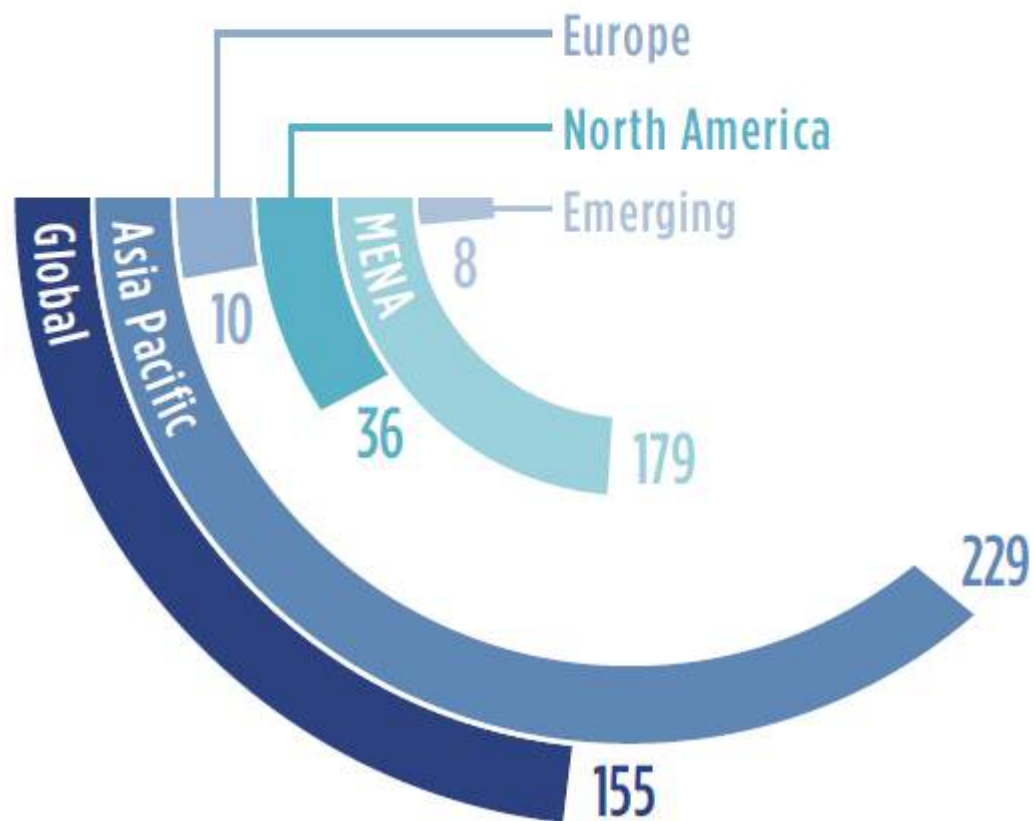
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OVERALL- ISLAMIC AND ETHICAL



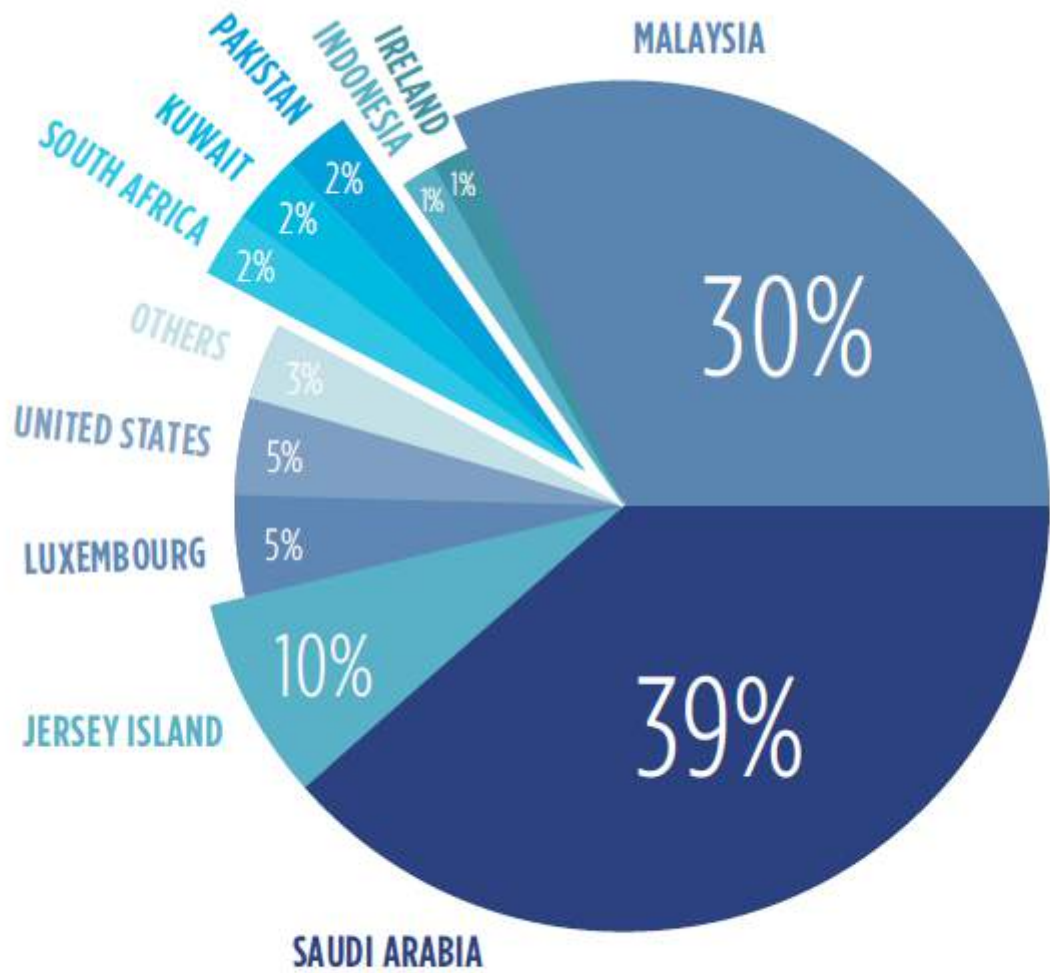
ISLAMIC



GLOBAL ISLAMIC FUNDS ASSETS UNDER MANAGEMENT (AUM) BY DOMICILE (USD BILLION)

Islamic fund size globally has continued its growth path since 2008 with a CAGR of 9.1% between 2008 and 2013. By 3Q2014, the sector was valued at USD75.8 billion. The steady growth of the niche market indicates the limited effects of geo-political sensitivities since 2011 upon the sector and a sustained growth pattern that is expected to pass the \$100 billion mark within the next 2 to 3 years.

Source: ISRA and Zawya



Enhance Social Responsibility in Islamic Banks

- Set environmentally friendly policies, procedures and Business Practices
- Monitor customers compliance with environmental standards
- Support philanthropic and social programmes
- Observe and care impact of environmental and social activities

Enhance Social Responsibility in Islamic Banks

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CONCLUSION

- **Wisdom is common for all humanity,**
- *Merits of conventional finance and business as caring environment and being socially responsible is also virtue of Islamic Banking and Finance*

Thanks

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