

# MOHAMED AMERSI

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**The Islamic Reporting Initiative** is an independent not-for-profit organization leading the creation of the world's first reporting standard for corporate sustainability and social responsibility (CSR) based on Islamic values. The IRI has been commended by the Organisation of Islamic Cooperation (OIC), the Chairman of the UN Global Compact Foundation, and members in more than 50 countries.

The vision of the IRI is a sustainable global economy that contributes actively to society and the environment by integrating the values of peace, compassion, tolerance, social justice, environmental stewardship and human dignity into corporate culture.

The mission of the IRI is to enable organizations throughout the world to examine the values that guide their activities and express with clarity and simplicity their contribution to sustainability in society and the environment.

The IRI is currently in the process of forming a Board of Founding Patrons - open for applications until the end of September 2018. The Board will consist of a select group of organizations from all over the world who support the ideals and the potential of the IRI. Essentially, these leaders will go into history as the Founders of the world's first reporting standard for Sustainability & CSR based on Islamic values and principles.

Mohamed Amersi is engaged in a full sphere of activities ranging from for profit, responsible profit and non-profit. He is an active philanthropist and social conscience leader sitting on numerous Boards and Advisory Councils, including those of the Royal Agricultural University and the Prince's Trust International.

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**W**hat do you consider to be the global challenges today that require the full and combined attention of government, civil society and business?

Of course there are quite a few, but let me mention three which I consider to be fundamental. The first is poverty and inequality; unless something is done to narrow that gap, we will find a situation where the bottom of the pyramid will demand what they believe is rightly theirs, and then there will be uprising. That gap has to be addressed.

Secondly there is the issue of climate change. As you know, we all signed the Paris agreement but now the US has pulled out of Paris. The US tried to engineer the latest G20 so that Saudi Arabia, Indonesia and other countries would also start having reservations about Paris, but fortunately for us all sanity prevailed and all the other 19 members reaffirmed their commitment.

The third one – and all three are in many ways interrelated – is an inability to meet the social and structural needs of a rapidly growing population. And by that I mean primarily food, clean water, sanitation, healthcare – all the basic needs required for society to function, as well as the natural resources that support our modern societies. Unless we truly acknowledge these shortfalls and act accordingly, we will soon find ourselves in an untenable situation.

So I see these as the key challenges, all interconnected, and all requiring very urgent attention.

**T**ransparency and shared prosperity have always served as a basis for ethical business. Why do you think we now see more attention given to this topic?

There are a number of reasons for this. To start with, there is quite a degree of mistrust in business, especially given the 2008 financial crisis, when the world's financial systems nearly collapsed. We had reached a point where the focus on profit and shareholder benefit was the primary essential motive for business.

The outrage of the public at large for the misguided motivations of business spurred legislators and regulators, as well as large asset owners to compel businesses to become much more transparent about their objectives, motivations and activities.

Additionally, pressure from customers and competition now require businesses to be much more transparent, disclosing far more than in the past. The practice of making money at the expense of social good is no longer acceptable and the demand for transparency is no longer at the fringes.

And then of course you have the whole notion of unfair, corrupt practices, which is as high it's ever been. I saw some statistics recently from Transparency International indicating that overall the amount of money that is lost, or subject to corrupt activities, is in the order of 1.8 - 2 trillion dollars a year. That equates to 3.5 percent of global GDP. Now if there was a way to curb that corruption the world would be a far better place than it is today.

So these things are now very much in the open. Social media has allowed news in connection with ethics to be made available so widely and so quickly that it is hard now to keep secrets. Governments are also under pressure to ensure that business is competitive, with full transparency, full integrity, and with full respect for ethical issues. So we live in a very different climate now.

**H**ow is being socially responsible good for business?

On a short-term basis I accept that it may not appear to be the case. This is the other huge challenge we have today. Many shareholders still look at the financial bottom line on a quarter-by-quarter basis as an indication of value. That, with

all due respect, is a very negative and short-sighted manner of looking at business.

If you really want to obtain the greatest value and therefore the best returns from a business, we have to convince shareholders and investors to take a much longer-term view. And if a business is not ensuring that sustainability in terms of societal support and environmental stewardship are built into the very heart and DNA of the business, it is simply pushing costs and risks down the road, costs and risks that are now starting to be revealed.

If you run a business based on long-term value, which naturally includes values, these risks are properly and better dealt with. Unilever is a good example in particular.

This is borne out also in the report, Better Business Better World, commissioned by the UN and chaired by Lord Mark Malloch-Brown, which actually articulates the value that businesses can generate if they become sustainable on a long-term basis. This value outstrips the short-term gains that are being achieved today.

There are many many other academic studies and empirical research that prove the link between values-based management and greater financial performance. It is not a new science, but is only gaining greater traction now that we have seen major disruptions in short sighted business.

We should be compelling companies to generate greater transparency, greater integrity, more environmental sustainability, a healthy respect for society, more detailed supply chain audits, action against modern-day slavery practices, respect for climate change and all other social and environmental externalities that we have neglected for so long. There is greater prosperity in doing so.

**W**hat is it that really drew you to support and be part of the IRI?

When you look at the countries that make up the Islamic world, they have been blessed by many features. In particular, the billions of people and dozens of countries that make up Islamic society are part of a shared system of belief that is highly prescriptive in social philosophy, particularly with respect to social justice and environmental stewardship.

Additionally, many Islamic countries have been blessed with an enormous amount of wealth as the result of hydrocarbon deposits. So much of that wealth is used to reduce poverty, to ensure

that money is in circulation and doesn't become the sole property of a few people.

The focus of the IRI is to help Islamic society integrate the values and principles that drive its businesses and business practices with conventional CSR. It's a question of seeing the extent to which there is commonality between the two systems, and how one can learn from the other. To me that is fascinating.

The IRI, for the very first time and in an organized way, is drawing the world's attention to the whole ecosystem of how business should be carried out in accordance with Islamic values and principles that support peace, sincerity, respect, dignity and prosperity for all. These are the values that unfortunately are lacking in many of the conventional ways of doing business around the world.

**W**hat does the IRI bring to organizations in terms of meeting transparency needs?

The IRI reflects the principles of Shariah. A key cornerstone of Shariah is to ensure transparency, which is nothing more than honesty. It is a level playing field where information is being made available to all those who are interested in a uniform way, in a complete way, and in a truthful way.

If the principles of Islam were embodied into conventional ways of doing business, I think the world would be a far better place. The IRI is helping to head in that direction.

Listed companies are required to share far more information today than ever before. Reporting to the markets, for example, if anything is other than that set out in their plans, in their budgets – anything that occurs in the way of damage or loss, or reputational issue for example. The obligations today to make that information available as promptly as possible, and to share the implications of that information is huge.

This though is not unique to Islam alone. The values of transparency, integrity and ethics are shared by all faith systems. The benefit for the IRI is that Islam is more prescriptive, more codified. There are specific references to social justice and environmental stewardship required of every Muslim and Islamic organisation. Islamic Finance, for example, is a very intentioned ethical way of doing business that is unique to Islam.

## So how is the IRI really different from other, existing standards for Sustainability & CSR?

Actually the Qur'an has some very interesting principles that address this, such as the principles of sanctity of contract, the principle that money has to be in circulation, the principle that one is not permitted to engage in activities that are harmful to man and to society like gambling, drugs, prostitution, pornography. And then there are principles that don't allow interest to be paid and received – this is because anyone who wants to live off interest, is not being entrepreneurial to help with the improvement of society by engaging in business, by innovating, by entrepreneurship.

All these principles are very powerful, separately as well as taken as a whole. If the world of today starts to focus on these kind of social principles, and starts to implement some of them, I think irrespective of their source the world will be a better place.

I would also add one more point, that today there may be an anathema in looking at something that has got the label 'Islamic', for reasons that are very obvious. Therefore, if the terminology can reflect what is known as a values-based system of finance, a values-based system of investing, embracing all the Shariah values today, I think that adoption globally will be easier and quicker.

One of the overall goals of the IRI is to highlight these values-based principles and make them everyday practice.

## How will the IRI overcome the complex challenges of implementing something like this across more than 57 countries?

I don't consider this as difficult as many may believe it to be because there is a source. The source being the Qur'an, the Sunnah, or the Hadith of the Prophet and his followers. There is already a body of thought in existence that doesn't have to be invented, or re-invented.

Some may point to potential difficulties in how the values and principles are interpreted across Islam, but the IRI is a cross-denominational

organization that represents the whole of the House of Islam, in adherence with the Amman Message that recognises all eight schools of Islamic jurisprudence.

Our objectives are to provide guidance that pertains exclusively to business and finance under the values and principles of Islam according to the Shariah. I'm confident that our Advisory Council that is represented by all schools of Islam can very quickly achieve consensus on any questions or issues regarding business and finance.

## So what do you see as the greatest asset of the IRI?

Again, it is the first time that there has been an organization looking at Shariah principles and the conventional way of conducting business and reporting, and attempting to see how the two systems that have operated in parallel can be brought together in such a way that each can learn from the other and bring out the best in each other.

I think the IRI is presently seeking to do this in a way that has not been done before, bridging this knowledge gap between two good systems so that these two systems, the Shariah and the non-Shariah system can operate in parallel.

The greatest asset for the IRI is Islam itself. In a very short period of time, the IRI has gained the support and backing of global organisations from all over the world. Islam is clearly ready for a reporting standard that provides guidance to businesses and financial institutions.

## How will the IRI serve as a tool for Western organizations for their local activities, and allow a dialogue that is meaningful and relevant to their 'Islamic' constituents?

In the Islamic world, there isn't this separation to which you allude. In the Islamic world, by and large, if one lives in an Islamic country one is expected to follow the principles of Shariah.

At the same time, if you want Western investors to participate in Islamic financing and investments, you need to be able to talk the language that people in the West understand,

accept, and are able to follow. It's a question of seeing how we can bring in the best practices that work for all companies all round the world – whether they are from the Islamic or non-Islamic world. It's about understanding the principles from the Islamic world, and then blending them into the non-Islamic world without painting them with an Islamic brush.

That to me is the challenge, but also the opportunity.

## How is the IRI relevant to the Islamic Finance sector?

Islamic Finance suffers from the form in which it is practised, which has in my view diminished some of its growth. One of them is the application of negative screening. If it is to become mainstream, it has to evolve to positive screening. Let me come back to Unilever for example. Unilever is a company that focuses on positive screening, as opposed to negative screening.

Secondly, there's the equivalent of greenwashing in Islamic Finance. Greenwashing is "dressing a situation up to look green" when in fact it really is not. In Islamic Finance, it amounts to using interest as a tool to compute returns indirectly or directly, but then finding ways to dress this up so it does not look like interest. We need to move away from these practices through greater and more meaningful transparency.

The third point is for me a very strong point. Does one see the notion of Jewish Finance, Christian Finance, or Hindu Finance in the world today? No, so why does one need to label Islamic Finance, and market it as such? Why can't one practise Shariah or other principles and call it values-based finance, and then see how quickly it will grow? Notwithstanding, the transformation of labelling is a step process, so firstly one should use the same terminology to identify the core values that Shariah and Islamic Finance principles bring to the table. Once you've raised the profile of that and people understand that and start to adopt it, then you can become confident in changing terminology. But if you do that today, I think you've lost it all. It's about getting that initial engagement.



## How can Islamic Finance institutions play a role in building and developing the IRI?

They have a body of expertise in terms of the practical application of theory today, so of course they will be a very good port of call to help educate the IRI on what are practical difficulties, challenges and opportunities they have faced on the ground. They are better informed than people sitting at a desk.

## As Chairman of the Board of Trustees, what are your main priorities for the next 2 years?

To ensure that the vision of the IRI as encapsulated in its annual report is followed systematically, methodically, and timely, and reaches its objectives. One must consider how to raise the profile of this organization, how to ensure that it is properly understood not only by companies, individuals, regulators and others in the Islamic world, but also in the non-Islamic world, how to raise funding so that it is able to fulfil its objectives, and then how to get the buy-in of organizations. So those are the key challenges, and I hope that with all the fellow trustees and the great group of people we have assembled together over a number of years we will now be able to accelerate public awareness of this amazing organization.