Does 'Tayyib-Inspired' Investing Offer a New Moral Compass for London's ESG?

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As the UK government aims to be the "sustainable finance capital of the world", many investors are growing sceptical of conventional ESG.

A 2024 EY poll shows that 85% say "greenwashing" is a worsening problem. To counter this trust gap, finance is looking beyond tick-box screening to deeper ethics. One emerging answer is *Tayyib*-inspired investing – a value-rooted approach that asks not just "Is it Shariah-compliant?" but "Is it beneficial for people and the planet?"

What is Tayyib Investing?

In Islamic finance, *halal* compliance traditionally means avoiding "haram" sectors (like alcohol, gambling or interest). *Tayyib* (طَيِّب) raises the bar: it literally means **"pure, wholesome, and impactful"**.

In practice, a Tayyib fund still meets Shariah rules, but it adds affirmative values, for example, evaluating the **positive social and environmental impact** of each investment. *This layered approach reflects not just Shariah compliance but a deeper focus on active, sustainable (ESG) investing rooted in Islamic values.*

In other words, a Tayyib-screened investment is not only free of prohibited elements, it must demonstrably contribute to well-being (nāfs), knowledge (‘aql), wealth (māl), faith (dīn) and future generations (nasl) – echoing Islamic legal objectives (maqāsid) that align closely with the UN Sustainable Development Goals.

This blending of faith and finance is not parochial. The Islamic finance industry is a $4 trillion global market spanning hubs from London and Luxembourg to Kuala Lumpur. Its core values (like justice, stewardship and risk-sharing) naturally dovetail with the environmental and social themes of ESG. By codifying these principles into tangible standards, Tayyib investing aims to give finance an **ethical “north star”** instead of a fragmented checklist. It asks, as one observer put it, whether money is *tayyib* – good in substance – rather than merely avoiding the taboo.

Tayyib-Inspired Ethical Finance Movement

The concept of Tayyib-inspired investing has begun to gain momentum among scholars and practitioners in Islamic finance and sustainable investment. Across various platforms, including recent high-level forums in the Gulf and Europe, experts have called for codifying ethical, value-based criteria rooted in *maqāṣid al-sharīah* into practical investment frameworks. This movement reflects a broader desire to restore moral clarity in global finance, beyond box-ticking ESG.

Scholars and thought leaders are increasingly calling for the translation of Islamic ethics — especially principles like **maqāṣid al-Shariah** (higher objectives of Islamic law) and fiqh-based legal maxims — into actionable investment standards.

The focus now is on developing actionable principles and metrics. These include:

- Integrating Tayyib-aligned principles into Islamic financial products and services.
- Designing investment tools that advance social and environmental outcomes alongside Shariah compliance.
- Expanding ESG-compatible sukuk, impact funds, and fintech innovations.
- Aligning Islamic finance disclosure standards with international ESG frameworks.
- Encouraging multi-stakeholder collaboration to define and uphold faith-driven sustainability practices

Ultimately, this approach seeks to build a comprehensive ethical investment standard that reflects the spirit of Islamic law while addressing modern sustainability challenges. Products would need to show not only what they avoid, but how they actively serve human dignity, climate resilience, and social equity. This could involve metrics on carbon reduction, worker wellbeing, and community impact – all derived from clear Islamic values but communicated in a language familiar to global investors and regulators.

London's Strategic Opportunity

London is already **the leading Islamic Finance centre.** The city is a preferred venue for global sukuk listings, boasts a growing Islamic fintech hub and even has an Islamic banking "liquidity facility" at the Bank of England. At the 4th AlBaraka Summit in London held in London in November 2025, global finance figures noted the Islamic economy is about **$5 trillion** and growing to **$8 trillion** within a decade. Crucially, they emphasised a **"rising global interest in values-based, ethical, and sustainable financial models"**.

In short, London stands at the crossroads of two trends: its multicultural investor base is seeking purpose-driven finance, while many mainstream fund managers (especially in the US and UK) are souring on superficial ESG.

According to the UK Country Focus 2025 report by the Saleh Kamel Islamic Economy Database, the UK remains a global financial powerhouse, generating a USD 125.3 billion trade surplus in 2023 and handling 38% of global FX turnover. London also ranks among the world's top stock exchanges and hosts 170 foreign banks.

The reality is that London has created one of the largest Islamic finance ecosystems outside the Muslim world. We can see at least five fully fledged Islamic banks, several Islamic windows, and a growing body of more than 50 Islamic fintech firms, nine Islamic digital banking platforms and two sovereign sukuk issuances (between 2014 and 2021). Islamic banking assets in the UK reached USD 10.8 billion in 2024, led by Al Rayan Bank and KFH-UK.

By championing value-driven, Tayyib-aligned finance, London could bridge these constituencies. It could attract **Muslim wealth** – sovereign investors and high-net-worth individuals – who want faith-aligned returns (or at least strong values-based investments), **and** appeal to ESG-sceptical allocators who now demand "real" impact over buzzwords.

A Values-Driven Future for Capital?

Tayyib-inspired investing is not a narrow niche. It draws on universal ethical themes and values, such as stewardship, justice and fairness – things that resonate across faiths and secular sensibilities.

Indeed, Islamic finance's focus on avoiding harm (neither wasteful nor exploitative) and promoting community benefit actually mirrors the "do no significant harm" principle in EU sustainable finance. By explicitly rooting ESG in moral values, it could help overcome the consistency and greenwashing issues plaguing current frameworks.

London has the expertise and infrastructure to lead this convergence. Already, the UK has issued green bonds and sustainability standards and hosted global climate-finance coalitions. Adding a faith-based dimension (or *values*-based dimension) could give its green finance agenda a **distinctive edge**, especially with Gulf markets.

Ultimately, the question is whether London will seize the moment. But does it have the appetite? By embracing Tayyib investing – codifying wholesome finance in a rigorous framework – the city could not only diversify its capital flows, but also redefine sustainable finance.

Tayyib investing might just be the ethical compass London has been searching for.

The author is H.E. Mr. Yousef Hassan Khalawi, Secretary-General of AlBaraka Forum for Islamic Economy