



HAL
open science

Integrating societal issues into the asset allocation and selection strategies of ethical funds: the case of socially responsible funds and Islamic funds

Ezzedine Ghlamallah, Laurence Gialdini, Sami Ben Larbi

► **To cite this version:**

Ezzedine Ghlamallah, Laurence Gialdini, Sami Ben Larbi. Integrating societal issues into the asset allocation and selection strategies of ethical funds: the case of socially responsible funds and Islamic funds. *Sustainability Accounting, Management and Policy Journal*, 2025, *Islamic Finance and Sustainable Development in the Anthropocene Era*, <10.1108/SAMPJ-08-2024-0854>. <hal-05232196>

HAL Id: hal-05232196

<https://hal.science/hal-05232196v1>

Submitted on 3 Sep 2025

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



HAL Authorization

Integrating societal issues into the asset allocation and selection strategies of ethical funds: the case of socially responsible funds and Islamic funds

Ezzedine GHLAMALLAH, Laurence GIALDINI & Sami BEN LARBI

Introduction

The Anthropocene era calls for a profound re-evaluation of current economic and financial models. As Crutzen and Stoermer (2021) pointed out, this new geological epoch marks a turning point where human actions become geological forces. This context calls for radical transformation in investment practices, particularly for ethical funds, such as socially responsible investment funds (SRI) and *shari'ah* compliant investment funds (SCI).

Ethical investment has roots in Jewish, Christian, and Islamic traditions. The origins of SRI can be traced back to the 17th century, with the creation of the "*Religious Society of Friends*," whose members, more commonly known as Quakers, began integrating extra-financial considerations into their investment choices at the end of the 19th century. Although SCI has its roots in Aristotelian thought and the three monotheistic religions, its development is fairly recent (Amghar and Ghlamallah 2024). The term Islamic finance covers all financial transactions and products that comply with the principles of Koranic law. Islamic finance is based on five pillars: It prohibits usury or "*ribā*" interest, "*maysir*" speculation, "*gharar*" uncertainty about the characteristics of the contract, and "*haram*" illicit activities. This also encourages the backing of tangible assets. Ethical investment funds such as SRI and SCI have seen significant growth worldwide (Reddy et al., 2017). Modern SRI refers to an investment process that integrates environmental, social, and corporate governance (ESG) issues into investment decision-making. The GSIA 2022 report highlights that globally, sustainable investing assets reached \$30,3 trillion by 2022. Europe saw the largest share of sustainable investments at 46% of global assets, followed by the U.S.¹ In Europe, the 7,402 SRI funds distributed managed more than €4,547 billion by 2023, almost half of all funds distributed in the region. SRI funds, which remained confidential until recently (€347 billion or 5% of the market in 2018), have seen their weighting multiplied by 13 over five years.² The development of SCI is relatively recent. Estimated at USD 3.38 trillion by the end of 2023, Islamic finance represents a notable segment of global finance. The Islamic funds sector, however, experienced a moderate decline, with assets under management reducing to USD 182.24 billion in 2023 from USD 207.96 billion in 2022, mainly due to challenging global macroeconomic conditions and currency depreciation across several jurisdictions. The sector's concentration is significant in GCC, East Asia, and Central Asia.³

The growth of ethical funds is a response to recent global economic crises. Portfolio theory offers a rigorous analytical framework to explain asset allocation, selection, and investor behavior in the market. Although it has evolved significantly, it only partially responds to the integration of new societal issues into asset allocation and selection strategies. On the one hand, we are witnessing a paradigm shift towards more ethical financial practices and the emergence of alternative management methods aligned with contemporary societal values. Shrivastava et

¹ Global Sustainable Investment Alliance. (2022). *Global Sustainable Investment Review 2022*, p. 10.

² Quantalys Harvest Group. (2023). *Observatory of Sustainable and Responsible Investment (SRI) Management: Summary Report 2023*. In partnership with Robeco, p.4.

³ Islamic Financial Services Board. (2024). *Islamic Financial Services Industry Stability Report 2024*. Kuala Lumpur, Malaysia, p.66.

al., (2019) have argued for an evolution in the models used in finance, insofar as traditional economics and finance are in conflict with the sustainable development paradigm. Revelli and Sentis (2012) invited members of the scientific community to take a closer look at the investment process carried out by asset managers. In a report published in 2019 by REFINITIV and RFI Foundation⁴, the authors reinforced this call by encouraging researchers to carry out empirical studies to determine the extent to which ESG and *shari'ah* compliance are complementary. On the other hand, a stream of research directly examines ethical investors' motivations and seeks to establish whether ethical investors are profit-seeking (Derwall et al., 2011) or whether they are looking for non-financial utility from these investments. Indeed, several researchers have shown that psychological motivations, values or norms matter for ethical investors (Riedl and Smeets, 2017; Gutsche et al., 2019). Other studies have focused on measuring and explaining the financial and societal performance of ethical funds, with comparative studies of conventional, SCI, and SRI funds (Erragragui and Lagoarde-Segot, 2015; Charfeddine et al., 2016; Reddy et al., 2017; Erragragui et al., 2018; Jawadi et al., 2018; Paltrinieri et al., 2019; Castro et al., 2020).

However, the steps for integrating societal issues into portfolio management remain unclear and represent a new research gap. The absence of a unified theoretical and normative framework for integrating societal issues into traditional financial models forces practitioners to “*tinker*” with unique solutions that are often contextual and dynamic. Therefore, it is useful to understand how this integration works in practice. This study is part of this literature and, given the current state of the art, questions the existing motivations and practices of SCI and SRI investors versus those of conventional funds. More specifically, it seeks to shed light on the asset allocation and selection practices of responsible and Islamic funds in the face of the urgent demands of this new Anthropocene era. To explore this research gap, this study developed a pluralist theoretical framework. Portfolio theory is intrinsically linked to the paradigm of maximizing shareholder value. This paradigm is often at odds with sustainable development objectives, which require a more holistic approach to value creation, including stakeholders, and long-term impacts on society and the environment. This calls for a complex approach that crosses various dimensions, not only from financial theory, but also from theories of legitimacy, stakeholders, and the resource-based view. This approach highlights the interdependence of different perspectives and underlines the importance of an integrated approach to understanding the complexity of the organizational management of ethical funds, whether SCI or SRI.

From a methodological standpoint, we mobilize an original qualitative approach with professionals of conventional, SCI, and SRI funds, shedding light on new asset allocation and selection processes.

Our results show how ethical funds integrate societal issues into the asset allocation and selection processes. They also revealed the emergence of new asset management practices and typologies. The theoretical contribution lies in the identification of significant behavioral differences between managers and the development of three distinct manager profiles in terms of integrating ethical criteria into their asset management practices: cosmetic, chameleon, and committed managers. The methodological contribution of this study lies in its critical qualitative analysis approach, which enables a nuanced understanding of ethical investment practices and the diversity of manager profiles based on varied perspectives. The managerial contribution of

⁴ REFINITIV and RFI Foundation (2019). *Islamic Finance ESG Outlook 2019: Shared Values*. London, United Kingdom.

this study is reflected in its practical recommendations for ethical fund managers, particularly regarding the challenges of integrating ESG criteria in SRI and *shari'ah* compliance in SCI.

Our research is structured into four sections. Section 1 presents the conceptual and theoretical framework. Section 2 covers the methodological aspects of the empirical study. Section 3 presents and discusses our results. Finally, Section 4 concludes the paper.

1. Conceptual and theoretical framework

1.1. The development of ethical funds: towards a renewal of the value paradigm

Challenges in the new Anthropocene era have led to the redefinition of the objectives of ethical investment. This evolution presents considerable challenges for traditional financial theories, particularly portfolio theory.

Modern portfolio theory, formulated by Markowitz (1952), revolutionized asset management by focusing on optimizing the risk/return ratio. However, despite its many contributions, this theory has limitations when faced with societal challenges. This paradigm is often at odds with sustainable development goals, which require a more holistic approach to value creation, including stakeholders and long-term impacts on society and the environment (Shrivastava et al., 2019).

SRI includes specific criteria, such as the exclusion of controversial sectors (arms, tobacco, gambling), investment in companies with good ESG practices, and shareholder engagement. Portfolio models must integrate these criteria to align investments with investors' social and ethical values (Renneboog et al., 2008). With particular regard to SCI, which is based on *shari'ah* principles such as the prohibition of interest, prohibition of excessive uncertainty and zero-sum games, prohibition of investment in certain prohibited sectors, and promotion of social justice, portfolio models must be adapted to respect these principles, for example, by using ethical screening methodologies to select securities (Wilson, 2004). Companies that pass this screening process are eligible for Islamic investment. The screening methodology is divided into two sub-processes. Firstly, a qualitative screening called "*sector screening*." Second, a quantitative filtering process called "*accounting filtering*". Sector screening excludes securities based on the nature of the principal activity or the source of income linked to an illicit secondary activity. After eliminating companies whose main activity is unacceptable, the remaining shares are evaluated according to several financial ratio filters. These filters are used to eliminate companies with unacceptable levels of debt or impure interest income. There are different interpretations of what the *shari'ah* allows, and these interpretations can vary according to region or *shari'ah* supervisory boards. However, even if AAOIFI's international standards define *shari'ah compliant* management, each fund's compliance is monitored by a *shari'ah* supervisory board, which may be internal or external.⁵ Although Islamic finance is a financial system on its own, Islamic finance and SRI share the same aim of improving human well-being, preserving the environment, and preventing injustice in commercial and financial transactions (Al Ansari and Alanzarouti, 2020 ; Sandwick and Collazo, 2020).

⁵ The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), established in 1991 and based in Bahrain, is the leading international not-for-profit organisation primarily responsible for development and issuance of standards for the global Islamic finance industry.

We have established that the emergence and growth of ethical funds, whether SRI or SCI, is largely a response to the challenges posed by the recent global economic crises and new societal expectations. This has led to the reconsideration of traditional theoretical models in finance, particularly modern portfolio theory, which, although it has revolutionized asset management by optimizing the risk/return ratio, shows limitations in integrating societal issues. This observation has led us to propose a pluralist theoretical framework that is not content with a purely financial perspective but also incorporates institutional, managerial, and strategic dimensions.

In the second part of this section, we deploy this pluralist theoretical framework to explore how ethical funds navigate the complex landscape of institutional expectations and societal pressure. We analyze how they acquire and maintain legitimacy while developing unique strategic resources that enable them to distinguish themselves in the marketplace. This theoretical analysis is essential for understanding why these funds adopt ethical strategies, particularly as ESG criteria introduce the complex challenges of integration into traditional financial frameworks, as demonstrated by Arjaliès and Bansal (2018).

The link between different theoretical frameworks shows that integrating societal issues into investment strategies is not just a question of compliance or morality, but also represents a strategic lever for ethical funds. This fully justifies the use of an extended theoretical framework, which will then be applied to answer the central research question of our study: How do SRI and SCI funds concretely integrate these societal issues into their asset allocation and selection processes?

1.2. Ethical fund managers' consideration of societal issues: a theoretical approach that is not unified

1.2.1. Practical implications of legitimacy for ethical funds

The neo-institutional theory emphasizes the importance of institutional norms and legitimacy. Ethical funds operate within specific regulatory and normative frameworks, and are subject to institutional pressures in a market that is becoming increasingly aware of societal issues. As Hoepner et al. (2019) explain, the adoption of responsible investment practices such as PRI membership is strongly associated with the influence of normative and cultural-cognitive pillars in institutional environments. As a result, ethical funds must navigate a complex landscape of norms and expectations to establish their legitimacy on several levels: not only must they be perceived as viable financial players but they must also demonstrate their commitment to ethical and sustainable principles.

The institutional expectations of ethical funds fall into three broad categories: regulatory compliance, societal expectations, and professional standards. First, ethical funds, such as SRI funds in Europe, must comply with sustainability regulations, notably the Sustainable Finance Disclosure Regulation (SFDR). For their part, SCI funds must, in addition to complying with regulations in force in their country of domicile or marketing, conform to established *shari'ah* compliance standards such as those laid down by the AAOIFI. Second, there is growing pressure from society to ensure that investments are ethical, support sustainable development, and avoid harming society and the environment. Finally, ethical funds must also respect the professional and ethical standards set by financial industry associations, which encourage certain responsible investment practices.

Ethical funds meet institutional expectations through isomorphic processes, as formulated by DiMaggio and Powell (1983). Ethical funds meet institutional expectations through coercive, mimetic, and normative isomorphisms. Coercive isomorphism manifests in compliance with sustainability regulations for SRI funds and Islamic investment rules for SCI funds. On the other

hand, mimetic isomorphism is illustrated by the widespread practice of benchmarking, typical of all forms of conventional and ethical management, which consists of the following trends set by market leaders or adopting tried-and-tested investment techniques. This trend is also reflected in the adoption of common practices, such as the recruitment of professionals from conventional finance to sustainable or Islamic finance, which contributes to the homogenization of practices. Finally, normative isomorphism stems from professional standards and career models, which foster consensus on the organizational practices of asset managers. Furthermore, the standardization of professional training and socialization processes leads to homogeneous organizational structures.

Isomorphism leads to homogenization of practices in the ethical fund sector. If we integrate the perspectives of Deephouse (1996) and Meyer (2000), legitimacy can be acquired not only by directly meeting institutional expectations but also by skilfully navigating the institutional landscape to exploit opportunities and niches that would enable ethical funds to distinguish themselves while remaining compliant with institutional norms and expectations. Drawing on the work of Suchman (1995) and Scherer et al. (2013), while paying particular attention to the integration of sustainable development issues (Haack and Rasche, 2021), the practical implications for ethical funds, according to Suchman's (1995) strategic approach to legitimacy, are based on three types of legitimization strategies: pragmatic, moral, and cognitive. The pragmatic legitimacy of ethical funds is based on their ability to demonstrate that they serve the direct interests of stakeholders. SCI funds must prove that they can offer competitive returns while respecting the principles of Islamic finance, while SRI funds must demonstrate that they meet the expectations of their stakeholders in terms of profitability and social and environmental impacts. Regarding their moral legitimacy, ethical funds must prove that their management methods embody the principles considered to be just. Compliance with *shari'ah* is the foundation of the moral legitimacy of SCI funds, which must guarantee that their operations and investments strictly adhere to Islamic principles. This compliance is validated by an audit carried out by a *shari'ah* board, reinforcing their credibility with investors concerned with Islamic values. For their part, SRI funds are assessed on their contribution to social and environmental well-being, requiring them to align their investments with the ethical values of their investors. Finally, the cognitive legitimacy of ethical funds depends on their understanding and acceptance as viable and appropriate players in the society. For SCI funds, this means integrating the principles of Islamic finance into mainstream financial discussions, so that they are recognized as a credible alternative to conventional finance. As for SRI funds must ensure that their investment approach is perceived as a recognized standard in the financial sector.

1.2.2. Ethical funds' responses and challenges to stakeholder expectations on societal issues

In the context of ethical funds, identifying stakeholders and understanding their expectations are crucial for several reasons. First, knowing the stakeholders enables them to better assess the risks associated with their investments. Moreover, stakeholder expectations can influence a fund's overall strategy. By proactively addressing stakeholder expectations, investment funds can enhance their reputations, attract new investors and partners, and contribute to better long-term financial performance. Finally, investment funds must meet various regulatory requirements, which can be influenced by stakeholders, such as governments or regulatory bodies. Therefore, identifying and understanding stakeholders is essential for investment funds to navigate effectively in a complex environment (Rendtorff, 2020).

Using the typology developed by Mitchell, Agle, and Wood (1997), we identify and classify stakeholders according to three fundamental attributes: power, legitimacy, and urgency. This approach makes it possible to differentiate stakeholders according to their ability to influence funding decisions and the importance of the issues they raise. In addition, the criteria developed by Kochan and Rubinstein (2000) enable us to refine this analysis by assessing the critical

resources stakeholders bring to the table, the issues they defend, and their level of power. This dual framework was chosen because of its ability to combine theoretical rigor with practical perspectives, thus guaranteeing a comprehensive analysis of stakeholder dynamics in ethical fund management.

Definitive stakeholders include actors who exercise direct and legitimate power, often with pressing demands. These include state and regulatory authorities who possess coercive power and play a crucial role in the implementation of compliance standards and policies. Management and fund managers, as internal stakeholders, also fall into this category because of their key roles in day-to-day operations and the definition of strategic orientations.

Dominant stakeholders are distinguished by their power and legitimacy, although their demands are not always urgent. These include shareholders and investors, who provide essential financial resources and exert a significant influence on management decisions. Strategic partners also fall into this category because of their role in the fund's activities.

Dangerous stakeholders are characterized by their ability to exert a rapid and unpredictable influence despite their limited formal legitimacy. The media and press are typical examples: they can rapidly affect the reputation of ethical funds by disseminating information or criticism that may alter public perception.

Dependent and demanding stakeholders are those with legitimate and often urgent issues but with limited power to compel funds to act. Civil society and consumer advocacy groups are among these stakeholders because of their roles in promoting more ethical and transparent practices.

Finally, discretionary stakeholders are distinguished by their legitimacy, although they have neither direct power nor urgent demands. These include certification bodies, data providers and professional associations, which help to define standards and provide essential information for decision-making, without however exerting immediate pressure on fund managers.

Analysis of stakeholders in ethical funds according to these theoretical frameworks reveals the complexity of the relationships between the actors involved and the need for managers to meet multiple requirements. Therefore, SCI and SRI funds can meet stakeholder expectations by adopting ethical and transparent practices (Rendtorff [2020](#)).

1.2.3. Identification of strategic resources, organizational capabilities, and competitive advantage for ethical funds

In the context of the ethical fund industry, it is possible to apply certain perspectives from strategic management, notably the knowledge-based theory developed by authors such as Kogut and Zander ([1992](#)) and Miller and Shamsie ([1996](#)), insofar as fund management teams integrate, coordinate and create new knowledge, notably by setting up dedicated research teams for SCI and ESG analysts for SRI funds.

The dynamic capabilities approach introduced by Teece et al. ([1997](#)), which focuses on firms' ability to reconfigure skills to respond rapidly to environmental change, may also be useful in showing how ethical investment funds, through flexibility and innovation, integrate, build, and reconfigure their skills to respond rapidly to environmental change. Prahalad and Hamel's ([1990](#)) core competency perspective can also be mobilized to understand how ethical funds develop their own harmonized combination of multiple resources and skills that distinguish them in the marketplace to gain a competitive edge. By cultivating these core competencies, SCI and SRI funds can not only distinguish themselves in a competitive market, but also build strategic assets and organizational rents. Amit and Schoemaker ([1993](#)) define organizational

rents in the context of strategic management as above-average profits that companies achieve through the way they strategically deploy their resources under imperfect market conditions and make discretionary decisions in a complex and uncertain environment.

Indeed, as suggested by Wernerfelt (1995), managers must develop internal resources that can provide a sustainable competitive advantage. Consequently, SRI and SCI funds need to focus on developing and maintaining these unique resources to maintain their unique differentiation in the market and attract investments that value these attributes.

Taking up Dierickx and Cool's (1989) concept of asset stock accumulation, ethical funds can accumulate internal assets such as *shari'ah* compliance expertise for SCI funds and social and environmental impact assessment expertise for SRI funds. These two assets represent a deep internal competence that can become valuable, distinctive, not easily substitutable, and reinforce their market position. On the other hand, a reputation for ethics, whether Islamic or sustainable, is difficult to imitate and offers a unique added value to the market.

According to Barney's (1991) VRIS model (value, rareness, imitability, and substitutability), resources that confer a sustainable competitive advantage must be valuable, rare, difficult to imitate, and nonsubstitutable. Based on these conditions, it is possible to identify four strategic resources that meet these four conditions. Firstly, investment expertise is a precious and rare resource, particularly in *shari'ah* compliance and ESG risk management. Such expertise, developed over many years, is difficult to imitate and cannot be substituted by generic technologies or skills. Second, the reputation of ethical funds based on their ethical principles and performance over time is a key strategic asset that attracts investors and builds lasting trust. Third, relationships with stakeholders, whether institutional clients or strategic partners, offer privileged access to investment opportunities. Such relationships, built on trust and experience, are rare, difficult to reproduce, and irreplaceable. Finally, proprietary processes and systems developed in-house represent rare and complex resources to imitate, requiring substantial investment and offering a competitive advantage that is difficult to substitute.

The theoretical framework mobilized in this section suggests that by integrating new societal issues, ethical funds strengthen their legitimacy; improve their relationships with their stakeholders; cultivate unique strategic resources to differentiate themselves from their competitors; and attract investors concerned about the ethical, social, and environmental impacts of their investments. This aligns with Gond et al. (2018), who emphasize the communicative, learning, and political dynamics through which ESG engagement creates long-term value for investors and corporations. So, having answered the question of "why" ethical funds should incorporate new societal issues into their strategies, we can now answer the "how" of our research question by analyzing the asset allocation and selection process of ethical investment funds.

2. Methodology

2.1. Sample

To capture the complexity and identify practices not considered by the conventional financial framework, we conducted a survey directly with a sample of conventional, SRI, and SCI fund professionals. This strategy of choosing different comparison groups was guided by Glaser and Strauss's (1965) comparative approach. This approach makes it possible to detail the similarities and differences between the different groups and to explore complex individual processes, such as the processes, strategies, and models implemented by asset managers. As the series of interviews in our study was conducted for comparative purposes, we opted for a semi-

directive mode and used the same interview guide for all interviews. This enabled us to address the same themes with the respondents using a systematic approach to limit bias.

The interviews were selected to reproduce the current geographical distribution of SCI and SRI funds: 75% of the SRI funds in the sample are domiciled in Europe, which is close to market reality insofar as 81% of SRI funds worldwide are domiciled in this zone. In the case of Islamic funds, 50% of the SCI funds in the sample are domiciled in the MENA region, which is also close to reality, as 57% of SCI funds were domiciled in this region in 2020, according to Refinitiv⁶. The sample comprised 83% male. This corresponds to the reality of a sector dominated by men, who according to Citywire represented 88% of active managers in 2022⁷. The professionals in this sample had significant experience, ranging from 0 to over 40 years. Most had between 10- and 30-years' experience. Most professionals hold master's degrees or higher. A few also hold specialized certifications, such as the CAIA, CFA, and PRI Academy. Our sample included a wide range of management styles, from quantitative to thematic and fundamental. Assets under management vary considerably, reflecting a wide range of institutional sizes from small boutiques to large international institutions. Regarding SCI, 100% of companies offering solutions are certified by a *Shari'ah* Supervisory Board (SSB), whereas among companies offering SRI, only 47% have a label. For 93% of those interviewed, the integration of extra-financial criteria into the investment process represents a strategic issue for their organizations. However, only 48% see this process as a constraint, and only 53% publish impact reports and are PRI signatories. On the other hand, 74% of those surveyed integrated ESG criteria into their asset selection process. Of the 26% of those who did not integrate the ESG criteria, 83% were Islamic funds.

Table 1 presents the sample of our qualitative study, detailing professional profiles. It groups managers by type, zone, function, gender, level of education, professional certification, and years of professional experience. The table also details their management style, target clientele, compliance with ESG or *shari'ah* criteria, and specific commitments, such as signing the PRI or publishing impact reports. Finally, it provides assets under management (AUM).

2.1. Qualitative data collection and analysis

In management science, there are various approaches to conducting interviews. When the series of interviews is conducted for comparative purposes, as is the case in our research, the researcher opts for the semi-directive mode and uses the same interview guide for all the interviews. Semi-structured interviews, as described by Merton *et al.* (1956), are one of the main modes of primary data collection in qualitative research. A semi-structured interview guide can be built using three types of questions. Main" questions to introduce the interview, "investigation" questions to clarify or complete incomplete answers, and "implication" questions to elaborate on a concept or idea. The "investigation" and "implication" questions must be adapted by the researcher during the interview according to the answers given to the "main" questions (Rubin & Rubin, 1995). The semi-structured interview is a good compromise between the respondent's freedom and the needs of research. With directionality reduced to a minimum, respondents can express themselves in their own words on the themes of their choice. The interview was divided into four phases: an introductory phase, a phase to focus on the subject, a more in-depth phase, and a concluding phase (see the interview guide in the Appendix). We used reformulation and follow-up techniques to reduce the risk of bias and variation so that the interviews conducted could be compared. Thirty semi-structured interviews were conducted

⁶ Refinitiv, (2021). *Islamic Finance Development Report 2021*. London, United Kingdom.

⁷ Citywire, (2023). *Alpha female report 2023*. London, United Kingdom.

between December 2022 and July 2023, totalling 22 hours and 20 minutes of recording time for a corpus of 139,250 words. In the context of this qualitative research, the choice to stop at 30 interviews is based on a methodological justification founded on the results of the Guest et al. (2006) study, which showed that data saturation, defined as the point at which the addition of new interviews no longer brings significant information or new themes, is generally reached well before this threshold. On an average, each interview lasted 45 minutes and contained 4,642 words. Each interview was recorded online, transcribed, and coded using NVivo software. Some codes are deductive, as they are taken directly from the literature; others are inductive, as they are inspired directly from the corpus; and others are *in vivo*, as they are taken verbatim from the text itself.

Table 1 — Sample 1/2.

N°	Type	Zone	Functions	Gender	Education	Certifications	Experience	PRI signatory	Impact report
1	Conventional	Europe	Chairman	Man	Double Master	No	25-30	No	No
2	Conventional	MENA	Fund Manager	Man	Double Master	No	15-20	No	No
3	Conventional/SCI	Europe	Fund Manager	Man	Master	No	10-15	No	No
4	Conventional/SCI	Europe	Quantitative Equity Manager	Man	Master	No	15-20	Yes	Yes
5	Conventional/SRI	Europe	Senior Quantitative Manager	Man	Master	CAIA	15-20	Yes	No
6	Conventional/SRI	Europe	Fund Manager	Man	Double Master	CAIA	20-25	Yes	No
7	Conventional/SRI	Europe	Equity Portfolio Manager	Man	Master	SFAF	25-30	Yes	Yes
8	Conventional/SRI	Europe	Portfolio Manager	Man	Master	No	10-15	Yes	Yes
9	Conventional/SRI	Europe	Senior Equity Fund Manager	Man	Master	CAIA	20-25	Yes	No
10	Conventional/SRI/SCI	MENA	VP/Director	Man	Master	No	15-20	Yes	Yes
11	SCI	Asia	Chief Investment Officer	Man	Bachelor	No	20-25	No	No
12	SCI	MENA	Chief Investment Officer	Man	Double Master	No	35-40	Yes	Yes
13	SCI	MENA	Board Member, Manager	Man	PhD	No	10-15	No	Yes
14	SCI	MENA	VP/Portfolio Manager	Man	Master	No	10-15	No	No
15	SCI	North America	Portfolio Manager	Man	Master	CFA	25-30	Yes	Yes
16	SCI	MENA	Chief Investment Officer	Man	Double Master	CAIA	20-25	No	Yes
17	SCI	Asia	Chief Investment Officer	Man	Bachelor	No	10-15	No	Yes
18	SCI	Europe	Fund Manager	Man	Bachelor	No	20-25	No	Yes
19	SCI	Europe	Fund Manager	Man	Double Master	No	15-20	No	No
20	SRI	Europe	Chief Executive Officer	Woman	Master	No	20-25	Yes	Yes
21	SRI	Europe	Relationship Manager	Man	Master	No	15-20	Yes	No
22	SRI	Europe	Climate Specialist	Man	Master	ESG	5-10	Yes	Yes
23	SRI	Europe	ESG Analyst	Woman	Bachelor	No	5-10	No	Yes
24	SRI	Europe	Chief Investment Officer	Man	Master	No	35-40	Yes	Yes
25	SRI	North America	Fund Manager	Woman	Master	No	15-20	Yes	Yes
26	SRI	MENA	Chief Executive Officer	Woman	Master	No	20-25	No	No
27	SRI	Europe	Sustainable Investing Analyst	Woman	Master	PRI Academy	0-5	Yes	No
28	SRI	Europe	Quant Portfolio Manager	Man	Master	No	5-10	No	No
29	SRI/SCI	MENA	Asset Allocator	Man	Double Master	PRI Academy	20-25	Yes	Yes
30	Data provider	MENA	Management Director	Man	Bachelor	AFP, HFG	25-30	No	No

Source: Authors own creation

Table 1 — Sample 2/2.

N°	Type	Management style	Clients	Shari'ah board/SRI label	ESG	AUM
1	Conventional	Quantitative alternative management	Institutional	No	No	€ 4 500 000 000
2	Conventional	Client-driven construction	Institutional & family offices	No	Yes	Nondisclosed
3	Conventional/SCI	Alternative management	Institutional & retail	External <i>shari'ah</i> board	No	€ 3 300 000 000
4	Conventional/SCI	Quantitative multi-factor approach	Institutional & retail	External <i>shari'ah</i> board	No	€ 537 000 000 000
5	Conventional/SRI	Quantitative	Institutional & retail	Non	Yes	€ 109 000 000 000
6	Conventional/SRI	Diversified top-down ESG management	Institutional & retail	SRI label	Yes	€ 5 300 000 000
7	Conventional/SRI	Growth active discretionary management.	Institutional & retail	SRI label	Yes	€ 823 000 000 000
8	Conventional/SRI	320 compartments Art. 6, 8, and 9 SFDR.	Institutional & retail	No	Yes	€ 35 000 000 000
9	Conventional/SRI	Bottom-up based on fundamental analysis.	Institutional & retail	No	Yes	€ 109 000 000 000
10	Conventional/SRI/SCI	Bottom-up based on fundamental analysis.	Institutional & retail	No	Yes	\$ 1 500 000 000 000
11	SCI	Risk-based approach.	Institutional & retail	Internal <i>shari'ah</i> board	No	\$ 2 000 000 000
12	SCI	Top-down active growth buy and hold.	Institutional & retail	Internal <i>shari'ah</i> board	Yes	\$ 6 300 000 000
13	SCI	Not categorized.	Institutional	Internal <i>shari'ah</i> board	Yes	\$ 214 500 000
14	SCI	Capital preservation and constant income.	Institutional & retail	External <i>shari'ah</i> board	No	\$ 2 132 700 000
15	SCI	Capital preservation and constant income.	Institutional & retail	External <i>shari'ah</i> board	No	\$ 5 200 000 000
16	SCI	Diversified strategic asset allocation.	Institutional	Internal <i>shari'ah</i> board	Yes	\$ 5 000 000 000
17	SCI	Top-down, negative screening.	Retail	Internal <i>shari'ah</i> board	Yes	€ 5 300 000 000
18	SCI	Not disclosed.	Institutional	External <i>shari'ah</i> board	No	Nondisclosed
19	SCI	Islamic-ESG management by risk profile.	Retail	External <i>shari'ah</i> board	Yes	€ 8 000 000
20	SRI	Growth sustainable technology companies.	Family offices	No	Yes	£ 5 000 000
21	SRI	Top-down, negative and positive screening.	Institutional & family offices	SRI label	Yes	€ 20 700 000 000
22	SRI	Thematic, negative and positive screening.	Institutional & retail	SRI label	Yes	€ 3 000 000 000
23	SRI	Benchmarking asset management firms.	Institutional	No	Yes	Nondisclosed
24	SRI	Discretionary large-cap European equity.	Institutional & retail	SRI label	Yes	€ 8 000 000 000
25	SRI	Value bottom-up with ESG integration.	Institutional & HNWI	SRI label	Yes	\$ 4 700 000 000
26	SRI	Global integration bottom-up approach.	Institutional	No	Yes	Nondisclosed
27	SRI	Top-down, negative and positive screening.	Institutional & HNWI	SRI label	Yes	€ 20 700 000 000
28	SRI	Quantitative ESG.	Institutional	No	Yes	€ 4 500 000 000
29	SRI/SCI	Fund-of-funds strategy.	Institutional & retail	External <i>shari'ah</i> board	Yes	€ 1 961 000 000 000
30	Data provider	Non applicable.	Institutional	No	Yes	Not applicable

Source: Authors own creation

Table 2 provides examples of codes associated with the “*management*” theme categorized into deductive, inductive, and in vivo codes for a comprehensive understanding of the topic. Deductive codes cover traditional and well-known management styles in the financial sector, such as the opposing approaches of active and passive management, which constitute two major fundamental categories in asset management, or systematic or Islamic management, which refer to well-known management styles. Inductive codes show specific and sometimes emerging practices, such as management by risk profile or hybrid management. In vivo codes capture expressions specific to the sector, showing original or emerging practices, such as ESG momentum management or *shari’ah* light management. To enhance the accuracy of the analysis, we selected numerous in vivo codes to capture the reality on the ground and the vocabulary of professionals. Inductive codes reflect recent or less-formalized practices, which are also useful for identifying emerging trends in the management sector.

Table 2 — Codes used for the “*management*” theme.

Deductive codes	Inductive codes	<i>In vivo</i> codes
Active management	Benchmarked management	Multi-management
Alternative management	Management by risk profile	Alpha management
Discretionary management	Delegated management	ESG momentum management
Quantitative management	Hybrid management	Long-short ESG management
Passive management	Multifactor management	<i>Sharī’ah</i> light management
Mandate management	Diversified management	In-house management
Risk management	Direct activist management	Filtered management
Islamic management	Private management	Activist management
Systematic management	Corporate management	Daily management

Source: Authors own creation

Table 3 presents the first 30 words in the corpus, detailing their frequencies and weighted percentages to illustrate their relevance within the dataset. Fund (705 occurrences, 2.12%) and ESG (596 occurrences, 1.79%) were the most frequently used words, underlining the importance of investment funds and ESG criteria in the corpus. Management (410 occurrences, 1.23%) and Investment (270 occurrences, 0.81%) show that the analysis strongly focuses on management and investment strategies. Assets (245 occurrences, 0.74%) and Company (245 occurrences, 0.74%) indicate a strong orientation towards asset management and companies. There was also a strong presence of technical terms related to finance, such as Risk (221 occurrences, 0.66%), Portfolio (207 occurrences, 0.62%), Market (197 occurrences, 0.59%) and Universe (184 occurrences, 0.55%). Some specific words, such as *Sharī’ah* (120 occurrences, 0.36%) and Islamic (155 occurrences, 0.47%) indicate that the corpus contains significant references to Islamic finance. In addition, the notable presence of Criteria (133 occurrences, 0.40%) and Performance (116 occurrences, 0.35%) suggests a concern for investment criteria and performance of investment strategies. The results show that the corpus focused on asset and fund management, SRI, and SCI.

Then, for each coded interview, a memo was written in the form of a self-reflexive commentary questioning the data and encouraging free thoughts and spontaneous associations of ideas. Finally, all memos were synthesized into a “*meta-memo*,” highlighting the main thrusts of the study. The overall analysis was then performed using NVivo software.

Table 3 — First 30 words of the corpus.

Words	Number	Weighted percentage	Words	Number	Weighted percentage
Fund	705	2,12	Customers	126	0,38
ESG	596	1,79	Finance	124	0,37
Management	410	1,23	Strategy	123	0,37
Investment	270	0,81	<i>Sharī'ah</i>	120	0,36
Assets	245	0,74	Manager	118	0,35
Company	245	0,74	Stocks	117	0,35
Risk	221	0,66	Performance	116	0,35
Portfolio	207	0,62	Securities	109	0,33
Market	197	0,59	Sector	105	0,32
Universe	184	0,55	Team	103	0,31
Islamic	155	0,47	Impact	99	0,30
Criteria	133	0,40	Money	97	0,29
World	132	0,40	Asset	87	0,26
Allocation	131	0,39	Data	86	0,26
Company	127	0,38	Products	86	0,26

Source: Authors own creation

3. Results and discussion

3.1. Results

3.1.1. Behavioral differences: committed, chameleon and cosmetic management

SCI and SRI fund managers can be defined as either "*chameleon*" managers, who have no preconceived ideas and follow the wishes of their clients or regulations, or "*committed*" managers. The latter chooses a voluntary approach, whereas the former seeks to comply with the principles dictated by their clients or regulations. There is a third category, which no manager claims to be "*cosmetic*," and which characterizes certain greenwashing and Islamicwashing strategies. In this study, we estimate that 45% of our sample are committed managers, 38% are chameleon managers, and 17% are cosmetic managers. This typology aligns with the findings of Slager et al. (2021), who observed that organizational responses to sustainability metrics are shaped by motivation and capacity. The configurational dynamics described suggest that committed managers are likely to display high intrinsic motivation, while chameleon and cosmetic managers reflect varying levels of reactivity based on external pressures and the capacity to implement substantive changes. Table 4 outlines the characteristics of "*Committed*," "*Chameleon*," and "*Cosmetic*" management styles, focusing on ethical approaches, perceptions, and priorities.

Table 4 — "*Committed*", "*Chameleon*", and "*Cosmetic*" Management.

Ethics	Committed management	Chameleon management	Cosmetic management
Ethical approach	Volunteer	Conformist	Opportunistic
Exclusive ethics	Yes	No	No
Perception of ethics	Performance factor	Risk factors	Sales argument
Ethical priority	Yes	No	No

Source: Authors own creation

This typology highlights the challenges associated with the credibility and sustainability of ethical management strategies in SCI and SRI funds. One of the key observations is that committed managers have high strategic potential to sustainably differentiate ethical funds in the market, as their approach is based on intrinsic motivation and a long-term vision of ethical performance. Conversely, chameleon managers, while reactive and adaptive, may lack consistency in their ethical commitments, making them vulnerable to rapid changes in regulatory or investor expectations. Cosmetic managers raise critical reputational issues. Their opportunistic approach, based on the instrumentalization of ethics, can lead to a heightened risk of loss of stakeholder confidence, particularly in the context of growing awareness of greenwashing and Islamicwashing.

The framework developed by Hoepner et al. (2019) allows us to distinguish the motivations of each profile according to their relationship to the institutional context: committed individuals are motivated by genuine normative and cultural alignment, chameleons adjust to external regulatory pressures without deep commitment, and cosmetics seek all opportunities for apparent compliance to improve their image. Finally, the differences in behavior between SCI and SRI managers do not depend exclusively on the nature of their investments, whether they are Islamic or sustainable, but above all, on whether they are committed, chameleon, or cosmetic managers. These behavioral patterns may be related to the engagement dynamics highlighted by Gond et al. (2018), particularly in terms of how ESG practices are internalized differently across corporate contexts. Committed managers use personal and institutional values as strategic resources to guide investment decisions. The contribution of Marti et al. (2023) is particularly relevant for committed managers, as field-building aligns with their proactive approach to transforming institutional norms and industry practices, thereby reinforcing their role as change agents and their deep commitment to ethical practices.

3.1.2. Practical constraints on integrating societal issues

SCI shows a complete commitment to the integration of societal issues as well as a high level of restraint. This reflects strict adherence to Islamic principles, which impose restrictions, such as the prohibition of interest and investment in certain industries, such as alcohol and gambling.

Regarding the ethical aspects of SCI, an Islamic *asset owner* located in the MENA region stated:

“Indeed, we do not invest in certain sectors considered prohibited by shari’ah. And we think this is very ethical. The ethical dimension, in my opinion, for me as a shari’ah-compliant asset owner, is already built into the fact that I am a shari’ah-compliant asset owner. What I mean is that anyone who doesn’t understand shari’ah-compliance, i.e. that it’s not just about strict criteria, that leverage must be less than 30%, that you shouldn’t invest in pornography or alcohol, etc. He simply designs the mandate and then invests. That is all very well, but for me, the essential thing is the moral basis of all this, which is fundamentally to do good. We know why excessive leverage is not good and should not be used as a financial engineering tool for the sole purpose of increasing shareholder value. For example, we do not invest in alcohol, although it is permitted elsewhere, but we believe that it is not good for humanity. This is an ethical dimension.”

Within the SRI framework, ethics are also a high strategic priority for managers' organizations, but perceived as less constraining by SRI managers than by SCI managers, notably because they compare these criteria to intentional tactics that form part of a strategy. This indicates a strong orientation towards the integration of social and environmental considerations, but with more flexibility than SCI. SRI can use a range of strategies, from negative to positive screening, notably with the best in-class approach.

Committed SCI managers perceive ethics not as a constraint, but as a catalyst, a strategic resource that opens up unique fund-raising opportunities in the Muslim world. This positive

perspective on ethics as a valuable resource demonstrates optimal use of specific capabilities and skills to attract *shari'ah* compliant investors. In contrast, other chameleon SCI and SRI managers consider that integrating ethics can limit investment options and affect performance, indicating tension between available resources and imposed constraints.

As a result, managers must navigate between stakeholders' ethical expectations and their operational constraints. Committed managers, who see ethics as an opportunity, align their strategies with the values of their stakeholders, thereby strengthening their relationships with trust and loyalty. Chameleon managers, who see ethics as a constraint, must find ways to reconcile their stakeholders' expectations with their financial performance objectives, ensuring a balanced management of the interests of all stakeholders.

3.1.3. Convergences in practices for integrating social issues into SCI and SRI portfolios

a) A convergence of methodological approaches

As part of this study, we established that many SCI and SRI funds are operated by conventional managers. However, this trend is more marked for SRI funds: 43% of SRI funds in our sample are operated by conventional managers compared with 27% of SCI funds operated by conventional managers. When we spoke to managers, whether conventional, SCI, or SRI, they used either a discretionary or quantitative approach. From this perspective, there is no difference between a conventional manager, SCI manager, or SRI manager.

b) A shared sensitivity to reputational risks and controversies

Companies exposed to numerous controversies can see their valuation affected. For example, BP's Deepwater Horizon explosion in 2010 and the Orpéa scandal in France in 2022 illustrate how negative events can lead to an immediate market reaction and significant drop in share prices.

These scandals have shown how actions contrary to societal concerns can quickly erode a company's legitimacy with significant financial consequences. Indeed, for ethical funds, whether SCI or SRI, maintaining a high level of legitimacy is crucial for attracting and retaining investors. Reputational risk within the Islamic financial industry is of considerable importance and systemic in nature, insofar as the actions of a single institution have the capacity to compromise the reputation of the entire sector. Here, even more than the asset managers, it is the *shari'ah* boards that are very attentive to their reputations, as they may be directly impacted by the reputational risk they incur in the event of noncompliance with the *shari'ah* of the financial products they approve.

c) A common allocation bias towards growth stocks

There is a bias towards growth stocks in both SCI and SRI for a variety of reasons. Growth stocks, typically representing companies with above-average earnings growth potential but often reinvesting profits rather than distributing dividends, are preferred in SCI to avoid the purification process required for dividend-paying stocks. In the case of SRI, the interviewed managers also reported a growth bias, but not for the same reasons as in the case of SCI. A manager in charge of institutional relations at a European asset management company commented on this subject: "*Let's be clear, there is a real bias in the sustainable investment industry towards growth stocks, which are less consumptive for many, notably a Tech bias*".

d) A common reduction in the investable universe

The issue of allocation bias lies in the sector or factor bias adopted in the investment strategy when integrating societal issues (SCI or SRI), particularly those oriented towards technology and growth. While the "*best-in-class*" approach seeks to mitigate this bias by selecting the most

sustainable companies within each sector, SRI often leads to a significant concentration of technology stocks. This is primarily because companies in the technology sector tend to exhibit lower carbon emissions than other industries, making them more likely to qualify under ESG criteria. This bias has led to the neglect of the fundamental principle of asset allocation: diversification. This allocation bias is, for example, even more marked in SCI than in SRI, not because of a more demanding filtering process, but also because of the lesser availability of *shari'ah* compliant assets. Therefore, while societal criteria are essential for maintaining the ethics and compliance of SRI and SCI funds, they can inadvertently introduce a sector or factor bias by limiting the investment universe, thereby compromising the principles of diversification.

e) Common differences in interpretation

The issue of differing interpretations of the SCI and SRI is common. The rules for assessing SCI or SRI compliance are not the same, depending on the schools of jurisprudential interpretation with regard to SCI and jurisdictions with regard to SRI. Differences in interpretation can affect the legitimacy of both SCI and SRI funds. An SCI manager in the United States stated, “*There are different interpretations of what shari’ah allows. I am not a shari’ah scholar. I do not have such a role. My role is simply that of an asset manager, and I direct investments in a way that respects and honors the faith of the Muslim community*”. Regarding SRI, a manager based in Europe commented: “*Even in Europe, there are still debates about how we measure. Do we measure this in absolute terms? Do we measure in terms of CO2 per income? Do we measure in terms of CO2 per unit of EBITDA? Do you measure in terms of CO2 per balance sheet? In short, all these aspects are somewhat like the headaches of Islamic finance. Certain standards are accepted in one jurisdiction, but not in another.*”

f) The question of greenwashing and Islamicwashing

SRI managers explained that the European regulation was put in place in part to combat greenwashing, recalling that at one time, to be considered an ESG fund, it was sufficient to exclude 10% of the assets in the investment universe with the lowest rating. In Europe, this practice was common until the Sustainable Finance Disclosure Regulation (SFDR) came into force in 2021. This problem also exists in the world of SCIs, where it is possible to evoke the phenomenon of Islamicwashing. Several of the professionals interviewed reported a gap between certain practices labelled as “*Islamic*” and their formal reality.

Table 5 highlights the convergence of practices for integrating societal issues within SCI and SRI portfolios. It highlights notable similarities in terms of management, financial and societal objectives, reputational risks and controversies, allocation bias, reduction of the investment universe, divergent interpretations, and criticisms linked to greenwashing and Islamicwashing.

Table 5 — Convergences in practices for integrating societal issues into SCI and SRI portfolios.

	Criteria	SCI	SRI
Convergences	Management	Many SCI and SRI funds are managed by conventional fund managers. SCI and SRI fund managers can be either “ <i>committed</i> ”, “ <i>chameleon</i> ” or “ <i>cosmetic</i> ” managers.	
	Purpose	Each type pursues a financial profitability objective while seeking to respect the integration of societal issues.	
	Reputation and controversy risks	Common sensitivity to reputation and controversy risks.	
	Allocation bias	Common bias towards growth and technology stocks.	
	Investment universe	The integration of societal issues has led to a reduction in the investible universe.	
	Interpretation	The issue of differing interpretations of SRI and SCI is a common one.	
	Compliance	Many SCI and SRI management practices are facing criticism of	

failure	Islamicwashing and greenwashing.
---------	----------------------------------

Source: Authors own creation

Table 6 highlights the practices implemented by conventional, SCI, and SRI managers. Conventional managers prefer conventional financial analyses, while SCIs incorporate Islamic principles and SRIs add ESG criteria. While conventional managers' decisions are based on internal expertise, those of SCI and SRI are overseen by specialized bodies (*shari'ah* board for SCI, ESG teams, and SRI data providers). All comply with regulations, but SCIs also follow Islamic rules and SRIs must prove their alignment with sustainability objectives. Ongoing training is crucial for all, with an additional focus on Islamic finance for SCIs and ESG issues for SRIs. Transparency is paramount, particularly to ensure *shari'ah* compliance (SCI) and ESG performance (SRI). Innovation targets market adaptation (conventional), Islamic compliance (SCI) and societal expectations (SRI). Finally, societal impact, which is absent in the conventional sector, is central to SRI and implicit in SCI *via* Islamic principles.

Table 6 — Practices implemented by conventional, SCI, and SRI managers.

Criteria	Conventional	SCI	SRI
Investment approach	Based on financial and market analyses.	Respect for the principles of <i>shari'ah</i> , with particular attention to authorized assets and the purification process.	Integration of ESG criteria in addition to traditional financial analyses.
Risk management	Risk assessment and management based on financial criteria.	Emphasis on prudent risk management, in line with Islamic principles.	Incorporates ESG risk considerations in addition to financial risks.
Decision-making	Individual or based on the skills of the management team.	Collective decision-making under the supervision of the <i>shari'ah</i> board.	Comitology in conjunction with ESG teams.
Compliance and legality	Compliance with financial regulations.	Compliance with financial regulations and <i>shari'ah</i> .	Compliance with financial and sustainability regulations.
Training and education	Ongoing training in financial markets and investment strategies.	Ongoing training in financial markets, investment strategies and Islamic finance.	Ongoing training in financial markets, investment strategies and ESG issues.
Transparency and documentation	Necessary for regulatory compliance and risk management.	Necessary for regulatory compliance, risk management and essential to ensure <i>shari'ah</i> compliance.	Necessary for regulatory compliance, risk management and crucial for demonstrating alignment with ESG risks and sustainability objectives.
Innovation and adaptability	Adapting to market trends and innovation.	Innovation in line with <i>shari'ah</i> principles.	Innovation focused on the integration of ESG criteria and changing societal expectations.
Social and environmental impact	Generally not a primary criterion, unless integrated into a specific strategy.	Impact through respect for Islamic principles.	Social and environmental impact is a key investment criterion.

Source: Authors own creation

3.1.4. Asset allocation and selection processes used by ethical fund managers

Our interviews with SCI and SRI professionals enabled us to identify seven stages in the process of integrating societal issues into SCI and SRI management practices. The investment process of SCI and SRI managers is structured around seven key stages, illustrating a rigorous methodology that combines traditional practices with specific ethical requirements. The first stage, common to both types of funds, consists of developing a market outlook based on fundamental macroeconomic and financial analyses supported by quantitative indicators such as liquidity, volatility, and credit spreads. The second phase, dedicated to asset class valuation, aims to identify undervalued or overvalued assets to guide investment decisions. The third phase concerns strategic allocation, which defines the long-term distribution of assets, considering their weighting by asset class, geographic zone, and management style. This allocation is completed by tactical allocation, adjusted in the short term according to market conditions, themes, and capitalization levels. While the first four stages are identical for SCI and SRI funds, the fifth phase marks an important divergence: the integration of specific criteria. In the case of SCI, a double filtration is applied, with the exclusion of sectors not in line with *sharī'ah* followed by a filtering of financial ratios. For SRIs, after initial sector exclusion, an in-depth ESG analysis is carried out, covering governance, products, operational risks, and controversies. Once these filters have been applied, the sixth stage consists of selecting assets via dual quantitative and qualitative analysis, including fundamental, sectoral, and comparative assessments. The final phase is devoted to portfolio optimization and risk management. This optimization guarantees optimal allocation while ensuring compliance with ethical criteria: for SCI, it is supervised by a continuous *sharī'ah* audit, while for SRI, it is based on ESG risk assessment, regulatory compliance (SFDR) and societal performance monitoring.

Table 7 outlines the seven stages involved in integrating societal issues into SCI and SRI management practices, detailing processes from market analysis and asset allocation to the integration of SCI and SRI criteria, asset selection, and portfolio optimization.

3.1.5. Strategies implemented by managers

We mentioned earlier that a manager can be cosmetic, chameleon, or committed, and we present a few of the approaches we discovered during the interviews we conducted.

a) Cosmetic approaches

Some large companies sell their polluting activities to non-listed players to improve their ESG ratings, while keeping these activities out of the public eye. An SRI manager in Europe explains: "*Concerning CSRD, we have large listed companies with extremely polluting activities, such as shale gas exploration, which tend to sell these activities to non-listed players in the sector to clean up their ESG balance sheets. This effect is observed in the market in anticipation of CSDR regulations. These companies will then be sold to private equity firms that are less careful, because their obligations will be much lower*". These legal, but ethically questionable practices mislead investors and do not contribute to sustainability. *Sharī'ah* light investing reflects growing flexibility in Islamic finance. For example, some financial institutions are adopting a more flexible version of Islamic finance, incorporating products such as collateralized loan obligation (CLO) funds, which are technically compliant but are considered to have excessive levels of leverage by traditional Islamic finance standards. An SCI manager in the MENA region notes: "*Today, more and more investors are relatively okay with what we call sharī'ah light, typically we invest in CLO funds, while we have the fatwā for these products, but these are products that are very leveraged, products that would never pass the screening of sharī'ah scholars of slightly more rigorous investors who do pure sharī'ah. There is an underlying trend in Arabia, Qatar, Kuwait and the Emirates for the acceptance of this type of structure, and there are a lot of structuring efforts to make sharī'ah, at the very least, debatable*".

Table 7 — Seven stages in the process of integrating societal issues into SCI and SRI management practices.

<ol style="list-style-type: none"> 1. Market views are developed using fundamental macroeconomic and macro-financial analyses. Usually, an allocation committee made up of specialists from each asset class discusses their market sentiment using quantitative indicators broken down into three pillars (market liquidity, market volatility, and credit spreads). This analysis enables the committee to determine whether a period has high or low volatility. This stage is designed to obtain market sentiment by analyzing various ratios such as the call/put ratio. 2. Valuation of each asset class to determine which markets are under- or overvalued. This involves calculating the expected return for each asset class. 3. Strategic asset allocation: The management company will define all the asset classes to which it wishes to be exposed over the long term and the different weightings it wishes to assign to each asset class, each geographical area, and each management style (growth, value, GARP, etc.). 4. Tactical asset allocation: The portfolio is defined according to a matrix of geographic zones, themes, and capitalization levels, enabling us to define exposures according to time. 	
<ol style="list-style-type: none"> 5. Integration of SCI criteria <ol style="list-style-type: none"> a. A first binary filtering of sector exclusions is carried out to determine whether a stock's sector is <i>shari'ah</i> compliant. b. A second filtering by financial ratios is performed to determine whether a stock is <i>shari'ah</i> compliant. Index data providers generally perform this filtering. 6. Asset selection: both quantitative and qualitative analysis. Asset selection is performed from within the <i>shari'ah</i> compliant investable universe, the list of which is often provided by index data providers, advisory firms, or analyst teams: <ol style="list-style-type: none"> a. Fundamental analysis. b. Sector analysis. c. Peer comparison. 7. Portfolio optimization and risk management to determine optimal allocation and <i>shari'ah</i> compliance monitoring by the <i>shari'ah</i> audit function under the direction of the <i>shari'ah</i> board. 	<ol style="list-style-type: none"> 5. Integration of SRI criteria: The investable universe is reduced by the upstream sectoral exclusion. In asset management teams, ESG are either completely delegated to a team or are fully integrated within management teams. In the case of a distinction between management and the ESG team, the latter is involved from the start of the stock selection process: the manager who detects a company consults the ESG analyst for an initial positive or negative opinion. <ol style="list-style-type: none"> a. Corporate governance: Analysts seek to establish whether a company is managed in the long term. Issues such as the competence and independence of the board of directors, executive remuneration, auditing, and risk control are examined. b. Products and services: Analysts seek to assess the extent to which the product range fits the future and is compatible with sustainable development objectives. Analysts seek to determine whether the business contributes to resolving major public health and/or environmental issues and whether the products offered are eco-responsible and reliable. c. Operational risks: Analysts focus on understanding how the company manages its activities and determines the associated risks (carbon emissions, exposure to extreme weather events and other climate risks, and environmental and social impacts linked to their activities and supply chain, etc.). d. Controversies: Analysts seek to verify a company's compliance with its commitments and assess its level of exposure to controversies. 6. Asset selection: both quantitative and qualitative analysis. Once the ESG risk analysis is conducted, asset selection is performed from within the investable universe: <ol style="list-style-type: none"> a. Fundamental analysis. b. Sector analysis. c. Peer comparison. 7. Portfolio risk optimization and management to determine the optimal allocation and monitoring of ESG risks can be assessed according to the following three pillars: <ol style="list-style-type: none"> a. Traditional ESG risk and controversy assessment to validate or invalidate a company. This pillar also identifies the best performers in the class. b. Assessment of intentionality to determine whether the company is committed to a voluntary CSR approach. This pillar enables the company to catch up with poor performers and help them progress. c. Within the framework of European SFDR regulations, analysis of the main negative impacts (PAI).

Source: Authors own creation

b) Chameleon approaches

Some SCI managers pass on responsibility for purification to their clients to avoid affecting their fund performance. As one SCI manager in Asia puts it: "*We have a way around this. We do not purify ourselves. We send the ratio to the client to do it. That way, it does not affect the fund's performance, because we do not purify, we do not donate from the fund*". Although legal, this approach raises ethical questions.

With the Long-short ESG approach, a fund combines long positions in virtuous ESG stocks with short positions in non-virtuous stocks. An SRI manager based in Europe showed us how to set up a quantitative long-short ESG fund. The first step is to "*create a long book based on top performers or the best performers from an ESG point of view, and a short book that includes the worst performers. This makes it possible to have a market-neutral compartment that simply seeks performance from the best ESG performers*". However, several difficulties must be overcome when implementing this approach. First, virtuous stocks may already have a high valuation owing to their good reputation, and it is complicated to seek performance on these stocks. Finally, regulations such as the SFDR do not clearly cover long-short ESG funds and there is a lack of consensus on the methodology to adopt.

c) Committed approaches

SCI managers highlight *sharī'ah*-compliant practices, although regional discrepancies do exist. One manager in Malaysia says: "*If a client wishes to invest in sharī'ah-compliant stocks, it is our duty to ensure that the investment is in line with the client's choice*."

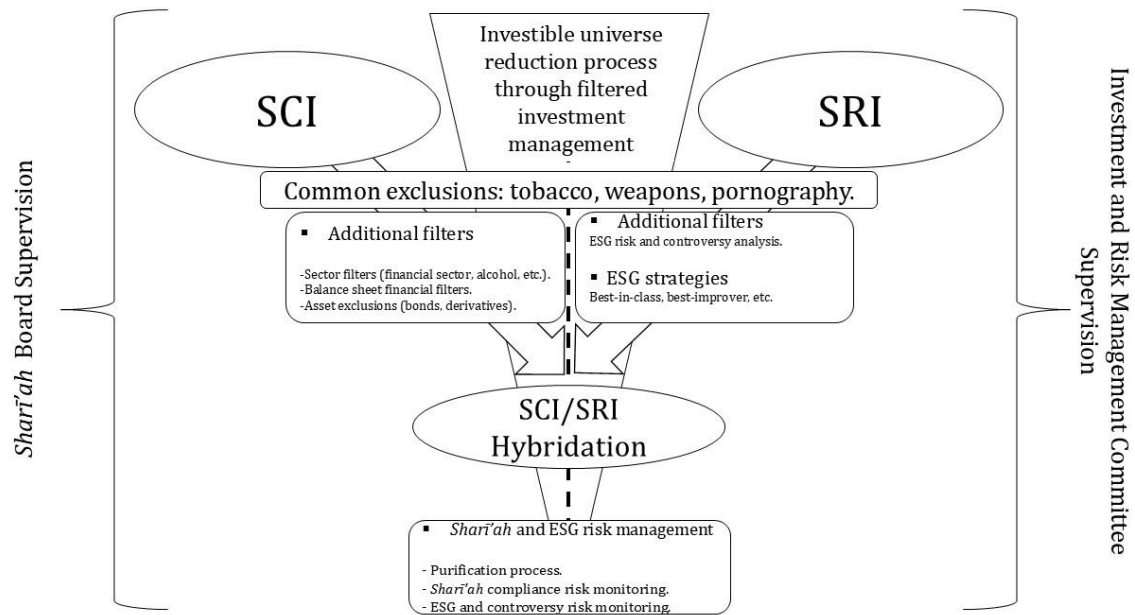
The committed SRI managers we spoke to question and criticize current ESG management, which relies mainly on ratings and excludes companies with poor ratings. The main criticism is its lack of impact on the environmental and social dimensions. A Paris-based SRI manager: "*I find that ESG as it is practiced now is not going to have any environmental or social impact. If one relies solely on ratings and excludes those with bad ratings, they will continue to be bad. The aim is to improve the bad ones.*" The ESG improver approach involves going beyond a moralizing posture, and aims to combine financial performance and CSR by advising companies on how good CSR can improve their results. This approach engages in dialogue with companies to encourage them to improve ESG practices.

Finally, another committed approach, involving hybridization between Islamic and sustainable investments, has begun to emerge.

3.1.6. Hybridization of SCI and SRI approaches

Historically, the SCI has focused on negative screening and the application of financial ratios without proactively examining ESG components such as deforestation or biodiversity loss. However, there is a growing call to consider these factors in Islamic funds.

The hybridization of SCI and SRI reflects an attempt to combine the ethical dimension of *sharī'ah* with the sustainability and social responsibility objectives of SRI. The results show that the development of financial products that combine the positive principles of SRI with the negative filtering of SCI is a market opportunity. This approach recognizes that the ethical dimensions of *sharī'ah* (such as avoiding investments in alcohol or pornography and limiting leverage) overlap naturally with the ESG criteria.



Source: Authors own creation

3.2. Discussion

These results extend and refine previous work by showing that although there are many convergences between SCI and SRI, particularly in terms of ethical purposes and sector-exclusion methods, the two approaches present significant differences in the application of investment criteria (Erragragui and Lagoarde-Segot, 2015; Charfeddine et al., 2016; Reddy et al., 2017; Erragragui et al., 2018; Jawadi et al., 2018; Paltrinieri et al., 2019; Castro et al., 2020). That said, we found that SRI and SCI professionals employ certain convergent practices. The search for legitimacy drives ethical funds to adopt similar management practices, converging through isomorphistic mechanisms (DiMaggio and Powell, 1983).

In line with previous research showing that psychological motivations, values, or norms matter for ethical investors (Riedl and Smeets, 2017; Gutsche et al., 2019), our study has enabled us to define three manager profiles in terms of the integration of ethical criteria into their asset management practices: cosmetic managers whose regulators wish to constrain in order to avoid Islamicwashing and greenwashing, chameleon managers implementing filtered SCI or SRI management according to their clients' desiderata, and committed SCI or SRI managers who develop new strategies guided by their values.

On the subject of values and standards, committed managers are more likely to hold values, while compliance with standards is more important to chameleon managers, and cosmetic managers seek to conform more in form than in substance. As noted by Yan et al. (2018), the paradoxical interaction of financial logic with social and ethical goals creates varying behavioral patterns among managers. These behaviors reflect different levels of institutional alignment, ranging from opportunistic to genuinely value-driven approaches, underscoring the tensions inherent in combining financial and ethical objectives.

According to resource-based theory (Barney, [1991](#)), committed managers' use of values as intangible resources can create a competitive advantage by attracting like-minded investors. Committed managers reinforce their legitimacy (Suchman, [1995](#)) by demonstrating a strong commitment to ethical principles and personal values, which is positively perceived by investors and stakeholders (Freeman, [1984](#)). That said, most of the managers we interviewed declared themselves to be chameleons, that is, simply seeking to satisfy their clients' needs. Chameleon managers can maintain legitimacy through coercive and prescriptive isomorphism (DiMaggio and Powell, [1983](#)) by strictly complying with regulations and responding to customer demands without personal bias, which may offer operational flexibility. However, they may miss the opportunity to distinguish themselves through their strong ethical commitments.

In the context of greenwashing practices, some SRI funds have adopted instrumental strategies to meet regulatory requirements without changing their underlying practices, a phenomenon aligned with the concept of coercive isomorphism developed by DiMaggio and Powell ([1983](#)). Similarly, in the SCI sphere, the phenomenon of Islamicwashing manifests itself when financial products are structured to appear *shari'ah* compliant, but without actually adhering to fundamental Islamic principles. This cosmetic practice can be seen as instrumental manipulation aimed at achieving moral and cognitive legitimacy, as described by Suchman ([1995](#)), without respecting the underlying values of Islamic finance. These phenomena highlight the complexity and challenges associated with aligning practices with ethical principles, emphasizing that labels should not be the sole criterion of judgment but rather the substance and quality of the actions and services provided.

According to stakeholder theory, companies must meet the expectations of their stakeholders to maintain legitimacy and ensure long-term success (Freeman, [1984](#); Clarke, [1998](#)). In the context of SRI and SCI, funds, regulators, investors, and other stakeholders demand greater transparency and compliance with the ESG and Islamic criteria. Instrumental manipulations, such as greenwashing and Islamicwashing, can be seen as attempts to appease these pressures without making fundamental changes.

By highlighting the SCI-SRI hybridization process, we have enriched the work of Ullah et al. ([2014](#)), who developed an SRI framework applicable to Islamic financial institutions. Our study shows that the implementation of value-oriented committed management, such as SCI-SRI hybridization, is in line with the recommendations of Shrivastava et al. ([2019](#)), who argued for the evolution of the models used in finance. Resource theory emphasizes the importance of internal resources and organizational capabilities in creating sustainable competitive advantage. Innovation in the development of hybrid SCI-SRI financial products represents the strategic use of resources to meet the growing market demand (Barney, [1991](#)).

The theoretical contribution lies in the identification of significant behavioral differences between managers and the development of three distinct manager profiles in terms of integrating ethical criteria into their asset management practices: cosmetic, chameleon, and committed managers. In addition, we identified convergences between the practices of integrating societal issues into SCI and SRI portfolios as part of the implementation of values-oriented committed management.

The methodological contribution of this study lies in its critical qualitative analysis approach, which enables a nuanced understanding of ethical investment practices and the diversity of manager profiles based on varied perspectives. Additionally, the identification of seven steps in the process of upstream-downstream integration of societal issues into SCI and SRI management practices provides a concrete methodological framework for the integration of societal concerns into ethical fund management.

The managerial contribution of this study is reflected in its practical recommendations for ethical fund managers, particularly regarding the challenges of integrating ESG criteria in SRI and *shari'ah* compliance in SCI. Furthermore, the seven-step process offers a structured approach that managers can use to effectively implement societal issue integration, ensuring that their investment practices align with both ethical principles and performance objectives. By providing insights into these nuanced differences, this study contributes to managerial practices by emphasizing the need for innovation and agility in ethical fund management.

Conclusion

This study explores how ethical funds, particularly SRI and SCI, integrate societal issues into their portfolio management practices. It aims to fill a gap in the literature by developing a pluralistic theoretical framework that goes beyond the limits of the traditional shareholder value maximization paradigm.

The main findings indicate that ethical funds adopt specific asset allocation and selection practices that incorporate societal criteria. This study highlights the emergence of new asset management practices and identifies three typical profiles of managers according to their degree of ethical commitment: cosmetic, chameleon, and committed managers. These results offer theoretical, methodological, and managerial contributions to our understanding of ethical investing.

Although this study offers valuable insights into current practices in ethical investing, our sample consists of 30 interviews conducted with asset management professionals, which limits its representativeness. Consequently, the opinions and practices of those interviewed may not reflect the reality of the sector. Regulations directly affect practices; therefore, our research may not fully capture the long-term impact of these changing regulations. Furthermore, we have not addressed the impact of emerging technologies and market innovations on ethical investing in depth, which could be an important factor in the future evolution of SCI and SRI practices. Another limitation of this study lies in its reliance on a declarative approach, which inherently carries the risk of biases, such as social desirability or the presentation of idealized practices. Although this method provides direct insights into the perspectives and strategies of asset management professionals, the data collected may not always accurately reflect actual behaviors or practices. Nevertheless, future research could complement this approach by integrating observational methods or quantitative analysis to validate the findings and provide a more comprehensive understanding of SCI and SRI asset management practices.

Based on the identified limitations, we propose areas for future research in the field of ethical investment for both SCI and SRI funds. These research proposals aim to deepen our understanding of ethical investing, explore new perspectives, and respond to emerging challenges and opportunities in this constantly evolving field. First, to reduce sampling bias and gain a holistic understanding, it may be useful to continue exploration with a wider range of stakeholders, including regulators and end-customers. It could be relevant to measure the effects of regulations on societal performance and the real impact of ethical investments on social and environmental objectives beyond financial performance. In this way, an attempt could be made to explain differences in societal performance in different regions of the world in terms of regulatory differences and to test the link between public policy and ethical pressures. A specific study should also be carried out on the issue of ethical dilemmas and paradoxes in SCI and SRI, such as the challenges of Islamicwashing and greenwashing. Finally, it could be relevant to explore in depth the influence of emerging technologies (such as artificial intelligence, big data, blockchain, decentralized finance, quantum computing) on ethical investment practices and the possibility of developing internal analysis models for ESG and *shari'ah* assessments, thus reducing dependence on external data and rating agencies.

This study has revealed some crucial aspects of the complexity and costs associated with SCI management as well as some of the challenges and opportunities to integrate ESG criteria into SRI management. Indeed, we were able to highlight certain nuances and particularities of each of these approaches. The complexity and high costs of SCI management, stemming from the need to comply with strict *shari'ah* criteria, contrast with the SRI challenges of integrating ESG criteria holistically and comprehensively. The results show that ethical managers must not only remain vigilant and innovative to maintain diversification and performance in limited investment universes but must also be agile in responding quickly to variations in the environment while avoiding the cosmetic strategies of Islamicwashing and greenwashing.

This study has also provided a glimpse of two phenomena that are likely to affect the world of finance in general, and Islamic finance in particular, in the future.

First, the emergence and development of a chameleon type of management, which could be described as "*filtered*", in a context marked by the increasing complexity of financial products in response to the growing sophistication of investor needs. Rather than offering standardized investment products, chameleon managers adopt a personalized approach, considering their clients' individual preferences in terms of risk, sustainability, and other specifics such as assets, currencies, or geographical zones. Successful managers in this competitive environment are those who understand and respond effectively to the unique needs and requirements of each client. Thus, filtered management extends the ETF concept to a more complex investment universe by incorporating extra-financial criteria and broader data. Thus, chameleon managers are called upon to create investment universes specifically tailored to the individual profiles and preferences of each client. Initially, products were grouped into broad categories such as SCI or SRI; in the future, the trend will be towards unique customization, going beyond these generic categories.

Second, regarding the future of Islamic finance, our research has highlighted a worrying phenomenon that could jeopardize its continued existence. By adopting a fixed approach to ethics, based solely on sector exclusions and the application of financial ratios, SCI risks being overtaken on its ethical front by all other forms of finance applying a dynamic approach to ethics. This dynamic approach is characterized not only by sector exclusions but also by positive integration, helping companies become more virtuous in terms of their environmental impact and social and governance practices. This observation aligns closely with the question of the impact capability in Islamic finance. This fixed ethical framework, though fundamental to maintaining *shari'ah* compliance, limits the ability of SCI funds to demonstrate tangible societal impacts. Impact capability, defined as the ability of an investment strategy to generate measurable positive outcomes aligned with societal objectives, is the cornerstone of SRI funds strategies. SRI funds often incorporate impact considerations into their decision-making processes, leveraging metrics, such as carbon footprint reduction, and community development indicators. The growing demand for transparency and accountability from investors reinforces the emphasis on the impact of SRI strategies. In contrast, SCI funds, while also integrating societal issues, often prioritize compliance with *shari'ah* principles over measurable impacts. To bridge this gap, there is a growing opportunity for SCI funds to explore the integration of impact metrics that align with Islamic values. Moreover, sector exclusions are no longer the prerogative of ethical finance, be it SCI or SRI. For example, we have seen that conventional managers integrate moral considerations and exclude commodity derivatives from their investment perimeters so as not to participate in speculative transactions contributing to food inflation or companies involved in deforestation activities. It is therefore essential to renew SCI's understanding of environmental preservation. It should be remembered that in 2009, the

International Islamic Academy of Fiqh issued a legal opinion prohibiting, in accordance with the principle of damage prevention, the cause of environmental damage that harms the ecological balance or the use of resources in a way that is unsustainable and does not consider the interests of future generations.⁸ Therefore, environmental protection and energy conservation policies are religious obligations. However, our study showed that almost 15 years later, this obligation has not been integrated into SCI screening methodologies. Thus, the hybridization of SCI and SRI appears to be one of the solutions that will enable Islamic finance to maintain and strengthen its legitimacy by making its ethics a genuine strategic resource, giving it a competitive edge, and ultimately ensuring its long-term survival.

⁸ *The Environment and its preservation from an Islamic perspective*. Fiqh Academy resolution 185.

Bibliography

- Al Ansari, R., & Alanzarouti, F. (2020). ESG and Islamic Finance: An Ethical Bridge Built on Shared Values. *Journal of Islamic Financial Studies*, 6(1).
- Amghar, S., & Ghlamallah, E. (2024). The Creation of Islamic Finance: Religious Conservatism, Capitalist Logics, and Secularization. In *The Routledge Handbook of Global Islam and Consumer Culture* (pp. 451-463). Routledge.
- Amit, R., and Schoemaker, P.J. (1993), "Strategic assets and organizational rents", *Strategic management journal*, 14(1), 33-46.
- Arjaliès, D. L., & Bansal, P. (2018). Beyond numbers: How investment managers accommodate societal issues in financial decisions. *Organization Studies*, 39(5-6), 691-719.
- Barney, J.B. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, 17, pp. 99-120.
- Castro, E., Hassan, M. K., Rubio, J. F., and Halim, Z. A. (2020), "Relative performance of religious and ethical investment funds", *Journal of Islamic Accounting and Business Research*, 11(6), 1227-1244.
- Charfeddine, L., Najah, A., and Teulon, F. (2016), "Socially responsible investing and Islamic funds: New perspectives for portfolio allocation", *Research in International Business and Finance*, 36, 351-361.
- Clarke, T. (1998), "The stakeholder corporation: A business philosophy for the information age", *Long range planning*, 31(2), 182-194.
- Crutzen, P.J., Stoermer, E.F. (2021), "The 'Anthropocene' (2000)". In: Benner, S., Lax, G., Crutzen, P.J., Pöschl, U., Lelieveld, J., Brauch, H.G. (eds), *Paul J. Crutzen and the Anthropocene: A New Epoch in Earth's History*, The Anthropocene: Politik—Economics—Society—Science, vol 1. Springer, Cham, 19-21.
- Deephouse, D.L. (1996), "Does isomorphism legitimate?", *Academy of Management Journal*, 39(4), 1024-1039.
- Derwall, J., Koedijk, K., and Ter Horst, J. (2011), "A tale of values-driven and profit-seeking social investors", *Journal of Banking & Finance*, 35(8), 2137-2147.
- Dierickx, I., and Cool, K. (1989), "Asset stock accumulation and sustainability of competitive advantage", *Management science*, 35(12), 1504-1511.
- DiMaggio, P.J. and Powell, W.W. (1983), "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, 48, 147-160.
- Erragragui, E., and Lagoarde-Segot, T. (2015), "Solving the SRI puzzle? A note on the mainstreaming of ethical investment", *Finance Research Letters*, 18, 32-42.
- Erragragui, E., Hassan, M. K., Peillex, J., and Khan, A. N. F. (2018), "Does ethics improve stock market resilience in times of instability?", *Economic Systems*, 42(3), 450-469.
- Freeman, R. E. (1984), *Strategic management: A stakeholder approach*, Pitman, Boston.
- Glaser, B. G., and Strauss, A. L. (1965), "Discovery of substantive theory: A basic strategy underlying qualitative research", *American Behavioral Scientist*, 8(6), 5-12.
- Gond, J. P., O'Sullivan, N., Slager, R., Homanen, M., Viehs, M., & Mosony, S. (2018). How ESG engagement creates value for investors and companies.
- Guest, G., Bunce, A., & Johnson, L. (2006). How many interviews are enough? An experiment with data saturation and variability. *Field methods*, 18(1), 59-82.

- Gutsche, G., Köbrich León, A., and Ziegler, A. (2019), "On the relevance of contextual factors for socially responsible investments: an econometric analysis", *Oxford Economic Papers*, 71(3), 756-776.
- Haack, P., and Rasche, A. (2021), "The legitimacy of sustainability standards: A paradox perspective", *Organization Theory*, 2(4).
- Hoepner, A. G., Majoch, A. A., & Zhou, X. Y. (2021). Does an asset owner's institutional setting influence its decision to sign the principles for responsible investment?. *Journal of Business Ethics*, 168, 389-414.
- Jawadi, F., Jawadi, N., and Cheffou, A. I. (2018), "Uncertainty assessment in socially responsible and Islamic stock markets in the short and long terms: an ARDL approach", *Applied Economics*, 50(39), 4286-4294.
- Kochan, T. A., and Rubinstein, S. A. (2000), "Toward a stakeholder theory of the firm: The Saturn partnership", *Organization science*, 11(4), 367-386.
- Kogut, B., and Zander, U. (1992), "Knowledge of the firm, combinative capabilities, and the replication of technology", *Organization science*, 3(3), 383-397.
- Markowitz, H. (1952), "Portfolio Selection", *Journal of Finance*, Markowitz HM -1952.-№, 77-91.
- Marti, E., Fuchs, M., DesJardine, M. R., Slager, R., & Gond, J. P. (2023). The impact of sustainable investing: A multidisciplinary review. *Journal of Management Studies*, 61(5), 2181-2211.
- Merton, R., Fiske, M., and Kendall, P. (1956), *The Focused Interview: A Manual of Problems and Procedures*, Free Press, New York: City, United States of America.
- Meyer, J. W. (2000), "Globalization: Sources and effects on national states and societies", *International Sociology*, 15, 233-248.
- Miller, D., and Shamsie, J. (1996), "The resource-based view of the firm in two environments: The Hollywood film studios from 1936 to 1965", *Academy of management journal*, 39(3), 519-543.
- Mitchell, R. K., Agle, B. R., and Wood, D. J. (1997), "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", *Academy of management review*, 22(4), 853-886.
- Paltrinieri, A., Floreani, J., Kappen, J.A., Mitchell, M.C., and Chawla, K. (2019), "Islamic, socially responsible, and conventional market comovements: evidence from stock indices", *Thunderbird International Business Review*, 61(5), 719-733.
- Prahalad, C. K., and Hamel, G. (1990), "The core competence", *Harvard Business Review*, May—June.
- Reddy, K., Mirza, N., Naqvi, B., and Fu, M. (2017), "Comparative risk adjusted performance of Islamic, socially responsible, and conventional funds: Evidence from United Kingdom", *Economic Modelling*, 66, 233-243.
- Rendtorff, J. D. (2020) "Corporate citizenship, stakeholder management and Sustainable Development Goals (SDGs) in financial institutions and capital markets", *Journal of Capital Markets Studies*, 4(1), 47-59.
- Renneboog, L., Ter Horst, J., and Zhang, C. (2008), "Socially responsible investments: Institutional aspects, performance, and investor behavior", *Journal of Banking & Finance*, 32(9), 1723-1742.
- Revelli, C., and Sentis, P. (2012), "How universal is socially responsible investment? An analysis of mutual funds in continental Europe", *Journal of Business Ethics*, 105(4), 457-469.
- Riedl, A., and Smeets, P. (2017), "Why do investors hold socially responsible mutual funds?", *The Journal of Finance*, 72(6), 2505-2550.

- Rubin, H. J., and Rubin, I. S. (1995), *Qualitative interviewing: The art of hearing data*. Sage.
- Sandwick J. & Collazo P. (2020). Modern portfolio theory with sharia: a comparative analysis. *Journal of Asset Management*. 22(1), 30-42.
- Scherer, A. G., Palazzo, G., and Seidl, D. (2013), "Managing legitimacy in complex and heterogeneous environments: Sustainable development in a globalized world", *Journal of management studies*, 50(2), 259-284.
- Shrivastava, P., Zsolnai, L., Wasieleski, D., Stafford-Smith, M., Walker, T., Weber, O., ... and Oram, D. (2019), "Finance and Management for the Anthropocene", *Organization & Environment*, 32(1), 26-40.
- Slager, R., Gond, J.-P., & Crilly, D. (2021). Reactivity to Sustainability Metrics: A Configurational Study of Motivation and Capacity. *Business Ethics Quarterly*, 31(2), 275-307.
- Suchman, M. C. (1995), "Managing legitimacy: Strategic and institutional approaches", *Academy of Management Review*, 20 (3), 571-610.
- Teece, D. J., Pisano, G., and Shuen, A. (1997), "Dynamic capabilities and strategic management", *Strategic management journal*, 18(7), 509-533.
- Ullah, S., Jamali, D., and Harwood, I. A. (2014), "Socially responsible investment: insights from Shari'a departments in Islamic financial institutions", *Business Ethics: A European Review*, 23(2), 218-233.
- Wernerfelt, B. (1995), "The resource-based view of the firm: Ten years after", *Strategic management journal*, 16(3), 171-174.
- Wilson, R. (2004), "Screening criteria for Islamic equity funds", in *Islamic Asset Management: Forming the Future for Shari'a-Compliant Investment Strategies*. London: Euromoney Books, 35-45.
- Yan, S., Ferraro, F., & Almandoz, J. (2018). The Rise of Socially Responsible Investment Funds: The Paradoxical Role of the Financial Logic. *Administrative Science Quarterly*, 1-36.

Appendix 1 - Interview guide

Table 1 — Inductive opening sentence: Description of the activity.

Objective	Main question	Main sub-themes
<p>Understanding the environment in which the manager operates</p>	<p>Could you introduce yourself and your organization and describe your business?</p>	<p><u>Investigative questions</u> How old are you? What's the highest diploma you've earned? What type of organization do you work for? What is the nature of the main shareholder? In which market(s) do you operate? Is ethical investment (SCI/SRI) a strategic priority for your organization? How many portfolios are under management? What are the assets under management? How many positions are taken per portfolio? How much of your portfolio is invested in small and mid-cap companies? How often do you intervene in the market? What is the average holding period for a security? What is your investment horizon? What is the recommended investment horizon? Do you manage any ethical funds (SCI/SRI)? If so, how is the compliance of these label funds monitored? What is your experience in asset management? What's your experience of SCIs/SRIs?</p> <hr/> <p><u>Involvement questions</u> Can you tell me about a typical day? What would an ideal day look like? What would be the worst day</p>

Source: Authors own creation

Table 2 — Focus phase: Management styles and investment processes

Objective	Main question	Main sub-themes
<p>Identify customer typology, the management styles used by managers, understand the investment process by identifying the criteria used and measure the screening intensity practiced.</p>	<p>Now let's imagine the following: if you were to present your management style to a client, as well as the way you carry out your asset allocation and selection. What would you say?</p>	<p>Sub-theme 1: Customer typology <u>Investigative questions</u> Who are your customers? (Breakdown by type, geographical distribution) How many do you have? Why do they use your services? <u>Involvement questions</u> How aware do you think your customers are of environmental issues? (Scale from 1 to 5 with examples: none, low, moderate, high, extreme) How aware do you think your customers are of <i>shari'ah</i> compliance? (Scale from 1 to 5 with examples: none, low, moderate, high, extreme)</p>
		<p>Sub-theme 2: Management styles <u>Investigative questions</u> How are your performance targets determined? Do you have an ESG performance objective? If so, how is it calculated? How do you get there? Does your management have a label? If so, which ones? Are you classified? If so, in which classification(s)? <u>Involvement questions</u> How would you describe your management style? Have you already changed? If so, which one? How do you define your strategy?</p>
		<p>Sub-theme 3: Investment process <u>Investigative questions</u> What factors most influence your asset allocation and selection decisions? What type(s) of filter(s) do you use? (Sector exclusion, financial exclusion, best-in-class, best-in-universe, best-effort, thematic fund, other) <u>Involvement questions</u> Which model(s) do you use? Is it a personal model or one common to the profession? Concerning hybrid SCI-SRI funds: are there any models for this type of hybridization?</p>
		<p>Sub-theme 4: Criteria used and screening intensity <u>Investigative questions</u> How many filters do you use? Do you focus on specific ESG issues, and if so, which ones and why? What types of non-financial criteria do you use in your asset selection practices? How many exclusion criteria do you use in your asset allocation and selection practices? <u>Involvement questions</u> How do you link financial and non-financial criteria in your investment decisions? How do you integrate extra-financial/islamic criteria into your asset allocations/selections? Do you tend to integrate the "least bad" companies in terms of ESG ratings, or rather the "best in class"?</p>

Source: Authors own creation

Table 3 — In-depth phase: Motivations, relevance of tools and techniques

Objective	Main question	Main sub-themes
Highlight the motivations and relevance of integrating ethical considerations into investment.	Do you think the current investment process you use is a constraint? Imagine you had the power to change the rules and allocate/select assets according to your own will. What would you do and why? If you weren't labeled an SCI and/or SRI, which constraints would you abandon and why?	<p>Sub-theme 1: Motivation</p> <p><u>Investigative questions</u></p> <p>In your opinion, what kind of investors are attracted by ethical criteria?</p> <p>Are you sensing a rise in investor demand for ethical investments?</p> <p>Why do you think this trend is sustainable?</p> <p><u>Involvement questions</u></p> <p>Do you understand why some investors are skeptical about including ethical products in their portfolios? How do you explain this?</p> <p>What are you seeking to achieve by integrating societal issues into your asset allocations/selections?</p>
		<p>Sub-theme 2: Suitability of tools and techniques</p> <p><u>Investigative questions</u></p> <p>Which SCI or SRI filters do you find irrelevant or questionable?</p> <p>Rank these ESG and Islamic criteria in order of importance (legitimacy)</p> <p>SCI: Illegal sectors (pornography, pork, etc.), controversial sectors (hotels, etc.), debt ratio, cash ratio or similar.</p> <p>SRI: nuclear sector, arms industry, fossil fuel sector, respect for human rights, respect for international labor law</p> <p><u>Involvement questions</u></p> <p>Do you think you have to sacrifice your rationality and performance by including certain criteria in your selections?</p> <p>In your experience and knowledge, do ethical funds generally underperform conventional funds?</p> <p>Do you think that a company that takes ethical principles into account in its strategy should perform better?</p> <p>Do you find these filters relevant?</p> <p>If yes, why? If not, why not?</p>

Source: Authors own creation

Table 4 — Conclusion phase: Best practices

Objective	Main question	Main sub-themes
A gentle return to reality and the emergence of good practices.	Now, I'd like you to tell me what best practices you'd recommend to a beginner manager, what would your advice be? If this manager worked in an SRI/SCI fund, what recommendations would you make?	<p><u>Investigative questions</u></p> <p>What would you do if you had to choose or develop a filter or criteria?</p> <p><u>Involvement questions</u></p> <p>Do you think there should be a premium for sustainable investment? In other words, should the investor be satisfied with a lower return, and should the issuer benefit from a lower cost of financing to be virtuous?</p>
		<p>We've come to the end of our interview, and I'd like to thank you for your participation. I wish you all the best for the future.</p>

Source: Authors own creation