

ESG DISCLOSURE BY PUBLIC LISTED HALAL COMPANY: EFFECTS ON CLIMATE CHANGE IN MALAYSIA

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Abstract

Environmental, Social, and Governance (ESG) disclosure has emerged as a critical framework for publicly listed companies to demonstrate their commitment to sustainability and ethical practices, particularly in mitigating climate change. In Malaysia, halal-certified companies hold a unique position in aligning Islamic ethical principles with global sustainability goals. This study examines how ESG practices are integrated into the operations of these companies, focusing on sustainable sourcing, waste management, and the adoption of renewable energy to reduce environmental impacts. The convergence of halal principles emphasizing transparency, accountability, and environmental stewardship with ESG frameworks highlights the potential of halal-certified businesses to drive global climate change mitigation efforts. The research identifies significant challenges, including the lack of standardized ESG reporting frameworks and the complexities of navigating dual compliance with Shariah laws and international sustainability standards. However, the findings also emphasize the role of digital transformation, such as blockchain and artificial intelligence, in enhancing ESG transparency and efficiency in the halal supply chain. By adopting sustainable practices and leveraging technological advancements, halal companies can not only meet the increasing expectations of ethically conscious consumers but also establish themselves as leaders in corporate sustainability. Ultimately, this study underscores the strategic importance of ESG disclosure for halal companies in fostering long-term resilience and competitiveness. By bridging faith-based values with modern environmental strategies, these businesses contribute significantly to global efforts to combat climate change while maintaining their commitment to Shariah compliance and ethical governance.

Keywords *ESG Disclosure, Halal Companies, Climate Change, Sustainable Practices, Shariah Principles.*

INTRODUCTION

Environmental, Social, and Governance (ESG) disclosure plays a critical role in demonstrating the sustainability efforts of public-listed halal companies in Malaysia. This study explores the integration of ESG practices, such as sustainable sourcing, waste management, and renewable energy adoption, into the halal industry. It aims to identify the challenges these companies face in balancing Shariah compliance with global sustainability standards and their impact on climate change mitigation.

Problem Statement and Literature Review

Despite the ethical alignment of ESG and halal principles, halal companies encounter obstacles like non-standardized reporting frameworks and regulatory complexities. These issues hinder transparency and operational efficiency. Prior studies, including Ramli et al. (2022), have emphasized the potential for ESG frameworks to elevate halal businesses globally, yet gaps remain in understanding the practical implementation and technological enablers such as blockchain.

METHODS

This qualitative study uses the following approaches:

1. **Document Analysis:** Examines corporate ESG reports, sustainability disclosures, and regulatory filings to assess implementation and challenges.
2. **Content Analysis:** Reviews ESG-related themes in media articles, public statements, and professional interviews.
3. **Case Studies:** Explores specific examples of halal companies like Pharmaniaga and Nestlé Malaysia adopting ESG practices to mitigate climate risks.

Thematic analysis is applied to identify trends, best practices, and gaps in ESG implementation within the halal sector.

RESULTS AND DISCUSSION

Integration of ESG Practices in Halal Companies

Halal-certified companies in Malaysia are increasingly adopting Environmental, Social, and Governance (ESG) practices, focusing on sustainable sourcing, waste management, and renewable energy. Leading companies like Pharmaniaga and Nestlé Malaysia have aligned their operations with both Shariah principles and global sustainability standards. For example, Nestlé has incorporated solar power to reduce CO₂ emissions, supporting the company's goal of net-zero emissions by 2050. These initiatives reflect the synergy between Islamic values of environmental stewardship and global ESG objectives (Harsanto et al., 2024).

Challenges in ESG Disclosure and Regulatory Compliance

Despite progress, halal companies face challenges in ESG disclosure due to a lack of standardized reporting frameworks and the complexities of dual compliance with Shariah and international ESG standards. This inconsistency in reporting hampers transparency and makes it difficult for stakeholders to evaluate the true sustainability of these companies. Moreover, halal companies must navigate the regulatory complexity of adhering to both local Shariah laws and international environmental standards, creating potential conflicts in their reporting and operations.

The Role of Digital Transformation in ESG Reporting

Digital tools like blockchain and AI can enhance the transparency and traceability of halal supply chains, making ESG reporting more reliable. Blockchain, for instance, can provide real-time tracking of materials, ensuring compliance with both Shariah and ESG standards. AI can help optimize supply chains, reduce waste, and improve overall operational efficiency, aiding halal companies in meeting the growing demand for sustainable and transparent business practices (Harsanto et al., 2024).

Impact of ESG on Financial Performance

Halal companies that adopt ESG practices tend to perform better financially. Research shows that companies with strong ESG disclosures attract ethical investors, leading to higher market valuation and improved access to capital (Lukman, Marcello, & Andrian, 2024). Companies like IOI Group, a halal-certified palm oil producer, have improved their financial performance through sustainable sourcing and adherence to the Roundtable on Sustainable Palm Oil (RSPO) standards, which reduce environmental risks like deforestation (Mansor & Siew-Peng, 2023).

Case Studies of ESG in Halal Industries

Pharmaniaga and Nestlé Malaysia serve as key examples of successful ESG integration in the halal sector. Pharmaniaga has implemented sustainable waste management strategies, while Nestlé has reduced its environmental impact through solar power at its facilities. These companies demonstrate that aligning ESG practices with halal certification not only reduces environmental

risks but also enhances market positioning, showcasing the potential for halal businesses to lead in sustainability while maintaining Shariah compliance.

CONCLUSIONS

Halal-certified companies in Malaysia are increasingly integrating Shariah principles with Environmental, Social, and Governance (ESG) frameworks, positioning themselves as leaders in sustainability. This integration meets the growing demands from global stakeholders for ethical, transparent, and sustainable business practices. By adopting ESG disclosure, halal businesses not only enhance their transparency and accountability but also improve their operational efficiency, giving them a significant competitive edge.

This alignment with both ethical and environmental standards allows halal companies to appeal to ethically-conscious consumers and investors, thus strengthening their market position. However, challenges such as regulatory inconsistencies and the absence of standardized ESG frameworks continue to hinder comprehensive implementation and reporting. These issues complicate the process of balancing Shariah compliance with global ESG standards, making it difficult for companies to navigate both effectively.

To address these challenges, the development of sector-specific ESG guidelines is essential, requiring collaboration between industry players, policymakers, and Islamic financial institutions. Digital technologies like blockchain and artificial intelligence (AI) can play a critical role in enhancing transparency across halal supply chains and improving the efficiency of ESG reporting. These innovations allow companies to track sustainability efforts in real time, ensuring compliance with both Shariah principles and international standards.

By adopting sustainable sourcing methods, renewable energy, and waste management practices, halal companies can fulfill their ethical obligations while contributing to global climate change mitigation. Ultimately, the alignment of Shariah principles with ESG frameworks allows halal-certified businesses to enhance their ethical responsibility and market competitiveness, driving them towards a more sustainable future.

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