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ISLAMIC ESG – A CONCEPTUAL FRAMEWORK

Ahmad Saiful Azlin Puteh Salin[1*]
Nurul Badriyah Ali[2]

[1]Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Tapah Campus, 35400, Tapah, Perak, Malaysia,
(E-mail: ahmad577@uitm.edu.my)
[2]Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA Johor Branch, Segamat Campus, 85000, Segamat, Johor, Malaysia
(Email: nurulbadriyah@uitm.edu.my)

*Corresponding author: ahmad577@uitm.edu.my

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Abstract: *The emergence of Environmental, Social, and Governance (ESG) frameworks as a dominant paradigm in global corporate sustainability discourse has prompted renewed interest in contextualizing such frameworks within diverse normative systems, including Islamic teaching and legal traditions. This paper critically explores the conceptual foundations, operational dimensions, and normative challenges involved in the articulation of an Islamic ESG framework, starting from exploring the similarities and differences of conventional ESG applications with Islamic values. Drawing from the principles of Maqasid al-Sharia (objectives of Islamic law) and some fundamental principles in Islamic finance and business transactions, the study examines how Islamic epistemology can offer a distinctive yet complementary lens to conventional ESG models.*

Keywords: *CSR, ESG, Maqasid al-Sharia, SDGs, Sustainability.*

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Introduction

Environmental, Social, and Governance (ESG) represents a framework and set of criteria used by businesses and investors to evaluate a company's management of non-financial risks and opportunities, assessing its broader impact beyond traditional financial metrics. It encompasses environmental stewardship (e.g., climate action, resource management), social considerations (e.g., labor practices, community relations, human rights), and corporate governance standards (e.g., board structure, executive pay, transparency). Increasingly central to investment analysis and corporate strategy, ESG factors are used to identify companies potentially better positioned for long-term resilience, risk mitigation, and sustainable value creation, reflecting growing stakeholder expectations for corporate responsibility.

The relationship between ESG principles and Islamic teachings is an interesting and complex intersection that has gained attention in recent years. ESG refers to a set of criteria that investors and businesses consider when assessing the ethical and sustainability performance of companies. Islamic teachings, on the other hand, encompass a comprehensive ethical framework that guides the behavior and actions of Muslims in various aspects of life, including finance and business. While there are overlaps between ESG and Islamic values, there are also differences due to the distinct perspectives they represent.

The purpose of this study is then to evaluate the similarities and differences of ESG practices from the perspectives of Islamic teaching and proposed the ESG framework that comply with Islamic teachings. Salin et. al (2024) in their bibliometric study documented a significant gap in the literature on the study between ESG and Islamic values. There are several contributions of this study. Firstly, it will offer a normative reinterpretation of ESG principles grounded in Islamic theology and ethics. This will allow the articulation of an Islamic ESG model rooted in *Maqasid al-Sharia* (the higher objectives of Islamic law) that serve as a basis to correct some inherent biases in conventional ESG frameworks. Secondly, this study proposed a better ESG frameworks that align with Islamic teachings and thus, legitimize ESG practices in Islamic societies. Finally, this study can act as a foundational work for future empirical research, such as the development of ESG-compliant shariah indices. It provides a valuable reference point for regulators, scholars, and practitioners working at the nexus of ethics, religion, and sustainable development.

This paper is organised as follows. Next is a discussion of the similarities of ESG and Islamic teachings, followed with the detail explanation of its differences in the following section. This paper recommends the Islamic ESG framework in the fourth section. Last section is conclusion.

The Convergence of ESG Principles and Islamic Teachings

The concept of ESG has rapidly ascended as a critical framework within global finance and corporate strategy. It provides a lens through which investors, corporations, and other stakeholders evaluate an organization's performance beyond traditional financial metrics, focusing on environmental impact, social relationships, and the quality of internal governance. Parallel to the rise of ESG, Islamic teachings which represent a comprehensive, faith-based system with deep historical roots, inherently emphasizes ethical conduct, social justice, environmental stewardship, and robust governance, suggesting a natural, albeit sometimes underexplored, alignment with the objectives of modern ESG frameworks (Najid et al., 2024). Islamic ethics provide a comprehensive moral and practical framework derived from its primary sources: the *Holy Qur'an* (the divine scripture) and the *Sunnah* (the teachings and practices of Prophet Muhammad, peace be upon him). These sources guide all aspects of a Muslim's life,

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including interactions with the natural environment, societal structures, and economic systems. Central to this ethical system is the principle of *tawhid*, the absolute oneness and sovereignty of God (*Allah*). This foundational belief establishes that all creation belongs to God, and humans are accountable to Him for their actions, forming the basis for all ethical responsibilities, including those related to sustainability (Zuhdi et al., 2024 ; Obaidenn & Aldinawi, 2025).

ESG and Islamic values have a great deal in common. For example, there are some parallels between ESG's environmental pillar and Islamic environmental ethics. The core Islamic concept of *khalifah* (stewardship), wherein humans are entrusted by God (*amanah*) with the care of the earth, directly mirrors the environmental responsibility emphasized in ESG. Both call for the preservation and protection of natural resources, the maintenance of ecological balance (*mizan*), and the prevention of environmental degradation. The Islamic prohibition of *israf* (wastefulness) aligns closely with ESG goals related to resource efficiency, waste reduction, and mindful consumption. Furthermore, Islamic finance's screening processes, which prohibit investment in activities deemed inherently harmful (*haram*), often overlap with ESG's negative screening, particularly concerning industries that cause significant environmental damage. Both frameworks thus promote the idea that environmental protection is not merely optional but a fundamental responsibility (Zuhdi et al., 2024).

There is also a strong resonance between the social dimension of ESG and the emphasis on social justice within Islamic teachings. ESG's focus on human rights, fair labor practices, employee well-being, diversity and inclusion, and community engagement finds deep parallels in Islamic principles such as *adl* (justice and equity), *ihsan* (benevolence and doing good), and *maslahah* (public interest). Both systems unequivocally condemn exploitation (*zulm*) and advocate for the fair and equitable treatment of all stakeholders, including employees, customers, and the wider community. In Islamic social system, for example, the institution of *zakat* provides a unique, faith-mandated mechanism for social welfare and wealth redistribution, directly addressing poverty and inequality—core concerns within the 'S' pillar of ESG. In Islam, *zakat* is seen as a form of social welfare, where a portion of the business's wealth is used to help those in need. *Zakat* collected from businesses can be channeled to improve the human quality of life such as direct cash distribution for immediate relief of financial hardship, microfinance for small businesses, offering scholarships and learning resources to students from a low-income background and providing financial assistance for medical treatment This inherent focus on social responsibility and community welfare (*falah*) positions Islamic principles as strongly aligned with ESG's social objectives.

Significant convergence also exists in the realm of governance, the last pillar of ESG. ESG's emphasis on transparency, board accountability, ethical conduct, risk management, and shareholder rights aligns well with Islamic principles like *amanah* (trust and responsibility), *hisab* (accountability to God and community), *shura* (consultation in decision-making), and *adl* (justice in leadership). The requirement for truthfulness (*sidq*) and the prohibition of corruption (*rashwah*) in Islam directly correspond to ESG concerns about business ethics and anti-corruption measures.

This analysis reveals a profound and multifaceted resonance between ESG principles and the core tenets of Islamic teachings. Both systems, despite their distinct origins and conceptual frameworks, fundamentally advocate for a paradigm of business, finance, and governance that operates responsibly, ethically, and sustainably. They share a common objective of ensuring

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that economic activities consider their broader impact on the environment, society, and the integrity of their own operational structures.

In essence, the core goals converge significantly. ESG's focus on environmental protection aligns with the Islamic duty of *khalifah* (stewardship). Its emphasis on social responsibility mirrors the Islamic mandates for *adl* (justice), *zakat* (social welfare), and *maslahah* (public interest) while its governance criteria resonate with Islamic requirements for *amanah* (trust), *hisab* (accountability), and *shura* (consultation). Both frameworks seek to prevent harm—whether termed negative externalities in ESG or *fasad* (corruption/mischief) in Islam—and promote benefit, aligning with *maslahah* and the pursuit of positive impact (Judijanto et. al., 2025).

The Differences of Traditional ESG with Islamic Values

While there are some connections, the divergence between ESG's predominantly secular, market-oriented foundation and Islamic ethics' theocentric, revelation-based framework leads to significant differences in perspective and potential weaknesses in ESG when viewed through an Islamic lens.

ESG's evolution towards prioritizing financial materiality, whereby environmental, social, and governance issues are primarily assessed based on their potential impact on financial risk and return (Radin et al., 2024) represents a critical point of departure. From an Islamic perspective, which is grounded in the absolute authority of divine command (*tawhid*), this focus on financial outcomes potentially inverts the proper hierarchy of values. Islamic ethics posits that adherence to God's commands and prohibitions is the primary obligation, with worldly outcomes being secondary consequences or tests. By centering financial materiality, ESG risks prioritizing instrumental value (how an action affects profit or risk) over intrinsic value (whether an action aligns with divine principles). This framing could, from an Islamic viewpoint, justify actions that are ethically prohibited (like charging interest, if profitable) or neglect actions that are ethically mandated (like environmental protection beyond regulatory requirements, if not deemed financially material) simply because the financial calculus favors them. This represents a potential dilution of ethical commitment compared to a system where divine principles are the ultimate arbiter (Ali & Agushi, 2024).

The prioritization and depth of focus one issues within ESG frameworks which are often heavily influenced by the concept of financial materiality is not sustainable and only has a short-term beneficial value. Conventional ESG concurred that environmental factors are deemed material, and thus warrant significant attention and disclosure, if they are reasonably likely to impact a company's financial performance, operational stability, access to capital, regulatory standing, or reputation. For instance, carbon emissions are highly material for energy companies facing potential carbon taxes or regulations, while water scarcity might be critical for beverage companies or agriculture. Issues lacking a clear, quantifiable link to near-term financial performance may receive less attention, even if they represent significant ecological degradation.

When viewed through the lens of Islamic environmental ethics, the conventional ESG approach exhibits potential weaknesses stemming primarily from its reliance on financial materiality and its potentially narrower scope compared to Islamic principles. From an Islamic standpoint, the environment possesses intrinsic value as God's creation and is held as a divine trust (*amanah*). The principle of *khalifah* mandates stewardship regardless of economic utility. Therefore,

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neglecting environmental protection simply because it lacks financial materiality would contradict these core Islamic tenets. The Islamic framework demands ethical action based on divine obligation and the inherent worth of nature, not solely on a financial cost-benefit analysis. This prioritization of extrinsic financial value over intrinsic divine value represents a significant limitation of the standard ESG approach from an Islamic ethical perspective.

While both ESG frameworks and Islamic teachings address social issues, encompassing the treatment of individuals, community well-being, and equitable practices, there is a critical distinction emerges in the nature and mechanisms of promoting social welfare. ESG initiatives are often characterized by voluntarism and stakeholder influence, whereas Islamic teachings embed social justice and welfare as fundamental obligations.

The key characteristic of many ESG-driven social initiatives is their often voluntary or discretionary nature. While regulations regarding labor standards or product safety exist, many broader social contributions (like community investment or extensive social programs) are undertaken based on corporate strategy, stakeholder expectations, or perceived business benefits, rather than being mandated by a universally binding ethical or legal obligation inherent in the framework itself. This can lead to variability in commitment and impact across companies and industries. The focus might be on specific, visible initiatives ("doing good") rather than addressing systemic inequalities or ensuring a baseline level of social welfare.

However, Islamic social system, notably via *zakat, waqf* and *sadaqah*, stands as the most prominent institutional mechanism for social welfare and wealth redistribution within Islam (Sivanandan & Ahmad, 2025; Rahim et al., 2024). *Zakat* for example, represents a divinely mandated, systemic commitment to social welfare embedded within the very fabric of the Islamic economic and ethical framework. Its obligatory nature ensures a continuous, albeit potentially variable depending on overall wealth levels, flow of resources specifically directed towards poverty alleviation and supporting the needy. It functions as a structured mechanism for wealth redistribution, aiming to establish a minimum level of socio-economic justice and solidarity within the community. In contrast, the social initiatives undertaken under the umbrella of ESG are often voluntary, driven by corporate strategy, stakeholder relations, or market positioning rather than a binding obligation. While commendable and potentially impactful, their scope, scale, and consistency can vary significantly based on corporate discretion, profitability, or shifting stakeholder priorities. This reliance on voluntarism means ESG initiatives may lack the systemic character and guaranteed baseline support provided by the obligatory nature of *zakat*. Consequently, from an Islamic perspective focused on ensuring structural social equity, the voluntary and often non-systemic nature of ESG social programs could be viewed as a potential weakness compared to the guaranteed, principle-based redistribution mechanism of *zakat* (Atiza et al., 2024).

Furthermore, the underlying motivations diverge significantly. *Zakat* is performed primarily as an act of worship, fulfilling a divine command, purifying one's wealth, and expressing gratitude and responsibility towards the community. The motivation is intrinsically religious and ethical. ESG social activities, while potentially driven by genuine altruism in some cases, are frequently justified and motivated by extrinsic factors such as enhancing corporate reputation, attracting and retaining talent, mitigating social risks, or achieving perceived financial benefits. This difference in motivation raises questions, from an Islamic viewpoint, about the depth, sincerity, and sustainability of corporate social commitments within the ESG framework. Actions rooted in divine obligation may be pursued with greater consistency and authenticity than those

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primarily driven by market incentives or reputational concerns, which could be scaled back if they cease to deliver the expected business benefits (Ali et. al, 2024).

Comparing the governance frameworks also reveals both potential strengths and shared weaknesses. ESG governance typically relies on board committees, adherence to corporate codes, or external ratings, which may lack the specific mandate for comprehensive ethical scrutiny. Islamic governance principles like *shura* (consultation) inherently suggest a broader, more inclusive approach to decision-making compared to conventional ESG governance frameworks that often prioritize the board-management-shareholder nexus. While ESG frameworks increasingly incorporate stakeholder engagement as a separate activity, the principle of *shura* potentially embeds consultation more deeply within the governance process itself. This suggests that Islamic principles might offer a foundation for more fundamentally stakeholder-oriented governance, although the extent to which this is practiced varies (Masorong, 2025 ; Asif, 2022).

Recommended Islamic ESG Framework

This paper, in order to proposed the Islamic ESG framework, will construct the faremwork based on the key important elements in Islamic business and finance transactions and lies on the objectives of Islamic law, well known as *Maqasid al-Sharia.*

Key Principles in Islamic Business Transactions

Islamic finance operates under the guidance of *Sharia*, which provides a comprehensive ethical and legal framework derived from the *Quran* and the *Sunnah*. It is fundamentally based on principles of fairness, justice, transparency, risk-sharing, and the prohibition of specific practices deemed harmful or exploitative. The general jurisprudential principle is that commercial transactions are permissible unless explicitly prohibited by *Sharia* such as *riba* (interest/usury), *gharar* (excessive uncertainty/ambiguity), *maysir* (gambling/speculation) and *haram* (unlawful) activities.

Islam clearly prohibit *riba*. It is considered unjust and exploitative because it allows wealth to grow from money alone without productive effort or risk-taking, favoring the lender at the borrower's expense. This prohibition extends to both simple and compound interest, as well as fixed penalties on late payments. Its strict avoidance necessitates the use of alternative financing modes based on trade (like *Murabaha*) or partnership and risk-sharing (like *Mudarabah* and *Musharakah*).

Islam also prohibits contracts involving *gharar*, which signifies excessive uncertainty, ambiguity, risk, or ignorance concerning the subject matter, terms, or outcome of a transaction The rationale is to prevent potential disputes, deception, and exploitation arising from unclear agreements. While a minimal level of uncertainty (*gharar yasir*) inherent in any business venture is permissible, excessive or significant uncertainty (*gharar fahish*) invalidates a contract (Uddin, 2015). This principle mandates clarity, transparency, and full disclosure in contracts, ensuring both parties have sufficient information. It leads to the avoidance of highly speculative financial instruments like conventional derivatives or futures where the underlying elements are uncertain.

Islam also prohibit *maysir* in business transactions. *Maysir* (also written as *maisir*) refers to the acquisition of wealth purely by chance, speculation, or gambling, rather than through productive effort or legitimate trade. It involves transactions where gains for one party are solely

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derived from the losses of another, without creating real economic value (Uddin, 2015). This prohibition extends to contracts where ownership or payoff depends entirely on an uncertain future event. The prohibition reinforces the Islamic emphasis on linking financial returns to real economic activity and shared risk.

The final principle in Islamic business is prohibition of *haram* activities. Islamic teachings mandates avoiding activities explicitly forbidden (*haram*) by *Sharia* due to their harmful nature to individuals or society. Commonly prohibited sectors include alcohol, pork production and sale, gambling operations, conventional interest-based financial services, tobacco, pornography, and certain types of entertainment and weapons manufacturing.

The current standard ESG frameworks, designed to operate within and evaluate companies participating in the conventional financial system, do not include the prohibitions of *riba*, *gharar*, and *maysir* as core tenets or screening criteria. While certain related issues might be peripherally addressed – for example, predatory lending practices could be flagged under the 'Social' pillar, excessive corporate leverage under 'Governance', or involvement in the gambling industry under 'Social' exclusion screens – the underlying principles prohibiting interest, excessive uncertainty, and speculation *per se* are absent

From an Islamic ethical perspective, the acceptance and integration of *riba*, *gharar*, and *maysir* within the conventional financial system, and consequently their non-prohibition within current standard ESG frameworks operating in that system, constitutes the most fundamental and irreconcilable point of divergence. These practices are not merely undesirable but are considered ethically impermissible and harmful (*haram*) based on explicit divine injunctions (Norchaevna, 2024).

Therefore, the absence of these specific prohibitions represents more than just a difference in screening criteria; it signifies a fundamental disagreement on the ethical legitimacy of the core mechanisms of conventional finance. An ethical system like Islam, which views interest as inherently exploitative and destabilizing, cannot fully endorse a framework (ESG) that operates comfortably within an interest-based system and fails to prohibit these core elements. This makes standard, unmodified ESG frameworks ethically deficient and potentially unacceptable from a strict *Sharia*-compliance standpoint, representing a critical weakness when assessed against Islamic financial ethic.

The Application of *Maqasid Al-Sharia* in Business Activities

Maqasid al-Sharia, or the objectives of Islamic law, are fundamental principles that guide all aspects of Islamic life, including financial transactions (Agustin et al., 2023). They aim to balance profit generation, societal benefit, and the prevention of harm. There are five core objectives of *Maqasid Al-Sharia* namely preservation of religion (*deen*) (protecting and promoting the practice of faith), preservation of life (*nafs*) (protecting human life and well-being), preservation of intellect (*aql*) (promoting knowledge, wisdom, and critical thinking), preservation of lineage (*nasl*) (protecting family structures and promoting responsible reproduction) and preservation of wealth (*mal*) (promoting ethical wealth creation and distribution) (Arsad et al., 2022). The five essential preservations serve as the guiding compass, defining the fundamental values and objectives that all economic and financial activities should strive to uphold and protect.

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The overarching aim of *Maqasid al-Sharia* also is to promote *maslaha* (public interest, welfare, benefit) and prevent *mafsadah* (harm, evil, corruption) across all dimensions of environmental stewardship, social justice, and ethical governance (Zain et. al., 2022). This *Maqasid*-centric approach ensures that the framework is not merely a technical exercise but a deeply ethical endeavor aligned with the holistic vision of human flourishing (Falah) in Islam.

Furthermore, the hierarchy of needs within *Maqasid – daruriyyat* (Necessities), *hajiyyat* (Needs), and *tahsiniyyat* (Complementaries) – can be integrated as a lens for prioritizing criteria and assessing the depth or significance of impacts. Actions impacting the essential *daruriyyat* related to the five core *Maqasid* should be given the highest priority, forming the non-negotiable baseline for ESG activities. Impacts related to *hajiyyat* and *tahsiniyyat* can then be considered as further levels of desired positive contribution or refinement.

The cornerstone of this proposed framework is then the explicit centrality of *Maqasid al-Sharia*. It moves beyond simply adding *Sharia* compliance screens to conventional ESG criteria. Instead, it seeks to derive the entire ESG structure – its pillars, criteria, and priorities – directly from the ultimate goals of Islamic law (Syahriani et al., 2023).

Below is the proposed Islamic ESG framework.

Pillar 1: Environmental Stewardship (*Himayat al-Bi'ah* - Preservation of the Environment)

This pillar, environmental leadership can be defined as a relationship between human activity and the natural world, guided by the Islamic principle of *khalifah* (stewardship) and the need to protect God's creation for current and future generations. Primarily connected to *Hifz al-Nafs* (preservation of life), as environmental degradation directly impacts human health and safety through pollution, climate change, and resource scarcity. It is also strongly linked to *Hifz al-Mal* (preservation of property/wealth) through the responsible use and conservation of natural resources, preventing waste (*israf*), and protecting property from environmental damage. Additionally, *Hifz al-Nasl* (preservation of lineage) is relevant through the lens of intergenerational equity, ensuring a healthy planet for future generations.

The example of the application of this pillar is sustainable resource management. Policies and practices ensuring the sustainable sourcing and use of raw materials (Wahab, 2023), efficient water management, particularly in water-stressed areas, energy efficiency measures across operations, responsible land use practices that protect biodiversity and prevent deforestation. Explicit avoidance of excessive exploitation or depletion of natural resources, aligning with the prohibition of wastefulness (*israf*).

Pillar 2: Social Justice & Well-being (*Al-Adalah wa al-Maslahah al-Ijtima'iyyah*)

The second pillar, which focuses on social justice and well-being, can be described as the ethical treatment to all the related stakeholders and the contribution of company's economic activities to social equity, justice, and overall community well-being, that derived from the core Islamic values of *adl* (justice) and *ihsan* (excellence, beneficence). This pillar has strong connections to all five *Maqasids*. *Hifz al-Din* underpins the requirement for ethical conduct in all dealings. *Hifz al-Nafs* relates to ensuring employee health and safety, product safety, and access to basic necessities like healthcare. *Hifz al-Aql* connects to fair information disclosure, consumer protection against deception, and support for education. *Hifz al-Nasl* is relevant through promoting family and community stability and well-being. *Hifz al-Mal* is central, covering fair

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wages, equitable economic opportunities, protection of consumer rights, fair distribution of wealth, and preventing exploitation.

The example of application of this pillar includes upholding *amanah* (trust) in the employer-employee relationship such as provision of fair wages and benefits, ensuring safe and healthy working conditions, respecting employee rights within *Sharia* boundaries, prohibiting exploitation (including forced or child labor). The business also need to engage positively with local communities, contributing to social welfare (*maslaha*), supporting access to essential services like affordable housing, education, and healthcare, mitigating negative operational impacts on communities (Wahab, 2023). Activities should align with the spirit of *zakat* and *waqf* (charitable endowments).

With related to customer treatment and product responsibility, business must ensure product safety, quality, and fitness for purpose, engaging in fair and truthful marketing and advertising practices, strictly avoiding deception (*tadlis*), upholding consumer rights and providing adequate protection (Wahab, 2023), safeguarding customer privacy and data security as a matter of *amanah*, and ensuring contracts are free from excessive uncertainty (*gharar*).

Pillar 3: *Sharia*-Compliant & Ethical Governance (*Al-Hawkamah al-Shar'iyyah wal-Akhlaqiyyah*)

Pillar number three, *Sharia*-compliant and ethical governance can be defined **as** the internal structures, processes, and ethical conduct that ensure an organization operates in accordance with *Sharia* principles and broader ethical standards, upholding the values of *amanah* (trust), *adl* (justice), and *mas'uliyyah* (accountability). This pillar primarily linked to *Hifz al-Mal* by safeguarding assets from mismanagement and corruption, ensuring fair dealings, and promoting financial transparency. *Hifz al-Din* is central through the requirement of strict *Sharia* compliance in all operations. *Hifz al-Aql* relates to sound, ethical decision-making processes and preventing ignorance or deception (*gharar*) in governance structures and reporting.

The example of the Islamic application of this pillar includes implementation of strong codes of conduct and policies explicitly prohibiting bribery, corruption (*rashwah*) , fraud, and other unethical practices. There must be also an establishment of clear mechanisms for ethical decision-making throughout the organization (Alziyadat & Ahmed, 2018), fair and transparent executive compensation practices aligned with performance, ethical conduct, and long-term value creation, and effective management of conflicts of interest

The company also must maintain effective internal control systems and risk management frameworks that address both financial risks and *Sharia* compliance risks (including avoidance of excessive *gharar*), ensuring accuracy, transparency, and comprehensibility in financial and non-financial reporting, and adherence to fair and transparent tax practices (Wahab, 2023).

Figure 1 summarize all the pillars of ESG that integrated with the recommended Islamic values.

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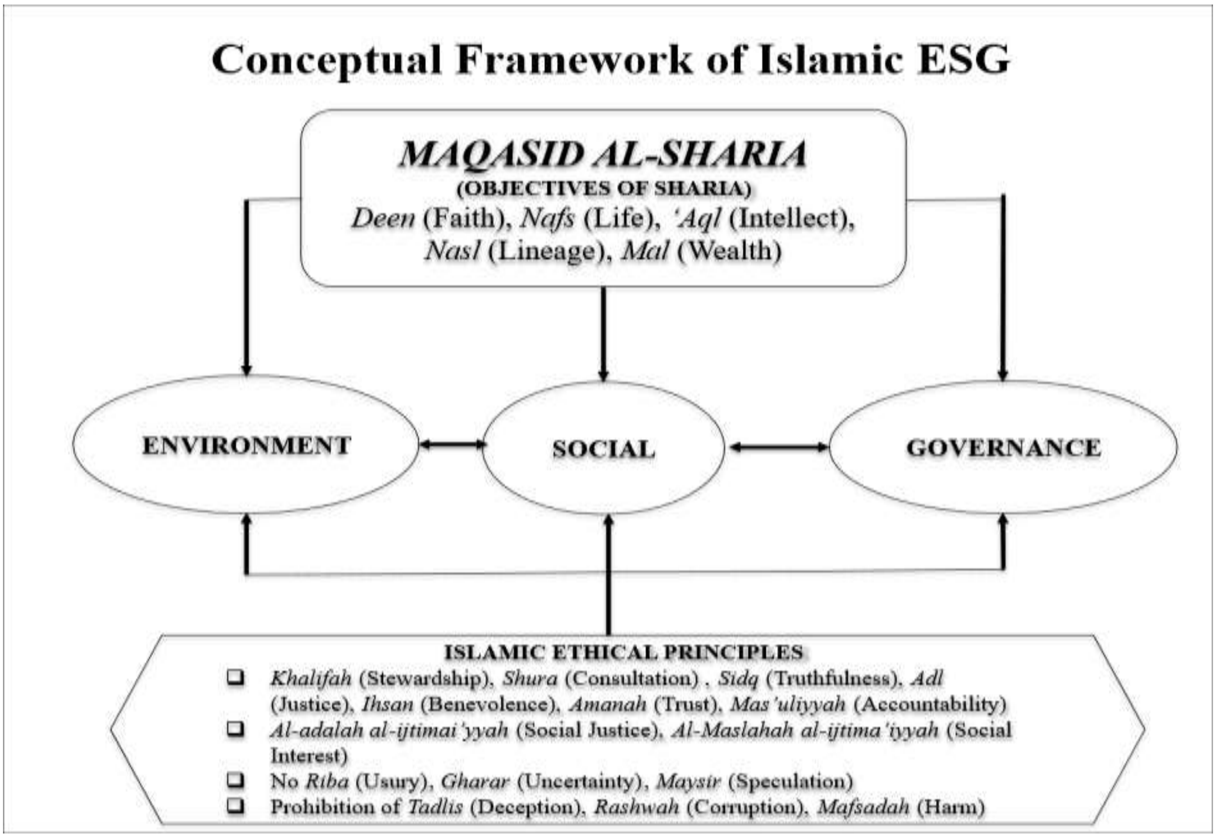

Figure 1: A Proposed Islamic ESG Framework

This conceptual framework suggests that an authentic Islamic approach to ESG practices must be fundamentally anchored in the *Maqasid al-Sharia* or the higher objectives of Islamic law. These objectives encompass the preservation of *Deen* (Faith), *Nafs* (Life), *ʿAql* (Intellect),*Nasl* (Lineage), and *Mal* (Wealth). These five elements form the ethical and theological core that guides all human activity, including business conduct and corporate responsibility.

At the operational level, the framework delineates the ESG domains as interdependent spheres of activity, each shaped by and oriented towards fulfilling these *Sharia* objectives. Supporting these pillars are foundational Islamic ethical principles, which function as normative and operational imperatives. These include *Khalifah* (stewardship), *Shura* (consultation), *Sidq* (Truthfulness), *ʿAdl* (justice), *Iḥsan* (benevolence), *Amanah* (trust), *Masʾuliyyah* (accountability), *Al-adalah al-Ijtimaʿiyyah* (social welfare) and *Al-Maslahah al-Ijtimaʿiyyah* (social interest). Prohibited elements in Islamic finance and ethics includes *Riba* (usury), *Gharar* (excessive uncertainty), *Maysir* (speculation), *Tadlis* (deception), *Rashwah* (corruption), and *Mafsadah* (harm) are explicitly excluded. This exclusion reinforces the framework's commitment to principled, non-exploitative, and socially beneficial economic behavior.

Conclusions

The differences between the conventional and Islamic ESG are substantial and stem from their distinct philosophical underpinnings and operational requirements. Islamic ESG is fundamentally grounded in divine revelation (*Shari*a) and aims to fulfill God's objectives (*Maqasid*) for human welfare (Syahriani et al., 2023). Its motivation is primarily duty-based (fulfilling religious obligations) and community-centric. Conventional ESG, while ethically

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informed, primarily draws its authority from secular norms, stakeholder pressures, international agreements, and often emphasizes risk mitigation and long-term value creation for investors.

The Islamic prohibitions of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling) are unique, absolute, and non-negotiable constraints that shape the entire financial landscape, dictating permissible contract structures and risk allocation. Conventional ESG has no equivalent prohibitions that fundamentally restrict core financial mechanisms like interest-based lending or conventional derivatives.

Maqasid Al-Sharia provides a holistic, integrated, and divinely mandated framework where environmental, social, and governance aspects are intrinsically linked to the preservation of faith, life, intellect, lineage, and property (Syahriani et al., 2023). Conventional ESG often treats E, S, and G as distinct, albeit interconnected, pillars, and lacks the explicit spiritual dimension (*Hifz al-Din*) present in the *Maqasid* framework.

The harmonization of ESG and Islamic teachings reflects the evolving landscape of responsible investing, where values-based approaches are paramount. While challenges exist, the common ground shared by these frameworks offers a promising avenue for financial systems that prioritize ethical, sustainable, and inclusive practices. By embracing collaboration and leveraging shared values, ESG and Islamic values can contribute collectively to a more equitable and resilient global economy.

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