


# **Halal Ethics in Business**

**Islamic Perspective on ESG and B+HR Developments**



# **What is Halal Ethics in Business?**

﴿كُنْتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ وَتَنْهَوْنَ عَنِ الْمُنْكَرِ  
وَتُؤْمِنُونَ بِاللَّهِ﴾

*You are the best community brought forth for (the guidance of) mankind:  
you enjoin righteousness, forbid evil and believe in Allah.<sup>2</sup>*

The Messenger (Allah bless him and give him peace) himself encouraged goodness and decency, more through his conduct than his discourses and orations. He described his conduct in these words:

إِنَّمَا بُعِثْتُ لِأَتَمِّمَ مَكَارِمَ الْأَخْلَاقِ.

I have been sent to perfect good character.<sup>3</sup>

# Basic Essentials – Halal Business Ethics

- Giving fair weight and measure in trading and business – **“Give just measure and weight, nor withhold from the people the things that are their due” (7:85)**

فَأَوْفُوا الْكَيْلَ وَالْمِيزَانَ وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ

- Do not deal in riba
- Prohibition of *Gharar* – Uncertainty/Lack of clarity
- Free mutual consent - **“O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent...” (4:29)**

يَأْتِيهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ

- Prohibition of *Qimar* & *Maysir* –
  - *Qimar* includes every form of gain or money the acquisition of which depends purely on luck and chance. (Ex. Lottery for money – Prize Bonds)
  - *Maysir* is often translated as gambling, traditionally referred to in Arabic for “casting lots”. Dicing and wagering are also held under this definition

# Conformity with Maqasid Ash-Shariah

All of Shariah is with purpose and thus these objectives that are achieved by the rules have been codified by the scholars

***Deen* – Religion**

***Nafs* – Life**

***Aql* – Intellect**

***Nasl* – Family Life**

***Maal* – Property**

**“God has made the life, and property and honor of each one of you unto the other sacred and inviolable like this day of this month in this territory.” (Bukhari)**

- The requirement of the conformity of contract to MaS is similar to requirement of modern law that an agreement should not be against public policy.
- That any and all business activity should conform to the protection and preservation of the five essentials.

# Islamic Legal Principles - *Qawaid Al-Fiqhiyyah*

Qawaid Fiqhiyyah (“QF”) or Legal maxims are general rules which can be applied in various cases that come under common rulings.

Literal meaning:

**Qawa'id** - plural of al-qaidah, means general principles

**Fiqh** means Islamic law

Generally, Qawaid Fiqhiyyah means the principles of fiqh (Islamic law) which can be applied in different fields of fiqh that come under the common rulings

Plays a great role in the formation of Islamic law because they are used as principles to deduce rules of fiqh

According to al-Qarafi. Islamic law can be divided into two parts:

1) Fundamental matters (Usul)

Usul Fiqh

Qawaid Fiqhiyyah

2) Branches (Furu)

# Recent Developments Globally

Climate Change and recent challenges across the world have created the need for new regulatory frameworks that are slowly coming into play that will impact businesses and their supply chains.

This is critical for exporters in non-Western countries as well as these frameworks are now requiring due diligence standard requirements from Western-based companies. Though the EU is stricter, the US also has concerning developing standards.



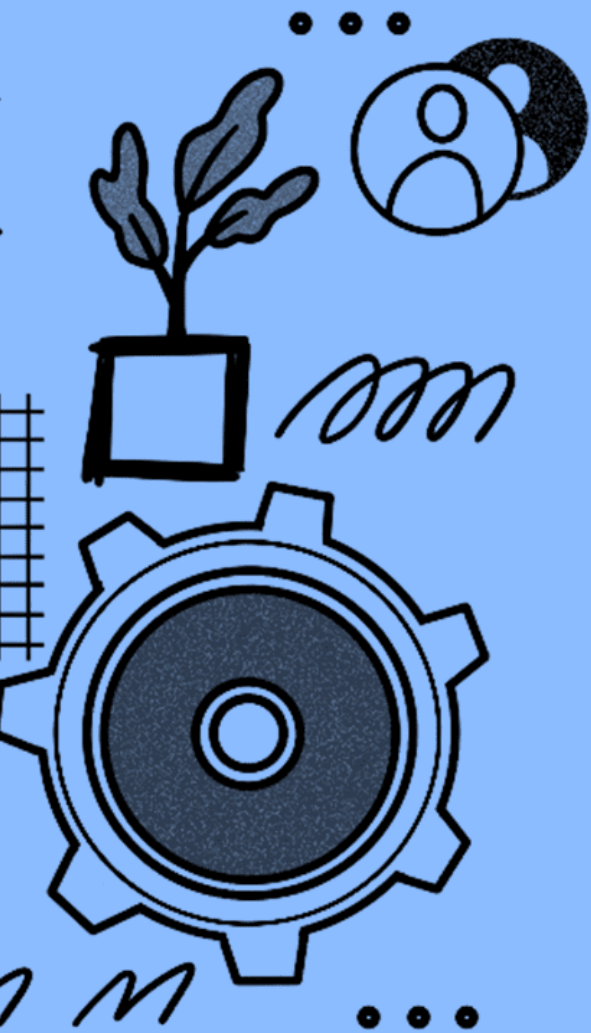
# Two Key Developments – ESG & B+HR

- **ESG – Environmental, Social and Governance:** new criteria for businesses to engage to tackle sustainable soft framework requirements that is hardening over time.
- **B+HR - Business & Human Rights:** developing new 3<sup>rd</sup> wave of human rights from political/civil rights to economic/social rights – a new era of environmental/labor rights is taking shape internationally. UNDP single biggest project currently is that on B+HR across 40 countries including nearly half in the OIC, to develop businesses to higher standards so they are not impacted by changes in their export markets particularly that of the EU, US or UK – 3 key markets for global exports.



# ESG

**Environmental, Social and Governance**



## Environmental, Social, and Governance (ESG) Criteria

*[in-'vī-rə(n)-mənt-el 'sō-shəl ən(d) gə-vər-nən(t)s krī-'tir-ē-ə]*

A set of standards for a company's behavior used by socially conscious investors to screen potential investments.

ESG was first coined in 2004 by the United Nations Global Compact but has been around longer.

In the 1970s, socially responsible investing (SRI) emerged as a way for investors to align their portfolios with their values. This movement gained momentum in the 1980s with the divestment campaigns against companies doing business in South Africa during apartheid.

Over time, SRI steadily evolved to look much like today's corporate social responsibility (CSR) and was focused primarily on social issues such as human rights and supply chain ethics.



# **BHR**

**Business & Human Rights**

## Business corporations and human rights

States have an international legal obligation to ensure adequate protection in their domestic law against acts committed by corporations that would impair the enjoyment of human rights.

Corporations may have legal obligations derived from domestic law to avoid the impairment of the enjoyment of human rights.

Business and Human Rights (B+HR) originated in the 1970s with a UN draft code urging multinationals to respect human rights, but it was shut down due to Western opposition.

The 1995 execution of Nigerian activist Ken Saro-Wiwa reignited the movement, highlighting corporate complicity in human rights abuses. The anti-apartheid struggle further pressured companies to act ethically.

In 2011, the UN Guiding Principles on Business and Human Rights (UNGPs) were adopted, establishing a global, though non-binding, standard for corporate responsibility.

UNDP and the Government of Japan  
in support of the implementation of the UNGPs on



# Business + Human Rights

- 
- GHANA
  - INDONESIA
  - KAZAKHSTAN
  - KENYA
  - KYRGYZSTAN
  - LAO PDR
  - MEXICO
  - MONGOLIA
  - MOZAMBIQUE
  - NEPAL
  - PAKISTAN
  - PERU
  - THAILAND
  - TUNISIA
  - TURKEY
  - UKRAINE
  - VIET NAM

# What is difference between CSR and BHR

Both BHR and Corporate Social Responsibility (CSR) promote responsible and socially beneficial activities— but both concepts have key differences and hence distinct identities.

CSR originated from business academia, emphasizing value creation, public relations, and often philanthropy.

It is voluntary, guided by societal expectations rather than regulation, and generally lacks a human rights framework, sometimes being equated with charity.

BHR emerged from legal and human rights advocacy, centering on corporate accountability for human rights harms.

It is rooted in core rights norms, highlights both state and business responsibilities, and prioritizes access to remedy for affected individuals.



**Why is it  
Important?**

# **Benefits – Sustainability**

- Moral and ethical commitment to Islamic business values
- Operational efficiency and cost-saving
- Minimization of Risk – both internal and external
- Increase in business opportunities
- Eligibility for funding and incentives
- Advance self-adjustment for future requirements/regulations



# CSDDD - Corporate Sustainability Due Diligence Directive



- EU law passed in May 2024 that mandates companies to identify, prevent, mitigate, and account for adverse human rights and environmental impacts in their operations and value chains by July 2027.
- It requires companies to integrate due diligence into their policies, identify potential and actual impacts, and take action to prevent, cease, or minimize harm.
- The CSDDD also includes obligations for companies to develop climate transition plans and makes them liable for damages resulting from failures to prevent or address adverse impacts.
- Article (32) **This Directive aims to comprehensively cover human rights, including all five fundamental principles and rights at work as defined in the 1998 ILO Declaration on fundamental principles and rights at work.**



# CSRD - Corporate Sustainability Reporting Directive

- EU regulation passed in January 2023 that expands and strengthens existing requirements for companies to disclose their environmental, social, and governance (ESG) impacts and related risks and opportunities.
- It builds upon the previous Non-Financial Reporting Directive (NFRD) and aims to increase transparency and accountability in corporate sustainability practices.
- First reports due in 2025.



<b>CSDDD vs. CSRD</b>		 <b>CSRD</b>	 <b>CSDDD</b>
	<b>Focus</b>	Reporting	Due Diligence
	<b>Aim</b>	To improve and broaden sustainability reporting among companies.	To ensure businesses take responsibility for the negative impacts of their activities on human rights and the environment.
	<b>Scope</b>	Affects large companies in the EU, listed small and medium-sized companies in the EU, and non-EU companies with significant operations in Europe.	Affects ~6000 of the largest companies in the EU and non-EU companies with significant revenue from operations in Europe.
	<b>Requirements</b>	Companies must disclose their material sustainability impacts, risks and opportunities, following the EU's sustainability reporting standards, with assurance to support reliability.	Companies must identify and address potential and actual adverse impacts within their operations, subsidiaries, and supply chains.
	<b>Implementation</b>	In effect now, with the first reports required in 2025.	Companies must disclose their material sustainability impacts, risks and opportunities, following the EU's sustainability reporting standards, with assurance to support reliability.

Framework	Foundational Principle	Labor Focus	Due Diligence Mechanism	Remedy & Accountability	Enforcement
<b>Maqasid Ash-Shariah</b>	Preservation of life, intellect, progeny, wealth, religion (and modern extensions like dignity & environment)	Protection of worker dignity and fair wages as part of preservation of wealth and dignity (karamah)	Employer must ensure transparency, equity, and welfare – rooted in accountability before God	Restitution (ta'wid) and compensation for unjust harm; Day of Judgment as ultimate accountability	Moral and religious obligation, supported by Islamic courts where established
<b>Qawaid al-Fiqhiyyah</b>	Maxims such as 'No harm and no reciprocating harm', 'Hardship begets ease', 'Custom is authoritative'	'Harm must be removed' (الضرر يزال), applies to exploitation or unsafe labor practices	'Certainty is not overruled by doubt' – ensures clear contractual obligations and fair treatment	'Custom is authoritative' – context matters in disputes; also 'necessities permit the prohibited'	Flexible and adaptive within Shariah principles; varies by madhhab and context
<b>CSDDD (EU Directive)</b>	Ensure companies respect human rights and environmental standards in their value chains	Obligates companies to assess and prevent adverse labor impacts (forced labor, child labor, unsafe work)	Mandated risk-based due diligence across supply chains including grievance mechanisms	Requires companies to provide remediation for harms and can be legally sanctioned by courts	Legal enforcement through EU member states with civil and administrative penalties



# The Moral Argument

Islamic Values in Business

# Labour – Force Labor/Payment of Wages

## Payment of Wages

لِّلرِّجَالِ نَصِيبٌ مِّمَّا اكْتَسَبُوا وَلِلنِّسَاءِ نَصِيبٌ مِّمَّا اكْتَسَبْنَ

- “Men will have a share of what they earn, and women will have a share of what they earn”. (4:32)
- It was narrated from ‘Abdullah bin ‘Umar that the Messenger of Allah (ﷺ) said: “Give the worker his wages before his sweat dries” (Mishkat al-Masabih: 2987).
- **Delayed or non-payment of wages** impacts the permissibility of the product or service being produced – according to some scholars such revenue is not only *haram* but the consumption of such product and services are also considered *haram* if the consumer knows.
- EU and other markets have strict rules that prevent products from entering their markets that employ “forced labor” which legally can be considered if workers are not paid or delay in payment is made for their labor. CSDDD considers **The prohibition of unequal treatment in employment... [i.e.] (a) the payment of unequal remuneration for work of equal value** as per ILO and ICESCR can be considered “discrimination” against workers.

# Labour - Fair Wages

## Fair Wages

وَيْلٌ لِّلْمُطَفِّفِينَ ﴿١﴾ الَّذِينَ إِذَا اكْتَالُوا عَلَى النَّاسِ يَسْتَوْفُونَ ﴿٢﴾ وَإِذَا كَالُوهُمْ أَوْ وَزَنُوهُمْ يُخْسِرُونَ ﴿٣﴾

- “Woe to those who give less in measure or weight! When (they) take by measure from others, they take (from them) full. And when they (themselves) give by measure or weigh to others, they give them less”. (83:1-3)
- Abdullah Bin Umer (RA) said that the “Mutaffif” is the person who knowingly hires a person who gives less in measure and weight (decrease the rights of others); therefore, the sin of hiring a person on slave wages would also apply to the hiring authorities.
- To provide **fair minimum living wages** is the Islamic ethical demand in business operations.
- CSDDD - “*The right to enjoy just and favourable conditions of work, **including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders**, which they earn in return from their work and production, a decent living, safe and healthy working conditions and reasonable limitation of working hours, interpreted in line with Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights*”

# Environment

## Do Not Cause Corruption in the Earth

وَإِذَا قِيلَ لَهُمْ لَا تُفْسِدُوا فِي الْأَرْضِ

- “And when it is said to them, "Do not cause corruption on the earth"(2:11)

وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا ذَلِكُمْ خَيْرٌ لَّكُمْ إِن كُنْتُمْ مُؤْمِنِينَ

- ...do not spread corruption on earth after it has been so well ordered. [all] this is for your own good, if you would but believe.” (7:85)
- Majelis Ulama Indonesia (MUI), also known as the Ulama Council of Indonesia, has declared that **all actions leading to environmental damage and contributing to the climate crisis are considered haram.** (Fatwa MUI Number 86/2023)
- CSDDD in Part II - PROHIBITIONS AND OBLIGATIONS INCLUDED IN ENVIRONMENTAL INSTRUMENTS which includes - **1992 Convention on Biological Diversity, UNCLOS 1982 (prevention of polluting oceans) and others.**



# Islamic Developments

**Islamic Labour Code & Al Baraka Islamic ESG  
Index**

# Islamic Chamber of Commerce and Development (ICCD) - Halal Committee

In 2024 Secretary General Sheikh Yousef Khalawi launched the Halal Committee (HC) within ICCD to strategically support OIC-countries in developing their Halal Ecospaces beyond just ingredient and processes in food and to be inclusive all aspects of Halal including but not limited to:

- Halal Ethics in Business
- Halal Usage of Technology
- Modest Clothing
- Halal Tourism

Currently HC is engaged in Bosnia & Herzegovina with partners to make Bosnia the Halal Hub of Europe.

Will be hosting London Halal Expo in November 2025 and Makkah Halal Expo in 2026.



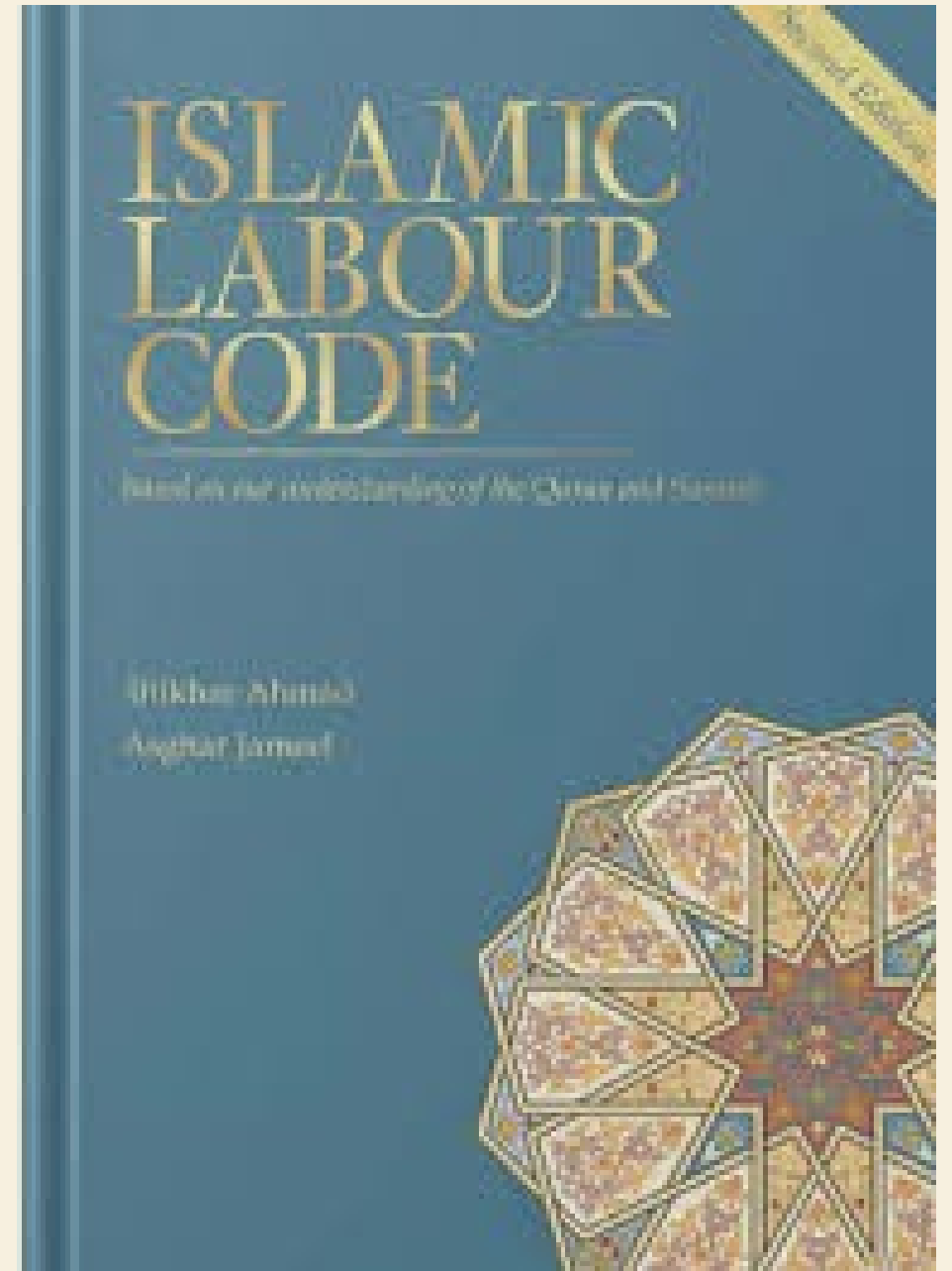
# Islamic Labour Code

In 2021 the Center for Labour Research (CLR) produced the seminal work **The Islamic Labour Code** an effort to look at the ILO legal framework in comparison to Islamic law/ethics.

“Based on understanding of the Quran and Sunnah, the Islamic Labour Code is the prototype legal instrument, ready for adoption or adaptation by governments in Muslim countries as well as progressive enterprises worldwide, willing to embed Islamic teachings in their organizational cultures.”

It has been translated into Urdu and process for French and Arabic.

<https://islamiclabourcode.org/>



# Al-Baraka Islamic ESG Index

In April 2025 Al-Baraka Forum and Spectro have teamed up to launch the **Al-Baraka Islamic ESG Index**.

“A dynamic, programmable index combining Shariah principles with ESG frameworks, real-time financial data, and AI-native infrastructure.”

To illustrate sustainable investments under a dual framework that adheres to Islamic legal/ethical frameworks and international standards under ESG.



**Questions**  
**Comments**  
**Concerns**