**INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTO SHARIAH COMPLIANT FUND INVESTMENT PORTFOLIOS: LEGAL AND REGULATORY INITIATIVES IN MALAYSIA**

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**ABSTRACT**

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*The Environmental, Social and Governance (ESG) investing and Shariah compliant investing generally share common objectives in that they promote social values. The ESG intiatives include a range of issues related to company activities in environmental, social relations and corporate governance aspects to promote sustainable business practices. Shariah compliant investing, which is based on the prohibition of riba, maisir and gharar, also applies negative sreening process when dealing with industries such as tobacco, alcohol, weapon as well as other non-halal products. Thus, integrating ESG elements into Shariah investing is consistent with the fundamental Shariah principles that promote equality, social justice and financial inclusion. However, there are few funds that combine the elements of ESG and Shariah compliance that are available for Malaysian retail investors in the market currently. Of more than 600 unit trust funds managed in Malaysia, only five are ESG Shariah compliant funds. On this point, the government and the regulators in Malaysia are becoming more ESG-focused and have developed the Socially Responsible Investment (SRI) Roadmap by having policies and framework that promotes ESG initiative in order to attract fund managers and investors. Thus, this paper will examine the legal and regulatory initiatives taken by the policy maker and regulator in promoting ESG initiatives. The methodology adopted in this article is a document analysis of the relevant legislations and policies.*

*(Times New Roman, Font Size 10, single spacing & Italic)*

***Keywords****: ESG, SRI, Legal and Regulatory Shariah Compliant Investment, Shariah Screening.*  **(***Times New Roman, Font Size 10 and Italic)*