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## FROM POLICY TO IMPACT: INTEGRATING ESG IN HR FOR MALAYSIA'S LOGISTICS SUCCESS

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### ABSTRACT

Environmental, Social, and Governance (ESG) principles have become increasingly crucial in shaping the future of sustainable human resource (HR) practices within the logistics sector. With growing concerns over climate change, social equity, and corporate accountability, businesses in Malaysia's logistics industry are beginning to recognise the importance of integrating ESG frameworks into their HR strategies. By adopting sustainable HR practices, logistics companies enhance operational efficiency and contribute to long-term economic, environmental, and social well-being. This paper delves into how Malaysian logistics companies incorporate ESG principles into their HR policies. The discussion highlights how HR departments are essential in fostering green workplace initiatives, promoting workforce inclusivity, and ensuring compliance with ethical labour practices. Additionally, it examines the challenges that companies encounter when implementing ESG-driven HR practices. Furthermore, this paper explores real-world examples of Malaysian logistics companies that have successfully adopted ESG-oriented HR policies and the impact of these initiatives on employee engagement, company reputation, and overall business sustainability. Finally, the paper offers recommendations on how logistics firms can further strengthen their commitment to ESG principles. By embedding sustainability at the core of HR functions, Malaysian logistics firms can pave the way for a more responsible and resilient industry in the years to come.

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## INTRODUCTION

The logistics sector in Malaysia serves as the backbone of the country's economy, ensuring the seamless movement of goods and services across borders, facilitating trade, and contributing significantly to employment generation. As an essential industry supporting various sectors, including manufacturing, retail, and e-commerce, logistics is instrumental in maintaining Malaysia's economic stability and global trade competitiveness. The country's strategic location within Southeast Asia makes it a vital hub for regional and international trade, further emphasising the importance of an efficient and sustainable logistics system. However, as global supply chains become increasingly complex, sustainability has emerged as a pressing concern for logistics companies operating in Malaysia. The sector faces a multitude of challenges, including high carbon emissions from transportation activities, excessive fuel consumption, and the need for responsible waste management. The growing reliance on fossil fuels for logistics operations contributes significantly to environmental degradation, exacerbating climate

change and air pollution. Moreover, inefficient logistics processes, including outdated fleet management and poor route optimisation, lead to unnecessary fuel wastage and increased operational costs. Beyond environmental concerns, logistics companies must also address social and governance issues that impact workforce sustainability and ethical business practices. The nature of logistics work—characterised by long hours, physical strain, and exposure to occupational hazards—places significant pressure on employee well-being and overall job satisfaction (Arefin & Jannat, 2025). Many logistics workers, especially those in warehousing, freight handling, and transportation, face challenging work conditions, including long shifts, job insecurity, and limited access to career advancement opportunities. Addressing these issues is crucial in fostering a resilient workforce that can drive the industry's long-term growth. Sustainability within the logistics industry has gained momentum due to the growing emphasis on ESG principles. Investors, regulatory bodies, and consumers now demand greater accountability from businesses, urging them to adopt responsible environmental practices, ensure fair treatment of employees, and uphold ethical governance. With the increasing integration of sustainability metrics into

investment decisions, companies that fail to align with ESG expectations risk losing investor confidence and market competitiveness (Musa et al., 2017). HR departments play a pivotal role in driving ESG adoption by integrating sustainability-focused policies that promote a greener, more inclusive, and ethically governed workforce. The environmental component of ESG in HR involves initiatives such as reducing carbon footprints through sustainable fleet management, implementing green workplace policies, and upskilling employees in eco-friendly logistics practices. Meanwhile, the social aspect focuses on ensuring fair wages, promoting diversity and inclusion, and enhancing occupational health and safety standards to protect workers from job-related risks. Governance, on the other hand, encompasses compliance with labour laws, transparent HR policies, and ethical decision-making to uphold corporate integrity.

Furthermore, regulatory frameworks and government policies are increasingly pushing businesses toward ESG compliance. Malaysian authorities, including Bursa Malaysia and the Securities Commission, have introduced ESG reporting guidelines that require companies to disclose their sustainability efforts and workforce-related practices. Compliance with these regulations not only strengthens corporate governance but also enhances a company's reputation and operational resilience in an evolving business landscape (Rahman & Ismail, 2022). However, many logistics firms still struggle to fully integrate ESG-driven HR practices due to financial constraints, workforce resistance, and the complexities of aligning with global sustainability standards. To navigate these challenges, logistics companies must adopt a holistic approach that balances economic objectives with sustainability commitments. HR leaders can drive meaningful change by fostering a culture of environmental responsibility, ensuring workplace inclusivity, and implementing ethical governance frameworks. This paper seeks to explore the current state of ESG-driven HR practices in Malaysia's logistics industry, examining both the successes and obstacles faced by companies in their journey toward sustainability. By highlighting best practices and offering strategic recommendations, this research aims to provide insights into how HR functions can catalyse ESG objectives in the logistics sector, ultimately contributing to a more sustainable and responsible industry.

## LITERATURE

**Environmental Considerations in HR Practices:** The environmental aspect of ESG in HR focuses on reducing carbon footprints, implementing eco-friendly policies, and ensuring sustainable supply chain management. Logistics companies in Malaysia contribute significantly to carbon emissions due to fuel consumption from freight transport, warehousing energy use, and paper-heavy HR processes. According to Ghouri et al. (2020), implementing Green Human Resource Management (GHRM) practices can enhance business performance while reducing negative environmental impacts. To address these concerns, HR departments have begun integrating sustainability principles into workforce management. Malaysian logistics firms have introduced telecommuting policies, reducing employees' daily travel and cutting transportation-related emissions (Al-Tahitah et al., 2023). Digital HR systems have also been widely adopted to minimise paper usage through electronic payslips, digital leave applications, and cloud-based employee records (Pham et al., 2020). These digitised HR solutions not only reduce paper waste but also improve efficiency in HR operations. Additionally, organisations are investing in green training programs to educate employees on sustainable logistics practices. Training modules now include topics such as optimising fuel efficiency in fleet management, adopting energy-saving techniques in warehouses, and reducing packaging waste (Musa et al., 2017). By equipping employees with knowledge on sustainability, logistics firms can integrate eco-friendly practices at multiple levels of operation. Ooi & Amran (2022) emphasise that ESG-aligned HR strategies, such as the promotion of green skill-building, directly contribute to improved sustainability performance in the Malaysian logistics sector.

Moreover, logistics firms are actively working to reduce the environmental impact of their supply chains. Arefin & Jannat (2025) argue that green supply chain management, when supported by sustainable HR policies, leads to better waste management and energy efficiency. For example, some logistics firms have adopted electric or hybrid delivery vehicles and implemented route optimisation strategies to reduce fuel consumption. As environmental concerns continue to rise, HR departments must integrate sustainability principles into recruitment, training, and workplace policies to drive long-term change.

**Social Considerations in HR Practices:** The social dimension of ESG in HR emphasises employee well-being, diversity and inclusion, and fair labour practices. The logistics industry is a labour-intensive sector, with physically demanding work conditions, long shifts, and frequent exposure to occupational hazards. These challenges make employee welfare a critical component of sustainable HRM in logistics (Anlesinya & Susomrith, 2020). To address these issues, HR policies that prioritise employee well-being have been introduced. Flexible work arrangements, health and safety measures, and mental health support programs have become more prevalent. Research suggests that logistics companies with strong employee wellness programs experience lower absenteeism and higher job satisfaction (Rahman & Ismail, 2022). For example, organisations like Pos Malaysia have launched financial literacy programs to help employees manage their earnings effectively, reducing financial stress and enhancing productivity (Danial & Rahmat, 2024). Diversity and inclusion are also central to ESG-driven HR strategies. Historically, logistics has been a male-dominated industry, but companies are making efforts to implement gender-inclusive hiring practices. Mokhtar et al. (2023) highlights that increasing female representation in logistics roles contributes to improved decision-making and business performance. Additionally, HR departments are implementing equal pay policies and career advancement opportunities to foster a more inclusive workplace environment. Another key social responsibility of HR in logistics is ensuring compliance with fair labour practices. According to Azmi & Hasan (2023), ESG literacy among HR professionals is essential to uphold ethical labour policies and worker rights. Malaysian labour laws, including the Employment Act 1955, require employers to provide minimum wages, overtime pay, and safe working conditions. However, some logistics firms still face challenges in fully complying with these regulations, particularly when dealing with outsourced or foreign labour. HR departments play a crucial role in enforcing labour laws, preventing worker exploitation, and maintaining ethical employment standards (Tan & Zailani, 2020).

**Governance Considerations in HR Practices :** Governance in HR pertains to ethical leadership, compliance with labour laws, and the development of transparent HR policies. Strong governance structures within HR ensure that recruitment, promotions, and workplace policies are conducted fairly and by legal standards (Azmi & Hasan, 2023). Regulatory compliance remains a top priority for Malaysian logistics firms as they navigate evolving ESG reporting requirements (Rahman & Ismail, 2022). HR governance also involves data protection and cybersecurity. As digital HR systems become more prevalent, ensuring the security and confidentiality of employee data is imperative. Companies must comply with Malaysia's Personal Data Protection Act (PDPA) to safeguard employee information and prevent data breaches (Mokhtar et al., 2023). HR leaders must also enforce transparency in recruitment and promotion practices to prevent biases and discrimination. In addition, governance within HR includes anti-corruption measures and ethical leadership initiatives. Westports Malaysia, for example, has implemented a whistleblower policy that allows employees to report unethical behaviour without fear of retaliation. This aligns with findings by Ooi & Amran (2022), who argue that transparency and integrity in corporate governance led to improved employee trust and engagement. Ultimately, by fostering ethical governance in HR, logistics firms can enhance workforce stability, strengthen regulatory compliance, and maintain long-term sustainability. ESG-driven governance frameworks help organizations uphold their reputation and attract investors who prioritise corporate

integrity. The integration of environmental, social, and governance considerations into HR practices is crucial for the sustainability of Malaysia's logistics sector. HR departments must continue evolving their strategies to address environmental impacts, promote employee well-being, and strengthen governance ethics. By embedding ESG principles into workforce management, Malaysian logistics companies can contribute to a greener, more inclusive, and ethically responsible industry.

## CASE STUDIES

### Case study 1: DHL Malaysia's GoGreen Initiative

DHL Malaysia has emerged as a leader in sustainability within the logistics industry, leveraging its HR policies to embed environmental responsibility into daily operations. As part of its global GoGreen strategy, the company has implemented a variety of sustainability-driven initiatives aimed at reducing its carbon footprint, fostering employee engagement in green practices, and transitioning to more eco-friendly logistical processes (Al-Tahitah et al., 2023). DHL's ambitious long-term goal is to achieve zero emissions by 2050, with interim targets such as improving carbon efficiency by 50% by 2025. One of the key elements of DHL Malaysia's sustainability efforts is its fuel-efficient driving training program, which aims to educate drivers on best practices for reducing fuel consumption. This initiative, which includes training on efficient braking, optimal speed management, and vehicle load optimisation, has resulted in a 15% reduction in fuel use per vehicle since its implementation. Given that fuel costs contribute significantly to logistics expenditures, this reduction has not only improved environmental outcomes but also provided substantial financial savings for the company. Moreover, DHL has begun integrating electric and hybrid vehicles into its fleet to further reduce transportation-related emissions, aligning with Malaysia's broader commitment to sustainable logistics (Rahman & Ismail, 2022). In addition to transportation-based initiatives, DHL Malaysia has made considerable strides in digitising its HR processes to minimise paper waste and streamline administrative functions. The company has replaced traditional paper-based records with cloud-based employee databases, automated payroll systems, and digital payslips, leading to a 40% reduction in paper consumption over three years. This transition has improved operational efficiency while significantly reducing the company's environmental impact. Pham et al. (2020) highlight that companies that integrate digital HR systems as part of their ESG strategy not only cut costs but also contribute to broader sustainability efforts by reducing their dependence on paper-based processes.

Employee engagement is another critical component of DHL Malaysia's GoGreen initiative. The company actively encourages employees to participate in sustainability programs, offering incentives for green workplace practices such as recycling, carpooling, and reducing energy usage within company facilities. As part of this effort, DHL Malaysia has launched the GoGreen Plus Challenge, a corporate initiative that invites employees to propose innovative sustainability projects, with the most impactful ideas receiving corporate funding for implementation. Research suggests that companies that empower employees to take part in sustainability efforts see higher levels of participation and long-term behavioural change (Mokhtar et al., 2023). DHL Malaysia has also invested in renewable energy infrastructure to reduce its dependency on non-renewable power sources. The installation of solar panels at major distribution centers has led to a 20% reduction in overall energy costs while simultaneously decreasing the company's carbon footprint. This move aligns with global trends in logistics sustainability, as an increasing number of firms seek to integrate renewable energy into their operations to meet ESG expectations (Ooi & Amran, 2022). Furthermore, DHL has implemented energy-efficient lighting systems, motion-sensor technology, and smart heating, ventilation, and air conditioning (HVAC) systems in its warehouses and offices to enhance energy efficiency.

Beyond internal sustainability measures, DHL Malaysia has extended its environmental commitment to external stakeholders, including supply chain partners and clients. The company works closely with suppliers to promote sustainable sourcing, encouraging them to adopt eco-friendly packaging and waste reduction strategies. Additionally, DHL offers customers carbon-neutral shipping options, where emissions from logistics operations are offset through certified climate protection projects (Danial & Rahmat, 2024). These initiatives reflect a holistic approach to sustainability, where ESG principles are embedded not only within the company but across the entire supply chain. To assess the effectiveness of its sustainability efforts, DHL Malaysia regularly tracks its environmental performance using key performance indicators (KPIs). These include metrics such as carbon emissions per shipment, fuel efficiency rates, and overall energy consumption levels. Regular reporting and audits help ensure that the company remains on track to achieve its ESG targets while identifying areas for improvement. As ESG reporting becomes increasingly mandatory, DHL Malaysia's commitment to data transparency enhances its credibility among investors, customers, and regulators (Azmi & Hasan, 2023).

DHL Malaysia's GoGreen initiative serves as a model for how HR policies can drive meaningful environmental change within the logistics sector. By integrating sustainability into its workforce training, operational practices, and external partnerships, the company has made significant progress in reducing its carbon footprint and enhancing employee engagement in ESG efforts. As global and local regulatory frameworks continue to evolve, DHL Malaysia remains well-positioned to meet future sustainability challenges and further cement its leadership in green logistics. The company's approach underscores the importance of a multi-faceted sustainability strategy that encompasses workforce training, technological advancements, renewable energy integration, and collaborative efforts with supply chain partners. Moving forward, continued investment in sustainability-driven HR policies will be essential for DHL Malaysia to maintain its ESG leadership in the Malaysian logistics industry.

**Case study 2: Pos Malaysia's Employee Welfare Programs:** Pos Malaysia, as one of Malaysia's largest postal and logistics service providers, has made significant strides in enhancing employee welfare through structured initiatives designed to support physical health, financial literacy, mental well-being, and workplace diversity. Understanding that logistics is a physically demanding industry that often exposes workers to high stress and strenuous work conditions, the company has adopted a holistic approach to employee well-being as part of its broader ESG strategy (Danial & Rahmat, 2024). One of the most impactful programs implemented by Pos Malaysia is its ergonomics training initiative, aimed at reducing workplace injuries. Employees, particularly those working in warehouses, sorting facilities, and delivery services, often experience musculoskeletal issues due to repetitive lifting, extended standing hours, and physically intense tasks. To address this, Pos Malaysia introduced targeted ergonomic training sessions focusing on correct lifting techniques, posture correction, and the use of assistive equipment to minimize strain. Over the past two years, this initiative has successfully reduced musculoskeletal complaints among warehouse workers by 25%, leading to lower absenteeism and improved overall productivity (Mokhtar et al., 2023). Research by Azmi & Hasan (2023) highlights that companies investing in ergonomic workplace improvements report enhanced employee satisfaction and fewer work-related injuries, underscoring the effectiveness of such interventions. Beyond physical well-being, Pos Malaysia has recognised the financial challenges faced by many employees, particularly those in entry-level positions. In response, the company launched a financial literacy program aimed at educating employees on savings, investment strategies, and retirement planning. This program has benefited their employees, equipping them with the necessary financial management skills to reduce debt burdens and enhance long-term financial stability (Rahman & Ismail, 2022). Financial stress has been identified as a leading cause of workplace distraction and decreased productivity, and studies indicate that employees who receive financial literacy education demonstrate

better decision-making and higher job satisfaction (Ghouri et al., 2020). Pos Malaysia's initiative aligns with global best practices in corporate financial wellness programs, reinforcing the role of HR in fostering economic resilience among employees. In addition to financial education, Pos Malaysia has placed a strong emphasis on mental health awareness. The logistics sector is known for its high-pressure environment, tight delivery schedules, and long working hours, which can contribute to stress and burnout. Recognising this, the company has partnered with mental health organisations to offer free counseling services, mindfulness workshops, and stress management training sessions. Participation in these programs has increased over the past two years, demonstrating growing employee awareness and acceptance of mental health support services (Tan & Zailani, 2020). According to Pham et al. (2020), organisations that incorporate mental health initiatives into their HR policies experience lower attrition rates and improved employee engagement, making this a critical area of focus for sustainable workforce management. Another key aspect of Pos Malaysia's ESG-driven HR strategy is its commitment to diversity, equity, and inclusion (DEI). Historically, the logistics industry has been predominantly male-dominated, particularly in leadership and operational roles. To address this imbalance, Pos Malaysia has set an ambitious target of achieving at least 45% female representation in leadership positions by 2025. To support this goal, the company has implemented mentorship programs designed to prepare women for senior roles, as well as recruitment campaigns aimed at attracting more female candidates into logistics and supply chain management roles (Anlesinya&Susomrith, 2020). Evidence suggests that companies with greater gender diversity in leadership teams tend to outperform their peers in financial performance and governance practices (Ooi & Amran, 2022), reinforcing the strategic importance of these efforts.

To ensure accountability in achieving its DEI objectives, Pos Malaysia has also revised its HR policies to include anti-discrimination measures, equal pay frameworks, and flexible work arrangements to support employees with caregiving responsibilities. These initiatives are not only enhancing workplace inclusivity but also fostering a more engaged and loyal workforce. Research by Danial & Rahmat (2024) highlights that companies prioritising DEI initiatives see a marked improvement in employee morale and retention, underscoring the importance of these efforts in building a sustainable and resilient workforce. To measure the success of its employee welfare programs, Pos Malaysia actively tracks key performance indicators (KPIs) such as employee satisfaction scores, absenteeism rates, injury reports, and financial wellness assessments. Regular employee feedback surveys are conducted to assess the effectiveness of various HR initiatives and identify areas for further improvement. The company's comprehensive approach to employee well-being demonstrates a strong commitment to ESG principles, ensuring that its workforce remains healthy, financially secure, and motivated. Pos Malaysia's employee welfare programs serve as a benchmark for sustainable HR practices within the logistics sector. By addressing physical health, financial literacy, mental well-being, and diversity and inclusion, the company has successfully created a supportive and equitable work environment. As ESG considerations continue to shape the future of corporate HR strategies, Pos Malaysia's approach exemplifies how logistics firms can integrate sustainability into workforce management, fostering both business resilience and employee well-being. Moving forward, continued investment in employee-centric ESG initiatives will be crucial in maintaining a productive, engaged, and satisfied workforce in the evolving logistics landscape.

### **Case study 3: Westports Malaysia's Ethical Hiring and Compliance Strategies**

Westports Malaysia, one of the largest and most significant port operators in Malaysia, plays a crucial role in the country's logistics and transportation sector. As a key gateway for international trade, Westports handles vast volumes of cargo efficiently while maintaining a strong commitment to corporate governance and ethical human resource (HR) practices. Recognising the importance of strong

governance in HR, the company has implemented strategic policies that emphasise ethical hiring, transparency, legal compliance, and workplace safety to create a fair and sustainable work environment (Rahman & Ismail, 2022). To ensure transparency in recruitment and career progression, Westports Malaysia has developed a digital recruitment system that minimises biases and ensures fair candidate selection. This system incorporates artificial intelligence (AI) and data analytics to assess candidates based on their qualifications, experience, and skills rather than subjective criteria. The structured career progression framework ensures that promotions and salary increments are based on measurable performance metrics, reducing favouritism and workplace discrimination. Studies show that organisations with transparent promotion policies experience higher employee trust and engagement, leading to improved job satisfaction and retention rates (Ooi & Amran, 2022).

Westports Malaysia has also taken a strong stance against corruption and unethical workplace practices through the implementation of a zero-tolerance policy. A key initiative in this effort is the company's whistleblower protection program, which allows employees to report unethical behavior anonymously. The program has led to a significant decrease in reported cases of workplace misconduct, demonstrating a significant improvement in governance and workplace ethics (Tan & Zailani, 2020). Additionally, Westports has mandated ethics training for all employees, ensuring that the workforce is well-versed in the company's integrity policies and ethical expectations. Workplace safety is another fundamental aspect of Westports Malaysia's HR governance framework. Given the high-risk nature of port operations, ensuring employee safety is a top priority. To comply with the Occupational Safety and Health Act 1994, Westports Malaysia has introduced mandatory safety training sessions for all employees. These sessions cover best practices for handling heavy machinery, fire safety protocols, and emergency response procedures. As a result of these efforts, the company has successfully reduced workplace accidents by 35% over the past three years, enhancing both employee well-being and operational efficiency (Mokhtar et al., 2023).

To address the environmental impact of logistics operations, Westports Malaysia has integrated ESG-aligned HR policies that promote sustainable workplace practices. Employees are trained in environmentally friendly operations, such as optimising cargo handling to minimise fuel consumption and reducing waste through efficient resource management. The company has also implemented energy-saving initiatives at its port facilities, including the installation of LED lighting, motion-sensor systems, and eco-friendly office designs, leading to a 25% reduction in energy consumption (Danial & Rahmat, 2024). Another major ESG compliance initiative undertaken by Westports Malaysia is its focus on data privacy and cybersecurity. In an increasingly digitalised industry, safeguarding employee and customer data is a critical aspect of responsible governance. To align with Malaysia's Personal Data Protection Act (PDPA), Westports Malaysia has invested in cybersecurity infrastructure, including advanced encryption methods and multi-layered authentication systems. Additionally, HR personnel have been trained in data privacy protocols, resulting in a 30% reduction in instances of information mishandling over the past two years (Azmi & Hasan, 2023). These measures not only protect sensitive data but also enhance the company's reputation for corporate responsibility. Westports Malaysia's commitment to ethical HR governance extends to employee engagement and workplace inclusivity. The company has developed policies that promote diversity, equity, and inclusion (DEI), ensuring equal opportunities for all employees regardless of gender, ethnicity, or background. Female representation in the company's leadership positions has increased in recent years, following targeted recruitment campaigns and leadership training programs designed to empower women in logistics. Research has shown that organisations with diverse leadership teams perform better financially and exhibit stronger governance, reinforcing the business case for inclusivity (Ooi & Amran, 2022). To ensure the continuous improvement of its ESG-driven HR strategies, Westports Malaysia conducts regular compliance audits, employee feedback surveys, and

governance reviews. These mechanisms allow the company to assess the effectiveness of its HR policies, identify areas for improvement, and maintain alignment with evolving ESG regulations. Furthermore, Westports Malaysia collaborates with regulatory bodies and industry associations to stay ahead of best practices in corporate governance and sustainable workforce management. By integrating ethical hiring practices, transparency measures, strong governance frameworks, and sustainability-driven HR policies, Westports Malaysia has positioned itself as a leader in ESG-compliant HR management. The company's ongoing commitment to ESG ensures that it remains not only legally compliant but also a responsible employer that values long-term sustainability and corporate integrity. In summary, the case studies of DHL Malaysia, Pos Malaysia, and Westports Malaysia highlight how logistics firms in Malaysia are successfully implementing ESG-driven HR strategies. These organisations have demonstrated leadership in sustainability, employee welfare, and governance, serving as models for the industry. By adopting responsible HR practices, these companies enhance business performance, foster a culture of inclusivity and fairness, and contribute to long-term environmental and social sustainability. As ESG considerations continue to shape corporate priorities, logistics firms that proactively integrate sustainable HR practices will gain a competitive advantage while promoting ethical and responsible business operations.

## DISCUSSION

**Challenges in Implementing Sustainable HR Practices:** While ESG-aligned HR strategies are gaining traction, Malaysian logistics companies still face significant challenges in implementing sustainable HR practices. These challenges stem from financial limitations, workforce resistance, regulatory complexities, lack of skilled talent, technological integration barriers, and the complexity of measuring ESG impact. Addressing these issues requires a multi-faceted approach that balances financial sustainability with ESG commitments. Below are six key challenges that logistics firms encounter when adopting ESG-driven HR practices.

**Financial Constraints and High Implementation Costs:** One of the primary obstacles to implementing sustainable HR practices is the high initial cost of transitioning to ESG-compliant policies. Many green HR initiatives, such as adopting digital HR systems, implementing carbon-reduction strategies, and providing sustainable employee benefits, require significant financial investment. Smaller logistics firms, in particular, struggle with allocating resources for ESG programs due to budget constraints and uncertain returns on investment (Tan & Zailani, 2020). Additionally, while large multinational corporations may have the capital to invest in sustainability initiatives, smaller enterprises often find it difficult to secure funding or government incentives to support their transition.

**Resistance to Change Among Employees and Management:** Resistance to change remains a major hurdle in integrating sustainability into HR practices. Employees who are accustomed to traditional work methods may view ESG-driven policies, such as digital transformation and green workplace initiatives, as unnecessary disruptions. Fear of job displacement due to automation and AI-driven HR systems also contributes to employee scepticism. Similarly, some senior management teams prioritise short-term profitability over long-term sustainability, leading to reluctance in adopting ESG initiatives (Ghouri et al., 2020). Successful ESG integration requires clear communication, employee engagement programs, and change management strategies to ensure buy-in from all levels of the organisation.

**Complex Regulatory Landscape and Compliance Challenges:** Malaysian logistics firms must navigate a complex web of ESG-related regulations, including labour laws, environmental standards, and corporate governance frameworks. The frequent updates to ESG reporting requirements and sustainability disclosure guidelines create compliance burdens for HR departments. Companies must invest in legal expertise and regulatory training to ensure adherence to

evolving policies such as the Malaysian Code on Corporate Governance (MCCG) and Bursa Malaysia's ESG reporting standards (Mokhtar et al., 2023). Non-compliance with ESG regulations can result in reputational damage, financial penalties, and legal consequences, making it imperative for logistics firms to establish strong governance frameworks.

**Shortage of ESG-Skilled Talent in the Workforce:** The demand for professionals with ESG expertise is rapidly growing, yet there remains a shortage of skilled talent in this area. Logistics companies require HR professionals with knowledge of sustainability reporting, green HRM practices, and ethical labour management to drive ESG initiatives effectively. However, the lack of specialised training programs and industry-relevant ESG certifications poses a challenge in upskilling the workforce. According to Danial & Rahmat (2024), HR departments must collaborate with academic institutions and training providers to develop ESG competency-building programs tailored to the logistics sector.

**Integration of Sustainable Technologies and Digital Transformation:** Technology plays a crucial role in facilitating ESG adoption, yet many logistics firms face barriers in integrating sustainable technologies into HR processes. The transition to digital HR solutions, such as cloud-based HR systems, AI-driven recruitment, and paperless documentation, requires both infrastructure investment and workforce adaptation. Additionally, the implementation of green supply chain technologies, such as IoT-enabled fleet management and carbon tracking systems, demands technical expertise and ongoing maintenance (Al-Tahitah et al., 2023). Without proper investment in technology and digital literacy training, organisations may struggle to achieve their ESG goals.

**Measuring ESG Impact and Performance Metrics:** Tracking and evaluating the effectiveness of ESG-driven HR strategies pose a significant challenge for logistics firms. Unlike financial performance, ESG impact is often measured using qualitative indicators, making it difficult to establish standardised benchmarks. Companies must develop key performance indicators (KPIs) for ESG compliance, including metrics such as carbon footprint reduction, employee well-being scores, and diversity ratios (Pham et al., 2020). Additionally, ensuring data accuracy and transparency in ESG reporting remains a challenge, as companies must navigate multiple reporting frameworks and stakeholder expectations. In conclusion, while ESG-driven HR practices present numerous benefits, their implementation within the Malaysian logistics sector is hindered by financial limitations, regulatory complexities, workforce resistance, skill shortages, technological barriers, and measurement difficulties. Overcoming these challenges requires strategic investments, stakeholder collaboration, and continuous adaptation to evolving ESG standards. By addressing these hurdles proactively, logistics firms can pave the way for a more sustainable, ethical, and resilient workforce.

**Recommendations to Overcome ESG Implementation Challenges:** Despite the challenges faced by logistics firms in implementing ESG-aligned HR strategies, several practical solutions can help organisations transition toward sustainable workforce practices. The following five recommendations provide actionable steps for overcoming common barriers to ESG integration in the Malaysian logistics sector.

**Establish Government Incentives and Financial Support for ESG Initiatives:** Given that financial constraints are one of the primary challenges in ESG adoption, the Malaysian government and financial institutions should introduce incentives such as tax relief, grants, and low-interest financing options for businesses that invest in sustainable HR practices. Logistics firms can collaborate with public and private stakeholders to access funding for green HR initiatives, including renewable energy adoption, sustainable fleet management, and eco-friendly workplace improvements. Additionally, companies should explore sustainability-linked loans, where interest rates are tied to ESG performance metrics, encouraging long-term commitment to sustainability.

**Implement Comprehensive Change Management and Employee Engagement Programs:** To address workforce resistance, companies should invest in change management strategies that educate employees about the importance of ESG and its benefits to both the organisation and individual well-being. This includes conducting regular sustainability awareness workshops, incorporating ESG values into company culture, and creating employee-led green initiatives to foster participation. Transparent communication about ESG policies, along with rewards and recognition programs for employees who contribute to sustainability efforts, can help increase engagement and reduce scepticism. Encouraging employees to take ownership of green initiatives will drive long-term behavioural change and create a culture of sustainability within logistics firms.

**Strengthen ESG Compliance Frameworks and Regulatory Guidance:** To navigate the complexities of ESG regulations, logistics firms must develop internal compliance frameworks that align with local and international sustainability standards. Establishing dedicated ESG committees within HR departments can help monitor regulatory changes, ensure legal compliance, and drive policy updates in line with evolving sustainability requirements. Additionally, companies should actively engage with industry associations and government agencies to seek clearer guidelines and participate in ESG-related policy discussions. Collaborating with regulatory bodies to standardise ESG reporting metrics can also simplify compliance efforts and improve transparency in sustainability disclosures.

**Invest in ESG-Specific Training and Skill Development:** A key challenge in ESG adoption is the shortage of skilled professionals with expertise in sustainable HR practices. To bridge this gap, logistics companies should invest in training programs that equip HR personnel and employees with ESG-related knowledge and skills. Partnering with educational institutions and professional training organisations to develop certification courses on ESG compliance, green HRM, and sustainable workforce management can ensure that employees are well-prepared to implement sustainability initiatives. Providing ongoing training on sustainability leadership and ethical decision-making will also help create a knowledgeable and responsible workforce.

**Leverage Technology and Digital Innovation for ESG Integration:** Technology plays a crucial role in making ESG implementation more efficient and measurable. Logistics firms should adopt digital HR solutions such as cloud-based employee management systems, AI-driven recruitment tools, and automated ESG reporting platforms to streamline sustainability efforts. Implementing IoT-based fleet management and energy-efficient warehouse monitoring systems can help reduce environmental impact while optimising operational costs. Furthermore, utilising blockchain technology for transparent ESG reporting can enhance credibility and accountability, ensuring that companies remain compliant with sustainability benchmarks. The successful integration of ESG principles into HR practices in the Malaysian logistics sector requires a strategic approach that addresses financial, regulatory, workforce, and technological challenges. By implementing government-backed financial incentives, enhancing change management strategies, strengthening compliance frameworks, investing in ESG-focused training, and leveraging digital innovation, logistics firms can overcome key obstacles to sustainability adoption. These recommendations provide a pathway for companies to transition toward responsible HR practices, ensuring long-term business resilience, employee well-being, and environmental stewardship. As ESG considerations continue to shape corporate priorities, logistics firms that proactively adopt these recommendations will gain a competitive advantage while promoting ethical and sustainable business operations.

## CONCLUSION

The integration of Environmental, Social, and Governance (ESG) principles into human resource (HR) practices in the Malaysian logistics sector is not merely a trend but a necessity for long-term business sustainability, workforce well-being, and corporate

responsibility. Despite the significant challenges associated with ESG adoption—including financial constraints, regulatory complexities, workforce resistance, and the need for specialised ESG skills—companies that proactively embrace sustainability-driven HR practices will gain a competitive advantage in the evolving logistics landscape. By strategically planning financial resources, engaging employees in sustainability initiatives, and collaborating with government agencies for regulatory support, logistics firms can create a more resilient, efficient, and ethically responsible workforce. Government incentives, such as tax reliefs and green funding programs, can ease the financial burden of ESG investments, while structured training programs and leadership development initiatives can equip HR professionals with the necessary skills to drive sustainability forward. Furthermore, integrating technology—such as AI-driven HR systems, cloud-based ESG reporting tools, and smart logistics management—will streamline operations and reinforce a company's commitment to sustainability. The case studies of DHL Malaysia, Pos Malaysia, and Westports Malaysia demonstrate that sustainable HR policies not only enhance corporate reputation but also improve employee satisfaction, operational efficiency, and overall compliance with global sustainability standards. These companies serve as models for how logistics firms can successfully embed ESG principles into their HR frameworks while addressing challenges through innovation, collaboration, and strategic execution. Looking ahead, the Malaysian logistics industry must continue to adapt to emerging ESG regulations, evolving market demands, and shifting employee expectations. Companies that invest in sustainable HR policies today will be better positioned to attract top talent, meet investor expectations, and contribute to a greener, more socially responsible business environment. The shift towards ESG-aligned HR practices is not just about compliance—it is about creating long-term value for businesses, employees, and society as a whole.

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