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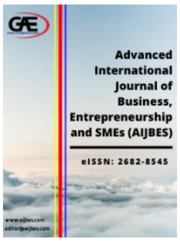

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DETERMINANTS OF ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) DISCLOSURE AMONG PUBLICLY LISTED COMPANIES IN MALAYSIA: A CONCEPTUAL REVIEW

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Abstract:

This conceptual paper analyzes the key determinants of Environmental, Social, and Governance (ESG) disclosure by Malaysian publicly listed companies (PLCs). As ESG practices continue to gain global prominence, Malaysian regulators have raised the stakes to drive sustainability reporting through guidelines aligned with global standards. Despite these efforts, levels of ESG disclosure remain low and inconsistent in Malaysia. The objective of the study is to identify and synthesize internal and external factors influencing ESG disclosure using stakeholder theory, legitimacy theory, and institutional theory. The methodology involves an extensive review of prior academic literature and regulatory documents. The findings reveal that firm level factors, board characteristic, internal governance and data governancesignificantly influence ESG disclosure levels in Malaysia. This study provides valuable insights for regulators, corporate leaders, and researchers seeking to enhance ESG disclosure. Future empirical research is recommended to validate the conceptual findings and explore the impact of emerging factors such as digitalization and evolving regulations.

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Accountability, Disclosure, ESG, Sustainability Practices

Introduction

In recent years, environmental, social, and governance (ESG) disclosure has gained significant attention as an important element of corporate reporting, driven by increased stakeholder awareness, regulatory changes, and global sustainability imperatives. Investors, consumers, and regulators have increasingly demanded transparent information about how companies address environmental risks, social responsibilities, and governance practices (KPMG, 2022, and PwC, 2023). ESG disclosure is no longer optional; it has become a critical metric for assessing a company's long-term viability and ethical standing. ESG disclosures promote corporate growth, sustainability, transparency, and image (Huang & Ge 2024). Environmental reporting supports green innovation, reduces capital costs, and boosts firm value, particularly through the Environmental Pillar Score (EPS) as a key indicator (Mondal, 2024 and Sahin, 2021). Larger firms, due to their visibility and resources, are better positioned to meet sustainability standards and enhance reporting quality (Girón et al., 2021).

In Malaysia, the push toward ESG transparency has been strengthened through initiatives by regulatory bodies such as Bursa Malaysia and the Securities Commission Malaysia (SC). Bursa Malaysia made sustainability disclosure mandatory for all publicly listed companies (PLCs) through the introduction of the Sustainability Reporting Guide and Toolkits, aligning with international frameworks such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD) (Bursa Malaysia, 2023). The inclusion of ESG as part of corporate governance disclosure requirements began with the Malaysian Code on Corporate Governance (MCCG) 2012, which recommended that companies provide full disclosure of ESG policies and their implementation in the annual report. Despite these developments, the level of ESG disclosure among Malaysian PLCs remains low and inconsistent (Ngu & Amran, 2021; Kamaludin et al., 2022; Lee et al., 2023; and Lestari et al., 2025). According to the Securities Commission Malaysia & World Bank (2024), many companies still treat ESG disclosure as a compliance exercise rather than integrating it into strategic decision-making.

In addition, according to PwC (2022), ASEAN countries are still in the early stages of disclosing ESG-related issues. PLCs in Malaysia commonly portray strong performance in sustainability reporting principles, ranking just behind Singapore. However, performance related to ESG content disclosure remains relatively low across ASEAN countries, as shown in figures 1 and 2. Moreover, the GEM Malaysia Regional Report 2022 reported that top Malaysian companies still lack depth and details in ESG reporting and recorded a low overall ESG transparency score (Malaysian Reserve, 2023). The relatively lower level of ESG disclosure among Malaysian PLCs presents a critical challenge and underscores the need for further investigation into the determinants of ESG disclosure. This investigation should focus on identifying the factors that influence ESG reporting practices, including regulatory

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frameworks, corporate governance structures, and stakeholder pressures. Understanding these determinants is essential for improving transparency and encouraging companies to adopt more robust ESG practices in the future.

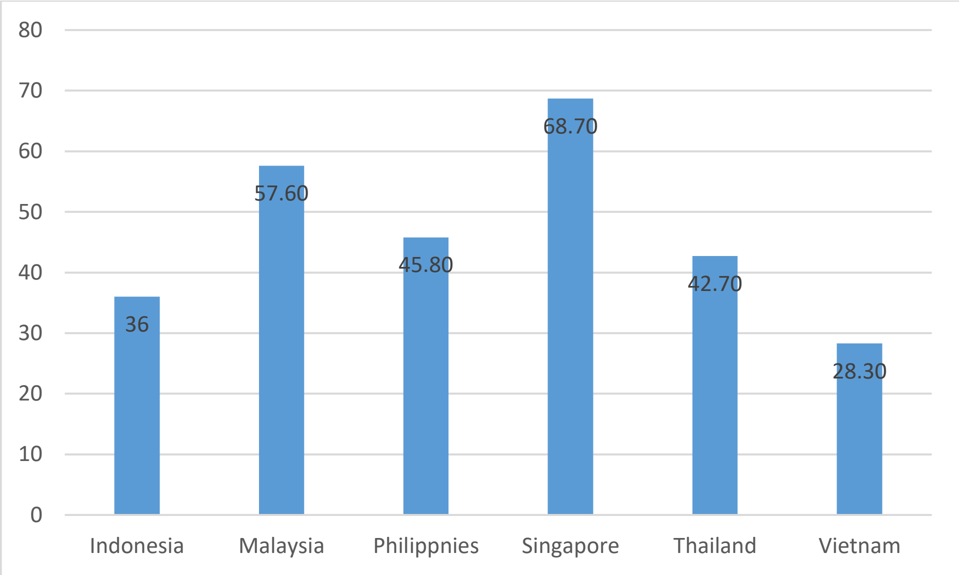

Figure 1: Overall Score for Sustainability Reporting

Sources: PwC (2022)

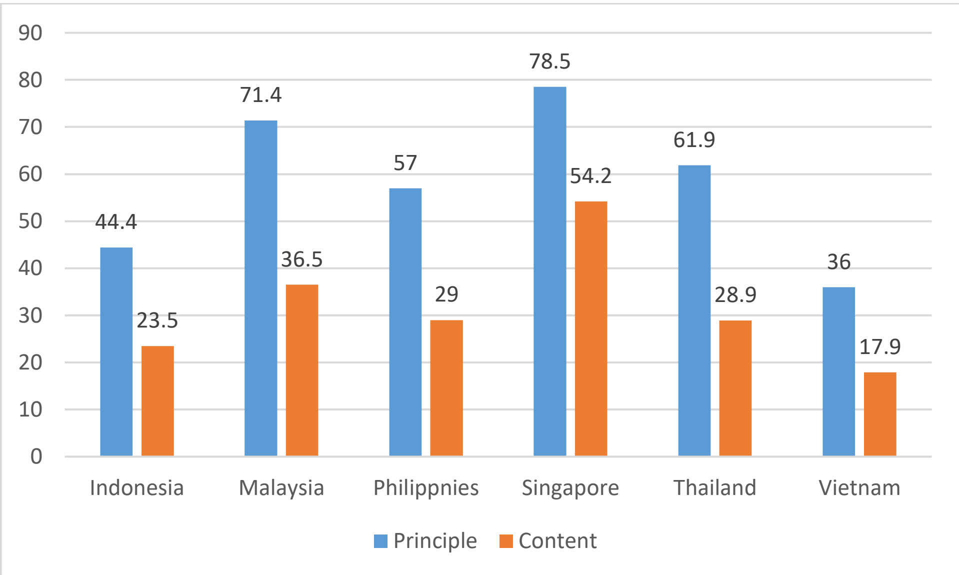

Figure 2: Overall Score for Principle and Content of ESG Disclosure

Sources: PwC (2022)

The existing literature identifies several determinants influencing ESG disclosure, including firm size (Ramadhan et al., 2023; Doshi et al., 2023), profitability and financial performance (Chouaibi et al., 2023; Rau & Yu, 2022), board attributes (Ma & Chen, 2023; Azhari et al., 2023), and regulatory requirements. However, many of these studies focus on developed

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markets, with limited attention given to the Malaysian context, where ESG disclosure is still low (Kamaludin et al., 2022; Azhari et al., 2023). Recent assessments reveal that for Malaysian PLCs, regulatory compliance, particularly with Bursa Malaysia's Sustainability Reporting Guide and international frameworks such as the GRI Standards, remains the primary driver of ESG disclosure, while investor demand and voluntary best practices play a more limited role (Securities Commission Malaysia & World Bank, 2024). These findings underscore the need for a deeper investigation into the determinants of ESG disclosure in Malaysia, especially as the country transitions to new standards under the National Sustainability Reporting Framework (NSRF).

This conceptual paper aims to explore the key determinants of ESG disclosure among Malaysian PLCs by reviewing and synthesizing existing literature. By identifying these determinants, this paper seeks to provide a comprehensive understanding of the motivations behind ESG disclosure and offer insights to regulators, corporate leaders, and policymakers striving to promote sustainability practices in Malaysia. The next section begins with a discussion of the theoretical frameworks underpinning ESG disclosure, followed by a review of ESG determinants. The paper then synthesizes key findings and offers recommendations for future research and policy development. The conclusion summarizes the main insights and highlights implications for various stakeholders.

Literature Review

Theoretical Foundations of ESG Disclosure

The examination of ESG disclosure practices is grounded in several theoretical frameworks that explain the motivations and pressures influencing corporate transparency. A recent systematic review of 142 accounting studies published up to June 2023 identifies five dominant theories that inform ESG disclosure research: stakeholder theory, legitimacy theory, institutional theory, agency theory, and signaling theory (Del Gesso & Lodhi, 2024). These frameworks are frequently integrated, offering a holistic understanding of the motivations and mechanisms driving firms to disclose ESG information.

Legitimacy Theory posited that ESG disclosure was a strategic tool used by organizations to legitimize their actions and maintain societal acceptance. Companies disclosed sustainability information to align with societal norms and values, particularly when facing heightened public scrutiny or legitimacy threats (Del Gesso & Lodhi, 2025). According to Archel et al. (2009), legitimacy functioned as a mechanism through which organizations fulfill their social contract by engaging in voluntary disclosures. This theory emphasized that firms are accountable not only to investors but also to broader societal stakeholders (Joshi et al., 2011; Comyns, 2016). A misalignment between corporate behavior and societal expectations could expose firms to reputational risks or regulatory sanctions (Gregory et al., 2016; Li et al., 2018). As global environmental concerns intensified, particularly in developing countries, ESG disclosure has become a critical means for companies to demonstrate responsibility and secure public trust (Guillamon-Saorin et al., 2017; Islam et al., 2020).

Stakeholder theory was one of the most widely used perspectives in explaining ESG and sustainability disclosure. It considered the relationships between an organization and its various stakeholders, suggesting that firms disclose ESG information to meet stakeholder expectations and maintain legitimacy (Freeman, 1984; Deegan, 2019). The theory had both an ethical and a

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managerial (normative) branch. The ethical branch emphasized fairness, proposing that all stakeholders had the right to be informed, particularly about sustainability issues, and should be included in corporate decision-making (Deegan, 2019). The managerial branch, on the other hand, argued that powerful stakeholders—those who controlled vital resources—can influence organizational actions and strategies (Freeman, 1984; Deegan, 2019). As such, organizations are more likely to respond to the demands of influential stakeholders to ensure continued support and long-term survival.

Institutional theory explains that companies adopt ESG disclosure practices in response to external pressures, including regulations, societal norms, and industry trends (Del Gesso & Lodhi, 2025). DiMaggio and Powell (1983) identified three forms of institutional isomorphism—coercive, mimetic, and normative—that drive organizations to conform and maintain legitimacy. ESG reporting was often used to meet these institutional expectations and enhance corporate reputation. Campbell (2007) and Bilyay-Erdogan (2022) emphasized that institutional contexts strongly influenced ESG practices, as firms were required to align with stakeholder values and professional standards. Scott (2013) further noted that ethical behavior, shaped by institutional norms, encourages similar ESG practices among firms operating in comparable environments.

In the Malaysian context, these theories collectively offer a robust framework for understanding the multifaceted drivers of ESG disclosure, considering the unique socio-political and economic landscape of the country.

Determinant of ESG Disclosure in Malaysian Publicly Listed Company

Profitability
Profitability has been positively associated with voluntary ESG disclosures (Abdul Rahman & Alsayegh, 2021; Azhari et al., 2023). Companies with better financial performance tend to provide more ESG information to differentiate themselves from less profitable companies (Nuskiya et al., 2021). Highly profitable companies are also better positioned to meet diverse stakeholder demands and foster a positive reputation, thus increasing their ESG disclosure (Orazalin & Mahmood, 2020). Azhari et al. (2023) suggest that companies with higher profitability tend to disclose more ESG information to legitimize themselves and reduce the risk of adverse selection. In contrast, less profitable companies may lack the financial resources needed to prepare comprehensive sustainability reports (Haniffa & Cooke, 2005).

The study by Alam et al. (2022) identifies profitability as the most significant positive driver of ESG disclosure among publicly listed companies in Malaysia. Companies with higher profitability tend to exhibit stronger environmental, social, and governance (ESG) scores, indicating that financial strength enables better commitment and resources towards sustainability practices. The positive and significant relationship across all three ESG pillars suggests that financially healthy firms are more capable of implementing comprehensive ESG strategies and disclosures (Alam et al., 2022).

Independent Board Members
Board independence is another crucial determinant influencing ESG disclosure in Malaysia. Research suggests that companies with a higher number of independent directors tend to provide more ESG disclosures. Independent board members are expected to prioritize

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transparency and accountability, leading to enhanced disclosure practices (Azhari et al., 2023; Ngu & Amran, 2021). This finding aligns with the legitimacy theory, which posits that independent boards seek to close the legitimacy gap between management and stakeholders by providing more information voluntarily. Independent board members are also seen as driving more ethical decision-making processes, further contributing to ESG-related disclosures.

Moreover, Al Amosh and Khatib (2022) highlight that board independence can strengthen the positive impact of family ownership on ESG disclosure while also mitigating the adverse effects of concentrated ownership, such as blockholder ownership. This indicates that the composition of the board plays an essential role in promoting ESG transparency, particularly in family-controlled firms.

Board Characteristics

Various specific characteristics of boards, including size, diversity, sustainability committees, and the frequency of meetings, have been shown to influence ESG disclosure. Larger boards are typically associated with higher ESG disclosures, as they bring diverse expertise to address complex ESG issues (Jizi, 2017). Moreover, board diversity, including gender diversity and expertise diversity, enhances the quality and quantity of ESG disclosures, as diverse boards offer varied insights into sustainability matters (Ozdemir et al., 2021; Peng et al., 2021). The presence of dedicated sustainability committees within boards has been found to significantly increase ESG disclosures by improving the board's responsiveness to sustainability issues (Burke et al., 2019; Chan et al., 2021).

Ngu and Amran (2021) confirmed that the frequency of board meetings was significantly and positively linked with the disclosure of material non-financial information. The results support the stakeholder theory, demonstrating that board members who meet more frequently can manage their business in an appropriate way that is fair to their shareholders as well as their stakeholders.

Internal Audit Factors

The role of internal audit functions, including factors such as audit independence, efficiency, and incentives, has also been found to positively influence ESG disclosure. Studies by Zainal & Ladisma (2024) indicate that internal audit effectiveness is one of the most influential factors in promoting transparency and robust ESG reporting. Additionally, the leadership structure within a company has a positive impact on ESG disclosures, reinforcing the importance of effective governance mechanisms in ensuring comprehensive sustainability reporting.

Positive relationships were observed between ESG disclosure and internal audit factors (independence, incentives, efficiency) and board variables (size, independence, leadership structure). Internal Audit Efficiency emerged as the most influential variable, reinforcing its role in transparency, with Leadership Structure also showing a positive impact. This study underscored the importance of internal audit effectiveness and governance structures in promoting robust ESG disclosure (Zainal & Ladisma @ Awis, 2024).

Gender Diversity on Corporate Boards

Gender diversity on corporate boards has emerged as a significant determinant of ESG disclosure in Malaysian firms. Several studies have found that companies with a higher proportion of women on their boards tend to exhibit better ESG performance. For instance,

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Kamaludin et al. (2022) and Samidi & Kwan (2024) both identified a positive relationship between board gender diversity and the level of ESG disclosure. Gender-diverse boards are believed to enhance decision-making, oversight, and accountability, contributing to improved sustainability practices. Furthermore, research by Wan Mohammad et al. (2023) suggests that the positive effect of gender diversity on ESG disclosure is particularly pronounced in non-family or non-government-linked companies where governance practices are less influenced by affiliations.

Nashri et al. (2023) also support these findings, indicating that a diverse board composition, especially in terms of gender and experience, significantly influences ESG outcomes. This underscores the growing importance of inclusive governance in shaping sustainability strategies and disclosures within Malaysian companies.

Goals Compatibility and Resources Dependence
Liu et al. (2022) identified two critical factors influencing ESG disclosure in Malaysia: goals compatibility and resource dependence. Goals compatibility refers to how well a company's internal objectives align with stakeholder expectations regarding ESG matters. When there is a strong alignment, companies find it easier and less costly to meet ESG expectations. Resource dependence refers to how much a company relies on external stakeholders for critical resources such as funding, support, or legitimacy. Companies that depend heavily on external resources are more likely to engage in ESG disclosure as a means to meet stakeholder demands and secure continued support. In addition, Jasni and Yusoff (2021) found that the identification of clear environmental guidelines and strong data governance as key success factors provides important variables that influence how companies disclose ESG information.

Methodology
This study adopts a descriptive conceptual review approach to explore the determinants of ESG disclosure among Malaysian publicly listed companies (PLCs). The sources of data include peer-reviewed journal articles, regulatory reports, industry white papers, and policy documents published between 2017 and 2024. Key sources include publications from Bursa Malaysia, the Securities Commission Malaysia, the Global Reporting Initiative (GRI), and academic databases such as Scopus, Web of Science, and Google Scholar. The data collection process involved a structured search using keywords such as "ESG disclosure," "determinants of ESG," "corporate governance," "Malaysia," and "sustainability reporting." Articles were selected based on relevance, citation frequency, and recency. The technique of analysis applied was content synthesis, where key themes and variables related to ESG disclosure were identified, categorized, and compared. Determinants were grouped into firm-level factors, board-related attributes, internal governance mechanisms, and data governance. This process allowed the study to map relationships and draw conceptual linkages supported by the underlying theoretical frameworks (legitimacy theory, stakeholder theory, and institutional theory).

Findings from Literature Synthesis
The determinants of Malaysian listed companies' ESG disclosure are revealing of the complex nature of corporate decision-making towards sustainability. It is important to discuss these determinants in relation to understanding how various internal and external determinants affect the level of disclosure of firms' ESG practices and performance.

Firm-level determinants, such as profitability, have been found to exercise a strong positive influence on ESG disclosure. Profitability provides companies with the financial resources to invest in sustainability initiatives and disclose their activities. Companies with better financial performance are likely to meet stakeholders' expectations and enhance their reputation through transparent ESG reporting. This aligns with the resource dependence theory, which assumes that firms that have more resources will be more likely to adopt ESG disclosure to meet the needs of stakeholders and gain legitimacy (Liu et al., 2022). However, in less profitable firms, the lack of financial resources may be a hindrance to the production and dissemination of ESG reports and thus limits them from showing their sustainable activities (Prado-Lorenzo & Garcia Sanchez, 2010).

Board characteristics also play a significant role in determining ESG disclosure practices. Board size is also expected to affect ESG disclosures, with bigger boards having more capacity to provide more ESG disclosures because of their broader range of skills, thus being in a better position to handle complex ESG issues (Jizi, 2017). Board diversity, particularly gender and experience, has also been linked with improved ESG disclosure. Diverse boards provide diverse perspectives that enhance decision-making and support better monitoring of sustainability practices. Gender diversity on boards has been specifically proven to positively affect ESG disclosure. Companies with greater percentages of women on boards are found to have greater ESG performance, as women bring alternative perspectives and are more likely to emphasize long-term sustainability goals (Samidi & Kwan, 2024; Kamaludin et al., 2022). This aligns with the theory that inclusive governance enhances accountability, transparency, and ESG report quality.

Independent directors form another prominent board characteristic. It is discovered that companies that have a higher proportion of independent directors provide more ESG disclosures (Azhari et al., 2023; Ngu & Amran, 2021). Independent directors, who are not influenced by the interests of controlling shareholders or management, can push for greater transparency and accountability in ESG reporting, in line with the views of legitimacy theory. Additionally, the number of board meetings has been found to have a positive relationship with ESG disclosure, as more frequent meetings allow for greater monitoring and discussion on sustainability issues (Ngu & Amran, 2021). These findings suggest that stronger corporate governance structures, with independent leadership and sound stewardship, are essential to drive ESG transparency.

In terms of ownership structures, family ownership is closely linked to ESG disclosure. Family businesses may be concerned with long-term survival but also may be risk-averse and hold back their disclosure practices. However, independent directors' presence can counteract such an impact by ensuring transparency and responsiveness to stakeholder requirements (Al Amosh & Khatib, 2022). Blockholder ownership is also problematic in terms of ESG disclosure, where controlling shareholders are likely to prioritize short-termistic financial performance over long-term sustainability goals. However, independent directors' presence counteracts such pressures and ensures greater ESG transparency.

Finally, outside forces such as stakeholder expectations and the need to maintain a good reputation heavily impact the practice of ESG disclosure. Extremely stakeholder-reliant companies are more likely to make their goals subject to alignment with stakeholder ESG expectations (Liu et al., 2022). Furthermore, companies seeking to enhance their image will

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voluntarily disclose ESG, demonstrating they value corporate social responsibility. This shows that companies are increasingly taking into consideration the importance of stakeholder theory, which demands stakeholders' interests to be balanced to ensure long-term business success.

In conclusion, the factors driving Malaysian listed companies' ESG disclosures are interconnected and an integration of internal capabilities, board dynamics, ownership structure, and external pressures. If properly managed, these drivers can greatly enhance the quality and clarity of ESG disclosures, align companies' practices with stakeholders' expectations, and drive long-term sustainable development. These determinants need to be known by policymakers, investors, and business entities, as the horizon of sustainability reporting and corporate governance in Malaysia is changing.

Table 1 presents the main conclusions from earlier research to give a greater understanding of the several factors that affect ESG disclosure across Malaysian PLCs. The determinants are classified into firm-level characteristics, board characteristics, audit-related factors, and stakeholder-related effects. This review underscores the variety of elements influencing ESG disclosure procedures and establishes a basis for future empirical investigation.

Table 1: Summary of Determinants Influencing ESG Disclosure in Malaysian PLCs

Category	Determinant	Key Findings	Implications
Firm-Level Factors	Profitability	Positively influences ESG disclosure as profitable firms have more resources to invest in sustainability. (Azhari et al., 2023; Alam et al., 2022; Abdul Rahman & Alsayegh, 2021).	Financial strength allows companies to meet stakeholder expectations and enhance legitimacy.
	Resource Dependence	Companies reliant on key stakeholders disclose more to maintain support and legitimacy. (Liu et al., 2022).	ESG disclosure acts as a strategic tool to retain critical stakeholder resources.
	Goals Compatibility	Strong alignment between corporate goals and stakeholder ESG expectations enhances disclosure. (Liu et al., 2022).	Compatibility reduces disclosure cost and increases compliance with stakeholder norms.
Board Characteristics	Board Independence	Generally positively related to ESG disclosure but can vary; high independence may prioritize financial goals over sustainability. (Ngu & Amran, 2021; Al Amosh & Khatib, 2022).	Board independence supports transparency but must be balanced with a long-term sustainability focus.
	Gender Diversity	Female representation on boards significantly enhances ESG disclosure. (Samidi & Kwan, 2024; Kamaludin et al., 2022; Wan Mohammad et al., 2023).	Diverse boards improve decision-making and responsiveness to ESG issues.

	Board Size	Larger boards lead to greater ESG disclosure due to more varied expertise. (Jizi, 2017).	Broad experience pool supports better handling of complex ESG matters.
	Sustainability Committee	Presence of dedicated committees increases ESG transparency. (Chan et al., 2021; Burke et al., 2017).	Specialized structures reflect commitment to sustainability.
	Board Meeting Frequency	More frequent board meetings positively influence ESG disclosure. (Ngu & Amran, 2021).	Enables continuous engagement with sustainability issues and stakeholder concerns.
Internal Governance	Internal Audit Efficiency	Efficient internal audit systems significantly enhance ESG reporting. (Zainal & Ladisma @ Awis, 2024).	Internal checks and transparency mechanisms strengthen disclosure practices.
Data Governance	Environmental/Data Guidelines	Clear policies and data governance practices lead to better ESG reporting. (Jasni & Yusoff, 2020).	Strong governance frameworks ensure accuracy and consistency in ESG disclosures.

Conclusion

This study aimed to identify the key determinants of ESG disclosure in Malaysian public listed companies (PLCs) with stakeholder theory, legitimacy theory, and institutional theory as the supporting frameworks. Based on a comprehensive review of research and regulatory literature, the study was able to achieve its objective by classifying the main determinants into firm-level characteristics, board attributes, internal governance mechanisms, and stakeholder-related factors. Specifically, profitability, board independence, gender diversity, internal audit effectiveness, and stakeholder pressure were found to significantly influence ESG disclosure practices. The findings provide a greater understanding of how such factors interact to determine ESG transparency within the Malaysian context, highlighting the importance of corporate governance structures, stakeholder engagement, and organizational capabilities. Although the study is conceptual in nature and does not include empirical testing, it provides a good foundation for future studies to validate these relationships using quantitative or qualitative methods. Besides, it encourages policymakers, regulators, and business leaders to consider these determinants when developing ESG reporting frameworks and strategies. Future studies should also explore emerging factors such as digitalization, regulatory reform, and industry-specific challenges in shaping ESG disclosure practices.

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