

The Evolution of Sustainability Reporting in Malaysia

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Abstract

This paper study the evolution of sustainability reporting in Malaysia. This is the overview of regulatory background and development of sustainability reporting in Malaysia. This paper provides greater understanding on the development of sustainability reporting and the importance of sustainability reporting engagement towards global. It then reveals trends in sustainability reporting within the evolutions. The paper discusses the importance of authority in assisting and monitoring the extent of sustainability engagement among companies. This study is just analysing the qualitative information based on existing data provided by local authority.

Keywords: Sustainability, Reporting, Framework

Introduction

Recently, the business is not solely in the context of financial but are moving towards wider contexts. Business is embedded with various stakeholders withholding different information goals (Herzig and Schaltegger, 2006). Businesses are in need to satisfy their stakeholder in providing information on economic, ecological and social (Schaltegger and Burritt 2005). In the setting of business' activities, sustainability alludes to how the companies oversee their business risk in environmental, economic and social (Jan, Marimuthu and Mat Isa, 2019). In consequences, company need to thoroughly manage the importance of economic, ecological and social effects of business activities in addition to providing their stakeholders with the information on risks and responses towards sustainability issues (Schaltegger et al., 2005). Prior to stand-alone reporting, substantially there are vast trends among companies in providing information on their environmental, social or sustainability policies and impacts (Kolk, 2004). This means that information is communicated to the stakeholders through reporting. Carrot and Sticks (2016) noted that the policy climate for non-financial and sustainability reporting has progressively improving. Herzig et al (2006) suggested that the reporting plays a crucial role in communicating the importance of sustainability. It is additionally seen that businesses in Malaysia have seen a promising slant towards the transparency of the company's operation (Carrot and Stick, 2016). Malaysia has a great ambiance for foreign investment; hence it is a push factor for sustainability practices among businesses in Malaysia (Amran and Devi, 2008). Apparently, the businesses that show concern on sustainability practices through sustainability reporting are having greater exposure and recognition globally (Saleh, Zulkifli, & Muhamad, 2010).

Literature Review

Moving towards twenty-first century, the United Nations (UN) determined to address serious issues concerning sustainable development in various sectors (Joseph, Sawani, Janggu, Hossen and Atan, 2021). As according to UN (2021), Malaysia is one of the members participating in

the Commission on Sustainable Development (CSD) in 2004, 2005 and 2007. Prior to the mandatory implementation of reporting, Malaysia had introduced the voluntary reporting among public listed companies that statistically proved to have low level of awareness (Smith, Yahya, & Amiruddin, 2007). Bursa Malaysia Stock Exchange had introduced a set of CSR guidelines for voluntary reporting by Malaysian listed companies. The voluntary reporting is aimed to enhance the awareness among companies in Malaysia the needs to incorporated social responsibility in adding value towards their companies (Bursa Malaysia, 2006). In 2007, it portrayed the government engagement in striving towards wide business context especially in social responsibility in amending the guideline to create more rigid awareness towards the importance of sustainability in business operations (Bursa Malaysia, 2007). The social responsibility information had been made mandatory by Bursa Malaysia by incorporating in the annual report published by the listed companies (Carrot and stick 2016). Said, Zainuddin and Haron (2009) suggested that corporate social responsibility reporting in the annual reporting would likely promoting not only financial performance but the public reputation of the business. Ioannou and Sarafeim (2017) evidenced that voluntary reporting had positively undertake among public listed companies in Malaysia even though in a low extent. Haji (2013) stated that the justification for the low extent of sustainability reporting is mainly due to lack of comprehensive guidelines given prior to the guidelines in the year of 2006. Consistent with the UN CSD 2011 to engage more in-depth information of social responsibility in the form of sustainability focus. As to ensure the awareness progressing significantly, Bursa Malaysia had launched “Business Sustainability Program” to enhance the sustainable development among listed companies in year 2010.

Upheaval by the importance of addressing the sustainability issue, UN had launched the 2030 Agenda for Sustainable Development (2030 Agenda) on September 2015 at United Nations General Assembly in New York. The agenda was globally in aimed towards an enhancement of sustainable development. 2030 Agenda is focusing on 17 SGDs. It is a set of goals that targeted to be achieved by their 192-world leaders including Malaysia with 169 targets. The SGDs are covering five dimensions which are includes People, Planet, Peace and Partnership. In support of the global monitoring and reporting of the Agenda, Malaysia takes pride in the commitments towards the betterment of sustainability among companies nationally. As such, implementing sustainability reporting will be the best way to discharge public accountability among companies in Malaysia (Hooks, Tooley and Basnan, 2012). Optimistic Malaysia in fulfil the commitment, Bursa Malaysia has taken greater measure in launching the Sustainability Framework on the same year that implemented the mandatory Sustainability statement in the annual report of all listed companies in Malaysia (Carrot and Stick, 2016). Bursa Malaysia (2016) justified that the sustainability reporting framework marked the goals of strengthen the commitments of listed companies in producing good quality of sustainability reporting. This has resulted to mandatory having Sustainability Reporting separately in the annual report instead of incorporated in the Chairman’s statement.

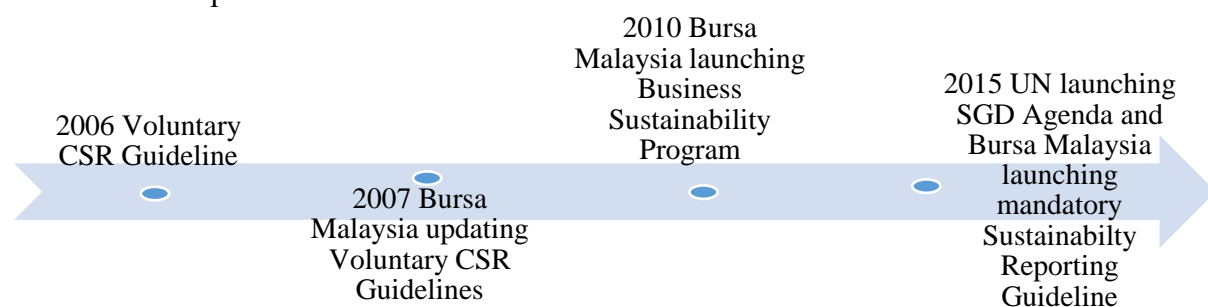


Figure 1. Sustainability timelines by Bursa Malaysia

Discussions

The results captured the data from N100 and G205 in which N100 consists samples of 5,200 companies globally that niche to top 100 companies by revenue from 52 companies including Malaysia in 29% of Asia Pacific companies. G250 shows the sample of 250 largest companies based on Fortune 500 in 2019 that evidenced that large companies are the trend setters and leaders in sustainability reporting including Malaysia in 44% of Asia Pacific companies. In accordance to the data provided by KPMG (2020) in Figure 2, it shows upslopes progress on the extent of sustainability reporting internationally. Focusing in Malaysia environment, the data shows that Malaysia are progressively created awareness among the companies through sustainability reporting. The results by KPMG (2020) shows that statistic of sustainability reporting in Malaysia had increased significantly in 2020 with 99% overtaking India (98%), Taiwan (93%) and Australia (92%). The trend in Malaysia also increased significantly from year 2017 which is only 97%. This evidenced that Malaysia is having a good trend in making sustainability mandatory with a comprehensive guideline provided by Bursa Malaysia that focusing in-depth information in SDGs. The increasing trends of sustainability reporting also suggested that the changes in business environment in Malaysia positively impacted Malaysian listed companies to disclose sustainability information in their reporting (Bakar, Ghazali and Ahmad, 2019).

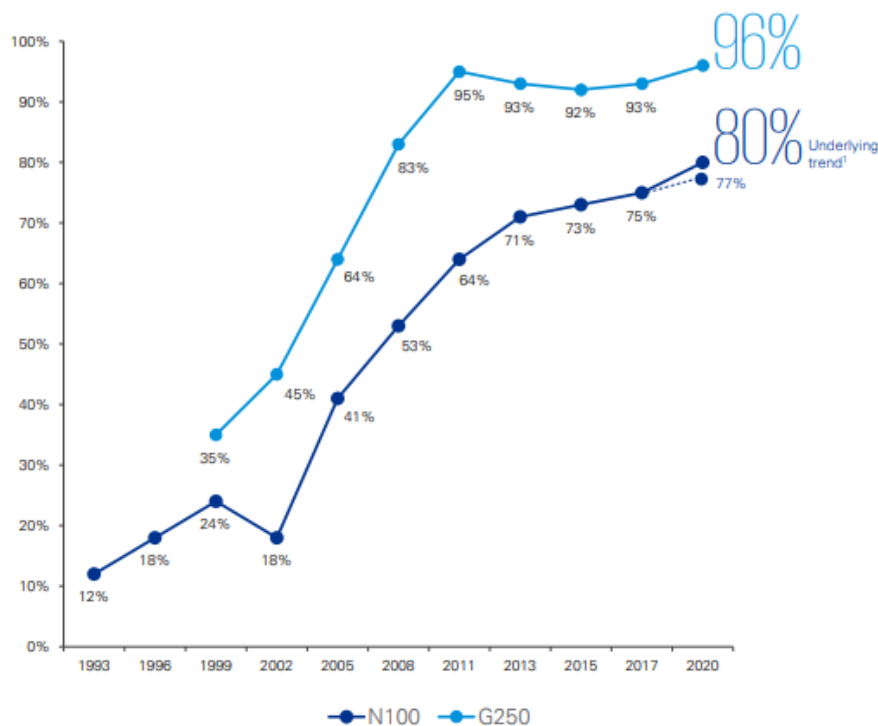


Figure 2. Growth in global sustainability reporting since 1993: N100 and G250
Reference: KPMG Survey of Sustainability Reporting in 2020

Conclusions

The results shows that evolution of sustainability reporting is positively change and the importance of the reporting are greatly increased throughout years. It shows that Malaysian government had increased the awareness among companies and improved the standards nationally consistent with globally. Apart from that, it also shows that the systematic changes progressively moving towards mandatory approach for public listed companies in Malaysia. However, the level of awareness is still considered low among society and private companies as they are not abided with the mandatory regulation for reporting under Bursa Malaysia. It is very crucial for all authorities to cooperate to create greater awareness to public as well as communicating the SDG information to the stakeholders. Stakeholders are also positioned critically in helping Malaysia becoming a country that are developed towards greater sustainability agenda, consistent with the commitments Malaysia gave to UN in the SDG Agenda 2030. In my opinion, SDG should be a commitment not only for large companies but for all levels by providing a guideline that are reachable, understandable and relevance to them. Future research should focus on the extent of sustainability reporting among companies in Malaysia regardless their market capitalization as to get greater transparency and reliability of results and information.

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