

A Descriptive Study on Environmental, Social and Governance Performance in Malaysian Public Listed Companies

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Abstract: *Malaysian public listed companies (PLCs) stand out in the ASEAN region for their commendable performance in environmental, social, and governance (ESG) factors, as evidenced by prominent ESG indicators. This study evaluates the ESG performance of 66 Malaysian companies, emphasising ESG assessment, sector-specific insights, and categorisation. Notably, a substantial number of these companies emerge as top-tier ESG performers. The findings shed light on the evolving corporate landscape in Malaysia, showcasing a steady commitment to sustainability aligning with the nation's drive for sustainable investment. Governance takes precedence over environmental and social objectives, revealing a strategic focus among these companies. The ESG strategies employed demonstrate a high degree of maturity, strategic orientation, and a long-term perspective, aimed at enhancing corporate competitiveness while contributing to societal well-being. Despite their impressive ESG standing, this study reveals that controversies often accompany top-tier performers. The paper provides valuable insights into the determinants influencing ESG performance within these organisations, offering pertinent information for policymakers, investors, and stakeholders committed to fostering sustainable business practices in the Malaysian context.*

Keywords: ESG; Malaysia; Listed companies; Societal well-being; Sustainable business practices

JEL Classification: G34, G38, M21

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1. Introduction

The surge in interest in environmental, social, and governance (ESG) has catalysed a transformative shift in the capital market, compelling corporations to embrace sustainability practices. The Security Commission's (SC, 2021) *Capital Market Masterplan 3*, spanning from 2021 to 2025, plays a pivotal role in this evolution by introducing initiatives designed to cultivate a stakeholder economy. These initiatives strategically direct increased capital towards sustainable enterprises, emphasising the necessity for businesses to adopt innovative operational methods. The SC, recognising the importance of securing financing for decarbonisation and the journey towards net-zero emissions, establishes a robust framework for market-based instruments to facilitate this transition. Concurrently, inspiring adoption trends in ESG practices have surfaced among Malaysian corporations. The introduction of the FTSE4Good Bursa Malaysia (F4GBM) index in 2014 has been instrumental in recognising public limited companies (PLCs) that enhance their ESG disclosures. This acknowledgment is reflected in the significant increase—more than threefold—of companies included in the index. The confluence of sustainable investments and the escalating demand for sustainable assets positions the capital market uniquely to propel corporate sustainability practices. This paradigm shift is expected to yield benefits for all stakeholder groups involved.

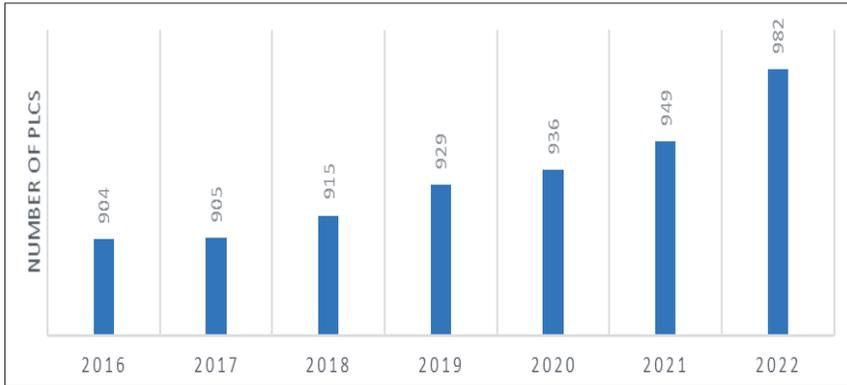
Following Bursa Malaysia's listing requirements, Malaysian firms are now mandated to elaborate on the management of crucial ESG risks and opportunities within their annual reports, as outlined in the *Sustainability Reporting Guide* (Bursa Malaysia, 2015). Specifically, companies listed on the Main Market are obligated to incorporate a comprehensive sustainability statement in their reporting. This statement delineates their governance structure, the extent of their sustainability endeavours, and the strategies employed to manage significant ESG risks and opportunities. Recognising the need to assist businesses in crafting effective sustainability statements, Bursa Malaysia offers valuable support through the provision of a detailed sustainability reporting handbook along with six toolkits. These resources serve as essential guides, aiding companies in understanding the expectations placed upon them, and offering insights on how to enhance their

sustainability practices.

Despite Bursa Malaysia's notable concentration in sectors confronted with considerable sustainability challenges—e.g., oil and gas, power and utilities, construction and property, plantations, and manufacturing—a discernible trend is emerging. Companies operating within these industries are increasingly adopting proactive measures to elevate their ESG performance. This indicates a positive trajectory, as industry players recognise the importance of aligning their operations with sustainable practices. The transition and the nation's pursuit of sustainable investing encountered renewed challenges amidst the backdrop of the Covid-19 pandemic. The pandemic amplified conscious consumerism, as individuals increasingly prioritised ethically responsible choices. In response to this shift, numerous firms have pledged net-zero or carbon-neutral commitments, aiming to minimise greenhouse gas emissions and actively contribute to climate change mitigation efforts. The EY Future Consumer Index underscores this trend, revealing that 43% of consumers worldwide express a desire to support companies making positive societal contributions. Consumers also seek increased access to ESG information from manufacturers to make informed choices.

A noteworthy development is the growing parallels between the unforeseen risks associated with the pandemic and the ongoing climate crisis. Both phenomena share profound implications for the global economy. This realisation has prompted investors and governments to acknowledge the pressing need for accelerated investments and advancements in businesses prioritising ESG values. The recognition stems from the understanding that our society relies not solely on governmental initiatives, but also on the efficacy of enterprises addressing diverse needs, encompassing job creation, equitable growth, natural resource preservation, and consumer safeguarding.

Amidst the profound health and economic challenges posed by the Covid-19 pandemic, these adversities have catalysed and accelerated the shift towards ESG investing. According to Bursa Malaysia, the year-on-year increase in new listings has been substantial, elevating the total number of listed companies on the stock exchange to 982 in 2022 from 929 in 2019 (see Figure 1).

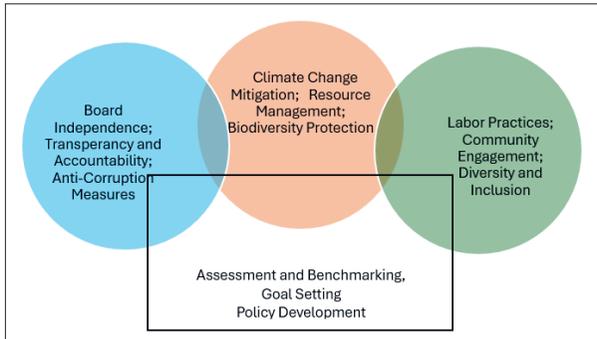
Figure 1: Number of Public Limited Companies Listed in Bursa Malaysia, 2016-2020

Source: Statista (2021)

This positive trajectory aligns harmoniously with the global movement advocating for sustainable development and responsible investing. From a global perspective, data reported by Bloomberg Intelligence in 2020 reveals that ESG assets surpassed USD35 trillion, marking a significant surge from USD30.6 trillion in 2018 and USD22.8 trillion in 2016 (Diab & Adams, 2021). These figures underscore the remarkable ascent of ESG assets, now constituting one-third of the total global assets under management. The predictions of the Global Sustainable Investment Association, in conjunction with Bloomberg's base-case scenario, anticipate that if the current growth rate of 15% persists—equivalent to a third of the pace observed over the past five years—ESG assets could potentially surpass USD41 trillion by 2022 and reach an impressive USD50 trillion by 2025.

In Malaysia, listed companies are increasingly adopting these ESG practices to enhance their sustainability profiles, meet regulatory requirements, and attract responsible investments. By integrating these principles, companies not only contribute to environmental and social well-being, but also strengthen their governance frameworks, leading to long-term business resilience and success. As shown in Figure 2 below, Malaysia's ESG practices for listed companies can be explained based on the current scenario.

Figure 2: ESG Integration into Corporate Strategy



Governance practices (blue circle) consist of board independence, i.e., ensuring that the board is independent to make unbiased decisions; transparency and accountability, i.e., promoting clear, open communication and responsibility within the organisation; and anti-corruption measures, i.e., implementing strict policies to prevent corruption and maintain integrity. Environmental practices (orange circle) consist of climate change mitigation, i.e., initiatives to reduce carbon footprints and combat climate change; resource management, i.e., efficient utilisation and conservation of resources; and biodiversity protection, i.e., efforts to preserve natural habitats and biodiversity. Social practices (green circle) consist of labour practices, i.e., ensuring fair labour practices and worker rights; community engagement, i.e., actively involving and supporting local communities; and diversity and inclusion, i.e., promoting diversity and inclusion within the workplace.

At the intersection of these components lies the holistic approach required for comprehensive ESG implementation: assessment and benchmarking, i.e., evaluating current ESG practices and setting benchmarks; goal setting, i.e., defining clear, measurable ESG goals; and policy development, i.e., creating policies to guide ESG practices and ensure compliance with regulatory standards.

In 2019, Refinitiv's Environmental Pillar Scores ranked Malaysia's largest companies as the third lowest in environmental sustainability within Asia. Additionally, a comprehensive Refinitiv (2019a) report on financing a sustainable future in Asia identified a discernible gap between intention and action specifically concerning Malaysian companies. This observation indirectly underscores that it is imperative to re-evaluate existing practices and strategies, with a focus on aligning Malaysian companies with global

green economy principles and sustainable development objectives.

The present paper seeks to portray the sustainability landscape in Malaysia by scrutinising corporate ESG behaviour. While prior academic research has explored various facets of ESG performance, such as ESG reporting, investing, and the correlations between conduct and corporate financial or economic performance (Atan et al., 2018; Kweh et al., 2017; Daugaard and Ding, 2022), limited attention has been devoted specifically to the topic of ESG performance within Malaysia. Notably, works by Dorfleitner et al. (2020) and Jitmaneroj (2016) underscore this gap in research.

The present study aims to address this void by contributing valuable insights into the state of ESG performance among Malaysian PLCs. It provides a descriptive analysis highlighting the robust ESG performance and advancements toward sustainability in these companies. Furthermore, the research delves into the key factors propelling ESG performance, offering practical implications for policymakers, investors, and various stakeholders keen on fostering sustainable business practices in the Malaysian context.

Malaysian companies engage stakeholders in their sustainability initiatives through a variety of methods aimed at ensuring inclusive and effective practices. They conduct regular consultations with employees, customers, investors, suppliers, and community members through surveys, focus groups, and public forums to gather feedback on sustainability practices. Transparency is maintained by publishing detailed sustainability reports using frameworks like the Global Reporting Initiative (GRI) and F4GBM Index. Collaborative projects with NGOs, community groups, and academic institutions address specific sustainability challenges, while employee engagement programmes promote internal participation. Dedicated sustainability committees and task forces include diverse stakeholder representatives to oversee sustainability strategies. Companies also engage with customers and suppliers to promote sustainable practices throughout the value chain and ensure public accountability through annual general meetings and public reports.

2. Literature Review

Environmental issues, particularly climate change and global warming, were highlighted as the number one concern in the World Economic Forum's

(WEF, 2023) *Global Risks Report* for three years in a row. These concerns have influenced how businesses work and make decisions for the future and have affected the behaviour of listed companies in determining their future performance. Growing environmental concerns have compelled PLCs to implement environmental regulations and divulge details about their dedication to this crucial issue (Hassani & Bahini, 2022; Alareeni & Hamdan, 2020).

Previous studies on environmental issues discuss the impacts of various aspects on a company's performance. For example, Wagner and Schaltegger (2004) report that companies with shareholder value-oriented strategies have more positive environmental and economic performance compared to companies without such a strategy. In addition, Alareeni and Hamdan (2020) indicate that corporate disclosure of ESG serves shareholders' interests in the long run and positively affects a PLCs' performance measures. Aside from that, the economic performance and financial stability of PLCs are positively correlated with good environmental disclosure and social performance (Al-Tuwaijri et al., 2004). A study on corporate governance in Japan (OECD, 2004) finds that increased transparency in disclosure can enhance the attraction of foreign capital and foster confidence in stock markets. Conversely, companies with vague or unclear disclosure practices may be susceptible to manipulation, unethical conduct, and the erosion of market integrity, incurring substantial costs for firms, stakeholders, and the overall economy.

To date, there is no widely accepted theory for explaining disclosure practices, but currently, the institution theory is the dominant perspective in ESG literature for understanding or predicting specific managerial sustainability reporting practices. ESG reporting guidelines are like rules that tell companies what information about sustainability they should share with the public (Kandpal et al., 2024). These guidelines are important because they help legitimise how companies report on their sustainability efforts (Shabana et al., 2017). They give companies direction on what to share about their sustainability goals and actions, helping them think about sustainability throughout their organisation (Lopez Santana, 2020).

Apart from that, stakeholder theory (Freeman, 1984) is used to understand sustainability performance. Stakeholder theory states that the people or groups have relationships with a company; they help the company succeed, and the company's actions affect their well-being in turn. According

to the theory, it is crucial for companies to build strong relationships with their stakeholders to maintain their legitimacy or good standing (Michelon & Parbonetti, 2012). When companies do well in ESG, it helps the company grow over the long term. It also helps companies save on costs and work more efficiently (Brammer & Millington, 2005), maintain a good reputation (Dhaliwal, 2012), and be more competitive (Porter & Kramer, 2002).

The disclosure of companies' sustainability performance through integrated reporting and the enclosure of ESG criteria as part of sustainable finance are topical concerns in mainstream academic studies, economic practice, and policymaking. Several recent studies (e.g., Tiwari et al., 2023; Wan et al., 2023; Khaw et al., 2023) conduct bibliometric analyses on ESG, highlighting the growing importance and expansive potential for further research in the field. The consensus across these studies is that ESG has emerged as a profound and essential area of study, warranting exploration to understand its implications and applications within asset management and beyond.

In line with these focal points, there are several entrenched ESG performance-related academic themes: ESG reporting, ESG investing, and relationships between ESG conduct and corporate financial/economic performance (Diwan et al., 2024; Vitolla et al., 2019; Daugaard, 2019; Atan et al., 2018; Kweh et al., 2017). Typically, when approaching ESG performance, previous studies concentrate on one or a few economic sectors from a specific region or country (Jitmaneeroj, 2016; Dorfleitner et al., 2015), analyse companies from various countries or use large databases (Aouadi & Marsat, 2018; Ferrero-Ferrero et al., 2016, Han et al., 2016; Tang et al., 2012, Li et al., 2018).

In Malaysia, ESG has been implemented in terms of the requirement for all companies to disclose their corporate social responsibility (CSR) in published annual reports (Bursa Malaysia, 2006). The CSR framework focuses on the workplace (social internal stakeholders), community (social external stakeholders), marketplace (economic) and the environment. CSR was introduced to support sustainability and engage all companies in social responsibility. To the best of our knowledge, there is a limited number of studies that address cases of ESG performance in Malaysia exclusively.

Numerous studies have investigated the relationship between ESG factors and company performance, but the results have been inconsistent. According to the literature, the effect of ESG on the development of firm

performance varies widely across countries, industries, and business models; certain nations even rely on domestic energy generation to offset trade deficits (Behl et al., 2022). Moreover, Balatbat et al. (2012) demonstrate a marginally negative relationship between analyst prediction errors and ESG scores. Contrary to conventional belief, the portfolio returns of ESG leaders are lower than those of laggards. The poor results show that actual sustainability practices that enhance corporate profitability are not accurately reflected by ESG rankings. Except under certain conditions, the market does not permit monthly changes to ESG ratings. The findings of Junius et al. (2020) are contrary to the expectations and conclusions of many studies, firms (in this case, in the energy sector) may disclose ESG information to avoid public scrutiny and legitimise their businesses at exorbitant costs.

Moreover, Bansal et al. (2021) find that an organisation's operating performance only improves if its level of sustainability reporting reaches a predetermined threshold. This indicates that sustainability reporting may not have a substantial effect on the market performance of a company. Principal shareholders view ESG as a method for enhancing their companies' standing and reputation to create long-term value (Albitar et al., 2020). ESG benefits may make organisations more appealing to investors, thereby increasing asset market prices and Tobin's q ratio (Karoui & Nguyen, 2022). Consistent with stakeholder theory, which states that stakeholders understand the connection between long-term sustainability and financial performance, the observed positive effect demonstrates that stakeholders comprehend the relationship between long-term sustainability and financial performance (Tarmuji et al., 2016).

3. Methodology

The analysis undertaken in this study is centred on both ESG performance and sector-specific perspectives. As such, the dataset encompasses records from all companies engaging in ESG reporting, drawn from Refinitiv Eikon Datastream. This database offers a wealth of information, incorporating company financial data and a diverse array of content such as fundamentals, estimates, filings, and ESG performance metrics. It is noteworthy that, with only 26% of companies actively participating in ESG reporting, the findings are not intended to be broadly extrapolated to encompass all companies in Malaysia. Instead, the analysis seeks to illuminate sustainability

trends among Malaysian businesses that proactively disclose their ESG performances. The sample data spans a period of nine years (2011 to 2020), aligning with the consistent data availability from Refinitiv Eikon Datastream during this timeframe.

A detailed sectoral breakdown of ESG reporting by the companies within the database up to the year 2020 is shown in Table 1. The scores were sourced from the Refinitiv Eikon Datastream under five categories: ESG score, ESG combined score, environmental pillar score, social pillar score, and governance pillar score. The results show that the mean ESG score and ESG combined score were relatively close, at 43.63 and 43.39, respectively. This indicates that the environmental, social, and governance pillar scores had similar weights in determining overall ESG scores. The environmental pillar had the lowest mean score of 31.26, while governance had the highest mean score of 49.53.

Table 1: Descriptive Statistics

	ESG score	ESG combined score	Environmental pillar score	Social pillar score	Governance pillar score
Mean	43.63	43.39	31.26	45.74	49.53
Std. dev.	17.93	17.79	22.19	21.97	20.86
Kurtosis	-0.64	-0.65	-0.85	-0.89	-0.93
Skewness	0.02	0.01	0.34	0.01	-0.01
Minimum	3.19	3.19	0.00	2.42	3.07
Maximum	87.06	87.06	90.46	97.05	98.70

Table 1 also shows how companies in Malaysia may have a stronger focus on governance practices and may need to further enhance their activities towards environmental best practices. Moving towards heightened environmental responsibility presents a challenge for practitioners, given the perceived value accorded to such practices by the public. For policymakers, this serves as indispensable evidence advocating for a re-evaluation of existing standards and regulations (Parikh et. al., 2023; Buniamin et. al., 2011). Table 1 also underscores the potential for substantial variation among individual companies concerning their specific ESG practices and performance.

The standard deviation values reveal a broad range of ESG scores among the studied companies, with a standard deviation of 17.93 for the

ESG score and 17.79 for the ESG combined score. While there is variability in ESG scores among the investigated companies in Malaysia, there is also a consistent emphasis on governance practices compared to environmental and social practices.

4. Results and Discussions

The data, comprising ESG score rankings sourced from the Refinitiv Eikon Datastream, is presented in Table 2 for the year 2020, categorising 15 sectors based on their ESG scores. A significant disparity is evident in the ESG scores, highlighting a notable contrast between the highest and lowest scores across sectors.

Table 2: Details of Industry Distribution based on ESG Implementation in PLCs in Malaysia

The Refinitiv Business Classification (TRBC) industry	ESG score (2019)
Tobacco	81.01
Auto and truck manufacturers	68.42
Food processing	65.44
Broadcasting	65.44
Aluminium	62.11
Wireless telecommunications services	56.10
Medical equipment, supplies and distribution	56.02
Brewers	55.66
Integrated telecommunications services	55.39
Airport operators and services	55.30
Natural gas utilities	46.14
Oil related services and equipment	45.79
Electric utilities	38.98
Consumer goods conglomerates	37.96
IT services and consulting	16.72

Tobacco companies consistently achieve higher rankings in ESG assessments compared to other manufacturing entities. This robust ESG performance is attributed, in part, to their commitment to inclusivity and social justice initiatives. However, critics argue that the ostensibly positive ESG scores of tobacco companies obscure the detrimental effects of their

operations—including pollution from filters, non-degradable e-cigarettes, as well as soil erosion and deforestation linked to tobacco cultivation. From a sustainability standpoint, specific companies fall under the classification of controversial industries (CI) or environmentally sensitive industries (ESI). Such industries—e.g., oil and gas, steel, chemicals, pharmaceuticals, and tobacco—inherently provoke controversy due to either their products or the processes employed to achieve business objectives, leading to potential adverse impacts on the environment and society. Firms within these sectors often grapple with legitimacy challenges, as their practices may deviate from societal expectations and welfare standards (Du & Vieira, 2012).

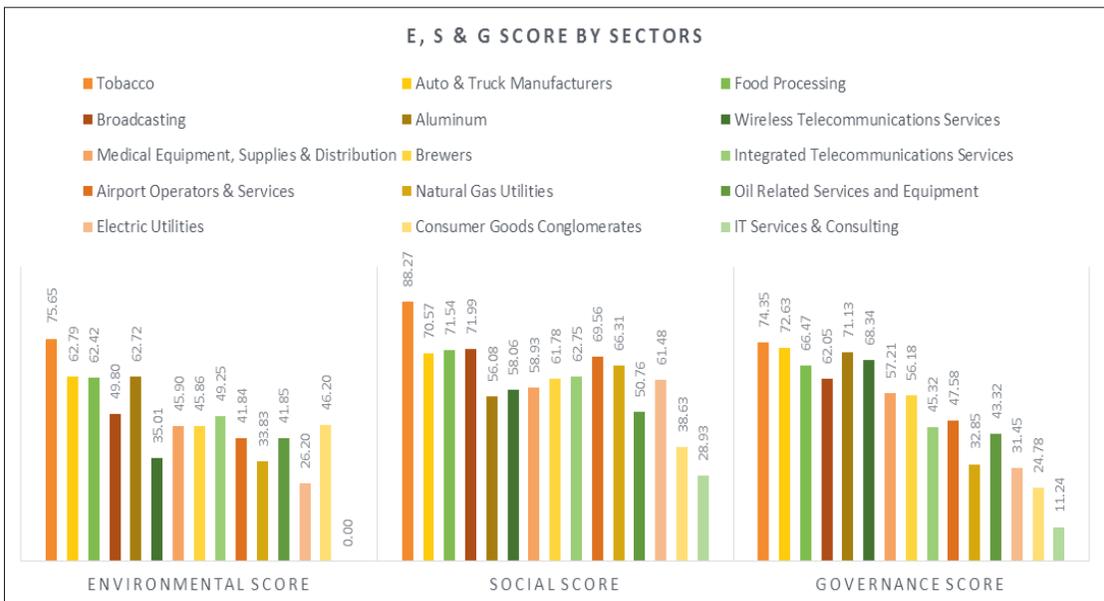
While various studies have explored the correlation between ESG factors and financial performance, there is a notable dearth of research specifically focusing on corporations within environmentally sensitive industries. For instance, Patāri et. al. (2012) identify a positive association between sustainability, social responsibility performance, and the financial and market performance of energy corporations. Additionally, Garcia et al. (2017) find that in emerging economies, ESI companies exhibit superior performance in corporate sustainability and social responsibility compared to counterparts in non-sensitive sectors. However, the existing body of literature remains limited in its examination of the ESG financial performance relationship within corporations specifically categorised as environmentally sensitive.

The integration of ESG practices within IT services and consulting is a relatively nascent development. Despite the earlier adoption of ESG practices by the consumer goods conglomerate sector compared to the tobacco sector, the former received the second lowest ESG score. This outcome could be attributed to its predominant focus on a singular component of ESG investment, resulting in an imbalanced weighting of the environmental, social, and governance scores. Consequently, variations in ESG scores across sectors become evident, suggesting a potential applicability to other industries as well. The table underscores the significance of delving into the specific ESG factors influencing each sector's score. Thus, it advocates for a comprehensive examination of these factors rather than solely relying on the overall score when evaluating a company's ESG performance.

The data, which include the ESG scores by component sourced from the Refinitiv Eikon Datastream, is presented in Figure 3. Figure 3 illustrates

the scores for each ESG component across 15 sectors, highlighting notable performers in environmental, social, and governance dimensions. The tobacco, electric utilities, food processing, and broadcasting sectors emerge with the highest scores in all three dimensions. The electric utilities sector, pivotal in the low-carbon transition, excels in environmental considerations. This is attributed to its commitment to sustainable operations, encompassing comprehensive plans for decarbonisation, the adoption of diverse energy sources, and investments in technologies aimed at mitigating climate change. Meanwhile, the food processing sector addresses social and governance issues, emphasising equality, fair trade, and labour practices throughout its supply chain. These aspects pose significant ESG risk factors for companies in the food industry, underscoring their enduring relevance in shaping the sector’s future landscape. Aiming at an environmentally friendly and socially responsible planet in line with the United Nations’ (UN) Sustainable Development Goals (SDGs), improvements in corporate ESG practices are essential.

Figure 3: ESG Component in 15 Sectors



Source: Authors’ own.

In Malaysia, all publicly traded Malaysian businesses are required to protect the natural environment and maintain the long-term viability of economic growth. Examining the annual reports and sustainability reports of the companies reveals the existence of green committees/ boards and its disclosures regarding the characteristics of such committees/boards in ESIs. Moreover, it is believed that these ESIs have greater pressure and initiatives to provide environmental information than others. Based on a total of 13 sectors listed in Table 3, the highest percentage of firms that implement ESG practices is found in the real estate investment trusts (60%), followed by the utilities sector (53.8%), and the energy sector (51.5%). This can be explained by these industries being associated with social and environmental impacts, such as carbon emissions and energy efficiency. Similarly, the utilities sector, which is known for its impact on the environment, has a relatively high percentage of firms implementing ESG practices. It is important to note that ESG practices can vary widely within each sector and from company to company. Some companies may prioritise certain factors over others, depending on their industry, business model, and stakeholder expectations.

Table 3: ESG Classification According to TRBC

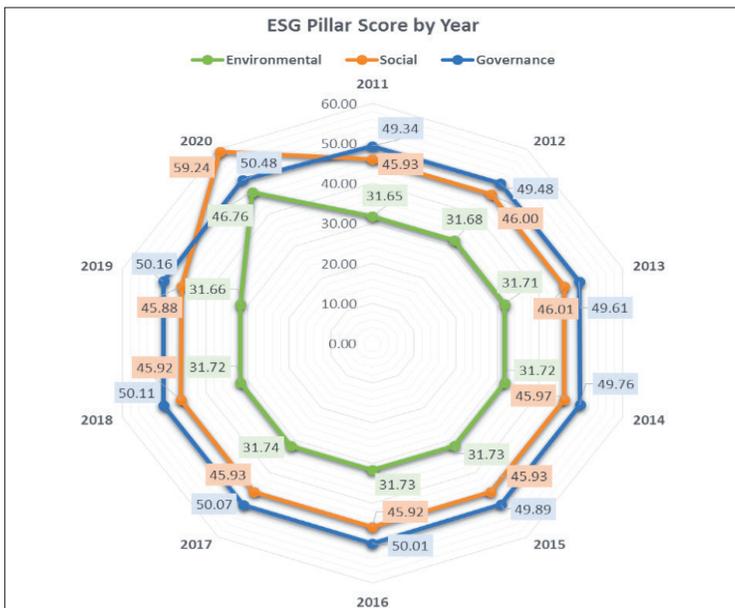
Sector	Sub-sectors	Firms	Firms implementing ESG practices	% firms implementing ESG practices
Real estate investment trusts	1	10	6	60.0
Construction	1	63	19	30.2
Plantation	1	42	12	28.6
Property	1	99	20	20.2
Utilities	2	13	7	53.8
Transportation and logistics	2	34	8	23.5
Energy	3	33	17	51.5
Financial services	3	34	16	47.1
Healthcare	3	24	9	37.5
Telecommunications and media	3	30	11	36.7
Technology	4	104	22	21.2
Consumer products and services	8	202	50	24.8
Industrial products and services	10	272	52	19.1

Conversely, the industrial products and services sector in Malaysia exhibits the lowest prevalence of ESG practices. While other sectors

engaged in manufacturing and distribution may not directly contribute to environmental or social impacts, the relevance of ESG practices remains evident. For instance, emphasising safe working conditions or minimising waste in production processes can be pivotal considerations. In the property sector, companies face ESG risks tied to energy efficiency, waste management, and community engagement. Mitigating these risks involves adopting sustainable building practices, curbing carbon footprints, and actively engaging with local communities to comprehend their needs and concerns.

Figure 4 below illustrates the ESG pillar scores in Malaysia annually from 2011 to 2020, revealing a consistent trend where the governance pillar consistently garners the highest score, surpassing both the environmental and social pillars each year from 2011 to 2019. A sustainable future depends not just on one or two pillars of sustainability, but on the achievement of all three pillars. Consequently, it is possible to assert that these organisations may be subject to specific limits or considerations as not all factors are easily quantifiable. Such factors may not directly translate into earnings growth or enhanced performance for the firm. However, it is noted that the ESG score in 2020 shows a preference for the social dimension. Companies might start to

Figure 4: ESG Pillar Score



Source: Authors' own.

believe that the social element is fundamentally about establishing trust. All commercial transactions are built on trust, and by promoting social good and establishing healthy connections, the level of trust among all stakeholders will improve, as will investor confidence. Trust and confidence are critical metrics in the real estate sector, as houses serve as the foundation for communities.

Figure 4 shows ESG pillar scores broken down by component. There is a compelling trend from 2011 to 2019 of the governance pillar consistently outshining the environmental and social pillars. This underscores the pivotal role of governance in sustainability and emphasises the need for a balanced approach across all three pillars. The governance scores not only consistently surpass those of environmental and social considerations each year, but also reveal a crucial insight: sustainability relies on the interconnected synergy of all three pillars. This challenges the notion of relying solely on the strength of one or two pillars, highlighting the intricacies involved in achieving comprehensive sustainability. Despite the overarching significance of all pillars, a noticeable discrepancy emerges in the attention given to environmental practices compared to governance and social considerations. This asymmetry poses a challenge in attaining holistic sustainability, as neglecting any one pillar could compromise the overall sustainability effort.

Analysing the ESG scores of 25 companies across 15 sectors exposes a distinctive pattern. The tobacco sector, consistently boasting the highest ESG scores, serves as a starting point. Progressing through companies with intermediate scores and concluding with sectors like IT services and consulting, which exhibit lower ESG scores, unveils a diverse landscape of sustainability practices. A standout example is British American Tobacco Malaysia, identified as an early adopter of ESG techniques, evident in its high score in 2010. This proactive stance not only differentiates the company but also elucidates its sustained position with the highest ESG score through 2019. This observation suggests that the inception of ESG practices is instrumental in driving long-term sustainability efforts for organisations.

Overall, the trajectory of ESG scores across sectors underscores the necessity for a holistic sustainability approach, emphasising the intricate interplay of governance, environmental practices, and social considerations. Organisations, irrespective of their sector, are confronted with the challenge of delicately balancing these pillars to secure a sustainable future. This nuanced perspective calls for continued attention and strategic integration of ESG practices in organisational frameworks. With growing alertness and

demand for climate action amongst consumers, adopting ESG measures is now more important than ever for businesses of all sizes to thrive in the present and future-proof themselves.

This study explores the ESG performance of Malaysian companies from 2011 to 2020, focusing on ESG score assessment, sector-specific insights, and categorisation. Our dataset includes information from 66 Malaysian companies, sourced from the Refinitiv Eikon Datastream. Additionally, we examine ESG engagements driven by institutional and stakeholder motives. Notably, our unique dataset analyses ESG scores across five categories: ESG score, ESG combined score, environmental pillar score, social pillar score, and governance pillar score. Besides that, this study examines how Malaysian companies have performed in terms of sustainability over the past ten years by analysing their ESG scores. Additionally, this study also looks at different types of industry sector to understand how each one contributes to these scores.

Malaysia has taken the lead in providing a platform and framework to work together with the industries in their transition towards ESG. ESG matters of any business are interlinked with each other, and with the recent Covid-19 pandemic, it has gained greater importance among investors, policymakers, and other key stakeholders because it is seen to safeguard businesses from future risks. An interesting finding from the descriptive view of the paper is the companies involved in ESIs if more advanced in ensuring their compliance with ESG. These findings need to be explored further in extensive research in the future. The demand for sustainable products and investments has been challenged globally as more attempts are lurking when companies publicly announce their net-zero commitments, while the risk of greenwashing—i.e., conveying a false impression or providing misleading information about the environmental credentials of a product, service, funds, disclosure or even a company itself—is intensified.

5. Conclusion and Policy Recommendations

The practical implications of ESG implementations for Asian businesses are multifaceted and hold significant strategic value. Firstly, integrating ESG practices can enhance corporate reputation and brand value, crucial factors in the highly competitive business landscape. Transparency in governance and robust environmental and social practices can attract responsible investors

and foster long-term partnerships. Additionally, as Asian markets become increasingly interconnected with global supply chains, adherence to ESG standards becomes a prerequisite for international collaboration, ensuring compliance with evolving global norms. ESG considerations also provide a framework for risk management, allowing businesses to proactively identify and address potential environmental, social, or governance risks, thereby safeguarding against unforeseen disruptions. Moreover, incorporating ESG principles can contribute to regulatory compliance, as governments across Asia are increasingly emphasising sustainable business practices. Ultimately, ESG implementations not only align businesses with global sustainability goals, but also position them strategically for long-term resilience and success in the dynamic Asian business environment.

In Malaysia, there is a notable proactive approach towards advancing ESG practices. The SC plays a pivotal role in this effort by implementing guidelines and frameworks to promote sustainability and responsible investment. These initiatives are designed to enhance corporate transparency and accountability, aligning with global ESG standards. By fostering an environment that supports sustainable business practices, Malaysia is positioning its businesses to be competitive on the international stage, ensuring long-term resilience and success in the dynamic Asian business environment. This is following Malaysia's commitment to achieving net zero carbon emissions by 2050 within the 12th Malaysia Plan.

The New Industrial Master Plan (NIMP) 2030 also demonstrates the Malaysian government's serious commitment to driving industrial transformation and promoting sustainable practices. This plan underscores the importance of integrating ESG principles to enhance corporate transparency, accountability, and sustainability across industries. However, as Malaysia advances its ESG agenda, it is crucial to address the potential challenges and risks associated with greenwashing, which can undermine the credibility of genuine sustainability efforts. To mitigate this risk, a comprehensive strategy must be developed alongside NIMP 2030, which includes stringent regulations, robust monitoring mechanisms, and clear guidelines to ensure that companies accurately report their ESG initiatives and outcomes.

By implementing frameworks that encourage responsible investment and sustainability reporting, SC helps ensure that Malaysian businesses align with global best practices. Ultimately, the combination of the NIMP 2030

and proactive measures to combat greenwashing will position Malaysia as a leader in sustainable industrial development, fostering long-term resilience and success in the global market.

Authors' Contributory Statement

The idea for the original draft was conceived by Shazida Jan Mohd Khan; (ii) Siti Nurazira Mohd Daud constructed the methodology section; (iii) Nur Syazwina Ghazali assisted in data collection and visualization of the observed variables; and (iv) Shazida Jan Mohd Khan and Nur Hafizah Ismail wrote the analysis techniques and the original draft. All authors approved the final manuscript.

Acknowledgement

This research was supported by the Ministry of Higher Education (MoHE) of Malaysia through the Fundamental Research Grant Scheme (FRGS/1/2020/SS0/UUM/03/24).

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