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Beyond Reporting: How External Stakeholders and Strategic Posture Shape ESG Disclosure in Malaysia

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ABSTRACT

This study aimed to investigate the impact of a company's strategic posture on the relationship between stakeholder power and ESG (Environmental, Social, and Governance) disclosure. By employing multivariate panel data regression techniques, this study analysed the direct and indirect effect of strategic posture on the relationship between stakeholder power and ESG disclosure. The research relied on a panel data set comprising 71 Malaysian companies observed from 2013 to 2022. The ESG orientation score, selected as proxy of strategic posture, was derived from computer-aided textual analysis of chairpersons' statements published in financial annual reports. The dataset also consisted of ESG disclosure scores and firm-related data from Bloomberg. The mediation analysis revealed that a company's strategic posture significantly mediated the influence of stakeholder power on ESG disclosure. Empirical findings provide new insights on the often-understudied role of external stakeholders who impact a company's strategic orientation and, consequently, its ESG outcomes. This study provides practical guidance for decisionmakers to prioritise external ESG demands while emphasising the importance of engaging with powerful stakeholders for impactful ESG reporting. This study contributes to the literature by exploring strategic posture as a mediator in clarifying the relationship between stakeholder power and ESG within a developing country context.

Keywords: ESG, Strategic Posture, Stakeholder Power, Disclosure.

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INTRODUCTION

ESG is a term commonly used by the investment community to denote corporate social, environmental, and governance information (Atan et al., 2018). By 2024, leading credit rating agencies reported over 160 ESG-driven rating actions, confirming their continued integration of ESG into creditworthiness assessments (S&P Global Ratings, 2025). The impact-investing market in 2024 was valued at approximately US 1.571 trillion and managed by 3,907 organisations, reflecting a 21 % annual growth rate since 2019 (GIIN, 2024). This trend presaged the increased scrutiny faced by companies to provide robust ESG data to the global investment community. Against this backdrop, policymakers are compelled to review the existing non-financial reporting mandate to ensure timely delivery of high-quality ESG information. By early 2024, more than 90 countries had introduced well over 600 sustainability-reporting instruments requiring or encouraging ESG disclosures (Carrots & Sticks, 2024). However, recent studies have shown that a disclosure mandate can indeed compel an organisation to submit an ESG report, but often at the cost of significant omissions of specific and relevant impact outcomes (Krueger et al., 2021). The continued stagnation of ESG disclosure quality, despite increased global reporting mandates, indicates the need for innovative strategies to promote robust ESG transparency (World Economic Forum, 2024).

The proposed solution put forth in this study was to leverage the unique contextual pressure exerted by stakeholders to significantly enhance ESG disclosure. However, previous research work, particularly in developing countries, has not thoroughly explored the strategic element guiding ESG disclosure decisions perpetuated by powerful stakeholders. Notably, the research gap underscored the research objective of this study: to investigate the mediating effect of strategic posture on the relationship between stakeholder power and ESG disclosure. This study enhances ESG literature by empirically testing a novel conceptual model that posits strategic posture as a mediator capable of accentuating the influence of powerful stakeholders on ESG disclosure in the context of a developing country. This article is organised as follows: the literature review examined the relationship between stakeholder power, strategic posture, and ESG disclosure and presented the conceptual framework and hypotheses. The subsequent section outlines the research methodology and the sampling approach. The final section comprehensively delves into the study's findings, highlights existing gaps in the research, proposes a forward-looking agenda for future studies, and concludes with insightful remarks.

LITERATURE REVIEW

Stakeholder Power and ESG Disclosure

Stakeholders are described by Phillips (2003) as 'those who can assist or hinder the achievement of organisational objectives' (p. 481). According to Neill and Stovall (2005), stakeholders pursuing the ESG agenda must first possess the power to impose such agenda on the company. Freeman and Reed (1983) distinguished the sources of stakeholder power in the form of political, voting (formalistic), and economic power. The first is the government or regulators, stakeholders which wield political power to dictate organisational behaviour through political processes such as regulatory mechanisms and legislation. Next, stakeholders who possess voting power, often referring to shareholders and the board, can use protest voting to directly influence corporate governance and strategy (Yermack, 2010). Lastly, economic power is possessed by those who can exert influence based on market choices, such as customers and suppliers (Freeman & Reed, 1983).

The Causal Effect of Strategic Posture on ESG Disclosure

The definition of strategic posture for the study, derived from Covin and Slevin (1989), is "a firm's overall competitive orientation" (p. 77). The existing literature shows that a proactive stance on ESG matters correlates with increased ESG disclosure in response to demands from powerful stakeholders, although empirical evidence remains few and far between. Chiu and Wang (2015) noted that strategic posture significantly influenced the quality of social disclosure, particularly when overseen by a dedicated CSR department adopting an active strategic position. However, Giannarakis et al. (2020) presented a contrasting view by demonstrating that the presence of a sustainability committee is not the fundamental determinant of sustainability disclosure. Recently, Shwairef et al. (2021) introduced a novel research approach by transitioning the role of strategic posture from a predictor to a mediator. This shift aimed to explore the relationship between corporate governance and environmental reporting, a direction that significantly informs the focus of the study.

ESG researchers in previous studies often labelled a company's strategic posture – proactive or reactive – based on the presence of a sustainability-related committee. However, a contentious implicit assumption underlying this binary approach was that it may not accurately capture the subtle changes adopted by organisations to indicate their shifting strategic orientation to ESG issues. A recent study by Indriyani et al. (2025) confirmed that a firm's strategic orientation—defined via entrepreneurial, market, and learning dimensions—provided a more nuanced gauge of its ESG posture, reinforcing and expanding on Vaupel et al. (2022). The study suggested an alternative measurement approach using a continuous scale to operationalise this construct effectively. This evolving body of research prompted a re-evaluation of the determinants of ESG disclosure, encouraging adoption of an appropriate conceptual framework, as discussed in the following section.

Conceptual Framework

The study adopted the conceptual model of ESG disclosure proposed by Wong et al. (2023) to understand how powerful stakeholders shape the strategic posture, which, in turn, influence ESG disclosure outcomes. Based on the Stakeholder Theory, Legitimacy Theory, and Resource-based Theory, companies adopt a proactive ESG strategy to stay ahead of their competitors, optimise the relationship with stakeholders, and maintain legitimacy. However, the implementation of any specific strategy may sacrifice short-term gains, which translates into possible trade-offs for certain stakeholders (Minoja, 2012). The affected stakeholders, in return, can restrict the company's access to resources, either by directly reducing capital or indirectly imposing more ESG requirements with additional propriety cost, thus compromising the feasibility of a particular strategy (Aragón-Correa & Sharma, 2003). Similarly, companies with a proactive strategic posture would obtain more organisational resources and normative legitimacy support from their stakeholders, which in turn would enhance their ESG capabilities. This theoretical foundation paved the way for the study to introduce strategic posture as a mediating variable to bridge the underlying gap between stakeholder power and ESG disclosure, as illustrated in the conceptual framework (see Figure 1).

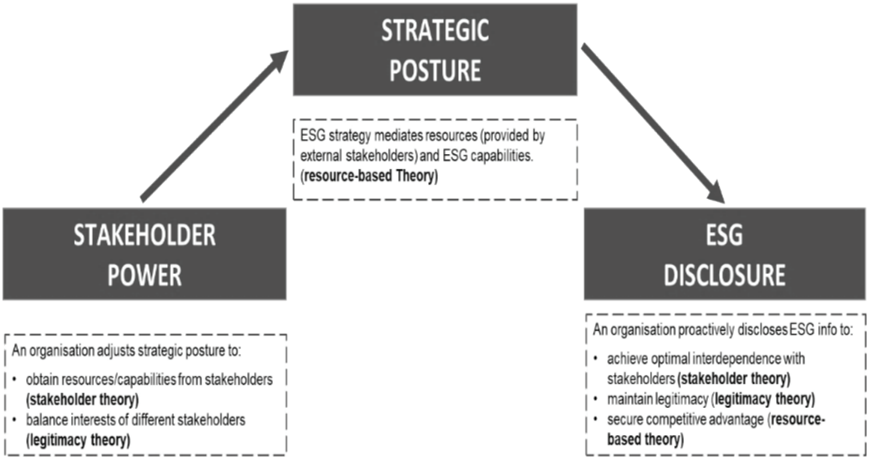

Figure 1: ESG Disclosure Conceptual Framework
(Source: Wong et al., 2023)

Hypothesis Development

Based on the literature review, five (5) central hypotheses were formulated to explore how strategic posture influenced the effect of stakeholder power on ESG disclosure. The stakeholder power was represented by the following entities:

The influence of institutional investors was derived from their economic power to provide capital to the company. Stakeholder theorists emphasised that institutional investor pressure had become a primary catalyst for demanding complete and reliable ESG information (Alhamis, 2025). Thus, the following hypothesis was formulated:

H1: Strategic posture significantly mediates the impact of institutional investor power on ESG disclosure.

Independent directors are held accountable by shareholder voting power to provide impartial monitoring of ESG-related policies. Based on the Stakeholder Theory, previous empirical studies demonstrated that the independent director was a potential determinant of ESG reporting

(Fernández-Gago et al., 2018; Aksoy et al., 2020). Therefore, the following hypothesis was proposed:

H2: Strategic posture significantly mediates the impact of independent director power on ESG disclosure.

The news media could shape the public impression of a company's legitimacy over its ESG credentials. Recent research has shown that when negative media coverage threatened an industry's legitimacy, firms within that industry increased positive ESG disclosure and assurance activities as a collective legitimacy-restoration strategy (Guo, Xie & Wang, 2025). Therefore, the following hypothesis pertaining to the Legitimacy Theory was formulated:

H3: Strategic posture significantly mediates the impact of news media power on ESG disclosure.

The influence of foreign regulators is derived from their political power to issue legislative proposals to ban the importation of products that did not meet ESG due diligence criteria. Legitimacy theorists highlight that negative ESG incidents can trigger elevated disclosure and assurance across an industry when such incidents threaten collective legitimacy (Günthner & Oesen, 2024). Similarly, Malaysian PLCs at risk of a product ban imposed by foreign governments were likely to disclose more ESG information to counteract negative stakeholder sentiment to protect the industry. Therefore, the following hypothesis was proposed:

H4: Strategic posture significantly mediates the impact of foreign regulator power on ESG disclosure.

Domestic financial regulators wield political power over listed companies through the enforcement of ESG disclosure mandates. The regulatory reforms in Malaysia were expected to improve the level of ESG practices and disclosure among PLCs (Zahid et al., 2019). Based on the Legitimacy Theory, the following hypothesis was formulated:

H5: Strategic posture significantly mediates the impact of local regulator power on ESG disclosure.

METHODOLOGY

Sampling

Following Alam et al. (2022), the study adopted a purposive sampling method by focusing on the Malaysian KLSE4Good index (henceforth F4GBM). Data collection procedures for the study followed two (2) criteria. We initially retrieved all relevant datasets of current and past constituents of the F4GBM index from the Bloomberg Terminal on 3 August 2023. The first criterion yielded an initial sample of 108 PLCs with 11,963 firm-year observations. Following Duygun et al. (2022), the subsequent step involved removing individual firm data if the percentage of its absent information exceeds the 50% threshold. The second criterion yielded a total of 7,728 firm-year observations, sourced from 71 unique samples in 11 sectors from 2013-2022, as shown in Table 1.

Table 1: Sample Description

Panel A: Sample	Companies	Observation
Initial sample	108	10,963
Sample removed based on outlined criteria	(37)	(3,235)
Final Sample	71	7,728
Panel B: Sample distribution by industry	**Companies**	**%**
Consumer Products and Services	11	15.5
Energy	6	8.5
Financial Services	12	16.9
Healthcare	3	4.2
Industrial Products and Services	8	11.3
Plantation	4	5.6
Property & Real Estate Investment Trust	6	8.5
Technology	5	7.0
Telecommunication & Media	8	11.3
Transportation & Logistics	4	5.6
Utilities	4	5.6
TOTAL	**71**	**100**

Definitions of Key Variables

The definition of key variables is summarised in Table 2. Five distinct stakeholder groups were incorporated into the study as independent variables to reflect different aspects of stakeholder power. They were institutional investor power (INV), independent director power (DIR), news media power (MEDIA), foreign regulator power (BAN), and domestic regulator power (REG). Strategic posture and ESG disclosure score were the mediating variable (SPO) and the dependent variable (ESG) for the study, respectively. Following Eccles et al. (2014), the Bloomberg ESG score was used as a proxy for the extent of ESG disclosure. The first control variable, SIZE, was measured by the natural logarithm of total revenue (Fahmi & Naibaho, 2025), consistent with recent empirical frameworks. Following Lee and Sultana (2024), this study used the natural logarithm of years since listing on Bursa Malaysia to define the control variable, AGE.

Table 2: Definition and Measurement of Variables

Variables	Acronym	Definition & Source	Hypothesis
Dependent Variable			
ESG disclosure	ESG	Bloomberg ESG Disclosure Score	
Independent Variables			
Institutional Investor Power	INV	Percentage of common shares outstanding of a company held by public/private institutions, transformed logarithmically.	H1
Independent Director Power	IND	Percentage of board members who have no affiliation with the company.	H2
News Media Power	MEDIA	The average daily sentiment score of news reports on a scale from -1 (strong negativity) to 1 (strong positivity), with 0 representing a neutral sentiment level.	H3
Foreign Regulator Power	BAN	A binary variable that equals 1 if the firm operates within industries that have been subjected to an import ban by the US Customs and Border Protection and 0 otherwise.	H4
Domestic Regulator Power	REG	A dichotomous variable to be assigned 1 when the firm publishes a sustainability statement in its annual report or a dedicated ESG report as mandated by Bursa Malaysia. 0 otherwise.	H5
Mediating Variable			
Strategic posture	SPO	The ESG orientation score is derived from the statement of the chairperson to shareholders/ stakeholders using computer-aided text analysis.	
Control Variables			
Company size	SIZE	Natural log of the total assets of the firm.	
Company age	AGE	Natural log of the firm’s listing history.	

Computer-aided Textual Analysis

The study applied the computer-aided textual analysis approach (CATA) method to measure the ESG orientation as the proxy for SPO in a granular manner. Following Anas et al. (2015), the study analysed the content of the chairperson's statement to shareholders/stakeholders to determine their strategic position toward ESG. The statements were analysed using CATScanner to measure the occurrence of specific words or phrases from an analytical dictionary (called ESG term list). The resulting ratio, multiplied by 1,000, generated an ESG orientation score for SPO, with a higher score indicating more designated dictionary words detected relative to the total word count. The ESG term list was adopted from Vaupel et al. (2022)we investigate a firm's communicated sustainability orientation (i.e., its environmental and social value orientation and further developed to accurately reflect the more expansive ESG constructs for the Malaysian context, as outlined in Figure 2.

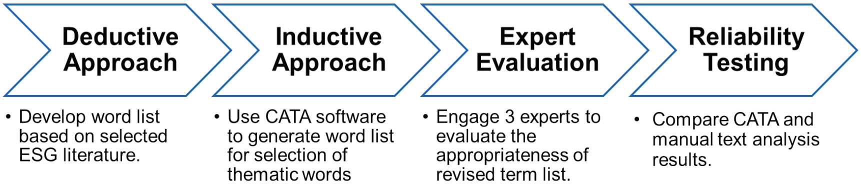

Figure 2: Development of ESG Term List for Computer-aided Textual Analysis

RESULTS AND DISCUSSION

Descriptive Analysis

Table 3 presents descriptive statistics for continuous and dichotomous variables obtained from the sample of 71 Malaysian listed companies for the observation period 2013-2022. As shown in Panel A the average ESG disclosure score (ESG) was 42.63, with a range from 20.36 to 71.70. On average, the sample scored 16.22 in strategic posture towards ESG (SPO). There was a wide divergence in SPO across the sample, with a minimum of 1.06 and a maximum of 43.29. Companies in the sample had an average institutional ownership (INV) of 54.64%, which corresponded to a logarithmic value of 1.65. The companies in the sample were moderately leveraged (CRE = 0.53). On average, independent directors (DIR) made up 52.97% of the board composition of companies. Some companies featured a modest board independence of 25%, while others achieved a notable representation of 90.91%. Media coverage of the sample varied significantly, as highlighted by the news sentiment range (MEDIA) from a low of -0.98 to a high of 0.99. As shown in Panel B, 21 firm-year observations (2.97% of the total 708) were affected by the product ban imposed by foreign regulators (BAN). From 2015, all listed companies were required by Bursa Malaysia to disclose their sustainability information. This trend was reflected in the REG variable, where approximately 80% (or 567) firm year observations were reported under the disclosure regulation from 2013-2022.

Table 3: Descriptive Statistics

Panel A: Continuous variables					
Variables	**Obs.**	**Mean**	**Std. Dev.**	**Min**	**Max**
ESG	648	42.627	10.786	20.360	71.693
SPO	708	16.224	9.012	1.063	43.293
INV*	708	1.651	0.34	-1.046	2.009
LEV	708	0.533	0.225	0.046	0.931
DIR	708	52.969	12.595	25	90.909
MEDIA	708	0.045	0.267	-0.982	0.998
SIZE*	708	4.002	0.762	2.07	5.977
ROE	708	0.156	0.355	-1.419	3.317
AGE*	708	1.291	0.364	0	1.785

Panel B: Dichotomous variables		
Variables	**Frequency (*n*=)**	**(%)**
BAN		
Imposition of product ban	21	2.966
No imposition of product ban	687	97.034
Total	708	100
REG		
Report under disclosure regulation	567	80.084
Do not report under disclosure regulation	141	19.916
Total	708	100

*value is represented using a logarithmic scale

Mediation Analysis

Following Khemakhem et al. (2022) and Ronoowah & Seetanah (2023), the STATA medsem package was used in the study to test the mediation hypotheses. The medsem package by Mehmetoglu (2018) provides an output that refers to two different mediation testing approaches. The first approach adopted the strategy proposed by Iacobucci et al. (2007), which modified the Baron and Kenny (1986) method by combining the structural equation model (SEM) and the Sobel test to assess indirect effects. SEM streamlines the sequential testing process by offering a structured framework for path analysis, allowing researchers to visually and empirically evaluate the direct, indirect, and total effects of all variables of interest within an integrated model (Fairchild & McDaniel, 2017; MacKinnon et al., 2012). The second approach followed Zhao et al.'s methodology (2010) which utilised the Monte Carlo resampling technique to determine the indirect effect results. We used two robust methods to enhance mediation analysis. Firstly, following Preacher and Hayes (2004), the study employed 5000 bootstraps to evaluate the stability and confidence intervals of mediation estimates. Second, the Monte Carlo approach was adopted to thoroughly scrutinise the robustness of the indirect effect of the mediator (Zhao et al., 2010; Mehmetoglu, 2018).

Table 4: Mediation Analysis

Estimates	Ind. Variable: INV		Ind. Variable: DIR	
	Coefficients	p-value	Coefficients	p-value
Sobel	1.351	0.005	0.036	0.001
Monte Carlo	1.343	0.006	0.036	0.002
Mediation testing method	Baron and Kenny		Baron and Kenny	
X -> M*	3.278	0.004	0.087	0.001
M -> Y*	0.412	0.000	0.412	0.000
Result	Partial Mediation		Partial Mediation	
Mediation testing method	Zhao, Lynch, and Chen		Zhao, Lynch, and Chen	
X -> Y*	5.714	0.000	0.136	0.000
Monte Carlo	1.343	0.006	0.036	0.002
Result	Complementary Mediation		Complementary Mediation	
RIT = (indirect effect/total effect)	(1.351 / 7.065) = 0.191		(0.036 / 0.172) = 0.209	
RID = (indirect effect/direct effect)	(1.351 / 5.714) = 0.236		(0.036 / 0.136) = 0.263	

Ind. Variable: MEDIA		Ind. Variable: BAN		Ind. Variable: REG	
Coefficients	p-value	Coefficients	p-value	Coefficients	p-value
0.446	0.326	0.195	0.789	1.785	0.000
0.456	0.334	0.177	0.806	1.781	0.000
Baron and Kenny		Baron and Kenny		Baron and Kenny	
1.132	0.324	0.473	0.789	4.330	0.000
0.412	0.000	0.412	0.000	0.412	0.000
Partial Mediation		*No Mediation*		*Partial Mediation*	
Zhao, Lynch, and Chen		Zhao, Lynch, and Chen		Zhao, Lynch, and Chen	
1.938	0.123	4.276	0.032	8.250	0.000
0.456	0.334	0.177	0.806	1.781	0.000
Complementary Mediation		*No Mediation*		*Complementary Mediation*	
(0.466 / 1.472) = 0.317		(0.195 / 4.471) = 0.044		(1.785 / 10.034) = 0.178	
(0.466 / 1.472) = 0.317		(0.195 / 4.276) = 0.046		(1.785 / 10.034) = 0.178	

*Y denotes the dependent variable, X denotes the independent variable, and M denotes the mediating variable.

As shown in Table 4 the mediation results remained robust across both mediation test methods, reinforcing the validity of the findings. Hypothesis H1 predicted that strategic posture had a significant positive mediator role in the relationship between institutional investor power (INV) and ESG disclosure. The Sobel test and Monte Carlo test results showed an indirect effect of 1.351 with a p-value of 0.005 and an indirect effect of 1.343 with a p-value of 0.006, respectively. Thus, H1 was supported as there was substantial evidence of an indirect effect of institutional investors on ESG disclosure mediated by strategic posture. Quantitatively, the indirect effect accounted for 19.1% total effect of INV on ESG, as shown by the indirect effect to the total effect ratio (RIT) of 0.191. The indirect influence of INV on ESG through SPO constituted approximately a quarter of the direct influence (23.6%) of INV on ESG. Hypothesis H2 posited that the strategic posture played a significant positive mediator role in the relationship between the proportion of independent directors on the board (DIR) and ESG disclosure. The Sobel and Monte Carlo tests produced consistent findings, both indicating an indirect effect coefficient of 0.036 and a p-value below the 0.05 threshold. Thus, H2 was supported. An approximate 20% of the total effect of DIR on ESG was mediated by SPO, while the mediated effect was approximately a quarter (0.26) times greater than the direct effect of DIR on ESG. This result highlighted the crucial role of strategic posture in bridging the connection between independent director power and ESG disclosure. Hypothesis H3 predicted that strategic posture played a significant positive mediating role in the relationship between negative news coverage about a company (MEDIA) and ESG disclosure. Both the Sobel and Monte Carlo tests revealed coefficients of 0.466 and 0.456, respectively, with p-values exceeding the 0.05 threshold. A closer look revealed the absence of a statistically significant relationship between MEDIA and SPO with a coefficient of 1.132 and a p-value of 0.324. This implied that SPO did not significantly impact the MEDIA-ESG relationship. Therefore, H3 was not supported. Hypothesis H4 posited that the strategic posture had a significant positive mediating role in the relationship between the imposition of product bans by foreign regulators (BAN) and ESG disclosure. Both the Sobel and Monte Carlo tests yielded non-significant coefficient results, indicating indirect effects of 0.446 and 0.456, with corresponding p-values of 0.329 and 0.334, respectively. Furthermore, the relationship between BAN and SPO had a coefficient of 1.132, but it was not statistically significant ($p = 0.324$). As a result, H4 was not supported. Lastly, Hypothesis H5 posited that the strategic posture had a significant positive mediator role in the relationship between the implementation of the domestic sustainability reporting mandate by local regulators (REG) and ESG disclosure. Both the Sobel and Monte Carlo tests yielded coefficients of 1.785 and 1.781, respectively, with similar p-values of 0.000. This result strongly supported H5. Approximately 17.8% of the effect of REG on ESG was mediated by SPO, while the mediation effect of SPO accounted for 21.6 of the direct effect of REG on ESG.

Findings and Discussion

The overall results suggested that strategic posture exerted a significant mediating effect on the relationship between stakeholder power and ESG disclosure, particularly from institutional investors, independent directors, and local regulators. Specifically, the close value of the ratios (RIT & RID) in the tested hypotheses indicated the consistent and substantial mediating role of the strategic posture in explaining how stakeholder power impacts ESG disclosure decisions. There was less robust evidence on the mediating effect of strategic posture in the relationship between ESG disclosure and stakeholder power imposed by the news media and foreign regulators. This scholarly discovery alludes to some important insights. First and foremost, empirical evidence complements the earlier discoveries by Shwairef et al. (2021) that emphasised the nuanced role of institutional investors in shaping a company's ESG strategy. A proactive strategic posture ultimately allowed a company to obtain institutional investor support to pursue more ESG initiatives. The findings also empirically supported the proposition put forth by Giannarakis et al. (2020) that independent directors were fulfilling their obligations as ESG stewards. A board with greater independence not only compels companies to disclose ESG information but also mandates the incorporation of material ESG topics into the board's ongoing strategic agenda. This, in turn, fosters a proactive approach to ESG. Furthermore, local regulators not only elicit a reflexive compliance response from companies in the domain of ESG reporting, but also influence their strategic commitment to ESG that could affect the extent of disclosures. The mediating role of strategic posture highlights the nuanced ways in which local regulatory oversight can lead to meaningful ESG outcomes, beyond the scope of standard disclosure mandates.

The indirect impact of the company's strategic posture on the influence of media power and foreign regulator power on a company's ESG disclosure remained weak. These are very interesting results that can be explained by Legitimacy Theory. Contreras-Pacheco et al. (2024) emphasised that a critical incident typically necessitates an immediate, credibly framed statement - often via press release – to address concerns across diverse stakeholder groups. In the context of a product ban or negative news coverage related to questionable corporate practices, companies are 15 likely to issue press releases promptly instead of publishing annual financial reports to address the urgent threats to their legitimacy. In other words, the ESG orientation of a company, as reflected in the chairperson's statement, may not adequately capture the sudden shifts in strategic posture toward ESG in times of legitimacy crisis. In summary, press releases offer immediate information on a company's short-term ESG remediation strategy during corporate crises, while annual financial reports provide a longer-term strategic basis for company ESG commitments. To this end, stakeholders can assess a company's ESG strategic orientation through both corporate communication mediums (press releases and financial reports), depending on the urgency of ESG issues.

Based on empirical evidence, the study sheds light on the underlying process by which stakeholder power influences the ESG reporting behaviour of a company. Specifically, a company's ESG orientation, which reflected its strategic posture, served as a validated mediator in this process. The varying disclosure behaviour of a company in response to the ESG expectations of specific stakeholder groups underscored the nuanced nature of ESG disclosure in Malaysia, where political power (represented by regulators), voting power (represented by independent directors) and economic power (represented by investors) appeared to share the same level of influence on ESG disclosure. Crucially, the results underscored the often-understated role of specific stakeholder groups in dictating an organisation's strategic orientation, which could ultimately impact its ESG outcomes. Conceptually, the findings partially supported the Resource-based Theory, which posited that the choice of strategic posture adopted by an organisation can accentuate the relationship between organisational resources (provided by powerful stakeholders) and ESG capabilities. However, it should be noted that the urgency of legitimacy also wielded substantial influence in shaping this connection.

CONCLUSION

In the past decade, Malaysian companies have greatly improved their commitment to ESG. As shown in the study, this phenomenon is partly attributed to the growing influence of powerful stakeholder groups, specifically institutional investors, independent directors, and local regulators. The study affirmed that Malaysian companies have been actively disclosing ESG information to optimise their relationships with powerful stakeholders, meet public normative expectations and maintain competitiveness. The ESG agenda has become a permanent fixture in Malaysia, readily used by companies as a strategic legitimacy tool to convey short- and long-term sustainability commitments to powerful stakeholders. The study contributes substantial literature to the trend of ESG discourse that spans a decade in the context of a developing country. The study stands out as a pioneering work that contributes to limited empirical research investigating the theoretical role of strategic posture in accentuating the impact of stakeholder power on ESG disclosure. The variation in the mediating effect of strategic posture among different stakeholders highlights the need for corporate organisations to customise their ESG strategies to meet the unique expectations of each group. The practical insights gained from the study will guide decision makers in prioritising external ESG demands. Specifically, the study appeals to corporate managers to engage institutional investors and local regulators to achieve more impactful ESG reporting within their organisations. Independent directors should ensure the effective integration of ESG commitments into their business strategies, thus enhancing ESG reporting and benefiting both company and society.

The new insights from the study come with a few limitations that pave the way for future research opportunities. First, the unavailability of the ESG score for certain companies in the Bloomberg database had resulted in a reduced sample size. Additionally, this research was based solely on financial and corporate governance data from the same source. Thus, future researchers could benefit from diversifying both financial and non-financial data sources to ensure a more comprehensive representation for their studies. Second, the scope of the study has concentrated predominantly on a narrow group of five stakeholders. On that note, the inclusion of other stakeholders in future studies would offer empirical insight on their distinctive sources of contextual pressure to influence ESG reporting decisions in the context of developing countries. Third, recent research has underscored the significant influence of companies' efforts to adapt to ESG risks on the financial stakeholders' behaviour and decisions (Alam et al., 2024). This highlights the necessity for further exploration of the dynamic effect of corporate ESG initiatives on diverse stakeholder responses, fostering a nuanced understanding of sustainable business practices.

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