

E-BOOK OF EXTENDED ABSTRACT

THE 14TH INTERNATIONAL INVENTION, INNOVATION & DESIGN COMPETITION 2025



14TH **INDES** 2025

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KRIS-DQ Index: A STRUCTURED TOOL FOR EVALUATING KEY RISK DISCLOSURE QUALITY AMONG MALAYSIAN PUBLIC- LISTED COMPANIES

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ABSTRACT

In the post-COVID-19 era, Malaysian public-listed companies face an increasingly complex risk landscape. Despite comprehensive regulatory frameworks, including the MCCG 2021, Bursa Malaysia Listing Requirements, and the Companies Act 2016, corporate risk disclosures remain limited, inconsistent, and focused on traditional financial and operational areas. This study introduces the Key Risk Disclosure Quality Index (KRIS-DQ Index), a scoring system developed to assess the quality of key risk disclosures in annual reports. Built on KPMG's post-pandemic key risk framework and aligned with national policies, the index covers 18 risk categories and evaluates each on a five-level scale, from non-disclosure to quantitative reporting. The KRIS-DQ Index was applied to 225 Main Board companies listed on Bursa Malaysia for the year 2023. The results show a wide range of disclosure quality, with a mean score of 51.3%, revealing gaps in strategic, ESG, and cybersecurity risk reporting. This study contributes to regulatory compliance, investor confidence, and academic research by offering a consistent and practical framework for benchmarking risk disclosure practices.

Keyword: Key Risk Disclosure, Risk Transparency, Risk Disclosure Quality

1. INTRODUCTION

The increasing complexity and volatility of the business environment, which has been exacerbated by events such as the COVID-19 pandemic, digital disruption, and geopolitical instability, have reshaped corporate risk profiles globally and in Malaysia (Chambers, 2021; Klint, 2021). Stakeholders now demand more transparent, comprehensive, and forward-looking risk disclosures (Ibrahim & Hussainey, 2019). In Malaysia, frameworks such as MCCG 2021 and the Bursa Malaysia Listing Requirements require companies to disclose key risks and governance mechanisms. However, empirical studies suggest that most Malaysian firms focus predominantly on financial and operational risks, while underreporting strategic, ESG, and cybersecurity threats (Mohd Ali & Taylor, 2014; Abdullah et al., 2017). Moreover, methodological inconsistencies in prior risk disclosure studies, including reliance on sentence counts or binary coding, fail to capture the quality and decision-usefulness of disclosures (Kiflee & Khan, 2021; Amran et al., 2009).

To address these gaps, this study develops the Key Risk Disclosure Quality Index (KRIS-DQ Index), a regulatory-aligned, multi-dimensional tool that evaluates how effectively companies disclose information on key risks in their annual reports. This innovation aims to enhance corporate accountability, investor insights, and academic consistency in risk disclosure research.

2. METHODOLOGY

The KRIS-DQ Index was developed using a three-stage process. First, 18 key risk areas were identified based on KPMG’s 2021–2023 internal audit key risk publications, reinforced by MCCG 2021, the Twelfth Malaysia Plan, and current literature (KPMG, 2021; Ben-Amar et al., 2022; Malatji et al., 2022). These risks include business resilience, climate change, ESG reporting, cybersecurity, and ethical concerns. Second, a scoring scale adapted from Van Staden and Hooks (2007) was applied to each risk category. A score of 0 indicates no disclosure, 1 represents vague or minimal reference, 2 shows descriptive information on the risk impact, 3 includes strategies for mitigation, and 4 adds quantitative disclosures. Third, the KRIS-DQ Index score for each company was computed as a percentage where 72 is the maximum possible score (18 risks × 4 points each).

$$\text{KRIS-DQ Score} = \left(\frac{\text{Total Score}}{72} \right) \times 100$$

The index was applied to a sample of 225 (from 750) Main Board companies listed on Bursa Malaysia in 2023 using content analysis of their annual reports.

3. FINDINGS

Analysis shows that the KRIS-DQ Index scores among the 225 companies ranged from 2.8% to 97.2%, with a mean of 51.3% and a standard deviation of 22.3%. The distribution is moderately skewed, indicating wide variation in disclosure practices. Only a minority of companies provided detailed, quantitative disclosures across multiple risk categories. Commonly disclosed areas included business continuity, fraud, and liquidity risks, while climate change, ESG reporting, and digital disruption were frequently omitted or vaguely addressed. This trend is consistent with prior research showing Malaysian firms prioritize compliance-oriented disclosures over forward-looking or sustainability-related risks (Amran et al., 2009; Zadeh et al., 2016). The histogram confirms that while some firms are disclosure leaders, a significant number fall below acceptable transparency thresholds.

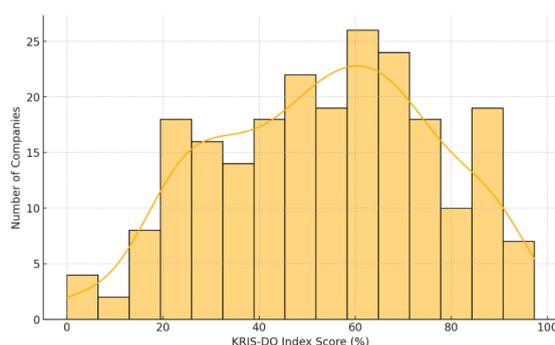


Figure 1: Distribution of KRIS-DQ Index scores

4. CONCLUSION

The KRIS-DQ Index offers a timely and robust tool to measure the quality of corporate risk disclosures, addressing long-standing challenges in academic research and practical implementation. It integrates both qualitative and quantitative elements of disclosure, aligns with regulatory expectations, and captures the evolving risk landscape. Its application to 225 Malaysian Main Board companies reveals a concerning variation in disclosure practices and highlights the underrepresentation of strategic and emerging risks. By providing a standardized, replicable framework, KRIS-DQ empowers stakeholders such as regulators, investors, and scholars to assess and

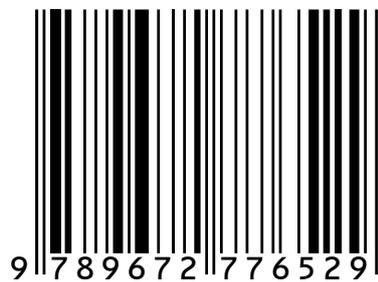
compare corporate risk transparency more effectively. As risk governance continues to evolve, adoption of tools like KRIS-DQ is critical to elevating disclosure standards and reinforcing long-term corporate accountability.

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