

ESG DISCLOSURE IN THE PALM OIL INDUSTRY: A COMPARATIVE STUDY OF MALAYSIA AND INDONESIA

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ABSTRACT

This study examines the differences in ESG reporting practices among Malaysian and Indonesian palm oil companies. The palm oil sector is often criticized due to its environmental and social issues, which subsequently leads to an increase in pressure from stakeholders for it to act responsibly. Hence, ESG disclosure plays an important role in the palm oil sector to manage its stakeholders' pressure. The differences in regulatory approaches, institutional practices, and certification schemes of the ESG disclosure in both countries are expected to influence firms' disclosure behaviour. This study examines 24 listed palm oil companies over the 2020-2024 period by using the secondary data from the ZLS SPOTT and LSEG Workspace. Independent t-test and pooled ordinary least squares regression are employed to analyse the influence of country-level differences on ESG disclosure practices. The findings show that the social pillar is the largest contributor to overall ESG scores across the industry. This indicates that the labour and community pillar was the priority in firms' resource allocation and sustainability reporting efforts. Although ESG disclosure levels are generally similar for both countries, however, Malaysian firms exhibit significantly higher disclosure levels on the governance pillar. These findings offer useful insight for investors to make comparisons between the two markets and help firms and policymakers to identify opportunities for improvement in ESG disclosure across the palm oil industry.

Keywords: ESG disclosure, Palm oil sector, ESG pillars, Malaysia and Indonesia, Sustainability reporting

1.0 INTRODUCTION

The palm oil industry supplies more than 35% of the total vegetable oil market, making it one of the most important vegetable oil producers (Oosterveer, 2020). Majority of palm oil is produced in Southeast Asia, as 93% of global output in 2024 was contributed by Indonesia and Malaysia (US Department of Agriculture, Foreign Agricultural Service, 2024). It had placed both countries at the centre of the global palm oil supply chain due to the concentration of production in these regions. Consequently, it enhances the global influence of regulatory, environmental, and governance practices implemented in these two producing nations.

Though the significant contribution of these nations to the economy was well recognised, the success was often overshadowed by their environmental and social impacts, which have attracted global attention to the sector. Previous studies have supported this statement by linking the palm oil sector with multiple environmental and social issues, such as illegal labour, unfair labour treatment, deforestation, biodiversity loss, peatland degradation, and recurrent haze creation (Paterson & Lima, 2018; Hafizuddin-Syah et al., 2018; Kannan et al., 2021). Besides, the rising issues have increased the pressure from different stakeholders, such as regulators, investors, non-governmental organisations, and the consumers themselves. Therefore, it has increased the Environmental, Social, and Governance (ESG) considerations to enhance its role in assessing the corporate accountability, legitimacy, and long-term financial sustainability within the industry.

To explore the topic, the growth pattern for the palm oil sector in both countries was compared. The statistics on land utilisation has used as a benchmark to evaluate this matter. Figure 1 shows that a significant expansion exists in the mature palm oil areas between 2010 and 2024 at both national and global levels. Comparing these two nations, Indonesia recorded a sharp increase in plantation expansion over this period, while Malaysia shows a steady growth before stabilising at approximately five million hectares. With Indonesia's data showing a doubling figure, the country has become a primary driver of global growth. In addition, the global trend also closely illustrated Indonesia's expansion pattern, establishing Indonesia's dominant contribution to worldwide plantation growth. Taken together, Indonesia's rapid expansion and Malaysia's relative stagnation show variation in structural conditions that may shape firms' ESG exposure, regulatory responses, and disclosure practices across the two countries.

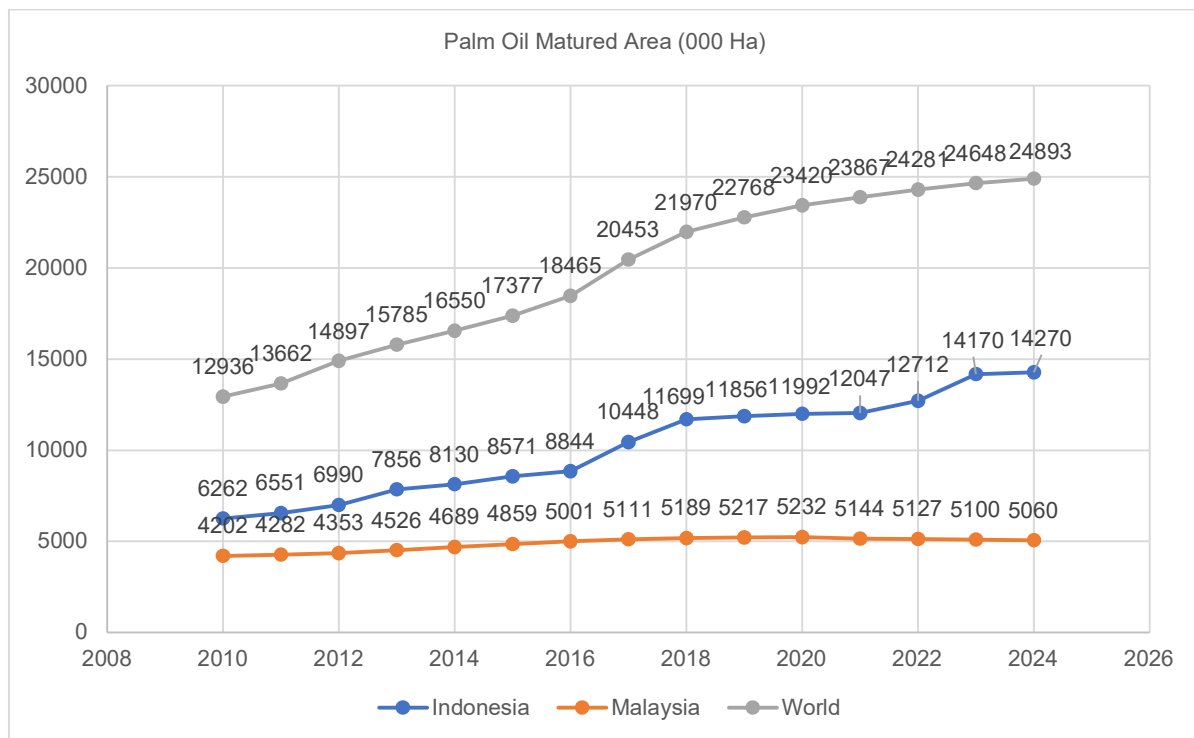


Fig. 1 Palm oil matured area in hectare
Source: Council of Palm Oil Producing Countries (CPOPC)

The comparison of the planted area between Malaysia and Indonesia is important for a better understanding of the differences in ESG disclosure practices between the two countries. Plantation size usually used to determine the environmental pressure, regulatory intervention, and sustainability expectations in both countries. Over the past decade, both countries have shown different level in expansion, where Indonesia experienced a steep plantation expansion and Malaysia was in stagnant mode. Generally, the size of plantation areas relates to the deforestation risk, labour intensity, and stakeholders' pressure, which subsequently influence the direction of sustainability initiatives and reporting. For instance, the amount of water and fertilizer used for the planted areas will directly dictates the company's environmental footprint. Hence, examining the differences in plantation scale helps to explain the ESG reporting behaviour and evaluate the effectiveness of current legal and certification systems to handle the pressure of large-scale plantations.

Consistent with these structural developments, ESG considerations have gained prominent attention among regulators, investors, civil society, and academic researchers (Halid et al., 2022). This action positively reflects the growing awareness of the need for sustainable business practices, which can safeguard the long-term economic and improve environmental viability (Kamarudin et al., 2025). Previous research highlighted that firms operating in environmentally and socially sensitive industries, such as palm oil, are therefore under surveillance to demonstrate alignment with ESG principles and to communicate responsible conduct through transparent disclosure (Murphy et al., 2021; Buallay, 2022). However, evidence suggests that many palm oil companies have yet to fully integrate ESG commitments into their core business strategies and the implementation is still inconsistent (Wardhani & Rahadian, 2021). While earlier studies documented relatively low levels of sustainability disclosure among plantation firms (Othman et al., 2010), more recent research indicates measurable improvements between 2014 and 2018. These changes happened partly due to the expansion of global certification initiatives such as the Roundtable on Sustainable Palm Oil (Oppenheimer et al., 2021). Despite this progress, ESG practices within the sector continue to display imbalances, with environmental and social dimensions receiving greater attention than governance-related disclosures (Wardhani & Rahadian, 2021; Yatim, 2024).

Even with the success of the sector into economy and distinct sustainability challenges, the empirical research examining ESG disclosure practices among plantation firms in both countries remain limited. Existing studies primarily focus on a broad sustainability perspective without appropriate consideration on industry-specific risks, regulatory environments, and institutional differences between Malaysia and Indonesia. Besides, the comparative analyses for both countries are particularly scarce, notwithstanding both are dominant players in global palm oil markets. Additionally, few studies disaggregate ESG disclosure at the pillar level. Past evidence further suggests that firms tend to prioritise certain ESG dimensions over others, underscoring the need for more granular analysis to identify disclosure asymmetries and governance weaknesses (Gálvez-Sánchez, 2024; Wardhani & Rahadian, 2021; Yatim, 2024). A focused, pillar-level comparison is therefore necessary to clarify where disclosure gaps persist and where policy or managerial interventions may be most effective.

This study conducts a comparative analysis of ESG disclosure practices between publicly listed palm oil companies in both Malaysia and Indonesia to address the gap highlighted in the preceding discussion. The analysis assesses the disclosure performance of each ESG pillar (environmental, social, and governance) and overall disclosure using the ESG scores

obtained from the Zoological Society of London's Sustainability Policy Transparency Toolkit (SPOTT) for the 2020–2024 period. The differences in regulatory regimes, reporting expectations, and the requirement of certification systems are likely to influence firms' disclosure behaviour. As the top two producers in the global palm oil supply chain, the ESG practices of palm oil companies in both countries can influence the global perceptions of sustainability within this sector. Hence, comparing different countries is relevant to disclose how institutional and governance contexts influence ESG transparency. Besides, identifying these patterns provides concrete evidence that can subsequently serve as the basis for best practices across the region.

The content of this paper is structured as follows. The next section reviews the past literature on sustainability reporting in high-risk industries, mainly focusing on ESG challenges in the palm oil sector. Followed by the methodology section that explains the sample selection process, the source of data, and the statistical tools used to achieve the objective of the study. Presentation and discussion of the findings are in the next section of this study. Finally, the last section summarises the overall findings and outlines the implications of the findings, address the limitation, and finally suggested a direction for future research.

2.0 LITERATURE REVIEW

The palm oil industry occupies a dominant position in the global vegetable oil market and represents a major source of economic value for producing countries, particularly Malaysia and Indonesia. At the same time, the sector has been persistently associated with significant environmental and social externalities, prompting heightened scrutiny from regulators, investors, and civil society organisations (Ivancic & Koh, 2016). Owing to its land-intensive production model, palm oil cultivation is widely classified as an environmentally sensitive activity, with direct implications for ecosystems, community livelihoods, and long-term sustainability outcomes (Ahmad et al., 2022; Nor Ahmad et al., 2022). As stakeholder expectations regarding corporate responsibility have intensified, transparent Environmental, Social, and Governance (ESG) practices have become increasingly central to firm legitimacy, particularly within high-impact industries (Saari et al., 2020). In this context, institutional differences between Malaysia and Indonesia encompass regulatory frameworks, certification schemes, and governance arrangements that provide a strong basis for comparative analysis of ESG disclosure practices (Barthel et al., 2017).

Environmental impacts associated with palm oil production have been extensively documented over the past two decades. Rapid expansion of plantation areas, especially in Indonesia, has been closely linked to deforestation, peatland degradation, and the loss of carbon-rich ecosystems. As illustrated in Figure 1, the total mature planted area reached approximately 24.9 million hectares by 2024, reflecting sustained growth since 2010. Numerous studies have associated this expansion with biodiversity loss, including habitat destruction affecting endangered species such as orangutans, as well as increased carbon emissions resulting from land conversion (May-Tobin et al., 2012; Gaveau et al., 2014; Teoh, 2010). In addition, slash-and-burn land clearing practices have triggered recurring transboundary haze episodes, exposing populations across Southeast Asia to hazardous air pollution and drawing strong condemnation from regional governments and international environmental organisations (Gaveau et al., 2014; Abdullah et al., 2020). These environmental challenges underscore the urgency of robust ESG disclosure as a mechanism for monitoring corporate environmental responsibility.

Beyond environmental impacts, social issues have also contributed to sustained reputational risks within the palm oil sector. Recurring concerns include allegations of child labour, forced labour, substandard working conditions, and the exploitation of undocumented workers (Nor Ahmad et al., 2022). Disputes over land ownership, indigenous rights, and community displacement further intensify social tensions in plantation regions (Aziz et al., 2021). These issues have increasingly translated into economic and regulatory consequences. For instance, restrictions imposed by the European Union on palm oil imports (Abdullah et al., 2020) and the United States' import ban on products from Sime Darby Plantation due to alleged labour violations (Latiff & Ananthalakshmi, 2020) illustrate how ESG shortcomings can directly affect market access. Such developments reinforce the role of ESG disclosure not only as a tool for accountability, but also as a strategic instrument for maintaining a firm's social licence to operate and safeguarding international competitiveness (De Villiers & Hsiao, 2017; Oosterveer, 2020).

In response to growing sustainability pressures, both Malaysia and Indonesia have introduced national certification schemes aimed at promoting responsible palm oil production, namely the Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) standards. Although both frameworks share similar objectives, notable differences exist in their scope, enforcement mechanisms, and regulatory maturity. MSPO comprises 62 audit criteria, compared to 56 under ISPO, and imposes stricter requirements related to no-burn land clearing, biodiversity conservation, greenhouse gas monitoring, water management, and land use rights (Barthel et al., 2017; Wulandari & Nasution, 2021). Moreover, Malaysia introduced mandatory sustainability reporting for listed companies as early as 2007, fostering a longer reporting tradition and stronger disclosure discipline (Loannou & Serafeim, 2017). In contrast, Indonesia only mandated sustainability reporting for publicly listed firms in 2022. These differences suggest that Malaysian firms may exhibit more structured and comprehensive ESG disclosure practices than Indonesian firms.

Corporate governance structures further differentiate ESG implementation across the two countries. Malaysia operates under a single-tier board system, whereas Indonesia adopts a two-tier structure comprising a Board of Directors and a Board of Commissioners (Warganegara et al., 2023). Governance architecture plays a critical role in shaping how sustainability risks are overseen, integrated into strategy, and communicated to stakeholders. Because boards are ultimately responsible for strategic direction, risk management, and sustainability oversight, institutional differences in board structure and accountability may lead to variation in ESG outcomes (Shamsudin et al., 2022; Suffian et al., 2022). Malaysia's governance framework has undergone continuous reform since the introduction of the Malaysian Code on Corporate Governance in 2000, contributing to comparatively higher governance standards. This is reflected in the CG Watch 2023 rankings, which place Malaysia fifth and Indonesia twelfth among Asian markets (Asian Corporate Governance Association & CLSA, 2023). Prior research consistently links stronger governance quality to improved ESG transparency and performance, reinforcing expectations of higher governance disclosure among Malaysian firms (Bigelli et al., 2023).

Taken together, differences in regulatory enforcement, sustainability certification requirements, corporate governance systems, and institutional maturity point to systematic variation in ESG disclosure practices between Malaysia and Indonesia. Firms operating in Malaysia are therefore expected to demonstrate higher levels of ESG transparency due to

longer exposure to mandatory reporting, more stringent certification standards, and stronger governance mechanisms.

This study draws on legitimacy theory and stakeholder theory to explain cross-country differences in ESG disclosure. Legitimacy theory posits that firms disclose sustainability information to align with prevailing social norms and expectations, which are shaped by national regulatory environments, certification systems, and governance frameworks (Crossley et al., 2021). Stakeholder theory complements this perspective by emphasising the influence of diverse stakeholder groups, including investors, regulators, non-governmental organisations, international buyers, and local communities, whose relative power and expectations differ across institutional contexts. By integrating these theoretical lenses, the study argues that country-level institutional arrangements condition how palm oil firms respond to legitimacy pressures and stakeholder demands, ultimately shaping their environmental, social, and governance disclosure practices.

Based on the preceding discussion, the study proposes the following hypotheses:

H1: A country has a significant positive influence on the environmental disclosure of palm oil companies.

H2: A country has a significant positive influence on the social disclosure of palm oil companies.

H3: A country has a significant positive influence on the governance disclosure of palm oil companies.

H4: A country has a significant positive influence on the overall ESG disclosure of palm oil companies.

3.0 METHODOLOGY

This study uses a quantitative research approach to look at differences in ESG disclosure between Malaysian and Indonesian palm oil firms. This methodology is implemented since the research uses quantitative ESG variables that allow for statistical comparison among different enterprises and nations. All statistical analyses were carried out using IBM SPSS Statistics (Version 31).

This study adopts a quantitative comparative design to examine cross-country differences in ESG disclosure between palm oil companies operating in Malaysia and Indonesia. First, a purposive sampling approach is applied, and the data were extracted from the SPOTT database. This action guarantees consistency and comparability by assessing all firms against a standardised set of disclosure criteria. Since the study focuses on identifying average country-level effects rather than firm-specific heterogeneity or dynamic changes over time, pooled ordinary least squares (OLS) regression was chosen as the primary estimation technique. This approach is particularly suitable, specifically for a relatively small sample, where the use of fixed- or random-effects models would substantially reduce degrees of freedom and potentially compromise the stability of the estimates. Therefore, the chosen methodology aligns with both the research objectives and the structure of the available data, providing a parsimonious and interpretable framework for cross-country comparison. Companies must meet the following selection criteria:

- Work generally in the palm oil industry in Malaysia or Indonesia.
- Be included in the SPOTT evaluation list for the research term (2020-2024).
- Have comprehensive SPOTT ESG ratings for the years under investigation.
- Possess publicly available financial data that allows for the determination of firm-level control variables.

These criteria guarantee the comparability of disclosure procedures while accounting for the impact of country-level institutional contexts such as legislative frameworks, certification schemes, and governance systems. The final sample includes 24 firms (12 Malaysian and 12 Indonesian), resulting in a balanced panel of 120 firm-year observations throughout a five-year time span.

The dependent variables include ESG disclosure scores obtained from SPOTT:

ENV = Environmental Disclosure Score

SOC = Social Disclosure Score.

GOV = Governance Disclosure Score

ESG = Total ENV, SOC, and GOV score, represent overall ESG

All criteria are given as a percentage (0-100), with higher scores indicating better transparency and dedication to sustainable practices. This empirical paradigm enables a thorough analysis of whether discrepancies in ESG disclosure are systematically related to country-level institutional contexts.

$$ESG_{it} = \beta_0 + \beta_1(Country_i) + \beta_2(LogAsset_{it}) + \beta_3(ROA_{it}) + \beta_4(Leverage_{it}) + \sum_{t=2}^{2024} \beta_t(YearDummy_t) + \varepsilon_{it}$$

Where:

ESG_{it} = Dependent Variable ESG_E, ESG_S, ESG_G, or ESG Total) for firm *i* in year *t*

Country_i = 1 for Malaysia and 0 for Indonesia as a dummy variable

LogAssets_{it} = refers to the natural logarithm of total assets (proxy for firm size)

ROA_{it} = return on assets (proxy for profitability)

Leverage_{it} = Total Debt/Total Assets

YearDummy_t = year dummy variables for 2021-2024, 2020 is the base year to control for time effects

ε_{it} = error term

The study uses two statistical techniques that complement each other:

First, the independent samples t-test was used to determine whether there is a significant difference in ESG disclosure between Malaysian and Indonesian enterprises. This t-test is excellent for comparing mean values between two independent groups and gives preliminary data to support or disprove the study's assumptions. Second, to more thoroughly investigate the national impact, pooled OLS regression was utilized as the primary analytical tool. This approach is suited for panel data in which the goal is to estimate the average influence of a major independent variable, in this example, country, over all businesses and years. According

to El-Deeb and Mohamed (2024), pooled OLS is appropriate for analysing country-level disparities rather than firm-specific trends.

4.0 RESULTS AND FINDINGS

This section presents the results from the analysis, starting with descriptive statistics, followed by diagnostic and regression results. The descriptive results provide the overall view of ESG disclosure among palm oil companies in Malaysia and Indonesia. The independent sample t-test shows whether the mean scores of Malaysian and Indonesian palm oil companies are different. Pooled OLS regression indicates whether country and control variables (LogAsset, profitability (ROA), and leverage) affect ESG pillars and their overall reporting.

4.1 Descriptive statistics

Table 1 shows the average ESG disclosure score by nation. In both Malaysia and Indonesia, the social pillar has the highest amount of transparency, followed by the environmental and governance pillar. This result was consistent with the current trends, where the labour standards, community welfare, and supply chain transparency has received more attention from the authorities and multinational purchasers. Consequently, this situation may reflect firms' reactions to issues related to forced labour and workers' rights. For instance, Sime Darby Plantation is one of the companies that was listed under the United States' import restriction.

Generally, Malaysian palm oil businesses report greater mean disclosure levels across all pillars. This situation includes environment (61.92%), social (67.76%), and governance (61.16%), resulting in a better total ESG score (66.19%). In contrast to that, Indonesian enterprises report poorer transparency, with average ratings of less than 50% across all pillars. These preliminary findings are consistent with hopes that Malaysia's earlier implementation of obligatory reporting and more complete MSPO certification will equip businesses with a more mature sustainability reporting system.

Table 1. Descriptive statistics of ESG reporting by country

ESG Dimension	Country	Mean (%)	Std. Deviation	Min	Max
Environmental	Malaysia	61.92	25.23	5.65	95.00
	Indonesia	44.06	28.42	0.00	90.94
Social	Malaysia	67.76	23.22	15.66	95.35
	Indonesia	48.70	30.40	0.00	92.43
Governance	Malaysia	61.16	20.89	15.00	91.57
	Indonesia	41.66	26.74	2.63	90.38
Overall ESG	Malaysia	66.19	23.37	13.2	96.10
	Indonesia	47.86	29.66	1.10	93.30

4.2 Independent sample t-test

An independent sample t-test was conducted to examine whether there is a significant difference in ESG disclosure between the countries. The Levene's test for equality of variances was initially conducted to ascertain the validity of the homogeneity of variance assumption. According to the results, the t-test for social, governance, and overall ESG will be conducted using unequal variances, as Levene's test p -value is 5%. The environmental pillar was performed with the assumption of equal variances, as p -values were greater than 5% (Sheikh, 2019). The results of Levene's test and the t-test are reported in Table 2 as follows:

Table 2. Independent sample t-test comparing ESG disclosure among Malaysian and Indonesian listed palm oil companies

ESG Dimension	Levene's p	Equal Variance Assumed?	t-value	df	Sig. (2-tailed)
Environmental	.167	Yes	3.642	118	<.001*
Social	.004	No	3.860	110.35	<.001*
Governance	.028	No	4.450	111.47	<.001*
Overall ESG	.010	No	3.760	111.88	<.001*

Note: * $p < 5%$ indicated a significant statistic difference between Malaysia and Indonesia; Social, governance, and overall t-test was performed without assuming equal variances due to Levene's $p < 5%$

The results show that the mean disclosure score of Malaysian palm oil companies was higher than Indonesian companies as p -value $< 1%$ across all pillars and overall ESG. This result indicate that country is a significant factor influencing ESG disclosure hence providing a preliminary support for H1-H4.

4.3 Pooled OLS regression

Table 3 presents the result of the pooled OLS regression. The results show that Malaysian companies tend to have higher environmental scores than Indonesian companies; however, the difference is not significant ($B = 7.168$, $p \approx 0.179$). More profitable and larger companies tend to provide extensive environmental disclosure, as ROA and LogAsset have a significant effect ($p < 5%$) under this pillar. Meanwhile, higher debt may slightly reduce environmental disclosure, although the difference is not significant. Year dummies are not all significant, suggesting no substantial changes in environmental disclosure over the period 2020-2024. The country has a positive impact on the social pillar; however, the difference is not statistically significant. Malaysian companies score 8.178 percentage points higher compared to Indonesian companies. The firm size and profitability also show a significant positive relationship with the social pillar disclosure ($p < 5%$). Meanwhile, leverage and year dummy show the same trend as in the environmental pillar.

In Table 3, Malaysia and Indonesia are compared using a nation dummy variable in a pooled OLS model, with Malaysia coded as 1 and Indonesia as 0. This coding means that

Indonesia serves as the baseline group, and the coefficient for the nation variable indicates how much higher or lower Malaysia's ESG disclosure is in comparison to Indonesia. A positive coefficient indicates that Malaysian enterprises report more comprehensively than Indonesian firms, whereas a negative coefficient suggests the reverse. The statistical significance of the coefficient decides whether the difference is relevant or just due to normal variation. As a result, the direction, magnitude, and importance of the country coefficient in the environmental, social, governance, and overall ESG models are directly proportional to the comparison between Malaysia and Indonesia.

Using a small balanced panel of publicly listed corporations, this study takes a quantitative approach to investigating cross-country disparities in ESG disclosure. To offer a solid foundation for analysis, a mix of descriptive statistics, independent samples t-tests with Levene's correction, and pooled OLS regression are employed, with company size, profitability, and leverage included as control variables to account for firm-specific features. Although the Durbin-Watson statistics are less than the customary benchmark of 2, this is normal in short panels and does not interfere with the interpretation of country-level effects, which are the study's emphasis. Diagnostics show no multicollinearity problems, and while clustered standard errors may be explored, the current specification is adequate given the small sample size and emphasis on average group differences rather than firm-specific dynamics. Overall, the method used by this study is suitable for the study's goal, and the data that were collected ensure that the findings are significant and reliable.

Table 3: Effect of country on ESG performance of listed palm oil companies (pooled OLS regression)

Predictor	Environmental		Social		Governance		Overall ESG	
	B	SE	B	SE	B	SE	B	SE
Constant	-40.819	33.019	-37.339	33.251	-41.624	28.757	-38.098	32.777
Country (Malaysia=1)	7.168	5.302	8.178	5.339	9.346*	4.618	7.802	5.263
LogAssets	4.160*	1.495	4.232*	1.505	3.984*	1.302	4.190*	1.484
ROA	56.448*	24.288	57.256*	24.458	49.500*	21.153	58.087*	24.110
Leverage	-21.098	11.029	-21.503	11.106	-20.900*	9.605	-19.895	10.948
Year2021	-1.020	7.254	-.397	7.305	1.957	6.318	-.860	7.201
Year2022	1.293	7.355	.614	7.407	3.687	6.406	.799	7.301
Year2023	5.931	7.223	5.326	7.274	8.978	6.291	5.543	7.170
Year2024	9.861	7.207	9.369	7.257	13.101*	6.277	9.792	7.154
R ²	.278	–	.286	–	.346	–	.234	–
Adjusted R ²	.226	–	.235	–	.298	–	.205	–
Durbin-Watson	.447	–	.445	–	.535	–	.425	–

Note: $P < 10\%$ *, $p < 5\%$ ** , $p < 1\%$ ***

Malaysian businesses outperform Indonesian companies on the environmental pillar, albeit the difference is not statistically significant. This tendency might be explained by Malaysia's longer history of mandated sustainability reporting, which began in 2007 and has allowed businesses more time to build formal environmental disclosures. Malaysia's MSPO certification system also has more stringent criteria for environmental management, such as biodiversity conservation and greenhouse gas monitoring. Indonesia's environmental reporting systems, on the other hand, are less developed, as the required sustainability disclosure went into force in 2022. As a result, the environmental disclosure gap between the two nations exists, but it is not large enough to cause a meaningful statistical difference.

Malaysia likewise has greater social disclosure ratings, albeit the difference is not statistically significant. International markets are closely monitoring Malaysian and Indonesian firms' labour policies, workers' rights, and human rights problems. The pressure received has driven corporations in both countries to improve their social reporting, particularly when labour-related claims resulted in import bans and limitations. Besides, since many social measures are impacted by global shoppers, NGOs, and certifying agencies, the trend of change is comparable in both nations. Consequently, the tiny difference between Malaysia and Indonesia is not statistically significant in the regression model.

Governance transparency is the only pillar where Malaysia and Indonesia differ statistically significantly. This is because Malaysia has continuously modified the Malaysian Code of Corporate Governance since 2000 to enhance its corporate governance structure. The improvement in corporate structure is reflected by the higher rank in CG Watch 2023 compared to Indonesia, indicating that Malaysian firms are guided by a more rigorous governance framework. In contrast, the use of a two-tier board in Indonesia, combined with weaker enforcement, often leads to inconsistent governance disclosure. Together, these differences help to explain why Malaysian firms demonstrated better governance reporting than companies in Indonesia.

Overall, Malaysian companies show higher ESG disclosure than Indonesian firms do; even though, the differences are not statistically significant. This finding later was supported by the results on environmental and social pillars. Malaysian firms recorded a higher ESG score than Indonesian; but the difference is marginal. However, the mandatory ESG reporting for Indonesian public companies starting in 2022 has significantly improved the level of ESG reporting, which helps to close the performance gap with Malaysia. In addition, both countries strengthen their national certification processes (MSPO and ISPO) by increasingly aligning with RSPO standards, resulting in more consistent ESG reporting. Consequently, the total ESG differences are minimal except for governance disclosure, where Malaysia is firmly ahead in this area.

5.0 CONCLUSION

This study aims to investigate the differences in ESG disclosure practices between publicly listed palm oil companies in Malaysia and Indonesia. This study focuses on the influences of firm-level and institutional differences on the practices. Findings revealed that both countries show a similar pattern of reporting, with the palm oil companies tending to prioritise the social pillar disclosure above the other two pillars. This indicates that labour and community issues remain at the centre of sustainability initiatives of palm oil firms. This is in line with past studies

that found the governance pillar receives comparatively less emphasis (Wardhani & Rahadian, 2021; Yatim, 2024). However, the results also show differences in the level of overall disclosure. Indonesian firms exhibit a lower ESG score, with average disclosure remaining below 50% across all pillars, indicating considerable room for improvement in sustainability reporting. Meanwhile, Malaysian companies demonstrate stronger and more consistent ESG disclosures, particularly in the governance pillar.

This study highlights the role of the institutional environment in shaping the disclosure behaviour. In addition to creating this discrepancy, this study highlights the role of the institutional environment in influencing disclosure behaviour. The significantly superior performance of Malaysian companies appears to be associated with earlier regulatory action, more advanced sustainability reporting standards, and governance systems that require clearer accountability from the board of directors. In contrast, the smaller cross-country gaps observed for environmental and social disclosure suggest that industry-wide factors, such as global buyer expectations, certification systems and reputational risk, may have a standardising effect across national borders. This conclusion suggests that, while governance disclosure remains dependent on local institutional frameworks, environmental and social reporting may be increasingly influenced by global supply chain dynamics rather than national legislation alone.

The findings carry several implications for policymakers and industry practitioners. From a regulatory perspective, improving ESG transparency may require moving beyond uniform disclosure mandates towards more targeted, pillar-specific guidance, particularly in relation to governance practices. Regular monitoring and enforcement, supported by practical reporting guidelines, could further enhance consistency and credibility. At the organisational level, companies may benefit from embedding ESG responsibilities more explicitly within board oversight structures and aligning internal governance processes with recognised reporting frameworks. Incentive-based mechanisms including sustainability-linked financing and public recognition initiatives, may also play a role in encouraging companies to address persistent governance gaps and improve disclosure quality.

This study has several limitations that should be considered when interpreting the results. The sample of the study is restricted to publicly listed companies due to publicly available data. Therefore, it does not capture ESG practices among smallholders, private companies, or unlisted plantation estates, which collectively account for a substantial share of palm oil production. Furthermore, this study relies on SPOTT scores that reflect disclosure practices rather than actual sustainability performance and only includes a selected set of firm-level characteristics. Finally, the data may not sufficiently capture the differences in regulatory enforcement intensity. Altogether, these limitations may constrain the extent to which the findings can be generalised.

Due to limitations, this study offers opportunities for future research. Future studies can expand the sample by including smallholders and privately owned companies to ensure that the findings are able to provide a comprehensive view of ESG practices across the palm oil sector. Other than that, the comparative studies could also be expanded to other producing countries, such as Thailand or Papua New Guinea, so it could deepen the understanding of regional institutional dynamics. Qualitative approaches, such as in-depth interviews or case studies can be employed for better understanding of the underlying motivation, constraints, and other considerations that influence the disclosure practices. Longitudinal analyses

examining the periods before and after the introduction of mandatory ESG reporting may further provide clarification on the impacts of regulatory changes on disclosure practices. Finally, further investigation of the limited cross-country variation observed in environmental and social disclosures may shed light on the influence of global supply chains, market pressures, and growing cultural norms in shaping ESG transparency in high-impact industries.

CO-AUTHOR CONTRIBUTION

The authors affirmed that there is no conflict of interest in this article. Salina Mad conceptualised the research, performed the data analysis, and wrote the original draft. Mohd Taufik Mohd Suffian reviewed and edited the article and approved the final article for submission. Nor Alwani Omar was responsible for collecting data for the analysis.

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DECLARATION OF GENERATIVE AI AND AI-ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

“This work was prepared using ChatGPT. This tool/service allowed the author(s) to examine and edit the content and accept full responsibility for the publication. AI-assisted tools were used for language refinement and clarity enhancement only. All conceptualization, data analysis, interpretation, and conclusions are solely the authors’ own.”

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