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SDG DISCLOSURES AND BUSINESS ECONOMIC VALUE CREATION: THE ROLE OF GOVERNANCE AND LEGITIMACY IN MALAYSIAN PUBLIC LISTED COMPANIES

AFAF IZZATI NAFHAH BINTI RADZI

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ABSTRACT

Creating economic value is core to modern economies, as reflected at the macro level in Gross Domestic Product (GDP) growth, productivity improvements, capital efficiency, and inclusive development. Economic growth has been propelled by rapid industrialisation, globalisation and technological development. Nevertheless, this progress has been achieved at the expense of environmental degradation, biodiversity loss, depletion of natural resources, increased social inequality and climate change. These challenges highlighted the need to put sustainability on national and corporate agendas. The United Nations introduced the 2030 Agenda for Sustainable Development by positioning sustainability as a central driver of economic value creation. At the corporate level, holistically embedding the Sustainable Development Goals (SDGs) into the business model is increasingly integral to creating economic value. However, empirical evidence on how SDG disclosures influence economic value in Malaysian companies remains limited, prompting this investigation. This study examines the extent of SDG disclosures among Malaysian Publicly-Listed Companies (PLCs) and investigates their impact on business economic value creation. The study also aims to examine the moderating effect of governance and legitimisation factors on the causal relationship between SDG disclosures and business economic value creation. Using secondary data from Malaysian PLCs for the period 2022–2023, collected from the Refinitiv Eikon database, the study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyse the relationships among variables. A comprehensive SDG disclosure index is developed by aligning SDG indicators with established ESG frameworks to enhance measurement consistency and comparability. The findings reveal that overall SDG disclosures among Malaysian PLCs are moderate. The results identified a significant positive relationship between overall SDG disclosures and economic value creation among Malaysian PLCs, supporting the Resource-Based View (RBV). These findings confirm that SDG disclosures serve as a resource that enhances competitiveness and value creation when effectively integrated into core business strategy. Additionally, governance factors, particularly board gender diversity, board independence, and board size, demonstrated significant moderating effects. The findings reinforce Agency Theory, indicating that well-structured governance mechanisms can mitigate information asymmetry and align managerial behaviour with stakeholder interests. However, legitimisation factors do not significantly moderate the relationship. Overall, the empirical findings of this study make a meaningful contribution to the growing body of literature on corporate sustainability and the SDGs, particularly in the context of emerging markets. The findings also highlight the need for companies to move beyond compliance-oriented sustainability practices and adopt an approach to integrating SDG disclosure.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

This chapter establishes the foundation and provides an overview of the thesis. This study examines the link between Sustainable Development Goal (SDG) disclosures and business Economic Value Creation among Publicly-Listed Companies (PLCs). This topic has received little study in the Malaysian context. Section 1.2 discusses the study's background, while Section 1.3 presents the problem statement. The research questions are provided in Section 1.4, and the objectives of this study are outlined in Section 1.5. Subsequently, Section 1.6 explains the study's significance. Section 1.7 describes the scope of study, Section 1.8 defines significant terms used in this thesis, and Section 1.9 details the overall structure of this thesis. Finally, Section 1.10 summarises the chapter.

1.2 Background of Study

Economic value creation is the core of all modern economies. It is often manifested as sustained Gross Domestic Product (GDP) growth, productivity gains, effective capital allocation and inclusive development. However, despite these indicators, recent global economic trends suggest growing structural vulnerabilities that may undermine the ability of economies to generate and sustain long-term value. In 2020, the coronavirus disease 2019 (COVID-19) pandemic resulted in a 3.8% decline in global real GDP per capita (United Nations, 2025c). Although the world economy recovered and recorded a growth rate of 5.5% in 2021, global growth momentum weakened thereafter, with an estimated slowdown to around 2% between 2022 and 2024 (United Nations, 2025c). In Malaysia, on the growth front, 2025 prospects have also been revised downwards from the previous projection of 4.5%–5.5%, mainly due to global trade tensions and increased policy uncertainty (Central Bank of Malaysia, 2025).