# UNIVERSITI TEKNOLOGI MARA

# ESG DISCLOSURE AND CORPORATE CHARACTERISTICS: EVIDENCE FROM MALAYSIA-LISTED COMPANIES

**AMALIA ZAHIRAH BINTI AZIZUDDIN**

Dissertation submitted in partial fulfillment
of the requirements for the degree of
**Bachelor of Business Administration**
**(Investment Management)**

**Faculty of Business and Management**

**February 2022**

# ABSTRACT

This research aims to analyse the level of sustainability disclosure of Malaysian public-listed ("PLCs") companies. Currently, the demand for ESG data and information has increased as ESG consideration has become mainstream and part of the central issue of investment decisions. Financial institutions in every country globally have started to pivot away from the general strategy towards more sustainable approach. In achieving sustainable practices, the company must disclose related information by reporting it. Thus, it will be beneficial for the investor or stakeholders to understand their ESG commitment better. Precisely, this research examines the relationships between the degree of ESG disclosure and corporate characteristics. Earnings per shares ("EPS"), return on equity ("ROE"), market capitalisation ("MKTCAP"), size of the company ("CSZ"), and market price per share ("MKTPS") are used as the proxies for corporate characteristics and ESG Combined Score ("CSESG") as the proxy for the level of sustainability disclosure measure. The secondary data collected for this research were from Refinitiv DataStream, The Department of Statistic Malaysia, and PLCs sustainability report between the year 2016 to 2020. The purpose of running this research is to focus on descriptive analysis, correlation, regression, and test assumptions.

# ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude for all the continued support and encouragement that I have received from Dr. Nor Hazila, my advisor for this research paper. She continuously provided me with invaluable guidance throughout this research. The completion of this research could not be possible without assistance and support.

A special thanks to my friend and supportive family, who understand my packed schedules the journey of completing this research. All the love and support they gave helped me through these challenging times, and I genuinely appreciated it. It was comforting knowing that my parents were there to support me throughout the time. I am sincerely thankful for the encouragement and support that I have received.

# TABLE OF CONTENT

# CHAPTER ONE
# INTRODUCTION

## 1.1 Introduction

As the world faces unprecedented challenges, there is growing recognition of environmental, social, and corporate governance ("ESG") benefits. Investors, advisers, and regulators in Malaysia have started considering ESG values and concerns when making investment decisions. It's all begun when the United Nations ("UN") established the United Nations Environment Programme ("UNEP") in 1972 to formulate global environmental plans and develop a practical execution strategy to achieve the goals of Sustainable Development ("SDGs") within the UN system (Shahin, 2020). In 2013, the government of Malaysia ("GoM") established the Sustainable Development Solutions Network ("SDSN"), intending to mobilise the idea of experts in the community to act towards the country's sustainable development (SDSN, 2020). The effort made by GoM has driven companies to formulate a sustainable business approach that is not only through supporting society but also focusing on the environment, corporate governance, and economics. According to UN Environment, the stakeholders' participation in achieving sustainable development goals is essential to ensure resilient outcomes (Sustainable Development Goals Knowledge Platform, (2020). Thus, the demand for better knowledge and transparency regarding environmental, social, and economic impacts on the business plan has increased.

One way to fulfill the demand is through sustainability reporting or disclosure. In 2006, Bursa Malaysia made a sustainability activity reporting as one of the listing requirements based on the corporate social responsibility (CSR) framework (Bakar A. B., 2019). The framework covers four pillars which are the environment, community, marketplace, and workplace. Nevertheless, there is no comprehensive guide explaining how they should disclose it. This situation has resulted in a low quality of sustainability reporting as most companies were reporting only what they wanted to be public. Bursa Malaysia launched the Sustainability Framework in 2015 to mitigate the concern (Bursa Malaysia, 2015). The action taken by Bursa Malaysia is to ensure listed companies are heading towards sustainability practices. As a result, the framework is