CHAPTER

5

REVEALING DISCLOSURE STRATEGIES: AN ANALYSIS OF CORPORATE SDG ENGAGEMENT

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5.1 INTRODUCTION

In 2015, the United Nations (UN) called on the corporate world to contribute to sustainable development. In response to the call, business practitioners and international organisations have advocated for companies to realign their business strategies and operations with the Sustainable Development Goals (SDGs) (GRI et al., 2015; KPMG, 2018). Since then, there has been significant progress made with the increasing prevalence of SDGs discourse in the realm of non-financial reporting (Whittingham et al., 2023).

Corporate non-financial reporting or disclosure serves as a communication channel used to convey information to stakeholders regarding various aspects of a company that extend beyond conventional financial metrics such as profit or net assets (Xiao & Shailer, 2022). Recognising that stakeholders use the disclosed information to make decisions that could impact the company's performance or value, disclosing its role in supporting and advancing SDGs can demonstrate its dedication to globally endorsed values (Friske et al., 2023; Lopez, 2020).

5.2 NON-FINANCIAL REPORTING PRACTICE IN MALAYSIA

Malaysia has been at the forefront of staying aligned with the latest international developments in sustainability-related reporting. The Malaysian stock exchange, Bursa Malaysia, plays a significant role in facilitating and promoting these efforts. Since 2006, Malaysian listed companies have progressed from basic philanthropic reporting to encompass a broader spectrum of sustainability-related concerns in their non-financial reporting (Bursa Malaysia, 2015; Bursa Malaysia, 2022b; Lo, 2018). Moreover, as reported by PwC and NUS (2022), 88% of the top 50 Malaysian listed companies now have included SDGs in their sustainability-related disclosure.

Based on the Sustainability Reporting Guide (see Bursa Malaysia, 2018, 2022b), listed companies are encouraged to align their sustainability efforts with the SDGs. The non-mandatory requirement means companies determine the scope of disclosure on SDGs as they see fit (Pizzi et al., 2021). However, the absence of a standardised approach to disclosing contributions to SDGs can potentially result in a disconnect between corporate sustainability efforts and the pursuit of these goals (Erin et al., 2022; Pillai et al., 2017). Considering the limited studies on SDG reporting in emerging economies such as Malaysia, this study aims to examine the extent of SDG engagement in the non-financial reporting among listed companies utilising a structured framework. This can offer valuable insights into identifying gaps in the current reporting landscape that may impede the assessment of corporate contributions to achieving relevant SDGs at the national level.

5.3 SYNTHESIS OF PRIOR STUDIES

Recent studies (e.g., Calvo-Centeno et al., 2022; Gambetta et al., 2021; Hummel & Szekely, 2022) uncover an increasing trend in SDG reporting. This is driven by a greater level of awareness among businesses of how SDGs can be integrated with their sustainability initiatives as part of their disclosure strategies (Kim, 2021). Since companies typically do not produce reports exclusively focused on their contributions to SDGs, most studies (e.g., Diaz-Sarachaga, 2021; Gunawan et al., 2020; Ionascu et al., 2020; Izzo et al., 2020) have utilised sustainability reports, annual reports, integrated reports, and other similar types of reports to examine how the integration of SDGs is approached in their disclosures.

The findings from multiple studies indicate that companies employ various disclosure strategies when engaging with SDGs (Di Vaio & Varriale, 2020; Di Vaio et al., 2022; Landau, 2020). Generally, companies that are aware of SDGs, at the very least, tend to mention SDGs or include SDG icons in their reports. A further level of SDG engagement involves providing further explanation regarding which specific SDGs are prioritised or considered relevant to the business (Erin et al., 2022). For example, disclosure analysis by Hatayama (2022) revealed that steel companies prioritise SDG 12 (responsible consumption and production) over SDG 1 (no poverty) and SDG 2 (zero hunger), which, in contrast, are given more emphasis by companies in the copper sector. When reports are examined more in-depth, studies (e.g., Lodhia et al., 2022; Nicolò et al., 2022; Silva, 2021) have discovered that companies that provide generic statements alone lack value and strongly indicate a symbolic gesture of commitment to SDGs. This is also evident in the findings of Heras-Saizarbitoria et al. (2022), who observed that among a sample of 1,370 companies, less than 25% identified the most relevant SDGs. Even among this limited subset, vague explanations emerge for the prioritised SDGs.

To gain further insights into the disclosure strategies used by these companies, some studies (e.g., Calabrese et al., 2022; Tsalis et al., 2020; Vallet-Bellmunt et al., 2022) have used SDG Compass or Global Reporting Initiatives (GRI) as instruments to analyse how disclosures incorporate contributions to SDGs. Other studies (Diaz-Sarachaga, 2021; Erin et al., 2022; Silva, 2021) have developed assessment frameworks to measure the depth and style of SDG disclosures. These studies offer diverse findings. Some companies were found to have