The Relationship Between Environmental, Social and Governance Practice and Corporate Financial Performance of Malaysian Public Listed Companies

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Abstract: Environmental, Social, and Governance (ESG) practices have gained increasing attention among companies in Malaysia as they strive to meet the expectations of stakeholders, especially investors. This study aims to environmental, social and governance (ESG) practice reported in the public-listed companies and the similarities among the industry sectors and to investigate the relationship between environmental, social and governance (ESG) practices and corporate financial performance. Grounded in Stakeholder Theory, this study employs descriptive and correlation analysis to assess the correlation between independent and dependent variables. A comprehensive content review of secondary data from the annual reports of selected public-listed companies in Malaysia was conducted, with data thoroughly documented in a meticulously prepared checklist. The sample consists of 41 public-listed companies across 10 distinct industry sectors. Data analysis was performed using the Statistical Package for Social Sciences (SPSS) Version 29. The findings revealed that Malaysian public-listed companies typically implemented structured environmental, social and governance practice (ESG) practices in Malaysia which are perceived to influence corporate financial performance. The analysis demonstrates an insignificant weakly negative relationship between environmental, social and governance (ESG) practices and corporate financial performance. Despite several limitations, this study offers recommendations for future research and practice.

Keywords: environmental, social and governance (ESG), corporate governance, corporate performance.

Paper type: Empirical paper

Introduction

Environmental Social Governance (ESG) was initially introduced by the United Nations Global Compact in its report of “Who Cares Wins: Connecting Financial Markets to a Changing World” in 2004 which is transformed from and consolidated the concept of corporate social responsibility (CSR) and socially

responsible investing (SRI) (Ahmed Shawky Mohammed, 2023). A previous study conducted by the Centre for Governance, Institutions and Organisations (CGIO) and the National University of Singapore (NUS) in 2018 found that Malaysia led in sustainability reporting at 64.5%, followed by Singapore at 61.7% and Thailand at 60% among five ASEAN countries which are Indonesia, Malaysia, the Philippines, Singapore, and Thailand (Elaigwu et al., 2024; Ismail et al., 2022; Ng and Webber, 2023; Ratri et al., 2021; Vaghefi, 2023). Stakeholder pay high attention on the environmental, social and governance (ESG) information (Radzi et al., 2023). In 2019, ESG-themed mutual funds received $20 billion in net inflows, four times the previous year's records (Schanzenbach and Sitkoff, 2020). However, Herbert Chua, a partner at PWC Malaysia, stated in an interview with The Edge Malaysia on May 30, 2022, that "The ESG disclosures of PLCs in Malaysia are in two different circumstances. Hence, three (3) research objectives were developed in this study:

1. To identify the key indicators of environmental, social and governance practice (ESG) reported in the public-listed companies.
2. To determine the correspondence and variance of environmental, social and governance (ESG) practice in various industry sector.
3. To investigate the relationship of environmental, social and governance (ESG) practice and corporate financial performance.

Literature Review

A. Underlying Theorical Framework – Stakeholder Theory

Stakeholder theory contends that the achievement of a business is determined not just by maximizing profits for the shareholders, but also by taking into account the interests of all stakeholders in the organization (Prencipe, 2024). The stakeholders include shareholders, consumers, suppliers, employees, communities, governments, trade associations, political parties, and financier (Faucher, 2022; Harrison and Freeman, 1999). Stakeholder theory advocates stakeholder value creation over a long period of time with the ultimate objective of enhancing living circumstances, securing the workplace safety, and preserving the environment cleaner (How et al., 2019). Refer the disclosure of PWC in its sustainability report, stakeholder pay high attention on the ESG information as they believed that integration of ESG activities and practices create value for them (PricewaterhouseCoopers, 2023). Integrating ESG into a corporate plan can lead to improved financial performance (Arshad et al., 2012).

B. Definition of Environmental, Social and Governance

The literature of environmental, social and governance (ESG) has been defined by multiple people for various time to clarify its characteristics and functions. Environmental, social, and governance is a set of standards to evaluate a firm's performance regarding the protection of nature (environment), its relationship with stakeholders, such as employees and suppliers (social), and its governance as reflected in a firm's management, executive remuneration and other variables (Koutoupis et al., 2021). According to the Financial Times Lexicon, ESG is "a generic term used in capital markets and by investors to evaluate corporate behaviour and to determine the future financial performance of companies" (Shaikh, 2022).

The environmental, social and governance (ESG) or corporate social responsibility (CSR) are a forms of sustainability reporting that for "an organization's practice of reporting publicly on its most significant economic, environmental, and social impacts, and hence its contributions – positive or negative – toward the goal of sustainable development" (De Silva Lokuwaduge et al., 2022; MOHAMMED, 2023). The terms of "ESG", "CSR" and "sustainability" are generally applied interchangeably (Christensen et al., 2021; MOHAMMED, 2023). However, the word of "reporting" and "disclosures" are also commonly used interchangeably (MOHAMMED, 2023; Turzo et al., 2022).

C. Definition of Corporate Financial Performance

According to the Taouab and Issor (2019) argued, performance need assessment to research and define the management technique; to anticipate future internal and external occasions; monitor status and behaviour in relation to its goals; and arrive at decision-making at the appropriate times. Return on assets (ROA) is one of the most acknowledged and instructive financial metrics that has been utilized since 1919 with the formula of Net Income/Total Assets (NI/TA) for investigating the financial position, performance and future prospects and success of the business (Beaver, 1966; Jewell and Mankin, 2011; Mankin and Jewell, 2014). ROA measures the capacity of a business to generate net income based on certain ratios that demonstrate how effectively it leverages current assets to generate profits or earnings (Saputra, 2022).

D. Previous Studies on Environmental, Social and Governance

There are several results on the research of environmental pillar to the organization. Wagner et al. (2002) corroborate Alareeni and Hamdan's conclusions that this environmental practice has a negative impact on return on assets (ROA) and return on equity (ROE), although Velte (2017) and Buallay (2019) disagree. According to Alareeni and Hamdan (2020), the disclosure may result in increased capital expenditures, which might be the underlying reason of the data indicating a negative link between the environmental pillar and return on assets (ROA) and return on equity (ROE). The truth that disclosed there is a positive correlation between the environmental pillar and return on equity (ROE) may because of the awareness and consideration of investor toward environmental practices as a significant aspect in increasing asset efficiency (Buallay, 2019).

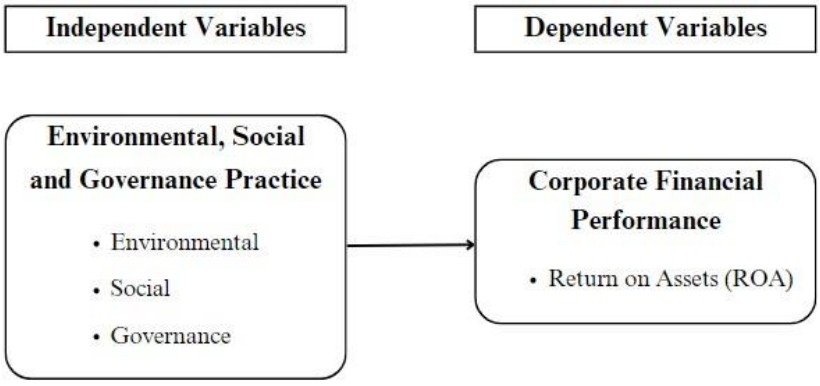
Some previous researches produced a mixed results on the impact on social pillar on the corporate performance. According to several research, the results indicated it has a detrimental effect on return on assets (ROA) and return on equity (ROE) (Alareeni and Hamdan, 2020; Buallay, 2019). Alareeni and Hamdan (2020) hypothesized a negative relationship is caused by the additional expenses associated with engaging in socially responsible activities in the organization. However, Waddock and Graves (1997) identified research evidence supporting a positive relationship between financial achievement and social responsibility.

From the previous research indicated, the governance pillar and organization performance are positively related. There is a positive relationship among the governance practice and return on assets (ROA) and return on equity (ROE) (Buallay, 2019; Velte, 2017). An effective governance protocol could minimize information asymmetry in annual reporting, which benefits investors and others stakeholders (Alareeni and Hamdan, 2020).

E. Research Framework

Figure 2.1 illustrates the relationship between the independent variables (environmental, social and governance practices) and the dependent variable (corporate performance) among the selected public-listed companies in Malaysia.

Figure 2.1: Research framework



The independent variables of the ESG practices consists of 3 key factor which are environmental practices, social practices and governance practices while the dependent variables of corporate performance included both financial performance performance in this study.

Research Methodology

A. Research context

This research applies quantitative methodology. Quantitative data assist to identify correlations between variables and outcomes such data should enable people to verify the original outcomes by independently reiterating the research (Choy, 2014; Dudwick et al., 2006). Purposive sampling was employed in this study for selecting sample based on their unique backgrounds, achievement in ESG score and areas of expertise that were pertinent to the research issue.

This research was applied the secondary data sources from the annual report of the selected public listed companies (PLCs) in 2022. Secondary data in this research refer to the environmental, social, governance (ESG) information that and the performance data in both financial and non-financial perspective disclosed in the annual report. The motivation in this study stemmed from a significant interest about the current outlook on ESG and corporate financial performance in Malaysian PLCs. This research concentrated on the public-listed companies (PLC) on Bursa Malaysia that performed FTSE Russell ESG Ratings in 2022. The samples selected were the public-listed companies (PLCs) that achieved a 4 stars ESG banding band which represent the public-listed companies (PLCs) rated in the top 25% quartile.

B. Population and sampling

Despite the Krejcie and Morgan Table's recommendation of 146 samples for a population of 235, 41 samples selected with purposive sampling method that represent the top level of the population were ultimately determined to be adequate to meet the study's goals. This method made it possible to identify the ESG practice reported by the Malaysian PLCs in this study in great details and produced insightful results such as able to answer the research question one (1), two (2) and three (3).

C. Measures

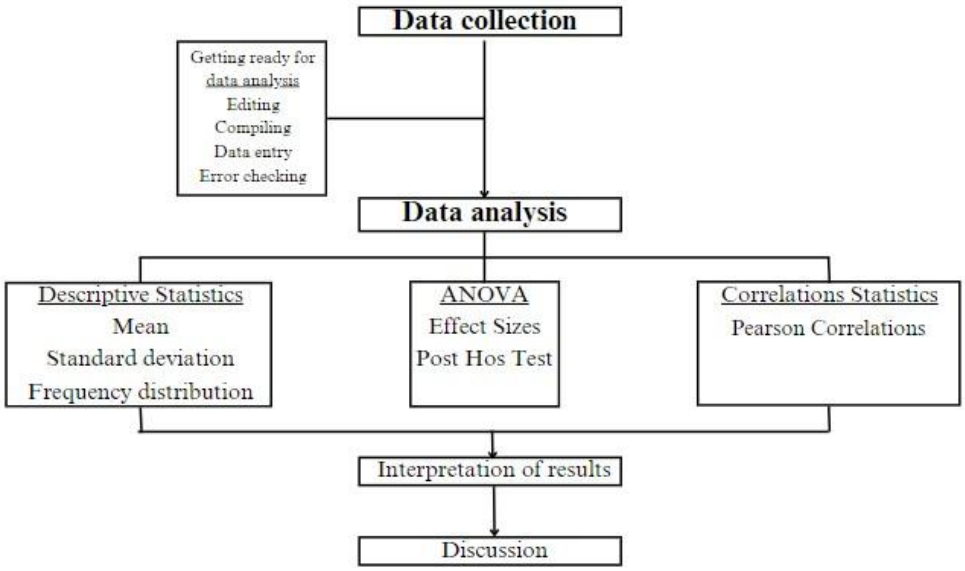
By using the keyword linked to environmental, social, and governance (ESG), relevant information of the environmental, social, and governance (ESG) have been found. A throughout content review to the disclosed information in annual reports was conducted. Thus, all data and findings acquired from previous researchers' journals, articles, and published books to support this research were appropriately cited in the reference. All the information and sources involved to support this research were cited in the references appropriately and accordingly. Once the data has been retrieved, it must go through a data analysis process to provide findings that can be understood appropriately.

D. Data analysis

The method entailed inputting and revising data into SPSS, then coding the data properly, identifying missing values, and ensuring that negatively phrased questions were reversed-coded. The data in this study

has gone through this procedure, which occurs before the real data analysis operations are completed. In addition, for the descriptive analysis, only the indicators with more than 50% disclosure rate among the sample selected would be included in to the key indicators of ESG practice when responding to the research objective one (1). This is because those indicators with less than 50% disclosure rate reflected that they were not the significant factors that less concern and few influences towards the corporate financial performance. Additionally, there is no missing data in generating Pearson correlation analysis. Figure 3.1 depicts the data analysis procedure.

Figure 3.1 Data Analysis Process



Findings

The findings in this study are shown in the following sub-sections.

A. Demographic Profile

The table 4.1 present the public-listed companies' demographics profile and the amount of the selected PLCs in each industry sector investigated in this study. A total of 41 sample from ten (10) multiple industry selected.

Table 4.1: Demographic Profile of Companies

Demographic Element	Description	*f*	%
Industry Sector Total (***f***) **= 41**	Consumer products and services	8	19.51
	Energy	5	12.20
	Financial services	8	19.51
	Health care	3	7.32
	Industrial products and services	5	12.20
	Property	1	2.45
	Technology	7	17.07
	Telecommunications and media	1	2.45
	Transportation and logistics	2	4.88
	Utilities	1	2.45

The consumer products and services (8-19.51%), financial services (8-19.51%), and technology (7-17.07%) were the most represented industries, accounting for around 17-20% of the entire sample. Following with the industries sectors with a significant presence include energy (5-12.20%) and industrial products or services (5-12.20%), whereas property (1-2.44%), telecommunications and media (1-2.44%), transportation and logistics (1-2.44%), and utilities (1-2.44%) are underrepresented.

The table 4.2 offers an extensive overview of the descriptive analysis of the independent variables, grouped according to the Environmental, Social, and Governance (ESG) dimensions.

Table 4.2 Summary of Independent Variables Descriptive Analysis

Total (f) = 41	**YES**		**NO**	
Total (%) = 100	**TOTAL (f)**	**TOTAL**	**TOTAL (f)**	**TOTAL**
ENVIRONMENTAL				
Environmental Management Systems				
Net Zero Emission 2050 Target	36	87.80%	5	12.20%
Sustainability Practices	41	100.00%	0	0.00%
GHG Emission				
Disclosure Scope 1 Emission	41	100.00%	0	0.00%
Disclosure Scope 2 Emission	41	100.00%	0	0.00%
Disclosure Scope 3 Emission	31	75.61%	10	24.39%
Waste and pollution				
Waste Management	39	95.12%	2	4.88%
Spill Management	30	73.17%	11	26.83%
Material Assessment	30	73.17%	11	26.83%
Natural Resources Capital				
Water Management	39	95.12%	2	4.88%
Paper Management	29	70.73%	12	29.27%
Environmental Opportunities				
Green Financing	7	17.07%	34	82.93%
Foresting Practice	24	58.54%	17	41.46%
Renewable energy (Clean Technology)				
Solar panel	27	65.85%	14	34.15%
LED	28	68.29%	13	31.71%
Air-Condition Monitoring	18	43.90%	23	56.10%
SOCIAL				
Employee				
Discrimination, Diversity and Equality	41	100.00%	0	0.00%
Training	41	100.00%	0	0.00%
Employee Satisfaction	29	70.73%	12	29.27%
Occupational health and safety	41	100.00%	0	0.00%
Labour rights	41	100.00%	0	0.00%
Data Confidentiality and Privacy	41	100.00%	0	0.00%
Customer				
Customer Questionnaire	32	78.05%	9	21.95%
Customer Services	25	60.98%	16	39.02%
Community				
Social Care Program/Activity	37	90.24%	4	9.76%
Scholarship	29	70.73%	12	29.27%

Donation	38	92.68%	3	7.32%
Voluntarism	28	68.29%	13	31.71%
Zakat	8	19.51%	33	80.49%
GOVERNANCE				
Business Code of Conduct	41	100.00%	0	0.00%
ESG KPI	24	58.54%	17	41.46%
MCCG	38	92.68%	3	7.32%
Anti-Bribery and Corruption	41	100.00%	0	0.00%
Whistleblowing	41	100.00%	0	0.00%
ABC Training	36	87.80%	5	12.20%
Board Committee	41	100.00%	0	0.00%
Board Diversity	41	100.00%	0	0.00%
Board Composition	41	100.00%	0	0.00%
Annual General Meetings	41	100.00%	0	0.00%
Board remuneration	41	100.00%	0	0.00%

*Note: ***f***= frequencies, % = percentage

In terms of the environmental aspect, these public-listed companies had effective and robust environmental procedures. 87.80% of the PLCs have committed to long-term sustainability goals by setting a Net Zero Emission 2050 Target. All PLCs (100%) has adopted sustainability practices and made available the greenhouse gas (GHG) emissions for both Scope 1 and Scope 2. With exclusively 75.61% compliance, Scope 3 GHG emissions disclosure was less prevalent. 95.12% of PLCs had a waste management system in place, demonstrating the widespread adoption of waste management practices. Merely 17.07% of the PLCs have embraced green financing procedures, indicating there is enormous potential for improvement in this field of work.

The social dimension demonstrates an intense commitment to practices that safeguard the rights and well-being of employees. Every PLCs (100%) is dedicated to implementing anti-discrimination, diversity, and equality policies. Nonetheless, 70.73% of the PLCs carry out employee satisfaction initiatives. The substantial proportion of those enrolled in social care programmes (90.24%) and donations (92.68%) are indicative of community engagement. The prevalence of volunteerism and scholarship programmes was moderate, with adoption rates of 68.29% and 70.73%, respectively. 19.51% of the PLCs observed the zakat practice.

The Governance dimension is a hallmark of a strong commitment to moral corporate conduct. Every PLCs (100%) has established a code of conduct governing business activities, and processes including board committee operations, whistleblowers, and anti-bribery and corruption legislation were all adhered. 92.68% of the PLCs adhere to the Malaysian Code on Corporate Governance (MCCG) requirements. In 87.80% of the PLCs, there are anti-bribery and corruption (ABC) training programmes in place. All PLCs (100%) follow the same governance procedures with regard to board diversity, composition, annual general meetings, and compensation.

Table 4.3: Demographic profile of corporate performance

Corporate Performance	**Description**	***f***	**%**
ROA (%)	-10-0	4	9.76
	0.01-10	26	63.41
	10.01-20	11	26.83

	>300%	1	2.44

The descriptive statistics of business performance show a wide variety of results across several criteria. In terms of Return on Assets (ROA), 4 of public-listed companies (9.76%) have a ROA between -10% and 0%, indicating their poor performance, while the majority 26 public-listed companies (63.41%) fall between 0.01% and 10%, suggesting low but positive returns on assets. A considerable amount, 11 public-listed companies (26.83%), had a higher ROA between 10.01% and 20%, indicating better performance on ROA. Overall, the descriptive statistics demonstrate the variation in ROA performance. It provides an overview to the data, enabling a better insight and understanding to its key characteristics.

B. Descriptive statistics of sample

The table 4.4 displays frequency descriptive statistics for three independent variables which are environmental, social, and corporate governance. Each variable is described in terms of the number of observations (N), mean, median, standard deviation (Std. Deviation), variance, minimum, and maximum values. The mean values in the table represent the average amount of appreciation or participation across diverse business approaches.

Table 4.4: Frequency Descriptive Statistics for Independent Variables

Independent Variables	N		Mean	Median	Std. Deviation	Variance	Min	Max	YES		NO	
	Valid	Missing							Sum (f)	Sum (%)	Sum (f)	Sum (%)
Environmental	41	0	0.7883	0.7667	0.1108	0.0123	0.57	1	32	78.83	9	21.17
Social	41	0	0.7764	0.8111	0.1579	0.0249	0.41	1	32	77.64	9	22.36
Corporate Governance	41	0	0.9446	0.9091	0.0606	0.0037	0.73	1	39	94.46	2	5.54

With a mean of 0.7883 and a median of 0.7667 for the environmental variable, 41 PLCs (N) reveal a central tendency close to the upper end of the scale (which ranges from 0.0123 to 1). The comparatively low variability within this mean is demonstrated by the 0.1108 standard deviation. Nine (21.17%) and 32 (78.83%) of the total PLCs are classified as "NO" and "YES" respectively. Comparably, 41 PLCs (N) with a mean of 0.7764 and a median of 0.8111 are displayed for the social variable. In comparison to the environmental variable, the standard deviation is larger at 0.1579, indicating greater unpredictability. In this case, 32 PLCs (77.64%) are classified as "YES," and 9 PLCs (22.36%) as "NO.". The corporate governance variable, on the other hand, contains 41 PLCs and a stronger inclination towards the "YES" group, with a higher mean of 0.9446 and a median of 0.9091. In comparison to the other variables, the standard deviation is comparatively low at 0.0606, indicating less unpredictability. Of the 39 PLCs, 94.46% are classified as "YES," while just 5.54% are classified as "NO." In summary, the results demonstrate variable levels of intensity across thematic areas, corporate governance having notably high mean and median levels. These findings offer important insights into organizational priorities and the efficacy of implemented initiatives.

Table 4.5: Frequency Descriptive Statistics for Dependent Variable

Dependent Variables	N		Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing					
Return on Assets (%)	41	0	6.0268	5.5400	6.20246	-8.05	19.31

The table 4.5 presents descriptive statistics for the dependent variable of return on assets (ROA) based on a dataset comprising 41 samples that reflect a variety of measures related to business success and worker dynamics. Without any missing data from the published annual reports, it demonstrates that all 41 PLCs were legitimate and reliable. The average performance across the dataset is indicated by the mean return on assets, which is computed as 6.0268%. When all ROAs are sorted upwards, the median of ROA at 5.5400% is the middle value. The standard deviation is shown in the 6.20246% which indicates a considerable dispersion. The range of ROA is from a minimum of -8.05% to a maximum of 19.31%, illustrating the full extent of

values. In essential, the ROA of all the PLCs did not have exceed 20% and the overall results with the mean and median at 6.0268% and 5.54% respectively, indicating a low ROA performance obtained by Malaysian PLCs in 2022.

C. ANOVA

Table 4.6 shows the table of ANOVA that present the significant value of dedicating the differences of the environmental, social and governance (ESG) practice across the sample groups in Malaysian PLCs. The significant value indicates the level of different of the ESG practice performed by Malaysian PLCs across industry sectors.

Table 4.6: ANOVA Table

ANOVA						
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Environmental	Between Groups	0.204	9	0.023	2.449	**0.031**
	Within Groups	0.287	31	0.009		
	Total	0.491	40			
Social	Between Groups	0.314	9	0.035	1.584	**0.164**
	Within Groups	0.683	31	0.022		
	Total	0.998	40			
Corporate Governance	Between Groups	0.021	9	0.002	0.591	**0.794**
	Within Groups	0.125	31	0.004		
	Total	0.147	40			

*Differences is significant at the 0.05 level

Table 4.6 shows the ANOVA results that reveal significant findings across the various ESG indicators. Environmental factors significantly influence the dependent variable ($F(9, 31) = 2.449$, $p = 0.031$), indicating that different environmental contexts lead to varied outcomes. The sig. value of $p = 0.031$ describing the environmental factors is significant and there is a significant difference in environmental reported practices between PLCs. In contrast, social factors ($F(9, 31) = 1.584$, $p = 0.164$) and corporate governance practices ($F(9, 31) = 0.591$, $p = 0.794$) show no significant influences on the dependent variable, suggesting that variations in these factors among groups do not lead to significant differences in mean ratings. The sig. value of $p = 0.164$ and 0.794 also explaining the social and corporate governance practices reported by PLCs are less differences or no variation.

D. Pearson Correlation Analysis

Table 4.7 is the table of Pearson correlation analysis that assess and gives various insights into the relationship between the independent variables of ESG factors and the dependent variable of corporate financial performance, specifically return on assets (ROA).

Table 4.7: Pearson correlation analysis

VARIABLES		**Environmental**	**Social**	**Governance**
Financial Performance (ROA)	Pearson Correlation (r)	-0.137	-0.103	-0.171
	Sig. (2-tailed) (p)	0.395	0.522	0.286

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.7 reveals a weak negative correlation between environmental, social and governance factors and ROA, with a Pearson correlation coefficient of r value at -0.137 and a significance level of p-value at 0.395. This suggests that as environmental practices improve, ROA tends to slightly decrease, although the

relationship is not statistically significant. In a similar vein, the social factors exhibit a weak negative correlation with ROA (r = -0.103, p = 0.522), showing a minor and statistically insignificant inverse relationship. In contrast, financial performance (ROA) has a weak negative correlation with governance factors (r = -0.171, p = 0.286), again suggesting a slight, non-significant inverse relationship, implying that robust governance practices may be connected with poor financial performance.

Results

This section interprets the findings of the relationship between the ESG practice and corporate financial performance.

To Identify the Key Indicators of Environmental, Social and Governance (ESG) Practice Reported in The Public-Listed Companies

In order to ensure that this study encompasses practices that are widely acknowledged and implemented across the industry sector, this study priorities to identify the pivotal indicators of ESG practice reported in the public-listed companies in Malaysia. The key indicators were selected those with over 50% 'Yes' responses in table 4.1. By excluding those indicators with less than 50% adoption, this study could focus on indicators that have significant implications for ESG performance and stakeholder engagement. Table 5.1 show the key indicators of ESG practice selected in this study.

Table 5.1: Key Indicators of Environmental, Social and Governance Practice

Indicator Code	Indicators Name
	ENVIRONMENTAL
	Environmental Management Systems (EMS)
I1	Net Zero Emission 2050 Target
I2	Sustainability Practices
	GHG Emission
I3	Disclosure Scope 1 Emission
I4	Disclosure Scope 2 Emission
I5	Disclosure Scope 3 Emission
	Waste and pollution
I6	Waste Management
I7	Spill Management
I8	Material Assessment
	Natural Resources Capital
I9	Water Management
I10	Paper Management
	Environmental Opportunities
I11	Foresting Practice
I12	Renewable energy (Clean Technology): Solar panel
I13	Renewable energy (Clean Technology): LED
	SOCIAL
	Employee (Labour right)
I14	Discrimination, Diversity and Equality
I15	Training
I16	Employee Satisfaction
I17	Occupational health and safety
I18	Labour rights

I19	Data Confidentiality and Privacy
	Customer
I20	Customer Questionnaire
I21	Customer Services
	Community
I22	Social Care Program/Activity
I23	Scholarship
I24	Donation
I25	Voluntarism
	GOVERNANCE
I26	Business Code of Conduct
I27	ESG KPI
I28	MCCG
I29	Anti-Bribery and Corruption
I30	Whistleblowing
I31	ABC Training
I32	Board Committee
I33	Board Diversity
I34	Board Composition
I35	Annual General Meetings
I36	Board remuneration

*I = Indicators

From the presenting of table 5.1, the environmental dimension comprises of 5 sub-categories, each with its respective indicators, total thirteen (13) indicators. The social dimension encompasses three (3) subcategories, amounting to twelve (12) indicators, each of which defines distinct social indicators. The governance dimension is undivided into separate categories and comprises eleven (11) indicators.

To Determine the Correspondence and Variance of Environmental, Social and Governance (ESG) Practice in Various Industry Sector.

Table 5.2 at below presents the ESG practices are has reported by all PLCs in various industry sector Malaysia in 2022. It includes all the indicators involved in both environmental, social and governance (ESG) dimensions. There is no missing data existed. These correspondence key indicators were selected those with over 100% 'Yes' responses in table 4.2 which represent the ESG practices have implemented by all the Malaysian PLCs. It reflects the similarities in ESG practices that are generally accepted by all PLCs.

Table 5.2 Environmental, Social and Governance Practice Reported by All PLCs

Indicator Code	Indicators	N	Mean	Median	Min	Max	YES	
		Valid					Sum (f)	Sum (%)
I2	Sustainability Practices	41	1	1	1	1	41	100
I3	Disclosure Scope 1 Emission	41	1	1	1	1	41	100
I4	Disclosure Scope 2 Emission	41	1	1	1	1	41	100
I14	Discrimination, Diversity and Equality	41	1	1	1	1	41	100
I15	Training	41	1	1	1	1	41	100
I17	Occupational health and safety	41	1	1	1	1	41	100
I18	Labour rights	41	1	1	1	1	41	100

I19	Data Confidentiality and Privacy	41	1	1	1	1	41	100
I26	Business Code of Conduct	41	1	1	1	1	41	100
I29	Anti-Bribery and Corruption	41	1	1	1	1	41	100
I30	Whistleblowing	41	1	1	1	1	41	100
I32	Board Committee	41	1	1	1	1	41	100
I33	Board Diversity	41	1	1	1	1	41	100
I34	Board Composition	41	1	1	1	1	41	100
I35	Annual General Meetings	41	1	1	1	1	41	100
I36	Board remuneration	41	1	1	1	1	41	100

*I = Indicators

The unanimous in the environmental practices is not notable, with only three (3) indicators consistently reported by all PLCs which are I2, I3, and I4. On the other hand, all PLCs report on five (5) indicators related to social practices, including I14, I15, I17, I18, and I19. Governance practices are reported with eight (8) identical indicators consisting of I26, I29, I30, I32, I33, I34, I35, and I36. These correspondence in ESG practices indicate a shared commitment to sustainability, ethical governance standard, and social responsibility, despite the fact that each sector's operations and effect areas differ.

Table 5.3 The Variance of Environmental, Social and Governance Practice Reported by PLCs Among Various Industry Sector

Indicator Code	*Total (f) = 41*	YES (%)										
		CPS (19.51)	**EGY (12.20)**	**FS (19.51)**	**HC (7.32)**	**IPS (12.20)**	**PPT (2.44)**	**TCH (17.07)**	**TM (2.44)**	**TL (4.88)**	**UTL (2.44)**	**TOTAL (100)**
	ENVIRONMENTAL											
	Environmental Management Systems											
I1	Net Zero Emission 2050 Target	12.20	12.20	19.51	7.32	9.76	2.44	14.63	2.44	4.88	2.44	87.80
	GHG Emission											
I5	Disclosure Scope 3 Emission	14.63	7.32	14.63	7.32	12.20	2.44	9.76	2.44	4.88	0.00	75.61
	Waste and pollution											
I6	Waste Management	19.51	12.20	14.63	7.32	12.20	2.44	17.07	2.44	4.88	2.44	95.12
I7	Spill Management	12.20	12.20	7.32	7.32	12.20	2.44	12.20	0.00	4.88	2.44	73.17
I8	Material Assessment	19.51	7.32	14.63	7.32	4.88	2.44	7.32	2.44	4.88	2.44	73.17
	Natural Resources Capital											
I9	Water Management	19.51	12.20	17.07	7.32	12.20	2.44	14.63	2.44	4.88	2.44	95.12
I10	Paper Management	14.63	4.88	19.51	7.32	7.32	2.44	9.76	0.00	4.88	0.00	70.73
	Environmental Opportunities											
Excluded	Green Financing	0.00	0.00	17.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.07
I11	Foresting Practice	7.32	7.32	17.07	4.88	7.32	2.44	4.88	0.00	4.88	2.44	58.54
	Renewable energy (Clean Technology)											
I12	Solar panel	17.07	4.88	9.76	4.88	9.76	2.44	7.32	2.44	4.88	2.44	65.85
I13	LED	12.20	4.88	19.51	4.88	7.32	2.44	12.20	0.00	2.44	2.44	68.29
Excluded	Air-Condition Monitoring	9.76	2.44	17.07	2.44	4.88	0.00	7.32	0.00	0.00	0.00	43.90
	SOCIAL											
	Employee											
I16	Employee Satisfaction	14.63	4.88	17.07	4.88	9.76	2.44	9.76	0.00	4.88	2.44	70.73
	Customer											
I20	Customer Questionnaire	14.63	4.88	17.07	7.32	12.20	2.44	12.20	2.44	2.44	2.44	78.05
I21	Customer Services	17.07	2.44	9.76	7.32	7.32	2.44	9.76	2.44	2.44	0.00	60.98
	Community											
I22	Social Care Program/Activity	19.51	7.32	19.51	4.88	12.20	2.44	14.63	2.44	4.88	2.44	90.24
I23	Scholarship	12.20	9.76	19.51	4.88	7.32	0.00	12.20	0.00	2.44	2.44	70.73
I24	Donation	19.51	9.76	19.51	7.32	12.20	2.44	14.63	2.44	4.88	0.00	92.68
I25	Voluntarism	12.20	7.32	17.07	2.44	9.76	2.44	9.76	0.00	4.88	2.44	68.29

Excluded	Zakat	0.00	0.00	17.07	0.00	0.00	0.00	0.00	2.44	0.00	0.00	19.51
	GOVERNANCE											
I27	ESG KPI	7.32	7.32	14.63	4.88	7.32	2.44	9.76	0.00	2.44	2.44	58.54
I28	MCCG	17.07	12.20	14.63	7.32	12.20	2.44	17.07	2.44	4.88	2.44	92.68
I31	ABC Training	14.63	12.20	17.07	7.32	9.76	2.44	14.63	2.44	4.88	2.44	87.80

According to the statistics supplied, the relationship between ESG practices varies greatly among industry sectors, reflecting each sector's own difficulties and effect areas. However, according to the findings, there are various ESG practices were similarly performed across industry sectors. Considering all these, some practices exhibit low overall adoption, such as green financing, and Zakat. These inefficiencies highlight opportunities for broader implementation across industries. On the other hand, widely adopted practices, such as waste management (95.12%), water management (95.12%), social care program or activity (90.24%), donation (92.68%) and MCCG (92.68%), point-out robust industry-wide dedication to these critical ESG practices. The results of social dimension with p-value of 0.164 indicates that the social structure and social perception in Malaysia is consistent and aligned. Atan et al (2016) mentioned that various interpretations on CSR practices are utilized by countries in different locations. Even the nomenclature of ESG is the same, this may be the social structure of the nations that was developed based on norms, routines, rules, and schemas that differ across nations.

The less differences of governance practice of Malaysian PLCs across industry sectors with a p-value of 0.794 is align with the findings of Germain, Galy and Lee (2014) which discovered that Malaysian PLCs had a high compliance level on the MCCG code. In Malaysia, the governance element seems to have a strong influence basis on reporting framework and disclosing issue of the companies in order to regain the confidence of investors (Atan et al, 2016). As a recap, while the specifics of ESG practices fluctuate depending on the particular issues and complications of each industry, there are certain similarities in how companies deal with sustainability, social responsibility, and governance. The findings in reacting research objectives two (2) underscores the vitality for concentrated initiatives to enhance ESG practices in lagging sectors, encourage a greater consistent dedication to sustainability across all industries industr

TO INVESTIGATE THE RELATIONSHIP OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICE AND CORPORATE FINANCIAL PERFORMANCE

The research objective three (3) that pursue in this study in analyzing the Pearson correlation coefficients and significance levels is to ascertain if more stringent and all-encompassing ESG practice implementation is linked to improved or worse financial performance.

The findings in table 4.7 reveal that their relationship weak negative and no significant correlation. All the p-value (sig) are above 0.05 level. The result is aligned with the findings reported by Walley and Whitehead (1994) and Hamilton (1995), Pava and Krausz (1996); Khanna and Damon (1999), King and Lenox (2001), Konar and Cohen (2001), Link and Naveh (2006), Mittal, Sinha, and Singh (2008), Surroca and Tribó (2008), Orens and Cormier (2010), Atan et al (2016) and Shaikh, I. (2022).

According to the literature, one-year discrepancy between ESG practice disclosure and company's performance does not yield meaningful significant results, it might occupy a plenty of time for the ESG practice disclosure and its impact on the performance of the company to reflect the facts revealed (Atan et al, 2016; Balatbat et al., 2012). This is because the information disclosed at present may not useful and meaningful in future (Balatbat et al., 2012; Janggu, Joseph, and Madi, 2007). The result might be because the managers frequently overlook the ESG or CSR since it does not bring financial value or help to raise profits or gain for the business and its shareholders directly (Clacher and Hagendorff, 2012; Rose, 2007).

The prior research conducted by McPeak and Tooley (2008) and Porter and Miles (2013) indicated and evidenced that the impact of ESG disclosure is much more related and relevant in the long-term performance. When a company integrates information pertaining to ethical and responsible conduct in its reporting, it is anticipated that it would perform superior (Arshad et al., 2012; Berry and Junkus, 2013; Kocmanová and Dočekalová, 2012).

Conclusion

The findings of this study indicate that ESG practice insignificantly influences weak performance of ROA. The research methodology employed in this study builds upon the work of previous researchers, ensuring the reliability of data gathered. In future, stakeholders interested in deepening references and framework of ESG practices in Malaysia can benefit greatly from the outcomes and findings of this study. Moreover, the constraints noted in this study will direct future investigators to steer clear of comparable difficulties and carry out more thorough studies.

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