JOURNAL OF ADVANCED MULTIDISCIPLINARY STUDIES (JAMS)
JAMS |Volume I Issue III October 2026 | DOI: 10.68050/JAMS

More or Better? Integrated Disclosure Quality under Malaysia's New Sustainability Standards

Faidzulaini Muhammad[1*], Wan Maryam Jameelah Wan Alias[2]

[1]Tunku Intan Safinaz School of Accountancy, College of Business, Universiti Utara Malaysia, Kedah, Malaysia

[2]Islamic Business School, College of Business, Universiti Utara Malaysia, Kedah, Malaysia

***Corresponding Author**

DOI: https://doi.org/10.68050/JAMS.2026.892

Received: 18 October 2026; Accepted: 24 October 2026; Published: 31 October 2026

ABSTRACT

The adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, IFRS S1 and IFRS S2, through Malaysia's National Sustainability Reporting Framework (NSRF) requires companies listed on Bursa Malaysia, in phases from 2025, to report sustainability-related financial information alongside their financial statements. Yet disclosure among Malaysian listed companies remains uneven, compliance-driven and limited in depth. Enforcement actions over late or inaccurate financial reports continue, and regulators have deferred mandatory assurance after a review found the first reporting cohort's disclosures still needed improvement. This conceptual paper shifts attention from how much companies disclose to how well they disclose. Using a theory synthesis approach supported by an integrative review of disclosure literature and Malaysian regulatory documents, it integrates agency, signalling, legitimacy, stakeholder and institutional theories to develop a framework of integrated disclosure quality. The construct joins financial reporting quality and sustainability-related disclosure quality through five dimensions: completeness and materiality, connectivity, balance and neutrality, forward-looking orientation, and timeliness and reliability. The framework proposes that regulatory pressure, board governance effectiveness, and stakeholder and investor pressure shape disclosure quality; that organisational reporting capability determines whether regulatory pressure produces substantive or symbolic disclosure; and that external assurance strengthens the link between disclosure quality and transparency outcomes. Six propositions guide future empirical testing. The paper reconceptualises disclosure as an integrated, quality-based construct, maps each theory to the dimensions it explains, and shows why mandatory standards alone may not deliver transparency. It offers practical insights for regulators, boards, preparers, auditors and investors during the NSRF transition.

Keywords: Integrated disclosure quality; IFRS S1 and S2; Sustainability reporting; Substantive and symbolic disclosure; Bursa Malaysia.

1. INTRODUCTION

Accounting information disclosure is one of the main means by which a capital market reduces the information gap between those who manage companies and those who finance them. When managers know more about a firm's performance, risks and prospects than investors do, disclosure helps close that gap, supports the efficient allocation of capital and allows shareholders to monitor management (Healy & Palepu, 2001; Leuz & Wysocki, 2016). Higher-quality disclosure has also been linked to greater market liquidity and a lower cost of equity capital (Botosan, 1997; Diamond & Verrecchia, 1991). For these reasons, the quality of what listed companies disclose is not only a technical accounting matter but also a question of market confidence and public trust.

The meaning of "accounting information" has, however, widened considerably over the past two decades. Investors now treat sustainability-related matters, such as climate risk, resource use, workforce practices and

governance, as factors that can affect a company's cash flows, access to finance and cost of capital. Evidence shows that material sustainability information can be value relevant and can improve how well share prices reflect firm-specific information (Grewal et al., 2021; Khan et al., 2016). Yet for many years such information was reported under a mix of voluntary frameworks, which produced reports that were difficult to compare and easy to use selectively (Adams & Abhayawansa, 2022). In response, the International Sustainability Standards Board (ISSB) issued, in June 2023, two International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, namely IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, as a global baseline for investor-focused sustainability reporting (IFRS Foundation, 2023a, 2023b).

Malaysia has moved quickly to adopt this baseline. On 24 September 2024, the Advisory Committee on Sustainability Reporting (ACSR), chaired by the Securities Commission Malaysia, launched the National Sustainability Reporting Framework (NSRF), which adopts IFRS S1 and IFRS S2 as the baseline standards for Malaysian companies (Advisory Committee on Sustainability Reporting [ACSR], 2024). Adoption is phased by reference to annual reporting periods beginning on or after a stated date. Main Market issuers with a market capitalisation of Ringgit Malaysia (RM) 2 billion and above (Group 1) apply the standards from 1 January 2025, other Main Market issuers (Group 2) from 1 January 2026, and ACE (Access, Certainty, Efficiency) Market issuers together with large non-listed companies with annual revenue of RM2 billion and above (Group 3) from 1 January 2027 (ACSR, 2024). Transition reliefs allow companies to begin with climate-related disclosures and to defer Scope 3 greenhouse gas emissions disclosure during the early years of adoption (ACSR, 2024). On 23 December 2024, Bursa Malaysia amended its Main Market and ACE Market Listing Requirements to require sustainability statements prepared in accordance with the IFRS Sustainability Disclosure Standards for financial years ending on or after 31 December 2025 (Group 1), 31 December 2026 (Group 2) and 31 December 2027 (ACE Market). The amendments also require issuers to state whether their sustainability statements have been internally reviewed or independently assured (Bursa Malaysia Berhad, 2024). Mandatory reasonable assurance of Scope 1 and Scope 2 greenhouse gas emissions was originally scheduled to begin for Group 1 in 2027. In September 2026, however, the ACSR deferred it by one year, to annual reporting periods beginning on or after 1 January 2028 for Group 1, with corresponding one-year deferrals to 2029 for Group 2 and 2030 for Group 3 (Securities Commission Malaysia, 2026).

In this paper, the term *IFRS S1 and S2 era* (or *ISSB era*) refers to this period of phased, mandatory adoption of Malaysia's new sustainability standards, namely IFRS S1 and S2 as adopted through the NSRF, alongside the existing financial reporting framework. It represents a structural change in which the annual report of a listed company is expected to present financial and sustainability-related financial information as one connected body of decision-useful information. For consistency, the paper uses *financial reporting quality* for the quality of information in the financial statements, *sustainability-related disclosure quality* for the quality of the sustainability-related financial disclosures required by IFRS S1 and S2, and *integrated disclosure quality* for the joint quality of both as one connected body of information (Section 4.2).

Despite this expanding regulatory baseline, recent Malaysian evidence suggests that the disclosure practices of listed companies have not kept pace with regulatory ambition. The studies differ in design and scope, so their findings are best read as complementary indicators rather than as a single body of evidence. Using a 36-item integrated reporting disclosure index applied to 1,124 firm-year observations from 281 non-financial Main Market companies over the period 2021 to 2024, Wisaksono et al. (2026) report an average disclosure score of only 40.6 per cent, with relatively strong scores for governance (75.2) but very weak disclosure on outlook (21.7) and on strategy and resource allocation (25.4). They conclude that practice emphasises formal compliance over substantive integrated thinking. Drawing on a conceptual review of prior studies and regulatory documents through stakeholder, legitimacy and institutional lenses, Hussin et al. (2025) observe that environmental, social and governance (ESG) disclosure among Malaysian listed companies remains low and inconsistent despite tighter regulatory expectations. Risk disclosure shows a similar pattern: in developing a key risk disclosure quality index for Malaysian public-listed companies, Osman et al. (2026) argue that prior studies have mostly measured how much is disclosed rather than how specifically risks and their mitigation are explained.

Concerns also extend to the reliability of financial information itself. A qualitative case study of 20 major Malaysian corporate financial scandals between 2015 and 2025, based on regulatory reports, media coverage and company disclosures, identified disclosure failures, related-party abuses, and weak governance and enforcement as recurring problems (Shamsuddin et al., 2026). At the level of individual issuers, Bursa Malaysia continues to take enforcement action for late financial reporting; in July 2026, for example, it publicly reprimanded a Main Market issuer whose annual reports were issued late mainly because it had failed to maintain the accounting records its external auditors required (Bursa Malaysia Securities Berhad, 2026). Most directly relevant to the new regime, a review of the first cohort of 91 Group 1 issuers reporting under the IFRS Sustainability Disclosure Standards, conducted by the Minority Shareholders Watch Group and Climate Governance Malaysia, found that the quality of their sustainability disclosures still needed improvement, which led the ACSR to defer mandatory assurance (Securities Commission Malaysia, 2026).

These observations point to a central problem. The volume of corporate reporting in Malaysia has grown, and the regulatory framework has become more demanding, but more disclosure has not necessarily produced better disclosure. International research warns that disclosure can be used to manage impressions and secure legitimacy rather than to inform users (Cho et al., 2015; Merkl-Davies & Brennan, 2007), and that the quantity of disclosure is a weak proxy for its quality (Michelon et al., 2015). Evidence on mandatory ESG disclosure is encouraging but mixed, showing that regulation can improve the availability of information while its effects on quality depend on enforcement, assurance and firm incentives (Christensen et al., 2021; Krueger et al., 2024). The arrival of IFRS S1 and S2 therefore raises an important question for Malaysia: will mandatory, investor-focused standards close the gap between disclosure quantity and disclosure quality, or will they simply add another layer of compliance reporting?

The existing literature offers only partial answers. Malaysian disclosure research has a long and valuable tradition, but most studies have examined voluntary, social, environmental or ESG disclosure separately, have relied on checklist-based measures of disclosure extent, and have typically drawn on a single theoretical lens (Amran & Haniffa, 2011; Haniffa & Cooke, 2002; Hussin et al., 2025; Mohd Ghazali & Weetman, 2006). More broadly, research on financial reporting quality and research on sustainability-related disclosure quality have developed as largely separate streams, with different constructs, measures and theoretical emphases (Dechow et al., 2010; Hahn & Kühnen, 2013). Few studies have considered what disclosure quality means when financial and sustainability information must be prepared under one connected standard-setting regime, and fewer still have done so for an emerging market at the start of mandatory adoption. There is, therefore, a need for conceptual work that rethinks accounting information disclosure for the IFRS S1 and S2 era and explains the conditions under which the new regime is likely to produce substantive rather than symbolic transparency.

Accordingly, this conceptual paper has three objectives: (1) to examine how the disclosure environment for Bursa Malaysia listed companies has evolved towards the IFRS S1 and S2 era; (2) to reconceptualise accounting information disclosure as an integrated, quality-based construct that connects financial and sustainability-related information; and (3) to develop a conceptual framework and a set of propositions explaining the antecedents, boundary conditions and outcomes of disclosure quality in this setting.

The paper makes three theoretical contributions. First, it shifts the focus of disclosure research from *how much* companies disclose to *how well* they disclose, by reconceptualising disclosure as integrated disclosure quality, a construct with five dimensions grounded in IFRS S1 and the disclosure literature, and by distinguishing it explicitly from financial reporting quality and sustainability-related disclosure quality. Second, it integrates agency, signalling, legitimacy, stakeholder and institutional theories into a single framework and maps each theory to the dimensions of quality it most directly explains. Third, it introduces organisational reporting capability and external assurance as boundary conditions, explaining why regulatory pressure alone may produce symbolic compliance rather than substantive disclosure. Building on these contributions, the paper offers six theoretically derived propositions, a research agenda and practical guidance for regulators, boards, preparers, auditors and investors during a critical transition period for the Malaysian capital market.

The remainder of the paper is organised as follows. Section 2 reviews the literature and theoretical foundation-

ns. Section 3 explains the conceptual methodology. Section 4 presents the results of the theory synthesis and discusses the proposed framework and propositions. Section 5 concludes with a summary, the theoretical contributions, practical implications, limitations and directions for future research.

2. LITERATURE REVIEW

This section reviews the literature and theories that inform the study. It first explains the concept of accounting information disclosure and how the disclosure environment for Bursa Malaysia listed companies has evolved. It then discusses the shift from disclosure quantity to disclosure quality, outlines the main features of the IFRS S1 and S2 reporting regime, and reviews disclosure research in the Malaysian context. The section ends by presenting the five theories that underpin the proposed framework.

2.1 Accounting Information Disclosure: Concept and Evolution

Accounting information disclosure refers to the communication of financial and non-financial information by an entity to its users through statutory financial statements, annual reports and other corporate reporting channels. The literature traditionally distinguishes between mandatory disclosure, which is required by law, accounting standards and listing rules, and voluntary disclosure, which managers provide at their own discretion beyond these requirements (Healy & Palepu, 2001). Analytical models of discretionary disclosure show that managers weigh the benefits of disclosure against its proprietary and other costs, and that withholding information can be rational when disclosure costs are high or when investors are uncertain whether managers possess information (Dye, 1985; Verrecchia, 1983). Later reviews describe corporate disclosure as part of a wider financial reporting environment shaped by regulators, auditors, analysts and the incentives of managers (Beyer et al., 2010; Leuz & Wysocki, 2016).

For Bursa Malaysia listed companies, the disclosure environment has developed in several stages, summarised in chronological order in Table 1. Malaysia converged its financial reporting standards with IFRS through the Malaysian Financial Reporting Standards (MFRS) framework, which applied to non-private entities for annual periods beginning on or after 1 January 2012 (Malaysian Accounting Standards Board [MASB], 2011). Bursa Malaysia then introduced its Sustainability Framework in October 2015 and made sustainability statements a requirement for Main Market issuers in phases from financial years ending on or after 31 December 2016 (Bursa Malaysia Berhad, 2015). The Companies Act 2016, whose main provisions came into force on 31 January 2017, sets out the statutory duties of directors in relation to financial statements (Malaysia, 2016). The Malaysian Code on Corporate Governance (MCCG) 2021 further encourages boards to take responsibility for sustainability governance and reporting (Securities Commission Malaysia, 2021). Bursa Malaysia later strengthened its sustainability requirements through enhanced reporting rules announced in September 2022, including common material sustainability matters and climate-related disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (Bursa Malaysia Berhad, 2022). The NSRF and the related amendments to the Listing Requirements now complete this progression by placing sustainability-related financial disclosure on a standard-setting basis comparable to financial reporting (ACSR, 2024; Bursa Malaysia Berhad, 2024), while subsequent regulatory announcements have shaped how the transition is supervised and assured (Securities Commission Malaysia, 2025, 2026).

Table 1 *Evolution of the Disclosure Environment for Bursa Malaysia Listed Companies*

Period	Development	Implication for disclosure
2012	Malaysian Financial Reporting Standards (MFRS) framework, converged with IFRS, applied to non-private entities for annual periods beginning on or after 1 January 2012, with transitioning entities permitted to defer adoption	Financial statements prepared on a basis equivalent to IFRS, improving international comparability
2015 to 2018	Bursa Malaysia Sustainability Framework introduced (October 2015); sustainability statement required under the Listing Requirements, phased in from financial years ending on or after 31 December 2016	Sustainability disclosure becomes mandatory but remains largely narrative and principles-based

2016 to 2017	Companies Act 2016 (Act 777) enacted; main provisions in force from 31 January 2017	Statutory responsibilities of directors for financial statements and reporting
2021	Malaysian Code on Corporate Governance (MCCG) 2021	Boards expected to take responsibility for sustainability governance and disclosure
2022	Enhanced sustainability reporting requirements announced by Bursa Malaysia (September 2022): common material sustainability matters from financial years ending on or after 31 December 2023; TCFD-aligned climate disclosures from financial years ending on or after 31 December 2025	Common material sustainability matters and TCFD-aligned climate disclosures introduced for Main Market issuers
2024	National Sustainability Reporting Framework (NSRF) launched (24 September 2024); Main Market and ACE Market Listing Requirements amended (23 December 2024)	IFRS S1 and IFRS S2 adopted as the baseline, with transition reliefs; issuers must state whether sustainability statements were internally reviewed or independently assured
2025 to 2027	Phased adoption for annual reporting periods beginning on or after 1 January of each year: Group 1, Main Market issuers with market capitalisation of RM2 billion and above (2025); Group 2, other Main Market issuers (2026); Group 3, ACE Market issuers and large non-listed companies (2027)	Financial and sustainability-related financial information reported together as one connected disclosure package
2025 to 2026	ACSR approach to non-compliance announced (December 2025); mandatory reasonable assurance of Scope 1 and Scope 2 emissions deferred by one year to 2028 (Group 1), 2029 (Group 2) and 2030 (Group 3), with the International Standard on Sustainability Assurance (ISSA) 5000 as the assurance standard (September 2026)	Supervision emphasises capacity building and corrective action during transition; independent verification of sustainability information arrives later than originally planned

Note. Compiled by the authors from ACSR (2024), Bursa Malaysia Berhad (2015, 2022, 2024), Malaysia (2016), MASB (2011) and Securities Commission Malaysia (2021, 2025, 2026).

As Table 1 shows, this evolution has a clear direction of travel. Disclosure has moved from a primarily financial and largely domestic focus towards an integrated model in which financial statements and sustainability-related financial information are expected to tell one consistent story about how the company creates and protects value. This shift changes the question that disclosure research must ask. Under earlier regimes, the main concern was whether companies disclosed certain items at all. Under the IFRS S1 and S2 regime, where a baseline of disclosure is mandated, the more important concern becomes whether the information disclosed is complete, connected, balanced, forward-looking and reliable.

2.2 From Disclosure Quantity to Disclosure Quality

Much of the empirical disclosure literature measures disclosure through content analysis, using indices that record whether particular items are present in annual reports (Hahn & Kühnen, 2013; Haniffa & Cooke, 2002). These measures are practical and replicable, but they capture the extent of disclosure more than its quality. A company may score highly on a checklist by including many items in general or boilerplate language, while another may disclose fewer items in a more specific and decision-useful way. Michelon et al. (2015) show that the adoption of reporting practices such as stand-alone reports and reporting guidelines does not necessarily improve the quality of corporate social responsibility disclosure. Melloni et al. (2017) find that companies with weaker performance tend to produce integrated reports that are less concise and less balanced, suggesting that disclosure characteristics can be shaped by impression management.

The impression management literature explains why quantity and quality can diverge. Managers may use narrative disclosures selectively, emphasising positive outcomes, obscuring negative ones, or presenting information in ways that are difficult to interpret (Merkl-Davies & Brennan, 2007). In sustainability reporting, studies have described reports that create a favourable image disconnected from actual performance (Boiral, 2013) and organisational façades through which companies present an appearance of responsibility while their practices remain unchanged (Cho et al., 2015). Hummel and Schlick (2016) reconcile these views by showing that companies with strong sustainability performance tend to provide high-quality disclosure to signal their performance, whereas poor performers tend to provide low-quality disclosure to protect their legitimacy. Taken together, this research suggests that disclosure quality, rather than disclosure volume, is the property that matters most for users and the property most at risk when disclosure becomes mandatory.

2.3 The IFRS S1 and S2 Reporting Regime

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or its cost of capital over the short, medium or long term (IFRS Foundation, 2023a). IFRS S2 applies these general requirements specifically to climate-related risks and opportunities, including physical and transition risks and greenhouse gas emissions (IFRS Foundation, 2023b). Both standards organise disclosure around four core content areas, namely governance, strategy, risk management, and metrics and targets, an architecture inherited from the TCFD recommendations. Three design features are particularly important for this paper. First, the standards are investor-focused, so materiality is judged by reference to the information needs of the primary users of general-purpose financial reports. Second, sustainability-related financial disclosures must be reported for the same reporting entity and at the same time as the related financial statements. Third, IFRS S1 requires entities to explain the connections between sustainability-related risks and opportunities and the information in the financial statements, a requirement often described as connectivity (IFRS Foundation, 2023a).

These features address several weaknesses identified in earlier voluntary reporting, notably low comparability, inconsistent boundaries and the separation of sustainability reports from financial reporting. However, the literature also highlights limitations. O'Dwyer and Unerman (2020) observe that the risk-based approach inherited from the TCFD focuses on the effects of sustainability matters on the company rather than on the company's impacts on society and the environment. Adams and Abhayawansa (2022) caution that harmonisation around an investor-focused baseline may narrow the purpose of sustainability reporting. Empirical evidence on mandatory ESG disclosure regimes suggests that mandates can increase the availability and quality of ESG information and reduce the likelihood of negative ESG incidents (Krueger et al., 2024), but that the effects of such mandates depend heavily on enforcement, assurance and the institutional environment (Christensen et al., 2021). Assurance is especially relevant because users place more confidence in sustainability information that has been independently verified, and the demand for assurance is shaped by stakeholder orientation and national institutional factors (Simnett et al., 2009). The NSRF reflects these concerns by phasing in assurance requirements over time (ACSR, 2024), and the recent one-year deferral of mandatory reasonable assurance of Scope 1 and Scope 2 emissions means that independent verification will remain limited during the early years of adoption (Securities Commission Malaysia, 2026).

2.4 Disclosure Research in the Malaysian Context

Malaysian disclosure research has produced important insights. Haniffa and Cooke (2002, 2005) show that cultural factors, ownership structure and board characteristics influence both voluntary and social disclosure among Malaysian companies. Mohd Ghazali and Weetman (2006) find that voluntary disclosure after the Asian financial crisis remained shaped by traditional influences such as director ownership and family control, despite governance reforms. Mohd Ghazali (2007) reports that ownership structure, including director and government ownership, is associated with corporate social responsibility disclosure. Amran and Haniffa (2011) trace the development of sustainability reporting in Malaysia and show how institutional pressures from regulators and other actors shaped early reporting practice, while Haji (2013) documents that the extent and quality of corporate social responsibility disclosure increased over time following regulatory changes, although overall disclosure quality remained low.

Recent studies confirm that these concerns remain relevant, although most are descriptive, conceptual or index-development studies rather than tests of causal relationships. In their conceptual review, Hussin et al. (2025) attribute uneven ESG disclosure among Malaysian listed companies to firm characteristics, board characteristics, internal governance and data governance, and call for empirical testing of these determinants. In a descriptive analysis of Main Market companies, Wisaksono et al. (2026) describe integrated reporting practice as compliance-oriented rather than driven by integrated thinking, with very low disclosure on strategy and outlook. Osman et al. (2026) argue that existing Malaysian risk disclosure studies capture volume rather than specificity, mitigation and decision usefulness, and develop a quality index to address this gap. Using case evidence, Shamsuddin et al. (2026) link Malaysian financial scandals to weak governance, poor disclosure and lax enforcement. Across this body of work, three gaps can be identified. First, financial and sustainability disclosure have mostly been studied separately, even though the IFRS S1 and S2 regime now requires them to be connected. Second, disclosure has been measured mainly in terms of extent, with limited attention to the dimensions of quality. Third, there is little theoretical explanation of why the same regulatory requirement may produce substantive disclosure in some companies but symbolic disclosure in others.

2.5 Theoretical Foundations

Disclosure research draws on several theories, each of which explains part of the disclosure decision. Table 2 summarises the five theories used in this paper.

Table 2 *Theoretical Lenses on Accounting Information Disclosure*

Theory	Core argument	Implication in the IFRS S1 and S2 era	Key sources
Agency theory	Disclosure reduces information asymmetry and agency costs between managers and shareholders	Effective boards should demand complete and reliable integrated disclosure	Jensen and Meckling (1976); Healy and Palepu (2001)
Signalling theory	Better-performing companies disclose credible information to distinguish themselves	Companies with strong sustainability performance have incentives to provide substantive, assured disclosure	Spence (1973); Hummel and Schlick (2016)
Legitimacy theory	Disclosure is used to secure or repair social acceptance	Companies lacking capability may respond to mandates with symbolic disclosure	Suchman (1995); Deegan (2002); Cho et al. (2015)
Stakeholder theory	Companies respond to the expectations of powerful stakeholders	Investor-focused standards increase the influence of capital providers on disclosure quality	Freeman (1984); Gray et al. (1995)
Institutional theory	Coercive, mimetic and normative pressures lead to similar practices	The NSRF creates coercive pressure that standardises disclosure form across companies	DiMaggio and Powell (1983); Amran and Haniffa (2011)

Note. Compiled by the authors from the key sources listed in the final column.

Agency theory, the first lens in Table 2, views disclosure as a monitoring mechanism that reduces information asymmetry between managers and shareholders and thereby lowers agency costs (Jensen & Meckling, 1976). Signalling theory, originally developed to explain how informed parties communicate their quality to less informed parties (Spence, 1973), suggests that companies with good performance and prospects have incentives to disclose credible information to distinguish themselves from weaker companies. Legitimacy theory holds that organisations seek to operate within the bounds of what society regards as acceptable, and that disclosure can be used either to demonstrate genuine conformity or to manage perceptions without changing practice (Deegan, 2002; Suchman, 1995). Stakeholder theory emphasises that companies respond to the expectations of groups that can affect or are affected by their activities, with more powerful stakeholders exerting greater influence on disclosure (Freeman, 1984; Gray et al., 1995). Institutional theory explains how

coercive, mimetic and normative pressures lead organisations within a field to adopt similar structures and practices, sometimes for reasons of legitimacy rather than efficiency (DiMaggio & Powell, 1983).

These theories are often presented as competing, but they are better understood as complementary. Institutional theory explains why the NSRF will lead most Bursa Malaysia listed companies to adopt similar disclosure formats. Agency and stakeholder theories explain why governance structures and investor pressure influence how seriously companies approach disclosure. Signalling and legitimacy theories together explain why companies facing the same requirements may respond differently, with some using disclosure to communicate genuine performance and others using it to protect their image (Hummel & Schlick, 2016). Integrating these perspectives provides a richer explanation of disclosure quality than any single lens, and forms the theoretical basis for the framework developed in Section 4. Section 4.2 makes these links explicit by mapping each theory to the dimensions of integrated disclosure quality it most directly explains.

3. METHODOLOGY

This study adopts a conceptual research design. Conceptual papers do not collect or analyse primary data; instead, they develop new understanding by integrating and extending existing theories and evidence (Jaakkola, 2020; MacInnis, 2011). Among the approaches identified by Jaakkola (2020), this paper follows a *theory synthesis* approach, which aims to achieve conceptual integration across multiple theoretical perspectives and to offer a new or enhanced view of a phenomenon. This approach is suitable because the problem addressed, namely the gap between disclosure quantity and disclosure quality under a new mandatory regime, cannot be adequately explained by any single theory, and because the IFRS S1 and S2 regime in Malaysia is at an early stage and empirical evidence on its effects remains limited.

The theory synthesis is supported by an integrative literature review. Integrative reviews critically analyse and synthesise representative literature on a topic to generate new frameworks and perspectives, and are appropriate for emerging topics and for topics that would benefit from reconceptualisation (Snyder, 2019; Torraco, 2005). The review drew on two types of sources. The first consisted of peer-reviewed journal articles retrieved from Scopus, Web of Science and Google Scholar using combinations of search terms such as “disclosure quality”, “voluntary disclosure”, “mandatory disclosure”, “sustainability reporting”, “ESG disclosure”, “IFRS S1”, “IFRS S2”, “ISSB”, “integrated reporting”, “impression management”, “corporate governance” and “Malaysia” or “Bursa Malaysia”. The second consisted of authoritative regulatory and standard-setting documents, including the NSRF (ACSR, 2024), IFRS S1 and IFRS S2 (IFRS Foundation, 2023a, 2023b), the amendments to the Bursa Malaysia Listing Requirements (Bursa Malaysia Berhad, 2024), the Sustainability Reporting Guide (Bursa Malaysia Berhad, 2015, 2022), the MCCG 2021 (Securities Commission Malaysia, 2021) and the Companies Act 2016 (Malaysia, 2016).

Sources were selected purposively on the basis of three criteria: (1) relevance to the nature, determinants or consequences of disclosure quality; (2) theoretical or empirical contribution to understanding mandatory or sustainability-related disclosure; and (3) relevance to the Malaysian institutional setting. Seminal works were included to establish theoretical foundations, while recent studies, particularly those published from 2021 onwards, were prioritised to capture current developments associated with the move towards ISSB-based reporting.

The analysis proceeded in three stages. In the first stage, the regulatory documents were examined to map the evolution of the disclosure environment for Bursa Malaysia listed companies (Table 1). In the second stage, the literature was analysed thematically to identify recurring patterns concerning disclosure quality, its antecedents, the conditions that shape it and its outcomes. In the third stage, the themes were integrated with the five theories in Table 2 to construct a conceptual framework and to derive testable propositions. Following Whetten (1989), the framework specifies *what* constructs are involved, *how* they are related, *why* these relationships are expected, and the boundary conditions of *who, where and when* the framework applies. Each proposition was derived by identifying the theoretical mechanism linking the constructs, locating supporting international and Malaysian evidence, and specifying the dimensions of disclosure quality the mechanism is expected to affect. The results of the three stages are reported as follows: the regulatory mapping in Section 2.1

(Table 1), the themes in Section 4.1, and the construct, framework and propositions in Sections 4.2 to 4.4. Bibliographic details of all sources were checked against publishers' records, and regulatory timelines were verified against the most recent official releases of the ACSR, the Securities Commission Malaysia and Bursa Malaysia available at the time of writing (October 2026). Because the study relies entirely on published literature and publicly available documents and involves no human participants, ethical approval was not required.

4. RESULTS AND DISCUSSION: FRAMEWORK DEVELOPMENT AND PROPOSITIONS

This section presents the results of the theory synthesis. It begins by summarising the key themes from the integrative review and then reconceptualises disclosure as integrated disclosure quality with five dimensions. Building on this construct, the section introduces the proposed conceptual framework, develops six propositions on its antecedents, boundary conditions and outcomes, and discusses how the framework extends existing disclosure research.

4.1 Synthesis of Key Themes

The integrative review produced four themes that together describe the current state of accounting information disclosure among Bursa Malaysia listed companies.

The first theme is an *expanding and increasingly layered regulatory baseline*. Listed companies must now satisfy the requirements of MFRS, the Companies Act 2016, the Listing Requirements, the MCCG 2021 and, progressively, IFRS S1 and S2. This creates strong coercive pressure towards disclosure, but it also increases complexity, particularly for smaller issuers in the later NSRF groups.

The second theme is a *persistent gap between disclosure quantity and disclosure quality*. Both older and recent Malaysian studies show that increases in the volume of reporting have not been matched by improvements in specificity, balance, strategic insight or forward-looking content (Haji, 2013; Osman et al., 2026; Wisaksono et al., 2026). The international literature explains this gap through impression management and symbolic legitimation (Cho et al., 2015; Merkl-Davies & Brennan, 2007).

The third theme concerns the *influence of governance and stakeholders*. Board characteristics, ownership structure and the expectations of investors and other stakeholders consistently shape disclosure practice in Malaysia (Haniffa & Cooke, 2002; Hussin et al., 2025; Mohd Ghazali, 2007), as they do elsewhere (Ali et al., 2017; Eng & Mak, 2003).

The fourth theme relates to *capability and credibility constraints*. High-quality integrated disclosure requires reliable data systems, coordination between finance and sustainability functions, and competent preparers. Recent enforcement cases citing inadequate accounting records (Bursa Malaysia Securities Berhad, 2026), together with evidence that data governance shapes ESG disclosure (Hussin et al., 2025), suggest that capability is a binding constraint for some companies. The ACSR has acknowledged the same constraint, citing limited resources, weak external data and scarce expertise as reasons for a phased supervisory approach (Securities Commission Malaysia, 2025). Credibility, in turn, depends on independent assurance, which remains limited for sustainability information during the transition period and whose mandatory introduction has been deferred to 2028 for Group 1 issuers (ACSR, 2024; Securities Commission Malaysia, 2026; Simnett et al., 2009).

4.2 Rethinking Disclosure: Integrated Disclosure Quality

Building on these themes, this paper proposes that accounting information disclosure in the IFRS S1 and S2 era should be conceptualised as *integrated disclosure quality*, defined as the degree to which a company's financial and sustainability-related financial disclosures together provide complete, connected, balanced, forward-looking and reliable information that is useful to investors and other stakeholders in assessing the

company's prospects. This definition differs from conventional approaches to disclosure in two ways. First, it treats financial and sustainability information as parts of one disclosure system rather than as separate reports. Second, it evaluates disclosure by its decision usefulness rather than by the number of items reported.

Integrated disclosure quality should be distinguished from two related constructs. *Financial reporting quality* concerns the extent to which the financial statements faithfully represent the entity's financial position and performance. It is usually assessed through properties of reported numbers, such as accruals quality, earnings persistence, restatements and audit outcomes, and it is supported by a long-established statutory audit regime (Dechow et al., 2010; International Accounting Standards Board [IASB], 2018). *Sustainability-related disclosure quality* concerns the extent to which disclosures about sustainability-related risks and opportunities are material, specific, balanced and verifiable. Because these disclosures are largely narrative, forward-looking and dependent on new data systems, they are usually assessed through content analysis of their specificity, balance and quantification, and they have historically been subject to limited and voluntary assurance (Hummel & Schlick, 2016; Michelon et al., 2015; Simnett et al., 2009).

The two constructs share a common conceptual foundation, because IFRS S1 adopts the qualitative characteristics of useful information set out in the IASB Conceptual Framework, namely relevance, faithful representation, comparability, verifiability, timeliness and understandability (IASB, 2018; IFRS Foundation, 2023a). Integrated disclosure quality builds on this foundation but is not simply the sum of the two. It adds the quality of the *connections* between them, that is, whether sustainability-related risks are reflected consistently in the assumptions, estimates and judgements underlying the financial statements, and whether the two sets of information tell one coherent story. A company may therefore show high financial reporting quality and reasonable sustainability-related disclosure quality, yet low integrated disclosure quality if the two are prepared in isolation.

Drawing on the requirements of IFRS S1 and the disclosure quality literature, five dimensions of integrated disclosure quality are proposed, as shown in Table 3.

Table 3 *Dimensions of Integrated Disclosure Quality*

Dimension	Description	Conceptual basis
Completeness and materiality	Disclosure covers the financial information and all sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects, with sufficient specificity to be decision-useful	IFRS Foundation (2023a); Khan et al. (2016); Osman et al. (2026)
Connectivity	Disclosure explains how sustainability-related risks and opportunities link to strategy, financial statement amounts and key assumptions, using consistent data across reports	IFRS Foundation (2023a); Wisaksono et al. (2026)
Balance and neutrality	Disclosure presents favourable and unfavourable information fairly, without selective emphasis or impression management	Merkl-Davies and Brennan (2007); Melloni et al. (2017)
Forward-looking orientation	Disclosure provides information on strategy, targets, transition plans, resilience and outlook rather than only past performance	IFRS Foundation (2023b); Wisaksono et al. (2026)
Timeliness and reliability	Disclosure is published together with the financial statements, supported by internal controls and, where available, external assurance	IFRS Foundation (2023a); Simnett et al. (2009); Bursa Malaysia Securities Berhad (2026)

Note. Developed by the authors.

The five dimensions in Table 3 are conceptualised as jointly constituting integrated disclosure quality. Following Law et al. (1998), integrated disclosure quality is treated as a multidimensional aggregate construct: the dimensions are distinct facets that together define the construct, rather than interchangeable reflections of a single underlying trait. Each dimension corresponds to a different qualitative characteristic of useful

information. Completeness and materiality reflect relevance and the completeness element of faithful representation; connectivity reflects consistency and comparability across the financial and sustainability components; balance and neutrality reflect the neutrality element of faithful representation; forward-looking orientation reflects predictive value; and timeliness and reliability reflect timeliness and verifiability (IASB, 2018; IFRS Foundation, 2023a). Because the dimensions are complementary, strength in one cannot fully compensate for weakness in another. A disclosure that is complete but unbalanced, or forward-looking but unverifiable, does not give users decision-useful information. Integrated disclosure quality is therefore best understood as a profile across all five dimensions, whose overall level is constrained by its weakest dimension.

The five dimensions also make it possible to distinguish between *substantive disclosure*, which provides specific, balanced and verifiable information that reflects the company's actual risks, strategies and performance, and *symbolic disclosure*, which satisfies formal requirements through generic, selective or boilerplate content without conveying meaningful information (Cho et al., 2015; Hummel & Schlick, 2016). Under a mandatory regime, most companies will disclose the required items, so the distinction between substantive and symbolic disclosure becomes the key source of variation between companies and the most important object of study.

The five theories reviewed in Section 2.5 explain why companies may perform well or poorly on particular dimensions. Table 4 maps each dimension to its financial reporting anchor, its sustainability-related disclosure anchor, and the theoretical perspectives that most directly explain variation in it.

Table 4 *Linking the Dimensions of Integrated Disclosure Quality to Their Conceptual Anchors and Theoretical Explanations*

Dimension	**Financial reporting quality anchor**	**Sustainability-related disclosure anchor**	**Primary theoretical explanation**
Completeness and materiality	Relevance; complete recognition and disclosure of material items	All material sustainability-related risks and opportunities, judged from the perspective of primary users	Agency theory: complete information reduces information asymmetry. Stakeholder theory: the needs of powerful users define materiality
Connectivity	Consistent assumptions, estimates and judgements across the annual report	Links between sustainability-related risks, strategy and financial statement amounts	Institutional theory: the NSRF mandates connected reporting. Agency theory: connected information improves monitoring
Balance and neutrality	Neutrality, as an element of faithful representation	Fair presentation of favourable and unfavourable sustainability information	Legitimacy theory: risk of selective, image-protecting disclosure. Signalling theory: balanced disclosure is a more credible signal
Forward-looking orientation	Predictive value of financial information	Strategy, targets, transition plans and resilience	Signalling theory: specific forward-looking commitments are costly to imitate. Stakeholder theory: investors demand information on prospects
Timeliness and reliability	Timely, audited financial statements	Concurrent publication, internal controls over sustainability data and external assurance	Agency theory: verification lowers monitoring costs. Signalling theory: assurance strengthens credibility. Institutional theory: mandated deadlines enforce concurrent publication

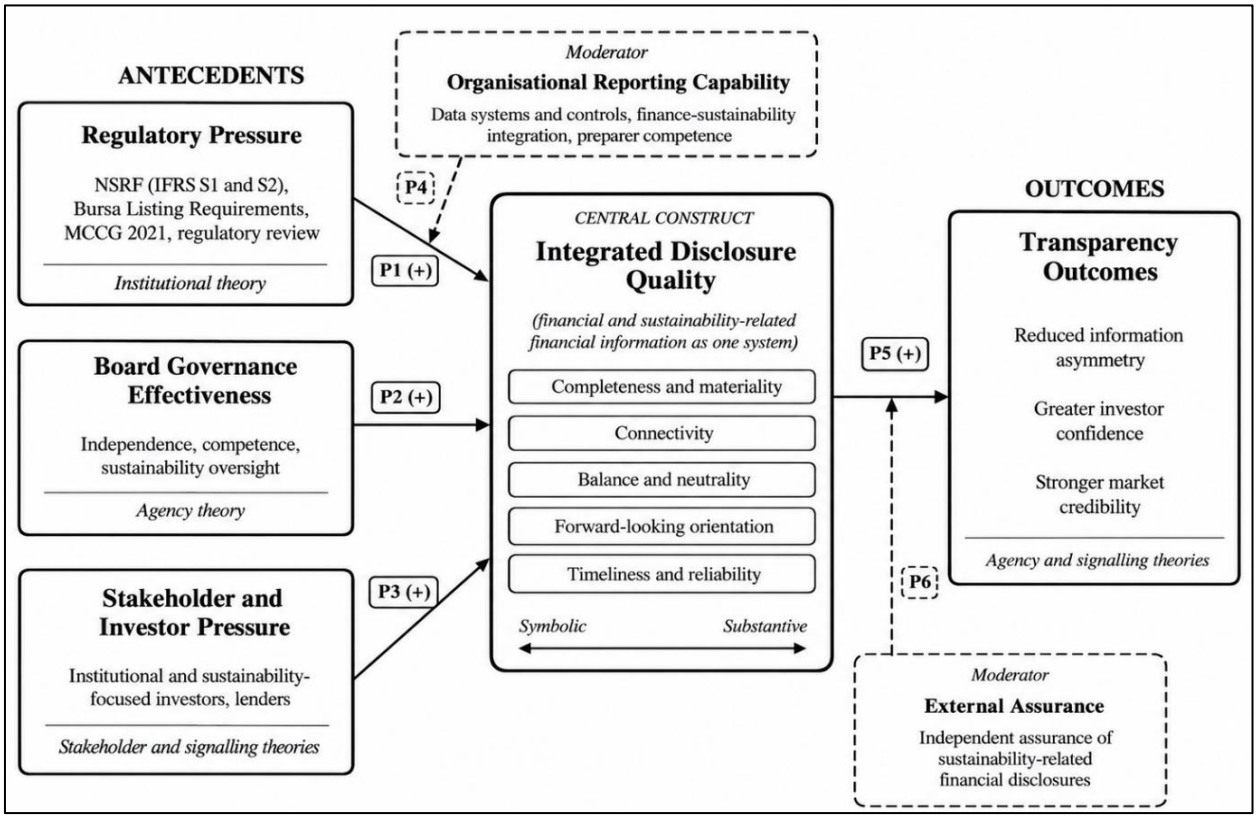
Note. Developed by the authors based on IASB (2018), IFRS Foundation (2023a) and the theories summarised in Table 2.

Read together, Tables 2 to 4 show how the framework integrates the five theories. Institutional theory mainly explains convergence in the *form* of disclosure, visible in completeness, connectivity and timeliness, as all companies respond to the same mandate. Agency and stakeholder theories explain differences in the *demand* for quality, through board monitoring and investor scrutiny. Signalling and legitimacy theories explain differences in the *intent* behind disclosure, which appears most clearly in balance, forward-looking content and willingness to obtain assurance. This mapping advances existing disclosure research, which typically links a single theory to an aggregate disclosure score (Ali et al., 2017; Hahn & Kühnen, 2013), by showing that different theories explain different dimensions of quality and therefore different routes to substantive or symbolic disclosure.

4.3 The Proposed Conceptual Framework

Figure 1 presents the proposed conceptual framework and summarises the relationships developed in Section 4.4. Integrated disclosure quality, with its five dimensions, is the central construct. Three antecedents, namely regulatory pressure, board governance effectiveness, and stakeholder and investor pressure, are expected to have direct positive associations with it (Propositions 1, 2 and 3, labelled P1, P2 and P3 in Figure 1). Organisational reporting capability is a boundary condition on the regulatory pressure path: it determines whether regulatory pressure moves companies towards the substantive or the symbolic end of the continuum shown within the central construct (P4). Integrated disclosure quality is in turn expected to improve transparency outcomes, namely reduced information asymmetry, greater investor confidence and stronger market credibility (P5), and external assurance is a second boundary condition that strengthens this path (P6). The primary theoretical lens for each path is shown in the figure, so that the diagram can be read alongside Tables 2 and 4.

Figure 1 *Conceptual Framework of Integrated Disclosure Quality in the IFRS S1 and S2 Era*



Note. Solid arrows show proposed direct relationships (P1, P2, P3 and P5). Dashed boxes and arrows show moderating effects: organisational reporting capability conditions the regulatory pressure path (P4), while

external assurance conditions the path from integrated disclosure quality to transparency outcomes (P6). Italic text at the foot of each box indicates the primary theoretical lens for that path. Developed by the authors.

The framework applies to companies listed on the Main Market and ACE Market of Bursa Malaysia during the phased adoption of IFRS S1 and S2 from 2025 onwards. Its logic may also be relevant to other emerging markets adopting the ISSB standards, although institutional differences would need to be considered.

4.4 Development of Propositions

Each proposition below is derived in three steps, consistent with Whetten (1989). First, the relevant theory identifies the mechanism that links the constructs. Second, prior international and Malaysian research is used to show that the mechanism is empirically plausible. Third, the proposition specifies the dimensions of integrated disclosure quality that the mechanism is expected to affect most. All propositions are stated as associations that can be tested with archival, survey or mixed-method designs. Each proposition corresponds to a labelled path in Figure 1, and Table 5 at the end of this section summarises their derivation.

4.4.1 Regulatory Pressure and Integrated Disclosure Quality

Institutional theory suggests that coercive pressure from regulators is a powerful driver of organisational practice (DiMaggio & Powell, 1983). The NSRF and the amended Listing Requirements create such pressure by specifying what must be disclosed, when and in what format. By requiring sustainability disclosures to be reported for the same entity and at the same time as the financial statements, the standards also push companies to connect financial and sustainability information (IFRS Foundation, 2023a). International evidence indicates that mandatory ESG disclosure regimes increase the availability and quality of ESG information (Krueger et al., 2024), and Malaysian evidence shows that earlier regulatory interventions increased the extent of sustainability-related disclosure (Amran & Haniffa, 2011; Haji, 2013). Regulatory pressure is therefore expected to raise the baseline of integrated disclosure, particularly its completeness and connectivity. Such pressure is not uniform across companies: it is stronger for issuers in earlier NSRF groups and for those subject to closer regulatory review, and it intensifies once transition reliefs expire. This variation allows its effect to be examined empirically. Institutional theory also warns that coercive pressure may produce conformity in form rather than substance, a possibility addressed in Proposition 4.

> ***Proposition 1:*** *Regulatory pressure arising from the NSRF and the Bursa Malaysia Listing Requirements is positively associated with integrated disclosure quality among Bursa Malaysia listed companies.*

4.4.2 Board Governance Effectiveness and Integrated Disclosure Quality

From an agency perspective, the board of directors is the main internal mechanism for monitoring management, and effective boards are expected to demand more transparent reporting (Jensen & Meckling, 1976). Evidence on the relationship between board independence and disclosure is mixed, partly because effectiveness depends on more than formal independence (Eng & Mak, 2003; Haniffa & Cooke, 2002). Under the IFRS S1 and S2 regime, governance is itself a required disclosure area, and boards are expected to oversee sustainability-related risks and opportunities (IFRS Foundation, 2023a; Securities Commission Malaysia, 2021). In this paper, board governance effectiveness refers to the extent to which the board, including its audit and sustainability committees, has the independence, competence, diversity of expertise and clear oversight responsibility needed to challenge management and ensure that disclosures are complete, balanced and reliable. Boards with these qualities are expected to reduce the risk of selective or boilerplate reporting. This expectation is consistent with Malaysian evidence that board characteristics and internal governance shape disclosure (Haniffa & Cooke, 2002; Hussin et al., 2025). Effective boards are expected to have the strongest effect on two dimensions, namely balance and neutrality, and timeliness and reliability. These two dimensions depend most on independent challenge and oversight of the reporting process.

> ***Proposition 2:*** *Board governance effectiveness, including independent and competent oversight of financial and sustainability reporting, is positively associated with integrated disclosure quality.*

4.4.3 Stakeholder and Investor Pressure and Integrated Disclosure Quality

Stakeholder theory proposes that companies respond to the expectations of stakeholders in proportion to the power and influence those stakeholders hold over the company (Freeman, 1984; Gray et al., 1995). Because IFRS S1 and S2 are designed primarily for investors, capital providers such as institutional investors and lenders are particularly influential stakeholders in this regime. Investors increasingly integrate material sustainability information into their decisions (Grewal et al., 2021; Khan et al., 2016), and voluntary sustainability disclosure has been associated with a lower cost of equity capital (Dhaliwal et al., 2011). Signalling theory adds that companies seeking to attract such investors have incentives to provide credible, high-quality information (Spence, 1973). In Malaysia, where ownership has historically been concentrated and disclosure has been shaped by family and government ownership (Mohd Ghazali, 2007; Mohd Ghazali & Weetman, 2006), the composition and expectations of the shareholder base are therefore likely to influence how seriously companies approach the new standards. Investor pressure is expected to affect mainly two dimensions, namely completeness and materiality, and forward-looking orientation. These two dimensions are the most directly linked to investors' assessment of future cash flows.

> ***Proposition 3:*** *Stakeholder and investor pressure, particularly from institutional and sustainability-focused investors, is positively associated with integrated disclosure quality.*

4.4.4 The Moderating Role of Organisational Reporting Capability

A key argument of this paper is that the same regulatory requirement may produce different outcomes across companies. Legitimacy theory suggests that when organisations face pressure to conform but lack the means to change their practices, they are likely to respond symbolically, adopting the visible form of compliance without its substance (Deegan, 2002; Suchman, 1995). Organisational reporting capability refers to the systems, processes and people that allow a company to produce integrated disclosure, including reliable data collection and controls for sustainability metrics, coordination between the finance and sustainability functions, and preparers with the knowledge to apply IFRS S1 and S2 and to connect them with the financial statements. Where capability is strong, regulatory pressure can be translated into substantive disclosure. Where capability is weak, companies may meet the formal requirements through generic narratives, heavy reliance on transition reliefs or boilerplate content. Evidence that data governance shapes ESG disclosure in Malaysia (Hussin et al., 2025), the regulator's own acknowledgement of limited resources, weak data and scarce expertise among reporting entities (Securities Commission Malaysia, 2025), and the finding that weaknesses in accounting records contribute to late financial reporting (Bursa Malaysia Securities Berhad, 2026) all support this argument. In this way, the proposition integrates institutional and legitimacy theories: institutional pressure explains why companies disclose, while capability determines whether they are able to disclose substantively. Its effect is expected to be most visible in connectivity and in timeliness and reliability, which depend directly on data systems and internal coordination.

> ***Proposition 4:*** *Organisational reporting capability moderates the relationship between regulatory pressure and integrated disclosure quality, such that regulatory pressure produces a stronger and more substantive improvement in disclosure quality when reporting capability is high, and a weaker and more symbolic response when reporting capability is low.*

4.4.5 Integrated Disclosure Quality and Transparency Outcomes

The ultimate purpose of disclosure regulation is to improve transparency and market confidence. Agency and signalling theories predict that high-quality disclosure reduces information asymmetry, improves monitoring and allows investors to price securities more accurately (Healy & Palepu, 2001; Leuz & Wysocki, 2016). Higher-quality disclosure has been associated with greater liquidity and a lower cost of capital (Botosan, 1997; Diamond & Verrecchia, 1991), and the disclosure of material sustainability information has been linked to more informative share prices (Grewal et al., 2021). However, if disclosure is symbolic, additional volume may add noise rather than information, and may even reduce user confidence when inconsistencies become apparent (Michelon et al., 2015). The framework therefore proposes that transparency outcomes depend on the

quality, not the quantity, of disclosure. The proposition is stated in comparative terms so that future studies can test whether measures of integrated disclosure quality explain transparency outcomes beyond what is explained by disclosure quantity.

> ***Proposition 5:*** *Integrated disclosure quality, rather than the quantity of disclosure, is positively associated with transparency outcomes, including reduced information asymmetry, greater investor confidence and stronger market credibility.*

4.4.6 The Moderating Role of External Assurance

Even high-quality disclosure will have limited effect if users doubt its reliability. External assurance provides independent evidence that reported information is free from material misstatement, which increases the credibility of disclosure (Simnett et al., 2009). Assurance is particularly important for sustainability information, which often relies on estimates, new data systems and forward-looking judgements. Christensen et al. (2021) emphasise that the benefits of mandatory sustainability reporting depend on enforcement and assurance. The NSRF recognises this by introducing assurance requirements in phases (ACSR, 2024), although mandatory reasonable assurance of Scope 1 and Scope 2 emissions has now been deferred to 2028 for Group 1, 2029 for Group 2 and 2030 for Group 3, with ISSA 5000 specified as the assurance standard (Securities Commission Malaysia, 2026). In the meantime, issuers must state whether their sustainability statements have been internally reviewed or independently assured (Bursa Malaysia Berhad, 2024). This creates variation in assurance status across companies and over time, which provides a natural setting for testing the moderating role of assurance. From a signalling perspective, voluntary or early assurance also indicates management's confidence in its disclosures. Accordingly, assurance is expected to strengthen the link between integrated disclosure quality and transparency outcomes.

> ***Proposition 6:*** *External assurance of sustainability-related financial disclosures moderates the relationship between integrated disclosure quality and transparency outcomes, such that the relationship is stronger when disclosures are externally assured.*

Table 5 summarises the six propositions, their theoretical basis, key supporting research and possible approaches to empirical testing.

Table 5 *Summary and Derivation of Propositions*

Proposition	Relationship	Theoretical basis	Key supporting research	Suggested empirical approach
P1	Regulatory pressure → integrated disclosure quality (+)	Institutional theory	Amran and Haniffa (2011); Haji (2013); Krueger et al. (2024)	Content analysis comparing disclosure before and after NSRF adoption across Groups 1, 2 and 3
P2	Board governance effectiveness → integrated disclosure quality (+)	Agency theory	Eng and Mak (2003); Haniffa and Cooke (2002); Hussin et al. (2025)	Regression of a disclosure quality index on board and committee attributes
P3	Stakeholder and investor pressure → integrated disclosure quality (+)	Stakeholder and signalling theories	Dhaliwal et al. (2011); Grewal et al. (2021); Khan et al. (2016); Mohd Ghazali (2007)	Archival tests using ownership data on institutional and foreign investors and investor engagement records

P4	Organisational reporting capability moderates P1 (stronger, more substantive effect when capability is high)	Legitimacy and institutional theories	Cho et al. (2015); Deegan (2002); Hussin et al. (2025); Securities Commission Malaysia (2025)	Moderated regression; surveys and interviews with preparers
P5	Integrated disclosure quality → transparency outcomes (+), beyond disclosure quantity	Agency and signalling theories	Botosan (1997); Diamond and Verrecchia (1991); Healy and Palepu (2001); Michelon et al. (2015)	Archival tests using bid-ask spreads, analyst forecast accuracy and the cost of equity capital
P6	External assurance moderates P5 (stronger effect when disclosures are assured)	Signalling and agency theories	Christensen et al. (2021); Simnett et al. (2009); Securities Commission Malaysia (2026)	Comparison of assured and non-assured disclosures and levels of assurance, exploiting the staggered start of mandatory assurance from 2028 to 2030

Note. Developed by the authors.

4.5 Discussion

The proposed framework extends existing disclosure research in three ways. First, it responds to repeated calls to move beyond checklist-based measures of disclosure extent (Michelon et al., 2015; Osman et al., 2026). Under a mandatory regime, disclosure extent will become increasingly similar across companies, so research that continues to measure only extent risks finding little variation and drawing misleading conclusions about the effectiveness of regulation. By specifying five dimensions of integrated disclosure quality, the framework offers a basis for more meaningful comparisons between companies and over time. It also bridges the separate literatures on financial reporting quality and sustainability-related disclosure quality by treating the connection between them as a dimension of quality in its own right.

Second, the framework helps explain why mandatory standards alone may not deliver transparency. Earlier Malaysian evidence showed that regulatory changes increased social disclosure while its overall quality remained low (Haji, 2013), and recent evidence describes integrated reporting as compliance-oriented rather than driven by integrated thinking (Wisaksono et al., 2026). The early finding that the first NSRF reporting cohort still needs to improve the quality of its sustainability disclosures (Securities Commission Malaysia, 2026) suggests that this pattern may continue under IFRS S1 and S2 unless regulatory pressure is supported by organisational reporting capability, effective board oversight, informed investor scrutiny and credible assurance. This view is consistent with international evidence that the effects of disclosure mandates depend on the surrounding institutional environment (Christensen et al., 2021), and with the argument that sustainability disclosure can serve as a tool of legitimacy rather than accountability (Cho & Patten, 2007; Cho et al., 2015).

Third, the framework recognises features of the Malaysian setting that may shape outcomes. The phased adoption of the NSRF means that large companies are likely to develop reporting capability earlier, while smaller Main Market and ACE Market companies will face the requirements with fewer resources. This creates a risk of a two-tier disclosure market in which larger companies provide substantive disclosure and smaller companies rely on symbolic compliance. The historically concentrated ownership of Malaysian companies (Mohd Ghazali & Weetman, 2006) may also weaken investor pressure in some companies, increasing the importance of board oversight and regulatory monitoring. The deferral of mandatory assurance extends the period in which the credibility of sustainability-related disclosures will rest mainly on internal review and voluntary assurance (Securities Commission Malaysia, 2026), which makes the moderating role of

assurance in Proposition 6 particularly relevant during the transition. Finally, the persistence of financial reporting failures (Shamsuddin et al., 2026) is a reminder that the credibility of sustainability disclosure ultimately depends on the integrity of the underlying financial reporting system. Integrated disclosure quality cannot be stronger than the weakest of its financial and sustainability components.

5. CONCLUSION

This section concludes the paper. It summarises the main arguments, highlights the theoretical contributions and sets out the practical implications for regulators, boards, preparers, auditors and investors. It closes by acknowledging the limitations of the study and suggesting directions for future research.

5.1 Summary

This conceptual paper set out to rethink accounting information disclosure among Bursa Malaysia listed companies in the IFRS S1 and S2 era. It has traced how the disclosure environment in Malaysia has evolved from a primarily financial focus to an integrated regime in which financial and sustainability-related financial information must be reported together. Despite this progress, evidence indicates a persistent gap between the quantity and the quality of disclosure. To address this gap, the paper has proposed the construct of integrated disclosure quality, comprising five dimensions, and has developed a conceptual framework (Figure 1) supported by six propositions (Table 5). The central message is that the IFRS S1 and S2 era will improve transparency only if companies move from symbolic to substantive disclosure, and that this movement depends on governance, stakeholder pressure, organisational capability and assurance as much as on regulation itself.

5.2 Theoretical Contributions

The paper contributes to the disclosure literature in three ways. First, it reconceptualises disclosure as an integrated, quality-based construct that connects financial and sustainability information, rather than treating these as separate areas of research, and it distinguishes this construct clearly from financial reporting quality and sustainability-related disclosure quality. Second, it integrates agency, signalling, legitimacy, stakeholder and institutional theories into one framework, showing how each theory explains a different part of the disclosure process and different dimensions of disclosure quality (Table 4). Third, it introduces organisational reporting capability and external assurance as boundary conditions that explain why the same mandatory requirements may produce different disclosure outcomes across companies.

5.3 Practical Implications

The framework offers several practical implications. For *regulators*, including the Securities Commission Malaysia and Bursa Malaysia, the framework suggests that monitoring should increasingly focus on the quality of disclosures, for example through thematic reviews of connectivity, balance and specificity, and not only on whether required items are present. The finding of the first-cohort review that disclosure quality still needs improvement (Securities Commission Malaysia, 2026) supports this emphasis. Capacity-building support for smaller issuers in the later NSRF groups may help prevent a two-tier disclosure market. For *boards of directors*, the framework highlights the need to strengthen oversight of sustainability-related financial information, to ensure that audit and sustainability committees have the necessary expertise, and to treat disclosure quality as a governance responsibility. For *preparers and accountants*, the framework emphasises the importance of reliable data systems, internal controls over sustainability metrics and closer collaboration between finance and sustainability teams, which in turn has implications for professional training and accounting education. For *auditors and assurance providers*, the paper underlines their role in building the credibility on which the benefits of disclosure depend, and the extra year before mandatory assurance offers time to build capability in applying ISSA 5000. For *investors*, the framework suggests that disclosure quality, rather than volume, should guide their assessment of companies and their engagement with management.

5.4 Limitations and Directions for Future Research

As a conceptual paper, this study has limitations. The propositions have not been empirically tested, and the framework is based on a purposive rather than exhaustive review of the literature. The IFRS S1 and S2 regime in Malaysia is also at an early stage, so the framework may need refinement as practice develops and more evidence becomes available. In addition, several of the recent Malaysian studies cited are descriptive or conceptual, so their findings should be confirmed by larger empirical studies. These limitations suggest several directions for future research. First, researchers could develop and validate a measurement instrument for integrated disclosure quality based on the five dimensions proposed in Table 3, treating the dimensions as components of an aggregate construct as discussed in Section 4.2, and apply it to annual reports and sustainability statements of Bursa Malaysia listed companies. Second, longitudinal studies comparing the NSRF groups could test Propositions 1 and 4 by examining whether regulatory pressure produces different outcomes depending on company size and capability. Third, survey and interview studies with preparers, directors and assurance providers could explore how organisational reporting capability is built in practice. Fourth, capital market studies could test Propositions 5 and 6 by examining the effects of disclosure quality and assurance on information asymmetry, analyst forecast accuracy and the cost of capital, using the staggered introduction of mandatory assurance between 2028 and 2030 as a source of variation. Finally, comparative studies across markets in the Association of Southeast Asian Nations (ASEAN) that are adopting the ISSB standards could examine how institutional differences shape the relationships proposed in this framework.

DECLARATIONS

Conflict of Interest: The authors declare that there is no conflict of interest regarding the publication of this article.

Funding: This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Ethical Approval: Not applicable. This conceptual study is based on published literature and publicly available documents and did not involve human participants.

Data Availability: No new data were created or analysed in this study.

Author Contributions: Faidzulaini Muhammad: conceptualisation, framework development, writing (original draft) and supervision. Wan Maryam Jameelah Wan Alias: literature review, reference management and writing (review and editing). Both authors have read and approved the final manuscript.

REFERENCES

1. Adams, C. A., & Abhayawansa, S. (2022). Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for 'harmonisation' of sustainability reporting. *Critical Perspectives on Accounting, 82*, 102309. https://doi.org/10.1016/j.cpa.2021.102309
2. Advisory Committee on Sustainability Reporting. (2024, September 24). *National Sustainability Reporting Framework*. Securities Commission Malaysia. https://www.sc.com.my/nsrf
3. Ali, W., Frynas, J. G., & Mahmood, Z. (2017). Determinants of corporate social responsibility (CSR) disclosure in developed and developing countries: A literature review. *Corporate Social Responsibility and Environmental Management, 24*(4), 273–294. https://doi.org/10.1002/csr.1410
4. Amran, A., & Haniffa, R. (2011). Evidence in development of sustainability reporting: A case of a developing country. *Business Strategy and the Environment, 20*(3), 141–156. https://doi.org/10.1002/bse.672
5. Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. *Journal of Accounting and Economics, 50*(2–3), 296–343. https://doi.org/10.1016/j.jacceco.2010.10.003

6. Boiral, O. (2013). Sustainability reports as simulacra? A counter-account of A and A+ GRI reports. *Accounting, Auditing & Accountability Journal, 26*(7), 1036–1071. https://doi.org/10.1108/AAAJ-04-2012-00998
7. Botosan, C. A. (1997). Disclosure level and the cost of equity capital. *The Accounting Review, 72*(3), 323–349.
8. Bursa Malaysia Berhad. (2015). *Sustainability reporting guide*. https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b5005b711a1764454c1a/5ce3c83239fba2627b286508/files/bursa_malaysia_sustainability_reporting_guide-final.pdf
9. Bursa Malaysia Berhad. (2022). *Sustainability reporting guide* (3rd ed.). https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/6768e301e6414a4c4beb9f49/Sustainability_Reporting_Guide_2022_FINAL__1_.pdf
10. Bursa Malaysia Berhad. (2024, December 23). *Bursa Malaysia requires sustainability reporting using the IFRS Sustainability Disclosure Standards* [Press release]. https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5c11a9db758f8d31544574c6/6768e229e6414a4ba0eb9f4d/files/23122024__MEDIA_RELEASE_BURSA_MALAYSIA_REQUIRES_SUSTAINABILITY_REPORTING_USING_THE_IFRS_SUSTAINABILITY_DISCLOSURE_STANDARDS.pdf
11. Bursa Malaysia Securities Berhad. (2026, July 24). *Bursa Malaysia Securities publicly reprimands and/or fines Meridian Berhad and executive director, Tang Boon Koon* [Press release].
12. Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society, 40*, 78–94.
13. https://doi.org/10.1016/j.aos.2014.12.003
14. Cho, C. H., & Patten, D. M. (2007). The role of environmental disclosures as tools of legitimacy: A research note. *Accounting, Organizations and Society, 32*(7–8), 639–647. https://doi.org/10.1016/j.aos.2006.09.009
15. Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: Economic analysis and literature review. *Review of Accounting Studies, 26*(3), 1176–1248. https://doi.org/10.1007/s11142-021-09609-5
16. Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics, 50*(2–3), 344–401. https://doi.org/10.1016/j.jacceco.2010.09.001
17. Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures: A theoretical foundation. *Accounting, Auditing & Accountability Journal, 15*(3), 282–311. https://doi.org/10.1108/09513570210435852
18. Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review, 86*(1), 59–100. https://doi.org/10.2308/accr.00000005
19. Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. *The Journal of Finance, 46*(4), 1325–1359. https://doi.org/10.1111/j.1540-6261.1991.tb04620.x
20. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147–160. https://doi.org/10.2307/2095101
21. Dye, R. A. (1985). Disclosure of nonproprietary information. *Journal of Accounting Research, 23*(1), 123–145. https://doi.org/10.2307/2490910
22. Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. *Journal of Accounting and Public Policy, 22*(4), 325–345. https://doi.org/10.1016/S0278-4254(03)00037-1
23. Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman.
24. Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal, 8*(2), 47–77. https://doi.org/10.1108/09513579510146996
25. Grewal, J., Hauptmann, C., & Serafeim, G. (2021). Material sustainability information and stock price informativeness. *Journal of Business Ethics, 171*(3), 513–544. https://doi.org/10.1007/s10551-020-04451-2

26. Hahn, R., & Kühnen, M. (2013). Determinants of sustainability reporting: A review of results, trends, theory, and opportunities in an expanding field of research. *Journal of Cleaner Production, 59*, 5–21. https://doi.org/10.1016/j.jclepro.2013.07.005
27. Haji, A. A. (2013). Corporate social responsibility disclosures over time: Evidence from Malaysia. *Managerial Auditing Journal, 28*(7), 647–676. https://doi.org/10.1108/MAJ-07-2012-0729
28. Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus, 38*(3), 317–349. https://doi.org/10.1111/1467-6281.00112
29. Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy, 24*(5), 391–430. https://doi.org/10.1016/j.jaccpubpol.2005.06.001
30. Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics, 31*(1–3), 405–440. https://doi.org/10.1016/S0165-4101(01)00018-0
31. Hummel, K., & Schlick, C. (2016). The relationship between sustainability performance and sustainability disclosure: Reconciling voluntary disclosure theory and legitimacy theory. *Journal of Accounting and Public Policy, 35*(5), 455–476. https://doi.org/10.1016/j.jaccpubpol.2016.06.001
32. Hussin, S. N. A., Nik Wan, N. Z., Abdullah @ Abd Aziz, A., Zakaria, R. A., & Che Hassan, N. A. (2025). Determinants of environment, social and governance (ESG) disclosure among publicly listed companies in Malaysia: A conceptual review. *Advanced International Journal of Business, Entrepreneurship and SMEs, 7*(24), 116–130. https://doi.org/10.35631/AIJBES.724009
33. IFRS Foundation. (2023a). *IFRS S1 General requirements for disclosure of sustainability-related financial information*. International Sustainability Standards Board.
34. IFRS Foundation. (2023b). *IFRS S2 Climate-related disclosures*. International Sustainability Standards Board.
35. International Accounting Standards Board. (2018). *Conceptual framework for financial reporting*. IFRS Foundation.
36. Jaakkola, E. (2020). Designing conceptual articles: Four approaches. *AMS Review, 10*(1–2), 18–26. https://doi.org/10.1007/s13162-020-00161-0
37. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X
38. Khan, M., Serafeim, G., & Yoon, A. (2016). Corporate sustainability: First evidence on materiality. *The Accounting Review, 91*(6), 1697–1724. https://doi.org/10.2308/accr-51383
39. Krueger, P., Sautner, Z., Tang, D. Y., & Zhong, R. (2024). The effects of mandatory ESG disclosure around the world. *Journal of Accounting Research, 62*(5), 1795–1847. https://doi.org/10.1111/1475-679X.12548
40. Law, K. S., Wong, C.-S., & Mobley, W. H. (1998). Toward a taxonomy of multidimensional constructs. *Academy of Management Review, 23*(4), 741–755. https://doi.org/10.5465/amr.1998.1255636
41. Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. *Journal of Accounting Research, 54*(2), 525–622. https://doi.org/10.1111/1475-679X.12115
42. MacInnis, D. J. (2011). A framework for conceptual contributions in marketing. *Journal of Marketing, 75*(4), 136–154. https://doi.org/10.1509/jmkg.75.4.136
43. Malaysia. (2016). *Companies Act 2016 (Act 777)*. Percetakan Nasional Malaysia Berhad.
44. Malaysian Accounting Standards Board. (2011, November 19). *MASB issues internationally compliant accounting framework and new FRSs* [Press release]. https://www.masb.org.my/press_list.php?id=36
45. Melloni, G., Caglio, A., & Perego, P. (2017). Saying more with less? Disclosure conciseness, completeness and balance in integrated reports. *Journal of Accounting and Public Policy, 36*(3), 220–238. https://doi.org/10.1016/j.jaccpubpol.2017.03.001
46. Merkl-Davies, D. M., & Brennan, N. M. (2007). Discretionary disclosure strategies in corporate narratives: Incremental information or impression management? *Journal of Accounting Literature, 26*, 116–196.

47. Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. *Critical Perspectives on Accounting, 33*, 59–78. https://doi.org/10.1016/j.cpa.2014.10.003
48. Mohd Ghazali, N. A. (2007). Ownership structure and corporate social responsibility disclosure: Some Malaysian evidence. *Corporate Governance: The International Journal of Business in Society, 7*(3), 251–266. https://doi.org/10.1108/14720700710756535
49. Mohd Ghazali, N. A., & Weetman, P. (2006). Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis. *Journal of International Accounting, Auditing and Taxation, 15*(2), 226–248. https://doi.org/10.1016/j.intaccaudtax.2006.08.001
50. O'Dwyer, B., & Unerman, J. (2020). Shifting the focus of sustainability accounting from impacts to risks and dependencies: Researching the transformative potential of TCFD reporting. *Accounting, Auditing & Accountability Journal, 33*(5), 1113–1141. https://doi.org/10.1108/AAAJ-02-2020-4445
51. Osman, A. H., Abdullah, A., & Mahmud, N. M. (2026). Developing a key risk disclosure quality index: A scoring framework for Malaysian public-listed companies. *International Journal of Entrepreneurship and Management Practices, 9*(33), 165–196. https://doi.org/10.35631/IJEMP.933011
52. Securities Commission Malaysia. (2021). *Malaysian Code on Corporate Governance*. https://www.sc.com.my/api/documentms/download.ashx?id=239e5ea1-a258-4db8-a9e2-41c215bdb776
53. Securities Commission Malaysia. (2025, December 8). *ACSR sets out approach for non-compliance to sustainability reporting requirements* [Press release]. https://www.sc.com.my/resources/media/media-release/acsr-sets-out-approach-for-non-compliance-to-sustainability-reporting-requirements
54. Securities Commission Malaysia. (2026, September 17). *ACSR's mandatory sustainability assurance requirement to take effect in 2028* [Press release]. https://www.sc.com.my/resources/media/media-release/acsrs-mandatory-sustainability-assurance-requirement-to-take-effect-in-2028
55. Shamsuddin, F. N., Zahari, A. I., & Md Haron, H. (2026). Ethical dilemmas in financial reporting for Malaysian corporations: Case studies and corporate responses. *International Journal of Academic Research in Accounting, Finance and Management Sciences, 16*(1), 522–543. https://doi.org/10.6007/IJARAFMS/v16-i1/27872
56. Simnett, R., Vanstraelen, A., & Chua, W. F. (2009). Assurance on sustainability reports: An international comparison. *The Accounting Review, 84*(3), 937–967. https://doi.org/10.2308/accr.2009.84.3.937
57. Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research, 104*, 333–339. https://doi.org/10.1016/j.jbusres.2019.07.039
58. Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics, 87*(3), 355–374. https://doi.org/10.2307/1882010
59. Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*(3), 571–610. https://doi.org/10.5465/amr.1995.9508080331
60. Torraco, R. J. (2005). Writing integrative literature reviews: Guidelines and examples. *Human Resource Development Review, 4*(3), 356–367. https://doi.org/10.1177/1534484305278283
61. Verrecchia, R. E. (1983). Discretionary disclosure. *Journal of Accounting and Economics, 5*, 179–194. https://doi.org/10.1016/0165-4101(83)90011-3
62. Whetten, D. A. (1989). What constitutes a theoretical contribution? *Academy of Management Review, 14*(4), 490–495. https://doi.org/10.5465/amr.1989.4308371
63. Wisaksono, E., Muhamad, S. F., & Jamil, A. (2026). The state of integrated reporting in Malaysia: A descriptive analysis of disclosure practices. *Advanced International Journal of Business, Entrepreneurship and SMEs, 8*(27), 63–76. https://doi.org/10.35631/AIJBES.827006