From Disclosure to Accountability: Integration Mechanisms in ESG Reporting and Implications for Malaysia's Transition to Mandatory Sustainability Disclosure

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ABSTRACT

Environmental, social and governance (ESG) reporting has moved from voluntary communication to regulated corporate accountability, yet the quality of adoption varies sharply. Many organisations, particularly in emerging economies, produce disclosures that satisfy formal requirements without altering strategy, governance or resource allocation, a pattern described as symbolic reporting. This concept paper asks how organisations with mature ESG practice couple reporting to management, and what that implies for firms entering mandatory regimes such as Malaysia's National Sustainability Reporting Framework. Guided by stakeholder, legitimacy and institutional theory, the study adopts a qualitative multiple-case design based on documentary analysis of Ørsted (Denmark), Microsoft (United States), Unilever (United Kingdom) and SD Guthrie, formerly Sime Darby Plantation (Malaysia), compared across seven dimensions spanning strategy, reporting design, environmental and social practice, governance, challenges and impact. The comparison yields a framework in which five integration mechanisms, namely board ownership, materiality discipline, target architecture, internal economic linkage and verification, determine whether disclosure becomes consequential or remains ceremonial. The Malaysian case is analytically distinctive because a foreign enforcement agency adjudicated both the initial failure and its remediation, supplying external verification that voluntary disclosure settings rarely provide. The paper contributes a mechanism-level account of when ESG reporting produces accountability, with guidance for boards, preparers and regulators moving to ISSB-aligned reporting.

Keywords: ESG reporting; sustainability disclosure; accountability; decoupling; legitimacy theory; IFRS S1 and S2; Malaysia

INTRODUCTION

Corporate reporting once answered a narrow question about how much profit a firm generated and for whom. That question has widened. Investors, regulators, employees and civil society now expect firms to account for their environmental footprint, their treatment of workers and communities, and the integrity of their governance. ESG reporting is the principal instrument through which this expanded accountability is discharged, and its institutionalisation has been rapid: KPMG's survey of 5,800 companies across 58 jurisdictions finds that sustainability reporting has become routine for almost all of the world's largest 250 firms and for a large majority of the top 100 firms in each jurisdiction surveyed (KPMG, 2024). The regulatory direction is equally clear. The International Sustainability Standards Board issued IFRS S1 and IFRS S2 in June 2023 as a global baseline for sustainability-related financial disclosure (IFRS Foundation, 2023), the European Union has operationalised the Corporate Sustainability Reporting Directive, and Malaysia launched its National Sustainability Reporting Framework in September 2024, phasing IFRS S1 and S2 in for listed issuers and large non-listed companies between 2025 and 2027 (Securities Commission Malaysia, 2024).

The spread of disclosure has not settled a harder question: whether reporting changes what organisations do. Evidence reviewed in Section 2 indicates that disclosure volume and organisational substance frequently diverge. Ratings of the same firm disagree markedly across providers, weakening the disciplining function disclosure is meant to serve (Berg et al., 2022), reviews of mandatory regimes conclude that mandates improve comparability without by themselves altering behaviour (Christensen et al., 2021), and documented greenwashing has made misleading claims an enforcement priority in several jurisdictions (Lyon & Montgomery, 2015). The gap between reporting and doing is therefore an empirical pattern with consequences for capital allocation, regulation and public trust, not a rhetorical complaint.

That gap is now Malaysia's immediate policy problem. Listed issuers have prepared sustainability statements under Bursa Malaysia's listing requirements since 2015, and the exchange strengthened those requirements in 2022 with prescribed common sustainability matters and climate disclosures aligned with the Task Force on Climate-related Financial Disclosures. The NSRF raises the bar considerably. Main Market issuers with market capitalisation of RM2 billion or above report under IFRS S1 and S2 for annual periods beginning on or after 1 January 2025, remaining Main Market issuers follow in 2026, and ACE Market issuers and large non-listed companies follow in 2027, with reasonable assurance of Scope 1 and Scope 2 emissions targeted for the largest issuers from 2027 (Securities Commission Malaysia, 2024).

These standards demand disclosures that most Malaysian preparers have never produced at scale, including scenario analysis, transition planning, Scope 3 inventories and, in time, assured emissions data. Readiness evidence from comparable markets is not reassuring: Fianko et al. (2025) find general awareness of the standards among Ghanaian public interest entities at 82 per cent but detailed implementation knowledge at only 55.6 per cent, which locates the compliance challenge in capability rather than willingness. The domestic baseline points the same way. A joint assessment of 90 Bursa Malaysia issuers found governance and social disclosure adequate for most firms but environmental disclosure substantially weaker, particularly on climate and biodiversity, with a pronounced gap between larger and smaller issuers (World Bank & Securities Commission Malaysia, 2024).

The problem this paper addresses is that compliance capability does not by itself produce accountability. Earlier waves of disclosure regulation generated reports long on narrative and short on decision-useful content, and the risk of repetition under the NSRF is real. Preparers facing tight timelines and thin internal expertise tend to treat new requirements as a documentation exercise delegated to sustainability or investor relations teams and disconnected from strategy, risk management and capital budgeting. Where that happens, the costs of reporting are incurred without the benefits of sharper risk identification, cheaper capital and stronger stakeholder trust that justify the regime. What boards, preparers and regulators lack is a grounded account of how organisations that take reporting seriously have built the machinery that makes disclosure consequential, and of the failure modes that arise when disclosure outruns practice.

This paper occupies that niche. Rather than asking whether ESG disclosure correlates with financial performance in large samples, a question the quantitative literature has pursued at length (Eccles et al., 2014; Friede et al., 2015; Khan et al., 2016), it asks how firms that report well have organised themselves so that reporting and practice reinforce one another, and what happens when they do not. Case evidence suits this question because the mechanisms of interest, including board oversight, target design and remediation processes, are visible in documents and events but rarely captured in ratings data. The paper analyses four organisations with unusually well documented ESG trajectories, among them one Malaysian case whose experience with a United States import ban offers a rare, externally adjudicated account of failure and repair.

Three broad aims follow. The study seeks to identify the arrangements that separate substantive ESG adoption from reporting that remains largely presentational, to understand how those arrangements interact with pressure from regulators, investors, buyers and civil society, and to draw from that analysis workable guidance for organisations and policymakers in Malaysia and comparable economies now moving to mandatory, ISSB-aligned disclosure. Put as questions, the enquiry asks what makes disclosure consequential rather than ceremonial, how internal capability and external scrutiny shape one another, and what follows for preparers and regulators. Such questions concern mechanisms and context rather than frequencies, and call for a method suited to depth over breadth.

The paper proceeds as follows. Section 2 reviews the literature and identifies the gaps addressed, Section 3 develops the theoretical foundation, and Section 4 justifies the case-based method. Section 5 presents the four cases, Section 6 compares them across the seven dimensions, and Section 7 consolidates that comparison into the proposed framework. Section 8 discusses the findings against the underpinning theories, Section 9 draws out contributions and implications, and Sections 10 and 11 address limitations and conclusions.

LITERATURE REVIEW

The Evolution of ESG Reporting and Its Standards

ESG reporting grew out of two older traditions: corporate social responsibility disclosure, addressed to a broad stakeholder audience, and environmental accounting, which sought to quantify externalities. The Global Reporting Initiative consolidated the first into the most widely used voluntary standards for impact-oriented reporting (GRI, 2021), while investor-facing initiatives, including the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures, developed a financial-materiality lens concerned with how sustainability issues affect enterprise value. IFRS S1 and S2 consolidate that second tradition into an authoritative global baseline built on four pillars of governance, strategy, risk management, and metrics and targets (IFRS Foundation, 2023). This architecture matters analytically because the two materiality perspectives create different disclosure incentives. Impact reporting rewards breadth of stakeholder coverage; investor-focused reporting rewards precision about financially consequential risks. Studies of preparer behaviour must therefore specify which regime a firm is answering, a distinction that becomes central when Malaysian issuers long accustomed to GRI-referenced statements move to ISSB-based disclosure.

Reporting and Performance: What the Quantitative Evidence Shows and Cannot Show

A large literature examines whether ESG disclosure and performance track financial outcomes. Meta-analytic evidence aggregating more than two thousand primary studies reports a predominantly non-negative and often positive relation between ESG and corporate financial performance (Friede et al., 2015). Firm-level work sharpens the picture. Eccles et al. (2014) follow matched pairs of firms over eighteen years and find that early voluntary adopters developed distinct organisational characteristics, including board responsibility for sustainability, formalised stakeholder engagement and longer management horizons, and subsequently outperformed their counterparts. Khan et al. (2016) add the decisive qualification of materiality: firms that perform well on sustainability issues financially material to their industry outperform, while performance on immaterial issues carries little value relevance. Malaysian evidence is consistent with the international pattern, with ESG disclosure positively associated with firm performance among Bursa Malaysia issuers (Mohammad & Wasiuzzaman, 2021). Mainstream investors report using ESG information principally because they judge it financially material (Amel-Zadeh & Serafeim, 2018).

Two limitations motivate the present study. The first is measurement: most large-sample designs rely on commercial ratings, yet ratings of the same firm diverge substantially across providers because of differences in scope, measurement and weighting, injecting noise into downstream analysis and eroding the discipline ratings are supposed to supply (Berg et al., 2022). The second is mechanism opacity. Correlational designs can establish that sustainability adoption and performance move together but cannot show how board structures, target systems or remediation processes generate that association. Eccles et al. (2014) infer organisational characteristics from survey and archival proxies; observing the mechanisms themselves requires case evidence of the kind assembled here.

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Symbolic Reporting, Greenwashing and Decoupling

A second stream examines when disclosure diverges from practice. Lyon and Montgomery (2015) show that misleading environmental communication takes many forms, from selective disclosure to fully decoupled claims, and that its prevalence responds to the intensity of external scrutiny. Marquis et al. (2016) demonstrate the scrutiny effect empirically across a global sample: firms exposed to greater civil-society and regulatory attention disclose less selectively, whereas firms in permissive environments disclose symbolically. Within accounting research, Cho et al. (2015) argue that organised hypocrisy and organisational façades are partly structurally induced, since contradictory stakeholder demands make some gap between talk, decision and action difficult to avoid. Their argument cautions against reading every inconsistency as bad faith while treating sustained decoupling as an accountability failure. The regulatory literature converges from a different direction: Christensen et al. (2021) find that mandates improve the availability and comparability of information but that real effects on behaviour depend on enforcement, assurance and the alignment of disclosure with decision-relevant information. Together this stream establishes that the reporting-practice gap is systematic, scrutiny-sensitive and only partly addressed by mandating disclosure. It says little about the internal arrangements that close the gap from within, and that silence is where case analysis contributes.

ESG Reporting in Emerging Economies and Malaysia

Research on emerging economies documents rapid formal adoption alongside persistent quality concerns. Disclosure among Malaysian listed firms expanded markedly after Bursa Malaysia introduced its sustainability reporting framework and the FTSE4Good Bursa Malaysia index created visibility incentives (Mohammad & Wasiuzzaman, 2021), yet content assessment reveals uneven depth and a wide gap between large and small issuers (World Bank & Securities Commission Malaysia, 2024). Readiness research in comparable markets reinforces the concern, since scores remain low across all four reporting pillars (Fianko et al., 2025). Emerging-economy firms also carry distinctive social-pillar exposure. Labour-intensive export sectors dependent on migrant workers fall within the reach of buyer-country enforcement instruments, most prominently the United States prohibition on imports produced with forced labour, which has been applied against several Malaysian producers. That enforcement channel operates entirely outside the disclosure system, and its interaction with corporate reporting remains largely unexamined.

Synthesis and Research Gap

The quantitative literature shows that materiality-focused practice can be value relevant but cannot observe the mechanisms responsible; the greenwashing literature shows that disclosure routinely departs from practice and that scrutiny narrows the gap, yet approaches the firm from outside; the regulatory literature shows that mandates are necessary but insufficient; and the emerging-economy literature shows that formal adoption outpaces capability while social-pillar enforcement arrives through trade rather than disclosure channels. What is missing is a mechanism-level, theoretically grounded account of how firms internally couple reporting to management, examined across developed and emerging-market contexts and inclusive of failure as well as success. Three gaps follow. Empirically, rich case evidence on integration mechanisms is scarce relative to the volume of ratings-based work, and the existing case literature over-samples exemplars while under-sampling setbacks. Contextually, structured comparisons bridging developed-market exemplars and emerging-market realities, particularly in Southeast Asia, are rare. In terms of timing, ISSB adoption is recent enough that scholarship on what implementation demands of organisations, as distinct from what the standards demand of reports, is only beginning to appear (Fianko et al., 2025). This paper addresses all three by combining a theory-driven framework with four documentation-rich cases, one of them Malaysian.

Underpinning Theory

No single theory explains why firms report, why reporting diverges from practice, and what closes that divergence. The paper draws on three complementary theories, each assigned a distinct explanatory task.

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Stakeholder Theory

Stakeholder theory holds that the firm is a nexus of relationships with groups that affect or are affected by its objectives, and that managing for stakeholders rather than shareholders alone is both instrumentally effective and normatively required (Freeman, 1984). Donaldson and Preston (1995) distinguish three levels at which the theory operates: descriptive, since firms do attend to multiple constituencies; instrumental, since doing so is associated with performance; and normative, since stakeholders hold intrinsically legitimate claims. Mitchell et al. (1997) add the salience mechanism, arguing that managers prioritise stakeholders according to power, legitimacy and urgency, which explains why attention shifts as those attributes change. The relevance here operates on all three levels. Normatively, the theory supplies the accountability rationale for reporting, since employees, communities, customers and investors hold informational claims that disclosure discharges. Instrumentally, it predicts fewer value-destroying conflicts in firms that systematically answer stakeholder concerns, a prediction the evidence in Section 2.2 broadly supports. Analytically, salience generates testable case-specific expectations, including that investor salience should dominate Ørsted's transition disclosure and that buyer and worker salience should surge in SD Guthrie's reporting once enforcement made those groups powerful and urgent.

Legitimacy Theory

Legitimacy theory treats disclosure as the management of an implicit social contract. Organisations survive only while society perceives their conduct as congruent with prevailing norms, and disclosure is a principal means of establishing, maintaining and repairing that perception (Suchman, 1995). Suchman's separation of maintenance from repair strategies is analytically useful because it distinguishes routine reporting from crisis response. In accounting research the theory has become the dominant explanation for voluntary social and environmental disclosure, predicting that firms intensify disclosure when legitimacy is threatened (Deegan, 2002). Revisiting it after two decades of use, Deegan (2019) concludes that the core insight endures but that researchers should specify which audiences confer legitimacy and should separate substantive conformity from symbolic image management. That last distinction is where the present study makes its contribution. Legitimacy theory predicts two divergent responses to a threat: substantive repair, in which practice changes and the change is disclosed, and symbolic repair, in which disclosure improves while practice does not, producing the façades Cho et al. (2015) describe. Most disclosure studies observe only reporting output and cannot separate the two. The case design here can, because it includes an episode in which an external adjudicator with investigative powers determined whether repair was substantive.

Institutional Theory

Institutional theory explains why organisational practices converge and why convergence is often superficial. Meyer and Rowan (1977) argue that organisations adopt formal structures reflecting rationalised institutional myths, gaining legitimacy and resources even when those structures are decoupled from daily activity. DiMaggio and Powell (1983) specify the pressures behind convergence: coercive pressure from regulation and resource dependence, normative pressure from professions and standards, and mimetic pressure to imitate apparently successful organisations under uncertainty. All three are visible in the ESG field and map onto this study's setting. The NSRF, the CSRD and import-control enforcement are coercive; assurance standards, ratings methodologies and professional bodies are normative; and the imitation of recognised reporting leaders is mimetic, which is why case-based learning carries practical influence. The theory contributes two things. It predicts the paper's central problem, since under strong institutional pressure and weak verification, decoupling is the expected organisational response rather than an anomaly (Meyer & Rowan, 1977). It also identifies the remedy in principle: decoupling persists where inspection is ceremonial, so mechanisms that make inspection real should recouple structure and activity.

An Integrated Lens

The three theories combine into the lens applied from Section 5 onwards. Stakeholder theory explains the demand side, namely who holds informational claims and how their salience shapes content. Institutional theory explains the supply side, namely the pressures driving firms to adopt reporting structures and the decoupling risk inherent in adoption under pressure. Legitimacy theory explains the dynamics at the interface, namely how firms deploy disclosure to maintain and repair standing. The guiding proposition follows from their intersection: reporting produces accountability when internal mechanisms couple disclosure to management tightly enough that legitimacy-seeking behaviour is forced to be substantive rather than symbolic.

METHODOLOGY

Research Design

As a concept paper, this work develops propositions and a framework rather than testing hypotheses statistically. The approach is a qualitative, multiple-case design in the tradition of Yin (2018), in which cases are selected for theoretical rather than statistical reasons and analysed through structured cross-case comparison. Such designs suit questions that ask how and why organisational outcomes occur, phenomena inseparable from their context, and goals of analytic generalisation to theory (Eisenhardt, 1989; Yin, 2018). All three conditions hold here, since the guiding questions concern mechanisms, ESG adoption is inseparable from regulatory and market context, and the intended output is a set of propositions. Flyvbjerg (2006) argues further that information-oriented selection of atypical or critical cases yields more theoretical insight than representative sampling, because unusual cases activate more of the mechanisms under study.

Case Selection

Cases were selected purposively against three criteria: recognised maturity in ESG reporting, so that each case can speak to what good practice involves; documentary richness, including independent or regulatory verification of key events, so that analysis does not rest on self-reported claims; and theoretical variation across industry, ownership and institutional environment, following Eisenhardt's (1989) logic of theoretical sampling, so that patterns replicated across dissimilar cases can be attributed to mechanisms rather than shared circumstances. A fourth criterion required at least one Malaysian case, given the study's applied focus.

Each case earns its place for a specific reason. Ørsted is an extreme case of strategy-report integration, since its shift from fossil fuels to offshore wind is the limiting case in which ESG is the strategy, and its post-2023 setbacks allow the durability of that integration to be observed under stress. Microsoft is a critical case for target architecture, having made unusually precise public commitments in 2020 and then reported performance moving away from them, which creates the rare condition under which a reporting system's credibility can be tested. Unilever is a longitudinal case spanning two decades and a leadership transition, showing what happens to purpose-led commitments when their sponsors change. SD Guthrie is the crucial case on two grounds: it is Malaysian, and it is among very few instances worldwide in which a social-pillar legitimacy failure and its remediation were both adjudicated by an enforcement agency with investigative powers (U.S. Customs and Border Protection, 2020, 2023). Heterogeneity across energy, technology, consumer goods and plantation agriculture serves the replication logic, since mechanisms recurring across such dissimilar settings are strong candidates for the general framework.

Data Sources and Analysis

The evidence base is documentary: annual and sustainability reports, regulatory notices and filings, standard-setter publications and enforcement documentation. Such evidence carries a known self-presentation bias, mitigated here in two ways: load-bearing claims rest wherever possible on externally produced documents rather than company narrative, and each case explicitly includes adverse events, counteracting the exemplar bias identified in Section 2.5. Analysis proceeded in two stages: within-case analysis structured by seven comparison dimensions, then cross-case synthesis in which recurring patterns were checked against each theory's predictions and consolidated into the framework in Section 7.

Case Analysis

Ørsted: ESG as Business Model Transformation

Ørsted, formerly DONG Energy, is the clearest example of ESG functioning as corporate strategy rather than as an adjunct to it. Within a decade the Danish utility moved from heavy dependence on fossil fuels to a leading position in offshore wind, divesting its upstream oil and gas business in 2017 and committing to phase out coal. Reporting evolved with the strategy: disclosure is integrated with the annual report, structured around science-based value-chain decarbonisation targets, and used to communicate transition milestones as core investor information rather than supplementary narrative.

The instructive part of the case is the subsequent stress test. During 2023 the company recognised impairment losses of DKK 26.8 billion, largely on its United States offshore wind portfolio, and a further provision of DKK 9.6 billion for cancellation fees after ceasing development of the Ocean Wind 1 project (Ørsted, 2024). Cost inflation, supply-chain delay and interest-rate pressure forced a strategic reset, and in October 2025 the company completed a rights issue raising DKK 60 billion, underwritten in part by the Danish state as majority shareholder (Ørsted, 2025). Its ESG positioning did not insulate it from market conditions, and disclosure had to account for setbacks in the very build-out that underpinned the sustainability narrative. Two lessons follow. First, tight alignment between strategy and reporting made the setbacks legible, since investors could evaluate them within a framework of targets and pipeline disclosure maintained for years. Second, ESG leadership is not a static asset: pragmatic legitimacy in Suchman's (1995) sense must be re-earned through delivery, and reporting built on quantified targets renders both delivery and shortfall visible.

Microsoft: Target Architecture and Candid Mid-Course Reporting

Microsoft illustrates a different mechanism, combining precise, dated, publicly auditable commitments with unusually candid progress reporting. In January 2020 the company committed to become carbon negative, water positive and zero waste by 2030, and to remove by 2050 the equivalent of all carbon emitted since its founding in 1975 (Microsoft, 2020). These pledges were operationalised through instruments with budgetary force, notably an internal carbon fee charged to business units and a climate innovation fund, alongside large-scale procurement of carbon-free electricity and carbon removal.

The 2025 Environmental Sustainability Report, covering fiscal year 2024, shows why the case matters for reporting design. Microsoft disclosed that total Scope 1 to 3 emissions had risen 23.4 per cent against its 2020 baseline, driven by expansion of artificial intelligence and cloud infrastructure, while Scope 1 and 2 emissions had fallen 29.9 per cent and Scope 3 emissions, roughly 97 per cent of the footprint, had risen 26 per cent. The report set that increase against a 168 per cent rise in energy use over the period, and recorded contracts for 34 gigawatts of carbon-free electricity across 24 countries and agreements for nearly 30 million tonnes of carbon removal (Microsoft, 2025). Disclosing a widening gap between trajectory and target attracted criticism, yet it preserved the credibility of the reporting system, because the measurement framework that once showed progress now showed regression and the company published it anyway. In legitimacy terms this is maintenance through candour rather than repair through image management, and it was possible only because baseline and method had been held constant since 2020. The lesson for preparers is that target architecture and measurement continuity matter more than favourable numbers in any given year. A reporting regime designed only to carry good news collapses the first time performance deteriorates.

Unilever: Stakeholder-Oriented Reporting and the Limits of Ambition

Unilever pioneered the integration of sustainability into mainstream strategy among consumer goods firms. The Unilever Sustainable Living Plan, running from 2010 to 2020, set targets across health and hygiene, environmental footprint and livelihoods, embedded them in brand strategy and executive accountability, and was succeeded by the Unilever Compass. Reporting practice was correspondingly stakeholder-oriented, with GRI-referenced disclosure, extensive human rights reporting and early publication of palm oil sourcing information, matching what Eccles et al. (2014) observe in early adopters: board responsibility for sustainability, institutionalised engagement and longer management horizons rather than disclosure alone.

The recent chapter supplies the counterweight. In April 2024, under a new chief executive, the company reset several commitments, replacing its pledge to halve virgin plastic use by 2025 with a one-third reduction by 2026, extending its target for fully reusable, recyclable or compostable plastic packaging from 2025 to 2030 for rigid formats and 2035 for flexibles, narrowing its living-wage commitment for direct suppliers to half of procurement spend, and discontinuing certain diversity and sourcing pledges (Unilever, 2024). Critics read the reset as retrenchment; the company framed it as realism. Two implications follow. Commitments announced at the level of corporate purpose are exposed to leadership change, margin pressure and political sentiment. In salience terms (Mitchell et al., 1997), the urgency of shareholder claims rose relative to diffuse societal claims and reporting content followed, which suggests that durable adoption requires targets to survive their sponsors. Equally, revising targets openly and with stated reasons is itself a reporting practice, preferable to quiet abandonment yet costly to credibility. The contrast with Microsoft is instructive: one firm kept its targets and reported deterioration, the other revised the targets. Both chose disclosure over silence, but the accountability consequences differ.

SD Guthrie: Enforcement, Remediation and Rebuilt Accountability

The Malaysian case documents failure, enforcement and verified remediation in the social pillar, territory most case literature avoids. Sime Darby Plantation, renamed SD Guthrie in 2024, is the world's largest producer of certified sustainable palm oil and was widely regarded as an industry leader. On 30 December 2020, United States Customs and Border Protection issued a Withhold Release Order detaining the company's palm oil at all US ports, citing information reasonably indicating the presence of all eleven International Labour Organization forced labour indicators in its production process (U.S. Customs and Border Protection, 2020). In January 2022 the agency escalated the order to a formal Finding, permitting seizure of shipments. Certification and sustainability reporting had neither prevented nor surfaced serious labour rights failures affecting migrant workers. In institutional terms this is decoupling made visible: certification and disclosure had become ceremonially inspected myths in the sense of Meyer and Rowan (1977), maintained apart from workplace practice until an inspector with real investigative powers arrived.

The response is what makes the case instructive rather than merely cautionary. From 2021 the company implemented a remediation programme overseen by its board sustainability committee and led by a member of executive management, covering reimbursement of recruitment fees paid by workers to third-party agents, a recognised debt-bondage indicator, alongside strengthened recruitment controls, grievance hotlines and worker dialogue. Reimbursement began in February 2022 and reportedly totalled some RM82 million, with an external audit firm appointed to validate each payment independently (Sime Darby Plantation, 2023). Evidence of these measures was submitted to the agency in April 2022, and on 3 February 2023 the Finding was lifted on the determination that the company's products were no longer produced with forced labour (U.S. Customs and Border Protection, 2023). The process was not linear. An unannounced verification assessment of the company's certified Malaysian operations, initiated by the Roundtable on Sustainable Palm Oil (RSPO) and concluded in November 2022, identified violations of the RSPO standards, particularly unreported recruitment fees paid to agents and sub-agents and the retention of passports, required remedial work on its systems, and placed it under compliance monitoring until May 2023, while also concluding that monitoring by certification bodies needed strengthening (Roundtable on Sustainable Palm Oil, 2022). The certifier's own inspection had been part of the problem.

Three lessons follow for emerging-economy firms. Social-pillar risk in migrant-dependent supply chains is existential to market access, and disclosure regimes organised around environmental metrics can leave it under-measured. External enforcement can trigger accountability where voluntary certification did not, which argues for reporting systems designed to detect problems before regulators or buyers do. Remediation that is costly, specific and independently validated can restore standing as narrative reassurance cannot, and the subsequent human rights reporting is markedly more granular than pre-2020 disclosure.

Comparative Analysis

Table 1 compares the four cases across the seven dimensions.

Table 1. Cross-case comparison of ESG adoption and reporting practice

Dimension	Ørsted	Microsoft	Unilever	SD Guthrie

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ESG strategy	Full business-model transformation; ESG is the strategy	Quantified 2030 commitments layered onto the core business	Purpose-led model embedded in brands and stakeholder relations	Licence to operate; rebuilt around human rights after enforcement
Reporting design	Integrated with annual report; science-based value-chain targets	Standalone report against a fixed 2020 baseline; stable method	GRI-referenced; extensive supply chain and human rights disclosure	Bursa statement plus certification; granular human rights reporting post-2020
Environmental initiatives	Offshore wind build-out; coal phase-out; oil and gas divestment	34 GW carbon-free electricity; 30 Mt carbon removal; internal carbon fee	Climate, nature and plastics targets; sustainable sourcing	Certified sustainable palm oil; no-deforestation and land-use commitments
Social responsibility	Just transition; community engagement at project sites	Supplier engagement; workforce and accessibility programmes	Living wage commitments; smallholder livelihoods	Recruitment-fee reimbursement; grievance channels; worker dialogue
Governance practices	Board-owned transition; targets tied to capital allocation	Executive accountability; carbon fee as internal price signal	Board-level oversight; historic link to executive incentives	Board sustainability committee oversight; independent validation of payments
Challenges	DKK 26.8bn impairments and cancellations (2023); DKK 60bn rights issue (2025)	Total emissions up 23.4% on 2020; Scope 3 dominance above 97%	Target reset in 2024 under new leadership; greenwashing criticism	US Withhold Release Order (2020) and Finding (2022) for forced labour
Measurable impact	Renewables dominate generation mix; transition largely delivered	Scope 1 and 2 emissions down 29.9%; transparent shortfall reporting	Two decades of target cycles; scaled-back but continuing commitments	Finding lifted in February 2023; US market access restored

Four patterns emerge. Wherever reporting proved consequential, disclosure was coupled to a mechanism carrying internal force: capital allocation at Ørsted, an internal carbon fee at Microsoft, executive accountability at Unilever, and a board-supervised, externally validated remediation programme at SD Guthrie. Reporting without such coupling is the decoupling institutional theory predicts. Measurement continuity against a fixed baseline is what converts reporting into accountability, since Microsoft's disclosure of deteriorating aggregate emissions was credible only because baseline and method had been held constant. The social pillar is where emerging-market exposure concentrates and where standard frameworks are weakest, as certification and disclosure at SD Guthrie coexisted with serious labour violations until an external enforcer intervened. Finally, all four companies encountered public setbacks, and the differentiator was not the absence of failure but the reporting posture towards it, whether candid quantification, framework-consistent explanation, transparent target revision or verified remediation.

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Proposed Conceptual Framework

The cross-case patterns organise into three linked layers, each anchored in one of the underpinning theories, as summarised in Figure 1. The framework is offered both as propositions for empirical testing and as a design template for practitioners.

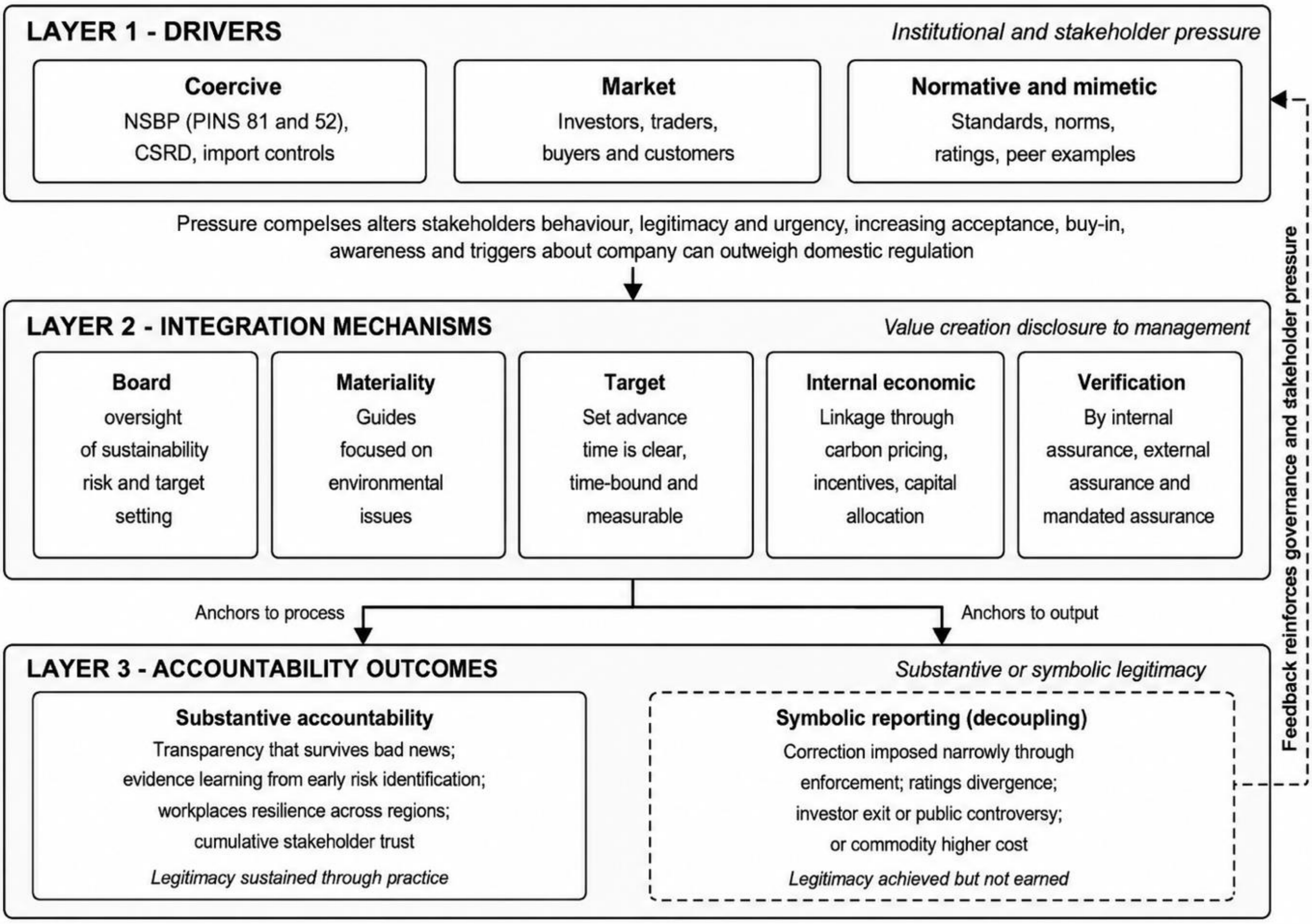

Figure 1. Proposed conceptual framework: how integration mechanisms convert ESG disclosure into accountability

Layer 1 concerns drivers. Consistent with institutional theory (DiMaggio & Powell, 1983), coercive pressure from the NSRF, the CSRD and import controls, market pressure from investors, lenders and buyers, and normative and mimetic pressure from standards and peer exemplars jointly push firms towards disclosure. Consistent with stakeholder salience (Mitchell et al., 1997), those pressures concentrate on issues held by stakeholders possessing power, legitimacy and urgency. In emerging economies, buyer-country enforcement and migrant-labour scrutiny can outweigh domestic regulatory pressure, as the Malaysian case shows.

Layer 2 concerns the mechanisms that convert reporting into practice. The cases point to five that prevent decoupling: board-level ownership with clear accountability; materiality discipline, so that effort concentrates on consequential issues (Khan et al., 2016); target architecture, meaning dated, quantified, baselined commitments held methodologically constant; internal economic linkage, such as carbon pricing, incentive alignment or capital-allocation criteria that give targets budgetary force; and verification, spanning internal assurance, independent assessment and mandated external assurance.

Layer 3 concerns accountability outcomes. Where the mechanisms operate, reporting yields transparency that survives bad news, strategic learning through early risk identification, compliance resilience, and cumulative stakeholder trust, so that disclosure sustains legitimacy substantively. Where they are absent, the same volume of disclosure yields symbolic reporting, and correction arrives externally through enforcement, ratings divergence, investor exit or public controversy at considerably higher cost. The framework is cyclical, since outcomes feed back into drivers as each publicised failure raises institutional pressure across the field.

The central proposition, stated for testability, is that the accountability value of ESG reporting is a function of the integration mechanisms coupling disclosure to management systems rather than of disclosure volume or framework adoption in itself. Corollary propositions follow for each mechanism: firms with baselined, stable targets should be more likely to disclose adverse performance than firms holding narrative-only commitments.

DISCUSSION

Read together, the four cases locate the reporting-practice gap in organisational design rather than in disclosure volume, and each of the three underpinning theories illuminates a different facet of that result. Stakeholder theory receives support at all three levels distinguished by Donaldson and Preston (1995), but the salience mechanism does the most analytical work. Reporting content in every case tracked shifts in stakeholder power, legitimacy and urgency rather than remaining fixed. Ørsted's disclosure is dominated by investor salience because capital providers fund the transition; SD Guthrie's post-2020 reporting pivoted decisively towards workers and buyers once enforcement converted their claims into powerful and urgent ones; Unilever's target reset shows the mechanism operating in reverse, with shareholder urgency rising relative to diffuse societal claims after a leadership change. The refinement the cases suggest is that salience is not only a managerial perception, as the original formulation has it, but can be reassigned abruptly from outside. A single enforcement order transformed migrant workers from a low-salience group into the most salient stakeholder in SD Guthrie's reporting, which implies that stakeholder mapping reflecting only domestic pressure will systematically understate the salience that foreign enforcers and buyers can confer on supply chain workers.

The cases also give unusually direct content to the distinction Deegan (2019) urges between substantive and symbolic legitimacy management. All four firms faced legitimacy pressure, and the evidence displays four empirically separable responses: maintenance through candour, as Microsoft disclosed a 23.4 per cent emissions increase against its own baseline; framework-consistent explanation of setbacks, as Ørsted reported impairments within a long-standing target structure; transparent renegotiation of the social contract, as Unilever revised commitments with stated reasons; and verified substantive repair in the SD Guthrie remediation. The theoretical payoff lies in the fourth. Legitimacy research has struggled to separate repair from image management because it observes only disclosure, whereas the Malaysian case supplies an external adjudicator whose determination converts a normally unobservable construct into a documented event (U.S. Customs and Border Protection, 2023). The same case confirms the caution of Cho et al. (2015), since the certification body's own verification recorded continuing non-conformities only months before the enforcement finding was lifted (Roundtable on Sustainable Palm Oil, 2022), showing that even genuine repair passes through a phase in which talk runs ahead of action. Firms would therefore do better to invite verification early than to have it imposed.

Institutional theory predicts both the field-level convergence on reporting and the central pathology. All three isomorphic pressures are visible: coercive in the NSRF, the CSRD and import enforcement, normative in standards, assurance and ratings, and mimetic in the imitation of exemplars that motivates case-based learning itself (DiMaggio & Powell, 1983). The decoupling prediction of Meyer and Rowan (1977) is confirmed by SD Guthrie before 2020, where certification and disclosure structures were maintained ceremonially while workplace practice diverged and inspection remained ritual. What the cases add is a specification, at the level of organisational design, of what recoupling consists of. The five integration mechanisms operate as anti-decoupling devices, each binding the formal structure of reporting to a flow of real resources, decisions or independent inspection, which gives operational content to the insight that decoupling persists wherever evaluation is ceremonial.

Drawing the three readings together yields the study's central empirical claim: external pressure and internal capability interact asymmetrically. Where the mechanisms are in place, scrutiny is absorbed as information, as at Microsoft and Ørsted, and adverse findings enter a system equipped to interpret them. Where they are missing, scrutiny arrives instead as enforcement and correction is imposed from outside at considerably higher cost, as at SD Guthrie before 2021. This pattern is consistent with Marquis et al. (2016) but locates the moderating variable inside the firm rather than in its environment. For Malaysia the consequence is direct: the NSRF's success will be decided not by filing rates but by whether issuers build the mechanisms that make their filings mean something.

Contributions and Implications

Theoretically, the paper makes three specific advances. It extends legitimacy theory by distinguishing four empirically separable responses to legitimacy pressure and by showing that verification institutions, not disclosure alone, determine whether repair registers as substantive, which addresses the specification gap Deegan (2019) identifies. It refines stakeholder salience theory by showing that salience can be exogenously reassigned by enforcement (Mitchell et al., 1997). It gives decoupling operational content by specifying five recoupling mechanisms whose absence constitutes decoupling (Meyer & Rowan, 1977).

Methodologically, the paper shows the value of including failure and remediation episodes in ESG case research and of triangulating company reporting against enforcement documents, which supply rare independent verification of social-pillar claims. Future work can operationalise the five mechanisms as codable constructs for comparative case studies or as survey variables, extending readiness instruments of the kind developed by Fianko et al. (2025).

Practically, the framework reorders priorities for boards and preparers in Malaysia and comparable economies, and five sequenced implications follow. The first is to build the data foundation before polishing the narrative. The binding constraint for issuers entering the NSRF will be measurement, particularly Scope 3 inventories and the systems behind them, rather than report writing, so firms should invest early in emissions accounting, supplier data collection and internal controls, treating transition reliefs as scaffolding rather than grounds for delay (Securities Commission Malaysia, 2024).

The second is to anchor ownership at board level and give targets budgetary force. Boards and their committees should hold explicit responsibility for sustainability-related risks, and at least one material target should be tied to executive remuneration or capital-allocation criteria, since targets carrying no internal economic consequence are the first casualties of leadership change or margin pressure.

The third is to apply materiality discipline suited to the business rather than to a template, concentrating effort where financial and stakeholder consequence is highest (Khan et al., 2016). For many Malaysian exporters this means raising the social pillar to the same rigour as climate metrics and treating due diligence over recruitment practices, grievance mechanisms and worker voice as a market-access control rather than a reputational nicety, since that is where enforcement and buyer scrutiny already operate.

The fourth is to design reporting to survive bad news by fixing baselines, holding methods stable and committing in advance to disclosing shortfalls with explanation. Microsoft's experience shows that credibility can withstand adverse numbers when the measurement system is trusted, while Unilever's shows that even necessary revisions carry a cost that candid framing only partly offsets.

The fifth is to verify before others do. Assurance readiness should be sequenced ahead of the mandate, given that reasonable assurance of Scope 1 and 2 emissions is anticipated for the largest issuers from 2027, and independent assessment should extend to social-pillar claims. The SD Guthrie case shows both the cost of externally discovered failure and the restorative power of externally validated remediation.

For policy, the cases support the NSRF's phased, capacity-building approach but caution against equating filing compliance with accountability. Assurance requirements, structured data and enforcement attention to misleading claims are the levers that discourage decoupling, consistent with Christensen et al. (2021) on the primacy of enforcement and assurance over mandates alone. The Malaysian case further suggests that regulators should coordinate disclosure policy with labour-market and migration governance, since buyer-country enforcement will otherwise fill the gap, and that industry associations and universities should institutionalise case-based learning from regional failures rather than only from imported exemplars.

Limitations and Future Research

Three limitations bound the paper's claims. Built on documentary evidence, it cannot observe internal decision-making directly, and interview-based fieldwork is the natural next step for testing the framework. The four cases were selected for documentary richness and theoretical variation rather than representativeness, so the propositions require testing across larger and more ordinary samples, particularly among mid-cap Malaysian issuers entering the NSRF's later phases. Corporate disclosures are also self-interested documents, and although the analysis privileges externally verified events, some case detail necessarily rests on company reporting. Future research could operationalise the five mechanisms as a maturity instrument, examine early NSRF filings for decoupling between disclosed structures and observable practice, and study how assurance requirements alter disclosure behaviour as they phase in from 2027.

CONCLUSION

ESG reporting is becoming mandatory faster than it is becoming meaningful, and this paper has used four well-documented cases, read through stakeholder, legitimacy and institutional theory, to explain why the two diverge and what closes the divergence. Institutional pressure explains why firms adopt reporting structures and why, absent real inspection, those structures decouple from practice (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Stakeholder salience explains whose claims reporting serves and how abruptly that can change when enforcement empowers previously marginal groups (Mitchell et al., 1997). Legitimacy theory explains the strategies firms deploy under pressure, and the cases indicate that only responses coupled to substantive change sustain legitimacy durably (Suchman, 1995; Deegan, 2019). The organisational answer follows: board ownership, materiality discipline, target architecture, internal economic linkage and verification determine whether disclosure is the public face of management or a ceremony maintained apart from it. Ørsted shows reporting as the expression of strategic transformation, Microsoft target architecture that survives adverse results, Unilever both the reach and the fragility of purpose-led commitment, and SD Guthrie how disclosure regimes fail on the social pillar and how validated remediation rebuilds accountability. For Malaysian organisations the message is direct. The new standards are best treated as an occasion to build measurement, governance and due-diligence capability, because the report is the residue of those systems. Firms that build the machinery will find compliance largely incidental; firms that build only the report should expect the correction that theory predicts and the cases document.

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