More Than Compliance: Voluntary Reporting in Malaysia's ISSB Era

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ABSTRACT

Voluntary reporting has long served as the main channel through which companies communicate information beyond the minimum required by law and accounting standards. In Malaysia, this channel is being reshaped by the National Sustainability Reporting Framework (NSRF), launched in September 2024, which phases in the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) for listed issuers, and later for large non-listed companies, from 2025 onwards. As once-discretionary disclosures become required, the value of voluntary reporting warrants fresh examination. This conceptual paper explains how voluntary reporting is likely to evolve when a mandatory sustainability baseline is introduced and proposes a framework to guide future research. The paper adopts a theory synthesis design supported by an integrative literature review of sources retrieved from Scopus, Web of Science and Google Scholar, together with an analysis of Malaysian regulatory documents. It integrates five theories: agency, signalling and voluntary disclosure, legitimacy, stakeholder and institutional theories. The analysis suggests that a mandatory baseline does not remove the need for voluntary reporting. Instead, it shifts the emphasis from the quantity of disclosure towards its quality, credibility and forward-looking content. The proposed framework links institutional pressures, governance enablers and digital reporting capability to a voluntary reporting strategy that is characterised by scope, quality and credibility and that is expected to influence information asymmetry, organisational legitimacy and stakeholder value creation. Six propositions capture these relationships, including the moderating role of the mandatory baseline. Each construct is defined and linked to measurable indicators, and a three-step classification guide is offered to separate voluntary disclosures from information required under IFRS S1, IFRS S2 and the Bursa Malaysia Listing Requirements. The paper repositions voluntary reporting as a strategic complement to mandatory disclosure, offers practical guidance for preparers, boards, regulators and accounting educators, and sets out empirical designs that exploit the phased implementation of the NSRF.

Keywords: Voluntary reporting, ISSB standards, Sustainability reporting, Disclosure quality, Malaysia

INTRODUCTION

Corporate reporting has long comprised two layers. The first is the mandatory layer, consisting of information that companies must provide under company law, accounting standards and listing rules. The second is the voluntary layer, consisting of information that management chooses to disclose in order to explain performance, strategy, risks and the wider impacts of the business. The voluntary layer has attracted sustained scholarly attention because it reveals how managers respond to information asymmetry, market expectations and social pressure (Healy & Palepu, 2001; Verrecchia, 1983). Early work showed that companies voluntarily disclose information when the expected benefits, such as a lower cost of capital and greater investor confidence, outweigh the costs of preparation and the risk of revealing proprietary information (Botosan, 1997; Diamond & Verrecchia, 1991; Dye, 1985).

Over the past two decades, much of the growth in voluntary reporting has taken place in the sustainability domain. Companies around the world have published sustainability reports, integrated reports and climate-related disclosures, often well before any regulator required them to do so (Dhaliwal et al., 2011; Grewal & Serafeim, 2020). This growth has been accompanied by persistent concerns about selectivity, comparability and credibility. Critics have argued that voluntary sustainability disclosure is frequently symbolic, serving to manage impressions rather than to discharge accountability (Cho et al., 2015; Michelon et al., 2015). These concerns have prompted regulators to move from encouraging disclosure to requiring it. A growing body of international evidence shows that mandatory disclosure regimes can improve the information environment, although their effects depend on the design of the rules and the strength of enforcement (Christensen et al., 2021; Krueger et al., 2024).

Malaysia offers a timely setting in which to examine this transition. In 2015, Bursa Malaysia introduced a requirement for listed issuers to include a sustainability statement in their annual reports. The requirement was applied in phases to financial years ending on or after 31 December 2016 for large Main Market issuers, 31 December 2017 for other Main Market issuers and 31 December 2018 for ACE Market corporations. In 2022, Bursa Malaysia enhanced these requirements by prescribing common sustainability matters and indicators, requiring climate-related disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and requiring issuers to state whether their sustainability statement has been internally reviewed or independently assured (Bursa Malaysia, 2022). On 24 September 2024, the Advisory Committee on Sustainability Reporting (ACSR), which is chaired by the Securities Commission Malaysia, launched the National Sustainability Reporting Framework (NSRF). The NSRF adopts the IFRS Sustainability Disclosure Standards issued by the ISSB, namely IFRS S1 and IFRS S2, as the national baseline (IFRS Foundation, 2023a, 2023b; Securities Commission Malaysia, 2024). Bursa Malaysia subsequently amended its Main Market and ACE Market Listing Requirements on 23 December 2024 to give effect to the framework (IFRS Foundation, 2025).

Under the phased approach, Group 1 comprises Main Market issuers with a market capitalisation of RM2 billion and above, which apply the standards for annual reporting periods beginning on or after 1 January 2025. Group 2 comprises the other Main Market issuers, which follow from 1 January 2026, while Group 3 comprises ACE Market corporations and large non-listed companies with annual revenue of RM2 billion and above, which follow from 1 January 2027 (IFRS Foundation, 2025; Securities Commission Malaysia, 2024). Transitional reliefs allow companies to report only on climate-related matters in their initial reporting periods and to defer the disclosure of Scope 3 greenhouse gas emissions. In addition, reasonable assurance on Scope 1 and Scope 2 emissions is targeted for Group 1 companies from annual periods beginning on or after 1 January 2027, subject to the finalisation of the national assurance framework (IFRS Foundation, 2025). Information that many Malaysian companies previously provided at their own discretion, such as climate-related risks and governance arrangements, is therefore moving into the mandatory layer.

This shift raises an important question for accounting research and practice. If much of what was voluntary becomes mandatory, what remains of voluntary reporting, and why would companies continue to invest in it? Two competing views can be identified. The crowding-out view suggests that a mandatory baseline reduces the incentive to disclose beyond the minimum, because the market already receives a standardised set of information and additional disclosure offers little differentiation. The complementarity view suggests that a credible baseline raises market expectations and makes high-quality voluntary information more valuable, because companies can now be compared on what they add above the baseline (Einhorn, 2005; Leuz & Wysocki, 2016). Existing Malaysian studies have largely examined the extent and determinants of voluntary disclosure under a regime in which sustainability information was weakly regulated (Ghazali & Weetman, 2006; Haji & Ghazali, 2013; Hamad et al., 2022). Little conceptual work has examined how the role of voluntary reporting should be understood once an ISSB-aligned baseline is in place, or how voluntary content can be separated from what the baseline already requires.

Accordingly, this paper has four objectives. First, it reviews the theoretical and empirical foundations of voluntary reporting and traces its development in Malaysia. Second, it examines how the introduction of a mandatory sustainability baseline is likely to reshape the motives, content and value of voluntary reporting.

Third, it develops a conceptual framework, supported by six propositions, that links the antecedents of voluntary reporting to its expected outcomes and specifies the moderating role of the mandatory baseline. Fourth, it defines each construct, links it to measurable indicators and proposes a classification guide for distinguishing voluntary from mandatory disclosures, so that the framework can be tested in future studies. Consistent with its conceptual nature, the paper does not test the propositions empirically. Instead, it offers a structured and transparent basis on which future studies can build measurement instruments and empirical designs.

The paper makes four contributions. First, it repositions voluntary reporting as a strategic complement to mandatory disclosure rather than a residual activity that disappears as regulation expands. Second, it integrates economic and socio-political theories into a single framework, which helps to explain why companies facing the same baseline may still differ markedly in their voluntary reporting. Third, it provides operational clarity by defining the constructs, proposing indicators and setting out a guide for identifying genuinely voluntary disclosures in an ISSB-aligned environment. Finally, it translates the framework into practical implications for preparers, boards, regulators and accounting educators in Malaysia and in other emerging economies adopting ISSB-aligned standards. The remainder of the paper is organised as follows. The next section reviews the literature, followed by sections on the theoretical foundations and the methodology. The paper then explains how voluntary disclosures can be distinguished from mandatory requirements, presents the conceptual framework, construct definitions and propositions, discusses the implications, and concludes with limitations and directions for future research.

LITERATURE REVIEW

The nature of voluntary reporting

Meek et al. (1995) define voluntary reporting as disclosure that goes beyond what is required, reflecting management's free choice to provide accounting and other information that it considers relevant to users' decisions. This definition highlights two features. First, voluntary reporting is discretionary, so its content, timing and format reflect managerial choice. Second, it is user-oriented, in that it is intended to meet information needs that mandatory reports leave unaddressed. Healy and Palepu (2001) describe voluntary disclosure as one of several mechanisms that help to resolve the information problem between managers and outside investors, alongside regulated financial reports, auditors and information intermediaries such as analysts. An important implication of this view is that the boundary of voluntary reporting is relative rather than fixed. What counts as voluntary depends on the requirements that apply to a particular company in a particular period, so the boundary moves whenever regulation changes.

Voluntary information can be grouped into strategic, financial and non-financial categories (Meek et al., 1995). Strategic information includes corporate objectives, business models and future prospects. Financial information extends beyond the financial statements to include segment details, key performance indicators and forecasts. Non-financial information covers employees, customers, communities, the environment and governance. Over time, the non-financial category has developed into the distinct field of sustainability or environmental, social and governance (ESG) reporting (Gray et al., 1995; Grewal & Serafeim, 2020; Tsang et al., 2023). Recent developments in digital technology have further changed how voluntary information is produced and delivered, with companies using websites, interactive reports, social media and machine-readable formats to reach stakeholders (Lombardi & Secundo, 2021).

The quality of voluntary reporting is as important as its quantity. Studies have distinguished the extent of disclosure, measured by the number of items reported, from its quality, which concerns attributes such as specificity, balance, comparability, forward-looking orientation and verifiability (Beattie et al., 2004; Michelon et al., 2015). Hooks and van Staden (2011) find that quality and extent measures are highly correlated. However, they also propose a quality score per sentence to identify companies whose extensive disclosures are of low quality, which underlines the value of assessing quality separately. Because voluntary information is largely unaudited and not standardised, users may discount it if they doubt its credibility (Mercer, 2004). This credibility problem is central to the debate on whether voluntary reporting can deliver its expected benefits without regulatory support (Christensen et al., 2021).

The development of voluntary reporting in Malaysia

Research on voluntary reporting in Malaysia has a long history. Haniffa and Cooke (2002) showed that culture, ownership and corporate governance characteristics were associated with the extent of voluntary disclosure among Malaysian listed companies, reflecting the influence of the country's distinctive ethnic and institutional setting. Ghazali and Weetman (2006) found that, despite governance reforms following the Asian financial crisis, voluntary disclosure remained low and continued to be shaped by traditional influences such as concentrated ownership and government involvement. Haji and Ghazali (2013) reported that the quality of voluntary disclosure among Shariah-compliant companies was generally low and recommended clearer guidance to strengthen accountability. These studies portray a reporting environment in which voluntary disclosure was limited and strongly conditioned by ownership and governance structures.

Regulatory initiatives have progressively changed this environment. The introduction of the sustainability statement requirement and the Sustainability Reporting Guide moved sustainability information from a purely voluntary space into a comply-and-disclose space, while leaving companies considerable discretion over the depth and presentation of their disclosures. The 2022 enhancements narrowed that discretion by prescribing common indicators and climate-related disclosures (Bursa Malaysia, 2022). Corporate governance reforms have also encouraged richer reporting. Hamad et al. (2022) found that the Malaysian Code on Corporate Governance 2017 was positively associated with the quality of voluntary integrated reporting among the top 100 Malaysian listed companies, and that disclosure quality improved after 2017. The adoption of the NSRF represents the next and most significant step, as it introduces a globally aligned and more prescriptive baseline for sustainability-related financial disclosures, supported by amendments to the Listing Requirements (IFRS Foundation, 2025; Securities Commission Malaysia, 2024).

Malaysia's institutional setting also includes a strong Islamic dimension. A large proportion of Malaysian listed companies are classified as Shariah-compliant, and Islamic ethical principles emphasise accountability, transparency and full disclosure as moral obligations rather than merely economic choices (Haniffa & Hudaib, 2007; Maali et al., 2006). From this perspective, voluntary reporting can be understood as part of the broader responsibility of a company to account for its stewardship of resources to both society and God. This dimension adds a values-based motive to the economic and legitimacy motives commonly discussed in the literature, and it is particularly relevant for understanding voluntary reporting in Muslim-majority economies. Because the ISSB baseline does not require Shariah-related or Islamic social reporting disclosures, such disclosures remain an important domain of genuinely voluntary reporting in Malaysia.

From voluntary to mandatory disclosure: International evidence

A substantial body of international research has examined what happens when previously voluntary information becomes mandatory. Christensen et al. (2021) review the economic arguments and evidence on mandatory sustainability reporting and conclude that mandates can improve comparability and ensure a minimum level of disclosure, but that their benefits depend on clear standards, credible enforcement and the capacity of preparers. Krueger et al. (2024) compile data on mandatory ESG disclosure regulations in many countries and find that such mandates are associated with higher stock liquidity, with stronger effects where requirements are set by government institutions, do not follow a comply-or-explain approach, and are supported by strong enforcement. They also report that companies with weaker information environments benefit more from the mandates. Grewal et al. (2019) show that market reactions to the European Union's Non-Financial Reporting Directive varied with companies' prior disclosure and sustainability performance. Fiechter et al. (2022) find that the same directive led companies to increase their actual sustainability activities, which indicates that disclosure mandates can have real effects beyond the information they produce.

These findings carry two implications for voluntary reporting. First, mandates tend to narrow the gap between leaders and laggards by forcing minimum disclosure from companies that previously reported little. Second, once the baseline is established, the remaining differences among companies are more likely to lie in the quality, specificity and credibility of their reporting than in whether they report at all. Leuz and Wysocki (2016) note that regulation and voluntary disclosure interact in complex ways, and that mandatory rules may either substitute for or complement voluntary communication depending on the institutional context. Prior research supports both

possibilities. Einhorn (2005) shows that mandatory disclosure changes the inferences that investors draw from voluntary disclosure, while Ball et al. (2012) find that verifiable mandatory reporting and voluntary disclosure act as complements because the former disciplines and confirms the latter. The Malaysian transition therefore provides an opportunity to examine which of these effects dominates in an emerging market.

Research gap

The review reveals four gaps. First, most Malaysian studies examine the extent and determinants of voluntary disclosure under pre-ISSB arrangements and do not address how voluntary reporting should be conceptualised once a mandatory sustainability baseline applies. Second, prior work tends to rely on a single theoretical lens, whereas the transition involves economic, socio-political and institutional forces simultaneously. Third, the role of digital reporting capability as an enabler of high-quality voluntary reporting has received limited attention in the Malaysian literature, despite its growing importance (Lombardi & Secundo, 2021). Fourth, the literature offers little guidance on how voluntary content should be identified and measured when the boundary between mandatory and voluntary disclosure shifts in phases across companies and periods. This paper addresses these gaps by developing an integrated conceptual framework with defined constructs, measurable indicators and a classification guide.

THEORETICAL FOUNDATIONS

Voluntary reporting has been explained through several theories that are often treated as competing but are better viewed as complementary. Economic theories focus on the information needs of capital providers, while socio-political theories focus on the relationship between the company and society. Institutional theory explains why reporting practices converge over time. Table 1 summarises how each theory explains voluntary reporting and how its relevance changes once an ISSB-aligned baseline is introduced.

Table 1. Theoretical perspectives on voluntary reporting in the ISSB era

Theory	Core premise	Explanation of voluntary reporting	Relevance under a mandatory baseline
Agency theory (Jensen & Meckling, 1976)	Information asymmetry between managers and owners creates agency costs	Disclosure reduces monitoring costs and aligns interests	Focus shifts to entity-specific risks, judgements and incentives not captured by the baseline
Signalling and voluntary disclosure theory (Dye, 1985; Spence, 1973; Verrecchia, 1983)	Better-informed parties send costly signals to separate themselves from others	Companies with good news disclose to avoid being pooled with weaker companies	Basic disclosure loses signalling power; assurance, targets and balanced reporting become the signal
Legitimacy theory (Deegan, 2002; Suchman, 1995)	Companies seek to operate within society's norms and expectations	Disclosure gains, maintains or repairs legitimacy	Legitimacy depends more on credibility and consistency against common standards
Stakeholder theory (Freeman, 1984)	Companies are accountable to multiple groups	Disclosure meets the diverse needs of stakeholders	Voluntary reporting addresses non-investor impacts outside the investor-focused baseline
Institutional theory (DiMaggio & Powell, 1983)	Coercive, mimetic and normative pressures drive convergence	Companies adopt reporting practices seen as appropriate	Baseline promotes convergence; leaders go beyond it to shape new norms

Agency theory

Agency theory views the company as a nexus of contracts in which managers act as agents for shareholders (Jensen & Meckling, 1976). Because managers possess more information than owners, agency costs arise from monitoring and from the risk of opportunistic behaviour. Voluntary disclosure reduces these costs by making managerial actions more observable. In the ISSB era, agency theory suggests that voluntary reporting will be directed at matters that the baseline does not adequately capture, such as entity-specific risks, management's judgement on transition plans and the link between sustainability matters and executive incentives.

Signalling theory and voluntary disclosure theory

Signalling theory holds that parties with superior information can send costly signals to distinguish themselves from others (Spence, 1973). Companies with good performance or prospects have an incentive to disclose voluntarily so that they are not pooled with weaker companies. Voluntary disclosure theory formalises this reasoning, showing that full disclosure is expected unless disclosure is costly or investors are uncertain whether managers possess the information (Dye, 1985; Verrecchia, 1983). When a mandatory baseline is introduced, basic disclosure no longer serves as a signal because all companies must provide it. Signalling value then shifts to disclosures that exceed the baseline, such as independent assurance, science-based targets and transparent reporting of negative as well as positive outcomes.

Legitimacy theory

Legitimacy theory proposes that companies seek to operate within the bounds and norms of society, and that disclosure is used to gain, maintain or repair legitimacy (Deegan, 2002; Suchman, 1995). Voluntary social and environmental disclosure often increases when a company faces public scrutiny or a legitimacy threat. However, the theory also warns that disclosure can be symbolic rather than substantive (Cho et al., 2015; Hummel & Schlick, 2016). Under a mandatory baseline, legitimacy may increasingly depend on the credibility and consistency of reporting, since stakeholders can compare companies against common standards.

Stakeholder theory

Stakeholder theory recognises that companies are accountable to a range of groups that affect or are affected by their activities (Freeman, 1984). Voluntary reporting enables companies to respond to the distinct information needs of employees, customers, communities, regulators and investors. The ISSB standards focus primarily on information useful to primary users of general-purpose financial reports, namely investors, lenders and other creditors (IFRS Foundation, 2023a). Stakeholder theory therefore suggests that voluntary reporting will remain important for addressing the impacts and concerns of non-investor stakeholders, which fall outside the investor-focused baseline.

Institutional theory

Institutional theory explains how organisations become similar through coercive, mimetic and normative pressures (DiMaggio & Powell, 1983). The NSRF is a clear example of coercive pressure. Mimetic pressure arises when companies imitate the reporting of industry leaders, while normative pressure comes from professional bodies, auditors and accounting education. Institutional theory suggests that the baseline will promote convergence, but it also helps to explain why some companies go beyond the minimum, as leading companies seek to set new norms rather than merely comply with existing ones.

Integrating the theoretical perspectives

The five perspectives are assigned distinct roles in the framework rather than being used interchangeably. Institutional and legitimacy theories explain why external pressures push companies towards disclosure beyond the minimum (Proposition 1). Agency theory explains why governance mechanisms translate these pressures into meaningful disclosure (Proposition 2). Voluntary disclosure theory, which predicts that disclosure increases as its costs fall, explains why digital reporting capability matters (Proposition 3). Agency and signalling theories explain the capital market outcome of reduced information asymmetry (Proposition 4), while legitimacy and

stakeholder theories explain the social outcomes of legitimacy and stakeholder value creation (Proposition 5). Finally, voluntary disclosure theory and signalling theory jointly explain why the mandatory baseline changes the value of different dimensions of voluntary reporting (Proposition 6). This division of explanatory labour allows each proposition to be traced to a clear theoretical mechanism.

METHODOLOGY

Research design

This paper adopts a conceptual research design. MacInnis (2011) argues that conceptual contributions advance a field by envisioning new ideas, explicating and relating existing concepts, and debating established views, rather than by testing hypotheses with data. Following the typology proposed by Jaakkola (2020), the paper uses a theory synthesis approach together with elements of a model approach. Theory synthesis integrates several theoretical perspectives to offer a new and more comprehensive view of a phenomenon, while the model approach builds a framework that identifies relationships among constructs and expresses them as propositions. The conceptual analysis is supported by an integrative literature review, which is suited to synthesising diverse theoretical and empirical work in order to generate new frameworks and perspectives (Snyder, 2019; Torraco, 2005), and by an analysis of the regulatory documents that define the Malaysian reporting baseline.

Literature search strategy

Table 2 documents the literature search and selection protocol. Scopus and the Web of Science Core Collection served as the primary databases because they index the leading peer-reviewed journals in accounting, finance and management. Google Scholar was used as a supplementary source to locate full texts and to trace citations. Five search strings were applied to titles, abstracts and keywords, covering voluntary sustainability disclosure, the interaction between mandatory and voluntary disclosure, the ISSB standards, the Malaysian setting, and the quality, credibility and digital dimensions of reporting. The search covered publications from 1973 to 2025. Foundational theoretical works were retained regardless of their age because the framework builds directly on them, while empirical and review studies were prioritised from 2015 onwards to capture the period in which sustainability reporting mandates spread internationally.

Table 2. Literature search and selection protocol

Protocol element	Specification
Review type	Integrative, concept-centric literature review supporting a theory synthesis and model-building conceptual design (Jaakkola, 2020; Snyder, 2019; Torraco, 2005)
Databases	Scopus and Web of Science Core Collection as primary databases; Google Scholar as a supplementary source for locating full texts and tracing citations; official websites of the Securities Commission Malaysia, Bursa Malaysia and the IFRS Foundation for regulatory documents
Search strings (title, abstract and keywords)	S1: (“voluntary disclosure” OR “voluntary reporting” OR “discretionary disclosure”) AND (“sustainability reporting” OR “ESG disclosure” OR “CSR reporting” OR “integrated reporting”); S2: (“mandatory disclosure” OR “disclosure mandate” OR “disclosure regulation”) AND (“voluntary disclosure” OR “sustainability reporting”); S3: (“ISSB” OR “IFRS S1” OR “IFRS S2” OR “sustainability disclosure standards”); S4: (Malaysia*) AND (“voluntary disclosure” OR “sustainability statement” OR “corporate disclosure”); S5: (“disclosure quality” OR “sustainability assurance” OR “disclosure credibility” OR “digital reporting”)
Time period	1973 to 2025. Foundational theoretical works were retained regardless of age; empirical and review studies were prioritised from 2015 onwards, with particular attention to studies published within the last five years

Protocol element	Specification
Inclusion criteria	(a) Peer-reviewed journal articles, scholarly books and official regulatory or standard-setting documents; (b) written in English; (c) addressing the determinants, quality, credibility or consequences of voluntary disclosure, the transition from voluntary to mandatory sustainability reporting, or the Malaysian reporting setting; (d) relevant to at least one of the five theoretical lenses in Table 1
Exclusion criteria	(a) Non-peer-reviewed commentaries, conference abstracts and practitioner blogs; (b) outlets not indexed in Scopus or Web of Science, unless the work is a seminal book or an official document; (c) studies on financial statement recognition and measurement without a disclosure dimension; (d) duplicate records
Screening procedure	Titles and abstracts were screened against the criteria, followed by full-text reading of retained records; backward and forward citation tracking (snowballing) was used to identify seminal and recent works not captured by the database searches (Webster & Watson, 2002)
Appraisal	Retained sources were appraised for (a) theoretical relevance to the constructs, (b) methodological clarity and the strength of the evidence reported, and (c) the standing and indexation of the publication outlet; foundational works were retained on the basis of their established influence in the disclosure literature
Synthesis	A concept matrix was used to code each source against the constructs of the framework (antecedents, voluntary reporting strategy, outcomes and moderator) and against the theory or theories it draws upon; recurring relationships across sources were then expressed as propositions
Final corpus	52 sources cited in this paper, comprising 47 academic works (12 published before 2000, 27 published between 2000 and 2019, and 8 published between 2020 and 2025) and 5 regulatory and standard-setting documents

Screening, selection and appraisal

The retrieved records were screened in two stages. In the first stage, titles and abstracts were assessed against the inclusion and exclusion criteria in Table 2. In the second stage, the full texts of the retained records were read to confirm their relevance to the constructs and theories of the study. Backward and forward citation tracking was then used to identify seminal and recent works that the database searches had not captured (Webster & Watson, 2002). Each retained source was appraised for its theoretical relevance, the clarity of its method, the strength of its evidence and the standing of its publication outlet. Studies offering direct evidence on the determinants or consequences of voluntary disclosure, or on the effects of disclosure mandates, were given greater weight in developing the propositions than studies offering only indirect or descriptive evidence.

Synthesis and regulatory document analysis

The retained literature was synthesised through a concept matrix that coded each source against the constructs of the framework and the theory or theories on which it draws (Webster & Watson, 2002). Recurring relationships across sources, together with points of disagreement such as the crowding-out and complementarity views, were then expressed as propositions. In parallel, official documents issued by the Securities Commission Malaysia, Bursa Malaysia and the IFRS Foundation were examined to establish the content, phase-in dates and transitional reliefs of the mandatory baseline. This document analysis informed the definition of the moderator and the classification guide presented in the next section. As the study relies entirely on published literature and public documents, it does not involve human participants or primary data collection.

DISTINGUISHING VOLUNTARY FROM MANDATORY DISCLOSURE

Because the boundary of voluntary reporting is relative, any empirical test of the framework must first establish

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which disclosures are genuinely voluntary for a given company in a given period. This task is more complex under the NSRF than under earlier regimes for three reasons. First, the baseline applies to different groups of companies from different dates. Second, transitional reliefs mean that some information required in later periods is not yet required in the initial periods. Third, the ISSB baseline coexists with the Bursa Malaysia Listing Requirements, including the prescribed common sustainability indicators, which means that both sets of requirements must be considered together (Bursa Malaysia, 2022; IFRS Foundation, 2025).

This paper therefore proposes a three-step classification procedure. In the first step, the researcher or preparer identifies the baseline that applies to the company for the reporting period, namely its NSRF group, its effective date, the transitional reliefs it has chosen to use and the Bursa Malaysia indicators relevant to it. In the second step, each disclosed item is mapped to the relevant requirement in IFRS S1, IFRS S2 or the Listing Requirements. Required items are classified as mandatory, and the depth of each is then compared with the requirement to determine whether it is disclosed at the minimum level or in an enhanced form. In the third step, items that are not required for the period are classified as voluntary, and a distinction is drawn between information that is required in later periods or relieved under the transitional provisions and information that falls outside the baseline altogether. Table 3 sets out the four resulting categories, with Malaysian examples and their treatment in empirical coding.

Table 3. Classification guide for distinguishing voluntary from mandatory disclosures under the ISSB-aligned baseline

Category	Description	Illustrative Malaysian examples	Treatment in empirical coding
A. Mandatory baseline disclosure	Information required for the company and reporting period by IFRS S1 and IFRS S2 as adopted under the NSRF, the Bursa Malaysia Listing Requirements, MFRS or the Companies Act 2016	Climate-related governance, strategy, risk management, and metrics and targets under IFRS S2 for a Group 1 issuer from 2025; Scope 1 and Scope 2 emissions; Bursa's prescribed common indicators such as anti-corruption, health and safety, and energy management	Excluded from the voluntary index; used only to confirm that the baseline has been met
B. Enhanced mandatory disclosure	A required topic disclosed with greater depth, granularity, quantification or time horizon than the requirement demands	Site-level or business-unit emissions where only consolidated figures are required; quantified climate scenario results where a qualitative description would satisfy the requirement	Coded in the quality dimension, not the scope dimension
C. Voluntary early or relief-waived disclosure	Information that is not yet required for the period because of the phase-in date or a transitional relief, but is disclosed by choice	Scope 3 emissions during the relief period; non-climate sustainability risks and opportunities under IFRS S1 during the climate-first relief; ISSB-aligned disclosures by Group 2 or Group 3 companies before their effective dates	Coded in the scope dimension; classification is time-varying and must be updated for each reporting period
D. Purely voluntary disclosure	Information outside the investor-focused baseline in any period	Impact disclosures prepared under GRI Standards; alignment with the Sustainable Development Goals; Shariah, Maqasid al-Shariah and Islamic social reporting disclosures; voluntary external assurance where none is required; interactive or more frequent digital updates	Coded in the scope dimension and, where relevant, the credibility dimension

This classification has two practical advantages. First, it prevents mandatory information from being counted as voluntary, which would otherwise inflate voluntary disclosure scores mechanically once the NSRF takes effect. Second, it separates the scope of voluntary reporting, captured by Categories C and D, from its quality, captured partly by Category B, which aligns the coding procedure with the dimensions of the framework. Because Category C items become mandatory over time, the classification must be updated for each reporting period, and coding decisions should be recorded in a coding manual and checked through independent double coding to establish inter-coder reliability.

PROPOSED CONCEPTUAL FRAMEWORK

Drawing on the theoretical foundations, this paper proposes the framework presented in Figure 1. The framework positions voluntary reporting strategy as the central construct. This construct has three dimensions. Scope refers to the extent to which a company discloses entity-specific and forward-looking information beyond the mandatory baseline. Quality refers to the specificity, balance, quantification and comparability of the information disclosed. Credibility refers to the mechanisms and evidence that make the information believable, such as voluntary external assurance, visible board oversight and consistency with actual performance. Three groups of antecedents are expected to shape this strategy, which in turn is expected to influence three outcomes. The mandatory ISSB-aligned baseline is modelled as a moderator that alters the relationship between voluntary reporting strategy and its outcomes, with opposite effects on the scope dimension and on the quality and credibility dimensions.

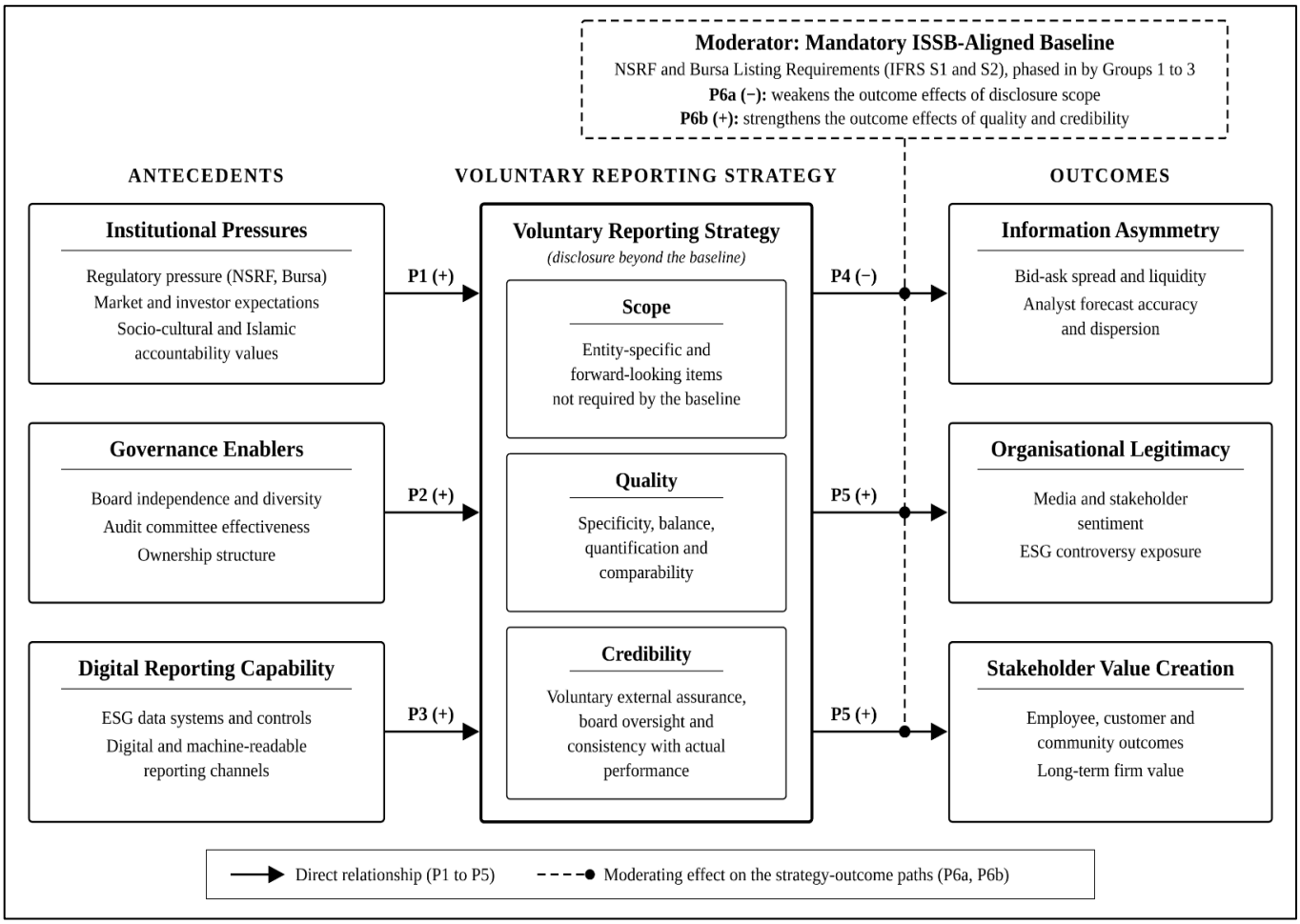


Figure 1. Conceptual framework of voluntary reporting strategy under an ISSB-aligned baseline

Construct definitions and measurable indicators

Table 4 defines each construct and links it to illustrative indicators that are suitable for empirical testing. Three constructs require particular clarification because they are less established in the disclosure literature. Digital

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reporting capability is defined as the organisational ability to collect, control, analyse and communicate sustainability data through digital infrastructure. The construct draws on the resource-based view of information technology (IT) capability, which treats IT capability as a combination of infrastructure, human skills and IT-enabled intangibles that is difficult to imitate (Bharadwaj, 2000), and on research describing the digital transformation of corporate reporting (Lombardi & Secundo, 2021). It can be observed through disclosures of ESG data management systems, internal control coverage of sustainability data and the use of searchable, interactive or machine-readable reporting formats, or measured directly through survey scales.

Disclosure credibility is defined as the degree to which users perceive voluntary disclosures as believable. Mercer (2004) shows that credibility judgements depend on situational incentives, management's reputation, the level of external assurance and the characteristics of the disclosure itself. Credibility can therefore be measured through the presence, level and provider of voluntary external assurance (Simnett et al., 2009), through board approval of the sustainability statement, and through the consistency between disclosed claims and independent evidence of performance. The last indicator captures the distinction between substantive and symbolic reporting, since superior sustainability performers tend to choose high-quality disclosure to signal their performance, whereas poor performers prefer low-quality disclosure that protects their legitimacy (Hummel & Schlick, 2016).

Stakeholder value creation is defined as the value, in economic and non-economic terms, that a company generates for its stakeholders over time. Harrison and Wicks (2013) argue that stakeholder value extends beyond financial returns to include the utility that stakeholders derive from their relationship with the company. It can be measured through stakeholder-specific outcomes, such as employee turnover and safety performance, customer satisfaction and community investment, together with ESG performance ratings and long-term market value. The remaining constructs are defined in Table 4.

Table 4. Construct definitions and illustrative measurable indicators

Construct	Conceptual definition	Illustrative measurable indicators	Main data sources
Institutional pressures (antecedent)	Regulatory, market and socio-cultural expectations that make disclosure beyond the minimum appear necessary or appropriate (DiMaggio & Powell, 1983)	Time remaining until the company's NSRF effective date; institutional and foreign ownership; membership of the FTSE4Good Bursa Malaysia Index; environmental sensitivity of the industry; Shariah-compliant status	Annual reports; Bursa Malaysia announcements; index constituent lists; Securities Commission list of Shariah-compliant securities
Governance enablers (antecedent)	Board, committee and ownership arrangements that determine whether pressures are translated into meaningful disclosure (Haniffa & Cooke, 2002; Jensen & Meckling, 1976)	Proportion of independent directors; board gender diversity; existence of a board sustainability committee; audit committee size, financial expertise and meeting frequency; ownership concentration; family and government ownership	Annual reports; corporate governance reports
Digital reporting capability (antecedent)	The organisational ability to collect, control, analyse and communicate sustainability data through digital infrastructure (Bharadwaj, 2000; Lombardi & Secundo, 2021)	Disclosure of an ESG data management system; internal audit or internal control coverage of sustainability data; use of searchable, interactive or machine-readable reporting formats; survey-based IT capability scales adapted from Bharadwaj (2000)	Annual and sustainability reports; corporate websites; questionnaire surveys

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Construct	Conceptual definition	Illustrative measurable indicators	Main data sources
Voluntary reporting strategy: scope	The extent to which a company discloses entity-specific and forward-looking information that is not required by the applicable baseline (Meek et al., 1995)	Beyond-baseline disclosure index: number of Category C and D items disclosed divided by the number of applicable items in the index; presence of voluntary targets, transition plans and scenario analysis	Annual and sustainability reports coded using Table 3
Voluntary reporting strategy: quality	The specificity, balance, quantification, time orientation and comparability of the information disclosed (Beattie et al., 2004; Michelon et al., 2015)	Item-level scores for generic, qualitative or quantitative content; disclosure of both favourable and unfavourable information; multi-year and benchmark comparisons; quality score per sentence (Hooks & van Staden, 2011)	Annual and sustainability reports
Voluntary reporting strategy: credibility	The degree to which users perceive voluntary disclosures as believable, based on verification, oversight and consistency with actual performance (Mercer, 2004)	Voluntary external assurance (none, limited or reasonable); assurance provider type and standard; board approval of the sustainability statement; consistency between disclosed claims and third-party ESG performance or controversy data (Hummel & Schlick, 2016; Simnett et al., 2009)	Assurance statements; annual reports; ESG databases
Mandatory ISSB-aligned baseline (moderator)	The presence and stage of mandatory IFRS S1 and IFRS S2 requirements that apply to a company in a reporting period (Securities Commission Malaysia, 2024)	NSRF group membership (Group 1, 2 or 3); post-adoption indicator based on the start of the reporting period; transition stage (climate-first relief, full IFRS S1 and IFRS S2, assurance phase)	Bursa Malaysia market capitalisation data; annual reports; NSRF documents
Information asymmetry (outcome)	The gap in firm-specific information between management and capital providers (Healy & Palepu, 2001)	Bid-ask spread; stock liquidity; analyst following, forecast accuracy and forecast dispersion (Lang & Lundholm, 1996); implied cost of equity capital (Botosan, 1997)	Market and analyst databases
Organisational legitimacy (outcome)	The generalised perception that the company's actions are desirable and appropriate within socially constructed norms (Suchman, 1995)	Tone and favourability of media coverage (Aerts & Cormier, 2009); frequency and severity of ESG controversies; stakeholder trust measured through surveys	News databases; ESG controversy data; surveys
Stakeholder value creation (outcome)	The value, in economic and non-economic terms, that a company generates for its stakeholders over time (Freeman, 1984; Harrison & Wicks, 2013)	Employee turnover and safety performance; customer complaints and satisfaction; community investment; ESG performance ratings; long-term market value such as Tobin's Q	Sustainability reports; ESG databases; market data

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Institutional pressures and voluntary reporting strategy

Institutional pressures include regulatory requirements, market and investor expectations, and socio-cultural values. Regulatory pressure from the NSRF and the Bursa Malaysia Listing Requirements establishes the minimum content of sustainability reporting, but it also signals the direction of future regulation and encourages companies to build capabilities and disclose ahead of their compliance dates (Securities Commission Malaysia, 2024). Investor pressure has grown as institutional investors incorporate ESG factors into their decisions and seek information that allows them to distinguish among companies (Grewal & Serafeim, 2020). Socio-cultural and religious values, including Islamic principles of accountability and full disclosure, may further encourage companies to report beyond the minimum as an expression of ethical identity (Haniffa & Hudaib, 2007). Institutional theory suggests that these pressures operate together, pushing companies first towards compliance and then towards emulation of leading practices (DiMaggio & Powell, 1983).

Proposition 1 (P1): Institutional pressures, comprising regulatory, market and socio-cultural forces, are positively associated with the scope, quality and credibility of the voluntary reporting strategy of Malaysian listed companies.

Governance enablers and voluntary reporting strategy

Corporate governance mechanisms determine whether institutional pressures are translated into meaningful disclosure. Independent and diverse boards are better placed to demand transparent reporting and to oversee sustainability-related risks, while effective audit committees strengthen the reliability of reported information. Ownership structure also matters. In Malaysia, concentrated family and government ownership has historically been associated with lower voluntary disclosure, as dominant owners have privileged access to information (Ghazali & Weetman, 2006; Haniffa & Cooke, 2002). Evidence from Singapore similarly shows that ownership and board composition shape disclosure choices (Eng & Mak, 2003). More recent Malaysian evidence indicates that governance code reforms are positively associated with the quality of voluntary integrated reporting (Hamad et al., 2022). Agency theory provides the logic for these relationships, since governance mechanisms that reduce information asymmetry between insiders and outsiders are expected to encourage richer disclosure (Jensen & Meckling, 1976).

Proposition 2 (P2): Governance enablers, comprising board independence and diversity, audit committee effectiveness and dispersed ownership, are positively associated with the scope, quality and credibility of the voluntary reporting strategy of Malaysian listed companies.

Digital reporting capability and voluntary reporting strategy

Producing high-quality sustainability information requires reliable data systems, internal controls and analytical capability. Digital technologies support the collection, integration and analysis of data and enable companies to communicate with stakeholders through interactive and machine-readable formats (Lombardi & Secundo, 2021). The ISSB standards require companies to connect sustainability-related information with their financial statements, which places additional demands on data infrastructure (IFRS Foundation, 2023a). Voluntary disclosure theory predicts that disclosure increases as its preparation costs fall (Verrecchia, 1983). Companies with stronger digital reporting capability are therefore better able to meet the baseline at lower cost and to devote resources to voluntary disclosures that add value, such as scenario analysis, granular metrics and timely updates between annual reports. Digital capability may also enhance credibility by creating audit trails that facilitate assurance.

Proposition 3 (P3): Digital reporting capability is positively associated with the scope, quality and credibility of the voluntary reporting strategy of Malaysian listed companies.

Voluntary reporting strategy and its outcomes

The economic consequences of voluntary disclosure have been studied extensively. Higher-quality disclosure is associated with a lower cost of equity capital, particularly for companies with low analyst following (Botosan,

1997). It is also associated with greater analyst following and more accurate analyst forecasts (Lang & Lundholm, 1996), as well as with improved market liquidity (Diamond & Verrecchia, 1991). Voluntary sustainability disclosure has been linked to a lower cost of capital for companies with strong sustainability performance and to greater analyst coverage (Dhaliwal et al., 2011). These outcomes reflect the reduction of information asymmetry between the company and capital providers, which is the central mechanism in agency and signalling explanations (Healy & Palepu, 2001).

Proposition 4 (P4): The scope, quality and credibility of the voluntary reporting strategy are negatively associated with information asymmetry between Malaysian listed companies and their capital providers.

Beyond capital markets, voluntary reporting supports organisational legitimacy and stakeholder value creation. Companies that provide balanced and verifiable information are more likely to be trusted by communities, employees, customers and regulators (Deegan, 2002; Suchman, 1995), and corporate environmental communication has been shown to influence media legitimacy (Aerts & Cormier, 2009). However, Michelon et al. (2015) find that reporting practices such as stand-alone reports and assurance do not by themselves produce higher-quality disclosure, which suggests that such practices may be adopted for symbolic purposes. Similarly, Cho et al. (2015) show that sustainability reports can present a façade that is disconnected from actual performance. The framework addresses this concern through the credibility dimension, which includes consistency between disclosure and performance. Substantive voluntary reporting can strengthen accountability to a broad range of stakeholders, encourage alignment with the Sustainable Development Goals and support long-term value creation (Freeman, 1984; Harrison & Wicks, 2013).

Proposition 5 (P5): The scope, quality and credibility of the voluntary reporting strategy are positively associated with the organisational legitimacy and stakeholder value creation of Malaysian listed companies.

The moderating role of the mandatory baseline

The final relationship concerns the effect of the ISSB-aligned baseline on the link between voluntary reporting and its outcomes. The baseline is defined as the presence and stage of mandatory IFRS S1 and IFRS S2 requirements that apply to a company in a reporting period. It is observable through NSRF group membership, the start date of the reporting period relative to the effective date, and the transition stage reached, namely the climate-first relief period, full application of IFRS S1 and IFRS S2, and the assurance phase. The baseline plays a role that is conceptually distinct from the regulatory pressure included under Proposition 1. Regulatory pressure, as an antecedent, captures the push that leads companies to disclose. The baseline, as a moderator, captures a change in the information environment in which all voluntary disclosures are interpreted. Einhorn (2005) shows formally that the presence of mandatory disclosure alters the inferences that investors draw from voluntary disclosure, so that the same voluntary item can carry more or less information depending on what is already mandated. The baseline is therefore expected to change the strength, and not only the level, of the relationships in Propositions 4 and 5.

Two mechanisms suggest that the moderating effect differs across the dimensions of voluntary reporting. The first is a crowding-out mechanism that applies mainly to scope. Once the baseline supplies a standardised set of sustainability information, the incremental information value of additional items declines, because much of what capital providers need is already available. Krueger et al. (2024) show that companies with weaker information environments gain the most from mandates, which implies that the marginal information value of disclosure falls once a common baseline exists. Additional disclosure that merely increases volume may also add boilerplate content and contribute to information overload rather than insight. The baseline is therefore expected to weaken the association between the scope of voluntary reporting and its outcomes.

The second is a complementarity mechanism that applies mainly to quality and credibility. The baseline creates a common reference point that makes differences in specificity, balance and verification visible and comparable across companies. Ball et al. (2012) show that verifiable mandatory reporting confirms and disciplines voluntary disclosure, which increases the credibility and usefulness of the latter. Signalling theory adds that, once all companies must meet the same floor, a separating signal can be sent only through disclosures that are costly to imitate, such as independent assurance, transparent targets and balanced reporting of unfavourable outcomes

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(Spence, 1973). Legitimacy theory suggests a similar shift on the social side, since stakeholders who can compare companies against common standards are more likely to reward consistency between disclosure and performance (Deegan, 2002). Evidence that disclosure mandates induce real changes in corporate behaviour (Fiechter et al., 2022) further suggests that, under a baseline, what differentiates companies is the substance behind their disclosures. The baseline is therefore expected to strengthen the association between the quality and credibility of voluntary reporting and its outcomes.

Proposition 6 (P6): The mandatory ISSB-aligned baseline moderates the relationships in Propositions 4 and 5, such that (P6a) it weakens the association between the scope of voluntary reporting and these outcomes, and (P6b) it strengthens the association between the quality and credibility of voluntary reporting and these outcomes.

Summary of propositions

Table 5 presents the six propositions in a consistent format, stating the relationship, its expected direction, its main theoretical basis and a suggested empirical test. The phased implementation of the NSRF is particularly valuable for testing Proposition 6, because it provides variation in the timing of the baseline across Groups 1, 2 and 3 that can be used to compare the outcomes of voluntary reporting before and after adoption.

Table 5. Summary of propositions, expected relationships and suggested empirical tests

No.	Relationship	Expected direction	Main theoretical basis	Suggested empirical test
P1	Institutional pressures → voluntary reporting strategy (scope, quality, credibility)	Positive	Institutional theory; legitimacy theory	Panel regression of beyond-baseline scope, quality and credibility scores on pressure proxies
P2	Governance enablers → voluntary reporting strategy	Positive	Agency theory	Panel regression with board, audit committee and ownership variables
P3	Digital reporting capability → voluntary reporting strategy	Positive	Voluntary disclosure theory (disclosure costs); IT capability perspective	Content analysis combined with survey measures of digital capability
P4	Voluntary reporting strategy → information asymmetry	Negative	Agency theory; signalling theory	Association with bid-ask spread and analyst forecast properties
P5	Voluntary reporting strategy → organisational legitimacy and stakeholder value creation	Positive	Legitimacy theory; stakeholder theory	Association with media tone, ESG controversies and stakeholder outcome indicators
P6a	Mandatory baseline × scope → outcomes in P4 and P5	Weakens	Voluntary disclosure theory; crowding-out logic	Staggered difference-in-differences across Groups 1, 2 and 3 with interaction terms
P6b	Mandatory baseline × quality and credibility → outcomes in P4 and P5	Strengthens	Signalling theory; confirmation hypothesis	Staggered difference-in-differences across Groups 1, 2 and 3 with interaction terms

DISCUSSION AND IMPLICATIONS

Theoretical implications

The framework advances theory in three ways. First, it challenges the assumption that voluntary reporting becomes less relevant as regulation expands. By distinguishing between the scope, quality and credibility of voluntary reporting, it explains how the role of voluntary disclosure changes rather than disappears under a mandatory baseline. Second, it integrates economic and socio-political theories in a way that clarifies their respective contributions. Agency and signalling theories explain why voluntary reporting reduces information asymmetry; legitimacy and stakeholder theories explain how it supports social acceptance and accountability; and institutional theory explains why practices converge and why some companies seek to lead rather than follow. Third, the framework treats the boundary between mandatory and voluntary disclosure as dynamic and offers a procedure for locating it. It also incorporates digital reporting capability and values-based motives, including Islamic accountability, which have received limited attention in mainstream disclosure theory but are highly relevant in Malaysia and comparable economies.

Practical implications for preparers and boards

For preparers, the framework suggests that meeting the ISSB baseline should be treated as the starting point of a reporting strategy rather than its end. Companies that wish to differentiate themselves should focus on the specificity of their disclosures, the balance between favourable and unfavourable information, and the clarity of the link between sustainability matters and financial performance. The classification guide in Table 3 can also be used as a practical tool. Preparers can maintain a disclosure map that cross-references each item in the sustainability statement to the relevant paragraph of IFRS S1, IFRS S2 or the Listing Requirements, and present information that goes beyond these requirements in a clearly labelled section. Such labelling helps users to see what is genuinely voluntary and reduces the risk that voluntary content is overlooked or mistaken for compliance. For boards, the framework highlights the importance of overseeing reporting quality. Boards and audit committees should ensure that voluntary disclosures are supported by reliable data and internal controls, and they should consider independent assurance for key voluntary metrics in order to strengthen credibility. Investment in digital reporting systems should be viewed as building a strategic capability that supports both compliance and value-adding voluntary reporting.

Implications for regulators and standard setters

For regulators, the framework suggests that the success of the NSRF should be judged not only by compliance rates but also by whether it encourages credible reporting beyond the minimum. The Securities Commission Malaysia and Bursa Malaysia may consider recognising leading voluntary practices, issuing guidance on the balanced presentation of information, and encouraging issuers to distinguish clearly between required and voluntary content, for example through a disclosure index or a dedicated section in the sustainability statement. The development of the national assurance framework also provides an opportunity to clarify how voluntary disclosures can be brought within the scope of assurance. Because the ISSB standards focus on investors, regulators may also consider how the information needs of other stakeholders can be addressed, either through supplementary guidance or through continued encouragement of voluntary impact reporting.

Implications for accounting education and the profession

The transition increases the demand for accountants who can combine financial reporting expertise with knowledge of sustainability, data analytics and assurance. Universities and professional bodies should integrate sustainability reporting standards, materiality assessment and digital reporting into accounting curricula and continuing professional development. Educators can also use the framework and the classification guide to help students understand that reporting is not merely a technical compliance exercise but a strategic and ethical activity through which companies discharge accountability.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

As a conceptual paper, this study has several limitations. The principal limitation is that the propositions are derived from theory and prior evidence and have not been tested empirically, so the strength and direction of the proposed relationships remain to be established. The indicators in Table 4 are illustrative and will require validation in the Malaysian context. Although the literature review followed a structured and documented procedure, it was designed to support theory synthesis rather than to provide an exhaustive systematic review, and some relevant studies may have been missed. The framework focuses on Malaysian listed companies, and its applicability to other jurisdictions, to small and medium-sized enterprises or to the public sector may require adaptation. In addition, the NSRF is still being implemented in phases, so the full effects of the baseline on reporting behaviour cannot yet be observed.

These limitations nevertheless open several avenues for future research. Empirical studies could apply the classification guide to the annual reports and sustainability statements of Malaysian listed companies to construct beyond-baseline disclosure indices that separately capture the scope, quality and credibility of voluntary reporting, and use these indices to test Propositions 1 to 5. The phased adoption of the NSRF, with Group 1 companies applying the standards from 2025, Group 2 companies from 2026 and Group 3 companies from 2027, offers a natural setting for staggered difference-in-differences designs that compare the outcomes of voluntary reporting across groups and periods to test Proposition 6. Researchers could also compare reporting during the climate-first relief period with reporting under full application of IFRS S1 and IFRS S2, and compare Main Market with ACE Market companies. Qualitative studies involving interviews with preparers, directors, investors and assurance providers could explore how companies decide what to disclose beyond the baseline and how they manage the tension between transparency and proprietary costs. Future research could also examine the role of Shariah-compliance status, religiosity and cultural values in voluntary reporting, as well as the effect of emerging technologies such as artificial intelligence on the production and assurance of sustainability information.

CONCLUSION

This paper has examined the future of voluntary reporting as Malaysia moves towards ISSB-aligned sustainability disclosure under the NSRF. It has argued that the introduction of a mandatory baseline marks a turning point rather than an end for voluntary reporting. As basic sustainability disclosure becomes mandatory for listed companies in phases, the value of voluntary reporting increasingly depends on its quality and credibility rather than its volume. The proposed framework explains how institutional pressures, governance enablers and digital reporting capability shape voluntary reporting strategy, and how this strategy contributes to lower information asymmetry, stronger legitimacy and greater stakeholder value creation. Six propositions, supported by defined constructs, measurable indicators and a guide for distinguishing voluntary from mandatory disclosures, provide a transparent foundation for empirical research. By viewing voluntary reporting as a strategic complement to mandatory disclosure, companies, regulators and educators in Malaysia can help to ensure that the transition to ISSB-aligned reporting strengthens not only compliance but also genuine accountability and trust.

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ETHICAL CONSIDERATIONS

This study is conceptual and is based entirely on published literature and publicly available regulatory documents. It did not involve human participants or animals, and therefore ethical approval was not required.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

DATA AVAILABILITY STATEMENT

No new data were created or analysed in this study. All sources used are cited in the reference list and are publicly available.

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