

The Effect of Corporate Environmental Reporting and Malaysian Environmentally Sensitive Public Listed Companies on Organizational Behavior

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ABSTRACT

In recent years, increasing global concern over climate change has encouraged firms to integrate sustainability principles into corporate practices and reporting frameworks. This study aims to examine the influence of Environmental, Social, and Governance (ESG) on organizational behavior with corporate environmental responsibility as a mediating variable, specifically within Malaysian publicly listed companies categorized as environmentally sensitive. A quantitative approach is employed using content analysis of annual reports, sustainability reports, and corporate websites over a seven-year period (2018–2024), with data analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that ESG does not have a significant direct effect on organizational behavior, and its indirect effect through corporate environmental responsibility is also not significant. However, corporate environmental responsibility has a significant positive influence on organizational behavior. This shows that internal environmental responsibility is the key factor in shaping organizational behavior, rather than ESG reporting alone. In conclusion, organizational behavior in environmentally sensitive firms is primarily driven by corporate environmental responsibility, while ESG functions more as a reporting and compliance mechanism rather than a direct driver of behavioral change.

Keywords: Corporate Environmental Responsibility, Environmental Accounting, ESG, Organizational Behavior, Sustainable Reporting.

INTRODUCTION

The increasing global emphasis on sustainability has positioned Environmental, Social, and Governance (ESG) disclosure as a critical component of corporate reporting and capital market regulation (Kumar, 2020; Yeoh, 2021; Chopra et al., 2024). In Malaysia, ESG reporting has evolved into a mandatory requirement for public listed companies, particularly those classified as Environmentally Sensitive Public Listed Companies (ESPLCs) (Mohammad & Wasiuzzaman, 2021). Since 2007, firms with significant environmental impacts have been required to disclose ESG-related information, and this obligation is now moving toward full integration by 2025. In line with global developments, Malaysia has introduced the National Sustainability Reporting Framework (NSRF), which aligns local reporting practices with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (ISSB S1 and S2). This initiative represents a major transformation in corporate transparency and accountability, ensuring that sustainability information becomes comparable, reliable, and decision-useful for investors (Wasim et al., 2024).

The implementation of NSRF is structured in phases based on firm size and market classification. In 2025, main market companies with market capitalization of RM2 billion and above will be required to comply, followed by other main market firms in 2026, and the Access, Certainty, Efficiency (ACE) Market, as well as large non-listed companies in

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2027. The first full reporting cycle is expected in the 2026 financial year for the initial group. This regulatory progression reflects Malaysia's commitment to strengthening ESG governance and integrating sustainability risks into corporate decision-making systems. Prior studies emphasize that ESG disclosure frameworks significantly influence corporate transparency and investor confidence, ultimately affecting firm valuation and market performance (Albuquerque et al., 2020).

Despite these regulatory advancements, a key phenomenon arises regarding whether mandatory ESG and environmental accounting practices truly influence corporate behavior, particularly in environmentally sensitive industries. While firms comply with disclosure requirements, there remains uncertainty about whether such compliance translates into substantive changes in Corporate Environmental Responsibility (CER) and organizational behavior (Cai et al., 2016). Prior literature suggests that ESG practices can improve firm performance and stakeholder perception (Veeravel et al., 2024; Chen et al., 2025). However, the behavioral and internal organizational impacts remain less consistently understood. For instance, Li et al. (2018) and Xie et al. (2019) find that ESG performance enhances firm value in China through improved corporate reputation and governance quality, while Alareeni and Hamdan (2020) demonstrate a positive relationship between ESG disclosure and financial performance in emerging markets. Similarly, Gillan et al. (2021) highlight that ESG integration improves long-term corporate outcomes by influencing both investor behavior and internal governance structures.

From a theoretical perspective, ESG is expected to influence organizational outcomes through corporate environmental responsibility, which acts as an internal mechanism translating external regulatory pressure into behavioral change. CER is closely linked to organizational behavior, including employee engagement, ethical conduct, and pro-environmental actions. Empirical evidence supports that firms with stronger ESG commitment tend to exhibit higher sustainability-oriented behavior and improved stakeholder relations (Friede et al., 2015). However, there remains a research gap in understanding the mediating role of CER within the Malaysian regulatory context, particularly under the newly implemented NSRF framework and ESPLCs classification. Therefore, this study aims to examine the influence of ESG on organizational behavior with corporate environmental responsibility as a mediating variable, specifically within Malaysian publicly listed companies categorized as environmentally sensitive. The novelty of this research lies in integrating regulatory-driven ESG implementation (NSRF and ISSB standards) with internal behavioral outcomes, addressing the gap between compliance-based reporting and actual organizational behavioral transformation.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Environmentally Sensitive Public Listed Companies

Malaysia integrates ESG principles through multiple policy frameworks, including the Malaysia Code on Corporate Governance (MCCG), which requires firms to embed sustainability and socio-environmental risks into governance and strategy. Bank Negara Malaysia (BNM) also supports ESG adoption through the Climate Change and Principle-based Taxonomy (CCPT), which classifies economic activities based on climate impact, alongside sector-specific standards such as MSPO and various ESG-related incentives. At the reporting level, Malaysia aligns its National Sustainability Reporting Framework (NSRF) with IFRS standards, while companies commonly adopt GRI, TCFD, and SASB frameworks to improve disclosure quality. ESG has also become increasingly important for investors and national sustainability strategies, particularly in relation to global capital access. In this context, Greenhouse Gas (GHG) emissions are often used as a measurable proxy for climate change impact, as emissions represent the primary quantifiable driver of climate change (Albitar et al., 2023).

Evidence from recent studies shows that firms in environmentally sensitive industries tend to demonstrate stronger environmental responsibility and more sustainability-oriented organizational behavior due to higher regulatory pressure and stakeholder

scrutiny. Amin et al. (2025) find that industry environmental sensitivity significantly enhances ESG performance and corporate environmental responsibility, as firms in high-impact sectors are compelled to adopt more rigorous environmental governance and accountability practices. In addition, Jeong and Chung (2025) show that ESG activities positively shape organizational behavior by fostering a stronger sustainability culture, improving employee environmental awareness, and encouraging more responsible decision-making within firms. These findings indicate that environmentally sensitive companies are more likely to embed environmental responsibility both at the strategic and behavioral levels, driven by external pressures and internal ESG integration.

H1: Environmentally sensitive public listed companies have a positive and significant effect on corporate environmental responsibility.

H2: Environmentally sensitive public listed companies have a positive and significant effect on organizational behavior.

The Effect of Environmental, Social, and Governance

The environment, as an intangible entity, can be measured through physical indicators, allowing environmental reporting to translate corporate impacts into measurable outputs that support responsible business and long-term value beyond financial reporting. However, environmental measurement must remain grounded in accounting principles to maintain value relevance; otherwise, it weakens value retention mechanisms (Tullah et al., 2025). ESG practices require structured tools to integrate environmental accounting into reporting systems, and comparative analyses position Corporate Environmental Reporting (CER) as distinct from ESG by incorporating environmental, social, and policy dimensions as measurable organizational behaviors for sustainability (Gerged et al., 2021; Almaqtari et al., 2023).

ESG has become part of global sustainability strategies, including investment and climate policies, though implementation differs across countries, where Malaysia mandates ESG disclosure for listed firms, while Indonesia applies it mainly to financial institutions and state-owned enterprises, with private firms remaining voluntary. ESG itself evaluates Environmental, Social, and Governance performance, covering ecological impact, stakeholder relations, and corporate ethics, transparency, and accountability, and is widely used by investors to assess sustainability and long-term risk (Alsayegh et al., 2020; Agbakwuru et al., 2024). Recent studies by Jeong and Chung (2025) show that ESG improves organizational citizenship behavior by increasing employee engagement and value alignment within organizations. In addition, Wang and Hu (2025) confirm that ESG promotes pro-environmental and pro-social behaviors among employees in the workplace. ESG strengthens both environmental responsibility at the corporate level and positive behavioral outcomes at the organizational level.

H3: Environmental, social, and governance has a positive and significant effect on corporate environmental responsibility.

H4: Environmental, social, and governance has a positive and significant effect on organizational behavior.

The Effect of Corporate Environmental Responsibility on Organizational Behavior

Corporate Environmental Reporting (CER) significantly influences employees' pro-environmental behavior at the workplace, as well as at the organizational level (Ruepert et al., 2017; Wasim et al., 2024). This indicates that firm-level environmental reporting practices can shape internal behavioral responses that support sustainability-oriented actions. Furthermore, firms' commitment to environmental reporting and sustainability initiatives is closely linked to their ability to achieve competitive advantage and strengthen ESG disclosure quality. Such behavior becomes increasingly coercive when regulatory frameworks mandate sustainability-related reporting and compliance, reinforcing organizational accountability (Yuliarini et al., 2017; Haque, 2017; Haque & Ntim, 2018).

Consequently, regulatory bodies such as Bursa Malaysia and the Securities Commission Malaysia (SC) play a critical role in monitoring, evaluating, and enforcing ESG reporting practices to ensure transparency and compliance within capital markets.

Empirical evidence shows that Corporate Environmental Responsibility (CER) has a positive and significant effect on organizational behavior. Aziz and Hussain (2025) find that environmental Corporate Social Responsibility (CSR) policies significantly promote pro-environmental behavior among employees by strengthening environmental awareness and ethical values within the organization. Tan et al. (2025) demonstrate that CSR-based environmental initiatives improve organizational behavior by fostering employee engagement, responsibility, and participation in green practices. These findings confirm that CER strengthens organizational behavior through the internalization of environmental values and the promotion of sustainable workplace conduct.

H5: Corporate environmental responsibility has a positive and significant effect on organizational behavior.

Corporate Environmental Responsibility as a Mediating Variable

Empirical studies indicate that Corporate Environmental Responsibility (CER) plays a significant mediating role in the relationship between sustainability-related corporate factors and organizational behavior. Xiao and Chen (2025) find that executive environmental cognition enhances ESG performance, which subsequently strengthens corporate environmental responsibility within organizations. This improved CER then leads to more positive organizational behavioral outcomes, including higher employee engagement, stronger ethical awareness, and increased willingness of employees to participate in sustainability-oriented activities. Their findings highlight that CER functions as an internal mechanism that translates managerial environmental awareness and ESG orientation into observable behavioral changes at the organizational level.

In addition, Lin and Lin (2025) demonstrate that ESG-driven green HRM practices contribute to organizational sustainability by reinforcing corporate environmental responsibility as a key mediating mechanism. Their study shows that CER bridges the influence of ESG implementation and employee behavior by encouraging pro-environmental actions, improving organizational commitment, and strengthening sustainability-oriented workplace practices. This suggests that firms with stronger CER are more effective in converting ESG strategies and environmentally sensitive corporate characteristics into consistent behavioral improvements among employees, thereby reinforcing the link between sustainability initiatives and organizational behavior outcomes and long-term organizational performance, particularly through sustained cultural and ethical alignment within organizations.

H6: Corporate environmental responsibility mediates the relationship between environmentally sensitive public listed companies and organizational behavior.

H7: Corporate environmental responsibility mediates the relationship between ESG and organizational behavior.

Bursa Malaysia plays a crucial role in mandating ESG reporting for listed companies by requiring all Main Market and ACE Market issuers to disclose a Sustainability Statement in their annual reports, covering material ESG aspects. To strengthen reporting consistency, Malaysia has introduced the ESG Reporting Platform aligned with the National Sustainability Reporting Framework (NSRF) and IFRS S1/S2 standards, alongside updated listing requirements to ensure more comparable and high-quality ESG disclosures. The Securities Commission Malaysia further supports this initiative by strengthening ESG governance through the development of NSRF, transitional guidance for boards, ESG assessment reports with the World Bank, and simplified disclosure guides for companies. This regulatory push shows that ESG governance is increasingly embedded in capital market practices, where stronger Corporate Environmental

Responsibility (CER) is associated with improved market responses and profitability (Dinarjito, 2025). Firms with higher CER tend to achieve better market outcomes, such as market share, customer satisfaction, and financial performance, including profitability and market valuation, indicating that CER behavior in environmentally sensitive listed companies is ultimately reflected in financial indicators such as Earnings Per Share (EPS) (Ngo, 2012; Ruepert et al., 2017; Wasim et al., 2024).

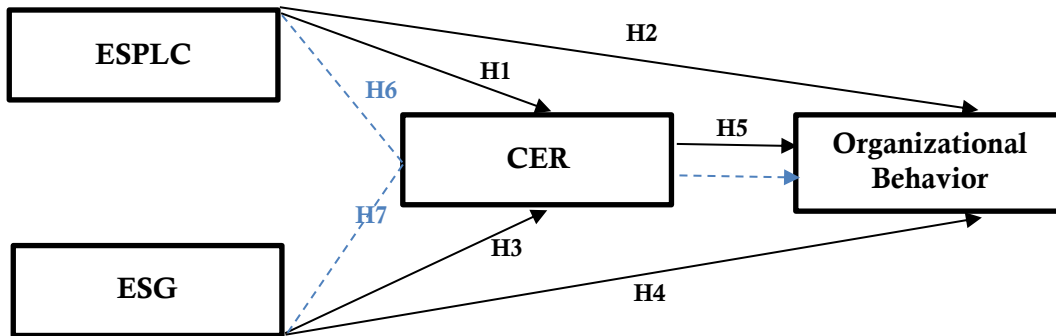


Figure 1. Framework of Hypothesis Development

The framework depicted in Figure 1 shows how ESPLC, ESG, CER, and organizational behavior are interconnected. ESPLC and ESG are identified as primary influencing elements that have a direct impact on CER and organizational behavior, emphasizing their significance in determining the results within an organization. CER acts as a crucial mechanism that plays a role in enhancing organizational behavior, underscoring its function as a mediator in this framework. Furthermore, the illustration implies that ESPLC and ESG could potentially exert indirect or moderating influences on the relationship concerning CER, supporting the concept that practices focused on sustainability and governance frameworks work together to shape organizational behavioral results comprehensively.

RESEARCH METHODS

This study employs a quantitative research design to examine the factors influencing organizational behavior in companies listed on Bursa Malaysia Berhad, particularly those categorized as environmentally sensitive public listed companies. The quantitative approach is used because the study aims to test hypotheses and analyze causal relationships between variables using statistical methods. The data collection technique used in this study is secondary data analysis, obtained from annual reports and sustainability reports of the selected companies. The data span from 2018 to 2024, providing a seven-year observation period to capture consistency and trends in environmental reporting and organizational behavior.

The population of this study consists of 94 companies listed under ESPLC categories in Bursa Malaysia Berhad as of 2025. The sample is selected using a purposive sampling technique, consisting of seven representative companies from each ESPLC category, namely: Genting Plantations Berhad, Malakoff Corporation Berhad, PPB Group Berhad, Samaiden Group Berhad, United Plantations Berhad, Hengyuan Refining Company Berhad, and Press Metal Aluminium Holdings Berhad. The research instruments are documentary data derived from annual reports and sustainability reports, which are analyzed to measure variables related to ESG practices, corporate environmental responsibility, and organizational behavior. The research variables include ESPLC and ESG as independent variables, corporate environmental responsibility as a mediating variable, and organizational behavior as the dependent variable.

The data analysis method used in this study is Partial Least Squares Structural Equation Modeling (PLS-SEM), which is applied to test both the measurement model and structural model. The analysis is conducted through model fit analysis and evaluation of explanatory power using R-square, followed by structural model evaluation to test direct and indirect relationships among variables as well as hypotheses through confidence interval assessment. The software used for data analysis is SmartPLS, which supports graphical modeling and is suitable for complex relationship testing with relatively small sample sizes, in line with Chin (2009), who recommends PLS-SEM for exploratory and predictive research models.

RESULTS

This section presents the study’s findings and discusses them in relation to the research objectives and relevant literature. It examines how environmental accounting under the NSRF framework influences corporate behavior among Malaysian listed companies, particularly whether ESG disclosure leads to substantive changes in environmental decision-making or remains compliance-oriented. The discussion links the empirical results with prior studies to highlight key patterns, similarities, and gaps in the Malaysian context, providing insight into the effectiveness of mandatory sustainability reporting in shaping corporate practices.

Table 1. Model Fit Analysis

Test	Saturated model	Estimated model
SRMR	0.000	0.000
d_ ULS	0.000	0.000
d_ G	0.000	0.000
Chi-square	0.000	0.000
NFI	1.000	1.000

The Chi-square value in Table 1 is confirmed as 0.000 and NFI 1 in the analysis using Partial Least Squares (PLS) indicates a very perfect (ideal) model fit, where NFI (Normed Fit Index) 1 means that the measured model is identical to the null model (empty model/null model) in terms of fit, and Chi-square 0 (or close to 0 with a high/insignificant p-value) indicates there is no significant difference between the estimated model and the observed data, indicating a perfect model fit.

Table 2. R-square Analysis

Variable	R-squared	R-square adjusted
Corporate Environmental Responsibility (Z1)	0.073	0.032
Organizational Behavior (Y)	0.160	0.104

The R-squared test result in Table 2 for the CER variable was 0.073, indicating it was in the weak category. Similarly, the R-squared value for the ORGB variable was 0.160. Both were only described as measurable factors of less than 25%, while more than 75% were not measurable in this study.

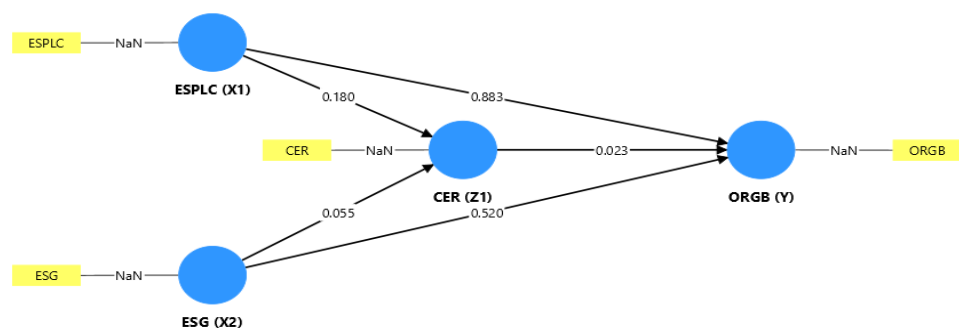


Figure 2. Path Analysis

Table 3. Direct Variables Analysis-Path coefficient

Path	Original sample	Sample mean	STDEV	t-statistics	p-values
Environmentally Sensitive Public Listed Companies->Corporate Environmental Responsibility	0.201	0.276	0.150	1.340	0.180
Environmentally Sensitive Public Listed Companies->Organizational Behavior	-0.035	0.038	0.237	0.148	0.883
Environmental, Social, and Governance->Corporate Environmental Responsibility	-0.187	-0.204	0.097	1.917	0.055
Environmental, Social, and Governance->Organizational Behavior	-0.040	-0.006	0.062	0.644	0.520
Corporate Environmental Responsibility->Organizational Behavior	0.396	0.579	0.174	2.278	0.023

Figure 2 and Table 3 present the results of the structural model analysis examining the relationships among environmentally sensitive public listed companies, ESG, corporate environmental responsibility, and organizational behavior. The findings show that environmentally sensitive public listed companies have a positive but insignificant effect on corporate environmental responsibility ($\beta = 0.201$, $p = 0.180$). This indicates that although these companies are expected to be more responsive to environmental issues, their presence does not significantly strengthen corporate environmental responsibility practices. Likewise, their direct effect on organizational behavior is negative and insignificant ($\beta = -0.035$, $p = 0.883$), suggesting no meaningful influence on environmentally friendly behavior within organizations.

ESG also shows weak and statistically unsupported relationships. It has a negative but marginal effect on corporate environmental responsibility ($\beta = -0.187$, $p = 0.055$), indicating a near-significant relationship but still insufficient to confirm a real effect. Its relationship with organizational behavior is also negative and insignificant ($\beta = -0.040$, $p = 0.520$), implying that ESG implementation alone does not directly translate into behavior at the organizational level.

In contrast, corporate environmental responsibility has a positive and significant effect on organizational behavior ($\beta = 0.396$, $p = 0.023$). This means that stronger environmental responsibility practices within firms significantly encourage the emergence of behavior in organizations. The results indicate that corporate environmental responsibility is the only significant driver of organizational behavior, while the other pathways show no statistically significant effects.

Table 4. Direct Variables Analysis-Path coefficient (Confidence intervals)

Path	2.5%	97.5%
Environmentally Sensitive Public Listed Companies->Corporate Environmental Responsibility	0.067	0.638
Environmentally Sensitive Public Listed Companies->Organizational Behavior	-0.398	0.459
Environmental, Social, and Governance->Corporate Environmental Responsibility	-0.389	-0.002
Environmental, Social, and Governance->Organizational Behavior	-0.101	0.125
Corporate Environmental Responsibility->Organizational Behavior	0.322	0.912

Table 4 presents the direct effects analysis using path coefficients and confidence intervals among the variables in the model. The results show that environmentally sensitive public listed companies have a positive but uncertain effect on corporate environmental responsibility, as the confidence interval (0.067 to 0.638) does not include zero. However, their relationship with organizational behavior is not significant because the interval (-0.398 to 0.459) crosses zero, indicating an unstable and unreliable effect. ESG also shows a weak negative effect on corporate environmental responsibility (-0.389 to -0.002), while its effect on organizational behavior is not significant (-0.101 to 0.125), as both indicate low statistical certainty.

In contrast, corporate environmental responsibility has a strong and significant positive effect on organizational behavior, with a confidence interval entirely above zero (0.322 to 0.912), confirming a stable and robust relationship. Indicates that only corporate environmental responsibility consistently drives organizational behavior, while the other direct relationships remain weak, inconsistent, or statistically unsupported.

Table 5. Indirect Variables Analysis

Path	Original Sample	Sample Mean	STDEV	t-statistics	p-values
Environmentally Sensitive Public Listed Companies->Corporate Environmental Responsibility->Organizational Behavior	-0.080	0.168	0.123	0.649	0.516
Environmental, Social, and Governance->Corporate Environmental Responsibility->Organizational Behavior	-0.074	-0.113	0.063	1.180	0.238

Table 5 presents the results of the indirect effects analysis to examine the mediating role of corporate environmental responsibility in the relationships between the independent variables and organizational behavior. The results show that the indirect effect of environmentally sensitive public listed companies on organizational behavior through corporate environmental responsibility is negative and statistically insignificant ($\beta = -0.080$, $t = 0.649$, $p = 0.516$), indicating that the mediation effect is not supported in this relationship. In a similar pattern, ESG also shows a negative and insignificant indirect effect on organizational behavior through corporate environmental responsibility ($\beta = -0.074$, $t = 1.180$, $p = 0.238$), suggesting that the mediating role is weak and not statistically meaningful. These findings indicate that corporate environmental responsibility does not significantly mediate the relationship between both environmentally sensitive public listed companies and ESG with organizational behavior, as all indirect effects fail to reach statistical significance.

Table 6. Indirect Variables Analysis (Confidence Intervals)

Path	2.5%	97.5%
Environmentally Sensitive Public Listed Companies->Corporate Environmental Responsibility->Organizational Behavior	-0.025	0.497
Environmental, social, and governance->Corporate Environmental Responsibility->Organizational Behavior	-0.261	0.002

Table 6 presents the results of the indirect effects analysis using confidence intervals to examine the mediating role of corporate environmental responsibility on organizational behavior. The results indicate that the indirect effect of environmentally sensitive public listed companies on organizational behavior is not statistically significant, as the confidence interval ranges from -0.025 to 0.497 and includes zero. Similarly, ESG also shows a non-significant indirect effect with a confidence interval of -0.261 to 0.002, which also crosses zero. These findings confirm that corporate environmental responsibility does not significantly mediate the relationship between environmentally sensitive public listed companies and ESG with organizational behavior, since both indirect effects fail to reach statistical significance.

DISCUSSION

The findings of this study highlight a clear gap between external Environmental, Social, and Governance (ESG) frameworks and internal behavioral outcomes within organizations. Although Environmentally Sensitive Public Listed Companies (ESPLCs) and ESG practices are strongly supported by regulatory frameworks such as Bursa Malaysia sustainability reporting requirements and alignment with NSRF and IFRS standards, the results indicate that these mechanisms do not significantly translate into

corporate environmental responsibility or organizational behavior. This suggests that ESG implementation may still be largely compliance-oriented rather than fully integrated into organizational processes. In this sense, ESG and ESPLC classifications appear to function more as external legitimacy signals rather than drivers of internal behavioral change, consistent with Flammer et al. (2019), who argue that environmental reporting often serves as a signaling mechanism rather than reflecting substantive internal transformation. This also aligns with Li et al. (2017), who emphasize that environmental actions are more strongly linked to environmental accounting practices than broader ESG integration.

The results further show that ESG does not have a significant direct effect on either corporate environmental responsibility or organizational behavior, indicating that ESG practices remain insufficient to drive internal environmental responsibility or behavioral outcomes. Even though ESG frameworks are designed to integrate environmental, social, and governance dimensions into corporate strategy, their practical implementation appears to remain superficial in influencing organizational behavior. This supports Garcés-Ayerbe et al. (2019) and Albitar et al. (2023), who emphasize that effective climate governance and eco-innovation require deeper integration beyond disclosure-based ESG practices to generate real operational impact.

In contrast, corporate environmental responsibility demonstrates a significant and positive effect on organizational behavior, indicating that internal environmental commitment plays a crucial role in shaping sustainability-oriented behavior. This finding is consistent with Jensen and Meckling's (2019) agency theory, which explains that organizational behavior is influenced by internal governance structures and cost accountability mechanisms. When environmental responsibility is embedded within corporate practices, it becomes part of organizational decision-making and directly shapes employee behavior toward sustainability. This is further supported by Ruepert et al. (2017), who highlight that pro-environmental workplace behavior is strongly driven by organizational environmental responsibility and internal value systems. Additionally, Albitar et al. (2023) reinforce that strong environmental governance and eco-innovation enhance corporate climate commitment, which ultimately translates into behavioral outcomes.

Regarding the mediation effects, the results show that corporate environmental responsibility does not significantly mediate the relationship between ESPLCs and organizational behavior, nor between ESG and organizational behavior. This indicates that the indirect effects are statistically unsupported, as confirmed by confidence interval results where both mediation paths include zero. This finding is consistent with Hainmueller (2012) and Hainmueller and Xu (2013), who emphasize that mediation is not supported when confidence intervals cross zero, indicating instability of indirect effects. The absence of mediation also suggests that ESG and ESPLC frameworks do not influence organizational behavior through corporate environmental responsibility, reinforcing a structural disconnect between external sustainability reporting and internal behavioral change. The results indicate that organizational behavior is primarily driven by corporate environmental responsibility rather than ESG or ESPLC classifications, highlighting the need for stronger internal environmental governance to bridge the gap between sustainability reporting and actual organizational practice.

CONCLUSION

This study concludes that the classification of ESPLCs and ESG practices in Malaysia does not significantly influence organizational behavior, despite the existence of mandatory ESG reporting requirements under Bursa Malaysia Berhad. This indicates that compliance with ESG disclosure frameworks and ESPLC status alone is not sufficient to drive internal behavioral change within organizations. In contrast, corporate environmental responsibility is found to have a significant and positive effect on organizational behavior, showing that internal environmental commitment plays a more decisive role than external reporting obligations.

From a theoretical perspective, the findings suggest that ESG and ESPLC act more as external legitimacy or reporting mechanisms rather than internal behavioral drivers, while CER serves as the key mechanism that translates environmental awareness into actual organizational practices. This implies that companies should move beyond formal ESG compliance and focus on strengthening internal environmental responsibility systems that directly influence employee and organizational behavior. Regulators are also encouraged to ensure that ESG reporting frameworks are not only disclosure-based but also integrated into corporate operational and behavioral systems.

This study has several limitations, including differences in ESG and ESPLC measurement standards across contexts that may affect interpretation consistency, reliance on secondary data from annual and sustainability reports that may not fully reflect actual organizational practices, and the exclusion of broader contextual factors such as political, cultural, and institutional influences. Future research is suggested to conduct cross-country comparative studies using standardized ESG measures, incorporate contextual variables such as political and organizational culture factors, and apply mixed-method approaches to better capture how ESG is implemented in practice and how it influences organizational behavior beyond formal reporting.

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