

## Sustainability Reporting Framework for the Public Sector in Malaysia

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### Abstract

**Purpose:** The current study aims to develop a sustainability reporting framework, which is tailored to the public sector in Malaysia, to help address the current major constraint, namely, the absence of a standardised and appropriate framework of sustainability reporting in the local context.

**Design/ Methodology/ Approach:** By employing a qualitative research design, relevant data were collected mainly through documents, including relevant international sustainability standards, policy papers, and institutional reports, supported by the results gathered from semi-structured interviews conducted with practitioners, with the data analysed via content and thematic analysis.

**Findings:** A proposed framework, which enabled the processes of systematic tracking, management, and reporting of sustainability initiatives and related expenditures by public institutions, in line with the Sustainability Development Goals (SDGs) and associated indicators, was discussed.

**Originality/ Value:** The proposed framework was developed and tailored to the Malaysian public sector, which was unique in terms of the core services and management structures, and it was anticipated to contribute to higher levels of transparency and accountability across ministries, while allowing existing policymakers and stakeholders to more effectively monitor and evaluate the contributions of the public sector to sustainable development, thereby fostering continuous institutional improvement

**Keywords:** Sustainability reporting framework, public sector, Sustainable Development Goals, corporate social responsibility

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## 1.0 Introduction

In the contemporary era, sustainability has emerged as a central global priority, and Malaysia has demonstrated a strong commitment through the incorporation of all 17 SDGs into its national development agenda and the establishment of a Prime Minister-led SDG Council. Nonetheless, despite the above initiatives, sustainability reporting within the public sector in Malaysia remains underdeveloped, fragmented, and lacking standardisation, which necessitates the government to ensure sufficient transparency in demonstrating how public resources can contribute to sustainable development outcomes, owing to its role as a public institution accountable to the citizens. Conversely, sustainability reporting in the corporate sector has been highly developed and increasingly standardised, with 96% of the largest companies across the globe reporting on sustainability (KPMG, 2024), supported by established frameworks, such as the Global Reporting Initiative, International Sustainability Standards Board, and Task Force on Climate-related Financial Disclosures (Cho et al., 2015; Ehnert et al., 2016; Junior et al., 2014; Kolk et al., 2008; Kolk, 2003; KPMG, 2011, 2013, 2015, 2017, 2020, 2024).

Despite the above frameworks, they have primarily been designed for the private sector and are not fully suited to the public sector context, wherein reporting must integrate policy objectives, budget allocations, and societal outcomes. Although the International Public Sector Accounting Standards Board (IPSASB) is currently developing public sector-specific sustainability reporting standards (IPSASB, 2025), the processes remain in the phase of exposure draft, hence creating a gap in practical guidance. Furthermore, existing empirical evidence has highlighted the current weaknesses in sustainability disclosures in the public sector, wherein it has been demonstrated that having higher degrees of alignment and standardisation across frameworks can profoundly reduce reporting costs and enhance cross-border comparability (Cheng et al., 2023; Stubbs & Higgins, 2018), yet such alignment remains insufficiently developed in numerous national contexts. In addition, a critical disparity persists in the incorporation of sustainability reporting frameworks into national policy systems, especially when more effective sustainability governance requires alignment across ministries, governmental agencies, and local authorities, particularly through the inclusion of SDG indicators into the current processes of policy planning, budgeting, and monitoring mechanisms (Sachs et al., 2019), which is inadequate in developing countries, owing to existing institutional capacity and data infrastructure being underdeveloped (Biermann et al., 2017). Concurrently, there are inconsistencies in the commitment of the government, which range from genuine strategic integration to rhetoric SDG washing, thus undermining the credibility and effectiveness of sustainability reporting (Bennich et al., 2020).

In the Malaysian public sector context, sustainability reporting practices have constantly been influenced by institutional, stakeholder, and legitimacy pressures, with both internal governance capacity and external policy demand shaping relevant adoption (Wong et al., 2019). Despite the above drivers, there remain substantial challenges, including low-quality disclosures, particularly in environmental reporting, risks of greenwashing due to unverified voluntary disclosures, and technological limitations that impede further stakeholder engagement (Solikhah & Maulina, 2021). Midin et al. (2017) and Che Ku Kassim et al. (2019) also revealed lower levels of transparency and stakeholder engagement in sustainability reporting in the public sector, with only approximately 30% of such disclosures accessible through local governmental websites. Although Malaysia has adopted cash-basis IPSAS with potential progression towards accrual accounting, sustainability reporting has remained mainly voluntary, fragmented, and inconsistent across different public-sector entities (Abdul Latif et al., 2023).

Owing to the above limitations, there is a clear and urgent requirement to develop a more holistic framework of sustainability reporting, which is tailored to the Malaysian public sector, by aligning financial, environmental, and policy performance dimensions to enhance transparency, accountability, and decision-making. As highlighted by prior research, an integrated public-sector sustainability reporting framework could assist in addressing fragmentation and guaranteeing more holistic accountability in sustainability governance (Siew, 2017). Therefore, in the current study, the main objective was to investigate the current state of sustainability reporting in the Malaysian public sector, while formulating an integrated sustainability reporting framework that aligned financial and policy performance with national sustainability priorities by specifically emphasising SDGs to contribute to higher degrees of transparency and accountability.

## 2.0 Review of Literature

The current section provides a holistic review of the relevant literature to establish the foundation for the following discussion, which begins by tracing the evolution of sustainability reporting and highlighting its transition from a voluntary corporate social responsibility activity to a more formalised and institutionalised practice across various sectors, before examining key frameworks and standards that have guided sustainability reporting globally, including those applicable to both private and public sectors. Subsequently, the discussion will consider the structure of budgetary expenditures in Malaysia by emphasising how public-sector financial management is related to sustainability initiatives. As such, the present review not only contextualises the current study within the existing body of knowledge but also identifies gaps and challenges, particularly in the approach employed by the Malaysian public sector to sustainability reporting and budget tracking.

### 2.1 Evolution of Sustainability Reporting

Sustainability reporting has gained increasing prominence as businesses and organisations worldwide have commenced aligning respective strategies with the SDGs. From 2015 onwards, sustainability reporting practices have evolved profoundly, namely, from voluntary and standalone disclosures to more structured, regulated, and institutionalised processes embedded within existing corporate governance frameworks (Hahn & Kühnen, 2013; Cho et al., 2015). Initially driven by stakeholder pressures and societal expectations, sustainability reporting currently reflects growing demands for higher levels of transparency, accountability, inclusivity, and adherence to global sustainability commitments, especially the SDGs and net-zero targets (Eccles & Krzus, 2018; Ioannou & Serafeim, 2017). In Malaysia, the public sector has performed substantial efforts in advancing sustainability reporting, owing to the influences from international trends, national policy directives, and increasing calls for transparent governance (Ramli et al., 2020). Specifically, both federal and certain local governmental bodies, statutory agencies, and government-related organisations have begun publishing Voluntary National Reviews (VNR) and Voluntary Local Reviews (VLR) as part of their commitment to sustainable development (UNDP Malaysia, 2022).

Several critical challenges persist, notably in standardising reporting practices, ensuring accountability, integrating impact measurement, and adopting a holistic approach, which are mainly due to the absence of a unified national framework (Hashim & Sulaiman, 2019; Abdul Rahman et al., 2021). Additionally, there have been a range of obstacles, including insufficient technical expertise, the lack of tailored indicators relevant to the public-sector context, limited institutional capacity, and inadequate integration of financial and non-financial reporting systems (Noor et al., 2022; Mohamad & Aziz, 2023), in embracing globally accepted sustainability frameworks among existing public-sector entities in Malaysia, such as the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), Integrated Reporting (IR), and standards stipulated by the International Sustainability Standards Board (ISSB). Contrary to private corporations, which are often driven by market incentives and investor pressures to enhance Environmental, Social, and Governance (ESG) disclosures, public-sector organisations frequently lack comparable motivators, hence resulting in more sluggish progress towards more comprehensive sustainability reporting (Milne & Gray, 2013; Schaltegger & Burritt, 2018).

Despite the extensive development of sustainability reporting frameworks, the current literature has remained largely fragmented and corporate-oriented, with limited attention offered to the incorporation of financial management systems and policy outcomes within the public sector. Specifically, there is a lack of frameworks that explicitly connect budget allocation, expenditure tracking, and sustainability performance measurement systematically, especially in the Malaysian context, wherein sustainability reporting practices remain voluntary and disconnected from core public financial management processes. Thus, there is an urgent requirement for a more contextualised and inclusive sustainability reporting framework that can more effectively guide Malaysian public-sector institutions towards more consistent, credible, and effective sustainability disclosures. In the current review, Sustainability Reporting Frameworks are investigated, and key issues and gaps in the existing literature are also highlighted, with the specific sustainability reporting needs of public-sector accountants to enhance transparency and accountability in the public domain also discussed.

## 2.2 Sustainability Reporting vs SDG Reporting

Sustainability reporting and SDG reporting are closely related, yet conceptually distinct. Particularly, sustainability reporting broadly focuses on disclosing the ESG performance of an organisation, which is guided by various global frameworks to help improve transparency and comparability (Stubbs & Higgins, 2018; Cheng et al., 2023), whereas SDG reporting emphasises the alignment of organisational activities and outcomes with the United Nations (UN) by linking reporting to national and global development priorities. In the Malaysian context, SDG reporting has been more prominently adopted in the public sector, as it aligns with the commitment of the government to the UN SDG agenda, whereas ESG-oriented sustainability reporting has been more commonly practised in the private sector (Sachs et al., 2019; Biermann et al., 2017; Bennich et al., 2020). In the public sector, the above distinction is critical, as organisations are accountable not only for internal sustainability performance but also for delivering policy outcomes. Nonetheless, in Malaysia, SDG reporting practices remain fragmented, largely voluntary, and uneven in quality, owing to the constant influences from both institutional and stakeholder pressures (Wong et al., 2019; Solikhah & Maulina, 2021; Abdul Latif et al., 2023). In sum, SDG reporting can be regarded as a subset of sustainability reporting that concentrates on policy and developmental outcomes, wherein incorporating both approaches is essential to contribute to higher levels of transparency, accountability, and coherence in sustainability reporting in the public sector (Siew, 2017).

## 2.3 Key Sustainability Reporting Frameworks

### 2.3.1 The Global Reporting Initiative (GRI)

Currently, GRI Standards are highly popular and have been extensively used as a sustainability reporting framework across the world, with a focus on ESG disclosures by prioritising materiality, stakeholder inclusivity, comparability, and triple-bottom-line reporting (GRI, 2021). In particular, GRI Standards serve as a principle-based framework, yet its application is voluntary, and companies can cherry-pick disclosures and exclude certain material risks (Adams, 2020), namely, GRI Standards enable organisations to report positive and negative impacts on sustainable development through a higher degree of flexibility, yet insufficiently consider financial materiality, practise symbolic compliance, report favourable numbers, and conceal negative effects (Cho, 2023; Eccles & Krzus, 2014). Although GRI Standards can promote higher transparency, the voluntary nature prevents comparability across various sectors (Adams, 2020). Similarly, existing research has demonstrated that GRI-compliant reports have led to higher degrees of stakeholder trust and enhanced market reputation (Kılıç et al., 2019), with the main critical gap in the absence of a data accuracy verification mechanism, thereby fostering greenwashing, and excessive focus on quantity instead of quality, thus resulting in reporting overload without decision-enabling insights (Lyon & Montgomery, 2015; World Economic Forum (WEF), 2023).

### 2.3.2 The Sustainability Accounting Standards Board (SASB)

The SASB, which is currently consolidated under the ISSB, is centred on financially material, which provides industry-specific ESG metrics and standards that are relevant to different investors (SASB, 2023). Nevertheless, the above sole materiality priority has downplayed stakeholder concerns and reduced sustainability to a risk control mechanism rather than a societal necessity, due to its excessive focus on investors' requirements instead of stakeholder interests (Flower, 2021). Compared to GRI Standards, the SASB emphasises the economic implications of sustainability, thus appealing to the capital markets (Ioannou & Serafeim, 2019) and claiming to be able to enhance the comparability of sustainability reporting (SASB, 2023). Moreover, the ISSB consolidation of both the SASB and Carbon Disclosure Standards Board (CDSB) has been criticised as a corporate-driven attempt to evade stringent ESG requirements (Adams & Abhayawansa, 2022), which, on top of the risks of International Financial Reporting Standards (IFRS) S1/S2 of the ISSB in excluding impact materiality, allows firms to ignore negative externalities, including industry-specific metrics, thus leading to unreliable cross-industry comparisons (Barker & Eccles, 2023; Deloitte, 2023).

### 2.3.3 Integrated Reporting (IR) Framework

The IR Framework, which was created by the International Integrated Reporting Council (IIRC), seeks to incorporate the financial and non-financial information based on how organisations create value over time, which can contribute to a more holistic picture of performance and long-term strategy (IIRC, 2021). Existing studies have also suggested that

the framework can support decision-making and diminish information asymmetries (Eccles & Krzus, 2018). Specifically, traditional sustainability reports and GRI reports have often been employed in isolation, whereas the IR Framework prioritises strategic linkage and the inter-relationship between different forms of capital (Cheng et al., 2014). Meanwhile, there has been criticism that the framework has frequently neglected social responsibility (Flower, 2015) and also certain challenges when adopting the six (6) capitals in actual contexts and aligning the IR Framework with the SDGs (Stubbs & Higgins, 2018). Concurrently, there have been several research gaps in how to measure value creation, understand the internal governance factors, and create SDG-compatible indicators within the IR framework (de Villiers et al., 2017).

#### **2.3.4 Task Force on Climate-Related Financial Disclosures (TCFD)**

The TCFD, which was founded by the Financial Stability Board (FSB), has offered recommendations about climate-related financial disclosures, which concentrate on climate-related financial risks and encourage scenario analysis and governance disclosures (TCFD, 2017). Particularly, the TCFD has been criticised for not adequately addressing social and governance factors (Flower, 2015), although, according to the IFRS Foundation (2023), TCFD adoption in the IFRS S2 of ISSB has demonstrated a shift towards a mandatory form of climate reporting. Among several profound deficiencies of the TCFD, the most salient one is the lack of any enforcement of compliance, which indicates that it represents a type of checklist, coupled with its limited focus on key ESG considerations, including social injustice and human rights (Jamali et al., 2022). Furthermore, voluntary adoption has led to selective reporting by firms to highlight climate opportunities while downplaying potential risks (Ioannou & Serafeim, 2019).

#### **2.3.5 Carbon Disclosure Project (CDP) and Climate Disclosure Standards Board (CDSB)**

The CDP functions as a climate-focused disclosure platform, whereas the CDSB, which is currently incorporated with the ISSB, provides a framework in line with the TCFD (CDSB, 2021). The key strength of the CDP is its consistent scoring system, yet it is criticised for lacking enforcement mechanisms, coupled with other critical gaps, including no penalties for inaccurate reporting, compromising credibility, over-reliance on corporate self-reporting, and promoting selective disclosure (Lyon & Montgomery, 2015).

#### **2.3.6 The United Nations SDGs**

The SDGs, which were established by the UN in 2015, represented a universal call to action to achieve a more sustainable and equitable world by 2030 through a total of 17 goals and are supported by 169 specific targets and over 230 indicators designed to measure progress across social (people), economic (profit), and environmental (planet) dimensions (United Nations, 2015). Hence, the SDGs have provided a universal sustainability framework for governments, businesses, and organisations to align their sustainability efforts with measurable global benchmarks. Although multiple companies have adhered to the trend of the SDGs, critical research has highlighted certain key discrepancies between the purported and actual efforts. For instance, despite a 93% of the Global 250 firms mentioning the SDGs (KPMG, 2020), only a 12% have measured the impacts of firm behaviours (World Economic Forum, 2023), thereby raising concerns about SDG-washing, wherein a majority of corporations tend to favour business-friendly goals, such as SDG 8 (Economic Growth), over more socially impactful ones, including SDG 10 (Reduced Inequalities) (Alrazi et al., 2019; Alrazi et al., 2020).

#### **2.3.7 Bursa Malaysia Sustainability Reporting Guideline**

In Malaysia, Bursa Malaysia has been influential in incorporating sustainability reporting among listed firms by mandating ESG disclosure via its Sustainability Reporting Guideline and the Main Market Listing Requirements. Since 2022, all listed issuers are obliged to report profound topics related to sustainability, as underpinned by fundamental principles of governance, social issues, and environmental aspects (Bursa Malaysia, 2022). Despite being catered to the private sector, the guidelines of Bursa Malaysia can act as a useful reference for the development of sustainability reporting frameworks in the public sector, as the guidelines underpin the processes of systematic disclosures, performance indicators, and stakeholder engagement, and the framework has also been founded on globally optimal practices, such as GRI Standards and the TCFD, while incorporating local factors harmonious with national policies.

Existing studies have determined that although corporate sustainability reporting has improved in scope and consistency, there remain key areas of challenge in the assurance of sustainability data, social impact metrics, and incorporation into existing business strategies (Du Toit, 2024). Although the guidelines have helped elevate transparency in the local market, there is an absence of consistency in the quality of reporting (Du Toit, 2024), wherein numerous companies regard the guidelines merely as a compliance task, hence resulting in disclosures that have frequently been prescribed and lacking in quantitative detail (Khan et al., 2020). Furthermore, Abdul Latif et al. (2023) stated that the absence of standardised metrics in Bursa Malaysia ESG reporting led to incomparable ESG disclosures (Abdul Latif et al., 2023). In essence, although existing frameworks, such as GRI Standards, have emphasised stakeholder inclusivity and impact disclosure, and ISSB/IFRS frameworks prioritise financial materiality, none of the above has provided holistic guidance for integrating sustainability reporting with public-sector budgeting and policy performance evaluation. Similarly, SDG reporting frameworks have primarily concentrated on outcome alignment, yet lack pertinent mechanisms for associating financial inputs with measurable impacts. As such, the above fragmentation highlights the requirement for a more integrated approach, namely, combining financial traceability, policy alignment, and outcome-based reporting, particularly in the public sector.

### **3.0 Research Methodology**

In the current study, a qualitative research design was used to develop a sustainability reporting framework for the Malaysian public sector through two (2) phases, namely, document analysis and semi-structured interviews.

#### **3.1 Phase 1: Document Analysis**

The first phase involved a holistic review of relevant documents to establish a foundational understanding of existing sustainability reporting practices and frameworks at both global and national levels. Specifically, key global frameworks that were analysed included the GRI, SASB, IR, TCFD, ISSB, IFRS, CDP, CDSB, and the UN SDG reporting guidelines. At the national level, documents reviewed included (1) Bursa Malaysia Sustainability Reporting Guideline, (2) Malaysia SDG Roadmap, (3) SDG Malaysia, (4) SDG Roadmap Phase I (2016–2020), (5) SDG Roadmap Phase II (2021–2025), (6) National Sustainability Reporting Framework (NSRF), (7) National Budget 2025, (8) UN SDG Framework and Indicators, (9) Ministry Annual Reports, and (10) official publications from the Malaysian Treasury, particularly those related to budget classification and expenditure tracking systems.

Document analysis was employed as the primary data collection method in the current phase, which involved the review and examination of relevant global sustainability reporting frameworks and national policy documents, which enabled the current researcher to interpret and contextualise existing reporting practices, policy directions, and institutional structures related to sustainability in the public sector. To analyse the collected documents, content analysis was applied as the main analytical technique, which encompassed the coding, categorisation, and comparison of textual data to identify key themes, patterns, and relationships. Specifically, in the current study, it was used to extract and synthesise the core elements of sustainability reporting frameworks, including disclosure components, indicators, and reporting structures, which allowed for a more holistic and structured examination of both the substance and context of sustainability reporting, thereby providing a more robust foundation for the development of the proposed framework. In addition, national SDG-related documents were analysed to identify sustainability-oriented expenditures, policy commitments, and gaps in current reporting practices. In addition, expenditure classifications were mapped against SDG indicators to develop a structured coding system for sustainability-related spending, with the outputs from the current phase constituting the preliminary structure and components of the proposed framework.

#### **3.2 Phase 2: Semi-Structured Interviews**

The second phase involved semi-structured interviews to validate and enrich the findings collected from Phase 1, wherein the interviews were conducted with selected representatives from three (3) ministries, namely, accountants who were directly involved in budgeting and financial reporting processes for the public sector, to gain in-depth insights into how sustainability initiatives and sustainability-related expenditures would be identified, classified, measured, and reported within the public sector. Additionally, the current phase explored practical challenges, implementation realities, and institutional perspectives that might not be evident from document analysis only. The interview data were analysed using thematic analysis based on the six-phase approach developed by Braun and Clarke (2006), which included data

familiarisation, initial coding, theme development, theme review, theme definition, and naming of themes, with the finalised themes structured into the proposed framework.

### 3.3 Integration and Framework Development

The findings from both phases were triangulated to ensure adequate levels of validity, depth, and comprehensiveness, wherein the incorporation of both document analysis and interview data collected from practitioners enabled the refinement and validation of the proposed framework. As a result, the above phased approach guaranteed that the developed sustainability reporting framework was both theoretically grounded and practically relevant to the context of the public sector in Malaysia. Figure 1 illustrates the current research design.

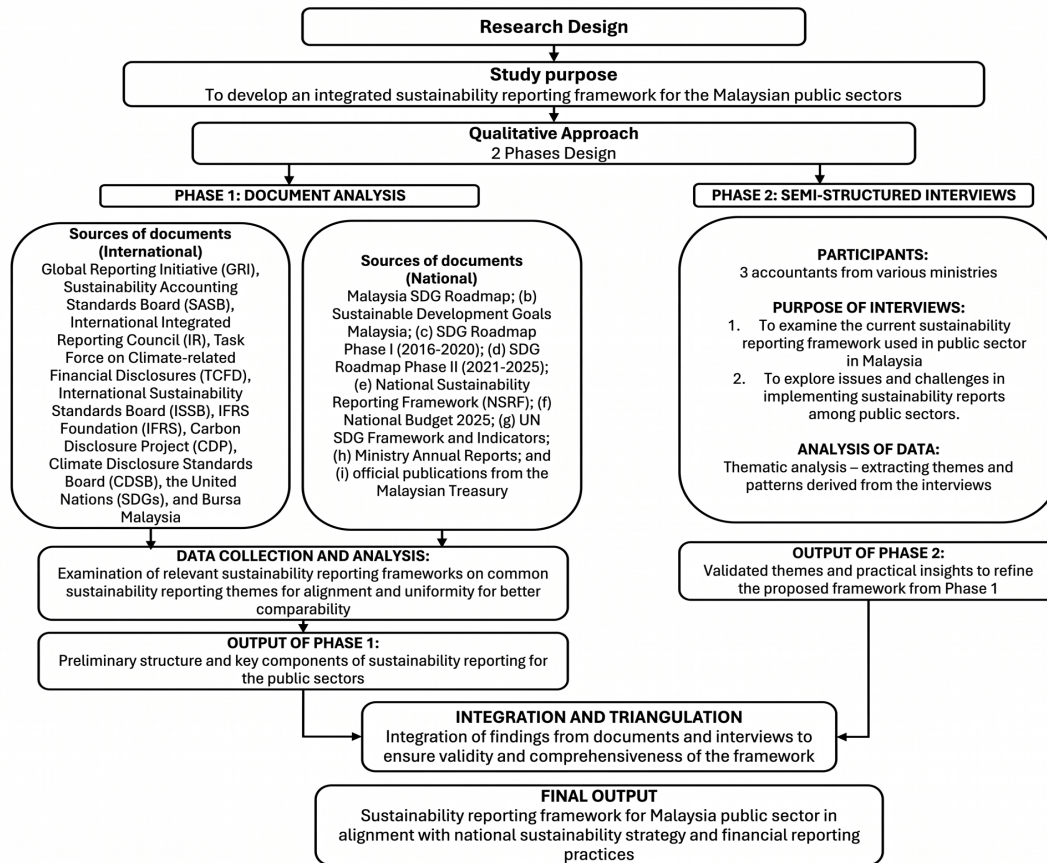


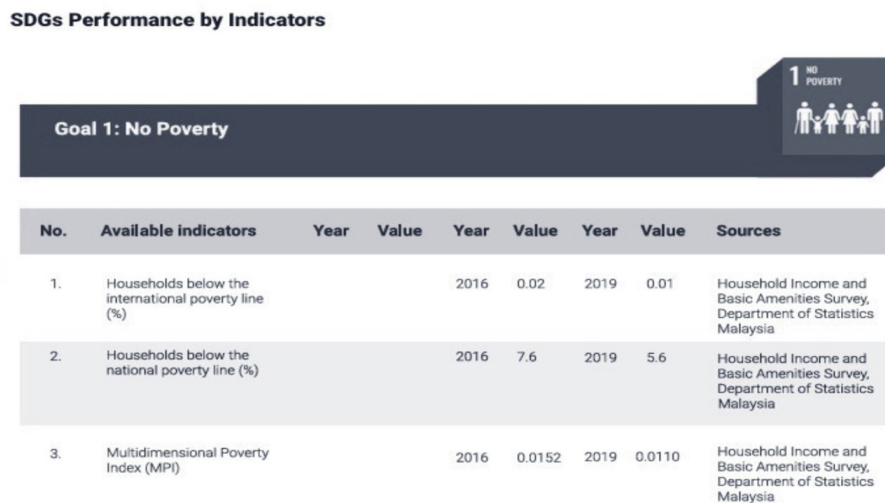
Figure 1: The Current Research Design

### 4.0 Findings and Discussion

The main objectives of the present study were to examine the current state of sustainability reporting in the Malaysian public sector and to develop an integrated sustainability reporting framework that was aligned with existing local sustainability practices. Specifically, the findings were grounded in document analysis and supported by interview results. In this section, the current sustainability reporting practices within the Malaysian public sector are delineated, before proposing a holistic public-sector sustainability reporting framework based on the integrated understanding of existing practices, the sustainability agenda of Malaysia, and the core elements of established reporting guidelines. In the proposed framework, financial allocations and expenditures are linked to SDG priorities with measurable outputs and outcomes, which enables a systematic evaluation of the effectiveness and efficiency of policy performance, namely, the extent to which a governmental policy achieves its intended objectives and delivers measurable outcomes aligned with national priorities, thereby strengthening transparency, accountability, and informed decision-making within the public sector in Malaysia.

#### 4.1 Current Implementation of Sustainability Reporting in the Public Sector

It is essential to understand the current sustainability reporting practices among public-sector institutions in Malaysia, as the above practices constitute the foundation for subsequent analysis. The review of sustainability-related documents, supported by interview findings, indicated that Malaysia demonstrated a consistent commitment to SDG initiatives from 2016 onwards (SDG Roadmap for Malaysia Phase I: 2016–2020), which positioned the SDGs as the central driver of sustainability-related activities, priorities, and reporting practices within the public sector. Nevertheless, even as of 2025, a comprehensive or systematic sustainability reporting framework had not been specifically developed for the Malaysian public sector. Furthermore, most sustainability reports produced by public-sector agencies have been voluntary and are primarily aligned with the 17 SDG framework of the UN, including the VNRs, which are coordinated by the Ministry of Economy. Malaysia has published two (2) VNRs, namely, VNR 2017 and VNR 2021, and is currently preparing its third report, namely, VNR 2025. Nevertheless, the report presented aggregated data that, despite being useful for evaluating broad national performance, were of limited value for budget-related performance monitoring and detailed policy planning and implementation. Additionally, the report did not support the cost-benefit analyses of SDG-related programmes, hence rendering it difficult to assess the efficiency or impact of these initiatives, which has frequently been emphasised under the sustainability reporting guideline of the IPSAS. Figure 2 depicts VNR 2021.



**Figure 2: Extract from Malaysian VNR 2021, p. 19**

The above findings pinpointed the requirement for a more systematic and continuous approach to sustainability-related data collection and reporting for the public sector in Malaysia, including annual tracking of both expenditures and outcomes, which would facilitate more meaningful performance assessments and more effectively inform future policy decisions by capturing the costs incurred and benefits gained from sustainability initiatives in the long term, specifically SDGs initiatives. In addition, the lack of a systematic sustainability reporting framework in the Malaysian public sector might originate from an inadequate understanding of the sustainability or SDG components and their implementation processes among civil servants at various administrative levels, as highlighted by the current interview participants. Specifically, it was noted that the personnel responsible for implementing SDG-related activities often lacked a clear understanding of the sustainability agenda and its associated indicators:

“...at the implementation level, many of us do not have a clear understanding, especially of the SDGs indicators and measurement. We know SDGs, but only on the surface.”

(Participant 1)

As a result, various departments might engage in activities that were not aligned with the intended SDG targets, wherein, in multiple cases, the departments attempted to retroactively match their existing programmes with SDG goals that were perceived as relevant, thus leading to misalignment between activities and actual SDG objectives. Consequently, the

expected outcomes and impacts of sustainability investments were not fully realised. Furthermore, the absence of standardised data collection procedures presented a substantial challenge, as indicated by one of the participants:

“...we do collect data on our sustainability or SDGs-related activities for our ministry; however, it is limited to the activities that are relevant to our ministry...limited data on the activities. We also have some data on expenses related to the activities; however, it is not systematically reported. It is only for our internal use and will be reported when requested by the top.”

(Participant 2)

Another participant also highlighted the issue of a systematic procedure:

“...for instance, data related to waste management activities are collected inconsistently across departments. While some agencies record detailed information, such as the weight and types of waste and the monetary benefits from recycling, others do not collect such data at all.”

(Participant 3)

Moreover, data collection efforts were not conducted consistently or systematically in the long run, as reflected in a lack of regular data recording at daily, weekly, monthly, or annual intervals, which limited the ability to generate comparable datasets and hampered evidence-based decision-making, thereby weakening the effectiveness of sustainability reporting and performance assessment. There was also limited evidence on tracing of sustainability-related expenses despite the profound effort in materialising the SDG agenda by the Malaysian government. For instance, excerpts from an annual report of a ministry revealed that the reported amount was the budget allocation for a particular SDG initiative (see Figure 2), with no information related to actual spending, which was vital for the public sector.

#### LAPORAN TAHUNAN **KPKT 2023**

## Rumah Mesra Rakyat

KPKT melalui Syarikat Perumahan Negara Berhad (SPNB) telah mewujudkan program Rumah Mesra Rakyat (RMR) bagi membantu golongan berpendapatan isi rumah di bawah RM5,000 yang tidak mempunyai rumah atau tinggal di rumah usang tetapi mempunyai tanah untuk membina rumah sendiri yang sempurna dan selesa.

Sehingga November 2023, pelaksanaan RMR oleh SPNB berjumlah 13,045 unit melebihi sasaran asal RMKe-12 yang mana sasaran kumulatif pada tahun 2023 hanya 9,000 unit sahaja (3,000 unit setahun).

Peruntukan sebanyak **RM489,152,100** telah disediakan dengan sasaran sebanyak 5,845 unit pada 2023. Sehingga suku tahun keempat tahun 2023, **sebanyak 5,845 perjanjian telah ditandatangani** oleh penerima untuk memiliki RMR di seluruh negara. SPNB akan terus komited dan peka dalam usaha membantu golongan sasaran merealisasikan impian memiliki kediaman.

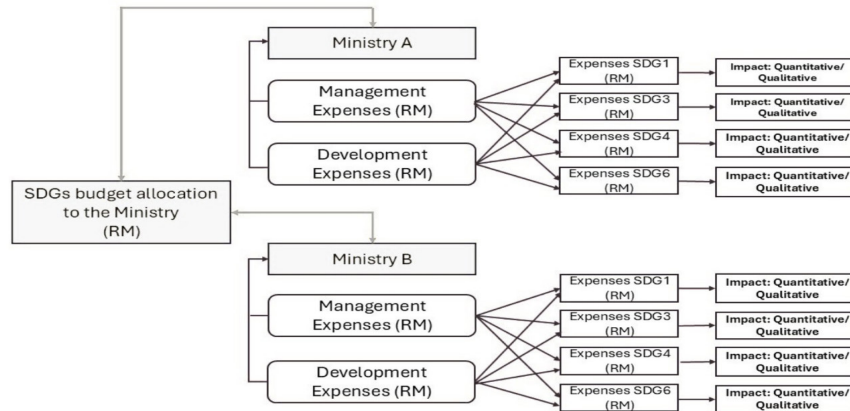
### Figure 3: Annual Report, Ministry of Housing and Local Government

Source: [https://www.kpkt.gov.my/kpkt/resources/user\\_1/GALERI/PDF\\_PENERBITAN/BUKU\\_LAPORAN\\_TAHUNAN/Laporan\\_Tahunan\\_KPKT\\_2023\\_18072024.pdf](https://www.kpkt.gov.my/kpkt/resources/user_1/GALERI/PDF_PENERBITAN/BUKU_LAPORAN_TAHUNAN/Laporan_Tahunan_KPKT_2023_18072024.pdf)

Building on the identified gaps and challenges in the current sustainability reporting practices within the public sector in Malaysia, it was discovered that there was an urgency for a more structured and integrated approach to reporting. Accordingly, Section 4.2 will present a proposed sustainability reporting framework designed to address the above limitations and increase the alignment between financial data, policy outcomes, and SDG priorities.

## 4.2 Sustainability Reporting Framework for the Malaysian Public Sector

The proposed framework operationalised sustainability reporting in the Malaysian public sector by incorporating financial inputs (budget and expenditure) with SDG outcomes, thereby enabling a more systematic, transparent, and performance-oriented reporting approach (see Figure 4).



**Figure 4: Sustainability Reporting Framework for the Malaysian Public Sector**

At the core of the framework was the allocation of SDG-related budgets (in RM) to individual ministries, which represented the financial commitment of the government to sustainability initiatives. For instance, each of Ministry A and Ministry B received allocated funding tied specifically to SDG-related programmes and activities, and within each ministry, expenditures were categorised into two (2) categories, namely:

- i. **Management Expenses (Operating Expenditure):** Covering administrative and operational aspects and associated with particular SDG initiatives.
- ii. **Development Expenses (Project Expenditure):** Representing direct investments in SDG-related programmes, projects, and interventions.

The above two (2) categories of expenditures were subsequently and systematically mapped to specific SDG initiatives (outputs). In the proposed framework, sustainability initiatives refer to SDG-aligned activities, such as poverty reduction programmes, environmental protection initiatives, or social development projects, with each expenditure item separated to one (1) or more SDGs to ensure that financial resources would be clearly linked to sustainability objectives. Moreover, the framework extended beyond input and output tracking by linking SDG initiatives to measurable outcomes and impacts, which created a results chain, as portrayed in Figure 5.



**Figure 5: Financial Outcomes-based Decision-making Process**

The above linkage enabled ministries to systematically track how public funds were utilised for sustainability- or SDG-related purposes by connecting budget allocations and actual expenditures to specific programmes, activities, and targeted SDG indicators, which would allow ministries not only to monitor where resources were spent but also to determine whether spending aligned with the intended sustainability priorities. Therefore, ministries would be more effectively positioned to assess the effectiveness and efficiency of sustainability initiatives, namely, whether the programmes delivered the intended outputs and outcomes and whether resources were utilised optimally to achieve maximum impacts. In addition, by associating financial data with measurable outcomes and indicators, the framework could facilitate a more holistic evaluation of the actual impact of initiatives in advancing SDG targets, which would shift

reporting from an activity- or input-based approach to a result-oriented perspective, hence fostering evidence-based decision-making, continuous performance improvement, and more strategic allocation of public resources to areas that could generate the greatest sustainability value. Additionally, the framework could enable cross-mapping, wherein a single expenditure or programme could contribute to multiple SDGs, thereby reflecting the interconnected nature of sustainability goals.

The proposed framework could address the key gaps identified in the current practices by introducing a more structured and systematic approach to sustainability reporting within the Malaysian public sector. Specifically, the framework emphasises structured and standardised data collection, wherein ministries will be guided to consistently capture data on SDG-related activities, expenditures, outputs, and outcomes using a common format, hence reducing inconsistencies across agencies and enabling the development of comparable and reliable datasets in the long term. Furthermore, the framework has established a clear linkage between financial data and SDG performance, which will guarantee that every ringgit allocated and spent can be associated with specific SDG initiatives, targets, and indicators, thus bridging the existing disconnect between budgeting processes and sustainability outcomes.

The framework can help enhance accountability through the traceability of public spending, which will allow various stakeholders to track how allocated budgets are utilised, namely, whether the funds are spent as intended, and also what results have been achieved. This level of transparency is particularly critical in the public sector, in which the justification of resource use and the demonstration of impact are essential. Moreover, the framework can support improved decision-making through outcome-based reporting by shifting the focus from merely reporting activities or budget allocations to evaluating the effectiveness and impact of SDG-related initiatives. Therefore, by providing evidence on effective aspects compared to non-effective ones, policymakers and public managers can more effectively optimise resource allocation, refine strategies, and strengthen the overall contribution of the public sector towards achieving national SDG commitments. By embedding SDGs into the budgeting, expenditure, and reporting processes, the current framework provides a holistic and integrated approach to sustainability reporting, which was tailored specifically for the public sector in Malaysia.

As an extension of the proposed framework (refer to Figure 4), the present study recommended that ministries should prepare sustainability reports aligned with the existing structure of international VNRs and adapted to the context of the Malaysian public sector. Table 1 operationalises the above by outlining key report components, including governance, strategy, stakeholder engagement, SDG performance, financial allocations, and impact assessment, which represent the core principles across established sustainability reporting frameworks, with a higher emphasis placed on budget allocation, data transparency, and outcome-based evaluation. By institutionalising the above structured and publicly accessible reporting approach, the framework can help strengthen accountability, support informed decision-making, and enhance the effectiveness of sustainability governance in Malaysia. In sum, the report should be rendered publicly accessible to researchers, civil society organisations, and the wider public to promote more informed dialogue and evidence-based policymaking.

**Table 1: Proposed Contents for Sustainability Reporting in the Malaysian Public Sector**

No.	Items
1.	<b>Opening Statement</b> 1.1 By the Prime Minister 1.2 By the Minister of the Ministry 1.3 By the Deputy Minister 1.4 By the Head of Divisions, Units, or Departments
2.	<b>Key Highlights</b> 2.1 Trend in achievements 2.2 Core SDG focus 2.3 Key current sustainability issue faced by the Ministry
3.	<b>Introduction</b> 3.1 About the Ministry 3.2 Core activities, vision, mission, strategic sustainability objectives, and roadmaps 3.3 Material sustainability topics 3.4 Strategy to achieve sustainability objectives
4.	<b>Policy and Enabling Environment</b> 4.1 Sustainability governance 4.2 Stakeholder engagement: Highlighting stakeholders relevant to the focus areas of sustainability of the Ministry, their concerns, and strategies to manage 4.3 Creating ownership of the SDGs
5.	<b>Methodology and process for the preparation of the report</b> 5.1 Scope and basis 5.2 Preparation of the report – data collection, analysis and reporting key themes 5.3 Key changes or lessons learned
6.	<b>SDG Performance: Goals and Targets, and Achievement for the Specific Ministry</b> 6.1 Overview 6.2 Focus SDGs: Select the relevant SDGs among the 17 SDGs 6.3 Budget allocation for SDGs initiatives by the ministry and core SDGs 6.4 Data snapshot: The current state of SDG implementation, including the amount spent. Answer the question of what do we do? 6.5 Impact: Financial and non-financial 6.6 State of sustainable development based on national indicators
7.	<b>Sustainable Assurances</b>
8.	<b>Conclusions and Way Forward</b>
9.	<b>Annexes</b> Performance and data table

## 5.0 Conclusion

The present study sought to examine the current state of sustainability reporting in the Malaysian public sector and develop an integrated sustainability reporting framework, which aligned financial and policy performance with national priorities, particularly the SDGs. According to the current results, it was indicated that although Malaysia has demonstrated a strong commitment to sustainability through national policies and SDG adoption, sustainability reporting practices within the public sector continued to be fragmented, voluntary, and lacking standardisation. Thus, to fulfil the above objectives, this study adopted a qualitative research design comprising two (2) phases, namely, document analysis and semi-structured interviews, wherein the former provided a deeper level of understanding of existing global and national sustainability reporting frameworks, policy directions, and reporting structures, thereby enabling the identification of key reporting components and gaps. In the second phase, semi-structured interviews were conducted with public-sector practitioners, which offered practical perspectives on implementation challenges, especially pertinent to data collection,

expenditure tracking, and the understanding of SDG indicators. As such, the proposed framework was guaranteed to be both theoretically grounded and practically relevant to the context of the Malaysian public sector.

The current results revealed several critical issues in existing practices, including a limited understanding of SDG indicators among implementers, the absence of standardised data collection procedures, inconsistent reporting practices, and weak linkages between financial allocations and sustainability outcomes. Importantly, there was minimal traceability between budget allocations, actual expenditures, and measurable impacts, which constrained more effective performance evaluation and evidence-based policymaking. In response to the above gaps, the present study proposed a sustainability reporting framework, which incorporated budget allocation, expenditure tracking, SDG-aligned initiatives, and outcome-based performance measurement within a single reporting structure and introduced a result chain that linked financial inputs to outputs, outcomes, and impacts, hence facilitating a systematic process of monitoring how public resources could contribute to sustainability objectives. By embedding SDG considerations into budgeting and reporting processes, the framework assisted in strengthening transparency, accountability, and decision-making in the public sector.

In essence, this study contributed to both theory and practice by offering a context-specific sustainability reporting framework, which was customised to the Malaysian public sector and served as a practical foundation for institutionalising structured and standardised sustainability reporting across ministries. The implementation of the proposed framework could contribute to higher levels of public-sector accountability, policy effectiveness and efficiency, and a broader commitment of Malaysia to more sustainable development. Accordingly, future researchers can consider focusing on empirical testing and cross-ministry implementation to further validate the current framework and assess the long-term impact of the framework on sustainability governance.

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