CHAPTER 1: OVERVIEW OF RESEARCH

1.1 INTRODUCTION

Corporate social responsibility (CSR) has grown in prominence, following the greater awareness of stakeholders on the social and environmental implications of business activities. Such awareness has put firms under great pressure to be dynamically involved in CSR activities and report them (Halme & Huse, 1997; Zwetsloot & Van Marrewijk, 2004; Ingley, 2008). This is to exhibit greater accountability and transparency to the stakeholders (Gray, Owen & Adams, 1996; Hess, 2007), manage firms' relationship with the stakeholders (Ullmann, 1985; Huang & Kung, 2010), demonstrate good corporate image or reputation (Hooghiemstra, 2000; Bebbington, Larrinaga & Moneva, 2008; Criado-Jimenez, Fernandez-Chulian, Larrinage-Gonzalez & Husillos-Carques, 2008), and to maintain firms' legitimacy in the eyes of society (Deegan, 2002, 2007; Chen & Roberts, 2010).

Corporate social responsibility reporting (CSRR[1]) has become an important agenda in firms; particularly post-Enron (Owen, 2005; Cooper & Owen, 2007; Aras & Crowther, 2008). This period has witnessed the urge of firms to address issues such as ethics, accountability, transparency and disclosure. The body of literature in the field of CSR has increased in the past few decades; thus indicating to a certain extent the importance of CSRR (Bebbington, 1997; Mathews, 1997; Gray, 2002, 2010; Parker, 2005, 2011; Deegan & Soltys, 2007; Owen, 2008). While most of the extant literature offers insights, mainly from the perspective of developed countries, contributions from the

[1] Throughout this thesis, CSRR refers to corporate social responsibility reporting and CSR refers to corporate social responsibility.

perspective of developing countries still remain limited (Belal & Momin, 2009; Islam, 2010).

With the awareness that the developing countries are also confronted with widespread social and environmental challenges resulting from rapid economic development, explosive population growth and the urbanisation process[2] (Hart, 1997; Campbell-Lendrum & Corvalan, 2007), more research efforts are warranted in these countries. The CSR agendas set in the developing countries are quite different collectively from those faced by developed countries (Newell, 2005; Baughn, Bodie & McIntosh, 2007; CSR Asia, 2008; Visser, 2008; Saleh, Zulkifli & Muhamad, 2011); thereby requiring specific attention to be paid to CSR in developing countries.

Malaysia, as a developing country, is not without its share of social and environmental problems. Continuous rapid economic growth, as well as globalisation and urbanisation, are often related to a number of environmental issues. These include climate change, environmental degradation and disruption of ecological diversity, depletion of non-renewable natural resources and extinction of wildlife species (Abdullah, 1995; Hezri & Hasan, 2006; Muyibi, Ambali & Eissa, 2008; Jahi, Aiyub, Arifin & Awang, 2009).

On the social aspect, several cases of corporate misconduct have been reported; for example, Transmile Group Berhad and Megan Media Holdings Berhad (Zaimee, 2007; Oh, 2010; Norwani, Mohamad & Chek, 2011), together with issues of corruption (Siddiquee, 2010; Harun & Hafizuddin, 2012). All of these raise the importance of extending firms' accountability to all stakeholders and acting in a socially responsible manner in all areas of business activities (Brennan & Solomon, 2008; Carroll & Shabana, 2010; Solomon, 2010). To demonstrate commitments of firms towards these

[2] *The Star*, October 26, 2011, 'Asia, Africa megacities top climate change risk survey'.

broader responsibilities, there is the need to establish social and environmental reporting by firms, which this thesis terms as CSRR.

Prior literature has documented an upward trend of CSRR, following the increase in public pressure and coverage in the mass media on various issues of CSR (Patten, 1991; Brown & Deegan, 1998; Hooghiemstra, 2000; Kent & Monem, 2008). In Malaysia, although a similar pattern of reporting is apparent (Association of Certified Chartered Accountants (ACCA), 2004, 2010), a number of researchers argue about the low level of CSRR among Malaysian firms, and claim that Malaysia is still in its infancy of CSRR (Thompson & Zakaria, 2004; Bursa Malaysia, 2007; Lu & Castka, 2009; Othman, Darus & Arshad, 2011). Perhaps, the current stage of CSRR in Malaysia can be improved through the development of appropriate governance mechanisms and reporting guidelines, as well as the enforcement of relevant reporting regulations to enable firms to discharge their broader responsibility to the society.

Most of the available CSRR literature, particularly in the developing countries, examines the nature and extent of CSRR, and the motivation behind such reporting, from various perspectives; for example, legitimacy, stakeholder and institutional theory (Owen, 2008; Belal & Momin, 2009; Islam, 2010). Drawing upon stakeholder theory, the stakeholders of a firm play a significant role in driving CSRR (Ullmann, 1985). They are in a good position to exert pressure on firms to disclose CSRR, and to influence regulators or government authorities to regulate CSRR (Ullmann, 1985; Roberts, 1992; Epstein & Freedman, 1994; Tilt, 1994; Deegan & Rankin, 1997; O'Dwyer, Unerman & Hession, 2005; Islam & Deegan, 2008; Huang & Kung, 2010). This is due to the power of the stakeholders, together with their heightened interest, concern and awareness of the social and environmental implications of economic and business activities.

According to Ullmann (1985), the greater power possessed by the stakeholders, for examples when the stakeholders control resources critical to the firms, the greater influence they may exert on the firms' CSRR decisions. Being a substantial or primary stakeholder that provides capital to firms, shareholders may possess greater power to influence firms' decision on CSRR disclosed, compared with other stakeholders. The importance of CSRR to the shareholders has been documented in a number of studies, for example Patten (1990), Wilmshurst and Frost (2000), Holm and Rikhardsson (2008) and De Villiers and Van Staden (2010, 2012). Nevertheless, different types of shareholders, for instances foreign shareholders and government shareholders, may have different influence over the CSRR disclosed by firms.

Beside shareholders, boards of directors are also expected to influence the levels of CSRR disclosed. The broader perspective of corporate governance that is focusing on the stakeholder approach has witnessed a shift in the role of boards of directors from merely defenders of shareholders' interests to being able to address the needs of diverse stakeholders and commit to CSR (Cramer & Hirschland, 2006; Ingley, 2008; Ayuso & Argandona, 2009; Bear, Rahman & Post, 2010; Mallin, Michelon & Raggi, 2012; Michelon & Parbonetti, 2012). Boards of directors are expected to become more involved in assessing and shaping firms' policies and practices on a wide range of social and environmental issues. Therefore, they should consist of more active, experienced, diverse, representative and independent directors who reflect accurately the broader range of stakeholders. Selected characteristics of the boards of directors, such as independence and diversity have been related to CSRR. Nevertheless, the impact of other important characteristics such as experience remains under-explored.

Overall, both corporate ownership structure and board of directors' characteristics have been considered in a number of studies examining the association between corporate governance and CSR (Johnson & Greening, 1999; Arora & Dharwadkar, 2011) and CSRR (Halme & Huse, 1997; Adams, 2002; Haniffa & Cooke, 2005; Kent & Monem, 2008; Kathyayini *et al*., 2012, Mallin *et al*., 2012). These two components of corporate governance have received increasing attention following the greater demand for ethical business, and increased corporate accountability and transparency to the stakeholders.

In Malaysia, the importance of corporate governance and CSR has been apparent with a number of initiatives introduced by government through various corporate bodies, such as the Securities Commission Malaysia and the Bursa Malaysia[3]. Among these are the implementation of the Malaysia Code of Corporate Governance (MCCG) and the establishment of a CSR framework as guidelines for CSRR and mandatory reporting requirement obligating all public listed firms to report CSR activities in their annual reports (Bursa Malaysia, 2007; Lu & Castka, 2009; Lindsay, 2012).

The imposition of the mandatory CSRR requirements may have an effect on the CSRR disclosed by firms (Lee & Hutchison, 2005). As documented in prior research examining CSRR in the UK, Spain and Norway, although the number of reporting firms and the quantity and quality of CSRR increase following the regulation, there remains a lack of reporting by several firms in the presence of such regulations (Adams, Coutts & Harte, 1995; Larrinaga, Carrasco, Correa, Llena & Moneva, 2002; Criado-Jimenez *et al*., 2008; Fallan & Fallan, 2009). Adams *et al*. (1995) focused on equal opportunity reporting in Britain, while others (see Larrinaga *et al*., 2002; Criado-Jimenez *et al*., 2008; Fallan & Fallan, 2009) examined the environmental reporting in Spain and Norway, all of which represent part of the CSRR, as defined in this thesis. The effect of

[3] Bursa Malaysia, formerly known as Kuala Lumpur Stock Exchange (KLSE), is one of the largest bourses in Asia that mandated CSRR in member firms' annual reports beginning in 2007.

CSRR regulation in Malaysia is yet to be observed, despite its implementation beginning from 2007.

In summary, the continuous efforts to support corporate governance and CSR, together with the significant progress made in the development of corporate governance and CSR in Malaysia indicates the important link between these two concepts. It further implied that the need for reputable corporate governance arises not only to survive the financial crisis, but also to further develop and compete in the global market without neglecting the rights of society and the young generation with regards to sustainability issues.

1.2 PROBLEM STATEMENTS

Irresponsible business and economic activities create harmful threats to the environment and human lives. Both developed and developing countries are no exception to dealing with the social and environmental issues arising from irresponsible activities. Nevertheless, the developed countries were deemed to have a low level of pollution despite their intense use of resources. Hart (1997) claimed that the low level of pollution in developed countries was due to a number of factors, such as stringent environmental regulations, greening of industry and relocation of most polluting activities to developing countries.

Stringent regulations have made it costly for global firms to operate in developed countries (Park, Hisanaga & Kim, 2009). Consequently, many of these firms move their manufacturing facilities from developed to developing countries. Furthermore, several economic factors, such as low operating costs, high unemployment rate and the lack of regulation or enforcement of any existing regulations in developing countries have also influenced the global firm's decision for such relocations (Park *et al*., 2009). The relocations of manufacturing facilities to developing countries have yielded a number of social and environmental problems; for example, poor employee welfare (Locke, Qin & Brause, 2007), climate change (Campbell-Lendrum & Corvalan, 2007) and transfer of occupational health problems (Park *et al*., 2009) from a developed to a developing country. These problems have called for more emphasis to be given on CSR in developing countries.

A number of studies described the exploitative working conditions, such as unsafe or hazardous working conditions, child labour, low wages and excessive working hours; which are apparent in the global supply chain plants (see Welford, 2005; Locke *et al*., 2007; Lim & Phillips, 2008; Visser, 2008). These have urged the global firms to embrace CSR to address these matters. The global firms seem to take advantage of developing countries' low wages and weak social and environmental regulations to manufacture low-cost products at the expense of the local employees' welfare (Locke *et al*., 2007; Park *et al*., 2009). This can be seen in a number of cases of sweatshop practices that captured public attention, including Nike, Reebok, GAP, Levi's and Wal-Mart (Rock, 2003).

For example Nike, a dominant player in the athletic footwear industry has been criticised for sourcing its products in factories and countries, where low wages, poor working conditions and human rights problems were rampant. Nike has been confronted with issues such as underpaid employees in Indonesia, child labour in Cambodia and Pakistan, and poor working conditions in China and Vietnam (Locke *et al*., 2007). To tackle these issues, Nike monitors its compliance with a corporate code of conduct and makes changes to supply chain governance from an arm-length market model to a collaborative partnership between the global firms and their suppliers (Lim & Phillips, 2008). Nike also empowered their suppliers to better schedule their work in order to improve quality and efficiency of operations (Locke *et al*., 2007). Engagement in various forms of public relation activities, including CSRR has also been undertaken to restore its public image (DeTienne & Lewis, 2005).

In terms of environmental aspects, the deforestation crisis, which occurred as a result of rapid urbanisation and other development's activities such as economic and infrastructure, has led to a number of environmental degradation threats, for instances climate change and pollution (Laurance, 1999; Mawle, 2010). Compared with the Americas and Africa, Asia was found to have the most immediate concerns with regards to the deforestation crisis, due to the low volume of surviving forest held and higher relative rates of deforestation and logging in the region (Laurance, 1999; Sodhi, Koh, Brook & Ng, 2004).

The importance of addressing climate change issues, especially in Asia, lies in its growing threat to public well-being (Campbell-Lendrum & Corvalan, 2007; Cruz *et al*., 2007; Mawle, 2010). The rising of climate temperature and extreme weather events such as drought, storm and typhoons in the region (Salleh, 2009; Yusuf & Francisco, 2009) have caused numerous problems; for example, disturbance to or loss of ecosystem diversity (Sodhi, Koh, Brook & Ng, 2004), increased risk of flood, especially in vulnerable areas, and climate-related disease outbreaks, such as cholera, hepatitis, malaria and dengue (Cruz *et al*., 2007).

Several pollution problems have also arisen following the inadequate planned urbanisation and development activities (Nash, 1993; Mawle, 2010). For example, the release of toxic gases as a result of industrial and transportation activities to the atmosphere has caused air pollution problems such as acid rain and haze. Improper waste treatment out of the economic development activities has also led to water and land contamination problems. Therefore, careful attention is needed to manage these problems to avoid further exacerbation of existing environmental situations. This is to ensure the environmental sustainability for future generation consumption.

As a developing country, Malaysia shares similar challenges with regards to social and environmental problems. For example, rapid economic development that occurs in the country accounts for high percentage of water pollution, even in the presence of effective technologies and policy measures (Muyibi *et al*., 2008). Researchers have detected the presence of microorganisms, suspended particles and chemical constituents such as ammonia, manganese and mercury in Malaysian rivers, especially in the industrialised states of Selangor, Johor, Penang and Perak (Muyibi *et al*., 2008; Sharaai, Mahmood & Sulaiman, 2009; Fulazzaky, Seong & Masirin, 2010; Hasan, Abdullah, Kamarudin & Kofli, 2011). All of these cases necessitate corrective action to ensure the supply of clean water for daily use and the minimisation of health problems related to contamination (Nash, 1993).

Furthermore, aggressive deforestation activities for the purpose of agricultural, logging and urbanisation in Malaysia have impacted the growing number of environmental problems. Carbon dioxide emissions and energy consumption were found to be related positively to economic development in Malaysia (Ang, 2008; Murad, Molla, Mokhtar & Raquib, 2010). Malaysia has reported an increase in carbon emissions by 221 percent from 1990 to 2003, and the country is ranked among the world’s top 30 greenhouse gas emitters (United Nation Development Programme, 2007). Such growth is dictated despite Malaysia’s participation in the Kyoto protocol that aims to combat global warming; and initiatives to use renewable energy and minimise emissions. The release of greenhouse gas emissions into the atmosphere has caused the increase of climate temperature and led to changes in the overall climate in unpredictable ways. These global warming and climate change phenomena have consequently triggered the occurrence of floods, hurricanes, heat waves and drought.

Malaysia has experienced several episodes of floods; significantly, in Kuala Lumpur (Abdullah, 2004) and other states in 1971, 2003, 2006 and 2011[4]. The incidents tend to occur more frequently in cities and towns, such as Kuala Lumpur, Penang and Johor Bahru, as a result of poor urbanisation management. The frequency of such incidents may disrupt the cities' functions, threaten human lives and damage properties. Several flood mitigation projects have been introduced, particularly in Kuala Lumpur; for example, the Klang River Basin Flood Mitigation project and the Stormwater Management and Road Tunnel (SMART) project (Abdullah, 2004). However, the continuous episodes of flooding over the years, particularly in Klang Valley, have called for a re-evaluation of the existing flood prevention system (Ahmad, Samy, Chapman, Lee & Sipalan, 2012).

A number of landslide cases have also been reported in Malaysia as a result of irresponsible development activities; including Genting Highland slip road near Karak Highway in 1995, which caused 48 deaths; Bukit Antarabangsa, Selangor in 1993, 1999, 2002[5] and 2008[6] (Singh & Subramaniam, 2009); Hulu Langat in Selangor (May 2011)[7] and Kampung Sungai Ruil near Brinchang in Cameron Highlands (August 2011)[8] that reported 16 and 7 deaths respectively. As the number of landslide cases increases, serious attention should be placed on minimising the problems, requiring efforts from both firms and regulatory bodies.

[4] *The Star*, January 31, 2011, 'Floods in five states, three dead, more than 46,000 evacuated'.
[5] *The Star*, December 30, 2010, 'Spotlight on natural disasters'.
[6] *The Star*, December 6, 2008, 'Massive landslide at Bukit Antarabangsa'.
[7] *The Star*, July 11, 2011, 'Human activities blamed for Hulu Langat landslide that killed 16'.
[8] *The Star*, August 8, 2011, 'Cameron Highland's landslide: Seven dead'.

Deforestation and climate change also contribute to habitat loss and extinction problems, which threaten the overall ecosystem diversity in Malaysia. The country, which was formerly known for its richness and uniqueness of biodiversity, is now under threat of extinction. Malaysia has been identified as a hotspot deserving the highest priorities for conservation investment (Myers, Mittermeier, Mittermeier, da Fonseca & Kent, 2000; Rahim, 2012).

Aside from the climate change issue, air pollution is another environmental challenge in Malaysia requiring further monitoring, as it affects human health (Afroz, Hassan & Ibrahim, 2003). The high level of air pollution has turned several places in Malaysia into "poisonous towns"; for example, Putrajaya, Shah Alam in Selangor, Nilai in Negeri Sembilan and Tanjung Malim in Perak[9]. Air pollution derives mainly from transportation, industrial emissions and open burning sources. Citing an example, the recurrent haze episodes in the country have imposed threats to environmental management in Malaysia and increased awareness of the environment. The Malaysian government has established the Malaysian Air Quality Guidelines, the Air Pollution Index and the Haze Action Plan to improve air quality in the country (Afroz *et al*., 2003).

Malaysia is working towards achieving a balanced or sustainable development that aims to safeguard the environment for the use of the future generations. Nevertheless, the evolution of a sustainable management practices in Malaysia occurs at a slow pace (Hezri & Hasan, 2006). Given the infancy of sustainability objectives in the existing environmental policy, environmental issues will continue to be a marginal consideration in the overall pursuit of socio-economic advancement in Malaysia (Hezri & Hasan,

[9] *Utusan Malaysia*, October 3, 2011, 'Bandar beracun ancam penduduk'. *Utusan Malaysia* is one of the daily newspapers published in Malaysia. The phase 'Bandar beracun ancam penduduk' is translated into 'Poisonous towns threaten people'.

2006). This has contributed partly to the overwhelming environmental issues in the country.

On the social aspect, there have been several corporate mismanagement and misconduct cases reported in Malaysia; for example, Perwaja Steel, Malaysia Airlines and Renong Berhad during the 1990s. This was followed by a number of cases reported from 2000 onwards; including Transmile Group Berhad and Megan Media Holdings Berhad (Zaimee, 2007; Oh, 2010; Norwani *et al*., 2011). For example, a special audit conducted on Transmile Group Berhad revealed an overstatement of the firm’s revenue for the financial years 2004 to 2006 by RM622 millions, relating to invoices issued to over 20 firms and irregularities in the firm’s trade receivables, cash receipts, and property, plant and equipment accounts.

Similarly, Megan Media Holdings Berhad is also being charged with substantial irregularities in its wholly-owned subsidiary’s financial statements, involving fictitious trade creditors and debtors, undisclosed related party transactions, and a bogus deposit payment of RM211 million for production lines. Other firms involved in corporate mismanagement and misconduct cases in Malaysia include Sime Darby Berhad, Kenmark Berhad, DIS Technology Holdings Bhd, Golden Plus Holdings Berhad and SCAN Associates Bhd (Oh, 2010).

Findings from the Klynveld Peat Marwick Goerdeler (KPMG) Fraud Survey Report 2005 also revealed that corporate fraud in Malaysia is on the rise (Shim, 2006). A majority of respondents to the survey agreed that fraud is a major problem for Malaysian businesses and acknowledged experiencing fraud in their organisations (Shim, 2006). These corporate cases of misconduct and fraud have been the consequences of corporate governance failure (Shim, 2006; Norwani *et al*., 2011).

Several issues related to the workplace, such as safety, employee welfare and industrial relations[10] have also been highlighted in Malaysia, particularly in recent years. For example, a workplace accident, specifically a fire at gas processing plant was reported in one of the oil and gas firms in May 2012, causing death and injury to workers[11]. Malaysia has reported a rising trend of cases of workplace accidents (from 55,186 cases in 2009 to 57,639 cases in 2010) and occupational diseases and permanent disabilities resulting from workplace injuries[12]. Following that, firms are expected to be aware of the importance of safety measures in the workplace in order to safeguard the social welfare of employees[13].

The growing number of social and environmental issues in Malaysia has elevated CSR to become an important topic. As highlighted by Baskin (2006), Malaysia is recognised as among the most active emerging markets in relation to CSR. However, the lack of reporting has kept most of the public ignorant of the contributions (Teoh & Thong, 1984). A survey conducted by the Bursa Malaysia in 2007 also reported a lack of knowledge and awareness of CSR among the selected public listed firms in Malaysia. Findings of the survey highlighted a need of firms to improve the level of CSRR disclosed as the majority of reported firms fell far behind the global best practice of CSRR (Bursa Malaysia, 2007).

Improvement in the levels of CSRR could be achieved through the implementation of appropriate corporate governance structure (Adam & Zutshi, 2004). As suggested by Shahin and Zairi (2007), comprehensive corporate governance provides a solid foundation for sound practice in CSR. Mallin et al. (2012) added that corporate governance with stakeholders orientation bring changes to firms that can lead to

[10] *The New Strait Times*, May 22, 2012, 'Strengthen ties, trade unions and employers told'.
[11] *The New Strait Times*, May 10, 2012, 'One dead, nine injured in explosion at Petronas plant in Paka'.
[12] *The New Strait Times*, April 29, 2012, 'MTUC: Workplace accidents increasing'.
[13] *The Sun*, June 24, 2012, 'Ensure workplace safety'.

improved social performance dan reporting. Two important elements of corporate governance, namely corporate ownership structures and boards of directors, are very influential in determining firms' decision for corporate reporting (Fama & Jensen, 1983; Eisenhardt, 1989), including CSRR (Halme & Huse, 1997; Adams, 2002; Haniffa & Cooke, 2005; Kent & Monem, 2008; Kathyayini *et al*., 2012, Mallin *et al*., 2012).

Governance structure at firm-level and country-level may influence the levels of CSRR; for example, the distinctive features of corporate ownership structure in Malaysia that is different from other developed countries, the variety of boards of directors' characteristics, as well as the implementation of the mandatory CSRR in Malaysia. However, different governance structure may have different influence over the CSRR disclosed. In order to ensure the progressive development of CSRR, there is a need to identify the appropriate governance structure that drives towards the improvement in the quantity and quality of CSRR disclosed. Quantity of CSRR refers to the amount, volume or extent of CSRR, while quality of CSRR captures the variety of CSRR disclosed and indicates the importance given to a specific item of CSRR (Joseph & Taplin, 2011).

Many firms in Malaysia are motivated to disclose their CSR activities after the reporting was made mandatory for all public listed firms with effect from 31 December 2007. The mandatory CSRR requirement has been incorporated into the Listing Requirement of Bursa Malaysia (Appendix 9C, Part A, Paragraph 29). It obligates all public listed firms to include a description of CSR activities or practices undertaken by the listed firm and its subsidiaries or, if there are none, a statement to that effect.

Despite the mandatory reporting requirement, there has been lack of specific reporting requirement on the content and extent of CSRR. This is argued to lead to greater variability in terms of CSRR disclosed by firms. The absence of specific content or standards of CSRR permits firms to report their CSR activities in their own ways, which consequently put the stakeholders at a disadvantage. In this case, rather than fulfilling the accountability and transparency functions, CSRR is seen as a mechanism used by firms to legitimise their business activities (Deegan & Gordon, 1996; Hackston & Milne, 1996; Deegan, 2002; Cho & Patten, 2007; Deegan, 2007).

The quantity and quality of CSRR disclosed by firms may be influenced by the distinctive features of corporate ownership structure in Malaysia. As an Asian country, Malaysia possesses several unique features of corporate ownership structure. Unlike the diffused ownership of firms in western and industrialised countries, such as the US, the UK and Eastern Europe, corporate ownership structures in Malaysia are characterised by concentrated ownership, associated pyramidal and cross-holding structures (Claessens, Djankov & Lang, 2000; Fan & Wong, 2002; Deesomsak, Paudyal & Pescetto, 2004; Tam & Tan, 2007). Many firms in Malaysia are closely held by a single large shareholder and controlled by state or government, and individual or family shareholders (Claessens *et al*., 2000; Zhuang, Edwards & Capulong, 2001; Ball, Robin & Wu, 2003; Shim, 2006).

Consistent with the government's effort to encourage shareholder activism, Malaysia has also witnessed the enhanced role of institutional shareholders; in particular, the five largest institutional funds in Malaysia, all of which are controlled by the government. They are Employee Provident Fund (EPF), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH), Permodalan Nasional Berhad (PNB) and Social Security Organisation (SOCSO) (Wahab, How & Verhoeven, 2008; Saleh, Zulkifli &

Muhamad, 2010). The different types of corporate ownership structure held in Malaysia may have a different impact on the levels of CSRR disclosed by firms.

Moreover, there have been extensive debates over the characteristics of good governance and an effective board of directors (Van Der Walt & Ingley, 2003), especially the governance structure that could lead to better CSRR practice (Adams, 2002; Webb, 2004; Haniffa & Cooke, 2005; Mallin *et al.*, 2012). Good corporate governance does not focus simply on the needs of shareholders, but also incorporates the needs of diverse stakeholders, which may later help to promote the welfare of society. Board of directors in socially-responsible firms have characteristics associated with effective board structure, for example have more outsiders and women directors, less instances of Chief Executive Officer (CEO) or chairperson duality, and higher governance index (Webb, 2004).

To date, several board of directors' characteristics are seen to have effects on CSR performance and reporting (Haniffa & Cooke, 2005; Barako & Brown, 2008; Lattemann, Fetscherin, Alon, Li & Schneider, 2009; Bear *et al.*, 2010; Khan, 2010; Post, Rahman & Rubow, 2011; Kathyayini, Tilt & Lester, 2012; Mallin *et al.*, 2012; Michelon & Parbonetti, 2012). While most prior studies have focused on board independence, the issue of board diversity is also rising in prominence following the benefits it offers. For example, a diverse board provides new insights and perspectives (Coffey & Wang, 1998; Carter, Simkins & Simpson, 2003), and promotes the exchange of ideas and group performance (Milliken & Martins, 1996).

However, the impact of other important characteristics, such as experience, particularly on CSRR, remains under-explored (Carpenter & Westphal, 2001; Kroll, Walters & Wright, 2008; McDonald, Westphal & Graebner, 2008; Kor & Sundaramurthy, 2009) despite the potential benefits that experience could bring to the board of directors and firms. Evidence from several empirical studies has documented the benefits of directors' existing and past experiences as managers and board members. For example, experiences direct the thinking and perceptions of directors, and allow them to develop specific skills and knowledge about how boards, firms and industries operate (Kor & Sundaramurthy, 2009). Directors with appropriate knowledge gained through experience will become more useful advisers (Kroll *et al*., 2008).

Following the importance of board experience in directing directors' decisions and influencing firm performance, more efforts are warranted to investigate the impact of boards' CSR experience on CSRR disclosed by firms. Perhaps the appointment of board members with CSR experience could assist firms in implementing CSR activities and reporting them to stakeholders. Such appointments may also be used by firms to improve their strategic posture and be regarded as socially responsible.

Overall, the implementation of different governance mechanisms, such as ownership structure, board of directors and regulation, may have different influence over the levels of CSRR disclosed. An investigation on the association between the different governance mechanisms and the levels of CSRR disclosed may highlight the important roles of these governance mechanisms in influencing the levels of CSRR disclosed. This is vital as to ensure the continuous development of CSRR, particularly in Malaysia.

1.3 RESEARCH OBJECTIVES AND QUESTIONS

In general, the current study investigates the link between corporate governance and CSR from a developing-country perspective; specifically, Malaysia. It suggests that the ways firms are governed influence the manner in which the firms behave, particularly in

CSRR. Therefore, this study aims to examine the influence of different governance mechanisms, namely ownership structure, board of directors and regulation, on the levels of CSRR disclosed by firms in Malaysia. Different governance mechanisms can be adopted to promote greater quantity and quality of CSRR. Hence, finding an appropriate combination of the mechanisms that suit a particular context is vital. This is to account for the difference in governance practised in different countries.

While there have been studies that related ownership structure and board of directors with CSRR, this study includes regulation as a third governance mechanism that may influence CSRR. This is in line with the introduction of CSRR regulation in Malaysia beginning from 2007, whereby there is a need to evaluate the effectiveness of such regulation in promoting CSRR. Perhaps, the interrelationship between the various mechanisms of corporate governance may assist towards the improvement of corporate reporting quality, including in the aspect of CSRR.

This has led to the construction of the following research objectives:

1. To investigate the influence of different types of corporate ownership structure on the quantity and quality of CSRR disclosed by firms.

2. To examine the impact of board of directors' CSR experience on the quantity and quality of CSRR disclosed by firms.

3. To observe the moderating effect of mandatory CSRR requirements on the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firms.

Overall, the current study attempts to answer the following research questions:

1. Do different types of corporate ownership structure influence the quantity and quality of CSRR disclosed by firms?

2. Does board of directors' CSR experience impact on the quantity and quality of CSRR disclosed by firms?

3. Does mandatory CSRR requirement moderate the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firms?

A summary of the research objectives, research questions and theoretical framework used in the current study is provided below:

	Research Objectives	**Research Questions**	**Theoretical Framework**
1.	To investigate the influence of different types of corporate ownership structure on the quantity and quality of CSRR disclosed by firms.	Do different types of corporate ownership structure influence the quantity and quality of CSRR disclosed by firms?	Stakeholder
2.	To examine the impact of board of directors' CSR experience on the quantity and quality of CSRR disclosed by firms.	Does board of directors' CSR experience impact on the quantity and quality of CSRR disclosed by firms?	Stakeholder
3.	To observe the moderating effect of mandatory CSRR requirement on the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firms.	Does mandatory CSRR requirement moderate the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firms?	Contingency

1.4 RESEARCH MOTIVATIONS AND CONTRIBUTIONS

Social and environmental problems around the world are on the rise. Firms are blamed for causing social problems and environmental damage, which affect the quality of human lives. This has brought a growing research interest to look into CSRR, as a document used to demonstrate firms' commitments to CSR. Historically, there has been a number of CSRR literature examining the nature and extent of CSRR, and determinants of CSRR, including the corporate governance's components, such as ownership structure and board of directors' characteristics.

The link between corporate governance and CSRR has been evident following the greater demand for ethical business and increased corporate accountability and transparency to the wider stakeholders (Cooper & Owen, 2007; Aras & Crowther, 2008). Adams & Zutshi (2004) highlighted the importance of corporate governance in promoting CSRR by emphasising the need of firms to put in place appropriate governance structures to ensure that social and environmental impacts, as well as the concerns of their key stakeholders, are addressed in corporate decision making. Owing to the greater importance of corporate governance in driving CSRR, more research efforts that relate these two concepts are required.

Extant studies that relate board of directors' characteristics to corporate reporting have focused largely on the association between board independence and corporate reporting, including CSRR. The importance of board diversity in influencing CSRR has also received considerable attention. Nevertheless, there is lack of research investigating the impact of other important characteristics of the board of directors, such as experience on CSRR. This is in spite of the importance of experiences of directors in mapping firms' strategic directions and decisions (Milliken & Martins, 1996; Westphal, 1999; Kroll *et* *al*., 2008; Kor & Sundaramurthy, 2009). Therefore, the current study examines the impact of boards' CSR experience on the levels of CSRR disclosed by firms.

Overall, the current study seeks to provide additional evidence on the link between corporate governance and CSRR in Malaysia, as one of the developing countries. Specifically, the current study dictates the importance of board CSR experience in shaping the quantity and quality of CSRR disclosed by firms. Findings from the current study may assist regulatory authorities to improve existing policies on corporate governance and CSRR. Drawing on the stakeholder theory, the current study also provides useful inputs for firms to consider board CSR experience as a strategic posture to sustain business in competitive markets.

The uniqueness of corporate ownership structure in Malaysia, which is very much characterised by family and government-owned structures, has also offered an ideal setting to investigate the link between corporate ownership structure and corporate reporting (Chau & Gray, 2002). This is because it differs from the diffused ownership structure that is prevalent in the developed countries (Claessens *et al*., 2000; Fan & Wong, 2002; Deesomsak *et al*., 2004; Tam & Tan, 2007). Several studies that related shareholder power to CSRR based on Ullmann's (1985) model (see Figure 4.4) relied on either diffused or concentrated ownership to represent the shareholder power. This type of corporate ownership structure is insufficient to represent the unique characteristics of corporate ownership structures in Asian countries; particularly in Malaysia.

For example, the dominance of family-owned firms in Malaysia may result in less demand for corporate reporting since the majority of fund providers of the firms already have access to the required information. However, a significant proportion of government shareholding in firms may motivate more reporting made by the firms to demonstrate transparency and accountability to the government, representing the public at large. In short, the variety of corporate ownership structure in Malaysia may have different impact on CSRR disclosed by firms. Therefore, further investigation of the impact of different types of corporate ownership structure on CSRR is required, particularly in Malaysia. This may inform stakeholders on the types of corporate ownership structure that provide greater levels of CSRR. Such information is useful in enabling stakeholders to evaluate the commitments of firms to CSR.

While there have been several studies investigating the influence of corporate ownership structure on the CSRR disclosed by firms in Malaysia, for example, Ghazali (2007) from the perspective of agency theory and Amran and Devi (2008) from the perspective of institutional theory, the evidence was limited to that disclosed during the voluntary period of CSRR. Therefore, the current study examines the influence of different types of corporate ownership structures on the CSRR disclosed by firms from the perspective of stakeholder theory in both voluntary and mandatory period of CSRR.

The current study also considers the effects of CSRR regulation, which was introduced by the Bursa Malaysia in 2007. The data set selected for the purpose of the current study includes both the voluntary (from 2005 to 2006) and mandatory periods of CSRR (from 2007 to 2009). This enables the researcher of the current study to explore the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR.

As documented by Larrinaga *et al*. (2002), there has been lack of research examining CSRR in a regulatory regime, as most countries are still practising CSRR on a voluntary basis. Following the introduction of CSRR regulation in Malaysia from 2007, there has been a need to further explore the effect of such reporting regulation on the quantity and quality of CSRR disclosed by firms. Such findings may provide valuable input for regulatory authorities on the effectiveness of the reporting regulation. They may also serve as benchmarks or references for the regulators to work on a better mechanism towards the improvement of CSR and CSRR practices in Malaysia. For instance, the regulators may consider including the appointment of board members with CSR experience as one of the criteria for the appointment of members of the board of directors of firms, in a way to help firms to improve their CSR practice and reporting.

Findings of the study may also inform both firms and stakeholders on the influence of reporting regulation on CSRR. Overall, these findings offer a benchmark for CSRR development in Malaysia. The current study also suggests the application of contingency theory in explaining CSRR in Malaysia, following the implementation of regulation in the country.

Furthermore, a number of firm-specific characteristics have been identified to explain the significant variation in the quantity and quality of CSRR disclosed by firms; including firm size, profitability, leverage and industry (Patten, 1991; Hackston & Milne, 1996; Branco & Rodrigues, 2008b). Adding to the list, researchers might be motivated to explore the influence of *Shariah* status of firms on CSRR. *Shariah* refers to the Islamic law of human conduct, which regulates all matters of the lives of Muslims (Maali, Casson & Napier, 2006), while *Shariah*-approved firm is a status granted on firms that conduct activities that are permitted by the *Shariah.*

The motivation to investigate the influence of *Shariah* status on CSRR arises as a result of the rising importance of the *Shariah*-approved firms, particularly in Malaysia (Ousama & Fatima, 2010). Several researchers have documented the differences in corporate reporting made between the *Shariah* and non-*Shariah* approved firms (see Ibrahim, Fatima & Htay, 2006; Aribi and Gao, 2010). By listed as *Shariah*-approved firms, the firms may be exposed to greater public visibility. Therefore, they are expected to commit and disclose more CSRR than its counterparts. Such proposition is based on the argument of the relatedness of many principles of Islamic teaching (*Shariah*) to the concept of CSR. The Islamic teaching itself promotes accountability to the environment and the community wellbeing (Baydoun & Willett, 2000; Lewis, 2001; Kamla, Gallhofer & Haslam, 2006; Dusuki, 2008). Following that, the current study introduces *Shariah* status of firms as one of the control variables, along with firm size, profitability, leverage and industry.

Most of the CSRR research is derived from the developed countries and focused on the cross-sectional analysis of CSRR (Belal & Momin, 2009; Islam, 2010). The current study supplements the existing evidence by presenting a longitudinal descriptive analysis of CSRR to observe the trend of reporting over a five-year period from 2005 to 2009. This covers both the voluntary and mandatory period of CSRR in Malaysia. CSRR investigation in developing nations is considered important, as these countries are also confronted by a number of social and environmental problems, and deal with different CSR agendas compared with developed countries (Visser, 2008).

Moreover, differences in the cultural, political and institutional background of a country lead to national differences in the CSR system (Matten & Moon, 2008). The national socio-cultural environment and the level of national economic development were found to influence the CSR practice (Jones, 1999; Williams, 1999; Baughn *et al*., 2007). The cultural environment, in which a country operates, may also affect the corporate reporting orientation of that particular country.

Being an Asian country, Malaysia is categorised as having a relatively high level of secrecy and statutory control (Gray, 1988). Moreover, there is little incentive for firms in Malaysia to become transparent[14] through greater voluntary CSRR due to the high level of secrecy. Nevertheless, they are more likely to comply with the CSRR regulation imposed on them, reflecting the high level of statutory control practiced by the firms. Based on this argument, there is a need to conduct CSRR research in the national context of Malaysia, in order to achieve a deeper understanding of the CSRR development that occurs in one specific country.

Being a rapidly-developing economy in Asia, Malaysia has been facing a major transformation since the 1970s, from a producer of raw materials into an emerging multi-sector economy. The country's GDP is worth 238 billion US dollars (representing 0.38 percent of the world economy)[15], and is ranked among the four largest economics in Southeast Asia[16]. The total market capitalisation of Malaysia's capital market has increased threefold, from 116.9 to 410.5 billion US dollars between 2000 and 2010 (US Census Bureau, 2011).

As Malaysia's capital market rises in importance, more research on firms' reporting behaviour should be undertaken. This is due to the significant role of corporate reporting as one of the valuable references used by the stakeholders to evaluate a firm; for example, in terms of sustainability and reputation. However, the current study focuses specifically on CSRR made by firms owing to its importance and relevance in today's competitive business environments. The quest of Malaysia to become a developed country by the year 2020 and achieve Vision 2020 is supposed to be based

[14] According to Ball *et al*. (2003), firms in Asian countries have less incentives for transparent disclosure that their counterparts (e.g. the US and the UK).
[15] Source: http://www.tradingeconomics.com/malaysia/gdp
[16] Source: http://www.tradingeconomics.com/gdp-list-by-country

on a well-balanced development between the economic, social and environmental aspects.

In Malaysia, both CSR and CSRR have received increased attention from various parties, especially the government (Amran & Devi, 2007; Amran & Devi, 2008; Lu & Castka, 2009; Othman *et al*., 2011). This has driven more CSRR research to be undertaken in the country. While the extant research on CSRR focused on non-financial industry (Haniffa & Cooke, 2005; Ghazali, 2007) and sensitive industries only (Othman *et al*., 2011), the current study includes firms from both financial and non-financial industry[17], and also sensitive and non-sensitive industries. This is based on the view that CSR provides the agenda for all firms, regardless of industry. Chung and Parker (2010) observed the extension of environmental concerns of the stakeholders to firms in service industry rather than firms in environmentally-sensitive industries only. In the case of Malaysia, even though different industries may be subject to different set of laws and regulations, they are subjected to the same reporting requirement or regulation in terms of CSRR in Malaysia.

Different CSR agendas set in different countries (Newell, 2005; Matten & Moon, 2008; CSR Asia, 2008; Visser, 2008; Saleh *et al*., 2011) motivate the researcher to employ a self-constructed CSRR checklist based on both conventional and Islamic perspectives of CSR for the purpose of the current study. The idea to combine the two lies upon the importance of Shariah approved firms in Malaysia, alongside the non-Shariah approved firms (Ousama & Fatima, 2010). Many principles of Islamic teachings (Shariah) are also related to the concepts of CSR (Sulaiman, 2005; Kamla *et al.*, 2006; Zulkifli, 2012). The construction of the CSRR checklist takes into account several checklists used in prior CSRR literature. References were also made to several CSRR guidelines

[17] Hamid (2004) highlighted a limited research that examined CSRR in finance industry.

and frameworks, such as the Global Reporting Initiatives (GRI) and recent CSR framework for Malaysian firms developed by Bursa Malaysia. This is to enable the capture of new CSR agenda in the context of Malaysia.

1.5 RESEARCH PROCESS

The outcome of this thesis is based upon a proper research process that involves identifying problems or issues of interests, reviewing prior related literature, constructing appropriate research design, then presenting analyses and discussions on the findings. The sample of the current study is drawn from the large firms listed on the main board of Bursa Malaysia from 2005 to 2009. In the current study, CSRR is represented by the quantity and quality of CSRR. While the quantity of CSRR is measured by the number of sentences, the quality of CSRR is based on a CSRR index. Data of the current study is gathered through content analysis procedure based on a self-constructed CSRR checklist. Information pertaining to ownership structure, board of directors' CSR experience, CSRR regulations and several firm-specific characteristics used in the current study, are captured from the manual search of the firms' annual reports that are publicly available in the Bursa Malaysia's website. To examine the associations between the variables of interest, several regression analyses are performed using Statistical Package for the Social Sciences (SPSS) software version 19.0.

1.6 ORGANISATION OF THESIS

This thesis is composed of eight chapters, which are arranged as follows:

Chapter one outlines an overview of the research. In this chapter, the rising social and environmental issues in the context of developing countries, particularly Malaysia, are highlighted. Then, the relevant research objectives and questions are identified. The chapter continues with an explanation about the research motivations and contributions as well as the research process involved.

Chapter two reviews related CSRR literature, focusing on the research and development of CSRR, in terms of theoretical and practical aspects. Among the topics included in this review are the trends and determinants of CSRR. These topics are discussed from various theoretical perspectives such as legitimacy theory, stakeholder theory and political economy theory.

Chapter three provides a review of the association between corporate ownership structure, board of directors' characteristics, reporting regulation and corporate reporting. This chapter highlights the manner in which several components of corporate governance may influence CSRR, namely corporate ownership structure, board of directors' characteristics and reporting regulation.

Chapter four outlines the research framework and elaborates the relevant hypotheses developed for the purpose of the current study. Overall, the current study is based on stakeholder and contingency theories.

Chapter five explains the methodology involved in conducting the research. Descriptions of research perspective, sampling procedures, measurements of research variables, data collection techniques, research instrument and regression models applied in the current study are presented in this chapter.

Chapter six presents the empirical results of the current study. These include the descriptive analysis of CSRR over the five-year period from 2005 to 2009, and the results of the multiple regression analysis that examines the associations between corporate ownership structure, board of directors' CSR experience, CSRR regulation and CSRR.

Chapter seven provides discussions of the results of the current study, as presented in Chapter six.

Finally, Chapter eight concludes the thesis by summarising the key research findings and highlighting important points pertaining to the contributions and implications of study, limitations of study, recommendations for future research and conclusions of study.

CHAPTER 2: CORPORATE SOCIAL RESPONSIBILITY REPORTING (CSRR): A REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter reviews literature related to CSRR. First, a brief notion of CSR is described in Section 2.2, followed by a more detailed review from Section 2.3 onwards. Discussions of CSRR begin with a general overview, followed by the development of CSR and CSRR research in Section 2.4. Next, a specific discussion of CSRR in the annual report is presented in Section 2.5. The chapter continues with a review of the nature and extent of CSRR in the annual reports in Section 2.6. Under this heading, several CSRR categories/themes used in previous literature are highlighted in Section 2.6.1 and the trends and patterns of CSRR in the annual reports are presented in Section 2.6.2. The variation of CSRR disclosed in firms' annual reports can be explained by a number of factors, some of which are elaborated in Section 2.7. Then, a review of several theories that have been used to explain CSRR is provided in Section 2.8, before a summary of the overall reviews concludes the chapter in Section 2.9.

2.2 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The fundamental idea of CSR relies upon the changing perception on the role of firms in society (Freeman, 1984). In contrast to Friedman (1970), who viewed profit maximisation as firms' sole responsibility, Freeman (1984) cites the obligation of firms to act in a socially responsible manner, alongside maximising profits. To operate in a socially responsible manner, firms are expected to enhance economic growth while protecting the environment and promoting social responsibility (Carroll, 1991). Firms need to fulfil their economic, legal, ethical and philanthropic responsibilities in order to become good corporate citizens (Carroll, 1991). They have the economic responsibility to be profitable, the legal responsibility to follow the laws that guide their ability to achieve their economic requirements, an ethical responsibility that include a range of societal norms or standards, and a philanthropic responsibility referring to the interest of doing well for society, regardless of its impact on profit. Figure 2.1 outlines the pyramid of CSR as suggested by Carroll (1991).

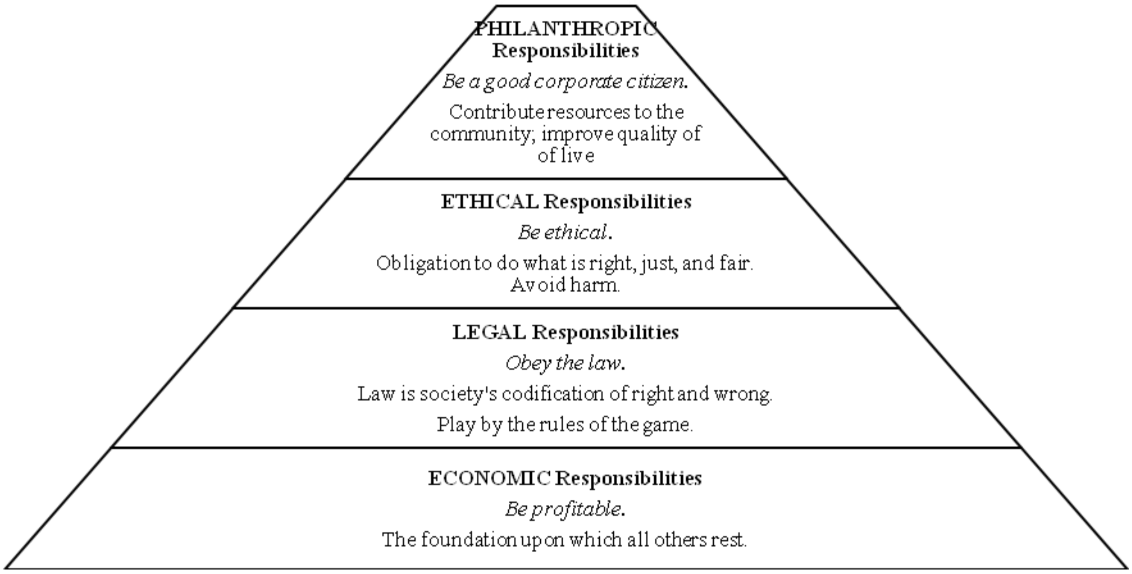


Figure 2.1: The Pyramid of Corporate Social Responsibility
(Source: Carroll, 1991, p. 42)

A firm’s responsibility is not only limited to the shareholders, but also extended to the wide range of stakeholders (Clarkson, 1995). There have been numerous definitions of ‘stakeholder’, as indicated in the extant literature (Clarkson, 1995; Laplume, Karan & Litz, 2008; Freeman, Harrison, Wicks, Parmar & De Colle, 2010). However, Freeman’s (1984) definition has been used widely in many studies, referring a stakeholder of a firm as any group or individual who can affect, or is affected by, the achievement of the firm’s objectives.

According to Clarkson (1995), there are two categories of stakeholders: (1) primary stakeholders: those whose continuing participation is necessary for the survival of the firm; and (2) secondary stakeholders: those who are not essential to the survival of the firm, although their actions can significantly damage or benefit the firm. Primary stakeholders include shareholders, employees, suppliers, customers, government and community, while secondary stakeholders include trade unions and environmentalists. Therefore, CSR can be referred to as the management of the various stakeholders' interest in relation to the economic, environmental, social and ethical issues (Cheung, Tan, Ahn & Zhang, 2009).

There have been a number of definitions given of CSR (Carroll, 1999; Dahlsrud, 2008). Carroll (1999) outlined the development of these definitions spanning from the early 1950s to the 1990s. According to Carroll, the core concept of CSR focuses on the relationship between business and society. CSR describes firms' responsibilities to their stakeholders as including society. It addresses and captures the most important concerns of the public regarding business and society relationship (Carroll, 1999).

Out of 37 CSR's definitions analysed in Dahlsrud (2008), the one provided by the Commission of the European Communities (2001) and the World Business Council for Sustainable Development (1999) is used frequently. The Commission of the European Communities (2001) defined CSR as 'a concept whereby firms integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis', while the World Business Council for Sustainable Development (1999) refers CSR as 'the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life'. Despite the variety of CSR definitions in different studies, Dahlsrud (2008) argued that most were looking at a set of CSR dimensions that include the social and environmental dimensions. Other dimensions that are included in the CSR definitions are the economic, ethical and stakeholder dimensions (Moura-Leite & Padgett, 2011).

According to Gibson and O'Donovan (2007), CSR can be demonstrated through an increase in its reporting in the annual reports. Detailed discussion on CSRR is provided in Section 2.3. It is not the intention of this thesis to discuss in a greater detail about CSR from the management perspective, as the focal subject of this thesis is on the reporting aspect of CSR, viewing CSRR from the accounting perspective, particularly in the national context of Malaysia. Therefore, more discussions are provided on the reporting aspect of CSR, as detailed in the next section.

2.3 CORPORATE SOCIAL RESPONSIBILITY REPORTING (CSRR)

CSRR has received increased attention from both academic and corporate sectors following its importance in exhibiting firms' accountability and transparency to stakeholders (Gray *et al*., 1996; Hess, 2007) and demonstrating good corporate reputation (Hooghiemstra, 2000; Bebbington *et al*., 2008; Criado-Jimenez *et al*., 2008). CSRR is defined as 'the provision of information about a particular firm that may embrace any subject in any mediums to any parties with the aim of providing a solution for improved accountability to a wide array of stakeholders on environmental and societal issues' (Gray, Kouhy & Lavers, 1995a). It involves extending firms' accountability beyond the traditional role of providing a financial account (Gray *et al*., 1996), and covers a variety of forms and appears under various labels; for example, social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting and environmental accounting and reporting (Gray, 2002). It encompasses both the voluntary and mandatory reporting made by firms regarding issues that are important to a wide range of stakeholders, covering more than solely economic concern (Gray *et al*., 1995a; Jenkins & Yakovleva, 2006).

Zulkifli (2012), who reviewed the definition of several new forms of accounting, also analysed that social and environmental accounting, social accounting, corporate social reporting and social responsibility accounting generally have the same definitions. These terms have been used interchangeably in many previous CSRR research to mean CSRR (Gray *et al*., 1995a; Gray *et al*., 1996; Branco & Rodrigues, 2008a). Despite the variety of terms used to describe the social and environmental reporting by firms, for example, 'social (and environmental) accounting (disclosure)' and 'corporate social (and environmental) reporting (disclosure)', this thesis uses the term 'CSRR' to describe the social and environmental reporting by firms.

2.4 THE DEVELOPMENT OF CSRR AND CSRR RESEARCH

The development of CSRR has been well-acknowledged in many literatures for more than two decades (Mathews, 1997; Gray, 2002, 2010; Parker, 2005, 2011; Deegan & Soltys, 2007; Owen, 2008). Despite the different perspectives used in reviewing CSRR research, generally, researchers are in agreement on a number of issues pertaining to the current state and future prospects of the field. For example, most researchers acknowledge the continuous development of CSRR research over time. Such development occurs not only in developed countries, but also in developing countries. However, researchers continue to wrestle with a multiplicity of theoretical approaches used to explain CSRR. The growing literature on CSRR reflects an increasing focus and concern of both the academic and corporate sectors on the social and environmental issues that drive research efforts theoretically and empirically (Belal & Momin, 2009; Eugenio, Lourenco & Morais, 2010; Islam, 2010; Fifka, 2013).

CSRR began its journey to become a substantial research discipline in the early 1970s, when most empirical works were mainly descriptive in nature and focused on social issues. Research during this period was theoretically under-developed with limited studies examining the motivations of CSRR (Mathews, 1997). CSRR continued to develop in the 1980s with more analytical works conducted, particularly on environmental issues, as these issues started to gain popularity. These analytical works involved the empirical testing of specific conceptual frameworks or proposals.

Research was more theoretically informed with the introduction of various perspectives into CSRR research; for example, the decision-usefulness, economy, and social and political perspectives (Mathews, 1997). Gray *et al*. (1995a), who reviewed several perspectives to explain CSRR, argued the limited contribution of the decision-usefulness and the economy perspectives. However, they acknowledged the continuous contributions made by the social and political perspective in driving more research efforts on CSRR from the 1990s onwards.

While social reporting received so much attention in the 1970s and 1980s, it disappeared in the early 1990s due to a change in direction for the research of environmental reporting (Gray *et al*., 1995a; Mathews, 1997). However, a resurgence of interest in social reporting, in addition to environmental reporting, occurred from the mid-1990s (Gray *et al*., 1995a; Mathews, 1997), focusing on eco-justice and eco-efficiency (Bebbington, 1997). CSRR has been further developed recently to include triple bottom line (TBL) reporting and sustainability reporting (Bebbington, 1997; Gray, 2002; Owen, 2008; ACCA, 2010; Gray, 2010). TBL reporting encompasses economic, social and environmental dimensions of corporate reporting. Sustainability reporting originated from the firms' concern of sustainability. As emphasised in the Brundtland Report (1987), firms should aim to achieve sustainable development that is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The greater focus placed by government, professional accounting bodies and firms on the social and environmental issues led to the substantial growth of CSRR research from the mid-1990s (Deegan, 2002) with a predominance of environmental reporting research within the growth of CSRR research (Parker, 2011). Among the topics studied so far include, motivations, determinants, and methods of reporting; types of disclosure, and various parties' reactions to, or perceptions of, disclosure or reporting practices.

The majority of CSRR studies were investigated from the perspective of developed countries; for example, the US, the UK and Australia. Moreover, Spain, the Netherlands and Finland have also been identified by Parker (2011) as the leading non-Anglo-Saxon[18] contributors to CSRR literature. Despite the small amount made by the developing countries, the number of contributions continues to increase (Owen, 2008; Belal & Momin, 2009; Islam, 2010).

Several studies claimed that the interest among researchers in CSRR research has tended to fluctuate for a number of decades (Gray *et al*., 1995a; Mathews, 1997; Deegan, 2002). This has been due to several reasons, such as lack of agreed theoretical perspectives to drive systematic research (Ullmann, 1985; Gray *et al*., 1995a), researchers entering and leaving the field (Mathews, 1997; Deegan & Soltys, 2007) and the relative popularity of CSRR topics over a particular time period (Gray *et al*., 1995a;

[18] Anglo-Saxon countries refer to the English-speaking countries, such as the US, the UK, Canada, Australia and New Zealand.

Mathews, 1997; Deegan, 2002). Nevertheless, the importance of CSRR research remains as a result of the greater concerns of stakeholders on the social and environmental implication of firms' activities and the corporate governance reform around the world.

2.5 CSRR IN THE ANNUAL REPORT

CSRR has demonstrated the acceptance of firms' broader responsibility to the stakeholders and interests to report CSR information (Adams & Zutshi, 2004). CSRR has also received much attention in firms due to the potential it offers; for example, it promotes good reputation, minimises risks and influences or delays legislation (Adams, 2002; Adams & Zutshi, 2004; ACCA, 2010; Dhaliwal, Li & Yang, 2011). In other words, the stakeholders may have better understanding of the firms' activities through the CSRR disclosed. This may reduce stakeholders' criticisms; hence, leading to improved reputations (Adams, 2002). CSRR may also minimise the risks of losing money in settling fines from breach of regulations and clean-up costs out of irresponsible business activities, thus leading to cost-saving (Adams, 2002; Adams & Zutshi, 2004). CSRR can also help improve firms' performance (Adams & Zutshi, 2004) and cost of capital (Dhaliwal *et al*., 2011).

According to Dhaliwal *et al*. (2011), firms with a high cost of equity capital in the previous year tend to initiate CSRR, as the initiating firms with superior social responsibility performance enjoy a subsequent reduction in the cost of equity capital and attract dedicated institutional investors and analyst coverage. In response to the question of whether CSRR add any value to the pursuit of profit, Gray (2006) did not deny its possibility, yet emphasised the accountability role of the reporting on the sustainability of human life and planet as a whole. CSRR may also represent a source of competitive advantage for firms (Ingley, 2008).

A number of reporting media has been used by firms in communicating their CSRR (Jenkins & Yakovleva, 2006); for example, via annual reports (Gray, Javad, Power & Sinclair, 2001; Stanton & Stanton, 2002), websites (Adams & Frost, 2006; Branco & Rodrigues, 2008b; Guthrie, Cuganesan & Ward, 2008a; Wanderley, Lucian, Farache & Filho, 2008), stand-alone reports (ACCA, 2001; Tilt, 2001b; Chen & Bouvain, 2009), advertisements and brochures (Zeghal & Ahmed, 1990; Tilt, 2001b), media releases (Brown & Deegan, 1998; Deegan, Rankin & Tobin, 2002) and newsletters (Tilt, 2001b).

However, the importance of annual reports has made it being chosen as a more practical option in conducting research (Gray *et al*., 2001), especially in a large scale and longitudinal basis of study. This has been indicated in a number of CSRR literatures (Gray *et al*., 1995b; Neu, Warsame & Pedwell, 1998; Gray *et al*., 2001; Stanton & Stanton, 2002; Campbell, Moore & Shrives, 2006). For example, an annual report represents one of the major sources of information and reporting tools that provides useful information to a wide range of users, including shareholders and other stakeholders (Halme & Huse, 1997; Campbell *et al*., 2006).

According to Stanton and Stanton (2002), annual reports are recognised as the most comprehensive communication channel with the potential of making information easily and regularly available to the public in a single document. The association of the annual reports with regulation and audit has made it a credible corporate document (De Villiers & Van Staden, 2011); hence, the annual reports can be an effective method of managing external impression (Neu *et al*., 1998).

The reporting role and credibility of the annual report as a focal corporate document has made it become the main choice of media in reporting corporate information, including CSR information. Annual reports have been used widely as the main source of CSR information in many of the CSRR research (Hackston & Milne, 1996; Deegan, Rankin & Voght, 2000; Haniffa & Cooke, 2005; Tilling & Tilt, 2010; De Villiers & Van Staden, 2011). Adams and Zutshi (2004) highlighted that Australian firms continue to use annual reports as a primary source of reporting on environmental information.

Furthermore, De Villiers and Van Staden (2011) noted that firms report environmental information mostly in their annual reports and on their websites. Based on a sample of US firms, De Villiers and Van Staden (2011) found that varying levels of environmental reporting are provided in annual reports and on websites under different conditions. Firms report more environmental information on their websites when faced with an environmental crisis, and more in their annual reports when they have a bad environmental reputation (De Villiers & Van Staden, 2011). In other words, De Villiers and Van Staden (2011) suggested that different reporting media serve different purposes and have different audiences. For example, annual reports have been proposed as the most appropriate media used to communicate with the providers of capitals, especially shareholders and creditors.

Despite the increasing popularity of stand-alone reports and Internet/website as CSRR media (Guthrie *et al*., 2008a; Chen & Bouvain, 2009), several researchers argued that such phenomena might be valid only in the context of Western developed economies (Williams & Pei, 1999; Chapple & Moon, 2005; Belal & Momin, 2009). Differences in the level of socio-economic (Xiao, Gao, Heravi & Cheung, 2005) and technological development (Williams & Pei, 1999) between developed and developing countries may contribute to the lower adoption levels of CSRR media other than annual reports. For example, websites may not be used widely for business communication in Asia countries in comparison with Western countries (Williams & Pei, 1999; Chapple & Moon, 2005).

Based on questionnaire surveys and structured interviews conducted within selected firms participating in the Malaysian Environmental and Social Reporting Awards (MESRA) 2007, Sawani, Zain and Darus (2010) revealed that CSRR was incorporated mostly in the firms' annual reports. The use of stand-alone reports was very limited and the progress towards such practice was slow (Sawani *et al.*, 2010). Overall, evidence from the extant CSRR studies documented the importance of annual reports as CSRR media, particularly in the context of developing or Asian countries.

Regardless of the reporting media, much of the extant CSRR research has focused on developed countries, with evidence from developing countries remaining limited but increasing over time (Belal & Momin, 2009; Islam, 2010). This has invited more rigorous research to be undertaken in developing countries, in order to obtain some indication of the extent to which cultural, political and institutional differences between the developed and developing countries affect CSR activities and reporting (Jones, 1999; Matten & Moon, 2008).

2.6 THE NATURE AND EXTENT OF CSRR IN ANNUAL REPORT

The nature and extent of CSRR in annual reports have been much investigated in both developed and developing countries (Belal & Momin, 2009; Eugenio *et al*., 2010). Most studies document a variation in CSRR disclosed in terms of the nature (e.g. positive or negative information, good or bad news), extent (e.g. volume of reporting for each theme included in the CSRR's instrument employed) and location (e.g. chairman's statement, separate section in the annual report, operations and reviews section) of reporting. Past empirical research that examined the nature and extent of CSRR in the annual reports conducted either cross-sectional analysis or longitudinal analysis of CSRR disclosed, by either a single firm or multiple firms.

Cross-sectional analysis of CSRR is very common in the literature. A number of evidence on the cross-sectional analysis of CSRR has been gathered from various countries; for example, European nations (Roberts, 1991; Adams, Hill & Roberts, 1998), Arab nations (Abu-Baker & Naser, 2000; Kamla, 2007), Australia (Tilt, 2001a; Guthrie, Cuganesan & Ward, 2008b), New Zealand (Hackston & Milne, 1996), Malaysia (Thompson & Zakaria, 2004; Amran & Devi, 2008; Othman *et al*., 2011) and Bangladesh (Belal, 2001; Hossain, Islam & Andrew, 2006), to name a few. There have also been plenty of studies that analysed CSRR on a longitudinal basis. This range of studies presents the trends and patterns of CSRR over a specific period. Reviews of the longitudinal study of CSRR are provided in Section 2.6.2.

2.6.1 CSRR Categories/Themes

Different categories of CSRR have been used in different studies to reflect the different CSR orientation set in different countries (Newell, 2005; Welford, 2005; Visser, 2008) and changes in CSR focus over time (Gray *et al*., 1995a; Owen, 2008). Earlier CSRR research (Cowen, Ferreri & Parker, 1987; Zeghal & Ahmed, 1990; Patten, 1991) relied on the categories suggested initially by Ernst and Ernst (1978, cited in Patten, 1991); the US-based research. There are seven themes of CSRR included in Ernst and Ernst's (1978) instrument: environment; energy; community involvement; human resources; fair business practices; products; and other disclosures. Several other studies employed the same instrument, yet excluded 'fair business practices' as a CSRR theme in their analysis (Trotman & Bradley, 1981; Guthrie & Parker, 1989; Guthrie & Parker, 1990).

Milne and Adler (1999) claimed that 'fair business practices' was included under the 'human resource' theme in Guthrie's CSRR instrument.

Newson and Deegan (2002) added 'diversity' to the seven themes used by Ernst and Ernst (1978). Guided by Guthrie's CSRR category, Gray *et al*. (1995a, b), who studied CSRR in the UK, suggested a list of themes that can be further classified into four broader themes; environment, community, employee and customer. These were employed by Pratten and Mashat (2009) in their study of CSRR in Libya. Ness & Mirza (1991), who examined the CSRR disclosed by the UK firms, also relied on these four broad themes, yet 'product' replaced the 'customer' theme.

Hackton and Milne (1996) proposed environment, energy, community involvement, employee health and safety, employee others, products and others as CSRR themes in their study in New Zealand. They referred to the works of Ernst and Ernst, Guthrie and Gray *et al*. in constructing their CSRR category. Later, Deegan *et al*. (2002) modified Hackston and Milne's (1996) work by excluding the 'product' theme and combining 'employee health and safety' and 'employee others' into one theme, labelled as 'employee'.

Williams (1999), Abu-Baker and Naser (2000), Thompson and Zakaria (2004), Gao, Heravi and Xiao (2005) and Hossain, Islam and Andrew (2006) shared four common themes of CSRR in their studies, namely environment, energy, community involvement and human resource. While the 'products and customers' theme was added in Williams (1999) and Thompson and Zakaria's (2004) study, 'products' was added as a theme in Abu-Baker and Naser (2000) and Hossain *et al*.'s (2006) study. Gao *et al*. (2005) added 'health and safety' and 'fair business practices' to their list of themes. Generally, the addition and exclusion of themes in a study reflects the different CSR focuses of differing studies. It also denotes the changes in CSR focus over time and the relative importance of certain themes in different countries.

Despite a list of themes used in prior CSRR research, there are three common themes that were used widely; ‘environment’, ‘community’ and ‘employee’ (Milne & Chan, 1999). The emergence of these common themes corresponds with the changing demands of public interest that go beyond employees’ related matters, and include the environment and local community-related matters (Milne & Chan, 1999). It could also signify the importance of these three themes to CSR agendas in most of the countries around the world.

Kuasirikun and Sherer (2004) adopted these three themes in examining CSRR in Thailand, while Tsang (1998) added ‘other’ theme that includes product quality as sub-theme of CSRR exploration in Singapore. Additional themes such as consumer relations, product safety and shareholder rights were included to the existing common themes in Smith, Adhikari and Tondkar’s (2005) study of the Norwegian/Danish and the US firms in the electric power generation industry.

Haniffa and Cooke (2005) added ‘product or service information’ and ‘value-added information’ themes to their CSRR categories investigated from the context of Malaysia, whereas Branco and Rodrigues (2008b) included ‘products and consumers’ in the examination of Portuguese firms. Othman *et al*. (2011) added a ‘marketplace’ theme to the existing themes and labelled ‘employee’ theme as ‘workplace’. The ‘marketplace’ and ‘workplace’ labels reflect the themes introduced to the CSRR framework by Bursa Malaysia in September 2006, which serves as voluntary guidelines for public listed firms in Malaysia in relation to their CSRR matters.

There have also been several studies that classified CSRR categories into broader areas of similar themes (Adams *et al*., 1998; Kamla, 2007). Adams *et al*. (1998), who investigated CSRR in Western Europe, employed three themes; environmental reporting, reporting on employee issues and ethical reporting. In their study, Adams *et al*. (1998) defined ethical reporting as ‘any information, except employee or environmental, that was concerned directly or indirectly with giving an impression of corporate ethical values’, which includes a wide range of specific topics; for example, customer relations, community involvement, equal opportunities, investment policies, charitable and political activities and product safety.

In examining CSRR in the Arab countries of the Middle East, Kamla (2007) included ‘economic’ and ‘other cultural characteristics of the annual reports’ as themes, in addition to ‘environmental’ and ‘general social’ themes. The ‘economic’ theme refers to supplier relations, customer relations, Islamic considerations in firm business decisions and activities, and linking corporate business activities and decision making to governmental and national considerations while ‘other cultural characteristics of the annual reports’ include other indications of Islamic and nationalistic influence on reporting (Kamla, 2007). Community and employee-related information are included under the ‘general social’ theme (Kamla, 2007).

Several common themes or dimensions of CSRR have been identified following the growth of literature on the topic over the years; for example, environmental concerns, community involvement, employees’ welfare, products and others issues. These common themes of CSRR offer useful benchmarks and guidelines for researchers to drive future investigations. CSRR seems to be led by developed countries, as most of the earlier instruments were derived from developed countries.

However, more CSRR contributions emerged from the developing countries from 2000 onwards, adapting instruments that originated from the Western perspective. Several studies have also attempted to discuss CSRR from an Islamic perspective (Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Pratten & Mashat, 2009), as many principles of Islamic teachings (*Shariah*) are related to the concept of CSR. Perhaps a growing trend of CSRR research in developing countries could motivate researchers to build instruments that suit the needs of a specific country and time, since different countries have different focuses (Newell, 2005; Welford, 2005; CSR Asia, 2008; Visser, 2008) and that the CSR focus tends to be varied across different time (Gray *et al*., 1995a; Owen, 2008).

2.6.2 Trends and Patterns of CSRR in the Annual Report

Existing literature on the nature and extent of CSRR can be categorised in terms of the basis of study; for example, cross-sectional versus longitudinal, country-specific versus international comparative, and developed versus developing countries. The cross-sectional nature of CSRR research that relies on single year data does not allow researchers to examine the trend of CSRR over a period of time. In order to overcome this weakness, a number of researchers have conducted CSRR analysis in a longitudinal basis. By examining the trend of CSRR, researchers may observe the manner in which firms respond to the rising social and environmental issues, any specific events that occur in a particular year or time-period, or any other reasons that may influence the changes in CSRR over a specified time-period. This is important in terms of measuring the level of commitments of CSRR demonstrated by firms.

As observed in several CSRR literatures, there is a variation of CSRR over time, even in a single-firm study. This variation resulted from a specific event that occurs at one specific time-period, emphasising the use of CSRR as an instrument to manage the demands of stakeholders (see Buhr, 1998; Deegan *et al.*, 2002; Tilling & Tilt, 2010). For example, Campbell (2000), who conducted a longitudinal analysis of CSRR made by a British retailer, Marks and Spencer Plc, observed variability in the volume of CSRR over the period of 1969 to 1997, which can be explained by the varying perceptions of reality of the successive chairmen.

In analysing environmental reporting made by Falconbridge, Buhr (1998) witnessed changes in reporting from 1964 to 1991, reflecting the importance of a specific agenda in each period, for example, pollution reduction and regulation compliance. Falconbridge is an international resource firm engaging primarily in mining and smelting of nickel activities in Sudbury, Ontario, Canada. The firm has struggled to manage sulphur dioxide emission in its operations (Buhr, 1998). An increasing focus on political matters can be observed with a movement of reporting trend from ‘fact’ to one based on ‘claims’ and ‘promise’ (Buhr, 1998).

Tilling and Tilt (2010) examined the CSRR made by Rothmans Ltd over a 43-year period (1956 to 1999). Rothmans Ltd was one of the tripartite of firms that dominated the Australian tobacco market (Tilling & Tilt, 2010). Being in the tobacco industry, Rothmans Ltd, which faced a major threat to its legitimacy due to smoking and health issues, chose not to engage with those issues, focusing instead on community service and charitable work (Tilling & Tilt, 2010). However, when the industry became highly regulated, scrutinised and taxed, the firm surrendered its charitable community involvement and subsequent reporting, as it no longer seemed important in trying to defend its legitimacy (Tilling & Tilt, 2010).

A longitudinal CSRR analysis of Broken Hill Proprietary (BHP) Company Ltd was undertaken by Guthrie and Parker (1989) and Deegan *et al*. (2002). BHP is one of the Australian largest firms engaging in the steel industry. While Guthrie and Parker (1989) presented a 100-year analysis of CSRR (1885 to 1985), Deegan *et al*. (2002) covers a 15-year period (1983 to 1997). Both studies reported a variable pattern of CSRR in BHP and attempted to relate specific CSRR to specific community concerns.

Guthrie and Parker (1989) tested the application of legitimacy theory in explaining the CSRR of BHP. They compared the observed peaks of disclosure frequency over time with the relevant social, economic or political events of the firm in the same, or immediately preceding, time periods. Their analysis did not confirm the application of legitimacy theory as the primary explanatory theory for CSRR disclosed by the firm.

Deegan *et al*. (2002) argued that the way Guthrie and Parker (1989) measured the community concern might have led to such findings. For example, Guthrie and Parker (1989) relied on the contents of a 'data bank of all major events and issues relating to BHP', which they acknowledged may exclude some important events or activities in BHP's history, as a measure of community concern. In contrast, Deegan *et al*. (2002), who related the extent of media attention, as a measure of community concern, with CSRR disclosed by BHP on the same issues, found significant positive correlations with the general themes of environment and human resources, as well as for various sub-issues within these, and other, themes. Deegan *et al*.'s (2002) findings suggested that management released positive social and environmental information as a response to unfavourable media attention.

Rather than focusing on single-firm study, a number of researchers have also analysed CSRR based on a sample of firms on a longitudinal basis (see Patten, 1992; Gray *et al*., 1995a; Neu *et al*., 1998; Deegan *et al*., 2000; Campbell, Craven & Shrives, 2003; Haniffa & Cooke, 2005; De Villiers & Van Staden, 2006; Pratten & Mashat, 2009; Mahadeo, Oogarah-Hanuman & Soobaroyen, 2011). This range of studies tends to produce more generalised results of the trend of CSRR (e.g. in the context of industry-specific or country-specific) compared with the specific results of the pattern of CSRR in one particular firm (e.g. firm-specific or case-study).

For example, Patten (1992) observed a change in environmental reporting made by 21 firms in the US petroleum industry following the Exxon Valdez oil spill. There was significantly more environmental reporting made in the post-oil spill accident, reflecting the need of the industry to increase reporting in order to manage the increased concern of different stakeholders following the accident; thus, being viewed as legitimate in the eyes of society.

An examination of CSRR in a sample of UK firms dictated a change in reporting made by firms over a 13-year period of analysis (Gray *et al*., 1995a). Based on a sample of 444 random observations from 1979 to 1987, and top 100 firms from 1988 to 1991, Gray *et al*. (1995a) found a significant increase in CSRR disclosed, especially the environmental-related information from 1988 onwards. A general rise in the proportion of firms reporting CSRR is also dictated by Gray *et al*. (1995a). Niskala and Pretes (1995), who drew their sample from 75 Finnish firms that represented largest firms in the most environmentally sensitive industries, observed a significant change in environmental reporting practices during the period of study (1987 and 1992). The reporting firms increased from slightly over one-quarter of the sample in 1987 to nearly one-half in 1992, with much of the reporting was qualitative in nature (Niskala & Pretes, 1995).

Deegan and Gordon (1996) investigated the extent of environmental reporting of 197 Australian firms across 50 industries in 1991 and another 25 firms between 1980 and 1991. They found that only 36 percent of the sampled firms disclosed environmental information, with the majority of reporting being positive in nature (Deegan & Gordon, 1996). A significant increase in environmental reporting was observed during the period of study, focused on environmentally sensitive industries (Deegan & Gordon, 1996).

Deegan and Rankin (1996) also offered similar findings based on their study of 20 firms prosecuted for environmental breaches from 1990 to 1993, whereby prosecuted firms were found to disclose more environmental information in the post-prosecution period, possibly with the intention of responding to the negative publicity resulting from the prosecution. In examining the reaction of Australian firms to several major social accidents that had far-reaching social and environmental implications, Deegan *et al*. (2000) reported an increase in CSRR following the accidents. The five social incidents reviewed in Deegan *et al*.'s (2000) study are: the Exxon Valdez oil spill; the Bhopal disaster; the Moura Mine disaster in Queensland; an oil spill caused by the Iron Baron off the coast of Tasmania; and the Kirki oil spill, off the coast of Western Australia.

Tsang (1998) presented a longitudinal analysis of CSRR made by public-listed Singapore-based firms in the banking, food and beverage, and hotel industries from 1986 to 1995. Out of 33 sampled firms, 16 did not disclose any CSRR throughout the 10-year period (Tsang, 1998). Based on the analysis of the reporting firms, Tsang (1998) reported a low level of CSRR in the beginning, before increasing steadily during the late 1980s, and remaining static from 1993 onwards.

Several other studies conducting a longitudinal analysis of CSRR also documented an increase in CSRR disclosed during the period of study (see Gao *et al*., 2005; Haniffa & Cooke, 2005; Gibson & O'Donovan, 2007; Pratten & Mashat, 2009; Saleh *et al*., 2010; Mahadeo *et al*., 2011). Gao *et al*. (2005) relied on 33 Hong Kong listed firms from 1993 to 1997 as the sample for their study, while Haniffa and Cooke (2005) based their study on a sample of public-listed firms in Malaysia in 1996 and 2002. Pratten and Mashat (2009) used 56 Libyan firms as a sample in their longitudinal CSRR analysis from 1999 to 2002, while Mahadeo *et al*. (2011) derived their sample from listed firms in Mauritius between 2004 and 2007.

Gibson and O’Donovan (2007) presented a 21-year period of environmental reporting analysis from 1983 to 2003 based on a sample of Australian firms. Saleh *et al*. (2010) extended the CSRR analysis in Malaysia by using data obtained from 2000 to 2005. According to Saleh *et al*. (2010), even though there is an increasing trend over time, the CSRR disclosed by firms varied over the six-year period of analysis.

A longitudinal analysis of CSRR is also observed in a range of studies that investigated the changes in CSRR between the voluntary and mandatory period of reporting. Most examined the changes in environmental reporting before and after the regulation was introduced (see Larrinaga *et al*., 2002; Cowan & Gadenne, 2005; Frost, 2007; Criado-Jimenez *et al*., 2008).

Following the introduction of environmental reporting standards in Spain, Larrinaga *et al*. (2002) dictated an increase in the number of reporting firms between the 1997 and 1999. Later, Criado-Jimenez *et al*. (2008) reported an increase in the volume and quality of environmental reporting in the financial statements of 78 of the largest Spanish firms from 2001 to 2003. According to Criado-Jimenez *et al*. (2008), the increment in reporting reflects the progressive and improved regulation on environmental reporting made in the country. In the context of Australia, Frost (2007) observed a significant increase in the number of reporting firms and the level of information provided on environmental performance, as a result of the introduction of mandatory environmental reporting guidelines in the country. Findings from these studies supported Tilt and Symes' (1999) argument on the rise of reporting in the presence of mandatory reporting requirements.

Based on the review of related CSRR literature, it is shown that CSRR practices changed over the past decades in order to respond to demand for such reporting. For example, greater CSRR is observed in high-profile firms, such as firms that are larger in size and classified in environmentally sensitive industries. While the majority of studies documented an increase in CSRR over time, several studies reported a reduction in CSRR (see Campbell *et al*., 2003; Kuasirikun & Sherer, 2004; De Villiers & Van Staden, 2006; Tilling & Tilt, 2010).

Campbell *et al*. (2003), who investigated the voluntary CSRR disclosed by firms in tobacco, brewing and retailing industries in the UK from 1975 to 1997, found that CSRR made in annual report varies substantially between firms and industries, and over time. According to Campbell *et al*. (2003), firms that are expected to disclose more CSRR do not always do so. This argument is supported by De Villiers and Van Staden (2006), who reported a reduction in environmental reporting after an initial period of increase, based on a sample of 140 South African firms over a 9-year period (1994-2002). Similar findings can be seen in Tilling and Tilt's (2010) study on CSRR of Rothmans Ltd over a 43-year period.

Kuasirikun and Sherer (2004), in observing a slight reduction in the percentage of reporting firms in Thailand from 86 percent in 1993 to 77 percent in 1999, argued that this might be attributable to the financial crisis of 1997. However, Mia and Mamun (2011), who examined the effect of the global financial crisis in year 2008 on CSRR, revealed an insignificant upward change in CSRR disclosed by 48 selected utilities and industrial firms in Australia between 2006 (before the global financial crisis) and 2008 (during the global financial crisis). Despite facing a significant drop in profitability from 2007 to 2008, the utilities and industrial firms were found not to avoid the CSRR during the financial crisis, rather the amount of disclosure increased during the financial crisis as compared to the period before the crisis (Mia & Mamun, 2011). Pinto and De Villiers (2012), who investigated the trend of CSRR disclosed by top 50 New Zealand listed firms from 2005 to 2010, also dictated similar findings; whereby the level of CSRR disclosed remained consistent even during the financial crisis.

There has also been a range of studies that attempted to compare CSRR practices in different countries. For example, Guthrie and Parker (1990) compared the CSRR disclosed by firms in the US, UK and Australia, whereas Williams (1999) analysed that of firms in seven Asia-Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia). While Golob and Bartlett (2007) compared the CSRR practices of Australia and Slovenia, Xiao *et al*. (2005) differentiated between CSRR disclosed by Hong Kong and the UK firms from 1993 to 1997. Overall, these studies documented cross-national differences in the CSRR released by firms in different countries.

Adams *et al*. (1998) found that the amount and nature of CSRR disclosed varies significantly across six countries (France, Germany, The Netherlands, Sweden, Switzerland and the UK) in Western Europe. Newson and Deegan (2002) revealed that

Australian multinational firms disclosed more CSRR, followed by the Singaporean and South Korean multinational firms. Large Norwegian/Danish firms were found to have a higher level and quality of CSRR than US firms (Smith *et al*., 2005). Smith *et al*. (2005) suggested that firms from countries with stronger emphasis on social issues have a stakeholder orientation, thus provide greater quantity and quality of CSRR compared to firms from a country with a weaker emphasis on social issues and have a shareholder orientation. In comparing the environmental reporting made between a sample of European and American multinational firms, more reporting was revealed in the European multinationals' annual reports than the American multinationals (Saida, 2009). Comparative studies that relied on separate or stand-alone CSR reports (Chen & Bouvain, 2009) and websites (Williams & Pei, 1999; Chapple & Moon, 2005) as sources of CSRR also dictated a variation in CSRR disclosed by firms across the countries.

In summary, reviews of the relevant CSRR literature observed a change in CSRR disclosed by firms over a period of time. The variation of CSRR is attributed to specific events such as major social accidents or imposition of regulation, or general changes in stakeholders' perception that are represented by the intensified awareness of the stakeholders on the social and environmental implication of firms' activities. Moreover, the need for greater efforts to analyse CSRR on a longitudinal basis prevails to capture the effects of specific events, if any that may occur during the periods of analysis.

The cross-sectional basis of CSRR analysis that relied on single-year data does not permit the analysis of the trend and patterns of CSRR over a period of time. In comparison with a case-study basis of CSRR analysis that focuses on a single-firm study, the use of multiple firms enables researchers to make generalisations on the findings revealed in the study conducted. Nevertheless, the choices of the basis of

CSRR analysis performed in one study are largely dependent on the objectives of the study.

2.7 DETERMINANTS OF CSRR

Significant variations in CSRR disclosed by firms can be explained by a number of factors; including firm size and industry. Based on a sample of 207 Australian firms, Trotman and Bradley (1981) concluded that a greater amount of CSRR is found in firms that are larger in size, have higher systematic risk and place stronger emphasis on long-term decisions. In examining the association between several firm characteristics, specifically, firm size, industry classification, profitability and the presence of a CSR committee, and CSRR, Cowen *et al*. (1987) revealed that firm size and industry classification were associated with CSRR disclosed by firm based on their analysis of 134 US firms. Similar findings were observed in Belkaoui and Karpik's (1989) study that relied on the US-based data of 1973, whereby firms that disclosed CSRR appear to be those that were larger in size, with higher systematic risk and lower leverage, and perceived to display social responsiveness.

Patten (1991), in his analysis of 128 US firms in 1985, found that firm size and industry classification were related significantly to the level of CSRR disclosed, while profitability is not. The same findings were revealed in Hackston and Milne's (1996) study based on their analysis of 47 top firms listed on the New Zealand stock exchange in 1992. Patten (1991) argued that CSRR is used to address the exposure faced by firms with regard to the social and environmental issues, thus it should be related more closely with the public pressure variables such as firm size and industry than profitability measures.

Gray *et al*. (1995a) also found firm size as a significant variable in explaining the level of CSRR in the UK firms. While firm size and industry were revealed to correlate with the level of CSRR disclosed by firms in Hong Kong (Gao *et al*., 2005), firm size and business risk were found to associate with CSRR made by firms in Qatar (Naser, Alhussaini, Alkwari & Nuseibeh, 2006). Drawing upon a sample of firms in Malaysia, Haniffa and Cooke (2005) discovered that firm size, type of industry, profitability and multiple listing were related significantly to CSRR.

Of five variables, specifically international experience, firm size, media exposure, and two proxies represent industry affiliation, namely consumer proximity and environmental sensitivity hypothesised in Branco and Rodrigues' (2008b) study of Portuguese firms, media exposure and firm size were found to have positive associations with the level of CSRR disclosed. Neu *et al*. (1998) related shareholder concerns, media coverage and general level of societal attention to the level of CSRR disclosed by firms. Their study is based on a sample of 15 firms in each of the mineral extraction, forestry, oil and gas, and chemical industries in Canada between 1982 and 1991. Similarly, Brown and Deegan (1998) also documented an association between media coverage and environmental reporting in annual reports of Australian firms from 1981 to 1994. Deegan and Gordon (1996) linked the increase in environmental reporting to the apparent increase in societal concerns relating to environmental issues.

Adams *et al*. (1998) explored the factors influencing CSRR in Western Europe based on a sample of firms from six Western European countries. Their study discovered that firm size, industry and 'country of domicile' influence the CSRR patterns of a firm. Newson and Deegan (2002) found that 'country of origin' and 'industry of operation' influence significantly the CSRR practices of large Australian, Singaporean and South Korean multinational firms. Firms operated in high-profile industries such as raw material extraction, chemical, wood, and paper and forestry disclose significantly more CSRR compared with firms in low-profile industries, for example, in services, healthcare, computers and electronics industries (Newson & Deegan, 2002). Other studies that documented the differences in CSRR practices across countries claimed that such differences were attributable to the differences in the social, cultural, political and economic systems of the countries (Guthrie & Parker, 1990; Williams, 1999; Smith *et al*., 2005; Xiao *et al*., 2005; Golob & Bartlett, 2007).

The majority of studies investigating the influential factors in determining the nature and extent of CSRR have focused on the impact of firm characteristics (e.g. size, industry, profitability, leverage) or general contextual factors (e.g. the social, political and economic context). Firms that are larger in size, higher risk, more profitable and categorised under high-profile firms (e.g. firms in environmentally-sensitive industry) tend to disclose significantly more CSR information compared with other firms.

Beside firm-specific characteristics, Adams (2002) identified a number of internal contextual factors that influencing the nature and extent of CSRR; for example, board of directors, corporate social reporting committees, corporate structure, governance procedures and regulation. This is based on several interviews conducted with seven large multinational firms in chemical and pharmaceutical sectors of the UK and Germany. Adams (2002) referred to contextual factors as the internal governance structure of firms, including processes of reporting and attitudes of internal players, which may influence firms' decision making.

The importance of internal contextual factors that include firms' internal governance structure in influencing the nature and extent of CSRR has motivated a number of researchers to investigate the link between corporate governance and CSRR (Haniffa &

Cooke, 2005; Cooper & Owen, 2007; Gibson & O'Donovan, 2007; Bear *et al*., 2010; Huang & Kung, 2010; Mallin *et al*., 2012). This is because the manner in which firms are governed may influence the way they behave. Moreover, specific internal governance structures may become the forces affecting the firms' decision to disclose CSRR for the use of their stakeholders.

Furthermore, laws and regulations related to CSRR may also influence firms' decisions to disclose CSRR (Lee & Hutchison, 2005). In reviewing the factors that may influence firms' decisions to disclose environmental information, Lee and Hutchison (2005) listed five determinants of environmental reporting: (1) laws and regulations; (2) legitimacy; public pressure, and publicity; (3) firm/industry characteristics; (4) rational cost-benefit analysis; and (5) cultural forces and attitudes.

Since the current study focuses on corporate ownership structure, board of directors' characteristic and corporate reporting regulation, these three aspects are discussed in greater detail in Chapter three and Chapter four. The current study also controls the effect of several firm-specific characteristics that may have effect on the levels of CSRR disclosed by firms. Five control variables included in the current study are: firm size, *Shariah* status of firm, profitability, leverage and industry. Each of these is explained further in Chapter four.

Other than *Shariah* status of firms, the impact of firm size, profitability, leverage and industry has been documented in a number of CSRR research. The idea for including the *Shariah* status of firms in the current study arises from the increasing importance of the *Shariah*-approved firms in Malaysia (Ousama & Fatima, 2010) and the differences observed between corporate reporting made by the *Shariah* and non-*Shariah* approved firms (Ibrahim *et al*., 2006; Aribi & Gao, 2010). The *Shariah* approved firms, which are subjected to the principles of Islamic teaching (*Shariah*), are expected to practice CSR and CSRR. This is due to the relatedness of many principles of Islamic teaching (*Shariah*) to the concept of CSR (Baydoun & Willett, 2000; Lewis, 2001; Kamla *et al*., 2006; Dusuki, 2008).

Lewis (2001) highlighted the aim of the Islamic economic system to promote people to live in a fair and profitable way without exploiting others, thus benefiting the whole society. The human being, who is appointed as vicegerent (*khilafah*) according to the Islamic world-view, is expected to carry the responsibility of safeguarding the environment (Lewis, 2001; Kamla *et al*., 2006). Being the vicegerent of God (*Allah*), the human being will ultimately be accountable to God for all their actions (Lewis, 2001). Islam is also concerned with the development of the community (*Umma*); promoting its wellbeing, social justice (*adl'*), social welfare and countering for oppression (Lewis, 2001; Kamla *et al*., 2006) with knowledge (*ilm*) being the key in such development (Tinker, 2004).

Following the integration of Islamic teaching in the concept of CSR, the *Shariah*-approved firms are expected to be more actively involved in CSR-related activities compared with non-*Shariah* approved firms. A similar trend is expected in terms of their disclosures or reporting, as the Islamic perspective highlighted the principle of full disclosure and social accountability (Baydoun & Willett, 2000). Since the public has the right to be informed on the operational effects of a firm on its wellbeing, the firm is urged to fulfil its social accountability through proper disclosure of CSR to the public. Further explanation on the association between *Shariah* status of firm and CSRR is presented in Chapter four.

2.8 THEORETICAL DEVELOPMENT OF CSRR

Despite the growing number of CSRR literature (Mathews, 1997; Gray, 2002, 2010; Parker, 2005; Deegan & Soltys, 2007; Owen, 2008; Belal & Momin, 2009; Eugenio *et al*., 2010), many researchers continue to argue about the absence of a coherent theorising of the field, which, in turn, led to the lack of substantive and systematic conclusions (Ullmann, 1985; Gray *et al*., 1995a; Mathews, 1997; Deegan, 2002; Parker, 2005). The theoretical development of CSRR began in the 1980s (Mathews, 1997), with several classifications of theories emerging in subsequent periods (Gray *et al*., 1995a; Parker, 2005).

Gray *et al*. (1995a) classified CSRR research into three different perspectives: decision-usefulness theory, economic theory, and social and political theory. According to Gray *et al*. (1995a), most of the preceding studies that were based on the decision-usefulness theory tend to be inconsistent, and that the economic theory has little or nothing to offer to the development of CSRR. Despite the limited contribution of these two theories, the popularity of the social and political perspective in CSRR research remains, as indicated by the growing volume of literature examining CSRR from this perspective (Gray *et al*., 1995a; Deegan, 2002).

Further theorisation of CSRR has been attempted by Parker (2005), who categorised CSRR theories into two groups: augmentation theories, whereby CSRR is seen as adding value to the existing conventional accounting (e.g. stakeholder, economic agency / decision-usefulness, legitimacy and accountability theories); and heartland theories, whereby CSRR is seen as explaining the organisation-society relationship (e.g. political economy accounting, deep green ecological, eco-feminist, accountability-fairness theories). Parker (2005), who noted several arguments in CSRR literature; for example, the absence of a dominant theory to explain CSRR (Ullmann, 1985; Gray *et al*., 1995a; Gray, 2002), the overlapping of a number of CSRR theories (Gray *et al*., 1995a; Deegan, 2002; Chen & Roberts, 2010) and the limited contribution of an elusive all-embracing unitary theory to explain CSRR (Gray *et al*., 1995a; Wilmshurst & Frost, 2000; Adams, 2002; O'Dwyer, 2002), suggested for a multiple perspectives of CSRR (see Ratanajongkol, Davey & Low, 2006; Makela & Nasi, 2010).

Ratanajongkol *et al*. (2006) argued the use of legitimacy and political economy theory in explaining the extent and nature of CSRR practices in Thailand. In exploring an organisational downsizing case in the Finnish forest sector, Makela and Nasi (2010) adopted a framework comprising stakeholder and legitimacy theory. In their case study, CSRR was perceived as a rhetorical means of influencing stakeholder perceptions, and that the use of CSRR in legitimising the downsizing decisions was minimal.

Notwithstanding the variety of perspectives used to explain CSRR, most research has adopted the social and political theory, which may be further divided into three groups: political economy theory, legitimacy theory and stakeholder theory (Gray *et al*., 1995a; Deegan, 2002). These theories attempt to explain CSRR within a more systems-oriented view of the organisation and society, whereby an entity is assumed to be influenced by, and, in turn, have an influence upon, the society in which it operates (Gray *et al*., 1995a; Gray *et al*., 1996; Deegan, 2002).

In contrast with other theoretical perspectives that suggest somewhat “close” orientation (Deegan, 2002), the systems-oriented view of the organisation-society relationship enables researchers to concentrate on the role of disclosure in the relationship between firms, government, individuals and groups (Gray *et al*., 1996). Within the systems-oriented perspective, management can influence external perceptions about their organisations through corporate reporting (Deegan, 2002).

Each theory categorised under the social and political theory is explained in subsequent headings as follows: Section 2.8.1 Political Economy Theory, Section 2.8.2 Legitimacy Theory and Section 2.8.3 Stakeholder Theory.

2.8.1 Political Economy Theory

Political economy refers to 'the social, political and economic framework within which human life takes place' (Gray *et al*., 1996, p. 47). Political economy of accounting, generally, looks at accounting functions within the broader structural and institutional environment in which it operates (Cooper & Sherer, 1984). It suggests that society, politics and economics are inseparable; thus, they cannot be examined individually (Gray *et al*., 1995a; Deegan, 2002). The political economy perspective views corporate reporting as a social, political and economic document that emerged from political and proactive processes (Guthrie & Parker, 1990; Stanton & Stanton, 2002).

Therefore, CSRR, when viewed from the perspective of political economy, is viewed as a tool for legitimacy that transmits the social, political and economic meanings to a wider set of users (Guthrie & Parker, 1990). By considering the political economy, a researcher is better able to deliberate broader issues including the environmental and societal issues, which impact on how a firm operates and what information it elects to report (Deegan, 2002).

Several CSRR research have employed political economy theory in explaining CSRR in their studies; for example, Guthrie and Parker (1990), Williams (1999) and Amran and Devi (2007). Guthrie and Parker (1990) highlighted the ability of the political economy perspective in explaining CSRR in three different countries; namely, the US, the UK and Australia. Guthrie and Parker (1990) mentioned that firms may elect to disclose voluntarily more CSRR in a way to demonstrate a constructive response to government or public pressure and to avoid further regulation on CSRR. Based on the content analysis of CSRR made, Guthrie and Parker (1990) concluded that firms tend to strive in setting the agenda and portraying the social, political and economic world in their own way, even in the case of a minimal level of CSRR.

Williams (1999), who documented cross-national differences in the quantity of CSRR released by firms in seven Asia-Pacific nations, attributed such variation to the culture and the political and civil systems of respective countries. Nevertheless, economic-related factors, such as the level of economic development and equity market, did not significantly explain the variation of CSRR in those countries (Williams, 1999). Overall, Williams (1999) suggested for the use of CSRR as a mechanism to protect firms' self-interests in facing the social and political pressures, which provides support for the application of a bourgeois political economy framework (see Figure 2.2) to explain the cross-national variations in CSRR disclosed by firms.

Amran and Devi (2007) also found support for the relevance of the political economy perspective in explaining the development of CSRR in Malaysia. Through examining the influence of government in spearheading the CSRR development in Malaysia, Amran and Devi (2007) revealed that firms with significant government shareholding or firms that are dependent on the government disclose more CSRR compared with firms with low government shareholding or those that are not dependent on the government. Generally, studies that adopted political economy theory tend to suggest the use of CSRR as a tool for managing the social and political pressures arising in several industries or countries.

In describing the political economy theory, Gray *et al*. (1996) highlighted two streams of political economy theory; namely, classical and bourgeois political economy. The classical political economy is related greatly to Marxist philosophy, which is concerned with struggle, conflict, inequality and the role of government as a focal analysis (Gray *et al*., 1995a; Gray *et al*., 1996; Deegan, 2002). It views corporate reporting as a means of maintaining the ideal position of resource controllers such as shareholders and creditors, yet undermining the position of non-resource controllers, for example, community. Conversely, the bourgeois political economy tends to ignore those struggles and conflicts within the classical political economy, but focuses on the managerial view of the interaction between groups in a pluralistic world, for example through negotiation between a firm and an environmental pressure group (Gray *et al*., 1995a; Gray *et al*., 1996).

Figure 2.2 presents the classification of the political economy's streams according to their relevance theories. Basically, legitimacy theory and stakeholder theory are derived from the political economy perspective. From Figure 2.2, it is shown that the bourgeois political economy, through legitimacy theory of the organisation and stakeholder theory of accountability/organisation-centred, can be used to explain much of CSR practice as compared to the classical political economy, through legitimacy theory of the system (Gray *et al*., 1996). The classical political economy examines the power of society or groups within it to steer firms towards CSRR, whether through legislation or the threat of legislation; while the bourgeois political economy focuses on the desire and ability of the firms to use the CSRR to manage stakeholders and be seen as legitimate (Gray *et al*., 1996).

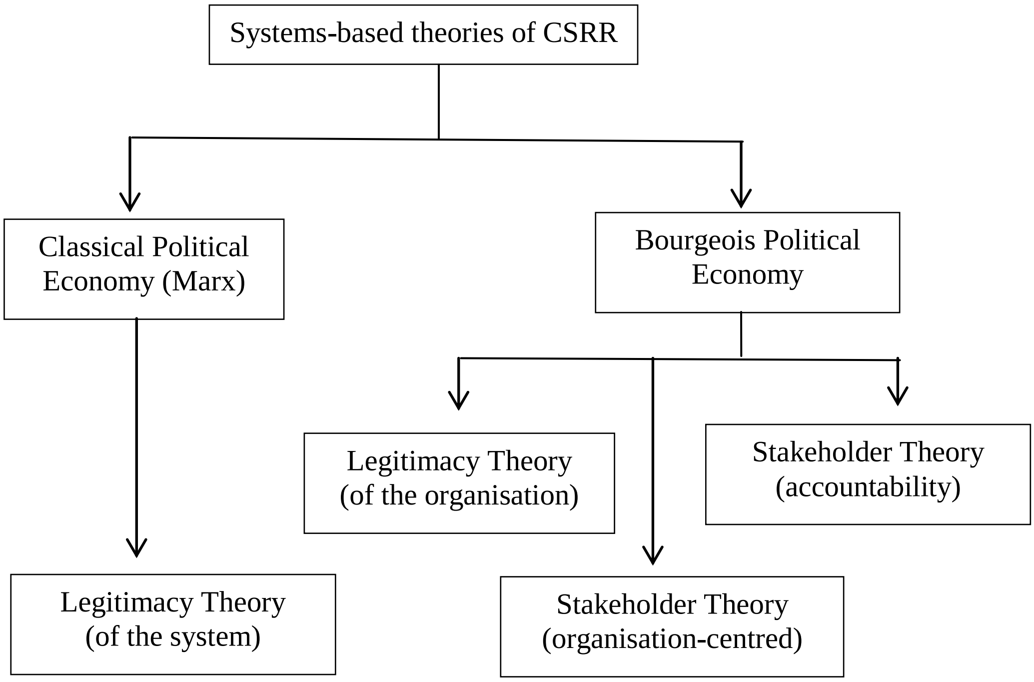


Figure 2.2: A Tentative Schema of Political and Systems-based Theories of CSRR
(Source: Gray *et al*., 1996, p. 49)

2.8.2 Legitimacy Theory

The term 'legitimacy' is defined by Suchman (1995) as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions'. It can be discussed from two different perspectives; institutional legitimacy and organisational legitimacy. Institutional legitimacy, which is derived from the classical political economy, focuses on how organisational structure as a whole system has gained acceptance by society at large; whereas organisational legitimacy that is also known as strategic or instrumental legitimacy, from the bourgeois political economy deals with the process by which a firm seeks approval or avoidance of sanction from groups in society in order to ensure their continued existence (Gray *et al*., 1996; Tilling & Tilt, 2010). According to Chen and Roberts (2010), the process of seeking institutional legitimacy is related directly to institutional theory, while organisational legitimacy is related to resource dependence theory and stakeholder theory. Chen and Roberts (2010) analysed the overlapping perspectives of these theories to explain the organisation-society relationship.

Lindblom (2010) stated that organisational legitimacy refers to ‘a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy’. Lindblom’s (2010) definition of organisational legitimacy is somewhat similar to the definition given by Dowling and Pfeffer (1975). Legitimacy theory proposes that a firm must act within socially-accepted boundaries of society in order to maintain its existence (Guthrie & Parker, 1989; Deegan, 2007; Lindblom, 2010). Failure to comply with societal expectations may lead to sanctions being imposed; for example, through product boycott and law enforcement (Deegan, 2002, 2007). The dynamic nature of ‘what is considered to be socially acceptable behaviour within a society’ requires firms to be responsive to the changing needs of the culture in which they operate (Deegan, 2007); for example, through CSRR (Tilling & Tilt, 2010).

Based on this understanding, legitimacy theory is seen as being related to the concept of social contract (Mathews, 1993; Cormier & Gordon, 2001), which stressed on the existence of a ‘contract’ between a firm and society in which it operates’ (Deegan, 2007). Whenever societal expectation is incongruent with how the firm operates, society may forfeit the firm’s operational contract (Deegan *et al.*, 2000; Deegan, 2002, 2007). In this instance, CSRR is perceived as a mechanism used by firms to discharge their social contract to society (Gray, Owen & Maunders, 1988).

While legitimacy theory has been related to the notion of social contract, it tends to ignore accountability and transparency concepts (Parker, 2005). As argued by Cooper and Owen (2007), from their analysis of twelve ‘leading edge’ CSRRs, the reports provided very little evidence to substantiate claims of enhanced stakeholders’ accountability. Rather than fulfilling the accountability role and demonstrating transparency to the stakeholders (Gray *et al*., 1988), legitimacy theory viewed CSRR as a tool for firms to establish, maintain or restore legitimacy in the society (Gray *et al*., 1995a; Deegan, 2002; O'Donovan, 2002; Makela & Nasi, 2010). This is in agreement with Buhr’s (1998) argument, who suggested that firms should have activities, which are in line with social value, and communicate such activities to the public. Changing activities without communicating such changes is insufficient (Deegan *et al*., 2000; Deegan, 2002).

‘Legitimacy’ refers to a status or condition, whereas ‘legitimation’ describes the process that a firm undertakes in order to achieve the status or condition (Brown & Deegan, 1998; Lindblom, 2010). It also represents a resource on which a firm is dependent for survival (Dowling & Pfeffer, 1975; Hybels, 1995; Suchman, 1995; Branco & Rodrigues, 2008b), and that the firm can impact or manipulate (Gray *et al*., 1995a; Woodward, 2001). A number of strategies can be pursued to ensure the continuous supply of the resource. These include educating society in terms of changes to the firm’s actions; altering how society perceived a firm’s action without making any changes; diverting or manipulating attention away from the issue of concern to alternative issues; and finally, changing society’s expectations about the firm’s actions (Dowling & Pfeffer, 1975; Lindblom, 2010). These strategies can be communicated in CSRR, which provides an important instrument to influence society and stakeholders’ perceptions about the firms.

In general, legitimacy theory has been used widely to explain CSRR (Campbell *et al*., 2003). Following Hybels' (1995) arguments on the need to consider the relevant stakeholders, such as government and shareholders, in a good model of legitimacy theory, there has been a gradual shift in the focus of CSRR research from 'legitimacy to society' view, to a 'legitimacy to stakeholders' view (O'Donovan, 2002). Overall, evidence from the extant literature provided mixed findings on the application of legitimacy theory in explaining CSRR.

Several studies revealed that the threat to legitimacy results in more CSRR (Patten, 1992; Deegan & Rankin, 1996; Buhr, 1998; Deegan *et al*., 2000; Cho & Patten, 2007). Patten (1992) found that more environmental disclosures were made by petroleum firms, following the Exxon Valdez oil spill in Alaska. Furthermore, Deegan *et al*. (2000) reported greater CSRR made by the sample firms following major social incidents than they did prior to them. In general, these two studies found that firms change their CSRR practices in the wake of particular incidents. The environmental performance of a firm was also found to be associated negatively with environmental disclosure of a particular firm, providing further evidence on its use as a legitimising tool (Cho & Patten, 2007).

Moreover, regulation has also been considered a threat to legitimacy, which motivates firms to disclose more CSRR (Deegan & Rankin, 1996; Buhr, 1998; Tilt & Symes, 1999). Deegan and Rankin (1996) reported a positive correlation between those firms prosecuted by Australian state's Environmental Protection Authority and an increase in the level of environmental disclosures. An analysis of environmental reporting made by Falconbridge over a 28-year period (reflected both unregulated and regulated period) concluded that the evolution of environmental reporting in the firm's annual reports supports legitimacy theory (Buhr, 1998). The presence of mandatory environmental reporting requirement is seen to lead to an increase in environmental reporting by Australian mining firms (Tilt & Symes, 1999). Mobus (2005) highlighted the importance of regulation, whereby mandatory disclosure of environmental legal sanctions was found to be associated negatively with subsequent regulatory violation.

A reduction in the levels of CSRR can also be seen as a legitimising strategy (De Villiers & Van Staden, 2006). As argued by De Villiers and Van Staden (2006), legitimacy theory is applicable in explaining not only an increment and maintenance of the levels of CSRR, but also a reduction in the levels of CSRR. De Villiers and Van Staden (2006) listed a number of reasons for reductions in CSRR that are consistent with legitimacy theory, among others; ‘when societal concerns reduce or disappear’ and ‘when managers perceive disclosure to be useless in the legitimation effort’.

Tilling and Tilt (2010), who explored the different strategies used by Rothmans Ltd in dealing with threats to legitimacy, such as smoking and health issues, argued that CSRR is used to counteract the potentially negative consequences of the firms’ legitimacy. However, when the tobacco industry became highly regulated, scrutinised and taxed, Rothmans Ltd has suffered a decrease in legitimacy, as demonstrated by the negative association between voluntary CSRR and various measures of stakeholder resources such as the number of media articles and government regulation (Tilling & Tilt, 2010). Tilling and Tilt’s (2010) study was based on a resource-based perspective of legitimacy theory. Tilling and Tilt (2010) generally supported De Villiers and Van Staden’s (2006) argument on the ‘reduced CSRR as a legitimising strategy’, and later proposed an extension of legitimacy theory[19] to include a ‘loss’ phase. This was in addition to the four existing phases of legitimacy that comprises of establish, maintain, extend and defend of legitimacy, as outlined in the extant literature. According to Tilling and Tilt

[19] Several researchers claimed that legitimacy theory is still an under-developed theory (Deegan, 2002; De Villiers & Van Staden, 2006) that need further refinement (Deegan, 2007).

(2010), firms in the loss phase are likely to either undergo some form of disestablishment, or choose to re-establish its legitimacy once more.

Conversely, there are several studies that found limited support of legitimacy theory in explaining CSRR (Guthrie & Parker, 1989; Wilmshurst & Frost, 2000; Milne & Patten, 2002; Campbell *et al*., 2003). Guthrie and Parker (1989), who conducted a longitudinal analysis of CSRR in BHP’s annual report, found no association between the observed peaks of disclosure frequency over time against the relevant social, economic or political events of the firm in the same or immediately preceding time periods. De Villiers and Van Staden (2006) attributed such findings to the reactive nature of legitimacy theory, as defined by Guthrie and Parker (1989). De Villiers and Van Staden (2006), who suggested the ‘reduced CSRR as a legitimising strategy’, based their study on the assumption that legitimacy theory can be both reactive and proactive in nature, on the grounds that it forms part of the political economy theory. Campbell *et al*. (2003) also documented mixed findings on the use of legitimacy theory in explaining CSRR. According to Campbell *et al*. (2003), the distorting effects of perception (of legitimacy-threatening factors) and the increase in choices of reporting media may partly explain the mixed findings.

From a decision experiment conducted upon a sample of accountants as proxy for investors from the US-based firms, Milne and Patten (2002) found that positive environmental disclosures can restore or repair a firm’s legitimacy in some cases, for example, when investors make long-term investment decision. Similarly, Wilmshurst and Frost’s (2000) study, which is based on a selected sample of Australian firms, documented limited support for the applicability of legitimacy theory in explaining the firm’s decision to disclose environmental information.

Overall, differences in strategies adopted by firms to legitimise their behaviour may contribute to the mixed findings indicated in the extant literature (Cormier & Gordon, 2001; Newson & Deegan, 2002). Legitimacy theory has been criticised for its lack of specificity and uncertain ability to anticipate and explain managerial behaviour (Gray *et al*., 1995a; Deegan, 2002). It tends to overlap with other theories, such as stakeholder, political economy, institutional and resource dependence theory (Gray *et al*., 1995a; Deegan, 2002, 2007; Chen & Roberts, 2010). An overview of institutional theory and resource dependence theory is presented in Section 2.8.4.

2.8.3 Stakeholder Theory

Stakeholder theory recognises the organisation-society interdependency. As described in the stakeholder theory, organisations have broader responsibilities to their various stakeholder groups within the society that go beyond profit-making (Clarkson, 1995; Donaldson & Preston, 1995; Freeman *et al*., 2010). In general, stakeholder theory can be divided into two branches: the normative/ethical branch and the positive/managerial branch (organisation-centred). The ethical branch of stakeholder theory posits that 'all stakeholders have the right to be treated fairly by an organisation, and that issues of stakeholder power are not directly relevant' (Gray *et al*., 1996; Deegan *et al*., 2000), whereas the managerial branch of the theory suggests firms to respond to those stakeholders that are deemed to be 'powerful' or those who can have significant impact on the firms (Ullmann, 1985; Gray *et al*., 1995a; Deegan, 2002; O'Dwyer, 2003).

Under the ethical branch of stakeholder theory, all stakeholders have a right to be provided with information about how the firm is impacting on them, even if they choose not to use the information, and even if they cannot directly impact on the survival of the firm (Gray *et al*., 1996; Deegan & Unerman, 2006). This notion of 'rights to information' has been discussed within the accountability model proposed by Gray *et al*. (1996), whereby firms are required to provide CSRR to inform society of the extent to which actions for which a firm is deemed responsible have been fulfilled. The ethical branch of stakeholder theory is argued to overlap with legitimacy theory, since both theories observe firms as part of a broader social system wherein the firms impacts, and are impacted by, other groups within society (Gray *et al*., 1995a; Deegan, 2002, 2007).

However, legitimacy theory differs from the managerial branch of stakeholder theory. While legitimacy theory considers firms' interaction with society as a whole, the managerial branch of stakeholder theory deals specifically with how firms manage different groups of stakeholders in order to survive. Since different stakeholder groups have different views about how a firm should conduct its operation, different social contracts are negotiated with different groups (Deegan & Unerman, 2006). This contrasts with the legitimacy theory and the ethical branch of stakeholder theory, whereby only one contract is made with society in general.

The managerial branch of stakeholder theory refers explicitly to issues of stakeholder power, and how a stakeholder's relative power impacts their ability to 'coerce' the firm into complying with the stakeholder's expectations (Deegan & Unerman, 2006). In this regard, Parker (2005) argued that the managerial branch of stakeholder theory is driven by strategic reasons rather than through commitment to responsibility and accountability. Perhaps, with the limited resources possessed by firms and consideration on the costs and benefits of CSRR, the firms may need to seek a balance between the strategic motives and the responsibility/accountability motives of reporting CSR information in their annual reports. This is to ensure that all stakeholders with their diverse interests are taken care of by the firms.

Ullmann (1985) viewed a stakeholder's power to influence corporate decision as a function of the stakeholder's degree of control over resources required by a firm. 'Power', in this sense, relates to the ability to bring about outcomes of the desire, or ability, of one actor within a social relationship to have another actor do something that they would not otherwise have done (Mitchell, Agle & Wood, 1997). The more critical the stakeholder resources are to the continued viability and success of the firm, the greater power the stakeholder possesses to influence corporate decisions (Ullmann, 1985; Friedman & Miles, 2002). These power relativities and expectations of the various stakeholders tend to change over time (Mitchell *et al*., 1997; Friedman & Miles, 2002; Unerman & Bennett, 2004; Deegan, 2007; Magness, 2008). The dynamic nature of stakeholders' influence on corporate decision (Freeman, 1984) requires firms to continually adapt their operating and reporting strategies to meet the changing demands and expectations of the stakeholders. In this case, CSRR is regarded as a mechanism used by firms to respond to their stakeholders (Huang & Kung, 2010) in order to gain their support and approval (Gray *et al*., 1995a). This is somewhat consistent with the legitimation strategies proposed by Lindblom (2010).

Following Ullmann (1985), there have been a number of studies that tested empirically the application of stakeholder theory to explain CSRR. Roberts (1992) revealed that the measures of stakeholder power, strategic posture and economic performance are significantly related to levels of CSRR disclosed by a sample of the US firms. Within stakeholder power, there is no association found between the shareholder power and the levels of CSRR disclosed (Roberts, 1992). The shareholder power is measured by the concentrated ownership. However, government power and creditor power tend to have influence over the levels of CSRR disclosed by the sample firms. In terms of strategic posture and economic performance, all related variables used to represent the two concepts were significantly related to CSRR (Roberts, 1992).

Liu and Anbumozhi (2009), who examined the determinants of environmental reporting in China, found that firms tend to fill up the government's environmental concerns, while other stakeholders' influence on environmental reporting remains weak (e.g. shareholders and creditors). This finding is consistent with that reported by Elijido-Ten (2009), who applies stakeholder theory in examining the determinants of environmental reporting in Malaysia. Liu and Anbumozhi (2009) examined the stakeholder power only, whereas Elijido-Ten (2009) included strategic posture and economic performance's dimensions in her analysis. Consistent with Roberts (1992), Elijido-Ten (2009) also documented a positive association between strategic posture and environmental reporting. However, Elijido-Ten (2009) did not find the influence of economic performance in determining the quantity and quality of environmental reporting in Malaysia.

In contrast to the findings by Roberts (1992), Liu and Anbumozhi (2009) and Elijido-Ten (2009), who found no association between concentrated ownership and CSRR, evidence from the UK perspective documented a significant positive association between firms with dispersed ownership structure and the amount of environmental reporting (Brammer & Pavelin, 2006). Similar results were gathered by Huang and Kung (2010), who dictated a significantly-negative association between concentrated ownership and environmental disclosure in Taiwan. Based on a sample of 759 firms listed on the Taiwan stock exchange from 2003 to 2005, Huang and Kung (2010) dictated a strong influence of external stakeholders (government, debtors and consumers) over firms' decision in determining the extent of environmental reporting. Internal (shareholders and employees) and intermediate stakeholders (environmental protection organisations and audit firms) were also found to be greatly influenced the firms' decision to disclose CSRR (Huang and Kung, 2010).

To summarise, findings on the influence of stakeholder power on CSRR have been inconclusive, with exception to the government power. Based on a review of prior CSRR literature, shareholder power has been represented by either concentrated ownership or dispersed ownership. While this type of ownership structure may represent the common corporate ownership structure in Western countries, it might not reflect that applied to Asian countries. Perhaps, the variables used to represent shareholder power could be extended by including the different types of ownership structure available in a firm; for example, managerial ownership, family ownership, foreign ownership and government ownership. This is particularly relevant to Asian countries, which are dominated by family and government-owned structures of ownership or shareholding, including Malaysia. This thesis aims to address this research gap.

Furthermore, the existing CSRR literature concurs with Ullmann's (1985) proposition on the importance of strategic posture as a predictor of CSRR (Roberts, 1992; Elijido-Ten, 2009). According to Ullmann (1985), strategic posture describes the way firms respond in fulfilling the social demands of their stakeholders. Perhaps, one of the ways to build the strategic posture is through the inclusion of directors with CSR experience in the boards of directors of the firms. This is due to the importance of boards of directors in corporate governance, in addition to the corporate ownership structure. As highlighted by Fama and Jensen (1983) and Eisenhardt (1989), these two components were very influential in determining firms' decision for corporate reporting. The presence of directors with CSR experience on the board of directors of a firm may offer some form of strategic posture that is vital for the firm to be viewed by society as environmentally and socially responsible.

Overall, within the stakeholder theory, CSRR is used as a mechanism to manage firm-stakeholders relationship. A comparison between environmental management executives' perceptions about the determinants of environmental reporting and the actual reporting practices also documented an association between the executives' attitudes towards various stakeholders and how those executives responded to the stakeholders' demands to maintain social legitimacy (Cormier, Gordon & Magnan, 2004).

Evidence from the extant literature is, generally, supportive of the view that particular stakeholders (those deemed to be more important to the survival of a firm) can be more effective than others in demanding CSRR, subject to their relative power in influencing such reporting. For example, Neu *et al*. (1998), who investigated the influence of external pressure on environmental reporting in annual reports of Canadian firms, revealed that firms were more responsive to the demands or concerns of financial stakeholders and government regulators, compared with the concerns of environmentalists. Since the stakeholder theory is used in the current study, it is explained in greater detail in Chapter four.

In addition to these three theories, there are several other theories that have been adopted to explain the motives for CSRR; including decision-usefulness theory, institutional theory, resource dependence theory and accountability theory. These are explained further in Section 2.8.4.

2.8.4 Other CSRR Theories

CSRR-related literature based on the decision-usefulness theory examines the usefulness of CSRR in investment decision-making (Milne & Chan, 1999) and market reactions (Murray, Sinclair, Power & Gray, 2006). In examining the overall impact of CSRR on investment decision-making, Milne and Chan (1999) conducted experiments and a short survey on a sample of investment analysts and accountants in New Zealand to represent sophisticated investors. From the decision experiments, Milne and Chan (1999) discovered that CSRR does not elicit more than a 15 percent switch in investment funds; and this switch is not always in favour of the firm providing the CSRR. In addition, findings from the short survey documented a moderate attitude of the investors to the decision usefulness of CSRR for investment decision-making (Milne & Chan, 1999).

An examination of the relationship between CSRR and financial market performance in the UK firms revealed no direct relationship between share returns and CSRR (Murray *et al*., 2006). Nevertheless, a convincing association between the two variables is shown in the longitudinal analysis of the CSRR-financial performance's relationship (Murray *et al*., 2006). The above reviews of Milne and Chan (1999) and Murray *et al*. (2006) have generally observed, to a certain extent, the usefulness of CSRR. Although the ultimate usefulness of CSRR is yet to be revealed, Dierkes and Antal (1985) suggested CSRR to be used to monitor and control firms' behaviour.

Gray (2006) placed more emphasis on the accountability role of CSRR rather than its possibility for value creation. As suggested by Gray *et al*. (1996), firms are held responsible to provide accounts of their actions to the stakeholders, regardless of the usefulness of such reporting. There are two important aspects highlighted by Gray *et al*.

(1996) on views of CSRR from the accountability perspectives; (1) organisation-society relationship and (2) stakeholders' rights to information.

Larrinaga *et al*. (2002) employed accountability theory to examine the effects of the implementation of environmental disclosure standard in Spanish firms. In their study, Larrinaga *et al*. (2002) suggested the use of mandatory environmental reporting as a mechanism to enhance the accountability of firms to their stakeholders. Nevertheless, findings of their study revealed that the environmental disclosure standard is insufficient to enable the accountability relationship between firms and society. This is due to the lack of environmental disclosure released by firms despite the implementation of the environmental disclosure standard. Perhaps, differences in expectations and perceptions between the organisation and society may affect the application of accountability theory in explaining the CSRR disclosed by firms.

CSRR is also found to be influenced by established institutional norms of an organisation. This finding is derived from the application of institutional theory in explaining CSRR. Institutional theory emphasises the conformity of firms to the established institutional norms in order to gain legitimacy (DiMaggio & Powell, 1983). The legitimisation processes that are normally pressured by institutional environment can be diffused to firms through three mechanisms; namely coercive, mimetic and normative isomorphism (DiMaggio & Powell, 1983). For that reason, several researchers acknowledged the overlapping of institutional theory with legitimacy theory in the context of CSRR (Gray *et al*., 1995a; Deegan, 2002; Chen & Roberts, 2010). Coercive isomorphism refers to the coercion exerted by other organisations on which the particular organisation is dependent on, mimetic isomorphism describes uncertainty within the environment, and normative isomorphism represents norms that specify how things should be.

Campbell (2007) proposed the use of institutional theory to explain the motivations of firms to engage in CSR. In the context of CSRR, Amran (2006) seek to examine the application of institutional theory in explaining the variation of CSRR in Malaysia. The selection of institutional theory by Amran (2006) is based on his observations on the factors that motivate firms to disclose CSRR gathered from several interviews conducted with the sample firms' personnel.

In testing the relevant hypotheses to the larger sample, Amran (2006) found support for the application of institutional theory to explain the CSRR disclosed by firms. Amran (2006) documented the influence of government dependent (coercive isomorphism), goal/mission related to CSR (normative isomorphism) and firm size (mimetic isomorphism) on CSRR disclosed by firms in Malaysia. To summarise, CSRR research that relied on institutional theory dictates that firms will only change their institutional practices when there is pressure from the stakeholders, especially those upon whom the firms are dependent (Deegan & Unerman, 2006).

Findings from the above reviews indicate a variety of theories available to explain CSRR practiced by firms. Generally, researchers are in agreement on the absence of one best theory to explain CSRR (Gray *et al.*, 1995a; Hackston & Milne, 1996; Ratanajongkol *et al.*, 2006). This, in turns motivates several researchers to adopt multiple perspectives in explaining CSRR (see Ratanajongkol *et al.*, 2006; Makela & Nasi, 2010). The choice of theory depends on the objectives, scope and variables involved in a CSRR study (Chen & Roberts, 2010). Perhaps, greater efforts could be undertaken to extend the existing theories of CSRR, taking into consideration the appropriateness of the theories with the context of studies conducted. For example, the existing theories used to explain the CSRR disclosed in the context of developed countries might be different from the theories applied in the developing countries. In addition, other theories derived from other field of studies, such as management and economy could be applied to the CSRR research, given their relevance to the objectives of studies. This promotes more CSRR research within multidisciplinary study (Aguinis & Glavas, 2012).

2.9 SUMMARY

The changing perception on the role of firms has witnessed many firms to operate in a socially responsible manner in the pursuit of their profit maximisation motive. This requires firms to consider the economic, legal, ethical and philanthropic responsibilities, taking together terms as CSR. CSRR has received so much attention following the greater concerns and awareness of stakeholders on the social and environmental issues that surrounded firms. Evidence from the extant literature have documented the variations of CSRR disclosed across firms, industries and countries.

Firms that are larger in size, categorised under environmentally-sensitive industry, and originated from developing countries are found to disclose greater levels of CSRR compared to their counterparts. CSRR disclosed by firms also tends to varied over a period of time, depending on the specific events and social incidents that occurred in a particular year. The variations of CSRR disclosed could also be explained by a number of factors, including the internal (e.g. boards of directors) and external (e.g. ownership structure and regulation) contextual factors. The advancement of CSRR research over the past decades has contributed to the development of different yet overlapping theories of CSRR; among the significant theories are legitimacy and stakeholder theory.

While most of the extant CSRR literature was derived from the developed countries' perspective, more contributions from developing countries are warranted. The difference in CSR focus of different countries calls for an investigation of a country-specific's CSRR research. Consistent with the corporate governance reform around the world and the increasing influence of the different governance structure on the levels of CSRR disclosed, perhaps additional evidence on the link between corporate governance and CSRR may enrich the existing literature in both fields of study. A review of literature on the link between corporate governance and corporate reporting, specifically CSRR, is presented in Chapter three.

CHAPTER 3: CORPORATE GOVERNANCE AND CORPORATE REPORTING: A REVIEW OF LITERATURE

3.1 INTRODUCTION

This chapter offers a discussion of the relationship between corporate governance and corporate reporting. It begins with an explanation in Section 3.2 of how corporate governance is related to CSR. Then, a review of literature on the association between corporate governance and corporate disclosure is provided in Section 3.3. Section 3.4 provides a specific discussion on corporate governance and CSRR. The chapter continues with a review of three important mechanisms of interests in this thesis: corporate ownership structure in Section 3.5; board of directors in Section 3.6; and corporate reporting regulation in Section 3.7. Then, a review of literature on the development of corporate governance, CSR, CSRR and CSRR research in Malaysia is presented in Section 3.8 and 3.9. Finally, the summary of the chapter is provided in Section 3.10.

3.2 CORPORATE GOVERNANCE AND CSR

The term ‘governance’ is used to describe a ‘system of control’ in an organisation (Turnbull, 1997). The Cadbury Report (1992) broadly defined corporate governance as a ‘system by which firms are directed and controlled’. The High Level Finance Committee on Corporate Governance (HLFC) was formed to establish a framework for corporate governance and set best practices in Malaysia. HLFC refers corporate governance as ‘the process and structure used to direct and manage the business and affairs of a firm towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders'. According to Liew (2007), the definition of corporate governance that was provided by HLFC shares many similarities to the definitions provided by the Organisation for Economic Co-operation and Development (OECD) and other international bodies.

Although the main concern of corporate governance is to protect the interest of shareholders, the broader perspective of corporate governance included an obligation for firms to address the needs of diverse stakeholders (Hill & Jones, 1992; Charreaux & Desbrieres, 2001; Ayuso, Arino, Castro & Rodriguez, 2007; Solomon, 2010). This broader perspective of corporate governance describes the internal and external corporate governance systems that enable firms to discharge their accountability to all stakeholders and operate in a socially responsible manner (Solomon, 2010). In this case, the shareholders may require firms to maximise profit, while stakeholders, such as employees and communities, may require firms to take care of their welfare and well-being.

Even though the shareholders focus on their profit maximisation's motive, they acknowledge the importance of CSRR in making investment decision. Patten (1990) stated that shareholders react to the disclosure of CSR information by firms. Wilmshurst and Frost (2000) identified that shareholders' right to information is listed as an important factor that influences the disclosure of environment-related information in firms' annual reports. A survey on a sample of individual shareholders in Australia, the UK, the US (De Villiers & Van Staden, 2010) and New Zealand (De Villiers & Van Staden, 2012) regarding corporate environmental disclosure, documented the positive interest of shareholders in these disclosures.

Shareholders require environmental disclosures because they believe managers should be accountable to shareholders for their firms' environmental impacts (De Villiers & Van Staden, 2010). Shareholders want environmental disclosures to be made compulsory and published in the annual reports (De Villiers & Van Staden, 2012). In a similar vein, Holm and Rikhardsson (2008) also discovered the influence of environment-related information disclosed by firms on shareholders' investment allocation decision. Overall, the above findings suggest the influence of shareholders on the CSRR disclosed by firms.

Firms are expected to take into consideration the social and environmental implications of their business activities through the implementation of CSR-related activities in their journey to maximise profit. Creating appropriate balance between these three aspects of corporate sustainability, namely economic, environmental and social, is vital to protect the interest of both shareholders and other stakeholders. It enables firms to achieve or maintain their long-term sustainability.

Corporate governance and CSR have received much attention, particularly in the post-Enron period. This has been the consequence of the greater demand for ethical business and increased corporate accountability and transparency to the wider stakeholders (Owen, 2005; Cooper & Owen, 2007; Aras & Crowther, 2008). Corporate governance is related to environmental reporting (Gibson & O'donovan, 2007), corporate sustainability (Aras & Crowther, 2008) and CSRR (Cooper & Owen, 2007; Kolk & Pinkse, 2010; Mallin *et al*., 2012). According to Aras and Crowther (2008), corporate governance is essential to the continuing operation of a firm. Good corporate governance is often associated with effective and efficient CSR within a firm (Shahin & Zairi, 2007).

Cooper and Owen (2007) suggested firms to practice a broader perspective of corporate governance in a way to demonstrate their financial, social and environmental accountability to the various stakeholders' groups. The linkage between corporate governance and CSRR (Mallin *et al*., 2012) has also witnessed the integration of corporate governance information in the CSRR disclosed by firms (Kolk & Pinkse, 2010). Overall, this range of studies suggested the importance role of corporate governance in shaping CSRR practices of firms. This is based on the understanding that the way firms are governed influence the manner in which the firms behave to ensure their future sustainability. Perhaps, a specific governance structure may impact the way firms behave and respond to CSR issues.

Corporate ownership structures and boards of directors have been listed as two important elements of corporate governance that are very influential in determining firms' decision for corporate reporting (Fama & Jensen, 1983; Eisenhardt, 1989). According to Adams, Hermalin and Weisbach (2008), boards of directors have become the centre of the policy debate concerning governance reform and the focus of considerable academic research following the corporate scandals and collapses cases, as well as the on-going concerns about corporate governance around the world. Boards of directors have played a significant role in monitoring management's performance and judgment, and deciding the information to be disclosed in various reporting media, for example corporate annual reports, websites and newsletters.

However, restricting the view of corporate governance to the monitoring role played by the board of directors may potentially undervalue the role that corporate governance can play, since all major stakeholders in the governance framework (see Figure 3.1), including internal (e.g. board of directors) and external (e.g. shareholders, regulators) of the firms are important participants in the corporate governance process (Cohen,

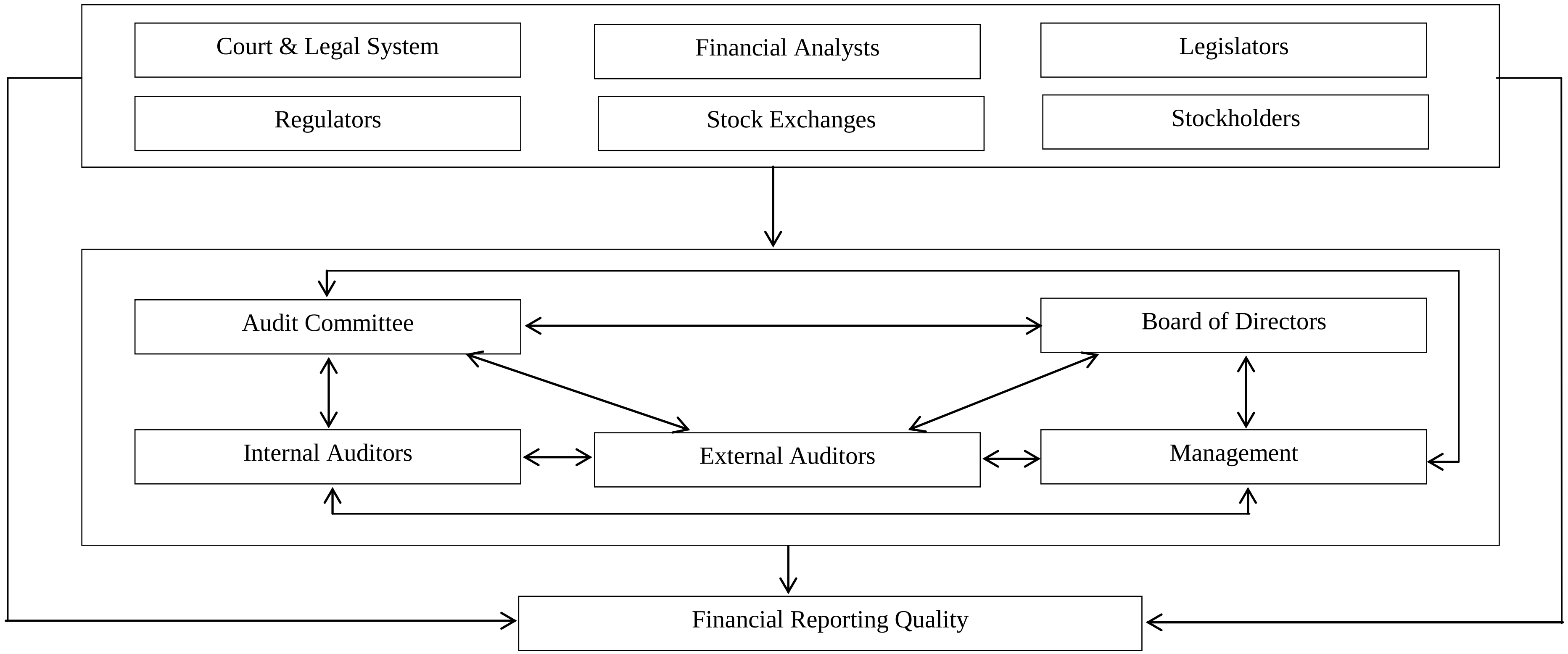


Figure 3.1: Corporate Governance Mosaic and Financial Reporting Quality
(Source: Cohen *et al*., 2004, p. 89)

Krishnamoorthy & Wright, 2004). Cohen *et al*. (2004) suggested that the interrelationship between the actors and mechanisms within the corporate governance framework is important for firms to achieve effective governance and, subsequently, improve their financial reporting quality.

Probably, the same framework as presented by Cohen *et al*. (2004) is also applicable for firms to improve their quantity and quality of CSRR disclosed. This has been demonstrated by the growing volume of literature that investigates the link between corporate governance and CSRR. However, a more comprehensive study that includes the influence of the multiple components of corporate governance, specifically corporate ownership structure, board of directors and corporate reporting regulation, and their interactions, seems to be limited. Following the relevance of these three mechanisms of corporate governance in explaining CSRR disclosed by firms in Malaysia, particularly after the introduction of the CSRR regulation in year 2007, there is a need to examine the direct effects and interaction effects (if any) of these corporate governance mechanisms on the levels of CSRR disclosed by firms.

From the various actors and mechanisms proposed by Cohen *et al*. (2004), the current study focuses on three mechanisms: corporate ownership structure to describe the types of shareholders/stockholders; corporate reporting regulation to represent regulators and stock exchange; and board of directors. These three mechanisms are considered important and relevant with the objectives and context of the current study. Corporate ownership structure refers to patterns of share ownership in a firm, while corporate reporting regulation sets a minimum standards or requirements of reporting that all firms must meet if they were to comply with the regulation. Finally, board of directors, being the most important internal governance mechanism in firms, serves a variety of functions that include monitoring of management and providing resources and strategic directions for firms. Each of these mechanisms is explained separately in specific sections: Section 3.5 Corporate Ownership Structure, Section 3.6 Board of Directors and Section 3.7 Corporate Reporting Regulation.

Corporate governance has become an important agenda in the Asian countries, particularly after the Asian financial crisis of 1997/1998. According to Cheung and Chan (2004), firms that practise good corporate governance not only enhance the development of local equity market, but also raise the confidence of foreign investors in the Asian capital market to a higher level. Corporate governance practices in the Asian countries might differ from those practised in Western developed countries (Cheung & Chan, 2004). This is due to the difference in corporate ownership structure between the Asian countries and the Western developed countries. While corporate ownership structure in the Asian countries is characterised by the concentrated ownership, corporate ownership in the Western developed countries is characterised by the diffused ownership.

Malaysia, as an Asian country, has its own code of corporate governance, known as the Malaysian Code on Corporate Governance (MCCG) (Cheung & Chan, 2004; Shim, 2006; Liew, 2007). However, this code is remarkably similar to that adopted by Western developed countries, such as the US and the UK (Cheung & Chan, 2004). Perhaps, in the future, a more specific code of corporate governance could be published that takes into consideration the difference in institutional context between developed and developing countries. Overall, the Asian financial crisis of 1997/1998 witnessed a significant development of corporate governance in Malaysia. A review of the important milestones of corporate governance in Malaysia is provided in Section 3.8.

3.3 CORPORATE GOVERNANCE AND CORPORATE DISCLOSURE

The role of corporate governance in promoting corporate transparency and accountability has been evident, as demonstrated in the extant literature that documented significant associations between various elements of corporate governance and corporate disclosures (Chen & Jaggi, 2000). Generally, effective governance may improve corporate accountability and transparency, thus consequently led to greater levels of corporate reporting measured by the quantity and quality of reporting. For example, Chen and Jaggi (2000) dictated a positive association between independent non-executive directors and the comprehensiveness of mandatory financial disclosures in Hong Kong. However, the observed association appears to be weaker for family-controlled firms (Chen & Jaggi, 2000). In examining the link between the quality of firms' governance and the informativeness of disclosure, Beekes and Brown (2006) showed that better-governed firms provide more informative disclosure than their counterparts.

Consistent with the growing importance of voluntary reporting and non-financial reporting (Perrini, 2006); for example, in the area of intangibles, intellectual capital and CSR over time, there have been a number of studies that related corporate governance with this type of reporting (Eng & Mak, 2003; Haniffa & Cooke, 2005; Barako, Hancock & Izan, 2006; Mallin *et al*., 2012). For example, Eng and Mak (2003) and Barako *et al*. (2006) investigated the influence of corporate governance in the general context of voluntary reporting, whereas Haniffa and Cooke (2005) and Mallin *et al*. (2012) examined specifically the impact of corporate governance on CSRR. In summary, this range of studies suggests the significant role of corporate governance's structure in influencing corporate reporting behaviour. Specific corporate governance structure is beneficial in promoting greater levels of corporate reporting, including in the area of CSRR.

Within the broader context of voluntary reporting, Chau and Gray (2002) documented a positive association between outside ownership and voluntary reporting in Hong Kong and Singapore. Wang, Sewon and Claiborne (2008), who examined the determinants of voluntary reporting in China, dictated a positive association between state ownership and foreign ownership, and the level of voluntary reporting. Eng and Mak (2003) found that government ownership is positively related to voluntary reporting, while managerial ownership is negatively related to voluntary reporting. Eng and Mak’s (2003) study was based on a sample of firms in Singapore.

Huafang and Jianguo (2007), who based their study on a sample of firms in China, reported a positive association between blockholder ownership and foreign listing/shares ownership and corporate disclosure. This is partly consistent with the findings revealed by Wang *et al*. (2008). Nevertheless, Huafang and Jianguo (2007) did not find any association between managerial ownership, state ownership and legal-person ownership, and voluntary reporting.

In terms of board of directors’ characteristics, a higher proportion of independent directors in firms is associated with greater levels of corporate disclosure (Eng & Mak, 2003; Huafang & Jianguo, 2007), while board leadership represented by CEO duality is related to lower levels of disclosure (Huafang & Jianguo, 2007). Ho and Wong (2001), who investigated the impact of several boards of directors’ characteristics in Hong Kong, dictated a significant positive association between the existence of an audit committee and the extent of voluntary reporting. Board independence and leadership produced insignificant results (Ho & Wong, 2001). The percentage of family members on the board was negatively related to the extent of voluntary reporting (Ho & Wong, 2001).

Leung and Horwitz (2004) documented a negative association between board ownership and the level of voluntary reporting disclosed by firms in Hong Kong. The negative association become stronger when the performance of firms is very poor (Leung & Horwitz, 2004). Non-executive directors are found to improve the voluntary reporting in firms with low director ownership. Firms with high director ownership normally rely on internal information; hence, they become less reliant on public disclosure.

Gul & Leung (2004), who analysed 385 Hong Kong firms, provided a linkage between board leadership structures, outside directors' expertise and voluntary corporate disclosure. According to Gul and Leung (2004), CEO duality that is used to represent board leadership structures is associated with lower levels of disclosure. This negative association is weaker for firms with a higher proportion of expert outside directors on the board (Gul & Leung, 2004). Overall, the study by Gul and Leung (2004) suggested the moderating role of expert outside directors in the CEO duality-corporate disclosure relationship.

Chau and Gray (2010) documented significant association between family ownership and board independence and the extent of voluntary reporting in Hong Kong. These associations were mitigated by the role of independent chairman (Chau & Gray, 2010). Analysis of Chau and Gray's (2010) study also revealed the different effect of the level of family shareholding on the extent of voluntary reporting. For example, the extent of voluntary reporting is relatively low in firms with less than 25 percent levels of family shareholding. Nevertheless, a higher level of voluntary reporting is documented in firms with more than 25 percent levels of family shareholding (Chau & Gray, 2010). While the former suggests for the convergence of interest effect, the latter indicates the entrenchment effect.

Based on a sample of firms in Singapore, Cheng and Courtenay (2006) revealed that firms with a higher proportion of independent directors on the board are associated with higher levels of voluntary disclosure. Although board size and CEO duality are not associated with voluntary disclosure, boards with a majority of independent directors have significantly higher levels of voluntary disclosure than firms with balanced boards (Cheng & Courtenay, 2006). Cheng and Courtenay (2006) also documented the role of external governance mechanism, specifically the regulatory environment, in enhancing the strength of the association between the proportion of independent directors and the level of voluntary disclosure.

Barako *et al*. (2006), who investigated the factors that influence voluntary corporate disclosure by Kenyan firms based on a longitudinal data from 1992 to 2001, reported a negative association between the proportion of non-executive directors on the board and the extent of voluntary disclosure. The level of institutional and foreign ownership of a firm is also found to have a significantly positive influence on voluntary disclosure. In Ireland, Donnelly & Mulcahy (2008) reported an increase in the level of voluntary disclosure made by firms with the number of non-executive directors that sit on the board of directors. However, no evidence is found on the association between ownership structure and voluntary disclosure (Donnelly & Mulcahy, 2008).

From Malaysia's perspective, Haniffa and Cooke (2002) documented significant associations between non-executive chairman and domination of family members on boards and the extent of voluntary reporting. While the existence of a non-executive chairman is associated positively with the extent of voluntary reporting, the domination of family members on boards is negatively related to such reporting (Haniffa & Cooke, 2002). In contrary to Haniffa and Cooke (2002), who relied on data set prior to 1997 Asian financial crisis, Ghazali and Weetman (2006) examined the association between corporate governance and voluntary reporting following the economic crisis. Ghazali and Weetman (2006) found that director ownership is related significantly to the extent of voluntary reporting, while government ownership and new governance initiatives dictated insignificant association with voluntary reporting.

In summary, there have been mixed findings documented on the link between corporate governance and corporate disclosure. Different samples, countries and year of analysis used in different studies might partially contribute to the mixed results. Most of the studies on this association were derived from Asian countries and a single-year analysis of data. It is suggested that more extensive research needs to be undertaken on this topic following the greater concerns of many stakeholders on the corporate accountability and transparency's issues. Perhaps, additional evidence on the link between corporate governance and corporate disclosure may enable both the stakeholders and the policy-makers to obtain a better understanding of the ways firms with different governance structures behave. Such understanding may be beneficial for the shareholders in making their investment decisions, for the other stakeholders in evaluating firm performance, and for the regulators in improving the current policies and regulations on corporate governance and corporate reporting.

3.4 CORPORATE GOVERNANCE AND CSRR

Conceptual works relating corporate governance to CSRR promote more empirical research conducted on the topic. For example, Adams (2002) proposed a conceptual framework on the factors that influence CSRR, which include corporate characteristics, general contextual factors and internal organisational context. According to Adams (2002), corporate structure, board of directors and regulation are among the internal contextual factors that influence the nature and extent of CSRR disclosed by firms. Figure 3.2 presents the diagrammatic portrayal of the influences on CSRR, as suggested by Adams (2002).

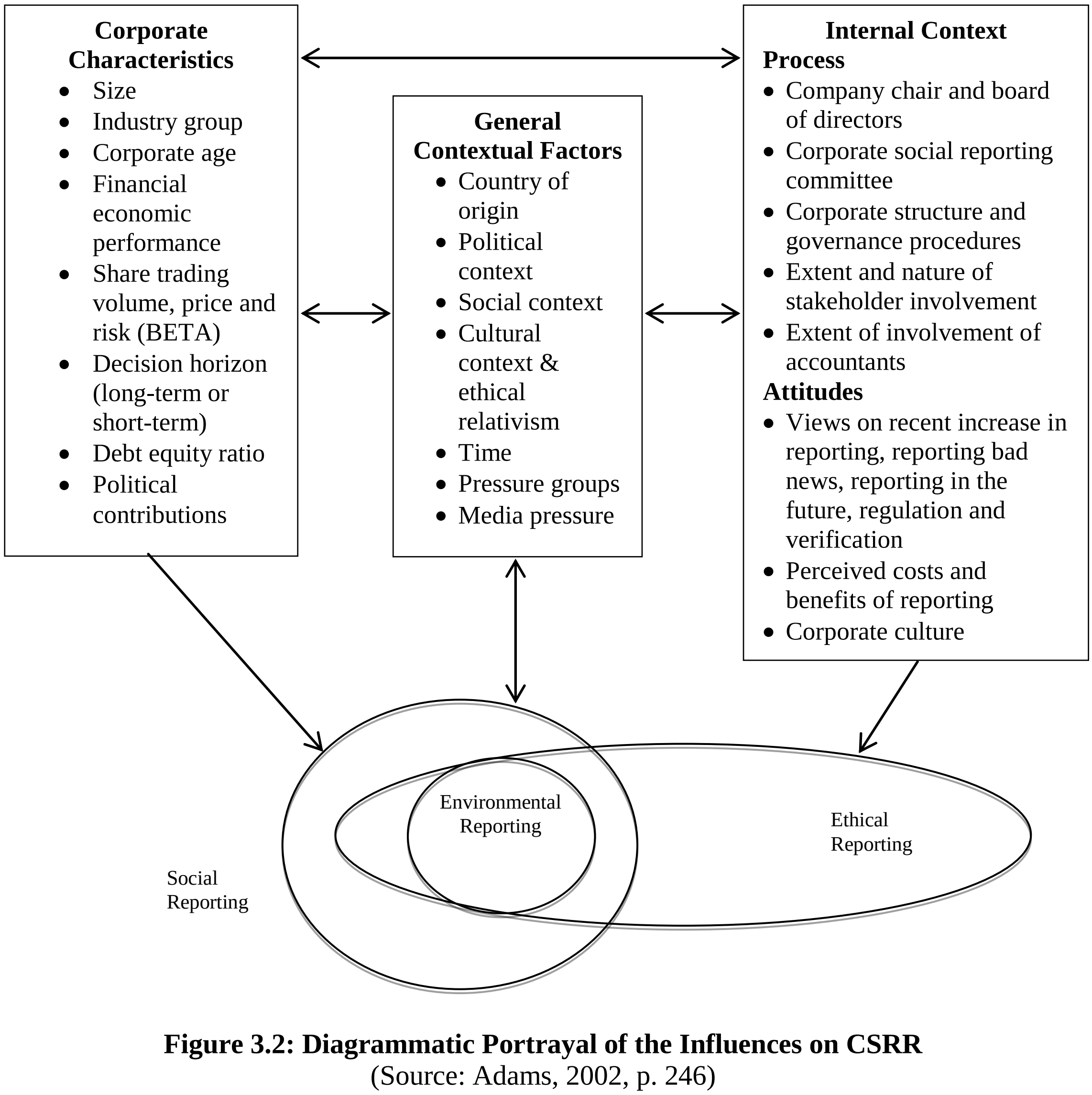


Figure 3.2: Diagrammatic Portrayal of the Influences on CSRR
(Source: Adams, 2002, p. 246)

Within a specific context of CSRR, there is a growing body of literature that relates the various components of corporate governance to CSRR (Haniffa & Cooke, 2005; Kent & Monem, 2008; Lattemann *et al*., 2009; Kathyayini *et al*., 2012; Mallin *et al*., 2012). Haniffa and Cooke (2005), who examined the influence of corporate governance on CSRR in a sample of 139 non-financial listed firms in Malaysia between 1996 and 2002, revealed a significant association between CSRR and board dominated by executive directors, chairman with multiple directorships and foreign shared ownership. Lattemann *et al*. (2009), who compared the CSRR between the largest multinational firms in China and India, reported a higher level of CSRR among Indian firms, mainly due to more rule-based governance adopted in the country.

The link between corporate governance and CSRR is further supported by Kent and Monem (2008), who suggested two complementary factors to explain the adoption of triple bottom line (TBL) reporting by the Australian firms. They are the firms' desire to legitimise their relationship with society because of adverse publicity from the media and to achieve high-quality reporting and transparency inferred by strong corporate governance. Kent and Monem (2008) found that firms with TBL reporting had significantly more adverse media coverage before implementing the TBL reporting than non-TBL firms. TBL reporting is also related significantly and positively to the existence of an environmental or sustainable development committee and the frequency of meetings of the audit committee.

Kathyayini *et al*. (2012) investigated the relationship between corporate governance attributes and environmental reporting in the 100 largest firms listed on the Australian Stock Exchange in 2008. They found that the proportions of independent and female directors on board are positively related to the levels of environmental reporting. Based on a sample of 100 firms listed as US Best Corporate Citizens, Mallin *et al*. (2012)

discovered that the stakeholders' orientation of corporate governance, which is represented by the average number of directorships of non-executive directors, is positively related to social and environmental disclosure. Overall, these studies documented the significant influences of different types of corporate governance mechanisms on CSRR.

Despite the broad area of corporate governance, this thesis examines the influence of corporate ownership structure and specific board of directors' characteristic on CSRR in two different regimes; voluntary and mandatory reporting. In other words, the current study takes into account the effects of the CSRR regulation to represent the corporate reporting regulations on the link between corporate governance and CSRR. The three important concepts employed in the current study, namely corporate ownership structure, board of directors and corporate reporting regulation are explained in a greater detail in specific sections.

These mechanisms were selected because of their important roles in the firms and their relevance in the context of the current study. For example, corporate ownership structure and board of directors are two important components of corporate governance that influence firms' decision in determining the contents and levels of corporate reporting (Fama & Jensen, 1983; Eisenhardt, 1989; Adams *et al*., 2008), including the quantity and quality of CSRR (Haniffa & Cooke, 2005; Kent & Monem, 2008; Lattemann *et al*., 2009; Kathyayini *et al*., 2012; Mallin *et al*., 2012). Following the implementation of the mandatory CSRR in Malaysia, there is a need to investigate the effectiveness of such corporate reporting regulation in promoting greater quantity and quality of CSRR among public listed firms in the country. Findings from such investigation may shed some light on how to improve the current policy or regulation on CSRR.

3.5 CORPORATE OWNERSHIP STRUCTURE

Corporate ownership structure refers to patterns of share ownership in a firm. It represents one of the important corporate governance mechanisms used by firms to minimise the agency problems between the shareholders and the management of the firms (Jensen & Meckling, 1976). According to Jensen and Meckling (1976), the separation of ownership and control of firms yields the potential for agency costs to arise due to the conflicts of interest between the contracting parties, for example, shareholders and management.

Firms with widely-held share ownership or diffused ownership structure tend to have greater potential for conflicts of interest between the shareholders and the management, compared with firms with closely-held share ownership or concentrated ownership structure (Fama & Jensen, 1983). Therefore, the widely-held firms are more likely to disclose more information to the shareholders in a way to fulfil the information demands of their shareholders, and also to signal the action of the management, being the agent in the firms, to work in the best interest of the shareholders, being the owner/principal of the firms.

The conflicts of interest that are found in the Western countries are different from that faced by firms in the Asian countries (Claessens & Fan, 2002). In the US, where diffused corporate ownership structure is very common, the conflict of interest occurs between the outside shareholders and the managers of a firm. However, in Asian countries, where ownership concentration is prevalent, the agency problem arises as a result of the conflicts between the controlling owners and minority shareholders (Claessens & Fan, 2002). Unlike the widely-held share ownership practiced in the Western countries (Faccio & Lang, 2002), many firms in East Asia are family or owner-managed (Ball *et al*., 2003). The concentration of ownership, for example in the hands of single shareholder or family members through pyramidal and cross-holding structures, affects the nature of contracting, thus creating agency conflicts between the controlling owners and minority shareholders (Fan & Wong, 2002). Generally, the controlling owners possess the power to determine the way the firm is run. They tend to gain effective control of the firm, which may, in turn, expropriate the minority shareholders' interest.

Different types of corporate ownership structure have different impacts on corporate reporting practices. A number of studies have documented the influence of corporate ownership structure on voluntary reporting practices, especially in the Asian context, including Eng and Mak (2003) in Singapore, Chau and Gray (2010) in Hong Kong, Chau and Gray (2002) in Hong Kong and Singapore, Haniffa and Cooke (2002) and Ghazali and Weetman (2006) in Malaysia, Huafang and Jianguo (2007) and Wang *et al*. (2008) in China, and etc.

In the context of CSR, there has been a range of studies that relate corporate ownership structure and CSR performance and reporting. For example, Johnson and Greening (1999) documented the effect of institutional ownership on CSR performance in the US, while Haniffa and Cooke (2005) investigated the association between foreign share ownership and the extent of CSRR in Malaysia.

A discussion of the different types of corporate ownership structure, specifically managerial ownership, family ownership, foreign ownership and government ownership, and their relation to corporate reporting and CSR (e.g. CSR performance and reporting) is provided in Chapter four, which describes the hypotheses development of the current study.

3.6 BOARD OF DIRECTORS

Board of directors is the most important internal governance mechanism within a firm (Fama & Jensen, 1983; Daily, Dalton & Cannella, 2003). Being a legally the highest authority in a firm, the board undertake both oversight and advisory roles (Sundaramurthy & Lewis, 2003; Petrovic, 2008). The board is expected to fulfil a variety of functions that include monitoring of management to mitigate agency cost and also providing resources and strategic directions for firm survival and success.

In line with the stakeholder approach of corporate governance that examined the broader perspective of corporate governance, there is a shift in the board role, from the narrow focus on shareholders to the interest of broader stakeholders' groups that are linked to social and environmental considerations (Cramer & Hirschland, 2006; Ingley, 2008; Ayuso & Argandona, 2009; Bear *et al*., 2010). According to Hung (2011), directors' concerns for stakeholders are related positively to directors' obligations to perform their role in CSR. Perrini (2006) also noted that CSR is increasingly on the agenda of the corporate boards. Since the boards of directors are instrumental in shaping and overseeing firm's strategies, they also need to pay attention to matters relating to CSR (Ingley, 2008).

In order to discharge their duties effectively, the boards need to acquire certain characteristics, which can be classified into several categories; for example, demographic characteristics, competencies and personality characteristics (Milliken & Martins, 1996; Van Der Walt & Ingley, 2003). Following corporate governance reform worldwide, there have been extensive debates over the characteristics of good governance (Kang, Cheng & Gray, 2007) and how to develop more effective boards (Van Der Walt & Ingley, 2003). According to Kang *et al*. (2007), board independence and diversity are among the important governance issues in firms. The effectiveness of firms' boards of directors depends on a number of factors such as board composition, size, leadership and diversity (Brennan, 2006). Socially-responsible firms have characteristics associated with effective board structure (Webb, 2004).

As boards become more involved in assessing and shaping the firms' policies and practices on a wide range of social and environmental issues, they should consist of more active, experienced, diverse, representative and independent directors that reflect accurately the broader range of stakeholders. This has been demonstrated through evidence in the extant literature investigating the links between board of directors and CSR (Ibrahim & Angelidis, 1995). In examining the corporate social responsiveness orientation of board members, Ibrahim and Angelidis (1995) found that outside director exhibits greater concern for the discretionary component of CSR.

Moreover, there have also been a number of studies that relate specifically board of directors with CSR performance and reporting. For example, Zahra (1989) posited the association between outside directors' composition and other board characteristics such as professionalism, stock ownership and membership diversity, with CSR performance. Empirically, Coffey and Wang (1998) found that board diversity and managerial control are related to corporate philanthropy. Board diversity is represented by the percentage of inside to outside directors and percentage of women director, while managerial control is represented by the percentage of total shares owned by inside board members (Coffey & Wang, 1998). Findings of Williams' (2003) study on the significant positive association between women directors and corporate philanthropy, generally provided support for Zahra's (1989) and Coffey and Wang's (1998) studies.

Johnson and Greening (1999), who focused specifically on two dimensions of CSR performance, revealed a positive association between outside director representation and both people and product quality dimensions of CSR performance. Bear *et al*. (2010) and Post *et al*. (2011), who used the CSR rating to represent CSR performance, dictated the impact of women directors on CSR performance. However, Stanwick and Stanwick (1998) found no significant results on the association between the percentage of women and minority directors, and CSR performance.

Both board's monitoring and resource provision role were found to have effect on firms' environmental performance in the US (De Villiers, Naicker & Van Staden, 2011). Based on environmental rating of Kinder Lydenberg Domini (KLD) for 2003 to 2004, De Villiers *et al*. (2011) found higher environmental performance in firms with higher board independence, which suggest the effect of board's monitoring role on environmental performance. In terms of resource provision role, De Villiers *et al*. (2011) revealed that firms with larger board size, greater representation of active CEOs on the board, and more legal experts on the board, have higher environmental performance.

Significant evidence has also been gathered with regards to the association between board of directors and CSRR. According to Haniffa and Cooke (2005), CSRR is associated with board dominated by executive directors and chairman with multiple directorships. An investigation of 40 Kenyan banks revealed board independence and gender diversity as significant variables that explained CSRR disclosed by the banks (Barako & Brown, 2008). However, Khan (2010), who relied on a sample of private commercial banks in Bangladesh, documented contrasting evidence to that of Barako and Brown (2008). Khan (2010) observed the significant impact of non-executive directors and existence of foreign nationalities directors on CSRR, whereas no significant association was found between the existence of women directors on board and CSRR.

Other than board independence, board leadership is also found to be a significant variable that influences CSRR disclosed by 68 of the largest Chinese and Indian multinational firms (Lattemann *et al*., 2009). Post *et al*. (2011), who related board composition to CSR performance and reporting, found that a higher proportion of outside directors on board are associated with more favourable environmental reporting and higher scores for natural environment ratings of KLD. Based on a sample of US and European firms, Michelon and Parbonetti (2012) dictated the effect of board characteristics that go beyond the narrow and traditional roles of the board (e.g. community influential members) on the level of sustainability disclosure.

Overall, evidence from the extant literature has documented mixed findings on the influences of board characteristics such as board independence and diversity on CSRR, depending on the country and time of study. Most studies tend to rely on single-year analysis. Perhaps, the urge to conduct research on a longitudinal basis may improve the likelihood to reveal any relationship between variables (Gray *et al*., 2001; Murray *et al*., 2006).

Moreover, there has been a lack of research to investigate the impact of boards of directors' CSR experience on CSRR. This is despite the importance of directors' experience in influencing corporate outcome, as documented by several researchers; for example, Carpenter and Westphal (2001), Kroll *et al*. (2008) and Kor and Sundaramurthy (2009). Through experiences, directors may develop specific skills and knowledge; for instance, the ways firms or specific industries operate (Kor &

Sundaramurthy, 2009). These are essential in enabling directors to become useful advisers in firms (Kroll *et al*., 2008).

In the context of the current study, boards with CSR experience may advise firms on the appropriate methods of practising and reporting CSR activities. Therefore, a greater quantity and quality of CSRR is expected in firms with board members that possess CSR experience, for example, experience in handling CSR-related projects or managing a CSR-related unit. The details on board's CSR experience are provided in Chapter four.

3.7 CORPORATE REPORTING REGULATION

Corporate reporting regulation has undergone substantial changes over time. Corporate reporting scandals and perceived shortcomings during global financial crises are among the contributing factors that lead to the significant changes in corporate reporting regulation (Bushman & Landsman, 2010; Leuz, 2010). In general, the needs for corporate reporting regulation arise when self-regulation mechanism is found to be insufficient (Leuz & Wysocki, 2008; Beyer, Cohen, Lys & Walther, 2010; Leuz, 2010). For example, even though additional information would improve social welfare, firms may decide not to report that information to the stakeholders when such reporting is not mandated (Beyer *et al*., 2010). The competitive nature of the information and the potential conflict of interest among different stakeholders on the information required may lead to the non-reporting attitude (Inchausti, 1997). In this case, there is a need for regulation; for example, through imposition of relevant reporting requirements or standards that allow firms to commit to certain levels of reporting and improve the credibility of the reported information (Beyer *et al*., 2010; Leuz, 2010). A mandatory reporting regime can also produce cost savings for the economy as a whole; for example, through standardisation of corporate reporting, which makes it easier for users to process the information and compare firms (Leuz & Wysocki, 2008; Leuz, 2010). Leuz and Wysocki (2008) offered detailed discussions on the economic consequences of financial reporting and disclosure regulation.

The introduction of new corporate reporting regulation, or any change to existing reporting regulations, may have an effect on the level of corporate reporting disclosed. Empirical research that discusses the impact of corporate reporting regulation can be classified into two groups. One group investigates the impact of corporate financial reporting regulation on corporate financial reporting; for example, the impact of implementation of the International Financial Reporting Standard (IFRS) on specific corporate disclosure or overall corporate financial reporting. The other group examined the impact of reporting regulation imposed on non-financial reporting; for example, the effect of regulation on CSRR disclosed by firms. The current study focuses on the latter group of research.

In the context of corporate financial reporting, a number of studies have documented significant changes in the level of reporting made by firms, following the implementation of specific accounting regulations or standards. For example, Inchausti (1997) observed a significant increase in corporate disclosure of Spanish firms following the regulatory accounting changes in Spain. Owusu-Ansah and Yeoh (2005) investigated the effect of the Financial Reporting Act (FRA) of 1993 on mandatory disclosure practices of firms listed on the New Zealand Exchange Limited. The FRA gave statutory backing on the financial reporting standards in New Zealand and made non-compliance illegal. Findings of Owusu-Ansah and Yeoh's (2005) study revealed that mean of corporate disclosure's compliance levels in the periods after the enactment of the legislation are significantly higher than those in the periods before the enactment of the legislation. They also found that the levels of improvement in corporate disclosure's compliance behaviour remain strong, even after controlling several variables that may influence the mandatory disclosure's compliance, specifically firm size, age, liquidity and profitability. Al-Akra, Eddie and Ali (2010), who investigated the influence of accounting disclosure regulation on mandatory disclosure compliance with the IFRS, discovered that disclosure compliance was significantly higher in the mandatory period of the IFRS than that in the voluntary period). Their sample of study includes 80 non-financial listed Jordanian firms for 1996 and 2004.

Jennings and Marques (2011) examined the joint effects of corporate governance and regulation by the Securities and Exchange Commission (SEC) on the disclosure of manager-adjusted non-Generally Accepted Accounting Principles (GAAP) earnings numbers in the United States. Results from their analysis indicated that investors were misled by manager-adjusted non-GAAP disclosures prior to the SEC intervention. Nevertheless, the result is applicable to disclosure made by firms with weaker corporate governance only. There is no evidence that investors were still being misled after the SEC intervention (Jennings & Marques, 2011).

In summary, regulation may influence the levels of corporate reporting made by firms. The influence may differ across countries following the differences in institutional background of different countries. However, the efforts towards convergence of financial reporting regulation through IFRS in many countries around the world may mitigate the problem of differences in financial reporting made by firms in different countries. It is not the intention of the current study to elaborate further on the corporate financial reporting regulation, as the focal issue in the current study is the non-financial reporting regulation. Besides corporate reporting regulation, corporate governance's components, such as corporate ownership structure and board of directors' characteristics, and other firm-specific characteristics may also impact on the level of corporate reporting.

Following the greater emphasis on non-financial reporting over the years (Perrini, 2006), there is a growing body of literature that calls for regulation of the non-financial reporting aspects, including CSRR. The voluntary CSRR practiced in firms has been claimed by a number of researchers as insufficient and ineffective (Deegan & Rankin, 1996; Adams, 2004; Criado-Jimenez *et al*., 2008). Therefore, several countries, such as Norway, Australia and Sweden, have mandated their public-listed firms to report CSR-related information with the belief that such regulation may enhance the quality of CSRR disclosed by firms. Despite those beliefs, empirical findings on the impact of regulation on the quantity and quality of CSRR were mixed. Nevertheless, Ioannou and Serafeim (2012) demonstrated that the social responsibility of business leaders increases following the adoption of the mandatory CSR laws and regulation.

While a group of researchers observed an increase in the quantity and quality of CSRR following such regulation (Cowan & Gadenne, 2005; Frost, 2007; Llena *et al*., 2007; Criado-Jimenez *et al*., 2008), another group documented a lack of CSRR in the presence of such regulation (Adams, *et al*. 1995; Larrinaga *et al*., 2002; Day & Woodward, 2004). The mixed findings generally offer two possibilities: (1) to replace existing CSRR regulation with self-regulation mechanism; or (2) to reinforce the current CSRR regulation as to ensure greater levels of disclosure compliance made by firms.

With the introduction of the CSRR regulation by the Bursa Malaysia upon all public listed firms in Malaysia, the need to evaluate its effectiveness arises. This is essential, particularly for the regulators, in their efforts to improve the existing CSRR practices and CSRR regulation in Malaysia. Since there are several other factors that influence the levels of CSRR, for examples, corporate ownership structure and board of directors, an examination of several determinants of CSRR, together with their joint-effect (if any), become relevant. By conducting a comprehensive study on the association between corporate ownership structure, board of directors, CSRR regulation and the levels of CSRR, possibly researchers may document the importance of these mechanisms and their interrelationship in determining the levels of CSRR in Malaysia. Details on regulation and its impact on CSRR disclosed by firms in different countries are discussed in Chapter four.

3.8 A REVIEW ON THE DEVELOPMENT OF CORPORATE GOVERNANCE, CSR AND CSRR IN MALAYSIA

Malaysia has witnessed a significant development of corporate governance, CSR and CSRR in order to keep pace with the global trends. In terms of CSR, Baugh *et al*. (2007) noted that Malaysia has shown a level of commitment towards the social aspect of CSR, specifically the community dimension that is in the same range of Singapore, Japan, Taiwan and Hong Kong. These four countries were found to have quite high commitment to social aspect of CSR with similar scores to those of Australia, New Zealand and Western Europe.

As a country that has experienced rapid economic growth, Malaysia is not without its share of social and environmental challenges (Abdullah, 2004; Zaimee, 2007; Ang, 2008; Muyibi *et al*., 2008; Murad *et al*., 2010; Oh, 2010). The revelation of several corporate misconduct cases and a number of environmental issues has raised the importance of good corporate governance and CSR practice in Malaysia (Liew, 2007).

To date, a number of initiatives have been undertaken by the Malaysian government through various corporate bodies, such as the Securities Commission and the Bursa Malaysia, to promote corporate governance and CSR (Lu & Castka, 2009). For example, the Bursa Malaysia launched CSR framework in September 2006 with the intention of assisting firms in their CSRR practices. This framework provides a set of voluntary guidelines for firms to address their CSRR-related matters. Later, the revamped of the Bursa Malaysia listing requirement, as at 14 December 2006, has witnessed CSRR in respect of annual reports of listed firms become mandatory with effect of the 2007's financial year.

A specific guideline on CSR, known as 'The Silver Book', has also been designed for the government-linked companies (GLCs), assuming their important role in driving the Malaysian corporate sector. 'The Silver Book' was launched by the Khazanah Nasional Bhd in September 2006 under its Government-linked Company Transformation Programme as guidelines for GLCs to conduct their CSR activities. GLCs are encouraged to include CSR as part of their business objectives and corporate philosophy, so as to enhance both shareholders and other stakeholders' value. This is in line with the primary commercial objective of the GLCs as well as the objective to serve the nations. Esa and Ghazali (2012) dictated an increase in CSRR disclosed by a sample of GLCs, following the establishment of 'The Silver Book'.

The Ministry of Natural Resources and Environment, Malaysia (formerly known as the Ministry of Science, Technology and the Environment, Malaysia) also produced the National Policy on the Environment in 2002. This integrates the elements of sustainable development that aims to achieve a continuous economic, social and cultural progress and enhancement of the quality of life of Malaysian through environmentally sound and sustainable development. Among the principles outlined in the national policy include stewardship of the environment, sustainable use of natural resources, role of the private sector, and commitment and accountability. The National Policy on the Environment plays a vital role in guiding the stakeholders towards a clean, safe, healthy and productive environment.

Furthermore, several awards have been introduced to encourage firm to undertake CSR activities and recognise those firms that implement such activities. For examples, the professional accounting body, ACCA Malaysia, with the endorsement of the Department of Environment, Malaysia, has launched The ACCA Malaysian Environmental and Social Reporting Awards (MESRA) since 2002 with the intention of recognising firms that disclose CSRR, to raise awareness in corporate transparency, and to encourage the uptake of environmental and social reporting in firms. In 2009, the award’s name was changed to the ACCA Malaysia Sustainability Reporting Awards. The Department of Environment, Malaysia, is an enforcement agency formed under the Ministry of Natural Resources and Environment. The department is responsible to prevent, control and abate pollution in Malaysia through the enforcement of the Environmental Quality Act 1974.

The Ministry of Women, Family and Community Development of Malaysia also launched The Prime Minister’s CSR Awards in 2007 to recognise firms that have made a difference to the local community through their CSR activities. A partnership between The Star and the Institute of Corporate Responsibility (ICR) Malaysia, together with its working partners, ACCA, PricewaterhouseCoopers and Securities Industry Development Corporation, has produced The StarBiz-ICR Malaysia Corporate Responsibility Awards that recognise firms with outstanding CSR practices that go beyond community and philanthropic activities. Several tax incentives have also been introduced by the government of Malaysia for firms that undertake CSR-related activities; for example, to reduce the greenhouse gas emissions, to invest in local communities and to support for arts and cultural programmes.

With respect to corporate governance, the enactment of the Malaysian Code on Corporate Governance (MCCG) in 2001, and its amendment in 2007 and 2012, has been seen as among the significant efforts being undertaken to improve the existing corporate governance practice in Malaysian corporate sector (Shim, 2006; Liew, 2007). The MCCG outlines the role, composition and structure of the board of directors, being the most important internal governance mechanism in firms. Compliance with the disclosure provisions of the MCCG has become part of the Bursa Malaysia Listing Requirement (Shim, 2006).

The Malaysian government has also presented the Malaysian 'Business Code of Ethics' in 2002, supplemented the code with a 'National Integrity Plan'. Later, the Integrity Institute of Malaysia was established in 2004 with the objective of enhancing the corporate governance and business ethics standards in Malaysia. All of these efforts are intended to promote corporate transparency and accountability, as well as to improve the quality of life and the well-being of the citizens (Lu & Castka, 2009).

As highlighted by Lopez (2010) in presenting the results of a report by ACCA entitled 'The Rise of the Report and the Regulator', both government and regulatory initiatives in support of CSR and transparency as well as voluntary award schemes are the key factors that drive CSRR's development in Malaysia. Earlier, the report stated that Malaysia boosts the most firms producing sustainability reports within the Association of Southeast Asian Nations' (ASEAN) countries. In other words, the continuous efforts that have been taken towards the development of corporate governance, CSR and CSRR in Malaysia have motivated a greater CSRR disclosed by firms in the countries. Such development has also encouraged more research to be undertaken, particularly on CSRR.

3.9 CSRR RESEARCH IN MALAYSIA

The rise of CSRR research in Malaysia is driven by the continuous development of corporate governance, CSR and CSRR in the country. To date, there have been a number of empirical works conducted on CSRR in Malaysia, investigating the nature and extent of reporting and motivations for/determinants of reporting. Studies by Teoh and Thong (1984) and Andrew, Gul, Guthrie and Teoh (1989) are among the earliest CSRR research in Malaysia. Teoh and Thong (1984) studied three related issues; the concept of CSR, the nature and extent of corporate involvement in CSR activities, and CSRR. A personal interview questionnaire survey from a combination of 100 foreign and locally-owned firms in Malaysia revealed that only 29 percent of the firms reported on social performance in their annual reports, with most reporting focused on human resources and products/services. Teoh and Thong (1984) has been criticised for relying solely on personal interview in examining the themes of CSRR. Ahmad, Sulaiman and Siswantoro (2003) suggested that content analysis would be a better choice of procedures to examine CSRR in a firm.

Similar findings were reported by Andrew *et al*. (1989), who conducted a content analysis upon 119 annual reports of public listed firms in Malaysia and Singapore. They found that 26 percent of the firms had made some CSRR with human resource theme dominated the reporting. A low level of CSRR was documented, ranging from less than a quarter of a page to slightly more than one page, with more reporting found in large and medium-sized firms, and banking and finance industry. Despite the different countries used as sample in Andrew *et al*. (1989), no comparison was made of the

CSRR practices of the two countries, leading to an incomplete picture of the state-of-the-art of CSRR in the individual countries.

While evidence presented by Teoh and Thong (1984) and Andrew *et al*. (1989) seems outdated, Ahmad *et al*. (2003) offered renewed evidence on the nature and extent of CSRR. They found that CSRR disclosed by a sample of 98 firms in Malaysia contained little quantifiable data, focused on products and consumers, employees and community involvement-related information, and reported the ‘good news’ or positive in nature of CSRR. Using a larger sample size (257 firms), Thompson and Zakaria (2004) found that 81.3 percent of the firm (209 firms) made some form of CSRR in their annual reports, with most reporting centred at employee and human resource-related information. The focus of firms towards employees’ matters may reflect the importance of employees as corporate stakeholders (Puri & Borok, 2002). According to Thompson and Zakaria (2004), the low level of CSRR is due to a number of factors, such as, lack of government and public pressure, lack of perceived benefits of reporting, and the widely-held view that firms do not impact significantly on the environment.

In contrast to the cross-sectional analysis of CSRR (see Andrew *et al*., 1989; Ahmad *et al*., 2003; Thompson & Zakaria, 2004), several studies have also examined CSRR on a longitudinal basis (see Jamil, Alwi & Mohamed, 2002; Yusoff, Yatim & Nasir, 2005; Haron, Yahya, Manasseh & Ismail, 2006; Saleh *et al*., 2010). Jamil et al. (2002), who examined the trend of CSRR disclosed by 100 firms in Malaysia from 1995 to 1999, dictated a variation of CSRR disclosed by firms over the five-year period. A similar finding was found by Saleh et al. (2010), who examined the CSRR disclosed in firms’ annual reports from 2000 to 2005. Haron *et al*. (2006), who examined the level of CSRR during the financial crisis (1998), pre (1996) and post (2000) financial crisis periods, found that the highest level of reporting was in 1998, during the financial crisis.

They also revealed that most reporting were human resource-related information, qualitative and favourable in nature, and reported in chairman's reports. They suggested that firms disclose CSRR to reduce agency cost and boost corporate image.

Yusoff *et al*. (2005), who investigated the environmental reporting made by 12 firms from environmentally-sensitive industries, observed an improvement in firms' reporting practices between 1999 and 2002. Their results indicated that firms have moved from non-disclosure to more qualitative disclosure practices, reported in three common locations: environmental section or health, safety and environmental section; chairman's statement; and review of operation. They suggested that the introduction of 2 awards, namely, National Annual Corporate Report Awards (NACRA) Environmental Reporting Award and ACCA Environmental Awards in 2000 and 2002 respectively, may have influenced the development of environmental reporting practices, apart from the increasing awareness of TBL reporting among firms.

In summary, there has been some improvement in firms' CSRR practices over time. Despite the low level of CSRR documented in the extant literature, the level of firms' awareness of CSRR seems to have improved, as demonstrated by the increasing number of firms disclosing CSRR. Even in the voluntary period of CSRR (prior to 2007), firms were seen motivated to disclose/publicise their CSRR due to several reasons that include to manage their relationship with the stakeholders and to demonstrate a good corporate image or reputation.

A number of studies have investigated the motivations for/determinants of CSRR in Malaysia. Ahmad and Sulaiman (2004) demonstrated limited support for legitimacy theory in explaining the nature of and motivations for CSRR in Malaysia. Based on 38 firms from industrial products and construction industries disclosing environmental information in the annual reports for 2000, it was found that reporting appears to be low and restricted to very general, ad-hoc statements on environmental matters. They suggested that the absence of mandatory environmental reporting standards has led to the lack of uniformity and little informational value of such reporting in Malaysia. Hamid (2004) focused specifically on the CSRR practices in highly-regulated industries. He found that the product-related information was the most popular theme of CSRR disclosed by firms in banking and finance industries. Size, listing status and age of business were related significantly to the levels of CSRR disclosed, while profitability and firm profile were not (Hamid, 2004).

In examining the effects of culture and corporate governance on CSRR, Haniffa and Cooke (2005) dictated a significant relationship between several variables; for instance, boards dominated by Malay directors, boards dominated by executive directors, chairman with multiple directorships and foreign share ownership and CSRR. Size, profitability, multiple listing and type of industry were also found to influence CSRR, with the exception of gearing. Their analysis was based on a sample of 139 non-finance firms listed in 1996. Overall, Haniffa and Cooke's (2005) study provided support for legitimacy theory.

The influence of corporate ownership structure on CSRR is also apparent. Government ownership is observed to be positively related to CSRR (Ghazali, 2007; Amran & Devi, 2008; Lim, Talha, Mohamed & Sallehhuddin, 2008; Said, Zainuddin & Haron, 2009). However, there have been mixed findings dictated for other types of ownership structure. For example, Haniffa and Cooke (2005) documented a positive association between foreign ownership and CSRR, while Amran and Devi (2008) and Said *et al*. (2009) did not list foreign ownership as a significant variable that explain CSRR. A negative association was dictated between director ownership and CSRR in Ghazali (2007). However, Said *et al*. (2009) found no association between the two variables.

Mixed findings were also documented on the relationship between boards of directors' characteristics and CSRR. For example, Haniffa and Cooke (2005) revealed a negative association between the proportion of non-executive directors and the levels of CSRR, whereas Lim *et al*. (2008) found a positive association between the two variables. Said *et al*. (2009) did not observe any association between board size, board independence and CEO duality on CSRR. Ghazali (2007) relied on a sample of 87 non-finance firms drawn from the top 100 firms (by market capitalisation) for 2001; whereas Amran and Devi (2008) used a sample of 133 firms chosen from the stratified random sampling technique (by industries) from 2002. Said *et al*. (2009) relied on a sample of 150 firms for 2006, while Lim *et al*. (2008) used 743 firms in 2003 as the sample in their studies.

From the stakeholder perspective, Elijido-Ten (2009) investigated the influence of the stakeholder power, strategic posture and economic performance on the quantity and quality of environmental reporting in firms' annual reports. Of the variables used to represent the stakeholder power, specifically government power, shareholder power and creditor power, only government power is related significantly to environmental reporting. They also revealed that strategic posture is positively related to environmental reporting, while economic performance is not. They argued that there was not much demand of environmental reporting from both shareholders and creditors, given the low level of environmental awareness in Malaysia.

In general, the majority of studies that examined the motivation for/determinant of CSRR were based on a single year analysis. To draw a conclusion on the determinants of CSRR based on a single-year data seems to be insufficient, as findings of the studies tend to vary across different year of analysis. Perhaps, a longitudinal nature of CSRR research may enable researchers to observe the consistency of the findings on the determinants of CSRR over a period of time. The extant CSRR research also seems to focus on the voluntary period of CSRR that is prior to 2007. Following the introduction of CSRR regulation in Malaysia, effective from 2007, there is a need to explore the effectiveness of such regulation in promoting higher levels of CSRR.

Othman *et al*. (2011) documented the impact of CSRR regulation, government ownership and family ownership on CSR reputation. Based on their analysis of 117 firms in three sensitive industries for 2007, Othman *et al*. (2011) found that CSRR regulation and government ownership are related positively to the level of CSR reputation, whereas family ownership is negatively associated with the level of CSR reputation. Profitability is associated positively with CSR reputation, while firm size is not (Othman *et al*., 2011). In Othman *et al*. (2011), CSRR regulation is represented by changes in CSR disclosure between 2006 and 2007, while the level of CSR reputation is represented by CSR reputation index that is developed based on the RepTrake model, the Bursa Malaysia's CSR Framework and the GRI Guidelines.

Perhaps, study by Othman *et al*. (2011) could be extended by examining the impact of CSRR regulation on the levels of CSRR disclosed, including a more representative sample firms from various industries and investigating the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR in a longitudinal basis of analysis. Such extension may contribute to the development of CSRR, particularly in Malaysia. It could yield a deeper understanding of CSRR practices in Malaysia; for example, it may guide the regulators to move forward on the regulatory matters of CSRR and provide useful information to both shareholders and other stakeholders for the purpose of decision-making. In line with the significant progress of corporate governance in Malaysia, it would be beneficial to include the impact of specific board of directors' characteristics, in particular board CSR experience, on the levels of CSRR, owing to its importance and relevance in the context of CSRR. Such findings may determine the usefulness of the advisory or strategic roles of the board in directing CSRR.

3.10 SUMMARY

Corporate governance plays a significant role in determining the levels of corporate reporting. Following the broader perspective of corporate governance that looks into the protection of interests of both shareholders and other stakeholders, firms are expected to consider the social and environmental implications of their business activities along with their objective to maximise profit. Both internal (e.g. board of directors) and external (e.g. corporate ownership structure and corporate reporting regulation) components of corporate governance are important to promote greater quantity and quality of corporate reporting, including CSRR.

In the context of Malaysia, the unique corporate ownership structure characterised by family and government-owned firms, offers an ideal setting for researchers to investigate the influence of different types of corporate ownership structure on CRRR. Such investigation may become more beneficial when considering the effect of CSRR regulation imposed by the Bursa Malaysia on all public-listed firms in Malaysia from 2007 onwards. This is because such findings may signify the effectiveness of the CSRR regulation in promoting CSRR in Malaysia.

Other than corporate ownership structure and corporate reporting regulation, the characteristics of the board of directors of firms have also impacted the levels of CSRR disclosed. Besides board independence and diversity, other important characteristics of the board, for example, board experience, has received little attention in research. This is in spite of its importance in directing strategic positions and decisions of firms. Therefore, more research efforts are warranted in this aspect of board of directors; specifically, the impact of board of directors’ CSR experience on CSRR.

Overall, the range of studies examining the link between corporate governance and CSRR is very much in need, especially in Malaysia. This is partly to support the continuous efforts being undertaken by the government, non-governmental organisations and the private sectors in stimulating the development of corporate governance, CSR and CSRR in this country. Perhaps evidence derived from the empirical studies may further boost the development of corporate governance, CSR and CSRR in Malaysia.

CHAPTER 4: RESEARCH FRAMEWORK AND HYPOTHESES DEVELOPMENT

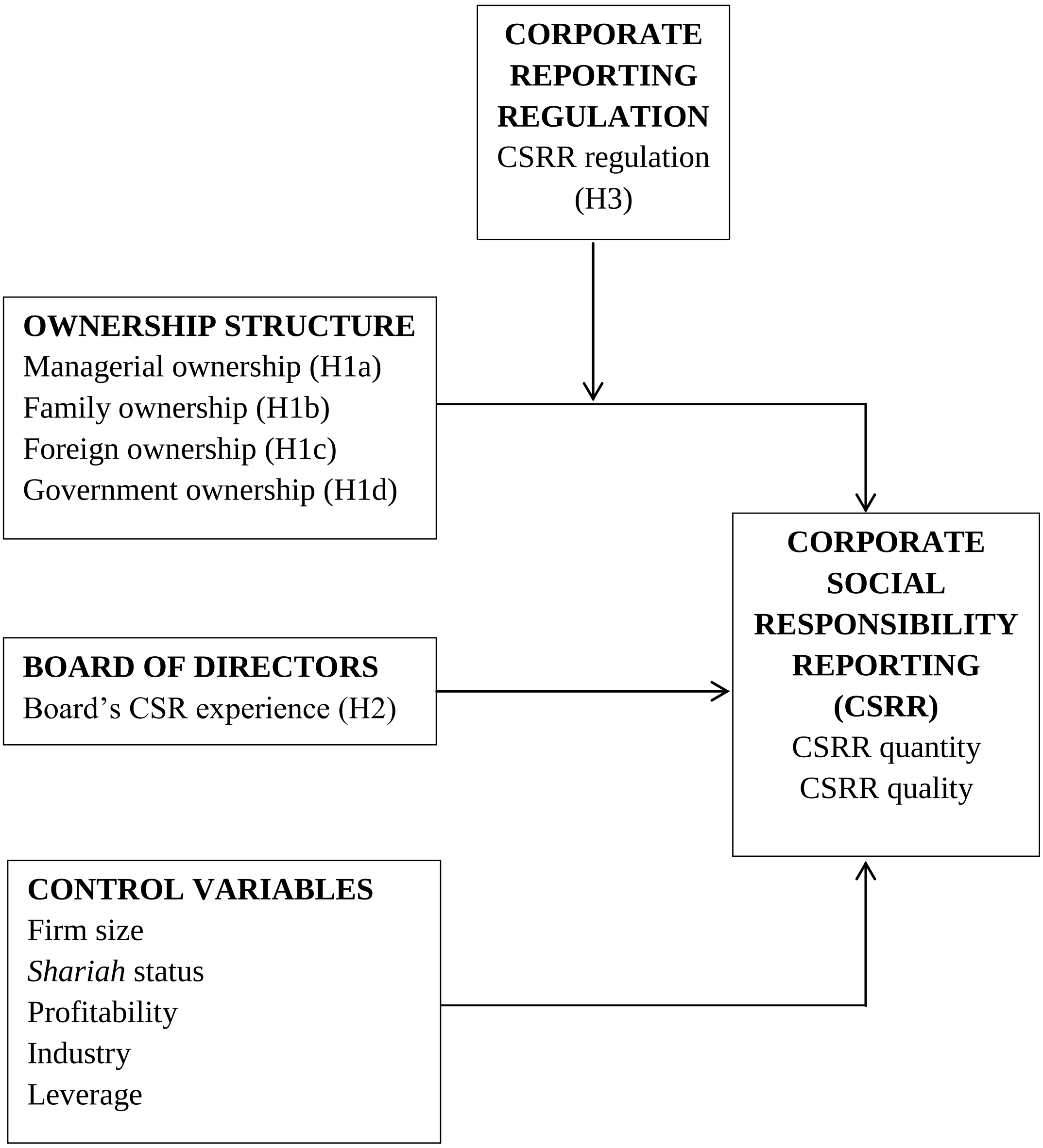
4.1 INTRODUCTION

This chapter begins with an introduction to the research model used in the current study in Section 4.2. Next, a discussion on the theoretical framework applied in the current study is presented in Section 4.3. This is followed by a detailed explanation of the relevant hypotheses developed for the purpose of the current study in Section 4.4. Finally, Section 4.5 summarises the chapter.

4.2 RESEARCH MODEL

The current study examines the association between corporate ownership structures, board of directors, corporate reporting regulation and CSRR. With reference to the extant literature of corporate governance, corporate disclosure and CSRR as reviewed in the preceding chapters, the associations between the variables of interest in the current study are illustrated in a research model as presented in Figure 4.1.

Four variables have been used to represent corporate ownership structure: managerial ownership; family ownership; foreign ownership; and government ownership. Board of directors' CSR experience is used to represent boards of directors' characteristics examined in the current study, while corporate reporting regulation is represented by the CSRR regulation. CSRR is measured by two variables, namely the quantity and quality of CSRR. Several firm-specific characteristics are also included in the current study as control variables; firm size, *Shariah* status, profitability, industry and leverage.



Notes:
Independent variables: Ownership structure and board of directors
Dependent variable: Corporate social responsibility reporting
Moderator: Corporate reporting regulation

Figure 4.1: Research Model of the Current Study

4.3 THEORETICAL FRAMEWORK

There have been a number of theories employed to investigate the motivations for CSRR. Among the most widely-used theory in CSRR research are political economy theory, legitimacy theory and stakeholder theory. Detailed explanations of these are included in Section 2.8.

The current study adopts stakeholder theory to look into the association between two corporate governance's components, namely corporate ownership structure and boards of directors' characteristic, and CSRR. It is a way to acknowledge the different groups of stakeholders that may impact the levels of CSRR disclosed by firms. Although the current study focuses specifically on the influence of the different types of corporate ownership structure which represents the shareholders, other stakeholders' group such as government and creditors are also included in the investigation as control variables. In the current study, government is represented by firm size, *Shariah* status of firm and industry, whereas creditor is represented by leverage.

Relying on Ullmann's (1985) model of stakeholder theory (see Figure 4.4), this study also recognises the importance of firms' strategic posture and economic performance in determining the levels of CSRR. While board of directors' CSR experience is used to represent firms' strategic posture, profitability represents the economic performance. From the perspective of stakeholder theory, the current study focuses on the impact of corporate ownership structure and boards' CSR experience on the levels of CSRR, thus controls for the effect of other related variables such as government power, creditor power and economic performance.

In addition, the current study also applies contingency theory in examining the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR. This is to demonstrate the existence of other determinants of CSRR in addition to the corporate governance's components and firm-specific characteristics. Perhaps, the multiple perspective of CSRR examined in the current study through stakeholder and contingency theory may offer a comprehensive view of CSRR in Malaysia, taking into consideration the internal (e.g. board of directors) and external (e.g. shareholders and regulators) players of corporate governance.

4.3.1 Stakeholder Theory

Stakeholder theory acknowledges the broader responsibilities of firms to satisfy their various stakeholders' interest that go beyond profit making (Clarkson, 1995; Donaldson & Preston, 1995; Freeman *et al*., 2010). Firms are expected to respond to the multiple stakeholders' groups, both internal and external stakeholders, especially those deemed to be powerful, or those who can impact significantly on the firms (Ullmann, 1985; Gray *et al*., 1995a; Deegan, 2002; O'Dwyer, 2003; Huang & Kung, 2010). This is vital as to ensure the firms' survival and continued success. Otherwise, the firms may have to face negative confrontations with the stakeholders.

In a context of a firm, stakeholder can be referred to as any group or individual who can affect or is affected by the achievement of a firm's objectives (Freeman, 1984). To be more specific, Clarkson (1995) referred stakeholder as persons or groups that have, or claim, ownership, rights, or interests in a firm and its activities. Figure 4.2 outlines the classification of stakeholders as suggested by Clarkson (1995).

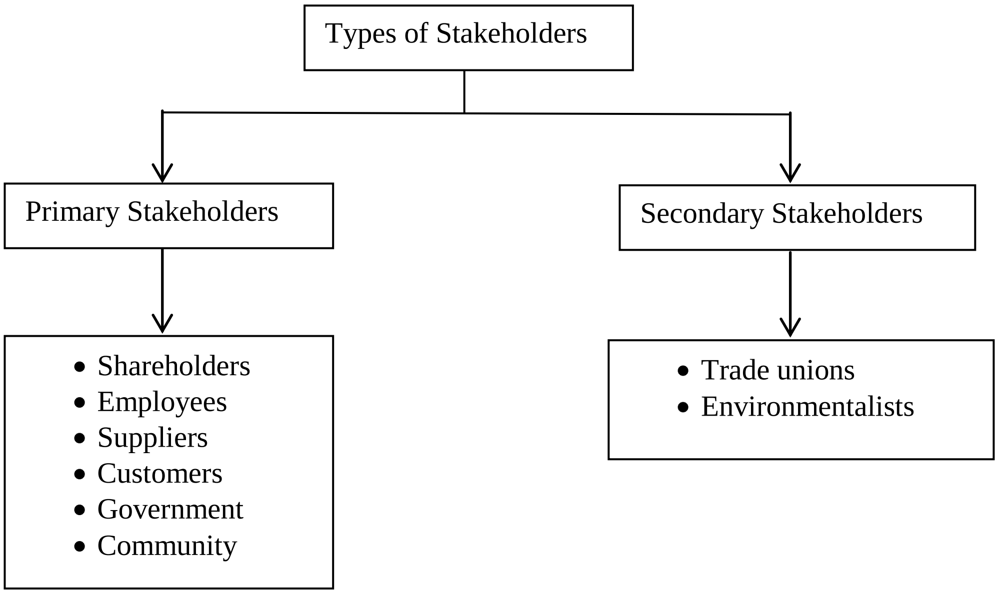


Figure 4.2: Classification of Stakeholders
(Source: Clarkson, 1995)

According to Clarkson (1995), firms tend to pay more attention to the interests of the primary stakeholders compared with the secondary stakeholders. This is due to the high level of interdependence between the firms and the primary stakeholders. The continuous participation of the primary stakeholders is necessary for the survival of the firms. The secondary stakeholders' actions, even though their participation is not essential to the survival of the firms, can significantly affect the firms, either in a positive or negative way (Clarkson, 1995). For example, firms rely on shareholders for financial resources that are essential for firms' survival. Environmentalists, even though are not necessary for firms' survival, they can pressure firms to operate in an environmental-friendly manner with the intention of sustaining the environment.

Subsequently, Mitchell *et al*. (1997) argued that the levels of attention given by firms to their stakeholders depend on several stakeholders' attributes; they are power, legitimacy and urgency. Figure 4.3 illustrates the various combinations of stakeholder attributes that indicate the levels of attention paid to a particular stakeholder as suggested by

Mitchell *et al*. (1997). Overall, their stakeholder typology is partly consistent with Ullmann's (1985) conceptual framework that posited the power of stakeholder as one of the determinants of social disclosure and performance.

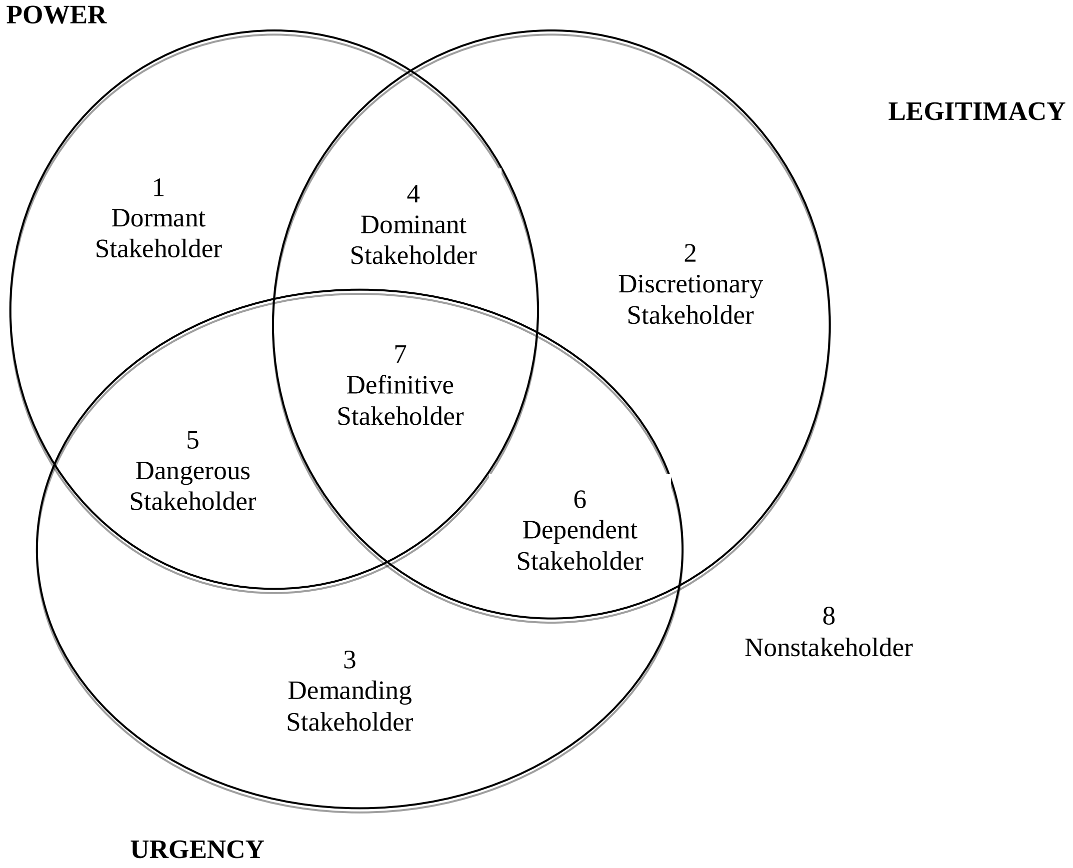


Figure 4.3: Stakeholder Typology
(Source: Mitchell *et al*., 1997)

Figure 4.4 presents the three-dimensional conceptual framework proposed by Ullmann (1985) that can be adopted to predict the levels of social disclosure and performance. Ullmann's (1985) model includes stakeholder power, strategic posture and economic performance as determinants of social disclosure and social performance. As posited by Ullmann (1985), the greater power possessed by the stakeholders over the firms' resources, the more influence they have in shaping the firms' decisions or policies. This explains the managerial branch of the stakeholder theory.

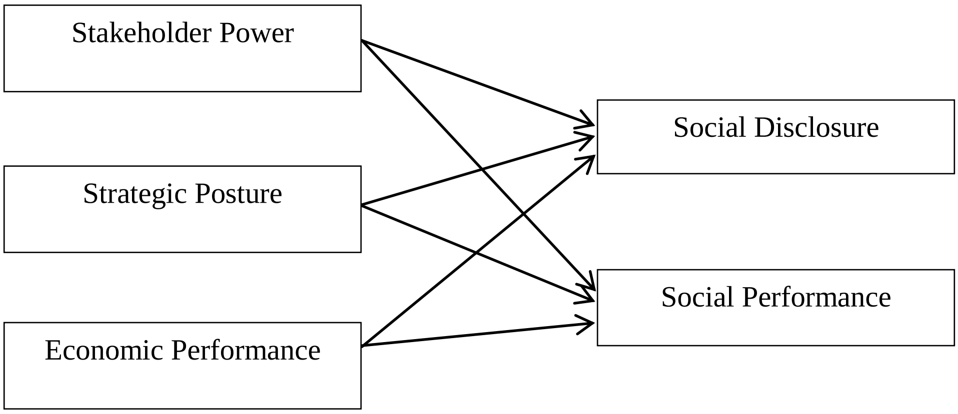


Figure 4.4: Conceptual Framework of Determinants of Social Disclosure/Performance
(Source: Ullmann, 1985)

Three important stakeholders suggested by Ullmann (1985) are governments, shareholders and creditors. Shareholders, in most cases, represent the main capital providers to the firms that form a substantial group of stakeholders in the firms. While the power of creditors lie in their controls over some useful resources, for example, financial resources for firms' continued operations, the power of government is vested upon the sanctions and legislations imposed on firms.

Several empirical works have been undertaken subsequent to Ullman's (1985) work, examining CSRR from the stakeholder's perspective (see Roberts, 1992; Elijido-Ten, 2009; Huang & Kung, 2010). These studies dictated that different stakeholders have different impacts on CSRR. Moreover, there have been a number of studies investigating specifically the association between corporate ownership structure and CSR (Ghazali, 2007; Li & Zhang, 2010), mainly from the agency theory perspective. Findings of these studies generally demonstrated the impact of different corporate ownership structures on CSR performance and CSRR.

As the first dimension of Ullmann's (1985) model, the stakeholder power explains that the power possessed by stakeholders may influence the levels of firms' responsiveness towards the stakeholders' demands. The greater power possessed by the stakeholders, for example, when the stakeholders control resources that are critical for firms' survival, the more likely the firms will respond to those stakeholders' demands. According to Roberts (1992), a positive association between stakeholder power and social disclosure can be expected whenever social responsibility activities are viewed as an effective strategy in managing the stakeholders.

Figure 4.5 outlines the theoretical framework used by Roberts (1992) to examine the determinants of CSR disclosure in US firms. Roberts (1992) aims to operationalise the conceptual framework proposed by Ullmann (1985). A similar model to Roberts (1992) has been adopted in Elijido-Ten's (2009) work on the application of stakeholder theory in understanding the environmental reporting attitude in Malaysian's perspective. Liu and Anbumozhi (2009) examined specifically the influence of stakeholder power in determining the levels of environmental reporting in China.

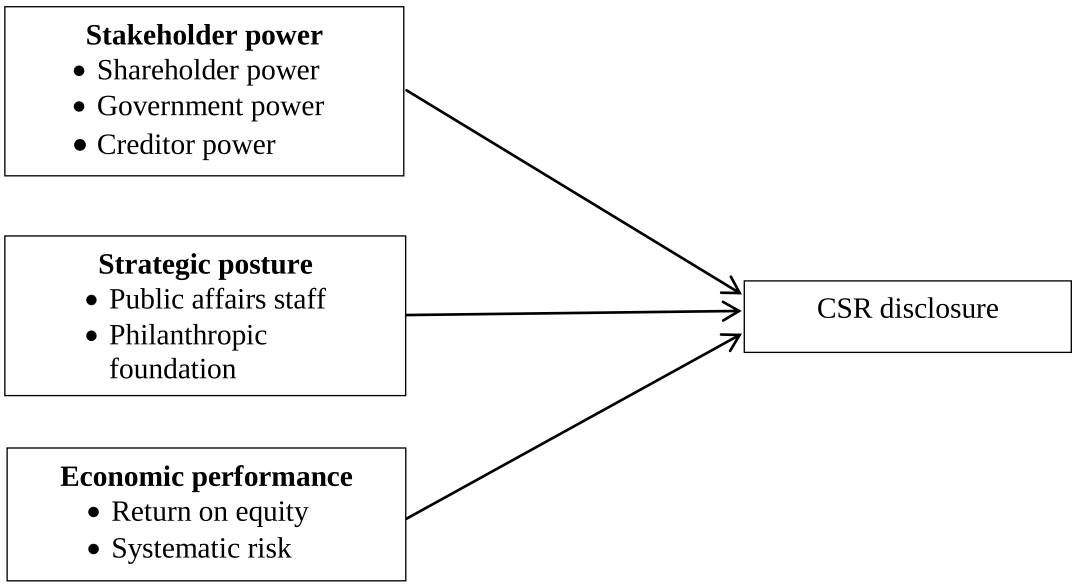


Figure 4.5: Model of Determinants of CSR Disclosure
(Source: Roberts, 1992)

Huang and Kung (2010), who looked into the influence of stakeholder expectation on environmental disclosure, classified the multiple stakeholder groups into three categories; external (government, debtors, consumers, suppliers and competitors), internal (shareholders and employees) and intermediary stakeholders (environmental protection organisations and accounting firms). Figure 4.6 presents the classification of stakeholders used by Huang and Kung (2010).

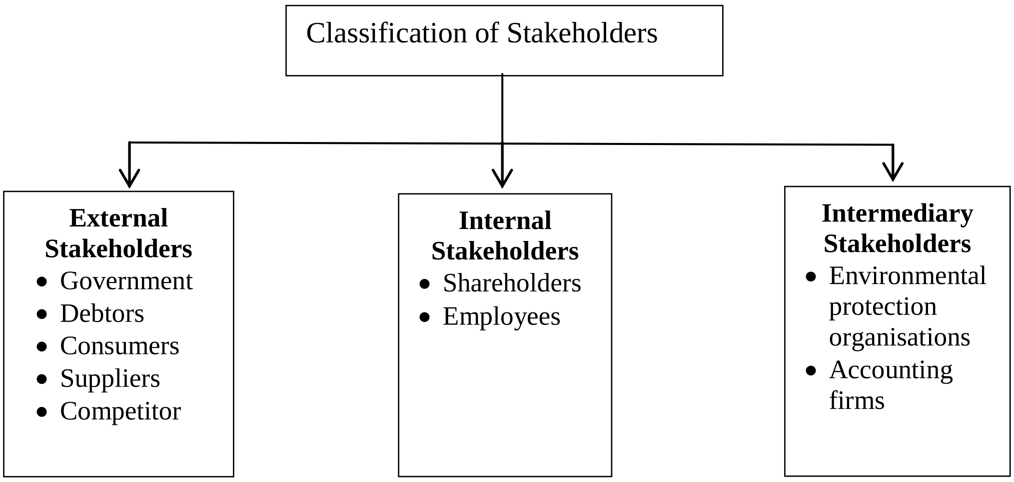


Figure 4.6: Classification of Stakeholders
(Source: Huang and Kung, 2010)

Overall, prior CSRR research showed some significant findings on the influence of different stakeholders groups on CSRR. However, the current study focuses specifically on the influence of shareholders on CSRR disclosed by firms. This is due to the greater power possessed by the shareholders to influence firms' decision in comparison to other stakeholders.

Instead of using a single variable to represent the shareholder power, for example concentrated ownership or disperse ownership (see Ullmann, 1985; Roberts, 1992; Huang & Kung, 2010), the current study classifies the shareholder power into four categories, namely managerial ownership, family ownership, foreign ownership and government ownership. The use of four categories of ownerships is considered appropriate, given the prevalent of these types of corporate ownership in Malaysia, being the context of the current study. It contributes to the theoretical development of CSRR based on the stakeholder theory through the refinement of the existing definition of shareholders' power, taking into account the different nature of corporate ownership in the Asian developing countries compared with the Western developed countries.

The second dimension of Ullmann's (1985) model that is strategic posture, describes the way firms respond in fulfilling the social demands of their stakeholders. An active strategic posture involves a continuous monitoring and management of stakeholders by the firms, whereas a passive strategic posture occurs when the firms make no effort to monitor or manage their relationship with the stakeholders. Roberts (1992) used two proxies to represent a firm's strategic posture: (1) average size of the firm's public affair staff; and (2) the presence or absence of corporate sponsored philanthropic foundation; whereas Elijido-Ten (2009) used: (1) the presence/absence of environmental committees and/or inclusion/exclusion of environmental concern in their vision/mission statement; or (2) the presence/absence of ISO14001 environmental management's certification as proxies for a firm's strategic posture. Findings revealed by Roberts (1992) and Elijido-Ten (2009) have generally supported Ullmann's (1985) proposition of the importance of strategic posture in predicting the level of CSRR disclosed. Finally, economic performance is proposed as the third dimension of the model as it influences the financial capability of firms to undertake costly programmes related to social demands (Ullmann, 1985).

The model proposed by Ullmann (1985) is intended to improve the existing models that investigated the relationship between economic performance, social disclosure and social performance. Ullmann (1985) added firm strategy labelled as strategic posture into the model, following its importance in determining the levels of social disclosure and performance.

In the context of CSRR, there have been several studies that adopted Ullmann's (1985) framework as a basis of their studies; for example, Roberts (1992), Elijido-Ten (2009) and Huang and Kung (2010). Generally, these studies documented some influence of stakeholders' power, strategic posture and economic performance on CSRR. Details findings of these studies have been presented in Section 2.8.3.

The current study aims to refine the existing model of Ullmann (1985) by using different types of corporate ownership structure in Malaysia to represent the shareholder power. This is in contrary to the diffused or concentrated types of corporate ownership structure used to represent the shareholder power in the existing studies; for example, Roberts (1992), Elijido-Ten (2009) and Huang and Kung (2010).

Acknowledging the importance of firm strategy or strategic posture in determining the levels of CSRR (Ullmann, 1985), the current study suggests the appointment of board members with CSR experience as one of the strategies that may be used by firms to bring their CSRR to a higher levels. Other than the impact of corporate ownership structure and board of directors, the current study also controls for the effect of economic performance dimension and the other two components of stakeholder power, specifically government power and creditor power on CSRR, since they are found to impact CSRR in Ullmann (1985) and Roberts' (1992) study.

4.3.2 Contingency Theory

Contingency theory contends that the way to manage an organisation depends on the way the organisation 'fits' with the environment within which it operates. According to

Donaldson (2001), an organisation's effectiveness can be achieved by fitting the organisation's characteristics with contingencies that relate to specific circumstance in the organisation. Originated from the management field of research, contingency theory has been increasingly applied in the accounting field of research, especially in the management accounting research (Otley, 1980; Chenhall, 2003). For example, the contingency perspective of management accounting research has investigated the way management accounting and control systems are contingent on organisational structures and characteristics. Chenhall (2003) highlighted that managers tend to adapt an organisation to environmental changes with the intention of improving performance.

Viewing contingency theory from the financial accounting perspective suggests that management's choice of reporting practices are contingent upon the differing constraints on entities (Thomas, 1986). In explaining the corporate financial reporting system, which includes CSRR, Thomas (1991) developed a contingency framework that consists of four contingent variables. The contingent variables that may affect the choice of accounting methods of an organisation, as outlined by Thomas (1991) include: (1) societal variables, (2) the environment of an organisation, (3) organisational attributes, and (4) user characteristics and other sources of information.

Figure 4.7 shows the contingency framework suggested by Thomas (1991). Societal variables describe the factors that are common to all organisations within a particular country, yet vary between nations, for examples, economic, legal and political systems. The environment of an organisation refers to the perceived uncertainty involved in an organization, which can be classified into two dimensions, namely stable-dynamic dimension and homogeneous-heterogeneous dimension. While the former describes the degree of change involved in the internal and external environments that may influence an organisation, for example merger, takeover and specific regulation; the latter explains the levels of differences or similarities of the influential environments. Organisational attributes refer to the resources that are available in an organisation, which can be measured in terms of organisational size and technology. Finally, user characteristics describe different users' decision-making styles and cognitive traits (Thomas, 1991).

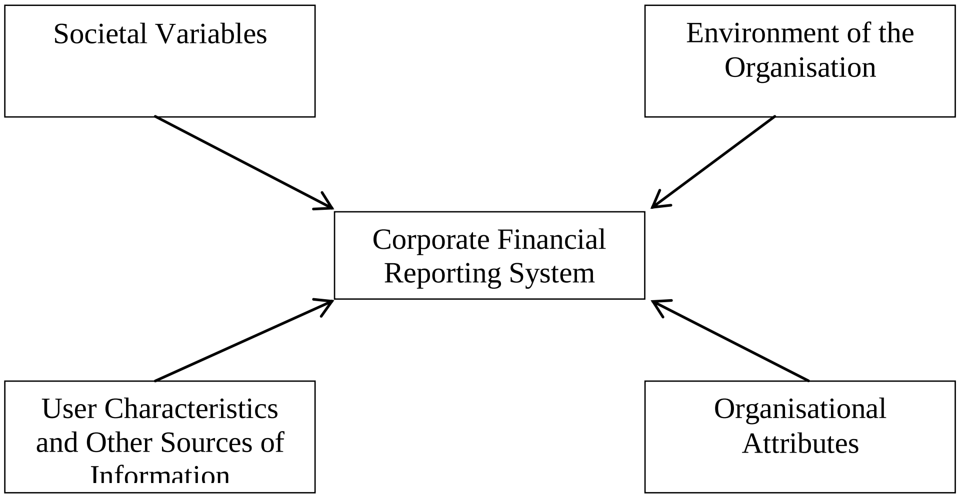


Figure 4.7: Contingency Framework for Explaining Corporate Financial Reporting Systems
(Source: Thomas, 1991, p. 42)

Husted (2000) proposed the use of contingency theory to explain corporate social performance. His model suggested that corporate social performance is dependent upon the fit between the type of social issue and appropriate strategies and structures. The model developed strategies and structures to deal with social issues. The social issue strategies aim to close the expectation gaps that occurred between a firm's management and its stakeholders with regards to their perceptions on the levels of corporate social performance of the firm. The social structures in his model refer to the organisational arrangement that determines information flow, responsibility and decision-making processes regarding social issues (Husted, 2000). According to Husted (2000), these strategies and structures bring the firm into alignment with its social environment and could represent corporate social responsiveness.

Contingency theory has also been used to explain voluntary disclosure practice in Egypt (Elsayed & Hoque, 2010). According to Elsayed and Hoque (2010), the level of a firm's voluntary disclosure is significantly positively associated with its perceived influence of international socio-political institutions, international accounting standards, and international financial institutions. Nevertheless, no significant association found between voluntary disclosure level and perceived intensity of global competition (Elsayed & Hoque, 2010). Overall, their study provides evidence on the perceived international environmental factors that may influence the type and level of accounting disclosures by organisation.

In line with the implementation of CSRR regulation by the Bursa Malaysia with effect from the 2007 financial year, all public-listed firms in Malaysia are required to disclose their CSR activities in the annual reports. CSRR regulation may represent the external environment of an organisation that may influence the CSRR practice, in addition to the existing influential factors that determine the current CSRR practice in firms, in particular corporate ownership structure.

Therefore, it is of interest to examine the moderating effect of CSRR regulation, being an external environment that may influence the CSRR practice in firm, on the association between corporate ownership structure and CSRR. Such findings not only indicate the level of effectiveness of the CSRR regulation in promoting a higher level of CSRR, but also demonstrate the manner in which CSRR regulation impact the existing influence of corporate ownership structure on the levels of CSRR. Given the different influence placed by the different types of corporate ownership structure on the levels of

CSRR disclosed, the implementation of CSRR regulation may have different effect on the association between corporate ownership structure and CSRR.

4.4 HYPOTHESIS DEVELOPMENT

This thesis focuses on the relationship between corporate ownership structures, board of directors' characteristics, corporate reporting regulations and CSRR. Specifically, the current study examines the influence of different types of corporate ownership structure and board of directors' CSR experience on the quantity and quality of CSRR. In addition, the current study also includes an investigation of the moderating effect of mandatory CSRR requirements on the association between corporate ownership structure and the quantity and quality of CSRR.

The current study is based on the stakeholder theory and contingency theory. Relying upon the Ullmann's (1985) framework of stakeholder theory, the current study focuses specifically on the influence of stakeholder power, which is represented by managerial, family, foreign and government ownership, on the quantity and quality of CSRR. The current study controls for the other two stakeholder power, namely government power and creditor power, as well as the economic performance, which were found to be the predicting variables of CSRR as proposed by Ullmann (1985). Government power is represented by firm size, *Shariah* status of firms and industry; creditor power is represented by leverage; and economic performance is represented by profitability.

Strategic posture is represented by the board of directors' CSR experience. The current study also introduces CSRR regulation as a moderating variable that may influence the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firm, which is examined in the context of contingency theory.

4.4.1 Corporate Ownership Structure (Shareholder Power)

Most of the prior research examining the influence of shareholder power on CSRR from the perspective of stakeholder theory has used concentrated ownership as the only variable to represent shareholder power (Roberts, 1992; Elijido-Ten, 2009; Liu & Anbumozhi, 2009; Huang & Kung, 2010). Owing to the uniqueness of corporate ownership structure in Asian countries, including Malaysia, which is characterised by family and government-owned structure, the current study suggests for the use of additional variables to represent the shareholder power. Instead of defining the shareholder power as concentrated ownership or diffused ownership, the current study measures specifically the shareholder power in terms of the different types of ownership structure; namely managerial, family, foreign and government ownership. These variables describe the common features of corporate ownership structure in Malaysia. The refinement of the definition of shareholders power in the current study adds to the existing CSRR literature from the stakeholder theory based on Ullmann's (1985) model.

4.4.1.1 Managerial Ownership

Managerial ownership refers to the proportion of shares held by managers of a firm; for example, the executive directors. A firm in which the directors hold a significant portion of the firm's share is known as an owner-managed firm or a closely-held firm (Claessen *et al*., 2000; Ghazali, 2007). Managerial ownership is one of the mechanisms used to mitigate the agency problem resulting from the separation of ownership and control between the shareholders and the managers. As suggested by Jensen and Meckling (1976), an increase in managerial ownership is seen as promoting the alignment of interests between the managers and the shareholders. Managers with a high proportion of shares bear the consequences and reap the rewards of managerial actions that destroy and create value; whereas managers with a low proportion of shares have greater incentive to consume perquisites and fewer incentives to maximise firm value (Jensen & Meckling, 1976).

Morck, Shleifer and Vishny (1988) suggested two conflicting arguments on the effect of managerial ownership on firm's market valuation, namely the alignment hypothesis and the entrenchment hypothesis. The alignment hypothesis, or also known as convergence-of-interest hypothesis, suggests that a firm's market valuation increases whenever the managers own a higher proportion of shares in the firm. In contrary, the entrenchment hypothesis suggests that the managers' incentive to maximise firm's value reduced whenever their levels of ownership in the firm increases. To explain the entrenchment hypothesis, whenever the managers owned a significantly large amount of shares in a firm, they tend to behave against the interests of other shareholders due to the greater power possess by the managers to control the firm. In this case, a conflict of interest may occur between the controlling and external shareholders (Fan & Wong, 2002).

In discussing the alignment or convergence-of-interests hypothesis in the context of corporate disclosure, managers and shareholders are viewed to have the same interests. This, in turn, encourages more extensive information to be disclosed by firms, in order to fulfil the information needs of the shareholders. Applying the entrenchment hypothesis to the concept of corporate disclosure, there will be less reliance of firms with a high level of managerial ownership to the public disclosure. This is because the high managerial ownership in a firm has led to a little separation between the owners and the managers of the firm[20], which has consequently resulted in a lower demand of public disclosure by the owners in a closely-held or owner-managed type of firms

[20] Despite the little separation between the owners and the managers of the firm, a conflict of interests may occur between the controlling shareholders and outside shareholders (Fan & Wong, 2002).

(Wallace & Naser, 1995). The owners of the firm become less likely to rely on public disclosure due to their greater access to internal information.

Extant literature that investigated the association between managerial ownership and corporate disclosure has documented mixed findings. On the one hand, there is a list of studies that documented a negative association between managerial ownership and corporate disclosure (Gelb, 2000; Eng & Mak, 2003; Leung & Horwitz, 2004; Ghazali & Weetman, 2006). On the other hand, some studies documented positive associations between managerial ownership and corporate disclosure (Warfield, Wild & Wild, 1995; Nasir & Abdullah, 2004). There were also several studies that documented no association between managerial ownership and disclosure (Huafang & Jianguo, 2007; Donelly and Mulcahy, 2008).

In Sweden, Broberg, Tagesson and Collin (2010) found that firms with a high level of managerial ownership disclosed less information than firms with a low level of managerial ownership. Managerial ownership is inversely related to the accounting disclosure in the US (Gelb, 2000), voluntary disclosure in Singapore (Eng & Mak, 2003), Hong Kong (Leung & Horwitz, 2004) and Malaysia (Ghazali & Weetman, 2006). Managerial ownership has also been negatively related to management earning forecast (Ruland, Tung & George, 1990) and the timeliness of earnings (Bushman, Chen, Engel & Smith, 2004).

Overall, this range of studies supports the entrenchment hypothesis that suggests the incongruent interest between the owners and managers of firms. Therefore, firms may opt to implement the monitoring by outside shareholders or provide additional disclosures, in a way to reduce the agency problem between the two parties. Nevertheless, the high cost associated to the monitoring has made firms opt for additional disclosures as a substitute for monitoring (Eng & Mak, 2003; Bushman *et al*., 2004; Ghazali & Weetman, 2006).

Warfield *et al*. (1995) found that the level of managerial ownership is related positively to the informativeness of earnings. A similar result was documented in Nasir and Abdullah (2004), who related managerial ownership with the level of voluntary disclosures among Malaysian financially-distressed firms. Their findings were consistent with the notion of the alignment hypothesis, suggesting that managerial share ownership mitigates agency problems and helps in aligning the interests between the managers and the shareholders in firms.

In term of CSR, Zahra (1989) suggested that the attention of directors to performance will reduce as the director ownership increases. Directors with a high level of ownership in firms tend to pursue their self-interest objectives more than the interests of other stakeholders. Instead of ensuring that the social objectives of the firms are being implemented, the director's objectives tend to resolve around maximising their own wealth as shareholders (Zahra, 1989).

However, empirical studies provided conflicting results on the association between managerial ownership and CSR. For example, Coffey and Wang (1998), who empirically tested the relation between managerial control and CSR, found that the managerial control, which is measured by the percentage of shares owned by insiders, is related positively to charitable giving. Johnson and Greening (1999) also dictated a positive association between top management shareholding and product quality dimension of CSR performance. Nevertheless, no relationship was found between the top management shareholding and people dimension of CSR performance (Johnson & Greening, 1999).

Ghazali (2007) and Barnea and Rubin (2010) dictated a negative association between managerial ownership and CSR. Managerial ownership is negatively related to CSRR in Malaysia (Ghazali, 2007). The low public interest and accountability in these closely-held/owner-managed firms has led to little concern being paid on the societal and environmental issues, which, in turn, translates into a lower level of CSRR disclosed in these firms (Ghazali, 2007). Barnea & Rubin (2010) found that insiders' ownership is negatively related to the firm's social rating. Oh, Chang and Martynov (2011), who used two variables to represent managerial ownership, reported that top management shareholding is associated negatively with CSR rating in Korea, whereas no association was found for outside director ownership.

Generally, most prior studies that relate managerial ownership to corporate reporting, including CSRR, were based on single-year data. Perhaps, a more consistent finding can be generated from a multiple year or longitudinal data. Studies that are based on a longitudinal data may also enable researchers to examine change in the association between the two variables and the effect of any specific event that may occur in a particular year on the association between the two variables.

Since the current study relies on a sample of firms in Malaysia, it hypothesises a negative association between managerial ownership and CSRR. This is based on the finding revealed by Ghazali (2007), who examined the managerial ownership-CSRR's association in Malaysia using the data set from 2001. Possibly, the consistency of the finding revealed by Ghazali (2007) may be prevailed through a longitudinal data used in the current study, reflecting both the voluntary and mandatory period of CSRR.

Therefore, the current study hypothesises:

H1a: Managerial ownership is related negatively to the quantity and quality of CSRR disclosed by a firm.

4.4.1.2 Family Ownership

The prevalence of family firms in many countries around the world, especially Asian countries (La Porta, Lopez & Shleifer, 1999; Claessens *et al*., 2000; Fan & Wong, 2002; Ibrahim & Samad, 2010), has signified the importance of family ownership as a form of corporate ownership (Anderson & Reeb, 2003; Miller, Le Breton-Miller, Lester & Cannella, 2007; Chen, Chen & Cheng, 2008). In general, family firms are characterised by the founding family's concentrated ownership or the founding family members' active involvement in the firms' management, either as top executives or directors (La Porta *et al*., 1999; Anderson & Reeb, 2003; Chen *et al*., 2008; Wan-Hussin, 2009). Family firms are controlled and usually managed by family members from multiple generations (Miller *et al*., 2007). Family owners that possess a substantial amount of shares in a firm may nominate their family members to sit on the firm's board of directors (Ghazali & Weetman, 2006), as a means to safeguard their interests (Ho & Wong, 2001).

According to Jaggi, Leung and Gul (2009), Indonesia, Malaysia and Hong Kong are among the Asian countries with the highest percentage of family ownership in the listed firms. A survey conducted by Finance Asia in 2001 stated that Malaysia (67.2 percent) and Hong Kong (66.7 percent) are the two economies with the highest percentage of family-owned firms based on 20 percent cut-off point (Cheung & Chan, 2004). Based on a list of 40 richest Malaysians in 2008 taken from a Malaysian business magazine, Ibrahim and Samad (2010) found that 27 (67.5 percent) are involved in family business.

Overall, the evidence has partly signified the significant contribution made by the family firms in shaping the corporate scene, particularly in Malaysia. The family owners, who become the controlling shareholders, often control firms through a pyramidal structure and participate actively in the management of the firms.

The distinguishing features of family firms are found to have effect on corporate transparency and disclosure choices. For examples, the presence of several family members on the board of directors indicates the existence of a dominant group that may strongly influence the board's decisions on corporate disclosure (Ghazali & Weetman, 2006; Chen *et al*., 2008). Furthermore, the active involvement of the family owners in firms' management has led to little separation between the owners and managers (Ali, Chen & Radhakrishnan, 2007). This, in turn, results in lower information asymmetry between the two parties (Chen *et al*., 2008).

Being involved with the firms' management, the family owners have greater access to internal information compared with other shareholders such as non-family and minority shareholders. In this case, there is less reliance of the family owners on public disclosure, which leads to the lower demand for public disclosure in family-owned/controlled firms. A similar argument is provided by Bushman *et al*. (2004), who suggested for the substitution role between direct monitoring and corporate disclosure in reducing the agency problems between the contracting parties. Chen *et al*. (2008) also found that family firms exhibit a lower likelihood of providing management forecasts than non-family firms. Findings by Chen *et al*. (2008) appear consistent with the arguments of the lower information asymmetry between owners and managers, and that the family owners are better monitors for the managers in the family-owned/controlled firms. Bushman *et al*. (2004) and Chen *et al*.'s (2008) studies relied on a sample of US firms.

Several non-US studies that relate family ownership with corporate disclosure also documented similar findings as the US-based studies. For example, Chau and Gray (2002) documented that family-controlled firms in Hong Kong and Singapore are not motivated to disclose more information than mandated. A significant negative relationship was documented between the proportion of family members on board and the extent of voluntary disclosure in Hong Kong (Ho & Wong, 2001) and Malaysia (Haniffa & Cooke, 2002; Ghazali & Weetman, 2006), respectively.

Haniffa and Cooke (2002) relied on data for the financial year 1995 (prior to the 1997 financial crisis), whereas Ghazali and Weetman (2006) undertook similar research using the data for the 2001 financial year (after the financial crisis). Ghazali and Weetman (2006) concluded that corporate reporting practices of family-controlled firms remain unchanged with secretive or less disclosure attitude. This is despite of the implementation of the Malaysian Code of Corporate Governance in 2001 that was aimed to improve corporate governance practice in Malaysia, and subsequently promote better corporate transparency, accountability and reporting.

In spite of the lower demand for public disclosure in the family firms as argued by several researchers (Chau & Gray, 2002; Bushman *et al*., 2004; Haniffa & Cooke, 2005; Ghazali & Weetman, 2006), Chen *et al*. (2008) suggested that the benefits of such disclosure, for example reduced cost of capital; and the costs of withholding bad news are more important to family owners than to other shareholders. These factors may, in turn, lead to the family owners' preference for more public disclosures. Several studies have demonstrated greater quality of disclosure in family firms; for example, Wang (2006), Ali *et al*. (2007), Chen *et al*. (2008) and Wan Hussin (2009).

Wang (2006) and Ali *et al*. (2007) found that family firms have higher earnings quality relative to non-family firms. Family firms are more likely to provide quarterly forecasts (Ali *et al*., 2007). Wang (2006) presented consistent evidence on the associations between founding family ownership with lower abnormal accruals, greater earnings informativeness, and less persistence of transitory loss components in earnings. Chen *et al*. (2008) documented a higher likelihood of earnings warnings in family firms. In summary, these studies signified the greater benefits of disclosure and costs of withholding bad news from the family owners, resulting in more information disclosed by the family firms from the perspective of US firms. Similarly, Wan Hussin (2009), who related family firm to corporate transparency in Malaysia, also dictated greater transparency of the family firms. Their analysis showed that family firms, which are represented by the proportion of family members on the board, are more inclined to disclose all the required items for the primary basis of segment reporting.

Overall, the presence of family members on board or the proportion of shares owned by family owners may influence corporate reporting behaviour. Perhaps, such argument could be extended to include an investigation of the impact of family-owned/controlled firms on CSRR. While a number of studies have documented a significant influence of family firms in determining the extent of voluntary disclosure, its impact on CSRR has been limited in focus.

Following the predominance of family firms in many countries around the world and in Malaysia (Ibrahim & Samad, 2010), and the continuous development of CSR over time, there is a growing research interest to investigate the link between family ownership and CSR. For example, Gallo (2004) observed that family firms are perceived as being more capable than other firms in terms of creating economic wealth and delivering goods that are useful for society. Webb (2004) listed the presence of family members on board as one of the indications that the firm is socially responsible. A negative association is documented between the proportion of family members on board and the increase in firm's CSR reputation in Malaysia (Othman *et al*., 2011).

Craig and Dibrell (2006) found that family firms in the US are more likely to engage in environmental friendly practices than their non-family counterparts. Dyer and Whetten (2006), who compared the CSR performance between family and non-family firms based on the KLD's rating, observed that the family firms have fewer CSR concern relative to the non-family firms. However, Dyer and Whetten (2006) found no difference between the family and non-family firms with regards to the number of CSR initiatives. In examining firms' reaction to stakeholder pressures in Taiwan, Huang, Ding and Kao (2009) observed that family firms pay much more attention to their internal stakeholders (e.g. shareholders, managers and employees) than non-family firms.

Based on a survey upon 112 Spanish family firms, Deniz & Suarez (2005) documented that different groups of family firms undertake different approach of CSR. They divided the firms into three groups; the classical group consists of 33 family firms that do not consider CSR to be a source of competitive advantage and do not believe that they possess the resources that are necessary to resolve social problem; the philanthropic group represents 26 family firms that regard CSR as a source of competitive advantage but still believe that they do not possess the resources that are necessary to resolve social problems; and finally the socio-economic group comprises firms that take a philanthropic view that do not perceive CSR as a competitive advantage, but they acknowledge that they possess the resources that are necessary to address social problems.

To summarise, evidence from the extant literature that relates family firms to CSR has documented mixed findings on the way the family firms' unique characteristics have impacted the firm's CSR practices. Overall, the unique features of the family firms, for examples owned and managed by the family members, place different impact on different aspects of corporate behaviour, including their behaviour towards CSR practices.

In Malaysia, there has been a practice of the listed firms with substantial family shareholdings to elect family members as members of the board of directors, either as executive or non-executive directors (Haniffa & Cooke, 2002). Family members, as defined by the Section 122A of the Malaysian Companies Act (1965), include spouse, parent, child, brother, sister and the spouse of a child, brother or sister. Any family relationship that occurs between the family owners and the members of the boards needs to be disclosed in the annual reports, as required by the Bursa Malaysia Listing Requirements. Such disclosure requirement may indicate the importance of the family relationship in a firm to be publicly known, as it affects the way the firm behaves.

Despite the extant of literature that relates family firm with voluntary disclosure (Haniffa & Cooke, 2002; Ghazali & Weetman, 2006), corporate transparency (Wan Husin, 2009) and CSR reputation (Othman *et al*., 2011) in Malaysia, the impact of family ownership on CSRR has been limited in focus. Othman *et al*. (2011), who documented a negative association between family firm and CSR reputation in Malaysia, relied on a sample of firms in three sensitive industries, namely industrial product, property and plantation; and a single-year (2007) analysis only. However, the current study aims to contribute to the literature that relates family firms with CSRR, by examining firms in both sensitive and non-sensitive industries over a period of time from 2005 to 2009 in the analysis.

Possibly, the current study may dictate the important role of family members in influencing corporate decision with regards to CSRR. The longitudinal data applied in the current study that reflect both voluntary and mandatory period of CSRR may also enable researchers to document the changes in firms' behaviour towards CSRR before and after the implementation of regulation with effect from 2007.

Therefore, the current study hypothesises:

H1b: Family ownership is negatively related to the quantity and quality of CSRR disclosed by a firm.

4.4.1.3 Foreign Ownership

Foreign ownership refers to the percentage of shares owned by foreign shareholders in a firm. A significant amount of shares held by the foreign shareholders may lead to a greater influence of the foreign practices in a firm. It may also witness the presence of foreign directors in the board of a firm. A number of empirical studies have documented the influence of foreign ownership on several firm outcome/performance (Chapple & Moon, 2005; Yoshikawa, Rasheed & Brio, 2010; Oh *et al.*, 2011).

Yoshikawa *et al*. (2010), who tested the moderating effects of foreign ownership on the strategy-pay sensitivity, revealed that foreign ownership negatively moderates the relationships between the strategy variables and executive compensation. Their findings suggested an active monitoring role played by foreign shareholders in reducing cash bonus payments when their invested firms choose to increase R&D or pursue diversification strategy.

Cross-border ownership of a firm gives rise to geographical separation and information asymmetry problems, between the owners and the managers (Mangena & Tauringana, 2007; Oh *et al*., 2011). These problems may be reduced through an increased disclosure made by the firm. Meek and Gray (1989) emphasised the need for firms to disclose more information than the minimum requirements of the stock exchange in order to compete in international capital markets. In their study, across all four continental European countries (France, Germany, the Netherlands and Sweden), the sample firms exceeded the requirements of the London Stock Exchange through a wide range of voluntary disclosures (Meek & Gray, 1989). Their study indicated the importance of an extensive disclosure for firms that are listed in foreign/multiple stock exchanges.

This has been further supported by Cooke (1989), who reported more information disclosed by firms listed on foreign stock exchanges compared with firms listed only in Swiss stock exchange. Furthermore, more voluntary disclosure is observed in firms involved in foreign activities or internationally-diversified operations in Switzerland (Raffournier, 1995) and France (Depoers, 2000). These studies generally implied a greater demand for disclosure in firms involved in foreign activities or owned by foreign shareholders.

According to Oh *et al*. (2011), foreign shareholders have greater demand for disclosure than other shareholders. Compared with the local shareholders, the foreign shareholders tend to have different investment's preference and time horizons. They prefer to invest in firms, in which they are well informed, and avoid firms with low disclosure (Mangena & Tauringana, 2007). Past empirical research has documented a positive association between foreign share ownership and corporate disclosure; for example, in Malaysia (Haniffa & Cooke, 2002), Kenya (Barako *et al*., 2006), Zimbabwe (Mangena & Tauringana, 2007) and China (Huafang & Jianguo, 2007). Generally, these studies documented the significant impact of foreign ownership on influencing corporate reporting practices. They concur with the need for greater corporate disclosure as a means to monitor the actions of management by foreign owners.

In the context of CSR, Chapple and Moon (2005) revealed that globalisation enhances firms' CSR adoption in Asian countries. They suggested that the current trends of CSR's implementation in many Asian countries have been influenced largely by the Western-style of CSR practices, following the increase in activities of the Western businesses in the region. Firms in which their shares are significantly held by foreign shareholders are more inclined to pay attention to CSR than other firms.

The influence of foreign shareholders, especially those from the Europe and North America, whereby CSR is seen as desirable (Gugler & Shi, 2009), has been apparent due to their familiarity with social issues and greater emphasis on CSR in their home countries (Oh *et al*., 2011). In this case, increased disclosure or CSR engagement may function as an important signalling mechanism to reduce information asymmetry problem between the foreign shareholders and the managers of the firm (Oh *et al*., 2011). Finding by Oh *et al*. (2011) revealed a positive association between foreign ownership and CSR rating in Korea.

Empirical research that relates foreign ownership and CSRR has been mixed. Based on a survey with CEOs of 100 firms operating in Malaysia, Teoh and Thong (1989) revealed that foreign-owned firms disclose more CSRR than local firms. Past research that examined the relationship between foreign ownership and CSRR based on secondary data in Malaysia, for examples corporate annual reports and website, also produced conflicting results. For example, Haniffa and Cooke (2005) dictated a positive relationship between foreign ownership and CSRR, whereas Amran and Devi (2008) and Said *et al*. (2009) documented no association between the foreign influence variables and CSRR. According to Amran and Devi (2008), foreign-owned firms may use other reporting media such as stand-alone reporting and websites to disclose their CSRR other than the corporate annual reports.

Haniffa and Cooke (2005) employed a two-year data set (1996 and 2002) and excluded firms in the finance industry from their sample firms. Said *et al*. (2009) used a data set of 2006 and content-analysed CSRR from both corporate annual reports and websites. Amran and Devi (2008) included finance firms as sample in their study and analysed a data set of 2002/03. Overall, differences in terms of sample firms, data sets and sources of CSRR employed in these studies may partly explain the conflicting findings. So??

Nevertheless, Haniffa and Cooke (2005) suggested that firms in Malaysia use CSRR as a proactive legitimating strategy towards ensuring the continuous inflows of capital and to be responsible, especially to the ethical investors. Perhaps, an examination of the foreign ownership-CSRR's relationship over a period of time from 2005 to 2009 may indicate how the influence of foreign ownership on CSRR changes over the five-year period. Furthermore, the inclusion of data sets from both voluntary and mandatory CSRR regimes may highlight the effect of the mandatory CSRR upon the association between foreign ownership and CSRR.

The development of the hypothesis on the association between foreign ownership and CSRR in the current study is grounded in the findings dictated by Haniffa and Cooke (2005) that documented a positive association between the two variables. Haniffa and Cooke's (2005) study is based on two-year data and Malaysia's context. The positive association between foreign ownership and CSRR is also hypothesised based on the argument of information asymmetry problem that is resulted from the geographical separation between foreign shareholders and firms' management.

Therefore, the current study hypothesises:

H1c: Foreign ownership is positively related to the quantity and quality of CSRR disclosed by a firm.

4.4.1.4 Government Ownership

Coporate ownership in several countries within Asian region such as Singapore and Malaysia is dominated by government ownership (Claessen *et al*., 2000; Mak & Li, 2001; Eng & Mak, 2003). According to Claessen *et al*. (2000), Singapore is listed as the country in the region with the highest percentage of government ownership in the listed firms (23.5 percent), followed by Malaysia (13.4 percent). Government ownership in firms can be described by the percentage of ownership and controls possessed by the government in a particular firm. Generally, the government is interested to invest in firms that are of strategic importance to the country. Firms in which some of their shares are controlled by the government are commonly known as 'government-linked companies' or GLCs (Feng, Sun & Tong, 2004).

In Malaysia, the Putrajaya Committee on GLC High Performance (PCG) defined GLCs as firms that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake. The term 'controlling stake' is referred to the percentage of government ownership in a firm, and also the government's ability to appoint board members, senior management, make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.) for the

GLCs either directly or through government-linked investment companies (GLICs) (PCG, 2005).

GLICs are defined as Federal Government-linked investment companies that allocate some or all of their funds to be invested in GLCs. Examples of GLICs include Employees Provident Fund (EPF), Khazanah Nasional Bhd (Khazanah), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH) and Permodalan Nasional Bhd (PNB) (PCG, 2005). These also represent large public institutional investors in Malaysia. As highlighted by Wahab, How and Verhoeven (2007), the five largest public institutional investors are two pension funds (EPF and LTAT); an investment fund (PNB); a pilgrim fund (LTH); and an insurance company (SOCSO). Collectively, their shareholdings represent nearly 70 percent of total institutional shareholdings in firms listed on the main board of the Bursa Malaysia (Wahab *et al*., 2007). In other words, government ownership in firm in the context of Malaysia can be represented by the percentage of government ownership in a firm, the GLC's status of a firm or the percentage of public institutional investors' ownership in a firm.

Operated like other firms with commercial objectives, the GLCs' goals that related to the interest of the nation may be in conflict with their profit-making goal (Mak & Li, 2001). Consequently, this conflict may affect the level of disclosure made by the GLCs (Eng & Mak, 2003). The association between government ownership and corporate reporting has been documented in several empirical studies with the directions of the association can be explained in either way (e.g. positive or negative association). This is because the relation between government ownership and corporate reporting is based on two contrasting arguments. On the one hand, government ownership may create a certain level of pressure on firms to provide more information to the public, owing to the accountability of the government to serve the interests of the nation. On the other hand, it may be argued that the needs for the government-owned firms to provide extensive reporting are reduced due to the separate monitoring by the government (Ghazali & Weetman, 2006).

Eng and Mak (2003) documented that GLCs need to provide greater voluntary disclosure in a way to reduce the conflict between the pure profit goals of a firm and the goals related to the interests of the nation. Conversely, Naser and Nuseibeh (2003), who examined a sample of non-financial Saudi firms, highlighted the little incentive for GLCs to disclose more information to the public, since the government has guaranteed certain amount of returns in those firms. Ghazali and Weetman (2006) also suggested for a lower demand for public disclosure in the government-owned firms, following the greater access of the firms to the government funding. In this case, there will be less reliance of the firms to the external funds, thus providing the firms with little incentive to opt for more public disclosure. However, their empirical analysis found no association between government ownership and the level of voluntary disclosure in Malaysia, even after the corporate governance reform took place in 2001. Huafang and Jianguo (2007) also found no association between government ownership and the level of voluntary disclosure in China.

In the context of CSRR, Amran and Devi (2008) dictated a positive association between government ownership and CSRR. This supports the evidence provided by Ghazali (2007), who reported that firms in which the government is a substantial shareholder disclosed significantly more CSR information in their annual reports. By having a high proportion of shares held by the government and senior government officer sit in the board, the government-owned firms are in a good position to influence directly or indirectly the disclosure policies that, in most cases, supported the initiatives outlined by the government policies. For example, the Malaysian government has urged the public-listed firms in the country to become more socially and environmentally responsible to ensure the future sustainability of their business (Rahman, Zain & Al-Haj, 2011).

The concerns of the Malaysian government over many of the CSR issues have been apparent with a number of significant initiatives being undertaken. Others include the CSR reporting frameworks for public-listed firms launched by the Bursa Malaysia in 2006 and the CSR guidelines developed specifically for the GLCs, known as the 'Silver Book'. The Malaysian government has also introduced several tax incentives for firms that undertake CSR-related activities; for example, to reduce the greenhouse gas emissions, to invest in local communities and to support for arts and cultural programmes.

The increasing focus of the government on many CSR issues has motivated more CSRR disclosed by the government-owned firms (Ghazali, 2007; Amran and Devi, 2008). Probably, this supports the government policies towards the development of CSR and CSRR in Malaysia. Rahman *et al*. (2011), who focused specifically on the CSRR practices in the GLCs, observed that these firms not only disclosing good news, but also bad/negative news on CSR-related matters. Rahman *et al*. (2011) found that, to a certain extent, some GLCs have influenced other firms' practices to disclose CSR information.

While evidence dictated in Ghazali (2007) and Amran and Devi (2008) was based on the data derived from the voluntary CSRR period (prior to 2007), perhaps, a renewed effort could provide additional evidence on the impact of government ownership on CSRR disclosed before and after the CSRR regulation take place. Evidence from such investigation may indicate how firms change their behaviour with regards to CSRR practice over a period of time. This is particularly important with the introduction of

CSRR regulation upon all public listed firms in Malaysia in 2007. Following the continuous efforts by the government to promote CSRR and the government's call for public-listed firms to become more socially and environmentally responsible (Amran and Devi, 2008; Rahman *et al*., 2011), a greater level of CSRR is expected in firms with higher levels of government ownership (Ghazali, 2007).

Therefore, the current study hypothesises:

H1d: Government ownership is positively related to the quantity and quality of CSRR disclosed by a firm.

4.4.2 Board of Directors' CSR Experience (Strategic Posture)

The term 'experience' can refer to a set of prior or existing career or personal experiences of an individual, which may influence the range of decisions made by the individual. According to Mcdonald *et al*. (2008), experience contributes to the development of an extensive knowledge base that marks a relatively high level of expertise, and supports high-quality decision making. Experience represents one of the assets possessed by an individual director that sit on the board of directors of a firm.

Prior literatures, especially those examined the board's resource provision role, have documented the importance of a director's experience to a board of directors. For example, Westphal and Milton (2000) highlighted the abilities of an experienced director to influence board's decision making, interpret business situations effectively and deal with any business challenges. Experienced directors have better understanding of cause-and-effect relations in a particular situation and are capable of providing valuable guidance for strategic decision-making in firms (Kroll *et al*., 2008; Mcdonald *et al*., 2008).

According to Carpenter and Westphal (2001), directors' relevant experience influences their effectiveness in performing their monitoring and advisory roles. While multiple directorship of board members, which describe the experience of a director in other firms, provides an important resource for advice and influence in a firm (Kosnik, 1987), industrial experience of a director enhances the quality of communication and information exchange among directors (Milliken & Martins, 1996). Experienced directors also facilitate the development of ties with other directors, executives and industry players (Westphal, 1999). This social networking among directors is found to facilitate the board members to deal with employees and become more familiar with the firm's management (Kor & Sundaramurthy, 2009).

Kor and Sundaramurthy (2009) highlighted the importance of directors' existing and past experiences as managers and members of the board. They suggested that these experiences direct the thinking and perceptions of the directors, and allow them to develop specific skills and knowledge about how boards of directors, firms and industries operate. In examining the influence of experience-based human capital on firm growth, Kor and Sundaramurthy (2009) revealed that multiple directorship experience and managerial experience of a director have positive effects on firm growth. The finding of Kor and Sundaramurthy (2009) is somewhat consistent with that provided by Mcdonald *et al*. (2008) and Kroll *et al*. (2008), respectively.

Mcdonald *et al*. (2008) examined the effects of outside director acquisition experience on firm acquisition performance. They posited that directors will develop expertise in making particular kinds of acquisition decisions through their past experiences at other firms with decisions about those specific types of acquisition. These experiences and expertise are found to be related positively to the performance of a focal firm's acquisition (Mcdonald *et al*., 2008).

Similarly, Kroll *et al*. (2008), who studied the role of board of directors in influencing corporate acquisition performance, found that vigilant boards with appropriate experience are associated with superior acquisition outcomes. Kroll *et al*. (2008) suggested that directors with appropriate knowledge gained through experience will become more useful advisers in firms. Generally, both studies provided evidence about the influence of directors' acquisition experience on firm acquisition performance in the US, examined using different model specifications and samples.

Evidence from the extant literature also documented the importance of international experience (Carpenter, Sanders & Gregersen, 2001; Magnusson & Boggs, 2006) and industry-specific experience (Kor & Misangyi, 2008) of a director. According to Carpenter *et al*. (2001), firms with international assignment-experienced CEOs performed better than those led by CEOs without such experience. They revealed that a CEO's international assignment experience relates positively to both accounting and market measures of the US multinational firm performance.

Similarly, Magnusson and Boggs (2006) identified international experience as an important variable that relates to accession to the CEO position of large firms in the US. In the context of directors' industry-specific experience, Kor and Misangyi (2008) dictated the importance of the presence of outside directors with significant managerial industry experience to offset a dearth of top management industry experience in younger entrepreneurial firms.

Overall, findings from the extant literature on a board's resource provision role generally dictated the relation between directors' experience and firm outcome. They also indicated the importance of the relevant experiences possessed by directors in influencing a range of firms' performances and decisions. As suggested by Dearborn and Simon (1958), board members could rely on lessons learned in prior related experiences as guidance in future related decision making.

Several empirical studies have also indicated the influence of board experience on corporate disclosure. Variables that have been used to represent board experience include multiple directorship (Haniffa & Cooke, 2002; Gul & Leung, 2004), age and length of service of directors (Abdelsalam & Street, 2007). Haniffa and Cooke (2002) posited that multiple directorships held by board members have important implications for corporate disclosure practice. Board members with multiple directorships have greater access to information in more than one firm, which promotes information sharing indirectly among the firms (Haniffa & Cooke, 2002). Consequently, preference for information confidentiality may reduce as firms become more transparent.

However, empirical findings by Haniffa and Cooke (2002) revealed no significant association between multiple directorships and the extent of voluntary disclosure of a sample of firms in Malaysia. A negative association was dictated between the percentages of ‘expert’ non-executive directors/multiple directorships and a direct measure of voluntary disclosure based on a sample of Hong Kong firms (Gul & Leung, 2004).

Instead of relying on ‘multiple directorships’ as a sole measure of board experience, Abdelsalam and Street (2007), who examined the association between corporate governance and the timeliness of corporate internet reporting by UK listed firms, used the average age of directors and length of service of executive and non-executive directors as proxies for board experience. Their study showed that boards with more experience in terms of the average age of directors and lower length of service for executive directors provide timelier corporate internet reporting. Overall, evidence from prior studies relating board experience and corporate disclosure has been inconsistent. Different findings are revealed in different studies, which call for more accurate evidence to be gathered on the influence of board experience on corporate disclosure.

In the context of CSR, Strandberg (2007) highlighted the need for the boards of directors to have the right expertise to understand CSR issues. Such expertise can be built through related knowledge, skills and experience (Hillman, Cannella & Paetzold, 2000). Cramer & Hirschland (2006) suggested that one or more board members with knowledge or prior experience in CSR issues should be appointed to manage CSR portfolio in a firm. They argued that such an appointment can be used as an alternative to the formation of dedicated CSR committees.

Directors with CSR experience may have better understanding of CSR issues in a firm. Therefore, they are expected to have greater capabilities towards enhancing the CSR performance of a firm. In line with the ability of directors with relevant experience to influence board's decision, directors with CSR experience is expected to influence board's decision in CSRR. Slater and Dixon-Fowler (2009) documented a significant association between CEOs' international experience and firms' CSR performance. In the specific context of CSRR, Haniffa and Cooke (2005) revealed a significantly-positive association between a chairman with multiple directorships and the extent of CSRR.

In summary, prior literature relating board experience to CSR has focused on several variables; among others, multiple directorship experience and international experience to represent board experience. However, there is lack of empirical evidence that relates boards' CSR experience to CSR (e.g. CSR performance or reporting). Perhaps, an exploration of the boards' CSR experience-CSR relationship may contribute to the existing literature and the roles of the boards of directors. Findings of the current study on board CSR experience-CSR relationship may demonstrate the importance of a director's experience in driving CSR efforts in a firm.

Therefore, the current study extends prior works that relate board of directors' experience with CSRR by examining the influence of board's CSR experience on CSRR disclosed by firm. For the purpose of the current study, board's CSR experience refers to past and present experience of directors that sit on the board of directors that relates to CSR, for example, experience in handling CSR-related projects or managing a CSR-related unit or department. This information can be extracted from the directors' profile section in the firm's annual report. An experienced board is expected to generate a positive firm outcome.

Therefore, the current study hypothesises:

H2: Board of directors' CSR experience is positively related to the quantity and quality of CSRR disclosed by a firm.

4.4.3 CSRR Regulation (Moderating Variable)

CSRR has been practiced generally as a voluntary activity in many countries around the world. However, there have been several claims on the insufficiency and ineffectiveness of the voluntary CSRR. For example, Deegan and Rankin (1996) and Adams (2004) highlighted the lack of neutrality and objectivity of the voluntary CSRR, which, in turn, led to its failure to meet stakeholder demands (DeTienne & Lewis, 2005). Kathyayini *et al*. (2012) claimed that the motivation to produce CSRR is low in the absence of relevant legislation. As seen in Gray *et al*.'s (1995a) study, the mandated CSRR had been the highest proportion of CSRR disclosed in the UK, in comparison with the voluntary CSRR items. Consequently, this has elevated the need for CSRR regulation (Spence, Gray & Trust, 2007; Unerman & O'dwyer, 2007).

Several countries have started to introduce the mandatory reporting requirement of CSR-related information; for example, in the US, the UK, the Netherlands, Denmark, Sweden, Norway, New Zealand and Australia. These countries have enacted legislations for specified firms to report their environmental impacts, based on the belief that compulsory/legally specified reporting requirement and enforcement mechanism will enhance the quality of CSRR disclosed (Criado-Jimenez *et al*., 2008; Ioannou & Serafeim, 2012).

Mandatory CSRR may partly resolve the problems related to diversity of reporting and providing a greater degree of certainty than practice of voluntary initiatives (Waagstein, 2011). Despite the benefits that CSRR regulation offers, Waagstein (2011) argued that the mandatory CSRR also opens up new problems with respect to substance and procedure relating to its implementation. To ensure an effective implementation of the regulation, Waagstein (2011) suggested for a placement of a detailed enforcement mechanisms following the regulation.

CSRR regulation has also been seen as an alternative to the dominant business discourse. The ‘business case’ for CSRR that seeks to establish an alignment of interests between the wider stakeholders with social and environmental interests and the shareholders with economic interests, to show that all parties benefit through the voluntary CSRR; has been claimed to be a dominant business discourse by a number of commentators (see Gonzalez & Martinez, 2004; Brown & Fraser, 2006; Spence *et al*., 2007; Unerman & O'dwyer, 2007).

As an alternative to the dominant business discourse, Unerman and O'dwyer (2007) proposed for an effective statutory regulation of CSRR as a mean of protecting the social and environmental interest of the stakeholders as well as enhancing the firms' economic performance and shareholder value. Drawing on Becks and Giddens' theories on reflexive modernity, Unerman and O'Dwyer (2007) argued that reflexivity processes can lead to an increase in public perceptions of risk that they may encounter as a consequence of firms' business activities, which, in turns, leads to a loss of trust in an individual firm or an industrial sector as a whole. According to Unerman and O'Dwyer (2007), these outcomes could be avoided through a tighter and more rigorously enforced independent regulation of CSRR.

CSRR regulation has also been suggested to promote CSRR (Gonzalez & Martinez, 2004). For example, it has been used to explain an increase in CSRR disclosed by firms in selected industries (Buhr, 1998; Tilt & Symes, 1999), and a variation of CSRR disclosed in different countries (Harte & Owen, 1991). In other words, the imposition of CSRR regulation may have effect on the CSRR disclosed by firms. In respect to regulation on corporate equal opportunities reporting in the UK, Adams *et al*. (1995) revealed little detailed reporting made by firms in spite of the presence of the regulation. They found that only a minority (34 percent) of firms in the sample comply fully with the reporting regulation. Even though the regulation stated the requirement of firms with more than 250 employees to disclose their policy on the applications of disabled employees, 14 firms did not comply with the requirement.

Similarly, Day and Woodward (2004) observed an apparent disregard of top firms in the UK for the statutory requirement to disclose information about employees in the Directors' report in the financial statements. Cooper and Owen (2007), who evaluated critically the voluntary and mandatory CSRR by the UK firms, argued the limited contribution of both forms of reporting in demonstrating stakeholders' accountability.

With regards to the firms' compliance to Spanish environmental reporting standard, Larrinaga *et al*. (2002) dictated a low level of compliance, with nearly 80 percent of the sample firms not providing any environmental information. This is based on the analysis conducted between 1997 and 1999. Those reporting firms are found to be selective in their choice of disclosure, whereby they tend to neglect the reporting regulation's aspects that are not in their interest to disclose (Larrinaga *et al*., 2002).

Following the implementation of an improved standard of environmental reporting in Spain with effect from March 2002, there has been an increase in environmental reporting disclosed by firms in the country (Llena, Moneva & Hernandez, 2007; Criado-Jimenez *et al*., 2008). Llena *et al*. (2007) dictated a significant increase in environmental information disclosed by firms for the period 2001-2002 compared with the 1992-1994 period. In a similar vein, Criado-Jimenez *et al*. (2008), who surveyed the CSRR pattern of 78 largest Spanish firms between 2001 and 2003, also revealed an increase in the volume and quality of CSRR disclosed, as a result of the progressive and improved reporting regulation in Spain.

In Australia, the government has enacted a regulation that requires firms to report their environmental performance within the annual report with effect from 1998 (Cowan & Gadenne, 2005; Frost, 2007). Frost (2007) examined the impact of the introduction of the mandatory reporting guidelines on environmental reporting based on a sample of 71 Australian firms for two reporting periods prior to, and two periods after, the operative date of the legislation. He revealed a significant increase in the number of firms reporting and the level of information provided on environmental performance in the annual reports. A considerable variation was identified in the approaches adopted for reporting, which confirming concerns expressed as to the practical application of the legislation (Frost, 2007). He also reported an increase in the level of total environmental disclosure, most significantly for firms that reported breaches of regulations and that do not issue a stand-alone environmental report. His study suggested the limitations of continual reliance upon voluntary reporting to provide consistent substantive information on environmental performance.

In comparing the corporate environmental reporting practices across voluntary and mandatory reporting regime, Cowan and Gadenne (2005) noted that firms have a propensity to disclose higher levels of positive environmental disclosure in the voluntary sections of the annual reports than in the statutory sections. They suggested that firms tend to adopt different disclosure approach when reporting are potentially under surveillance or increase scrutiny via legislated environmental disclosure requirement. A greater level of voluntary environmental disclosure is expected to avoid stricter regulation and further enforcement of existing regulation.

Fallan and Fallan (2009), who conducted a longitudinal analysis of CSRR in Norwegian firms over a 19-year period, suggested that no statutory regulations are required to make firms increase and adapt their environmental reporting to the demand from their stakeholders and legitimate their existence towards society. They found that the voluntary approach of CSRR improves the variety of environmental reporting made by firms. According to Fallan and Fallan (2009), regulatory approach of CSRR has a significant and immediate effect on mandatory environmental reporting only, and that firms do not comply fully with such statutory regulations.

In contrary to Fallan and Fallan's (2009) findings, Crawford & Williams (2010) suggested that CSRR regulation is needed to promote a higher quality of CSRR disclosed by firms. Crawford and Williams' (2010) study is based on a sample of firms from banking sectors in France and the US. Findings from Crawford and Williams' (2010) study showed that the French firms, which operate in a highly-regulated environment in terms of CSRR, provide a higher level of CSRR quality compared with the US, which practiced self-regulation of CSRR. Mandatory CSRR regulation is found to improve the social responsibility of business leaders, for example in the area of sustainable development, employee training and ethical practices (Ioannou & Serafeim, 2012). Consistent with Crawford and Williams (2010), Ioannou and Serafeim (2012) also documented greater improvement of CSR practices in countries with stronger law enforcement. Ioannou and Serafeim's (2012) study is based on the data of 58 countries, including Malaysia.

Overall, evidence from the extant CSRR literature has documented mixed findings on the impact of regulation on the levels of CSRR disclosed by firms. While several studies reported an increase in the number of reporting firms, and the quantity and quality of CSRR as a result of regulation, other studies argued on the lack of CSRR in spite of the presence of regulation. Perhaps, drawing upon a sample of public-listed firms in Malaysia, to examine the impact of CSRR regulation on the levels of CSRR disclosed by firms may contribute to the existing literature of CSRR regulation in the context of developing and Asian countries that has been limited in focus.

In Malaysia, the mandatory CSRR requirement has been incorporated into the Listing Requirement of the Bursa Malaysia (Appendix 9C, Part A, Paragraph 29), which obligates all public-listed firms to include a description of the CSR activities or practices undertaken by the firms and its subsidiaries or, if there are none, a statement to that effect. The mandatory CSRR requirement was introduced by the Bursa Malaysia with effect from the financial year 2007, as one of the government's initiatives to promote CSR to a higher level of development. It also aims to stimulate the uptake of CSRR in the country. Following the imposition of the mandatory CSRR, the interest to investigate the firms' response towards such reporting regulation arises (Bursa Malaysia, 2007). This can be revealed through an examination of the impact of the CSRR requirement on the quantity and quality of CSRR disclosed by firms.

Othman *et al*. (2011), who used firms in highly-sensitive industries as sample firms in their study, suggested that CSRR regulation in Malaysia forms a significant mechanism in promoting CSR reputation. In their study, CSRR regulation is represented by the changes in the extent of CSRR, which is measured in terms of words, from 2006 to 2007. The CSRR regulation is regressed upon the CSR reputation index, which is developed based on the RepTrake model, the Bursa Malaysia CSR Framework and the GRI Guidelines. According to Othman *et al*. (2011), the RepTrake model from the Reputation Institute is one of the most frequently-used models for measuring corporate reputation.

Moving forward, there is a growing body of literature that investigate the interrelationship between corporate reporting regulation and corporate ownership structure in influencing corporate behaviour. For example, Warfield *et al*. (1995) found that regulation influence the relationship between managerial ownership and managers' accounting choice (Warfield *et al*., 1995). According to Warfield *et al*. (1995), the association between managerial ownership and managers' accounting choice become weaker in the presence of regulation. In other words, managerial ownership is less important for regulated firms as the regulatory setting may monitor managers' accounting choice, which provides the managers less opportunities to pursue non-value maximising actions.

In examining the regulatory compliance of firms to corporate insider trading regulation in Italy, Bajo, Bigelli, Hillier and Petracci (2009) found that family firms are most likely to comply with the regulation. Overall, the above findings signify the importance of regulation in influencing corporate behaviour alongside with corporate ownership structure. Perhaps, the presence of specific regulation related to corporation, for example, corporate reporting regulation including CSRR regulation, may affect the association between corporate ownership structure and the levels of corporate reporting, including CSRR in different manners.

Gray (1988), who examined the cultural influence on the development of accounting systems internationally, observed the general nature of corporate behaviour of the Asian countries, including Malaysia that are characterised by high level of statutory control despite of high level of secrecy. Following that, probably the implementation of CSRR regulation in Malaysia is expected to produce a high level of firms' compliance towards the regulation imposed. This is despite the high level of secrecy documented in firms, especially in owner-managed or family-owned firms (Ghazali, 2007).

Motivated from Gray (1988), Warfield *et al*. (1995) and Bajo *et al*.'s (2009) work, the current study intends to examine the effect of CSRR regulation on the association between corporate ownership structure and CSRR. Despite a number of studies documenting significant associations between different types of corporate ownership structure and CSRR, the moderating role of corporate reporting regulation, specifically CSRR regulation, on these associations have yet to be established. This is important as the imposition or change in CSRR regulation may lead to a change in the association between the corporate ownership structure and corporate disclosure.

Therefore, the current study examines the moderating effect of mandatory regulation on the association between corporate ownership structure and CSRR. Such investigation is useful to observe the role of CSRR regulation in influencing the way a firm with different types of ownership structure determines its quantity and quality of CSRR disclosed in the firm's annual report. Different types of ownership structure in a firm may affect the quantity and quality of CSRR in a different manner during the voluntary CSRR period compared with the mandatory period.

As presented in Section 4.4.1.1, managerial ownership is expected to be negatively related to the quantity and quality of CSRR (Ghazali, 2007). In other words, firms with higher levels of managerial ownership tend to provide lower levels of CSRR, both in terms of quantity and quality. However, in line with Gray's (1988) argument on the high level of statutory control among firms in Malaysia, the presence of CSRR regulation may weaken the negative association between the two variables. Warfield *et al*. (1995) also documented the role of regulation in weakening the association between managerial ownership and managers' accounting choice. While firms with high managerial ownership may choose to report or not to report CSR information in their annual reports during the voluntary period of CSRR, they are obligated to report at least a minimum level of CSR information in their annual reports following the CSRR regulation that took effect from the 2007 financial year, if they were to comply with such regulation.

Therefore, the current study hypothesised:

H3a: The negative association between managerial ownership and the quantity and quality of CSRR is weaker in the mandatory CSRR period than the voluntary period.

In examining the association between family ownership and CSRR, a negative association between the two variables is hypothesised. This is in line with the argument of the lower demand of public disclosure in family-controlled firms, as the family owners can gain access to internal information compared to other stakeholders (Ali *et al*. 2007; Ghazali, 2007; Chen *et al*., 2008). Details on the hypothesis development have been discussed in Section 4.4.1.2. Nevertheless, the introduction of the mandatory CSRR requirement by Bursa Malaysia with effect from the financial year 2007 may lead to a weaker association dictated between the level of family ownership and the quantity and quality of CSRR disclosed. This is based on Bajo *et al*.'s (2009) argument, which suggested a high level of regulatory compliance by the family firms. Gray (1988) also highlighted the high level of statutory control of firms in Malaysia. Following that, firms with a higher level of family ownership are expected to disclose more CSR information in their annual reports after the CSRR regulation take place. This is in spite of their popularity of being 'secrecy' in corporate disclosure.

Therefore, the current study hypothesised:

H3b: The negative association between family ownership and the quantity and quality of CSRR is weaker in the mandatory CSRR period than the voluntary period.

Evidence presented in Section 4.4.1.3 on the association between foreign ownership and CSRR has highlighted two important factors that led to the hypothesis of the positive association between the two variables. They are: (1) the information asymmetry problem between foreign shareholders and management of firms that may require firms to consider a provision of greater amount of public disclosure (Mangena & Tauringana, 2007; Oh *et al*., 2011); and (2) the greater emphasis on CSR placed by the foreign shareholders, especially those from the Europe and North America, compared with the local shareholders (Oh *et al*., 2011). With the mandatory CSRR requirement in place, greater reporting of CSR information is expected from the firms with a higher level of foreign ownership. This is to demonstrate their compliance to the mandatory reporting requirement.

Therefore, the current study hypothesised:

H3c: The positive association between foreign ownership and the quantity and quality of CSRR is stronger in the mandatory CSRR period than the voluntary period.

Section 4.4.1.4 has generally reviewed the association between government ownership and CSRR. In summary, existing CSRR research documented a positive association between the two variables (Ghazali, 2007; Amran & Devi, 2008). The imposition of the mandatory CSRR requirement in 2007 may encourage firms with higher government ownership to report greater amount of CSR information, as to exhibit their adherence to the mandatory reporting requirement and support for continuous development of CSRR in Malaysia.

Therefore, the current study hypothesised:

H3d: The positive association between government ownership and the quantity and quality of CSRR is stronger in the mandatory CSRR period than the voluntary period.

4.4.4 Control Variables (Government Power, Creditor Power and Economic Performance)

Several firm-specific characteristics that were found to influence the levels of corporate reporting, specifically CSRR, are included as control variables in the current study. Based on the theoretical framework applied for the purpose of the current study, the following variables are introduced as control variables. They are firm size, *Shariah* status, profitability, leverage and industry.

Refers to the Ullmann's (1985) model, these variables represent the government power (firm size, *Shariah* status, and industry), creditor power (leverage) and economic performance (profitability). These firm-specific characteristics are included in the current study, as they may have effects on the levels of CSRR, along with the three components of corporate governance examined in the current study; namely, corporate ownership structure, board of directors' CSR experience and CSRR regulation. Their relevance to the context of the current study may enable this researcher to suggest a comprehensive model in explaining the levels of CSRR in Malaysia. This could be demonstrated, for example, through a higher explanatory power (R^2) of the suggested model in explaining the levels of CSRR disclosed by firms in Malaysia.

Each of these variables is explained in the following sections: Section 4.4.4.1 Firm Size, Section 4.4.4.2 *Shariah* Status, Section 4.4.4.3 Profitability, Section 4.4.4.4 Industry and Section 4.4.4.5 Leverage.

4.4.4.1 Firm Size (Government Power)

Firm size represents one of the important determinants of firms' disclosure level (Eng & Mak, 2003; Huafang & Jianguo, 2007). In terms of CSRR, larger firms are found to disclose more than the smaller firms (Patten, 1991; Hackston & Milne, 1996; Branco & Rodrigues, 2008a). Larger firms tend to involve in more business activities, which expose them to a greater impact on society (Trotman & Bradley, 1981; Teoh & Thong, 1984; Andrew *et al*., 1989). They also possess greater resources to devote to CSR issues (Bowen, 2002) and are subject to greater visibility to various stakeholders' scrutiny, especially the regulators (Cowen *et al*., 1987; Chapple & Moon, 2005). Cowen *et al*. (1987) argued that larger firms tend to receive more attention from the public and are under great pressure to exhibit CSR. In response to the growing public attention and pressures, CSRR has been used by firms as a mechanism to legitimise their existence and to enhance their reputation (Patten, 1991; Branco & Rodrigues, 2008a).

Prior CSRR literature has generally documented a positive association between firm size and the extent of CSRR (Trotman & Bradley, 1981; Cowen *et al*., 1987; Belkaoui & Karpik, 1989; Patten, 1991; Hackston & Milne, 1996; Haniffa & Cooke, 2005; Branco & Rodrigues, 2008b). Firm size has also been used as a proxy for public pressure or visibility in examining the motives for CSRR (Patten, 1991; Branco & Rodrigues, 2008a). Several measures have been used to represent firm size, among others, total assets (Hackston & Milne, 1996; Haniffa & Cooke, 2005; Branco & Rodrigues, 2008b), market capitalisation (Ghazali, 2007), revenue (Patten, 1991), ranking (Cowen *et al*., 1987), and number of employees and branches (Branco & Rodrigues, 2008a).

Despite the variety of measures used to represent firm size, the current study adopts 'total assets' as a measure of firm size. 'Total assets' provides a more stable and reliable measure of firm size, since it is based on audited information that is publicly made available by firms on a regular basis. It has also been used widely to represent firm size in a number of CSRR studies. It is less subjected to manipulation compared with the 'revenue'.

Consistent with the findings from prior CSRR research, the current study also expects a positive association between firm size and the quantity and quality of CSRR. Within the stakeholders' perspective of CSRR as proposed by Ullmann (1985), firm size is used to represent the government power. This is because larger firms are more subjected to the laws and regulations imposed by the government (Belkaoui & Karpik, 1989; Brown & Deegan, 1998).

4.4.4.2 *Shariah* Status (Government Power)

The term '*Shariah*' refers to the Islamic law of human conduct, which regulates all aspects of Muslim life. It is based on God's (*Allah*) holy word in the Al-Quran, the deeds and sayings of the prophet Muhammad (*peace be upon him*), and the consensus of Islamic religious scholars (Maali *et al*., 2006). In general, *Shariah* law influences the legal requirements in most Muslim countries, including Malaysia.

In the context of corporations in Malaysia, there are two *Shariah* Advisory Councils (SAC) that function as advisers to firms: (1) the SAC of Bank Negara Malaysia (BNM) for the Islamic banking and insurance sectors, acts as an adviser on matters relating to Islamic banking and insurance businesses or any other Islamic finance area supervised and regulated by BNM; and (2) the SAC of the Securities Commission Malaysia for the Islamic Capital Market (ICM) that advises on matters pertaining to the ICM. Members of the two SACs are qualified individuals who can present *Shariah* opinions and have vast experience in banking, finance, economics, law and application of *Shariah*, particularly in the areas of Islamic economics and finance.

Under the ICM, all public-listed firms in Malaysia undergo several screening processes by the SAC of the Securities Commission Malaysia, to determine the status of a firm as either *Shariah*-approved or non *Shariah*-approved. *Shariah*-approved firms refer to those that conduct activities as permitted by the *Shariah* and have been approved by the SAC. Therefore, firms whose activities are in contrary with the *Shariah* rules, for example, activities that involve ambiquity (*gharar*), interest (*riba*) and gambling (*maysir*), are classified as non *Shariah*-approved firms. The increasing number of *Shariah*-approved firms listed on the main board of the Bursa Malaysia indicates the importance of these firms as components of the overall capital market (Ousama & Fatima, 2010).

The *Shariah* status of a firm may expose the firm to a greater public visibility, which requires the firm to conduct its business according to the rules stated by the Islamic laws; specifically, the rules and regulations outlined by the SAC of the Securities Commission Malaysia. The Securities Commission Malaysia represents one of the statutory bodies vested with investigative and enforcement powers by the government of Malaysia. Therefore, the *Shariah* status of a firm may represent the government power, as firms that granted with the *Shariah* status are subjected to the rules and regulations imposed by the government.

The *Shariah*-approved firms are expected to conduct more CSR activities and disclose more CSRR than their counterparts. This is based on the grounds that the Islamic teaching promotes social accountability concepts and full disclosure principles

(Baydoun & Willett, 2000). Many principles of the Islamic teaching are related to the concept of CSR; for example, accountability, equality and social justice (Lewis, 2001; Sulaiman, 2005; Kamla *et al*., 2006; Dusuki, 2008). To a certain extent, justifications underpinning social and environmental accounting in which CSRR is a part are parallel to Islamic accounting that is governed by Islamic values and its economic system (Zulkifli, 2012).

With regards to Islamic corporate reporting, although the Islamic teaching promotes the principles of full disclosure (Baydoun & Willett, 2000), several empirical studies that examined corporate reporting by firms practising the Islamic principles, dictated a minimal levels of reporting in the annual reports (Sulaiman, 2005; Maali *et al*., 2006; Othman & Thani, 2010). Nevertheless, literature that investigated difference in the extent of reporting made between the Islamic and non-Islamic practising firms did report a significant difference in the levels of reporting made by these two types of firms (Ibrahim *et al*., 2006; Aribi & Gao, 2010).

Aribi and Gao (2010), who examined the influence of Islam on CSR disclosure in the financial industry, revealed significant differences in the level and the extent of CSR disclosures made between the Islamic financial institutions (IFIs) and conventional financial institutions (CFIs). Their analyses were based on the annual reports of 21 CFIs and 21 IFIs that operate in the Gulf region. Aribi and Gao (2010) explained that the significant differences in the level and the extent of the disclosures between the two types of institutions are largely due to the disclosures made by the IFIs, which are religious-related themes such as *Shariah* supervisory board reports, charitable practice (*Zakah*), charity donations (*Sadaqah*) and free interest loans. In examining differences in social and environmental performance between *Shariah* and non-*Shariah* approved firms in Malaysia, Ibrahim *et al*. (2006) found that the *Shariah* approved firms were only marginally better than those of non-*Shariah* approved firms. However, their study were based on two CSR performance measures only; ISO 14001 and OHSAS 18001 certification.

Based on the reviews of prior literature, it is evident that more efforts should be undertaken to examine the influence of *Shariah* status of firms on CSRR using a comprehensive checklist that encompassed both conventional and Islamic aspects of CSR. In the current study, the *Shariah* status of a firm is measured by a dichotomous variable, whereby the variable takes a value of '1' if the firm is listed as *Shariah*-approved firm; and a value of '0' if otherwise. The current study expects a positive association between the *Shariah* status of a firm and the quantity and quality of CSRR disclosed by the firm, as the *Shariah*-approved firms are supposed to practise responsible business conduct in line with the *Shariah* requirement.

4.4.4.3 Profitability (Economic Performance)

Empirical research that examines the determinants of CSRR has documented an inconclusive finding on the association between profitability and the extent of CSRR. Profitability represents one of the important economic performances of firms. Despite the positive association revealed between profitability and the extent of CSRR in several studies (Roberts, 1992; Haniffa & Cooke, 2005; Othman *et al*., 2011), other studies indicated weak or no association between these two variables (Belkaoui & Karpik, 1989; Patten, 1991; Hackston & Milne, 1996; Richardson & Welker, 2001; Ghazali, 2007).

Huang and Kung (2010) dictated a significant negative association between profitability and the extent of environmental disclosure in Taiwan. According to Huang and Kung (2010), less profitable firms tend to disclose greater amount of CSR information to improve the firms' corporate image. Profitable firms disclose CSR information with the intention of contributing to society's wellbeing and legitimise their existence in the society (Haniffa & Cooke, 2005). CSRR were also found to be related positively to profitability (Saleh *et al*., 2011).

Based on the findings by Haniffa and Cooke (2005) and Othman *et al*. (2011), who conducted their CSRR research in Malaysia, the current study hypothesises a positive association between profitability and the quantity and quality of CSRR. The current study measures profitability by the total return on assets (ROA), as the variables adopted in many prior literatures that examined the association between profitability and the extent of CSRR.

4.4.4.4 Industry (Government Power)

The influence of firms' industry type on CSRR practices depends on how critical the effects of firms' economic activities to the society (Haniffa & Cooke, 2005). For example, Lattemann *et al*. (2009) found that firms in the manufacturing industry tend to disclose more CSR. While industry type appears to influence certain CSRR's themes, for examples energy and community involvement themes, it does not affect the disclosure levels of other themes of CSRR (Cowen *et al*., 1987). Halme and Huse (1997) listed industry as one of the important variables that may explain the environmental disclosure in annual report of large firms in Finland, Norway, Spain and Sweden. From the stakeholders' perspective of CSRR, as suggested by Ullmann (1985), industry may represent government power. For example, firms in high-profile industries may be subject to greater scrutiny by the government and regulators; thereby, requiring more CSRR to be disclosed by the firms.

In general, firms in high profile industries tend to disclose significantly more CSRR in their annual reports than their counterparts in low profile industries (Patten, 1991; Hackston & Milne, 1996; Newson & Deegan, 2002). Firms in high-profile industries are those with consumer visibility, a high level of political risk or concentrated intense competition (Roberts, 1992; Hackston & Milne, 1996; Newson & Deegan, 2002). Patten (1991) specifically identified in his study firms in forest and paper, petroleum and chemical industries as high profile firms. According to Newson and Deegan (2002), firms in high-profile industries, such as raw material extraction, chemical, wood, and paper and forestry industries, are more exposed to the political and social environment than those in low profile industries. Newson and Deegan (2002) categorised firms operating in services, healthcare, computers, and electronics industries as low profile.

For the purpose of the current study, industry is measured by a dichotomous variable with a value of '1' if the firm is classified as high profile firm and a value of '0' if the firm is classified as low-profile firm. High-profile firm refers to firms in consumer products, industrial products, infrastructure project companies and plantation industry, while low-profile refers to firms in construction, finance, hotel, properties, technology and trading/service industry (Hackston & Milne, 1996; Newson & Deegan, 2002). In contrary to the classification of industry type into environmentally-sensitive and non-environmentally-sensitive industry, which is more suitable for research that concentrated on environmental-related reporting, the classification of industry into high and low profile is consider relevant in the context of CSRR.

Given the variety of industry types involved in the current study (see Table 5.3), their classification into high and low profile is considered appropriate as it may facilitate the data analysis processes. This classification also reflects the industry's classification used in the context of CSRR in other existing studies; for example, Hackston and Milne

(1996) and Newson and Deegan (2002). Adopting the high-low profile firm's classification as suggested by Hackston and Milne (1996) and Newson and Deegan (2002), the current study expects a greater CSRR disclosed by firms in high profile industries owing to their exposure to greater visibility and associated risks. In other words, a positive association is expected between industry and the quantity and quality of CSRR.

4.4.4.5 Leverage (Creditor Power)

Leverage is an indicator to show the levels of firms' dependence on debt in order to operate. It represents the creditor power, as outlined by Ullmann (1985). In highly leverage firms, creditors represent one of the important stakeholders that may put pressure on firms to behave in a way that the creditors' right and interest will be preserved. The creditors tend to have greater influence on firms' policies owing to their power to control the firms' access to financial resources that may be necessary for the firms' survival (Roberts, 1992; Huang & Kung, 2010). Creditors are highly concerned about firms' activities because whenever the activities generate a negative impact on either the environment or the society, the firms will face some risks associated to their actions. For example, the firms may face the risk of litigations, penalties or fines, and boycotts. This may in turns undermine the creditors' rights and interests.

Furthermore, creditors tend to call for greater corporate integrity and require the firms to provide greater reporting to keep them informed on the firms' latest status and protected against firms' opportunistic behaviour (Huang & Kung, 2010). In response to creditors' expectations and demands, firms may be more willing to disclose CSR-related information to legitimise their actions to creditors (Haniffa & Cooke, 2005). Among the measurements used to indicate firm's leverage include total debt to total assets and total debt to total equity. A positive association was found between leverage and CSRR in Roberts (1992) and Huang and Kung's (2010) studies. Total debt to total assets is used to measure leverage in the current study, as it captures a firm's financial risk by determining the amount of firm's assets being financed by debt. Therefore, the current study expected a positive association between leverage and CSRR.

4.5 SUMMARY

The construction of the research model of the current study is based on the stakeholder theory and contingency theory. Stakeholder theory suggests firms to fulfil their broader responsibilities to both shareholders and other stakeholders, whereas contingency theory posits that the choices of corporate reporting practices depend on the differing constraints surrounded the firms. Relying upon the stakeholder theory, the current study examines the association between corporate ownership structure and board's CSR experience and CSRR. The contingency theory is used in examining the effect of CSRR regulation on the association between corporate ownership structure and CSRR.

Applying the Ullmann's (1985) model of the determinants of CSRR, the current study examines the influence of shareholder power, which is represented by managerial, family, foreign and government ownership, on the levels of CSRR that are measured by the quantity and quality of reporting. The different types of shareholders investigated in the current study reflect the characteristics of corporate ownership structure in Malaysia that are dominated by family and government shareholders, in contrary with the concentrated and disperse ownership types of corporate shareholding that are apparent in the developed countries. The current study control for the effect of creditor power (e.g. leverage), government power (e.g. firm size, Shariah status and industry) and economic performance (e.g. profitability), as they are suggested by Ullmann (1985) to influence the levels of CSRR disclosed by firms. Board of directors' CSR experience represents the strategic posture of a firm as defined by Ullmann (1985). Finally, the current study examines the effect of the introduction of the CSRR regulation in Malaysia that take into effect from financial year 2007 on the association between corporate ownership structure and CSRR in the context of contingency theory.

CHAPTER 5: RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

This chapter provides a detailed explanation of the research design and methodology adopted in this thesis. First, Section 5.2 explains the research paradigm employed for this thesis. Then, Section 5.3 highlights the sample selection procedure involved in the current study. Section 5.4 outlines the measurements of all variables (independent, dependent and moderating) used in the current study. The data collection technique applied in the current study is discussed in Section 5.5. Section 5.6 specifically elaborates the related issues regarding content analysis, as the main data collection technique applied in the current study. Next, the research instrument of the current study is explained in Section 5.7. Then, Section 5.8 presents the regression models applied, followed by a discussion on the data analysis used in the current study. Finally, Section 5.9 presents the summary of this chapter.

5.2 RESEARCH PARADIGM

Academic research is generally developed within the bound of some theoretical and philosophical assumptions as defined by researcher. Chua (1986) suggested three paradigms underpin the accounting research, namely mainstream, interpretive and critical paradigm. This is based on the sociological research paradigm, which was introduced by Burrell and Morgan (1979). The differences between these three methodological approaches of research have been apparent, with the mainstream paradigm dominates the research in the field of accounting (Chua, 1986; Lukka & Kasanen, 1995; Baker, 2011).

The mainstream paradigm seeks to find rational explanations to solve problems using scientific methods. Since the underlying philosophical perspective of the mainstream research relies on quantitative data and scientific research approach, it is also known as positivist paradigm (Baker, 2011). The positivist research involves hypothesis testing that enable researchers to explain and predict a specific situation in the social world by searching for patterns and relationships.

Next, the interpretive paradigm pursues to explain the nature of the social world based on the researchers' interactions with other human actors in the research process (Chua, 1986). Interpretive researchers use their subjective experience to describe, understand and interpret their actions as well as others who interact with them within the setting specified by the researchers. Instead of observing the phenomenon of study, interpretive researchers participate in the research process in a way to understand better of the behaviour of human actors within their studies.

Finally, the critical paradigm strives to evaluate the research being undertaken in a critical manner. Critical researchers assume that theories and facts are only reflections of a realistic worldview. It explores the possibility of change to happen in a society as an outcome of research (Chua, 1986; Baker, 2011). This is in contrast to the mainstream and interpretive paradigms that preserve the status quo of the social world being described (Laughlin, 1995).

In the context of the current study, mainstream or positivist paradigm is chosen as a preferred methodological approach of research. This is in line with the objectives of the current study that seek to investigate the association between corporate ownership structure, board of directors, CSRR regulation and the levels of CSRR disclosed by firms, based on stakeholder and contingency theory. The associations between these concepts are tested based on several hypotheses developed specifically for the current study. A set of quantitative variables is used in the current study. By relying on the quantitative method in data collection and analysis, the researcher of the current study may allow generalisation from the study conducted (Chua, 1986; Lukka & Kasanen, 1995), yet preserving the status quo of the phenomena being described (Laughlin, 1995).

5.3 SAMPLE SELECTION

The population of interest in the current study includes all firms listed on the Main board of Bursa Malaysia. Previously known as the Kuala Lumpur Stock Exchange (KLSE, or Bursa Saham Kuala Lumpur in Malay language), Bursa Malaysia is one of the largest bourses in Asia offering a wide range of investment choices to the world (http://www.bursamalaysia.com). In Bursa Malaysia, firms are either listed on the Main market (merging of Main Board and Second board) or Access, Certainty and Efficiency (ACE) market (revamp of MESDAQ market) with effect from 3 August 2009 (http://www.bursamalaysia.com).

The current study focuses on firms listed on the Main board of the Bursa Malaysia from 2005 to 2009. Firms listed on the Main board have a minimum of RM60 million of issued and paid-up capital, which imply large firms in terms of size. In comparison, firms listed on the Second Board have minimum of RM40 million of issued and paid-up capital. The sample-firms are chosen based on the firms that maintained their positions in top 300 firms (by market capitalisation) for the five-year period (2005 to 2009).

Market capitalisation indicates the size of a firm. Firms with high-market capitalisation (market value) represent large firms. Larger firms are more likely to be agenda setters in CSR and possess a relatively greater amount of resources to devote to CSR activities

(Chapple & Moon, 2005). They also tend to have greater public visibility and impact on society (Teoh & Thong, 1984; Cowen *et al*., 1987; Belkaoui & Karpik, 1989; Lepoutre & Heene, 2006; Branco & Rodrigues, 2008a). Further, they are more likely to use CSRR to respond to the public pressures (Patten, 1991; Branco & Rodrigues, 2008a).

The selection of sample, which is based on market capitalisation, is consistent with prior CSRR research (Guthrie & Parker, 1990; Hackston & Milne, 1996; Thompson & Zakaria, 2004; Saleh *et al*., 2011). The cut-off point of 300 top firms (by market capitalisation) is used to select the sufficient large sample firms that are representative of all firms listed on the Main board of Bursa Malaysia. For example, Hackston and Milne (1996) relied on a sample of largest 50 firms listed on the New Zealand Stock Exchange that represent 92 percent of the total market capitalisation of the listed firms as at 31 December 1992, whereas Thompson and Zakaria (2004) examined a sample of the largest 250 firms listed on the Main board of Bursa Malaysia, comprising 90 percent of the total market capitalisation of listed firms as at 31 December 2000.

In choosing the sample of the current study, the following procedures were undertaken. Firstly, the list of firms listed in the Main board of Bursa Malaysia for each year (from 2005 to 2009) is obtained. Next, the list of firms (for each year), in Excel format, is sorted in terms of the firm's market capitalisation in descending order. The list of top 300 firms (by market capitalisation) for each year is obtained using this procedure. Then, the list of top 300 firms (by market capitalisation) for each year is arranged alphabetically. Finally, the list is updated to include only firms that maintained their positions in top 300 firms (by market capitalisation) for the five-year period. This is to ensure that only the large firms are selected as the sample in the current study.

Table 5.1 summarises the detailed sampling procedure. From a total of 1500 firm-year observations derived from 300 firms over the five-year period (from 2005 to 2009), 600 firm-year observations (equivalent to 120 firms over the five-year period) were excluded, leaving the final sample of 900 firm-year observations (equivalent to 180 firms over the five-year period) used as sample in the current study. The exclusion is due to the inability of the particular firms to maintain their firms' position in top 300 firms (by market capitalisation) over the five-year period of analysis. The list of sample firms used in the current study is provided in Appendix A.

Table 5.1: Sampling Procedure

Sampling procedures	**No. of firms (per year)**	**No. of firm-year observation (from 2005-2009)**
Firms that are positioned in Top 300 firms (by market capitalisation) for the five-year period (from 2005 to 2009).	300	1500
Firms that have not maintained their position in top 300 firms (by market capitalisation) for the five-year period (from 2005 to 2009).	120	600
Final Sample	**180**	**900**

As evidenced in Table 5.2, the representation of sample for each year (from 2005-2009) is more than 75 percent of the market capitalisation of all firms listed in the Main board of Bursa Malaysia. This is comparable with the sample size used in previous CSRR research, particularly in Malaysia; for example, 66.1 percent (Ghazali, 2007), 83 percent (Haniffa & Cooke, 2005), 90 percent (Thompson & Zakaria, 2004). Even though the representation of sample used in the current study is less than the one used by Thompson and Zakaria (2004), it is considered appropriate given the multiple-year analysis conducted in the current study. The study by Thompson and Zakaria (2004) is based on single-year data.

Table 5.2: Representation of Sample (by Market Capitalisation)

Description	YEAR				
	2009	2008	2007	2006	2005
Total market capitalisation of the sample firms (1)	782,796,326	544,295,455	894,324,499	641,249,974	513,978,862
Total market capitalisation of all firms listed on the Main board (2)	974,136,594	633,521,897	1,048,950,411	803,373,973	659,848,595
Representation of Sample (1:2)	**80.36**	**85.92**	**85.26**	**79.82**	**77.89**
Number of companies in Main board	849	634	636	649	646

Table 5.2 shows the excerpt of the representation of sample (by market capitalisation), while the full data (with list of sample firms) is attached in Appendix B. The representation of sample of the current study (by market capitalisation) is derived by dividing the total market capitalisation of the sample firms with the total market capitalisation of all firms listed on the Main board. Overall, the representation of sample for the current study ranges from 77.89 percent to 85.92 percent over the five-year period of analysis.

Table 5.3 presents the distribution of sample firms according to its industry's sector. Overall, the 180 sample firms included for each year are classified into 10 different industry sectors. These firms maintained their position in top 300 firms by market capitalisation over the five-year period. The same 180 firms were analysed over the five-year period from 2005 to 2009. Most of the sample firms included in the current study is represented by the trading/service industry (25 percent) and industrial product industry (21.66 percent), while the least sample firms come from hotel industry and technology industry.

Table 5.3: Classification of Sample Firm by Industry

Industry	No. of firm	Percentage of firm (%)
Construction	8	4.44
Consumer product	19	10.56
Finance	22	12.22
Hotel	2	1.11
Industrial product	39	21.66
Infrastructure project company (IPC)	5	2.78
Plantation	19	10.56
Properties	19	10.56
Technology	2	1.11
Trading/Service	45	25.00
Total	**180**	**100.00**

In comparison with several CSRR studies that focused on selected industries only (e.g. sensitive industry and finance industry), sample of the current study includes firms from sensitive and non-sensitive industries, and finance and non-finance industries. Haniffa and Cooke (2005) and Ghazali (2007) excluded finance firms from their sample, while Hamid (2004) specifically studied finance firms only. Probably, researchers tend to exclude finance firms in their studies or conduct separate research specifically on finance firms due to the highly regulated nature of the finance firms compared to firms in other industries. Othman *et al*. (2011) investigated firms in three sensitive industries only. Classified under the sensitive industry, firms in industrial product, property and plantation industries are more exposed to high risks of having a negative impact on the environment. As a result, greater levels of CSRR are expected from these firms (Othman *et al*., 2011).

Despite the arguments offered by a number of researchers, the current study includes firms from a wide range of industries. This is based on the view that CSR is the agenda for all firms regardless of industries. For example, Maybank Berhad that represents firms in financial industry in Malaysia has been actively involved in undertaking CSR-related programmes especially through employee voluntary programme. Maybank won the category of 'Culture and Heritage' in the Prime Minister's CSR Award[21]. Similarly, Shangri-La Hotels Malaysia Berhad, being one of the firms in hotel industry, has also adopted several environmentally-friendly measures in an effort to preserve and protect the environment. The continuous commitments of the hotel in CSR matters have been rewarded with several recognitions, among others 'green hotel' by the Malaysian Tourism Ministry and 'Honourable Mention' in environment category of the Prime Minister's CSR Award 2009[22].

Besides the increasing concerns of firms in sensitive industries on CSR issues, Chung & Parker (2010) noted the growing social and environmental concerns of firms in the service industry. This highlights the needs of researchers to take into consideration the firms in non-sensitive industries, in contrary to the argument provided by Othman et al. (2011). Even though the finance industry is highly regulated, they are not subjected to different regulation in terms of CSRR. The inclusion of the wide range of industries in the current study also enables the researcher to conclude more representative findings of CSRR in Malaysia across different industries.

The data set used in the current study includes a five-year-period of data (from 2005 to 2009), which represents two periods: voluntary, that is the period before the mandatory CSRR requirement takes effect (year 2005 and 2006); and mandatory, that is the period after the mandatory CSRR requirement takes effect (2007 to 2009). In 2005, CSRR was practiced voluntarily by firms. In 2006, even though CSRR was still made voluntary, there is anticipation that it will become mandatory soon, particularly with the introduction of CSR framework for public-listed firms by Bursa Malaysia in September 2006. Following that, a number of firms have already started to report CSR in 2006 in anticipation of the mandatory requirement.

[21] See http://www.anugerahcsrmalaysia.org/category/archives/2009-csr-awards/.
[22] *The Star*, July 9, 2012, 'Hotel gets rewarded for adopting environmentally-friendly measures'.

2007 marked a significant development of CSRR in Malaysia, whereby it was made mandatory in public-listed firms' annual reports under the Listing Requirement of the Bursa Malaysia (Appendix 9C, Part A, Paragraph 29). The requirement obligates all public-listed firms to include a description of the CSR activities or practices undertaken by the firms and its subsidiaries or, if there are none, a statement to that effect. Following that, firms are expected to fully comply with the CSRR requirements.

By examining the CSRR disclosed for the first three-year of the implementation of the CSRR regulation (from 2007 to 2009), the current study may capture the trend of CSRR during the mandatory CSRR regulation. For examples, improvement in the levels of CSRR disclosed may signal the effectiveness of the regulation, whereas lack of compliance may alert the regulators to further deliberate the effectiveness of the current reporting regulation and design relevant actions to improve the current practices.

The reason to include the 5-year data is to reflect both the voluntary and mandatory period of CSRR. The 5-year data may capture changes in CSRR disclosed during the transition periods from voluntary to mandatory reporting regimes. It is comparable with several prior CSRR literature, for example, Larrinaga et al. (2002) and Criado-Jimenez et al. (2008), who used 3-year data, in observing the changes in environmental reporting behaviour of firms in pre- and post-regulation periods.

5.4 MEASUREMENT OF RESEARCH VARIABLES

This section defines each variable used in the current study. Generally, there are four categories of variables used: independent (managerial ownership, family ownership, foreign ownership, government ownership and board's CSR experience); moderating (CSRR regulation); control (firm size, *Shariah* status, profitability, industry and leverage); and dependent (CSRR quantity and quality). Table 5.4 presents a summary of the measurement of the relevant variables used in the current study. Discussion on the measurement of the independent variables, moderating variable and control variables is provided in Section 5.4.1, whereas for the dependent variables is discussed in Section 5.4.2.

Table 5.4: Summary of the Measurement of Research Variables

Variables	Acronym	Measurement
Dependent variables: CSRR		
CSRR quantity	CSRRQN	Number of sentences related to each item in the CSRR checklist.
CSRR quality	CSRRQL	CSRR index (based on a weighted scoring method) that is computed by the ratio of actual score of CSRR awarded to the maximum score of CSRR attainable by the firm.
Independent variables: Ownership Structure		
Managerial	MGRLOWN	Percentage of shares held by executive directors to total numbers of shares issued
Family	FAMOWN	Percentage of family members on board to total number of directors on the board
Foreign	FOROWN	Percentage of shares held by foreign shareholders to total numbers of shares issued
Government	GOVOWN	Percentage of shares held by government to total numbers of shares issued
Independent variables: Board of Directors		
Board's CSR Experience	CSREXP	Percentage of members of the board with CSR experience to total number of directors on the board
Moderating variable: Corporate Reporting Regulation		
CSRR Regulation	REG	Dichotomous with 1 for firm-year observations in year 2007, 2008 and 2009, and 0 for year 2005 and 2006
Control variables: Firm-specific characteristics		
Firm size	SIZE	Natural log of total assets
Shariah status	SHARIAH	Dichotomous with 1 if the firm is listed as *Shariah*-approved firm and 0 if otherwise
Profitability	ROA	Return on Asset
Industry	IND	Dichotomous with 1 if the firm is classified as high profile firm and 0 if the firm is classified as low profile firm
Leverage	LEV	Total debt to total assets

5.4.1 Measurement of Independent, Moderating and Control Variables

There are five independent variables involved in the current study; four of which represent the corporate ownership structure, while another variable represents the board of directors' characteristic. Corporate ownership variables studied include managerial ownership, family ownership, foreign ownership and government ownership. Managerial ownership (MGRLOWN) is measured by the percentage of shares held by executive directors to total numbers of shares issued, while family ownership (FAMOWN) is measured by the percentage of family members on board to total number of directors on the board. Foreign ownership (FOROWN) is referred to the percentage of shares held by foreign shareholders to total numbers of shares issued; whereas, government ownership (GOVOWN) is referred to the percentage of shares held by government to total numbers of shares issued. This has been consistent with the one adopted in prior CSRR research (Haniffa & Cooke, 2005; Ghazali, 2007; Amran & Devi, 2008; Othman et al., 2011).

Information relating to managerial ownership, foreign ownership and government ownership are visible in the analysis of shareholding's section of the firm annual report. However, it is difficult to determine the percentage of family ownership as family shares is held by nominees, which are not apparent in the analysis of shareholding. Therefore, the most suitable alternative variable is used for the purpose of the current study that is the percentage of family members on board to total number of directors on the board.

In the current study, board of directors' CSR experience is used to represent board of directors' characteristics. It is measured by comparing the percentage of directors with CSR experience with the total number of directors on the board. Directors with CSR experience are defined as those with past or present CSR-related experiences that may be useful in overseeing or managing CSR portfolio or any CSR-related tasks in firms. A director is considered to possess CSR experience; for example, leading or managing a firm's specific department related to CSR (e.g. CSR or environmental affair's department of a firm), or holding a position in any non-profit/non-governmental organisation (NGO) that undertakes CSR-related activities (e.g. Protect and Save the Children Association, Federal Land Development Authority Community Social Development Committee, Yayasan Budi Penyayang Malaysia[23]). This information is provided in the directors' profile section in the annual report.

The moderating variable in the current study is the CSRR regulation (REG). It differentiates between the voluntary and mandatory period of CSRR. It takes a value of '1' for firm-year observations in the year 2007, 2008 and 2009 that marked the mandatory period of CSRR, and a value of '0' for firm-year observations in the year 2005 and 2006.

Five control variables included in the research model are: firm size, which is measured by the log of total assets; *Shariah* status of a firm, which is given a value of '1' if the firm is listed as *Shariah*-approved firm and a value of '0' if otherwise; profitability that is referred to the return on assets of a firm; industry, which is measured by a dichotomous variable with a value of '1' if the firm is classified as high profile firm and a value of '0' if the firm is classified as low profile firm; and leverage, which is measured by the total debt to total assets. Detailed explanation on the control variables used in the current study is provided in Chapter four of this thesis.

5.4.2 Measurement of Dependent Variables

Empirical studies that investigate the levels of CSRR have investigated generally the quantity and quality of CSRR, which can be measured in terms of index, words, sentences, paragraph, pages, and etc. Each of this measurement has its own advantages

[23] Yayasan Budi Penyayang Malaysia (PENYAYANG) is a foundation incorporated for the purposes of receiving donations, subscriptions or otherwise, and to administer such funds for education, public welfare, research, health, medical and other charitable purposes for the benefit of needy Malaysians, irrespective of colour, race or creed (http://www.penyayang.org.my).

and disadvantages. The levels of CSRR, being the dependent variable in the current study, are referred to the quantity and quality of CSRR disclosed by firms in Malaysia. While the former captures the extent, volume or amount of CSRR, the latter captures the variety of CSRR (Haniffa & Cooke, 2005) and the level of importance placed by firms on the CSRR disclosed (Freedman & Jaggi, 2005; Hooks & Van Staden, 2011; Joseph & Taplin, 2011). In the current study, the quantity of CSRR is measured by the number of CSR-related sentences disclosed by firms, whereas the quality of CSRR is measured by a CSRR index that is based on a weightage procedure. The use of both measurements (quantity and quality of CSRR) is to balance between the advantages and disadvantages of the various CSRR's measurements (Al-Tuwaijri, Christensen & Hughes, 2004; Haniffa & Cooke, 2005; Elijido-Ten, 2009).

Hasseldine, Salama and Toms (2005), who examined the impact of environmental disclosures on the UK firms' reputation, highlighted the importance of the quality of environmental disclosure rather than mere quantity of environmental disclosure. According to Hasseldine *et al*. (2005), a content analysis that is based on the mere quantity of disclosures is insufficient. In their study, Hasseldine *et al*. (2005) found that the quality of environmental disclosure (37.5 percent) has a higher explanatory power (in terms of R^2) than the quantity of environmental disclosure (32.4 percent) in explaining the variation of firms' reputation in the UK.

Joseph and Taplin (2011), who used these two measurements of CSRR in their analysis of Malaysian local governments' websites, also found similar evidence. Joseph and Taplin (2011) suggested that the quality of CSRR is a more predictable measurement of CSRR on website than the quantity of CSRR. This was evidenced by a greater explanatory power and more significant independent variables produced in the hypothesised relationship between several independent variables and the CSRR.

Overall, findings from the related literature (e.g. Haniffa & Cooke, 2005; Hasseldine *et al*., 2005; Joseph & Taplin, 2011) acknowledged the importance of examining both the quantity and quality of CSRR as the mere focus on the quantity of CSRR is insufficient (Hooks & Van Staden, 2011). According to Hooks and Van Staden (2011), by evaluating the quality of CSRR, it may recognise the relative usefulness of certain types of CSR information to readers. Furthermore, the use of both measurements of CSRR in the current study is considered appropriate. Further elaboration on these two measurements of CSRR is presented in Section 5.4.2.1 and Section 5.4.2.2.

5.4.2.1 Quantity of CSRR

Quantity of CSRR refers to the amount, volume or extent of CSRR (Joseph & Taplin, 2011; Hooks & Van Staden, 2011). Prior literature examining CSRR, particularly in annual reports, has documented a number of different methods to measure the quantity of CSRR, among others, number of pages (Guthrie & Parker, 1990; Patten, 1992; Gray *et al*., 1995a; Unerman, 2000; Kuasirikun & Sherer, 2004; Pratten & Mashat, 2009); sentences (Hackston & Milne, 1996; Buhr, 1998; Tsang, 1998; Hasseldine *et al*., 2005; Amran & Devi, 2008; Elijido-Ten, 2009; De Villiers & Van Staden, 2011); lines (Trotman & Bradley, 1981); and words (Zeghal & Ahmed, 1990; Deegan & Rankin, 1996; Wilmshurst & Frost, 2000; Campbell *et al*., 2003; Campbell *et al*., 2006; Gao *et al*., 2005; Haniffa & Cooke, 2005; Othman *et al*., 2011). Despite the variety of measurements use to quantify CSRR, words, sentences and pages tend to be the preferred units of analysis of CSRR in written communications (Gray *et al*., 1995b).

Each of these measurements has its own strengths and weaknesses, as evident in the extant literature (Gray *et al*., 1995b; Milne & Adler, 1999; Unerman, 2000; Al-Tuwaijri *et al*., 2004). For example, number of words and sentences are preferable as they can be easily identified (Gray *et al*., 1995b; Milne & Adler, 1999). However, the use of words and sentences may ignore necessary graphs and tables (Al-Tuwaijri *et al*., 2004). These two measurements (words and sentences) can also cause difficulties due to different style in writing (Unerman, 2000). While pages may include pictures that have no information on environmental or social activities (Al-Tuwaijri *et al*., 2004), they tend to ignore issues related to different font, margin or page size (Unerman, 2000).

The use of words as a basis for measuring the quantity of CSRR tends to complicate reliability, as the word alone is meaningless without referring to the sentence and its context (Milne & Adler, 1999). Following that, Milne and Adler (1999) suggested the use of 'sentence' as a more reliable basis for both 'coding' and 'measurement' of CSRR than other units of analysis to provide complete, reliable and meaningful data for further analysis. 'Coding' refers to the process of identifying a sentence as a CSR-related sentence or not, while 'measurement' of CSRR involves the process of counting the coded sentence, that is the CSR-related sentence (Milne & Adler, 1999).

For the purpose of the current study, the number of sentences is chosen over the other methods of quantifying the CSRR. The number of sentences is chosen because it is easily identified (Gray *et al*., 1995b; Milne & Adler, 1999) and is less subject to inter-judge variation than other measures, such as themes, words and pages (Ingram & Frazier, 1980). It also overcome the problems related to; font, margin or page size; word standardisation; and reliability of inter-rater coding (Hackston & Milne, 1996; Milne & Adler, 1999); and provides more detailed analysis of specific issues and themes (Deegan *et al*., 2002). Therefore, to measure the quantity of CSRR in the current study, the number of sentences that relate to each item in the CSRR checklist (the research instrument of the current study) is counted.

Despite its advantages, the number of sentences has also been criticised for not capturing pictures and graphics (Unerman, 2000; Al-Tuwaijri *et al*., 2004), which are potentially powerful and highly effective methods of communication (Beattie & Jones, 1992; Beattie & Jones, 1994; Kuasirikun & Sherer, 2004) and to cause difficulties due to different styles of writing (Cowen *et al*., 1987; Unerman, 2000). Following that, the application of both measurements of CSRR (quantity and quality of CSRR) is considered appropriate to overcome the weaknesses inherited from the nature of 'sentences' as explained earlier.

5.4.2.2 Quality of CSRR

Quality of CSRR refers to the quality of reporting made on a particular CSRR item listed in a CSRR index (Joseph & Taplin, 2011). It captures the variety of CSRR disclosed by firms (Haniffa & Cooke, 2005) and indicates the importance (or weight) given to a particular CSRR item relative to other items (Freedman & Jaggi, 2005; Hooks & Van Staden, 2011; Joseph & Taplin, 2011). It also aims to distinguish between poor and excellent reporting of the CSRR items (Hooks & Van Staden, 2011). The measurement of the quality of CSRR is based on a CSRR index. It involves the process of identifying the presence of CSR-related information through either a dichotomous (Haniffa & Cooke, 2005; Freedman & Jaggi, 2005) or weighted scoring method (Hughes, Anderson & Golden, 2001; Al-Tuwaijri *et al*., 2004; Freedman & Jaggi, 2005; Aerts, Cormier & Magnan, 2008; Hooks & Van Staden, 2011).

Under the dichotomous scoring method, researchers apply an 'equal weight' or 'unweighted' scoring method in identifying the presence of CSR-related information disclosed by firms. Based on a research instrument (the CSRR checklist) designed for the purpose of a study, a score of 'one' is given if an item in the research instrument is disclosed, and ‘zero’ if it is not disclosed with no penalty imposed if the item is considered irrelevant (Haniffa & Cooke, 2005). It is observed that the same score is given to the reported CSRR items under the dichotomous scoring method. This is because each CSRR item reported is treated as equally important (Hackston & Milne, 1996; Haniffa & Cooke, 2005; Joseph & Taplin, 2011).

The use of the ‘unweighted’ scoring method is simpler and less controversial compared with the weighted scoring method (Freedman & Jaggi, 2005). Haniffa and Cooke (2005) highlighted the potential scoring bias and scaling problems surround the weighted scoring method. However, the limitation of the dichotomous scoring method lies in its inability to indicate the levels of emphasis given to a particular CSRR’s dimension (Al-Tuwaijri *et al*., 2004, Freedman & Jaggi, 2005). For example, the dichotomous scoring method treats reporting of a general qualitative in nature (indicates a low emphasis on the CSRR item) as equal to firms that report quantitative information (indicates a greater emphasis on the CSRR item). This is illustrated in the latter part of this section.

Following that, several researchers have attempted to refine the ‘unweighted’ scoring method by assigning scores for the CSRR items disclosed; for example, between 0 and 3 (Al-Tuwaijri *et al*., 2004; Cormier *et al*., 2004; Freedman & Jaggi, 2005; Aerts *et al*., 2008) and between 0 and 4 (Hughes *et al*., 2001; Hooks & Van Staden, 2011). This method is known as the weighted scoring method. Relying on this method, a higher score given for a particular CSRR item indicates the greater level of importance placed by firms on that CSRR item in relation to other CSRR items (Freedman & Jaggi, 2005). A higher score for a specific CSRR item also denotes better quality of CSRR disclosed by firms (Hughes, et. al, 2001). Details on the application of the weighted scoring method are illustrated in the subsequent paragraphs explaining its usage in this thesis.

The current study uses the weightage scoring method to examine the quality of CSRR disclosed by firms in Malaysia. The decision to choose the weightage scoring method over the dichotomous scoring method is grounded upon the advantages that this method offers, as highlighted in the preceding paragraph. With reference to the CSRR checklist designed specifically for the current study, the score of each CSR-related item disclosed by firms is measured by assigning a score of 3 (if there is quantitative disclosure – highest weightage); 2 (if there is qualitative specific information); 1 (if there is general qualitative disclosure – lowest weightage); and 0 (if there is no disclosure). As an example, an item from the community dimension of CSRR checklist, that is education, is used to illustrate the assignment of value using the weightage procedure.

A score of 3 is given for reporting that contains quantitative information:

"TNB through its foundation, Yayasan Tenaga Nasional (YTN) provided scholarships and ***study loans amounting to RM34.6 millio****n to 2,478 outstanding and deserving students to pursue their tertiary education at local and world renowned universities abroad. This is a direct contribution towards the development of professional manpower for TNB and the Country. Since its inception in 1993, YTN has provided education sponsorship to more than 8,820 students."*

A score of 2 is given for reporting with qualitative specific information:

*"****38 students*** *received the Young Achievers' Award from Yayasan Tan Sri Lee Shin Cheng ("Yayasan") at Palm Garden Hotel, IOI Resort. Various awards from primary to upper secondary levels namely UPSR, PMR, SPM, STPM and A-levels are distributed to young students to motivate them to strive for excellence in their studies."*

A score of 1 is given for reporting that contains general qualitative information:

"Our contribution towards education can best be described as wide-ranging. In support of national schools and national-type vernacular schools located in the Group's Malaysian estates and property townships, the Group has made contributions in the form of land for the school premises as well as regular donations in cash and kind to meet the varied needs of the schools and their students."

Based upon the illustration given, the current study assumes that a higher reporting weightage (based on a score between 0 and 3) demonstrates greater emphasis placed by firms on the specific CSRR item, relative to a lower reporting weightage. For example, CSRR item with a score of 3 indicates a greater emphasis placed by firms on that particular CSRR item, while CSRR item with a score of 1 indicates otherwise. A higher score obtained on specific CSRR item also denotes a better quality of reporting on that particular item. Further, the application of the weightage scoring method in the current study is considered appropriate, as it may overcome the problem of inability of the dichotomous procedure to reflect the emphasis attached (the level of importance) to each CSR-related item disclosed (Cooke, 1989; Zeghal & Ahmed, 1990; Hackston & Milne, 1996; Al-Tuwaijri *et al*., 2004; Hooks & Van Staden, 2011).

While the use of the 'number of sentences' as a quantity of CSRR's measures has been criticised for not capturing pictures and graphics (Unerman, 2000; Al-Tuwaijri *et al*., 2004), the CSR-related items relating to graphical presentation in the checklist are considered in the quality of CSRR that is measured by a CSRR index. Consistent with the decision rules on CSRR proposed by Hackston and Milne (1996), any graphical presentation, such as table or graph, which relates to the items included in the CSRR checklist should be interpreted as one line equals one sentence and classified accordingly. However, it is important to note that any graphical presentation must be specifically stated (e.g. have specific description) to be counted as a CSR sentence. This is because CSRR cannot be implied (Hackston & Milne, 1996). Following that, a picture without any description cannot be considered as CSR sentence because CSRR cannot be implied. Several examples to illustrate the way graphical presentations are captured in the current study are highlighted in Figures 5.1 and 5.2.

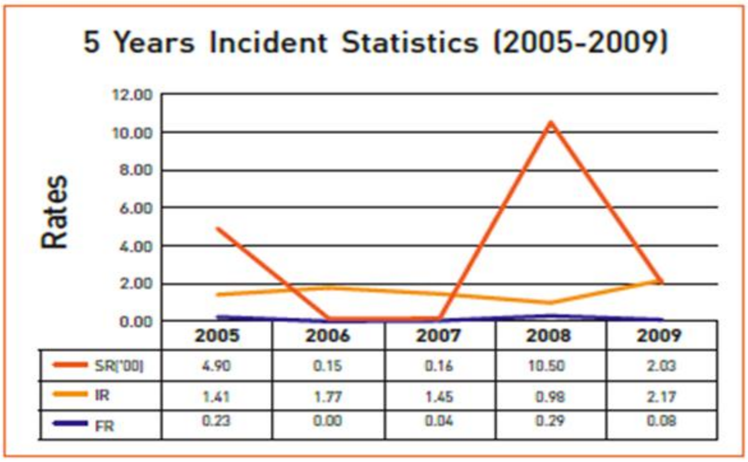
Figure 5.1 presents the statistics of human resource of Maybank Berhad for 2009. For example, the distribution of employee according to gender (female/male), as shown in Figure 5.1 is counted as 2 sentences. This is based on the decision rule of ‘one line equals one sentence’ as highlighted by Hackston and Milne (1996). Since the number of female and male employees is provided, such reporting is classified as W3 (workplace diversity and equal opportunity) under the workplace dimension of CSRR with a value of ‘2’ (qualitative specific information) is assigned.

	June 2008	June 2009
Human Resources Group		
Total Headcount	24,871	39,684
In Malaysia	22,506	22,535
Outside Malaysia	2,365	17,149
Malaysia (Total Headcount : 22,535)		
Female	13,005	13,070
Male	9,501	9,465
Supervisory	12,504	12,952
Non- Supervisory	10,002	9,583
Union members	NA	NA
Non-union menbers	NA	NA
Age Group		
<30	6,371	5,713
30 to 40	10,067	10,302
40 to 50	4,884	5,150
>50	1,184	1,370
Diversity		
Malay	16,404	16,232
Chinese	4,006	4,200
Indian	1,156	1,162
Others	940	941
Women In Management	604	642
Women in Senior Management	70	84
Employee turnover rates		
Supervisory	8.97%	10.61%
Non-supervisory	5.22%	7.13%
Service in the Group		
<1 year	1,490	2,304
1 to 5 years	5,333	4,798
5 to 15 years	9,405	10,865
>15 years	8,682	6,904

Figure 5.1: Statistics of Human Resource of Maybank Berhad 2009.
(Source: The Annual Report of Maybank Berhad for the year 2009, p. 173)

Figure 5.2 presents the statistics of accidents occurred in the workplace of Telekom Malaysia in 2009. Based on the graph presented in Figure 5.2, the severity rates (SR), incident rates (IR) and fatality rates (FR) are counted as 3 sentences based on the decision rule of ‘one line equals one sentence’ as highlighted by Hackston and Milne

(1996). They are classified as W1 (employee health and safety) with a value of '2' (qualitative specific information) assigned.



Note:
SR - Severity Rates
IR - Incident Rates
FR - Fatality Rates

Figure 5.2: Statistics of Accidents in Workplace of Telekom Malaysia Berhad 2009
(Source: The Annual Report of Telekom Malaysia Berhad for 2009, p. 164)

In some cases, repeated CSR items disclosed in the annual reports is also observed. The same information tends to appear in different sections of the annual reports. While it may be seen as redundancy, Beattie & Jones (2001) highlighted that repetition is a communication strategy used for emphasis and reinforcement, and signals the importance placed by firms on certain issues. Therefore, any repeated sentence found in the annual reports is counted every time it appears in the documents.

A CSRR index is derived by computing the ratio of actual scores awarded (based on weighted scoring approach) to the maximum score attainable by the firm. The final CSRR index that is used to measure the quality of CSRR:

$$CSRRQL_j = \frac{\sum^{nj}_{t=1} X_{ij}}{n_j}$$

Where:

$CSRRQL_j$	=	corporate social responsibility reporting index for j^{th} firm,
n_j	=	total number of items expected for j^{th} firm,
X_{ij}	=	3 if i^{th} item is quantitative information disclosed, 2 if i^{th} item is qualitative specific information disclosed, 1 if i^{th} item is general qualitative information disclosed, and 0 if i^{th} item does not disclosed any information.

5.5 DATA COLLECTION METHOD

There are four categories of variables used for the purpose of the current study: independent, dependent, moderating and control variables. Data pertaining to the independent variables, which consist of corporate ownership structure and board of directors, were manually-collected through examination of firms' annual reports that are available on the Bursa Malaysia website (http://www.bursamalaysia.com). Information pertaining to corporate ownership structure and board of directors were extracted from the respective sections in the corporate annual report (e.g. analysis of shareholdings and board of directors' profile).

Information on managerial ownership that is represented by the percentage of shares held by the executive directors is collected from the director shareholding's section of the annual reports. Based on the definition of managerial ownership provided in the current study, only the percentage of shares held by the executive directors, who are the members of the board of directors, is counted. Family members who sit on the board of directors (family ownership) are identified through board members' relationship with substantial shareholders of particular firms. The relationship of each member of the board of directors with substantial shareholders of the firms is disclosed in either the directors' profile or statement of corporate governance's section of the annual reports.

The percentage of foreign shareholding (foreign ownership) and government shareholding (government ownership) in a firm are gathered by counting the percentage of shares held by the respective shareholders as listed in the analysis of shareholdings' section of the annual reports. Members of the boards with CSR experience are identified by reading the directors' profile. A director is said to have CSR experience if the director has past or present CSR-related experiences; for example, managing a specific department related to CSR or holding position in any organisation that involves in CSR activities (e.g. World Wildlife Fund, Malaysian Nature Society, and Protect and Save the Children Association).

Information regarding the moderator (CSRR regulation) and control variables (firm size, *Shariah* status, profitability, industry and leverage) were gathered manually from the Bursa Malaysia website (e.g. industry, *Shariah* status, CSRR regulation) and the financial statements' section of firms' annual reports (e.g. firm size, profitability and leverage). Some of the data that were not available in the annual reports and the Bursa Malaysia website were obtained directly from the information service centre of the Bursa Malaysia; for example, market capitalisation.

CSRR, which represents the dependent variable of the current study, is measured by its quantity (sentences) and quality (index). Information relating to CSRR is gathered through content analysis of the annual report, which has been used widely in many prior CSRR research (Zeghal & Ahmed, 1990; Gray *et al*., 1995b; Hackston & Milne, 1996; Milne & Adler, 1999; Unerman, 2000; Haniffa & Cooke, 2005; Tilling & Tilt, 2010; De Villiers & Van Staden, 2011).

5.6 CONTENT ANALYSIS

Content analysis is a technique for gathering data. It enables researchers to make replicable and valid inferences from data to their context (Krippendorff, 2004). This technique is one of the best known methods used to examine the level and content of reporting in corporate annual reports (Marston & Shrives, 1991; Krippendorff, 2004). It has been applied widely to analysing narrative reporting, including CSRR in corporate annual reports, other reports and websites (Gray *et al*., 1995a; Haniffa & Cooke, 2005; De Villiers & Van Staden, 2011; Hooks & Van Staden, 2011).

In content analysis, a piece of writing is classified into various categories (Weber, 1990). Information is coded into several categories to derive quantitative scales of varying levels of complexity (Abbott & Monsen, 1979). This process involves subjective judgement to be made by researchers (Milne & Adler, 1999; Zwetsloot & Van Marrewijk, 2004). Following that, it is important to ensure that data collected using content analysis fulfil the following criteria: 1) objective (the ability of independent parties to identify similarly what is and what is not a CSRR); 2) systematic (a set of exhaustive rules which define CSR in a mutually exclusive and all-embracing manner); and 3) reliable (the extent to which identical results would be obtained if the same process was undertaken either by the analyst on a different sample, or by a different analyst) (Gray *et al*., 1995b). The data should also have a high level of external validity and permits analysis of large volumes of data, which can be coded by several individuals if necessary (Gray *et al*., 1995b).

A clear defined unit of analysis used in a research, such as words, sentences or pages must be specified to demonstrate the objectivity of the data. Specific measurement of CSRR used in the current study has been explained in Section 5.4.2 Measurement of the dependent variable. A systematic data depends on a well-designed research instrument, which in the current study refers to the CSRR checklist. In Section 5.7, the CSRR checklist outlines the stages involved in designing a well-specified checklist for the purpose of the current study. Other than being objective and systematic, the data collected using the content analysis procedure should also be reliable.

In the context of content analysis, reliability refers to the possibility of replication of results when using the content analysis procedure (Marston & Shrives, 1991; Gray *et al*., 1995b). It represents among the important issues in content analysis. According to Krippendorff (2004), there are three types of reliability in content analysis. The first is stability, which represents the weakest form of reliability. It refers to the ability of a coder to code data the same way over time. This can be demonstrated through several rounds of tests undertaken by a coder in different time period. The second type of reliability is reproducibility, which refers to the extent that the coding produces the same result when multiple coders are used. This can be measured by the inter-coder reliability test, whereby the differences arise between coders must be reanalysed and resolved. The third type is accuracy, which is determined by assessing coding performance of coders against a pre-determined standard set by a panel of experts. This is the strongest form of reliability, as dictated by Krippendoff (2004). In the current study, the reliability of the coding process is examined by applying both the stability and reproducibility tests.

Milne and Adler (1999) highlighted the needs of researchers to demonstrate the reliability of both their research instruments and data collected from the content analysis procedure. However, very few studies have demonstrated explicitly the reliability of these two subjects (Milne & Adler, 1999; Unerman, 2000). To ensure the reliability of the research instrument, well-specified decision categories with well-specified decision rules should be presented. The instrument should produce fewer discrepancies when used by relatively inexperienced coders (Milne & Adler, 1999). In designing the research instrument of the current study, several procedures have been undertaken, as explained in Section 5.7. The reliability of the data collected can be achieved through the use of 1) multiple coders (whereby any discrepancy between coders must be re-analysed and resolved); or 2) single coder with sufficient experience (coded the data in multiple time period) (Milne & Adler, 1999). Both methods have been adopted in the current study whenever necessary. While the former is used in the pilot test of the current study, the latter is used to randomly check the content analysis done in the larger sample of the current study. Details on this issue are explained in Section 5.7.

The current study involves a content analysis of CSRR data derived from the corporate annual reports. There has been a number of media used to communicate CSRR; for example, annual reports, stand-alone reports, websites, newsletter and bulletins (Zeghal & Ahmed, 1990). Despite the variety of mediums used for reporting, annual reports have been recognised as the main avenue for CSRR (Brown & Deegan, 1998; Belal & Momin, 2009; Tilling & Tilt, 2010; De Villiers & Van Staden, 2011). Section 2.5 included a discussion on the importance of annual reports as a medium of communication for corporate reporting.

While there have been claims on the failure of annual reports to capture all CSRR (Zeghal & Ahmed, 1990; Guthrie *et al*., 2008a) and the increasing popularity of stand-alone and internet CSRR, Belal and Momin (2009) argued that such observation might be valid from the context of Western developed economies, and it may not hold in the context of emerging economies given the differences in the level of socio-economic (Xiao *et al*., 2005) and technological development (Williams & Pei, 1999) between these two groups of countries. Despite the various advantages offered by the web-based communication media, a number of studies found that many firms did not fully utilised the functionality of the web as a CSRR communication media (Adams & Frost, 2006). The five-year data involved in the current study has made annual report as the most appropriate sources to examine CSRR in a longitudinal basis. Therefore, the current study focuses on CSRR made in corporate annual reports only.

5.7 RESEARCH INSTRUMENT: CSRR CHECKLIST

Different categories of CSRR have been used in different studies. A review of literature on the different CSRR categories/themes used in prior studies has been presented in Section 2.6.1. The variety of CSRR categories used reflects the different agenda set in different countries (Newell, 2005; Welford, 2005; Baughn *et al*., 2007; Visser, 2008) and changes in CSR focus over time (Gray *et al*., 1995a; Owen, 2008).

The developing countries have a set of CSR agenda that are collectively quite different to those faced in the developed world (Newell, 2005; CSR Asia, 2008; Visser, 2008; Saleh *et al*., 2011). For example, the developing countries place greater emphasis on philanthropic responsibilities (particularly on community development), whereas the developed countries focus more on ethical and legal responsibilities (e.g. adherence to rules and regulations pertain to business ethics and environment) (Visser, 2008). This comparison is based on Carroll’s (1991) CSR pyramid.

Following that, different CSR programmes or activities should be undertaken in different countries to cater the different needs of society in a particular country (Newell, 2005; CSR Asia, 2008). Among the important CSR agenda in developing countries includes combating Human Immunodeficiency Virus (HIV) infection/Acquired Immunodeficiency Syndrome (AIDS), reducing poverty and building human capital (Blowfield & Frynas, 2005; Welford, 2013). Differences in CSR focus of different countries was also highlighted by Welford (2005), who assessed firms' CSR policies in 15 countries in Europe, North America and Asia. Welford (2005) noted that many CSR policies are based on localised issues and cultural traditions at a country level.

Therefore, to measure the level of CSRR in the context of Malaysia, a preliminary research instrument that includes five categories of CSRR (environment, community, workplace, marketplace and others) is developed. The construction of the CSRR checklist, which consists of 40 items, was based on the checklists employed in prior CSRR research, taking into account both conventional and Islamic corporate reporting instruments (Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011). While most of the prior CSRR literature examined the conventional and Islamic perspective of CSRR separately, the inclusion of the Islamic perspective of CSRR in the current study along with the conventional perspective of CSRR in the context of Malaysia is considered appropriate and relevant. This is based on two arguments: (1) the relatedness of many of the principles in the Islamic teaching to the concept of CSR (Baydoun & Willett, 2000; Lewis, 2001; Kamla *et al*., 2006; Dusuki, 2008); (2) the growth of the *Shariah*-approved firms in the Malaysia's capital market (Ousama & Fatima, 2010).

Reference was also made to the Global Reporting Initiative (GRI) Sustainability Reporting Framework and Bursa Malaysia's CSR Framework for Malaysian firms. GRI is a non-profit organisation that works towards a sustainable global economy by providing organisational reporting guidance on several key areas of economic, environmental, social and governance performance. The Bursa Malaysia's CSR Framework was introduced as a set of guidelines for public-listed firms, who wish to practice CSR. The framework was developed by the Bursa Malaysia following the continuous development of corporate governance and CSR in Malaysia. Such reference is required to capture the new CSR agendas that are considered important, particularly in the context of Malaysia. Each item included in the preliminary CSRR checklist is defined and explained to ensure its clarity.

The preliminary checklist was sent to several CSRR experts for a face validation process. Further refinements were made to the preliminary checklist to incorporate experts' opinions and suggestions. The refined CSRR checklist was then reviewed by two accounting academics specialising in the area of financial reporting and disclosure. The refined checklist has also been checked to ensure that each component in the checklist is applicable to all firms; regardless of industry and types of firms (e.g. *Shariah* approved firms and non-*Shariah* approved firms). This is important to avoid research penalising the non-reporting firms (Inchausti, 1997). For example, a few CSRR components such as 'Muslim employees are allowed to perform their obligatory prayers during specific times and fasting during Ramadhan on their working day' (Sulaiman, 2005) and 'disclosure of *Shariah* supervisory board opinion' (Maali *et al*., 2006) are applicable to selected firm types (e.g. *Shariah*-approved firms) and industries (e.g. finance industry) only; therefore, they must be excluded from the final CSRR checklist.

Table 5.5 presents the final CSRR checklist used in the current study. Detailed description of the CSRR checklist is provided in Appendix C and the research instrument used for coding purpose is attached in Appendix D. Generally, there are five themes or categories of CSRR adopted in the current study. They are: environment with 7 items, community with 11 items, workplace with 10 items, marketplace with 9 items and others with 3 items, which make a total of 40 items.

Table 5.5: Final CSRR Checklist Used in the Current Study

DIMENSION/COMPONENTS	CODE	REFERENCES
ENVIRONMENT		
Pollution control / abatement	E1	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Kamla, 2007; Othman *et al*. 2011.
Environmental conservation and repairs	E2	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*. 2011.
Energy conservation	E3	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Kamla, 2007; Othman *et al*. 2011.
Resource conservation and waste management	E4	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Kamla, 2007; Othman *et al*. 2011.
ISO 14001 (Environmental Management System) certification	E5	Yusoff, Yusoff and Lehman, 2007; Othman *et al*. 2011.
Environmental awards	E6	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Othman *et al*. 2011.
Other commitments towards environmental protection / sustainability	E7	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*. 2011.
COMMUNITY		
Education	C1	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.
Charity	C2	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*. 2006; Kamla, 2007; Othman *et al*., 2011.
Art, culture and heritage	C3	Hackston & Milne, 1996; Kamla, 2007; Othman *et al*., 2011.
Equality in community	C4	Kamla, 2007; AlNaimi et al., 2012
Youth development and graduate employment programme	C5	Haniffa & Cooke, 2005; Othman *et al*., 2011.
Employees participation in community service	C6	Othman *et al*., 2011.
Community health and safety	C7	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.
Community and infrastructure support	C8	Hackston & Milne, 1996; Othman *et al*., 2011.
Community awards	C9	Othman *et al*., 2011.
Community engagement	C10	Othman *et al*., 2011.
Support for national pride/government social campaigns	C11	Hackston & Milne, 1996; Haniffa & Cooke, 2005.

Table 5.5: Final CSRR Checklist Used in the current study (Continued)

DIMENSION/COMPONENTS	CODE	REFERENCES
WORKPLACE		
Employee health and safety (H&S)	W1	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011.
Human capital development	W2	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011.
Workplace diversity and equal opportunity	W3	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Grosser & Moon, 2008; Othman *et al*., 2011.
Employee appreciation	W4	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.
OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	Othman *et al*., 2011.
Employee relation/engagement	W6	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.
Workplace awards	W7	Hackston & Milne, 1996; Othman *et al*., 2011.
Employee remuneration, benefit and assistance	W8	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011.
Work-life balance	W9	Hackston & Milne, 1996; Sulaiman, 2005; Othman *et al*., 2011.
Industrial relations	W10	Hackston & Milne, 1996.
MARKETPLACE		
Product development	M1	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011.
Product/service quality	M2	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Sulaiman, 2005; Maali *et al*., 2006; Kamla, 2007; Othman *et al*., 2011.
Product/service safety	M3	Hackston & Milne, 1996; Othman *et al*., 2011.
Corporate governance	M4	Othman *et al*., 2011.
Supplier relation/engagement	M5	Kamla, 2007.
Customer relation/satisfaction	M6	Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.
Stakeholder engagement	M7	Othman *et al*., 2011.
Other stakeholders' matters	M8	Othman *et al*., 2011.
Marketplace awards	M9	Haniffa & Cooke, 2005; Othman *et al*., 2011.
OTHERS		
CSR reporting standard/quality	O1	The current study
CSR committee	O2	Hackston & Milne, 1996; Kamla, 2007.
Other commitment statements to CSR	O3	Hackston & Milne, 1996; Haniffa & Cooke, 2005; Kamla, 2007; Othman *et al*., 2011.

In line with the development of CSRR in Malaysia, the current study has specifically introduced an item under the ‘others’ theme that is CSR reporting standards/quality (O1). This item describes the initiatives undertaken by firms to produce a high-quality of CSRR; for example, a CSRR that enables firms to receive recognition/award from external organisations, such as ACCA and GRI; or CSRR that includes an assurance statement from a third-party to ensure the credibility and reliability of the CSRR (Perego & Kolk, 2012).

Moroney, Windsor and Aw (2012) suggested that assurance enhances the quality of voluntary environmental disclosures. Any recognition/award received in relation to CSRR (e.g. the ACCA Malaysia Sustainability Reporting Awards, the Prime Minister’s CSR Award, the StarBiz-ICR Malaysia Corporate Responsibility Award and GRI rating) is counted as CSR-related sentences under CSR reporting standards/quality (O1) item, as that recognition/award marks good quality of CSRR produced by the firms (see Table 5.6 for examples of CSR-related sentences for this item).

Two items used by Kamla (2007), in her study of CSRR in Arab countries, are also applied to the current study. They are: equality in community (C4: under the community’s theme) and supplier relation/engagement (M5: under the marketplace’s theme). AlNaimi, Hossain and Momin (2012) also take into account the concept of equality (e.g. race, gender and disability) in their descriptive analysis of CSRR in Qatar.

While equality in workplace (W3) has received a considerable attention in academic research (Grosser & Moon, 2005; 2008), perhaps, equality in community (C4) will follow suit, driven by several motivations. For example, the global emphasis towards equality and justice, and preventing discrimination, violence and injustice, and the growing importance of the *Shariah*-approved firms in Malaysia may bring equality in community (C4) items to a higher level of importance. As the number of the *Shariah*-approved firms increases, the number of firms that is practising Islamic teaching, which promote social accountability and social justice increases. Grounded on these motivations, more efforts are expected to promote equality in community by firms over time.

For the purpose of the current study, equality in community (C4) refers to the initiatives used to promote equality in the community; for instance, in terms of rights and opportunities, learn to respect each other, equal opportunity for women, the disabled and minority/indigenous groups. This includes firms' effort to build walkways or facilities for the disabled people especially in public places (see Table 5.6 for examples of CSR-related sentences for this item). 'Supplier relation/engagement' (M5), which was included in Kamla's (2007) study, has been listed in the marketplace's theme of the Bursa Malaysia CSR framework for public-listed firms. Such listing indicates the importance of the 'supplier relation/engagement' item (M5) as part of the CSRR in Malaysia. Supplier relation/engagement (M5) refers to the initiatives undertaken by firms to promote transparent and ethical procurement, and to ensure suppliers' quality and satisfaction (see Table 5.6, p. 216 for examples of CSR-related sentences for this item).

To date, there has been limited research that included the 'supplier relation/engagement' (M5) item in the CSRR's checklist, with exception of Kamla (2007). Following its prominence in the context of CSRR, the examination of 'supplier relation/engagement' (M5) information disclosed by firms is in need. The inclusion of the 'supplier relation/engagement' item (M5) in the CSRR checklist of the current study reflects the changes in CSR focus over time, particularly in Malaysia. In line with the development of CSR in the global context, supplier has been considered as one of the important stakeholders in firms along with shareholder, employee, community and customer (Panapanaan, Linnanen, Karvonen & Phan, 2003). Therefore, it is important to observe the way firms behave to manage their relationship with their suppliers along with other stakeholders.

In the context of Malaysia, the inclusion of these three items, namely CSRR standards/quality (O1), equality in community (C4) and supplier relation/engagement (M5) may signal the existence of additional/new CSRR items to supplement the existing CSRR checklist, consistent with the development of CSRR in the country. These three items represent important CSRR items that have been limited in focus in the extant CSRR research. With the emphasis given on the three items of CSRR, perhaps, future research conducted in other countries could also consider for inclusion of these CSRR items, wherever possible.

In the current study, the final CSRR checklist is then being pilot tested on a sample of 20 annual reports for the year 2005 (reflect the voluntary period of CSRR) to ensure that there is some variability in reporting between different firms and to capture the items not yet included in the existing checklist, before being tested to the larger sample. This sample size is consistent with the one adopted by Haniffa and Cooke (2005) and Ghazali (2007), who used 20 firms and 25 firms respectively as sample in their pilot study. The sample of 20 annual reports for 2005, used in the pilot study, is represented by the two selected firms from each industry, as outlined in Table 5.3. Out of 20 annual reports, 10 of them were coded independently by two coders that possess good understanding and knowledge in CSRR and qualification in corporate reporting. Inconsistency (if any) reported between the two coders was re-analysed and resolved.

Inter-coder reliability test is also performed using the Krippendorff's alpha to assess the levels of inter-coder agreement on the quality of CSRR based on a dichotomy procedure (whereby a value of '1' is given if the CSR item is disclosed and a value of '0' is given if there is no disclosure). This is based on the sample of 10 annual reports that were coded independently by the two coders. According to Krippendorff (2004), the Krippendorff's alpha is able to account for chance agreement among multiple coders. The Krippendorff's alpha is computed using an online calculator of inter-coder reliability known as ReCal (Freelon, 2010) and a macro written for SPSS software (Hayes & Krippendorff, 2007).

In computing the inter-coder reliability using ReCal online calculator of inter-coder reliability, a CSRR coding worksheet is uploaded into a website, http://dfreelon.org/utils/recalfront. Result from the inter-coder reliability test showed an acceptable agreement of the two coders, whereby the Krippendorff's alpha of 0.87 was achieved. The same result produced when the inter-coder reliability is computed using the SPSS's software. The outputs produced from the above calculations are enclosed in Appendix E.

The Krippendorff's alpha of 0.87 is comparable with the one obtained by Hackston and Milne (1996) in their study of CSRR in New Zealand (with the Krippendorff's alpha of 0.90) and by Tilt (2001a) in her study of environmental reporting in Australia (with the Krippendorff's alpha of above 0.80). While there has been no standard established for inter-coder reliability of content analysis (Hackston & Milne, 1996), it is suggested that 80 percent or above is an acceptable level of inter-coder reliability (Guthrie & Mathews, 1985, cited in Hackston and Milne 1996).

In testing the larger sample, only one researcher codes all of the annual reports involved. This is to ensure that a consistent judgement is made during the coding process. A set of coding rules is constructed to facilitate a consistent interpretation of the CSRR checklist during the coding process (Hackston & Milne, 1996) and to ensure the reliability and validity of the data collected (Haniffa & Cooke, 2005). Six coding rules have been outlined in coding the CSRR in the current study, most of which follows the one adopted by Hackston and Milne (1996). They are:

1. Discussion of directors' activities is not to be included as a discussion on employees.
2. All sponsorship activity is to be included no matter how much it is advertising.
3. All disclosures must be specifically stated, they cannot be implied.
4. If any sentence has more than one possible classification, the sentence should be classified as to the activity most emphasised in the sentence.
5. Tables (monetary and non-monetary) which provide information which is on the checklist should be interpreted as one line equals one sentence and classified accordingly.
6. Any disclosure which is repeated shall be recorded as a CSRR sentence each time it is discussed.

A random check is also done by repeating the coding process for selected annual reports after some time; in this case, the third months after the first round of data collection completed. Manual search of CSRR items is conducted throughout all sections of the annual reports. Discussion on the measurement of CSRR used in the current study is provided in Section 5.4.2. While the quantity of CSRR is measured by the number of sentences, the quality of CSRR is measured by a CSRR index. Each firm has its own CSRR score sheet that documented the number of CSR-related sentences disclosed and value assigned (from 0 to 3) for each CSR's item included in the CSRR checklist (see Appendix D for the research instrument or coding Sheet used in the current study).

To summarise, the following steps are taken in content analysis of CSRR from a firm's annual report: a score sheet is prepared (1 score sheet per firm-year). Since the current study involves a five-year analysis, five score sheets are prepared for each sample firm. For each firm-year, the number of CSR-related sentences is counted and categorised according to the CSRR checklist provided in the score sheet. In measuring the quality of CSRR, the CSR-related sentences that have been categorised is given a specific value (from 0 to 3) based on the criteria determined in the score sheet. Table 5.6 provides examples of CSR-related sentences with their respective score. These examples are extracted from firms' annual reports of 2009 that represents the most recent year of data used in the current study.

The use of self-constructed reporting index involves subjective assessment by researcher, who administers the reporting index (Botosan, 1997). In this case, Cronbach's coefficient alpha (Cronbach, 1951) is used to assess the internal consistency reliability and validity of the CSRR's measurements used in the current study. Cronbach's coefficient alpha of 0.850 for CSRR quantity and 0.862 for CSRR quality were obtained, which is above the minimum acceptable level of reliability (Cronbach's coefficient alpha of 0.80) as suggested by Lance, Butts and Michels (2006). In other words, both CSRR quantity (CSRRQN) and CSRR quality (CSRRQL) used in study provide reliable measurement of CSRR based on the Cronbach's coefficient alpha reported.

Table 5.6: Examples of CSR-related sentences with their respective score

Example of extracts	Firm Name	Location (Page)	Score
ENVIRONMENT			
Pollution control/abatement (E1)			
RWG has implemented various initiatives in 2009 to prevent water, land and air pollution. To prevent water pollution, the Yearly Sanitary Survey is conducted on the water supply system and remedial actions are taken to trace and remove possible contamination sources. Biodegradable chemicals were used for laundry, rooms, cleaning of public areas and stewarding. Besides this, diesel engines at pump houses were replaced with electrical motors to reduce water source contamination from diesel spillage. To prevent land pollution, recycling is practised to reduce waste disposal at landfill sites and the use of bio-degradable products such as plastic bags and paper wrappers are promoted. To control air pollution, smoke density meters were installed to monitor flue gas quality generated by boilers. Flue gas analyses were also carried out for generator sets, boilers and incinerators in accordance with Written Approval issued by the Department of Environment, in line with the Environmental Quality Act. Air pollution control systems were also installed to treat the flue gas.	GENTING	38	1
We have a single-minded goal of reducing our Carbon emissions by 50% by 2012. To ensure this, we initiated the Deep Green Programme – a holistic approach which helps map out and internalize our approach towards the environment.	DIGI	37	2
Raw water contamination can lead to plant shutdown cases, especially during periods of dry weather when the river level is reduced significantly and yet the pollution remain unchanged due to continuous discharges from industries or activities upstream of the intake. In 2009, although only 21 cases of plant shutdowns were recorded, there was a loss of production of 5,822.50 hours with a revenue loss of RM756,880.00 (2008:247 cases, 5,720.11 hours of production loss with RM261,144.00 loss in revenue) due to the longer periods of plant shutdown time.	PUNCAK	130	3
Environmental conservation and repairs (E2)			
We practise internationally-recognised Reduced Impact Logging ('RIL') techniques in our harvesting operations. RIL is a technique that minimises damage to the residual stands and soil.	JTIASA	18	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Environmental conservation and repairs (E2) (Continued)			
For decades, we have focused on maintaining environmental awareness and striving to the best of our abilities to create a balance between economy and ecology within the framework of our plantations' ecosystem. Conservation of jungle reserves and wildlife sanctuaries as well as promoting green corridors are examples of this commitment to the environment. To date, United Plantations has set aside about 4,000-5,000 hectares of land for conservation representing approximately 8-10% of our total land area.	UTDPLT	42	2
The AmBank Group's sponsorship of Zoo Negara's Dromedary Camels for a 24th consecutive year continued with a contribution of RM40,000.	AMMB	54	3
Energy conservation (E3)			
A professional consultant is engaged to conduct an energy audit to identify cost-effective energy-saving opportunities in line with the building energy efficiency index. Measures include installation of energy-saving lights and reduction of heat loads from air-conditioning systems. Escalators are switched off during off-peak times and sensors are installed to control operations. Employees are also briefed on Energy Conservation Awareness by the Group's Engineering Department. In 2009, RWG employed a heat recovery system by installing air pre-heaters at steam plants to conserve energy. Traps were replaced with fixed orifice steam traps to limit steam loss. Steam plant operations were also optimised to reduce steam losses and leakages, and to prevent short cycling on boiler operations.	GENTING	38	1
The biomass co-gen power plant commissioned in 2008 is another initiative towards reducing global warming. The wood residue is converted into renewable energy, capable of generating up to 11.4 megawatts of electricity, which provides the power to run the plywood mill and sawmill thereby savings on electricity bill.	TAANN	43	2
Within ExxonMobil's global refining business, the Port Dickson Refinery (PDR) is among the leaders in energy conservation. It sustained high levels of energy efficiency, and reduced greenhouse gas emissions at the plant by applying ExxonMobil's Global Energy Management System Best Practices across all aspects of refinery operations. Operational efficiencies at PDR have resulted in savings of almost RM7 million.	ESSO	15	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Resource conservation and waste management (E4)			
All industrial wastes from the Group's operations are properly treated and disposed of in safe and environmental friendly ways.	HIAPTEK	32	1
In 2009, CMS Cement which is certified with the ISO 14001 Environmental Management System achieved a 33% reduction in wastage from spilt cement.	CMSB	27	2
KFCH has set up a waste water treatment plant at Kompleks KFC Glenmarie, which houses the Bakery and Commissary division. The plant uses a system that treats the final discharge waste water in accordance with the DOE Standard B for discharge. The proposed treatment process will use the Biological Treatment System, which uses a UASB (Up-Flow Anaerobic Sludge Bed) and AICAR (Alternative Intermittent Cyclic Reactor). The estimated cost of the entire project is RM1.5 million.	KFC	45	3
ISO 14001/14004 (Environmental Management System) certification (E5)			
Our Sedenak Estate was among the first palm oil estates in the world to achieve ISO 14001 certification, and we apply the system to manage our environmental impact throughout our operations.	KULIM	128	1
Currently, 11 Group companies have successfully attained the ISO MS 14001.	DRBHCOM	79	2
N/A			3
Environmental awards (E6)			
In March 2010, Shangri-La Hotel Kuala Lumpur was honoured with an award under the Environment category at the Prime Minister's CSR Awards 2009. This award is the highest accolade for corporate organisations, and aims to recognise companies which have made a difference to the communities in which they operate through their CSR programmes. The Environment category recognises companies that have demonstrated leadership and commitment in the improvement, preservation and protection of the environment.	SHANG	44	1
The mine achieved significant progress in its management of the environment. Two of employees received awards in 2009 for their outstanding efforts in pollution control and management. The first award was given by the Pollution Control Association of the Philippines, Inc (PCAPI) to Ms Carmelita Pacis for being one of the outstanding pollution control officers in 2009. The other award went to Mr Roger Corpus for being one of the Outstanding Mining Engineers for 2009 in the field of Mine Management.	MSC	23	2
N/A			3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Other commitments towards environmental protection/sustainability (E7)			
In-house talk on 30 June 2009 to raise environmental awareness among Suria Group staff.	SURIA	24	1
Our commitment to the three-year 'Going Green' campaign implemented last year to inculcate an environmental conscious corporate culture amongst the employees of the Group began with raising awareness of the importance of reducing carbon footprint in the environment. The campaign had been structured into three phases. Phase 1 kicked off with a series of talks presented by several environmental specialists, amongst which are specialists from the Malaysian Nature Society, Forestry Department and Department of Environment, in which they presented current state of destruction and deterioration of the environment and shared environmental conservation tips. Over the 10 'lunch-and-learn' sessions held during the financial year, more than 350 employees participated. The immediate results of such talks were seen in the many good ideas that were shared by the employees for reducing, reusing and recycling in the office, home and environment. These ideas were shared on a quarterly basis in the Group's newsletter, The LOOP.	HDBS	37	2
A joint venture project with the Ministry of Housing and Local Government to publish awareness materials on recycling and solid waste management in the form of books and VCDs, cost RM1.5 million.	DRBHCOM	81	3
COMMUNITY			
Education (C1)			
Our contribution towards education can best be described as wide-ranging. In support of national schools and national-type vernacular schools located in the Group's Malaysian estates and property townships, the Group has made contributions in the form of land for the school premises as well as regular donations in cash and kind to meet the varied needs of the schools and their students.	GENP/ ASIATIC	25	1
38 students received the Young Achievers' Award from Yayasan Tan Sri Lee Shin Cheng ("Yayasan") at Palm Garden Hotel, IOI Resort. Various awards from primary to upper secondary levels namely UPSR, PMR, SPM, STPM and A-levels are distributed to young students to motivate them to strive for excellence in their studies.	IOICORP	64	2

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Education (C1) (Continued)			
TNB through its foundation, Yayasan Tenaga Nasional (YTN) provided scholarships and study loans amounting to RM34.6 million to 2,478 outstanding and deserving students to pursue their tertiary education at local and world renowned universities abroad. This is a direct contribution towards the development of professional manpower for TNB and the Country. Since its inception in 1993, YTN has provided education sponsorship to more than 8,820 students.	TENAGA	179	3
Charity (C2)			
Additionally, the Company also makes monetary donations and contributions to charitable organisations from time to time.	CHIN TECK	22	1
HSL’s traditional Chinese New Year donation programme saw grants to 14 local charitable organisations.	HSL	9	2
In the Klang Valley, Star Foundation donated a total of RM700,000 to charitable organisations, namely Hospis Malaysia, National Association of Women Entrepreneurs Malaysia (NAWEM), The Heart Foundation of Malaysia, Ti-Ratana Welfare Society, Ti- Ratana Community Centre Penchala, The Special Children Society of Ampang and the National Stroke Association of Malaysia (NASAM).	STAR	56	3
Art, culture and heritage (C3)			
Championing arts and culture, the Group was also the platinum sponsor of the Penang World Music Fest held in May 2008.	E&O	34	1
JTI Malaysia is committed to contributing in a meaningful and sustainable manner to the communities in which it serves. In 2009, the Company continued its Corporate Philanthropy programmes under two main pillars – ‘Support to the Elderly’ and providing financial assistance to the culture and arts industry. JTI Malaysia also renewed its support to two organisations that provide platforms to cultivate creativity and promote the performing arts.	JTINTER	13	2
To date, MRCB has spent more than RM1 million for the MRCB Art Awards. The event is open to all Malaysians with disabilities either mental or physical. All artworks were sold to raise money for charity. We aim to support our local professional artists by inviting them to donate their paintings for this competition.	MRCB	14	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Equality in community (C4)			
The Group continues to employ those with hearing impaired but able bodied as toll tellers. Most of these toll tellers have stayed with the group from as early as its inception whilst some went on retirement.	MTD	44	1
The Hari Muhibah annual sports carnival is another unique event of the Group which showcases the mettle of some 400 disabled persons each year.	TANJONG	29	2
TNB continues its commitment to the public by contributing to the Ministry Of Education for the setting up of the "Centre of Special Education Services" in Putrajaya to cater for the educational needs of disabled children. For the financial year under review, YTN increased the donation by RM180,000.00, resulting in total contributions amounting to RM562,000.00 thus far.	TENAGA	179	3
Youth development and graduate employment programme (C5)			
The Group's Graduate Development Programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. This programme entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.	HLIND	15	1
The Management Trainee Programme exposes fresh graduates to all facets of Scomi's business in preparation for senior executive positions. Nine new management trainees were recruited during the year under review, who will be rotated to three different departments over an 18 month period. Each rotation would last six months and is intended to provide them with a broad base on which to build their careers in Scomi.	SCOMI	31	2
AmBank Group continues to place emphasis on youth, and also in developing talent and stimulating excellence and achievement in games and sports. AmBank (M) Berhad contributed RM10,000 and 300 NexG iTalk cards as main sponsor of the 4th Asian Universities Debating Championship 2008. It also became a three-year Charter Member of SportExcel, in support of sports development platform for youth, donating RM45,000 to the foundation. Concurrently, it also sponsored RM26,860 for the AmBank Group-rest Link-Sport Excel International Junior Golf Championship 2008 and the Grand Finals of the National Junior Golf Circuit 2008. As Main Sponsor, AmBank Group contributed RM200,000 to the Selangor Masters Golf Tournament held at the Seri Selangor Golf Club.	AMMB	54	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Employees participation in community service (C6)			
During the year, our subsidiary, Eluxion Media Sdn Bhd ("Eluxion Media") organized a charity visit to the House of Joy and Sungei Way Old Folks Home. All the employees pulled together efforts to donate money and contribute goods to help these homes. The team spent a day with the kids and senior folks, bringing them food to share and cheer to their faces.	GOLDIS	23	1
Since 2007, CMS employees have been actively encouraged to directly participate in a variety of activities under the 'CMS Doing Good' community outreach programme. The programme serves in part to inculcate in our employees amore caring attitude towards those in need, and in part to profile CMS to the community at large that it is a company whose employees truly care about those in need and who are prepared to help outside of their office hours. Many employees have also opted to include their pledges of 'Doing Good' as part of the annual Key Performance Indicators (KPI). In 2009, the aim was to continue the 'Doing Good' culture of employee volunteerism and to improve safety at our workplace. The result was 4,218 man-hours of employee volunteerism, out of which 89%of this time went towards sustainable CSR causes.	CMSB	26	2
As part of the Group's long-term community programme with the Ministry of Women, Family & Community Development, the employee volunteerism efforts under the Cahaya Kasih project continued with a total of 20 activities at seven adopted welfare homes nationwide. Maybank also contributed encyclopedias, electrical items, water coolers, birthday gifts and sports attire worth over RM100,000 to the residents of the homes.	MAYBANK	178	3
Community health and safety (C7)			
In addition, we conduct regular occupational safety and awareness programmes for our employees and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community. Our Yamaha division has been working together with the Ministry of Transport to intensify its road safety riding programme for motorcyclists, Yamaha Safety Riding Science, by reaching out to a wider audience of factory workers who use motorcycles as their primary means of transport, while continuing with free inspection checks for all brands of motorcycles during the Hari Raya festive period.	HLIND	16	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Community health and safety (C7) (Continued)			
The Group embarked on a year-long road safety campaign with the Ministry of Transport, Ministry of Education, Road Safety Department and the Road Safety Marshal Club - 'Kempen Topi Keledar Kanak-Kanak Genting'. Some 4,500 primary school students from nine states were educated on various road safety practices such as crossing the road safely, adhering to traffi c and road signs, fastening seat belts and on proper helmet usage. All the students were each presented with a SIRIM-approved helmet.	GENTING	41	2
On 11 November 2009, Lonpac organised its Community Health Day 2009 with the support from the National Kidney Foundation ('NKF'). The programme was opened to the participation of Lonpac staff and the working community at Bangunan Public Bank, Jalan Sultan Sulaiman, Kuala Lumpur. During the event, NKF conducted kidney outreach programme through activities such as health talk on 'Kidney Disease: Common, Harmful But Treatable', health screening and counselling. A total of 101 participants undergone the health screening and counselling provided by NKF personnels during the Lonpac Community Health Day. In support of the NKF's good work, Lonpac contributed RM28,000 to NKF towards the purchase of the much needed dialysis equipment for their centres with the hope that many Malaysians who have been diagnosed with kidney damage will be able to receive the proper counsel and dialysis support from the foundation.	LPI	134	3
Community and infrastructure support (C8)			
Our Group has over the years placed great emphasis on enhancing the quality of life of the communities where we operate. This is evidenced by the Group's wide-ranging contributions in areas of education, infrastructure, cultural and social development initiatives. It is the Group's practice to create and offer priority in job opportunities to local villagers, either by way of direct employment or through the award of contract works.	KMLOONG	35	1
The Bank also collaborated with JAKIM to sponsor 13 episodes of a television programme to raise public awareness on the need to elevate the well-being of communities.	BIMB	31	2
QL's FAS continue to provide financial assistance through interest free advances to fishermen in the rural region. These advances are to help them to build, upgrade and modernize their fishing fleet. Our advances to fishermen (totalling more than 690 fishermen) to-date amount to more than RM23million.	QL	32	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Community awards (C9)			
TM won the coveted Starbiz-ICRM CR Awards 2009 in the Community category for its best practices.	TM	171	1
N/A			2
N/A			3
Community engagement (C10)			
Our dialogue sessions with the community have also been useful in establishing good rapport and better understanding in resolving issues of mutual interests.	TWS	66	1
MRCB conducts community dialogue with three stakeholders at Symphony Hall, Level 3, Stesen Sentral Kuala Lumpur to inform all relevant stakeholders of the impending development of Lot G as well as the traffic diversions at Kuala Lumpur Sentral, specifically Jalan Stesen Sentral 3.	MRCB	24	2
Community Leaders Outreach Programme or better known as CLOP is one of TNB's CSR programmes inspired by TNB's President/Chief Executive Officer in early 2005 to enhance the existing platform to communicate with customers and the local community. Its main objective is to obtain feedback on the quality of services provided by TNB and provide information on company policies and services to community leaders and the community at large. The programme was conducted through dialogue sessions where TNB top management and local management served as panellists. It allowed community leaders as well as heads of political parties at the district level, heads of local Government departments, heads of villages, and stakeholders to engage in discussions on specific issues on TNB services, complaints, enquiries and ideas. The feedback is used as an indicator to improve services. In conjunction with the programme, TNB had organised exhibitions to disseminate information about the company, its products, services and activities. In FY2008/2009, a cost of RM170,000.00 was incurred in organizing this programme at 21 locations nationwide.	TENAGA	177-178	3
Support for national pride / government sponsored campaigns (C11)			
In 2009, Pos Malaysia continued to support its adopted schools under the PINTAR Programme. Students from Sekolah Menengah Kebangsaan Sungai Acheh, Nibong Tebal and Sekolah Kebangsaan Kuala Perai, Bagan Dalam, Pulau Pinang were sent to motivational camps to guide them in their preparations for SPM and UPSR.	POS	74	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Support for national pride / government sponsored campaigns (C11) (Continued)			
To promote a sense of unity within a celebratory experience for the nation, the Ambang 2009 Kuala Lumpur concert was held to usher in the new year with a myriad of popular Malaysian artistes at Dataran Merdeka. Similarly, in conjunction with the 51st Merdeka celebrations, the Group sponsored a 10-minute firework display and 50,000 ballons for a festive evening at Dataran Merdeka.	AMMB	55	2
To celebrate Malaysia's 51 years as a nation in 2008, Maybank joined in as principal coordinator leading the financial sector contingent in the Merdeka Parade. The Group spent RM1.2 million for various programmes during the month long Merdeka celebrations, including TV commercials to promote the spirit of patriotism and unity among Malaysians.	MAYBANK	178	3
WORKPLACE			
Employee health and safety (H&S) (W1)			
The Group strived to ensure a creation of a safe and healthy working environment for its employees to work in. During the year, the Group has organised fire drills, safety and health talks as well as plant evacuation exercises at its various properties. Steps were also taken to ensure that equipment and building safety systems were functioning properly and well maintained.	ASIAFLE	14	1
Overall, efforts in reducing work accidents have been positive. We have been experiencing a steady reduction in the number of incidences since 2008. The number of incidents in the year 2009 saw a decline of 41% compared to the year 2008.	STAR	51	2
The H 1N1 (swine flu) outbreak began in April 2009. A flu pandemic is a global outbreak of disease that occurs when a new influenza virus appears to which people have little or no immunity. It affects people of all ages, backgrounds and locations, and could cause high numbers of illness and death as well as social and business disruption. TM took a serious view of the possible effects of this pandemic on its employees and their families, thus applied concrete actions by activating the Pandemic Preparedness Team. The existing Pandemic Preparedness Plan was reviewed to identify appropriate steps to prevent the spread of the virus in TM's premises. About RM80,000 was spent on providing protective equipment, sanitisers and thermometers to staff in all premises. The Plan was successfully carried out, resulting in minimal impact of internal infection. The experience places TM in good stead face the Second Wave if it comes.	TM	165	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Human capital development (W2)			
As a learning-based organisation, we firmly believe in continuous training and development. Various programmes were held throughout the year to focus on upgrading the competencies of our people in order to unleash their hidden potential while creating a talent pool for succession planning. Investment is made in structured on-the-job training, workshops and seminars covering areas on management, technical, communication, leadership and soft-skills.	DLADY	15	1
A firm believer in life-long learning, AEON continued to encourage its people to pursue further education for their personal and career growth. Under the OUM programme in which AEON collaborated with the Open University Malaysia, AEON subsidised 80% of the education fees of its people. For 2009, a total of 95 employees were enrolled under this programme in various academic fields.	AEON	7	2
Goldis regards human resources as “assets” and supports activities that enable employees to become aware of their personal development and heighten their abilities. The greater part of personal growth is realised through work. Therefore, Goldis is focused on building a workplace environment where each employee can work cheerfully and energetically, and on bringing out employees’ distinctive qualities to the maximum extent. Employees are encouraged to attend Training and Development (‘T&D’) programmes to enhance their skills and competencies and to ensure that they are equipped, empowered and motivated to carry out their duties. The Group spent a total of RM172,870.00 on T&D programmes for the year under review.	GOLDIS	23	3
Workplace diversity and equal opportunity (W3)			
The Group develops talent regardless of race, gender or religious belief.	GUOCO	30	1
Diversity and inclusion at MRCB focuses on gender, race and religion. The total number of employees at MRCB was 1,149 at the end of 2009. MRCB’s workforce is 100% Malaysian, out of which 89.2% are Malay, 5.6% Chinese, 3.6% Indian and 1.6% of other ethnicities. 28.1 % of our total workforce and 20% of managerial staff are women. We practice equal opportunity in hiring and internal control and in remuneration between men and women at MRCB. We are a bias-free organisation and motivate our staff to perform at their best.	MRCB	14	2
N/A			3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Employee appreciation (W4)			
In appreciating the contribution of our staff, an annual dinner was organised.	DAIMAN	23	1
We celebrate and award our employees who attain their career milestone every five-year with the Long Service Award banquet and company keep sakes. In March 2010, the Company rewarded a total of 878 employees who have completed 5, 10 and 15 years of service with the Company.	UNISEM	17	2
In 2009, despite the recessionary economic conditions, the Public Bank Group continued to reward performing staff with handsome bonuses and generous increments based on their contribution to the Group's performance in 2008. A sum of RM106 million was paid in performance bonuses to all levels of staff with top performers being paid bonuses of up to 23 months of salary.	PBBANK	178	3
OHSAS 18001 (Occupational Health and Safety Management Systems) certification (W5)			
RWG's Human Resources Department, through its Occupational, Safety and Health ("OSH") Section, has initiated Mentoring Programme on ISO 14001 and OHSAS 18001 for Awana Genting Highlands, Awana Langkawi, Awana Kijal and Casino Department.	GENTING	38	1
There is strong commitment and a clear policy to provide a safe and healthy work environment for all. Safety standards are continuously being improved and in 2009, six (6) companies in the Group achieved OHSAS 18001:2007 certification.	UMW	30	2
N/A			3
Employee relation/engagement (W6)			
Quarterly staff meetings, regular digital corporate updates and employee engagement activities are some of the platforms used to promote better employee communication.	AMWAY	26	1
About 15 employees from around the nation are selected on a random basis every month to have evening tea with the Group CEO. The Group CEO himself makes regular state visits and presents the Group's financial results every quarterly, the briefings streamed live to all state offices. Employees are further kept up-to-date with developments in the Group via print and electronic newsletters. These initiatives have had a positive impact, as reflected in the annual Employee Satisfaction Index. In 2009, TM scored 8.5%, compared with 8.6% in 2008.	TM	169	2
N/A			3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Workplace awards (W7)			
Our high safety standards have been acknowledged by the Department of Occupational Safety and Health, Ministry of Human Resources in the award to KLK for "Best Estate OSH Practice in Perak".	KLK	32	1
Apart from the Group's property development awards, it has also made it to the Hewitt Best Employers list thrice. The first was in 2003 where S P Setia was named one of the top 10 Best Employers in Malaysia followed by 2005 where the Group emerged as one of the top three employers – the only Malaysian company amongst the three with the other two being multinationals – and again in 2009.	SPSETIA	2	2
N/A			3
Employee remuneration, benefit and assistance (W8)			
The Bank also provides incentives for children of employees with excellent examination results, has made a sundry fund available to employees requiring financial assistance, and offers staff daily religious lectures delivered by notable in-house and invited speakers.	BIMB	28	1
In 2009, nine needy employees and their families benefited from financial assistance by the Group rendered through the Compassionate Fund. Monies disbursed were to assist with mishaps to homes following natural disasters or fire, injury due to freak accidents, for medical ailments, and for death.	CMSB	25	2
Since January 2009, 100 children of staff have been granted RM50 per month under the education assistance allowance provision for staff. As of June 2009, a total of RM29,100 has been paid out.	SUNRISE	61	3
Work-life balance (W9)			
The Group continued to make an effort towards encouraging work-life balance to its employees. Various recreational activities were organised during the year by the Group's Sports and Social Club. Among them are family days, trips to local tourist destinations, futsal and bowling tournaments and badminton competitions.	KIANJOO	7	1
During 2009, Sports & Recreation Club of the Company (the "Club") organised sports events such as Badminton, Bowling, Carrom, Chess, Fishing, Futsal, Netball, Paintball, Snooker, Table Tennis and Volleyball competitions. The Club also organised Miss Kebaya Queen and Fresh Flower Decoration Competitions to promote employees' teamwork in terms of planning, creativity, innovation and time management. There were 17 and 26 employees participated in the Miss Kebaya Queen and Fresh Flower Decoration Competitions respectively.	UNISEM	18	2

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Work-life balance (W9) (Continued)			
The Group continued to support Maybankers by encouraging the pursuit of a healthy lifestyle. During the year, more than RM1.5 million was disbursed for employee sport activities as well as the upgrading of the Menara Maybank Recreation Centre. In the tournaments which Maybank participated, the Bank emerged champions in the inter-financial institution games in golf, football, carrom and snooker. The annual Maybank Games which includes badminton, netball, basketball, football, hockey, table tennis, sepak takraw, tennis, futsal, squash and golf, attracted over 1,800 Maybankers from its Malaysian and Singapore operations.	MAYBANK	183	3
Industrial relations (W10)			
The company continues to support the Code of Conduct for Industrial Harmony that provides for freedom of association with regard to employees joining unions. The harmonious relationship between the unions and management has been beneficial to the organisation's growth.	STAR	51	1
TM has three in-house unions – the National Union of Telecommunication Employees (NUTE), Sabah Union of Telecommunication Employees (SUTE) and Union of Telecommunication Employees Sarawak (UTES), representing non-executives in Peninsular Malaysia, Sabah and Sarawak respectively. TM maintains regular and open dialogue with these unions, updating them of major business changes and resolving matters pertaining to collective agreements or operational issues. Issues are mediated primarily by the National Joint Council (NJC) and the Standing Committee (SC), both of which are equally represented by TM and the unions. The NJC holds at least four meetings a year, while the SC convenes to deal with matters that failed to be resolved at lower levels, or when the interpretation of a collective agreement is in question. Cordial relations with the unions are strengthened by inviting their representatives to company activities and events.	TM	170	2
As a responsible employer, PowerSeraya is committed to the principles of the Tripartite approach in Singapore and has pledged a phased contribution of SGD350,000 over a period of five years from 2008 at SGD70,000 per year to the Union of Power and Gas and Employees ("UPAGE") in Singapore. The objective of the fund is to aid UPAGE in diversifying and developing new revenue streams, so as to ensure the optimal delivery of membership services in the areas of welfare, leadership development and training.	YTLPOWR	13	3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
MARKETPLACE			
Product development (M1)			
Eco World consists of a range of environmental-friendly stationary products comprising envelopes, papers and files; with future additions as NTHB continues to put in-depth research into its environmental friendly production processes. The materials are sourced from recyclable paper or production waste generated from NTHB's existing tissue manufacturing plant.	NTPM	14	1
The Group's 20-year agreement with the Forestry Tasmania, an Australian government agency for the monthly supply of 15,000m^3 of planted eucalyptus billets from re-growth forests to each of the two veneer mills, is our first step towards production of products that are environmentally friendly. The two mills, located at Huon and Smithton, Tasmania have created new jobs for the local community, and more importantly enable the Group to produce environmentally friendly eco-products from their PEFC certified forests that are envisaged in our mission statement.	TAAN	44	2
During the year, the Group invested RM267 million in capital expenditures, mainly in new manufacturing lines which will increase production capacity as well as provide flexibility for product innovations and renovations.	NESTLE	19	3
Product/service quality (M2)			
MIECO upgraded its Quality Management System certificate to MS ISO 9001:2008, which was awarded by AJA EQS Certification (M) Sdn Bhd and accredited by Standards Malaysia.	BRDB	50	1
This year, the Bank achieved the ISO 9001:2000 Quality Management System certification for another 30 branches in Kuala Lumpur which brings the total number of branches with this certification to 65 branches.	HLBANK	24	2
N/A			3
Product/service safety (M3)			
Our plywood mill has also obtained 'CE marking' for its products, another European product marking and certification system that guarantees our products comply with all applicable European product safety, health and environmental requirements within the CE marking system. This achievement is the result of our active pursuit of manufacturing products that are environmentally-friendly.	TAANN	44	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Product/service safety (M3) (Continued)			
Electricity Safety Awareness Campaign is a programme designed to disseminate information and foster a positive awareness and better knowledge on electricity safety amongst school teachers and all members of society. School teachers were identified as the target group for this campaign as it is believed that they can play an important role in spreading awareness among the students on the dangers of misuse of electricity and the proper way to handle electrical appliances. The campaign was conducted through half day seminars with three main modules that provide information related to basic electricity safety, safety for electrical domestic installations; and safety at or near TNB's electricity installations. TNB had been working closely with State Education Departments to ensure the success of this campaign. During the period under review, 2,112 teachers throughout Malaysia had benefitted from this program.	TENAGA	177	2
In 2009, we invested RM443 million on maintenance activities to ensure the safety and comfort of highway users.	PLUS	87	3
Corporate governance (M4)			
At Goldis Group, we believe in conducting our business ethically, with integrity and transparency, which is one of the hallmarks of our culture. Our shared beliefs and values ensure that we have high moral standards, respect our people, clients, community and the law as we continue to strive for excellence in everything we do.	GOLDIS	24	1
N/A			2
N/A			3
Supplier relation/engagement (M5)			
From time to time, we organise seminars with our contractors and suppliers, in addition to the programmes held for contractors to upgrade their class of contractors. Such seminars are aimed at improving the overall quality of workmanship and supplies in order to meet the highest standards of quality we require.	RANHILL	35	1
A half-day Safety Dialogue with our suppliers was organised in May. The aim of the dialogue was to improve communication with our key suppliers on safety initiatives and to follow-up on any safety issue or concern. Four main safety topics were discussed through an interactive workshop setting. From the exchange of views with our suppliers, they have a clearer understanding of the Lafarge Safety Vision.	LMCEMNT	17	2
N/A			3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Customer relation/satisfaction (M6)			
As one of the key players in the global timber industry, we have an extensive list of customers. Strong customer loyalty has brought us long-term support from those who are impressed by our expertise, values and services. We place great emphasis on customer feedback as we deem it to be an important element in ensuring continuous improvements of our products, services and processes.	JTIASA	22	1
Through the SEGAR initiative (Service Excellence (SE) – KPJ Way Group Alignment and Re-engineering), KPJ propagates 'Service Excellence – the KPJ Way'. Under SEGAR, Standard Operating Procedures are issued to provide guidelines, policies and procedures, Standard People Practice and Quality Objectives with the purpose of developing Core Processes for all services. SEGAR emphasises on having unit based guidelines with a focused point of entry and the enhancement of the autonomy of staff in performing their daily tasks. Nine core processes, mainly for finance services, have so far been developed, followed next by the development of core processes for Allied Health and Support Services.	KPJ	30	2
Public Bank participated in Bank Negara Malaysia's Financial Awareness Week Exhibition 2009 with a sponsorship of RM25,000. The exhibition was held in Kuala Terengganu from 22 to 24 October 2009 and sought to provide a platform to increase the financial knowledge and awareness among the consumers in the East coast states.	PBBANK	182	3
Stakeholder engagement (M7)			
The Group recognises the importance of maintaining transparency and accountability to the investment community and is thus committed to cultivate the best practices in complying with all laws and regulations and maintaining the highest Corporate Governance standards. Our carefully planned investor relations programme aims to establish and maintain open communications with shareholders and investors so as to provide timely information and assure the best possible transparency. We keep the market and investors well versed with our key business activities, strategies and performance through general meetings, briefings and road shows. In addition, our website at www.jayatiasa.net also provides a wide range of information on the Group.	JTIASA	22	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Stakeholder engagement (M7) (Continued)			
As part of our ongoing commitment to hold open dialogues with all stakeholders, Nestlé held two Stakeholder Convening sessions on 9 January and 8 December. In the session, we took the opportunity to share the development and improvements that we have undertaken to address the issues and suggestions highlighted in the previous convening principally in the areas of standards, nutrition, environment and supply chain. It was followed by roundtable discussions that resulted in recommendations, challenges and setting of expectations of Nestlé Malaysia in our position as the leading Nutrition, Health and Wellness company in the country. The session enabled us to gain valuable perspective and further insight into the priorities and areas of interest in the context of the participating stakeholders.	NESTLE	37	2
N/A			3
Other stakeholders' matters (M8)			
Through its participation in various public and industry programmes, JTI Malaysia remains committed to cooperating with the Government's law enforcement agencies, key policymakers and retailers in the fight to eradicate the illicit cigarettes trade.	JTINTER	13	1
MNRB is conscious of its commitment to all stakeholders and, in particular, the insurance industry. To instil a higher degree of professionalism in the industry by developing more professionals, MNRB identifies, organises and offers training programmes to the industry that are aimed to provide a platform for participants to exchange ideas and update themselves on current industry developments. More than ten (10) market training courses had been organised in 2008. These include the Annual Programme for Insurance Executives Development (PIED), which covers four (4) classes of insurance and two (2) outdoor training programmes including the Outward Bound School (OBS).	MNRB	28	2
N/A			3
Marketplace awards (M9)			
We were awarded several accolades in 2009, most notably the Malaysia Sustainability Reporting Awards ("MaSRA") 2009, as Winner of the Best First Time Reporter and Commendation for Reporting on Strategy and Governance.	KULIM	16	1

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Marketplace awards (M9) (Continued)			
For the seventh consecutive year, we also clinched the Laboratory Excellence Award by the Malaysian Institute of Chemistry for demonstrating quality, safety, technical competency and a high standard of analytical services and industry. Your Company also had the privilege of receiving a Certificate of Merit in the National Annual Corporate Report Awards ('NACRA') once again, and won Shell's 2009 Manufacturing Executive Vice President's Award, in recognition of its best practices and high level adherence in the area of Process Safety.	SHELL	49	2
N/A			3
OTHERS			
CSR reporting standard/quality (O1)			
PNHB was the Winner for Integrated Reporting in an Annual Report for the ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2009.	PUNCAK	122	1
We continue to maintain our excellent disclosure in reporting by achieving Application Level A+ in accordance to the Global Reporting Initiative (GRI-G3) framework for Sustainability Reporting 2009. Our achievements were also recognised when MRCB won three categories of the ACCA Malaysia Sustainability Reporting Awards 2009 (ACCA MaSRA) – 'Best Environmental Performance Report', 'Special Mention – Assurance Approach' and was a finalist for the whole award.	MRCB	11	2
N/A			3
CSR committee (O2)			
The Company's Safety, Health & Environment Policy outlines Dutch Lady's commitment and position on this. A specific department has the responsibility of maintaining occupational safety, health and environmental practices within the Company. It conducts periodic reviews, provide training and issue guidelines to equip our people with the necessary skills and knowledge to inculcate environmental awareness.XXXXXXXXXXXXXXXXXXXXXX	DLADY	15	1
While a dedicated Corporate Social Responsibility (CSR) team is tasked to coordinate and implement CR initiatives, the Company is governed by a CSR Committee that comprises all members of British American Tobacco Malaysia's functional directors, or Top Team as they are called. Chaired by the Managing Director, the CSR Committee reports on the Company's CR initiatives to the Board of Directors via the Audit Committee and meets at least twice a year.	BAT	55	2
N/A			3

Table 5.6: Examples of CSR-related sentences with their respective score (Continued)

Example of extracts	Firm Name	Location (Page)	Score
Other commitment statements to CSR (O3)			
Implementation of best practices for sustainable agriculture and environment are being pursued. Its Tawau Sabah plantations have obtained the certificate of sustainability under the Roundtable of Sustainable Palm Oil ('RSPO') certification scheme and more of its plantations in Malaysia and Indonesia will be applying for such certification.	BKAWAN	12	1
Sime Darby Berhad is a socially responsible corporate citizen committed to delivering a sustainable future. Towards this goal, four pillars – Environment, Community, Education and Sports – have been identified to support its corporate social responsibility initiatives, all predicated on the principles of nation building. The approach underlying Sime Darby Berhad's corporate social responsibility initiatives reflects its core values of Respect & Responsibility, Excellence, Entrepreneurship and Integrity.	SIME	84	2
Provision of Value Added Statements	PLUS	44	3

5.8 REGRESSION MODEL

The current study uses multiple regression analysis to test the influence of independent variables of corporate ownership structure and board of directors' CSR experience on the dependent variable of CSRR quantity and quality. The regression analysis is also applied in examining the moderating effect of CSRR regulation on the association between corporate ownership structure and the quantity and quality of CSRR disclosed by firms. The use of multiple regression analysis is in line with the nature of the current study that looks into the association between a set of independent variables (a mix between dichotomous and continuous variables), moderating variable (dichotomous variable) and dependent variable (continuous variables) (Hayes & Matthes, 2009).

Moreover, several control variables were also included in the model to test the proposed hypotheses. All data used in the current study is analysed using SPSS version 19. Even though the data used in the current study involve multiple year data, the current study uses dichotomous variable to represent the moderating variable. The regulatory regime or CSRR regulation that is used to represent the moderating variable is divided into two periods only, namely voluntary and mandatory CSRR periods. In this case, using SPSS regression analysis as suggested by Hayes and Matthes (2009) is considered sufficient.

The basic regression models examine the association between the independent and dependent variables used in the current study are as follows:

Model 1

$$CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 SIZE_{it} + \beta_7 SHARIAH_{it} + \beta_8 ROA_{it} + \beta_9 IND_{it} + \beta_{10} LEV_{it} + \varepsilon_{it}$$

Model 2

$$CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 SIZE_{it} + \beta_7 SHARIAH_{it} + \beta_8 ROA_{it} + \beta_9 IND_{it} + \beta_{10} LEV_{it} + \varepsilon_{it}$$

To control the effect of different years of data sets used in the current study (from 2005 to 2009), four dummy variables (DUM_YR06, DUM_YR07, DUM_YR08 and DUM_YR09) are introduced into the pooled data models as specified in Model 1a and Model 2a with 2005 representing the base year. The use of the different years of data sets in examining the association between corporate governance and CSRR may enable researcher of the current study to capture the effect of specific events (if any) that have occurred in a particular year, which affect the levels of CSRR disclosed by firms.

The specification of Model 1a and Model 2a are as follows:

Model 1a

$$CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 SIZE_{it} + \beta_7 SHARIAH_{it} + \beta_8 ROA_{it} + \beta_9 IND_{it} + \beta_{10} LEV_{it} + \beta_{11} DUM\_YR06_{it} + \beta_{12} DUM\_YR07_{it} + \beta_{13} DUM\_YR08_{it} + \beta_{14} DUM\_YR09_{it} + \varepsilon_{it}$$

Model 2a

$$CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 SIZE_{it} + \beta_7 SHARIAH_{it} + \beta_8 ROA_{it} + \beta_9 IND_{it} + \beta_{10} LEV_{it} + \beta_{11} DUM\_YR06_{it} + \beta_{12} DUM\_YR07_{it} + \beta_{13} DUM\_YR08_{it} + \beta_{14} DUM\_YR09_{it} + \varepsilon_{it}$$

Before testing the moderating role of CSRR regulation, multiple regression analysis is performed in order to examine the effect of CSRR regulation on the levels of CSRR disclosed. In other words, CSRR regulation is used as an independent variable to explain the variation in the levels of CSRR disclosed. The specifications for Model 1b and Model 2b are as follows:

Model 1b

$$CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon_{it}$$

Model 2b

$$CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon_{it}$$

The full multiple regression models adopted in the current study that include the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR disclosed by firms are as follows:

Model 3

$$CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$$

Model 4

$$CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$$

Where:

$CSRRQN_{it}$	=	Number of sentences related to each item in the CSRR checklist,
$CSRRQL_{it}$	=	CSRR index (based on a weighted scoring method) that is computed by the ratio of actual score of CSRR awarded to the maximum score of CSRR attainable by the firm,
$MGRLOWN_{it}$	=	Percentage of shares held by executive directors to total numbers of shares issued,
$FAMOWN_{it}$	=	Percentage of family members on the board to total number of directors on the board,
$FOROWN_{it}$	=	Percentage of shares held by foreign shareholders to total numbers of shares issued,
$GOVOWN_{it}$	=	Percentage of shares held by government to total numbers of shares issued,
$CSREXP_{it}$	=	Percentage of directors with CSR experience to total number of directors on the board,
REG_{it}	=	Dichotomous with 1 for firm-year observations in year 2007, 2008 and 2009, and 0 for year 2005 and 2006,
$SIZE_{it}$	=	Log of total assets,
$SHARIAH_{it}$	=	Dichotomous with 1 if the firm is listed as *Shariah*-approved firm and 0 if otherwise,
ROA_{it}	=	Return on asset,
IND_{it}	=	Dichotomous with 1 if the firm is classified as high profile firm and 0 if the firm is classified as low profile firm,
LEV_{it}	=	Total debt to total assets,

DUM_YR06_{it} = Year 2006
DUM_YR07_{it} = Year 2007
DUM_YR08_{it} = Year 2008
DUM_YR09_{it} = Year 2009
ε_{it} = Error term.

Besides the main regression analysis based on Models 3 and 4, additional analysis is also conducted by using alternative measures to represent certain variables. This is to determine whether the existing results have been changed due to the adoption of different measures to represent certain variables. These additional analyses may indicate the consistency of the findings of the current study. Detailed discussions on the additional analysis performed in the current study are provided in Chapter six of this thesis.

The application of the multiple regression analysis in testing the hypotheses of a study requires the establishment of sufficient sample size to ensure generalisability. According to Tabachnick and Fidell (2007), the following formula is used to calculate the sample size requirements, taking into account the number of independent variables used: $N>50 + 8m$ (where m=number of independent variables). Hair, Black, Babin, Anderson and Tatham (2006) suggested a research to have 15 to 20 observations for each independent variable. Since five independent variables is used in the current study, the suggested sample size as formulated by Hair *et al*. (2006) and Tabachnick and Fidell (2007) is 100 and 90 observations, respectively. With reference to both requirements as outlined by Hair *et al*. (2006) and Tabachnick and Fidell (2007), the sample size used in the current study that is 180 firms with 5 year data, which is equivalent to 900 firm-year observations) is sufficient enough to make generalisation. The sample size is comparable with the one used in prior CSRR research, for example Haniffa and Cooke (2005) with 139 firms with 2 year data and Mallin et al. (2012) with 100 firms with 3 year data.

The use of the multiple regression analysis also requires the data used in the current study to fulfil the assumptions of normality, multicollinearity, linearity and homoscedasticity. Detailed explanation and examination of the assumptions of the multiple regression analysis are provided in Chapter six.

5.9 SUMMARY

The current study is based on a set of research design and methodology that is aimed to meet the objectives of the study. Discussions that are presented in this chapter include research paradigm, sample selection process, measurements of research variable, data collection method and research instrument employed for the purpose of the current study. The current study adopts positivist research paradigm that applies quantitative techniques in conducting the research.

In examining the association between corporate governance and CSRR, the current study investigates a sample of 180 public listed firms in Malaysia over a five-year period from 2005 to 2009. These time periods reflect both voluntary and mandatory CSRR period. A specific section is also allocated to explain about content analysis, being the procedure employed to analyse the quantity and quality of CSRR in the current study. The measurement of CSRR is based on a research instrument or a CSRR checklist that is designed specifically for the current study.

The hypothesised relationship between independent (corporate ownership structure and board of directors' CSR experience), dependent (quantity and quality of CSRR) and moderating variables (CSRR regulation) is demonstrated in the regression models. All the data involved in the current study are hand-collected based on secondary data sources that are publicly-available. Based on the nature of the data dan variables employed, the current study uses the SPSS software for data analysis purposes.

Overall, the current study has undergone rigorous research process to ensure the validity and reliability of both data collected and analysis. The research instrument of the current study was sent to the experts for validation process before being applied in the study. Pilot test and several reliability tests have also been performed to the research instrument and data collected in the current study to ensure the validity and reliability of both. This is vital as it reflects the validity and reliability of the data analysis performed and findings of the study.

CHAPTER 6: DATA ANALYSIS

6.1 INTRODUCTION

This chapter aims to present the results revealed from content analysis and statistical analyses performed for the purpose of the current study, with discussions of the results are provided in Chapter seven. First, Section 6.2 provides the descriptive analysis of CSRR disclosed by firms in Malaysia over a five-year period from 2005 to 2009. Next, Section 6.3 elaborates the results generated from the correlation analysis and multiple regression analyses performed. These include descriptive analysis of the continuous and dichotomous variables used in the regression analyses in Section 6.3.1, correlation analysis in Section 6.3.2, results of the testing of the assumptions of multiple regression analysis in Section 6.3.3 and results of the multiple regression analyses performed in Section 6.3.4.

Results of the hypotheses developed for the purpose of the current study are demonstrated in Section 6.4. The current study examines the association between corporate ownership structure (H1), board of directors' CSR experience (H2) and the levels of CSRR disclosed by firms. In addition, the current study also investigates the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR (H3). Then, Section 6.5 discusses the additional analyses performed to test the robustness of the findings presented in Section 6.4. Finally, Section 6.6 summarises the chapter.

6.2 DESCRIPTIVE ANALYSIS OF CSRR

Descriptive analysis of CSRR presented in the current study is based on the information gathered from the content analysis procedure. Five dimensions of CSRR used in the current study include the 'environment', 'community', 'workplace', 'marketplace' and 'others'. The five dimensions of CSRR reflect the continuous development of CSRR in Malaysia. These dimensions have been included in the Bursa Malaysia CSR Framework (2006) and Othman *et al*.'s (2011) study, with exception to 'others' dimension. The inclusion of 'others' dimension is important to take into account other CSR information that is not captured by the four dimensions of CSRR, for example, CSR development plans/policies/strategies/performance/reporting media.

The descriptive analysis of CSRR of the current study presents the number and percentage of firms reporting at least one sentence on the respective CSRR items over the five-year period from 2005 to 2009 in Table 6.1, the quantity of CSRR measured by the number of sentences in Table 6.2, and the quality of CSRR analysed in terms of the number and percentage of firms reporting the different quality of CSRR, specifically non-reporting firms (see Table 6.3), general qualitative (see Table 6.4), qualitative specific (see Table 6.5) and quantitative (see Table 6.6) CSR information.

Next, the descriptive statistics of CSRR quantity and CSRR quality are presented in Table 6.7 and Table 6.8, respectively. For the purpose of the current study, the levels of CSRR refer to the quantity and quality of CSRR disclosed by firms in Malaysia. While the quantity of CSRR describes the extent, amount or volume of CSRR disclosed, the quality of CSRR denotes the variety of reporting as well as the levels of importance placed by firms on certain items of CSRR.

6.2.1 Quantity of CSRR (By the Number of Reporting Firms and Sentences)

The quantity of CSRR refers to the extent, amount or volume of CSRR disclosed. Table 6.1 presents the number and percentage of firms reporting at least one sentence on the respective CSRR items over the five-year period from 2005 to 2009. ‘n’ refers to the number of reporting firms, while ‘%’ refers to the percentage of reporting firms. For example, under the environment’s dimension, 43 out of 180 firms report at least one sentence of pollution control/abatement (E1) information in their annual reports in year 2005. This is equivalent to 23.89 percent of the sample firms. Overall, results presented in Table 6.1 indicates an increase in the number of firms that report at least one sentence on the respective CSRR items in their annual reports over the five year-period. This is consistent with the evidence found in prior longitudinal CSRR studies, for example, Gray *et al*. (1995a) in the UK, Niskala and Pretes (1995) in Finland, Saleh *et al*. (2010) in Malaysia and Mahadeo *et al*. (2011) in Mauritius.

Nevertheless, several CSRR items show an immaterial reduction in the number of reporting firms in the selected year (see the shaded boxes in Table 6.1). For example, the number of firms reporting on ISO 14001/14004 (Environmental Management System) certification (W5) fell from 44 firms in 2007 to 36 firms in 2008. The percentage of firms reported on customer relation/satisfaction (M6) decline from 50.56 percent in 2006 to 48.89 percent in 2007. Perhaps, these results may indicate the variation of CSRR disclosed by firms from time to time, as highlighted by several researchers; for example, Tsang (1998), Campbell *et al*. (2003) and Saleh *et al*. (2010).

Table 6.1: Number and Percentage of Firms Reporting at Least One Sentence on Respective CSRR Items in Corporate Annual Reports from 2005 to 2009

No	CSRR		Number and Percentage of Reporting Firms (providing at least one sentence on respective CSRR item)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Environment											
1	Pollution control/abatement	E1	43	23.89	58	32.22	91	50.56	110	61.11	121	67.22
2	Environmental conservation and repairs	E2	47	26.11	59	32.78	81	45.00	97	53.89	101	56.11
3	Energy conservation	E3	25	13.89	38	21.11	54	30.00	78	43.33	89	49.44
4	Resource conservation and waste management	E4	42	23.33	63	35.00	96	53.33	126	70.00	128	71.11
5	ISO 14001/14004 (Environmental Management System) certification	E5	21	11.67	30	16.67	44	24.44	36	20.00	49	27.22
6	Environmental awards	E6	10	5.56	8	4.44	13	7.22	20	11.11	23	12.78
7	Other commitments towards environmental protection/sustainability	E7	21	11.67	29	16.11	33	18.33	53	29.44	62	34.44
	Community											
1	Education	C1	54	30.00	77	42.78	103	57.22	117	65.00	116	64.44
2	Charity	C2	82	45.56	109	60.56	134	74.44	150	83.33	148	82.22
3	Art, culture and heritage	C3	18	10.00	22	12.22	33	18.33	38	21.11	44	24.44
4	Equality in community	C4	7	3.89	11	6.11	11	6.11	12	6.67	14	7.78
5	Youth development and graduate employment programme	C5	30	16.67	56	31.11	78	43.33	78	43.33	88	48.89
6	Employees participation in community service	C6	40	22.22	60	33.33	84	46.67	97	53.89	98	54.44
7	Community health and safety	C7	52	28.89	56	31.11	73	40.56	85	47.22	82	45.56
8	Community and infrastructure support	C8	46	25.56	75	41.67	93	51.67	98	54.44	105	58.33
9	Community awards	C9	1	0.56	5	2.78	4	2.22	10	5.56	15	8.33
10	Community engagement	C10	14	7.78	16	8.89	27	15.00	26	14.44	33	18.33
11	Support for national pride/government sponsored campaigns	C11	28	15.56	39	21.67	57	31.67	40	22.22	42	23.33

Note: Shaded boxes indicate reduction in the number of reporting firms in selected years.

Table 6.1: Number and Percentage of Firms Reporting at Least One Sentence on Respective CSRR Items in Corporate Annual Reports from 2005 to 2009 (Continued)

No	CSRR		Number and Percentage of Reporting Firms (providing at least one sentence on respective CSRR item)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Workplace											
1	Employee health and safety (H&S)	W1	54	30.00	75	41.67	112	62.22	127	70.56	123	68.33
2	Human capital development	W2	100	55.56	101	56.11	127	70.56	133	73.89	138	76.67
3	Workplace diversity and equal opportunity	W3	16	8.89	24	13.33	41	22.78	50	27.78	43	23.89
4	Employee appreciation	W4	178	98.89	176	97.78	179	99.44	180	100.00	179	99.44
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	18	10.00	23	12.78	36	20.00	34	18.89	33	18.33
6	Employee relation/engagement	W6	66	36.67	73	40.56	87	48.33	95	52.78	96	53.33
7	Workplace awards	W7	19	10.56	17	9.44	26	14.44	28	15.56	30	16.67
8	Employee remuneration, benefit and assistance	W8	45	25.00	49	27.22	69	38.33	85	47.22	92	51.11
9	Work-life balance	W9	29	16.11	50	27.78	64	35.56	86	47.78	80	44.44
10	Industrial relations	W10	12	6.67	16	8.89	14	7.78	15	8.33	23	12.78
	Marketplace											
1	Product development	M1	17	9.44	27	15.00	38	21.11	40	22.22	48	26.67
2	Product/service quality	M2	54	30.00	57	31.67	61	33.89	66	36.67	63	35.00
3	Product/service safety	M3	31	17.22	33	18.33	35	19.44	41	22.78	43	23.89
4	Corporate governance	M4	174	96.67	179	99.44	180	100.00	179	99.44	180	100.00
5	Supplier relation/engagement	M5	15	8.33	23	12.78	35	19.44	44	24.44	44	24.44
6	Customer relation/satisfaction	M6	90	50.00	91	50.56	88	48.89	103	57.22	103	57.22
7	Stakeholder engagement	M7	178	98.89	177	98.33	180	100.00	180	100.00	180	100.00
8	Other stakeholders' matters	M8	51	28.33	59	32.78	70	38.89	85	47.22	91	50.56
9	Marketplace awards	M9	20	11.11	23	12.78	27	15.00	28	15.56	25	13.89
	Others											
1	CSR reporting standard/quality	O1	5	2.78	7	3.89	8	4.44	13	7.22	13	7.22
2	CSR committee	O2	11	6.11	16	8.89	33	18.33	30	16.67	30	16.67
3	Other commitment statements to CSR	O3	79	43.89	93	51.67	144	80.00	163	90.56	164	91.11

Note: Shaded boxes indicate reduction in the number of reporting firms in selected years.

A similar pattern of reporting is observed for the quantity of CSRR measured by the number of sentences as shown in Table 6.2. The increasing pattern of reporting is observed for each CSRR dimension and total CSRR; with the exception of several CSRR items that indicate a slight reduction in reporting during selected years (see the shaded boxes in Table 6.2). For example, the number of reported sentences on education (C1) decreases from 923 sentences in 2008 to 813 sentences in 2009, and human capital development (W2) information falls from 1473 sentences in 2008 to 1423 sentences in 2009.

Table 6.2: Quantity of CSRR (Measured by the Number of Sentences)

No	CSRR		Quantity of CSRR				
			2005	**2006**	**2007**	**2008**	**2009**
	Environment						
1	Pollution control/abatement	E1	277	421	616	754	848
2	Environmental conservation and repairs	E2	326	450	563	587	809
3	Energy conservation	E3	115	140	249	305	369
4	Resource conservation and waste management	E4	250	292	422	608	651
5	ISO 14001/14004 (Environmental Management System) certification	E5	58	76	114	97	123
6	Environmental awards	E6	29	30	52	56	59
7	Other commitments towards environmental protection/sustainability	E7	91	131	170	214	305
	Total Environment (E)		1146	1540	2186	2621	3164
	Community						
1	Education	C1	323	505	717	923	813
2	Charity	C2	562	715	824	1051	1175
3	Art, culture and heritage	C3	124	111	142	144	167
4	Equality in community	C4	17	20	22	25	31
5	Youth development and graduate employment programme	C5	123	205	376	415	454
6	Employees participation in community service	C6	122	221	308	448	473
7	Community health and safety	C7	235	269	470	553	546
8	Community and infrastructure support	C8	210	385	507	556	586
9	Community awards	C9	2	7	8	23	45
10	Community engagement	C10	61	41	74	123	104
11	Support for national pride/government sponsored campaigns	C11	97	181	271	238	274
	Total Community (C)		1876	2660	3719	4499	4668

Note: Shaded boxes indicate reduction in the number of sentences in selected years.

Table 6.2: Quantity of CSRR (Measured by the Number of Sentences) (Continued)

No	CSRR		Quantity of CSRR				
			2005	**2006**	**2007**	**2008**	**2009**
	Workplace						
1	Employee health and safety (H&S)	W1	495	637	924	1125	1187
2	Human capital development	W2	829	929	1218	1473	1423
3	Workplace diversity and equal opportunity	W3	67	75	137	175	217
4	Employee appreciation	W4	479	453	507	571	641
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	43	62	76	62	70
6	Employee relation/engagement	W6	357	404	572	566	663
7	Workplace awards	W7	54	61	73	125	139
8	Employee remuneration, benefit and assistance	W8	144	182	253	399	421
9	Work-life balance	W9	112	152	221	309	348
10	Industrial relations	W10	26	36	50	66	105
	Total Workplace (W)		2606	2991	4031	4871	5214
	Marketplace						
1	Product development	M1	58	89	146	199	265
2	Product/service quality	M2	165	187	223	248	211
3	Product/service safety	M3	161	279	267	336	331
4	Corporate governance	M4	814	880	1055	1178	1088
5	Supplier relation/engagement	M5	57	116	150	216	262
6	Customer relation/satisfaction	M6	907	1018	1036	1366	1451
7	Stakeholder engagement	M7	1676	1693	1919	2031	2143
8	Other stakeholders' matters	M8	248	306	399	555	628
9	Marketplace awards	M9	105	69	140	86	77
	Total Marketplace (M)		4191	4637	5335	6215	6456
	Others						
1	CSR reporting standard/quality	O1	12	27	56	64	74
2	CSR committee	O2	25	39	91	82	93
3	Other commitment statements to CSR	O3	334	640	1163	1259	1265
	Total Others (O)		371	706	1310	1405	1432
	Total CSRR Quantity (E+C+W+M+O)		10190	12534	16581	19611	20934

Note: Shaded boxes indicate reduction in the number of sentences in selected years.

Overall, the increasing trend of CSRR disclosed by firms over a period of time is consistent with the findings revealed in the prior CSRR research; for examples, Gray *et al*. (1995a) in the UK, Tsang (1998) in Singapore, Gao *et al*. (2005) in Hong Kong, Criado-Jimenez *et al*. (2008) in Spain and Pratten and Mashat (2009) in Libya. In line with Criado-Jimenez *et al*. (2008), perhaps the rising trend of CSRR in Malaysia could be explained by the implementation of CSRR regulation that take into effect from financial year 2007.

The shaded boxes in Table 6.1 and Table 6.2 denote the specific CSRR items that experienced a reduction in the number and percentage of firms that report at least one sentence on the respective CSRR items and the number of CSR-related sentences disclosed by firms. Among the CSRR items that experienced a reduction in the number of reporting firms from 2008 to 2009 are: community health and safety (C7), employee health and safety (W1), workplace diversity and equal opportunity (W3), and work-life balance (W9). In terms of the number of CSR-related sentences, education (C1), human capital development (W2) and corporate governance (M4) are among the CSRR items that incur a decline in reporting from 2008 to 2009. It is observed that such reduction is more apparent in the later period of the research data that is from 2008 to 2009.

Referring to Table 6.1, under the environment's dimension, a higher number of firms reports pollution control/abatement (E1), environmental conservation and repairs (E2) and resource conservation and waste management (E4), compared with the other environment-related items over the five-year of CSRR analysis. Two community-related CSRR items with the highest percentage of reporting firms are education (C1) and charity (C2). For workplace's dimension, employee health and safety (W1), human capital development (W2) and employee appreciation (W4), are the three items that dictated higher percentage of reporting firms than other workplace-related items. Two popular CSRR items under the marketplace's dimension with the highest number of reporting firms are corporate governance (M4) and stakeholder engagement (M7). Many firms have also included other commitment statements to CSR (O3) in their corporate annual reports, describing their commitments towards CSR that were not captured by the four specific dimensions as highlighted earlier. In terms of the number of CSR-related sentences (see Table 6.2), the same CSRR items (e.g. E1, E2, E4, C1, C2, W1, W2, W4, M4, M7, O3) are found to have greater number of sentences disclosed by firms compared to other CSRR items over the five-year period.

6.2.2 Quality of CSRR (By the Number of Reporting Firms)

The quality of CSRR in the current study, which is measured by a CSRR index, is coded into 4 different levels of reporting. This is to indicate the levels of importance placed by firms for the CSRR items disclosed. A score of '0' is given for firms that did not report the particular CSRR items in their annual reports; '1' for firms that report general qualitative CSR information; '2' for firms with qualitative specific CSR information; and '3' for firms with quantitative CSR information. For the purpose of the current study, firms with qualitative specific CSR information (with a score of 2) and quantitative CSR information (with a score of 3) are considered to demonstrate a higher quality of CSRR compared to firms that report general qualitative CSR information (with a score of 1). Table 6.3 to Table 6.6 describes the quality of CSRR by the number of reporting firms.

Table 6.3 demonstrates the number and percentage of non-reporting firms for respective CSRR items in corporate annual reports from 2005 to 2009. As shown in Table 6.3, the number of non-reporting firms decreases over the five-year period from 2005 to 2009. For example, the number of non-reporting firms for charity information (C2) reduces from 98 firms in 2005 to 32 firms in 2009. Perhaps, the reduction in the number of non-reporting firms is justified by several reasons, among others, the growing awareness of firms on the social and environmental implication of their business activities; and the introduction of the CSRR regulation from 2007 onwards. These motivations encourage firms to disclose their CSRR to the stakeholders.

Table 6.3: Number and Percentage of Non-Reporting Firms for Respective CSRR Items in Corporate Annual Reports from 2005 to 2009

No	CSRR		Number and Percentage of Firms With '0' score (did not report the respective CSRR items)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Environment											
1	Pollution control/abatement	E1	137	76.1	122	67.8	89	49.4	70	38.9	59	32.8
2	Environmental conservation and repairs	E2	133	73.9	121	67.2	99	55.0	83	46.1	79	43.9
3	Energy conservation	E3	155	86.1	142	78.9	126	70.0	102	56.7	91	50.6
4	Resource conservation and waste management	E4	138	76.7	117	65.0	84	46.7	54	30.0	52	28.9
5	ISO 14001/14004 (Environmental Management System) certification	E5	159	88.3	150	83.3	136	75.6	144	80.0	131	72.8
6	Environmental awards	E6	170	94.4	172	95.6	167	92.8	160	88.9	157	87.2
7	Other commitments towards environmental protection/sustainability	E7	159	88.3	151	83.9	147	81.7	127	70.6	118	65.6
	Community											
1	Education	C1	126	70.0	103	57.2	77	42.8	63	35.0	64	35.6
2	Charity	C2	98	54.4	71	39.4	46	25.6	30	16.7	32	17.8
3	Art, culture and heritage	C3	162	90	158	87.8	147	81.7	142	78.9	136	75.6
4	Equality in community	C4	173	96.1	169	93.9	169	93.9	168	93.3	166	92.2
5	Youth development and graduate employment programme	C5	150	83.3	124	68.9	102	56.7	102	56.7	92	51.1
6	Employees participation in community service	C6	140	77.8	120	66.7	96	53.3	83	46.1	82	45.6
7	Community health and safety	C7	128	71.1	124	68.9	107	59.4	95	52.8	98	54.4
8	Community and infrastructure support	C8	134	74.4	105	58.3	87	48.3	82	45.6	75	41.7
9	Community awards	C9	179	99.4	175	97.2	176	97.8	170	94.4	165	91.7
10	Community engagement	C10	166	92.2	164	91.1	153	85	154	85.6	147	81.7
11	Support for national pride/government sponsored campaigns	C11	152	84.4	141	78.3	123	68.3	140	77.8	138	76.7

Table 6.3: Number and Percentage of Non-Reporting Firms for Respective CSRR Items in Corporate Annual Reports from 2005 to 2009 (Continued)

No	CSRR		Number and Percentage of Firms With '0' score (did not report the respective CSRR items)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Workplace											
1	Employee health and safety (H&S)	W1	126	70.0	105	58.3	68	37.8	53	29.4	57	31.7
2	Human capital development	W2	80	44.4	79	43.9	53	29.4	47	26.1	42	23.3
3	Workplace diversity and equal opportunity	W3	164	91.1	156	86.7	139	77.2	130	72.2	137	76.1
4	Employee appreciation	W4	2	1.1	4	2.2	1	0.6	156	86.7	1	0.6
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	162	90	157	87.2	144	80.0	146	81.1	147	81.7
6	Employee relation/engagement	W6	114	63.3	107	59.4	93	51.7	85	47.2	84	46.7
7	Workplace awards	W7	161	89.4	163	90.6	154	85.6	152	84.4	150	83.3
8	Employee remuneration, benefit and assistance	W8	135	75.0	131	72.8	111	61.7	95	52.8	88	48.9
9	Work-life balance	W9	151	83.9	130	72.2	116	64.4	94	52.2	100	55.6
10	Industrial relations	W10	168	93.3	164	91.1	166	92.2	165	91.7	157	87.2
	Marketplace											
1	Product development	M1	163	90.6	153	85.0	142	78.9	140	77.8	132	73.3
2	Product/service quality	M2	126	70.0	123	68.3	119	66.1	114	63.3	117	65.0
3	Product/service safety	M3	149	82.8	147	81.7	145	80.6	139	77.2	137	76.1
4	Corporate governance	M4	2	1.1	1	0.6	174	96.7	1	0.6	N/A	N/A
5	Supplier relation/engagement	M5	165	91.7	157	87.2	145	80.6	136	75.6	136	75.6
6	Customer relation/satisfaction	M6	90	50.0	89	49.4	92	51.1	77	42.8	77	42.8
7	Stakeholder engagement	M7	2	1.1	3	1.7	N/A	N/A	N/A	N/A	N/A	N/A
8	Other stakeholders' matters	M8	129	71.7	121	67.2	110	61.1	95	52.8	89	49.4
9	Marketplace awards	M9	160	88.9	157	87.2	153	85.0	152	84.4	155	86.1
	Others											
1	CSR reporting standard/quality	O1	175	97.2	173	96.1	172	95.6	167	92.8	167	92.8
2	CSR committee	O2	169	93.9	164	91.1	147	81.7	150	83.3	150	83.3
3	Other commitment statements to CSR	O3	101	56.1	87	48.3	36	20.0	17	9.4	16	8.9

Table 6.4 and Table 6.5 present the number and percentage of firms reporting the general qualitative CSR information and the qualitative specific CSR information, respectively. As indicated in Table 6.4 and Table 6.5, it is apparent that a higher percentage of firms report general qualitative CSR information compared to the qualitative specific CSR information. Taken pollution control/abatement (E1) information in 2009 as an example, 52.8 percent of the sample firms report general qualitative CSR information (see Table 6.4), while only 12.8 percent of the sample firms report qualitative specific CSR information (see Table 6.5). This may imply a low quality of CSRR disclosed by firms in Malaysia.

Nevertheless, a longitudinal analysis of CSRR over a five-year period from 2005 to 2009 reflecting the voluntary and mandatory period of CSRR reveals an improvement in the percentage of firms that report qualitative specific CSR information over time. For example, the percentage of firms that report qualitative specific pollution control/abatement (E1) information increases from 5 percent in 2005 to 12.8 percent in 2009. Perhaps, this finding may support the argument by Criado-Jimenez *et al*. (2008) and Crawford and Williams (2010) that documented an increase in the quality of CSRR disclosed in regulated-environments. While Criado-Jimenez *et al*. (2008) and Crawford and Williams (2010) conducted their study in Spain and France respectively, the current study is based on a sample firms in Malaysia.

By examining the CSRR in a longitudinal basis, the changes in pattern of reporting (if any) can be observed, unlike in the cross-sectional basis. This enables the researcher of the current study to report the improvement (if any) of the quality of CSRR disclosed by firms over the five-year period.

Table 6.4: Number and Percentage of Firms Reporting General Qualitative CSR information in Corporate Annual Reports from 2005 to 2009

No	CSRR		Number and Percentage of Firms With '1' score (report general qualitative CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Environment											
1	Pollution control/abatement	E1	33	18.3	44	24.4	75	41.7	86	47.8	95	52.8
2	Environmental conservation and repairs	E2	33	18.3	44	24.4	55	30.6	72	40.0	71	39.4
3	Energy conservation	E3	19	10.6	25	13.9	37	20.6	58	32.2	61	33.9
4	Resource conservation and waste management	E4	30	16.7	50	27.8	70	38.9	95	52.8	99	55.0
5	ISO 14001/14004 (Environmental Management System) certification	E5	18	10.0	27	15.0	38	21.1	34	18.9	44	24.4
6	Environmental awards	E6	7	3.9	7	3.9	12	6.7	17	9.4	22	12.2
7	Other commitments towards environmental protection/sustainability	E7	16	8.9	25	13.9	25	13.9	42	23.3	47	26.1
	Community											
1	Education	C1	24	13.3	26	14.4	44	24.4	47	26.1	51	28.3
2	Charity	C2	27	15.0	39	21.7	68	37.8	72	40.0	67	37.2
3	Art, culture and heritage	C3	11	6.1	12	6.7	24	13.3	25	13.9	29	16.1
4	Equality in community	C4	2	1.1	8	4.4	9	5.0	7	3.9	7	3.9
5	Youth development and graduate employment programme	C5	16	8.9	33	18.3	47	26.1	41	22.8	53	29.4
6	Employees participation in community service	C6	21	11.7	40	22.2	54	30.0	56	31.1	57	31.7
7	Community health and safety	C7	29	16.1	35	19.4	45	25.0	51	28.3	46	25.6
8	Community and infrastructure support	C8	32	17.8	52	28.9	69	38.3	70	38.9	81	45.0
9	Community awards	C9	1	0.6	5	2.8	4	2.2	10	5.6	15	8.3
10	Community engagement	C10	14	7.8	15	8.3	25	13.9	25	13.9	29	16.1
11	Support for national pride/government sponsored campaigns	C11	20	11.1	28	15.6	35	19.4	23	12.8	26	14.4

Table 6.4: Number and Percentage of Firms Reporting General Qualitative CSR information in Corporate Annual Reports from 2005 to 2009 (Continued)

No	CSRR		Number and Percentage of Firms With '1' score (report general qualitative CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Workplace											
1	Employee health and safety (H&S)	W1	33	18.3	56	31.1	92	51.1	99	55.0	89	49.4
2	Human capital development	W2	68	37.8	67	37.2	87	48.3	77	42.8	76	42.2
3	Workplace diversity and equal opportunity	W3	11	6.1	19	10.6	33	18.3	34	18.9	26	14.4
4	Employee appreciation	W4	149	82.8	152	84.4	153	85.0	156	86.7	157	87.2
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	16	8.9	19	10.6	33	18.3	33	18.3	29	16.1
6	Employee relation / engagement	W6	49	27.2	56	31.1	65	36.1	78	43.3	78	43.3
7	Workplace awards	W7	15	8.3	9	5.0	24	13.3	23	12.8	23	12.8
8	Employee remuneration, benefit and assistance	W8	34	18.9	35	19.4	51	28.3	63	35.0	70	38.9
9	Work-life balance	W9	24	13.3	42	23.3	51	28.3	71	39.4	71	39.4
10	Industrial relations	W10	11	6.1	16	8.9	11	6.1	9	5.0	17	9.4
	Marketplace											
1	Product development	M1	15	8.3	25	13.9	34	18.9	37	20.6	41	22.8
2	Product/service quality	M2	48	26.7	51	28.3	55	30.6	58	32.2	60	33.3
3	Product/service safety	M3	24	13.3	30	16.7	29	16.1	36	20.0	32	17.8
4	Corporate governance	M4	170	94.4	172	95.6	174	96.7	171	95.0	174	96.7
5	Supplier relation/engagement	M5	13	7.2	19	10.6	30	16.7	37	20.6	37	20.6
6	Customer relation/satisfaction	M6	79	43.9	70	38.9	68	37.8	78	43.3	75	41.7
7	Stakeholder engagement	M7	154	85.6	147	81.7	144	80.0	138	76.7	132	73.3
8	Other stakeholders' matters	M8	49	27.2	56	31.1	67	37.2	81	45.0	87	48.3
9	Marketplace awards	M9	14	7.8	20	11.1	25	13.9	25	13.9	22	12.2
	Others											
1	CSR reporting standard/quality	O1	4	2.2	6	3.3	6	3.3	11	6.1	11	6.1
2	CSR committee	O2	10	5.6	14	7.8	32	17.8	28	15.6	27	15.0
3	Other commitment statements to CSR	O3	73	40.6	85	47.2	130	72.2	144	80.0	147	81.7

Table 6.5: Number and Percentage of Firms Reporting Qualitative Specific CSR information in Corporate Annual Reports from 2005 to 2009

No	CSRR		Number and Percentage of Firms With '2' score (report qualitative specific CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Environment											
1	Pollution control/abatement	E1	9	5.0	14	7.8	15	8.3	22	12.2	23	12.8
2	Environmental conservation and repairs	E2	9	5.0	7	3.9	19	10.6	19	10.6	21	11.7
3	Energy conservation	E3	5	2.8	9	5.0	13	7.2	16	8.9	23	12.8
4	Resource conservation and waste management	E4	7	3.9	7	3.9	21	11.7	22	12.2	24	13.3
5	ISO 14001/14004 (Environmental Management System) certification	E5	3	1.7	3	1.7	6	3.3	2	1.1	5	2.8
6	Environmental awards	E6	3	1.7	1	0.6	1	0.6	3	1.7	1	0.6
7	Other commitments towards environmental protection/sustainability	E7	3	1.7	3	1.7	7	3.9	10	5.6	12	6.7
	Community											
1	Education	C1	13	7.2	23	12.8	25	13.9	26	14.4	18	10.0
2	Charity	C2	10	5.6	28	15.6	16	8.9	17	9.4	26	14.4
3	Art, culture and heritage	C3	4	2.2	5	2.8	4	2.2	6	3.3	11	6.1
4	Equality in community	C4	3	1.7	2	1.1	2	1.1	5	2.8	5	2.8
5	Youth development and graduate employment programme	C5	11	6.1	17	9.4	25	13.9	31	17.2	30	16.7
6	Employees participation in community service	C6	13	7.2	16	8.9	22	12.2	29	16.1	25	13.9
7	Community health and safety	C7	7	3.9	9	5.0	10	5.6	13	7.2	18	10.0
8	Community and infrastructure support	C8	10	5.6	10	5.6	11	6.1	11	6.1	8	4.4
9	Community awards	C9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Community engagement	C10	N/A	N/A	1	0.6	2	1.1	1	0.6	3	1.7
11	Support for national pride/government sponsored campaigns	C11	6	3.3	8	4.4	12	6.7	10	5.6	10	5.6

Table 6.5: Number and Percentage of Firms Reporting Qualitative Specific CSR information in Corporate Annual Reports from 2005 to 2009 (Continued)

No	CSRR		Number and Percentage of Firms With '2' score (report qualitative specific CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Workplace											
1	Employee health and safety (H&S)	W1	20	11.1	19	10.6	19	10.6	28	15.6	33	18.3
2	Human capital development	W2	24	13.3	23	12.8	27	15.0	37	20.6	40	22.2
3	Workplace diversity and equal opportunity	W3	5	2.8	5	2.8	8	4.4	16	8.9	17	9.4
4	Employee appreciation	W4	23	12.8	21	11.7	22	12.2	20	11.1	15	8.3
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	2	1.1	4	2.2	3	1.7	1	0.6	4	2.2
6	Employee relation / engagement	W6	15	8.3	16	8.9	20	11.1	15	8.3	16	8.9
7	Workplace awards	W7	4	2.2	8	4.4	2	1.1	5	2.8	7	3.9
8	Employee remuneration, benefit and assistance	W8	2	1.1	6	3.3	10	5.6	11	6.1	17	9.4
9	Work-life balance	W9	5	2.8	8	4.4	12	6.7	14	7.8	7	3.9
10	Industrial relations	W10	1	0.6	N/A	N/A	3	1.7	6	3.3	1	0.6
	Marketplace											
1	Product development	M1	2	1.1	N/A	N/A	2	1.1	1	0.6	6	3.3
2	Product/service quality	M2	6	3.3	6	3.3	6	3.3	8	4.4	2	1.1
3	Product/service safety	M3	6	3.3	3	1.7	6	3.3	5	2.8	9	5.0
4	Corporate governance	M4	8	4.4	5	2.8	6	3.3	8	4.4	6	3.3
5	Supplier relation/engagement	M5	1	0.6	3	1.7	4	2.2	5	2.8	6	3.3
6	Customer relation/satisfaction	M6	9	5.0	17	9.4	17	9.4	20	11.1	21	11.7
7	Stakeholder engagement	M7	23	12.8	29	16.1	36	20.0	42	23.3	46	25.6
8	Other stakeholders' matters	M8	2	1.1	3	1.7	3	1.7	4	2.2	3	1.7
9	Marketplace awards	M9	6	3.3	3	1.7	2	1.1	3	1.7	2	1.1
	Others											
1	CSR reporting standard/quality	O1	1	0.6	1	0.6	2	1.1	1	0.6	1	0.6
2	CSR committee	O2	1	0.6	2	1.1	1	0.6	2	1.1	3	1.7
3	Other commitment statements to CSR	O3	2	1.1	5	2.8	9	5.0	7	3.9	7	3.9

Table 6.6 shows the number and percentage of firms reporting quantitative CSR information in corporate annual reports from year 2005 to 2009. From Table 6.6, it is observed that the percentage of firms with quantitative CSR information remains low over the period of analysis (ranged from 0 percent to 12.2 percent), with exception to education (C1) and charity (C2). The percentage of firms with quantitative education information (C1) increases from 9.4 percent in 2005 to 26.1 percent in 2009. In a similar vein, the percentage of firms that report quantitative charity information (C2) rises from 25 percent in 2005 to 30.6 percent in 2009.

There is only a slight increase in the number of firms reporting quantitative CSR information in corporate annual reports over the five-year period. Probably, the above result supports Sawani *et al.*'s (2010) finding of firms' selective reporting on issues relating to quantitative CSR information to avoid criticisms from minority shareholders, who demand for better returns on their money invested. To minimise the risks of being questioned by the shareholders, firms may choose to report their CSR information in qualitative nature. As a consequence, the quality of CSRR disclosed by firms in Malaysia remains low.

Overall, the current study demonstrates a minimal improvement of the quality of CSRR disclosed by firms in Malaysia. This is based on the examination of CSRR data from 2005 to 2009, reflecting the voluntary and mandatory period of CSRR. The above finding call for more aggressive efforts, particularly on the side of the regulators; to further enhance their levels of enforcement of existing CSRR regulation and propose for the implementation of CSRR standards, which may increase the firms' motivations to improve their quality of CSRR disclosed to the stakeholders.

Table 6.6: Number and Percentage of Firms Reporting Quantitative CSR information in Corporate Annual Reports from 2005 to 2009

No	CSRR		Number and Percentage of Firms With '3' score (report quantitative CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Environment											
1	Pollution control/abatement	E1	1	0.6	N/A	N/A	1	0.6	2	1.1	3	1.7
2	Environmental conservation and repairs	E2	5	2.8	8	4.4	7	3.9	6	3.3	9	5.0
3	Energy conservation	E3	1	0.6	4	2.2	4	2.2	4	2.2	5	2.8
4	Resource conservation and waste management	E4	5	2.8	6	3.3	5	2.8	9	5.0	5	2.8
5	ISO 14001/14004 (Environmental Management System) certification	E5	N/A	N/A	3	1.7	N/A	N/A	N/A	N/A	N/A	N/A
6	Environmental awards	E6	N/A	N/A	1	0.6	N/A	N/A	N/A	N/A	N/A	N/A
7	Other commitments towards environmental protection/sustainability	E7	2	1.1	1	0.6	1	0.6	1	0.6	3	1.7
	Community											
1	Education	C1	17	9.4	28	15.6	34	18.9	44	24.4	47	26.1
2	Charity	C2	45	25.0	42	23.3	16	8.9	61	33.9	55	30.6
3	Art, culture and heritage	C3	3	1.7	5	2.8	5	2.8	7	3.9	4	2.2
4	Equality in community	C4	2	1.1	1	0.6	N/A	N/A	N/A	N/A	2	1.1
5	Youth development and graduate employment programme	C5	3	1.7	6	3.3	6	3.3	6	3.3	5	2.8
6	Employees participation in community service	C6	6	3.3	4	2.2	8	4.4	12	6.7	16	8.9
7	Community health and safety	C7	16	8.9	12	6.7	18	10.0	21	11.7	18	10.0
8	Community and infrastructure support	C8	4	2.2	13	7.2	13	7.2	17	9.4	16	8.9
9	Community awards	C9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Community engagement	C10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6
11	Support for national pride/government sponsored campaigns	C11	2	1.1	3	1.7	10	5.6	7	3.9	6	3.3

Table 6.6: Number and Percentage of Firms Reporting Quantitative CSR information in Corporate Annual Reports from 2005 to 2009 (Continued)

No	CSRR		Number and Percentage of Firms With '3' score (report quantitative CSR information)									
			2005		2006		2007		2008		2009	
			n	%	n	%	n	%	n	%	n	%
	Workplace											
1	Employee health and safety (H&S)	W1	1	0.6	N/A	N/A	1	0.6	N/A	N/A	1	0.6
2	Human capital development	W2	8	4.4	11	6.1	13	7.2	19	10.6	22	12.2
3	Workplace diversity and equal opportunity	W3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	9.4
4	Employee appreciation	W4	6	3.3	3	1.7	4	2.2	4	2.2	7	3.9
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Employee relation/engagement	W6	2	1.1	1	0.6	2	1.1	2	1.1	2	1.1
7	Workplace awards	W7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	Employee remuneration, benefit and assistance	W8	9	5.0	8	4.4	8	4.4	11	6.1	5	2.8
9	Work-life balance	W9	N/A	N/A	8	4.4	1	0.6	1	0.6	2	1.1
10	Industrial relations	W10	1	0.6	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6
	Marketplace											
1	Product development	M1	N/A	N/A	2	1.1	2	1.1	2	1.1	1	0.6
2	Product/service quality	M2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6
3	Product/service safety	M3	1	0.6	N/A	N/A	N/A	N/A	N/A	N/A	2	1.1
4	Corporate governance	M4	N/A	N/A	2	1.1	N/A	N/A	N/A	N/A	N/A	N/A
5	Supplier relation/engagement	M5	1	0.6	1	0.6	1	0.6	2	1.1	1	0.6
6	Customer relation/satisfaction	M6	2	1.1	4	2.2	3	1.7	5	2.8	7	3.9
7	Stakeholder engagement	M7	1	0.6	1	0.6	N/A	N/A	N/A	N/A	2	1.1
8	Other stakeholders' matters	M8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6
9	Marketplace awards	M9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6
	Others											
1	CSR reporting standard/quality	O1	N/A	N/A	N/A	N/A	N/A	N/A	1	0.6	1	0.6
2	CSR committee	O2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	1.7
3	Other commitment statements to CSR	O3	4	2.2	5	2.8	9	5.0	12	6.7	10	5.6

6.2.3 Descriptive Statistics of CSRR

Table 6.7 and Table 6.8 present the descriptive statistics of the quantity and the quality of CSRR disclosed over the five-year period. While the quantity of CSRR is measured by the number of CSR-related sentences, the quality of CSRR is measured by a CSRR index.

Table 6.7: Descriptive Statistics of CSRR Quantity

CSRR Dimension	Year	Mean	Mean Difference	Standard Deviation	Minimum	Maximum
Environment	2005	6.367		14.906	0.000	109.000
	2006	8.556	2.189	17.192	0.000	109.000
	2007	12.144	**3.588**	20.623	0.000	148.000
	2008	14.561	2.417	22.013	0.000	134.000
	2009	17.578	3.017	27.378	0.000	179.000
Community	2005	10.422		16.911	0.000	101.000
	2006	14.778	4.356	21.688	0.000	140.000
	2007	20.661	**5.883**	24.187	0.000	150.000
	2008	24.994	4.333	29.833	0.000	206.000
	2009	25.933	0.939	27.228	0.000	134.000
Workplace	2005	14.478		23.519	1.000	130.000
	2006	16.617	2.139	25.576	1.000	143.000
	2007	22.394	**5.777**	32.069	1.000	224.000
	2008	27.061	4.667	39.691	1.000	232.000
	2009	28.967	1.906	43.458	1.000	242.000
Marketplace	2005	23.283		28.938	4.000	246.000
	2006	25.761	2.478	32.577	5.000	226.000
	2007	29.639	3.878	36.057	5.000	286.000
	2008	34.528	4.889	42.226	5.000	287.000
	2009	35.867	1.339	46.766	5.000	302.000
Others	2005	2.061		4.497	0.000	32.000
	2006	3.922	1.861	7.395	0.000	55.000
	2007	7.278	**3.356**	12.635	0.000	115.000
	2008	7.806	0.528	12.648	0.000	136.000
	2009	7.956	0.150	13.087	0.000	133.000
Total	2005	56.611		72.209	5.000	396.000
	2006	69.633	13.022	89.238	6.000	562.000
	2007	92.117	**22.484**	104.417	6.000	716.000
	2008	108.950	16.833	123.639	9.000	714.000
	2009	116.300	7.350	133.817	9.000	758.000

Note: Shaded boxes indicate that the highest mean difference for most of the CSRR's dimensions appear to be in 2007.

Table 6.8: Descriptive Statistics of CSRR Quality

CSRR Dimension	Year	Mean	Mean difference	Standard Deviation	Minimum	Maximum
Environment	2005	0.073		0.108	0.000	0.524
	2006	0.097	0.024	0.121	0.000	0.714
	2007	0.140	**0.043**	0.131	0.000	0.571
	2008	0.174	0.034	0.137	0.000	0.571
	2009	0.194	0.020	0.141	0.000	0.762
Community	2005	0.109		0.138	0.000	0.576
	2006	0.147	0.038	0.152	0.000	0.667
	2007	0.188	**0.041**	0.150	0.000	0.636
	2008	0.210	0.022	0.148	0.000	0.636
	2009	0.215	0.005	0.150	0.000	0.727
Workplace	2005	0.133		0.124	0.033	0.567
	2006	0.146	0.013	0.131	0.033	0.633
	2007	0.180	**0.034**	0.129	0.033	0.633
	2008	0.204	0.024	0.135	0.033	0.700
	2009	0.211	0.007	0.144	0.033	0.733
Marketplace	2005	0.145		0.078	0.037	0.519
	2006	0.156	0.011	0.091	0.074	0.667
	2007	0.166	0.010	0.091	0.074	0.481
	2008	0.181	0.015	0.091	0.074	0.481
	2009	0.187	0.006	0.106	0.074	0.815
Others	2005	0.066		0.090	0.000	0.444
	2006	0.081	0.015	0.097	0.000	0.444
	2007	0.130	**0.049**	0.103	0.000	0.556
	2008	0.149	0.019	0.105	0.000	0.556
	2009	0.148	-0.001	0.105	0.000	0.667
Total	2005	0.105		0.087	0.014	0.401
	2006	0.125	0.020	0.097	0.021	0.472
	2007	0.161	**0.036**	0.096	0.021	0.452
	2008	0.184	0.023	0.096	0.021	0.498
	2009	0.191	0.007	0.104	0.040	0.597

Note: Shaded boxes indicate that the highest mean difference for most of the CSRR's dimensions appear to be in 2007.

In general, the results shown in Table 6.7 and Table 6.8 indicate an increasing trend of both quantity and quality of CSRR disclosed by firms over the five-year period from 2005 to 2009. The mean of the total CSRR quantity increases from 56.6 sentences in 2005 to 116.3 sentences in 2009. In terms of the quality of CSRR, there is a slight increase in the mean of the total CSRR quality from 0.105 in 2005 to 0.191 in 2009. Overall, results from the descriptive statistics are seen supporting the evidence presented in Table 6.1 to Table 6.6, which show the descriptive analysis of the quantity and quality of CSRR by the number of reporting firms and the number of CSR-related sentences.

The highest mean difference for most of the component of CSRR appear to be in 2007 (see shaded boxes in Tables 6.7 and Table 6.8); that is, the first year CSRR was made mandatory in Malaysia. Even though CSRR has been made mandatory upon all public listed firms in Malaysia with effect from the financial year 2007, firms seem to report selected components of CSRR only, rather than all components of CSRR. For example, there were firms who chose not to report their environment and community-related activities or information to the stakeholders, in spite of the introduction of the mandatory CSRR requirement.

Rather than addressing the interests of all stakeholders, firms were seen to manage the demand of selected stakeholders' group that directly impacted the firms' operations. For example, firms are more likely to fulfil the interest of important stakeholders such as shareholders and employees. This scenario is apparent when all sample-firms did provide minimum reporting for workplace-related (1 sentence) and marketplace-related (4 sentences) information over the five-year period (see Table 6.7). To a certain extent, this observation may reflect the use of stakeholder theory in explaining CSRR.

Stakeholder theory suggests firms to fulfil the interests of both internal (e.g. employees) and external (e.g. shareholders) stakeholders, especially those deemed to be powerful and have significant impact on the firms (Ullmann, 1985; Mitchell *et al*., 1997; Huang & Kung, 2010). The continuous participation of these groups of stakeholders is vital to ensure the long-term survival of the firms. The relative power of the stakeholders impacts their ability to influence firms to comply with the stakeholders' expectations (Deegan & Unerman, 2006). Given the limited resources available for CSR-related activities, the firms may choose to be selective in reporting their CSR-related information, focusing on the stakeholders' groups that are deemed important. In the following section, an investigation of the influence of shareholders in determining the levels of CSRR disclosed is presented.

6.3 HYPOTHESES TESTING

Several hypotheses are developed to fulfill the objectives of the current study. An in-depth discussion on the hypotheses developed is provided in Chapter four of this thesis. As highlighted in Section 5.8, multiple regression analysis is performed to test the relevant hypotheses. In performing the multiple regression analysis, several preliminary testing and analysis need to be conducted. For examples, descriptive analysis of the research variables is provided in Section 6.3.1 and correlation analysis is presented in Section 6.3.2. Results of the testing of the assumptions of multiple regression analysis, such as multicollinearity, normality, linearity and homoscedasticity are presented in Section 6.3.3. Next, Section 6.3.4 presents the results of the multiple regression analyses performed for the purpose of the current study.

6.3.1 Descriptive Analysis of Continuous and Dichotomous Variables

Table 6.9 and Table 6.10 present the descriptive statistics of the continuous and dichotomous variables used in the regression tests for each year (2005 to 2009) as well as for the pooled data. As shown in Table 6.9, the mean of CSRR quantity and CSRR quality increases over the five-year period. On average, the quantity of CSRR measured by the number of sentences rises from 56 sentences in 2005 to 116 sentences in 2009, while the quality of CSRR, which is measured by the CSRR index, increases from 0.105 in 2005 to 0.191 in 2009. The quantity of CSRR reported by firms ranges from a minimum of 5 sentences to a maximum of 758 sentences, while the quality of CSRR

Table 6.9: Descriptive Statistics of Continuous Variables

All years (2005-2009) N=900	Mean	Standard Deviation	Minimum	Maximum
CSRR Quantity (CSRRQN)	88.722	109.178	5.000	758.000
CSRR Quality (CSRRQL)	0.153	0.101	0.010	0.600
Managerial Ownership (MGRLOWN)	3.595	9.622	0.000	61.270
Family Ownership (FAMOWN)	16.700	21.200	0.000	75.000
Foreign Ownership (FOROWN)	24.730	22.058	0.000	88.300
Government Ownership (GOVOWN)	11.751	16.166	0.000	82.240
CSR Experience (CSREXP)	0.119	0.150	0.000	0.670
Firm Size (SIZE)	7.770	1.412	5.200	12.640
Profitability (ROA)	0.062	0.074	-0.470	0.550
Leverage (LEV)	0.451	0.225	0.020	0.900
2005 N=180	**Mean**	**Standard Deviation**	**Minimum**	**Maximum**
CSRR Quantity (CSRRQN)	56.611	72.209	5.000	396.000
CSRR Quality (CSRRQL)	0.105	0.087	0.010	0.400
Managerial Ownership (MGRLOWN)	3.811	10.153	0.000	60.950
Family Ownership (FAMOWN)	16.800	21.500	0.000	67.000
Foreign Ownership (FOROWN)	22.147	21.140	0.220	83.590
Government Ownership (GOVOWN)	11.920	17.010	0.000	80.130
CSR Experience (CSREXP)	0.090	0.121	0.000	0.500
Firm Size (SIZE)	7.566	1.418	5.200	12.160
Profitability (ROA)	0.060	0.066	-0.270	0.350
Leverage (LEV)	0.440	0.223	0.020	0.900
2006 N=180	**Mean**	**Standard Deviation**	**Minimum**	**Maximum**
CSRR Quantity (CSRRQN)	69.633	89.238	6.000	562.000
CSRR Quality (CSRRQL)	0.126	0.096	0.020	0.470
Managerial Ownership (MGRLOWN)	3.612	9.663	0.000	61.160
Family Ownership (FAMOWN)	16.600	21.100	0.000	67.000
Foreign Ownership (FOROWN)	25.172	22.543	0.000	88.300
Government Ownership (GOVOWN)	11.357	15.122	0.000	78.140
CSR Experience (CSREXP)	0.104	0.138	0.000	0.630
Firm Size (SIZE)	7.666	1.418	5.240	12.320
Profitability (ROA)	0.062	0.062	-0.080	0.450
Leverage (LEV)	0.449	0.225	0.020	0.900
2007 N=180	**Mean**	**Standard Deviation**	**Minimum**	**Maximum**
CSRR Quantity (CSRRQN)	92.117	104.417	6.000	716.000
CSRR Quality (CSRRQL)	0.161	0.096	0.020	0.450
Managerial Ownership (MGRLOWN)	3.432	9.233	0.000	61.160
Family Ownership (FAMOWN)	16.500	21.100	0.000	67.000
Foreign Ownership (FOROWN)	27.870	22.539	0.200	86.200
Government Ownership (GOVOWN)	11.007	16.260	0.000	82.000
CSR Experience (CSREXP)	0.120	0.150	0.000	0.640
Firm Size (SIZE)	7.787	1.406	5.340	12.450
Profitability (ROA)	0.077	0.068	-0.080	0.510
Leverage (LEV)	0.445	0.223	0.020	0.900

Table 6.9: Descriptive Statistics of Continuous Variables (Continued)

2008 N=180	Mean	Standard Deviation	Minimum	Maximum
CSRR Quantity (CSRRQN)	108.950	123.639	9.000	714.000
CSRR Quality (CSRRQL)	0.184	0.096	0.020	0.500
Managerial Ownership (MGRLOWN)	3.527	9.483	0.000	61.270
Family Ownership (FAMOWN)	16.400	20.900	0.000	67.000
Foreign Ownership (FOROWN)	24.230	21.945	0.000	85.500
Government Ownership (GOVOWN)	12.185	16.254	0.000	82.240
CSR Experience (CSREXP)	0.131	0.157	0.000	0.630
Firm Size (SIZE)	7.887	1.391	5.340	12.500
Profitability (ROA)	0.062	0.084	-0.410	0.550
Leverage (LEV)	0.464	0.224	0.020	0.900
2009 N=180	**Mean**	**Standard Deviation**	**Minimum**	**Maximum**
CSRR Quantity (CSRRQN)	116.300	133.817	9.000	758.000
CSRR Quality (CSRRQL)	0.191	0.104	0.040	0.600
Managerial Ownership (MGRLOWN)	3.591	9.661	0.000	61.270
Family Ownership (FAMOWN)	17.100	21.500	0.000	75.000
Foreign Ownership (FOROWN)	24.230	21.945	0.000	85.500
Government Ownership (GOVOWN)	12.289	16.274	0.000	82.230
CSR Experience (CSREXP)	0.150	0.174	0.000	0.670
Firm Size (SIZE)	7.944	1.407	5.240	12.640
Profitability (ROA)	0.053	0.083	-0.470	0.520
Leverage (LEV)	0.458	0.234	0.020	0.900

shows a range between 0.010 and 0.600, over the five-year period. Overall, the results indicate that all sample firms in the current study report minimum CSR information in their annual reports. To a certain extent, both the quantity and quality of CSRR increases over the five-year period from 2005 to 2009.

The percentage of each type of corporate ownership structure ranges from zero percent to; 61 percent for managerial ownership; 75 percent for family ownership; 88 percent for foreign ownership; and 82 percent for government ownership. The average percentage of managerial ownership and government ownership experiences a slight decline from 2005 to 2007; from 3.811 percent to 3.432 percent for managerial ownership; and from 11.920 percent to 11.007 percent for government ownership. Nevertheless, the percentage rises during the period of 2008 to 2009, with a mean of 3.527 in 2008 and 3.591 in 2009 for managerial ownership, and a mean of 12.185 in 2008 and 12.289 in 2009 for government ownership.

The average percentage of foreign ownership escalates from 22.147 in 2005 to 27.870 in 2007. However, it reduces to 24.230 percent in 2008 and 2009. Family ownership, which is measured by the percentage of family members on board to total number of directors on the board, shows a slightly decreasing trend of family representation on the board of directors of a firm from 2005 to 2008. The average percentage of family members on board decreases from 16.8 percent in 2005 to 16.4 percent in 2008. Nevertheless, the average percentage of family members on board rises to 17.1 percent in 2009. Overall, the percentages of shares held by different shareholders' groups fluctuate over the period of study.

The average percentage of directors with CSR experience rises from 9 percent in 2005 to 15 percent in 2009. The mean of firm size, based on the log of total assets, reports a slight increase from 7.566 in 2005 to 7.944 in 2009. Firm profitability, which is measured by return on assets, dictates a growth in mean from 6 percent in 2005 to 7.8 percent in 2007. However, the mean of firm profitability reduces to 6.2 percent in 2008 and 5.3 percent in 2009. A consistent mean of leverage is reported during the period of study, whereby the mean lies between 0.440 and 0.464. Observation from the current study reveals that a higher level of leverage is found in firms in the finance sector compared to other sectors. This was reflected in the range of leverage from a minimum of 2 percent to a maximum of 90 percent.

From Table 6.10, it is shown that the majority of the sample firms are classified as *Shariah*-approved firms (71 percent), while the remaining (29 percent) are the non-*Shariah* approved firms. One firm in trading/service industry, which was classified as non-*Shariah* approved firm in 2005 to 2007, was granted its *Shariah* status in 2008. This change is reflected in the increase in the number of *Shariah* approved firms from 127 firms in 2007 to 128 firms in 2008.

In terms of industry's classification, 46 percent of the sample firms are categorised under the high-profile industry, while the remaining 54 percent are categorised under the low-profile industry. Regulation is used to differentiate between the voluntary (from year 2005 to 2006) and mandatory (from year 2007 to 2009) period of CSRR. Results in Table 6.10 indicated that 40 percent of the firm-year's observation derived from the voluntary CSRR regime, while another 60 percent represents firm-year's observation derived from the mandatory CSRR regime.

Table 6.10: Descriptive Statistics of Dichotomous Variables

	***Shariah* Status (SHARIAH)**		**Industry (IND)**		**Regulation (Reg)**	
Dichotomous Variables	**1**	**0**	**1**	**0**	**1**	**0**
All N=900	639 (71%)	261 (29%)	411 (46%)	489 (54%)	540 (60%)	360 (40%)
2005 N=180	127 (71%)	53 (29%)	82 (46%)	98 (54%)	N/A	N/A
2006 N=180	127 (71%)	53 (29%)	82 (46%)	98 (54%)	N/A	N/A
2007 N=180	127 (71%)	53 (29%)	82 (46%)	98 (54%)	N/A	N/A
2008 N=180	128 (71%)	52 (29%)	82 (46%)	98 (54%)	N/A	N/A
2009 N=180	128 (71%)	52 (29%)	82 (46%)	98 (54%)	N/A	N/A

6.3.2 Correlation Analysis

Correlation analysis measures the relationship between two variables (Hair *et al.*, 2006). Table 6.11 presents the correlation analysis of research variables used in the current study based on the Pearson product moment correlation coefficient (r).

Table 6.11: Pearson Product Moment Correlation Coefficient (N=900)

	MGRLOWN	FAMOWN	FOROWN	GOVOWN	CSREXP	REG	SIZE	SHARIAH	ROA	LEV	IND	CSRRQL	CSRRQN
MGRLOWN	1	0.290**	-0.100**	-0.113**	-0.109**	-0.010	-0.237**	0.093**	0.000	0.027	0.139**	-0.186**	-0.159**
FAMOWN	0.290**	1	-0.155**	-0.252**	-0.037	-0.001	-0.221**	0.154**	0.013	-0.090**	0.323**	-0.344**	-0.320**
FOROWN	-0.100**	-0.155**	1	-0.248**	-0.046	0.040	-0.023	-0.185**	0.203**	-0.012	0.073*	0.118**	0.049
GOVOWN	-0.113**	-0.252**	-0.248**	1	0.051	0.006	0.282**	-0.062	-0.101**	0.164**	-0.127**	0.345**	0.342**
CSREXP	-0.109**	-0.037	-0.046	0.051	1	0.119**	0.194**	0.082*	0.038	0.002	0.027	0.274**	0.282**
REG	-0.010	-0.001	0.040	0.006	0.119**	1	0.089**	-0.002	0.010	0.024	0.002	0.306**	0.192**
SIZE	-0.237**	-0.221**	-0.023	0.282**	0.194**	0.089**	1	-0.287**	-0.321**	0.547**	-0.294**	0.410**	0.371**
SHARIAH	0.093**	0.154**	-0.185**	-0.062	0.082*	-0.002	-0.287**	1	0.071*	-0.292**	0.286**	-0.043	-0.018
ROA	0.000	0.013	0.203**	-0.101**	0.038	0.010	-0.321**	0.071*	1	-0.290**	0.196**	0.062	0.059
LEV	0.027	-0.090**	-0.012	0.164**	0.002	0.024	0.547**	-0.292**	-0.290**	1	-0.231**	0.184**	0.176**
IND	0.139**	0.323**	0.073*	-0.127**	0.027	0.002	-0.294**	0.286**	0.196**	-0.231**	1	-0.077*	-0.083*
CSRRQL	-0.186**	-0.344**	0.118**	0.345**	0.274**	0.306**	0.410**	-0.043	0.062	0.184**	-0.077*	1	0.850**
CSRRQN	-0.159**	-0.320**	0.049	0.342**	0.282**	0.192**	0.371**	-0.018	0.059	0.176**	-0.083*	0.850**	1

** Correlation is significant at the 0.01 level.
* Correlation is significant at the 0.05 level.

Notes: MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, LEV=Leverage, IND=Industry, CSRRQN=CSRR quantity, CSRRQL=CSRR quality.

Managerial ownership (MGRLOWN), family ownership (FAMOWN), foreign ownership (FOROWN), government ownership (GOVOWN) and the board's CSR experience (CSREXP) are the independent variables; CSRR regulation (REG) is the moderating variable, firm size (SIZE), *Shariah* status (SHARIAH), profitability (ROA), industry (IND) and leverage (LEV) are the control variables; and CSRR quality (CSRRQL) and CSRR quantity (CSRRQN) are the dependent variables used in the current study.

The correlation coefficients (*r*) provide a numerical summary of the direction and the strength of the linear relationship between two variables. It ranges between '+1', which indicates a perfect positive correlation, to '-1', which indicates a perfect negative correlation. In general, two variables are said to be correlated if changes in one variable are associated with changes in the other variables (Hair *et al*., 2006). Results shown in Table 6.11 indicates that the correlation coefficient, *r* between the independent variables ranges between 0.037 (CSREXP-FAMOWN) and 0.290 (MGRLOWN-FAMOWN). This range falls within the acceptable level of correlation as suggested by Gujarati (2003), which is less than 0.80.

Family ownership (FAMOWN) is significantly positively correlated with managerial ownership (MGRLOWN), which suggests that firms with greater number of family members sit on the board of directors possess a higher level of managerial ownership. In contrast, the negative correlation dictated between family ownership (FAMOWN) and foreign ownership (FOROWN) and government ownership (GOVOWN), respectively implies that firms with greater number of family members sit on the board of directors have generally a lower level of foreign ownership and government ownership, respectively.

Significant negative correlations between managerial ownership (MGRLOWN) and foreign ownership (FOROWN), government ownership (GOVOWN) and the board's CSR experience (CSREXP), respectively, denote a lower level of managerial ownership in firms with higher level of foreign ownership, government ownership and the board's CSR experience. Foreign ownership (FOROWN) is significantly negatively correlated with government ownership (GOVOWN), which implies that government-owned firms possess lower level of foreign ownership.

Even though the board's CSR experience (CSREXP) was found to be correlated negatively to managerial ownership (MGRLOWN), it is not correlated to other types of corporate ownership structure. The results indicate that firms with greater level of managerial ownership seem to have less number of directors with CSR experience, while other types of corporate ownership structure (family ownership, foreign ownership and government ownership) have no effect on the changes in the number of directors with CSR experience.

CSRR regulation (REG), being the moderating variable of the current study, has no relationship with all types of corporate ownership structure. In other words, the change in CSRR requirement from voluntary to mandatory reporting has no effect on the corporate ownership structure. Nevertheless, CSRR regulation (REG) is positively related to the board's CSR experience (CSREXP), CSRR quantity (CSRRQN) and CSRR quality (CSRRQL). These findings suggest that the number of directors with CSR experiences, the quantity and quality of CSRR generally increases following the implementation of the CSRR regulation.

The correlation between the independent variables and the dependent variables ranges between 0.118 (FOROWN-CSRRQL) and 0.345 (FOROWN-CSRRQL). All of the independent variables are significantly related to both measurements of the dependent variables used in the current study (with p-value of 0.01), with exception of FOROWN. Foreign ownership (FOROWN) is significantly related to the quality of CSRR (CSRRQL) with p-value of 0.01, whereas there is no correlation exists between foreign ownership (FOROWN) and the quantity of CSRR (CSRRQN). This finding suggests that firms with higher level of foreign ownership emphasise on the quality of CSRR rather than the quantity.

6.3.3 Testing the Assumptions of Multiple Regression Analysis

The application of multiple regression analysis for the purpose of the current study requires the data used to meet all the assumptions underlying the multiple regression analysis. They are multicollinearity, normality, linearity and homoscedasticity. All of the assumptions must be met before the regression is performed.

Normality describes the normal shape of data distribution of an individual variable (Hair *et al.*, 2006). It can be observed from skewness, kurtosis or test of normality. Skewness indicates the symmetry of data distribution, while kurtosis describes the 'peakedness' or 'flatness' of a distribution compared to a normal distribution. Test of normality can also be conducted using the Kolmogorov Smirnov (K-S) test.

Table 6.12 shows the results of normality tests. Based on 900 firm-year observations gathered over the five-year period from 2005 to 2009, results from the Kolmogorov Smirnov test indicated a non-normal data distribution for the variables used in the current study. As shown in Table 6.12, only data about leverage for 2005 and 2006 are normally distributed (indicated by the K-S (Lilliefors) with significance level of more than 0.05).

Table 6.12: Results of Normality Tests (Skewness, Kurtosis and K-S Statistics)

All years (2005-2009) N=900	**Skewness**	**Kurtosis**	**Kolmogorov-Smirnov (K-S)**
CSRR Quantity (CSRRQN)	2.792	9.774	0.223
CSRR Quality (CSRRQL)	0.920	0.836	0.096
Managerial Ownership (MGRLOWN)	3.625**	13.685**	0.354
Family Ownership (FAMOWN)	0.910	-0.498	0.329
Foreign Ownership (FOROWN)	0.973	-0.071	0.143
Government Ownership (GOVOWN)	2.361	5.681	0.234
CSR Experience (CSREXP)	1.374	1.393	0.262
Firm Size (SIZE)	1.029	0.982	0.107
Profitability (ROA)	0.792	12.082	0.126
Leverage (LEV)	0.402	-0.421	0.047
2005 N=180	**Skewness**	**Kurtosis**	**Kolmogorov-Smirnov**
CSRR Quantity (CSRRQN)	2.429	6.406	0.237
CSRR Quality (CSRRQL)	1.051	0.239	0.164
Managerial Ownership (MGRLOWN)	3.408**	11.825**	0.366
Family Ownership (FAMOWN)	0.930	-0.465	0.332
Foreign Ownership (FOROWN)	1.083	0.188	0.152
Government Ownership (GOVOWN)	2.516	6.295	0.242
CSR Experience (CSREXP)	1.251	0.769	0.323
Firm Size (SIZE)	1.052	0.969	0.125
Profitability (ROA)	0.609	6.456	0.123
Leverage (LEV)	0.469	-0.377	0.061*
2006 N=180	**Skewness**	**Kurtosis**	**Kolmogorov-Smirnov**
CSRR Quantity (CSRRQN)	2.772	9.309	0.238
CSRR Quality (CSRRQL)	1.095	0.915	0.140
Managerial Ownership (MGRLOWN)	3.619**	13.859**	0.360
Family Ownership (FAMOWN)	0.895	-0.538	0.329
Foreign Ownership (FOROWN)	0.948	-0.138	0.150
Government Ownership (GOVOWN)	2.428	6.241	0.226
CSR Experience (CSREXP)	1.458	1.825	0.291
Firm Size (SIZE)	1.089	1.174	0.120
Profitability (ROA)	2.144	9.554	0.111
Leverage (LEV)	0.411	-0.398	0.062*
2007 N=180	**Skewness**	**Kurtosis**	**Kolmogorov-Smirnov**
CSRR Quantity (CSRRQN)	2.536	8.663	0.205
CSRR Quality (CSRRQL)	0.772	0.277	0.072
Managerial Ownership (MGRLOWN)	3.844**	16.063**	0.355
Family Ownership (FAMOWN)	0.920	-0.483	0.332
Foreign Ownership (FOROWN)	0.810	-0.339	0.128
Government Ownership (GOVOWN)	2.514	6.404	0.254
CSR Experience (CSREXP)	1.357	1.398	0.265
Firm Size (SIZE)	1.041	1.042	0.104
Profitability (ROA)	2.272	10.214	0.131
Leverage (LEV)	0.418	-0.306	0.075

Notes: * K-S (Lilliefors) with significance >0.05, hence data is normally distributed.
**Skewness >3.0 and kurtosis>10.0, indicate serious normality problem.

Table 6.12: Results of Normality Tests (Skewness, Kurtosis and K-S Statistics) (Continued)

2008 N=180	Skewness	Kurtosis	Kolmogorov-Smirnov
CSRR Quantity (CSRRQN)	2.474	6.996	0.213
CSRR Quality (CSRRQL)	0.916	0.672	0.099
Managerial Ownership (MGRLOWN)	3.736**	14.845**	0.355
Family Ownership (FAMOWN)	0.904	-0.521	0.328
Foreign Ownership (FOROWN)	1.040	0.080	0.159
Government Ownership (GOVOWN)	2.223	5.146	0.227
CSR Experience (CSREXP)	1.282	1.007	0.231
Firm Size (SIZE)	1.031	1.039	0.113
Profitability (ROA)	0.413	11.373	0.126
Leverage (LEV)	0.327	-0.355	0.059
2009 N=180	**Skewness**	**Kurtosis**	**Kolmogorov-Smirnov**
CSRR Quantity (CSRRQN)	2.668	7.981	0.211
CSRR Quality (CSRRQL)	1.192	1.857	0.089
Managerial Ownership (MGRLOWN)	3.671**	14.034**	0.355
Family Ownership (FAMOWN)	0.926	-0.430	0.319
Foreign Ownership (FOROWN)	1.040	0.080	0.159
Government Ownership (GOVOWN)	2.170	4.936	0.225
CSR Experience (CSREXP)	1.199	0.618	0.210
Firm Size (SIZE)	1.056	1.077	0.121
Profitability (ROA)	0.053	14.877	0.181
Leverage (LEV)	0.394	-0.550	0.091

Notes: * K-S (Lilliefors) with significance >0.05, hence data is normally distributed.
**Skewness >3.0 and kurtosis>10.0, indicate serious normality problem.

Other research variables show the K-S (Lilliefors) with significance level of less than 0.05, which imply the non-normal data distribution.

In terms of skewness and kurtosis, all of the research variables are within the acceptable level of normality as suggested by Kline (1998), with the exception of managerial ownership. According to Kline (1998), a variable experiences a serious problem of normality if the skewness value is more than 3.0 and the kurtosis value is more than 10.0. Nevertheless, Tabachnick and Fidell (2007) mentioned that the skewness value does not make a substantive difference in an analysis with reasonably large samples.

Even though the kurtosis value can result in an underestimate of the variance, the risk is reduced with a large sample; for example, more than 200 cases (Tabachnick & Fidell, 2007). Since larger sample sizes reduce the detrimental effects of non-normality, researchers can be less concerned with non-normal variable when the sample sizes become larger (Hair *et al*., 2006). Following Hair *et al*. (2006) and Tabachnick and Fidell (2007), the effects of the non-normality can be considered to be negligible due to the larger sample size employed in the current study (more than 200 samples).

Nevertheless, the research variables were transformed to normal scores before further analyses are made. This was suggested by Cooke (1998) in dealing with a research that the theoretically correct form of the relationship between the dependent and independent variables is not known. According to Cooke (1998), this problem could arise in accounting disclosure studies when a researcher attempts to explain the variability in disclosure index. Transformation of data is also needed when the measurements used to represent a research variable are merely proxies for underlying construct (Cooke, 1998). Cooke (1998) highlighted the important of researchers to examine the structure of the research data before regression analysis is performed.

Consistent with Cooke (1998), the current study involves an explanation of the variability in corporate disclosure. In general, the presence of outliers originated from the nature of the research variables, such as the different types of corporate ownership structure, contributes to the non-normal data distribution of the variables used in the current study. For example, variables that represent corporate ownership structure include the percentage of managerial ownership, family ownership, foreign ownership and government ownership. In many cases, firms may possess an extremely higher percentage of one type of ownership structure (e.g. family ownership) compared with the other types of ownership structure (e.g. foreign ownership, government ownership). To achieve the objectives of the current study, these outliers are important as they indicate the power possessed by specific types of shareholding structure in determining the level of CSRR disclosed. Therefore, transformation of the research variables is considered appropriate to overcome the non-normality problem in the current study, in line with the suggestion made by several researchers; for example, Cooke (1998), Osborne and Waters (2002) and Haniffa and Cooke (2005).

Multicollinearity refers to a statistical phenomenon in which two or more independent variables/predictors in a multiple regression model are strongly correlated. When two independent variables are highly correlated, both convey essentially the same information. Therefore, one of the independent variables should be removed from the regression model to avoid redundancy. According to Gujarati (2003), multicollinearity exists when the correlation between two independent variables exceeds a correlation, *r* of 0.8. The existence of multicollinearity can be tested using the Pearson correlation matrix. The correlation matrix analysis of the variables used in the current study is shown in Table 6.11.

Generally, the correlation between each of the independent variables used in the current study indicates no multicollinearity problem since the correlation, *r* between them is less than 0.8. The low and moderate correlations among the predictors, as shown in Table 6.11, suggest the independence of the predictors' measures used in the current study. The independent variables also show some relationship with the dependent variable, with correlation, *r* is less than 0.7, which is desirable in a research. Explanations of the correlations between the research variables are provided in Section 6.3.2.

The four assumptions of multiple regressions, namely multicollinearity, normality, linearity and homoscedasticity, can also be checked from the outputs generated as part of the multiple regression procedures. For example, multicollinearity can be detected from the tolerance and Variance Inflation Factor (VIF) value, while normality, linearity and homoscedasticity can be observed by inspecting the Normal Probability Plot (P-P) of the regression standardised residual and the scatterplot.

Linearity assumes that the residuals, which refer to the difference between predicted value and observed value of the dependent variables, have a straight-line relationship with the dependent variables (Hair *et al*., 2006). In other words, there should be a linear relationship between the independent variables and the dependent variables. Homoscedasticity assumes that the dependent variable exhibits equal levels of variance or constant variance across a range of independent variables (Hair *et al*., 2006).

Overall, the current study meets all the assumptions of the multiple regression analysis. The Normal Probability Plot (P-P) of the regression standardised residual (see Figure 6.1) show a reasonably straight diagonal line from bottom left to top right of the dependent variables used in the current study (CSRRQN and CSRRQL). The pattern of the scatterplot (see Figures 6.2) shows that the standardised residuals are roughly rectangularly distributed, with most of the scores concentrated in the centre, along the 'zero' point. Results of the Normal Probability Plot (P-P) of the regression standardised residual and the scatterplot indicate the non-violation of the normality, linearity and homoscedasticity assumption.

The tolerance value and the VIF value of the independent variables used in the current study also indicate the non-violation of the multicollinearity assumption (see Table 6.13). Multicollinearity exists when the tolerance value is less than 0.10 or the VIF value is more than 10. These collinearity diagnostics are also performed to detect multicollinearity problem that may not evident in the correlation matrix.

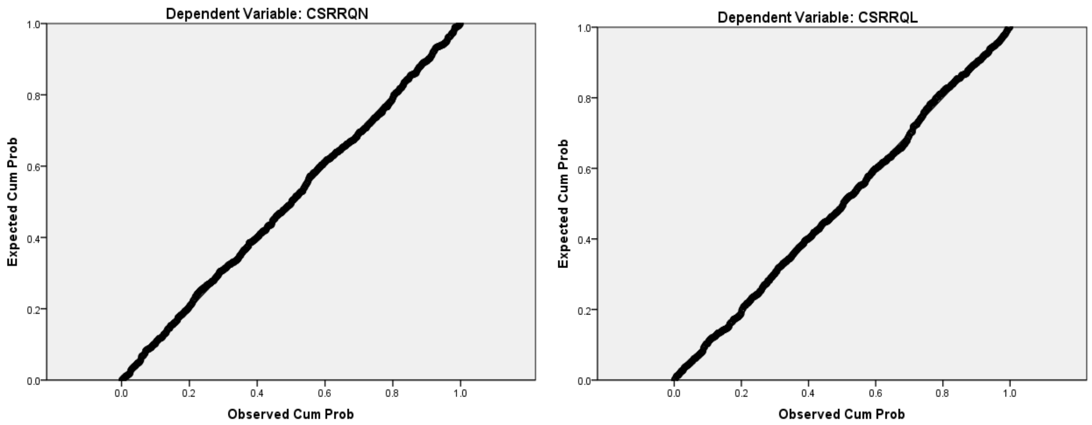


Figure 6.1: Normal P-P Plot of Regression Standardised Residual for CSRR

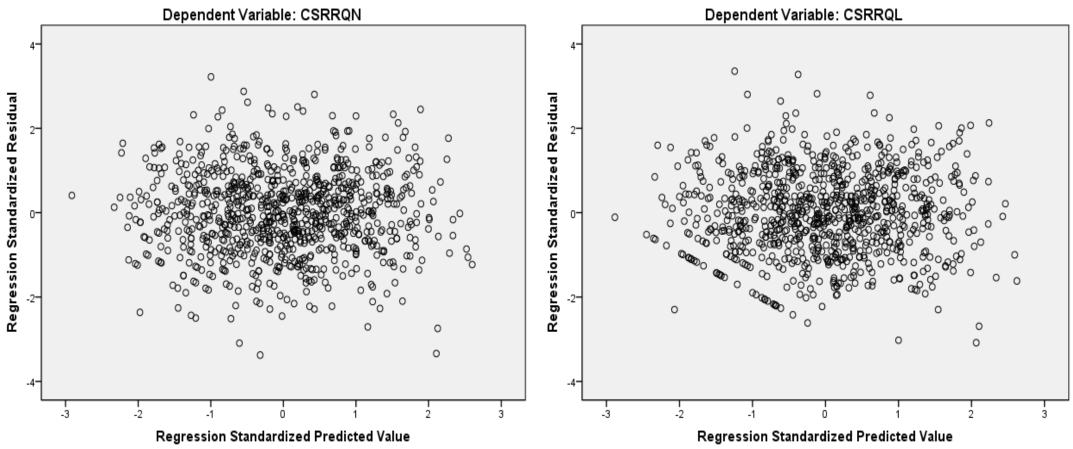


Figure 6.2 Scatterplot for CSRR

Table 6.13: Collinearity Diagnostics (Tolerance and VIF)

Research Variables	Tolerance	VIF
Managerial ownership	0.740	1.352
Family ownership	0.692	1.445
Foreign ownership	0.823	1.215
Government ownership	0.793	1.261
Board’s CSR experience	0.903	1.108
Firm size	0.529	1.889
Shariah status	0.797	1.255
Profitability	0.690	1.450
Industry	0.775	1.291
Leverage	0.693	1.442

6.3.4 Multiple Regression Analysis

Several regression analysis are performed in examining the association between corporate ownership structure, boards of directors' CSR experience, CSRR regulation and the levels of CSRR disclosed by firms. The results of the regression analyses are presented in their respective sections. Section 6.3.4.1 presents the results of the regression analysis made on corporate ownership structure, boards' CSR experience and CSRR. In Section 6.3.4.2, several dummy variables are introduced to control the effect of different year of analysis. Finally, Section 6.3.4.3 includes the effect of CSRR regulation on the analysis made in Section 6.3.4.1.

6.3.4.1 Corporate Ownership Structure, Boards' CSR Experience and CSRR

Table 6.14 and Table 6.15 present the results for pooled data (for all the five years of analysis) as well as for each year of analysis (from 2005 to 2009) that relate corporate ownership structure, board of directors and CSRR (measured by the quantity and quality of CSRR). The *F*-value for each year and the pooled data is statistically significant at the 1 percent level for both the quantity and quality of CSRR. The adjusted R^2 for each year and pooled data ranges from 37.3 percent (in 2008) to 46.6 percent (in 2007) for the quantity of CSRR (Model 1). It ranges from 32.6 percent (in 2008) to 42.2 percent (in 2006) for the quality of CSRR (Model 2). Based on the results of the pooled data, Model 1 explains 42.3 percent of the variance in the quantity of CSRR, while Model 2 explains 36.9 percent of the variance in the quality of CSRR.

In general, results of the current study are comparable with other studies that investigate the association between corporate governance and CSRR. For example, Haniffa and Cooke (2005), who related corporate governance and CSRR in Malaysia using data sets of 1996 and 2002, reported adjusted R^2 of 38.9 percent and 45.3 percent, respectively.

Table 6.14: Multiple Regression Results (Model 1: Ownership Structure, Boards of Directors and CSRR Quantity)

Model 1

$$\mathbf{CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon i_t}$$

	All		**2009**		**2008**		**2007**		**2006**		**2005**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.004	0.166	0.317	6.084***	0.252	4.814***	0.048	0.862	-0.209	-3.743***	-0.347	-5.782***
MGRLOWN	-0.037	-1.130	-0.123	-1.933*	-0.152	-2.268**	-0.099	-1.417	0.032	0.420	0.088	1.175
FAMOWN	-0.299	-8.139***	-0.224	-3.197***	-0.227	-2.924***	-0.278	-3.670***	-0.358	-4.334***	-0.423	-5.190***
FOROWN	0.131	4.723***	0.088	1.624*	0.107	1.852*	0.171	2.882***	0.104	1.702*	0.107	1.662*
GOVOWN	0.304	10.207***	0.206	3.681***	0.297	4.991***	0.385	6.231***	0.404	5.705***	0.339	4.889***
CSREXP	0.260	8.432***	0.233	4.347***	0.223	3.587***	0.236	3.744***	0.188	2.631***	0.237	2.912***
SIZE	0.226	6.544***	0.212	3.033***	0.074	1.026	0.142	1.940**	0.290	3.765***	0.240	3.153***
SHARIAH	0.104	2.391**	0.033	0.379	-0.010	-0.116	0.133	1.499*	0.173	1.802*	0.122	1.242***
ROA	0.186	6.170***	0.158	2.796***	0.061	1.054	0.189	2.750***	0.291	3.909***	0.317	4.386**
LEV	0.118	3.893***	0.109	1.793*	0.081	1.248	0.154	2.454**	0.131	1.982**	0.158	2.346
IND	0.026	0.612	0.037	0.454	-0.015	-0.166	0.023	0.263	0.041	0.440	0.015	0.153
Adjusted R^2	0.423		0.435		0.373		0.466		0.462		0.430	
F-Value	66.881***		14.806***		11.656***		16.623***		16.391***		14.525***	
N	900		180		180		180		180		180	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQN=CSRR quantity, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Table 6.15: Multiple Regression Results (Model 2: Ownership Structure, Boards of Directors and CSRR Quality)

Model 2

$$\mathbf{CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon i_t}$$

	All		**2009**		**2008**		**2007**		**2006**		**2005**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.004	0.148	0.367	6.927***	0.315	6.159***	0.050	0.882	-0.232	-4.177***	-0.445	-6.989***
MGRLOWN	-0.008	-0.232	-0.076	-1.183	-0.105	-1.606	-0.086	-1.211	0.053	0.709	0.087	1.088
FAMOWN	-0.255	-6.665***	-0.171	-2.397**	-0.180	-2.375**	-0.244	-3.160***	-0.280	-3.400***	-0.408	-4.721***
FOROWN	0.135	4.670***	0.105	1.887*	0.149	2.631***	0.184	3.058***	0.070	1.156	0.084	1.234
GOVOWN	0.283	9.132***	0.202	3.540***	0.295	5.075***	0.354	5.629***	0.380	5.382***	0.302	4.099***
CSREXP	0.212	6.605***	0.182	3.325***	0.150	2.477***	0.177	2.752***	0.161	2.258**	0.178	2.055**
SIZE	0.277	7.724***	0.244	3.429***	0.126	1.800*	0.180	2.407**	0.339	4.418***	0.286	3.542***
SHARIAH	0.079	1.756*	0.007	0.080	-0.040	-0.464	0.095	1.050	0.108	1.127	0.147	1.408
ROA	0.180	5.741***	0.158	2.744***	0.064	1.132	0.199	2.846***	0.289	3.888***	0.284	3.715***
LEV	0.088	2.797***	0.103	1.675*	0.038	0.595	0.121	1.893*	0.100	1.509*	0.117	1.645*
IND	0.083	1.889*	0.096	1.138	0.066	0.770	0.074	0.830	0.070	0.760	0.076	0.739
Adjusted R^2	0.369		0.374		0.326		0.414		0.422		0.365	
F-Value	53.480***		11.697***		9.661***		13.625***		14.065***		11.281***	
N	900		180		180		180		180		180	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQL=CSRR quality, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Kathyayini et al. (2012) documented an adjusted R^2 of 44.3 percent in their investigation of the association between corporate governance and environmental reporting in Australia. Other Malaysian studies that test the association between corporate governance and CSRR reported a lower adjusted R^2 compared to the one reported in the current study, such as studies by Lim et al. (2008), Said et al. (2009) and Elijido-Ten (2009), which were 14.36 percent, 19 percent and 23.7 percent, respectively. The differences in the adjusted R^2 reported is partly due to the different variables used in representing corporate ownership structure, board of directors' characteristics and CSRR in different studies.

6.3.4.2 Corporate Ownership Structure, Boards' CSR Experience and CSRR (With Dummies)

In Model 1a and Model 2a, four dummy variables (DUM_YR06, DUM_YR07, DUM_YR08 and DUM_YR09) are introduced into the pooled data models to control the effect of different years of data sets used in the current study. Table 6.16 compares the results of multiple regression analysis between models without dummies (Model 1 and Model 2) and models with dummies (Model 1a and Model 2a).

As shown in Table 6.16, the inclusion of dummy variables (in Model 1a and Model 2a) has led to an increase in the adjusted R^2 reported by the models. The adjusted R^2 for CSRR quantity increases from 42.3 percent (in Model 1) to 49 percent (in Model 1a); and for CSRR quality increase from 36.9 percent (Model 2) to 46.9 percent (Model 2a). The findings may imply the influence of specific events that had occurred in a particular year (which is represented by the different years of data set used) on CSRR, along with the corporate governance variables and other control variables.

Table 6.16: Summary of Multiple Regression Results of Model 1 and Model 2 (Pooled Data)

	CSRR Quantity (CSRRQN)				CSRR Quality (CSRRQL)			
	Model 1		Model 1a		Model 2		Model 2a	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.004	0.166	-0.059	-2.324**	0.004	0.148	-0.076	-2.955***
MGRLOWN	-0.037	-1.130	-0.055	-1.758*	-0.008	-0.232	-0.029	-0.929
FAMOWN	-0.299	-8.139***	-0.301	-8.707***	-0.255	-6.665***	-0.256	-7.322***
FOROWN	0.131	4.723***	0.123	4.694***	0.135	4.670***	0.124	4.679***
GOVOWN	0.304	10.207***	0.314	11.201***	0.283	9.132***	0.295	10.369***
CSREXP	0.260	8.432***	0.227	7.807***	0.212	6.605***	0.173	5.850***
SIZE	0.226	6.544***	0.186	5.696***	0.277	7.724***	0.229	6.907***
SHARIAH	0.104	2.391**	0.096	2.347**	0.079	1.756*	0.069	1.668*
ROA	0.186	6.170***	0.188	6.569***	0.180	5.741***	0.182	6.255***
LEV	0.118	3.893***	0.125	4.389***	0.088	2.797***	0.096	3.327***
IND	0.026	0.612	0.018	0.446	0.083	1.889*	0.074	1.823*
DUM_YR06			0.099	2.030**			0.149	2.998***
DUM_YR07			0.271	5.468***			0.340	6.764***
DUM_YR08			0.397	8.071***			0.502	10.063***
DUM_YR09			0.456	9.202***			0.553	11.014***
Adjusted R^2	0.423		0.490		0.369		0.469	
F-Value	66.881***		62.750***		53.480***		57.816***	
N	900		900		900		900	

Notes:
*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.
CSRRQN=CSRR quantity, CSRRQL=CSRR quality, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage, DUM_YR06=Year 2006 (Dummy), DUM_YR07=Year 2007 (Dummy), DUM_YR08=Year 2008 (Dummy), DUM_YR09=Year 2009 (Dummy).

The specific events that may occur in a particular year, for example, the introduction of/change in regulation (Buhr, 1998; Tilt & Symes, 1999; Frost, 2007; Criado-Jimenez *et al*., 2008; Tilling & Tilt, 2010), and the occurrence of environmental/social accidents (Patten, 1992) and global financial crisis (Kuasirikun & Sherer, 2004; Mia & Mamun, 2011), may have effects on the levels of CSRR disclosed by firms. These events may lead to the variation of CSRR disclosed by firms. For example, firms may increase or decrease their levels of involvement in CSR and CSRR in rensponse to the occurrence of specific event. This is in a way to maintain their legitimacy in society and manage their stakeholders, particularly the important stakeholders.

6.3.4.3 Corporate Ownership Structure, Boards' CSR Experience, CSRR Regulation and CSRR

The specific events that may occur in a particular year, for example, the introduction of/change in regulation (Buhr, 1998; Tilt & Symes, 1999; Frost, 2007; Criado-Jimenez *et al*., 2008; Tilling & Tilt, 2010), and the occurrence of environmental/social accidents (Patten, 1992) and global financial crisis (Kuasirikun & Sherer, 2004; Mia & Mamun, 2011), may have effects on the levels of CSRR disclosed by firms.

The occurrence of specific events such as social accidents, financial crisis and regulation, in a particular year may affect the levels of CSRR disclosed by firms. Nevertheless, the focus of the current study is on the effect of CSRR regulation, in line with the introduction of CSRR regulation by the Bursa Malaysia in 2007. While evidence from the extant CSRR literature have documented the effect of regulation on the level of CSRR disclosed (Frost, 2007; Llena *et al*., 2007; Criado-Jimenez *et al*., 2008), the current study contributes to the existing literature by examining the effect of CSRR regulation on the association between corporate ownership structure and CSRR.

Other than the influence of the different types of corporate ownership structure on the levels of CSRR, which is very much relevant in the context of Malaysia owing to its unique features of corporate ownership structure, the introduction of CSRR regulation upon all public listed firms in Malaysia with effect from the financial year 2007 may affect the association between corporate ownership structure and the levels of CSRR. For the purpose of the current study, CSRR regulation is considered to be a moderating variable that may affect the association between corporate ownership structure and CSRR. In other words, CSRR regulation represents one of the important factors that may influence the levels of CSRR, along with the corporate ownership structure.

While evidence demonstrated in Table 6.14 and Table 6.15 indicate the different influences of the different types of corporate ownership structure on the levels of CSRR, perhaps the inclusion of the effect of CSRR regulation on the association between corporate ownership structure and CSRR may offer some incremental contribution in terms of demonstrating the effectiveness of the CSRR regulation in promoting a higher levels of CSRR across the structure. As indicated in Table 6.17 and Table 6.18, CSRR regulation is introduced as a moderating variable in Model 3 and Model 4 of the current study.

However, before testing the moderating role of CSRR regulation, multiple regression analysis is performed in order to examine the effect of CSRR regulation on the levels of CSRR disclosed. In this case, CSRR regulation is used as an independent variable. Overall, the inclusion of CSRR regulation as one of the determinants of CSRR in the current study, along with corporate governance's variables and other control variables (see Model 1b and Model 2b), has witnessed an increase in the adjusted R^2 from 42.3 percent (see Model 1) to 48.1 percent (see Model 1b) for the quantity of CSRR; and from 36.9 percent (see Model 2) to 45.4 percent (see Model 2b) for the quality CSRR. In other

Table 6.17: Multiple Regression Results (Model 3: The Moderating Effect of CSRR Regulation-CSRR Quantity)

Model 3: $CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$												
	Model 1b		**All Moderators**		**MGRLOWN*REG**		**FAMOWN*REG**		**FOROWN*REG**		**GOVOWN*REG**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.014	0.577	0.016	0.656	0.015	0.632	0.014	0.573	0.014	0.578	0.013	0.536
MGRLOWN	-0.053	-1.684*	-0.053	-1.684*	-0.055	-1.743*	-0.053	-1.677*	-0.053	-1.684*	-0.050	-1.603*
FAMOWN	-0.300	-8.620***	-0.299	-8.620***	-0.300	-8.620***	-0.300	-8.585***	-0.300	-8.615***	-0.302	-8.672***
FOROWN	0.122	4.633***	0.123	4.662***	0.123	4.671***	0.122	4.622***	0.122	4.614***	0.123	4.656***
GOVOWN	0.316	11.186***	0.323	11.459***	0.317	11.235***	0.318	11.227***	0.316	11.180***	0.319	11.266***
CSREXP	0.236	8.041***	0.232	7.957***	0.234	7.975***	0.235	8.034***	0.236	8.037***	0.237	8.074***
REG	0.364	10.044***	0.365	10.090***	0.367	10.135***	0.361	9.927***	0.364	10.037***	0.366	10.102***
SIZE	0.186	5.656***	0.188	5.719***	0.189	5.744***	0.186	5.640***	0.186	5.639***	0.186	5.634***
SHARIAH	0.097	2.346**	0.096	2.344**	0.097	2.348**	0.097	2.354**	0.097	2.345**	0.096	2.334**
ROA	0.173	6.066***	0.174	6.090***	0.172	6.010***	0.175	6.103***	0.173	6.038***	0.176	6.157***
LEV	0.122	4.243***	0.126	4.378***	0.121	4.211***	0.123	4.270	0.122	4.239***	0.125	4.340***
IND	0.022	0.549	0.020	0.502	0.022	0.557	0.022		0.022	0.549	0.020	0.503
MGRLOWN*REG			-0.147	-3.203***	-0.080	-1.977**						
FAMOWN*REG			0.110	2.230**			0.058	1.338				
FOROWN*REG			-0.021	-0.562					-0.002	-0.049		
GOVOWN*REG			-0.083	-2.014**							-0.069	-1.776*
Adjusted R^2	0.481		0.487		0.490		0.489		0.488		0.489	
F-Value	76.802***		57.966***		70.958***		70.614***		70.323***		70.836***	
N			900		900		900		900		900	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQN=CSRR quantity, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Table 6.18: Multiple Regression Results (Model 4: The Moderating Effect of CSRR Regulation-CSRR Quality)

Model 4: $CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$

	Model 2b		**All Moderators**		**MGRLOWN*REG**		**FAMOWN*REG**		**FOROWN*REG**		**GOVOWN*REG**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.016	0.632	0.016	0.641	0.017	0.675	0.015	0.628	0.014	0.581	0.015	0.591
MGRLOWN	-0.027	-0.831	-0.026	-0.825	-0.028	-0.876	-0.026	-0.823	-0.027	-0.829	-0.024	-0.750
FAMOWN	-0.256	-7.210***	-0.254	-7.188***	-0.256	-7.204***	-0.255	-7.173***	-0.256	-7.210***	-0.258	-7.260***
FOROWN	0.124	4.612***	0.126	4.697***	0.125	4.640***	0.124	4.601***	0.126	4.660***	0.125	4.635***
GOVOWN	0.298	10.320***	0.303	10.551***	0.298	10.352***	0.299	10.366***	0.298	10.320***	0.300	10.398***
CSREXP	0.183	6.111***	0.179	6.013***	0.181	6.054***	0.182	6.103***	0.182	6.100***	0.183	6.142***
REG	0.438	11.838***	0.438	11.847***	0.440	11.902***	0.434	11.711***	0.438	11.846***	0.439	11.896***
SIZE	0.230	6.838***	0.233	6.942***	0.232	6.902***	0.229	6.822***	0.232	6.877***	0.229	6.817***
SHARIAH	0.071	1.682*	0.071	1.687*	0.071	1.682*	0.071	1.690*	0.071	1.689*	0.070	1.669*
ROA	0.165	5.656***	0.168	5.756***	0.163	5.608***	0.166	5.697***	0.167	5.705***	0.168	5.745***
LEV	0.093	3.169***	0.095	3.245***	0.092	3.142***	0.094	3.199***	0.092	3.134***	0.096	3.266***
IND	0.079	1.919*	0.077	1.886*	0.079	1.926**	0.079	1.917*	0.079	1.919*	0.077	1.874*
MGRLOWN*REG			-0.126	-2.693***	-0.064	-1.549						
FAMOWN*REG			0.115	2.267**			0.064	1.448				
FOROWN*REG			0.017	0.442					0.031	0.845		
GOVOWN*REG			-0.068	-1.630*							-0.069	-1.754*
Adjusted R^2	0.454		0.459		0.462		0.462		0.461		0.463	
F-Value	68.966***		51.835***		63.518***		63.472***		63.258***		63.623***	
N	900		900		900		900		900		900	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQL=CSRR quality, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FOROWN= Foreign ownership, GOVOWN=Government ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

words, the inclusion of CSRR regulation (see Model 1b and Model 2b) has generally improved the existing models (Model 1 and Model 2).

The inclusion of CSRR regulation as a moderating variable on the association between corporate ownership structure and CSRR has further increased the adjusted R^2. In comparison with Model 1b (adjusted R^2: 48.1), the adjusted R^2 reported for Model 3 (with moderator) is slightly higher (48.7 percent). The same pattern of analysis applies for Model 2b (without moderator) and Model 4 (with moderator), whereby the adjusted R^2 reported for Model 4 is slightly higher (45.9 percent) compared with the one reported in Model 2b (45.4 percent).

These results imply that a better model is developed with the inclusion of CSRR regulation as a moderating variable. In other words, CSRR regulation represents one of the important factors that may influence the levels of CSRR along with corporate ownership structure. Nevertheless, the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR varies across the different types of corporate ownership structure. These variations are elaborated in Section 6.4.3.

6.4 RESULTS OF THE HYPOTHESES TESTING

The current study examines the direct association between corporate ownership structure and CSRR (see Section 6.4.1). It also includes third variable that is CSRR regulation as a moderating variable that may influence the association between corporate ownership structure and CSRR (see Section 6.4.3). In addition, the current study also demonstrates the importance of board of directors' CSR experiences as one of the significant board of directors' characteristics to improve the quantity and quality of CSRR disclosed (see Section 6.4.2).

6.4.1 Corporate Ownership Structure and CSRR

The influence of different types of corporate ownership structure on the quantity and quality of CSRR is shown in Table 6.14 and Table 6.15, respectively. Based on the pooled data, there is no association between managerial ownership (MGRLOWN) and the quantity of CSRR (CSRRQN) and the quality of CSRR (CSRRQL). Even though a significant negative association is found between managerial ownership and the quantity of CSRR (CSRRQN) for the yearly data of 2008 (p-value<0.05) and 2009 (p-value<0.10), the strength of the association is generally weak. Overall, these findings do not provide support for H1a of the current study. Instead of documenting a negative association between managerial ownership and CSRR as dictated by Ghazali (2007) in Malaysia based on year 2001's data set (with p-value<0.01), the current study reveals no association between the two variables based on the data set of 2005 to 2009.

The current study also documents a strong negative association between family ownership (FAMOWN) and the quantity of CSRR (CSRRQN) (p-value<0.01) for both pooled data and each year of analysis. While the strength of the negative association remained (p-value<0.01) for the pooled data and the yearly data of 2005 to 2007 for the quality of CSRR (CSRRQL), it reduces to a moderate level of significance (p-value<0.05) for the yearly data of 2008 and 2009. In general, the above findings provide support for H1b of the current study, whereby family ownership is related negatively to the quantity and quality of CSRR disclosed by firms.

Even though foreign ownership (FOROWN) demonstrates a significant positive association with the quantity (CSRRQN) and the quality of CSRR (CSRRQL) for the pooled data of the current study, results for the yearly data are mixed. There is a strong positive association (p-value<0.01) between foreign ownership and the quantity of CSRR for the yearly data of 2007 (the first year CSRR is made mandatory in Malaysia). Nevertheless, the association is weak (p-value<0.10) for other years of analysis (2005, 2006, 2008 and 2009). In terms of the quality of CSRR, the influence of foreign ownership is strong (p-value<0.01) for the yearly data of 2007 and 2008; and weak (p-value<0.10) for the yearly data of 2009. There is no association between foreign ownership and the quality of CSRR for the yearly data of 2005 and 2006 (the voluntary period of CSRR). Based on the results of the pooled data for the quantity (CSRRQN) and quality (CSRRQL) of CSRR, the current study provides support for H1c, which generally suggests a positive association between foreign ownership and CSRR.

Government ownership (GOVOWN) is significantly positively related to the levels of CSRR disclosed, indicating the support for H1d of the current study. There is a strong association between these two variables (p-value<0.01) for both pooled data and each year of analysis. In comparison with other types of corporate ownership structure used in the current study, government ownership seems to produce the most consistent influence on CSRR over the five-year period of analysis.

Overall, the findings of the current study demonstrate the different power possesses by different types of shareholders in influencing the CSRR disclosed by firms. Based on a five-year analysis of data from 2005 to 2009, it is shown that the greater level of government ownership lead to the greater levels of CSRR disclosed, while the greater level of family ownership lead to the lower levels of CSRR disclosed by firms. The other two types of corporate ownership structure examined in the current study reported mixed findings.

The associations between several corporate ownership structures and CSRR seem to be affected by the specific year of analysis, which imply the specific events that may occur in a particular year. Perhaps, specific events that occur in a particular year of analysis, for example, the introduction of CSRR regulation in 2007 and the global financial crisis of 2008, may affect the association between corporate ownership structures and CSRR. Therefore, the current study includes an investigation of the effect of the introduction of CSRR regulation on the association between corporate ownership structure and CSRR. The results of the analysis are presented in Section 6.4.3.

6.4.2 Board of Directors' CSR Experience and CSRR

In the current study, board of directors' CSR experience (CSREXP) is used to indicate strategic posture in firms. As evidenced in Table 6.14 and Table 6.15, board of directors' CSR experience is strongly related to the quantity (CSRRQN) and the quality of CSRR (CSRRQL) disclosed by firms (p-value<0.01). The strong positive association between the board of directors' CSR experience and CSRR is documented for both pooled data and each year of analysis. These results provide support for H2 of the current study. In other words, firms with a greater number of board members that possess CSR experience are more likely to disclose a greater level of CSRR. This finding is evidenced over the five-year period of analysis from 2005 to 2009. Overall, this finding signifies the importance of board of directors' CSR experience as firms' strategic posture that drive CSR activities and CSRR in firms.

6.4.3 Corporate Ownership Structure and CSRR: The Effect of CSRR Regulation

Table 6.17 and Table 6.18 show the results of the regression analysis performed to investigate the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR. Generally, CSRR regulation is significantly positively related to the levels of CSRR disclosed. A strong significant association (p-value<0.01) is dictated between the two variables for pooled data and each year of analysis (see Model 1b and Model 2b). However, the inclusion of CSRR regulation as a moderating variable on the association between corporate ownership structure and CSRR produces mixed findings. The moderating effect of CSRR regulation tends to vary across different types of corporate ownership structure.

While the addition of CSRR regulation as an independent variable in Model 1b has showed a weak negative association between managerial ownership and the quantity of CSRR (p-value<0.10), the association become stronger (p-value<0.01) when CSRR regulation is introduced as a moderator (measured by an interaction term of managerial ownership and CSRR regulation, labelled as MGRLOWN*REG). Despite the low levels of CSRR disclosed by firms with higher level of managerial ownership during the voluntary period of CSRR, the presence of CSRR regulation has further reduced the quantity of CSRR disclosed by the firms. A similar pattern of analysis is apparent for the quality of CSRR, whereby the presence of CSRR regulation has made the negative association between managerial ownership and the quality of CSRR become strongly significant (p-value<0.01). Overall, the above findings indicate no support for H3a of the current study, which stated that the negative association between managerial ownership and the quantity and quality of CSRR is weaker in the mandatory period of CSRR than the voluntary period of CSRR.

The significant negative association between family ownership and CSRR is moderated by CSRR regulation. The presence of CSRR regulation has weaken the negative association between the two variables (p-value<0.05), thus provides support for H3b of the current study. This is shown by the positive association between the interaction term of family ownership and CSRR regulation (FAMOWN*REG) and the levels of CSRR.

Even though a lower level of CSRR is apparent in firms with higher level of family ownership during the voluntary period of CSRR, the introduction of CSRR regulation from 2007 onwards has witnessed a greater level of CSRR disclosed by firms with higher level of family ownership.

The five-year analysis involved in the current study also documents a significant positive association between foreign ownership and CSRR. However, the interaction term of foreign ownership and CSRR regulation (FOROWN*REG) has no association on the levels of CSRR disclosed (p-value>0.10). The evidence shows no support for H3c of the current study, which hypothesised that the positive association between foreign ownership and the quantity and quality of CSRR is stronger in the mandatory CSRR period than the voluntary CSRR period.

In general, the current study documented a positive association between government ownership and CSRR (p-value<0.01). With the inclusion of an interaction term of government ownership and CSRR regulation (GOVOWN*REG) into the government ownership-CSRR association, the significant positive association is altered to a significant negative association for the quantity of CSRR (p-value <0.05) and the quality of CSRR, respectively (p-value<0.10). Therefore, H3d of the current study, which hypothesised a stronger positive association between government ownership and the quantity and quality of CSRR in the mandatory period of CSRR, is not supported.

6.4.4 Control Variables

There are five control variables included in the current study. They are firm size (SIZE), *Shariah* status (SHARIAH), profitability (ROA), leverage (LEV) and industry (IND). These variables have been found to influence the level of CSRR disclosed in many prior CSRR's research. In general, firm size (SIZE), which is measured by the natural log of total assets, is significantly positively related to the quantity (CSRRQN) and the quality (CSRRQL) of CSRR disclosed (p-value<0.01). However, no association dictated between firm size and the quantity of CSRR for the yearly data of 2008 (see Table 6.14). There is a weak association between firm size and the quality of CSRR for the yearly data of 2008 (see Table 6.15). The findings indicate that larger firms tend to disclose greater amount and quality of CSRR. The greater visibility of these larger firms has made them become more subjected to the regulations prescribed by the regulators and government authorities.

Other than firm size, *Shariah* status and industry classification of a firm also indicate the government power, as the status and classification made firms being subjected to certain rules and regulations as determined by the regulators or government authorities. For example, firms that are granted with *Shariah* status have to ensure that their business activities are in line with the Islamic principles and are free from prohibited activities and elements such as ambiguity (*gharar*), usury (*riba*) and gambling (*maisir*). Firms in high profile industry such as in industrial product, plantation and properties industries are more likely to cause environmental problems and damages. They tend to have greater public visibility and receive greater focus from the government as to ensure that they operate in responsible manners to prevent environmental problems and damages.

The association between *Shariah* status of a firm (SHARIAH) and the quantity (CSRRQN) and the quality (CSRRQL) of CSRR disclosed by the firm over the five-year period is inconsistent. There is a strong positive association between *Shariah* status and the quantity of CSRR for the yearly data of 2005 (p-value<0.01). Nevertheless, only a moderate (weak) association dictated between the two variables for the pooled data (yearly data of 2006 and 2007). No association found between *Shariah* status and the quantity of CSRR for the yearly data of 2008 and 2009. While there is a weak positive association between *Shariah* status and the quality of CSRR for the pooled data, no association found between the two variables for each year of analysis. The influence of industry types (IND) on CSRR is also seemed very weak, whereby the only significant association between the two variables was for the pooled data of Model 2 (the quality of CSRR with p-value<0.10). Firms in high profile industries tend to disclose a greater quality of CSRR.

The effect of firms' profitability (ROA) on the levels of CSRR disclosed is established through a significant positive association between the two variables for both pooled data and each year of analysis, with exception of the yearly data of 2008. The result signifies the influence of firms' economic performance in determining the quantity and quality of CSRR disclosed by firms.

Leverage (LEV), which represents the creditors' power, is also found to be significantly positively related to the quantity and quality of CSRR for the pooled data. However, results from the yearly data revealed an inconsistent finding on the association between the two variables. For example, there is a moderate association between leverage and the quantity of CSRR for the yearly data of 2006 and 2007, while no association between the two variables for the yearly data of 2005 and 2008. A weak association is found between leverage and the quality of CSRR disclosed for each year of analysis, with exception of the yearly data of 2008. Four dummy variables (DUM_YR06, DUM_YR07, DUM_YR08 and DUM_YR09) included to control the effect of different years of data sets used in the current study also show significant influence on the quantity and quality of CSRR disclosed by firms (p-value<0.01).

For the five control variables used in the current study, results from the multiple regression analysis performed on Model 3 and Model 4, where the moderating effect of CSRR regulation is included (refer Table 6.17 and Table 6.18), is consistent with the result produced on Model 1 and Model 2 for the pooled data. Firm size, profitability and leverage were found to be significantly positively related to the quantity and quality of CSRR disclosed with p-value of 0.01. *Shariah* status is significantly positively related to the quantity and quality of CSRR with p-value of 0.05 and 0.10, respectively. While a weak association is dictated between industry and the quality of CSRR with p-value of less than 0.10, no association found between industry and the quantity of CSRR.

Overall, findings of the current study provide support for the influence of several firm-specific characteristics, such as firm size, profitability and leverage on the levels of CSRR disclosed by firms, as evidenced in the existing CSRR's literature, for examples, Patten (1991), Roberts, 1992, Haniffa and Cooke (2005), Branco and Rodrigues (2008a) and Huang and Kung (2010). Such supports are valid in all the four models examined in the current study. To a certain extent, the current study also highlights the importance of the *Shariah* status of firms in influencing the levels of CSRR disclosed. Despite several studies that documented the difference in corporate reporting and performance between the conventional and Islamic organisations (Ibrahim *et al*., 2006; Aribi & Gao, 2010), the current study specifically dictates the impact of the *Shariah* status of firms, which imply greater emphasis on CSR in this type of firms, on the levels of CSRR in Malaysia. In contrary to CSRR literature that revealed the impact of industry in influencing the levels of CSRR disclosed, the current study observes otherwise. Rather than impacted the total CSRR, possibly industry have influence on selected CSRR dimensions only. This is examined in Section 6.5.

6.5 ADDITIONAL ANALYSES

Several additional analyses are conducted to test the robustness of the findings revealed in Model 3 and Model 4 of the current study. Firstly, the government ownership of a firm, which is represented by the percentage of shares held by government to total numbers of shares issued, is substituted with other variables that may represent government ownership. For the purpose of the current study, two alternative measurements used to represent government ownership are: the status of being a GLC, and the percentage of shares held by five largest institutional investors in Malaysia to total numbers of shares issued (INSTOWN).

The five largest institutional investors in Malaysia include Permodalan Nasional Berhad (PNB), Lembaga Tabung Haji (LTH), Social Security Organization (SOCSO), Lembaga Tabung Angkatan Tentera (LTAT), and Employee Provident Fund (EPF) (Wahab *et al*., 2007; Saleh *et al*., 2010). These organisations are owned by the government of Malaysia, and may provide good proxies to represent government ownership. Further analysis is conducted upon the government ownership because this variable produces the most consistent finding on its association with CSRR over the five year period from 2005 to 2009 (see Table 6.14 and Table 6.15). Therefore, the performance of these additional analyses may inform the robustness of the findings revealed using different measurements of government ownership.

Table 6.19 and Table 6.20 present the multiple regression results of the full models (Model 3 and Model 4) using alternative measures to indicate government ownership. Government ownership is represented by the GLC in Model 5 (for CSRR Quantity) and Model 6 (for CSRR Quality), and the percentage of shares held by five largest institutional investors in Malaysia to the total numbers of shares issued (INSTOWN) in

Table 6.19: Multiple Regression Results (Alternative Measures of Government Ownership-CSRR Quantity)

Model 3: $CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$

Model 5: $CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GLC_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GLC{*}REG_{it} + \varepsilon_{it}$

Model 7: $CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 INSTOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} INSTOWN{*}REG_{it} + \varepsilon_{it}$

	GOVOWN (Model 3)		**GLC (Model 5)**		**INSTOWN (Model 7)**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.016	0.656	-0.001	-0.035	0.019	0.765
MGRLOWN	-0.053	-1.684*	-0.058	-1.776*	-0.072	-2.229**
FAMOWN	-0.299	-8.620***	-0.286	-7.762***	-0.329	-9.220***
FOROWN	0.123	4.662***	0.105	3.783***	0.071	2.687***
GOVOWN	0.323	11.459***				
GLC			0.385	7.472***		
INSTOWN					0.232	8.109***
CSREXP	0.232	7.957***	0.276	8.983***	0.235	7.788***
REG	0.365	10.090***	0.353	9.317***	0.361	9.626***
SIZE	0.188	5.719***	0.202	5.821***	0.216	6.370***
SHARIAH	0.096	2.344**	0.133	3.136***	0.101	2.373**
ROA	0.174	6.090***	0.194	6.563***	0.178	6.009***
LEV	0.126	4.378***	0.132	4.436***	0.103	3.452***
IND	0.020	0.502	0.028	0.683	0.026	0.639
MGRLOWN*REG	-0.147	-3.203***	-0.111	-2.309**	-0.132	-2.786***
FAMOWN*REG	0.110	2.230**	0.075	1.416	0.119	2.336**
FOROWN*REG	-0.021	-0.562	-0.009	-0.229	0.002	0.061
GOVOWN*REG	-0.083	-2.014**				
GLC*REG			-0.066	-0.919		
INSTOWN*REG					-0.016	-0.381
Adjusted R^2	0.487		0.446		0.451	
F-Value	57.966***		49.209***		50.168***	
N	900		900		900	

Notes:
*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.
CSRRQN=CSRR quantity, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FORDIR=Foreign director, GOVOWN=Government ownership, GLC=Government-linked firm, INSTOWN=Institutional ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Table 6.20: Multiple Regression Result (Alternative Measures of Government Ownership-CSRR Quality)

Model 4: $CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN*REG_{it} + \beta_{13} FAMOWN*REG_{it} + \beta_{14} FOROWN*REG_{it} + \beta_{15} GOVOWN*REG_{it} + \varepsilon_{it}$ **Model 6:** $CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GLC_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN*REG_{it} + \beta_{13} FAMOWN*REG_{it} + \beta_{14} FOROWN*REG_{it} + \beta_{15} GLC*REG_{it} + \varepsilon_{it}$ **Model 8:** $CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 INSTOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN*REG_{it} + \beta_{13} FAMOWN*REG_{it} + \beta_{14} FOROWN*REG_{it} + \beta_{15} INSTOWN*REG_{it} + \varepsilon_{it}$						
	GOVOWN (Model 4)		**GLC (Model 6)**		**INSTOWN (Model 8)**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.016	0.641	-0.001	-0.043	0.019	0.760
MGRLOWN	-0.026	-0.825	-0.030	-0.907	-0.045	-1.367
FAMOWN	-0.254	-7.188***	-0.240	-6.435***	-0.284	-7.814***
FOROWN	0.126	4.697***	0.113	3.993***	0.076	2.819***
GOVOWN	0.303	10.551***				
GLC			0.376	7.213***		
INSTOWN					0.207	7.111***
CSREXP	0.179	6.013***	0.222	7.121***	0.182	5.921***
REG	0.438	11.847***	0.425	11.081***	0.433	11.340***
SIZE	0.233	6.942***	0.244	6.928***	0.262	7.589***
SHARIAH	0.071	1.687*	0.106	2.454***	0.077	1.771*
ROA	0.168	5.756***	0.187	6.237***	0.173	5.742***
LEV	0.095	3.245***	0.101	3.349***	0.076	2.490***
IND	0.077	1.886*	0.084	1.993**	0.084	1.987**
MGRLOWN*REG	-0.126	-2.693***	-0.091	-1.871*	-0.112	-2.316**
FAMOWN*REG	0.115	2.267**	0.084	1.556	0.121	2.335**
FOROWN*REG	0.017	0.442	0.030	0.740	0.037	0.978
GOVOWN*REG	-0.068	-1.630*				
GLC*REG			-0.041	-0.569		
INSTOWN*REG					-0.005	-0.130
Adjusted R^2	0.459		0.424		0.423	
F-Value	51.835***		45.179***		44.930***	
N	900		900		900	

Notes:
*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.
CSRRQL=CSRR quality, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FORDIR=Foreign director, GOVOWN=Government ownership, GLC=Government-linked firm, INSTOWN=Institutional ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Model 7 (for CSRR Quantity) and Model 8 (for CSRR Quality). The specification of Model 5 and Model 7 is included in Table 6.19, whereas the specification of Model 6 and Model 8 is included in Table 6.20. As presented in Table 6.19 and Table 6.20, a positive association is documented between 'GLC' and 'INSTOWN', and CSRR (p-value<0.01). The results indicate that higher levels of CSRR are apparent in government-linked firms and firms with higher level of institutional ownership.

Nevertheless, when CSRR regulation is introduced as a moderator on the association between government ownership (represented by GLC and INSTOWN) and CSRR, no association is dictated between interaction term of GLC and CSRR regulation (GLC*REG) and institutional ownership and CSRR regulation (INSTOWN*REG), respectively, on the levels of CSRR.

In summary, the findings revealed in Model 3 and Model 4 is inconsistent with the one reported in Model 5 to Model 8. In Model 3 and Model 4, where government ownership is represented by the percentage of shares held by government to total numbers of shares issued, firms with higher government ownership tend to disclose lower levels of CSRR, following the introduction of CSRR regulation. However, when government ownership is represented by the GLC status (see Model 5 and Model 7) and institutional ownership (see Model 6 and Model 8), no effect of CSRR regulation found on the levels of CSRR disclosed by firms with the GLC's status and firms with higher percentage of institutional ownership, respectively.

These mixed findings, as shown in Table 6.19 and Table 6.20, suggest that the moderating role of CSRR regulation on government ownership-CSRR association is dependent upon the measurements used to represent government ownership. Different measurements used to represent government ownership lead to different findings revealed on the moderating role of CSRR regulation on the association between government ownership and CSRR. This implies the limited robustness of the findings of the moderating effects of CSRR regulation on the association between corporate ownership structure and CSRR to selected definition of government ownership for example, the percentage of shares held by government to total numbers of shares issued. While the presence of CSRR regulation has resulted in a decrease in the levels of CSRR disclosed by firms with higher level of government ownership (measured by the percentage of shares owned by government to total numbers of shares issued), the CSRR regulation seems to have no effect on the levels of CSRR disclosed by firms with the GLC's status and firms with higher percentage of institutional ownership, respectively.

Next, additional analysis is also performed across the different dimensions of CSRR used to represent the quantity and quality. There are five dimensions of CSRR used in the current study. They are environment, community, workplace, marketplace and others. While Table 6.21 presents the regression analysis according to the CSRR dimensions for the CSRR quantity, Table 6.22 shows the analysis conducted for CSRR quality.

Generally, the results presented in Table 6.17 (based on the total of CSRR quantity) are somewhat in agreement with the findings dictated in Table 6.21 (according to CSRR dimensions). Three out of the four variables used to represent corporate ownership structure, namely family ownership, foreign ownership and government ownership, are found to be significantly related to all measurements used to represent CSRR quantity (measured by total quantity and by different dimensions of CSRR). Boards of directors' CSR experience and CSRR regulation are also significantly related to all measurements of CSRR's quantity. Two of the control variables used in the current study, namely firm size and profitability, also documented a significant association with the total quantity of CSRR and each dimension of CSRR.

Table 6.21: Multiple Regression Results (CSRR Quantity by CSRR Dimensions)

$CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FORDIR_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN{*}REG_{it} + \beta_{13} FAMOWN{*}REG_{it} + \beta_{14} FOROWN{*}REG_{it} + \beta_{15} GOVOWN{*}REG_{it} + \varepsilon_{it}$										
	Environment (EQN)		**Community (CQN)**		**Workplace (WQN)**		**Marketplace (MQN)**		**Others (OQN)**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.040	1.538	0.036	1.594*	0.039	1.574	0.013	0.509	0.045	1.878*
MGRLOWN	0.008	0.235	-0.015	-0.498	-0.087	-2.670***	-0.101	-3.015***	0.032	1.025
FAMOWN	-0.126	-3.389***	-0.303	-9.222***	-0.301	-8.670***	-0.254	-6.813***	-0.191	-5.495***
FOROWN	0.127	4.484***	0.086	3.466***	0.084	3.079***	0.121	4.283***	0.137	5.204***
GOVOWN	0.173	5.710***	0.246	9.213***	0.319	10.883***	0.340	11.245***	0.217	7.672***
CSREXP	0.222	7.094***	0.198	7.177***	0.167	5.493***	0.192	6.133***	0.175	5.973***
REG	0.352	9.053***	0.378	11.014***	0.280	7.441***	0.184	4.745***	0.488	13.433***
SIZE	0.185	5.228***	0.209	6.723***	0.100	2.916***	0.132	3.745***	0.141	4.270***
SHARIAH	0.190	4.323***	-0.004	-0.110	0.053	1.234	0.080	1.829*	0.136	3.301***
ROA	0.061	1.996**	0.140	5.162***	0.118	3.977***	0.182	5.940***	0.189	6.605***
LEV	-0.001	-0.035	0.097	3.560***	0.063	2.098**	0.190	6.177***	0.144	5.003***
IND	0.241	5.594***	-0.127	-3.354***	0.052	1.251	0.021	0.493	0.032	0.797
MGRLOWN*REG	-0.106	-2.147**	-0.151	-3.474***	-0.137	-2.865***	-0.113	-2.282**	-0.131	-2.842***
FAMOWN*REG	0.035	0.658	0.053	1.119	0.089	1.723*	0.073	1.364	0.059	1.190
FOROWN*REG	0.022	0.536	-0.015	-0.412	0.002	0.058	0.000	-0.010	0.018	0.483
GOVOWN*REG	-0.037	-0.826	-0.067	-1.707*	-0.052	-1.217	-0.016	-0.371	0.003	0.067
Adjusted R^2	0.301		0.49		0.382		0.406		0.398	
F-Value	26.867***		58.570***		38.096***		41.939***		40.674***	
N	900		900		900		900		900	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQN=CSRR quantity, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FORDIR= Foreign director, GOVOWN=Government ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=*Shariah* status, ROA=Profitability, IND=Industry, LEV=Leverage.

Table 6.22: Multiple Regression Results (CSRR Quality by CSRR Dimensions)

$CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FORDIR_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_6 REG_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \beta_{12} MGRLOWN*REG_{it} + \beta_{13} FAMOWN*REG_{it} + \beta_{14} FOROWN*REG_{it} + \beta_{15} GOVOWN*REG_{it} + \varepsilon_{it}$

	Environment (EQL)		**Community (CQL)**		**Workplace (WQL)**		**Marketplace (MQL)**		**Others (OQL)**	
	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics	Coefficients	t-statistics
Constant	0.037	1.400	0.032	1.347	0.031	1.193	0.025	0.926	0.038	1.451
MGRLOWN	-0.033	-0.958	0.023	0.747	-0.099	-2.919***	-0.051	-1.452	0.075	2.210**
FAMOWN	-0.069	-1.827*	-0.284	-8.322***	-0.258	-6.852***	-0.163	-4.207***	-0.168	-4.474***
FOROWN	0.129	4.489***	0.077	2.989***	0.098	3.431***	0.136	4.636***	0.098	3.436***
GOVOWN	0.156	5.046***	0.235	8.485***	0.328	10.739***	0.331	10.552***	0.156	5.116***
CSREXP	0.172	5.381***	0.165	5.731***	0.150	4.733***	0.075	2.319**	0.114	3.603***
REG	0.352	8.891***	0.312	8.751***	0.276	7.037***	0.066	1.635*	0.269	6.854***
SIZE	0.199	5.544***	0.265	8.194***	0.107	3.014***	0.125	3.412***	0.167	4.688***
SHARIAH	0.131	2.921***	-0.035	-0.857	0.045	1.006	0.087	1.906*	0.083	1.856*
ROA	0.104	3.335***	0.121	4.304***	0.082	2.637***	0.157	4.923***	0.206	6.630***
LEV	0.009	0.297	0.070	2.475***	0.024	0.780	0.194	6.053***	0.135	4.337***
IND	0.257	5.872***	-0.119	-3.016***	0.069	1.584	0.031	0.699	0.047	1.084
MGRLOWN*REG	-0.114	-2.274**	-0.126	-2.796***	-0.159	-3.183***	-0.072	-1.397	-0.134	-2.682***
FAMOWN*REG	0.063	1.162	0.058	1.191	0.128	2.379**	0.094	1.696*	0.127	2.367**
FOROWN*REG	0.059	1.440	-0.008	-0.219	0.008	0.191	0.086	2.048**	-0.011	-0.279
GOVOWN*REG	-0.013	-0.287	-0.070	-1.721*	-0.034	-0.770	0.028	0.613	-0.074	-1.658*
Adjusted R^2	0.273		0.448		0.346		0.293		0.243	
F-Value	23.500***		49.649***		32.646***		25.796***		20.226***	
N	900		900		900		900		900	

Notes:

*** Significant at 0.01 level; ** Significant at 0.05 level; * Significant at 0.10 level.

CSRRQN=CSRR quantity, MGRLOWN=Managerial ownership, FAMOWN=Family ownership, FORDIR= Foreign director, GOVOWN=Government ownership, CSREXP=Board's CSR experience, REG=CSRR regulation, SIZE=Firm size, SHARIAH=Shariah status, ROA=Profitability, IND=Industry, LEV=Leverage.

Several variables examined in the current study report mixed findings across the different dimensions of CSRR. For examples, managerial ownership is significantly negatively related to the total quantity of CSRR (see Table 6.17, p-value<0.10), workplace dimension and marketplace dimension of CSRR (see Table 6.21, p-value<0.01). However, no association found between managerial ownership and environment, community and others dimension of CSRR. The results indicate that firms with higher managerial ownership disclose significantly less workplace and marketplace dimension of CSRR.

Shariah status of a firm is significantly positively related to the total quantity of CSRR (see Table 6.17, p-value<0.05), environment (p-value<0.01), marketplace (p-value<0.10) and others (p-value<0.01) dimension of CSRR (see Table 6.21). No association dictated between *Shariah* status and community and workplace dimension of CSRR. In summary, *Shariah*-approved firms were seen to disclose greater quantity of environment and others dimension of CSRR based on the 1 percent level of significance. Perhaps, the greater quantity of environment-related reporting disclosed by the *Shariah*-approved firms is consistent with Kamla *et al*.'s (2006) argument on the relatedness of Islamic principles and the notion of accounting for the environment. A significant positive association is dictated between leverage and each dimension of CSRR, with exception of the environment dimension of CSRR. Highly-leveraged firms generally disclose a greater amount of CSRR, as to attract creditors to provide financial assistance to the firms.

While industry has no effect on the total quantity of CSRR, it does affect the environment and community dimensions of CSRR. There is a significant positive association between industry and environment dimension of CSRR. A negative association is dictated between industry and community dimension of CSRR. Based on these results, it can be seen that firms in high-profile industry disclose significantly more environment-related

CSR information, but less community-related CSR information. Perhaps, the greater focus placed on the environment aspect of CSRR has made less focus given to the community-related CSRR. Being in the high-profile industry, firms are more concerned of making sure that their business activities did not harm the environment. This is to avoid of being fined by the regulatory authorities or facing litigation risks.

Evidence from Table 6.17 documents the moderating effect of CSRR regulation on the association between managerial ownership, family ownership and government ownership, respectively, on the total quantity of CSRR (p-value<0.05). However, these associations did not hold for all dimensions of CSRR (see Table 6.21). While the level of managerial ownership does not influence the amount of environment-related CSR information disclosed by firms, the implementation of CSRR regulation has led to significantly lower environment-related CSR information disclosed by firms with higher managerial ownership. This finding is also applicable to the community-related and others-related CSRR information. In the case of workplace-related and marketplace related CSR information, respectively, its significant negative association with managerial ownership remained, even in the presence of the CSRR regulation. In other word, firms with higher levels of managerial ownership disclosed significantly less workplace-related and marketplace-related CSR information in both the voluntary and mandatory periods of CSRR.

The presence of CSRR regulation weakens the negative association between family ownership and the quantity of CSRR. However, when the total quantity of CSRR is further divided into its dimension, the moderating effect is found to be applicable upon the workplace dimension of CSRR. Other dimensions of CSRR did not indicate any incremental effect upon the introduction of the CSRR regulation on the association between family ownership and CSRR. In contrary to the evidence dictated for family ownership, the presence of CSRR regulation generally weakens the positive association between government ownership and the quantity of CSRR. Further division of the quantity of CSRR into its dimension indicates the moderating effect of regulation on the community dimension of CSRR only. In other words, firms with higher levels of government ownership disclose less community-related CSR information during the mandatory period of CSRR.

Generally, findings revealed on the quantity of CSRR are consistent with the findings dictated for the quality of CSRR. Therefore, the explanations provided for the quantity of CSRR are also applicable to the quality of CSRR, with exception to a few cases of moderating effect of CSRR regulation. For example, while the moderating effect of CSRR regulation on the association between family ownership and quantity of CSRR is applicable only to the workplace dimension of CSRR, it applies to workplace, market place and other dimensions of CSRR, in terms of the quality of CSRR. Further division of the quality of CSRR into its dimension has witnessed the moderating effect of CSRR to be applied to the community and other dimensions of CSRR, rather than community only in the case of the quantity of CSRR.

Overall, the use of alternative measurements to represent government ownership in the current study demonstrates the robustness of the finding on the association between government ownership and CSRR. Regardless of the different measurements used to represent government ownership, for example, the percentage of shares owned by government to total numbers of shares issued, status as government-linked firm and institutional ownership, there is a positive association revealed between government ownership and CSRR. Nevertheless, the robustness of the findings on the moderating effect of CSRR regulation on the association between government ownership and CSRR seems to be limited to selected definition of government ownership. In this case, the percentage of shares owned by government to total numbers of shares issued.

Moreover, the division of CSRR into its dimensions also demonstrates several interesting findings are not observed from examining the total CSRR; for example, the effect of industry and *Shariah* status of firms on the environment-related information. This has signified the importance of examining the CSRR by its dimension, in addition to the total CSRR.

6.6 SUMMARY

The current study demonstrates an increasing trend of the levels of CSRR disclosed by firms in Malaysia over the five-year period from 2005 to 2009. Different types of corporate ownership structure seem to have different impact in influencing the levels of CSRR disclosed. While government ownership is related positively to CSRR, family ownership dictates a negative association with the levels of CSRR disclosed by firms. The association between managerial ownership and foreign ownership respectively, and the levels of CSRR seems to be inconsistent over the five year period of study.

Besides corporate ownership structure, the current study investigates the impact of board of directors' CSR experience, which represents an important board characteristic, on the levels of CSRR. A positive association is shown between board of directors' CSR experience and the levels of CSRR. Overall, the current study reveals the significance of two components of corporate governance; namely, corporate ownership structure and board of directors in influencing the levels of CSRR disclosed.

In addition, the current study also investigates the moderating effect of CSRR regulation on the association between corporate ownership and CSRR. The introduction of CSRR regulation has an effect on the association between corporate ownership structure and CSRR. Its effect on the association between corporate ownership structure and CSRR varies across the different types of corporate ownership structure. This variation denotes the levels of effectiveness of regulation in promoting higher levels of CSRR across different types of corporate ownership structure.

Findings of the current study imply the effectiveness of CSRR regulation in promoting higher levels of CSRR in firms with greater level of family ownership. Nevertheless, CSRR regulation is found to be ineffective in firms with higher levels of managerial and government ownership. CSRR regulation has no effect on firms with higher levels of foreign ownership. In summary, the current study demonstrates the importance role of corporate ownership structure, the board of directors and corporate reporting regulation in terms of influencing the levels of corporate reporting, specifically CSRR.

CHAPTER 7: DISCUSSIONS

7.1 INTRODUCTION

This chapter provides a discussion of the results revealed from the current study. Discussion on the trend of CSRR in Malaysia from 2005 to 2009 is provided in Section 7.2. Section 7.3 summarises the results of the multiple regression analyses generated from the current study. Discussions of the results revealed from the multiple regression analyses performed are provided in their respective sections: Section 7.4 elaborates the influence of corporate ownership structure on the levels of CSRR disclosed; Section 7.5 explains the impact of board of directors' CSR experience on the levels of CSRR disclosed; and Section 7.6 enlightens the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR. Finally, Section 7.7 summarises the discussions of the current study.

7.2 TREND OF CSRR IN MALAYSIA (2005-2009)

The longitudinal analysis of CSRR in the current study reveals an increasing trend of the quantity and quality of CSRR disclosed by firms in Malaysia over the five-year period from 2005 to 2009. In terms of the quantity of CSRR, both the number of reporting firms (see Table 6.1) and the number of CSR-related sentences disclosed by firms (see Table 6.2) demonstrate an upward trend over the period of analysis. The rising trend of the quantity of CSRR disclosed by firms might be explained by the introduction of CSRR regulation in Malaysia with effect from financial year of 2007, consistent with the findings revealed by Larrinaga *et al*. (2002), Frost (2007), Llena *et al.* (2007) and Criado-Jimenez *et al*. (2008) in Spain and Australia.

According to Ioannou and Serafeim (2012), the adoption of the mandatory CSR laws and regulation improves the social responsibility of business leaders. This may in turns lead to the greater levels of CSRR disclosed by firms. Possibly, the imposition of the mandatory CSRR regulation in Malaysia has urged firms to respond actively to CSR- and CSRR-related matters, thus in turns lead to the increasing trend of CSRR disclosed by firms in the country.

Larrinaga *et al*. (2002) found that the number of firms reporting environmental information increases subsequent to the introduction of environmental reporting standards in Spain. Llena *et al.* (2007) and Criado-Jimenez *et al*. (2008) highlighted an increase in the quantity of environmental information disclosed by firms following the progressive and improved environmental reporting regulation in Spain. Similarly, Frost (2007) also dictated an increase in the number of reporting firms and the level of information provided on environmental performance in Australia after a regulation on environmental reporting was enacted in 1998.

In Malaysia, CSRR was practiced voluntarily prior to 2007. However, Bursa Malaysia had made CSRR mandated upon all public listed firms in Malaysia with effect from 2007 (Bursa Malaysia, 2007). While evidence from prior related literature have documented an increase in environmental information disclosed following the environmental reporting regulation imposed in Spain and Australia (see Larrinaga *et al*., 2002; Frost, 2007; Llena *et al.*, 2007; Criado-Jimenez *et al*., 2008), the current study demonstrates an increase in CSR information disclosed by firms subsequent to the introduction of CSRR regulation in Malaysia.

The increasing trend of CSRR disclosed subsequent to the imposition of CSRR regulation may imply the compliance of firms to the regulation imposed. However, there has been much variability observed in terms of the CSR information disclosed, consistent with the findings dictated by several prior studies (see Tsang, 1998 in Singapore; Campbell *et al*., 2003 in the UK; Saleh *et al*., 2010 in Malaysia). According to Campbell *et al*. (2003), CSRR disclosed by firms varies substantially between firms and industries, and over time. Even in the longitudinal analysis of CSRR of a single firm, for example in BHP, Rothmans Ltd, Marks and Spencer Plc and Falconbridge, there is a variation of CSRR disclosed over time (Guthrie & Parker, 1989; Buhr, 1998; Campbell *et al*., 2000; Deegan *et al*., 2002; Tilling & Tilt, 2010; Mia & Mamun, 2011).

The variation in CSRR disclosed may reflect the changes in CSR focus of the firms over a period of time. Specific event that occurs at one specific time, for example; change in top management leadership/focus and regulation, and occurrence of social accidents and financial crisis; may lead to change in CSR focus of firm from time to time. The variation of CSRR disclosed by firms in response to specific events emphasises the use of CSRR as a tool for achieving legitimacy and managing the stakeholders. A wide variation in the extent to which CSR is practiced is also evident around the world (Baugh *et al*., 2007) and within Asian countries (Chapple & Moon, 2005), which, in turn, leads to the variation of CSRR disclosed by firms.

As shown in the current study, several CSRR items show a reduction in the number of reporting firms and the number of CSR-related sentences disclosed by firms in selected years. This has been particularly apparent in the later period of the analysis, for example in year 2008 and 2009. The fluctuation of the reporting trend of CSRR may reflect the variation of CSRR disclosed by firms over the five-year period.

Other than the variation of CSRR, the reduction in the number and percentage of firms that report at least one sentence on the respective CSRR items and the number of CSR-related sentences disclosed by firms could also signal the insufficiency and ineffectiveness of the current CSRR regulation in promoting greater levels of CSRR. The existing regulation of CSRR that is based on the Listing Requirement of Bursa Malaysia (Appendix 9C, Part A, Paragraph 29) obligates all public-listed firms to include a description of the CSR activities or practices undertaken by the listed firm and its subsidiaries or, if there are none, a statement to that effect.

Nevertheless, the introduction of the mandatory CSRR requirement by the Bursa Malaysia in 2007 was not accompanied by proper reporting standards or at least reporting guidelines for firms to follow. The lack of details on how to report the CSR information, particularly in the annual reports has led to a variety of reporting's contents and format produced by firms. The CSR framework suggested by the Bursa Malaysia in 2006 appears very basic, thus providing much discretion for firms to report CSR-information in their own styles.

For examples, firms may opt to disclose or not to disclose certain CSR information, to disclose more of certain CSR information or disclose less of other CSR information. Several firms may provide the description of their CSR activities in one sentence only, while others discuss their CSR activities in greater length. Given the vague and general nature of the existing CSRR regulation in Malaysia, both cases are seen to be complied with the CSRR regulation imposed. Perhaps, detailed reporting guidelines could be designed to accompany the mandatory CSRR regulation, either generalised to all industries or personalised to cater specific industries. This may facilitate firms to have some sort of standardized CSRR that are comparable between firms. A standardised

CSRR guideline will enable firms to have better understandings on what to reports and allow comparison to be made among reported firms (Lee & Hutchison, 2005).

Other than that, Criado-Jimenez *et al*. (2008) and Waagstein (2011) also highlighted the need of enforcement mechanisms to accompany the imposition of CSRR regulation, as this may boost firms' urgency to comply with the current CSRR requirement. The greater level of compliance to the reporting regulation may in turns translated into a greater quantity of CSRR disclosed. Possibly, the existing CSRR regulation can be complemented with several enforcement mechanisms such as reporting guidelines, CSRR standards, requirement for independent verification or audit, and imposition of penalties for non-compliant cases.

The greater number of reporting firms and sentences that disclose CSR-related information, specifically corporate governance (M4) and stakeholder engagement (including any communication with shareholders, for example, annual general meetings) (M7) information as shown in Table 6.1 and Table 6.2 is expected, in line with the Bursa Malaysia Listing Requirement that requires firms to comply with the disclosure provisions of the Malaysian Code of Corporate Governance (MCCG) (Shim, 2006). The results signify the importance of corporate governance information as part of the CSRR as suggested by Kolk and Pinkse (2010).

Other than corporate governance (M4) and stakeholder engagement (M7), firms were seen to place greater emphasis on the workplace dimension of CSRR. The focus on the workplace matters is evidenced across the five-year period of analysis, consistent with the findings by Gray *et al*. (1995a), Saleh *et al*. (2010) and Mahadeo *et al*. (2011). Gray *et al*. (1995a) revealed that workplace dimension of CSRR dominates both the voluntary and mandatory's areas of CSRR in the UK. At the time of Gray *et al*.'s (1995a) study, CSRR in the UK was divided into two segments of reporting; namely the mandatory segment of CSRR (e.g. employment data, disabled employees, pensions, charity) and the voluntary segment of CSRR (e.g. environmental, customer, community and employees). Mahadeo *et al*. (2011) also reported a greater number of firms disclose social-related information including workplace related matters, in comparison with the ethics and environment dimension of CSRR. Drawing upon a cross-sectional data, Hackston and Milne (1996) and Thompson and Zakaria (2004) also observed the dominance of workplace dimension of CSRR disclosed by firms in New Zealand and Malaysia, respectively. Overall, firms are seen to place greater focus on managing the demand of selected stakeholders, namely shareholders and employees, as they believe that these two groups of stakeholders are directly impacted the firms' operations.

While the increase in the quantity of CSRR over the five-year period has been apparent, there is only a slight increase in the quality of CSRR observed over the period of analysis. This has been evidenced by the slight increase in the number of firms reporting qualitative specific CSR information (see Table 6.5) and quantitative CSR information (see Table 6.6), compared with a significant increase in the number of firms reporting general qualitative CSR information (see Table 6.4).

According to Sawani *et al*. (2010), many firms were reluctant to disclose CSR information that is quantitative in nature to avoid criticisms from the minority shareholders that focus mainly on profit. The resistance of many firms to disclose the quantitative CSRR could also be explained by the firms' fear of losing their competitive advantage. For example, the disclosure of the quantitative CSRR may lead to the use of such information by the competitors, who intend to compete between each others, in a way to portray good corporate image or reputation.

The increasing trend of the quantity of CSRR is expected following the CSRR regulation that obligates all public listed firms to disclose their CSR activities in the annual reports. Nevertheless, the low quality of CSRR dictated in the current study open up some discussions on the effectiveness of the CSRR regulation in improving the quality of CSRR in firms. The existing CSRR regulation seems to have minimal impact upon improving the quality of CSRR disclosed by firms in Malaysia. Given the absence of a detailed CSRR standard or reporting guideline to support the mandatory CSRR regulation in Malaysia, firms are seen to report minimum CSR information as to fulfil the minimum requirement of the CSRR regulation or disclose CSRR in their own manner, for example, report CSR information in qualitative nature rather than quantitative.

Greater efforts from the regulators are necessary to improve the quality of CSRR in Malaysia; for example, through the introduction of specific reporting guidelines, standards of CSRR and independent assurance. This is vital as firms with improved quality of CSRR may demonstrate a higher level of corporate accountability and commitment to both CSR and CSRR, and subsequently become role models for other firms to follow suit. The enforcement of the existing regulation is also required to ensure the high level of compliance by the firms on the regulation imposed. As documented by Criado-Jimenez *et al*. (2008), there is an improved in the quality of CSRR observed among firms, following the progressive and improved CSRR regulation in Spain. While independent assurance enhances the quality of voluntary environmental disclosures (Moroney et al., 2012), perhaps it may also enhance the quality of mandatory CSRR.

The continuous efforts to promote CSRR from various parties, for examples, the government, public and private firms, NGOs and the society are needed as they may bring CSRR practice in Malaysia to a higher level of importance. With the increasing emphasis on sustainability reporting in firms, greater commitment of the firms in other aspects of CSRR; for example, in environment and marketplace's dimension of CSRR is expected. The Chairman of the Environmental Quality Council Malaysia urged the government to make sustainability reporting compulsory for all Malaysian firms in a way to enhance the quality of sustainability reporting in the country. This is vital as to ensure the fulfilment of the different stakeholders' needs and the sustainability of the firms, people and planet as a whole. Overall, cooperation between firms and regulators are necessary to ensure a successful implementation of the enacted regulations.

Results from the descriptive statistics of CSRR (see Table 6.7 and Table 6.8) demonstrate greater quantity and quality of CSRR disclosed by firms during the mandatory period of CSRR (2007-2009) in comparison with the voluntary period of CSRR (2005-2006). These findings are expected as more firms disclose CSRR after it is mandated in 2007 compared to the voluntary period of CSRR (prior to 2007). The results may partly indicate the firms' reaction to the mandatory CSRR regulation. The highest mean difference of the CSRR quantity and CSRR quality in 2007 may signify the response of firms towards the introduction of the mandatory CSRR requirement that take into effect in 2007. Once mandated, the mean difference of the quantity and quality of CSRR reduces in 2008 and 2009. Such reduction may indicate the variation of CSRR disclosed by firms in the absence of a detailed CSRR guideline or standards for firms to follow, along with the CSRR regulation. Furthermore, the lack of appropriate enforcement mechanisms to support the existing CSRR regulation (e.g. imposition of penalties and fines for non-compliant firms) may also contribute to the reduction in the mean difference.

While most of the dimensions of CSRR (e.g. environment, community, workplace and others) reported a highest mean difference in 2007 that is the first year CSRR is made mandated, marketplace-related information shows a highest mean difference in 2008.

Perhaps, it may indicate partly the effect of the global financial crisis, whereby firms attempt to satisfy the information demand of the market players especially the shareholders through greater disclosure of the marketplace-related information. During the financial crisis, firms need to convince the market players on the firms' sustainability despite facing the crisis.

The attitude of firms to focus their reports on selected dimensions or items of CSRR may explains the use of CSRR as a mechanism for firms to manage selected important groups of stakeholders, legitimise their existence and maintain good reputation in society. Firms are seen to keep their CSR information disclosed in qualitative nature, in a way to avoid criticisms from selected groups of stakeholders (e.g. minority shareholders) and to minimise the risk of losing their competitive advantage to their competitors.

Evidence from the current study also demonstrates firms' greater emphasis on employees and market players rather than community and environment. Employees, which represent an important internal stakeholders' group of firms were given the highest priority in firms' CSR activities. This is consistent with the evidence dictated in a number of CSRR research conducted in different countries, whereby human resource or employee-related information dominated most of CSRR disclosed in many countries around the world (Gray *et al*., 1995a; Hackston & Milne, 1996; Tsang, 1998; Pratten & Mashat, 2009) including Malaysia (Thompson & Zakaria, 2004; Haniffa & Cooke, 2005; Saleh *et al*., 2010). Perhaps, this may indicate the importance of employees as corporate stakeholders (Puri & Borok, 2002), along with the market players (e.g. shareholders, suppliers and customers). These two groups of stakeholders contribute significantly to the success and survival of firms. Therefore, they should be given more priority in CSRR, in a way to fulfil their information demands about the firms' activities and performance.

7.3 SUMMARY OF MULTIPLE REGRESSION RESULTS

Table 7.1 summarises the results of the multiple regression analysis performed to test H1 (the influence of corporate ownership structure on CSRR), H2 (the effect of boards of directors' CSR experience on CSRR) and H3 (the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR) of the current study. In general, there is a consistent finding revealed on the significant variables that influence the quantity (Model 1 and Model 3) and the quality (Model 2 and Model 4) of CSRR.

Table 7.1: Summary of Multiple Regression Results (Pooled Data–Model 1 to Model 4)

Hypothesis	Predicted Sign	Actual Sign	Hypothesis Support			
			Strong	Moderate	Weak	None
MODEL1: $CSRRQN_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon i_t$						
MGRLOWN (H1a)	-	-				√
FAMOWN (H1b)	-	-	√			
FOROWN (H1c)	+	+	√			
GOVOWN (H1d)	+	+	√			
CSREXP (H2)	+	+	√			
MODEL2: $CSRRQL_{it} = \beta_0 + \beta_1 MGRLOWN_{it} + \beta_2 FAMOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 GOVOWN_{it} + \beta_5 CSREXP_{it} + \beta_7 SIZE_{it} + \beta_8 SHARIAH_{it} + \beta_9 ROA_{it} + \beta_{10} IND_{it} + \beta_{11} LEV_{it} + \varepsilon i_t$						
MGRLOWN (H1a)	-	-				√
FAMOWN (H1b)	-	-	√			
FOROWN (H1c)	+	+	√			
GOVOWN (H1d)	+	+	√			
CSREXP (H2)	+	+	√			

Table 7.1 Summary of Multiple Regression Results (Pooled Data–Model 1 to Model 4) (Continued)

Hypothesis	Predicted Sign	Actual Sign	Hypothesis Support			
			Strong	Moderate	Weak	None
MODEL3: CSRRQN$_{it}$ = β$_0$ + β$_1$MGRLOWN$_{it}$ + β$_2$FAMOWN$_{it}$ + β$_3$FOROWN$_{it}$ + β$_4$GOVOWN$_{it}$ + β$_5$CSREXP$_{it}$ + β$_6$REG$_{it}$ + β$_7$SIZE$_{it}$ + β$_8$SHARIAH$_{it}$ + β$_9$ROA$_{it}$ + β$_{10}$IND$_{it}$ + β$_{11}$LEV$_{it}$ + β$_{12}$MGRLOWN*REG$_{it}$+ β$_{13}$FAMOWN*REG$_{it}$ + β$_{14}$FOROWN*REG$_{it}$ + β$_{15}$GOVOWN*REG$_{it}$ + ε$_{it}$						
MGRLOWN	-	-			√	
FAMOWN	-	-	√			
FOROWN	+	+	√			
GOVOWN	+	+	√			
CSREXP	+	+	√			
REG	+	+	√			
MGRLOWN*REG (H3a)	+	-				√
FAMOWN*REG (H3b)	+	+		√		
FOROWN*REG (H3c)	+	-				√
GOVOWN*REG (H3d)	+	-				√
MODEL4: CSRRQL$_{it}$ = β$_0$ + β$_1$MGRLOWN$_{it}$ + β$_2$FAMOWN$_{it}$ + β$_3$FOROWN$_{it}$ + β$_4$GOVOWN$_{it}$ + β$_5$CSREXP$_{it}$ + β$_6$REG$_{it}$ + β$_7$SIZE$_{it}$ + β$_8$SHARIAH$_{it}$ + β$_9$ROA$_{it}$ + β$_{10}$IND$_{it}$ + β$_{11}$LEV$_{it}$ + β$_{12}$MGRLOWN*REG$_{it}$+ β$_{13}$FAMOWN*REG$_{it}$ + β$_{14}$FOROWN*REG$_{it}$ + β$_{15}$GOVOWN*REG$_{it}$ + ε$_{it}$						
MGRLOWN	-	-				√
FAMOWN	-	-	√			
FOROWN	+	+	√			
GOVOWN	+	+	√			
CSREXP	+	+	√			
REG	+	+	√			
MGRLOWN*REG (H3a)	+	-				√
FAMOWN*REG (H3b)	+	+		√		
FOROWN*REG (H3c)	+	-				√
GOVOWN*REG (H3d)	+	-				√

7.4 CORPORATE OWNERSHIP STRUCTURE AND CSRR

The current study hypothesises the different influences placed by different types of corporate ownership structure on the levels of CSRR disclosed by firms. Based on the results presented in Table 7.1, it is observed that three out of four variables used to represent ownership structure in a firm revealed significant association with CSRR (p-value<0.01). They are family ownership (H1b), foreign ownership (H1c) and government ownership (H1d). There is no association found between managerial ownership and CSRR (H1a).

7.4.1 Managerial Ownership

The current study provides no support for H1a, which hypothesised the negative association between managerial ownership and CSRR. The finding suggests that managerial ownership does not contribute to the firm's emphasis on CSR, thus CSRR, which is consistent with the selected findings of Johnson and Greening (1999) and Oh *et al*. (2011), who dictated no association between managerial ownership and CSR performance in US and Korea, respectively. Possibly, the outcome observed in the current study indicates the lack of concern and accountability of the executive directors in promoting CSR, as they are more interested in pursuing their self-interest objectives that resolve around maximising their own wealth as shareholders (Zahra, 1989).

In the general context of corporate reporting, this result appears consistent with the evidence dictated by Huafang and Jianguo (2007) in China and Donnelly and Mulcahy (2008) in Ireland. The result generally implies that firms with higher percentage of shares held by executive directors, who are a member of the board of directors of firms, have no effect on the levels of CSRR disclosed. This is in contrast to the finding revealed by Ghazali (2007), who documented a negative association between managerial ownership and CSRR in a sample of public-listed firms in Malaysia.

Perhaps, the contradictory findings between this study and the one reported by Ghazali (2007) could be explained by the different year of data set used in different studies. For example, Ghazali (2007) relied solely on a single data set of year 2001, whereas the current study covers a longer period from 2005 to 2009. Based on the yearly data of 2008 and 2009, the current study documents a negative association between managerial ownership and the quantity of CSRR. However, no association was found between the two variables for the pooled data and other yearly data (2005-2007). The mixed finding observed may signify the existence of other variables, such as specific events or other omitted variables that may influence the firms' decisions on the levels of CSRR disclosed. It also emphasises the importance of a longitudinal nature of studies that allow the researcher to analyse the consistency of the patterns of a relationship over a period of time, before making any conclusion out of the findings revealed.

7.4.2 Family Ownership

The significant negative association between family ownership and CSRR indicates that firms with a higher percentage of family members on boards of directors disclose significantly fewer quantities and quality of CSRR. This provides support for H1b of the current study. Perhaps, the fewer CSR concern found in the family firms compared to the non-family firms as dictated by Dyer and Whetten (2006) may contribute to the lesser amount of CSR information disclosed by the firms in the current study. This finding is also consistent with evidence dictated in previous studies relating family ownership to corporate voluntary disclosure (e.g. Ho & Wong, 2001; Chau & Gray, 2002; Haniffa & Cooke, 2002; Ghazali & Weetman, 2006) and CSR reputation (Othman *et al*., 2011).

The lower demand for public disclosure in this type of firms may also contribute to the lower disclosure of CSRR in firms with higher percentage of family members on boards. As highlighted by Gray (1988), there is little incentive for the family-controlled firms to disclose greater quantity of information in excess of mandatory requirement, as the demand for public disclosure in these firms is generally low. The appointment of family members as the members of the boards of directors has indicated an active involvement of the family owners in managing the firms and influencing the boards' decision on corporate disclosure (Ghazali & Weetman, 2006; Chen *et al*., 2008). Being owned and managed by the same group of people may expose the owners of the firms with greater access to the internal information of the firms, thus are less likely to rely on public information.

Evidence on the association between family ownership and corporate disclosure is considered important, given the dominance of this type of corporate ownership structure in many countries around the world (La Porta *et al*., 1999), particularly in Asia (Claessens *et al*., 2000; Fan & Wong, 2002; Jaggi *et al*., 2009). Therefore, the current study contributes to the existing literature on corporate disclosure by documenting the influence of family ownership on the levels of CSRR disclosed by firms in Malaysia. The prevalence of family-owned firms that make up the corporate structure in Malaysia (Cheung & Chan, 2004; Jaggi *et al*., 2009), as well as the continuous development of CSRR in the country, drive more research efforts to investigate the way firms with higher level of family ownership behave in response to CSRR throughout the voluntary and mandatory periods of CSRR.

7.4.3 Foreign Ownership

Foreign ownership is significantly positively related to the levels of CSRR disclosed, thus provides support for H1c of the current study. This finding generally suggests that firms with higher foreign ownership disclose significantly more CSRR, consistent with evidence revealed in several prior related studies, for examples, Teoh and Thong (1989) and Haniffa and Cooke (2005) in Malaysia, and Oh *et al*. (2011) in Korea. These studies documented higher levels of CSRR or CSR performance in firms with higher levels of foreign ownership. Greater disclosure in firms with higher levels of foreign ownership is desirable as it may reduce the geographical separation and information asymmetry problems resulted from cross-border ownership (Mangena & Tauringana, 2007; Oh *et al*., 2011).

In addition, the preference of the foreign shareholders to invest in firms, in which they are well informed (Mangena and Tauringana (2007), may motivate firms with higher level of foreign ownership to provide greater disclosure to their shareholders and other stakeholders. In the context of CSRR, the influence of foreign shareholders, especially those from Europe and North America, to direct CSR and CSRR practices in firms might be more apparent given the greater emphasis of CSR in those countries (Gugler & Shi, 2009; Oh *et al*., 2011).

Despite the positive association between foreign ownership and CSRR based on the pooled data, the yearly data of 2005 and 2006 documents no significant association between foreign ownership and the quality of CSRR. Perhaps, during these two years (2005 and 2006), which denote the voluntary period of CSRR, there was less focus placed by the foreign shareholders on the quality aspect of CSRR, rather than the quantity of CSRR. Therefore, no association was found between foreign ownership and the quality of CSRR during the voluntary period of CSRR. Perhaps, the different findings of the association between foreign ownership and CSRR during the voluntary and mandatory period of CSRR indicate the effect of CSRR regulation in influencing the association between the two variables.

7.4.4 Government Ownership

Government ownership is significantly positively related to the levels of CSRR disclosed, which provides support for H1d of the current study. The result signifies that firms with higher levels of government ownership disclose greater quantity and quality of CSRR. This is in agreement with the findings observed by Ghazali (2007) and Amran and Devi

(2008). While Ghazali (2007) and Amran and Devi (2008) relied on a single-year data set of 2001 and 2003, respectively, the current study employed a five-year data set from 2005 to 2009 covering both the voluntary and mandatory periods of CSRR. The current study reveals that the significant positive influence of government ownership on the levels of CSRR remained over the five year period of analysis.

The higher level of CSRR disclosed by firms with greater level of government shareholding is expected as the Malaysian government has continuously promoted CSR and urged public-listed firms to become more socially and environmentally responsible. With respect to government-linked firms, a specific guideline on CSR that is ‘The Silver Book’ has been designed to guide these firms in practising CSR and CSRR, other than the mandated CSRR requirement imposed by the Bursa Malaysia. An examination of the voluntary CSRR in Malaysian government-linked firms by Rahman *et al*. (2011) revealed that the government-linked firms disclose the bad/negative news in addition to the good/positive news. This may imply a better quality of CSRR, measured by the types of disclosure as either good or bad news, disclosed by the government-linked firms in comparison to other firms, which mostly reported the good/positive news only.

Rather than merely intending to attain legitimacy, perhaps the CSRR disclosed by the government-linked firms may be seen to fulfil the accountability role of reporting. This is due to the roles of the government-owned firms to serve the nation, rather than solely maximising profit. As highlighted by Eng and Mak (2003), the conflict between the goal of firms to maximise profit and to serve the nations may be reduced through greater reporting of voluntary information. Certain levels of pressure may be created through government ownership for firms to disclose greater levels of information publicly.

The greater levels of CSRR disclosed by firms with greater level of government ownership could also be seen as to support government's initiatives in promoting CSR and CSRR; for example, the introduction of CSRR regulation by the Bursa Malaysia, as well as CSR guideline for government-linked firms that is 'The Silver Book'. Since they are expected to be more involved in CSR-related activities, more CSR-related information should be disclosed by these firms.

Overall, the findings of the current study that demonstrate the influence of shareholders in determining the levels of CSRR disclosed by firms are consistent with the outcome observed by Patten (1990) and Wilmshurst and Frost (2000). Evidence dictated in the current study indicates the different power possesses by different types of shareholders in influencing the levels of CSRR disclosed by firms. While greater power possessed by the foreign shareholders and government shareholders lead to the greater amount and quality of CSRR disclosed by the firms, the greater power of the owner-managers in firms has no effect on CSRR. The greater power possessed by the family-owners led to lower levels of the CSRR being disclosedby the firms. In the current study, the power possessed by the respective shareholders is represented by the percentage of shares held by those shareholders. The higher percentage of shares held denotes the greater power possessed by the shareholders in influencing firms' decisions, which supporting the stakeholder theory.

Prior related studies focused merely on the concentrated ownership as the sole variable to represent corporate ownership structure. For example, Roberts (1992), Liu and Anbumozhi (2009) and Elijido-Ten (2009) found no influence of the concentrated ownership on the levels of CSRR disclosed. Brammer and Pavelin (2006) revealed a significant positive association between firms with dispersed ownership and the amount of environmental reporting in the UK, whereas Huang and Kung (2010) reported a significant negative association between concentrated ownership and environmental disclosure in Taiwan. Given the uniqueness of corporate ownership structure in Asian countries, particularly in Malaysia that is dominated by family-owned and government-owned firms (Claessen *et al*., 2000; Eng & Mak, 2003; Jaggi *et al*., 2009), the extension of corporate ownership structure to include the different types of corporate ownership such as managerial ownership, family ownership, foreign ownership and government ownership is considered appropriate and relevant. This ensures that the variables used to indicate the corporate ownership structure fit the context of the current study.

7.5 BOARDS OF DIRECTORS' CSR EXPERIENCE AND CSRR

The current study documents a significant positive association between boards of directors' CSR experience and the levels of CSRR disclosed by firms. Firms with a greater percentage of directors that possess CSR experience tend to disclose higher levels of CSRR, measured in terms of its quantity and quality. Generally, the findings revealed provide support for H2 of the current study.

The role of directors with CSR experience in promoting a greater levels of CSRR in firms is expected, as experienced directors has been dictated to drive firms' performance in several prior studies; for example, Carpenter *et al*. (2001), Kroll *et al*. (2008) and Kor and Sundaramurthy (2009). Experienced directors are capable of influencing boards' decisions and providing guidance for strategic decision-making in firms (Westphal & Milton, 2000; Carpenter & Westphal, 2001; Mcdonald *et al*. (2008), including in the matters of CSR and CSRR.

Directors with relevant and appropriate experience are associated with superior corporate outcome (Kroll *et al*., 2008; Mcdonald *et al*., 2008). As highlighted by Mcdonald *et al*. (2008), experienced directors may develop an extensive knowledge base that signifies a relatively high level of expertise supporting high-quality decision making. This, in turn, makes experienced directors become more useful advisers in firms (Kroll *et al*., 2008). They may rely on prior related experiences as guidance in making future related decisions (Dearborn & Simon, 1958), including decisions that relate to CSR and CSRR.

Previous related literature has used several variables to represent directors' experience; for example, multiple directorship (Haniffa & Cooke, 2002; 2005; Gul & Leung, 2004), and the age and length of service of directors (Abdelsalam & Street, 2007). The association between directors' experience and corporate disclosure tends to mixed, depending upon the variables used to represent directors' experience.

In the context of CSRR, the current evidence complements the findings of the existing CSRR research that examines the effect of board of directors' characteristics on CSRR. The current study dictates the board of directors' CSR experience as one of the board's characteristics that may influence the quantity and quality of CSRR disclosed by firms. CSR experiences are very much needed in firms' boards of directors, in order to enhance CSR performance and reporting in firms. The appointment of one or more board members with prior experience in CSR may enable firms to better manage its CSR portfolio (Cramer & Hirschland, 2006; Strandberg, 2007). While the influence of directors' specific experiences on specific firms' outcome such as firm acquisition and growth have been documented in a number of studies (see Mcdonald *et al*., 2008; Kor & Sundaramurthy, 2009), the current study demonstrates the influence of directors' CSR experience on CSRR.

Therefore, finding of the current study may shed some light on the association between boards of directors with CSR experience and the level of CSRR disclosed by firms. It indicates the influence of board of directors' CSR experience, which represents firms' strategic posture, in shaping the CSRR disclosed by the firms. In other words, firms may consider appointing directors with relevant CSR experience, to sit on the boards of directors, as one of the strategies to improve CSR performance and reporting disclosed by the firms. Examples of directors' CSR experiences include their involvement in NGO activities in preserving the environment and to caring for the community and prior experience in managing CSR-related tasks or specific departments related to CSR in firms. CSR experience should be included as one of the important criteria in the directors' appointment criteria, as these experienced directors may assist firms in promoting CSR and CSRR to a higher degree. Probably, the existing members of the board of directors should also be sent for trainings or continuous learning programmes that relate to CSR and CSRR, so that they could gain some awareness on the importance of social and environmental issues in firms, and knowledge and expertise in implementing and reporting CSR activities.

The current study provides support for Haniffa and Cooke (2005) who dictated a significant positive association between chairman with multiple directorships (to represent director's experience) and the extents of CSRR in Malaysia. The findings of the current study acknowledge the importance of boards' CSR experience as one of the firms' strategic posture in promoting CSRR. It adds to the existing CSRR literature, which adopted the presence of corporate sponsored philanthropic foundation and environmental committee as a variable that represent strategic posture of a firm (Roberts, 1992; Elijido-Ten, 2009). Overall, the current study demonstrates the importance of directors with CSR experiences in promoting greater levels of CSR practices and reporting in firms.

7.6 CORPORATE OWNERSHIP STRUCTURE AND CSRR: THE EFFECT OF CSRR REGULATION

The results of the current study indicate the importance role of CSRR regulation in shaping the development of CSRR, particularly in Malaysia. This is evidenced by the greater levels of CSRR disclosed by firms in the presence of the CSRR regulation. Generally, the finding supports the results provided in prior studies that examine the effect of related regulation on CSRR and CSR reputation. For example, Crawford and Williams (2010) suggested that firms operate in a highly-regulated environment in terms of CSRR provide higher levels of CSRR. Othman *et al*. (2011) also dictated a positive association between CSRR regulation (measured by the differences in the extent of CSRR between the voluntary period of CSRR and the mandatory period of CSRR) and CSR reputation index. Frost (2007), Llena *et al*. (2007) and Criado-Jimenez *et al*. (2008) documented an increasing trend of the volume and the quality of environmental reporting disclosed by firms, following the improved environmental reporting regulation imposed on firms.

However, the moderating effect of CSRR regulation on the association between corporate ownership structure and the levels of CSRR tends to vary across different types of corporate ownership structure. The interaction term of managerial ownership and CSRR regulation (MGRLOWN*REG) is significantly negatively related with the levels of CSRR disclosed (CSRRQN and CSRRQL), which suggests no support for H3a of the current study. The result denotes that firms with higher level of managerial ownership disclose significantly less amount and quality of CSRR in presence of CSRR regulation.

These findings may imply the ineffectiveness of CSRR regulation in promoting CSRR among the firms with a higher level of managerial ownership or owner-managed firms.

The stronger negative association revealed between managerial ownership and CSRR in the presence of CSRR regulation seems to contradict with the evidence dictated by Warfield *et al*. (1995), who demonstrated the lower level of importance of managerial ownership in a regulatory regime. Warfield *et al*. (1995) argued that the presence of regulation gives managers less opportunity to pursue non-value maximising action. Nevertheless, in the context of CSRR of the current study, the presence of CSRR regulation seems to be ineffective in driving the managers to disclose a greater quantity and quality of CSRR. Perhaps, this scenario calls for greater enforcement mechanisms to be in place for CSRR in Malaysia, so that firms become more motivated to comply with the regulation.

Similarly, the interaction term of government ownership and CSRR regulation (GOVOWN*REG) is also significantly negatively related to the levels of CSRR disclosed (CSRRQN and CSRRQL), providing no support for H3d of the current study. These results indicate a reduction in the levels of CSRR disclosed by firms with higher level of government ownership, following the implementation of CSRR regulation. The findings may imply the ineffectiveness of the CSRR regulation in promoting higher levels of CSRR among the government-owned firms in Malaysia. While the firms are expected to disclose more CSRR following the regulation, a reduction in CSRR with the introduction of the CSRR regulation is unexpected.

Perhaps, the lenient CSRR regulation imposed by the Bursa Malaysia has contributed to the reduction in the CSRR disclosed by firms with higher government ownership. The Bursa Malaysia requires all public-listed firms to include a description of the CSR activities or practices undertaken by the firms and its subsidiaries, and if there is none, a statement to that effect. Firms with higher government ownership, which had already disclosed greater levels of CSRR during the voluntary period, may think that the high levels of CSRR disclosed are not necessary, given the lenient requirement imposed by the Bursa Malaysia from 2007 onwards. Possibly, this situation could be improved through an implementation of a set of appropriate CSRR guidelines or standards that may serve as benchmark for firms to report their CSR information to their stakeholders.

No association found between the interaction term of foreign ownership and CSRR regulation (FOROWN*REG) and the levels of CSRR disclosed (CSRRQN and CSRRQL), indicating no support for H3c of the current study. In other words, the presence of CSRR regulation does not affect the levels of CSRR disclosed by firms with higher level of foreign ownership. Perhaps, firms with higher foreign ownership, particularly from the Europe and North America, are influenced by their home country's practice of CSRR, rather than the CSRR regulation imposed by the Malaysia's stock exchange that is Bursa Malaysia. The CSRR practised by firms originating from European and North American countries is generally stricter than that adopted by developing countries (Gugler & Shi, 2009; Oh *et al*., 2011), particularly Malaysia. This is due to the greater emphasis of CSR placed and stringent regulations imposed in those countries (Frost, 2007; Criado-Jimenez *et al*., 2008; Oh *et al*., 2011).

CSRR regulation seems to be ineffective in promoting greater levels of CSRR in firms with higher levels of managerial ownership and government ownership. These firms tend to disclose less quantity and quality of CSRR during the mandatory CSRR period. Such reduction in reporting might be caused by the lack of CSRR standards or at least CSRR mandatory reporting guidelines to accompany the mandatory CSRR requirement. This is because the mandatory CSRR requirement, which obligates all public-listed firms to disclose CSRR, only requires firms to include a description of the CSR activities or practices undertaken by the firms and its subsidiaries or, if there are none, a statement to that effect. Such requirement is seen as too general in nature.

Following this general mandatory requirement, a very general or broad statement of CSR activities held by firms is already sufficient for firms to meet the mandatory CSRR requirement as outlined by the Bursa Malaysia. Therefore, firms may be less motivated to provide greater quantity and quality of CSRR above the levels prescribed by the regulators, as it will increase the cost of reporting such information. Nevertheless, they may be motivated to disclose more CSRR that is the amount in excess of the required disclosure by the regulation, if they intend to exhibit good corporate image or reputation to the stakeholders (Hooghiemstra, 2000; Bebbington *et al*., 2008), or subject to other influences; for example, their home country's practise of CSRR (Gugler & Shi, 2009; Oh *et al*., 2011).

The greater levels of CSRR observed during the voluntary period may explain the firms' efforts to influence or delay regulation (Adams, 2002). Perhaps, through greater CSRR, there is less pressure placed by the government to impose regulation related to CSRR. Nevertheless, the introduction of the CSRR requirement that is too general in nature may hinder firms to disclose CSRR more than the amount required by the regulation.

The findings of the current study are consistent with the evidence dictated in a number of previous studies that investigated the effect of CSRR-related regulation on the levels of CSRR disclosed by firms. For example, in spite of the presence of CSRR-related regulation, there are still cases of non-compliant reported in the UK (Adams *et al*., 1995; Day & Woodward, 2004) and Spain (Larrinaga *et al*., 2002), respectively.

In contrast to the findings above, there is a positive association dictated between the interaction term of family ownership and CSRR regulation (FAMOWN*REG) and the levels of CSRR disclosed (CSRRQN and CSRRQL), which supporting H3b of the current study. Firms with higher level of family ownership tend to provide a greater amount and quality of CSRR during the mandatory period of CSRR. The result seems to indicate the positive effect of CSR regulation on the levels of CSRR disclosed in the firms with higher level of family ownership. This is somewhat consistent with the findings dictated by Llena *et al*. (2007) and Criado-Jimenez *et al*. (2008) in Spain and Frost (2007) in Australia.

These findings generally implied the important role of CSRR regulation in promoting a higher level of CSRR in family-owned firms. While firms with higher level of family ownership were seen as less motivated to disclose more CSR information during the voluntary period of CSRR, they disclose more CSRR following the introduction of CSRR regulation in 2007. These firms seem to abide with the new regulation imposed by the stock exchange, in line with the arguments by Gray (1988) and Bajo *et al*. (2009). Gray (1988) highlighted a high level of firms' compliance towards the regulation imposed despite the high level of secrecy documented in firms in Malaysia, while Bajo *et al*. (2009) suggested for a high level of regulatory compliance by the family firms.

Overall, the current study documents the different effect of CSRR regulation across the different types of corporate ownership structure. The presence of CSRR regulation is seen as effective in firms with higher level of family ownership, as the quantity and quality of CSRR improved with the presence of the regulation. However, the implementation of CSRR regulation seems to be ineffective in other types of ownership structure. This is due to the failure of the regulation to improve the levels of CSRR disclosed in firms with higher level of managerial, foreign and government ownership.

Perhaps, the nature of the existing CSRR regulation may contribute to such findings. It simply requires firms to provide an explanation or statement about any CSR-related activities held by the firms in corporate annual reports. The lack of details on how to report the CSR-related information, for example, the absence of proper reporting guidelines or CSRR standards, has led to the variation of reporting style or format. The presence of CSRR regulation does not promote to the greater improvement in the levels of CSRR in firms with higher foreign and government ownership. Even without such regulation, these firms have already disclosed significant levels of CSRR due to the pressures from foreign shareholders and the objective to serve the nation. The current CSRR policy also seems to be inadequate to motivate firms with higher level of managerial ownership to disclose greater levels of CSRR. As highlighted by Zahra (1989), directors with a high level of ownership in firms tend to pursue their self-interest objectives more than the interests of other stakeholders. Instead of ensuring that the social objectives of the firms are being implemented, the director's objectives tend to resolve around maximising their own wealth as shareholders (Zahra, 1989).

Findings of the current study demonstrate the application of stakeholder theory as well as contingency theory in explaining the levels of CSRR disclosed. While evidence from the extant literature relating ownership structure or CSRR regulation to the levels of CSRR disclosed focused on the direct effect of the ownership structure or regulation on the levels reporting, the current study contributes to the existing body of related works by examining the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR. Findings of the current study revealed that different types of corporate ownership structure impact the level of CSRR differently in presence of the CSRR regulation. Overall, CSRR regulation did offer some effect on the association between several types of corporate ownership structure on the levels of CSRR disclosed. The application of the multiple perspective of CSRR that include stakeholder and contingency theory has further improved the model of the determinants of CSRR. This supports the argument of Parker (2005) on the multiple theorisation of CSRR, adding to the lists of CSRR literature that adopt multiple theories (see Ratanajongkol et al., 2006; Makela & Nasi, 2010).

Prior CSRR literature that adopted stakeholder theory used concentrated ownership as the only variable to represent shareholders (see Roberts, 1992; Huang & Kung, 2010). Likewise, the current study includes the four different types of corporate ownership structure in Malaysia that reflect the common corporate ownership in the country. Findings of the current study demonstrate the manner in which different types of shareholders influenced CSRR in different manner. Board CSR experience has also been seen to represent important firms' strategic posture that help to promote greater levels of CSRR disclosed by firms. Prior related literature used several other variables to represent firms' strategic posture, for example the presence of environmental committees, philanthropic foundation, and environmental management certification (ISO14001) (Roberts, 1992; Elijido-Ten, 2009).

CSRR was practised voluntarily in Malaysia prior to 2007. The introduction of CSRR regulation with effect from 2007 may serve as constraint that affects the levels of CSRR disclosed by firms. The findings on the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR dictate the variation of CSRR regulation's impact on CSRR across the different types of corporate ownership structure. These findings support the application of contingency theory in explaining the levels of CSRR. In contrary to Elsayed and Hoque (2010), who used contingency theory to explain voluntary disclosure practice in Egypt, the current study extends the use of the contingency theory in explaining the CSRR practice in Malaysia.

The current study provides inputs for the regulators to improve the current policy on CSRR. For example, the regulatory bodies may need to consider setting up appropriate reporting standards on CSR or specifying detailed guidelines on CSRR according to the type of firm or industry. The regulators may need to consider the different types of corporate ownership structure as one of the important aspect in regulating and enforcing CSRR regulation, other than industry. This is because the types of ownership held in firms affect the way the firms respond to CSRR, in the presence of the CSRR regulation. Perhaps, such consideration may assist the regulators towards enhancing the effectiveness of the implementation of the CSRR regulation in Malaysia.

The regulators may also need to consider imposing stricter CSRR regulation through enforcement, for example imposition of penalty or fines for non-compliance case; or improvement of the existing regulation, for example through the preparation of CSRR guidelines or standards (Criado-Jimenez *et al.*, 2008), or simply abandon the existing CSRR regulation as practiced in the UK (Cooper & Owen, 2007). Criado-Jimenez *et al.* (2008), who examined the impact of an improved standard of environmental reporting in Spain, revealed a greater quantity and quality of environmental reporting disclosed by firms following the regulation. While there has been a lack of compliance reported under the preceding environmental reporting standard introduced in 1998 (Larrinaga *et al.*, 2002), the comprehensive environmental reporting standard that took place in 2002 resulted in an improved environment of reporting by firms (Criado-Jimenez *et al.*, 2008). Contrary to the case of Spain, Cooper and Owen (2007) noted the abolition of the proposed mandatory CSRR in the UK, as the reporting, it is argued, did not fulfil the stakeholder accountability purpose. Overall, continuous efforts to evaluate the sufficiency and relevance of the CSRR regulation are required to ensure the effectiveness of the CSRR, particularly in Malaysia.

7.7 SUMMARY

Discussions of the findings and analyses of the current study highlights the different influence placed by different types of corporate ownership structure on the levels of CSRR disclosed. This finding suggests the influence of shareholders, which are represented by the different types of corporate ownership structure, being an important stakeholder in firms, in determining the levels of CSRR disclosed by firms. Other than the shareholders, board of directors' CSR experience, which indicates firms' strategic posture, is also found to influence the levels of CSRR disclosed. The influence of other important stakeholders represented by the government power (firm size) and creditor power (leverage), as well as economic performance (profitability) is also evidenced in the current study. In addition, the current study also observes the effect of firms' environment, which is represented by CSRR regulation, in influencing the association between corporate ownership structure and CSRR. Overall, the current study suggests the application of stakeholder theory, together with the contingency theory, to explain the variation of CSRR in Malaysia in both voluntary and mandatory regimes.

CHAPTER 8: CONCLUSIONS

8.1 INTRODUCTION

As the final chapter of this thesis, Chapter eight summarises the results revealed by the current study, discusses the contributions and the implications of the study, and highlights the limitations of the study, as well as making suggestions for future research in this field of study. Specifically, Section 8.2 provides a summary of the key research findings of the current study. Next, Section 8.3 explains the contributions and implications of the study, both in terms of the theoretical as well as the practical aspects. This is followed by Section 8.4, which highlights the limitations of the study; and Section 8.5, which provides several suggestions for future research. Finally, a summary of the chapter is provided in Section 8.6.

8.2 KEY RESEARCH FINDINGS

The current study investigates the influence of different types of corporate ownership structure on the levels of CSRR disclosed by firms. In addition, it includes an examination of the impact of board of directors' CSR experience on the levels of CSRR disclosed. Following the introduction of the mandatory CSRR requirement by the Bursa Malaysia upon all public-listed firms in Malaysia with effect from the 2007 financial year, the current study also incorporates a test of moderating effect of CSRR regulation on the association between corporate ownership structure and the levels of CSRR.

Based on the descriptive analysis of CSRR performed over the five-year period from 2005 to 2009, it appears that the levels of CSRR disclosed by firms, measured in terms of its quantity and quality of reporting, increased over the five-year period from 2005 to

2009. The increasing trend of CSRR observed in the current study coincides with those reported by several researchers, such as Gray *et al*. (1995a), Niskala and Pretes (1995), Larrinaga *et al*. (2002), Criado-Jimenez *et al*. (2008), Saleh *et al*. (2010) and Mahadeo *et al*. (2011). The results also demonstrate wide variation of CSRR disclosed occasionally by firms, which match closely those obtained by Campbell *et al*. (2003) and Saleh *et al*. (2010). However, the increasing trend of CSRR reported in the current study seems to contradict the findings dictated by several other investigators; for example, Kuasirikun and Sherer (2004) and De Villiers and Van Staden (2006). Perhaps, changes in CSRR disclosed by firms over time, which indicated through the increasing or decreasing trends of reporting, could be explained by a number of reasons, among others the implementation of CSRR regulation (Larrinaga *et al*., 2002; Criado-Jimenez *et al*., 2008) and the occurrence of financial crisis (Kuasirikun & Sherer, 2004).

In the case of Malaysia, possibly the continuous efforts being undertaken by the government to promote CSR and CSRR to a higher degree of importance, as well as the global pressure for firms to operate in a responsible way, partly justify the rising of CSRR disclosed by firms. For example, the introduction of CSRR regulation by the Bursa Malaysia in 2007 may contribute to the increase in the CSRR, particularly between 2007 and 2009. This has been detailed in Chapter six of this thesis (see Table 6.7 and Table 6.8), whereby the highest changes in CSRR disclosed were reported in 2007; that is the first year of CSRR regulation in Malaysia.

Different types of corporate ownership structure seem to influence the levels of CSRR disclosed by firms in different manner. While firms with higher levels of foreign ownership and government ownership, respectively, tend to disclose a greater amount and quality of CSRR, firms with higher level of family ownership disclose significantly less CSRR in terms of its quantity and quality of reporting. No association found between managerial ownership and the levels of CSRR disclosed. Findings of the current study show the manner in which different variables used to represent shareholder power other than concentrated ownership (Huang & Kung, 2010) or dispersed ownership (Brammer & Pavelin, 2006) influence the levels of CSRR disclosed.

Several investigators such as Roberts (1992), Liu and Ambumozhi (2009) and Elijido-Ten (2009) revealed no association between concentrated ownership and the levels of CSRR disclosed by firms in the US, China and Malaysia, respectively. These studies relied on a single type of corporate ownership structure, for example concentrated ownership or diffused ownership, to represent the shareholder power, which is very broad and does not reflect the unique features of corporate ownership structure in a particular country. Possibly, for those reasons, the results of the studies showed insignificant associations between corporate ownership structure and the levels of CSRR. In contrast, the use of different types of corporate ownership structure to represent the shareholders power in the current study demonstrated the influence of the different types of corporate ownership structure on the levels of CSRR disclosed by firms in Malaysia. The four different types of corporate ownership structure used to represent the shareholders power in the current study reflect the unique features of corporate ownership structure in Malaysia.

An investigation of the impact of board of directors' CSR experience on the levels of CSRR disclosed also exhibits a significant positive association between the two variables. The board of directors' CSR experience, which represents firms' strategic posture, is found to be an important determinant of the levels of CSRR disclosed by firms in Malaysia. While evidence on the influence of directors' specific experiences, such as acquisition experience and international experience on firms' performance (see Carpenter & Westphal, 2001; Kroll *et al*., 2008; McDonald *et al*., 2008) and corporate disclosure (see Gul & Leung, 2004; Haniffa & Cooke, 2002; Abdelsalam & Street, 2007) have been documented in several related literatures, the current study observes specifically the role of directors with CSR experience towards enhancing the levels of CSRR disclosed by firms. In general, this finding supports the argument provided by Cramer and Hirschland (2006) and Strandberg (2007), which highlighted the needs of boards of directors of firms to have knowledge or prior experience related to CSR in understanding CSR issues of their firms. The verdict found in the current study is also consistent with the outcome revealed in Roberts (1992) and Elijido-Ten (2009), which indicated the significance of firms' strategic posture in determining the levels of CSRR disclosed by firms.

Finally, the current study dictates that the moderating effect of CSRR regulation on the association between corporate ownership structure and the levels of CSRR varies across different types of corporate ownership structure. This observation is somewhat consistent with the argument provided by Warfield *et al*. (1995), who documented the influence of regulation on the association between managerial ownership and managers' accounting choice. From the current study, it seems that CSRR regulation tends to be effective to selected types of corporate ownership structure only that is family ownership, in terms of promoting greater quantity and quality of CSRR. Even though firms with higher levels of family ownership tend to disclose significantly less CSRR, the presence of CSRR regulation has witnessed a positive association between family ownership and the levels of CSRR. Other than signifying the effectiveness of the CSRR regulation in promoting greater quantity and quality of CSRR in family-owned firms, the findings of the current study also support Bajo *et al*.'s (2009) argument on the high level of regulatory compliance by the family firms.

Conversely, CSRR regulation tends to be regarded as ineffective in promoting greater levels of CSRR in firms with higher level of government ownership. As observed in the current study, in spite of the greater quantity and quality of CSRR disclosed by firms with higher level of government ownership, the imposition of the CSRR regulation has made these firms disclose significantly less quantity and quality of CSRR. Probably, the lack of comprehensive CSRR framework as a basis for the existing CSRR regulation in Malaysia has discouraged the government-owned firms to disclose more CSRR than what is required by the laws.

Similarly, CSRR regulation is viewed as ineffective in driving CSRR in firms with higher levels of managerial ownership. The insignificant negative association between managerial ownership and CSRR become significant in the presence of CSRR regulation. Nevertheless, CSRR regulation seems to have no effect on the association between foreign ownership and the levels of CSRR disclosed. Perhaps, firms with higher levels of foreign ownership are more influenced by the practices of CSR of their home country, rather than the CSRR regulation imposed by the Bursa Malaysia.

Overall, findings from the current study contribute to the growing body of literature that investigates the link between corporate ownership structure, board of directors' characteristics, corporate reporting regulation and CSRR. These are vital in order to ensure the continuous development of corporate governance, CSR and CSRR in Malaysia, focusing on their implementation upon public-listed firms.

8.3 RESEARCH CONTRIBUTIONS AND IMPLICATIONS

Findings from the current study have several contributions and implications for the various stakeholders; for example, shareholders, regulators and the public as a whole. Generally, the current study provides incremental contributions on the developments of

CSRR, specifically the link between corporate governance and CSRR and the role of CSRR regulation in promoting CSRR, particularly from one emerging market's perspective that is Malaysia. Outcomes observed in the current study signify the relative importance of the different types of corporate ownership structure in influencing the levels of CSRR. The current study also highlights the importance roles of board of directors' CSR experience and CSRR regulation in promoting CSRR in Malaysia.

From the theoretical perspective, the current study contributes to the application of the multiple perspectives or theories in explaining CSRR. As illustrated in Chapter four of this thesis (Section 4.2), the current study combines the use of stakeholder theory and contingency theory in examining the link between corporate ownership structure, board of directors' characteristics, CSRR regulation and CSRR. Previous studies that employed stakeholder theory to explain CSRR limit their definition of shareholder power to one specific type of corporate ownership structure, for example concentrated ownership or dispersed ownership only (Roberts, 1992; Brammer & Pavelin, 2006; Elijido-Ten, 2009; Huang & Kung, 2010).

Therefore, the current study presents a refined model of Ullmann (1985) of stakeholder theory to explain the CSRR disclosed by firms in Malaysia. Instead of using a single type of corporate ownership structure to represent the shareholder power, the current study includes four different types of corporate ownership structure, representing the common types of corporate ownership structure in Malaysia. This reflects the unique corporate ownership structure in Asian countries, including Malaysia (Claessen *et al*., 2000; Fan & Wong, 2002; Deesomsak *et al*., 2004; Tam & Tan, 2007). In addition, the current study also suggests for the appointment of board members with CSR experience, which may serve as firm's strategic posture.

Moreover, the current study also proposes for the use of contingency theory in examining the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR. Being a moderator, CSRR regulation is assumed to become among the important determinants of CSRR alongside with the components of corporate governance; specifically corporate ownership structure. The current study shows the different effect of CSRR regulation in influencing the levels of CSRR disclosed by firms across different types of corporate ownership structure.

Possibly, the observations revealed in the current study serve useful inputs for the regulators in their efforts towards improving the current policies on corporate governance and CSRR, particularly in the context of one developing country that is Malaysia. For instance, the regulators may consider including the appointment of board members with CSR experience as one of the criteria for the appointment of members of the board of directors of firms, in a way to help firms to improve their CSR practice and reporting.

The existing CSRR regulation, which was imposed by the Bursa Malaysia in 2007, simply requires firms to provide an explanation or statement about any CSR-related activities held by the firms in corporate annual reports. The lack of details on how to report the CSR-related information, for example, the absence of proper reporting guidelines or CSRR standards, has led to the variation of reporting style or format. In the efforts of improving the existing CSRR regulation, perhaps, findings of the current study may highlight to the regulators on the impact of different types of corporate ownership structure, board of directors' CSR experience and CSRR regulation in determining the levels of CSRR disclosed by firms. These findings are beneficial for the regulators to evaluate the sufficiency, relevance and effectiveness of the current CSRR regulation. They may also serve as benchmarks or references for the regulators to work on a better mechanism towards the improvement of CSR and CSRR practices in Malaysia.

Results of the current study may also benefit the shareholders or investors of firms, especially the ‘ethical’ investors, who are concerned with the social and environmental aspects of firms. Being aware of the characteristics of firms that have greater concerns on social and environmental matters, the investors may be guided on the types of firms that they could invest in; for example, firms with higher level of government ownership. The management of firms may also use the results of the current study as guidelines to become a social responsible firm; for example, to have a board of directors with CSR experience.

From an academic perspective, the current study may serve as a starting point for researchers to investigate on the importance of directors’ CSR experience in enhancing the levels of CSRR disclosed by firms. While the results presented in the current study are derived solely from the positivist perspective of research, more efforts could be undertaken on the interpretive perspective of research, detailing the roles of directors’ CSR experience in promoting CSRR in firms.

8.4 LIMITATIONS OF RESEARCH

Findings of the current study are subject to several limitations. In terms of sample, the current study includes top 300 firms (by market capitalisation) listed on the Main board of Bursa Malaysia from 2005 to 2009 only. Therefore, the conclusions derived from the current study cannot be generalised to other samples, time periods or countries. This is because different results may be revealed when different samples, time periods or countries are used in other studies (Hackston & Milne, 1996). Nevertheless, findings of the current study may be comparable to other similar studies; for instance, studies conducted in other Asian countries that share similar characteristics of corporate ownership structure or other countries that implement CSRR regulation.

Evidence dictated in preceding studies pointed out the possibilities that the ownership structure of a firm may affect the characteristics of the boards of directors of the firm. For example, Kang *et al*. (2007) found that the level of shareholder concentration in a firm affect the gender composition of the board of directors of the firm. Nevertheless, the main objective of the current study is to examine the association between corporate governance and CSRR. Therefore, the current study does not distinguish between corporate governance employed by different ownership structure.

In the current study, the influence of corporate ownership structures and boards of directors' CSR experience on the levels of CSRR is examined in the context of a single equation. This is in spite of the possibilities of the specific variables used in the current study also depending on the levels of CSRR, which may need to be determined endogenously. Rather than drawing a causal relationship between corporate governance's variables and CSRR, the current study offers evidence only of an association between corporate ownership structure, boards of directors' CSR experience and CSRR.

Despite the shift of CSRR dimensions towards the economic and governance aspects, which are related closely to sustainability reporting, the current study focuses solely on the social and environmental aspects of CSRR. The reason being that only a few firms in Malaysia produce sustainability reporting. Sawani *et al*. (2010), who investigated the sustainability reporting practice by firms that are deemed exhibit 'best' reporting practice in Malaysia, revealed that only five firms prepared stand-alone reports with only three firms having proper sustainability reports. Given the large scale of the current study, it is difficult to include the various aspects of CSRR when only a few firms conduct sustainability reporting.

The current study assumes that CSRR regulation represents an additional variable that may affect the levels of CSRR disclosed by firms. Although other specific events, such as the global financial crisis in 2008, or other variables may have effect on the levels of CSRR disclosed, the current study focuses specifically on the effect of CSRR regulation owing to its relevance to the Malaysian context, based on the periods of study chosen.

8.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The current study could be extended in the following areas. For example, given the large-scale nature of the current study covering five-year period of analysis, the current study relies on corporate annual reports as the only source of CSRR. Perhaps, a smaller scale research could be undertaken to include other reporting media (Jenkins & Yakovleva, 2006), such as stand-alone reports (Chen & Bouvain, 2009) and/or websites (Adams & Frost, 2006), following its increasing importance and relevance in the competitive global marketplace.

Rather than using the ‘percentage of ownership’ to represent the level of specific ownership types in firms, future research may employ a specific ‘cut-off’ percentage to indicate a specific type of ownership structure (Warfield *et al.*, 1995; Chau & Gray, 2010); for example, less than 5 percent level of ownership to represent low level of ownership, less than 25 percent level of ownership to represent moderate level of ownership and more than 25 percent level of ownership to represent high level of ownership. As an alternative to the single equation regression analysis performed in the current study, future research may consider the use of two-stages least square (2SLS) regression model (Gul & Leung, 2004) to address the endogeneity issues associated with the relationships examined in the current study. The current study examines the association between corporate ownership structure, board of directors’ CSR experience, CSRR regulation and CSRR from a specific country's perspective; that is, Malaysia. Perhaps, the design of the current study could be replicated into other contexts, for example other countries, to enable comparisons to be made across different countries.

8.6 SUMMARY

The current study investigates the influence of corporate ownership structure and board of directors' CSR experience on the levels of CSRR disclosed by a sample of public-listed firms in Malaysia. Generally, different effects are observed upon the levels of CSRR disclosed across the different types of corporate ownership structure. Board of directors' CSR experience is also found to be an important determinant of the levels of CSRR disclosed by firms. In line with the introduction of the mandatory CSRR requirement by the Bursa Malaysia upon all public-listed firms in Malaysia with effect from the 2007 financial year, the current study also examines the moderating effect of CSRR regulation on the association between corporate ownership structure and the levels of CSRR. Overall, the investigation of the moderating effect of CSRR regulation indicates the level of effectiveness of the current mandatory requirement for enhancing the quantity and quality of CSRR disclosed by the public-listed firms in Malaysia. Other than providing evidence on the link between corporate governance and CSRR, perhaps the current study could offer useful inputs for regulators to evaluate the usefulness and effectiveness of the current CSRR regulation imposed in Malaysia. Consequently, this may beneficial in the efforts of promoting good CSR and CSRR practices in firms, especially public-listed firms in Malaysia.

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ABSTRACT

The growing interest in corporate social responsibility reporting (CSRR) research has been apparent with most of the research focus on cross sectional analysis and from the perspective of developed countries. This study contributes to the extant CSRR literature by a longitudinal analysis of the association between ownership structure, board of directors, regulation and CSRR from the perspective of a developing country. This study investigates the influence of different ownership structure and boards' corporate social responsibility (CSR) experience on the levels of CSRR disclosed in Malaysia. Following the introduction of CSRR regulation in Malaysia with effect from year 2007, this study also examines the moderating effect of CSRR regulation on the association between ownership structure and CSRR. Samples in the study are 300 top firms (by market capitalisation) listed on the Bursa Malaysia over a five-year period from 2005 to 2009. The examination of the longitudinal data involves voluntary (2005-2006) and mandatory (2007-2009) periods of CSRR. Based on content analysis of CSRR in firms' annual reports, this study analyses the trend of CSRR in Malaysia before and after the CSRR regulation, reflecting the voluntary and mandatory periods of CSRR. Results from multiple regression analyses indicate that different ownership structure has different influence over the levels of CSRR disclosed. In addition, the presence of CSRR regulation influences the association between ownership structure and CSRR. It is also found that boards' CSR experience and several control variables such as firm size, *Shariah* status of firms, profitability, and leverage show significant effects on CSRR. Findings from this study may serve as guidance for authorities in enhancing the existing regulation/enforcement on corporate governance and CSRR. The findings could also be of guidance for firms and stakeholders on the aspects that may influence firms' CSRR practice. This study indicates the effect of *Shariah* status of firms in influencing the levels of CSRR disclosed. This effect describes some influence of the principles of the Islamic teaching (*Shariah*) in driving CSRR practice. Unlike cross-sectional data, longitudinal data employed in this study allow researcher to demonstrate the consistency of findings revealed over a specified period. Furthermore, the extant CSRR literature that employed stakeholder theory seems to classify shareholders as either concentrated or diffused ownership, which is very much relevant to the corporate ownership's characteristics of Western developed countries. Since this study focuses on the perspective of a developing country within the Southeast Asian region, the extension of the classification of shareholders that includes managerial, family, foreign, and government ownership is considered appropriate to reflect the unique corporate ownership structure in the country. Overall, this study contributes to the extended application of stakeholder theory as well as contingency theory in explaining CSRR in the context of an Asian country that possesses different features of corporate ownership structure unlike that of the Western developed countries.

ABSTRAK

Perhatian yang kian meningkat dalam penyelidikan pelaporan tanggungjawab sosial korporat (PTSK) kini jelas. Kebanyakan penyelidikan ini berfokus pada analisis kerat rentas dan daripada perspektif negara membangun. Kajian ini menyumbang dalam kajian-kajian terdahulu yang berkaitan dengan PTSK melalui analisis jangka panjang terhadap perkaitan antara struktur pemilikan, lembaga pengarah, peraturan and PTSK dari perspektif negara membangun. Secara khususnya, kajian ini meneliti pengaruh beberapa struktur pemilikan dan pengalaman lembaga pengarah dalam menunaikan tanggungjawab sosial korporat (TSK) terhadap tahap-tahap PTSK yang didedahkan. Berikutan pengenalan peraturan PTSK di Malaysia mulai tahun 2007, kajian ini turut meneliti kesan penyederhanaan yang disebabkan oleh peraturan PTSK tersebut terhadap perkaitan antara struktur pemilikan dan PTSK. Sampel dalam kajian ini ialah 300 syarikat terunggul (berdasarkan permodalan pasaran) yang tersenarai dalam Bursa Malaysia selama lima tahun dari tahun 2005 sehingga tahun 2009. Penelitian terhadap data jangka panjang tersebut melibatkan tempoh sukarela (tahun 2005-2006) dan tempoh mandatori (tahun 2007-2009) PTSK. Berdasarkan analisis kandungan PTSK daripada laporan tahunan syarikat, kajian ini menganalisis trend PTSK di Malaysia sebelum dan selepas pelaksanaan peraturan PTSK, iaitu semasa tempoh sukarela dan tempoh mandatori, untuk melaksanakan PTSK. Dapatan daripada analisis regresi berganda menunjukkan bahawa struktur pemilikan berbeza menghasilkan pengaruh yang berbeza terhadap tahap-tahap PTSK yang didedahkan. Selanjutnya, dengan adanya peraturan PTSK, ia mempengaruhi perkaitan antara struktur pemilikan dan PTSK. Kajian ini juga mendapati bahawa pengalaman lembaga pengarah dalam menunaikan TSK dan beberapa pemboleh ubah seperti saiz syarikat, status syariah syarikat, keberuntungan, dan keumpilan mempunyai kesan yang ketara terhadap PTSK. Dapatan daripada kajian ini boleh dijadikan sebagai panduan bagi pihak berkuasa untuk memperbaik peraturan/penguatkuasaan yang sedia ada dalam urus tadbir korporat dan PTSK. Dapatan ini juga boleh dijadikan panduan oleh syarikat dan pihak-pihak yang berkepentingan tentang aspek-aspek yang boleh mempengaruhi amalan PTSK sesebuah syarikat. Kajian ini juga membincangkan kesan status syariah syarikat dalam mempengaruhi tahap-tahap PTSK yang didedahkan. Kesan tersebut menerangkan sedikit sebanyak pengaruh prinsip-prinsip ajaran Islam (syariah) dalam memacu amalan PTSK. Tidak seperti data kerat rentas, data jangka panjang yang digunakan dalam kajian ini membolehkan penyelidik menguji ketekalan pada dapatan yang diperoleh dalam tempoh tertentu. Lebih lanjut lagi, kajian berkenaan PTSK yang sedia ada yang menggunakan teori pihak berkepentingan lebih cenderung untuk mengelaskan pihak-pihak berkepentingan sama ada dalam kumpulan pemilikan bertumpu ataupun pemilikan berbaur yang lebih cocok dengan ciri-ciri pemilikan korporat di negara-negara membangun di Barat. Memandangkan kajian ini berfokus pada perspektif negara membangun dalam kalangan negara di rantau Asia Tenggara, pengelasan pihak-pihak berkepentingan kepada pemilikan pengurusan, pemilikan keluarga, pemilikan asing, dan pemilikan kerajaan boleh disifatkan sebagai wajar bagi menunjukkan keunikan yang ada pada struktur pemilikan korporat dalam negara membangun. Pada keseluruhannya, kajian ini menyumbang dalam memperpanjangkan penggunaan teori pihak berkepentingan dan teori luar jangkaan untuk menerangkan PTSK dalam konteks sesebuah negara Asia yang mempunyai ciri-ciri struktur pemilikan korporat yang tidak sama seperti yang ditunjukkan oleh ciri-ciri struktur pemilikan korporat di negara-negara maju di Barat.

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LIST OF ABBREVIATIONS

ACCA	Association of Certified Chartered Accountants
ACE	Access, Certainty and Efficiency
ASEAN	Association of Southeast Asian Nations
BHP	Broken Hill Proprietary Company
BNM	Bank Negara Malaysia
CEO	Chief Executive Officer
CFI	Conventional Financial Institutions
CSR	Corporate Social Responsibility
CSRR	Corporate Social Responsibility Reporting
EPF	Employee Provident Fund
EPI	Environmental Performance Index
FRA	Financial Reporting Act
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GLC	Government Linked Companies
GLIC	Government Linked Investment Companies
GRI	Global Reporting Initiatives
HLFC	High Level Finance Committee on Corporate Governance
ICM	Islamic Capital Market
ICR	Institute of Corporate Responsibility
IFI	Islamic Financial Institutions
IFRS	International Financial Reporting Standard
KLD	Kinder Lydenberg Domini
KPMG	Klynveld Peat Marwick Goerdeler
K-S	Kolmogorov Smirnov
LTAT	Lembaga Tabung Angkatan Tentera
LTH	Lembaga Tabung Haji
MCCG	Malaysia Code of Corporate Governance
MESDAQ	Malaysian Exchange Of Securities Dealing & Automated Quotation
MESRA	Malaysian Environmental and Social Reporting Awards
MTUC	Malaysian Trades Union Congress
NACRA	National Annual Corporate Report Awards
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PCG	Putrajaya Committee on GLC High Performance
PNB	Permodalan Nasional Berhad
P-P	Probability Plot
SAC	*Shariah* Advisory Councils
SEC	Securities and Exchange Commission
SMART	Stormwater Management And Road Tunnel
SOCSO	Social Security Organisation
SPSS	Statistical Package for the Social Sciences
TBL	Triple Bottom Line
UK	United Kingdom
US	United States
VIF	Variance Inflation Factor

APPENDIX A: SAMPLE FIRMS USED IN THE CURRENT STUDY

NO.	SYMBOL	FIRM'S NAME
1	AEON	AEON CO. (M) BHD
2	AFFIN	AFFIN HOLDINGS BHD
3	AIRASIA	AIRASIA BHD
4	AIRPORT	MALAYSIA AIRPORT HOLDINGS BHD
5	ALLIANZ	ALLIANZ MALAYSIA BHD
6	AMMB	AMMB HOLDINGS BHD
7	AMWAY	AMWAY (M) HOLDINGS BHD
8	ANNJOO	ANN JOO RESOURCES BHD
9	APM	APM AUTOMOTIVE HOLDINGS BHD
10	ASIAFLE	ASIA FILE CORPORATION BHD
11	ASIATIC	ASIATIC DEVELOPMENT BERHAD (changed to GENTING PLANTATIONS BERHAD) (GENP)
12	ASTRO	ASTRO ALL ASIA NETWORKS PLC
13	BAT	BRITISH AMERICAN TOBACCO (M) BHD
14	BERNAS	PADIBERAS NASIONAL BHD
15	BIMB	BIMB HOLDINGS BHD
16	BIPORT	BINTULU PORT HOLDINGS BHD
17	BJLAND	BERJAYA LAND BHD
18	BJTOTO	BERJAYA SPORTS TOTO BHD
19	BKAWAN	BATU KAWAN BHD
20	BLDPLNT	BLD PLANTATION BHD
21	BRDB	BANDAR RAYA DEVELOPMENTS BHD
22	BSTEAD	BOUSTEAD HOLDINGS BHD
23	BURSA	BURSA MALAYSIA BHD
24	CARLSBG	CARLSBERG BREWERY MALAYSIA BHD
25	CBIP	CB INDUSTRIAL PRODUCT HOLDING BHD
26	CCM	CHEMICAL COMPANY OF MALAYSIA BHD
27	CHINTEK	CHIN TECK PLANTATIONS BHD
28	CHINWEL	CHIN WELL HOLDINGS BHD
29	CMSB	CAHYA MATA SARAWAK BHD
30	COMMERZ	CIMB GROUP HOLDINGS BHD

NO.	SYMBOL	FIRM’S NAME
31	DAIMAN	DAIMAN DEVELOPMENT BHD
32	DIALOG	DIALOG GROUP BHD
33	DIGI	DIGI.COM BHD
34	DLADY	DUTCH LADY MILK INDUSTRIES BHD
35	DRBHCOM	DRB-HICOM BHD
36	E&O	EASTERN & ORIENTAL BHD
37	EONCAP	EON CAPITAL BERHAD
38	ESSO	ESSO MALAYSIA BHD
39	EVERGRN	EVERGREEN FIBREBOARD BHD
40	F&N	FRASER & NEAVE HOLDINGS BHD
41	FAREAST	FAR EAST HOLDINGS BHD
42	GAMUDA	GAMUDA BHD
43	GENTING	GENTING BHD
44	GNEALY	GLENEALY PLANTATIONS (M) BHD
45	GOLDIS	GOLDIS BHD
46	GUINESS	GUINNESS ANCHOR BHD
47	GUOCO	GUOCOLAND (MALAYSIA) BHD
48	HAPSENG	HAP SENG CONSOLIDATED BHD
49	HDBS	HWANG-DBS (M) BHD
50	HIAPTEK	HIAP TECK VENTURE BHD
51	HLBANK	HONG LEONG BANK BHD
52	HLFG	HONG LEONG FINANCIAL GROUP BHD
53	HLIND	HONG LEONG INDUSTRIES BHD
54	HSL	HOCK SENG LEE BHD
55	HUBLINE	HUBLINE BHD
56	HUMEIND	HUME INDUSTRIES (M) BHD
57	IGB	IGB CORPORATION BHD
58	IJM	IJM CORPORATION BHD
59	IJMPLNT	IJM PLANTATIONS BHD
60	IOICORP	IOI CORPORATION BHD

NO.	SYMBOL	FIRM'S NAME
61	JTIASA	JAYA TIASA HOLDINGS BHD
62	JTINTER	JT INTERNATIONAL BHD
63	KASSETS	KRISASSETS HOLDINGS BHD
64	KENANGA	K & N KENANGA HOLDINGS BHD
65	KFC	KFC HOLDINGS (M) BHD
66	KIANJOO	KIAN JOO CAN FACTORY BHD
67	KLCCP	KLCC PROPERTY HOLDINGS BHD
68	KLK	KUALA LUMPUR KEPONG BHD
69	KMLOONG	KIM LOONG RESOURCES BHD
70	KNM	KNM GROUP BHD
71	KOSSAN	KOSSAN RUBBER INDUSTRIES BHD
72	KPJ	KPJ HEALTHCARE BHD
73	KSENG	KECK SENG (M) BHD
74	KSL	KSL HOLDINGS BHD
75	KULIM	KULIM (M) BHD
76	KURASIA	KURNIA ASIA BHD
77	KWANTAS	KWANTAS CORPORATION BHD
78	LANDMRK	LANDMARKS BHD
79	LINGUI	LINGUI DEVELOPMENT BHD
80	LIONCOR	LION CORPORATION BHD
81	LIONDIV	LION DIVERSIFIED HOLDINGS BHD
82	LIONIND	LION INDUSTRIES CORPORATION BHD
83	LITRAK	LINGKARAN TRANS KOTA HOLDINGS BHD
84	LMCEMNT	LAFARGE MALAYAN CEMENT BHD
85	LPI	LPI CAPITAL BHD
86	MAHSING	MAH SING GROUP BHD
87	MANULFE	MANULIFE HOLDINGS BHD
88	MAS	MALAYSIAN AIRLINE SYSTEM BHD
89	MATRIX	MATRIX INTERNATIONAL BERHAD (changed to BERJAYA ASSETS BERHAD) (BJASSET)
90	MAYBANK	MALAYAN BANKING BHD

NO.	SYMBOL	FIRM'S NAME
91	MAYBULK	MALAYSIAN BULK CARRIERS BHD
92	MBMR	MBM RESOURCES BHD
93	MBSB	MALAYSIA BUILDING SOCIETY BHD
94	MEASAT	MEASAT GLOBAL BERHAD
95	MEDIA	MEDIA PRIMA BHD
96	MISC	MISC BHD
97	MKLAND	MK LAND HOLDINGS BHD
98	MMCCORP	MMC CORPORATION BHD
99	MNRB	MNRB HOLDINGS BHD
100	MPHB	MULTI-PURPOSE HOLDINGS BHD
101	MPI	MALAYSIAN PACIFIC INDUSTRIES BHD
102	MRCB	MALAYSIAN RESOURCES CORPORATION BHD
103	MSC	MALAYSIA SMELTING CORPORATION BHD
104	MTD	MTD CAPITAL BERHAD
105	MULPHA	MULPHA INTERNATIONAL BHD
106	NAIM	NAIM HOLDINGS BHD
107	NCB	NCB HOLDINGS BHD
108	NESTLE	NESTLE (M) BHD
109	NPC	NPC RESOURCES BHD
110	NSTP	THE NEW STRAITS TIMES PRESS (M) BHD
111	NTPM	NTPM HOLDINGS BHD
112	ORIENT	ORIENTAL HOLDINGS BHD
113	OSK	OSK HOLDINGS BHD
114	PACMAS	PACIFICMAS BHD
115	PBA	PBA HOLDINGS BHD
116	PBBANK	PUBLIC BANK BHD
117	PELIKAN	PELIKAN INT.CORPORATION BHD
118	PERSTIM	PERUSAHAAN SADUR TIMAH M'SIA (PERSTIMA) BHD
119	PETDAG	PETRONAS DAGANGAN BHD
120	PETGAS	PETRONAS GAS BHD

NO.	SYMBOL	FIRM'S NAME
121	PETRA	PETRA PERDANA BERHAD
122	PHARMA	PHARMANIAGA BHD
123	PLUS	PLUS EXPRESSWAYS BERHAD
124	POS	POS MALAYSIA BHD
125	PPB	PPB GROUP BHD
126	PROTON	PROTON HOLDINGS BHD
127	PRTASCO	PROTASCO BHD
128	PUNCAK	PUNCAK NIAGA HOLDINGS BHD
129	QL	QL RESOURCES BHD
130	QSR	QSR BRANDS BHD
131	RANHILL	RANHILL BERHAD
132	RESORT	RESORTS WORLD BERHAD (changed to GENTING MALAYSIA BERHAD) (GENM)
133	RHBCAP	RHB CAPITAL BHD
134	RPB	RELIANCE PACIFIC BHD
135	SCOMI	SCOMI GROUP BHD
136	SCOMIMR	SCOMI MARINE BHD
137	SHANG	SHANGRI-LA HOTELS (M) BHD
138	SHELL	SHELL REFINING CO (F.O.M.) BHD
139	SHL	SHL CONSOLIDATED BHD
140	SIME	SIME DARBY BHD
141	SOP	SARAWAK OIL PALMS BHD
142	SPB	SARAWAK PLANTATION BHD
143	SPSETIA	SP SETIA BHD
144	SSTEEL	SOUTHERN STEEL BHD
145	STAR	STAR PUBLICATIONS (M) BHD
146	SUBUR	SUBUR TIASA HOLDINGS BHD
147	SUNRISE	SUNRISE BERHAD
148	SUPERMX	SUPERMAX CORPORATION BHD
149	SURIA	SURIA CAPITAL HOLDINGS BHD
150	TA	TA ENTERPRISE BHD

NO.	SYMBOL	FIRM'S NAME
151	TAANN	TA ANN HOLDINGS BHD
152	TALIWRK	TALIWORKS CORPORATION BHD
153	TANJONG	TANJONG PUBLIC LIMITED COMPANY
154	TASEK	TASEK CORPORATION BHD
155	TCHONG	TAN CHONG MOTOR HOLDINGS BHD
156	TENAGA	TENAGA NASIONAL BHD
157	TIMECOM	TIME DOTCOM BHD
158	TITAN	TITAN CHEMICAL CORPORATION BERHAD
159	TM	TELEKOM MALAYSIA BHD
160	TOPGLOV	TOP GLOVE CORPORATION BHD
161	TSH	TSH RESOURCES BHD
162	TWS	TRADEWINDS (M) BHD
163	TWSCORP	TRADEWINDS CORPORATION BHD
164	UAC	UAC BHD
165	UCHITEC	UCHI TECHNOLOGIES BHD
166	UMCCA	UNITED MALACCA BHD
167	UMLAND	UNITED MALAYAN LAND BHD
168	UMW	UMW HOLDINGS BHD
169	UNICO	UNICO-DESA PLANTATIONS BHD
170	UNISEM	UNISEM (M) BHD
171	UTDPLT	UNITED PLANTATIONS BHD
172	VS	V.S INDUSTRY BHD
173	WASEONG	WAH SEONG CORPORATION BHD
174	WCT	WCT BHD
175	WTK	WTK HOLDINGS BHD
176	YNHPROP	YNH PROPERTY BHD
177	YTL	YTL CORPORATION BHD
178	YTLCMT	YTL CEMENT BHD
179	YTLLAND	YTL LAND & DEVELOPMENT BHD
180	YTLPOWR	YTL POWER INTERNATIONAL BHD

APPENDIX B: REPRESENTATION OF SAMPLE

NO	CO NAME	YEAR				
		2009	2008	2007	2006	2005
1	AEON	1,740,960	1,474,200	1,860,300	1,263,600	982,800
2	AFFIN	3,765,816	2,271,437	3,851,280	2,396,435	1,900,349
3	AIRASIA	3,805,688	2,053,691	3,793,963	3,552,620	3,723,072
4	AIRPORT	4,367,000	2,431,000	3,322,000	2,376,000	2,123,000
5	ALLIANZ	624,709	446,221	807,813	415,166	461,295
6	AMMB	15,070,924	6,725,735	9,421,455	6,775,188	5,049,365
7	AMWAY	1,200,015	1,134,261	1,035,630	1,076,726	1,076,726
8	ANNJOO	1,463,580	616,795	1,395,628	515,738	262,441
9	APM	536,256	292,320	469,728	461,664	508,032
10	ASIAFLE	595,470	535,465	646,004	398,639	366,529
11	ASIATIC	4,729,589	2,678,913	6,530,715	3,210,522	1,602,765
12	ASTRO	5,802,506	4,274,219	6,769,093	10,719,114	10,115,743
13	BAT	12,220,684	12,706,085	11,778,113	12,349,173	11,492,583
14	BERNAS	879,651	564,482	992,547	936,099	630,338
15	BIMB	1,280,148	779,966	1,203,376	675,558	608,002
16	BIPORT	2,600,000	2,280,000	2,440,000	1,864,000	1,784,000
17	BJLAND	5,232,771	3,846,869	7,218,977	608,930	841,356
18	BJTOTO	5,876,981	6,457,924	6,822,702	6,484,944	6,052,615
19	BKAWAN	4,481,576	3,444,013	4,969,841	3,205,125	2,199,881
20	BLDPLNT	318,750	202,300	368,900	221,000	185,300
21	BRDB	752,699	485,906	1,514,882	657,402	412,067
22	BSTEAD	3,153,598	2,226,529	4,057,303	1,154,661	1,046,978
23	BURSA	4,223,914	2,708,186	7,488,170	4,182,448	1,877,683
24	CARLSBG	1,398,674	1,109,081	1,306,251	1,571,198	1,648,217
25	CBIP	401,683	233,856	846,009	591,519	185,424
26	CCM	918,671	886,269	1,155,355	1,288,777	1,023,999
27	CHINTEK	685,224	525,339	712,633	497,930	460,819
28	CHINWEL	275,258	185,323	302,512	351,568	228,556
29	CMSB	487,580	375,568	754,431	480,991	304,737
30	COMMERZ	45,347,868	20,931,755	37,115,996	24,623,476	15,697,622
31	DAIMAN	352,084	298,281	417,647	314,216	285,497
32	DIALOG	1,866,349	1,123,502	2,557,910	1,257,757	591,761
33	DIGI	17,073,900	16,949,500	18,600,000	11,400,000	5,850,000
34	DLADY	743,680	576,000	812,800	768,000	400,000
35	DRBHCOM	1,952,569	1,401,597	1,602,095	1,692,780	1,187,799

NO	CO NAME	YEAR				
		2009	2008	2007	2006	2005
36	E&O	782,748	254,558	1,122,089	672,870	223,173
37	EONCAP	4,741,548	2,218,268	4,575,178	4,575,178	3,500,704
38	ESSO	696,600	572,400	556,200	807,300	675,000
39	EVERGRN	718,200	277,020	816,000	585,600	427,200
40	F&N	3,778,827	3,154,964	2,834,120	2,691,523	2,210,257
41	FAREAST	885,489	705,375	803,780	598,783	352,551
42	GAMUDA	5,243,581	3,791,686	9,606,844	3,984,376	2,395,103
43	GENTING	27,193,568	13,704,081	29,258,091	24,381,190	15,094,168
44	GNEALY	477,598	334,549	542,201	328,781	223,802
45	GOLDIS	622,991	388,068	708,101	452,679	401,179
46	GUINESS	2,099,581	1,525,595	1,676,644	1,842,798	1,721,959
47	GUOCO	651,426	539,353	2,059,348	735,481	441,289
48	HAPSENG	1,513,064	1,264,000	1,668,729	1,388,532	1,201,734
49	HDBS	430,669	279,137	584,769	542,670	322,121
50	HIAPTEK	468,182	222,632	635,156	461,634	188,255
51	HLBANK	12,846,270	8,058,546	10,033,680	8,769,594	8,058,546
52	HLFG	7,853,648	4,190,016	6,316,607	5,161,982	4,079,631
53	HLIND	1,273,591	1,012,125	1,419,787	1,280,626	675,149
54	HSL	617,637	268,031	629,114	344,232	310,996
55	HUBLINE	392,515	249,489	631,520	250,097	265,164
56	HUMEIND	759,126	600,417	738,092	657,782	764,863
57	IGB	2,980,592	2,056,608	3,366,776	2,637,044	1,679,637
58	IJM	5,933,637	2,623,495	7,359,168	3,907,887	2,103,850
59	IJMPLNT	1,987,330	1,243,684	2,085,953	962,375	557,912
60	IOICORP	36,499,212	21,896,125	47,008,692	22,817,502	14,196,667
61	JTIASA	737,399	1,660,512	4,368,437	3,160,344	2,528,275
62	JTINTER	1,273,673	528,328	1,067,958	1,022,753	655,466
63	KASSETS	1,111,685	1,161,213	962,447	1,067,060	1,061,830
64	KENANGA	391,526	860,580	1,024,558	826,256	908,882
65	KFC	1,467,233	250,821	571,995	458,820	281,409
66	KIANJOO	519,676	1,477,146	1,268,958	1,070,683	812,926
67	KLCCP	3,213,216	519,676	755,085	538,338	547,884
68	KLK	17,613,827	2,615,408	3,269,260	2,652,771	1,933,534
69	KMLOONG	638,536	9,500,792	18,574,582	9,618,968	5,985,135
70	KNM	3,083,365	453,379	679,324	280,747	187,950

NO	CO NAME	YEAR				
		2009	2008	2007	2006	2005
71	KOSSAN	868,078	1,603,168	8,058,688	2,268,485	535,610
72	KPJ	1,373,940	447,628	623,481	748,177	311,741
73	KSENG	941,434	534,126	718,796	407,997	303,585
74	KSL	422,983	700,040	1,177,999	815,909	518,995
75	KULIM	2,405,957	211,491	518,953	489,033	425,246
76	KURASIA	1,042,500	1,412,714	2,357,690	1,433,325	649,494
77	KWANTAS	564,136	495,000	1,432,500	1,680,000	1,845,000
78	LANDMRK	596,046	532,968	1,343,679	714,558	587,285
79	LINGUI	659,630	418,194	1,432,433	898,876	477,746
80	LIONCOR	473,582	395,778	1,088,390	1,292,876	626,649
81	LIONDIV	309,634	221,126	778,965	623,172	398,005
82	LIONIND	977,083	258,028	1,415,469	4,397,554	1,400,264
83	LITRAK	1,392,148	481,221	1,533,894	718,016	352,014
84	LMCEMNT	5,310,597	904,872	1,908,268	1,460,928	1,367,922
85	LPI	1,900,505	3,347,800	4,970,719	3,908,599	1,782,636
86	MAHSING	1,275,072	1,310,932	1,678,548	1,297,060	1,146,861
87	MANULFE	667,821	1,002,953	1,192,976	510,869	213,343
88	MAS	4,545,332	420,930	647,584	467,475	464,418
89	MATRIX	478,608	5,113,266	8,154,440	5,865,181	3,559,213
90	MAYBANK	48,554,962	367,304	588,283	393,697	285,091
91	MAYBULK	3,220,000	24,893,850	44,822,123	45,352,676	41,972,318
92	MBMR	626,968	2,390,000	4,460,000	2,048,000	1,680,000
93	MBSB	707,173	551,926	774,476	698,912	638,633
94	MEASAT	717,477	570,640	462,150	402,050	216,228
95	MEDIA	1,426,822	467,920	662,886	1,017,726	647,289
96	MISC	31,350,707	947,730	2,366,411	1,900,751	1,019,679
97	MKLAND	458,759	31,637,134	36,435,711	32,846,078	36,956,487
98	MMCCORP	7,399,492	193,162	736,247	838,838	615,550
99	MNRB	658,385	3,166,861	14,159,522	6,151,018	3,029,833
100	MPHB	2,015,390	613,640	1,032,330	905,372	802,944
101	MPI	1,122,882	1,039,421	2,214,638	1,259,104	734,477
102	MRCB	1,243,446	1,227,824	1,951,925	2,224,775	2,088,350
103	MSC	278,250	639,814	2,314,220	798,913	414,820
104	MTD	809,400	225,000	600,000	558,750	450,000
105	MULPHA	547,750	540,000	1,050,000	653,345	529,202

NO	CO NAME	YEAR				
		2009	2008	2007	2006	2005
106	NAIM	735,000	508,263	1,957,756	1,731,861	836,648
107	NCB	1,462,486	360,000	1,180,000	780,000	745,000
108	NESTLE	7,761,950	1,095,689	1,429,568	1,170,929	1,170,929
109	NPC	238,800	6,331,500	6,155,625	5,815,600	5,698,350
110	NSTP	384,493	211,797	432,283	503,969	532,208
111	NTPM	628,992	299,520	293,280	230,880	193,440
112	ORIENT	2,946,900	2,553,980	3,412,200	2,305,820	2,109,360
113	OSK	1,151,994	666,338	1,559,233	1,237,103	597,169
114	PACMAS	666,875	437,743	584,798	834,448	1,051,610
115	PBA	284,893	284,837	397,446	404,013	496,650
116	PBBANK	39,868,379	31,151,586	38,806,805	26,940,778	22,230,012
117	PELIKAN	473,573	415,234	1,371,203	770,892	333,443
118	PERSTIM	311,817	204,568	299,900	258,192	222,443
119	PETDAG	8,643,050	7,152,869	8,593,377	4,947,401	3,934,078
120	PETGAS	19,530,084	19,391,573	21,172,431	17,709,651	18,402,207
121	PETRA	431,520	372,000	1,461,240	746,856	450,549
122	PHARMA	471,772	376,562	344,421	436,410	530,482
123	PLUS	16,300,000	14,900,000	16,400,000	14,050,000	15,300,000
124	POS	1,192,198	1,084,793	1,309,641	2,589,087	2,069,607
125	PPB	18,920,578	11,025,149	13,040,499	6,460,974	4,931,680
126	PROTON	2,147,423	994,076	2,021,104	3,624,806	3,597,345
127	PRTASCO	273,000	177,000	294,000	264,000	219,000
128	PUNCAK	1,245,763	1,085,417	2,055,714	1,805,705	1,153,318
129	QL	1,280,400	775,500	827,200	624,800	500,000
130	QSR	947,933	695,911	785,507	820,570	765,723
131	RANHILL	498,716	438,990	1,475,244	752,554	465,867
132	RESORT	16,592,453	13,338,063	22,619,658	15,973,836	12,229,015
133	RHBCAP	11,413,416	8,398,551	12,597,827	6,236,283	4,029,879
134	RPB	343,421	412,105	446,447	248,980	187,164
135	SCOMI	473,358	342,316	1,417,374	1,015,404	991,987
136	SCOMIMR	340,849	230,898	703,689	557,087	584,973
137	SHANG	805,200	726,000	1,113,200	946,000	550,000
138	SHELL	3,156,000	2,430,000	3,390,000	3,180,000	2,925,000
139	SHL	268,757	363,186	460,035	215,490	288,127
140	SIME	53,904,891	31,249,212	71,509,598	17,912,438	14,854,243

NO	CO NAME	YEAR				
		2009	2008	2007	2006	2005
141	SOP	1,212,699	833,447	878,894	424,508	222,226
142	SPB	1,123,627	927,765	1,195,786	927,765	848,733
143	SPSETIA	3,985,879	3,151,765	5,024,361	3,419,454	2,142,777
144	SSTEEL	830,446	553,631	727,690	529,170	296,984
145	STAR	2,348,632	2,392,946	2,540,659	2,245,233	2,705,240
146	SUBUR	418,000	355,300	716,000	968,000	540,000
147	SUNRISE	1,020,504	707,922	1,433,848	894,870	494,544
148	SUPERMX	1,266,141	212,216	577,890	473,107	400,455
149	SURIA	405,159	236,579	963,315	263,495	283,328
150	TA	1,206,896	906,402	1,826,523	1,056,137	803,727
151	TAANN	1,032,376	772,672	1,502,418	2,038,996	958,696
152	TALIWRK	625,313	734,351	897,198	631,009	464,987
153	TANJONG	6,790,833	5,363,307	7,460,239	5,806,888	5,847,214
154	TASEK	721,138	690,278	728,643	555,006	395,105
155	TCHONG	2,096,640	779,520	1,397,760	840,000	907,200
156	TENAGA	36,464,993	27,091,546	41,594,001	46,704,817	32,011,587
157	TIMECOM	974,348	620,040	1,910,735	1,872,774	1,164,157
158	TITAN	2,138,294	1,314,525	2,348,618	2,453,780	2,506,361
159	TM	10,946,850	11,018,398	38,525,868	33,121,870	32,386,900
160	TOPGLOV	3,077,142	1,053,727	1,953,585	2,650,909	1,299,241
161	TSH	815,047	558,350	1,329,336	571,605	488,954
162	TWS	818,259	889,411	1,615,764	806,400	741,176
163	TWSCORP	658,089	353,930	1,548,431	482,850	370,704
164	UAC	259,684	191,229	319,954	295,587	354,355
165	UCHITEC	502,821	345,071	1,001,455	1,166,695	1,117,082
166	UMCCA	1,082,760	770,529	1,078,740	608,383	544,060
167	UMLAND	335,970	241,705	553,378	281,139	220,729
168	UMW	7,107,661	5,624,539	8,387,978	3,928,461	2,991,080
169	UNICO	706,560	534,336	989,184	507,840	388,608
170	UNISEM	850,481	330,009	777,879	737,427	621,227
171	UTDPLT	2,838,951	2,143,783	2,643,305	2,029,309	1,467,347
172	VS	230,019	217,440	572,173	274,585	188,328
173	WASEONG	1,613,837	653,715	1,691,189	842,543	747,713
174	WCT	2,022,030	1,172,678	2,729,855	888,676	482,615
175	WTK	468,674	317,560	1,073,133	1,245,386	563,701

NO	CO NAME	YEAR				
		2009	**2008**	**2007**	**2006**	**2005**
176	YNHPROP	616,945	449,104	1,067,088	732,801	427,741
177	YTL	13,866,731	11,692,071	13,103,712	10,778,200	8,370,562
178	YTLCMT	2,104,613	1,152,631	2,451,694	1,960,711	1,125,754
179	YTLLAND	911,861	378,648	616,615	282,760	227,314
180	YTLPOWR	15,134,946	11,106,033	14,465,606	10,925,700	11,494,365
Total market capitalisation of the sample firms (1)		782,796,326	544,295,455	894,324,499	641,249,974	513,978,862
Total market capitalisation of all firms listed on the Main Board (2)		974,136,594	633,521,897	1,048,950,411	803,373,973	659,848,595
Representation of Sample (1:2)		**80.36**	**85.92**	**85.26**	**79.82**	**77.89**
Number of companies in Main Board		849	634	636	649	646

APPENDIX C: DESCRIPTION OF CSRR CHECKLIST USED IN THE CURRENT STUDY

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
	ENVIRONMENT			
1	Pollution control/ abatement	E1	To control / reduce / eliminate pollutions, such as noise, air and water pollutions. For example, the discharge of pollutants such as effluent (chemical waste) may cause land and water contamination while emissions (harmful gases such as greenhouse gas and carbon dioxide) may contribute to the climate change / global warming problems.	Environmental management system (EMS) in place; the use of green products (e.g. CFC-free gas, biodegradable / environmental-friendly products); proper waste disposal process; research and development (R&D) for pollution control / abatement; zero burning policy; statement indicating that firm's operations are non-polluting or that they are in compliance with regulations and relevant Acts (e.g. Environmental Quality Act, 1974); statement indicating that pollution from operation has been / will be reduced.
2	Environmental conservation and repairs	E2	To protect plants and animals (e.g. endangered wildlife), natural areas (e.g. habitats, land, water, reservoirs, natural wonders), and interesting / important structures / buildings (e.g. historical structure) from damaging effects of human activity, and repairs to environmental damages.	To restore historical buildings / structures; design buildings / facilities harmonious with the environment through increasing landscaping and green space, and adopting green technology / building); conserve biodiversity of ecosystem through conservation and rehabilitation projects; repairs to environmental damages that include land reclamation, reforestation, beach clean-up, soil

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
				conservation, erosion control; contributions in terms of cash or art / sculptures to beautify the environment.
3	Energy conservation	E3	Conservation and efficient use of energy, reduction in energy consumption.	Types and total energy usage / saving in firm; energy conservation; development (research) / use of alternative / renewable / energy (e.g. solar power, biogas, biodiesel) / technology (e.g. conversion of recycled waste into energy, Life Cycle Analysis (LCA); voicing firm's concern about energy shortage; firm's policy on energy.
4	Resource conservation and waste management	E4	Conservation and efficient use of resources / materials through reduction, recycling and reuse of resources and waste.	Water consumption (total usage / saving of water) and efforts to reduce water consumption; types and total usage / saving of other resources / materials used by firm; use of recycled (e.g. recycling glass, metals, oil, water, papers, waste) / treated (e.g. treated water, waste) resources / materials.
5	ISO 14001 / 14004 (Environmental Management System) certification	E5	Certification granted on firm's environmental management system.	Certification of ISO 14001 / 14004.
6	Environmental awards	E6	Awards received in relation to environmental commitments undertaken by firm.	Best practice in environmental reporting / energy conservation programme.
7	Other commitments towards environmental protection / sustainability.	E7	Other commitments to protect / sustain the environment, which includes educating the community on environmental issues, supporting public or private actions / events	Organise / participate / sponsor for environmental educational / awareness programmes; research / studies of general environmental issues; sustainability-related

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
			relating to environmental protection.	information.
	COMMUNITY			
1	Education	C1	Provision of education / any educational-related activities, practical training, scholarship and sponsorship for educational-related activities to the community.	Organise tuitions, motivational talks and seminars; sponsor for, upgrading library, motivational talks and seminars.
2	Charity	C2	Aid to improve the lives of underprivileged.	Charitable donations / 'sadaqah' (in cash / in-kinds) and activities for the elderly, disabled, orphanage, disaster's victims, single-parents, indigenous groups; amount and recipients of such donations; details information on charity activities done.
3	Art, culture and heritage	C3	Organise / support for art, cultural and heritage-related activities.	Related shows and exhibitions; participation / contribution (cash / in-kinds) in related activities.
4	Equality in community	C4	To promote equality in the community, for examples, in terms of rights and opportunities, learn to respect each other, equal opportunity for women, the disabled and minority / indigenous groups.	Scholarship / research grant for women scientists; campaign to stop violence against women; making building and public facilities barrier-free for the disabled (e.g. special parking place, restroom, walking areas).
5	Youth development and graduate employment programme	C5	To enhance knowledge and skill of youth and groom them to become valuable human capital assets.	Management trainee programme, trainings for youth.
6	Employees participation in community service	C6	Employees' involvement in community-related activities.	Employees' participation in community activities such as fund raising and blood donation events.
7	Community health and safety	C7	Promoting for community's health and	Organise / support for public health and safety projects such as

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
			safety.	awareness talks and exhibitions on general health / specific diseases / road safety; medical check-up provision; sports / recreational activities; aiding medical research.
8	Community and infrastructure support	C8	Provision of basic amenities, employment opportunities, and other facilities for community's benefit.	Provision of training / consultation to educate the community; employment for local workforce / basic amenities (e.g. road, school, community hall, playground, place of worship) and other facilities (e.g. relocation of squatters' community) for the benefit of the community.
9	Community awards	C9	Awards / recognitions received in relation to community initiatives / achievements.	Best practice in community reporting.
10	Community engagement	C10	To understand and address community's concerns, needs and wants, in a way to improve firm's decision-making and accountability towards CSR.	Channels to voice out community's concerns / grievances / complaints (e.g. special dedicated website / unit); community engagement through dialogues / partnership with firm.
11	Support for national pride / government sponsored campaigns	C11	Participate in government social campaigns / collaborate with government's ministries / agencies in social-related projects.	School adoption programme; training for unemployed graduates.
	WORKPLACE			
1	Employee health and safety (H&S)	W1	To promote employees' health and safety at workplace.	Management of pollutants / irritants / hazards at workplace; H&S policy / management system; H&S research / education / training; conducive working environment; zero accident / statistics on

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
				accidents happened at workplace / toxic hazard released; compliance on H&S standards & regulation; provision of low cost healthcare for employees.
2	Human capital development	W2	Education, training and career development programme to enhance employees' knowledge, skills and opportunities to reach their full potential.	In-house / outside trainings / seminars; scholarships for continuing education; establishment of training centres; nature of / cost associated with trainings; number of employees attended the trainings / seminars; clear career development programmes; opportunity for employees to reach their full potential.
3	Workplace diversity and equal opportunity	W3	Employees' composition and workplace diversity programmes / policies / practices.	Employees' classification (e.g. by gender, ethnics, qualifications); policies / guidelines on employees' rights (e.g. value and respect each other); provide equal opportunity / non-discrimination to all employees, regardless of gender, ethnics, disability, etc.
4	Employee appreciation	W4	Rewards and recognition given as a token of appreciation on employees' excellent job performance and loyalty.	Statements showing gratitude and thanking employees; excellent performance's awards / rewards; information on the existence of or amount and value of shares offered to employees under a share purchase scheme or pension programme; share option scheme / any other profit sharing schemes.
5	OHSAS 18001	W5	Certification granted on	Certification of OHSAS

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
	(Occupational Health and Safety Management Systems) certification		firm's H&S management system.	18001.
6	Employee relation / engagement	W6	To improve / maintain good employer-employee relationship, which may in turns, improve job satisfaction and employee motivation.	Employee dialogues; satisfaction surveys; channels for employees' concerns / grievances / complaints; information on employees' turnover, firm's stability / restructuring (which requires employees' relocation / retraining)/ future prospects of firm (e.g. clear missions and visions); employee participation in firm's strategy formulation.
7	Workplace awards	W7	Awards received in recognition of firm's excellence in workplace practice.	Best employer's award; safety award; best practice in workplace reporting.
8	Employee remuneration, benefit and assistance	W8	Remuneration, assistance and benefits provided by firm to its employee.	Competitive pays; emergency fund to help employees who are in need; assistance / guidance / counseling for employees on any personal / work related problem; personal health insurance / medical care for employees and / or their families, housing / car / computer loan).
9	Work-life balance	W9	To enable employees to have a balance between their work and life.	To facilitate employees with family's commitments (e.g. provision of childcare centre, maternity / paternity leave, flexible working arrangement / teleworking, family day); to promote employees' wellbeing (e.g. gym, sports / recreational / wellness programmes, medical check-up, talks and

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
				seminar on health and wellness).
10	Industrial relations	W10	Relationship between firm and industry (trade unions).	Firm's relationship / engagement with trade unions; any strikes, industrial actions / activities and resultant losses in term of time and productivity; information on how industrial action was reduced / negotiated.
	MARKETPLACE			
1	Product development	M1	Developments of green products / packaging.	Development of environmental friendly products / packaging (e.g. biodegradable products / packaging; reusable packaging); information on research and development (R&D) involved in product development (e.g. amount of money spent, R&D's benefits); use of green technology in product development; controversial-free products (free from any controversial / uncertainty / 'al-gharar' issues, e.g. listed in *Shariah*-approved shares; contracts, transactions and dealings are performed in adherence to the Islamic principles such as avoidance of interest / 'riba', unfair trading, hoarding, fraud, breach of contract).
2	Product / service quality	M2	Certification / awards received on firm's products / services.	Certifications such as MS ISO 15189, ISO / IEC 17025 (quality for lab testing), GMS, ISO 9001 (Quality Management System); certified by RSPO, MSQH; Halal

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
				certification on products (e.g. MS1480 HACCP, MS1500 Halal).
3	Product / service safety	M3	Concern about customer health and safety	Policy preserving customer health and safety; compliance with local, national or international regulations; compliance with code of marketing practices; safety research conducted on firm's products; safety standards met / improved sanitary procedures applied in the manufacturing process.
4	Corporate governance	M4	Commitment to the highest standards of integrity, openness and accountability.	Compliance with best practice / relevant law and regulation; demonstrating ethical behaviour; adopting the ethics charter; establishing ethics committee; received corporate governance award.
5	Supplier relation / engagement	M5	To promote transparent and ethical procurement whilst ensuring suppliers' quality and satisfaction.	Trainings provided by firm to suppliers; communication / discussion / dialogue with suppliers on the conditions imposed on them (e.g. need to be socially responsible); nature and location of outsourced operations; performance of firm in honouring contracts with suppliers (e.g. meeting payment schedules, surveys to measure suppliers' satisfaction, drivers behind the choice of suppliers).
6	Customer relation / satisfaction	M6	To achieve customer satisfaction / maintain good firm-customer relationship.	Providing timely / prompt delivery of product / service (e.g. timely completion of houses for firms in

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
				properties industry); friendly facilities to customers; measuring customer satisfaction (e.g. survey / consultation); customer service (e.g. address customers' complaints on products / services, after sales service); analyse customer / consumer interest (e.g. consumer needs / concerns, marketing practice); consumer education; product knowledge.
7	Stakeholder engagement	M7	Dialogue / partnership with stakeholders (other than community / employees / suppliers / customers), for examples, non-government organizations (NGOs) / special-interest groups (e.g. environmentalists) / investors, with the aim of improving firm's decision-making and accountability towards CSR.	Provide channels for stakeholders' concern / grievances / complaints (e.g. special dedicated website / unit / investor relation); engage with stakeholders through dialogues (e.g. to understand / address their concerns, needs, and wants).
8	Other stakeholders' matters	M8	Other matters relate to the stakeholders.	Provide new knowledge / awareness programme to the stakeholders; communicating firm's policy on stakeholders (e.g. fairness / equality in stakeholders' transaction).
9	Marketplace awards	M9	Awards / recognition received in relation to marketplace practices.	Certification / recognition granted from external assurance report; best practice in marketplace reporting.
	OTHERS			
1	CSR reporting standard / quality	O1	Initiatives undertaken to produce a high quality of CSR reporting; recognition received in	Compliance with the Global Reporting Initiative (GRI) Reporting Standard /

No	CSR dimensions and its components	Code	Description of CSR components	Description of CSR sub-components
			relation to CSR reporting.	Quality; awards received in recognition of best practice in firm's overall CSR reporting (e.g. ACCA Malaysia Sustainability Reporting Awards (ACCA MaSRA), formerly known as ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA); National Annual Corporate Report Awards (NACRA).
2	CSR committee	O2	Establishment of a department / committee / management structure within the firm in relation to CSR.	Health and safety review department / committee; CSR committee; Environmental committee; the inclusion of CSR as a senior management's and board level's agenda.
3	Other commitment statements to CSR.	O3	CSR development plans / policy / strategy / performance / reporting media.	CSR (e.g. environmental / social) policy / guidelines / strategy and its alignment to business strategy (e.g. firm's mission and vision related to CSR); acknowledgement of success / failure in achieving targets; social and environmental audit; being a member of Roundtable on Sustainable Palm Oil (RSPO) / Institute of Corporate Responsibility Malaysia (ICRM); value-added statement.

APPENDIX D: RESEARCH INSTRUMENT (CODING SHEET) OF THE CURRENT STUDY

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING CHECKLIST

Company's Name:	
Year of Reporting:	
Location of Reporting in Annual Report:	

No	CSRR	CODE	Quality Score*				Quantity**	Remarks
			0	1	2	3		
ENVIRONMENT								
1	Pollution control / abatement	E1						
2	Environmental conservation and repairs	E2						
3	Energy conservation	E3						
4	Resource conservation and waste management	E4						
5	ISO 14001 / 14004 (Environmental Management System) certification	E5						
6	Environmental awards	E6						
7	Other commitments towards environmental protection / sustainability	E7						
	Total Environment / 21							
COMMUNITY								
1	Education	C1						
2	Charity	C2						
3	Art, culture and heritage	C3						
4	Equality in community	C4						
5	Youth development and graduate employment programme	C5						
6	Employees participation in community service	C6						
7	Community health and safety	C7						
8	Community and infrastructure support	C8						
9	Community awards	C9						
10	Community engagement	C10						
11	Support for national pride / government sponsored campaigns	C11						
	Total Community / 33							
WORKPLACE								
1	Employee health and safety (H&S)	W1						
2	Human capital development	W2						
3	Workplace diversity and equal opportunity	W3						
4	Employee appreciation	W4						
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5						
6	Employee relation / engagement	W6						
7	Workplace awards	W7						
8	Employee remuneration, benefit and assistance	W8						
9	Work-life balance	W9						
10	Industrial relations	W10						
	Total Workplace / 30							

MARKETPLACE								
1	Product development	M1						
2	Product / service quality	M2						
3	Product / service safety	M3						
4	Corporate governance	M4						
5	Supplier relation / engagement	M5						
6	Customer relation / satisfaction	M6						
7	Stakeholder engagement	M7						
8	Other stakeholders' matters	M8						
9	Marketplace awards	M9						
	Total Marketplace / 27							
REPUTATION / OTHERS								
1	CSR reporting standard / quality	O1						
2	CSR committee	O2						
3	Other commitment statements to CSR	O3						
	Total Reputation / Others / 9							
TOTAL CSRR / 120								

** Using the weightage procedure, the value of each item disclosed is measured by assigning a value of 3 (if there is quantitative disclosure – highest weightage); 2 (if there is qualitative specific information); and 1 (if there is general qualitative disclosure – lowest weightage). If there is no disclosure made, a value of '0' is assigned.*

*** Number of sentences.*

APPENDIX E: OUTPUTS FROM FREELON (2010) RECAL AND HAYES AND KRIPPENDORFF (2007) SPSS MACRO

1) Output from Freelon (2010) ReCal

FILENAME	liability test input.csv
filesize	2000 bytes
n columns	2
n variables	1
n coders per var	2

	Percent Agreement	Scott's Pi	Cohen's Kappa	Krippendorff's Alpha	N Agreements	N Disagreements	N Cases	N Decisions
Variable 1 (cols 1 & 2)	96	0.872591177	0.872915012	0.872750438	384	16	400	800

* * *

2) Output from Hayes and Krippendorff (2007) SPSS macro

```
Run MATRIX procedure:

Krippendorff's Alpha Reliability Estimate


             Alpha    LL95%CI    UL95%CI      Units   Observrs
Pairs
Nominal      .8728      .7455      .9682   400.0000     2.0000
400.0000

Probability (q) of failure to achieve an alpha of at least alphamin:
   alphamin          q
      .9000      .5728
      .8000      .1086
      .7000      .0076
      .6700      .0018
      .6000      .0002
      .5000      .0000

Number of bootstrap samples:
  5000
```

```
Judges used in these computations:
 Obsv1    Obsv2

====================================================

Observed Coincidence Matrix
    628.00     16.00
     16.00    140.00

Expected Coincidence Matrix
    518.26    125.74
    125.74     30.26

Delta Matrix
       .00      1.00
      1.00       .00

Rows and columns correspond to following unit values
       .00      1.00

Examine output for SPSS errors and do not interpret if any are found

------ END MATRIX -----
```

OWNERSHIP STRUCTURE, BOARD OF DIRECTORS, REGULATION AND CORPORATE SOCIAL RESPONSIBILITY REPORTING (CSRR) IN MALAYSIA

DALILAWATI ZAINAL

THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

**FACULTY OF BUSINESS AND ACCOUNTANCY
UNIVERSITY OF MALAYA
KUALA LUMPUR**

2012