Board Independence and Corporate Social Responsibility (CSR) Reporting in Malaysia

Nurulyasmin Binti Ju Ahmad[1], Afzalur Rashid[2] and Jeff Gow[3]

Abstract

This study aims to examine the influence of board independence on corporate social responsibility (CSR) reporting by publicly listed companies in Malaysia. Content analysis was used to determine the extent of CSR reporting. A reporting index consisting of 51 items was developed based on six themes: General, Community, Environment, Human Resources, Marketplace and Other. An Ordinary Least Square (OLS) regression was used to examine the relationship between board independence and firm CSR reporting. The results indicate that the association between board independence and company CSR reporting is industry specific. Overall, the empirical evidence partially supports agency theory

JEL Classification: G34

Keywords: Agency Theory, CSR, Board Independence, Malaysia

[1]University of Southern Queensland, Australia
[2] University of Southern Queensland, Australia
[3]University of Southern Queensland, Australia; Stellenbosch University, South Africa.

1. Introduction

Companies have reported on their Corporate Social Responsibility (CSR) obligations for more than three decades (Deegan, 2013). The notion of CSR requires companies to consider the social, economic and environmental consequences of their operations and suggests that they address the needs and expectations of stakeholders such as investors, customers, suppliers, regulators and society. Consequently, growing numbers of companies are informing their stakeholders of their social and environmental performance through print-based reporting or their websites. Although it is costly and voluntary by nature, companies still embrace in CSR, as it has been accepted as a long-term business strategy (Jamali and Mirshak, 2007) and a source of competitive advantage. It is a way to gain, maintain and repair legitimacy (Deegan *et al.*, 2000), and it enhances a company's reputation and risk management.

Consistent with the increased importance of CSR, boards' roles and responsibilities have been extended from the traditional shareholder-centric view to encompass various stakeholders. Boards of directors influence CSR in various ways, from establishing stakeholder friendly corporate policies to creating committees that deal with CSR-related matters. They are also expected to monitor company performance financially and socially (Janggu *et al.*, 2014) and are accountable for any decisions made by management to serve for the best interest of shareholders. The board of directors also plays a pivotal role in a company's CSR activities. Nevertheless, the decision to demonstrate social and environmental responsibility to relevant stakeholders through CSR reporting often depends on management's personal wealth considerations (Watts and Zimmerman, 1990). Jensen and Meckling (1976) postulate that a separation of ownership and control in a company provides managers with the incentive to serve their personal interests at the expense of shareholders' interests. In the context of the company, a major issue is the information asymmetry between managers and shareholders. This phenomenon can cause the public to question the integrity and effectiveness of monitoring mechanisms in organizations. An alleged lack of independence is considered the root cause of a board's failure to effectively monitor the actions of management. Therefore, it is claimed that greater emphasis should be made on the internal context, which includes boards, particularly to increase shareholder insight and influence corporate behaviour in organizations (Buniamin *et al.*, 2011).

Proponents of corporate board reform have long supported increasing independent director representation as a means of increasing the objectivity and effectiveness of boards. Fama and Jensen (1983) claim that the effectiveness of board monitoring is enhanced by including independent directors because they have incentives to perform their monitoring function effectively and not collude with managers. This is partly driven by the fact that their reputation and their human capital value depend on their judgement as decision control specialists. Accordingly, their presence is commonly associated with lower information asymmetry and better reporting (Htay *et al.*, 2012). Independent directors also have a significant effect on corporate social activities, such as charitable giving (Post *et al.*, 2011), andthe ethical aspects of the company's activities (Ibrahim *et al.*, 2003) and reduce agency cost (Kyereboah-Coleman and Biekpe, 2006). These views have eventually led to the movement toward specific board guidelines, typically calling for greater representation of independent directors.

This study aims to examine board practices on company CSR reporting in Malaysia. Itis a semi-developed country with a different economic, legal, and cultural environment from developed countries, where most previous studies have been conducted. Malaysia is characterised by high ownership concentration, where family block-ownerships and "dominant" shareholders are commonly present in listed companies (Mustapha and Che Ahmad, 2011). Unlike companies with dispersed shareholdings, these companies seemingly have reduced agency problems and costs due to a better match of control and cash flow rights of shareholders (Mustapha and Che Ahmad, 2011). Nonetheless, due to the highly concentrated ownership and control, Malaysian listed companies face a unique "principal-principal" agency problem instead of the traditional "principal-agent" agency problem (Rashid, 2015).The conflict between family and non-family principals emerges when family owners engage in strategies that advance personal, family or political agendas at the expense of minority owners. This agency conflict, which includes the pursuit of non-economic goals that purportedly diverge from the interest of minority investors, if not monitored properly, may lead to severe expropriation of minority shareholders. Coupled with ineffective minority shareholder protection, this type of conflict presents a major challenge to corporate governance practices in developing countries.

Further, CSR practices often create conflict between minority and controlling shareholders, as they reduce the wealth of the latter. Thus, a board of directors, especially one with independent directors, plays a major role in addressing this unique conflict. Further, understanding board independence and its impact on CSR reporting provides evidence on the effectiveness of the Malaysian Code on Corporate Governance (MCCG) guidelines. This study also adds to the limited literature that addresses principal-principal conflicts in developing countries in addition to extending prior work that has mostly focused on the monitoring role of independent directors in a traditional agency problem setting.

The remainder of the paper is organized as follows. Section two presents the literature review and research questions. Section three presents an overview of corporate governance and corporate board practices in Malaysia. Section four presents the theoretical framework. Section five outlines the methodology. Section six presents and discusses the results. The final section is the conclusion.

2. Literature Review and Research Questions

Studies examining board independence and CSR reporting present varying outcomes. There are vast arrays of factors that are likely to moderate the relationship, such as differences in the institutional context, differences in corporate governance systems, different time periods, the unique CSR challenges in each country, and variation in methods applied as well as definitions used for the variables. Apart from this, independent directors were included on boards as early as the mid-1980s in the US and Europe (Tinggi et. al., 2015). However, a similar idea was brought to light by companies in Asia, especially after the financial crisis from the late 1990s until the late 2000s. Its evolution has since made the issue of independent directors prominent. The development that has taken place shows the differing views of the importance of board independence. This is reflected in the results of previous studies. In fact, the idea that the majority of the directors of a listed public company should be independent is relatively new in many countries. This study is conducted at a time when the issue of independent directors is central to effective corporate governance.

Leung and Horwitz (2004) report that a positive relationship exists between board independence and voluntary segment disclosure for companies listed in Hong Kong. Cheng and Courtenay (2006) document a positive relationship between board independence and voluntary disclosure for 104 Singapore companies. A study of European biotech companies by Cerbioni and Parbonetti (2007) shows that the proportion of independent directors has positive effects on the level of voluntary disclosure. Examining the effect of corporate governance mechanisms on social and environmental disclosures of banking companies in Malaysia and Australian companies, respectively, Htayet. al. (2012) and Rao et. al. (2012) acknowledge the importance of independent directors in enhancing companies' reporting. Likewise, Jiziet. al. (2014) find a positive relationship between board independence and CSR reporting. Other studies that report comparable results are Rashid and Lodh (2008), Barako and Brown (2008), Akhtaruddin *et al.* (2009) and Chau and Gray (2010). Conversely, examining the impact of board composition and ownership structure on the voluntary disclosure of 158 Singapore companies, Eng and Mak (2003) show that board composition significantly and negatively affects voluntary disclosure. Similar findings have been reported bailiff and Cooke (2005). Independent directors are hindered in their ability to influence majority board decisions (Abdullah *et al.*, 2011).In the same vein, Gul and Leung (2004), along with others(e.g.,Allegrini and Greco, 2013; Rouf, 2011), document a negative relationship between board independence and voluntary disclosure. Meanwhile, Said *et al.* (2009), Haji (2013), Shamil *et al.* (2014) and Sartawi *et al.* (2014) find no evidence of a significant association between board independence and CSR disclosures. Michelon and Parbonetti (2012) argue that independent directors may be elected to focus mainly on a monitoring role only as a way of protecting investors against managerial misbehaviour. Thus, reporting aspects have been neglected. Nonetheless, they strongly believe that disclosure should be considered an indirect monitoring mechanism.

In general, the majority of the empirical evidence suggests that board independence has some impact on CSR reporting. However, studies are scant in developing countries. Hence, the objective of this study is to examine the influence of board independence on the CSR reporting of public listed companies in Malaysia.

3. Corporate governance and corporate board practices in Malaysia

The Companies Act 1965 provides the laws relating to directors' roles and responsibilities, while the Articles of Association outline the regulations for the internal management of a company's affairs. The law considers a company as a separate legal entity and adopts a "one-tier" Anglo-American model of corporate governance. This "market or shareholder" model regards the board of directors as the uppermost governing body in the company. "One-tier" boards are directly involved in company decisions, initiatives and outcomes. To ensure directors act as an effective vehicle of corporate governance in Malaysia, they are obliged to undergo a Mandatory Accreditation Programme (MAP), which is reinforced by an annual Continuing Education Programme (CEP). In addition, Bursa Malaysia, through its Listing Requirement, has also provided guidelines on determining independent directors. Practise Note 13 states that an independent director Isa director who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or a listed issuer. In a one-tier board system, members of the board of directors are allowed to hold both executive and non-executive positions. Hence, the objectivity and independence of the directors in monitoring and assessing the performance of the management might be hampered, since they may also be a part of the management team. This weakens independent directors' ability to oversee the implementation of decisions.

In addition, Malaysia's corporate ownership is highly concentrated, with most companies either family or government owned (Classens*et. al.,* 2000). Controlling shareholders normally hold powerful positions on both the top management team and the board of directors, enabling them to make important decisions such as those concerning profit-sharing policy. Consequently, this causes an inequitable treatment with regard to minority shareholders. There is seldom a separation of management and ownership; hence, the agency problem in Malaysia is present. It is also common to find that the chairman of the board is also the chief executive officer. Considering this, the Malaysian Code on Corporate Governance recommends, as a best practice, that there needs to be a balance on the board of directors with at least one-third of the members being independent. Their inclusion is based on (i) their experience and knowledge, (ii) their contacts, and (iii) their independence from the CEO. Malaysian business practice is dominated by owner-managed companies, where the prime shareholder is also the primary founder. When a single body is entrusted with both managing and supervising the company's operations, it is more difficult to guarantee the independence of board members. In addition, it is common that 'independent' directors are either family members or friends instead of genuinely independent. Accordingly, the degree of independence of many board of directors is questionable.

4. Theoretical Framework

Issues pertaining to corporate governance such as monitoring mechanisms are very much related to agency theory. This theory emerged in the 1970s as a powerful framework to address the conflicting relationship between owners and managers and to suggest possible resolutions. An agency relationship exists when there is a change of control previously held by owners (principals) to control by managers (agents). Jensen and Meckling (1976) define the relationship as a "contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (p. 308). Agency theory argues that the separation of ownership and control in companies has resulted in a potential conflict of interests between the owners and their managers. It induces managers to exhibit different attitudes toward risk and conflicting goals with owners, such as investment in unprofitable projects and excessive use of free cash flow (Fama and Jensen, 1983). While principal-agent conflicts are prevalent in most developed countries, countries with concentrated ownership are confronted with principal-principal agency conflicts (Dharwadkar et.al, 2000). Following the incongruence of interests between shareholder groups, controlling shareholders can exploit minority shareholders through managerial facilitation.

Managers in developed countries are most likely to opt for CSR activities on the grounds of self-interest even if the corporate governance system is focused on shareholder primacy. To them, CSR acts as a personal reputational building tool. This different perception of the purpose of CSR can result in a conflict between managers and shareholders. In developing countries with potential principal-principal agency conflicts, managers in most cases are less independent from—and may even be strongly affiliated with—founding owners or major shareholders. They tend to expropriate value from other shareholders to increase the wealth of the controlling owners. Consequently, managers in Malaysia, for instance, might seek opportunities that immediately benefit themselves, as well as founding families, by disengaging from longer-term, outcome-uncertain and costly social investments (Chang *et. al.,* 2015). Accordingly, despite the increasing pressure on companies to engage in CSR, many have resisted it.

How organizations control agency problems has been of great interest. Fama and Jensen (1983) note that the board's "most important role is to scrutinize the highest decision makers in the firm" (p.294). Given the power to authorize and monitor important decisions enables the board to accomplish its monitoring role (Fama and Jensen, 1983). Independent directors are professional referees whose task is to stimulate and oversee the competition among the firm's management. Agency theory advocates that boards comprising a higher proportion of independent directors are more diligent in pursuing their monitoring role, due to their independence from management.

A divergence of interest between managers and shareholders may create information asymmetry; hence, incurring agency costs is closely aligned with those interests (Mustapha and Che Ahmad, 2011). Jensen and Meckling (1976) define agency costs as the sum of the monitoring expenditures by the owners (e.g., the use of boards of directors), the bonding expenditures by managers (e.g., the preparation of financial statements) and the residual loss. Two mechanisms that can possibly mitigate the agency and asymmetric information problems and alleviate agency costs are board monitoring and transparency through disclosure. Htay *et al.* (2012) suggests that disclosure of information, or transparency, is an integral part of corporate governance, as higher disclosure can reduce information asymmetry, which not only clarifies the conflicts of interests between shareholders and management but also makes management more accountable. Forker (1992) fined that the presence of independent board members enhances financial disclosure quality and reduced the benefits of withholding information.

Boards of directors have an important role in alleviating agency costs (Fama and Jensen, 1983). Researchers with an agency-cantered view believe that independent directors have the responsibilities to enhance company transparency in order to protect shareholders' interests (Michelon and Parbonetti, 2012). By disclosing more CSR information in annual reports, this reduces asymmetric information and enhances or maintains the company's reputation/protection. Therefore, an effective board promotes CSR due to its ability to align managers' interests with the long-term goals of both shareholders and non-shareholding stakeholders.

Increased numbers of independent directors on a board creates a higher demand for voluntary disclosure to shareholders via better monitoring (Donnelly and Mulcahy, 2008).Therefore, based on agency theory, it is hypothesized that board independence positively influences company CSR reporting.

5. Methods

5.1 Data

This study utilised a sample of non-financial companies listed on the Main Market of Bursa Malaysia from 2008 until 2013. The study period enabled an examination of the trends in the

CSR reporting practices of PLC in Malaysia. To be included in the sample, the company must have produced an annual report each year. Although there are quite a number of companies that issue stand-alone CSR reports and most companies made disclosure on their website, the information on those channels normally replicates what is reported in the annual report (Rashid, 2015). Initially, there were 813 companies listed on the Main Market of Bursa Malaysia as of 31st December 2013. Only 613 companies lodged their annual reports each and every year. Companies in the finance sector are subject to different regulatory and disclosure requirements, and material differences in their types of operation were thus excluded. Prior studies have not considered them (e.g., MohdGhazali, 2007; Said *et al.*, 2009; Haniffa and Cooke, 2005), and 136 finance companies were excluded from the sample, reducing the potential population to 477 companies. A further 27 companies were omitted due to incomplete data, which left a sample of 450 companies (Table 1).

Using the six annual reports for each company as the main source of information is based on several justifications. This is consistent with other prior studies (Chan *et al.*, 2014; Abdullah *et al.*, 2011; Ibrahim and Samad, 2011; Haji, 2013). Further, annual reports are presumed to be the main vehicle used by companies to communicate information to the public (Hasnah *et al.*, 2006, Gray *et al.,* 2001, Othman and Ameer, 2010), including social and environmental reporting (Chan *et al.*, 2014).

Table 1 Sample company characteristics

Sector	Number of firms in the sample	Observed firm years	Observation in %
Agricultural Production - Crops	25	150	5.56
Agricultural Production - Livestock	5	30	1.11
Fishing, Hunting and Trapping	1	6	0.22
Metal Mining	3	18	0.67
Oil and Gas Extraction	4	24	0.89
Food and Kindered Products	32	192	7.11
Tobacco Products	1	6	0.22
Textile Mill Products	2	12	0.44
Apparel and Other Textile Products	8	48	1.78
Lumber and Wood Products	25	150	5.56
Furniture and Fixtures	13	78	2.89
Paper and Allied Products	19	114	4.22
Printing and Publishing	7	42	1.56
Chemicals and Allied Products	11	66	2.44
Petroleum and Coal Products	4	24	0.89
Rubber and Misc. Plastics Products	18	108	4.00
Leather and Leather Products	1	6	0.22
Stone, Clay and Glass Products	21	126	4.67

Primary Metal Industries	23	138	5.11
Fabricated Metal Products	6	36	1.33
Industrial, Machinery and Equipment	15	90	3.33
Electronic and Other Electric Equipment	24	144	5.33
Transportation Equipment	11	66	2.44
Misc. Manufacturing Industries	23	138	5.11
Electricity, Gas and Sanitary Services	5	30	1.11
General Building Contractors	21	126	4.67
Heavy Construction, Ex. Building	14	84	3.11
Wholesale Trade- Durable Goods	11	66	2.44
Wholesale Trade- Non-Durable Goods	9	54	2.00
General Merchandise Stores	4	24	0.89
Food Stores	1	6	0.22
Automotive Dealers and Service Stations	3	18	0.67
Apparel and Accessory Stores	2	12	0.44
Eating and Drinking Places	1	6	0.22
Hotels and Other Lodging Places	8	48	1.78
Trucking and Warehousing	4	24	0.89
Water Transportation	11	66	2.44
Transportation By Air	1	6	0.22
Transportation Services	6	36	1.33
Communications	7	42	1.56
Real Estate	11	66	2.44
Business Services	18	108	4.00
Educational Services	1	6	0.22
Health Services	8	48	1.78
Amusement and Recreational Services	2	12	0.44
Total	**450**	**2700**	**100.00**

5.2 Variables

5.2.1Dependent variables

Content analysis was used to investigate environmental disclosures in the annual reports (e.g., Chan *et al.*, 2014; Abdullah *et al.*, 2011; Ibrahim and Samad, 2011; Haji, 2013). Content analysis is a technique used by researchers to replicate and make valid inferences from data in their context (Krippendorff, 1989) and involves both qualitative and quantitative methods and converting information in annual reports into scores (Djajadikerta and Trireksani, 2012).

To assess the content of CSR reporting, a checklist of items was constructed by examining previous CSR reporting checklists (e.g., Hackston and Milne, 1996; Barako and Brown, 2008). In addition, Malaysian checklists in particular were also referenced (e.g., Abdullah *et al.*, 2011; Haji, 2013). To ensure conformation of the checklist items to the listing requirements and their relevance to the current Malaysian context, the framework launched by Bursa Malaysia in 2006 was also used as a reference. It comprises guidelines for PLCs in defining their CSR priorities, implementation and reporting. The framework focuses on four dimensions: Environment, Community, Marketplace and Workplace. A checklist of 22 CSR items developed by Abdullah *et al.* (2011)was used as the benchmark. This checklist adapted the work of MohdGhazali (2007)and incorporated aspects of Hackston and Milne (1996) and Ng (1985). The referred checklist was used to capture CSR reporting of companies in a similar institutional setting as the present study, hence confirming its suitability. Checklists by Mohamed Adnan (2012)and Chan*et al.* (2014) were also referenced apart from the inclusion of several items from the Global Reporting Initiative Guidelines in an attempt to obtain a more comprehensive checklist. After going through several revisions and refinements, the final checklist containing 51 items was produced (Table 2).

Each disclosure item was assigned a score of “1” if it is disclosed and “0” if it is not disclosed. This has been extensively employed previously (e.g., Haji, 2013; Haniffa and Cooke, 2005; Rashid and Lodh, 2008; MohdGhazali, 2007). The scores were transformed into a CSR reporting index by dividing the disclosure score of each company to the maximum possible score (i.e., 1 x 51= 51).

$$CSRI_i = \frac{\sum_{t=1}^{nj} X_{ij}}{n_j},$$

CSRI = CSR reporting index;
nj = number of items expected for *j*th company;
Xij = 1 if *i*th item disclosed; 0 if *i*th item not disclosed

Table 2 CSR Reporting checklist

CSR Reporting Items	
A	**General (maximum 7 scores)**
1	Acknowledgement or management of corporate social responsibility
2	Disclosure of corporate objectives or policies with regard to corporate social responsibility
3	Company’s strategy for addressing sustainability
4	Mission/ values/ codes of conduct relevant to CSR topics
5	Commitments to external initiatives (e.g., membership)
6	Awards received relating to social, environmental and best practices
7	Discussion on stakeholder engagement
B	**Community (maximum 9 scores)**
8	Charitable donations and activities (*such as donations of cash, products or employee services to support established community activities, events, organisations, education and the arts*)
9	Supporting government/ non-governmental organization campaign (*such as supporting national pride/government-sponsored campaigns*)
10	Support for public health/ volunteerism (*such as blood donation*, *sponsoring public health or recreational projects*)
11	Aid medical research

12	Sponsoring educational programs/ scholarship (*such as sponsoring educational conferences, seminars or art exhibits, funding scholarship programs or activities*)
13	Discussion on public policy involvement
14	Graduate employment
15	Sponsoring sports project
16	Acquisition from local suppliers
C	**Environment (maximum 14 scores)**
17	Statements indicating that pollution from operations have been or will be reduced
18	Discussion on recycling efforts (*such as recycled inputs/ recycled waste*)
19	Preventing waste
20	Disclosure on significant spills/ environmental accidents
21	Hazardous waste disclosure
22	Fines/ sanction for non-compliance
23	Design facilities that are harmonious with the environment/ landscaping (*such as contributions in terms of cash or art/sculptures to beautify the environment, restoring historical buildings and structures*)
24	Impacts on biodiversity
25	Strategies/ plans for managing impacts on biodiversity (*such as wildlife conservation, protection of the environment, e.g., pest controls*)
26	Environmental review and audit (*such as reference to environmental review, scoping, audit, and assessment including independent attestation*)
27	Conservation of energy in the conduct of business operations *(using energy more efficiently during the manufacturing process*)
28	Utilizing waste materials for energy production
29	Disclosure of carbon/ green gas emissions
30	Initiatives to reduce carbon/ green gas emissions
D	**Workplace (maximum 14 scores)**
31	Employee profiles *(such as number of employees in the company and/or at each branch/ subsidiary, information on the qualifications and experience of employees recruited*)
32	Employee appreciation (*such as information on purchase scheme/ pension program*)
33	Discussion of significant benefit program provided (*such as remuneration, providing staff accommodation or ownership schemes*)
34	Employee training (*such as through in-house training, establishing training centres*)
35	Support to employee education (*such as giving financial assistance to employees in educational institutions; continuing education courses*)
36	Information on management-employee relationship/ efforts to improve job satisfaction (*such as providing information about communication with employees on management styles and management programs which may directly affect the employees*)
37	Employee diversity (*such as disclosing the percentage or number of minority and/or women employees in the workforce and/or in the various managerial levels*)
38	Employee receiving regular reviews
39	Recreational activities/ facilities
40	Establishment of a safety department/ committee/ policy
41	Provision of health care for employee
42	Compliance to health and safety standards and regulations

43	Award for health and safety
44	Rates of work-related injury/ illness/ deaths (*such as disclosing accident statistics*)
E	**Marketplace (maximum 5 scores)**
45	Information on any research project set up by the company to improve its products in any way (such as *the amount/percentage figures of research and development expenditure and/or its benefits*)
46	Verifiable information that the quality of the firm's products has increased (*such as ISO9000*)
47	Disclosure of products meeting applicable safety standards (*such as information on the safety of the firm's product*)
48	Product sustainability/ use of child labour
49	Customer service improvements/ awards/ ratings
F	**Other (maximum 2 scores)**
50	Value added statements
51	Value added ratios

5.2.2 Independent and control variables

The independent variable of interest in this study is board independence. Board independence refers to independent directors who have no affiliation with the company except for their directorship (Bursa Malaysia, 2006). Board independence (BIND) is the number of independent directors on the board relative to the total number of directors (Arora and Dharwadkar (2011); Harjoto and Jo (2011) and Das *et al.* (2015).

Following the stream of previous studies, a number of governance attributes and the company's characteristics that might affect CSR reporting are investigated as control variables in this study: board size, directors' ownership, institutional ownership, debt ratio, liquidity, company age, company size, profitability, company growth and market capitalisation. Board size is one of the governance attributes that has a major influence on a company's operation. Although there is no universal "best" size, García Sánchez *et al.* (2011) claim that a board should comprise a considerable number of experienced directors. They should ensure full deliberation and diversity of thinking on governance and other organizational matters. Smaller boards are expected to benefit from more efficient communication, coordination and accountability of individual board members (Jizi *et al.*, 2014). However, they suffer from limited monitoring ability due to higher workloads and less diversified range of expertise. Similarly, larger boards are inefficient because they result in weaker control of management and increase agency costs but can offer more knowledge and expertise, as well as more capacity for monitoring and sharing workload (Larmou and Vafeas, 2010). Board size refers to the number of directors who compose the board (Ntim and Soobaroyen, 2013; Jizi *et al.*, 2014). An ideal board size would be different across companies. Board size (BSIZE) is defined as the natural logarithm of the total number of directors, following Rashid (2013).

Directors' level of ownership is presumed to have an important effect on their willingness to monitor managers and enhance shareholders' value (Shleifer and Vishny, 1997). It helps motivate directors to do their monitoring job effectively. Director ownership (DIROWN) is expressed as the ratio of total director shareholdings to the total number of shares. Institutional investors are a special group of shareholders with a relatively concentrated larger stake of shares. By holding substantial shares in a company, they can exert considerable influence on management, including disclosure of CSR information. Institutional ownership (INSTITUT) is the ratio of total institutional shareholdings to the total number of shares, as defined by Nasir and Abdullah (2004) and Barako *et al.* (2006).Leverage (DR) is measured by the ratio of total liabilities to total assets. Barnea and Rubin (2010) believe that the need for managers of highly leveraged companies to generate and retain cash to service debts might reduce their ability to fund CSR activities. Conversely, companies with high debt levels are expected to incur high monitoring costs. An opposing view is that they disclose more information to reduce costs (Esa and MohdGhazali, 2012) and to meet the needs of their lenders (Abdullah *et al.*, 2011).

Profitability has been demonstrated to have an effect on CSR practices. Since CSR activities are not cost-free, and companies that are highly profitable are able to absorb the associated costs; hence, they disclose more information to stakeholders. Haniffa and Cooke (2005) and Khan (2010) show that profitability is a vital factor in relation to disseminating social information by companies. Profitability is proxied by Return on Assets (ROA) following Rashid (2014) and Sartawi *et al.* (2014). Rashid (2013) define company growth (GROWTH) as a percentage of annual change in sales. Growth is a result of an interaction between a company's productive resources and its market opportunities. Allegedly, when companies experience rapid growth, they tend to pay less dividends and seek financing from the market, thus forcing more disclosure (Naser *et al.*, 2006). Consequently, the cost of external financing is reduced and improves a company's ability to potentially pursue profitable projects. Further, growth companies show greater information asymmetry and higher agency costs (Eng and Mak, 2003). Hence, they are expected to disclose more information. Market capitalisation can be used to represent company size (Wallace and Naser, 1996). Companies with high market capitalisation are generally exposed to political attacks, such as demands by society for the exercise of social responsibility or for greater regulation, such as price controls and higher corporate tax (Watts and Zimmerman, 1986). These outcomes can be minimised by more comprehensive disclosure. Conversely, companies with low market capitalisation are more likely to feel that greater disclosure would be detrimental to their competitiveness. Market capitalisation (CAP) is expressed in its natural logarithm.

Ho and Taylor (2007) suggest that companies with high liquidity have stronger incentives to disseminate more information in their annual reports than companies with lower liquidity. Company liquidity (LIQ) is measured as the current ratio (Rashid, 2013, 2014; Ho and Taylor, 2007).Company age (AGE) is represented by the number of years that it has been listed on Bursa Malaysia, expressed as a natural logarithm (Rashid, 2009). There is almost a consensus on the existence of a relationship between company size and the extent of disclosures made. Studies by Cormier *et al.* (2011) and Lu and Abeysekera (2014) confirm the result that size is one of the major factors determining CSR reporting. Large companies engage in more activities due to resource availability, produce more information on these activities and are better able to bear the cost of such processes (Andrew *et al.*, 1989). The natural logarithm of total assets as the proxy for company size (SIZE) is used, in line with Das *et al.* (2015), Sartawi *et al.* (2014) and Rashid (2014).

5.3 The Model

The following model is estimated to examine the relationship between corporate governance attributes and the extent of CSR reporting of Malaysian PLCs:

$$\mathbf{CSRI_{i,t} = \alpha + \beta_1 BIND_{i,t} + \beta_2 BSIZE_{i,t} + \beta_3 DIROWN_{i,t} + \beta_4 INSTITUT_{i,t} + \beta_5 DR_{i,t} + \beta_6 LIQ_{i,t} + \beta_7 AGE_{i,t} + \beta_8 SIZE_{i,t} + \beta_9 ROA_{i,t} + \beta_{10} GROWTH_{i,} + \beta_{11} CAP_{i,t} + \varepsilon_{i,t}}$$

Where $\mathbf{CSRI_{i,t}}$is CSR index for ith company at time t. $\mathbf{BIND_{i,t}}$ is number of independent directors to the total number of directors for ith company at time t. $\mathbf{BSIZE_{i,t}}$ is the total number of directors for ith company at time t. $\mathbf{DIROWN_{i,t}}$ is the percentage of director ownership for ith company at time t. $\mathbf{INSTITUT_{i,t}}$is the percentage of institutional ownership for ith company at time t. $\mathbf{DR_{i,t}}$is debt ratio for ith company at time t. $\mathbf{LIQ_{i,t}}$is the liquidity ratio for ith company at time t. $\mathbf{AGE_{i,t}}$is the number of listed years on Bursa Malaysia for ith company at time t. $\mathbf{SIZE_{i,t}}$is the natural logarithm of total assets for ith company at time t. $\mathbf{ROA_{i,t}}$is the profitability for ith company at time t. $\mathbf{GROWTH_{i,t}}$is the company growth in sales for ith company at time t. $\mathbf{CAP_{i,t}}$is the market capitalisation for ith company at time t.$\boldsymbol{\alpha}$ is the intercept, $\boldsymbol{\beta}$ is the regression coefficient, and$\boldsymbol{\varepsilon}$ is the error term.

The first step to ensure the data not only meets the normality assumption but also is free from problems of multicollinearity, heteroscedasticity and endogeneity. The assumption of normality asserts that the distribution of the means across samples is normal, where a bell-curve shape is exhibited if it is plotted. However, this assumption of normality turns out to be relatively uncontroversial when large samples are used, for instance, for samples more than 30 (Pallant, 2007). The model is tested using Residual Test/Histogram-Normality Test. and the results conform to the assumption. The correlation matrix results presented in Table 3show that the correlation coefficients between the independent variables range from -0.009 to 0.839. Gujarati (2003) suggests that a multicollinearity problem may exist when the correlation exceeds 0.80, which is evident from the correlation between company size and market capitalisation. To confirm whether the assumption is violated, the Variance Inflation Factor (VIF) for each independent is also considered. A value of VIF greater than 10 indicates that multicollinearity is present (Gujarati, 2003). However, none of the VIF values in the model exceed 10, indicating that multicollinearity is not a serious problem when interpreting the regression results.

The assumption of homoscedasticity is central to any regression model. Homoscedasticity describes a situation in which the error term is constant across all values of the independent variables. Standard estimation methods are inefficient when the size of the error term differs across values of an independent variable, which is also known as heteroscedasticity. The scatter plot of the residuals (ZRESID) against the predicted value (ZPRED) of the model indicates heteroscedasticity. The Breusch-Pagan test is thus employed. Likewise, both the Chi square and corresponding *p* values indicate heteroscedasticity. Correction is achieved by applying the standard errors of the White (1980) method. Another major assumption of regression is that independent variables are not correlated with the error terms. Based on the Hausman Test, when this assumption is violated, endogeneity occurs. This causes the regression coefficient in the Ordinary Least Square (OLS) regression to be biased. This can be addressed by using

Instrumental Variable regression. The F-test for the predicted value of board independence in this model is considered not significant. Following Rashid (2014), when the CSR index is used as a proxy for CSR reporting, F = 2.28 with $p = 0.1314$. The results indicate that endogeneity is not a problem. Hence, OLS and Instrumental Variable regression are consistent.

Table 3 Correlation matrix of the explanatory variables

		1	2	3	4	5	6	7	8	9	10	11	VIF
1	BIND	1.00											1.284
2	BSIZE	-0.414**	1.00										1.402
3	DIROWN	0.057**	-0.089**	1.00									1.126
4	INSTITUT	-0.077**	0.071**	-0.256**	1.00								1.084
5	DR	0.085**	0.007	-0.035	-0.013	1.00							1.136
6	LIQ	0.094**	-0.045*	-0.008	0.002	-0.274**	1.00						1.119
7	AGE	0.151**	-0.011	-0.177**	0.017	0.005	0.063**	1.00					1.204
8	SIZE	-0.053**	0.339**	-0.181**	0.061**	0.055**	-0.067**	0.337**	1.00				3.891
9	ROA	-0.009	0.084**	-0.073**	0.062**	-0.129**	0.049*	0.051**	0.111**	1.00			1.054
10	GROWTH	-0.029	0.025	-0.009	0.049*	0.018	-0.059**	0.000	0.073**	0.039	1.00		1.013
11	CAP	-0.063**	0.321**	-0.156**	0.071**	-0.069**	0.035	0.268**	0.839**	0.174**	0.071**	1.00	3.680

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

6. Results

6.1 Descriptive statistics

The descriptive statistics of CSR reporting and the independent variables are shown in Table 4. The average CSR reporting level among PLC is 21.7%. This indicates that despite the existence of regulation and awareness campaigns, the level of CSR reporting in Malaysia remains moderately low (Lu and Castka, 2009; Ramasamy and Ting, 2004). Huge variation between the highest and lowest level of reporting is observed. The finding also implies that transparency and reporting are not a strong tradition in Malaysian PLCs (Aaijaz and Ibrahim, 2012). On average, boards comprised 45.2% independent directors. As almost half of the board consists of independent directors, it is likely for the board to provide more independent judgement, which is important in making better decisions for shareholders. There is also a greater chance of enhancing board monitoring effectiveness. The results also reveal that PLCs in Malaysia are conforming to the MCCG recommendation of having at least one-third independent directors. In general, companies have an average board size of 7.2, indicating that a moderately large size of board is preferable. The results regarding director ownership illustrate that, on average, they only own 4.4% of company shares, with the highest recording 56.8%. Notwithstanding its ability to align directors' interests with shareholders, companies prefer to keep directors ownership levels low. By contrast, there is an extreme difference between the minimum (0%) and maximum (95.9%) shareholdings by institutions. Average institutional ownership accounts for 26.3% of total company shareholding.

Table 4 Descriptive statistics of the variables (N = 2700)

	Mean	Median	Minimum	Maximum	SD
CSRI	0.217	0.196	0.039	0.726	0.120
BIND	0.452	0.430	0.170	1.000	0.128
BSIZE	7.236	6.686	3.004	18.174	1.296
DIROWN	0.044	0.003	0.000	0.568	0.088
INSTITUT	0.263	0.204	0.000	0.959	0.221
DR	0.402	0.378	0.003	10.319	0.362
LIQ	3.053	1.785	0.007	96.111	5.199
AGE	13.985	15.029	1.000	52.985	1.640
SIZE	12.878	12.650	9.369	18.411	1.447
ROA	0.062	0.058	-2.898	5.547	0.178
GROWTH	0.053	0.027	-4.941	8.578	0.478
CAP	18.798	18.503	12.371	24.810	1.811

6.2 Regression analysis

Panel A of Table 5 shows the adjusted R^2 value, which shows that the variation in the extent of CSR reporting that can be explained by the independent variables is 37.7%. It is argued that independent directors are more objective when making decisions, thereby increasing the chance of protecting interests of stakeholders against the possible emergence of opportunist behaviour by management (Fama and Jensen, 1983). In return, levels of disclosure are increased. It is expected that a positive relationship between independent directors and the extent of CSR reporting exists. Consistent with that found by Barako and Brown (2008) and Rashid and Lodh (2008), the result is significant, which supports this hypothesis. Further, it is predicted that board size is positively related to the extent of CSR reporting. The result reveals a significant positive relationship between the two variables, indicating that larger boards can benefit from diversity, resulting in better involvement in CSR activities and increased reporting (Esa and MohdGhazali, 2012). This outcome matches those observed of studies by Ntim and Soobaroyen (2013) and Akhtaruddin *et al.* (2009).

Ownership by directors and institution, company age, size, ROA and market capitalisation are found to be significantly related to CSR reporting. Directors' ownership enhances CSR reporting, with similar findings reported by Leung and Horwitz (2004) and Nasir and Abdullah (2004). This finding supports the statement by Jensen and Meckling (1976) that directors ownership helps to match the interests between directors and shareholders. The finding also illustrates that institutional ownership significantly influences the extent of CSR reporting, which reinforces the findings of Leung and Horwitz (2004) and Nasir and Abdullah (2004). Through their power, institutional owners are able to influence management on CSR practices (Shleifer and Vishny, 1997). Accordingly, companies with institutional investors are more likely to report more (Donnelly and Mulcahy, 2008). As predicted, mature companies tend to disclose more CSR information in order to demonstrate and reinforce their high reputations. Likewise, larger companies report more CSR activities, since the costs of disclosures are funded by profits

(Brammer and Pavelin, 2008). Furthermore, they are more visible to the public, and they tend to be subject to greater political and regulatory pressures from external interest groups (Watts and Zimmerman, 1990). To reduce these (potential) political costs, large companies disclose more information in order to demonstrate that their actions are legitimate and consistent with good corporate citizenship (Brammer and Pavelin, 2008). Similarly, companies that are highly profitable are able to absorb the associated costs and hence disclose more information to stakeholders. Regarding market capitalisation, consistent with our expectations, companies with high market capitalisation are likely to produce high levels of CSR reporting.

Table 5 Relationship between board composition and CSR reporting

	Dependent variable **Panel A (before controlling for industry)**	**Panel B (after controlling for industry)**
	CSRI	**CSRI**
Intercept	-0.546 (-19.575)***	-0.594 (-17.016)***
BIND	0.033 (1.878)*	0.017 (1.021)
BSIZE	0.042 (4.637)***	0.031 (3.519)**
DIROWN	-0.065 (-2.657)**	-0.044 (-1.828)*
INSTITUT	-0.034 (-3.597)***	-0.044 (-4.648)***
DR	0.001 (0.104)	0.005 (0.994)
LIQ	-0.001 (-1.637)	-0.000 (-0.995)
AGE	0.022 (4.591)***	0.027 (5.591)***
SIZE	0.027 (10.041)***	0.037 (13.619)***
ROA	0.060 (5.504)***	0.046 (4.427)***
GROWTH	-0.000 (-0.093)	-0.001 (-0.181)
CAP	0.014 (6.640)***	0.008 (3.844)***
F statistic	124.567	35.970
Adjusted R^2	0.377	0.465

The *t* tests are presented in the parentheses *$p < 0.10$; ** $p < 0.010$; *** $p < 0.001$

It is argued that companies in certain types of industries may face a different degree of pressure to disclose information because of competitive reasons (MohdGhazali, 2007). Previous studies have provided evidence of a significant systematic variation across industries pertaining to their propensity to make CSR reporting (Brammer and Pavelin, 2008; Giannarakis, 2014). Companies with high consumer visibility, a high level of political risk or concentrated intense competition significantly disclose more CSR information in their annual reports(Hackston and Milne, 1996; MohdGhazali, 2007). The sample in this study comprises companies from multiple industries. To control for the effects of industry on reporting activities, the model is modified by adding INDUSTRY dummies. Companies are classified based on a two-digit industrial classification (SIC) codes. The new regression model isas follows:

$$\mathbf{CSRI_{i,t} = \alpha + \beta_1 BIND_{i,t} + \beta_2 BSIZE_{i,t} + \beta_3 DIROWN_{i,t} + \beta_4 INSTITUT_{i,t} + \beta_5 DR_{i,t} + \beta_6 LIQ_{i,t} + \beta_7 AGE_{i,t} + \beta_8 SIZE_{i,t} + \beta_9 ROA_{i,t} + \beta_{10} GROWTH_{i,} + \beta_{11} CAP_{i,t} + \mathit{y} INDUSTRY + \varepsilon_{i,t}}$$

The regression coefficients are shown in Panel B of Table 5. As observed, industry has no effect on the majority of independent variables, except for board independence. Its coefficient has changed from significant to non-significant. The result seems to indicate that the effectiveness of independent directors in promoting CSR reporting is relevant only for certain industries. This suggests that while some independent directors are able to execute well their responsibilities in one industry, others may not have the capability to do so in other industries. As pointed out by Haji (2013) and Shamil *et al.* (2014), the effectiveness of independent directors in increasing the level of CSR reporting might be hampered, plausibly due to the lack of knowledge and experience in relation to the type of industry.

7. Conclusions

This study has examined whether independent directors have any association with the extent of CSR reporting of PLCs in Malaysia. Although independent directors are perceived to represent stakeholders' interests, their ability in enhancing company's CSR reporting is found to be industry specific. This finding is likely to be related to the structure of the Malaysian board system. The practice of one-tier board system portrays governance by one body that undertakes both the management and monitoring functions. When all members of the board are entrusted with the same tasks and are obliged to perform the same duties, independent directors are most likely to fail to carry out their supervisory functions objectively. It thus remains a problem of the one-tier system to find ways to guarantee that a certain number of board members are independent. In addition, independent directors are elected based on the notion that they are not materially related to the company. Due to their commitment elsewhere, they usually invest too little time to really understand the business. This dependence on management means that it is difficult to execute the supervisory function when independent directors have limited information on the company's affairs. Perhaps regular board meetings might better familiarise them with the company and in turn assist them in making better and more informed decisions. Independent directors may also have strong family or friendship ties with management, which influences their independence and weakens their monitoring role (Sartawi *et al.*, 2014). Family-owned businesses being a significant element in the Malaysian economy may also impede directors' independence. In these companies, controlling shareholders are significantly influential, which might help explain independent directors failure to execute the monitoring tasks entrusted to them. These clarifications demonstrate the unique principal-principal agency conflict that exist in companies with concentrated ownership. Clearly, board independence is central in the attempt to overcome the conflict. Nevertheless, the efficacy of independent directors is justifiable to certain industry only as evident in this study. Thus, theoretically, the findings partially support agency theory in explaining the impact of governance on CSR practices in Malaysia.

The study concludes that having more independent directors does not necessarily enhance board effectiveness, especially if they are unable to effectively contribute to the board. It is highly recommended that policymakers search for alternative methods of electing independent directors, for instance, appointment by a special committee. Importantly, PLCs need to continuously recognise the significance of best practices for corporate governance, especially when its effect on CSR practices is apparent. For instance, the regression analysis provides evidence that board size contributes to the enhancement of CSR reporting. Fundamentally, this conclusion indicates that better reporting can result from diverse and knowledgeable directors on large boards (Esa and MohdGhazali, 2012). Board size is also associated with the capacity to foster effective monitoring to mitigate agency problems. A high number of directors permit the board to execute duties effectively, leading to more CSR reporting (Donnelly and Mulcahy, 2008).

The findings of this study need to be carefully interpreted. Fundamentally, different countries are subject to different regulatory and corporate governance mechanisms. For this reason, the results cannot be generalised across countries. Further, this study focuses on CSR reporting in annual reports only, despite the fact that companies utilise other mass communication mechanisms. In view of this, future work should consider other forms of reporting. It would also be interesting to assess the effect of other control variables that may play an important role in influencing CSR reporting. Ethnicity, competitiveness, politically connected companies and listing status are several control variables relevant to the Malaysian context that could be incorporated into the model. Finally, because the ability of independent directors to provide impartial perspective in decision making is industry specific, as suggested by this study, it provides an opportunity for future researchers to conduct an industry-based study on the effectiveness of independent directors in enhancing CSR reporting.

References

Aaijaz, N. and Ibrahim, M. (2012), "CSR Inflections: An Overview on CSR Global Strategies Adopted by Companies in Malaysia and Other Asian Countries", *Journal of Southeast Asian Research,* Vol. 12, pp. 1-16. https://doi.org/10.5171/2012.266824

Abdullah, S. N., Mohamad, N. R. and Mokhtar, M. Z. (2011), "Board independence, ownership and CSR of Malaysian Large Firms", *Corporate Ownership & Control,* Vol. 8 No. 3, pp. 417-431. https://doi.org/10.22495/cocv8i2c4p5

Akhtaruddin, M., Hossain, M. A., Hossain, M. and Yao, L. (2009), "Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms", *Journal of Applied Management Accounting Research,* Vol. 7 No. 1, pp. 1-19.

Allegrini, M. and Greco, G. (2013), "Corporate boards, audit committees and voluntary disclosure: evidence from Italian Listed Companies", *Journal of Management & Governance,* Vol. 17 No. 1, pp. 187-216. https://doi.org/10.1007/s10997-011-9168-3

Anderson, C. L. and Bieniaszewska, R. L. (2005), "The role of corporate social responsibility in an oil company's expansion into new territories", *Corporate Social Responsibility and Environmental Management,* Vol. 12 No. 1, pp. 1-9. https://doi.org/10.1002/csr.71

Andrew, B., Gul, F., Guthrie, J. and Teoh, H. Y. (1989), "A note on corporate social disclosure practices in developing countries: the case of Malaysia and Singapore", *The British Accounting Review,* Vol. 21 No. 4, pp. 371-376. https://doi.org/10.1016/0890-8389(89)90034-6

Arora, P. and Dharwadkar, R. (2011), "Corporate governance and corporate social responsibility (CSR): The moderating roles of attainment discrepancy and organization slack", *Corporate Governance: An International Review,* Vol. 19 No. 2, pp. 136-152. https://doi.org/10.1111/j.1467-8683.2010.00843.x

Barako, D. G. and Brown, A. M. (2008), "Corporate social reporting and board representation: evidence from the Kenyan banking sector", *Journal of Management & Governance,* Vol. 12 No. 4, pp. 309-324. https://doi.org/10.1007/s10997-008-9053-x

Barnea, A. and Rubin, A. (2010), "Corporate social responsibility as a conflict between shareholders", *Journal of Business Ethics,* Vol. 97 No. 1, pp. 71-86. https://doi.org/10.1007/s10551-010-0496-z

Bathala, C. T. and Rao, R. P. (1995), "The determinants of board composition: An agency theory perspective", *Managerial and Decision Economics,* Vol. 16 No. 1, pp. 59-69. https://doi.org/10.1002/mde.4090160108

Brammer, S. and Pavelin, S. (2008), "Factors influencing the quality of corporate environmental disclosure", *Business Strategy and the Environment,* Vol. 17 No. 2, pp. 120-136. https://doi.org/10.1002/bse.506

Buniamin, S., Alrazi, B., Johari, N. H. and Rahman, N. R. A. (2011), "Corporate Governance Practices and Environmental Reporting of Companies in Malaysia: Finding Possibilities of Double Thumbs Up", *Jurnal Pengurusan,* Vol. 32 No. 2011, pp. 55-71.

Bursa Malaysia (2006), "CSR Framework for Malaysian PLCs", available at: www.bursamalaysia.com (accessed 28 June 2015).

Cerbioni, F. and Parbonetti, A. (2007), "Exploring the effects of corporate governance on intellectual capital disclosure: an analysis of European biotechnology companies", *European Accounting Review,* Vol. 16 No. 4, pp. 791-826. https://doi.org/10.1080/09638180701707011

Chan, M. C., Watson, J. and Woodliff, D. (2014), "Corporate governance quality and CSR disclosures", *Journal of Business Ethics,* Vol. 125 No. 1, pp. 59-73. https://doi.org/10.1007/s10551-013-1887-8

Chau, G. and Gray, S. J. (2010), "Family ownership, board independence and voluntary disclosure: Evidence from Hong Kong", *Journal of International Accounting, Auditing and Taxation,* Vol. 19 No. 2, pp. 93-109. https://doi.org/10.1016/j.intaccaudtax.2010.07.002

Chau, G. K. and Gray, S. J. (2002), "Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore", *The International Journal of Accounting,* Vol. 37 No. 2, pp. 247-265. https://doi.org/10.1016/S0020-7063(02)00153-X

Cheng, E. C. and Courtenay, S. M. (2006), "Board composition, regulatory regime and voluntary disclosure", *The International Journal of Accounting,* Vol. 41 No. 3, pp. 262-289. https://doi.org/10.1016/j.intacc.2006.07.001

Cormier, D., Ledoux, M.-J. and Magnan, M. (2011), "The informational contribution of social and environmental disclosures for investors", *Management Decision,* Vol. 49 No. 8, pp. 1276-1304. https://doi.org/10.1108/00251741111163124

Das, S., Dixon, R. and Michael, A. (2015), "Corporate social responsibility reporting: a longitudinal study of listed banking companies in Bangladesh", *World Review of Business Research,* Vol. 5 No. 1, pp. 130-154.

Deegan, C., Rankin, M. and Voght, P. (2000), "Firms' disclosure reactions to major social incidents: Australian evidence". *Accounting Forum*, Vol. 24 No. 1, pp. 101-130. https://doi.org/10.1111/1467-6303.00031

Djajadikerta, H. G. and Trireksani, T. (2012), "Corporate social and environmental disclosure by Indonesian listed companies on their corporate web sites", *Journal of Applied Accounting Research,* Vol. 13 No. 1, pp. 21-36. https://doi.org/10.1108/09675421211231899

Donnelly, R. and Mulcahy, M. (2008), "Board structure, ownership, and voluntary disclosure in Ireland", *Corporate Governance: An International Review,* Vol. 16 No. 5, pp. 416-429. https://doi.org/10.1111/j.1467-8683.2008.00692.x

Eng, L. L. and Mak, Y. T. (2003), "Corporate governance and voluntary disclosure", *Journal of Accounting and Public Policy,* Vol. 22 No. 4, pp. 325-345. https://doi.org/10.1016/S0278-4254(03)00037-1

Esa, E. and Mohd Ghazali, N. A. (2012), "Corporate social responsibility and corporate governance in Malaysian government-linked companies", *Corporate Governance: The International Journal of Business in Society,* Vol. 12 No. 3, pp. 292-305. https://doi.org/10.1108/14720701211234564

Fama, E. F. and Jensen, M. C. (1983), "Agency problems and residual claims", *Journal of Law and Economics,* Vol. 26 No. 2, pp. 327-349. https://doi.org/10.1086/467038

Forker, J. J. (1992), "Corporate governance and disclosure quality", *Accounting and Business Research,* Vol. 22 No. 86, pp. 111-124. https://doi.org/10.1080/00014788.1992.9729426

García Sánchez, I.-M., Rodríguez Domínguez, L. and Gallego Álvarez, I. (2011), "Corporate governance and strategic information on the internet: A study of Spanish listed companies", *Accounting, Auditing & Accountability Journal,* Vol. 24 No. 4, pp. 471-501. https://doi.org/10.1108/09513571111133063

Giannarakis, G. (2014), "The determinants influencing the extent of CSR disclosure", *International Journal of Law and Management,* Vol. 56 No. 5, pp. 393-416. https://doi.org/10.1108/IJLMA-05-2013-0021

Gray, R., Javad, M., Power, D. M. and Sinclair, C. D. (2001), "Social and environmental disclosure and corporate characteristics: a research note and extension", *Journal of Business Finance & Accounting,* Vol. 28 No. 3-4, pp. 327-356. https://doi.org/10.1111/1468-5957.00376

Gujarati, D. N. 2003. Basic Econometrics. 4th. New York: McGraw-Hill.

Gul, F. A. and Leung, S. (2004), "Board leadership, outside directors' expertise and voluntary corporate disclosures", *Journal of Accounting and public Policy,* Vol. 23 No. 5, pp. 351-379. https://doi.org/10.1016/j.jaccpubpol.2004.07.001

Hackston, D. and Milne, M. J. (1996), "Some determinants of social and environmental disclosures in New Zealand companies", *Accounting, Auditing & Accountability Journal,* Vol. 9 No. 1, pp. 77-108. https://doi.org/10.1108/09513579610109987

Haji, A. A. (2013), "Corporate social responsibility disclosures over time: evidence from Malaysia", *Managerial Auditing Journal,* Vol. 28 No. 7, pp. 647-676. https://doi.org/10.1108/MAJ-07-2012-0729

Haniffa, R. M. and Cooke, T. E. (2005), "The impact of culture and governance on corporate social reporting", *Journal of Accounting and Public Policy,* Vol. 24 No. 5, pp. 391-430. https://doi.org/10.1016/j.jaccpubpol.2005.06.001

Harjoto, M. A. and Jo, H. (2011), "Corporate governance and CSR nexus", *Journal of Business Ethics,* Vol. 100 No. 1, pp. 45-67. https://doi.org/10.1007/s10551-011-0772-6

Hasnah, H., Sofri, Y., Sharon, M. and Ishak, I. (2006), "Level of corporate social disclosure in Malaysia", *Malaysian Accounting Review,* Vol. 5 No. 1, pp. 159-184.

Hermalin, B. E. and Weisbach, M. S. 2007. Transparency and corporate governance.NBER Working Paper No. 12875,National Bureau of Economic Research, Washington DC.

Ho, L. C. J. and Taylor, M. E. (2007), "An Empirical Analysis of Triple Bottom-Line Reporting and its Determinants: Evidence from the United States and Japan", *Journal of International Financial Management & Accounting,* Vol. 18 No. 2, pp. 123-150. https://doi.org/10.1111/j.1467-646X.2007.01010.x

Ho, S. S. and Wong, K. S. (2003), "Preparers' perceptions of corporate reporting and disclosures", *International Journal of Disclosure and Governance,* Vol. 1 No. 1, pp. 71-81. https://doi.org/10.1057/palgrave.jdg.2040014

Htay, S. N. N., Rashid, H. M. A., Adnan, M. A. and Meera, A. K. M. (2012), "Impact of corporate governance on social and environmental information disclosure of Malaysian listed banks: Panel data analysis", *Asian Journal of Finance & Accounting,* Vol. 4 No. 1, pp. 1-24. https://doi.org/10.5296/ajfa.v4i1.810

Ibrahim, H. and Samad, F. A. (2011), "Corporate governance mechanisms and performance of public-listed family-ownership in Malaysia", *International Journal of Economics and Finance,* Vol. 3 No. 1, pp. 105-120. https://doi.org/10.5539/ijef.v3n1p105

Ibrahim, N. A., Howard, D. P. and Angelidis, J. P. (2003), "Board members in the service industry: An empirical examination of the relationship between corporate social responsibility orientation and directorial type", *Journal of Business Ethics,* Vol. 47 No. 4, pp. 393-401. https://doi.org/10.1023/A:1027334524775

Jaffar, R., Mardinah, D. and Ahmad, A. (2013), "Corporate Governance and Voluntary Disclosure Practices: Evidence from a Two Tier Board Systems in Indonesia", *Jurnal Pengurusan,* Vol. 39 No. 1, pp. 83-92.

Jamali, D. and Mirshak, R. (2007), "Corporate social responsibility (CSR): Theory and practice in a developing country context", *Journal of Business Ethics,* Vol. 72 No. 3, pp. 243-262. https://doi.org/10.1007/s10551-006-9168-4

Janggu, T., Darus, F., Zain, M. M. and Sawani, Y. (2014), "Does Good Corporate Governance Lead to Better Sustainability Reporting? An Analysis Using Structural Equation Modeling", *Procedia-Social and Behavioral Sciences,* Vol. 145, pp. 138-145. https://doi.org/10.1016/j.sbspro.2014.06.020

Jensen, M. C. (2002), "Value maximization, stakeholder theory, and the corporate objective function", *Business Ethics Quarterly,* Vol. 12 No. 2, pp. 235-256. https://doi.org/10.2307/3857812

Jensen, M. C. and Meckling, W. H. (1976), "Theory of the firm: Managerial behavior, agency costs and ownership structure", *Journal of Financial Economics,* Vol. 3 No. 4, pp. 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Jizi, M. I., Salama, A., Dixon, R. and Stratling, R. (2014), "Corporate governance and corporate social responsibility disclosure: evidence from the US banking sector", *Journal of Business Ethics,* Vol. 125 No. 4, pp. 601-615. https://doi.org/10.1007/s10551-013-1929-2

Khan, A., Muttakin, M. B. and Siddiqui, J. (2013), "Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy", *Journal of Business Ethics,* Vol. 114 No. 2, pp. 207-223. https://doi.org/10.1007/s10551-012-1336-0

Khan, H.-U.-Z. (2010), "The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh", *International Journal of Law and Management,* Vol. 52 No. 2, pp. 82-109. https://doi.org/10.1108/17542431011029406

Kolk, A. (2010), "Trajectories of sustainability reporting by MNCs", *Journal of World Business,* Vol. 45 No. 4, pp. 367-374. https://doi.org/10.1016/j.jwb.2009.08.001

Krippendorff, K. (1989), *Content analysis,* Oxford University Press, New York.

Kyereboah-Coleman, A. and Biekpe, N. (2006), "The relationship between board size, board composition, CEO duality and firm performance: Experience from Ghana", *Corporate Ownership and Control,* Vol. 4 No. 2, pp. 114-122.

Larmou, S. and Vafeas, N. (2010), "The relation between board size and firm performance in firms with a history of poor operating performance", *Journal of Management & Governance,* Vol. 14 No. 1, pp. 61-85. https://doi.org/10.1007/s10997-009-9091-z

Leung, S. and Horwitz, B. (2004), "Director ownership and voluntary segment disclosure: Hong Kong evidence", *Journal of International Financial Management & Accounting,* Vol. 15 No. 3, pp. 235-260. https://doi.org/10.1111/j.1467-646X.2004.00109.x

Lu, J. Y. and Castka, P. (2009), "Corporate social responsibility in Malaysia–experts' views and perspectives", *Corporate Social Responsibility and Environmental Management,* Vol. 16 No. 3, pp. 146-154. https://doi.org/10.1002/csr.184

Lu, Y. and Abeysekera, I. (2014), "Stakeholders' power, corporate characteristics, and social and environmental disclosure: evidence from China", *Journal of Cleaner Production,* Vol. 64 No. pp. 426-436.

Malaysian Code of Corporate Governance (2000), "Malaysian Code on Corporate Governance 2000", available at: http://www.ecgi.org/codes/documents/mccg_mar2000.pdf, (accessed 2 August 2015).

Michelon, G. and Parbonetti, A. (2012), "The effect of corporate governance on sustainability disclosure", *Journal of Management & Governance,* Vol. 16 No. 3, pp. 477-509. https://doi.org/10.1007/s10997-010-9160-3

Mohd Ghazali, N. A. (2007), "Ownership structure and corporate social responsibility disclosure: some Malaysian evidence", *Corporate Governance: The International Journal of Business in Society,* Vol. 7 No. 3, pp. 251-266. https://doi.org/10.1108/14720700710756535

Mustapha, M. and Che Ahmad, A. (2011), "Agency theory and managerial ownership: evidence from Malaysia", *Managerial Auditing Journal,* Vol. 26 No. 5, pp. 419-436. https://doi.org/10.1108/02686901111129571

Naser, K., Al-Hussaini, A., Al-Kwari, D. and Nuseibeh, R. (2006), "Determinants of corporate social disclosure in developing countries: The case of Qatar", *Advances in International Accounting,* Vol. 19, pp. 1-23. https://doi.org/10.1016/S0897-3660(06)19001-7

Nasir, N. M. and Abdullah, S.-N. (2004), "Voluntary disclosure and corporate governance among financially distressed firms in Malaysia", *Financial Reporting, Regulation and Governance,* Vol. 3 No. 1, pp. 95-139.

Ng, L. W. (1985), *Social responsibility disclosures of selected New Zealand companies for 1981, 1982 and 1983,* Occasional Paper No. 54, Faculty of Business, Massey University, Palmerston North.

Ntim, C. G. and Soobaroyen, T. (2013), "Black economic empowerment disclosures by South African listed corporations: The influence of ownership and board characteristics", *Journal of Business Ethics,* Vol. 116 No. 1, pp. 121-138. https://doi.org/10.1007/s10551-012-1446-8

Othman, R. and Ameer, R. (2010), "Environmental disclosures of palm oil plantation companies in Malaysia: a tool for stakeholder engagement", *Corporate Social Responsibility and Environmental Management,* Vol. 17 No. 1, pp. 52-62.

Pallant, J. (2007), *SPSS survival manual: A step-by-step guide to data analysis using SPSS version 15,* McGraw-Hill Education, Berkshire, England.

Post, C., Rahman, N. and Rubow, E. (2011), "Green governance: Boards of directors' composition and environmental corporate social responsibility", *Business & Society,* Vol. 50 No. 1, pp. 189-223. https://doi.org/10.1177/0007650310394642

Ramasamy, B. and Ting, H. W. (2004), "A comparative analysis of corporate social responsibility awareness", *Journal of Corporate Citizenship,* Vol. 13, pp. 109-123. https://doi.org/10.9774/GLEAF.4700.2004.sp.00013

Rao, K. and Tilt, C. (2015), "Board Composition and Corporate Social Responsibility: The Role of Diversity, Gender, Strategy and Decision Making", *Journal of Business Ethics,* DOI 10.1007/s10551-015-2613-5. https://doi.org/10.1007/s10551-015-2613-5

Rashid, A. (2013), "CEO duality and agency cost: evidence from Bangladesh", *Journal of Management & Governance,* Vol. 17 No. 4, pp. 989-1008. https://doi.org/10.1007/s10997-012-9213-x

Rashid, A. (2014), "Revisiting agency theory: Evidence of board independence and agency cost from Bangladesh", *Journal of Business Ethics,* Vol. No. pp. 1-18.

Rashid, A. (2015),"Managerial Ownership and Agency Cost: Evidence from Bangladesh", *Journal of Business Ethics*, Vol. No. pp. 1-13.

Rashid, A. (2015),"The influence of stakeholder power on corporate social responsibility: evidence from a relationship-based economy", *Social Responsibility Journal*, Vol. 11 No. 2, pp. 270-289. https://doi.org/10.1108/SRJ-09-2013-0109

Rashid, A. and Lodh, S. C. (2008), "The influence of ownership structures and board practices on corporate social disclosures in Bangladesh", *Research in Accounting in Emerging*

Economies, Vol. 8 No. 1, pp. 211-237. https://doi.org/10.1016/S1479-3563(08)08008-0

Rashid, M. (2009). *Corporate governance in developing countries: a case study of Bangladesh.* PhD. Thesis, University of Wollongong, Wollongong.

Rouf, M. (2011), "Corporate characteristics, governance attributes and the extent of voluntary disclosure in Bangladesh", *African Journal of Business Management,* Vol. 5 No. 19, pp. 7836-7845.

Said, R., Hj Zainuddin, Y. and Haron, H. (2009), "The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies", *Social Responsibility Journal,* Vol. 5 No. 2, pp. 212-226. https://doi.org/10.1108/17471110910964496

Sartawi, I. I. M., Hindawi, R. M., Bsoul, R. and Ali, A. E. J. (2014), "Board Composition, Firm Characteristics, and Voluntary Disclosure: The Case of Jordanian Firms Listed on the Amman Stock Exchange", *International Business Research,* Vol. 7 No. 6, pp. p67. https://doi.org/10.5539/ibr.v7n6p67

Shamil, M. M., Shaikh, J. M., Ho, P.-L. and Krishnan, A. (2014), "The influence of board characteristics on sustainability reporting: Empirical evidence from Sri Lankan firms", *Asian Review of Accounting,* Vol. 22 No. 2, pp. 78-97. https://doi.org/10.1108/ARA-09-2013-0060

Shleifer, A. and Vishny, R. W. (1997), "A survey of corporate governance", *The Journal of Finance,* Vol. 52 No. 2, pp. 737-783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

Sulaiman, M., Abdullah, N. and Fatima, A. H. (2014), "Determinants of environmental reporting quality in Malaysia", *International Journal of Economics, Management and Accounting,* Vol. 22 No. 1, pp. 63-90.

Tinggi, M., Md Isa, A. H. and Jakpar, S. (2015),"A Propitious Approach towards Independent Directors in Malaysian Firms' Board Committee", *International Business Research*, Vol. 8 No. 10, pp. 81-92. https://doi.org/10.5539/ibr.v8n10p81

Wallace, R. O. and Naser, K. (1996), "Firm-specific determinants of the comprehensiveness of mandatory disclosure in the corporate annual reports of firms listed on the stock exchange of Hong Kong", *Journal of Accounting and Public Policy,* Vol. 14 No. 4, pp. 311-368. https://doi.org/10.1016/0278-4254(95)00042-9

Wan Abd Rahman, N. H., Mohamed Zain, M. and Yaakop Yahaya Al-Haj, N. H. (2011), "CSR disclosures and its determinants: evidence from Malaysian government link companies", *Social Responsibility Journal,* Vol. 7 No. 2, pp. 181-201. https://doi.org/10.1108/17471111111141486

Watts, R. L. and Zimmerman, J. L. (1990), "Positive accounting theory: a ten year perspective", *Accounting Review,* Vol. 65 No. 1, pp. 131-156.

Weisbach, M. S. (1988), "Outside directors and CEO turnover", *Journal of Financial Economics,* Vol. 20, pp. 431-460. https://doi.org/10.1016/0304-405X(88)90053-0

White, H. (1980), "A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity", *Econometrica: Journal of the Econometric Society,* Vol. 48 No. 4, pp. 817-838. https://doi.org/10.2307/1912934

Zahra, S. A. and Stanton, W. W. (1988), "The implications of board of directors composition for corporate strategy and performance", *International Journal of Management,* Vol. 5 No. 2, pp. 229-236.