The Determinants of Corporate Sustainability Reporting: Malaysian Evidence

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ABSTRACT

Corporate Sustainability reporting have become part of the ordinary business to meet expectation from stakeholders due to the increasing of public concerns regarding these issues. This paper explores the corporate sustainability reporting disclosure practice by Public listed companies of Bursa Malaysia for the year 2016. Specifically the objective is to examine the level and factors that influence the corporate sustainability reporting in public listed companies in Malaysia. This study postulates that ownership structure (family, board and institutional holdings) and type of industry influence the level of sustainability reporting. Development of research hypotheses are based on agency theory and legitimacy theory. Results shows a significant association between industry and the level of sustainability reporting among listed firms in Malaysia. Results also do indicate that women on board is positively significant in explaining the variability in CSR. Findings should provide input to the regulatory bodies especially the government on types of sustainability information disclose on the annual reports by listed firms in Malaysia.

Keywords: Voluntary information, Sustainability reporting, ownership structure in Malaysia

ABSTRAK


Kata kunci: Maklumat sukarela, pelaporan kelestarian, struktur pemilikan di Malaysia.
INTRODUCTION

In the recent years, sustainability issues have captured the public’s interest as well as business organisations (Sharifah 2010). The engagement to sustainability activities is seen as an important agenda to be considered as such engagement may result in the sustainability of not only the business firms, but also the sustainability of the environment in which they operate (Muttalib et al.2014). Many companies which have been credited with contributing to economic and technology progress have been criticised for creating social problems. Issues such as pollution, waste, resources depletion, product quality and safety, the rights and status of workers and the power of large corporations have become the focus of increasing attention and concern (Hussainey & Walker 2009). In order to cope with such issues, sustainability engagement has become a vital plan in dealing with such matters. (Muttalib et al.2014).

Corporations have become more sensitive to social issues and stakeholder concerns and are striving to become better corporate citizens. Whether the motivation is concern for society and the environment, government regulation, stakeholder pressures, or economic profit, the result is that managers must make significant changes to more effectively manage their social, economic, and environmental impacts. The best practices in corporate sustainability performance are no longer primarily focused on financial, but also on commitments to social and environmental issues. Therefore, All Malaysian listed firms have been required by the Malaysian Government to disclose their sustainability activities in their annual reports starting from the year 2007. This requirement has also been gazetted in the Bursa Malaysia Listing Requirements under Appendix 9C, Para 29 (Ministry of Finance 2006). It is still not clear what really motivates Malaysian companies to disclose sustainability reporting, the low awareness for such issues and demand for the information (Amran 2006). The percentage of csr reporting is only 0.31 of their income. This is low compared to European countries which contribute at least 1% of profit for community (Prathaban 2005). Therefore, it is crucial to examine if the corporate sustainability reporting practice in Malaysia is comply with reporting regulations imposed by The Malaysian government and Bursa Malaysia and what are the factors that influence Malaysian public listed companies to disclose their sustainability activities in the annual reports.

This study extend prior studies by investigating the level of CSR in year 2014 and factors that influence the corporate sustainability reporting in public listed firms in Malaysia. To compliment these prior researches, the current study provides relevant input in these four contributions: (1) using a more recent data, which is the CSR in the 2014 annual reports; (2) examine the factors that influence the CSR by Malaysian firms by using the annual report across-industry sampling and analysis; and (4) measurement of CSR by using Global Reporting Analysis (GRI) using both the extent and quality measures.

Specifically, the objectives of this study are as follows:

1. To determine the practice of CSR among listed companies in Malaysia. Particularly this study will investigate the level and nature of information reported on the annual report.
2. To determine factors that may influence the level of CSR. In particular, we focus on the factors of ownership structure (director, family, institutional) and type of industry.
This paper proceeds with literature on corporate sustainability reporting in the next section. Section two will discuss literature review and Section three will discuss hypotheses development. The methodology will be presented in section four. Section five will present results and discuss research findings and finally section six will conclude overall paper.

LITERATURE REVIEW

Many of the corporate sustainability (CSR) studies have been carried out in other countries such as (Clarkson et al 2008, Isaksson 2009; Sutantoputra 2009; Zeng et al 2010; Suttipun & Stanton 2012, Hahn & Kuhnan 2013). These studies provide insight on the types of sustainability information reported and understanding the development of CSR in those countries. Similar study need to be carried out in Malaysia, since the social, economic, and political environment in Malaysia are different from other countries. Malaysia is unique in the sense that even though it follows and adopted an accounting system similar to other developed capital markets but the firms’ ownership structure differs from them. The developed capital markets have more dispersed ownership structure while Malaysia has more concentrated ownership structure. Prior studies provide evidence that more concentrated ownership structure usually associated with less information disclosure (Nazli & Weetman, 2006). The finding from the Malaysia’s study will add on to knowledge and provide better understanding of CSR practices throughout the world. Results would also provide input to the regulatory bodies and financial analysts on type of information disclose by companies in the annual reports in Malaysia.

Sustainability reporting is also used synonymously with other terms such as, citizenship reporting, social reporting, and triple bottom line (TBL) reporting that encompass the economic, environmental, and social aspects of an organization’s performance (Corina Joseph 2014). This study focuses on corporate sustainability reporting (or CSR) practices in Malaysia. This study defines CSR as commitments undertaken by the firms, which covers the non-financial aspects, such as the environmental and social disclosures, with the intention to preserve a sustainable future in order to serve the rights of the stakeholders. Providing more sustainability reporting on the annual report is expected to increase firms’ chances to attract investors and analysts to give better analysis.

A few studies have investigated several sustainability reporting issues in Malaysia. Amran and devi (2008) investigate the influence of government and foreign affiliates, particularly; multinational companies on corporate social reporting (CSR) development in an economy, where CSR awareness is low coupled with weak pressure group activism. Saleh et al. (2010) explore corporate social responsibility (CSR) disclosure and its relation to institutional ownership (IO) of Malaysian public listed companies (PLCs). Results which confirmed earlier estimations indicated that there are positive and significant relationships between CSR disclosure (CSRD) and IO. Muttalib et al. (2014) examine the availability, extent and quality of Sustainability Reporting (SR) by Malaysian firms subsequent to the mandatory disclosure. Based on an across-industry sample of 300 firms in 2011, the results indicate that despite the mandatory disclosure, 3% of the sampled firms failed to make such reporting. Meanwhile, firms in the infrastructure, finance and plantation industries perform the best of extent and quality of SR, while firms in hotel industry marks the poorest in quality and lowest in extent of SR.
Corporate Sustainability Reporting

It is commonly recognised that there is no single universally accepted definition of sustainability. The most widely used definition around the world is that developed by the Brundtland Report of the World Commission on Environment and Development3.

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland report 1987)

A sustainability report provides a balanced, objective and reasonable representation of the sustainability performance of a reporting company, including both positive and negative contributions (KPMG 2008). CSR is primarily due to the extended scope of annual reports, which no longer simply provide financial information, but also have concomitantly begun to provide relevant information to a more comprehensive community of stakeholders” (Peiyuan 2007. The term of csr can be explained as follows:

1. Economy
The impact on the economic conditions of stakeholders (e.g. procurement practices, community investment) and the interaction or relationship with the economic systems at local, national and global levels. It does not merely focus on the financial condition of your organisation.

2. Environment
The interaction with living and non-living natural systems, including land, air, water and ecosystems.

3. Social
The interaction or relationship with social systems within which you operate. These may include your relationships with communities, employees, consumers, etc.

(GRI G4 Guidelines)

Sustainability Reporting In Malaysia

The Malaysian private sector has been under much pressure to accept social responsibility since the 1980s (Said et al.2009). The government views csr as a national agenda by encouraging the companies to compete effectively in the global market with more transparency and accountable to the society. Thus, the government has made a mandatory requirement to all publicly listed companies to disclose their CSR activities in their annual reports beginning with the financial year ending 31 December 2007. Bursa Malaysia plays a role in enhancing corporate transparency on environmental, social and corporate governance-related issues among companies in Malaysia. In 2007, Bursa Malaysia’s listing requirement for PLCs to report on their CSR initiatives but Harvard Business Review Research (2014) found that this not increase the levels of disclosure. In October 2015, Bursa Malaysia launched a new Sustainability Framework, comprising amendments to the Listing Requirements. The amendments to the Listing Requirements will take effect on a staggered basis over three years, starting from 31 December 2016 to 31 December 2018. Today, things have taken a big turn and now investors are increasingly looking at sustainable business
practices when investing. Sustainability reporting is the best strategy to find out where the company stands compared to competitors, to measure the effectiveness of its management and to understand the attitude of stakeholders towards it. Thus, this study is to examine the extent of CSR disclosure practices and to identify what are the factors that influenced the companies to disclose CSR after the aforementioned changes in the Malaysian business

**HYPOTHESES DEVELOPMENT**

This section discusses the development of hypotheses in this study. This study postulates that ownership structure and type of industry influence the level of sustainability reporting (SR) among firms in Malaysia. The overall theoretical framework of this study is based on the legitimacy theory (Freeman 1984) and agency theory that linked disclosure behavior of firm with ownership structure and type of industry (Jensen & Meckling, 1976).

**Ownership Structure**

Different classes of stakeholders will demand different type of information (Hossain, Tan & Adam, 1994). Stakeholders also influence the level and quality of disclosure in the annual report (Smith & Peppard, 2005). This study investigates the effect of director ownership, family ownership and institutional ownership of firm on the level of CSR.

**Director ownership**

Director ownership refers to the percentage of ordinary as well as deemed shares held by the executive directors (Eng and Mak, 2003). A manager who owns a large portion of the company shares has more efforts to increase reputation that can help alleviate agency conflicts between owners and managers (Jensen & Meckling 1976) and reducing the pressures necessary for the insiders to provide additional corporate disclosures (Haji 2013). However, managers of closely held companies may not invest heavily in socially responsible activities because the costs of investing in these activities may far outweigh its potential benefits (Mohd Ghazali 2007). Prior studies found support for such claims as they documented negative relationship between director ownership and the extent of corporate disclosures (Eng and Mak, 2003; Mohd et al., 2006, Haji 2013) and particularly CSR disclosures (Mohd Ghazali, 2007). Building on prior studies, the current study expects a negative relationship between the extent and quality of CSR disclosures and director ownership. The following is the hypothesis developed in the alternative form:

**H1.** The level of director ownership in firms is negatively associated with the level of firms’ CSR.

**Family ownership**

Previous studies claim that listed firms in Malaysia are owned or controlled by family and that these companies appear to be inherited by their own descendants (Abdul Rahman 2006). It is reported that nearly 67.2% of the Malaysian companies are owned by families (Claessens et al. 2000). controlled. A high proportion of family members on the board may indicate the existence of a dominant group that could strongly influence the board’s decision and
nominate family members to the board in order to protect his interests. (Ghazali & Wheetman 2006) argue that companies with a higher proportion of family members on the board are likely to be less diffused in terms of ownership. Hence the incentives to disclose additional information can be expected to be less, given the lower degree of conflict of interests.(Norafza & Ayoib 2013). Previous studies found a significant negative relationship between the proportion of family members on the board and the extent of voluntary disclosure in Malaysian (Abdullah et al 2011, Norafza & Ayoib 2013)

The hypothesis is stated as below:

**H2. The extent of CSR is negatively associated with family ownership**

### 3. Institutional Ownership

In Malaysia, The five largest public institutional investors are two pension funds (the Employees Provident Fund (EPF) and Lembaga Tabung Angkatan Tentera (LTAT)); an investment fund (Permodalan Nasional Berhad (PNB)); a pilgrim fund (Lembaga Tabung Haji (LTH)); and an insurance company (National Social Security Organization of Malaysia (SOCSO)). Collectively, their shareholdings represent about 70% of total institutional shareholdings in firms listed on the Bursa Malaysia’s Main Board (effizal et al 2007). Substantial sharehoding by institutional investor provide greater incentives for them to monitor top management as their wealth is tied with the company’s performance (Jensen & Meckling 1976). Agency conflict between owner and manager is higher in diffuse companies. Hence, the institutional investors can play a monitoring roles to mitigate the agency problem. Empirical studies show a positive and significant relationship between social performance and shares held by institutional investors (Mustaruddin et al.2010). Previous studies report a significant relationship between companies’s CSR and the number of institutions investing in its shares. (Cox et al.2004; Mahoney & Roberts 2007). Thus, the hypothesis is stated as follows:

**H3: The Institutional ownership is positively associated with CSR.**

### Type of Industry

Sustainability reporting may be influenced by industry types. For instance, companies in in manufacturing, plantation and industrial products sectors has been extensively reporting sustainability information compare to other industries (Bursa Malaysia, 2008) as the activities of the firms in these types of industry may have huge impact to the environment (Amran & Devi, 2008). Companies in environmentally sensitive industries such as chemical, construction, plantation, transportation, mining and resources, petroleum, and industrial products (Wilmshurst and Frost, 2000; Deegaa et al., 2002; Ahmad et. al, 2003; Campbell et al., 2003; Jaffar, 2006; Manaf et al., 2006) have more pressure to disclose environmental information than those in the less sensitive industries (i.e. banking and consumer products) because activities of companies in environmentally sensitive industries tend to have a greater impact on the environment (Deegaa et al., 2002; Patten and Trompeter, 2003). Therefore the hypotheses are as follows:

**H4: Types of industry is significantly associated with the level of firms’CSR.**
METHODOLOGY

The first aim of this study is to examine level of corporate sustainability reporting (CSR) among listed firms in Malaysia. The second aim is to investigate factors influencing the CSR level. Therefore the dependent variable is the CSR which is measured based on a disclosure index. Stratified random sampling was used to select sample of this study comprise of 260 companies listed on main board of Bursa Malaysia and data was collected from the company annual report for the year 2016. This approach is consistent with previous studies by Clarkson (2008) and Aras et al. (2010).

Measurement of Variables

The dependent variable in this study, corporate sustainability reporting (CSR), is measured based on Global Reporting Initiatives (GRI3) performance indicator. The indicator is considered to be a valid and suitable measure of CSR because it contains comprehensive measure of social and environmental performance (Sutantoputra, 2009). This study adopts CSR disclosure rating by Sutantoputra (2009) and Clarkson (2008), which has 83 total score of disclosure items for social performance, 95 total score for environmental performance and 19 total score for economic performance. This rating system is developed based on GRI 2002 guidelines which categorized the score based on two categories: hard disclosures and soft disclosures. The CSR score in this study was obtained by content analysed annual reports of selected sample companies.

Regression Model

The aim of the regression model is to provide empirical evidence on the second objective of this study, that is, to find factors influencing the level of CSR among listed firms in Malaysia. Therefore the dependent variable is the corporate sustainability reporting or CSR. The independent variables of interest include director ownership (DOwn), family ownership (FOwn), Institutional ownership (IOwn) and industry (IND). We include three control variables commonly found significant in prior studies examining disclosure level issue, that is, firm size (SIZE) Women director (WDIR) and profitability (PRFT). Below is the full regression model utilised in this study:

\[
SR_{it} = \beta_0 + \beta_{1DIRW_{it}} + \beta_{2FFW_{it}} + \beta_{3INST_{it}} + \beta_{4IND_{it}} + \beta_{5SIZE_{it}} + \beta_{6WDIR_{it}} + \beta_{7PRFT_{it}} + \epsilon_{it}
\]

Where:

- \(SR_{it}\) = Sustainability Reporting level for firm \(i\) at time \(t\)
- \(DOn_{it}\) = Director Ownership is measured by Percentage of shares owned by highest management level such as Executive Chairman, CEO, Executive Director, Managing Director (Nazli et al. 2010)
- \(FOn_{it}\) = Family Ownership is measured by Percentage of shares owned by shareholders
- \(INSTn_{it}\) = Institutional Ownership is measured by Percentage of shares owned
by shareholders at 5% or more (Mustarudin et al 2010)

\[
\text{IND}_{it} = \text{Industry is measured by 1 for firm belongs to industry expected to report high level of CSR and 0 otherwise, at time t }
\]

\[
\text{SIZE}_{it} = \text{Company size is measured by log of total assets }
\]

\[
\text{WDIR} = \text{Women director is measured by percentage of women director on board }
\]

\[
\text{PRT}_{it} = \text{Profit is measured by ROA (Nazli et al.2012; Ahmed Haji 2011) }
\]

\[
\varepsilon_{it} = \text{is error term for this regression model }
\]

5.0 RESULTS AND DISCUSSION OF FINDINGS

5.1 DESCRIPTIVE STATISTICS

Table 1 present descriptive statistics of variables in this study. The statistics include mean, maximum value, minimum value, and standard deviation. Statistics show that sample firms have quite a high level of concentrated ownership, with director ownership at as high as 64% holdings, family at 79% holdings and Institutional at 75% holdings, as expected among firms in Malaysia capital market. Corporate sustainability reporting (variable CSR) seems to be still at the lower end with a minimum of 1 item and a maximum of only 83 items disclose for each firm.

Table 1: Descriptive Statistics of All Variables (N=100)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Minimum value</th>
<th>Maximum value</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR (actual disclosure)</td>
<td>8.257</td>
<td>1</td>
<td>83</td>
<td>10.02</td>
</tr>
<tr>
<td>Down</td>
<td>20.804</td>
<td>0</td>
<td>63.83</td>
<td>14.07</td>
</tr>
<tr>
<td>FOwn</td>
<td>28.211</td>
<td>0</td>
<td>79.28</td>
<td>24.57</td>
</tr>
<tr>
<td>Iown</td>
<td>3.690</td>
<td>0</td>
<td>3.69</td>
<td>75.27</td>
</tr>
<tr>
<td>SIZE</td>
<td>8.652</td>
<td>6.23</td>
<td>10.67</td>
<td>.74832</td>
</tr>
<tr>
<td>WDIR</td>
<td>1.41</td>
<td>0</td>
<td>0.630</td>
<td>.113</td>
</tr>
<tr>
<td>PRTNC</td>
<td>-3.070</td>
<td>-648.70</td>
<td>52.51</td>
<td>41.58</td>
</tr>
</tbody>
</table>

Table 2 represents the range of CSR performance score of selected companies for financial year ended financial year 2012. This CSR score is for the social, environmental and economic rating. The table shows that 73% of sample companies have CSR score of 1% to 10% or less. Only 4% of overall company score more than 41 score rate. Majority of the company score in the range of 1 to 20. This indicates that majority of public listed companies have low level of sustainability reporting. The result shows that most of the companies from the sample focus their sustainability programme on community.

Table 2: Corporate Sustainability Reporting Score
Multicollinearity Issue
To check for multicollinearity issue, Pearson correlation was undertaken among independent variables. Table 4 shows that all variable did not have multicollinearity problem. Multicollinearity issue is considered under control because it is still below 0.80 (Cooper & Schindler, 1998; Griffiths, Hill & Judge, 1993).

Table 3: Pairwise Correlation among All Variables (N=260)

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>Fown</th>
<th>Iown</th>
<th>Bown</th>
<th>IND</th>
<th>SIZE</th>
<th>PRFT</th>
<th>WDIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fown</td>
<td>0.417</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iown</td>
<td>0.224</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bown</td>
<td>0.136</td>
<td>0.001**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IND</td>
<td>0.274</td>
<td>0.322</td>
<td></td>
<td>0.449</td>
<td>0.241</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.035*</td>
<td>0.148</td>
<td>0.199</td>
<td>0.241</td>
<td>0.002**</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PRFT</td>
<td>0.032*</td>
<td>0.157</td>
<td>0.182</td>
<td>0.056*</td>
<td>0.035*</td>
<td>0.072</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>WOM</td>
<td>0.000**</td>
<td>0.000**</td>
<td>0.668</td>
<td>0.385</td>
<td>0.385</td>
<td>0.00**</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

*Correlation is significant at the level 0.05 (two-tailed),
** Correlation is significant at the level 0.01 (two-tailed)

EMPIRICAL EVIDENCE

For empirical evidence, Table 4 Panel A provides result of multiple regression analysis with model in the absence of control variables and Panel B with model in the presence of control variables. Both Panel A and Panel B models show that none of the ownership variables (DOwn, FOwn, or IOwn) significantly associated with CSR. Hence H1, H2, and H3 are all not supported. In both models, variable IND show positive significant association with CSR (β at 0.078 with p-value at less than 5% level in Panel A model and β at 0.602 with p-value at less than 10% level in Panel B model). This result support H4.

For our control variables, women directors has a significantly positive relationship with CSR (β at 0.485 with p-value at less than 0.01% level) but variable SIZE and PRFT are not significant.

Table 4 : Mean Coefficient Estimates of CSR Regression on Independent Variables

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Expected sign</th>
<th>Panel A</th>
<th>Panel B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td></td>
<td>5.117</td>
<td>10.821</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(7.370)</td>
<td>(3.421)</td>
</tr>
<tr>
<td>FOwn</td>
<td>-</td>
<td>-0.035</td>
<td>0.098</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-0.544)</td>
<td>(1.632)</td>
</tr>
<tr>
<td>IOwn</td>
<td>-</td>
<td>0.050</td>
<td>1.233</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.944)</td>
<td>(0.219)</td>
</tr>
</tbody>
</table>
DISCUSSION OF FINDINGS

All ownership variables (variables DOwn, FOwn, and IOwn) are not significant in both Panel A and Panel B models in Table 5. Therefore results do not support all hypotheses on ownership structure. Results might suggest that ownership structure do not necessarily mean that firms ignore sustainability reporting because owners might easily obtain internal information directly from firms. Nevertheless, finding is consistent with prior studies that found no significant association between institutional ownership and sustainability reporting (Haniffa & Cooke 2002). The result is contrast from the past literature, Findings do not consistent with previous literature that found family firm has significant negative associations with CSR (Ghazali & Weetman 2007; Dharmadi & Sodiki 2012). However, the findings also consistent with prior studies on the insignificant of family ownership (Cristina Cruz 2014). The results indicate that family firms are not significantly different from non-family firms. We interpret this as a balancing process in which family firms engage, acting in socially responsible terms towards external stakeholders (at least to an extent which is comparable with non-family firms) while behaving less responsibly towards internal stakeholders.

Industry (variable IND) show significant positive associations suggesting tendency that industries expected to provide high level of CSR in Malaysian public listed copanies. Result do support hypothesis 4. Finding is consistent with prior studies that found positive association between certain industries (Debreceny et al., 2002; Noor-Azizi & Mahamad, 2000; Xiao et al., 2004. As for women directors, there is a significantly positive relationship with CSR. This is consistent with the findings of Liao et al. (2014) and Khan (2010). (Devi et al.2012). Women directors are supposed to increase board diversity, and Malaysian Code of Corporate Governance (2012) also recommended companies to increase women directors in the board.

Company size and profitability are not significant which means that decision to disclose CSR information in the annual reports is not influenced by these two factors. Hence size and profitability may not be a good indicator of factors influencing CSR in Malaysian PLCs. The non-significance of profitability is consistent with Patten (1991), Richardson and Welker (2001) and Abdul Hamid (2004).
Ownership variables (variables Mown and BOwn) show negative signs as expected, however GOwn ownership shows positive associations and with sustainability reporting model in Table 5. Therefore results do not support H1A, H1B but supports H1C hypotheses on ownership structure. Findings also consistent with prior studies on the significant of government ownership influence towards sustainability reporting (Nazli 2007, Azlan & Devi 2007; Eng & Mak, 2003).

Industry (variable IND) show significant positive associations with sustainability reporting models. In this study, industries expected to provide high level of sustainability reporting include plantation industry, industrial products, constructuion and consumer products. Finding is consistent with prior literature on the same issue (Deegan et al.2002; Ahmad et al.2003; Manaf et al. 2006). Findings generally suggest that different level of industries having a different level of influence on sustainability reporting in annual report.

CONCLUSION

This study investigate level of sustainability reporting in the annual reports as well as factors influencing the level of the reporting among listed firms in Malaysia. The factors examine include director ownership, family ownership, institutional and industry. The results provide very interesting and important findings. One of the finding is that director ownership, family ownership and institutional ownership do not show a significant association with sustainability reporting in the annual report.. The second major finding is that type of industry shows a positively significant associations with CSR. by the firms in the different industry may be due its nature of greater exposure to risks (Amran, Rosli, & Hassan, 2009), which may explain the act of disclosing the CSR activities during the time period of this study based on such more information may be demanded by the stakeholders. Women on board also shows a positively significant associations with CSRality. It is suggested that future research should update data from this study and investigate more factors that might influence sustainability reporting and future research should investigate on capital market reaction towards the reporting of sustainability information by using other medium of communication such as sustainability reporting on the internet.
References


