

The Relationship Between Corporate Governance Quality and Sustainability Reporting: An Analysis of Top Performing Companies and Financially Distressed Companies

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Table of Contents

List of Figures	7
List of Table	7
Attestation of Authorship	8
Acknowledgements	9
Abstract	10
Chapter 1: Introduction	12
1.1 Background	13
1.2 Motivation	14
1.3 Research methodology	17
1.4 Outline of the Dissertation	18
1.5 Chapter Summary.....	18
Chapter 2: Literature Review	19
2.1 CSR/Sustainability Reporting	19
2.2 Corporate Governance	23
2.3 Sustainability Reporting and Corporate Governance.....	26
2.4 Characteristics of Corporate Governance	30
2.4.1 Outside/Independent Director.....	30
2.4.2 Gender diversity.....	32
2.4.3 Board size	34
2.4.4 Board Professionalism and Knowledge.....	36
2.4.5 CEO Duality	37
2.4.6 Audit Committee.....	38
2.4.7 Big 4 External Auditors	40
2.5 Legitimacy theory	41

2.6 Chapter Summary.....	42
Chapter 3: Research Methodology.....	43
3.1 Methodology and Method.....	43
3.2 Sampling and data selection.....	47
3.3 Data Collection Method and Data Analysis.....	49
3.3.1 Corporate Governance Characteristics	50
3.3.1.1 Scoring – Corporate Governance.....	51
3.3.2 Sustainability Reporting/CSR Disclosure.....	52
3.3.2.1 Content analysis.....	52
3.3.2.2 Scoring - Sustainability Reporting.....	53
3.3.2.3 Hypotheses.....	54
3.4 Dependent variable, independent variable and control variables.....	55
3.5 Model used.....	56
3.6 Statistical Analysis.....	56
3.7 Chapter Summary.....	56
Chapter 4: Qualitative Findings and Discussion.....	58
4.1 Corporate Governance Quality and Sustainability Reporting Quality.....	58
4.1.1 Gender Diversity.....	59
4.1.2 Board size	61
4.1.3 Education level and professionalism.	63
4.1.4 CEO Duality	64
4.1.5 Independent Directors.....	65
4.1.6 Audit committee	67
4.1.7 Big 4 Auditors.....	69
4.2 Information disclosed in sustainability reporting.....	69
4.2.1 General.....	70
4.2.2 Human Resource.....	71

4.2.3 Community	73
4.2.4 Environment.....	74
4.2.5 Products/Services.....	75
4.3 Corporate Governance Quality and Sustainability Reporting Quality.....	77
4.4 Summary	77
Chapter 5: Quantitative Results and Interpretation of Results.....	79
5.1 Descriptive Statistics.....	79
5.2 Bivariate Analysis	83
5.3 Regression Results	85
5.4 Interpretation of Results Using Legitimacy Theory	88
5.5 Summary	94
Chapter 6: Conclusions, Limitations and Suggestions for Further Research.....	95
6.1 Conclusion	95
6.2 Limitations and suggestions for future research.	99
References	101
Appendix A: Breakdown of Sample Companies	110
Appendix B Sustainability Reporting Measuring Instrument	111
Appendix C:	112
Appendix C1: Corporate Governance Quality Top Listed Companies	112
Appendix C 2: Corporate Governance Quality Mid-Capitalisation.....	113
Appendix C 3: Corporate Governance Quality	114
Appendix C 4: Corporate Governance Quality Financially Distressed Companies	115

Appendix C 5: Corporate Governance Quality ACE Market	116
Appendix D	117
Appendix D 1: Sustainability Reporting Quality Top Listed Companies.....	117
Appendix D 2: Sustainability Reporting Quality Mid Capitalisation	118
Appendix D 3: Sustainability Reporting Quality Small Capitalisation	119
Appendix D 4: Sustainability Reporting Quality Financially Distressed Companies	120
Appendix D 5 : Sustainability Reporting Quality	121

List of Figures

Figure 1:Convergent Parallel Mixed Methods (Adapted from Creswell, 2014),.....	45
Figure 2:Women on board – Top companies	60
Figure 3:Women on board – Financially distressed companies.....	60
Figure 4:Comparison of women on board	61
Figure 5: Board size of top listed companies and financially distressed companies	62
Figure 6: Percentage of sample companies achieving optimum board size.....	63
Figure 7:Separation of Chairman/CEO	65
Figure 8:Board Size and Independent Director.....	66
Figure 9: Board Size and Independent Directors	67
Figure 10:Top Listed Companies – Composition of Audit Committee.....	68
Figure 11:Financially Distressed Companies – Composition of Audit Committee.....	68

List of Table

Table 1:List of characteristics of corporate governance	51
Table 2: List of themes and total score	54
Table 3: Summary of variables used.....	56
Table 4: Descriptive Statistics.....	82
Table 5: Pearson/Spearman Correlation Coefficients	84
Table 6: Regression Results:	87

Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor materials which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Abstract

The aim of this study is to examine to what extent corporate governance quality influences the sustainability reporting of companies listed in Malaysia. I was motivated to find out whether companies comply with the recommendations provided in MCCG 2012 and followed the guidelines suggested in Sustainability Reporting Guide 2015. The study made use of legitimacy theory which conceptualizes that companies will disclose information that is mandatory to show that their business operations are legitimate or they are good corporate citizens.

This study differentiates itself from prior research on the relationship between corporate governance and sustainability reporting in Malaysia by examining the influence of corporate governance quality (using the corporate governance characteristics as proxy) on sustainability reporting. Another difference is the sample consists of companies from different market capitalisation; top listed, mid-capitalisation, small-capitalisation, financially distressed companies and companies from ACE Market (alternative market) in Bursa Malaysia.

This study made used of mixed research methodology. The first stage of this study examined the corporate governance characteristics and sustainability disclosures of top listed companies and financially distressed companies using qualitative content analysis. The next stage quantified both the scores of corporate governance characteristics and sustainability disclosures. As for sustainability reporting, a measuring instrument comprising 22 checklists were used to measure the disclosures made in sustainability disclosures of each sample companies. For this stage of the study, the sample companies were extended to include, mid-capitalisation, small-capitalisation and companies from ACE Market.

The results of qualitative method corroborated with the results of quantitative method.

The study found that there is a significant relationship between corporate governance quality and sustainability reporting. Beside corporate governance quality, the study examined other variables such as market capitalisation, size, leverage, profitability and industry type and their relationship with sustainability reporting.

This study can be of benefit to policy makers, companies and those who are interested in improving the disclosures in sustainability reporting. Of greater significance is the study's consideration of the corporate governance quality instead of just individual characteristics.

There are many benefits of examining further the relationship between corporate governance quality and sustainability reporting. Future research can consider looking at other aspect of corporate governance characteristics' that were not used as proxy of quality in this study such as institutional ownership; government ownership and family ownership and the effect on sustainability reporting. Future research can look at extending this research to cover more years to look at the quality of disclosures over the period.

Chapter 1: Introduction

Corporate governance and sustainability reporting are two areas beside the financial performance of companies that have gained the attention of stakeholders and researchers in recent years. Despite the growing global awareness of corporate governance and sustainability reporting, research conducted on the relationship between corporate governance and the type of disclosures in sustainability reporting are limited (Michelon & Parbonetti, 2012). Therefore, the aim of this study is to examine the corporate governance characteristics of top listed and financially distressed companies in Malaysia and to examine the type of information that is voluntary disclosed in the sustainability reporting section of the Annual Report of both these types of companies. This enables a comparison on the corporate governance characteristics and the sustainability reporting/ CSR disclosure of both type of companies that are performing at two extreme ends financially (Palys, 2008). Furthermore, prior research conducted on the relationship between Sustainability Reporting and governance characteristics in Malaysia have not studied companies with financial performance at one extreme end of another. I will then extend my research to cover sample companies from mid-capitalisation, small capitalisation, and companies from ACE Market (Alternative market) to help determine to what extent corporate governance quality have an influence on the sustainability reporting practices of Malaysian listed companies.,

The study is important in the context of Malaysian companies. In 2012, Bursa Malaysia the Malaysia regulatory body issued a revised code on corporate governance; Malaysia Code on Corporate Governance 2012 (MCCG 2012). The aim of the revised code is to strengthen “the board structure and composition, recognizing the role of directors as active and responsible fiduciaries” (MCCG, 2012, p. 1). The revised code also

emphasised the need of the companies to conduct their businesses in ethical and sustainable manner; to be transparent to their stakeholders by voluntarily disclosing timely and quality information. This was followed by the issuance of Sustainability Reporting Guide in 2015 by Bursa Malaysia (Bursa Malaysia, 2015). Hence, this study examines to what extent the revised code of corporate governance has an influence on sustainability reporting of both these companies. To help achieve the aim of this study, I will make use of both qualitative and quantitative (mixed method) research. The mixed method will help to bring clarity to my research questions.

1.1 Background

In recent years', spurred on by the advancement of technologies, improvements in infrastructures, competitive markets, emergence of more economies practicing open market and convergence of accounting standards have made international trade more appealing to investors and businesses. This has encouraged globalization and multinational companies to expand their businesses to other parts of the world and spurred the growth of world economies. The rapid expansion of businesses is not only confined to multinational companies but involved local businesses too.

However, amid all these expansions, the world was hit and was shaken by the impact of the Enron scandal and the Asia financial crisis. These financial crises created an awareness and concern among regulators and the public on the importance of having a proper check and balance on the companies' affairs. Malaysia which was badly hit too by the Asian financial crisis of the late 1990s implemented a few measures to safeguard its economy. Malaysian Code on Corporate Governance was first issued in 2000 and in 2007 a revision was made. This was followed by a revised Malaysian Code on Corporate Governance 2012 (MCCG, 2012). These measures were taken by the regulators as steps

to strengthen the governance framework, ensure ethical business practices and to safeguard its economy.

On top of that, with the continuing awareness of the impact of pollution and the harm that can be done on to the environment by activities being carried out by companies, stakeholders have become more conscious not only of the companies' financial success, but on how companies handle social and environmental issues attributed to their business activities (Galbreath, 2012).

This has prompted companies to issue sustainability reporting, in addition to financial reports as proof of their commitment towards these issues (Chan, Watson, & Woodliff, 2014; Adams & Frost, 2008; Kolk, Sustainability, accountability and corporate governance: Exploring multinationals reporting practices, 2008) and encouraged more companies to manage their sustainability footprint (Adams & Frost, 2008). Likewise, companies in Malaysia too, started to realise the importance of environmental disclosures but at a slower pace in the 1990s (Teoh & Thong, 1984). However, lately the trend has changed whereby Sustainability Reporting initiatives are receiving more attention from the corporations (Haniffa & Cooke, 2005; Said, Zainuddin, & Haron, 2009). According to Adams and Zutshi (2004), this continuous attention on Sustainability Reporting by companies are due to business interests and moral responsibility towards society and environment.

1.2 Motivation

Corporate governance and corporate social responsibility are concepts that have been used to ensure that businesses achieve a balance between profitability and being ethically managed. Once this balance is achieved, companies are able to show their commitment in handling social and environmental issues to their stakeholders (D.Sundarasan, Tan, &

Rajangam, 2016). The relationship between corporate governance and sustainability reporting has been likened to two side of a coin (Bhimani & Soonawalla, 2005). According to Bhimani and Soonawalla (2005), corporate governance and sustainability reporting are interlinked as corporate conformance and performance are at different end of the other continuum rather than separate dimensions of an organization working independently. Prior research conducted on voluntarily disclosures policies provided evidence that these decisions are influenced by the board of directors (Haniffa & Cooke, 2005; Chan, Watson, & Woodliff, 2014; Janggu, Darus, Mohamed Zain, & Sawani, 2014).

Prior to year 2007, sustainability reporting was issued voluntarily by companies in Malaysia. However, from 2007 onwards, companies that are listed in Bursa Malaysia are required to have their sustainability activities reported in their annual report. Although the requirements are there the specifics of what to include or how were not specified, allowing companies leeway to give general information on their sustainability activities (Abdifatah, 2013).

I am motivated to examine the type of information that is being disclosed by top listed companies and financially distressed companies in Malaysia, since companies are given the flexibility on their disclosures. Companies need only to indicate if no such activities are undertaken by them. Will this has an impact on the quality and quantity of information that is being disclosed by top listed companies from that of the financially distressed companies?

Even though there are prior studies conducted on the relationship between corporate governance and sustainability reporting in Malaysia, the studies were done before the issuance of the revised MCCG 2012 which places more emphasis on the independence of

the board of directors, diversity in the board emphasizing gender diversity, separation of duty between CEO and chairman, education and training of directors among others to strengthen the governance of companies (MCCG, 2012). This is followed by the issuance of Sustainability Reporting Guide in 2015 by Bursa Malaysia as a guideline for companies in preparing their sustainability reporting and in preparation for the enforcement of the requirement starting from 2016 (Bursa Malaysia, 2015).

Furthermore, prior research conducted mostly made use of samples of top listed companies in Bursa Malaysia prior to 2013. This motivated me to examine whether companies incorporated the revised corporate governance characteristics in the composition of their board of directors and took into consideration the sustainability reporting guidelines in preparing both annual report and sustainability report for year 2015. The aim of this study is to examine to what extent these corporate governance quality influences the sustainability disclosures of companies in Malaysia especially top listed and financially distressed companies. To do so the study will make use of the following research questions:

RQ 1: What are the corporate governance characteristics of top listed companies and financially distressed companies?

RQ 2: What type of information is voluntarily disclosed by both top listed and financially distressed companies?

RQ 3: To what extent does the corporate governance quality influence the sustainability reporting quality of the top listed companies compared to the financially distressed companies in Malaysia?

1.3 Research methodology

This research will make use of mixed method; qualitative description methodology will be used with content analysis to analyse the relationship between corporate governance and Sustainability Reporting of both the top 30 listed companies and 20 financially distressed companies listed in Malaysia. These findings will then be supported and corroborated with quantitative methodology. Additionally, companies listed in Bursa Malaysia; 20 companies under the Mid Capitalisation category, 30 companies under Small Capitalisation category of the Main Board and another 20 companies from ACE Board will be included in the sample to further support my findings.

The study will make use of secondary data (e.g. annual reports and corporate social responsibility disclosures) obtained from the companies' corporate website and Bursa Malaysia website. Bursa Malaysia is the regulator of the Malaysian capital market/stock exchange. The top 30 listed companies and 20 financially distressed companies will be based on the list issued by Bursa Malaysia for companies listed on the Main (Stock) Market. In Malaysia, financially distressed companies are classified as PN17 which stands for Practice Note 17/2005 issued by Bursa Malaysia.

1.4 Outline of the Dissertation

The remainder of this dissertation is as follows:

- Chapter two reviews the literature on corporate governance, sustainability reporting and the relationship between corporate governance and sustainability reporting.
- Chapter three describes the research methodology and method.
- Chapter four describes the research findings on corporate governance quality and sustainability reporting quality of top listed companies and financially distressed companies.
- Chapter five presents the quantitative results and interpret the results of the research and
- Chapter six presents the conclusions, limitations and scope for future research.

1.5 Chapter Summary

This chapter has provided some background information about the study including the research aims, justification and motivation for the study.

The next chapter provides a literature review and discusses the characteristics of corporate governance and Sustainability Reporting.

Chapter 2: Literature Review

2.1 CSR/Sustainability Reporting

CSR has been defined by Barnett (2007, p 801) as “a discretionary allocation of corporate resources towards improving social welfare that serves as a means of enhancing relationships with key stakeholders.” Bursa Malaysia has defined CSR as business practices that are transparent and open encompassing ethical values and respect for employees, environment, communities and the shareholders (Bursa Malaysia, 2006).

Definition of sustainability that has been used by most countries are based on the definition used by United Nation in 1987. Malaysia too adopted the same definition in the Sustainability Reporting Guide 2015 issued by Bursa Malaysia. “Sustainability development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Bursa Malaysia, 2015).

In recent years, more companies worldwide including companies in Malaysia are providing information relating to environmental and social activities to their stakeholders. Management of companies realized that stakeholders are not only interested on financial information but are also looking at environmental and social information of the companies (Galbreath, 2012). Therefore, it is important to identify their stakeholders and to focus their environmental and social information to the needs of these stakeholders (Rinaldi, Unerman, & Tilt, 2014). The continuous concern on the impact of environmental and social issues surrounding businesses have encouraged more companies to manage their sustainability footprint (Adams & Frost, 2008). Thus, this has prompted more companies to voluntarily disclose their environmental, social and

governance information to include external and internal stakeholders (Kolk, 2008; Gibson & O'Donovan, 2007).

The awareness of the importance of environmental disclosure has encouraged researchers to conduct research on the contribution of Sustainability Reporting to firms and stakeholders. This can be seen by the increased research conducted on CSR/Environmental Reporting/Sustainability Reporting and the effect it has on firms' performance around the world including Malaysia (Othman & Ameer, 2009; Teoh & Thong, 1984; Haniffa & Cooke, 2005).

Studies have shown that Sustainability Reporting may positively influence a firm's corporate image. It helps not only in gaining the support of stakeholders but the report can also be used as an assessment tool by companies to gauge on the possible risk that their business activities might have on the environment and society (Roa, Tilt, & Lester, 2012). Therefore, it is beneficial for companies to pay attention to their sustainability activities and disclosures. Companies can enhance their corporate image and improve their credibility by informing the stakeholders on the sustainability activities undertaken by them (Pfau, Haigh, Sims, & Wigley, 2008).

Companies that are actively involved in sustainability activities and issued sustainability reporting will have competitive advantage as these companies can gain the trust and goodwill of their stakeholders (Kolk & Pinkse, 2010), have greater brand loyalty among the customers and increased in customers' satisfactions (Mackenzie, 2007). In addition, these companies can attract or retain their excellent and talented employees as employees are attracted to work with employers that possess good corporate reputation (Adams & Zutshi, 2004; Riordan, Gatewood, & Bill, 1997).

In their handling of environmental issues, companies should consider the reactions of various stakeholders as stakeholders are becoming more concerned of environmental protection and are looking at companies' role in environmental protection (Mathur & Mathur, 2000). Investors might choose not to invest in companies if there are some concerns on the companies' environmental stand (Azzone & Bertele, 1994). Investors are interested in companies' environmental disclosures as it can help investors in their forecast of the company's future economic decisions (Husasainey & Salama, 2010). This is because when an environmental risk occurs, not only will company suffer lose in its revenue and incur additional cleanup cost but company can lose the trust and confidence of its stakeholders which is detrimental to the company's survival (Roa, Tilt, & Lester, 2012). During the oil spillage that occurred in Gulf of Mexico in 2010, BP incurred more than \$40 billion in cleanup cost (de Villiers, Naiker, & van Staden, 2011). However, voluntary disclosures by companies involved can mitigate the effect, as companies are showing to their stakeholders that they are being transparent, accountable and committed to protecting the environment (Roa, Tilt, & Lester, 2012; Cho, Guidry, Hageman, & Patten, 2012).

Findings from research suggested that there are possibility of biasness occurring whereby general and good news are always highlighted and given prominence by companies and negative news are kept to the minimal (Owen, Swift, Humphrey, & Bowerman, 2000; Nik Nazli, Maliah, & Dodik, 2003). This imply that sustainability reporting can be used by companies to influence the stakeholders. The findings of a study conducted by Buniamin, Alrazi, Johari and Abdul Rahman (2008) in Malaysia concurred that companies normally disclosed positive information that can enhance the company's image in the eyes of their stakeholders. They also found that Sustainability Reporting in Malaysia focused more on establishing programs to project companies' image rather than

environmental-related accountability (Buniamin, Alrazi, Johari, & Abdul Rahman, 2008).

Besides that, sustainability reporting in developing countries like Malaysia and Singapore mainly covered human resources, community activities and companies' products/services (Teoh & Thong, 1984; Tsang, 1998)

Realising the importance of sustainability reporting, Bursa Malaysia, the regulatory body that regulates the capital market in Malaysia, develop its CSR Framework in 2006 that gives guidance to companies in Malaysia on developing their sustainability strategies and to communicate those strategies to their stakeholders effectively. The framework focuses on four main areas namely marketplace, environment, community and workplace and supports triple bottom-line reporting. The framework is in line with the Bursa Malaysia Listing Requirements that require listed companies to report their sustainability activities in the Annual Report with effect from 31/12/2007 (Bursa Malaysia, 2006). Despite this requirement, the disclosures issued by companies mostly covered topics on employees and communities as there were no clear requirement on what companies need to report on their sustainability activities.

In order to keep up with the landscape of change in environmental, social and governance reporting, Bursa Malaysia has issued their guidelines on sustainability reporting in 2015 and companies listed in the Main Market are required to comply with this regulation in stages from 2016 (Bursa Malaysia, 2015). Information contained in sustainability reporting not only covers financial information, but a whole range of information on environmental, economic and social performance and their relationships with corporate performance (Adams & Frost, 2008).

For this research, sustainability reporting, sustainability disclosures, environmental reporting and corporate social disclosure are considered the same and thus this study will make use of the term Sustainability Reporting.

2.2 Corporate Governance

The Asian financial crisis that hit Asia in 1997, followed closely by accounting scandals of successful companies such as Enron, WorldCom, Tyco and Lehman Brothers shook the confidence of investors and raised concern among stakeholders on the credibility of financial reporting. This has resulted in corporate governance reform and review of governance mechanism which was put forward to the attention of the regulators worldwide (Millar, Eldomiaty, Choi, & Hilton, 2005). These financial crises and corporate scandals brought about new and revised legislations which include Sarbanes-Oxley Act (SOX 2002) in United States, Malaysia Code of Corporate Governance (2000, 2007 and 2012) and the Combine Code on Corporate Governance (2003) in UK and similar codes in other parts of the world.

The modern-day corporation was first introduced in England in the early 17th century (Mueller, 2003). The beginning of 20th century brought about changes to business structure, a shift occurred in the control of corporations whereby control is placed in the hands of managers. Thus, separation of power is created between ownership and control. Owners, who are the principals, hire management to act as agents to manage their companies (Fama & Jensen, 1983). In terms of agency theory, therefore, it is important to have good governance mechanisms as these help to ensure a balance between ownership and control (Fama & Jensen, 1983) and that the actions of the managers are in the best interests of their shareholders (Ho & Wong, 2001)

Despite being a subject that is well-researched, there is still no single definition for corporate governance (Cohen, Krishnamoorthy, & Wright, 2010). In general, corporate governance refers to the relationship that exist between management and their stakeholders mainly shareholders, board of directors, bankers, suppliers, debtors, customers, employees and others that deals with the companies. Whereas Dahya, Lonie, and Power (1996) defined corporate governance as the way companies are being governed by managers who are accountable to their stakeholders. The definition of corporate governance by Brickley and Zimmerman, (2010, p.236) encompass a wider spectrum as:

“the system of laws, regulations, institutions, markets, contracts and corporate policies and procedures (such as the internal control system, policy manuals and budgets) that direct and influence the actions of the top-level decisions makers in the corporations (shareholders, boards, and executives)”.

Good governance also ensures that management are properly rewarded for their services to the companies (MCCG, 2007). Hence, mismanagement by managers will be avoided. Besides ensuring that the boards carry on its objectives for the good of the business and its shareholders, good governance also ensures a fair and just treatment among the different stakeholders (OECD, 2004). Good governance is an important tool in ensuring that the operation of business is managed in an effective way and with integrity (Bursa Malaysia, 2012). In addition, it helps to protect the interest of stakeholders (N.Al-Malkawi, Pillai, & Bhatti, 2014), reduces information asymmetry (Mitton, 2002), improve stakeholders level of confidence (Guller & Crowther, 2008) ensure that business is run in an ethical and fair manner, transparent and accountable to the stakeholders (Jamali, Safieddine, & Rabbath, 2008).

As a result of the Asian financial crisis, the Malaysian government, realizing the importance of having a good governance implemented a few measures to safeguard its economy. These involve establishing the High Level Finance Committee to determine corporate governance framework and the establishment of the Malaysian Institute of Corporate Governance in 1998 (Rahman & Ali, 2006). This is followed by the issuance of the first code of corporate governance, Malaysian Code of Corporate Governance 2000 (Rahman & Ali, 2006). As a continuous effort to improve the governance structure, MCCG 2000 was revised in 2007. The revised code, gave clarification on the role of directors and criteria for appointment of directors, function of internal audit and audit committee. It was hope that the revision would enable the board to carry out their duties and functions effectively and responsibly (MCCG, 2007).

The economy of Malaysia was badly affected again by the global financial crisis that occurred in 2007-2008. Bursa Malaysia's index suffered a drop by 670 points, the biggest decline suffered since the Asian financial crisis (Angabini & Wasiuzzaman, 2011). Furthermore, poor performance and corporate scandals of big firms such as Linear Corporation, Sime Darby and Kenmark Ltd in 2010, which occurred after the revision in 2007, highlighted the need of another revision to the code of corporate governance (Satkunasingam & Yong, 2012). The revised code known as Malaysian Code of Corporate Governance 2012 (MCCG 2012) was issued in March 2012. Bursa Malaysia listing requirement made it mandatory for companies listed in Bursa Malaysia to report on their compliance (comply or explain) of the guidelines in their Annual Reports (MCCG, 2012). The revised MCCG 2012 clearly state the responsibility and the role of the board, the need to strengthen the composition of board members, the importance of independent directors and their commitments to the board. In addition, the revised MCCG 2012 touch on the importance of timely and quality disclosures of information, managing

of risk and acknowledging the relationship between shareholders and company in ensuring the integrity of financial reporting, (MCCG, 2012).

Since corporate governance is important in ensuring the success of a company, it is important to study the characteristics of the board of directors of top listed companies in Malaysia and compare them to the financially distressed companies in Malaysia to better understand the characteristics of the board that make a company perform better than another. Furthermore, the revised MCCG 2012 touched on the importance of continuous knowledge, enhancement of board members and its contribution to the company, the role of women on board, proportion of independent non-executive directors, separate leadership structure, audit committee, Big 4 auditors and independent chairman (CEO/Duality) which are the characteristics that will be analysed in this study.

2.3 Sustainability Reporting and Corporate Governance

Several studies have been conducted on corporate governance and sustainability reporting and their impact on firms' performance as separate research topics (Chan, Watson, & Woodliff, 2014). However, research on the relationship between corporate governance and sustainability reporting are still new (Haniffa & Cooke, 2005).

Studies have supported the notion that in recent years, companies are broadening their companies' performance evaluation to include long term economic, social and environmental performance beside focusing on short term financial performance only (Hardjono & van Marrewijk, 2001). Elkington (2006) implied that the agenda of sustainability reporting is becoming an extension of corporate governance. Thus, it is the responsibility of the board to ensure the smooth running of sustainability reporting. Jamali, Safieddine and Rabbath (2008), conducted in depth interviews with management of corporations in Lebanon and their findings concurred with Elkington (2006). Majority

of the managers interviewed believed that corporate governance is a necessary complementary pillar in ensuring the success of sustainability reporting. Beltratti (2005) concurred that both corporate governance and sustainability reporting are complementary in the decision-making process involving the functions, objectives and limitations faced by the companies. Beltratti (2005, p. 385) sum up the relationship as

“the positive relation existing between corporate governance and CSR on the one hand and the market value of the firm on the other hand, suggest that market competition is somehow able to detect the companies which are best from point of view which are not included in the accounting definition of profit”.

Bhimani and Soonawalla (2005) described the relationship between CSR and corporate governance as two different side of a coin; corporate conformance and performance are at different end of the other continuum rather than separate dimensions of an organization working independently. Whereas Kolk and Pinkse (2010) described the relationship between sustainability reporting and corporate governance as overlapping since attempt to strengthen corporate governance involved not only characteristics of the board but also encompass voluntary aspects of environment and social responsibilities to all stakeholders. Robertson (2009) believes that sustainability reporting is achievable only if there is corporate transparency and disclosure which involves fair treatment and communication to all stakeholders. Young and Thyil (2014, p. 16) observed, “it is evident CSR is an integral component of governance with CSR linked to behaviour, reputation, risk and transparency”.

Kolk (2008) conducted a study on Fortune Global 250 companies to explore to what extent these companies incorporate aspects of corporate governance into its sustainability reporting. Their findings indicated that multinational companies especially in Japan and Europe have incorporated governance into their sustainability reporting. A study

conducted by Shrivastava and Addas (2014) found that better corporate governance resulted in better sustainability reporting. Peters and Romi (2015) found evidence to support that some companies issued sustainability report to conform to the expectation of society.

Chan, Watson, and Woodliff, (2014) conducted a study on the relationship between corporate governance and sustainability reporting by analysing the annual reports of 222 sample of listed companies on ASX for the year 2004. In their study, Chan, Watson and Woodliff, (2014, p.64) defined sustainability disclosures as “information relating to companies’ activities and resources used that can have effect on the public and stakeholders that is contained in the companies’ annual reports”. In their study, “CSR disclosure sentences are used as the unit of measurement and disclosure is measured by counting the number of CSR sentences that appeared in the companies’ annual reports” (Chan, Watson, & Woodliff, 2014, p.65). Content analysis was used to record the disclosures over seven themes. The seven themes used were general, environment, energy, human resources, products, community and fair business practices.

Most studies conducted on the relationship between corporate governance and sustainability disclosures focus on the relationship between governance variables with that of voluntary disclosures (Ho & Wong, 2001), financial performance (de Villiers, Naiker, & van Staden, 2011) and voluntary earnings disclosures (Lakhal, 2005). However, not many studies have been conducted on the influence of corporate governance characteristics on the quality of sustainability reporting (Haslinda, Faizah, & Sharifah Aminah, 2015)

Even though, there were few prior research conducted on the effect of board characteristics on sustainability reporting in Malaysia, the result produced were not

consistent. Haniffa and Cooke (2005), conducted a study on the relationship between corporate governance and sustainability disclosure of firms in Malaysia for the period 1996 to 2002. Information on sustainability disclosures were obtained from annual reports of the companies. Content analysis were used to analyse the type of disclosures given on five chosen themes; environmental, employees, community, product and value-added. They measured number of items expressed and length of items expressed as a measurement for sustainability disclosures. They found that there was a significant relationship between boards with more Malay directors, boards controlled by executive directors, chair with multiple directorships and foreign share ownership with sustainability disclosures. The research conducted by Jangu, Darus, Mohamed Zain and Sawani (2014) and Said, Zainuddin and Haron (2009) made use of data prior to 2013.

Furthermore, the research was conducted using annual reports before the issuance and enforcement of a revised Malaysian Code on Corporate Governance 2012 and Sustainability Reporting Guide in 2015. The relationship between corporate governance and sustainability reporting has been given emphasis in the revised MCCG 2012. Recommendation 8.3 of the Code stipulates that “the board should promote effective communication and proactive engagement with shareholders. The company must be prepared to discuss economic, social and environmental issues with all shareholders” (MCCG, 2012, p. 122).

I will be using data of year 2015, three years after the enforcement of the revised corporate governance disclosures in Annual Reports and just before the enforcement of environmental disclosure in 2016 for companies listed in the Main Market. I will base my research on the themes and definition used by (Chan, Watson, & Woodliff, 2014).

2.4 Characteristics of Corporate Governance

A review of literature on the corporate governance characteristics and its relation to sustainability follows:

2.4.1 Outside/Independent Director

The effectiveness of corporate governance in reducing agency problems between management and shareholders depends significantly on the composition of the board of directors (Fama & Jensen, 1983). MCCG 2012 defined an independent director by “a subjective test of being independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of a listed issuer” (MCCG 2012, p 35). Independent directors should be included in the board to safeguard the interest of the minority shareholders and to contribute significantly in decision making “by bringing in the quality of detached impartiality” (MCCG, 2012 p. 20). This implies that in a discussion or decision making process, independent directors will be more inquisitive, will be making more enquiries prior to discharging their duties (MCCG, 2012) and will monitor and evaluate management and companies’ performance effectively (Kesner & Johnson, 1990). Since independent directors do not have personal interest in the business, they are more oriented towards the interest of stakeholders (Wang & Dewhirst, 1992). Thus, this enables them to consider the interests and needs of various stakeholders and not only focus on the interest of the shareholders (Michelon & Parbonetti, 2012).

Independent directors are appointed to their position because of their knowledge, expertise, qualification and experience that they have in their respective fields (Dalton & Daily, 1999; MCCG, 2012)). Companies are recommended to appoint independent directors with relevant expertise in a specific field and knowledge of the company’s

business to help in decision making, strategic planning and forecasting (MCCG, 2012).

When a board is represented with independent directors that increases board independence, CEO of companies will make better business judgement that will improve the companies' overall performances for fear of being replaced by the board if they do not perform (Guo & Masulis, 2013).

Previous studies conducted on the effect of board independence on firms' performances produce inconsistent results. A study conducted by Chaganti, Mahajan, & Sharma (1986), did not find significant differences in the percentage of outside directors that are appointed in both financially distressed and performing companies. A study conducted on sample companies in Malaysia by Mohd Ghazali (2010) did not find significant relationship between companies' performance and the number of independent directors on board. However, Forker (1992) found that when the percentage of outside directors are higher, companies issued better financial disclosure as outside directors who are not part of management are not face with conflict of interest.

A study by Galbreath (2012), found that board which consist of outside director with experience from non-governmental organisation (NGO) and knowledge of environmental laws are more inclined to address issues on sustainability. In addition, personal values of board members are considered as an important influential factor on the decision of board's sustainability performance (Galbreath, 2012). However, a study conducted by Bear, Rahman and Post (2010), did not find a significant relationship between outside directors and firms' environmental disclosures. Whereas, a study conducted by Herda, Taylor and Winterbotham (2012) on 500 firms in US found that firms with a greater proportion of independent board members were more likely to publish standalone and higher quality sustainability reporting. The study conducted by Shrivastava and Addas (2014) concurred

with the findings of Herda et al. (2012) that a higher percentage of independent directors contribute to better sustainability reporting. de Villiers, Naiker, & van Staden (2011) concurred that board with higher independent directors have better environmental disclosures. Independent directors will question the CEO on environmental issues and steps taken by companies to safeguard the environment. However, studies conducted in Malaysia found that the presence of independent directors did not improve sustainability disclosures in companies (Sundarasan, Tan, & Rajangam, 2016; Haslinda, Faizah, & Sharifah Aminah, 2015).

The importance of the role of independent directors are recognized by Bursa Malaysia. Bursa Malaysia listing requirement required companies listed with them to have at least two or 1/3 of its board members to be independent directors. MCCG 2012 under recommendation number 3.5 of the revised code recommended when the chairman of the board is not independent then the board should consist of more independent directors (MCCG, 2012).

2.4.2 Gender diversity

The role of women is changing especially in developing countries. Studies have been carried out to analyse the role of women and their contribution towards firms' performance, social, environmental and governance disclosures. Gender diversity in the boardroom refers to the existence of women as members in the board of directors (Dutta & Bose, 2006). Gender diversity can improve board monitoring because women are able to bring in new and fresh ideas which is attributed to their expertise or knowledge gain outside of business (Hillman, Cannella Jr, & Harris, 2002), women have the tendency to ask more questions (Srindhi, Gul, & Tsui, 2011) and tend to participate actively in decision making (Konrad , Kramer, & Erkut, 2008)

Srindhi, Gul and Tsui (2011) conducted their study of companies in USA and conclude that companies with female directors reported better earnings quality. A study conducted on companies listed in the main Market and ACE Market in Malaysia for year 2008 and 2009 shows a positive relationship between gender diversity and companies' financial performance (Julizaerma & Zulkarnian, 2012). Companies with women directors reported better return on assets (ROA). However, the study conducted by Wang and Clift (2009) of top 500 Australian companies, found no significant relationship between gender diversity and companies' financial performance. This could be due to the insignificant number of women on board.

Women tend to have more influence in the community (Hillman, Cannella Jr, & Harris, 2002) and are more receptive to charity and community works (Srindhi, Gul, & Tsui, 2011). Thus, having women on board, can increase awareness and participation in CSR activities. It was found that women on board contributed positively to the reputation or sustainability scores when the percentage of women on board is higher as they are able to contribute in the decision making (Bear, Rahman, & Post, 2010). These findings were supported by Fernandez-Feijoo, Romero and Ruiz-Blanco (2014) in a study conducted across 22 countries in 2008. They concluded that companies that have higher proportion of board members with at least three of them being women have better CSR disclosures. However, a study conducted using sample firms from Bangladesh for the period 2005 to 2009, produced a different result. Sustainability reporting did not improve with the presence of women directors on board, because in developing countries like Bangladesh, female directors are normally employed in family run business (Muhammad, Arifur, & Nava, 2015). This means that in a family run business to ensure family control in the decision-making process, family ties take precedence over sustainability reporting.

Whereas, a study conducted in Malaysia found that sustainability reporting improved with the presence of women in the board of directors (Sundarasan, Tan, & Rajangam, 2016).

Studies has shown that women have contributed to the success of companies. This can be attributed to the quality that women have, their knowledge, expertise, and participative decision making (Sundarasan, Tan, & Rajangam, 2016). The revised MCCG 2012, also stressed on the importance of having board/gender diversity to encourage more open discussion rather than ‘group think’ (MCCG, 2012)

2.4.3 Board size

Board size refers to the number of directors that are appointed to the board of directors. In Malaysia, the revised MCCG 2012 do not specify what is the optimum number the board size should be. However, MCCG 2012, recommended that in deciding on the composition of board and the numbers of directors appointed to the board, companies should considered several important factors. Among these are size and geographical location of the company, the specific industry skills needed, sufficient diversity of board members, appropriate balance between executive directors, non-executive directors and independent directors to ensure that no small group dominate the meetings or discussion (MCCG, 2012). In addition, the board should have adequate members to sit in the respective committees and fulfilled the quorum needed for attendance in meetings (MCCG, 2012).

Studies that had been conducted on board size produced different results. There are the proponents for larger board and proponents for smaller boards. Board size has been described as a monitoring mechanism for governance and has been proven to be an effective indicator for internal monitoring (Jensen, 1993). The proponents for smaller board states that it is easier to be involved and to take part actively in evaluating and

monitoring companies' performance (Jensen, 1993) and to monitor management actions (Lakhal, 2005). Furthermore, companies with smaller boards will be able to use their resources more effectively to generate higher profit (Yermack, 1996) as they can come to an unanimous agreement easily (Jensen, 1993).

Proponents of large boards argued that a larger board can improve company's financial performance, possess the ability to monitor and control management actions more effectively and efficiently as the board consists of directors with different skills, expertise and knowledge (Belkhir, 2009). This is supported by a study conducted by Daily and Dalton (1993). They found that company with larger boards can reduce or avoid the effect of business uncertainty as their pool of directors are able to provide more information and knowledge to the company. In addition, they found a positive relationship between board size and return of assets. However, Jensen (1993) argued that larger boards take longer time in arriving at a unanimous decision which can be detrimental to the company's performance. A study conducted by (Mohd Ghazali, 2010) of companies in Malaysia did not find significant relationship between board size and company' performance.

A large board enhances the ability of the board to monitor and control management actions. This improves transparency and encouraged management to disclose more information voluntarily to stakeholders. They found that boards size is positively associated to voluntary disclosure (Adams, Almeida, & Ferreira, 2005; Donnelly & Mulcahy, 2008). A study conducted in Malaysia by Janggu, Darus, Mohamed Zain and Sawani (2014) found that the quality of sustainability disclosure improved with a larger board size. The findings by them contradicted with an earlier research which concluded

that board size does not have effect on the quality of corporate social reporting (Said, Zainuddin, & Haron, 2009).

2.4.4 Board Professionalism and Knowledge

The role of the board is to control and monitor the decisions and the actions of management (Fama and Jensen, 1983). To be able to supervise the management effectively, each member appointed to the board of directors should be equipped with the necessary qualification, experience, expertise and skills. This will enable them to contribute to the management discussions and decision making. Recognising the importance that education, knowledge and experience can contribute to a company, the revised MCCG 2012 recommended that in forming the board structure and size, emphasis should be placed on the technical knowledge, experience and qualifications of the directors in the relevant industry (MCCG, 2012). Decision making will enhance if the board members possess different skill, experience and qualifications (MCCG, 2012).

A study conducted by Ujunwa (2012) of listed companies in Nigeria found a positive and significant relationship between directors' level of education (PhD) and company's performance for the period 1991 to 2008. Janggu et al., (2014), concluded that environmental disclosure improved with the increase in level of professionalism among board members. The duties of board of directors involve supervising management decisions efficiently to improve firm's performance. It is important for a board member to be equipped with the right skills, expertise, experience and knowledge (Bear, Rahman, & Post, 2010). In determining board professionalism, I will be looking at the education level and experience of the directors.

2.4.5 CEO Duality

CEO duality refers to the person who hold both position of CEO and chairman (Daily & Dalton, 1993). When both the position of CEO and chairman is vested into one person, it can highlight the probability of governance issue surfacing in the company as power is concentrated in the hands of one person. This is aptly summed up by Forker (1992, p. 17),” a dominant personality commanding a company may be detrimental to the interest of shareholders”. In addition, CEO duality ignores the separation of power that should exist between “decision control and decision management” (Fama & Jensen, 1983). When this occurred, board will lose its independence, decision making process will be disrupted, board will not be able to perform effectively and there will be no effective monitoring to ensure that the right decisions have been made (Michelon & Parbonetti, 2012).

A study conducted by Daily & Dalton (1993) found that company with CEO duality on its board did not perform well. Dahya, Lonie and Power (1996) found that performance of companies deteriorated with CEO duality. This could be attributed to the fact that when control and decision making is in the hand of one person, the board will lose its say in the decision-making process and limit the transfer of information between CEO/chairman to other members of the board (Gui & Leung, 2004). When there is a separation of role between CEO and chairman, board independence is assured, as the Chairman will be able to monitor and review the decision of the CEO and ensure that the interest of shareholders is protected (Daily & Dalton, 1993; Fama & Jensen, 1983; Forker, 1992).

However, a study conducted by Boyd (1994) states that companies’ performance improved with CEO duality. Since power concentration is in the hands of one person, it

reduces the probability of differing of opinions and conflict of interest arising between CEO/chairman and other board members (Boyd, 1994).

A study conducted by Gui and Leung (2004) on companies in Hong Kong, found that CEO duality is associated with lower voluntary disclosure. However, a study conducted by Cheng and Courtenay (2006) concluded that CEO duality is not associated with voluntary disclosure.

The revised MCCG 2012, recommended a separation of role between the role CEO from the role of chairman. However, the adoption of separate role is not mandatory but is encouraged. If a company appoints the same person for both roles, then the company should justify the need to do so to the stakeholders and should ensure that the board of directors are made up of majority independent directors. (MCCG, 2012).

2.4.6 Audit Committee

The importance of audit committee as a control mechanism in ensuring accountability is demonstrated with the formation of audit committee as one of the recommendation of Cadbury Report 1992 and in Malaysia listed companies are required to form audit committee with effect from 1st August 1994 (Al-Mamun, Yasser, Rahman, & Nathan, 2014). Paragraph 15.09 of the Listing Requirements made it compulsory for listed companies in Malaysia to form audit committee comprising of at least three members with at least one of them having financial expertise (MCCG, 2012). Since the effectiveness of the audit committee in carrying out their duties depended on them being independent, paragraph 15.10 of the Listing Requirements stipulated that the chairman of the committee must be an independent director. The members of the committee should be non-executive directors with a majority being independent directors (MCCG, 2012).

Studies conducted on audit committee independence provided evidence that the effectiveness of audit committee improved when audit committees were made up of more independent directors (Cohen, Gaynor, Krishnamoorthy, & Wright, 2011). Study conducted in United States on S&P 500 firms for period 1992-1993 reported improvement in accounting quality (Klein, 2002). Similarly in another study conducted on sample firms in Australia showed improvement in earning quality (Baxter & Cotter, 2009). A reduction in earning management was reported for period 2007 to 2010 of sample companies listed in Egyptian Stock Exchange (Soliman & Ragab, 2014) and improvement in firm performance and the quality of audit in listed companies in Malaysia (Al-Mamun, Yasser, Rahman, & Nathan, 2014).

Study conducted in Malaysia reported a reduction in earning management when audit committee comprise of member with accounting and financial expertise (Saleh, Iskandar, & Rahmat, 2009). This is supported by a study conducted on companies in Egypt (Soliman & Ragab, 2014). However, a study conducted by Al-Mamun et al. (2014) concluded that financial expertise of audit committee did not improve firm's performance.

Since audit committee is formed to assist the board in ensuring accountability in financial reporting, then the committee should also ensure that relevant and full information is disclosed to the investors. This is supported by a study conducted by Ho and Wong (2001) which found a significant relationship between audit committee and the extent of voluntarily disclosures. A study conducted by Said, Zainuddin and Haron (2009) found that when more members of audit committee were made up of non executive directors, the sustainability disclosures issued by the companies were of better quality.

2.4.7 Big 4 External Auditors

External auditors plays an importanat role in giving assurance to stakeholders especially shareholders on the reliability of financial reporting issued by companies. Realising the importance of the role external auditors, Paragraph 15-2(1) of the Listing Requirements made it compulsory for listed companies to appoint external auditors to provide assurance on the financial reports. Esternal auditors that are appointed have to be totally independent, from reputable audit firms with qualified professionals and possess good audit methodology (MCCG, 2012).

It is perceived that auditors from reputable firms are better prepared to uncover misleading accounting treatment, irregularities or misrepresentations and provide a higher quality of audit service compared to non big 4 auditors. A study conducted by Soliman and Ragab (2014) on listed companies in Egypt found that earnings management reduced in companies audited by Big 4 auditors. This is supported by Chen, Lin and Zhou (2005), on companies in Taiwan. They found that companies audited by Big 4 auditors reported lower earnings management as compared to companies audited by non Big 4 auditors. However, a study conducted on listed companies in Malaysia under the Consumer and Industrial Products Sector for period 2008 to 2013 showed a different result. Audit quality did not really have an effect on earnings management of these sample companies (Cheong, Boon, Ong, & Hong, 2015).

Companies that appointed big 4 auditors do so to provide assurance to their stakeholders on the quality of the companies' financial reports . At the same time, it is assume that these companies would also be issuing more voluntary disclosures on environmental and social issues. However, a study conducted in Kenya did not find a significant relationship between big 4 auditors and the extent of voluntary disclosure (Barako, Hancock, & Izan,

2006). The result was consistent with a study conducted in Egypt which found no significant relationship between auditors and sustainability reporting (Al-Gamrh & Al-Dhamari, 2016).

2.5 Legitimacy theory

Legitimacy theory has been used to describe why management disclose social and environmental information besides companies' financial information. by researchers in the field of accounting, social and environmental. Therefore, it has been accepted as a positive theory that looks at the way management performs certain activities (Deegan, 2014).

Legitimacy theory is defined as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part" (Lindblom, 1994, p. 2). According to Chu, Chatterjee and Brown (2013) companies align its actions towards gaining social acceptance through legitimacy theory. In order to secure legitimacy, companies need to inform their stakeholders of the improvement they intended to do on company's performance, finding ways to distract the stakeholders from certain issues, changing stakeholders' perception regarding certain events and changing expectations of external stakeholders on the companies' performance (Lindblom, 1994).

The scope of legitimacy theory is based on the belief that managers will undertake necessary strategies to prove to society that they are complying with the expectations of society. Companies must keep abreast with the constant changes in society values to prove to society that they are good corporate citizen and their business operation is legitimate (Chan, Watson, & Woodliff, 2014). In order to change the perception of stakeholders about the company, management should ensure sufficient information or

voluntary disclosures are being issued out (Adams & Zutshi, 2004). However, there are prior studies that indicated that in order to ensure its legitimacy, companies were likely to limit their disclosures to good news (Milne, Tregidga, & Walton , 2009).

In the context of this study, legitimacy theory simply means that firms will disclose information that is mandatory, information to show that their business operations are legitimate or they are good corporate citizen. Legitimacy theory will be used to help interpret the findings of this study.

2.6 Chapter Summary

The literature review on corporate governance characteristics explain in detail the governance characteristics that I will be examining. The literature review on the relationship between corporate governance characteristics and sustainability sum up the extent of influence corporate governance characteristics have on sustainability disclosures on previous studies.

Having discussed the characteristics of corporate governance and the relationship between corporate governance and sustainability reporting, the following chapter will touch on the methodology that the study will be using to conduct this research. The study will be using mixed method; qualitative method followed by quantitative method. This will be followed by a discussion on the sample companies and data collection method.

Chapter 3: Research Methodology

3.1 Methodology and Method

This study aims to examine the governance characteristics of top listed companies and financially distressed companies in Malaysia after the revised MCCG 2012 and to consider the type of information that is voluntarily disclosed in the sustainability reporting issued by the companies in the annual reports. Financially distressed companies classified as PN 17 are listed companies that do not meet the listing criteria of Bursa Malaysia (Bursa Malaysia, 2016). The research is then extended to include sample companies from mid-capitalisation, small-capitalisation and ACE Market (alternative market) to examine to what extent corporate governance quality influence the sustainability reporting of Malaysian listed companies. Most of the prior research conducted on corporate governance characteristics and sustainability reporting in Malaysia focused on performing companies only without considering financially distressed companies. On top of that, the researchers focused on examining only a few corporate governance characteristics and its influence on sustainability disclosures. For example, Yusoff et al. (2015) looked at 100 leading public companies and examined board size, ownership concentration and independent non-executive director. Said et al. (2009) examined 150 companies listed on the main board and board size, foreign ownership, CEO duality and independent non-executive director. Whereas Jangu et al. (2014) examined 100 companies listed on the main board and examined board professionalism, boards size, ownership concentration and foreign members and the influence on sustainability reporting. Therefore, the research is designed to provide answers to three research questions:

RQ 1: What are the corporate governance characteristics of top listed companies and financially distressed companies?

RQ 2: What type of information is voluntarily disclosed by both top listed and financially distressed companies?

RQ 3: To what extent does the corporate governance (CG) quality influence the sustainability reporting (SR) quality of the top listed companies compared to the financially distressed companies in Malaysia?

This research will make use of mixed methodology. Mixed methods research refers to a single research that mixed both the qualitative and quantitative data (Johnson, Onwuegbuzie, & Turner, 2007). The definition of mixed method that is mostly used is:

“Mixed methods research is the type of research in which a researcher or teams of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purpose of breadth and depth of understanding and corroboration” (Johnson et al., 2007, pp, 123)

Therefore, mixed methods used both the inductive and deductive reasoning with a possibility of a hypothesis being proposed by the researcher (Graff, 2014). The used of mixed methods fit this study well as this method gives the study the flexibility of collecting both qualitative and quantitative data, integrate both the data to obtain a clearer and comprehensive understanding of the research problem (Creswell, 2014). The integration of both qualitative and quantitative data can be done anytime during data collection, data analysis or at the point of interpretation of the results (Creswell & Plano Clark, 2011). This research will make use of convergent parallel mixed methods approach as shown below:

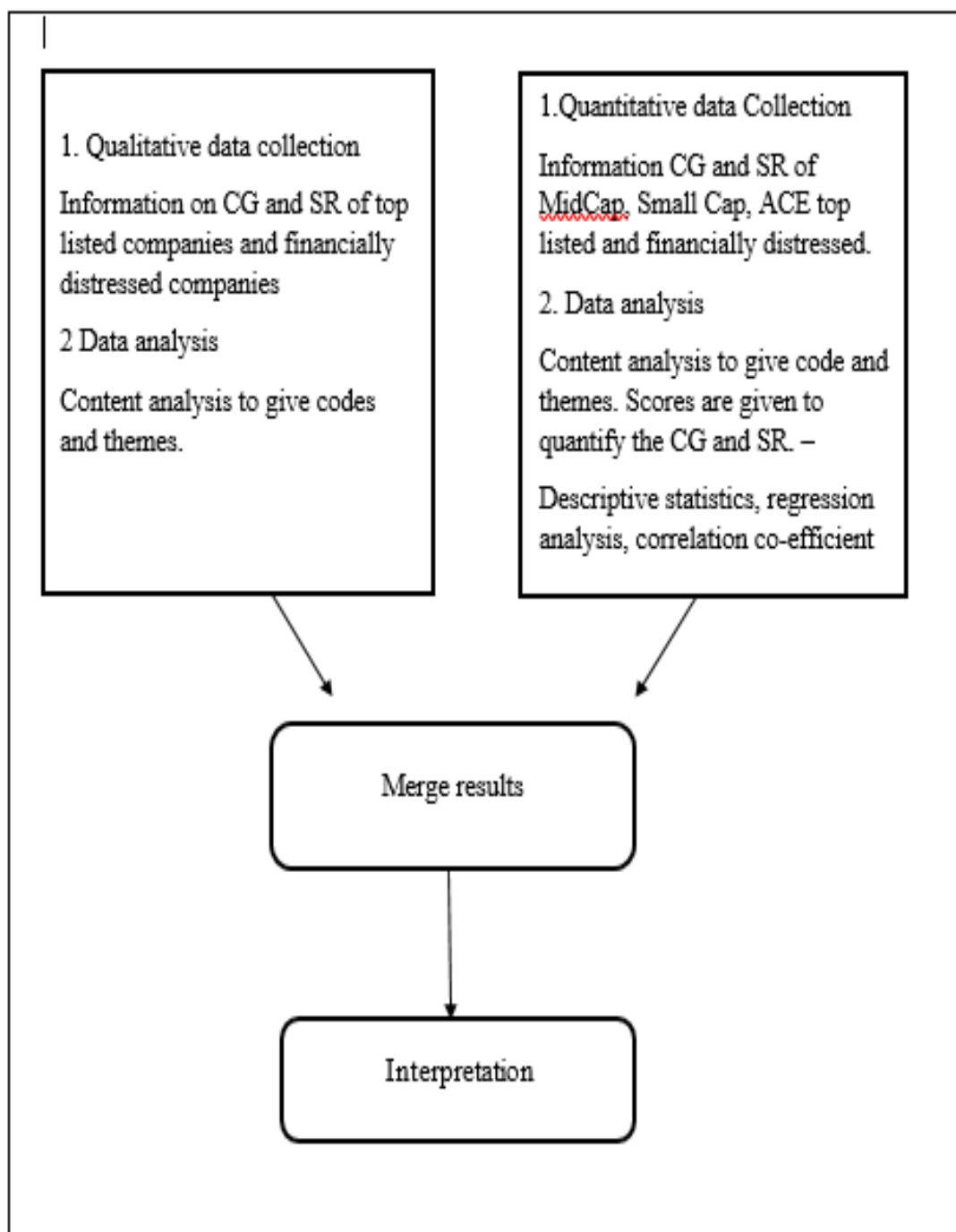


Figure 1: Convergent Parallel Mixed Methods (Adapted from Creswell, 2014),

The approach in convergent parallel mixed methods design involve the collection of both qualitative and quantitative data of sample companies that require two sampling methods. For qualitative research, purposive sampling will be used to choose sample companies

that will best answer the research questions (Graff, 2014). To choose sample companies that can best represent the population of listed companies on the main board and alternative market. for quantitative research, the study will make use of random sampling (Graff, 2014).

This study will examine the governance characteristics of both the top listed companies and the financially distressed companies and the information that was voluntarily disclosed in the sustainability reporting of both companies using qualitative method. Content analysis will be used to analyze the data on corporate governance characteristics and sustainability reporting whereby the data will be coded to obtain their respective themes (Gray, 2014). The use of content analysis had been widely used in prior studies on the relationship between corporate governance characteristics and sustainability disclosures (Chan et al., 2014 ; Haniffa & Cooke, 2005; Michelon and Parbonetti, 2012; Janggu et al.,2014).

The next stage of this research will be to complement the qualitative method with a quantitative method by increasing the sample size. This will give a better understanding to the research questions; enrich and enhance the research by complementing the research with a larger sample size that covers different categories of the population of Bursa Malaysia; validating and corroborating the findings of the research (Creswell, 2014;Graff, 2014)) The quantitative method will make use of relevant empirical analysis using correlations and regression analysis to analyse the extent of influence corporate governance quality has on the sustainability disclosure of samples companies.

This is followed by the presentation on the findings of both methods. The qualitative results will be presented first followed by the results of the quantitative method. The final stage of this study is to interpret the results which happen to be the point of interface

where the strands of both methods are mixed. According to Creswell and Plano Clark (2011) point of interface where both methods are mixed can be at any point from data collection to data analysis or at the point of interpretation of results. The study will analyse the results of the qualitative method followed by the quantitative method to see whether results of both methods corroborated. If the results corroborated, that will enhance and validate the findings of this study.

3.2 Sampling and data selection

The first part of my research which used qualitative method will have samples consisting of 30 top companies listed in the Main Market (Stock Market) and 20 financially distressed companies which were listed in the Main Market prior to being classified as financially distressed. These companies are involved in various industries ranging from consumer products, oil and gas, manufacturing to banking.

The top 30 companies chosen were based on their market capitalization which is issued by Bursa Malaysia (Bursa Malaysia, 2016). In Malaysia, financially distressed companies are classified as PN17 (Practice Note 17/2005). Bursa Malaysia the regulator of the Malaysian capital market/stock exchange, will classify companies as PN 17 when the companies do not meet the necessary criteria (Bursa Malaysia, 2016). Companies that fall within the definition of PN17 will need to submit the companies' restructuring plans to the Approving Authority to maintain their listing status. A company can be listed as financially distressed when the shareholder's fund is equal or less than 25% of the total issued and paid up capital of the listed company, auditors have expressed adverse or disclaimer opinion on the listed company's latest audited accounts, default of payment or winding up of associates or subsidiary that made up of at least 50% of total assets employed in consolidated account of the listed companies (Bursa Malaysia, 2016).

A list of top listed companies and financially distressed companies was obtained from Bursa Malaysia website. However, this study will look at data for financial year ended 2015. This is because in year 2015, Bursa Malaysia issued its Sustainability Reporting Guide as a guideline for companies in preparing their Sustainability Reporting. In addition, the revised MCCG 2012 encourages companies to disclose timely and quality information as a sign of commitment to their shareholders (MCCG, 2012)

This study will use purposive sampling; a sampling technique that is often use in qualitative research to identify and select samples that best fit the phenomenon of interest of the research (Creswell & Plano Clark, 2011). One of the advantages of using this sampling technique is, it can be use in selecting samples of interest with extreme differences (Palys, 2008). Using purposive sampling, this study chose the sample companies as top listed and financially distressed companies as this will allow the study to compare the corporate governance characteristics and the sustainability reporting/ CSR disclosure of both type of companies that are performing at two extreme end financially (Palys, 2008). Furthermore, prior research conducted on the relationship between sustainability reporting and governance characteristics in Malaysia have not studied companies with financial performance at one extreme end of another. On top of that, this study did not exclude financial companies from the samples that have been chosen. Most prior studies, used sample of top listed firms or performing firms at different time and excluded finance companies from their samples as the industry is strongly regulated. For example Haniffa and Cooke (2005) used sample companies listed on Main board of KLSE for year 1996 excluding financial companies. Said et al. (2009) used sample of listed firms in KLSE for year 2006 excluding financial companies and Janggu et al. (2014) used sample of 100 listed firms for year 2010. This study did not exclude finance companies from the list of sample companies so that it can obtain an overall picture of the corporate

governance characteristics of different industries and how different industries disclose their sustainability activities in their respective annual reports. The excuse that financial companies are heavily regulated, will be an added advantage to the research. If financial companies scored better in both the corporate governance quality and sustainability reporting, then policy makers might be able to make use of some of the policies in improving the sustainability reporting of the other industries.

Additional sample companies were chosen randomly which included 20 mid-cap companies and 30 small-cap companies listed on the Main Market of Bursa Malaysia. Finally, 20 companies from ACE Market which is the alternative market regulated by Bursa Malaysia were included in the sample companies (Bursa Malaysia, 2016). This bring the total sample size to 120 companies. The breakdown of the sample companies is listed in Appendix A.

3.3 Data Collection Method and Data Analysis

For this study, secondary data which involve analysis of documents are used. Companies Annual Reports were obtained from the companies' corporate website or Bursa Malaysia's website. Annual reports are considered as an important source of communication used by companies to channel information on corporate disclosures regularly to their stakeholders (Buhr, 1998). These reports are ranked as highly trustworthy and can be accessed easily by stakeholders (Unerman, 2000). Besides that, according to Bebbington, Larrinaga and Moneva (2008), sustainability reporting whether it is voluntary or mandatory, are mostly reported in company's Annual Report or accounting packages.

In line with legitimacy theory, the inclusion of sustainability reporting is a way for company to align company's goals with societies' expectations, thus legitimizing its

corporate activities (Gibson & O'Donovan, 2007). Analysis conducted on corporate governance and CSR disclosures will be obtained solely from company's annual reports to be consistent with previous studies (Abdifatah, 2013; Haslinda et al., 2015; Chan et al, 2014). Furthermore, information regarding corporate governance characteristics and corporate social disclosures must be disclosed in the companies' annual reports (MCCG, 2012; MCCG, 2007).

As this research involves two sets of information, one on corporate governance quality, using the characteristics of board of directors as proxy and the other on sustainability reporting quality, two separate analyses will be done before these are combined.

3.3.1 Corporate Governance Characteristics

Several studies have been conducted on the effect of various corporate governance characteristics on firm's performance in Malaysia (Julizaerma & Zulkarnian, 2012; Mohd Ghazali, 2010; Rahman & Ali, 2006). The corporate governance characteristics used in this study (as listed in Table 1) are: gender diversity, board professionalism and knowledge, board size, CEO duality, independent director/outside director, audit committee and big 4 auditors. These characteristics have been chosen as their importance have been highlighted in the revised MCCG 2012. This study will examine the board profile in the Annual Reports/Corporate Governance disclosures as companies listed in the Main Market are required to disclose this information in the Annual Reports (MCCG, 2012).

Table 1:List of characteristics of corporate governance

No	List of corporate governance characteristics
1	Gender diversity
2	Education (board professionalism and knowledge)
3	CEO/Chairman (Duality)
4	Independent Directors
5	Board size
6	Audit committee
7	Big 4 Auditors

The information on the broad profiles and governance characteristics of the sample companies will be analysed and categorized according to the governance characteristics themes that has been chosen.

A tick will then be given for each governance characteristic's that the companies fulfilled. In order to be given a tick, company's CEO and chairman, should be different individual (MCCG, 2012), at least 1/3 of the proportion of board directors are independent (MCCG, 2012), board should consist of few directors with either a degree, professional qualification or related experience (Bear, Rahman, & Post, 2010; MCCG, 2012), board size should be around 7 to 11 (Zabri, Ahmad, & Khaw, 2016) and for gender diversity, at least one member of the board should consist of women (MCCG, 2012). As for audit committee, they should consist of at least three non-executive directors, chairman of the committee should be independent director, at least one of the members should have knowledge of accounting or finance and member of professional accounting body and majority of them are independent non-executive director and frequencies of meetings (MCCG, 2012). A tick would be given if the external auditors appointed were from the big 4 auditors (Soliman & Ragab, 2014).

3.3.1.1 Scoring – Corporate Governance

For each governance characteristics listed in Table 1, a score of one (1) is given to the companies that fulfilled the criteria and zero (0) if the companies did not fulfill the

criteria. The maximum total score that can be obtained by each company if they fulfilled all the characteristics will be seven (7).

3.3.2 Sustainability Reporting/CSR Disclosure

Next, this study will examine the extent of influence these characteristics have upon the sustainability reporting/CSR disclosures of both type of companies. The definition of sustainability reporting used in this study will be based on the definition used by Chan, Watson and Woodliff (2014, p.54) as “information provided in company’s annual report relating to its activities, programs and application of resources deemed to affect both the public in general and particular stakeholders group”. This information surpass traditional financial information and can include information on employees, environmental, community services and energy consumption by the company(Chan et al., 2014).

3.3.2.1 Content analysis

This study will be using content analysis to analyse the sustainability disclosures. Content analysis involves categorisation of the data that has been collected into specific categories (Gray, 2014). Codes that best represent the data will be assigned to the respective sustainability disclosures. This involves analysing the key words, sentences or themes and concentrate on key content of the data to get to the conception of the content (Eriksson & Kovalainen, 2016). To categorise all the data collected, spreadsheet will be used to key in the information in the data per the categories and codes defined in the next paragraph.

In analysing the information disclosed in sustainability reporting, this study will make use of a modified framework and theme adapted from the study done by Chan, Watson, & Woodliff, (2014) to suit the Malaysian sustainability environment (Bursa Malaysia, 2006). The sustainability reporting themes that I will be using are general, environmental,

community, services / products and human resources. The information contained in the sustainability disclosures of the companies' annual reports will be examined to see what type of information were disclosed by the companies. These disclosures will then be categorized according to the chosen themes and compiled for both the top listed companies and financially distressed companies and extended to cover the rest of the sample companies for the quantitative method.

3.3.2.2 Scoring - Sustainability Reporting

According to Abbot and Monsen (1979), content analysis is a process involving codifying of qualitative information into categories to obtain quantitative scales. Thus, the next step after deciding on the use of annual report will be to decide on the unit of measurement. Prior research conducted had made use of calculating the sentences in the disclosures (Tsang, 1998), words (Hackston & Milne, 1996) or the proportion of a page or pages assigned to the disclosures (Patten, 1991). However, some of these methods created discrepancies as some of the measurement were subjective (Chan et al., 2014). This study will make use of 'page' as a unit of measurement for sustainability disclosures. According to Hackston and Milne (1996), the result of using 'page' as a measurement is similar to the result of using sentences. Another advantage of using 'page' as a measurement is the ability to capture non-verbal disclosures such as pictures and graphic which are also considered as an effective means of communication (Beattie & Jones, 2001).

This study will then make use of a modified 'Sustainability Reporting Measurement Instrument' based on the framework of CSR Measuring Instrument used by Chan, Watson, & Woodliff, 2014, p. 70-71. This is to ensure that content analysis is replicated in the same manner for all the annual reports of sample companies for consistency and validity (Chan et al., 2014). The sustainability reporting measurement instrument that is

used in this research comprised of 22 items covering 5 themes as shown in Table 2. The list of the Sustainability Reporting Measuring Instrument is disclosed in Appendix B.

In measuring the disclosures in sustainability reporting measuring instrument, a score will be awarded if they fulfilled the following criteria as stated in Table 2. Since the study used 'page' as unit of measurement, the score for pictures will be considered as brief disclosure to ensure consistency in scoring as done in prior research (Haniffa & Cooke, 2005).

Table 2: List of themes and total score

Themes	Score
General	
Environment	
Community	
Products/Services	
Human Resources	

Score:

- 0 - Non-disclosure
- 1 - Brief
- 2 – Some detail given
- 3 - Full disclosure

The use of measuring score to measure sustainability disclosures had been used in a study conducted by Abdifatah (2013). The maximum sustainability reporting score that can be obtained is 66 points if the companies achieved full disclosure for the 22 measuring instrument.

3.3.2.3 Hypotheses

Based on the research question three, to what extent does corporate governance quality influence the quality of sustainability reporting in company's Annual Report the following is the hypothesis for this study:

H1: The extent of disclosures issued in sustainability reporting is positively associated with the quality of corporate governance.

3.4 Dependent variable, independent variable and control variables

The dependent variable is the total disclosure score of sustainability reporting and the independent variable is the corporate governance quality which is used as proxy of corporate governance characteristics. The following variables are used as control variables.

Market capitalization is used as a measurement of a firm's value. It is calculated by multiplying the number of outstanding shares of a company with the price per share. Prior study had found that company with a higher value will generally issue better sustainability reporting to their stakeholders (Uyar & Kilic, 2012).

Prior studies has indicated a positive relationship between size of a company and sustainability reporting (Haniffa & Cooke, 2005) and large companies participated in more community activities (Teoh & Thong, 1984). In this research, total assets were used to indicate size.

Other control variables used in this research were sales, leverage, return on total assets, return on equity and earnings. Leverage refers to the ratio of total debts to equity. Prior studies conducted found that companies with higher leverage tend to disclose more environmental information to the stakeholders (Clarkson, Li, Richardson, & Vasvari, 2008; Christopher, & Filipovic, 2008)

Return on assets and return on equity were used as measurement for profitability. Studies found that profitable companies tend to disclose more environmental information voluntarily to their stakeholders (Haniffa & Cooke, 2005)

Table 3: Summary of variables used

Variables used	Description of measurement
Sustainability reporting (SR)	Sustainability reporting score
Corporate governance (CG)	Total score of governance characteristics
Market capitalization (MCap)	Number of outstanding share x price per share
Sales	Reported sales figure in annual report
EBIT	Earnings before interest and tax
Leverage	Total debt/ total equity
Return on asset (ROA)	EBIT/total assets
Return on equity (ROE)	Profit / total assets
Size	Total assets

3.5 Model used

This study will use the model below to examine the relationship between sustainability reporting quality and corporate governance quality and the control variables of interest.

$$\begin{aligned}
 SR_{i,t} = & \alpha + \beta_1 CG + \beta_2 MCap + \beta_3 Sales + \beta_4 EBIT + \beta_5 EAT + \beta_6 Size \\
 & + \beta_7 Equity_{i,t} + \beta_8 Leverage + \beta_9 ROA_{i,t} + \beta_{10} ROE_{i,t} + Industry FE \\
 & + \varepsilon_{i,t} \quad \dots \dots \dots (Eq\ 1)
 \end{aligned}$$

3.6 Statistical Analysis

The statistical analysis used in this test included descriptive statistic which made use of mean, standard deviation, minimum, maximum and skewness to evaluate the research question. Pearson bivariate correlation test and Spearman bivariate correlation test were used to test the relationship or association between sustainability reporting and corporate governance characteristics. This is then followed by linear regression which will test the strength of dependency of sustainability reporting on the corporate governance quality.

3.7 Chapter Summary

This chapter described the sampling method used and the data selection process. It also gives a detailed explanation on the methodology used in this research. It gives a

description of the use of qualitative content analysis that is used to categorise the themes for corporate governance characteristics and the themes for sustainability reporting. It defined how the score for corporate governance and sustainability reporting score is calculated. In addition, it explains the variables and the statistical analysis used to test the hypothesis. The following chapter, will explain the qualitative and quantitative results obtained.

Chapter 4: Qualitative Findings and Discussion

The following two chapters presents the results and analysis of the findings of the current research. Chapter 4 covers the qualitative analysis done on the governance characteristics of top listed companies and financially distressed companies in Malaysia and the type of information that was issued in the sustainability reports of these companies.

4.1 Corporate Governance Quality and Sustainability Reporting

Quality

The first research question is what are the corporate governance characteristics of top listed and financially distressed companies in Malaysia. Did the management take into consideration the suggestions of best practices of corporate governance epitomized in the 8 principles and 26 suggestions by Bursa Malaysia in the revised MCCG 2012?. Using the principles and recommendations in revised MCCG 2012, **seven themes** were used to categorise the corporate governance characteristics. The chosen themes were board size, separation of power of CEO / chairman, gender diversity, independent directors, education and professionalism of directors, audit committee and external auditors. Even though, MCG 2012 did not actually define the optimum size of the board, education level, or external auditors should be from Big 4 firms, in quantifying these characteristics the study refer to the results of previous studies and previous literatures for guidance, For example Big 4 auditors (Soliman & Ragab, 2014); board size of 7 to 11 (Zabri, Ahmad, & Khaw, 2016), minimum degree level in education (Bear, Rahman, & Post, 2010) and at least one woman on board (MCG, 2012) were considered as better governance characteristics.

My sample companies for this part of research consist of 30 top companies and 20 financially distressed companies. The following section described the governance characteristics of these two companies.

4.1.1 Gender Diversity

Gender diversity refers to the composition of men and women who sit on the board of directors. It is one of the recommendation proposed in MCCG 2012. Since men and women are different, it is perceived that there will be differences in the way they carried out their responsibilities and in their decision making (Bear, Rahman, & Post, 2010). Women are more receptive to charity and community work (Srinidhi et al., 2011), contributed to improvement in sustainability reporting (Bear et al.,) and women tend to participate actively in decision making (Konrad et al., 2008). Having said that, it will be intriguing to see the composition of women directors in companies that were performing at two extreme end financially. It can be seen from Figure Two below that the number of women appointed to the board of directors were still low. Only three percent of top listed companies had three women directors on their board. Fifty percent had two women directors and twenty seven percent of the top listed companies had one woman director on their board. Despite the recommendation of MCCG 2012, there were still twenty percent of the top listed companies that did not appoint women directors on their board.

The percentage of women directors appointed to the board of directors in financially distressed companies for year 2015 were still very low. It can be seen from Figure Three that only thirty percent of the financially distressed companies appointed one woman director to their board. The rest of the financially distressed companies did not appoint a single woman directors to their board.

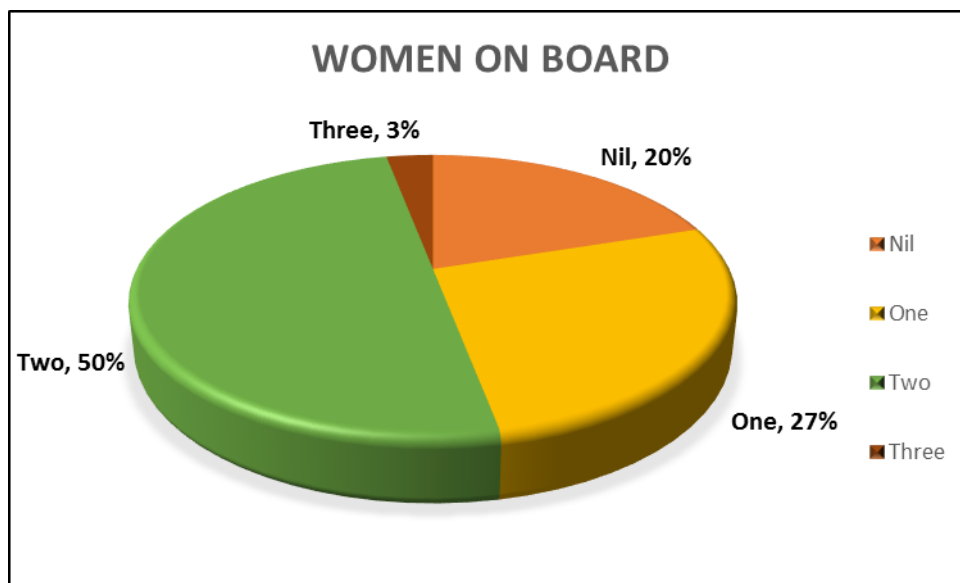


Figure 2: Women on board – Top companies

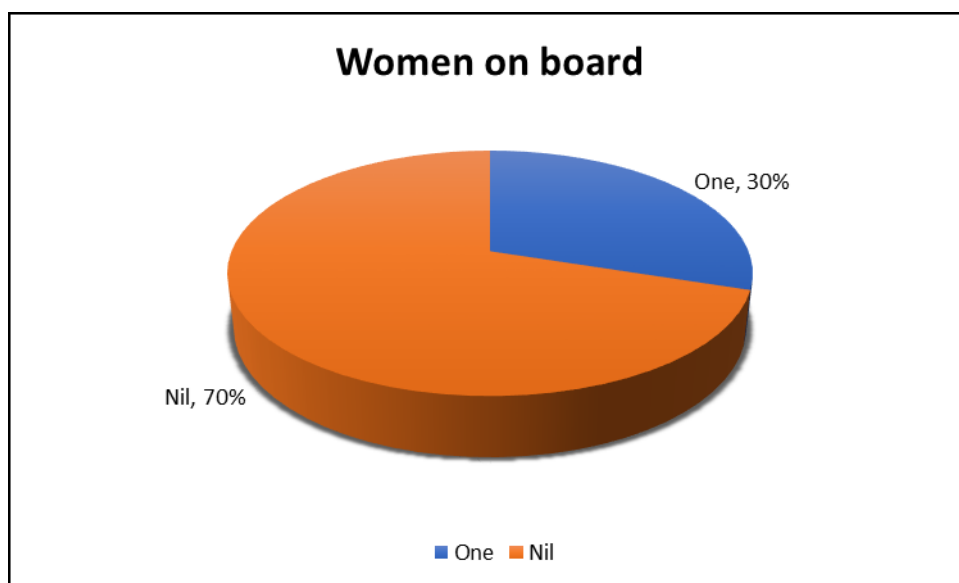


Figure 3: Women on board – Financially distressed companies

The comparison of the percentage of women on board between the top listed companies and financially distressed is shown in Figure 4. It can be seen clearly that 80% of top

performing companies have at least one woman on its board of directors. Whereas only thirty percent of the distressed companies appointed one woman director on to its board.

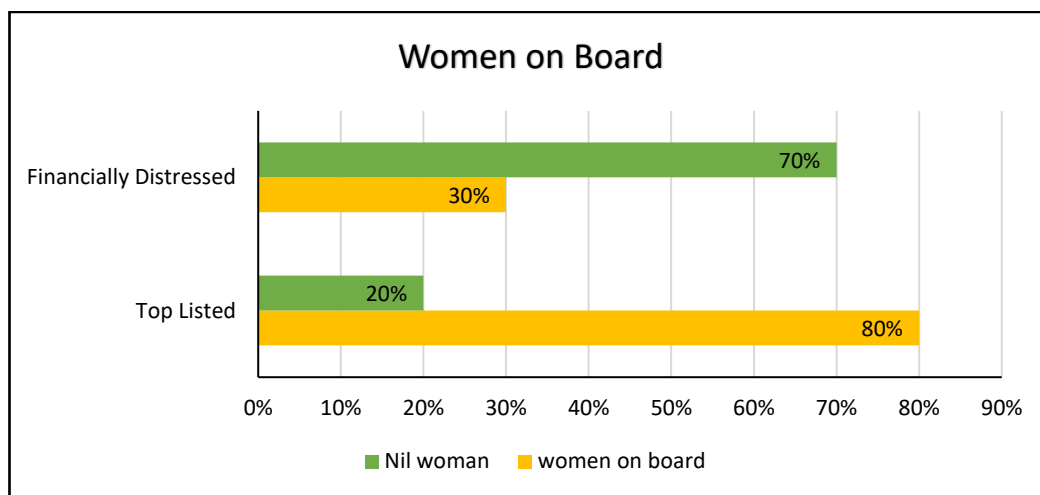


Figure 4: Comparison of women on board

4.1.2 Board size

Board size refers to the number of directors that made up the board of directors (BOD). MCG 2012 did not specify the size of BOD. MCG 2012 suggested that the board should have sufficient members to sit on its committee and enough quorum to attend meeting. Prior research conducted gave varying size (Yermack, 1996; Jensen, 1993; Lakhal, 2005). By analyzing the content in the governance section of the annual report, it was found that the top listed companies had board size ranging from 6 to 13 whereas the financially distressed companies have smaller board size ranging from 4 to 9 directors. The study will be using the findings of Ahmad et al. (2016) to define the optimum board size in this study. They found that the optimum board size for companies in Malaysia to perform effectively should be around 7 – 11. This study found that most of the top listed companies had optimum board size as defined by the study of Ahmad et al. (2016). The chart in Figure 5 gives a breakdown of the board size of both sample companies. It can

be seen from the chart that top listed companies had bigger board size compared to financially distressed companies.

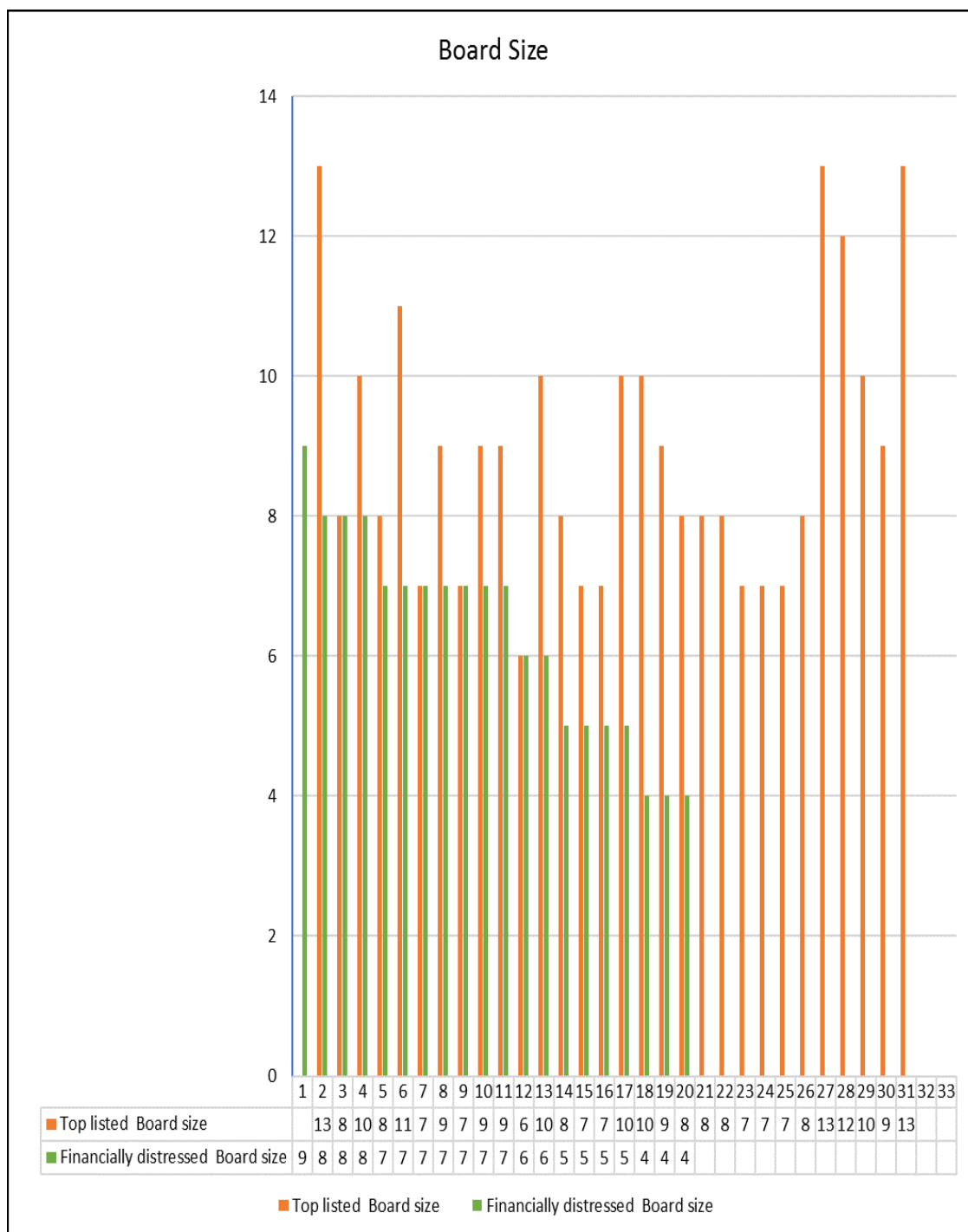


Figure 5: Board size of top listed companies and financially distressed companies

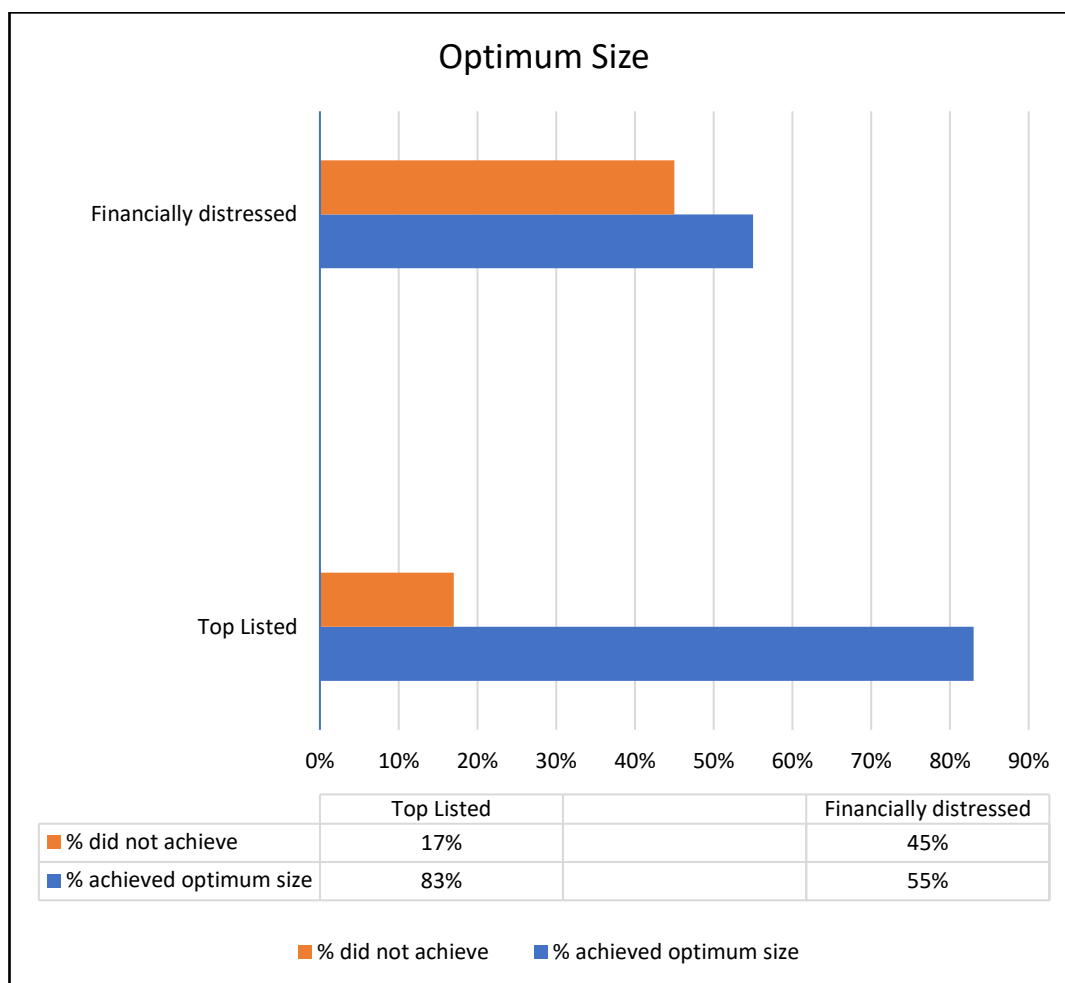


Figure 6: Percentage of sample companies achieving optimum board size

From Figure 6 it can be seen that 83% of the top listed companies had optimum board size whereas only 55% of the financially distressed companies fulfilled that. Only 17% of top listed company did not obtain the optimum board size compared to 45% of the financially distressed companies. 45% of the financially distressed companies were functioning with a board size ranging from 4 to 6.

4.1.3 Education level and professionalism.

The role of the board of directors is to monitor and control management to ensure that companies are run efficiently and effectively. Therefore, it is important that board of directors have the necessary education, technical knowledge, experience, industrial

knowledge and training to better equip themselves in carrying out their duties effectively (MCCG, 2012; Bear et al. , 2010). Ujunwa (2012) found that companies that had directors with higher qualification showed better performance.

Using the recommendation of MCCG 2012 as a reference point, the bio data of the directors of both set of companies were analysed. It was found that both set of sample companies had directors with the necessary qualification and majority of them were degree holders from different educational background, had vast working experience and possessed the necessary industrial knowledge. Both sample companies had directors with professional qualification, lawyers, Masters and PhD holders sitting on their board.

4.1.4 CEO Duality

The term CEO duality refers to the same person holding the position of CEO and chairman of the BOD of a company at the same time. According to Forker (1992) having the same person as chairman of BOD and CEO of a company, is unfavourable to shareholders. This defeated the system of check and balance where the BOD was supposed to monitor and control the decision of management. Bearing that in mind, the revised MCCG 2012 recommended that there should be a separation of duty between CEO of a company and chairman of the board to safeguard the interest of stakeholders.

The theme for this was separation of function between CEO/Chairman. Two columns were used to record the names of the CEO and Chairman of the board respectively for top listed companies and financially distressed companies. It was found that 93% of top listed companies have separate person holding the position of chairman and CEO as compared to only 75% for financially distressed companies. This is considered quite good. This indicated that majority of top listed companies and financially distressed companies

complied with the recommendation of MCCG 2012. The chart below shows the breakdown of separation of CEO/Chairman of the two companies.

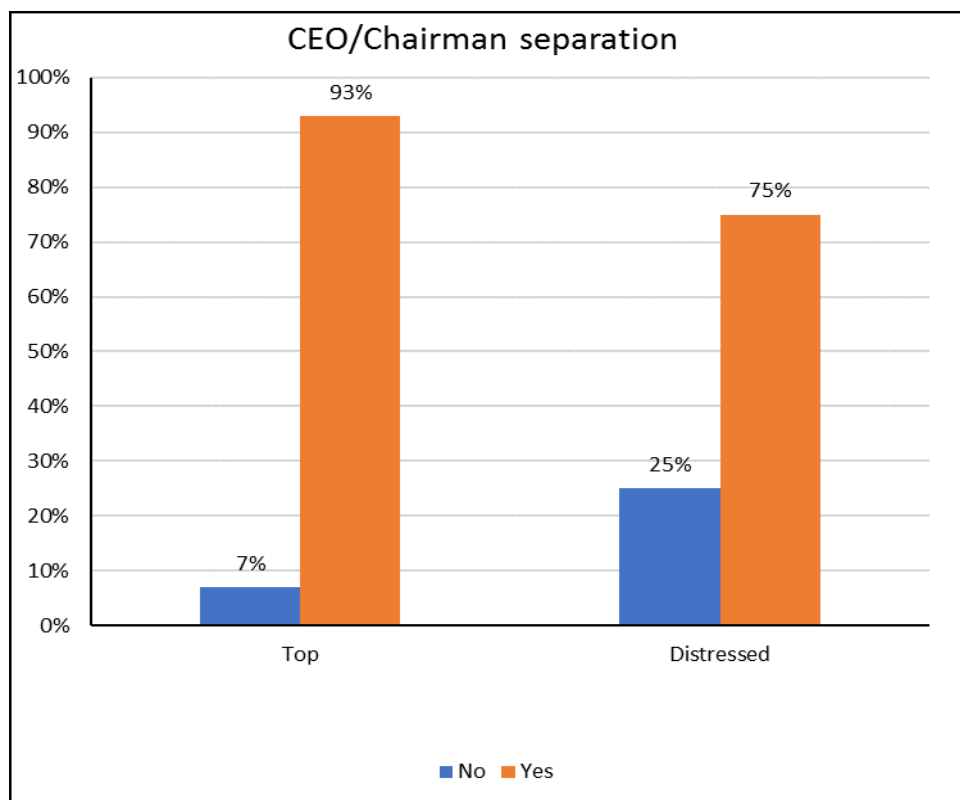


Figure 7: Separation of Chairman/CEO

4.1.5 Independent Directors

The effectiveness of monitoring the management actions and decisions would also depend on the composition of the board. Board composition refers to the number of independent/outside directors in relation to the total number of directors in the board (Shamser & Annuar, 1993). A director is considered to be 'independent' if he is neither holding any executive position in the company nor holding any significant amount of shares of the company (MCCG, 2007; MCCG, 2012). Since independent directors were expected to safeguard the interest of stakeholders, it is expected that companies with a

higher proportion of independent directors were more inclined to issue better voluntary disclosure /sustainability reporting (Haniffa & Cooke, 2005).

Going through the theme of independent directors, it was found that both set of sample companies fulfilled the listing requirement of Bursa Malaysia which required listed companies to have at least 1/3 of its directors to be independent directors. Both set of sample companies had at least three independent directors sitting on their board except for one financially distressed company with two independent directors. The maximum number of independent directors for top listed companies were 7 and 5 for financially distressed. Looking at the proportion of independent directors to total directors some of the financially distressed companies achieved more than 50% as they had smaller board size. So, in determining the independence of the board the study considered the board to be independent if they achieved a proportion of 1/3.

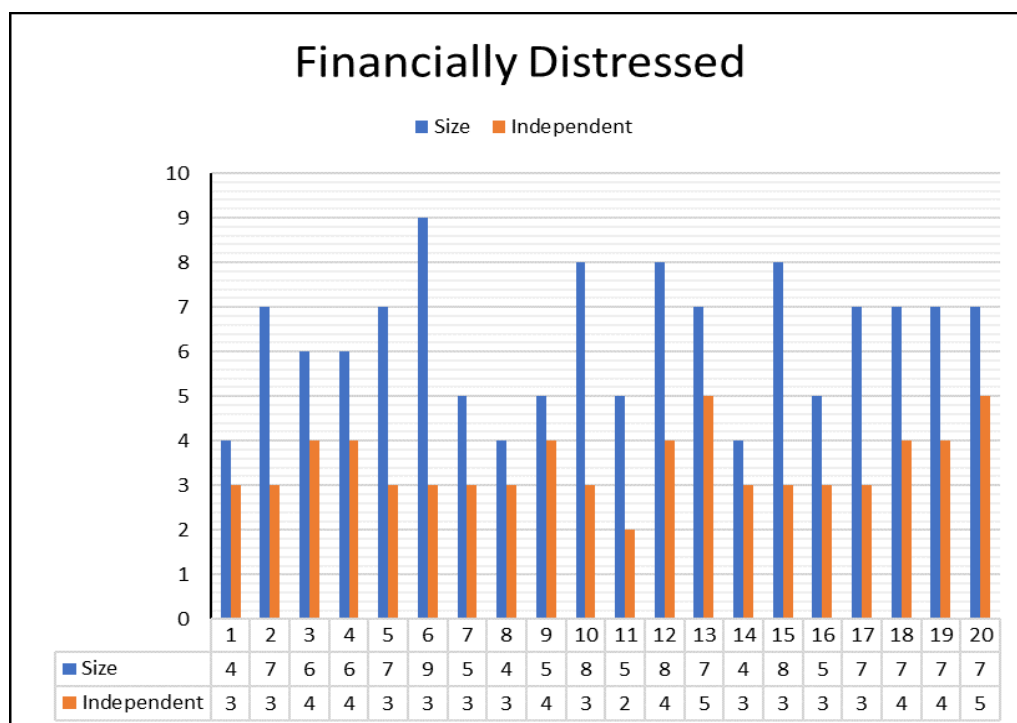


Figure 8:Board Size and Independent Director

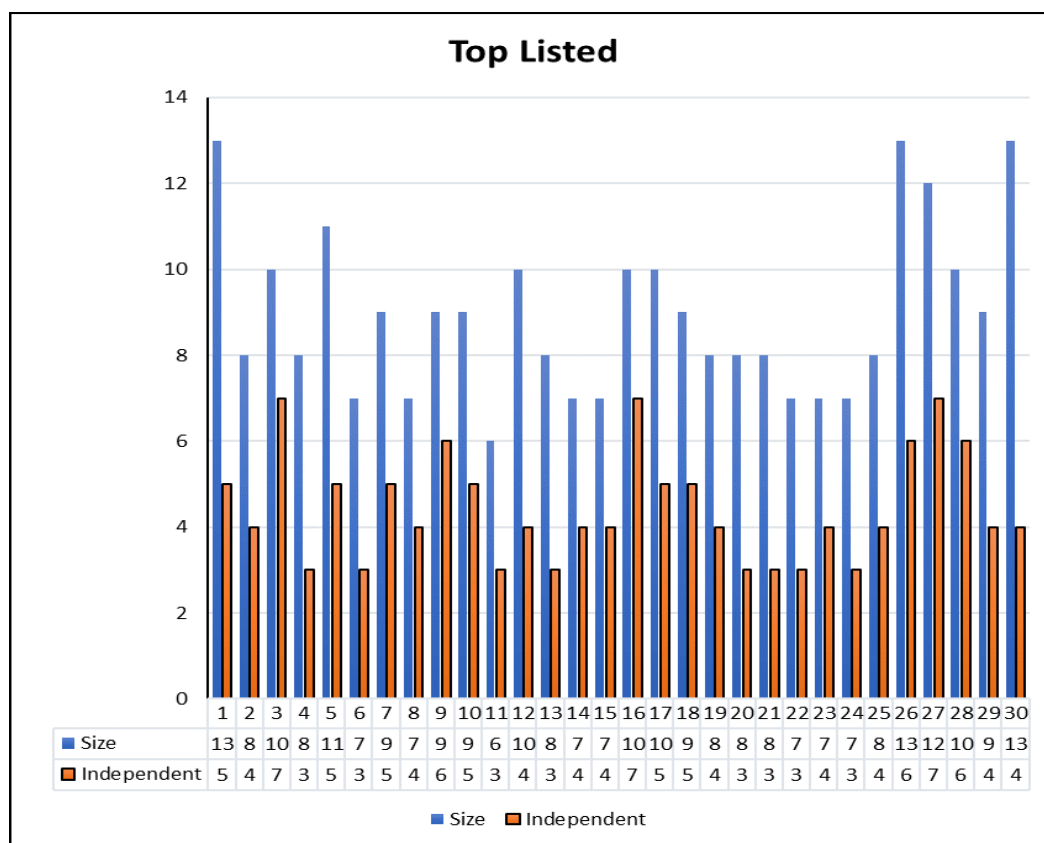


Figure 9: Board Size and Independent Directors

4.1.6 Audit committee

One important role of audit committee is supervising the corporate reporting policy of a company (Rahman & Ali, 2006). Therefore, it is important that the chairman of audit committee is independent, majority of its members are independent non-executive directors and at least one of them have the knowledge of accounting and finance (MCCG, 2012).

The analysis conducted on audit committee found that the size of audit committee ranges from 3 to 5 members for top listed companies and from 3 to 4 for financially distressed companies. Majority of both set of sample companies had at least 3 independent non-executive directors in the audit committee. All the companies had at least one director with knowledge of accounting and finance and headed by independent director as

chairman. The charts below present the composition of audit committee for both set of companies

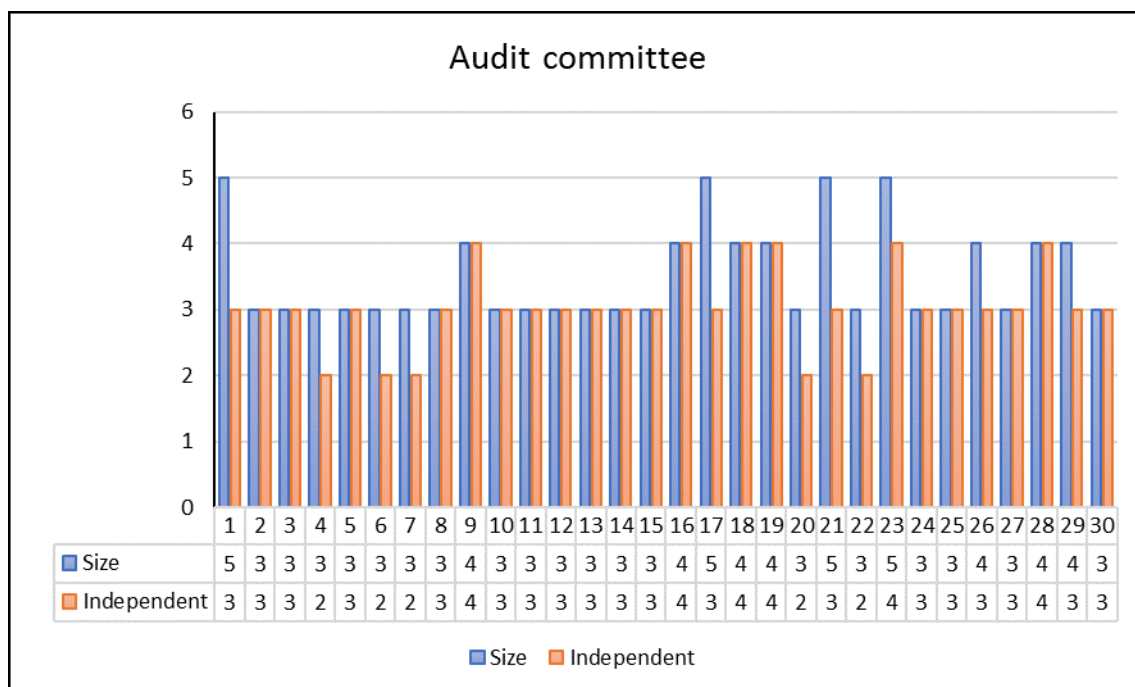


Figure 10:Top Listed Companies – Composition of Audit Committee

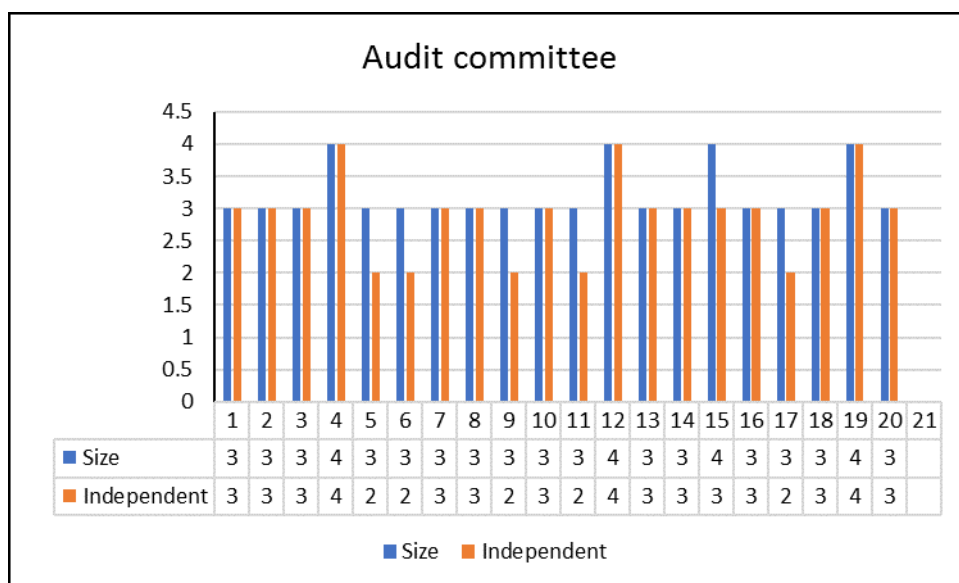


Figure 11:Financially Distressed Companies – Composition of Audit Committee

4.1.7 Big 4 Auditors

The final theme of the governance characteristics that the study examined was the type of auditors used. All financial reports of listed companies must be audited by external auditors (MCCG, 2012). MCCG 2012 did not specify the appointment of Big 4 auditors to be appointed as external auditors.

It was found that 90% of top listed companies appointed Big 4 auditors as external auditors compared to only 15% of the financially distressed companies. This supported the findings of prior research. A study conducted by Soliman and Ragab (2014), found that companies' performance improved with the appointment of Big 4 auditors as the companies' external auditors.

Out of the seven themes that have been analysed, the highest difference in corporate governance characteristics between top listed companies and financially distressed companies were gender diversity, board size and the type of auditors employed. From the analysis done on the corporate governance characteristics of both set of sample companies, the study found that top listed companies complied with most of the governance characteristics that were recommended. However, if the characteristics were made compulsory under the listing requirements then only would all the sample companies complied with the requirement. Having determined and compared the governance characteristics the study will now examine and compile the type of information that is voluntarily disclosed by the companies.

4.2 Information disclosed in sustainability reporting

The study made use of code and themes (Gray, 2014) to analyse the sustainability reports of the sample companies. The use of content analysis, allowed me to break down the content of disclosures into words, sentences or paragraphs (Gray, 2014). The chosen

themes were general, human resource (work place), community, environment and products/services.

4.2.1 General

Information under the general theme covered acknowledgement of sustainability reporting, disclosures of the objectives and policies of sustainability reporting and recognition on sustainability performance.

Most of the financially distressed companies provided one or two lines sentences to acknowledge the companies stand on sustainability reporting. The most common information disclosed under this category was the recognition of the companies sustainability efforts through their businesses, their employees, community and environment.

A longer explanation covering a few sentences were given on the objectives and policies of sustainability reporting. The information included on the objectives were the awareness that the business growth should not be at the expense of society and environment. Their business activities should be built around sustainability for the future generation.

These companies did not receive any recognition on their sustainability performance except for two companies but not much detailed were given. It can be sum up that 80% of the financially distressed companies did not give much information on the companies stand, objectives and policies with regards to sustainability reporting.

However, in comparison top listed companies gave better disclosures on their recognition of sustainability, their policies and the recognition they received on their sustainability performance.

Some of the top listed companies listed the sustainability recognition they received over the years. For example, Maybank listed all their awards and recognition they received on their sustainability performance over the past few years. The same goes for CIMB, Maxis, Axiata and almost all the top listed companies. Some of the top listed companies were members of the Bursa Malaysia FTSE4GoodIndex and were given recognition on their sustainability disclosures.

Some of the top listed companies took up a whole page to acknowledge their sustainability stand and a few pages on their policies and objectives of their sustainability disclosures. They gave information on the guiding principles of their businesses and recognition of human rights. They provided information on their aim of sustainability. One the aim of sustainability is to create value to society. Most of the top listed companies stressed on the use of responsible business practices in running their business operation. The importance of protecting the environment and societies in their daily business operation, to ensure the rights of future generation is safeguard. Information was also provided on how their sustainability reporting were prepared the type of guidelines the followed in preparing the reports such as Global Reporting Initiative (GRI) and Bursa Malaysia Securities Bhd Listing Requirements.

4.2.2 Human Resource

Most of the top listed companies placed a lot of emphasis on the importance of their employees and recognized the employees' contribution to the companies. Some of the areas covered were the rewards given to the employees, recreational activities provided to employees, program on career advancement and on the job training that were provided to new employees.

Besides providing the employees with competitive salaries, the employees were given fringe benefits such as medical benefits which covers their medical expenses. Some companies even provide medical coverage to the immediate family members. Some of these top listed companies provided their employees with flexible working hours. Most of the top listed companies placed emphasis on creating an atmosphere of oneness, inclusiveness and a sense of belonging. To retain their top performing employees, some of these companies have career advancement pathway for their staff to grow in rank in the company itself.

Most of the companies' stressed on recognizing diversity where employees were employed based on their qualification regardless of their race or religion. To show that they were committed to diversity these companies provided breakdown of the composition of their staff from junior to top management.

The companies provided information on the working environment where health and safety of their staff were one of the most important factor. About 50% of the companies provided information on injury or accident at work.

Most of the top listed companies recognized the importance of recreational activities for their staff. They organized family days outing, annual dinner and sport events to ensure that the physical health of their staff were also taken care.

However, not much information was provided by the financially distressed companies on this area. About 50% of them just give basic information that their employees were given good working condition and were given basic training. Some don't even mention the types of benefits given or training provided to their employees. There were no mention of recreational activities or annual dinner or family day by most of the distressed companies. Only two out of the 20 financially distressed companies gave a lengthier

information on the benefits given to their staff, the training provided and the importance of a diverse work force.

One of the financially distressed companies provided a brief information on cessation of a section of their operation and how the employees were informed of the separation scheme and were given compensation.

4.2.3 Community

One of the common sustainability program that most companies in Malaysia played an active part were involvement in community projects. All the 30 top listed companies participated in various activities as a way of giving back to the society. Some of these activities were ad hoc activities and some activities were ongoing projects. Some of the ad hoc activities were helping to clean up the flood prone villages, helping the victims of disaster hit nations by giving donations and collecting food stuff and helping some of the villagers to rebuild their houses. Most of the companies involved their employees in volunteering man hours in these community projects.

There were top listed companies that had formed foundations that gave scholarships to students from poor family background to continue their studies to tertiary level, giving monthly allowances to needy families and paying school fees, providing the needy children with school books and bags.

There were school adoption activities whereby the schools adopted were helped with improving their English language skills. On top of that, some of these companies had internship program where students were given training during their vacation.

Realising the importance of a healthy life style for the youth and children some of these companies organized sports events such as football matches, badminton competition for youth.

The companies were also involved in giving out donations to the poor, under privileged, children, welfare home and home for the aged.

There was not much information given by the financially distressed companies on the part they play in community activities. The most common activity stated were helping with the cleaning up after the floods or giving donation to the poor. A few of the distressed companies stated that even though they were aware of the importance of community projects, they were unable to do much as they do not have much resources to contribute. Their focus at this point is to rebuild their business.

4.2.4 Environment

Most of the top listed companies provided detailed and clear information on the part they played in protecting and conserving the environment for the future generation. There were companies that managed their carbon footprint by participating in Carbon Disclosure Project. Most of the top listed companies were involved in minimizing energy usage and cutting down on unnecessary wastage. They made use of energy saving light, energy saving chiller, automated on and off air handling units in their office to reduce electricity consumption.

They educated their employees on energy conservation and recycling of papers or waste materials. Employees were re-educated on reducing of unnecessary printing and only when necessary.

The companies provided information on the amount of water they used and how much they managed to save compared to previous years. Most of these companies provided detailed disclosure of energy usage, energy saving and papers recycled.

One of the companies involved in telecommunication had a campaign involving old phones whereby they collected old phones together with non-government organization for recycling.

Some of the companies organized activities such as environment awareness projects to instill the habit of energy conservation, reduced wastages and recycling by involving university students and schools.

Some of the environmental conservation projects undertaken by the companies to ensure that the future generation can enjoy the beautiful nature of the country included planting of trees, cleaning up the rivers, participating in Earth Hour and sponsorship of animals' protection with WWF.

The financially distressed companies provided minimal information on their environmental activities. The common information provided were energy saving, recycling of papers and reduction in water usage. However, the financially distressed companies did not provide detailed information on how much savings they contributed. Most of the information provided were given in a few sentences.

4.2.5 Products/Services

The information provided on this theme centered on the type of products and services provided by the companies. The companies provided detailed information with description of their products and services. Information were also provided on their continuous efforts to improve their products and services to their customers. They placed emphasis on their customers' satisfaction and believed in selling their good/services to the customers ethically and complying with all the necessary regulations.

The companies stressed on providing customer careline or customer hotline telephone numbers or emails and providing website where customers can contact the companies for

information or to make a complaint. Some of the companies provided information on after sales services to the customers.

Information was provided on the role the companies played in supporting the growth of the local businesses and Small Medium Enterprises. This is done by providing continuous business dealings to the local businesses. The companies provided information on their policy in ensuring their customers' information and details were protected through Data Protection Act 2010.

Information on the companies supply chain was provided with the companies emphasising the importance they placed on their suppliers' environmental stands and product quality. This is to ensure that at the end of the day they will be providing quality products and services to their customers. Some of the companies provided detailed information on the customers' awards and recognition that they received for their products and services.

The financially distressed companies provided basic information on the types of products and services of their companies. They provided information on customer services and support of local businesses but this information was not provided in detail.

Some of the companies provided short information on product improvement and steps taken to improve customers' satisfaction.

The analysis found that both set of sample companies provided more disclosures on their products and services followed by their contribution to the community. The least disclosure was on work related incident. Less than 20% of the top listed companies provided this information. This information was not provided by financially distressed companies.

4.3 Corporate Governance Quality and Sustainability Reporting

Quality

Both the corporate governance characteristics and disclosures in sustainability reporting had been coded into their respective themes. This information was then given a score to quantify the qualitative findings. For each characteristic that the company fulfilled a score was given. This is then added up to obtain the corporate governance quality. (Refer to Appendix C for Corporate Governance Quality)

As for sustainability reporting it was scored according to the depth of the disclosures. The information in the Sustainability Reporting Measurement Instrument was added up to obtain the sustainability reporting quality. (Refer to Appendix D for sustainability reporting quality)

4.4 Summary

From the content analysis conducted on the Annual Reports, corporate governance characteristics of top listed companies and financially distressed companies were obtained.. The study found that there were three main differences in characteristics between the two set of sample companies. The differences were in gender diversity, board size and type of auditors.

Having compared the governance characteristics, the study then compared the information provided in the sustainability disclosures of both set of companies. Even though both set of companies provided information on the five themes that were chosen, however, the depth of information provided were different. The top listed companies provided more in depth information whereas the financially distressed companies provided superficial information.

In order to answer the research question on the extent of influence of the corporate governance characteristics on sustainability reporting, the study will follow up with quantitative method. Additional 70 sample companies are added to give a total of 120 sample companies. The following chapter will present the quantitative results of the hypotheses tested.

Chapter 5: Quantitative Results and Interpretation of Results

This chapter presents the findings and discussion of the quantitative aspect of the study with the aim of examining the extent of the influence of corporate governance quality on sustainability reporting of sample companies in Malaysia.

5.1 Descriptive Statistics

The descriptive statistics analysis for the variables used in the study for sample of 120 companies is presented in Table 5. The total score for corporate governance characteristics and sustainability reporting is shown as percentage. The definition of the variables used is shown in Table 3 of Chapter 3.

The results indicated that the mean score for corporate governance is 78.3% with a minimum of 43% and a maximum of 100%. Furthermore, corporate governance quality is negatively skewed indicating that most companies have corporate governance quality that is above the mean value. This implies that sample companies tried to comply with the recommendation made in the revised MCCG 2012. The revised MCCG 2012 code aim to strengthen “the board structure and composition, recognizing the role of directors as active and responsible fiduciaries” (MCCG, 2012, p. 1). The code recommended a separation between CEO and Chairman; diversity in the board and suggested that the board should consider gender diversity, the board should consist of at least 1/3 independent directors, the head of the audit committee should be independent non-executive director, the board of directors should consist of directors with diverse experience and knowledge and audit committee should consist of majority independent non-executive directors. The minimum score for corporate governance indicated that some companies chose to comply with the minimum requirement and followed the

requirement that were compulsory under the Bursa Malaysia Listing Requirement. It is important to note that the recommendation under the revised MCCG 2012 were not compulsory. If they do not comply with the recommendation, then the management just need to explain in the corporate governance section of the Annual Reports (MCCG, 2012; Bhatt, 2016).

The mean score for sustainability disclosure is 64.63% with maximum of 96.97% and a minimum score of 19.70%. The high variance between the maximum and minimum score could be attributed to the differences in the characteristics of the sample companies which comprised of top listed companies to financially distressed companies. Prior studies found that profitable companies tend to disclose more environmental information voluntarily (Haniffa & Cooke, 2005). The mean value of 64.63 % and the negative skewness of sustainability reporting which indicated that the score for most sample companies were above the mean value. This indicated that companies were disclosing more sustainability information. This can be attributed to the revised MCCG code that recommended companies to disclose their sustainability activities in the annual reports and the sustainability guidelines that was issued by Bursa Malaysia (Bursa Malaysia, 2006; Bursa Malaysia, 2015; MCCG, 2012).

MarketCap ranges from a minimum of RM5.00 to a maximum of RM81,999.000. The mean of marketcap is at RM9,854.52. The minimum Size of the sample companies is RM7.00 with a maximum of RM70,8345.00 and a mean of RM28,700.33. Both MarketCap and Size are measured in RM million. MarketCap measure the company's value which is used for listing whereas SIZE is an accounting based measure of a firm's size. Both the results indicated that there are huge differences in the value and size of the sample companies.

Negative ROA, ROE results indicated that there were companies reporting lossess among the sample companies. The ROA ranges from -94.46 minimum to maximum of 102.80 and a mean of 4.4784. Both ROA and ROE are negatively skewed indicating that most sample companies are reporting profits above the mean value.

Table 4: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std Deviation	Skewness
MCap	120	5.00	81999.00	9854.52	16636.34	2.27
Sales	120	1.00	43729.00	4548.66	8062.83	3.04
EBIT	120	-620.50	8940.30	846.48	1552.71	2.82
EAT	120	-689.00	6986.00	589.18	1180.21	3.03
Size	120	7.00	708345.00	28700.33	89246.73	5.41
Liabilities	120	0.300	644831.00	22424.94	80858.17	5.61
Equity	120	-1509.00	63514.00	6269.80	11933.36	2.87
Leverage	120	-499.27	1728.25	189.14	324.55	2.39
ROA	120	-94.46	102.80	4.47	20.58	-0.77
ROE	120	-1310.28	331.90	-2.79	133.78	-7.96
CG	120	43.00	100.00	78.31	17.17	-0.37
CSR	120	19.70	96.97	64.63	22.73	-0.21

5.2 Bivariate Analysis

Bivariate analysis is conducted to examine the associations between dependent variable and the independent variables. Table 5 presents the results of Pearson/Spearman Correlation Coefficient where Spearman correlation coefficients are shown above the diagonal.

The Pearson correlations coefficients indicated a positive significant association between sustainability reporting and corporate governance quality at $p < 5\%$. It has the highest rank of correlation compared to the other variables at 0.683. This is followed closely by MarketCap and EBIT. All control variables tested showed a positive significant association at $p < 0.05$ with sustainability reporting.

Spearman correlation coefficient indicated a significant relationship between sustainability disclosure and corporate governance quality at 0.688 ($p < 5\%$). Both the value of Pearson and Spearman correlation co-efficient are similar at 0.683 ($p < 0.05$) and 0.688 ($p < 0.05$) respectively which further supported the hypothesis that corporate governance quality has an influence on sustainability reporting. The findings concurred with the finding of Chan et al., (2014); Janggu et al., (2014) and (Haniffa & Cooke, 2005).

All the control variables tested showed significant association with sustainability reporting ($p < 0.05$). The results supported prior studies that profitable companies (Haniffa & Cooke, 2005), larger size companies (Haniffa & Cooke, 2005; Teoh & Thong, 1984) and companies that are highly leveraged (Christopher, & Filipovic, 2008; Clarkson et al., 2008) disclosed more information on sustainability

Table 5: Pearson/Spearman Correlation Coefficients

Variables	MarketCap	Sales	EBIT	EAT	Size	Liabilities	Equity	Leverage	ROA	ROE	LevPer	CG	SR
MarketCap	1	.907** (.000)	.902** (.000)	.867** (.000)	.882** (.000)	.832** (.000)	.887** (.000)	.333** (.000)	.268** (.003)	.329** (.000)	.197* (.031)	.681** (.000)	.874** (.000)
Sales	.817** (.000)	1	.898** (.000)	.839** (.000)	.930** (.000)	.896** (.000)	.929* (.000)	.451** (.000)	.202* (.027)	.242** (.008)	.320** (.000)	.634** (.000)	.856** (.000)
EBIT	.902** (.000)	.849** (.000)	1	.973** (.000)	.850** (.000)	.804** (.000)	.864** (.000)	.342** (.000)	.378** (.000)	.409** (.000)	.218* (.520)	.616** (.000)	.835** (.000)
EAT	.894** (.000)	-.823** (.000)	.986** (.000)	1	.792** (.000)	.738** (.000)	.810** (.000)	.291** (.001)	.428** (.000)	.477** (.000)	.145 (.113)	.585** (.000)	.786** (.000)
Size	.639** (.000)	.594** (.000)	.760** (.000)	.775** (.000)	1	.960** (.000)	.966** (.000)	.467** (.000)	-.012 (.899)	.142 (.121)	.330** (.000)	.650** (.000)	.822** (.000)
Liabilities	.587** (.000)	.536** (.000)	.708** (.000)	.726** (.000)	.995** (.000)	1	.886** (.000)	.573** (.000)	-.014 (.876)	.176 (.055)	.440** (.000)	.646** (.000)	.786** (.000)
Equity	.799** (.000)	.809** (.000)	.887** (.000)	.880** (.000)	.737** (.000)	.666** (.000)	1	.338** (.000)	.073 (.427)	.081 (.382)	.243** (.007)	.635** (.000)	.810** (.000)
Leverage	.307** (.001)	.231* (.011)	.379** (.000)	.383** (.000)	.540** (.000)	.555** (.000)	.275** (.000)	1	-.0165 (.072)	0.061 (.507)	.584** (.000)	.298** (.001)	.382** (.000)
ROA	.158 (.085)	.087 (.347)	.128 (.164)	.134 (.146)	-.024 (.794)	-.03 (.749)	0.02 (.828)	-.0127 (.167)	1	.689** (.000)	-.0134 (.143)	.289* (.001)	.260** (.004)
ROE	.133 (.148)	.082 (.372)	.108 (.242)	.105 (.252)	.033 (.717)	.03 (.747)	.048 (.601)	-.387** (.000)	.552** (.000)	1	-0.028 (.764)	.327** (.000)	.301** (.001)
CG	.497** (.000)	.380** (.000)	.443** (.000)	.436** (.000)	.293** (.001)	.270** (.003)	.362** (.000)	.181* (.048)	.338** (.000)	.278** (.002)	.118 (.199)	1	.688** (.000)
SR	.641** (.000)	.564** (.000)	.593** (.000)	.570** (.000)	.375** (.000)	.335** (.000)	.531** (.000)	.282** (.002)	.395** (.000)	.275** (.028)	.147 (.109)	.683** (.000)	1

**, and * denote statistical significance at 5% and 10% level respectively

5.3 Regression Results

The results of the linear regression are reported in Table 6. The model examines the relationship between sustainability reporting and the variables of interest. The analysis yielded a score of $F=12.659$; $p<0.01$, R^2 of 0.693 and adjusted R^2 of 0.638. The F statistic shows a significant value of $F=12.659$ with a significant level of less than 1%. The adjusted $R^2=0.638$ indicated that the independent and control variables used in this study accounted for 63.8% of the variability in the quality of sustainability reporting. This indicates that the model used in this study is a good model and that the independent variable and control variables used are the right variables that truly explain the dependent variable. Not only did the result support the hypothesis that voluntary disclosures in sustainability reporting is influenced by the corporate governance quality, it also shows a strong relationship between the variables with a significant level of less than 1 %.

The results show that corporate governance quality has a positive impact on sustainability reporting. The analysis yielded a beta co-efficient of 7.83 with a significant level of 10% with a t value of 1.895 for corporate governance quality. The other variables that showed a positive significant relationship with sustainability reporting were MarketCap, equity, leverage and return on asset with a significant level of less than 5%; size and return on equity with a significant level of less than 10%. However, corporate governance quality has the highest beta co-efficient compared to the other variables. This means that the influence of corporate governance quality on sustainability reporting is stronger than the other variables. In order to improve the quality of sustainability reporting, companies need to improve their corporate governance quality as the results indicated that corporate governance quality has a

huge impact on the quality of sustainability reporting. The findings of this study concurred with the study of Chan et al. (2014); Haniffa and Cooke (2005) and Janggu et al.,(2014).

However, sales, earnings before interest and tax and earnings after tax were not significantly related with sustainability reporting. The extent of voluntary disclosure in sustainability reporting is not significantly related to the various industry profile i.e. Construction, Consumer, Finance, Industrial Products, Plantation, Technology and Trading. The result concurred with the finding of a study conducted in Saudi Arabia which found that industry type did not have influence on sustainability disclosure (Al-Gamrh & Al-Dhamari, 2016).

Table 6: Regression Results:

Variable	Dependent variable	Beta efficient	Co- <i>t</i>	Significance
Intercept	SR	15.875	1.250	0.214
MCap		0.296	2.030	0.045**
Sales		0.094	0.790	0.432
EBIT		0.410	1.046	0.298
EAT		-0.605	-1.641	0.104
SIZE		-0.223	-1.863	0.065*
EQUITY		0.335	2.413	0.018**
LEVERAGE		0.273	2.495	0.014**
ROA		0.172	2.194	0.031**
ROE		0.160	1.749	0.083*
CG		7.830	1.895	0.061*
Industry fixed effects		YES		
F-Statistic	12.659			
P-value	000***			
R²	.693.			
Adj.R²	.638			
Observations	120			

*Note: *, ** and *** indicate significance at $p < 0.10$, $p < 0.05$ and $p < 0.01$ or better level respectively based on two-tailed tests.*

5.4 Interpretation of Results Using Legitimacy Theory

Both the descriptive and statistical method undertaken in this research, provided findings that companies with good corporate governance were inclined to issue more disclosures on their sustainability stand. To obtain these findings, the study set out to examine 3 research questions. The first research question is:

What are the corporate governance characteristics of top listed companies and financially distressed companies?

The analysis conducted on the information on the board of directors of both top listed and financially distressed companies showed that most top listed companies adopted the recommendations made by Bursa Malaysia in the revised MCCG 2012. Whereas, financially distressed companies adopted the corporate governance characteristics that were made compulsory under Bursa Malaysia Listing Requirements. Top listed companies had corporate governance quality score ranging from 57% to 100%. Only one company scored 57% and 47% of the sample companies had perfect score of 100%. However, financially distressed companies had score ranging from 43% to 86% and only 15% of the companies scored 86%. From the analysis conducted it can be concluded that top listed companies had better corporate governance characteristics than financially distressed companies. In terms of legitimacy, a strong corporate governance quality can convey to stakeholders and society that the company is managed properly and stakeholders' interests are considered in company's decision making (Michelon & Parbonetti, 2012).

The second research question is to provide answer to the type of information disclosed by both set of sample companies as follow:

What type of information is voluntarily disclosed by both top listed and financially distressed companies?

Both the descriptive and statistical analysis conducted, showed that companies in Malaysia issued out voluntary disclosures to the stakeholders. However, the extent of disclosures differed among the sample companies. The analysis conducted showed that top listed companies provided information on their products and services, employees, community, environment and the objectives and policies of their sustainability activities. The sustainability reporting quality score of the top listed companies ranges from 72% to 97%. About 74% of top listed companies had score ranging from 90% to 97%. From a legitimacy theory perspectives, this suggests that top listed companies are more focussed in gaining legitimacy of the entities' value systems and operations to be in line with the larger social system (Lindblom, 1994). One way of showing to society that companies are good corporate citizen are by issuing voluntary disclosures (Chin et al., 2014).

The findings of this study indicated that financially distressed companies issued minimum disclosures. These companies had sustainability reporting quality scores ranging from 21% to 62%. Only 15% of the sample companies had scores ranging from 50% to 62% and half of these financially distressed companies had scores ranging from 21% to 29%. These disclosures mostly covered companies' products and information on customer services. Even though companies are operating in a different or in an ever-changing environment, companies still have to provide assurance to their stakeholders that their business operations are within the norms of society (Brown & Deegan, 1998). Managers will have to adopt strategies to show that their companies'

operation are legitimate (Chin et al.,2014) and will need to align their actions towards gaining social acceptance (Chu, Chatterjee, & Brown, 2013).

However, the desire to increase their legitimacy might influenced companies to limit their disclosures to disclosing only good news (Milne et al., 2009). The findings of this study found that less than 20% of top listed companies provided information on workplace accidents and none from the financially distressed companies.

To find out the relationship between corporate governance quality and sustainability reporting, the study looked at research question 3 listed below:

To what extent does the corporate governance quality influence the sustainability reporting quality of the top listed companies compared to the financially distressed companies in Malaysia?

The results of a significant relationship between corporate governance quality; the variable of interest, with sustainability reporting is supported by the results shown in descriptive statistics, bivariate analysis and regression analysis. Therefore, the results supported the hypothesis of this study:

H1: The extent of disclosures issued in sustainability reporting is positively associated with the quality of corporate governance

The means score of 78.31% and a standard deviation of 17.17% for corporate governance is considered very good. This indicated that the sample companies placed high emphasis on accountability to their stakeholders. A means scores of 64.63% and a standard deviation of 22.73% on sustainability disclosure indicated that sample companies were disclosing more information. This is supported by Pearson/Spearman correlation co-efficient which is used to test the association between corporate

governance quality and sustainability reporting. The Pearson co-efficient showed a significant association of 0.683 ($p < 0.05$). This is further enhanced by Spearman co-efficient of 0.688 ($p < 0.0$) which is almost the same as the results of Pearson. The regression analysis conducted to test the causation relationship between the corporate governance quality and sustainability reporting showed a significant relationship at 0.061 ($p < 0.10$). The F statistic test yielded a value of 12.659 with a significant level of 1%.

The findings of a significant positive relationship between the influence of corporate governance quality on the quality of disclosure in sustainability reporting were consistent with the study conducted by Chan et al. (2014); Michelon and Parbonetti (2012) and Shrivastava and Addas (2014). Based on a study conducted in Malaysia, Janggu et al. (2014) concluded that board characteristics had a relatively huge influence on sustainability reporting. The relationship between corporate governance and sustainability reporting is best sum up by Kolk & Pinkse (2010). They described the relationship between sustainability reporting and corporate governance as overlapping since any attempt to strengthen corporate governance will involve both the characteristics of the board and voluntary aspects of environment and social responsibilities to stakeholders.

A sound and reputable board beside being a mechanism of legitimacy, can enhance corporate disclosure to stakeholders (Michelon & Parbonetti, 2012). This is attributed to the fact that it is the board of directors that decides the policies and strategies and chooses what to disclose in sustainability reporting (Gui & Leung, 2004; Haniffa & Cooke, 2005). Therefore, this concurred with the hypothesis of this study of a positive association between the extent of sustainability reporting quality and corporate

governance quality. The results of this study have shown that top listed companies had higher score in sustainability reporting quality and scored higher in corporate governance quality compared to financially distressed companies. Top listed companies had score ranging between 72% to 97% for sustainability reporting quality and score ranging between 57% to 100% for corporate governance quality with only one company scoring 57%. Whereas, financially distressed companies had sustainability reporting quality score ranging from 21% to 62% and corporate governance quality score ranging from 43% to 86% and only 15% of the companies scored 86%.

The significant positive relationship between sustainability reporting with market capitalization and firms' size concurred with the results of previous studies conducted by Haniffa and Cooke (2005) in Malaysia, Al-Gamrh and Al-Dhamari (2016) in Saudi Arabia and Patten (1991) in USA. The Pearson/Spearman correlation coefficient showed a strong association between market capitalisation and size with sustainability reporting. For the association between market capitalisation and sustainability reporting the result was 0.641 for Pearson and 0.874 for Spearman both with a significant of $p < 0.05$; and regression analysis showed a strong significant relationship with a value of 0.045 and $p < 0.05$. In disclosing environmental and social information voluntarily, large companies are showing to their shareholders that they are responsible corporate citizens, thus improving their corporate reputation in the eyes of their stakeholders (Cormier, D & Magnan, 2003).

The other variables that showed significant positive relationship with sustainability reporting were leverage, equity, return on assets and return on equity. The significant positive relationship between leverage and sustainability reporting supported the study

by Chan et al. (2014). Companies with higher leverage tend to issue more voluntary disclosure on environmental and social information to fulfill the expectation of their creditors and stakeholders (Christopher, & Filipovic, 2008).

Return on assets and return on equity result, obtained from both Pearson/Spearman, showed a significant association between ROA and sustainability reporting with a score of 0.395($p < 0.05$) and 0.260 ($p < 0.05$) respectively and regression analysis showed a significant relationship of 0.031 ($p < 0.05$). The significant positive relationship supported the findings by Muttakin, Khan and Subramaniam (2015). Companies that were generating higher profits had better incentives to provide more sustainability disclosures to their stakeholders. By doing so, the companies can differentiate themselves from other non performing companies and indirectly attract investors to their companies (Muttakin et al., 2015).

However, for the other variables; sales, earnings before interest and tax and earnings after tax, no significant relationship with sustainability reporting was found.

In line with the perspective of legitimacy theory and recognizing the importance of the influence of society on the success of their businesses, companies especially top listed companies are issuing higher quality disclosures to the public. This is to demonstrate to society that their companies are legitimate and they are good corporate citizen (Chin et al., 2014). Therefore, the increase in the extent of sustainability reporting of companies in Malaysia could be attributed to companies legitimizing themselves to society (Abdifatah, 2013).

5.5 Summary

This chapter provided the results of descriptive statistics, bivariate analysis and regression analysis. The results supported the hypothesis formed:

H1: The extent of disclosures issued in sustainability reporting is positively associated with the quality of corporate governance.

The results shows that corporate governance quality has a significant positive influence on the quality of sustainability reporting. In order to improve disclosures in sustainability reporting, policy makers have to ensure that companies have good governance quality. The following chapter will cover the conclusion and limitations of the research and suggestions for future research.

Chapter 6: Conclusions, Limitations and Suggestions for Further Research

6.1 Conclusion

The aim of this study was to examine to what extent corporate governance quality has an influence on sustainability reporting of listed companies in Malaysia. The motivation of this study was to find out whether companies comply with the recommendations provided in MCCG 2012 and followed the guidelines suggested in Sustainability Reporting Guide 2015 (Bursa Malaysia, 2015).

Prior studies found that both board and firms' characteristics had an influence on voluntary disclosures. However most of the studies conducted focus on a few of the characteristics. For example Michelin and Parbonetti focused on independent directors and CEO duality. Whereas Bear et al. (2010) concentrated on board professionalism/education and proportion of women appointed to the board of directors. board size, audit committee and independent directors and their influence on sustainability disclosures. (Said et al., 2009). de Villiers et al. focused on financial performance and its influence on sustainability reporting. (de Villiers et al., 2011).

This study started with samples of 30 top listed companies by market capitalization and 20 financially distressed companies listed on Bursa Malaysia. Using content analysis, the governance characteristics of the sample companies were coded based on the governance characteristics recommended in MCCG 2012. The next step was to gather all the information on sustainability activities in companies' annual report and categorized them into 5 themes.

To examine the extent of influence corporate governance quality had on sustainability reporting, the sample companies were extended to a total of 120 sample companies which made up of top listed companies by market capitalisation, Midcap, SmallCap, financially distressed companies and 20 companies from ACE market (alternative market).

This study was based on a modified research conducted by Chan et al. (2014) which examined the influence of corporate governance quality on sustainability reporting. Since most research conducted in Malaysia focused on corporate governance characteristics, this study used corporate governance quality instead, which was derived by giving a score for each governance quality the companies achieved. Using content analysis, this study then categorized the information on companies' sustainability activities contained in the annual reports into five categories of themes. The information was then given a score to obtain the total score of sustainability disclosures for each of the company.

The results of this study found that corporate governance quality plays an important role in influencing the voluntary disclosures that companies issued in their sustainability reporting. The results of the qualitative study which examined the characteristics of corporate governance of the top listed companies and financially distressed companies indicated that most of the top listed companies tend to follow the recommendation suggested by MCCG 2012. Whereas, financially distressed companies tend to comply with the regulations that were made compulsory by Bursa Malaysia Listing Requirements. The next research question was to examine the information that was disclosed in sustainability reporting and whether there were differences in both set of sample companies' disclosures. Companies were required to

disclose their sustainability activities in companies annual report with effect from 31st December 2007. From the content analysis conducted to categorise the disclosure into 5 themes; general, community, human resources, environment and products and services, the study found that top listed companies had more sustainability disclosures than financially distressed companies. Most of the distressed companies complied with the minimum requirement of disclosing their sustainability disclosures as required by Bursa Malaysia (Bursa Malaysia, 2006). However, companies were given total discretion on what or how much to disclose. Therefore, the content analysis conducted on the financially distressed companies showed that most of these companies disclosed minimal information with some giving two or three sentences on the companies' sustainability activities. It can be sum up that that top listed companies which had most of the corporate governance characteristics recommended by MCG 2012 disclosed more information on their sustainability activities than financially distressed companies..

The results of the qualitative method are supported by Pearson/Spearman correlation co-efficient, descriptive statistics and regression analysis which shows a significant relationship between corporate governance quality and sustainability reporting. The F statistic gave a F value of 12.659 with a significant level of less than 1%, R^2 of 0.693 and adjusted R^2 of 0.638. An adjusted R^2 of 0.638 implied that 63.8% of differences in sustainability reporting is influenced by corporate governance quality (independent variable) and, control variables. Corporate governance quality has beta co-efficient of 7.83 the highest compared to the other variables which indicate that the influence of corporate governance quality on sustainability reporting is stronger than the other variables.

The results obtained from the qualitative methods corroborated with the findings of the quantitative methods and validated the findings of this study; corporate governance characteristics/quality have an influence on disclosures in sustainability reporting. Not only did the study, showed an association between corporate governance quality and sustainability reporting from the bivariate analysis; the regression analysis conducted showed a strong significant relationship between corporate governance quality and sustainability reporting.

The results of this study found that companies in Malaysia tend to disclose information that is mandatory, information to show that their business operations are legitimate or they are good corporate citizen. This can be seen from the sustainability disclosures issued by some of the sample companies for example financially distressed companies that issued minimum information just to comply with the requirement of Bursa Malaysia. In addition, some of these sample companies only complied with the corporate governance characteristics that were made compulsory by Bursa Malaysia Listing Requirement. However, this study found that companies in higher listing such as top listed companies and mid-capitalisation companies, profitable companies and larger size companies tend to issue more sustainability disclosures and fulfilled most of the governance characteristics examined. In doing that the companies were able to prove to their stakeholders that their operations were legal and they were good corporate citizen (Lindblom, 1994; Chan, Watson, & Woodliff, 2014)

In order to improve the quality of sustainability reporting, companies need to improve their corporate governance quality as the results indicated that corporate governance quality had a huge impact on the quality of sustainability reporting. Hopefully the results of this research can be of used to those who have an interest on the relationship

between corporate governance and sustainability reporting; to focus on the quality of corporate governance instead of just individual characteristics. Hopefully, Bursa Malaysia will be able to achieve its aim of “strengthening board structure and composition, recognizing the role of directors as active and responsible fiduciaries” (MCCG, 2012, p. 1) who operates their businesses in ethical and sustainable ways. Additionally it is hope that the businesses will be operated in a transparent way, being responsible to their stakeholders and keeping stakeholders informed of their sustainability activities through voluntary disclosures in the annual reports (MCCG, 2012).

The results of this research implied that companies with good corporate governance qualities (fulfilling the criteria of each governance characteristics listed) issued better sustainability disclosures to their stakeholders. It is hope that the combination of Sustainability Reporting Guide 2015 issued by Bursa Malaysia and the recommendations in the revised MCCG 2012 will be of help to companies’ board of directors and management in managing their sustainability footprint.

6.2 Limitations and suggestions for future research.

Even though the results showed a significant relationship, the research still have a few limitations. The research only cover a period of one year of listed companies in Malaysia for year 2015 and it might not be sensible to imply that the same would apply in other years and in other countries. In order to examine the extent of influence corporate governance quality has on sustainability reporting, future research can consider extending the research to a year before the revision of MCCG 2007, then after the revision in 2007, to cover after the revision in 2012. This will give a research that encompass all the revisions in Malaysia Code of Corporate Governance. The

research can also be extended to cover the period after the Sustainability Reporting Guide is issued.

Another limitation is the information on sustainability activities were solely obtained from annual reports. Thus, the sustainability disclosures used in this research might have not captured the full sustainability activities and disclosures of the companies. Future research should consider collecting information from companies' website, internet, newspapers or standalone sustainability reports. At the time of conducting this study, most of the sample companies did not issue a standalone report. Hopefully with the Sustainability Reporting Guide issued by Bursa Malaysia there will be more companies issuing standalone sustainability reporting.

Even though companies from various industries were used, the results of industry type as control variables showed insignificant relationship with sustainability. This could be due to the choice of sample companies used whereby emphasis was not on industries but on market listing.. Future research can consider both factors; market capitalization and industries type to see whether the type of industries and corporate governance quality influence disclosures in sustainability reporting.

Future research can consider looking at other aspect of corporate governance characteristics' that were not used as proxy of quality in this study such as institutional ownership; government ownership and family ownership and the effect on sustainability reporting.

This study only focus on sample companies from Malaysia. Future research can consider using sample companies from other emerging countries besides Malaysia by conducting a longitudinal studies covering a few years on the relationship between corporate governance quality and sustainability reporting quality.

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Appendix A: Breakdown of Sample Companies

Table 1: Breakdown of sample companies for qualitative method

Company's Listing	No of Companies
Top 30	30
Financially Distressed	20
Total No of Sample Companies	50 Companies

Breakdown of sample companies for quantitative method

Company's Listing	No of Companies
Top 30	30
Mid capitalisation	20
Small Capitalisation	30
Financially Distressed	20
ACE Market (Alternative Market)	20
Total No of Sample Companies	120 Companies

Breakdown of sample companies by industry

Industries	No of Companies
Construction	5
Consumer Products	19
Finance	10
Industrial Products	16
Plantations	6
Properties	8
Technology	12
Trading	41
Others	3
Total No of Sample Companies	120 Companies

Appendix B

	Sustainability Reporting Measuring Instrument				
	Name:	0	1	2	3
1	General				
1.1	Acknowledgement of Sustainability Reporting				
1.2	Disclosures of objectives or policies on SR				
1.3	Recognition on sustainability performance				
2	Environment				
2.1	Promoting a safe and healthy work environment in compliance with legislative requirement				
2.2	Occupational safety health report- accident, injury in work place				
2.3	Efficient consumption of energy to reduce waste				
2.4	Environment conservation - waste management/recycling				
2.5	Greeneries, landscaping, sponsorship of animals' wellbeing				
3	Human Resources				
3.1	Improvement of working condition				
3.2	Recognition of employees' performance and benefits, leave, bonus etc				
3.3	Training and development for career enhancement				
3.4	Employment and advancement of women and minorities, diverse work force/disable				
3.5	Sports activities, family day and annual dinner				
4	Community Services				
4.1	Donation/sponsorship				
4.2	Scholarship awards to pursue education, pocket money, books, tuition fees/training				
4.3	Community projects				
4.4	Internship programme for undergraduates/ students				
4.5	Support of local businesses /marketplace information				
5	Products/services				
5.1	Information about company's products or services				
5.2	Information on customer services and improvement in services				
5.3	Improvement in product/service quality				
5.4	Customers award or rating received				
	Total score				

Score

- 0 - Non-disclosure
- 1 - Brief
- 2 – Some detail given
- 3 – Full disclosure

Appendix C:

Appendix C1: Corporate Governance Quality Top Listed Companies

	Top 30										
No	Name	Gender diversity	Board size	Education	CEO/ cha	Independ	Auditors	Audit Cor	Score	Total	%
1	Co 1	1	0	1	1	1	1	1	6	7	86
2	Co 2	1	1	1	1	1	1	1	7	7	100
3	Co 3	1	1	1	1	1	1	1	7	7	100
4	Co 4	1	1	1	1	1	1	0	6	7	86
5	Co 5	1	1	1	1	1	1	1	7	7	100
6	Co 6	1	1	1	1	1	1	0	6	7	86
7	Co 7	1	1	1	1	1	1	0	6	7	86
8	Co 8	0	1	1	0	1	1	1	5	7	71
9	Co 9	0	1	1	0	1	1	1	5	7	71
10	Co 10	1	1	1	1	1	1	1	7	7	100
11	Co 11	1	0	1	1	1	1	1	6	7	86
12	Co 12	1	1	1	1	1	1	1	7	7	100
13	Co 13	0	1	1	1	1	0	1	5	7	71
14	Co 14	0	1	1	1	1	1	1	6	7	86
15	Co 15	0	1	1	1	1	1	1	6	7	86
16	Co 16	1	1	1	1	1	1	1	7	7	100
17	Co 17	1	1	1	1	1	1	1	7	7	100
18	Co 18	1	1	1	1	1	1	1	7	7	100
19	Co 19	1	1	1	1	1	1	1	7	7	100
20	Co 20	1	1	1	1	1	1	0	6	7	86
21	Co 21	1	1	1	1	1	1	1	7	7	100
22	Co 22	1	1	1	1	1	0	0	5	7	71
23	Co 23	1	1	1	1	1	1	1	7	7	100
24	Co 24	0	1	1	1	1	1	1	6	7	86
25	Co 25	1	1	1	1	1	1	1	7	7	100
26	Co 26	1	0	1	1	1	1	1	6	7	86
27	Co 27	1	0	1	1	1	1	1	6	7	86
28	Co 28	1	1	1	1	1	1	1	7	7	100
29	Co 29	1	1	1	1	1	1	1	7	7	100
30	Co 30	1	0	1	1	0	0	1	4	7	57

Appendix C 2: Corporate Governance Quality Mid-Capitalisation

20 Mid-Capitalisation									
	Name	Gender diversity	Board size	Education	CEO/ chairman separate	Independent/Outside Director	Auditors	Audit Committee	Score
1	Co 31	1	1	1	1	1	1	0	6
2	Co 32	0	1	1	1	1	1	1	6
3	Co 33	0	0	1	1	1	1	1	5
4	Co 34	1	1	1	1	1	1	1	7
5	Co 35	1	1	1	1	1	1	1	7
6	Co 36	1	1	1	1	1	0	1	6
7	Co 37	0	1	1	1	1	1	1	6
8	Co 38	1	1	1	1	1	1	1	7
9	Co 39	1	1	1	1	1	1	1	7
10	Co 40	0	1	1	1	1	1	1	6
11	Co 41	0	1	1	1	1	1	1	6
12	Co 42	1	1	1	1	1	1	0	6
13	Co 43	1	1	1	1	1	1	1	7
14	Co 44	1	1	1	1	1	1	1	7
15	Co 45	1	1	1	1	1	1	1	7
16	Co 46	1	1	1	1	1	1	1	7
17	Co 47	1	1	1	1	1	1	0	6
18	Co 48	1	1	1	1	1	0	1	6
19	Co 49	1	1	1	1	1	1	1	7
20	Co 50	1	1	1	1	1	1	1	7

Appendix C 3: Corporate Governance Quality

30 Small Cap Companies											
	Name	Gender diversity	Board size	Education	CEO/ chairman separate	Independent/Outside Director	Auditors	Audit Committee	Score	Total	%
1	Co 51	0	0	1	1	1	1	1	5	7	71
2	Co 52	0	0	1	0	1	0	1	3	7	43
3	Co 53	0	0	1	1	1	0	1	4	7	57
4	Co 54	1	1	1	1	1	0	1	6	7	86
5	Co 55	1	0	1	1	1	1	0	5	7	71
6	Co 56	1	0	1	1	1	0	0	4	7	57
7	Co 57	1	1	1	1	1	1	1	7	7	100
8	Co 58	0	0	1	1	1	1	1	5	7	71
9	Co 59	1	0	1	0	1	0	1	4	7	57
10	Co 60	1	0	1	0	1	1	0	4	7	57
11	Co 61	1	1	1	1	1	0	1	6	7	86
12	Co 62	1	1	1	1	1	0	1	6	7	86
13	Co 63	1	1	1	1	1	1	1	7	7	100
14	Co 64	1	0	1	1	1	1	1	6	7	86
15	Co 65	1	1	1	1	1	0	1	6	7	86
16	Co 66	1	0	1	1	1	1	0	5	7	71
17	Co 67	1	1	1	1	1	0	1	6	7	86
18	Co 68	1	0	1	1	1	0	1	5	7	71
19	Co 69	1	0	1	0	1	1	1	5	7	71
20	Co 70	0	0	1	1	1	0	1	4	7	57
21	Co 71	0	1	1	1	1	1	1	6	7	86
22	Co 72	1	1	1	1	1	0	1	6	7	86
23	Co 73	0	0	1	1	1	1	1	5	7	71
24	Co 74	0	0	1	1	1	0	1	4	7	57
25	Co 75	0	0	1	0	1	1	1	4	7	57
26	Co 76	0	1	1	1	1	1	1	6	7	86
27	Co 77	1	1	1	1	1	1	1	7	7	100
28	Co 78	1	1	1	1	1	1	1	7	7	100
29	Co 79	1	1	1	1	1	0	1	6	7	86
30	Co 80	0	1	1	1	1	0	1	5	7	71

Appendix C 4: Corporate Governance Quality Financially Distressed Companies

Financially Distressed Companies											
	Name	Gender diversity	Board size	Education	CEO/ chairman separate	Independent/Outside Director	Auditors	Audit Committee	Score	Total	%
1	Co 81	0	0	1	0	1	0	1	3	7	43
2	Co 82	0	1	1	0	1	0	1	4	7	57
3	Co 83	0	0	1	1	1	0	1	4	7	57
4	Co 84	0	0	1	0	1	0	1	3	7	43
5	Co 85	0	1	1	1	1	0	0	4	7	57
6	Co 86	0	1	1	1	1	0	0	4	7	57
7	Co 87	1	0	1	0	1	0	1	4	7	57
8	Co 88	0	0	1	1	1	0	1	4	7	57
9	Co 89	0	0	1	1	1	0	0	3	7	43
10	Co 90	1	1	1	0	1	0	1	5	7	71
11	Co 91	0	0	1	1	1	1	0	4	7	57
12	Co 92	0	1	1	1	1	1	1	6	7	86
13	Co 93	1	1	1	1	1	0	1	6	7	86
14	Co 94	1	0	1	1	1	0	1	5	7	71
15	Co 95	0	1	1	1	1	0	1	5	7	71
16	Co 96	1	0	1	1	1	0	1	5	7	71
17	Co 97	1	1	1	1	1	0	0	5	7	71
18	Co 98	0	1	1	1	1	1	1	6	7	86
19	Co 99	0	1	1	1	1	0	1	5	7	71
20	Co 100	0	1	1	1	1	0	1	5	7	71

Appendix C 5: Corporate Governance Quality ACE Market

ACE Market											
No		Gender diversity	Board size	Education	CEO/ chairman separate	Independent/Outside Director	Auditors	Audit Committee	Score	Total	%
1	Co 101	0	0	1	1	1	0	1	4	7	57
2	Co 102	0	0	1	1	1	0	0	3	7	43
3	Co 103	0	0	1	1	1	0	0	3	7	43
4	Co 104	0	1	1	1	1	0	0	4	7	57
5	Co 195	0	1	1	1	1	0	1	5	7	71
6	Co 106	1	0	1	1	1	0	0	4	7	57
7	Co 107	0	0	1	0	1	0	1	3	7	43
8	Co 108	1	1	1	0	1	0	1	5	7	71
9	Co 109	0	1	1	1	1	0	1	5	7	71
10	Co 110	0	1	1	1	2	0	1	6	7	86
11	Co 111	1	0	1	0	1	0	1	4	7	57
12	Co 112	1	1	1	1	1	0	1	6	7	86
13	Co 113	0	1	1	1	1	0	1	5	7	71
14	Co 114	1	1	1	0	1	0	1	5	7	71
15	Co 115	0	1	1	1	1	0	1	5	7	71
16	Co 116	1	1	1	1	1	0	1	6	7	86
17	Co 117	1	1	1	1	1	0	1	6	7	86
18	Co 118	0	1	1	1	1	0	1	5	7	71
19	Co 119	1	0	1	1	1	0	0	4	7	57
20	Co 120	0	0	1	1	1	0	1	4	7	57

Appendix D

Appendix D 1: Sustainability Reporting Quality Top Listed Companies

Top 30 Listed Companies									
No	Name	General	Environment	HR	Community	Products	Score	Total Score	%
1	Co 1	8	10	12	11	12	53	66	80.3
2	Co 2	8	12	15	15	12	62	66	93.9
3	Co 3	9	12	15	15	12	63	66	95.5
4	Co 4	8	14	14	12	12	60	66	90.9
5	Co 5	8	14	15	15	12	64	66	97.0
6	Co 6	9	14	14	12	12	61	66	92.4
7	Co 7	8	15	13	14	11	61	66	92.4
8	Co 8	6	13	11	10	12	52	66	78.8
9	Co 9	7	12	13	10	12	54	66	81.8
10	Co 10	7	13	15	15	12	62	66	93.9
11	Co 11	8	12	13	15	12	60	66	90.9
12	Co 12	9	12	15	15	12	63	66	95.5
13	Co 13	9	11	6	12	11	49	66	74.2
14	Co 14	9	11	6	12	10	48	66	72.7
15	Co 15	9	11	12	13	10	55	66	83.3
16	Co 16	9	14	15	14	12	64	66	97.0
17	Co 17	9	13	15	15	12	64	66	97.0
18	Co 18	9	15	15	13	12	64	66	97.0
19	Co 19	9	13	15	15	12	64	66	97.0
20	Co 20	8	12	15	15	12	62	66	93.9
21	Co 21	8	14	15	15	12	64	66	97.0
22	Co 22	6	12	12	11	10	51	66	77.3
23	Co 23	8	11	15	15	12	61	66	92.4
24	Co 24	8	12	15	13	12	60	66	90.9
25	Co 25	9	13	14	15	12	63	66	95.5
26	Co 26	6	14	15	13	12	60	66	90.9
27	Co 27	8	14	14	14	12	62	66	93.9
28	Co 28	8	12	15	14	12	61	66	92.4
29	Co 29	8	10	15	15	12	60	66	90.9
30	Co 30	8	12	13	13	11	57	66	86.4

Appendix D 2: Sustainability Reporting Quality Mid Capitalisation

20 Mid Capitalisation									
No	Name	General	Environment	HR	Community	Products	Score	Total	%
1	Co 31	7	12	14	11	12	56	66	84.8
2	Co 32	8	6	13	12	12	51	66	77.3
3	Co 33	6	4	6	9	7	32	66	48.5
4	Co 34	9	14	13	13	12	61	66	92.4
5	Co 35	6	5	4	15	12	42	66	63.6
6	Co 36	8	9	10	14	7	48	66	72.7
7	Co 37	9	12	13	12	10	56	66	84.8
8	Co 38	8	11	15	15	7	56	66	84.8
9	Co 39	8	8	8	10	7	41	66	62.1
10	Co 40	9	8	6	12	10	45	66	68.2
11	Co 41	9	12	14	13	12	60	66	90.9
12	Co 42	10	12	12	12	9	55	66	83.3
13	Co 43	8	7	12	12	10	49	66	74.2
14	Co 44	9	14	14	14	11	62	66	93.9
15	Co 45	6	5	12	11	12	46	66	69.7
16	Co 46	9	11	13	12	12	57	66	86.4
17	Co 47	9	9	11	11	11	51	66	77.3
18	Co 48	8	9	14	14	12	57	66	86.4
19	Co 49	8	8	12	11	10	49	66	74.2
20	Co 50	6	12	14	12	12	56	66	84.8

Appendix D 3: Sustainability Reporting Quality Small Capitalisation

30 Small Cap Companies									
No	Name	General	Environment	HR	Community	Products	Score	Total	%
1	Co 51	8	4	9	14	10	45	66	68.2
2	Co 52	6	8	8	5	8	35	66	53.0
3	Co 53	8	11	11	9	10	49	66	74.2
4	Co 54	6	7	4	5	7	29	66	43.9
5	Co 55	8	7	8	11	10	44	66	66.7
6	Co 56	4	2	5	9	11	31	66	47.0
7	Co 57	8	7	11	14	10	50	66	75.8
8	Co 58	6	10	12	9	12	49	66	74.2
9	Co 59	4	6	5	5	8	28	66	42.4
10	Co 60	4	8	3	8	12	35	66	53.0
11	Co 61	8	6	5	6	12	37	66	56.1
12	Co 62	8	5	3	8	10	34	66	51.5
13	Co 63	6	7	7	13	11	44	66	66.7
14	Co 64	8	8	8	14	10	48	66	72.7
15	Co 65	9	11	10	11	11	52	66	78.8
16	Co 66	5	5	7	6	8	31	66	47.0
17	Co 67	9	9	7	9	8	42	66	63.6
18	Co 68	5	4	5	11	10	35	66	53.0
19	Co 69	6	7	10	11	7	41	66	62.1
20	Co 70	8	8	5	8	12	41	66	62.1
21	Co 71	7	11	8	7	8	41	66	62.1
22	Co 72	8	9	12	12	10	51	66	77.3
23	Co 73	9	13	12	13	11	58	66	87.9
24	Co 74	8	7	9	13	12	49	66	74.2
25	Co 75	7	4	6	8	7	32	66	48.5
26	Co 76	9	11	8	10	12	50	66	75.8
27	Co 77	8	12	11	12	10	53	66	80.3
28	Co 78	7	10	8	8	10	43	66	65.2
29	Co 79	4	5	10	12	12	43	66	65.2
30	Co 80	4	6	4	10	8	32	66	48.5

Appendix D 4: Sustainability Reporting Quality Financially Distressed

Companies

Financially Distressed Companies									
No	Name	General	Environment	HR	Community	Products	Score	Total	%
1	Co 81	5	4	0	2	5	16	66	24.2
2	Co 82	4	1	3	3	5	16	66	24.2
3	Co 83	5	4	7	6	8	30	66	45.5
4	Co 84	5	3	4	3	7	22	66	33.3
5	Co 85	4	6	5	8	5	28	66	42.4
6	Co 86	5	6	9	5	8	33	66	50.0
7	Co 87	4	3	3	2	2	14	66	21.2
8	Co 88	4	6	5	4	4	23	66	34.8
9	Co 89	4	3	3	0	4	14	66	21.2
10	Co 90	6	4	5	8	8	31	66	47.0
11	Co 91	4	8	10	9	7	38	66	57.6
12	Co 92	6	5	11	11	8	41	66	62.1
13	Co 93	4	2	2	2	9	19	66	28.8
14	Co 94	6	4	10	2	9	31	66	47.0
15	Co 95	4	2	5	4	4	19	66	28.8
16	Co 96	4	2	3	4	4	17	66	25.8
17	Co 97	4	6	6	7	7	30	66	45.5
18	Co 98	4	3	3	3	5	18	66	27.3
19	Co 99	4	5	7	5	9	30	66	45.5
20	Co 100	4	3	3	2	4	16	66	24.2

Appendix D 5 : Sustainability Reporting Quality

ACE Market									
No	Name	General	Environment	HR	Community	Products	Score	Total	%
1	Co 101	3	0	0	2	8	13	66	19.7
2	Co 102	5	3	4	9	11	32	66	48.5
3	Co 103	5	5	3	3	8	24	66	36.4
4	Co 104	6	4	8	9	10	37	66	56.1
5	Co 195	6	4	4	3	10	27	66	40.9
6	Co 106	6	7	4	6	10	33	66	50.0
7	Co 107	4	3	4	8	9	28	66	42.4
8	Co 108	4	5	6	3	9	27	66	40.9
9	Co 109	4	2	4	7	8	25	66	37.9
10	Co 110	8	8	9	9	12	46	66	69.7
11	Co 111	5	5	12	6	8	36	66	54.5
12	Co 112	4	6	8	3	9	30	66	45.5
13	Co 113	4	4	5	6	8	27	66	40.9
14	Co 114	4	4	6	6	9	29	66	43.9
15	Co 115	4	4	6	3	9	26	66	39.4
16	Co 116	4	3	6	8	10	31	66	47.0
17	Co 117	5	0	0	9	10	24	66	36.4
18	Co 118	4	4	5	5	7	25	66	37.9
19	Co 119	4	5	4	6	7	26	66	39.4
20	Co 120	3	3	4	2	9	21	66	31.8