

RESEARCH REPORT

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**INCORPORATING DRIVERS, STRATEGIES AND
MEASUREMENT IN EXISTING CORPORATE
SUSTAINABILITY FRAMEWORK**

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ABSTRACT

Corporate sustainability related research in Malaysia has become one of the areas of interest and covers variety of issues. One of the issues that has been highlighted is in relation to the motivation for reporting, in which a number of corporate governance characteristics have been identified as factors which lead to sustainability reporting. This study aimed to examine sustainability drivers, strategy and priority among Malaysian Listed Companies. This study used a mailed survey to collect the data. The respondents for this study are top management leaders of listed companies, i.e. Chief Executive Officer, Chief Finance Officer and Senior Manager. The mailing of the 261 questionnaires has resulted in the return of 31 usable questionnaires, yielded a response rate of 11.9%. The results showed that compliance with legal and regulatory requirements appeared as the main driver for sustainability practices among Malaysian Listed Companies. Competitive factors such as achieving competitive advantage, brand reputation and cost savings also ranked as important drivers. The findings also indicated that the majority of companies had a formal sustainability strategy that's been incorporated into the company's vision and mission, decision making, performance measurement and human resource policy. Finally, the study also found that companies place a high priority on sustainability activities.

ABSTRAK

Kajian berkaitan dengan kelestarian korporat di Malaysia telah menjadi salah satu bidang kajian yang diminati dan meliputi pelbagai isu. Salah satu daripada isu-isu yang telah diketengahkan adalah berhubung dengan motivasi untuk pelaporan, di mana beberapa ciri-ciri tadbir urus korporat yang telah dikenal pasti sebagai faktor-faktor yang membawa kepada pelaporan kelestarian. Kajian ini bertujuan untuk mengkaji faktor-faktor pendorong, strategi dan keutamaan bagi isu kelestarian di kalangan syarikat-syarikat tersenarai di Malaysia. Kajian ini menggunakan soal selidik dan responden bagi kajian ini adalah pemimpin pengurusan tertinggi syarikat-syarikat tersenarai seperti Ketua Pegawai Eksekutif, Ketua Pegawai Kewangan dan Pengurus Kanan. Sebanyak 261 soal selidik telah dihantar dan hanya 31 soal selidik daripadanya yang boleh digunakan, ini memberikan kadar pulangan soal selidik sebanyak 11.9%. Hasil kajian menunjukkan bahawa pematuhan terhadap keperluan undang-undang dan peraturan muncul sebagai pemacu atau penggalak utama kepada amalan kelestarian di kalangan syarikat tersenarai di Malaysia. Faktor-faktor kompetitif seperti pencapaian kelebihan daya saing, reputasi jenama dan penjimatan kos juga merupakan faktor-faktor penting. Hasil kajian juga menunjukkan bahawa kebanyakan syarikat mempunyai strategi kelestarian berbentuk rasmi yang diintegrasikan kedalam visi dan misi syarikat, pembuatan keputusan, pengukuran prestasi dan polisi sumber manusia. Akhir sekali, kajian ini juga mendapati bahawa syarikat-syarikat meletakkan keutamaan yang tinggi kepada aktiviti kelestarian.

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1.0 INTRODUCTION

Corporate sustainability is perhaps one of the vital management strategies that not only help businesses maintain their well-being of society and organization, but also in pursuit into a competitive advantage in the long run. Undoubtedly, organizations which do not respond to corporate sustainability will have to confront extinction (Bansal, 2001). Similarly, as suggested by Bacon (2007) and Stranislav (2007), firms should integrate sustainability program into their corporate vision and mission, otherwise they will fall.

The corporate environment is changing more rapidly than ever before, competitive pressures are increasing as well. Moreover, stakeholders, i.e. shareholders, investors, government and regulators are demanding for more information from organizations not only on the financial aspects but also on non financial issues like corporate social responsibility. In order to remain competitive in the new environment, an organization needs to include social, environmental, corporate governance and stakeholders' concern into corporate strategy. According to AICPA, CICA and CIMA Research Study (2010), many organizations want to implement and perform sustainability program because they want to add value to the stakeholder's eyes. However, the challenge for organizations today is not only to create value to the shareholders but also need to consider the impacts of its activities on the society as well as the environment. There is a continuing debate pertaining to the role of corporations in the society. According to Cresti (2009), sustainability and corporate social responsibility represent new approaches of running business that extend legal and economic responsibilities to fulfil the legitimate social and environmental expectations of various groups of stakeholders.

Sustainability issues have become more and more significant to policy makers in both the political and the business world over the last decade (Avila & Bradley, 1993; Ladd Greeno, 1994). In view of that, professional accountants in business are the best position to advise and consult organizations on sustainability issues (IFAC, 2010). Today, the accounting profession has a vital role to help firms meet up the above challenges. Equipped with multi-disciplinary skills, professional accountants can influence people in firms, change the mind-set and provide information in the decision making process and reporting. Accountants are very important to play their role in ensuring firms to establish their sustainability strategies.

To date, research has been focused on understanding why firms are committed to sustainability programs without linking them with the strategy. Even so, it is still not clear whether it is ethical for firms to disclose whether they are socially responsible or not. Previous studies such as Sharma and Henriques (2005) found that stakeholder is a major factor influencing firms' sustainability practices and disclosure. While Bansal (2005) mentioned that international experience, media pressure, mimicry and firm size contribute to sustainability practices.

Corporate sustainability related research in Malaysia has become one of the areas of interest and covers variety of issues. One of the issues that had been highlighted is in relation to the motivation for reporting, in which a number of corporate governance characteristics have been identified as factors which lead to sustainability reporting. Among the characteristics are government ownership (Amran & Devi, 2008; Nazli, 2007; Roshima, Yuserrie, & Haronn, 2009), director ownership (Nazli, 2007), audit committee (Roshima, et al., 2009), ownership concentration (Roshima, et al., 2009),

Malay directors (Haniffa & Cooke, 2005), foreign shareholders (Amran & Devi, 2008; Haniffa & Cooke, 2005) and non-executive directors (Haniffa & Cooke, 2005).

Corporate sustainability programs are growing and developing. In order to stay competitive in the future, companies progressively appreciate the influence of sustainability in their business activities (www.cica.ca). However, there is limited evidence on the driving factors and its linking to the business strategy. What really motivates Malaysian companies to disclose social and environmental data is still ambiguous, given the low public awareness of such issues and demand for related information (Nik Ahmad & Abdul Rahim, 2005; Amran & Susela, 2008). Additionally, there is also a lack of research in terms of sustainability measurement. Therefore, the purpose of this study is to examine the current state of corporate sustainability in Malaysia.

1.1 RESEARCH QUESTION

Specifically, questions relating to the following are expected to be addressed in this research:

1. What are the drivers to the sustainability activities in Malaysian listed companies and are they included sustainability as a part of business strategy?
2. What are the scope and priorities of sustainability program?
3. What are the types of measurement, reporting and assurance of sustainability?
4. Did Finance Department involve in the sustainability program?

1.2 RESEARCH OBJECTIVES

The research objectives are as follows:

1. To examine the sustainability drivers and strategy.
2. To examine the sustainability program scope and priorities.
3. To identify the types of measurement, reporting and assurance of sustainability.
4. To examine the level of finance function's involvement in the sustainability program.

1.3 OVERVIEW OF THE REPORT

The research report is divided into five sections. The following section reviews some literature on corporate sustainability in general and with specific to Malaysian context and also discussion on drivers for corporate sustainability. Section three outlines the methodology. This is followed by research findings and discussion. Finally, the last section provides concluding remarks and suggests possible areas for future research.

2.0 LITERATURE REVIEW

2.1 DEFINITION OF CORPORATE SUSTAINABILITY

Different definitions are employed for the goals desired or intended by organizations that relate to sustainability, including ‘corporate social responsibility’, ‘corporate citizenship’ and ‘environmental, wellness and safety’. According to Aras and Crowther (2008), the term sustainability is a controversial issue because it signifies different things to different people. Similarly, Marrewjick and Werre (2003) view that there is no specific definition of corporate sustainability and each governing body is required to prepare its own definition to suit its aims and objectives. Nevertheless, they agree that corporate sustainability and corporate social responsibility are synonymous and voluntary action-oriented that take into consideration of environmental and societal aspects.

Lately, the term ‘sustainability’ has started being applied by many organizations in their reporting, mostly referring to non financial and social objectives, but sometimes using the term to cover up both financial and societal objectives. This study follows the definition proposed by Brundtland Report 1987 and Bursa Malaysia. The United Nation report on ‘Our Common Future’, also known as the Brundtland Report defined sustainability as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (ACCA, 2010). The Bursa Malaysia defined sustainability in business means “managing a company in a way that takes into account social, economic and environmental aspects, and also referred to as the triple bottom line” (www.pwc.com). Researchers view that corporate

sustainability and corporate social responsibility carry the same meaning, thus these terms have been used interchangeably in this study.

2.2 CORPORATE SUSTAINABILITY IN MALAYSIA

Although, the research on corporate social responsibility (hereafter called CSR) has gained an extensive consideration in developed countries such as Europe and United States, previous studies have found that the level of CSR of Malaysian public listed companies is still generally low (Nik Nazli, Maliah, & Siswantoro, 2003; Dawkins & Ngunjiri, 2008). This is due to CSR envisages the ideal whereby enterprises integrate social and environmental concerns in their business operations and their interaction with their stakeholders usually on a voluntary base. Furthermore, the reporting of CSR in Asian countries is much less comprehensive than in most modern Western countries. Asian companies remain very cautious about disclosure of information to outsiders on matters linked to CSR (Debroux, 2006).

According to the ACCA there is no statutory requirement in Malaysia requiring public-listed companies to disclose environmental information to the public except for the legislation such as Occupational Safety and Health Act, 1994 and associated regulations. However, Bursa Malaysia Listing Requirements required Malaysian listed companies to disclose CSR activities covering four areas – community, environment, marketplace and workplace (www.bursamalaysia.com). Based on the report summary of the ACCA (2005), the number of companies reporting on environmental performance has increased from 25 companies in 1999 to 43 in 2002 and reached 60 companies by 2003. Up to

2004, the manufacturing sector is the largest sector to be engaged in environmental reporting, followed by the plantation sector and then, the trading and service sectors.

The ACCA's report (2005) claimed that the level of awareness among the firms in Malaysia to report their environmental practice is at an early stage. Thus, the companies need further explanation and motivation by the government such as granting them incentives and providing appropriate skills and environmental training programs. Hasnah, Sofri, Andrew, Sharon, & Ishak (2004) likewise found in their study that corporate social disclosure among Malaysian companies was very minimal compared to other countries such as European countries. Nik Ahmad and Abdul Rahim (2005) findings suggested that the number of Malaysian companies implemented CSR initiatives is still low, although managers generally understand the concept of CSR. Further, based along the content analysis findings, they claimed that it comes out that awareness of CSR is not translated into disclosure in company annual reports. Nik Ahmad and Abdul Rahim (2005) recommended for future research to explain why only a few companies are implementing CSR initiatives despite the study indicating that companies have some consciousness of the CSR concept.

The study by Romlah, Takiah, and Nordin (2002) investigated the environmental reporting practice in the annual reports amongst Malaysian companies. They found that environmental information was not well disclosed in the annual reports of Malaysian companies. Most of the information was disclosed in the Review of the Operation and in the Chairman's Statements. In addition, Environmental Resources Management Malaysia (2002) investigated on the current status of environmental reporting in

Malaysia. Its finding showed that there is an increasing number of Bursa Malaysia main board companies engaging in some form of environmental reporting.

Furthermore, the survey done by Bursa Malaysia in 2007 (Ng, 2008) revealed that Malaysian listed companies showed poor understanding and lack of awareness in incorporating corporate social responsibility policies and disclosures in their daily operations. Further breakdowns of the results show that 11.5% are in the poor category, 28.5% are in the below average and 27.5% are in the average categories. The responses were measured based on marketplace, workplace, environment and community dimensions, and based on the disclosures during their operations in the financial year of 2006 and 2007. The investigation of sustainability disclosure in the Malaysian Shari'ah Compliant listed companies that covers 134 companies found that most of them disclose sustainability information related to corporate governance, followed by social and environmental themes. However, Malaysian Shari'ah Compliant listed companies did not clearly disclose the items under Shari'ah compliance index (Mohamed, Alwi & Jamil, 2009).

The Asian Ranking of Sustainability produced by Responsible Research and Corporate Social Responsibility Asia in 2010 showed that Malaysia is ranked at number three among Asian countries after South Korea and India. Malaysian companies achieved high scores for social category, with leading companies reporting diligently on their stakeholder engagement with customers, employees, suppliers and the communities in which they operate. In addition, they also scored greatly in most indicators in the Governance category. However, Malaysian companies scored low for environmental category. Nearly all companies scored below 25% for their environmental reporting with

only two companies meet the CDP information request, and neither of these making its disclosure public. This indicates that quantitative environmental reporting has not been widely practiced by companies in the country, and it could be due to the perception that social reporting and community investment are sufficiently representing sustainability.

In recent years, the Malaysian Government has taken initiatives to increase the level of awareness regarding CSR among Malaysian companies. For example, Khazanah National Berhad, as part of the Government-Linked Companies (GLC) has launched the Silver Book that contains CSR guidelines for the GLCs. The Silver Book provides a set of principles and long term guidelines over ten years (from 2004 to 2015) to be implemented by GLCs so that they can contribute proactively to society while creating value for shareholders (2012 Corporate Responsibility Report, www.khazanah.com). In addition, the Bursa Malaysia launched the CSR Framework in 2006 as a set of guidelines for Malaysian public-listed companies (PLCs) with the objectives to guide PLCs in defining their CSR priorities, implementation and reporting. The framework emphasizes on four dimensions which are the environment, community, marketplace, and workplace (www.bursamalaysia.com). Nevertheless, in terms of enforcement, it is not compulsory for companies to fully follow the framework. The companies only require to show positive reports about CSR commitments. The framework also does not apply uniformly to all companies as they have to take the ones relevant to their field of business. In Malaysia, at present there is no accounting standard for disclosing CSR information. In the absence of such standards, CSR commitment would be wholly voluntary in nature (Muwazir, Abdul Hadi & Yusof, 2013) and so there is a demand to understand the drivers for CSR and sustainability.

2.3 DRIVERS FOR CORPORATE SUSTAINABILITY

2.3.1 Institutional Pressure

The institutional theory perspective is mainly built upon theoretical insights from sociology and economics (DiMaggio & Powell, 1983). The theory is beneficial in addressing the role of institutions on influencing the behavior of companies and their employees. More specifically, institutional theory explores how organizational structure and actions are shaped by institutional forces such as the government, the profession and society that surround organization. An important element within the new institutional theory is the isomorphic concept (DiMaggio & Powell, 1983). Generally, institutional isomorphic change can occur through three mechanisms, namely coercive isomorphism, mimetic processes and normative pressures (DiMaggio & Powell, 1983).

Coercive pressures refer to regulatory compliance to existing regulations. Under coercive pressures, Government and regulatory bodies are likely to interfere and persuade firms to stick to the existing regulations. Marrewijk and Werre (2003) identified compliance-driven as a motivational factor for corporate sustainability. Companies that view sustainability in terms of regulatory compliance tend to adopt a defensive approach to sustainability pressures for reasons such as lack of financial support or limited awareness of possible long-run system effects. Actions are aimed at the financial success of the company, and environmental and social actions are intended to avoid the high costs of non-compliance (Henriques & Sadorsky, 1996).

Normative pressures highlight the significance of voluntary adoption to mitigate coercive pressures. While the mimetic pressures refer to firms' responses to adopt proven techniques or practices of competing firms whenever there are lots of ambiguity and uncertainties (DiMaggio & Powell, 1983). The study done by Amran and Susela (2008) found that the government's aspirations and commitment to CSR have significant influence on CSR practice in Malaysia.

2.3.2 Stakeholder Pressure

Stakeholder of the firm can be defined as "any identifiable group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman & David, 1983). Stakeholders comprise of internal and external parties that include shareholders (or owners), employees, customers, suppliers, local community, competitors, interest groups (or sometimes civil society representatives, though slightly more inclusive in definition), government, the media, and society-at-large (Carroll, 1991). Stakeholders place great pressure on companies in the industrialized countries to adopt socially responsible initiatives and they are responding by integrating such initiatives to their competitive advantage (Berry & Rondinelli, 1998, as cited in Shamil and Junaid, 2012). According to Cheng and Ahmad (2010) study of the stakeholder's influence in two multinational corporations (MNCs) in Malaysia, they found that stakeholders' relation is the major predictor of CSR. They also mentioned that ethical concern is a norm that has been accepted by most stakeholders as crucial for the proper functioning of business in both developed and developing countries. Stakeholders expect multinational corporations to be operated within the legal framework and offer greater incentives for shifting towards CSR in their country.

2.3.3 Internal and Competitive Factors

Some motivating factors like enhanced reputation, competitive advantage, cost savings, industry trends, CEO/Board commitments, customer demand, top line growth, shareholders demand and access to capital have been highlighted in the 2002 Sustainability Survey done by Pricewaterhouse Coopers (PwC). The results showed 75% of the respondents have implemented some kind of sustainable business practices, essentially motivated by an enhanced reputation (90%), competitive advantages (75%) and cost savings (73%), as well as industry trends, CEO/Board commitment and customer demand. The other 25% who have not adopted sustainable practices justified their choice by the lack of clear business case (82%), the lack of key stakeholder interest– including customers, suppliers and investors – (62%) and the lack of senior management commitment (53%), along with the difficulty to measure CSR/sustainable performance, and the lack of legal requirements (Pricewaterhouse Coopers, 2002, www.pwc.com).

The American Institute of Certified Public Accountants (AICPA) with Canadian Institute of Chartered Accountants (CICA) and the Chartered Institute of Management Accountants (CIMA) conducted a survey of organizational leaders who are members of these associations regarding sustainability efforts in 2010. The results found that 34% of large organizations identified compliance as the top ranked critical driver; 32% specified managing reputational risk as the second most critical driver; 24% of smaller companies recognised compliance as the most critical driver; 19% identified cost cutting and

efficiency as the next most critical driver (AICPA, CICA and CIMA research study 2010, www.cica.com).

2.4 CORPORATE SUSTAINABILITY AND MEASUREMENT

To date, researchers have attempted to establish corporate sustainability performance measurement systems. Corporate sustainability performance measurement systems have been the subject of the growing amount of research and there are many challenges and unresolved issues about this matter (Searcy, 2011). In 2006, the Global Reporting Initiative (GRI), has established 79 broadly applicable corporate measures (GRI, 2006) supported by additional measures in its 15 sector supplements (GRI, 2010). The GRI covers economic, environment and social (labor practices and decent work, human rights, society and product responsibility). Others well-known corporate sustainability measurements are the Dow Jones Sustainability Index, the Indicators of Sustainable Development of the Commission on Sustainable Development (CSD), the Dashboard of Sustainability Developed in 1998 by the Consultative Group for Sustainable Development Indicators, the Triple Bottom Line Index, and the Barometer of Sustainability Developed by The World Conservation Institute (Delai & Takahashi, 2011). Besides that, there is also a suggestion to use a Balanced Scorecard to measure and manage sustainability efforts (see for example Figge, Hahn, Schaltegger & Wagner, 2002; and Kaplan & Norton, 2004).

Singh, Murty, Gupta and Dikshit (2009) argue that, even though there are many efforts to measure sustainability and few instruments attempt to integrate the environmental, economic and social dimensions, however, most instruments only measure each dimension independently. Another issue is the lack of consensus on sustainability

indicators (Sikdar, 2003) and according to Veleva and Ellenbecker (2001) (as cited in Delai & Takahashi, 2011) these issues cause a major barrier to implement sustainability strategies.

Researchers agree that to remain competitive, companies need to incorporate economic, social and environmental issues into corporate strategy, culture, management systems, business process and day-to-day decision making (see for example, Porter & Kramer, 2006; Cresti, 2009). Moreover, companies must be proactive and have a sincere commitment to implement sustainability activities and not only as a public relations exercise to improve the company's image and reputation (Cresti, 2009).

2.5 CORPORATE SUSTAINABILITY AND ASSURANCE

Global Reporting Initiative (GRI) defines sustainability reporting as “a process that assists organizations in understanding the links between sustainability related issues and the organization's plans and strategy, goal setting, performance measurement and managing change towards a sustainable global economy” (GRI, 2013). At the end of this process, the companies will produce a sustainability report where they report on the most critical aspects of companies' economic, social and environmental impacts. In order to ensure accuracy and reliability of the report, GRI suggests the companies to do external and internal assurance. According to Bursa Malaysia, there are three levels of assurance – which are individual business unit, internal assurance and sustainability assurance (global audit firm).

GRI (2013) outline benefits for sustainability assurance are to increase recognition, trust and credibility; improve board and CEO level engagement; reduce risk and increase value; strengthen internal reporting and management systems; and improve stakeholder communication. PricewaterhouseCoopers had conducted a survey on sustainability assurance in 2007. The survey was involved 18 different countries, covering 50 companies from 12 different industries. The survey identified that more than 75% of companies seek assurance on their corporate sustainability reports to increase its credibility (www.bursamalaysia.com/market/listed-companies/sustainability/measuring-reporting/role-of-external-assurance-providers, retrieved on 15 June, 2014). The top three reasons for verification found in the PricewaterhouseCoopers 2007 survey are to increase credibility of the report, internal assurance on performance data and systems and its company policy to seek assurance of all the external reports.

Globally applied assurance standards for sustainability disclosures have started to be developed in the last years, but these still vary in approach and are not widely used in all regions. Only in a few countries and for a few sectors, sustainability reporting and assurance are either required or common practice (GRI, 2013). The International Standard on Assurance Engagements (ISAE3000) and the AA1000 Assurance Standard (AA1000AS) are the two most commonly adopted standards for sustainability assurance. ISAE3000 is issued by the International Federation of Accountants (IFAC) and establishes principles and essential procedures for assurance engagements concerning non-financial information. AccountAbility's AA1000AS evaluates the adherence of an organisation to the AccountAbility principles of materiality, inclusiveness and responsiveness and the reliability of associated performance information. Both are technically complementary and can be used together in the assurance process.

3.0 RESEARCH METHODOLOGY

3.1 SAMPLE SELECTION

The sampling frame for this study is Malaysian companies listed on Bursa Malaysia. The list of companies was obtained from Bursa Malaysia and the New Straits Times as at 17 January 2013. All listed companies are derived from Bursa Malaysia's directory, however, Bursa Malaysia does not include the companies, according to industry, therefore, the study used the industry classification provided by the New Straits Times. The directory consists of 896 companies listed on the main market.

However, in this study, it focuses only on three sectors, namely, consumer, industrial and trading. The study chooses these sectors because these sectors are considered more sensitive and close to sustainable issue. The total of companies under these sectors are 576. The study then reduce the sample size to 311. The reason to reduce the sample size is due to the costs. It is because, we plan to hand questionnaires to respondents by ourselves and it requires a lot of money to cover transportation, lodging, etc. This study selects the companies based on the location and availability of complete information (in terms of address, respondent's name, etc.). For the pilot test, this study sent questionnaire to 50 companies. Thus, the remaining 261 companies were used for actual data collection.

3.2 DATA COLLECTION

This study used a mailed survey to collect the data. The respondents for this study are top management leaders such as Chief Executive Officer, Chief Finance Officer and Senior Manager of listed companies. The respondents name and address are obtained through company's website, annual report and others internet sources.

The pilot test was conducted prior to the actual data collection. The purpose of the pilot test is to know whether the wording in the questionnaire is acceptable or not. In the actual survey, the data were collected through a structured questionnaire sent to one member of the top management team. The data collection is conducted in several phases. In the first phase, the questionnaire was sent personally by hand to the respondents. The reason for this is to increase a response rate. However, several problems arise as the respondents reluctant to participate, inaccurate address and high cost. Due to this, in the second phase, this study changes the strategy to mail the questionnaire directly to the respondents.

The first phase of data collection is done in August until September 2013. It involves thirty companies located in Shah Alam, Petaling Jaya and Kelang in Selangor. The researcher goes to hand the questionnaire and will collect it either on the same or different day depends on the availability of respondents. As mentioned earlier, one of the difficulties faced by researchers is the address provided through annual report is not correct. The researcher has to do a re-checking about this using other sources. The researcher then went again to the companies using a new address, but, in some situations, the respondents refuse to participate. Also, researcher faced a traffic jam problem that takes a lot of time to complete the data collection in the first phase.

After facing the inaccurate address problem in the first phase, then, the researcher had to re-check all of the remaining companies' address. Thus, the second phase of data collection is conducted between November 2013 and February 2014. A mail-out package including a cover letter (see Appendix 1), the questionnaire (see Appendix 2) and a business reply envelope was sent to every contact name. After two weeks, the first follow up was mailed to respondents to remind about the questionnaire. The

second follow up was done through phone after two weeks of the first follow up. In the second follow up, the replacement questionnaire was sent either through mail or e-mail. The mailing of the 261 questionnaires resulted in the return of 31 usable questionnaires, yielded a response rate of 11.9%.

3.3 QUESTIONNAIRE

In order to examine corporate sustainability practices, this study adapted the questionnaire used in AICPA, CICA and CIMA's 2010 survey. However, the current study done modifications by adding several new questions. The new questions relate to how company incorporates sustainability into business strategy; a sustainability council or committee; sustainability reporting; and the number of women in Board of Directors.

The questionnaire is divided into two (2) sections (refer Appendix 2). In Section 1, respondents were asked about sustainability and it covers four (4) areas, which are: (1) sustainability drivers and strategy; (2) sustainability program scope and priorities; (3) measurement, reporting and assurance; and (4) the finance's function involvement. In Section 2, respondents were required to provide information about themselves and the company's profile.

3.4 DATA ANALYSIS

The data were analyzed using SPSS software. The study uses descriptive statistics to meet research objectives 1 to 4.

4.0 FINDINGS AND DISCUSSION

4.1 PROFILE OF THE RESPONDENTS

As depicted in Table 1, half of the respondents were accountant and manager (51.6%). The remaining was CFO (16.1%), CEO (16.1%), director and others (9.7% respectively). This implies that the respondents were the top management and leaders in their companies and were the appropriate target group for a study on sustainability drivers and strategy. The sample of companies surveyed come from industrial (51.6%), trading (25.8%), consumer (3.2%) and others (19.4%) sector. For ‘others’ category actually they involved in more than one sector. This means that the respondents came from the industry sector that can be considered as ‘close industry’ to the sustainability issues.

Table 1: Background of Respondents

	Frequency	Percent
<i>Position:</i>		
Chief executive officer	4	12.9
Chief financial officer	5	16.1
Director	3	9.7
Accountant/Financial Controller	8	25.8
Finance/Human resource manager/manager	8	25.8
Others	3	9.7
Total	31	100.0
<i>Company's Category:</i>		
Industrial	16	51.6
Trading	8	25.8
Consumer	1	3.2
Others	6	19.4
Total	31	100.0

4.2 SUSTAINABILITY DRIVERS

The respondents were asked to rate ten (10) sustainability drivers based on a five-point scale ranging from “not at all” (1) to “to a great extent” (5). Table 2 ranks the results for sustainability drivers, according to the mean score. The results show that respondents viewed that ‘compliance with legal and regulatory requirements’ as the most important driver for corporate sustainability practices, with the mean score of 4.58. The second highest ranking was ‘achieving competitive advantage and long-term profitability’ (mean = 4.39), followed by ‘brand risk/reputation management’ (mean = 4.29), ‘efficiency and cost savings (mean = 4.29), ‘value set of company’ (mean = 4.13), and ‘employee attraction and retention’ (mean = 4.00). The remaining four (4) items received the mean score of below 4. They are ‘supply chain vendor requirements’, ‘customer demand for green/sustainable products’, ‘public scrutiny over labor, sourcing, or other business practices’, and ‘government grants or other incentives’.

The results on sustainability driver are consistent with the view of institutional theory of which government and regulatory bodies are likely to intervene and influence companies to follow the regulation requirements (DiMaggio & Powell, 1983; Marrewijk & Were, 2003). The study by Atan, Razali and Mohamed (2010) revealed that the extent of CSR disclosure among Malaysian GLCs was improved, particularly in 2007, after the introduction of Silver Book. This implies that the Malaysian Government efforts to improve regulatory framework and to ensure sufficient reporting of CSR initiatives could be the motivational drivers of the increasing trend in CSR reporting. The survey also produced similar results as to AICPA, CICA and CIMA

2010 research study that found compliance with legal and regulatory requirements as the primary sustainability drivers for UK, USA and Canada companies.

Table 2: Sustainability Drivers

Items	N	Min	Max	Mean	Standard Deviation
Compliance with legal and regulatory requirements	31	2	5	4.58	.720
Achieving competitive advantage and long-term profitability	31	3	5	4.39	.615
Managing risk to the reputation of your company/ brand (s)	31	3	5	4.29	.739
Efficiency and cost savings	31	2	5	4.29	.783
Value set of company and/or its leaders	31	2	5	4.13	.806
Employee attraction and retention	31	2	5	4.00	.856
Supply chain vendor requirements	31	2	5	3.84	.934
Customer demand for green/sustainable products	31	1	5	3.84	1.003
Public scrutiny over labor, sourcing, or other business practices	31	1	5	3.77	1.055
Government grants or other incentives	31	1	5	3.39	1.054

The results of this study indicated that achieving competitive advantage, managing risk to the brand reputation and cost savings are among the drivers that received high mean scores. This infers that corporate leaders in the survey are aware of the financial benefits of sustainability practices and thus integrate it across their business. Many companies in developed countries have received financial benefits from their sustainability initiatives. For example, Dow Chemical was able to save significantly by reusing treated wastewater in its manufacturing plants, reducing energy consumption in its Benelux plant by 65%. This is equivalent to reducing carbon dioxide emissions by 60,000 tons per year. Deutsche Telekom was able to save €50 million (US\$59.6 million) per annum over the last ten years through increased energy efficiency and other overhead reduction measures (Lacy, Cooper, Hayward & Neuberger, 2010).

The respondents ranked company's and leader's value at number five (5) as an important driver for sustainability. The results also indicate that sustainability strategy is incorporated into the vision and mission (see Table 4). The results suggest that corporate leaders play an important role to implement sustainability programs and initiatives. One of the ways is to integrate sustainability into corporate vision and mission. The vision and mission represent 'tone at the top' and influence the corporate culture. The study by Banerjee, Iyer and Kashyap (2003) confirmed that the commitment of the top management directly influences the implementation of corporate environmentalism.

The findings also indicated that the employee attraction and retention is among the important sustainability driver. Nowadays, companies are facing unprecedented pressure from their stakeholders such as employees to behave as a responsible corporate citizen. The survey done by PwC in 2009 found that 86% of Malaysian Gen-Ys would seek employers with social responsibility values that reflect their own (SSM Cr Seminar Series PwC, 2011). The results imply that companies who engaged in the sustainability activities will achieve a good corporate reputation, which will help them to attract new employees, create employee loyalties and motivate them for a better performance. The top management has a view that the pressure from the other stakeholders such as supplier, customer and public actually do not motivate them much to the sustainability practices. However, top management should realize that sustainability practices can represent a robust public relation strategy (Luo & Bhattacharya, 2006), and currently there is increasing awareness among customers and public regarding green products and fair business practices. Luo and Bhattacharya (2006) revealed that CSR improves customer satisfaction, which in turn leads to

positive financial returns. This could be a motivating factor for managers to further implement CSR activities which can improve company reputations and create customer loyalty that will translate into a better financial performance.

In this study, respondents ranked government grants and initiatives at the lowest. In Malaysia, there are few initiatives offered by government to encourage sustainability practices. For example, in 2010, Dato' Seri Najib Tun Abdul Razak, the Prime Minister of Malaysia announced the establishment of Green Technology Financing Scheme (GTFS) as an effort to improve the supply and utilization of Green Technology. Through the scheme companies are encouraged to participate in green technology either as producers or users. To be supportive and dedicated, the Government will bear 2% of the total interest/profit rate. In addition, the Government will provide a guarantee of 60% on the financing amount via Credit Guarantee Corporation Malaysia Berhad (CGC), with the remaining 40% of financing risk to be borne by participating financial institutions (PFIs) (www.gtfs.my). The GTFS covers four sectors, namely energy, water and waste management, building and transport. Furthermore, Malaysian government offers tax incentives such as tax breaks for designs and buildings that operate friendly with an environment and the tax deduction for efforts towards contribution on environmental funds (Punitha & Mohd Rasdi, 2013). However, it is not clear why corporate managers did not rank government grant and initiatives as an important driver for sustainability practices.

4.3 SUSTAINABILITY STRATEGY AND COMMITTEE

The survey also examines the level of formality and importance that organizations apply to the corporate sustainability practices. The results were illustrated in Table 3. The results showed that 23 companies (74.2%) currently have a formal strategy regarded to sustainability, while only eight (8) companies (25.8%) stated that they do not have a formal sustainability strategy. From these eight (8) companies, seven (7) of them said that they plan to develop a formal sustainability strategy in 1 to 2 year time, and only one (1) said no intention to develop formal strategy.

Table 3: Formal strategy related to Sustainability

	Yes	No
Currently have	23 (74.2%)	8 (25.8%)
Plan to develop in 1-2 years	7	-
No planning	1	-

Respondents have also been asked about how sustainability be incorporated into company strategy. In this section, respondents can tick the answers more than once. Many of the respondents mentioned that sustainability was incorporated into company strategy through vision and mission, business decision making, performance measurement and human resource policy. The result was displayed in Table 4.

Table 4: How Sustainability Incorporated Into Company Strategy

	Yes	No
Include into vision and mission	24	6
Incorporated into business decision making	24	6
Incorporated into performance measurement	21	9
Include into human resource policy	16	14

The results showed that corporate leaders understudied are aware of the importance to integrate corporate sustainability into their business strategy. The majority of them already had a formal strategy relating to sustainability. According to Lacy *et al.* (2010), CEOs around the world are starting to see the shape of a new era of sustainability coming into view. In their survey of hundreds of CEOs in different countries, they found that 93% of CEOs considered sustainability as crucial for future success. The CEOs believe that sustainability issues should be fully integrated into the strategy and operations of a company (Lacy *et al.* 2010). Kashmanian, Wells and Keenan (2011) mentioned that although many companies recognize the value of sustainability strategy, most of them have not yet incorporated sustainability into their overall business strategy. Lacy *et al.* (2010) study found that CEO cited that two significant barriers to implementing an integrated, company-wide approach to sustainability, which are complexity of implementation across function and competing strategic priorities.

4.4 SUSTAINABILITY PRIORITIES, ELEMENTS AND BUSINESS AREAS

Further results showed that four (4) respondents (12.9 %) rated that their companies put an extremely high priority on sustainability practices. Twenty-six respondents (83.9%) rated sustainability practices as high priority to very high priority in their companies. Only one (1) respondent who mentioned that his/her company puts a low priority on sustainability practice. A majority of respondents (83.9 %) indicated that sustainability considerations are included in their investment analyses (see Figure 2). This finding proposes that sustainability is essential enough and thus be given a priority to be integrated into investment decisions.

Table 5: Company's Priority Towards Sustainability

	Frequency	Percent
Low priority	1	3.2
High priority	14	45.2
Very high priority	12	38.7
Extremely high priority	4	12.9
Total	31	100.0

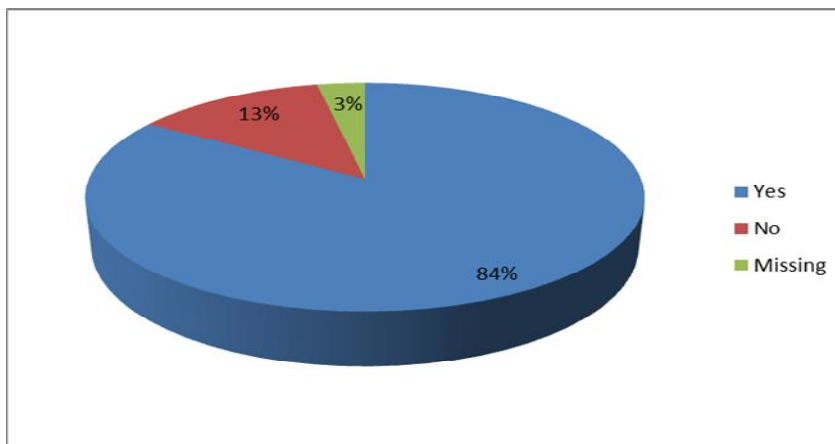


Figure 2: Sustainability and New Investment Decisions

Despite of the high priority given to the sustainability, only a few (ten) respondents said that they have a management council or special committee to manage sustainability efforts in their companies (see Figure 3). Nik Ahmad and Abdul Rahim (2005) study on Malaysian listed companies, found that only 24.1 % of respondents (29 companies) have set up a CSR committee.

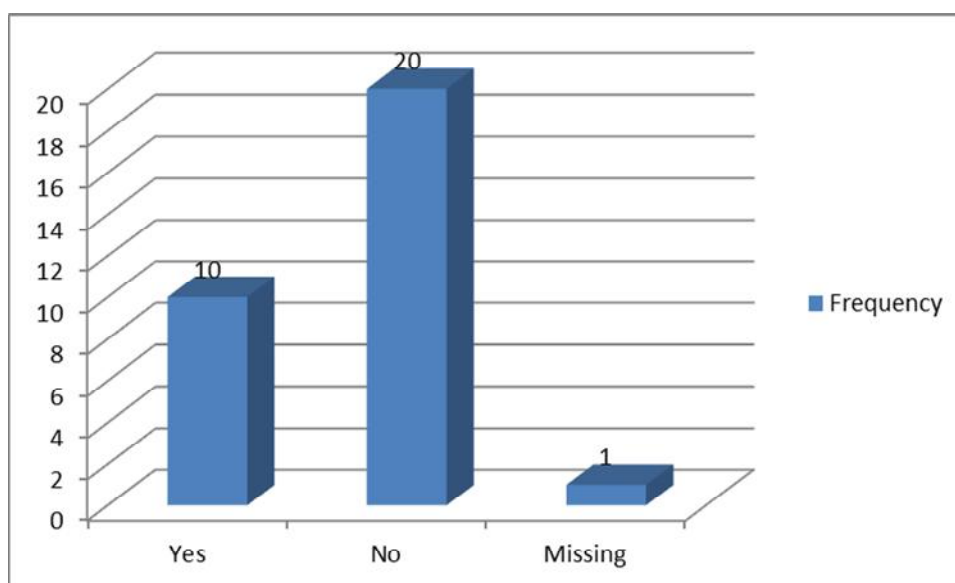


Figure 3: Sustainability and Management Council/Special Committee

The respondents had also been asked about the elements or items of sustainability that they perceived as importance for their companies. The results on this were reported in Table 6.

Table 6: The importance of sustainability elements

Items	N	Min	Max	Mean	Standard Deviation
Energy usage	31	2	5	4.03	.836
Water usage	31	1	5	3.65	1.018
Recycling	31	2	5	3.55	.888
Employee well being and benefit programs	31	1	5	3.55	.888
Community involvement/support	31	2	5	3.55	.810
Reduction of airborne pollutants	31	1	5	3.52	1.262
Social issues/causes (health, education, other)	31	2	5	3.48	.890
Human rights (e.g. child labor)	31	1	5	3.48	1.208
Forest product usage – paper, packaging, wood	31	1	5	3.45	1.091
Chemical waste discharge	31	1	5	3.45	1.387
Other solid waste reduction	31	1	5	3.42	1.205
Greenhouse gas (GHG) emissions reductions	31	1	5	3.35	1.199
Response to potential climate change impacts (water availability, severe weather events, rising sea levels, etc.)	31	1	5	3.23	1.257
Biodiversity protection	31	1	5	2.97	1.251

From Table 6 it appears that respondent's place energy usage as a very important sustainability element, followed by water usage, recycling, employee well-being and community involvement as the items that received the highest top five mean score. While the three (3) items that receive a low mean score are greenhouse gas emissions, response to potential climate change impacts and biodiversity protection. The results are quite similar to AICPA, CICA and CIMA 2010 survey who found that energy usage, recycling, water usage, employee well-being and community involvement as top priority among corporate leaders in the Northern America and Europe countries.

The results suggest that the items relate to environment receive a high mean score. This is probably due to the sustainability framework by Bursa Malaysia who emphasis on four dimensions – environment, community, marketplace and workplace. Energy and water usage as top priorities, show that Malaysian corporate leaders are committed to apply sustainability activities for reducing costs and eliminating waste in order to achieve competitive advantage. It is very encouraging to see that corporate leaders view environmental as important items since prior literature (see for example, Thompson & Zakaria 2004; ACCA 2005) reported that corporate environmental reporting is still at infancy stage in Malaysia. The growing awareness of the importance of environment among corporate leaders will help to improve the quality and quantity of corporate environmental reporting in future.

Greenhouse gas (GHG) emissions reductions are viewed as “somewhat important” (mean score = 3.35) by respondents. The GHG emissions reductions represent a developing measure in the current sustainability programs. Bursa Malaysia encourages Malaysian companies to adopt GHG protocol in order to understand, measure and

manage GHG emissions. GHG Protocol is the most widely used international accounting tool, that is jointly developed by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The importance of this item may vary in the future with the possibility in the regulatory changes.

Biodiversity protection is ranked at the lowest by respondents with the mean score of 2.97. The low mean score could be due to the background of the companies that come from industrial, trading and consumer sector. The results could be different if the study includes plantation sector that is more relevant to the biodiversity protection. Malaysia is all out for the global movement to protect the planet. Thus, Malaysia places strong emphasis on the planet's needs and is signatory to several international conventions, including the Convention on Biodiversity 1992 (CBD2), the International Tropical Timber Agreement, and the Charter of the Indigenous-Tribal Peoples of Tropical Forests (<http://www.palmoilworld.org/sustainability>, accessed on 1 June 2014).

For the business areas's priority in sustainability efforts, the results (see Table 7) show that operations (processes) and customer use of products ranked as the highest business areas priority, followed by facilities (building), supply chain (supplier product selection), distribution and logistics, product design and end of life product disposal/recovery. It is evidenced that effective sustainability initiatives are closely associated with company strategy (AICPA, CICA and CIMA research study 2010, www.cica.com). The results indicate that corporate leaders are aware of the sustainability initiatives impacts, risks and opportunities across their value chain from product design through the use and ultimate disposal by or recovery from, the end customer; from the supply chain, facilities and operations, through to distribution and

logistics. In the future, sustainability will become increasingly important to business strategy and management, thus, corporate leaders need to consider the impacts of sustainability to their business performance. According to Berns, Townend, Khayat *et al.* (2009), sustainability has great influence on all aspects of a company's operations, from development and manufacturing to sales and support functions.

Table 7: Business Areas Priority for Sustainability Efforts

Items	N	Min	Max	Mean	Standard deviation
Operations (Processes)	31	2	5	4.23	.845
Customer use of products	31	2	5	4.10	.790
Facilities (building)	31	2	5	3.77	.845
Supply chain (supplier/product selection)	31	2	5	3.77	.920
Distribution and logistics	31	2	5	3.77	1.087
Product design	31	1	5	3.71	1.071
End of life product disposal by/recovery from customers	31	1	5	3.19	1.167

4.5 SUSTAINABILITY MEASUREMENT AND REPORTING

Table 8 highlights the results for sustainability measurement. Employee well-being is the most frequently measured sustainability elements by all respondents, followed by energy usage, water usage, recycling, other solid waste reduction, community involvement, forest product usage, reduction of air pollution, GHG emissions, biodiversity protection and response to potential climate change.

Table 8: Sustainability Measurements

Items	Yes		No	
	Frequency	Percent	Frequency	Percent
Employee well being and benefit programs	27	87.1	4	12.9
Energy usage	26	83.9	5	16.1
Water usage	23	74.2	8	25.8
Recycling	17	54.8	14	45.2
Other solid waste reduction	17	54.8	14	45.2
Community involvement/support	16	51.6	15	48.4
Forest product usage – paper, packaging, wood	16	51.6	15	48.4
Reduction of airborne pollutants	13	41.9	18	58.1
Greenhouse gas (GHG) emissions reductions	12	38.7	18	58.1
Biodiversity protection	11	35.5	19	61.3
Response to potential climate change impacts (water availability, severe weather events, rising sea levels, etc)	10	32.3	21	67.7

Measuring performance is a vital management tool towards the control and implementation of initiatives (Ferguson, 2009). What is being measured, reflect the importance of the elements. In order to ensure the effectiveness of sustainability initiatives, managers need to have goals, measures and targets of their sustainability programs. Through the measurement, it will allow managers to better understanding of how well the sustainability strategy has been achieved and the impacts to the financial performance. Bursa Malaysia provides guidelines about how to measure sustainability, according to four dimensions – community, environment, market place and work place (see Table 9). The results indicate that respondents do measure the sustainability elements as being suggested by Bursa Malaysia. However, the survey did not include the market place elements, thus we do not know how far the Malaysian listed companies measure for this element.

Table 9: Examples of Measures

Dimensions	Measures
Community	<ul style="list-style-type: none"> • Total hours spent on sustainability projects • Percentage of pre-tax profits donated • The amount of services donated (equivalent value of the donated services)
Environment	<ul style="list-style-type: none"> • Total Water Withdrawal • Total energy consumption • Waste Recycled • Total CO2 Equivalent Emissions (kg,kg/ton product)
Marketplace	<ul style="list-style-type: none"> • Percentage of suppliers that have been environmental screened • Market share: Number of customers / users • Percentage of suppliers participated in vendor development programme
Workplace	<ul style="list-style-type: none"> • Average income level • Employment by gender • Total hours of employee training • Number of safety audits conducted

Source: Sustainability Measuring and Reporting. www.bursamalaysia.com

When asked about whether the company reports sustainability performance to the Board of Directors, almost 45 per cent of the respondents mentioned that they do report, while another 45 per cent stated that they did not report, and the remaining 10 per cent did not answer the question (see Figure 4).

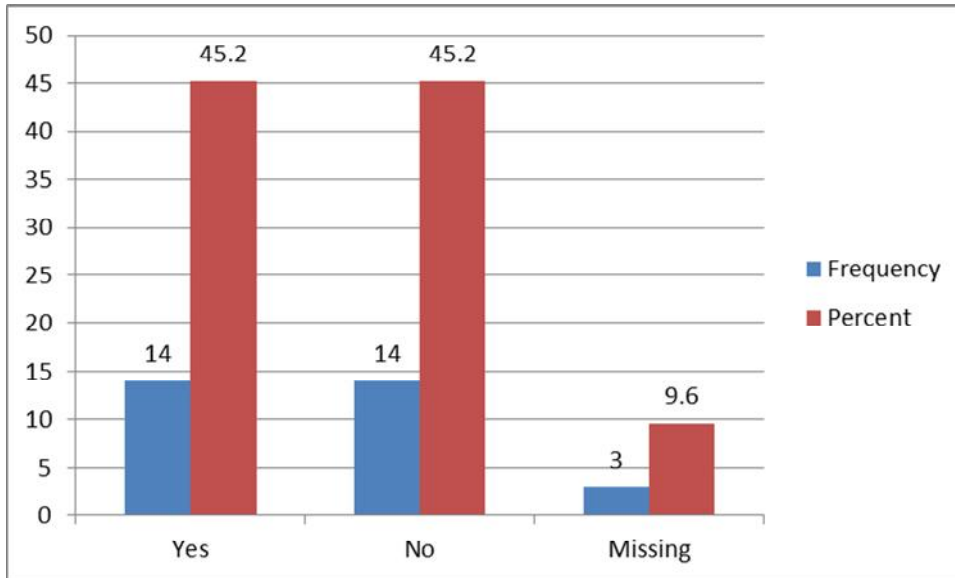


Figure 4: Report Sustainability to the Board of Directors

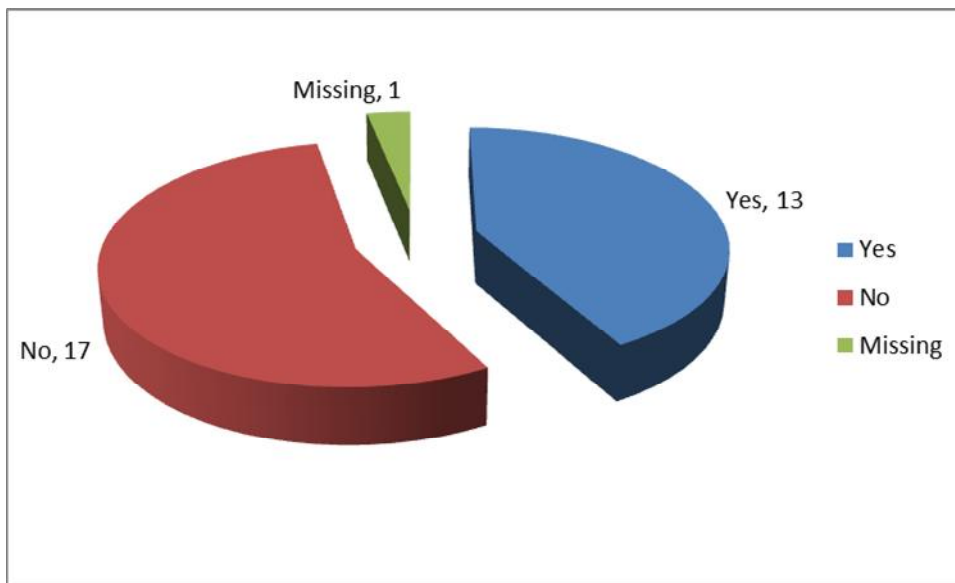


Figure 5: Sustainability Reporting

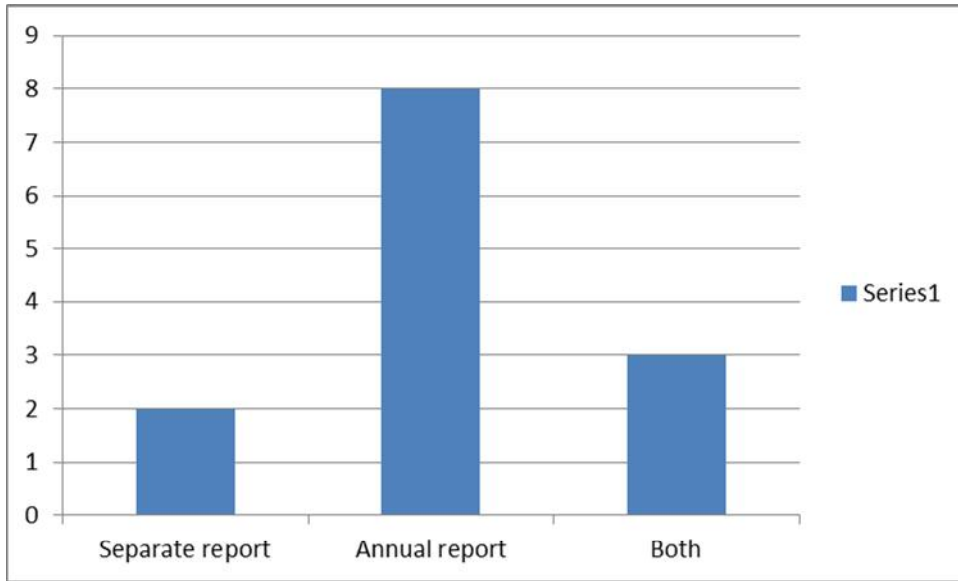


Figure 6: Sustainability Reporting Medium

The results in Figure 5 and 6 indicate sustainability reporting and medium of reporting. The results show that about 42% of respondents agree that their companies have report sustainability programs to the stakeholders. The respondents report sustainability programs either in the annual report, separate report, and both annual and separate report.

4.6 SUSTAINABILITY VERIFICATION AND ASSURANCE

The purpose of verification and assurance is to enhance the credibility of the company's sustainability report. According to Global reporting Initiatives (2013), external assurance can provide both users and internal managers with increased confidence in the quality of sustainability performance data, making it more likely that the data will be relied on and used for decision making. The results display in Figure 7 and 8 mention that Malaysian listed companies understudied have asked verification for sustainability elements report in their sustainability or annual report.

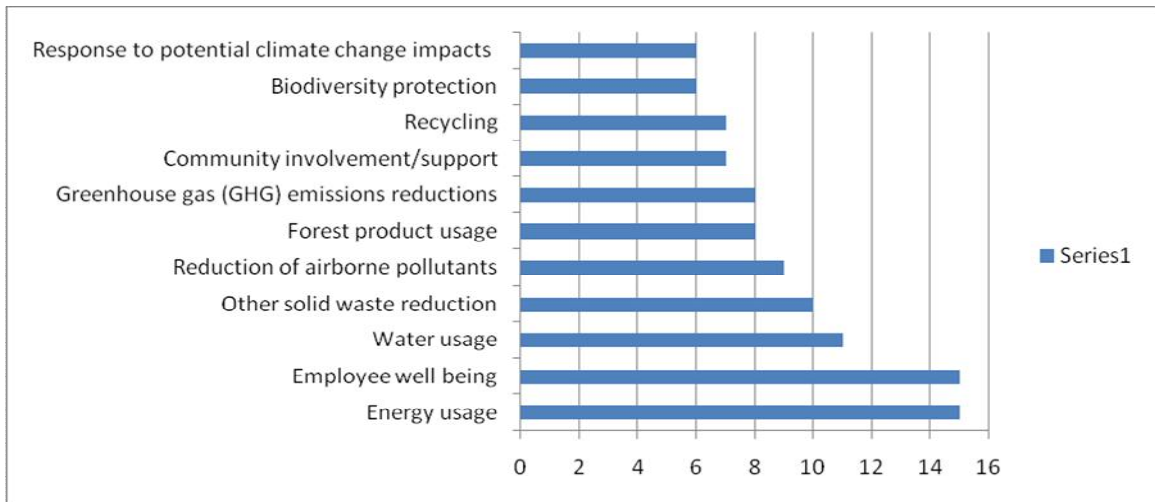


Figure 7: Sustainability Verification

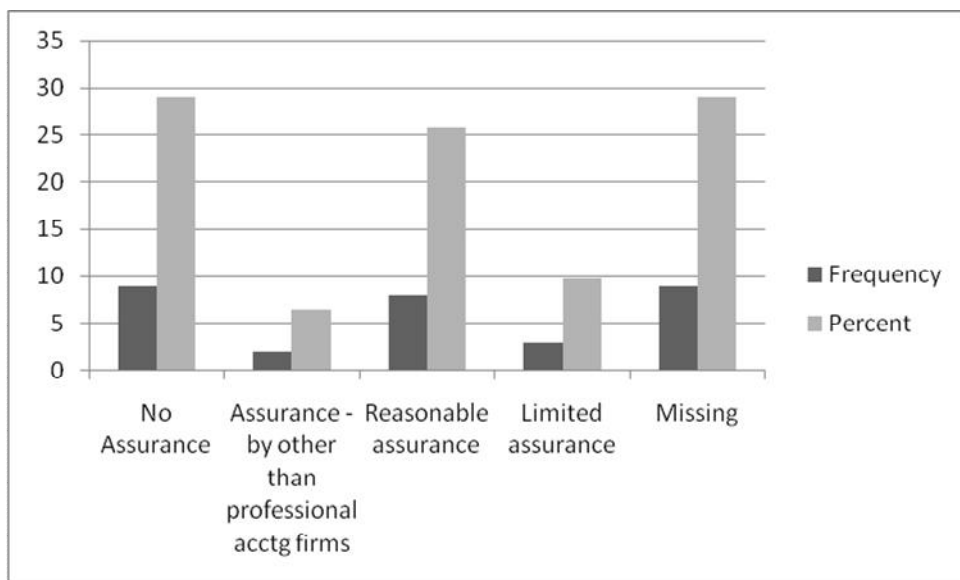


Figure 8: Sustainability Assurance

The most frequent sustainability elements that have been verified are energy usage (48%) and employee well-being and benefits program (48%). This followed by water usage (36%), other solid waste reduction (32%), reduction of airborne pollutants (29%), forest product usage (26%), greenhouse gas emissions reductions (26%), community

involvement (23%), recycling (23%), biodiversity protection (19%) and response to potential climate change impacts (19%).

From Figure 8, it shows that five companies (29%) stated that they do not request any assurance for the sustainability elements report. While other thirteen companies (42%) mentioned that they do request assurance either from third parties other than professional accounting firms or request limited and reasonable assurance from professional accounting firms. The survey done by PricewaterhouseCoopers, representing 12 different industries across 18 different countries identified that more than 75% of companies seek assurance on their CR reports to increase its credibility. The reasons for the assurance as cited by respondents are because to increase credibility of CSR report, internal assurance on performance data and systems, company policy to seek assurance, stakeholders asked for it, international ratings require assurance and part of the financial audit (PricewaterhouseCoopers, 2007).

It is encouraging to see that many companies in the sample had taken an initiative to seek for verification and assurance. Actually assurance for sustainability reporting is a new development in auditing services and not widely used in many regions. The two most commonly adopted standards for sustainability assurance are the International Standard on Assurance Engagements (ISAE3000) and the AA1000 Assurance Standard (AA1000AS). ISAE3000 is issued by the International Federation of Accountants (IFAC) and establishes principles and essential procedures for assurance engagements concerning non-financial information. AccountAbility's AA1000AS evaluates the adherence of an organization to the AccountAbility principles of materiality, inclusiveness and responsiveness and the reliability of associated performance

information. Both are technically complementary and can be used together in the assurance process (Bursa Malaysia, www.bursamalaysia.com).

4.7 THE INVOLVEMENT OF FINANCE DEPARTMENT IN THE SUSTAINABILITY PROGRAMS

As put forward by the three of the world's largest accountancy organizations (CIMA, AICPA and CICA), "To remain relevant, the accounting profession must take ownership and embrace business sustainability. Accountants can apply the necessary financial and commercial rigor to develop clear and measurable sustainability goals, 'decision-useful' and reliable sustainability reports and become change agents for a sustainable future." (www.cica.org). Sustainability programs can drive significant business benefits. However, in many organizations, its value is not fully realized (CIMA, 2011). The chief financial officer (CFO) plays a key role to drive business value from sustainability. The finance team has visibility into every part of the enterprise, and understands how it all fits together. CFOs usually fulfil key compliance and risk management roles; they are the board member most directly responsible for efficiency and cost control (CIMA, 2011).

From the survey, it shows that the top four roles played by the Finance departments are business case/investment analysis, tracking sustainability-related performance measures and integration of financial and sustainability information systems and internal controls over sustainability reporting information. The two lowest roles are involvement in environmental reporting and external sustainability reporting. The results indicate that

the Finance’s department is supporting two main sustainability business drivers – efficiency and compliance.

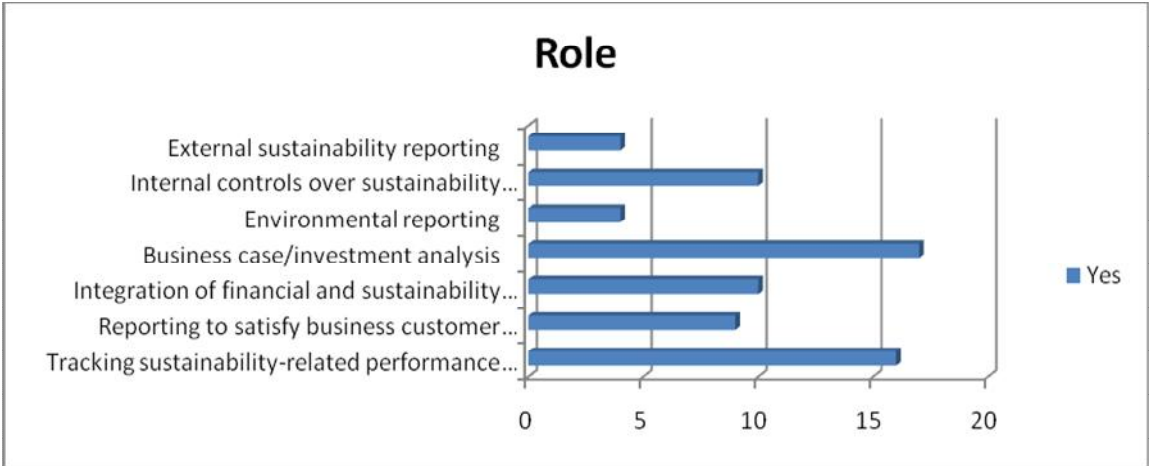


Figure 9: Finance Department Involvement in the Sustainability Programs

In AICPA, CICA and CIMA survey, the top three sustainability roles in the finance function were investment analysis, tracking KPIs and reporting metrics to meet business and customer needs. The survey by CIMA in 2009, shows that 66% of CFOs expect to play a leading or substantial role in sustainability performance management (CIMA, 2011). The high involvement of finance professionals or accountants in sustainability programs will assist organizations in significant business decision making, such as carbon trading and compliance with new climate change regulations and as a result will help organizations to achieve cost efficiency and competitive advantage.

5.0 CONCLUSIONS

The present study initiated an attempt to examine sustainability drivers, strategy and priority among Malaysian Listed Companies. The results showed that compliance with legal and regulatory requirements appeared as the main driver for sustainability practices among Malaysian Listed Companies. Competitive factors such as achieving competitive advantage, brand reputation and cost savings also ranked as important drivers. The results found that government grant or other incentives could not do much in motivating sustainability practices. The results also indicated that majority of companies had a formal sustainability strategy that been incorporated into the company's vision and mission, decision making, performance measurement and human resource policy. The study also found that companies put a high priority on sustainability activities. In terms of sustainability measurement, the results showed the companies do measure the sustainability efforts. The top five items ranked by respondents are employee well-being, energy usage, water usage, recycling, other solid waste reduction and community involvement. The findings highlighted that majority of the companies seek assurance for sustainability reporting as suggested by Bursa Malaysia. Finally, the study found that Finance department plays important role in the sustainability programs through its role in business case/investment analysis, tracking sustainability-related performance measures and integration of financial and sustainability information systems.

The findings have several implications. The results indicated that the main driver for sustainability initiatives are compliance with legal and regulatory requirements. The results implied that the Government and Regulatory Bodies should continuously monitor and introduce the standards, rules and guidelines for sustainability reporting. Without the

standards and compliance, companies are tend to provide less attention on this issue. The results of this study provide a view that top management aware of the benefits of corporate sustainability in terms of enhanced reputation, cost savings and customer demand. In line with this, Malaysian Listed Companies should continue an effort to enhance and improve their sustainability initiatives in order to achieve competitive advantage. The results also showed that Malaysian Listed companies do measure the sustainability items. The measurement and reporting of sustainability initiatives will help companies to understand and improve their operational processes, reduce costs, manage stakeholder needs and achieving competitive advantage. In future, companies should initiate an action to create a sustainability performance measurement that covers all dimensions of environmental, social and economic. Currently, there is no comprehensive sustainability performance measurement framework that consists of all these three dimensions. As mentioned by Singh *et al.* (2009), that many previous performance measurement frameworks focus on environmental dimensions and many companies have difficulties to develop social and economic performance indicators (Adam & Frost, 2008) and this provide a challenge to develop sustainability performance measurement framework. The results implied that professional accountants bodies could play an important role in developing robust sustainability performance measures, including non-financial indicators. Accountants also play a crucial role to promote sustainability in companies. Therefore, future accountants should have the skills and competencies to facilitate effective implementation, accurate measurement and credible reporting of sustainability initiatives.

The current study is also subject to limitations. One of the limitations is the small sample size that involved only 31 companies. A larger sample size is necessary for results to be

generalized to the entire public-listed companies. Notwithstanding of this limitation, the findings of this study shed a light on sustainability drivers and strategy. As to the best knowledge, there is a lack of research regarding sustainability drivers and strategy in Malaysia.

In this study, we found that majority of the companies in the survey claimed that they have a formal strategy relating to sustainability. However, implementing sustainability programs and producing integrated reports do not guarantee its success. The challenge is to manage sustainability strategies and translate them into a better financial performance (Huguen, Ludseged & Upton, 2014). Accordingly, future research in this area can look into how companies manage their sustainability initiatives and program, and integrate into their business models, products and processes. It is also interesting to search how companies measure and manage sustainability in their triple bottom line performance.

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10 December 2013

Name
Position
company

Dear Valued Participant,

I am a senior lecturer of Accounting at the Universiti Utara Malaysia (UUM). My research team is conducting industry research with regard to corporate sustainability practices in private company particularly among Malaysian listed companies. The study will examine the determining factors for sustainability practices and the measurements of sustainability that lead to revisit the existing framework into new framework of corporate sustainability.

Therefore, you are cordially invited to take part in this survey, as you are the person who can provide a true picture of the sustainability practices in your organisation. Although, this survey is voluntary, I hope you will participate in sharing your experiences through answering this questionnaire. I would most appreciate it if you could help us by sparing about 20-30 minutes to answer the questionnaire. Your response will help to contribute toward a greater understanding of the subject matter. You are most welcome to comment on any question or elaborate on your answers, please feel free to use the space provided in the questionnaire.

The information you provide will be kept strictly confidential and anonymous. It will be used only for the purpose of this research, and for future publication of academic or educational articles. Neither your name nor your organisation will appear in the report. The reference number is only for administration purpose. Please include your email address if you would be interested to receive a summary of the findings. I would really appreciate if you could return the questionnaire before **30 December 2013**.

Enclosed is a small token of appreciation as a way of saying thanks for your participation and commitment. If you have any questions or comments, please free to contact me at 04-9283977/012-4257275 or email rapiah@uum.edu.my.

Thank you very much for participating in this important study.

Sincerely,

Rapiah Mohamed
Senior Lecturer
School of Accountancy
Collage of Business
Universiti Utara Malaysia
06010 Sintok
Kedah Darul Aman



SURVEY

CORPORATE SUSTAINABILITY PRACTICES

Dear valued respondents,

This survey consists of TWO (2) parts. Part A is addressing sustainability drivers and strategy, sustainability program scope and priorities, sustainability measurement, reporting and assurance and the finance function's involvement in sustainability activities. Part B is on general information about you and your organization.

Please provide an accurate and the most appropriate answer to describe the current practices of corporate sustainability in your company. Kindly read carefully and answer all questions even though you may think them as irrelevant and you may have to guess the answer. Please spend about 20 to 30 minutes to fill up this survey.

Thank you

PART A

1. Please **circle** the scale to what extent critical sustainability drivers on the following activities:

1	2	3	4	5
Not At All	To A Little Extent	To Some Extent	To A Considerable Extent	To A Great Extent

1	Compliance with legal and regulatory requirements	1 2 3 4 5
2	Managing risk to the reputation of your company/ brand (s)	1 2 3 4 5
3	Achieving competitive advantage and long-term profitability	1 2 3 4 5
4	Efficiency and cost savings	1 2 3 4 5
5	Value set of company and/or its leaders	1 2 3 4 5
6	Customer demand for green/sustainable products	1 2 3 4 5
7	Public scrutiny over labour, sourcing, or other business practices	1 2 3 4 5
8	Employee attraction and retention	1 2 3 4 5
9	Supply chain vendor requirements	1 2 3 4 5
10	Government grants or other incentives	1 2 3 4 5

2. Does your company has a formal strategy related to sustainability? Please Tick [/]

Currently have Yes [] No []

If **Yes**, please go to Question 3

If **No**, do you:

Plan to develop in 1-2 years Yes [] No []

No planning Yes [] No []

3. How would sustainability be incorporated into your company strategy?

Please Tick [/]

Include into vision and mission []

Incorporated into business decision making []

Incorporated into performance measurement []

Include into human resource policy []

Others, please specify

4. To what extent is sustainability a priority for your company? Please circle.

1	2	3	4	5
Not At All	Low priority	High priority	Very high priority	Extremely high priority

5. Is sustainability aspect considered by your company in evaluating any new investment decisions including capital or other investments?

Yes [] No []

6. Does your company has a management council or special committee to manage sustainability efforts across the company?

Yes [] No []

7. Please circle the scale of importance of the following aspects of sustainability in your company?

1	2	3	4	5
Not At All	Important	Somewhat important	Very important	Extremely important

1	Energy usage	1 2 3 4 5
2	Recycling	1 2 3 4 5
3	Water usage	1 2 3 4 5
4	Employee well being and benefit programs	1 2 3 4 5
5	Community involvement/support	1 2 3 4 5
6	Social issues/causes (health, education, other)	1 2 3 4 5
7	Chemical waste discharge	1 2 3 4 5
8	Human rights (e.g. child labor)	1 2 3 4 5
9	Forest product usage – paper, packaging, wood	1 2 3 4 5
10	Other solid waste reduction	1 2 3 4 5
11	Reduction of airborne pollutants	1 2 3 4 5
12	Greenhouse Gas (GHG) emissions reductions	1 2 3 4 5
13	Response to potential climate change impacts (water availability, severe weather events, rising sea levels, etc)	1 2 3 4 5
14	Biodiversity protection	1 2 3 4 5

8. To what extent are the following business areas a priority for your company's sustainability efforts? Please circle.

1	2	3	4	5
Not At All	Low priority	High priority	Very high priority	Extremely high priority

1	Facilities (building)	1 2 3 4 5
2	Operations (processes)	1 2 3 4 5
3	Product design	1 2 3 4 5
4	Customer use of products	1 2 3 4 5
5	Supply chain (supplier/product selection)	1 2 3 4 5
6	End of life product disposal by/recovery from customers	1 2 3 4 5
7	Distribution and logistics	1 2 3 4 5

9. Please tick to indicate whether each of the following aspects of sustainability is measured by your company:

1	Energy usage	Yes		No	
2	Recycling	Yes		No	
3	Water usage	Yes		No	
4	Employee well being and benefit programs	Yes		No	
5	Community involvement/support	Yes		No	
6	Forest product usage – paper, packaging, wood	Yes		No	
7	Other solid waste reduction	Yes		No	
8	Reduction of airborne pollutants	Yes		No	
9	Greenhouse Gas (GHG) emissions reductions	Yes		No	
10	Response to potential climate change impacts (water availability, severe weather events, rising sea levels, etc)	Yes		No	
11	Biodiversity protection	Yes		No	

10. Does your company report sustainability performance to the Board of Director?

Yes [] No []

11. Indicate which, if any, of the following aspects of sustainability that are measured by your company are independently verified: Please tick [/]

1	Energy usage	Yes		No	
2	Recycling	Yes		No	
3	Water usage	Yes		No	
4	Employee well being and benefit programs	Yes		No	
5	Community involvement/support	Yes		No	
6	Forest product usage – paper, packaging, wood	Yes		No	
7	Other solid waste reduction	Yes		No	
8	Reduction of airborne pollutants	Yes		No	
9	Greenhouse Gas (GHG) emissions reductions	Yes		No	
10	Response to potential climate change impacts (water availability, severe weather events, rising sea levels, etc)	Yes		No	
11	Biodiversity protection	Yes		No	

12. Does your company report on sustainability?

Yes [] No []

If **Yes**, please tick [/], the following:

Separate report []

Annual report []

Both []

If **No**, please proceed to Question 13.

PART B: GENERAL INFORMATION

1. What is your position within the company?
(E.g. CEO, CFO, COO, Accountant, etc.) _____
2. How many years have you been in that position? _____
3. How many years have you been working for this company? _____
4. Do you have any professional qualification?
(E.g. ACCA, ICMA, etc.) _____
5. Please state your gender and age.
Male Female Age _____
6. What is your highest educational level?
SPM/STPM Diploma
Bachelor Masters
PhD Others, please state: _____
7. What is the total number of employees for this company? _____
8. What is your company's average annual sales revenue in the past three years?

9. Did your company receive any award for sustainability for the past three years?
Please state: _____

10. Please tick to categorise your company:
Industrial Consumer
Trading Others, please state: _____
11. Would you be willing to be contacted for any follow-up questions? Yes No
If **YES**, please attach your business card or state your telephone number or e-mail address. Phone no: _____(Off); _____(Mobile)
E-mail: _____

Please Attach Your Business Card Here

End of Questionnaire

THANK YOU VERY MUCH FOR YOUR TIME AND PARTICIPATION