

ENVIRONMENTAL REPORTING PRACTICES IN MALAYSIA: IS IT A MECHANISM FOR CORPORATE ACCOUNTABILITY AND STAKEHOLDER ENGAGEMENT?

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ABSTRACT

Environmentally-related practices among business corporations in Malaysia have received considerable attention from various groups of stakeholders. This study explores environmental reporting practices in Malaysia and emphasizes that the reporting practices serve as a means of communicating corporate accountability with a view to improving business-stakeholders relationship. A questionnaire survey was undertaken among Malaysian public listed companies to obtain information concerning their environmental reporting practices and their recognition of various relevant stakeholder groups. Corporate managers were selected as the sample for the purpose of administering the survey. A total of 141 responses were received out of which only 31 companies (22%) carried out some form of environmental reporting. These companies constituted the final sample for the study. The results of the survey indicate that corporate managers have taken positive steps in implementing environmental reporting practices. The positive steps include having various means of reporting, identifying stakeholder groups and engaging with them. The results also reveal that companies engage in environmental reporting to enhance their corporate image and to discharge their corporate accountability in meeting stakeholders' information demands.

Keywords: *Environmental reporting, corporate accountability, stakeholder theory, Malaysia*

Introduction

Issues concerning global warming, ozone depletion, environmental degradation along with social-related grievances such as rising poverty and unemployment, have heightened the pressure on corporations in regard to the need for greater awareness and accountability vis-a-vis sustainable practices. In view of such pressures that were being put to bear on the economic market, businesses have positively responded to the challenge by increasing their commitment and support for sustainable development practices and corporate social responsibility (CSR). One of the components that had received significant media attention was the environmentally-related practice. In response to such attention, proactive and 'responsible' business corporations began to initiate communicating relevant information through the process of environmental reporting in an attempt to improve the business-stakeholders relationship. The emergence of various modes of corporate environmental reporting reflects to a certain extent an awareness of the fact that the scope of corporate accountability is changing and improving to accommodate a wider spectrum of stakeholders.

Environmental reporting implicitly acknowledges that stakeholder engagement is in place; which is crucial for maintaining a sustainable business and to ensure that 'green' initiatives and performances are being communicated. Such stakeholder engagement i.e. environmental reporting echoes the growing expectations of citizens and stakeholders regarding the role of business in society. This engagement also signifies that business corporations recognize the strategic importance of CSR and its related activities in creating long-term wealth for their shareholders and society at large.

This study explores environmental reporting practices in Malaysia and emphasizes that the reporting practices serve as a means of communicating corporate accountability to various stakeholder groups with the ultimate aim of improving business-stakeholders relationship. This paper sheds light on the actual environmental reporting practices of companies operating in Malaysia. The need to focus on environmental reporting in Malaysia is important because prior literature indicates that the practice of environmental reporting in Malaysia is at its infancy stage and has yet to be successfully developed and implemented (e.g. see ACCA, 2004; Thompson and Zakaria,

2004; Yusoff, Lehman and Mohd Nasir, 2006; Darus, Arshad, Othman and Jusoff, 2009). Hence, this paper will attempt to enlighten how companies embark on communicating environmental information and performance publicly to their stakeholders.

This paper is structured as follows. Section two of the paper deliberates on the literature review relating to corporate accountability, stakeholder theory and environmental reporting. Section three explains the methodologies employed for the study while Section four presents the results and discussion of the study. Finally, Section five provides the concluding comments.

Literature Review

Corporate Accountability and Environmental Reporting

Corporate social reporting and accountability began in the 1980s with social reporting representing part of the conventional accounting system as well as functioning as a mechanism for corporate accountability (e.g. Gray, Owen and Maunders, 1987, 1988, 1991). Corporations have a social contract with the society in which they operate; hence they are constantly made aware of their obligations in regard to the fulfillment of accountability. Accountability represents the right to receive information and the duty to supply information (Gray et al., 1988); where a company is deemed accountable when it discloses social and environmental information to external users. Williams (1987) offers a general definition of accountability as:

...an obligatory relationship created via transactions in which one party is expected to give an account of its actions to other parties (p. 170).

The development of an accountability system encompasses two main purposes, namely; to establish closer social relationships and to increase an organization's transparency (Gray, 1992). Gray, Owen and Adams (1996) describe accountability from the economic perspective based on the corporation–shareholders relationship. This relationship requires company to produce financial information that informs the extent of compliance with standards, laws, and other forms of regulations. The extent of compliance forms an accounting basis for accountability and transparency that enlightens

the public about the use of resources, the benefits, and the burdens a company endures. In relation to that, the public is concerned about the business accountability on whether they are doing what they are supposed to do, and that matters of serious concern have been well-communicated. In terms of environmental accountability, Gray (1992) asserts that the concept of accountability cultivated in accounting systems helps inform firstly to corporate interest groups about the extent of corporate environmental activities, and secondly, to society as a whole on how competently a corporation manages its resources as well as maintains and sustains the environment. Therefore, environmental reporting is a form of corporate response mechanism predicated on their business commitment to socio-environmental accountability, in tandem with their financial-market agenda. In line with that, environmental accounting and reporting have grown from being a subset of traditional financial accounting to become an integral part of public communications i.e. towards greater “organizational transparency, stakeholder accountability and participative democracy” (Owen, Gray and Bebbington, 1997, p. 195).

Environmental reports are deemed as the “...window into the organization—transparency—the account through which the internal world of a company was viewed by the outside world” (Gray, Walters, Bebbington and Thompson, 1995, p. 231). In terms of organizational transparency improvements, Gray et al. (1996, p. 42) describe transparency through social and environment accountability as being valuable in the sense of:

1. helping to socially reconstruct the organization;
2. causing “information inductance”, whereby the information one is required to report tends to influence not just the behaviour of the recipient (i.e. society) but also the creator and transmitter of the information (i.e. company management);
3. bringing the organization and the results of actions into closer conjunction via the transparency engendered by heightened levels of accountability.

Schweiker (1993) argues that accountability from an economic theory perspective constitutes the reasonableness of a person of his or her actions to society through the act of giving accounts. This concept of accountability portrays the economic subject as a 'moral-economic self'. This leads to a demand for explanation and justification concerning business environmental conduct, and acknowledgment that corporations have to realise that they are part of the community, and inevitably are accountable not only to themselves, but to a wider community. In the case of the Asian region, Bhattacharyya (2011) discovers that the environmental attitudes are highly influenced by regulatory pressures. Such a finding indicates that mandatory disclosure requirements may generate a higher incidence of environmental reporting practice and consequently result in a higher degree of environmental accountability (also see Cummings, 2006).

Stakeholder Theory and Environmental Reporting

A common theory utilised by researchers in explaining the motivations of organizations to practice environmental reporting is the stakeholder theory. Ullman (1985) highlights the two branches of stakeholder theory which comprise of stakeholder accountability and stakeholder management. Owen, Swift and Hunt (2001) contend that the latter branch of the stakeholder theory tends to support the managing of stakeholders rather than the discharge of accountability. Hence, the stakeholder theory is often argued primarily as a market-based theory in which corporations constantly seek to know how stakeholders can be of benefit (Gray, Dey, Owen, Evans and Zadek, 1997; Belal, 2002) and that resources and stakeholder power are the factors influencing voluntary social and environmental disclosures (Gray et al., 1997). In view of the existence of two major stakeholder groups i.e. primary and secondary (see Freeman and Reeds, 1983), it is pivotal that corporations do not maximize the benefits for a particular group of stakeholders or to the disadvantage of the others. Therefore to enhance corporate accountability, a company needs to prepare and present relevant information to fulfill various information demands (Azzone, Brophy, Noci, Welford and Young, 1997). The stakeholder theory states that:

... [T]he corporations' continued existence requires the support of the stakeholders and their approval must be sought and the activities of the corporation adjusted to gain that approval. The more powerful the stakeholders, the more the company must adapt. Social [and environmental] disclosure, is thus, seen as part of the dialogue between the company and its stakeholders (Gray et al., 1995a, p. 53).

The act of identifying primary needs of each group of stakeholders is crucial in deciding the types of environmental information to be produced. In relation to social and environmental disclosure practices in corporate annual reports, it has been argued that it is useful for corporations to effectively manage the needs of multiple stakeholders (Neu, Warsame and Pedwell, 1998). As found by Bewley and Li (2000), companies are compelled to accommodate the different information needs of stakeholders, which consequently lead to the preparation of general and financial types of environmental information. Market-based studies relating to corporate environmental reporting suggest that financial-related information (such as environmental costs and liabilities) is relevant and important to financial stakeholders (e.g. Li, Richardson and Thornton, 1997; Cormier and Magnan, 1999). In comparison, environmental information, other than the financially-related, has been found to be useful to 'other' stakeholder groups, including government authorities, employees, NGOs, and the general public (e.g. Deegan and Rankin, 1996; Bewley and Li, 2000). Generally, the existence of multiple stakeholder groups encourages the need to adopt different corporate strategies for differing objectives, including those for the purposes of company survival, economic well-being, damage control, opportunity-seeking initiatives, competitive advantage, and public policy effects.

As the theory represents the perspective skewed towards the support of stakeholders who are crucial to the establishment of a corporation (Gray, Kouhy and Lavers, 1995b), it therefore follows that primary concern lies with how an organisation manages its stakeholders (Gray et al., 1997). Roberts (1992) who empirically examined social reporting activity using Ullman's (1985) stakeholder framework in a study on the disclosure practices of 130 major corporations selected from the Council on Economic Priorities' (CEP) list, discovered a significant correlation between stakeholder power, strategic posture, economic performance and the levels of social and environmental disclosures. This finding indicates that the more critical the stakeholders'

control, the more likely companies will attempt to satisfy the demands of stakeholders and that the reporting practice will be positively viewed as a strategic management tool. They appear to support the idea that the environmental reporting practice will be a useful strategy to capture the interest and sustain the support of powerful stakeholders (also see Deegan and Blomquist, 2006).

Jawahar and McLaughlin (2001) discuss the different strategies corporations adopted in their attempts to deal with different stakeholders, and how these strategies may change over time. One particular stakeholder group can be more effective than others in demanding social responsibility disclosures (Neu et al., 1998), thus adding another challenge to the task of identifying prime corporate stakeholders (Buysse and Verbeke, 2003). A company, in relation to this, can employ either the active or passive approach to strategically produce environmental information to the various groups of stakeholders. An active approach denotes attempts to influence stakeholders, while a passive approach occurs when there are no business justifications for either continuous monitoring of stakeholders' activities or an optimal strategy towards stakeholders (Ullman, 1985). From this theoretical perspective, reporting is considered to be a proactive strategy of corporations and in relation to environmental reporting it represents a company's effort to disseminate information relating to its environmental performance.

Environmental Reporting in Malaysia

Research in Malaysia pertaining to corporate social and environmental reporting has been increasing in recent years. In general, a number of studies have concluded that social and environmental disclosures in Malaysia are minimal, and low in both quality and quantity (e.g. Nik Ahmad and Sulaiman, 2002, b; Jaffar, Mohd Iskandar and Muhammad, 2002; Thompson and Zakaria, 2004; Yusoff et al., 2006; Sumiani, Haslinda and Glen, 2007). In addition to that, prior literature has also revealed a gap in the corporation-stakeholder communication linkages concerning corporate social responsibility information (e.g. Mohamed Zain, Mohammad and Alwi, 2006). Overall, these Malaysian findings provide some insights into the embryonic level of environmental reporting practices in Malaysia (also see KPMG International Survey of Corporate Responsibility Reporting 2005).

A marginal improvement in disclosure is noted through the survey findings from ACCA (2004), with a small increase (from 7.7% to 10%) in environmental disclosures between 2002 and 2003. Yusoff, Yatim and Mohd Nasir (2005) studied the environmental reporting practices from a sample of Malaysian companies (with a clearly-defined corporate environmental policy) and found minor improvements in the quality of environmental disclosures between 1999 and 2002, particularly in relation to descriptive and qualitative environmental information. A longitudinal study (1995 to 1999) pertaining to CSR by Muhammad Jamil, Alwi and Mohamed (2002) indicates some improvements in reporting although only at a low level. Their study focused on five themes associated with CSR which comprised of human resource, environment, community involvement, product, and consumers. In their five-year study, environmental disclosures turned out to be the least reported dimension of CSR information i.e. only between 5% and 8% of the total CSR disclosures (ibid., p. 8). Chan (2000) who examined the social and environmental disclosures in Malaysia – type, quantity and themes – found that 90% (36 of 40) of Malaysian companies made some form of disclosure. In particular, environmental information represented 13.3% of the total disclosures, which ranked it third after human resource and community issues information.

In 2006, Yusoff et al. investigated corporate environmental reporting from a discourse perspective which encompassed various Malaysian corporate environmental engagements. The study argues that the Malaysian environmental disclosures are used as a means of articulating messages about corporate engagements and/or initiatives. Their findings reveal that the narrative form of environmental messages are utilised by companies as their main strategy to meet stakeholders' demands, and to legitimize their business position. In addition, these findings imply that despite the rather low corporate reporting practices in Malaysia, companies in this country recognize the existence of stakeholders environmental information. The findings also signify that environmental disclosures prepared are useful to the various groups of stakeholders.

To recap, the findings from prior literature provide some insights into how companies in Malaysia articulate their environmental information. Furthermore, the reporting patterns indicate that Malaysian companies are aware of the existence of various groups of users/stakeholders who are

keen about corporate environmental information. Corporate accountability and the stakeholder theory have been used to underpin the motivations for Malaysian companies to disclose environmental reporting. It has also been argued that companies in Malaysia disclose environmental information as a means to discharge their accountability and to simultaneously meet the demands of the various groups of stakeholders.

Methodology

Sample and Data Collection

A questionnaire survey was conducted among Malaysian public listed companies to obtain information concerning their environmental reporting practices and their recognition of the various relevant stakeholder groups. Corporate managers were selected as the lead sample for the purpose of administering the questionnaire survey. They were considered the most appropriate candidates in light of their authority over corporate accounting and reporting systems, possessed relevant accounting backgrounds and in-depth knowledge of the overall corporate information systems. They were therefore, in a position to comment on the company's environmental reporting practices (also Freedman and Stagliano, 1992; Wilmshurst and Frost, 2000). In total, 671 companies were selected as the sample for this study. This sample size represented approximately 74% of the total number of listed Malaysian companies in the year the study was carried out. The sample selection was based on the double sampling method (i.e. stratified sampling) premised on the homogeneous nature of the sectors into which the publicly listed companies on Bursa Malaysia were categorised. Following that, a simple random sampling was then employed to identify the sample of companies in each industry sector.

The questionnaire framework was developed by taking into account issues raised in prior literature. In particular, the components used by Bebbington, Gray, Thomson and Walters (1994), Deegan, Geddes and Stauton (1995), Deegan and Gordon (1996) and McGowan, Lehman and Smith (2000) formed the initial structure for the survey. It comprised of key questions including current environmental reporting practices and managers' perceptions about their companies' practices. It was then further augmented

to examine and understand the motivations for corporate accounting and reporting of environmental matters, as well as the commitment of corporate managers to integrate environmental issues into the accounting and reporting system. The questionnaire adopted a five-point Likert-scale that ranged from 'strongly disagree' to 'strongly agree'. The survey also employed a closed question approach to reduce subjectivity, facilitate the statistical analysis process and discourage incomplete and vague answers (Fowler, 1993). Survey participants were adequately assured of the confidentiality of their responses. Prior to the actual distribution of the questionnaires, a pilot survey was carried out to pretest the survey instrument for its comprehension, clarity, ambiguity and difficulty (Punch, 2003). In addition, two follow-up exercises that involved reminder letters and phone calls were conducted to increase the response rate to the study (e.g. Vaus, 2004; Neuman, 2006). As a result, the 141 questionnaires received were deemed as usable responses; hence a commendable (21.4%) response rate¹.

The validity of the survey responses received was examined for the presence of response/non-response biases. As a precautionary measure, respondents were requested to state their respective academic background, occupation, and position in order to ascertain the veracity of the submissions and eliminate the element of uncertainty about who had completed the questionnaire. This was further augmented by using the extrapolation method in managing the presence of non-response bias. Using the Mann-Whitney U tests, independent groups were tested and no significant median difference (at 0.05 significance level) for all items tested were detected. Therefore, these results confirmed the validity of the survey responses.

Results of Study

This section outlines the information related to the sample companies surveyed and categorized according to their industry type and their environmental reporting practices. Figure 1 presents the responses based on the industry sectors surveyed. A total of 141 responses were received encompassing nine industry sectors of Bursa Malaysia (BM). While companies in the Infrastructure sector were the least responsive (1.4%: 2

¹ Previous local studies had recorded low responses of between 15 and 20% (e.g. Shaari, Nik Ahmad and Sulaiman, 2004; Nik Ahmad, Sulaiman and Shaari, 2005). Another survey relating to Malaysian reporting practices conducted by Jaffar and Buniamin (2004) failed to indicate the response rate, while a management accounting survey undertaken in Malaysia by Hui and Yau (2004) achieved only a 7.8% response rate.

companies), the majority of the respondents were from the Trading and Services sector (29%: 41 companies).

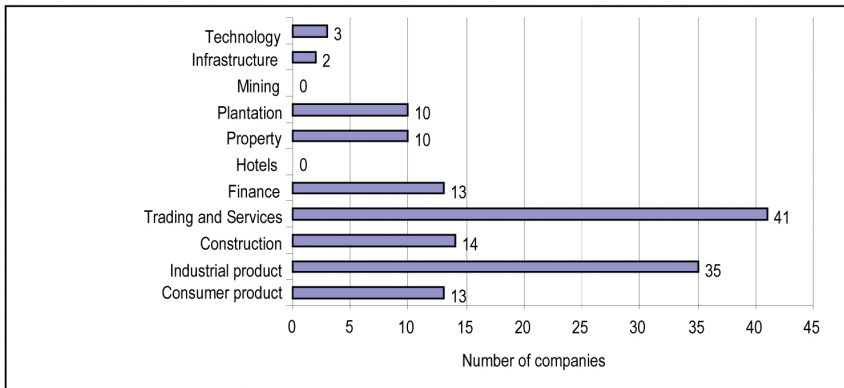


Figure 1: Malaysian Response Based on Industry Sector

Of the total 141 responses gathered, only 22% (31 companies) had some form of environmental reporting, and these companies made up the final sample for this study. Although this finding appears to support the widely-held view that environmental reporting practices in Malaysia are still at an embryonic stage; nevertheless, some improvement is evidenced through the practice of using various means of reporting (see Table 1).

Table 1: Means of Reporting Environmental Information

Type of reports	Frequency	%
Annual report	25	17.7
Stand-alone report	6	4.3
Corporate brochures/newsletter	5	3.5
Newspaper/magazines	2	1.4
Others	8	5.7

Note. The percentage (%) represents the fraction of total respondents.

Corporate annual reports represented the primary form of environmental reporting (17.7%), followed by stand-alone reports—separate environmental or sustainability reports, corporate brochures or newsletters, and other means of communication including government compliance reports, corporate websites, management and business reports, and stakeholder

engagements. The fact that the findings affirm the annual report as the primary form of reporting is consistent with the stance of prior studies. It is also a confirmation of the belief that its position as the most significant source of environmental information was due to statutory compliance requirements, regular production, a high degree of credibility (Tilt, 1994; Gray et al., 1995b), being widely available (Deegan and Rankin, 1997; Hughes, Anderson and Goldenc, 2001), and highly preferable by many stakeholder groups (Deegan, Rankin and Tobin, 2002).

The corporate shift in reporting environmental information via other means (other than the annual report) also indicates that Malaysian companies are aware of and acknowledge the information demands by a wider group of stakeholders (also see Tilt, 1994; Adams and Frost, 2006; Gallhofer, Haslam, Monk and Roberts, 2006). These findings imply that companies are taking the initiative to communicate environmental information to various stakeholder groups. It also signifies corporate effort in moving towards improving transparency and accountability as well as managing stakeholders' needs and demands for green and 'good' practices (also, see Gray et al., 1997; Owen et al., 2001).

Respondents of the survey were also requested to rank the various stakeholders as their primary audience for environmental disclosures. The ranking was based on a 5 point-Likert scale: 1 to 5 with '1' = most important, '2' = important, '3' = somewhat important, '4' = somewhat less important and '5' = less important. Table 2 presents the results of the ranking of the stakeholders in respect of environmental information as perceived by the respondents, based on the frequency of occurrences. The majority of the survey respondents i.e. approximately 97% (30 of 31) had ranked *government* as the primary audience for environmental disclosures with *shareholders* ranked second (94%) while *employees* were ranked third (90%). The least perceived stakeholder group for environmental disclosures was the *suppliers* (35%, 11 of 31 respondents). However, even though the *shareholders* scored second based on the frequency of ranking, they were perceived to be the most important audience [ranking of '1' (69%)] by the respondents. Interestingly, the *government* which was ranked first in terms of frequency turned out to be the least important audience within the also had the highest score for '5' (26.7%). This suggests that the companies are disclosing environmental information primarily to the government or

regulators to comply with existing regulations and guidelines but do not consider them to be their most important stakeholder. Their main concern is to fulfill the accountability expectations from their shareholders in order to capture their interest and to sustain their support. The findings on the other perceived audiences of environmental disclosures such as employees, NGOs, and community members have also revealed that Malaysian companies are becoming aware of their responsibilities to communicate environmental information to the society at large, and to not merely focus on those stakeholders that are concerned with their economic welfare.

Table 2: Primary Audience of Environmental Disclosures

Audience	Frequency	1	2	3	4	5
		Percentage (%) of respondents				
Shareholders	29	69.0	13.8	6.9	3.4	6.9
Employees	28	7.1	32.1	17.9	21.4	21.4
Suppliers	11	18.2	-	54.5	9.1	18.2
Government	30	16.7	26.7	10.0	20.0	26.7
Community members	23	21.7	4.3	26.1	21.7	26.1
NGOs	25	4.2	20.8	37.5	25.0	12.5
Customers	19	26.3	21.1	-	31.6	21.1
Others	5	-	25.0	-	75.0	-

In terms of the mechanism used for stakeholder engagement, 32.3% (10 of 31) companies indicated that the stakeholder input mechanism was used by their companies. Table 3 presents the mechanisms used by the respective companies relating to their stakeholder engagement activities such as feedback cards, advisory committees, consultations, external verifications and stakeholder dialogues. These responses put forward a preliminary finding that environmental reporting companies in Malaysia are taking proactive steps towards stakeholder engagement by developing various mechanisms to foster a closer relationship with their stakeholders.

Table 3: Type of Stakeholder Input Mechanism

Mechanism	Frequency	%
Feedback card	6	30.0
Public advisory committee	3	15.0
Consultation	4	20.0
External verification	1	5.0
Stakeholder dialogue	5	25.0
No idea	1	5.0
Total	20	100.0

Table 4: Motivation for Environmental Reporting

Motives	5	4	3	2	1	Mean	S.D
	Percentage (%)						
Fulfils stakeholders' needs and rights to the information	45.2	-	22.6	32.3	-	4.23	.8
Represents corporate environmental responsibility	61.3	-	6.5	32.3	-	4.55	.6
Enhances corporate image	80.6	-	3.2	16.1	-	4.77	.5
Fulfils suppliers' requirement	-	19.4	54.8	19.4	6.5	2.87	.8
Develops better relationships with stakeholders	12.9	54.8	29.0	3.2	-	3.77	.7
Complies with corporate environmental policies	58.1	22.6	16.1	3.2	-	4.35	.9
Effective practice to dispel rumours on company's activities	12.9	19.4	45.2	16.1	6.5	3.16	1.1
Practices transparent reporting system	64.5	19.4	16.1	-	-	4.48	.8
May pre-empt a legally imposed requirement	6.5	45.2	38.7	9.7	-	3.48	.8
Responses towards global environmental issues	48.4	29.0	16.1	6.5	-	4.19	.9
Improves corporate environmental management system	38.7	25.8	35.5	-	-	4.03	.9
An evidence of the true and fair view of operations	45.2	38.7	12.9	3.2	-	4.26	.8
Attracts more investments	16.1	12.9	58.1	12.9	-	3.32	.9
Enhances company's opportunities to access wider market	16.1	32.3	48.4	3.2	-	3.61	.8
Helps company identify opportunities for costs savings	12.9	51.6	22.6	12.9	-	3.65	.9
Others	-	-	100.0	-	-	3.00	.0
N = 31							

1 = strongly disagree; 2 = disagree; 3 = moderate; 4 = agree; 5 = strongly agree

* Others: compliance with environmental best practice

Apart from exploring the current environmental reporting practices among Malaysian companies, the survey also sought information concerning the reasons for corporate environmental reporting. It contained 16 questions that requested the respondents to disclose their motivation for disclosing the environmental information publicly.

Table 4 presents the percentages and mean scores that reflect the motivations for environmental reporting practices amongst the companies. In general, the responses were skewed towards *moderate* and *strongly agree*; almost all statements had a mean score of above 3.00. The highest mean score was 4.77, in which 80.6% of the respondents strongly viewed environmental disclosures as a mechanism used to *enhance corporate image* (also see Bebbington et al., 1994; Deegan and Gordon, 1996; Deegan and Rankin, 1996). The lowest mean score was 2.87; which was related to *fulfils suppliers' requirements*.

Table 4 indicate that Malaysian companies disclosed environmental information in order to enhance their corporate image. The existence of multiple stakeholder groups, especially the government and shareholders have stimulated various 'green initiatives' by the companies to ensure achieving future competitive advantage which would consequently lead to an enhancement of their corporate image. Nevertheless, engagement in environmental practices should not be viewed merely as a public relations exercise to improve corporate image but such engagements should also reflect the companies' internal values. Malaysian companies should embrace environmentally sustainable practices by attaching greater importance to the urgent issue of protecting the environment and should also be ethically driven to undertake environmentally-related activities in line with global calls for green business and green living. Additionally, companies that disclosed environmental information were deemed to have also discharged their corporate accountability for a view of company's social contract with its stakeholders. The study findings imply that environmental reporting represents a business-response mechanism towards the commitment to environmental accountability and transparency to society, in tandem with the company's profit-making agenda (also see Bebbington et al. 1994; Frost and Wilmshurst, 1996; Wilmshurst and Frost, 2000; McGowan et al., 2000; Nik Ahmad et al., 2005). Overall, these findings suggest a semblance of consistency in the belief that reporting practices are instituted based on the

fundamental need for accountability and complement the dynamics inherent to the stakeholder theory.

The study also explored the company's future plans for environmental reporting. Table 5 indicates that 30 of 31 (96.8%) sampled Malaysian companies planned to continue with their current reporting practices; thereby indicating a promising future for the successful implementation of environmental reporting in Malaysia. Additionally, these companies chose corporate annual reports and stand-alone reports as their main forms of communication in respect of environmental reporting in the future.

Table 5 Future Plans for Environmental Reporting

Future Plan	Frequency	Total (%)
Yes	30	96.8
No	1	3.2
Total	31	100.0

Conclusion

Overall, this study offers a preliminary insight into the efforts and initiatives made by Malaysian companies in communicating environmental information. The results of the survey indicates that corporate managers have taken positive steps to undertake the task of engaging with environmental reporting practices. These positive steps included adopting various means of reporting, identifying and engaging with stakeholder groups, acknowledging that environmental reporting was important for companies and their stakeholders and ultimately, having a promising future plan for environmental reporting.

Malaysian companies engaged in environmental reporting with two objectives i.e. to enhance their corporate image and to discharge their corporate accountability in meeting the demands of their stakeholders. This suggests that Malaysian companies are engaging in environmentally-related activities in order to stay competitive in the current environmentally conscious global business market. Finally, the findings of the study also put forward an idea that Malaysian companies are aware of the important end-

users of their environmental information and that they used the information as a strategic mechanism for stakeholder engagement.

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