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SUSTAINABILITY REPORTING FOR THE MALAYSIAN COMPANIES: A PRELIMINARY STUDY

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There are no individuals' bear any responsibility for the errors and omissions that conceivably transpire and all accountability utterly lies with us.

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ABSTRACT

This study is conducted in order to explore the disclosures and reporting done by companies listed in the main board at Bursa Malaysia. The sustainability reporting is perceived to be important by the minority or majority shareholders in making decision. Furthermore, this research is conducted to delve into the amount of information disclose and report for the 195 companies selected from the main board listed in Bursa Malaysia. This study is based on the GRI Sustainability Reporting Guidelines (2002) that highlighted six main categories of an ideal sustainability reporting; that are stated accordingly as direct economic impacts; environmental; labour practices and decent work; human rights; society and product responsibility. Findings indicate that 195 companies (34%) out of 578 listed in the main board disclosed at least one element of sustainability reporting. The disclosures focus more on the related area concerning with monetary flows from customers by observing the net sales of the companies, corporate structure of the companies, location and size of lands owned, board composition, social impact on community and product services. However, the findings of this research showed that companies are still behind in disclosing the information regarding to human rights performance; water usage; energy; emissions, effluents and waste. Relatively, few companies report on social issues, but more attention is given to the policies and descriptions rather than on performance information, as in the case with environmental information. This study attempts to indirectly assist in improving the quality of disclosures among Malaysian companies and to create awareness on the importance aspects of accountability (Maunders and Burritt 1991; Gray et al. 1996) and transparency from the stakeholders and public perspective as a whole (Pratt 2003).

Keywords: Corporate Social Reporting, Sustainability Reporting

1.0 INTRODUCTION

The emerging market in Malaysia has indirectly changed the ways in which business is conducted. With the establishment of Multimedia Super Corridor status has shown a tremendous development towards information technology as a means of communication.

The growth of the Internet as a medium of delivering business reporting information has altered the way information flows from companies to investors and creditors. That structure will continue to change as companies bring new technologies to the process and as information users find new ways to gather and analyse information. In an October 18, 1999 speech, Securities and Exchange Commission (SEC) Chairman Arthur Levitt observed:

> *The behind-the-scenes feeding of material non-public information from companies to analysts is a stain to our markets. This selectiveness is a dis-service to the investors and it undermines the fundamental principle of fairness….I appeal to companies, in the spirit of fair play: make your quarterly conference calls open to everyone, post them on the Internet, invite the press.*[1]

There are an increase number of companies worldwide having World Wide Web (Web) sites on the Internet[2]. These Web sites reveals a very wide diversity in terms of content and presentation of information. Content ranges from entire annual reports, quarterly

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[1] "Quality Information: The Lifeblood of Our Markets," remarks by Chairman Arthur Levitt, Securities and Exchange Commission, The Economic Club of New York, New York City, October 18, 1999.

[2] The Internet is a grouping networks that interoperate under a common suite of standards. The internet supports a number of protocols, including FTP, Telnet and the World Wide Web. The Web is a set of protocols for the publishing of information and for the interpretation by a computer client of that information.

statements, and press releases to the end of spectrum where companies display only summary information.

Paralleling the rapid growth in Web-based business, the financial reporting has altered a remarkable demand of information by online investors. Many of these investors conduct their trading and research via the Web without any personal guidance from brokers or other investments professionals. The issues in reporting especially what to disclose has became a much more important. The types of disclosures to undertake, the quality of the disclosure as well as the guidelines to follow are still in array.

The term and concept of sustainability reporting has grown out of a related concept known as sustainable development. In the 1980s, the United Nations set up the World Commission on Environment and Development, also known as the Brundtland Commission. The Commission produced a 1987 Brundtland Report entitled, "Our Common Future," defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs."

One interpretation of the concept and principles set forth in the Bruntland report is "sustainable development means conducting business in a way that meets the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources needed tomorrow" (International Institute for Sustainable Development, 1992). In consequence to this, the sustainability reporting is designed to provide information on an entity's environmental, social and economic performance and impacts and their initiatives for improving their performance in these areas. The Sustainability Working Party of the European Federation of Accountants (FEE) defines the objective of external environmental reporting as being:

> *"The provision of information about the environmental impact and operational performance of an entity that is useful to relevant stakeholders in assessing their relationship with the reporting entity."*

Pressure to issue reports on non-financial measures emanates from a growing body of stakeholders including competitors and peers, customers, shareholders, potential investors, the media, employees, and lobby groups. For a number of entities, highly publicised examples of their failure to address non-financial value issues have resulted in significant adverse publicity, payment of heavy penalties, and a negative impact on brand value. As a result, entities are becoming increasingly aware of the need to be accountable for all aspects of their performance, not just financial performance, and, moreover, to act responsibly by reporting on it.

Public concern over the conduct of business has continued to grow and in some areas has intensified in recent years. Through the Web, this concern has put companies under a critical spotlight, as stakeholders demand the right to know the impacts companies are having on the environment and society and the steps taken in overcoming these impacts.
Despite the growing information becoming available, it is imperative to the companies in addressing two issues related to the matters. Firstly, the vast majority of companies release very little information on their performance on environmental and social issues.

The immense growing resources of guidance and encouragement make available to the companies will eventually straightened the difficulty for companies on the issues "what to report". Secondly, where companies release information in the form of separate environmental, social or sustainability report, the information often fails to meet the needs of the targeted audiences. By referring to this situation, the companies should incorporating Web reporting as their communication strategies to provide information for users.

The growth in Web-based reporting globally also gives great impacts in Malaysia. The total of 973 companies with MSC status [3] and the numbers of companies linked to Bursa Malaysia are also increased. Thus, this study will address the matter regarding the sustainability reporting disclosures on the companies Web sites with respect to the advancement in the information edge in Malaysia.

2.0 THE MOTIVATION OF THE STUDY

This research is conducted due to the findings from William (1999) that companies in Malaysia and Hong Kong are lacking in providing more corporate social disclosure on the Web Sites. The studies done by previous researchers are more on the Corporate Social Responsibility that added value to the environment and social responsibility at large. However, Beets and Souther (1997) argues on the importance and development of environmental reporting through Internet can be observed through the increasing numbers

[3] Data is obtained from the Web site http://www.msc.com.my

of companies' environmental Web sites. This study will explore further on the impacts on economics towards the products, services and the organization itself.

Secondly, the Global Reporting Initiative's (GRI)[4] has provided a comprehensive Sustainability Reporting Guidelines 2002 in disclosing on environment, social, economic performance and impacts and initiatives for improving performance. Sweden, Canada, the Netherlands and France have all taken steps towards adopting sustainability reporting for the companies. Thus, this inspires the authors to conduct the study to explore the amount of disclosures reported in the Bursa Malaysia main board listed companies in Malaysia. The GRI Sustainability Reporting Guidelines (2002) will indirectly increase the level of transparency and assurance to companies issuing sustainability reporting. Woods (2003) clarified that the demand of non-financial accounting through sustainability reporting will heightened interest in sustainable development and enhance awareness as well as demand for the reporting.

3.0 THE OBJECTIVES OF THE STUDY

To the researchers knowledge, there is no published study conducted to date in investigating the sustainability reporting on the public listed companies in Malaysia. The study will take the advantage from the ongoing international effort by the Coalition for Environmentally Responsible Economies and the United Nations Environment

[4] The Global Reporting Initiative was convened in the fall of 1997 by the Coalition for Environmentally Responsible Economies (CERES) in collaboration with Tellus Institute, a nonprofit research and consulting organization. The United Nations Environmental Programme (UNEP) joined the GRI as a key partner shortly thereafter.

Programme to promote the sustainability reporting useable by companies to account for their sustainable development on a consistent and comparable basis.

Thus, the objectives of this study are:

1. To examine the presence of the sustainability reporting information practices among corporations published in the Web sites by the Malaysian public listed companies.
2. To examine the contents disclosed for category pertaining to sustainability reporting in the Web sites by the Malaysian public listed companies.

4.0 SIGNIFICANCE OF THE STUDY

The study will help to increase the standard of the quality disclosure in Malaysia and to create awareness among the companies on the importance aspects that there is an increasing demand on accountability and transparency from the stakeholders and public (Maunders and Burritt 1991; Gray et al. 1996). The corporate environmental reporting are still lacking in defining purpose and a transparency summary statement.

In the light of comprehensive sustainability reporting, will increase the level of audibility assurance for organization where the auditors will accomplish the consideration and assessment as recently happened in a few developed country. This will promote transparency and solicit feedback on the companies' performance from the stakeholders including non-governmental organizations (Pratt 2003).

Indeed, the accounting profession has an opportunity to play a significant role in establishing assurance guidelines and in providing assurance services to companies issuing sustainability reporting. The increasing level on the disclosures in sustainability reporting for Malaysian companies indirectly will provide a widespread expansion of services for Certified Public Accountants. Briefly, they can offer an advisory services to develop information system related to sustainability reporting, to provide assurance services with respect to sustainability report, effectiveness of internal control.

With the thorough, comprehensive and timing sustainability reporting to the stakeholder, the board and management of companies will be able to communicate the long-term corporate vision measured in the short term. The organizations manage to evaluate the effectiveness of their own giving to the society. In particular, companies will demonstrate their efforts to build and maintain relationships with external community and other stakeholders involving human rights.

5.0 LITERATURE REVIEW

5.1 Explanatory Framework of Environmental and Social Reporting

In Malaysia, social and environmental performance reporting is voluntary and not part of any legal requirement. Nevertheless, the endeavor by companies in reporting the voluntarily disclosures on their environmental and social impacts and performance may be observe from a number of viewpoint.

Firstly, the legitimacy theory, whereby companies report on social and environmental issues to legitimise their actions in the eyes of the stakeholders or attempt to change the perception of stakeholders. Take for example; Patten (1992) uses this theory to explain the extent of disclosures in the environmental reports of oil companies following the Exxon Valdez oil spill in Alaska. Further survey done by Wilmhurst and Frost (1999), analysed the correlation between the perceived importance of factors such as the provision of a 'true and fair' view of the operations, the need to meet legal obligations and address customers concerns regarding the actual contents of environmental disclosures in annual reports. The conclusions derived were in many cases managers respond to perceived stakeholder concerns by disclosing information that legitimises the actions of the company by providing some support to the legitimacy explanation.

Secondly, the decision-usefulness theory that presumes environmental reporting is performed due to the difference attainment in additional information required by stakeholders available in financial reports and other means of communications. Consequently, a number of studies have been conducted in signifying the information needs of various stakeholder groups such as investors, environmental organizations, government, the press and local communities (Azzone et al. 1997; DEPA 1999; IRRC 1992). The outcomes of these surveys have concisely indicated that stakeholders seem to have considerable interest in social and environmental performance information.

Lastly, the emerging of the third explanatory framework derives from corporate marketing and communication theory that circulate through impression management and image development (Hooghiemstra 2000). It concentrated on the corporate image and reputation concept as an essential corporate assets and the creation of corporate identity through communication strategies including social and environmental performance reporting. On the other hand, the study done by Solomon and Lewis (2002) denoted that companies saw social accountability as the prevailing driver for the users of environmental reporting including trade associations, interest groups and government organisations. They also mentioned that corporate image boosting and market incentives are most likely explanation of voluntary corporate social and environmental disclosure.

5.2 Previous Studies and Practices of Social and Environmental Reporting

The sustainability reporting has just been raised up in the early 2000 and therefore, there are still few studies carried out in addressing this issue. Previously, greater emphasised are given to the environmental reporting and social accounting reporting in the early 1990’s and late 1990’s respectively. The scope of the sustainability reporting is not totally far removed from environmental and social reporting but rather an integrated of both in a wider perspective adding an economic viability and its impact to the company as a whole.

In spite of this, the preceding accounting literature on Corporate Social Responsibility (CSR) and Corporate Environmental Reporting (CER) has contemplated a substantial number of studies. (see, for example Abbot and Monsen, 1979; Belkaoui and Karpik, 1989; Cowen et al., 1987; Deegan and Gardon, 1996; Gray et al. 1996; Gray et al., 1995; Zeghal and Ahmed, 1999). Most of these studies have concentrated on the disclosure organizations make in their annual report for social and environmental responsibility activity or as an item of more direct interest.

McAdam (1973) categorized Corporate Social Responsibility (CSR) issues on social matters such as ethical labour practices, training, education and diversity of work force and corporate philanthropic initiatives, health, safety and environment (HSE).
Gray et. al. (1987) discussed on employees health, on-the-job accident rates, emissions of certain pollutants, spills, volumes of waste generated and initiatives to reduce and minimize such incidents and releases.

Perk (1993) has defined CSR as “disclosure of those costs and benefits that may or may not be quantifiable in money term arising from economic activities and substantially borne by the community at large or other stakeholders”.

Originally, the term and concept of sustainability reporting has grown out of a related concept known as sustainable development. In the 1980s, the United Nations set up the World Commission on Environment and Development, also known as the Brundtland Commission. The Commission produced a 1987 report titled, "Our Common Future," otherwise known as the Brundtland Report. That report defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." One interpretation of the concept and principles set forth in the Bruntland report is "sustainable development means conducting business in a way that meets the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources needed tomorrow" (International Institute for Sustainable Development, 1992).

Later, the 1992 Earth Summit in Rio de Janeiro popularised the phrase sustainable development that defined by European Foundation for the Improvement of Living and Working Conditions as:

> *"The achievement of continued economic and social development without detriment to the environment and natural resources. The quality of future human activity and development is increasingly seen as being dependent on maintaining this balance".*

The basic principles underlying beneath the sustainable development including the concern for the well-being of future generations; awareness of the multi-dimensional impacts of any decision (broadly categorized as economic, environmental, social); and, the need for balance among the different dimensions across sectors (e.g. mining, manufacturing, transportation), themes (climate change, community cohesion, natural resource management) and scale (local, regional, national, international). Additionally, the elusive goal in line with sustainable development is to make decisions and carry out programs and projects in a manner that maximizes benefits to the natural environment and humans and their cultures and communities, while maintaining or enhancing financial viability.

American Institute of Certified Public Accountant (AICPA) (1997) has outlined numerous motivating factors for companies issuing sustainability reporting including the following reasons:

- Providing information about challenges and achievements to shareholders, employees, the public and other stakeholders;
- An internal commitment to environmental and social responsibility;
- As a marketing tool, associating the company with sound environmental management and sustainable activities;
- Tracking progress on integration of sustainability principles into company planning and programs;
- Taking first steps towards doing things in a more sustainable way;
- A successful pilot project persuaded decision-makers to take the initiative company-wide; and
- A commitment to remaining competitive while becoming a world leader in sustainability.

The newly introduced concept mentioned above, is considered to be an excellent environmental report. The report clearly identifies and clarifies the environmental impacts on operations and products and demonstrates the organisation's commitment as a whole.[5] The studies (example, Krut and Moretz 2000; SustainAbility 1999; Lober et al. 1996) have indicated that the level of voluntary social and environmental reporting seems

[5] The information is based on ACCA 2003 publication, Environmental Reporting Guidelines for Malaysian Companies.

to be high and the numbers of companies visibly increasing. Beckett and Jonker (2002) proposed the companies to report on the information that analyzing the association between non-financial measures and financial measures in assisting companies to identify new and different ways to improve overall performance. Beckett and Jonker (2002) also added that a “balance scorecard” tool for economic, environmental and social performance is needed as an indicator for strategic planning, risk assessment and public relations for companies.

The need for assurance guideline is increasing. Hooghiemstra (2000) observed that professional accountants are increasingly being asked to provide assurance about non-financial information in areas outside their traditional domain. They also enlightened the Big Five accounting firms employed specialist who as multidisciplinary teams, provide assurance on environmental and sustainability reports.

Additionally, a survey done by Line et al. (2002) indicated the reporting trend is directing towards more on social information, including the social responsibility of the company, consumer issues and the impact on the third-world development. This evident is also conferred in the emergence of voluntary guidelines such as the Global Reporting Initiative (GRI 2002) presenting guidelines on environmental and social reporting.

Woods (2003) stated that economic, environmental and social factors are the key elements for sustainability activities that add value to the company, satisfy stakeholder and customer needs and lastly recognize as well as support improvement and innovation.

Pratt (2003) denoted that the sustainability reporting also provides a tool for maintaining accountability and transparency of company performance and maintaining public legitimacy. In addition to this, Pratt clarified the importance of sustainability for early adopters since it is foreseeable as a source of competitive advantage and enduring success in a fast changing world.

Subsequently, the continuance discussion has converged pertaining to the emphasis on the social responsible corporations on the global stage. In accordance to this, Clikeman (2004) that has pointed out the accentuation for corporations in increasing the investors' loyalty, enhancing brand value and strengthening their reputation by practicing, documenting and disclosing their sustainable development.

5.3 Overview Development in Other Countries

The United Kingdom has urged the companies listed in the Financial Times Stock Exchange (FTSE) 350 to produce social reports at the end 2001. The companies find it easier to enter the field with an environmental report as the parameters are arguably, more clearly defined compared to the sustainability reporting which consists of a new dimension covering issues such as labour rights and community impacts.[6] Stakeholders are demanding more information on social and finance aspects so as companies gain confidence in their environmental reporting programmes that develop a wider social, community and financial aspects.

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[6] Environmental, Social and Sustainability Reporting on the World Wide Web – ACCA 2001

In the United States, the Global Reporters (2001)[7] reported that the sustainability reporting was most prevalent in the oil and pharmaceutical industries and least prevalent in the automotive and chemical industries. A survey conducted by Corporate Social Responsibility of 100 of the world's largest businesses found that 21% of financial services companies included environmental and social reports in their annual report.[8] The results from KPMG International Survey of Corporate Sustainability Reporting 2002 showed that 45% of the top 250 companies of the Global Fortune 500 and 28% of the top 100 companies in 19 countries issued environmental, social or sustainability reports, compared to 35% and 24% respectively, in 1999. Jackson and Quotes (2002) also discovered the increasing number of companies issuing sustainability and related reports in the electronic format.

In Hong Kong, all government departments, bureau and government owned organizations are mandated to produce yearly reports disclosing their environmental performance from the year 1998 onwards. A total of 87 departments, bureau and semi-governmental organizations have produced environmental reports for at least one or two consecutive years since 1999.[9] On the contrary to the above-mentioned literature, Jason and Quotes (2002) revealed that the stakeholders are frustrated by reports that are difficult to navigate, search and read and which are generally user friendly. Traditionally, CER are communicated and published to public in many scopes and presentations: for example site-based reports, operational sector-based reports, brochures, documents, posters, CD-

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[7] The article in Financial Times dated February 8, 2001 reported the results on the survey done by Global Reporters, the first international benchmark study of companies efforts to address the "triple bottom line" in their reporting.
[8] The information is acquired from Investment Adviser, July 2, 2001.
[9] The State of Social, Environmental and Sustainability Reporting in Hong Kong, ACCA 2002

ROM books over 250 pages, phamplets and press release (Jones et al., 1999; Unerman, 1999).

5.4 Development in Malaysia

Disclosure practices on social and environmental aspects among listed companies in Malaysia are still in early stages (see Teoh and Thong, 1986; Tan and Foo 1988; Andrew et al., 1989; Shireenjit and Zuaini, 1997; and Jeyapalan 2000).
Azhar (1999) argued that annual report only provide minimum and basic information to financial analyst. However, according to Jones and Walton (1999) environmental reporting is now materialised in different format and communication method. Jones et al. (1999) stated that Internet and Web site are an elemental mode to communicate environmental information due to the expansion of gathering and disseminating the data on companies' activities to global audience

Currently, the Bursa Malaysia has reported intensification of the total companies engaging in some form of environmental reporting. The numbers of companies increased from 25 in 1999, to 35 in 2000, and reaching 40 companies by 2001. This represented 5.3%, 7.0% and 7.7% of the Bursa Malaysia main board listed companies in 1999, 2000 and 2001 respectively. Half of the reporting companies were in the list of the top 100 companies in Malaysia, representing 20% of the top 100 Malaysian companies engaging in environmental reporting. Of these companies, a total of 12 reporting companies were in the Industrial Products, Plantation and Consumer product sectors.

All reporting companies published the annual report for communicating environmental information to their stakeholders. In 1999, more than 95% of the reporting companies limited environmental information to a page within the annual report and by 2001 showed an increase up to 40% of companies allocated more than one page to environmental information.

In Malaysia, there is no statutory requirement demanding public listed companies to disclose environmental information to the public. Similarly, the Bursa Malaysia listing requirements and the amendments has no specific clause requiring the companies to disclose the environmental information. However, the Listing Requirements do require specific disclosures on information that potentially will influence the financial performance of the company. The newly revised specific Bursa Malaysia listing requirements include Continual Disclosure and Corporate Governance Disclosure on Chapter 9 and 15 respectively.[10]

Correspondingly, the Malaysia Accounting Standards Board has encouraged a greater disclosure of environmental related to the financial statement. In paragraph 10 MASB 1, on the Presentation of the Financial Statements, states the explicit reference to "environmental report and value added statements" encouraging companies "to present additional information if management believes they will assist users in making economic decisions". Additionally, MASB 20, on Contingent Liabilities, outlined accounting and disclosure requirements for the recognition of contingent liabilities and assets. It is

[10] Kuala Lumpur Stock Exchange (KLSE) Listing Requirements 2001 can be accessed on the KLSE Web site at http://www.klse.com.listing in pdf format.

foreseeable that environmental liabilities could potentially be included although MASB 20 does not provide specific detail for the disclosure on the types of liability.

Thus, with respect to this situation the study is considered to be an essential area in exploring the current situation for sustainability reporting in Malaysia by limiting the scope to the main board companies listed in the Bursa Malaysia.

6.0 RESEARCH DESIGN AND SAMPLE SELECTION

6.1 Sample and Data

The sample of this study is based on the 578 companies consisting of 5 major sectors that are listed in the Bursa Malaysia. The main board companies consist sectors for trading, property, finance, industrial products, consumer products, technology and plantation. The other 18 companies included industrial, hotels, mining, trust, and close end fund sectors are excluded from the sample of the study. The list of the main board companies in Bursa Malaysia was taken from its website as at 30 June 2004. There are 578 companies listed in the website and the whole total population is taken as our sample.

Based on the prior research done by Deller et al (1999), the initial step is taken in identifying the companies' web site. The Bursa Malaysia web site is selected since its provide an instantaneously link with the homepage of the selected companies.

Nonetheless, other mode of search engine will be employed in identifying the homepage for the companies that inaccessible through the Bursa Malaysia web site.[11]

Nevertheless, the study also will consider a link to the annual report or downloading file in the Adobe Portable Document Format (PDF) with the reference to Ashbaugh et al. (1999) clarified that the firms' financial reporting strategies provided by the websites either (1) a comprehensive set of financial statements including footnotes and the auditors' report (2) a link to annual report elsewhere on the Internet (3) a link to the U.S. Security and Exchange Commission's (SEC) Electronic Data Gathering, Analysis and Retrieval (EDGAR) system

The World Wide Web offers various advantages over the traditional print format of annual reports as an alternative mechanism for disseminating accounting information. (refer, for example, Keeler, 1995; Janal, 1995; Hoffman and Novak, 1996; Liu and Hodonos, 1996; Schneider and Bowen, 1997; Zeff and Aronson, 1997; Baldwin and Williams, 1998).

According to Keeler (1995) and Liu and Hodonos (1996) revealed that the World Wide Web has the ability to deliver information to a wider spectrum of stakeholders across a broader locality within the same time frame with greater regularity and lower cost as compared to the traditional printed format. In addition, this study will look into the sustainability reporting on the companies web site with regards to Chui (1998)

[11] Take for example, Yahoo, Alta Vista Dogpile, Google and Cari

highlighted the companies have the ability to disclosed more information to a wider global set of stakeholders in virtual real time with a reduced cost at more regular intervals than annual reports.

6.2 Instrumentation

Firstly, the core contents in the sustainability reporting components are identified based on The GRI Sustainability Reporting Guidelines (2002) that include documents on Web sites, annual reports and other related documents that considered be as an integrated elements of an organization's reporting. The guideline has classified the elements, both qualitative and quantitative, are the essence of a sustainability report. The elements are grouped under three sections covering the economic, environmental, and social dimensions of sustainability reporting.

The guidelines address economic categories as the entity's direct and indirect impacts on stakeholders, economic resources as well as local, national and global economic systems. On the contrary, the environmental categories comprises of items such as energy use, material use, water use, emissions, effluents and waste whilst social components include items such as health and safety practices, training and education and as well as the social issues associated with use of company's product and services.

The guidelines highlighted six main elements of an ideal sustainability reporting as follows:

(a) Direct economic impacts

(b) Environmental

(c) Labour practices and decent work

(d) Human rights

(e) Society

(f) Product responsibility

Secondly, content analysis is conducted in analysing six categories for the sustainability reporting elements. It is undeniable with the fact that a substantial number of studies by previous researchers had generally sought to examine and define the contents analysis (see, for examples, Krippendoff, 1980; Weber, 1988; Neuendrof, 2002).

However, by referring to Krippendorf (1980) had defined content analysis as “a research technique for making replicable and valid inferences from data according to their context”. In contrast, Weber (1988) defined content analysis as method of codifying text or context of a piece writing into various groups or categories depending on selected criteria. Following coding, quantitative scales are derived to permit further analysis.

At this point the determination of the measurement for the content analysis has to be considered. Each category is being identified with the reference to the GRI Sustainability Reporting Guidelines (2002). The guidelines recommend six categories to be contemplated. Alternatively, a dichotomous procedure developed by Cerf (1961) is adopted in measuring the score for the disclosure. A codifying scheme will be undertaken by indicating "1" for the disclosure contained the specific categories based on the sustainability reporting components and "0" is denoted to otherwise.

Thirdly, a checklist is developed based on the six categories in the sustainability reporting. Selections of categories to be disclosed are identified. Further details on categories for each component are shown in Appendix 1.

The social and environmental accounting literature has shown concern with the reliability of the content analysis of social and environmental disclosures, it has almost exclusively focused on the reliability of the data being used in a particular studies. Milne and Adler (1999) explored the reliability of social and environmental disclosures content analysis. Their research suggested that the coded output of inexperience coders with little or no prior training could be relied on for aggregate total disclosures analysis.

Additionally, further reviewing in terms of report contents, comprehensiveness, issues coverage and verification status need to be considered in order examine the level of sustainability reporting disclosed. All the six categories specified would be ranked accordingly to evaluate the level of sustainability reporting information disclosed.

7.0 RESULTS AND DISCUSSIONS

7.1 Overview by Industrial Sector

A total of 578 companies from the main board companies have been taken and out of this 219 companies have the web sites. The result showed that 195 or 34% of the listed companies disclosed at least one element on environmental, economics and social disclosures. The remaining of 24 companies has none disclosure on at least one element pertaining to the sustainability reporting. The technology sector is the largest sector engaged in disclosing at least one elements comprises of 73%, followed by finance 50%, construction 39%, industrial product 33%, trading 33%, property 30%, consumer products 23% and plantation 21%.

On the other hand, the finding contradicts to, for instance, Line et al. (2002) and Rikhardsson (2002). Line et al. (2002) who surveyed on the Global Fortune 100, found that 63% used the web for environmental reporting and concluded that majority of companies use the web for disseminating information. As well as Rikhardsson (2002), discovered that many of the Global Fortune 500 companies publish social and environmental information on their web site that is 63% and 79% respectively for the 481 web sites that could be analysed. The inconsistencies between the findings arise due to the companies in Malaysia foreseeable the social information will enhance the corporate image and societal status from the companies' standpoint.

7.2 Disclosure on the Sustainability Reporting

Sustainability reporting is still a voluntary initiative in Malaysia. It is foreseeable that this reporting will assist companies to attain for sustainable developments and enabling companies to be in the state of art to pursue for a profound competitive advantage in the global market.

Table 1: Existence of Sustainability Reporting Information on the Web Sites.

Items	Number of companies	Percentage (%)
At least one sustainability reporting categories to be disclosed	195	89
No sustainability reporting categories	24	11
	219	100

With the reference to the first objective of the research, Table 1 shown on the existence of the sustainability reporting in the companies web sites. Thus, the sample for this study will be based on the 195 companies since 24 companies have not presented at least one element related to sustainability reporting. This approach is consistent to Rikhardsson et al. (2002) study where they eliminated the Irish companies that have non-presented information related to investor relations. The 24 companies that were excluded from this study contained information only on their product and services or directly link their web sites to their group companies. It should be noted that this study included only companies with a report available online or for download.

From the Table 1, it is noted that only 195 or 34% of the main board companies take the initiative to report on at least one element on sustainability reporting. Indeed, this study contradicts to the finding by Line et al. (2002), who surveyed on the Global Fortune 100 and found that 63% used the web sites for environmental reporting. This indicated that more effort need to be done and creating awareness by the regulatory bodies with the assistance from professional bodies, are seen to be an alternative in promoting a long term benefits for the companies in achieving for a sustainable development.

It is interesting to note that, only two companies (1%) presented sustainability reports as an individual report and it is downloadable from the companies web sites. This is far too low compared to Rikhardsson et al. (2002). They found that 265 out of 481 companies' websites (55%) contained both environmental and social information.

The second objective of the research is to examine the contents for the sustainability reporting category disclosed in the web sites by the Malaysian public listed companies and the sub categories are being discussed accordingly.

Table 2: Direct Economic Impacts

	Number of Companies	**Percentage (%)**
Web sites with sustainability reporting information	**195**	**100**
Customers – Net sales, geographical breakdown of markets	133	68
Public sector	86	44
Providers of capital	82	42
Suppliers – Cost of all goods, materials and services purchased	26	13
Employees – Total wages and benefits by country or region	14	7

Table 2 indicates the number of web sites consisting direct economic impacts. Based on the result of this study, 133 companies (68%) reported on the net sales and geographical breakdown of markets for product range. In public sector category that reported by 86 companies (44%) ranked the second. The companies disclosed on the total sum of taxes paid, grants, tax relief and other types of financial benefits that do not represent a transaction of goods and services. The donations to community, civil society and other groups in terms of cash and in-kind donations are also included in this category.

The third ranked is the disclosures of 82 companies (42%) with respect to providers of capital. The interest on debt and borrowings, dividends of all classes of shares with any arrears of preferred dividends are to be disclosed. The distribution to providers of capitals also includes all forms of debt borrowings and the difference in retained earnings at the end of the period. Subsequently, only 13% of the companies disclose on the cost of all goods, material, services purchased and list of suppliers that purchases in the reporting period. Surprisingly, only 14 companies (7%) reported the employee total wages and benefits by country or region.

The results suggest that by disclosing the monetary flow related to the net sales and the geographical break down of a wide range of products will indicate the strength of the company, its value and the strategic direction of the company.

Table 3: Environmental

	Number of Companies	Percentage (%)
Web sites with sustainability reporting information	**195**	**100**
Biodiversity	189	97
Product and services	159	82
Material	34	17
Compliance	27	14
Water	3	2
Emissions, effluents and waste	2	1
Energy	1	0.5

For the environmental category as presented on Table 3, the highest rank is on biodiversity where 97% comprises of 189 companies included this category in the web sites. Firstly, biodiversity consists of information on total amount of land owned, leased or managed for production activities or extractive use; secondly, impacts of activities and operations on protected and sensitive areas; thirdly, objectives, progammes and targets for protecting and restoring native ecosystems and species in degraded area and fourthly, location or size of land owned, leased or managed in biodiversity. Product and services is placed in the second with 159 companies (89%) described the significant impacts of principal products and services, the percentage of product's weight that is recyclable at the end of its useful life compared to the actual recycled.

However, the results above show that materials and compliance are revealed in the web sites with 17% and 14% respectively. The materials described are referred to the total materials or post-consumer recycled materials use other than water reported in tones, kilograms or volume. On the other hand, compliance is indicated as the magnitude and nature of penalties for violations of environmental regulations. Water; emissions, effluents and waste; and energy are the least disclosed category that be made up of 2%, 1% and 0.5% information respectively.

It seems that environmental policy and the chief executive officer (CEO) statement are more often included in enlightening the environmental element. Based on the findings indicate that companies are still lacking in disclosing the information related to water; energy; and emission, effluents and waste. The reason may be due to be deficient in the awareness on the global warming and the effects to the nation as a whole.

Table 4: Labour Practices and Decent Work

	Number of Companies	**Percentage (%)**
Web site with at least one sustainability reporting information	**195**	**100**
Diversity and opportunity	152	78
Employment	52	27
Training and education	36	18
Health and safety	19	10
Labour / Management relation	17	9

With reference to Table 4 on Labour Practices and Decent Work, the information related to the composition of senior management and corporate governance bodies (including the board of directors); and the description of equal opportunity policies or programmes, as well as monitoring systems in ensuring compliance appeared to be the top disclosed category with 152 companies (78%). The least information to be reported are the frequency rates of employee represented by independent trade union and the procedures involving information, consultation and negotiation over changes in operations. The percentage denomination for employment; training and education; and health and safety are contemplated, as 27%, 18% and 10% respectively comprises of between 19 to 52 companies.

Table 5: Human Rights

	Number of Companies	Percentage (%)
Web site with at least one sustainability reporting information	**195**	**100**
Strategy and management	143	73
Security practices	10	5
Indigenous rights	5	3
Non-discrimination, freedom of association and collective bargaining, child labour, forced and compulsory labour and disciplinary practices.	1	0.5

Additionally, the Human Rights category as demonstrated in Table 5, representing the description for training for security personnel, indigenous rights, non-discrimination, freedom of association and collective bargaining, child labour, forced and compulsory labour and disciplinary practices are still far behind in disclosing those categories. These categories only contribute approximately 8.5% of 195 web site companies. This wide difference compared to strategy and management (73%) indicated that the reporting companies are more focused on disclosing policies, guidelines, corporate structure, employees training and monitoring mechanisms rather than the collective bargaining addresses the human rights performance.

Table 6: Society

	Number of Companies	Percentage (%)
Web site with at least one sustainability reporting information	**195**	**100**
Community	79	41
Competition and pricing	2	1

With reference to Table 6, the delineation of policies in managing impacts, addressing the issues for social communities, monitoring systems and engaging dialogue with community stakeholders are profoundly higher that is 41% with compared to relatively only 1% reported on competition and pricing. Most of the companies are seen to give details on the awards received that relevant to social, ethical and environmental performance.

Table 7: Product Responsibility

	Number of Companies	Percentage (%)
Web site with at least one sustainability reporting information	**195**	**100**
Product and services	145	74
Customer, health and safety	71	36
Respect of privacy	4	2
Advertising	2	1

Table 7 enumerated on the Product Responsibility category. By referring to sub-category denoted as product and services, 145 companies (74%) make an attempt to report on the policy, procedures, management systems, compliance mechanism related to product information and labeling. Customer; health and safety; respect of privacy; and advertising contribute only 36%, 2% and 1% respectively.

Environmental information is more often presented in specific reports than is social information. However, on the whole, social reporting has a longer history given the interest in social reporting and accounting in 1970's and 1980's (Gray et al. 1987). There seem to be little structure in social reporting and relatively few companies produce specific reports. Additionally, most of the information found on the company web site is usually not collected under one heading. Thus, with compared to environmental reporting seems to be more structured regarding the reporting format and this is not in the case for social reporting consistent with the study done by Rikhardsson (2002).

8.0 CONCLUSIONS

This study is conducted in order to examine the presence of the sustainability reporting information practices among corporations published in the Web sites by the Malaysian public listed companies. Secondly, it also attempts to examine the contents for the sustainability reporting category disclosed in the Web sites by the Malaysian public listed companies.

The study will help to increase the standard of the quality disclosure in Malaysia, create awareness among the companies on the importance aspects that there is an increasing demand on accountability and transparency from the stakeholders and public (Maunders and Burritt 1991; Gray et al. 1996). This study indirectly examines the categories and sub-categories in sustainability reporting that are still lacking to be disclosed. Relatively few companies report on social issues, but more attention is given to the policies and description rather than on performance information, as is the case with environmental information.

On the other hand, this study will assist the regulatory bodies in creating the awareness that will lead to increase the level of sustainability disclosure and audibility assurance for organization. Subsequently, this study also will promote transparency and solicit feedback on the companies' performance from the stakeholders including non-governmental organizations and the accounting profession has an opportunity to play a significant role in establishing assurance guidelines and in providing assurance services to companies issuing sustainability reporting (Pratt 2003).

As one might expect, the increasing level on the disclosures in sustainability reporting for Malaysian companies will indirectly provide a widespread expansion of services for Certified Public Accountants. Briefly, they can offer an advisory services to develop information system related to sustainability reporting, to provide assurance services with respect to sustainability report, effectiveness of internal control. With the reference to this reporting, Clikeman (2004) has pointed out the accentuation for corporations in increasing the investors' loyalty, enhancing brand value and strengthening their reputation by practicing, documenting and disclosing their sustainable development.

9.0 LIMITATIONS OF STUDY AND FUTURE RESEARCH

The limitation of this study is mainly due to the attention focused on the web sites of the main board companies listed in Bursa Malaysia. In addition, further study may be considered by increasing the sample of listed companies. A study to compare the reporting for a longitudinal may be researchable in the future in order to overcome any significant differences in the disclosures of the sustainability reporting categories set by Global Reporting Initiatives (GRI) Guidelines.

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Appendix 1

ELEMENT	CATEGORY	ASPECTS
ECONOMY	Direct economic impacts	▪ Customers ▪ Suppliers ▪ Employees ▪ Providers of capital ▪ Public sector
ENVIRONMENT	Environmental	▪ Materials ▪ Energy ▪ Water ▪ Biodiversity ▪ Emmissions, effluents and waste ▪ Products and services ▪ Compliance
SOCIETY	Labour practices and decent work	▪ Employment ▪ Labour/management relations ▪ Health and safety ▪ Training and education ▪ Diversity and opportunity
SOCIETY	Human rights	▪ Strategy and management ▪ Non-discrimination, Freedom of association and collective bargaining, Child labour Forced and compulsory labour Disciplinary practices ▪ Security practices ▪ Indigenous rights
SOCIETY	Society	▪ Community ▪ Bribery and corruption ▪ Political contributions ▪ Competition and pricing
SOCIETY	Product responsibility	▪ Customer health and safety ▪ Products and services ▪ Advertising ▪ Respect for privacy