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Changing Lives
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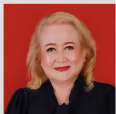
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Pemangkin Idea

Empowering Community via

Society

Disclosure



Prof Dr Corina Joseph
Faculty of Accountancy, UiTM Sarawak Branch



C

orporate Social Responsibility (CSR) is one of the important areas of specialization undertaken by scholars all over the world. In the corporate world, CSR refers to activities that impact society and the environment. The CSR activities include charity, volunteerism, tree planting, inclusion, equity, diversity, and environmentally and socially aware investing. To be impactful and in alignment with the sustainability principle, the CSR activities must be communicated to the stakeholders. One of the important stakeholders is society. Sustainability reporting has evolved from environmental reporting, social reporting, and social and environmental reporting since the 1970s. Sustainability reporting presents the company's sustainability progress and performance. It provides disclosures on how companies create positive environmental and social impacts for the betterment of the broader society. The framework and guidelines that govern sustainability reporting by Malaysian companies are:

- Global Reporting Initiative (GRI) Standards
- Bursa Securities Sustainability Reporting Guide
- The ACCA Malaysia Sustainability Reporting Guidelines for Malaysian Companies

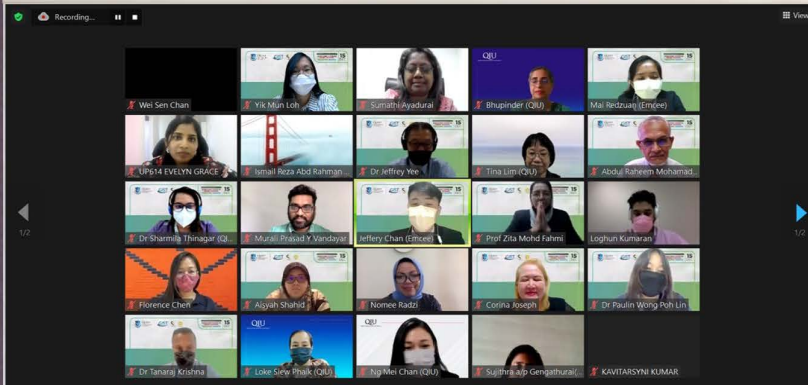
In pursuit of sustainability, financial institutions and banks are without any exception. Financial institutions and banks in

Malaysia are supporting the Asian Taxonomies in implementing the sustainable finance initiative. Financial institutions are required by regulations about sustainable finance to increase their efforts in disclosing information on how they integrate environmental, social, and governance (ESG) factors into their operational procedures. Social reporting includes sustainability-related information involving society or the community. The two principles of reporting are: 1) stakeholder inclusiveness, and, 2) materiality. Examples of the disclosure are provided by the AmBank Group sustainability report (2022):

Stakeholder Inclusiveness - We capture and describe the sustainability expectations and interests of our stakeholders.

Materiality - We prioritise and address significant sustainability areas that impact our business and influence stakeholder decisions.

In addition, banks reported a positive social impact on the community in which they operate. In this way of reporting, banks are contributing to the social development. Examples of the disclosure are provided by the AmBank Group sustainability report (2022):



In a similar vein, Prof Dr Corina Joseph has been invited as a speaker for the Sustainability Development Goals (SDG) Webinar organized by the Qwest International University in 2021. The excerpt from her speech relating to community empowerment is:

“It is important to involve and empower the underprivileged so we can improve community-driven development. Their participation can help them become self-sufficient and financially independent, thus improving their wellbeing.”

We also support our communities in providing financial literacy programmes. Through financial literacy, we help various communities improve their financial, credit and debt management knowledge, thus avoiding financial pitfalls.

Another example of society disclosure relating to community empowerment provided by the AmBank Group sustainability report (2022): is:

Business Context - Inclusive economic growth and shared prosperity require the empowerment of our communities.

Risks - The absence of effective community development and social programmes creates the perception of being a purely profit-oriented organisation.

At the same time, corporate social responsibility (CSR) programmes offer employees an opportunity to give back to society, thus fostering a sense of fulfilment and purpose.

Thus, it is argued that societal disclosure is a way for organizations to be seen as legitimate in implementing socially responsible activities and indicate a commitment to empowering the community. This is part of Prof Dr Corina’s book chapter written together with her team i.e. Saifulrizan Norizan, Mariam Rahmat, and Tina Stephen Enggong from Universiti Teknologi MARA Cawangan Sarawak. The book chapter entitled “Sustainable Finance Initiative Disclosures by Selected Banks in Malaysia” is currently under revision, to be published by Taylor and Francis.

<https://qiu.edu.my/qiu-sustainability-webinar-2-0-shines-spotlight-on-covid-19-charity/>

As a main supervisor, Prof Dr Corina Joseph graduated a Master’s student, Joanne Shaza Janang in 2019. The thesis is on ‘Corporate Governance and Society Disclosure: The Application of Legitimacy Theory’. Out of the thesis, Corina and her student have published in a Scopus-indexed journal. Now, they are collaborating on FRGS research led by Madam Joanne Shaza Janang from Universiti Malaysia Sarawak (UNIMAS) The research title is ‘Explicating Modified Society Disclosure Index to Improve Society’s Quality of Life’.

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CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY SOCIETY DISCLOSURE: THE APPLICATION OF LEGITIMACY THEORY

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ABSTRACT

It is important for companies to adhere to society’s values by engaging in corporate social responsibility activities to remain legitimate, which in turn, translated into disclosures in annual reports. Corporate governance mechanisms have been used as explanatory factors in determining the level of disclosures. This paper aims to determine the influence of corporate governance mechanisms on the society disclosure in Malaysian companies’ annual reports using the legitimacy theory. The level of society disclosure is examined against the Modified Society Disclosure Index (MoSDI), which was developed based on the society indicator of Global Reporting Initiative Version 4.0, preliminary observation on the 2016 NACRA winners’ annual reports and past literature. The analysis involved 234 top Malaysian companies’ annual reports from 2014 to 2016. The results found that audit committee, independent directors, and size are significantly associated with the level of society disclosure. By complying with good corporate governance practice, awareness can be raised and preventive measures can be taken in addressing society’s issues through proper society disclosure. The legitimacy gap can be reduced via the society disclosure.

Keywords: Society disclosure, Legitimacy theory, Corporate governance¹

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