

**UNIVERSITI TEKNOLOGI MARA**

**SUSTAINABILITY RISK  
MANAGEMENT  
AND  
VALUE CREATION:  
INSTITUTIONAL  
AND  
STAKEHOLDERS' PERSPECTIVE**

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Thesis submitted in fulfilment  
of the requirements for the degree of  
**Doctor of Philosophy**  
**(Risk Management)**

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## AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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## ABSTRACT

Managing risk is a critical issue facing companies today. Generally, risks such as financial risk, credit risk, risk related to internal controls, compliance, and market risk are common and all require a tactical and multifaceted approach to their management. However, little is known about sustainability risk management which concerns environmental and social risks. By applying the institutional forces coercive, mimetic and normative and stakeholder theories, this study examines the extent of social and environmental risks management (SRM) disclosures, the influence of institutional and stakeholders' forces on disclosures and the value associated with SRM disclosures. This study embarked upon a sequential mixed method approach, a combination of quantitative and qualitative investigations. The quantitative approach was based on a content analysis of 200 annual reports of public-listed companies over a period of two years (2011 and 2012). The quantity of disclosure was measured using number of sentences, while the quality was measured based on ranking of extensiveness of disclosure. The qualitative investigation involved interviews with top management of selected companies. The data collected from the annual reports were analysed using Partial Least Square Structural Equation Modelling (PLS-SEM) utilising SmartPLS version 2.0. The overall level of SRM disclosures were found to be very low among companies in Malaysia. The statistical results revealed that in terms of institutional forces, both coercive and mimetic isomorphism were significant and had a positive relationship with both quality and quantity of SRM disclosure. However, the results on normative isomorphism were mixed. The professionalism of board members (normative isomorphism) was found to have significant and positive relationship with the quantity of SRM disclosure. In terms of the influence of stakeholders, the number of shareholders were found to be significant and had a positive association with both quality and quantity of SRM disclosure. The results of the influence of SRM disclosure on value creation were also mixed. The overall quality of SRM disclosures was significant and positively associated with profitability. The results from the interview with selected top management confirmed that sustainability risk management brings positive value to the companies. However, the statistical power was weak, and the effect size was rather small or none. The reason behind the low statistical power and low effect size was consistent with the low in both quality and quantity of SRM disclosures by Malaysian companies. The results also confirmed that size (control variable) of the companies had no significant influence on the model under study. These findings provide valuable insights to the regulators, practitioners and academicians in enhancing sustainability risk management practices. The results are also expected to address concerns often expressed by sceptics about the tangible benefits of SRM disclosures, thus underscoring the importance of SRM reporting.

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