

**UNIVERSITI TEKNOLOGI MARA**

**CORPORATE GOVERNANCE  
MECHANISM AND  
VALUE CREATION: THE  
MEDIATING ROLES OF  
SUSTAINABLE DEVELOPMENT  
GOALS DISCLOSURE**

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## ABSTRACT

This research examined the relationship between corporate governance (CG) mechanisms, represented by Board of Directors' (BOD) characteristics namely Size, Gender Diversity, Age, Education, and Experience and value creation. The value creation measured by financial performance (Return on Equity, ROE) and Reputation. It also explored the mediating role of Sustainable Development Goals (SDGs) disclosure in these relationships. The research focused on 145 firms listed on the main board of Bursa Malaysia within the Consumer Product and Service sector from 2018 to 2022. This sector known for its high profile, significant contribution to Malaysia's Gross Domestic Product (GDP), and strong consumer proximity. A quantitative approach was employed, utilising secondary data from corporate, annual, sustainability, and integrated reports. These documents analysed through content analysis and documentation studies. The Resource-Based Theory (RBT) underpins this research by framing board characteristics as strategic resources that drive competitive advantage. This research extends RBT by positioning SDG disclosure as an intangible resource that strengthens the link between governance structures and value creation. Data analysis was conducted in two phases: Model 1, analysed using SPSS, examined direct relationships between BOD characteristics and value creation, addressing objectives 1 (ROE) and 2 (Reputation). Model 2, analysed using R programming, tested the mediating effects of SDG disclosure, addressing objectives 3 (mediating effects on ROE) and 4 (mediating effects on Reputation). The findings reveal that CG mechanisms generally have a positive influence on value creation, although not all relationships are statistically significant. Board Experience emerged as a key determinant of financial performance, suggesting that experienced directors enhance value creation through informed strategic judgment and governance expertise. Board Size was also found to strengthen firm reputation, indicating that larger boards foster broader perspectives beneficial for stakeholder engagement. However, larger boards and older directors showed a negative relationship with ROE, while Education had a negative influence on Reputation. In terms of mediation, SDGs disclosure demonstrated a significant positive mediating effect between Board Size and Reputation, underscoring its strategic role in enhancing governance effectiveness through sustainability alignment. Although other mediations were positive but insignificant, the results collectively highlight the potential of SDGs disclosure as a mechanism that link governance structures to broader value creation outcomes. The research makes both theoretical and practical contributions. Theoretically, it advances RBT by demonstrating how SDGs disclosure transforms board attributes into competitive advantage. It shows how sustainability-oriented governance generates both financial and reputational value. Practically, the findings provide valuable insights for policymakers and corporate leaders by emphasising the importance of directors' experience and meaningful SDG disclosure in fostering long-term organisational value. The results also highlight the strategic value of specific BOD characteristics, particularly Experience and Board Size in driving sustainability corporate performance. By addressing key gaps in the integration of CG and sustainability research, this research enhances understanding of how governance mechanisms and SDGs disclosure interact to promote sustainable value creation, particularly in high-impact sectors.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter includes the background and issues of the research. Section 1.2 explains the background of the topic. Subsequently, Section 1.3 provides the problem statement of this research. Sections 1.4 and 1.5 highlight the research questions and objectives. Section 1.6 describes the research's scope and limitations, while Section 1.7 presents the significance of this research from practical and theoretical aspects. Lastly, Section 1.8 provides the summary of this chapter.

### **1.2 Research Background**

This section provides the background of the research, offering an overview of the research context and key themes discussed in the following subsections. These includes Setting the Scene: Corporate Governance in a Changing Sustainability Landscape, Governance Mechanisms and the Role of the Board of Directors, Sustainable Development Goals (SDGs) in Business Practice, Linking Governance, SDG Disclosure, and Value Creation, Industry Justification: Why the Consumer Products and Services Sector? and Concluding Insight.

#### **1.2.1 Setting the Scene: Corporate Governance in a Changing Sustainability Landscape**

Corporate governance (CG) is the system and framework used to guide and oversee a firm's operations. It aims to enhance business prosperity and corporate responsibility while balancing the interests of shareholders and other stakeholders (Securities Commission Malaysia, 2021). In Malaysia, the Malaysia Code of Corporate Governance (MCCG), provides firms with a structured framework for implementing CG effectively. The MCCG, most recently revised in 2021, outlines principles and recommendations for firm structures, board composition, and disclosure practices to improve governance standards.