

FINAL REPORT

**CORPORATE SOCIAL RESPONSIBILITY AND  
ENVIRONMENTAL REPORTING BY MALAYSIAN  
MANUFACTURING COMPANIES**

PROJECT CODE : FRG0293-SSK-2/2010

*Handwritten signature*

RESEARCHERS:

PROF. DR. NOORHAYATI MANSOR, CMA

DR. ASNIATI BAHARI

JAINURIN JUSTINE

SUCI YUNIARTI (GRA)

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITI MALAYSIA SABAH



**UMS**  
UNIVERSITI MALAYSIA SABAH

# CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL REPORTING BY MALAYSIAN MANUFACTURING COMPANIES

## Abstract

The challenge in Corporate Social Responsibility and Environmental (CSRE) reporting is that it is voluntary and subjective. In Malaysia, accounting disclosure of CSRE activities is a relatively new practice. It was only in 2006 that the Public Listed Companies (PLCs) were required to disclose the CSRE reporting in their annual reports. Accounting research in this area is still at its early stage and only begins to attract the attention it deserves. According to ACCA (2003), the manufacturing sector represents the largest group (28%) committed to environmental reporting in Malaysia. In addition, the disclosures also lack in breadth and depth of information (ACCA, 2003). The ACCA's findings reveal that the manufacturing sector is followed by the plantation sector at 19% while the financial sector registers the least commitment to environmental reporting (6%). The present study focuses on Malaysian manufacturing companies to further examine their disclosure patterns. The main objectives of the study are: (i) to determine whether the level of accounting disclosure differs among the different categories of the GRI reporting; and (ii) to examine whether the level of accounting disclosure differs between domestic and multinational companies. The stakeholder theory (Cornell and Shapiro, 1987) implies that companies can enhance their reputation to its target stakeholders through past and future actions. The theory suggests that firms have both explicit and implicit contracts with their stakeholders where stakeholders may file lawsuits for violations of quality, safety or environmental issues. In support of the stakeholder theory, Fombrun (1996) explains that firms regard stakeholders as having different views of corporate reputation. Devine and Halpern (2001) further state that firm reputation is judged partly based on the observed behaviour of how firms meeting their contracts or obligations with the stakeholders. Failure to fulfil the implicit claims may damage firm reputation and thus, firm value. The Global Reporting Initiative (GRI) was adopted where the disclosures involve 54 items and divided into 6 categories. The final sample consists of 61 publicly listed manufacturing companies which were registered in the Federation of Malaysian Manufacturers (FMM) Directory 2010. From the 54 items studied, the range of items reported by a company was from zero to 42. Among the 6 categories, Environment was disclosed the most (n=51; total words = 9,900; average per disclosure = 194 words) and the least disclosed was Human Resources (n = 6 with total words of 1,519). A total of 3 companies did not disclose any information in all of the six categories and only 2 multinational companies disclosed information pertaining to all of the six categories. Thus, even though the manufacturing sector demonstrates the highest level of disclosure the evidence suggests that the disclosure pattern is still low among the locally-owned Malaysian companies.

**Key words:** *Corporate Social Responsibility; Environmental; Global Reporting Index; Manufacturing; Disclosure.*

