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The Relationship between Islamic Corporate Governance, Human Governance and Sustainability Reporting of Shariah Compliant Companies in Malaysia

Nurul Nazlia Jamil[1], Hasnah Haron[1], Nathasa Mazna Ramli[1], Sumaiyah Abd Aziz[1], Syahnaz Sulaiman[1], Anderes Gui[2]
[1]Faculty of Economic and Muamalat, Universiti Sains Malaysia, Nilai, Malaysia, [2] Information Systems Study Program-School of Information Systems, Bina Nusantara University, Jakarta, Indonesia

Abstract
This study aims to evaluate the relationship between Islamic corporate governance, human governance and sustainability reporting by investigating Shariah compliant companies in Malaysia. This is very significance as to ensure that the corporate governance mechanism will lead the organization to do more sustainability practises when there is disclosure on Islamic corporate governance and human governance. Human governance is measured by job experience of Board of Directors (BOD), education background of BOD, education level of BOD, age of BOD, gender diversity of BOD, level of integrity, the quantity of training attended by BOD and internal control quality. This study investigates the relationships between sustainability reporting, which comprises economic, environmental, social, Islamic corporate governance and human governance. The study has been using quantitative analyses based on a total of 68 Shariah compliant companies' annual reports for the year ended 2019.Descriptive and multiple regression analyses were used to analyse the data. The study found that, education background of BOD, education level of BOD, age of BOD, level of integrity and internal control quality were significantly related to sustainability reporting. However, job experience of BOD, quantity of training attended by BOD and gender diversity of BOD were found not to be significantly related to sustainability reporting. Islamic corporate governance was also found not to be significantly related to sustainability reporting. Shariah companies should focus on having BOD diversity in terms of age, education level and education background. There should also be an internal quality control system and an ethical culture in place to improve its sustainability reporting. Further, this study contributes to the discussion of Islamic corporate governance, human governance and sustainability reporting. The findings can be used to identify the necessary mechanisms that should be enhanced to strengthen the practice of sustainability reporting. Hence, future research could include more items in Islamic corporate governance on the sustainability practises.
Keywords: Islamic Corporate Governance, Human Governance, Sustainability Reporting

Introduction

There has been increased public awareness about the role of companies in social and environmental issues over the last few decades. Globally, as the global economy becomes increasingly integrated, companies face more pressure to disclose their corporate social responsibility information. Therefore, the quality of the information provided by companies in their annual reports has attracted great attention among regulators and market participants around the world. According to Wibowo (2012), for emerging economies, disclosure in the annual report is one of the challenges faced by companies. In addition, investors and creditors are interested in viewing the disclosure on employee information and social responsibility and not solely interested in evaluating the company's liquidity, profitability, and financial conditions (Bhasin et al., 2012) in guiding them to make the appropriate decisions. Therefore, disclosure of corporate social responsibility (CSR) has become a strategic agenda for all businesses in the early years.
Sustainable Reporting (SR) has become an essential aspect of business society. As such, companies have shown a growing interest in reporting their social and environmental initiatives. According to Hamidu et al (2015), Islam plays a vital role in ensuring a better disclosure of sustainability practices and in Malaysia, it can be seen that Shariah compliant companies have shown an improvement in their disclosure of sustainability practices.

In the case of Islamic corporate governance (ICG), the conflict is overcome by the organic participatory nature of the Shuratic process both as a discursive body and a learning medium with factors of the world-systems (Choudhury & Hoque, 2006). Corporate governance from the Islamic perspective is similar to the conventional definition, which refers to a system by which companies are appropriately managed to achieve the corporation's objective in protecting the interest of all stakeholders.

Basically, it can be seen that ICG focuses mainly on the substance and not form, as the ultimate goals are to achieve salvation and to please Allah. In relation to business management, ICG will have to extend its practice in the consultation process, which involves all parties, including the shareholders, stakeholders, employees, suppliers, customers and others, in achieving fairer consensus (Lewis, 2005). The consensus then is subject to scrutinisation of the Shariah Board, review officers as well as religious auditors to ensure every decision made are always in line with the objective and spirit of the Shariah. On the other hand, the conventional corporate governance form may require different screening as the main aim was to protect a particular group of people only, as cited in (Zulkifli, 2015).

The growth of Shariah business organisation is dominated by Islamic banking and other types of listed companies, which had begun to operate based on Shariah ruling. In Malaysia, the official list of Shariah approved securities was approved in 1997. In addition, the Shariah Advisory Committee (SAC) carries out evaluations of Shariah compliant companies twice a year, indicating the commitment of Malaysia towards the growth of the Islamic capital market.
Shariah compliant companies are expected to operate based on Islamic moral foundations with accountability and transparency, which are the key values that need to be addressed in the conduct of their business operations. Shariah compliant companies are expected to fully disclose all required information to all stakeholders, similar to the Islamic banks (Haniffa & Hudaib, 2007; El-Halaby & Hussainey, 2015).

Human governance (HG) can result in beneficial relationships for the company. It can be used to address corporate governance failure or as a form of corporate control. Corporate governance focuses on external regulations intended to regulate the company's operations (Hanapiyah et al., 2016). As a result, HG is required to strengthen corporate governance to prevent failure, specifically in terms of humanity. Said et al (2018) have shown that there is a positive relationship between HG and management commentary disclosure in the annual report. Previous studies have measured the HG of an organisation through exemplary leadership, integrity, training and development, good internal control policy, age, gender, training, director experience, and expertise (Jamil et al., 2020).

This paper focuses on Shariah compliant companies listed in Malaysia. It aims to analyse whether ICG and HG could enhance the SR of the companies. This study focuses on the manufacturing industry as it is found that the manufacturing industry is one of the industries that has negative impacts on the environment and thus will provide more information in disclosures than other industries (Reverte, 2009). In addition, manufacturing companies are usually also high tech and have a greater motive to integrate SR initiatives into their operations to create a more positive social profile and attract the market (Branco and Rodrigues, 2006). Thus, our study aims to investigate the relationship between ICG, HG and SR in Shariah compliant companies in Malaysia.
The research questions of the study are as follows:
RQ1. What is the relationship between ICG and SR?
RQ2. What is the relationship between HG (job experience of BOD, education background of BOD, education level of BOD, age of BOD, gender diversity of BOD, level of integrity, quantity of training attended by BOD, internal control quality) and SR?
The remaining parts of the paper are organised as follows. The following section provides the theories, literature review and propositions development, followed by the conceptual framework, description of the research methodology and the findings of the study. Finally, the conclusions and directions for future research are also provided.

Theories

Resource-Based Theory (RBT)

All firms have a wide variety of resources and capabilities. Barney (1991) categorises resources into three types: 1) physical capital resources (physical, technological, plant and equipment), 2) human capital resources (training, experience, insights), and 3) organisational capital resources (formal structure). Resources and capabilities act as the foundation of strategy, and the internal resources and capabilities provide the basic direction for a firm's strategy. According to Snell et al (1996), the resources of firms comprise human capital, social capital (i.e., internal/external relationships and exchanges), and organisational capital (i.e., processes, technologies, databases). The individual resources of the firm include both tangible and intangible resources of the firm that could give a competitive advantage to the firm. Tangible resources include physical assets, which are tangible assets such as property, plant, and equipment, cash and equipment. Intangible assets and resources include the knowledge and skills of employees, a firm's reputation, and a firm's culture. This theory focuses on the fact that internal resources can be used to help guard against competitors and other external market forces and, in so doing, will assist the firm to achieve its competitive advantage (Campbell & Park, 2017). Competitive advantage includes being more transparent and accountable through disclosing pertinent information regarding the activities of the organisation.

Stakeholder theory

According to stakeholder theory, corporate governance is much linked to sustainability disclosure (Huse & Rindova, 2001) and suggests that organisations need to be in a constant dialogue with their stakeholders to obtain their engagement and thereby organisational legitimacy. Salancik and Pfeffer (1978) point out that outside non-executive directors convey legitimacy to corporations, and Hillman et al (2000) suggest that each director “provides some type of legitimacy for the organisation”. In addition, a sound system of corporate governance will also help increase the level of legitimacy (Aguilera et al., 2006). Therefore, stakeholder theory will be able to explain the relationship that was tested in this study.

Literature Review

Sustainability Reporting

There has been increased public awareness about the role of companies in social and environmental issues over the last few decades. Globally, as the global economy becomes increasingly integrated, companies have been facing more pressure to disclose their corporate social responsibility information. Corporate social responsibility (CSR) has become a strategic agenda for businesses to gain organisational legitimacy for them to remain sustainable. SDGs developed in 2015 by the United Nations, which they envisioned will transform the world by 2030, have helped to emphasise the importance of disclosure. There is not much difference between CSR Disclosure and SR Disclosure. Hassan and Harahap (2010) stated that CSR Disclosure offers information to the public on the actions of companies that are relevant to society, such as decreasing environmental impact, improving the management of waste, compliance with the regulations of the environment, and efforts to employee’s protection, whereas SR in GRI (2011) extend CSR definition further to not only disclosing information on economic, community and environment but also disclosing information on Child Labour, incidents of non-discrimination and forced and compulsory labour. Malaysia has aligned its 12th Malaysia Plan to most SDGs, and thus businesses and companies in Malaysia are disclosing the performance of their companies through SR. Companies have also provided a sustainability report to provide both positive and negative contributions of their sustainability performance to the public.

Islamic Corporate Governance

According to ISRA (2014), the definition of ICG or Islamic Governance refers to a set of organisational arrangements on how a corporation is directed, managed, governed and controlled. Meanwhile, Islamic Financial Services Board mentioned that ICG should encompass effective management that is in line with the interest of stakeholders, the Board of Directors, Shariah Supervisory Board and compliance with Shariah rules and principles (IFSB-32006). ICG also seeks to achieve a balance between the goal of maximising profit, social justice and Maqasid Shariah (ISRA, 2014), which make sure all parties are taken care of instead of focusing on one group of people. ICG aim is Maqasid Shariah, which was developed by a famous Muslim scholar called Al-Ghazali, which refers to the protection of the welfare of the people, including their faith, life, intellect, posterity and wealth (Hasan, 2009).

Corporate governance from the Islamic perspective links all concepts related to behaviour in business governance to the principles of corporate governance, namely transparency,

accountability, responsibility, independence and fairness. Islam has an obligation to obey a different set of rules, namely Islamic law (Shariah) and generally follow the expectations of Muslims by providing partnership capital based on the arrangements of Profit and Loss Sharing (PLS) or other means of financing justified by Sharia (Eskadewi & Sudaryati, 2012).
One of the unique features of ICG is Shariah compliance and the existence of the Shari'ah board, which ensures that all transactions are performed in accordance with Shari'ah law. Rahman and Ali (2006) found that Muslim directors have a significant effect in mitigating earnings manipulation since they are not driven by the lucrative motive but rather the social obligation. In addition, Haniffa and Cooke (2002) found a significant relationship between Muslim directors and voluntary disclosure.
Prior studies measured ICG through the existence of Muslim-majority directors in the board in approved Shariah companies, the role of Muslim directors in mitigating the earning manipulation Rahman and Ali (2006) and Muslim directors in voluntary disclosure (Haniffa & Hudaib, 2006). Lidyah, (2018) measured ICG using the Islamicity Performance Index, whereas Ooi et al (2019) measure ICG using Muslim CEO, Muslim Total Board, Muslim Commissioner, Muslim Chairman and Muslim Director.

Human Governance

Human plays an important role in an organisation. HG is about internal, inside-out and value-based principles to guide humans to behave. HG is a significant element to improve the value and ethical behaviour of employees in the organisation. It covers values, religion, belief system, culture, and ethics that nurture the trust culture that produces high ethical values and moral conduct (Salleh & Ahmad, 2010).
Several studies have examined HG in the past, including a recent one by (Abdullah et al., 2020). They measured HG of an organisation through having good leadership, having integrity, training and development, good internal control policy, religiosity, spirituality, culture and recruitment and selection. In addition, questionnaires, being the primary methods to date measuring the level of integrity, were used to investigate this aspect with intriguing findings. For instance, Som et al (2019) found the level of integrity of a Malaysian organisation to be 55%, while Leng and Ding (2011) found the quality of the internal control system of Chinese listed nonfinancial companies to be 63.67%. Other previous research in the area includes Said et al (2018), who measured BOD's education level as an indicator of HG. In other words, this body of evidence suggests that sound HG by an organisation will lead to a more ethical organisation which could lead to an improved Corporate Social Disclosure by an organisation (Hanapiyah et al., 2016).

Experience can be defined as former or current professional or personal experiences that may shape an individual's decision-making process (Zainal, 2012). Gender, age, training, director experience and expertise increases CSR performance (Jamil et al., 2020) found that the presence of female BOD has a positive influence of sustainability disclosure. Setiawan and Djajadikerta (2017) measured the internal control system using 6 dimensions and they are content of internal control disclosure, implementation of internal control, role of internal control, objective of internal control, internal control framework, and a separate dimension section of internal control. Hashim et al (2020) measured ethical commitment by looking at six dimensions: corporate ethical values, action to promote ethics, whistleblowing policy and code of ethics.

Based on these findings, this study will measure HG through eight indices, namely: (i) job experience index, (ii) educational background index, (iii) educational level index, (iv) age index, (v) gender diversity index, (vi) level of integrity index, (vii) quantity of training attended by BOD index, (viii) Quality of internal control system index.

Relationship between Islamic Corporate Governance, Human Governance and Sustainable Reporting

Relationship between Islamic Corporate Governance and Sustainability Reporting

Previous studies on the relationship between corporate governance and SR revealed mixed findings. For example, previous studies have found no significant difference between the CG and performance of Shariah approved companies with majority Muslim directors (Ibrahim et al., 2006) is supported by a study by Lidyah (2018) found that ICG does not affect the Islamicity Performance Index.

However, some studies found that the relationship between corporate governance and sustainability performance has a positive influence on sustainability performance (Haniffa & Cooke, 2005). According to Iqbal and Mirakhor (2004), corporate governance in the Islamic perspective is a stakeholder-oriented model in which the governance structure protects the interest and rights of their stakeholders.

This study examines the Shariah compliant companies, and by their nature, they should be in compliance with the principles of Shariah. They should be transparent in their disclosure and be accountable to their employees, community and environment. Thus, having Muslims as BOD, non-executive Director, chairman and CEO will assist in achieving better sustainable reporting. Therefore, it is hypothesised that,

H1: Islamic Corporate Governance has a significant relationship with Sustainability Reporting.

Relationship between Human Governance and Sustainability Reporting

Previous research on HG has measured HG using both secondary and primary data. Abdullah et al. (2020) have measured HG using a questionnaire and have identified eight elements of HG. Said et al. (2018) had shown a positive relationship between HG and Management commentary disclosure in the annual report. Resource dependency theory states that having the internal resources, which include having sufficient capital equipment, required skills, proper work ethics, and adequate controls and system in place can give a competitive advantage to a firm. Competitive advantage includes being more transparent and accountable through disclosing pertinent information regarding the activities of the organisation.

Job Experience of BOD and SR

It was found that beliefs and values originate not only from directors' insider/outsider status but also from differences in their experiences. Job experience has also been proxied by job tenure. Some research measures the number of years that the BOD has served the company, but in others, it refers to the total number of years that the BOD has worked experience. The latter is how the BOD job experience is measured in the study. The majority of the previous studies found a positive relationship between BOD experience with SR. However, a study found no significant relationship of job experience with CSR (Hassan et al., 2020), which was related to the fact that long tenure members can become homogeneous due to their close working relationship compared to shorter tenure directors who can offer fresh ideas.

A previous study (Jamil et al., 2020) found a significant relationship between the percentage of directors with sustainability-related experience on the quality of SR, which is consistent with the outcomes of Zainal (2012). Therefore, it is hypothesised that,
H2: There is a significant relationship between BOD job experience and Sustainability Reporting

Education Background of BOD and SR
Gray et al. (1988) claimed that education is an institutional consequence that influences accounting practices and values. Zhuang et al. (2018) found that BOD academic affiliation with a research institute positively affects CSR. Slater and Dixon-Fowler (2009) found that CEO international assignment experience is a significant positive predictor of corporate social performance. Lewis et al. (2014) found that CEO educational specialisation in MBA or MS degrees has a positive relationship with firm CSR performance and will significantly more likely to disclose environmental information. Therefore, it is hypothesised that,

H3: There is a significant relationship between BOD education background and Sustainability Reporting Disclosure

Education Level of BOD and SR
Managers who have the best educational background can be a determinant of disclosure practices, as they are probably more innovative and are willing to accept uncertainties (Hambrick & Mason, 1984). Because of Western influences in education, some of the old values of society have changed, and this can be used in explaining disclosure behaviour (Haniffa & Cooke, 2002). Velte (2019) found that increased CEO education is related to CSR activities. Lewis et al. (2014) found that firms with CEOs with MBA degrees are significantly more likely to disclose than other firms. Therefore, it is hypothesised that,

H4: There is a significant relationship between BOD education level and Sustainability Reporting

Age of BOD and SR
Post et al. (2011) found that directors' business experience, knowledge, and maturity can be reflected by their ages which is also an indication of their maturity in leading the direction of the business. Older directors tend to be more sensitive towards issues in the society and are willing to contribute more to their welfare. Concerning reporting, age was found to have a positive relationship with reporting (Rao & Tilt, 2016). Post et al. (2011) found that companies whose board members' average age is closer to 56 years will disclose more information on environmental corporate social responsibility. An increase in maturity, experiences, and sensitivity toward societal issues will provide the board with various ideas and suggestions, which will help the board enhance sustainability strategies. Therefore, it is hypothesised that,

H5: There is a significant relationship between BOD age and Sustainability Reporting

Gender Diversity of BOD and SR

Gender representation on the board refers to an appropriate mix of male and female executives in the corporate board of directors (Grosvold et al., 2015). Having gender diversity in the boards will provide a balanced decision because women think differently from men. Females are said to be more sensitive to sustainability issues and are more generous towards communities, employees and the environment.

Previous research, Hillman et al (2002) stated that women director is more likely to offer different viewpoints to the board because they tend to have expert backgrounds outside the business. Thus, they will provide balance and support effective decision making, which enhance the sustainability strategies of the business. With all the attributes mentioned above, female board members contribute towards enhancing sustainability strategies and, in turn, improve SR. On the other hand, studies like Velte (2019) found an insignificant relationship between BOD Gender and Corporate social responsibility. This is consistent with Mudiyanselage (2018), who found that BOD gender diversity has no significant influence on SR. Therefore, it is hypothesised that,

H6: There is a significant relationship between BOD gender diversity and Sustainability Reporting

Level of Integrity and SR

Oluseyi-sowunmi et al. (2019) found a significant and positive relationship of a corporate ethical standard on SR. This is supported by a study by Valentine and Fleischman (2008) who found that code of ethics might be used to enhance organisational approaches that semphasise CSR.

Therefore, it is hypothesised that,

H7: There is a significant relationship between Level of Integrity and Sustainability Reporting

Quantity of Training Attended by BOD and SR

Storey (2002) found that training is associated positively with firm performance. This is supported by Bebbington et al. (1994) who found that training has an impact on accountant's perception of environmental accounting. According to Haniffa and Cooke (2002), accountants with professional qualifications who frequently receive more advanced professional training and exposure might disclose more information, as they are expected to be extra alert regarding reporting issues. According to Jamil et al. (2020) there is a significant and positive relationship between training attended by BOD with disclosure of high quality of sustainability information. Therefore, it is hypothesised that

H8: There is a significant relationship quantity of training attended by BOD and Sustainability Reporting

Internal Control Quality of BOD and SR

Yang et al (2020) found that the quality of internal control has a significant and positive impact on an enterprise's environmental protection. Therefore, improving the quality of internal control is conducive to reducing the degree of asymmetry of internal and external information, and enhancing the trust of stakeholders, so that they can comprehensively understand the real operating conditions and development capabilities of the enterprise. (Huang & Huang, 2020) have found a significant relationship between the internal control quality with a firm's green information disclosure. It proves that the higher is the quality of internal control, the more helpful it is for companies to embed environmental protection concepts in investment activities. Therefore, it is hypothesised that,

H8: There is a significant relationship between Quality of Internal Control and Sustainability Reporting Disclosure

Theoretical Framework of the Study
The framework of this study is as Figure 1.

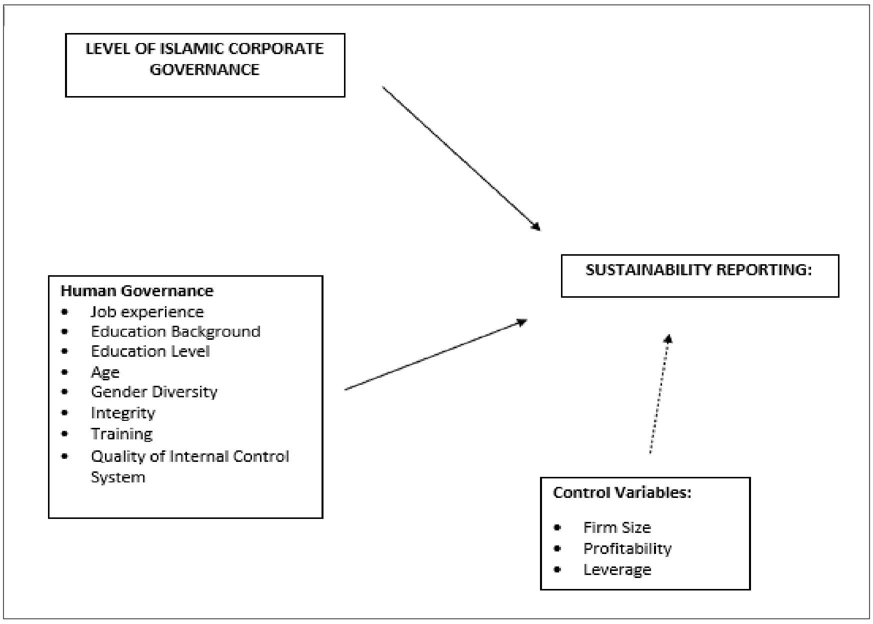

Figure 1: Theoretical framework of the study

Research Methodology
This study uses secondary data from annual reports and related websites that are publicly available. Hypotheses testing will be undertaken to understand which variable has a positive and significant relationship with SR of Shariah Compliant Companies in Malaysia.

Population, Sample Size and Sampling Method
The population will be Shariah compliant companies listed in Bursa Malaysia. As of November 2019, the number of firms listed as Shariah compliant companies is 696 firms (Security Commission of Malaysia, 2019). The selection of companies was based on manufacturing companies that have always been listed in Bursa Malaysia and have issued annual reports from 2016 to 2019.
Using systematic random sampling, the final sample of the study consists of 70 firms comprising of 26 consumer products sectors, 41 industrial products sectors and three health care sectors. There were two outlier companies as they were listed in the PN17 list. These companies were omitted leaving 68 companies for the purpose of the study.

Measurement SR Index

The SR index utilised in this study is adapted from (Jamil et al., 2020). Based on 48 items that were adapted from GRI, Jamil et al (2020) used a six-point scale to measure the quality of the SR. This study focuses on the presence of SR of Shariah compliant companies in the manufacturing industry. Therefore, this study adapted the items in Jamil et al (2020) and use the nominal score to record the absence (represented by “0") or the presence (represented by “1") on sustainability items. Based on the unweighted approach, the scores of SR of the firms were calculated in percentage, where each score of a company is divided by total scores. The higher the SR index score, the higher is the SR of the companies. The equation of the index is represented below.

$$\frac{1}{n}\sum c \text{ x } 100\%$$

Where n is the number of total scores, which is 48, and c is the scores for each company.

Islamic Corporate Governance Index

ICG index is adapted from Haniffa and Cooke (2002) and Ooi et al. (2019). ICG index comprises four items, namely (i) Percentage of Muslim BOD over total BOD; (ii) Percentage of Muslim BOD over the total number of independent BOD; (iii) Presence of Muslim chairman and (iv) Presence of Muslim CEO. For the presence of Muslim chairman and of Muslim CEO, a score of 1 is given. A score of 1 if present and 0 if otherwise. 100% is assigned for a score of 1, and 0% is assigned for a score of 0. ICG index is the total percentage of the four items divided by 4.

Human Governance Measurement

HG comprise of eight indices: (i) BOD job experience index, (ii) BOD educational background index, (iii) BOD educational level index, (iv)BOD age index, (v) BOD gender diversity index, (vi) level of integrity index, (vii) quantity of training attended by BOD index, (viii) Quality of internal control system index.

BOD job experience index, BOD educational background index, BOD educational level index, BOD age index, BOD gender diversity index, Level of integrity index, Quantity of training attended by BOD and Quality of Internal Control Index are adapted from Said et al (2018); Jamil et al (2020); Hashim et al (2020); Setiawan and Djajadikerta (2017) respectively.

For measurement of the BOD job experience index, a score of 1 is given if the experience is more than 10 years and 0 if otherwise. 100% is assigned for a score of 1, and 0% is assigned for a score of 0. Job experience index is calculated by taking the total score divided by the total number of BOD.

For BOD education background index, a score of 1 is given for business and 0 for non-business. 100% is assigned for a score of 1, and 0% is assigned for a score of 0. The education background index is calculated by taking the total score divided by the total number of BOD.

For BOD education level index, a score of 0 is given for below degree, 1 for a bachelor’s degree, 2 for professional certifications, 3 for masters and 4 for PhD. 100% is assigned for a score of 4, 75% is assigned for a score of 3, 50% is assigned for a score of 2, 25% is assigned for a score of 1 and 0% is assigned for a score 0. The education level index is calculated by taking the total score divided by the total number of BOD.

For measurement of BOD age index, a score of 0 is given for below 39 years old, 1 for 40 to 49 years old, 2 for 50 to 59 years old and 3 for 60 years old. 100% is assigned for a score of 3, 67% is assigned for a score of 2, 33% is assigned for a score of 1 and 0% is assigned for a score of 0. Age is calculated by taking the total score divided by the total number of BOD.
For measurement of BOD gender diversity, a score of 1 is given for females and 0 for males. 100% is assigned for a score of 1, and 0% is assigned for a score of 0. The gender diversity index is calculated by taking the total score divided by the total number of BOD.
Level of integrity index refers to the disclosure (i) corporate ethical values (comprise of 1 item), (ii) actions taken to promote ethics (comprise of 3 items), (iii) code of ethics (comprise of 2 items), there is an ethics committee (comprise of 2 items), whistleblowing policy) (comprise of 2 items). Each item is given a score of 1 if it is disclosed and 0 if otherwise. In total, there are 10 items. The level of integrity index is obtained by dividing the number of disclosed items by 10, which are the items that should be disclosed.

Quantity of Training index attended by BOD refers to the number of trainings attended by the Board for the year. A score of 1 will be given if the Board attends more than five times of training and development, and 0, otherwise. 100% is assigned for a score of 1 and 0% is assigned for a score of 0. The quantity of training index is calculated by taking the total score divided by the total number of BOD.

Quality of internal control system index refers to the disclosure of internal control system. In total, there are 21 items to measure the quality of control system. The quality of internal control system index is obtained by dividing the number of disclosed items divided by 21, which are the items that should be disclosed.

Data Analysis
The instrument was validated by panel experts from academic and industry, and inter-rater consistency was performed to ensure the validity of the research instrument before data collection
Descriptive analysis and multiple regression analysis were used to test the hypotheses of the study. All the basic assumptions of multiple regression analysis were met.
Hypotheses testing will be undertaken to understand which variable has positive and significant relationship with SR of Shariah Compliant Companies in Malaysia for the year 2019. The three control variables of the study are firm size, profitability, and leverage. The values are taken from the annual reports with the following conditions: (1) the firm size is counted by the natural log of total assets; (2) the profitability is counted by the return on assets; and (3) the leverage is counted by the total liabilities compared to total assets.

Findings
Table 2 displays the descriptive statistics for the variables used in the analysis. Table 2 presents descriptive information for the variable used in the study. ICG has a mean value of 0.237, which indicates that 23.7% of the companies have ICG in their structure. This is relatively low as the selected samples are only manufacturing industries.

HG comprise of 8 indices: (i) BOD job experience index, (ii) BOD educational background index, (iii) BOD educational level index, (iv)BOD age index, (v) BOD gender diversity index, (vi) level of integrity index, (vii) quantity of training attended by BOD index, (viii) Quality of internal control system index.

On average, it shows that 92.90% of BOD has more than ten years of experience, more than half of their BOD has a business background, and 40.9% of BOD of companies are degree holders

BOD Age level index shows a mean of 0.705. It shows, on average, companies have BOD who are between 50-59 years old. As for the gender diversity index, on average, 17.6% of BOD consist of female BOD. It was also found that on average, 85.3% of BOD of companies attended at least more than five times training. The level of integrity index has a mean of 0.471, which shows that, on average, the companies have 47.1% of level of integrity. However, the quality of ICS Index shows a mean of 0.70, which shows that, on average, the Quality of ICS of the companies is 70%.

The average score of the sustainability index is 29.7%, which is relatively low compared to the highest score of 83.2%. The lowest score from the sample is 8.1%. This shows that there is wide variability of SR. However, there is no wide variation of the study score with prior studies such as Jamil et al (2020), but higher from the score reported by (Aman et al., 2015).

The firm characteristics control variables of the study are firm size, profitability and leverage. Table 2 shows that the average firm size-based log of total assets was 19.696. While the average profitability, measured by return on assets (ROA) is 4.0%, similar to the study by Jamil et al (2020), which reported 4% of profitability in 2014. This study also finds that the average leverage of the companies is 0.321. This is slightly lower than the leverage observed by Jamil et al., 2020). They reported average leverage of 0.36 and 0.37 for 2010 and 2014, respectively.

Table 2

Descriptive statistics of Variables of the Study

	N	**Minimum**	**Maximum**	**Mean**	**Standard Deviation**
Sustainable Reporting Index	68	0.081	0.832	0.297	0.156
Islamic Corporate Governance Index	68	0.000	0.968	0.237	0.246
Human Governance Index:					
BOD Job experience Index	68	0.500	1.000	0.929	0.115
BOD Education Background Index	68	0.100	1.000	0.576	0.207
BOD Education Level Index	68	0.100	0.675	0.409	0.141
BOD Age Index	68	0.277	1.000	0.705	0.161
BOD Gender Diversity Index	68	0.000	0.622	0.176	0.153
BOD Training Index	68	0.000	1.000	0.853	0.357
Level of Integrity Index	68	0.10	0.70	0.471	0.117
Quality of Internal Control Index	68	0.33	0.952	0.700	0.142
Control Variables					
Profitability	68	-0.163	0.384	0.040	0.081
Size	68	17.411	23.88	19.77	1.355
Leverage	68	0.019	0.756	0.314	0.172

Table 3 shows correlation analyses between each of the variables. Hair et al (2010) also suggested that a correlation between the variables exceeding 0.90 is an indication that there is multicollinearity. The results show that all the variables and positive relationship with sustainable reporting. ICG index shows positive with the value of 0.089 with SR. While for the elements of the HG index, few variables such as education, age and integrity have shown a positive and significant relationship with SR with the value of 0.305, 0.278 and 0.375, respectively, at 1 percent and 5 percent level. Meanwhile, for the control variables, all three variables, namely profitability, size, and leverages, have shown a positive and significant relationship with the SR. All the correlations between the variables were less than 0.90, confirming that collinearity was not an issue in this study.

Table 3
Correlation Analysis for Variables of the Study

	SR	Job Exp	Eductn Backgrd	Eductn Level	Age	Gender	Integrity	Training	ICG Index	Profitab ility	Size	Leverage
SR	1											
Job Exp	.122	1										
Eductn Backgrd	.224	-.268*	1									
Eductn Level	.305*	-.105	.453**	1								
Age	.278*	.437**	-.112	-.014	1							
Gender	.187	.038	.205	.145	-.153	1						
Integrity	.375***	-.127	.040	.124	.103	.123	1					
Training	.067	.181	-.071	-.067	.094	.214	.212	1				
Internal Control	.287	.222	-.197	.007	-.051	.183	.068	-.046	1			
ICG Index	.089	.053	.181	.385**	.333**	-.063	.127	.057	-.100	1		
Profitability	.324**	.050	.119	-.095	.068	-.097	.022	.231	.035	-.141	1	
Size	.551**	.076	.128	.227	.342**	.171	.266*	.144	.175	.116	.242*	1
Leverage	.290*	-.173	.081	.068	.086	.116	.144	-.103	-.080	.188	-.023	.309**

** indicate the significance of the correlation coefficient at level 0.01

* Indicate the significance of the correlation coefficient at level 0.0

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The dependent variable of this study is the sustainable reporting index (SR). Table 4 shows the results of the hypotheses with SR as the dependent variable. The model was statistically significant with Prob>F accounts to 0.001 and F=12.067.

Table 4

Model summary and ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.655	12	0.138	12.067	0.001**
	Residual	1.337	117	0.011		
	Total	2.992	129			

a. Dependent Variable: Sustainable Reporting Index

b. Predictors: (Constant), Leverage, Profitability, Size, Age, Internal Control, Gender, Job Experience, Education Level, Education Background, Training, ICG Index

Table 5 shows the regression analysis of the variables of the study. The table shows the significance of the independent variables on the SR index as the dependent variable. The adjusted R-square of the model is 0.507, indicating that the variables can explain 50.7% of the variation in the SR Index. As shown in the coefficient results, most HG index elements are significant and have a positive relationship with the SR. Based on the above findings, H2(job experience), H3(education background), H4(education level), H5(age), H7(level of integrity) and H9(internal control quality) are accepted, whereas H2(job experience), H6(gender diversity) and H8(quantity of training of BOD) are rejected. However, for the ICG index, it shows a negative and insignificant relationship with SR Consistent with Table 5, all of the control variables have shown a significant and positive relationship with the SR index.

Table 5
Multiple Regression Analysis

	Unstandardised Coefficients		Standardised Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-0.975	0.170		-5.738	0.001***
Human Governance:					
Age	0.165	0.079	0.175	2.096	0.038**
Gender	0.021	0.073	0.022	0.294	0.769
Job experience	0.144	0.104	0.109	1.389	0.167
Education background	0.107	0.057	0.145	1.882	0.062*
Level of Education	0.254	0.084	0.238	3.022	0.003***
Level of Integrity	0.341	0.088	0.264	3.891	0.001***
Training & DEVT of BOD	-0.019	0.030	-0.044	-0.617	0.539
Internal Control	0.265	0.074	0.249	3.569	0.001***
ICG Index	-0.084	0.048	-0.136	-1.733	0.086
Profitability	0.449	0.136	0.234	3.298	0.001***
Size	0.024	0.009	0.213	2.709	0.008***
Leverage	0.157	0.064	0.172	2.459	0.015**
R-square	0.533				
Adjusted R-square	0.507				
F-statistic	12.067				

a. Dependent Variable: Sustainable Reporting Index

* Indicate the significance of the correlation coefficient at level 0.10
**indicate the significance of the correlation coefficient at level 0.05
*** indicate the significance of the correlation coefficient at level 0.01

Discussion and Conclusion

Out of nine hypotheses of the study, four hypotheses (H1, H2, H6 and H8) were rejected, and five hypotheses (H3, H4, H5, H7 and H9) were accepted. H1 was rejected as the study found no significant relationship between ICG and SR. This study did not find a significant relationship, possibly, because on average, 23.7% of the companies have ICG in their structure, which is relatively low as the selected samples are only from manufacturing industries. Another reason could be, unlike in Islamic financial institutions, there is no Islamic Shariah Committee that directly supervises the implementation of Islamic Principles in the Shariah companies. The findings of the study are consistent with studies by Ibrahim et al. (2006); Ooi et al (2019), who found little significant difference between ICG and the performance of Shariah approved companies with majority Muslim directors. This is supported by Lidyah (2018), who found that ICG has no effect on Islamicity Performance Index.

H2 was rejected as it found no significant relationship between job experience and SR. BOD job experience index shows a mean of 0.929. It shows that, on average, companies have 92.9% of their BOD with more than ten years of experience. The result is consistent with the findings of the study by Hassan et al (2020), who found that BOD who have served the company for a long time has no significant relationship with SR. This could be due to the fact that extended tenure members can become homogeneous due to their close working relationship and might not be able to have high enthusiasm as compared to shorter tenure directors who have high enthusiasm and can offer fresh ideas.

H3 was accepted as the study found a positive and significant relationship between education level and SR. This is consistent with the findings by Velte (2019); Lewis et al (2014), who found that firms with CEOs who have MBA degrees are significantly more likely to disclose than are other firms. Harjoto et al (2015) found that BOD expertise significantly increases CSR performance.

H4 was accepted as the study found a positive and significant relationship between education background and SR. Education background of BOD was accepted at 6.2% level of significance, only slightly higher than 5% level of significance. The findings are consistent with Zhuang et al., (2018) who found that BOD academic affiliation with a research institute have a positive effect on CSR. Huang (2013) found that CEO educational specialisation in MBA or MS degrees is a positive relationship with firm CSR performance. Slater and Dixon-Fowler (2009) found that CEO international assignment experience is a significant positive (job experience) predictor of corporate social performance.

H5 was accepted as the study found a positive and significant relationship between age and SR. The findings are consistent with Slater and Dixon-Fowler (2009), who found that CEO age has a significant positive influence on corporate social performance and Post et al (2011), who found BOD age to be positive and significantly related to environmental corporate social responsibility.

H6 was rejected as the study did not find a significant relationship between BOD gender diversity and SR. The findings are consistent with Mudiyanselage (2018) and Velte (2019), who found that BOD gender diversity has no significant influence on SR. It was found that the mean of BOD gender diversity of Shariah companies of the study is 17.6% which indicates that on average, 17.6% of BOD of companies comprise of female BOD, which is a small number.

H7 was accepted as the study found a positive and significant relationship between the level of integrity and SR. This is consistent with findings by (Oluseyi-sowunmi et al., 2019; Valentine and Fleischman, 2008). The study found that, on average, the level of integrity of the company is 47.1%. This is below 50%, which can be considered below average. This is quite consistent with a study Som et al (2019) who found integrity level of a Malaysian organisation to be 55%, a little bit higher than the findings of the current study but is around that range.

H8 was rejected as the study did not find a significant relationship between the quantity of training of BOD and SR. It was found that the mean quantity of training index is 0.853. This shows that on average, 85.3% of BOD of companies attended at least more than five times training in a year. There is not much variation between the companies (s.d.0.357).

H9 was accepted as the study found a positive and significant relationship between the quality of internal control and SR. This is consistent with the findings by (Yang et al., 2020; Huang and Huang, 2020). Furthermore, it was found that on average, the companies' quality of internal control index is 70% which is above average. This is consistent with a study conducted by Leng and Ding (2011), who found the quality of an internal control system of

Chinese listed nonfinancial companies to be 63.67%, slightly lower than the findings of the current study.

All the control variables (profitability, size, accountability) were found to be significantly related to SR. Consistent with prior studies, the study found that there is positive and significant evidence that the size of company, profitability and leverage influences SR. It can be concluded that larger companies have more substantial incentives to report on sustainability. One reason for the positive results is due to the visibility of the company. Larger firms are more visible and disclose a better quality of information to legitimise their business activities (Branco and Rodrigues, 2006). As the sample of the study is a listed company, more prominent firms also might be subject to public scrutiny and thus, have tremendous pressure to publish sustainability information to meet the needs of the stakeholders and the capital market. The finding also supports Jennifer and Taylor (2007) that mentioned the reporting costs for more prominent firms are lower compared to small firms, thus contribute to higher voluntary reporting.

The study found that the profitability of companies has a positive and significant on SR. The more profitable companies might use SR as a means of communication and thus use voluntary disclosure to signal the companies' success. The findings are also consistent with Gamerschlag et al (2011), where they highlighted that profitable companies have greater financial resources to fund voluntary reporting. This is based on the assumption that profitable companies prefer to be published SR as they have the capability to bear the costs.

The multiple regression analysis also observes that there are positive and significant associations between the leverage of a company and SR. The results indicate that companies with high debt in its capital structure will report more sustainability information. Our result is consistent with (Christopher and Filipovic, 2008; Eberle et al*.,* 2013).

This study has its limitations. It is confined to only manufacturing sector and only for the year 2019. Future studies might extend to other sectors and could compare with other sectors and between years. The sample size comprises 68 companies, and although within the acceptable sample size for this study, future studies could expand the sample size to a larger sample size and can also test for more explanatory variables. Although the study can explain 51% of the SR disclosure, 49% is still not explainable. With a larger sample size, future studies can examine variables such as BOD culture, BOD size and BOD ethnicity, and other variables which have proven to have a significant effect on SR. ICG was found not to be significant in the study. Future studies can also include more items to measure ICG or use Islamicity Disclosure Index to measure Islamic governance.

The study has proven that HG has a significant influence on SR disclosure. It can be seen that resource-based theory can be used to explain the relationship between HG and SR. Shariah companies should focus on having BOD diversity in terms of age, education level and education types to sit on its BOD. There should also be a quality internal control system and an ethical culture in place to improve its SR.

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