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Gender Diversity and Environmental, Social and Governance (ESG) of Malaysian Listed Companies

Maizura Meor Zawawi[1*], Aida Maria Ismail[2], Siti Nurhazwani Kamarudin[3]
[1]Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Tapah Campus, 35400, Tapah Road, Perak, Malaysia, [2,3]Faculty of Accountancy, Universiti Teknologi MARA, Selangor Branch, Puncak Alam Campus, 42300 Bandar Puncak Alam, Selangor, Malaysia
Corresponding Author's Email: maizu169@uitm.edu.my

Abstract
The paper is a review of literature on gender diversity and the environmental, social, and governance (ESG) performance of the public listed companies in Malaysia. Further knowledge on recent developments in this research area is explored in this paper. This study employed a structured review process that critically examined the contents to ensure that the data are filtered from high-quality peer-reviewed journals. Quality papers were selected from top journals to produce the list and organize into five sections; introduction, the ESG Disclosures, gender diversity, and finally on gender diversity and ESG. This study will be beneficial to academics, policymakers, and government authorities who dealt with the ESG disclosure and Women's participation as directors in Malaysian public listed companies
Keywords: Environmental, Social and Governance, ESG, Women on Board, Gender Diversity, ESG Disclosure

Introduction

The environmental, social, and governance (ESG) are the non-financial performance of the companies that play an important role in the decision-making of investors, especially the potential investors. In 2006, the United Nations launched the 'Principles for Responsible Investment which called for responsible institutional investors to integrate environmental, social, and corporate governance (ESG) considerations into their investment activities (United Nations, 2006). To achieve better firm performance, ESG activities are considered as the management effort to fulfill the shareholders' and stakeholders' and eventually companies will be achieved better performance (Atan et. al., 2018). ESG helps investors to screen potential investments in companies. Investors want to invest in the best-governed companies, the one that protects the environment and is cautious about social issues and human capital issues.

The universal growth of corporate sustainability practices in developing countries is fast growing and gaining thrust in the Association of Southeast Asian Nations (ASEAN) countries with regulations and laws directed at integrating the elements of sustainability in corporate practices (Global Reporting Initiative, 2020). Malaysian corporations are perceived to neglect implementing sustainability practices wisely whether in theory or policy (Thomas et al., 2021). According to the Corporate Register, the world's largest CR Report directory, Malaysian firms' participation in sustainability practices has been expanding from 65 (2016) to 109 (2020) (Thomas et al., 2021). Notwithstanding such positive trends, the statistics are still very low which is only 11.64% out of 936 listed firms in Bursa Malaysia as of 2020 performed sustainability practices (Thomas et al., 2021).

One of the ESG elements that has gained concern from regulators and standard-setting bodies is gender diversity (Shakil et al., 2020). This has been supported by one of the major agendas in the United Nations Development Program (UNDP) "2030 Agenda for Sustainable Development Goals" to promote women empowerment (United Nations Development Program, 2015) which stressed woman empowerment in gender equality.

In Malaysia, since 2011, the Ministry of Women, Family & Community Development Malaysia (KPWKM), had initiated the Women Directors' Program which focuses to achieve at least 30% of the decision-making decision positions for women by 2016. Malaysia has been the first country in the region to set a gender diversity target for public listed companies (PLCs) boards. Consequently, in Mac 2021, there are 25.8% of woman on board in 100 top public limited companies in Malaysia (Bernama) which is supported by the Finance Minister in delivering the nation's spending plan to ensure that at least one woman director in every PLCs (Times, 2022). In addition, a few researchers indicated that the participation of women on the board of directors has been increasing since 2014 pioneered by Norway followed suit by other European countries including Brazil and Malaysia. The countries have taken ways to make sure the sound participation of women on board in listed companies (Al-Jaifi, 2020) (Shakil et al., 2019).

The ESG Disclosures

The idea of sustainable development, which calls for organizations' openness and responsibility to the community, has grown in significance and has been expanding in all facets of organizations globally (Edi, 2020). Corporate sustainability is an important driver of companies' long-term survival (Thomas et al., 2021). Sustainable development is described through the triple bottom line that consists of three parameters built into the structural concept of economics, social and environmental aspects (Thomas et al., 2021).

One of the scopes in sustainability that is fast becoming a vital focus currently is called ESG, an abbreviation for "environmental, social, and governance". The environmental dimension covers environmental awareness and protection such as energy and water usage, natural resource protection, and carbon emissions pollution; the social dimension is mainly related to human rights, human capital, fair trade principle, gender equality, product safety, health safety, stakeholder opposition, social issues, and governance dimension includes the relationship between the business management and stakeholders leadership of a company which includes audits and internal controls, executive pay, shareholder protection, reporting and disclosure, corruption and bribery (Zahid, 2020).

ESG disclosure is considered to be one of the most suitable methods for demonstrating firms' good reputation without restraining them from being up to date and flexible to allow a quick response to industrial and technological innovations (Arayssi et al., 2020).

To attain the purpose of this study to look at the ESG disclosure score as much as possible in the companies in Malaysia, considerations have to be given to all companies listed on the main board in Bursa Malaysia as their annual reports and accounts are readily available in the Bursa Malaysia's website and their company's website (Mohammad & Wasiuzzaman, 2021). Atan et. al (2018) found that in 2015, only 54 companies out of 936 total companies in Bursa Malaysia had Bloomberg's ESG disclosure index which counts to5.7%). To support this, Mohammad and Wasiuzzaman (2021) from their studies conducted in 2016 found that the data was only available from 78 companies out of the total 926 companies in Bursa Malaysia which represent only 8.4%. The most recent study conducted by Thomas et. al. (2021) in the year 2020 found that 109 companies out of the total of 936 public listed companies in Malaysia have ESG disclosures. There was only a slight increase in ESG disclosure by 2.7% since 2015 for the Malaysia public listed companies. (Figure 1)

Figure 1: ESG Disclosure in Malaysian public listed companies.
Source: Atan et.al (2018); Wasiuzzaman et. al (2019); Thomas et. al (2020)

Gender Diversity

As sustainability and its underlying environmental, social, and governance (ESG) issues become increasingly material to companies' ability to create durable and sustainable value and maintain stakeholder's confidence, effective board leadership and oversight require the integration of sustainability considerations in corporate strategy, governance, and decision-making (Mccg, 2012). Gender diversity has been a concern of regulators and standard-setting bodies (Shakil et al., 2020). This has been supported by one of the major agendas in the United Nations Development Program (UNDP) "2030 Agenda for Sustainable Development Goals" to promote women's empowerment in gender equality(UN, 2015). Agenda 5.5 states that women must ensure full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life (UN, 2015)

In Malaysia, since 1976, the Third Malaysia Plan (1976-1980) has set up the aim of the development of women. In the Sixth Malaysia Plan, a full chapter of policies and programs to promote women's development has been established. The Tenth Malaysia Plan looked at the four key programs one of which is to increase the number of women in decision-making positions, which ultimately supports strong participation of women on the board of directors. In addition to this, World Bank also has reported on "Women on Board in Malaysia", stating that a typical Malaysian firm has around 13.8% women on board members, more than those in the Asia Pacific region of 12.5%. This could be the initiative of the Malaysian government to achieve a participation target of 30% in the year 2020 (Wasiuzzaman and Wan Mohammad 2019).

In June 2011, the Prime Minister of Malaysia announced the target of at least 30% of the decision-making positions must be women by 2016. To support this, the Ministry of Woman, Family & Community Development Malaysia (KPWKM), initiates Women Directors' Programmed which concentrated on this three (3) aspects; first, to develop a comprehensive Women Directors Registry with data of all eligible and qualified Malaysian women for board positions; second, a structured training curriculum with the knowledge of board readiness assessment, coaching, training on technical and soft skills, mentoring program; and third, the board simulation to familiarize with the real-life challenges of serving on boards.

Successfully in 2012, Malaysia is the first country in the region to set a gender diversity target for public listed companies on boards. Bernama reported as of 2021, woman on board in 100 top public limited companies (PLCs) is 25.8 % (an 82% increase from 2011). Consequently, the New Straits Times (year) described that Finance Minister Tengku Zafrul Abdul Aziz in delivering the nation's spending plan designated that all PLCs must have at least one woman director. The government seeks to ensure more female oversight in the running of the companies in Southeast Asian nations. The move is aimed at recognizing the role of women in the decision-making process and strengthening leadership as well the effectiveness of the board of directors. Additionally, the 30% Club Malaysia is responsible to take action to increase diversity, equity, and inclusion (DEI) at the board and senior management levels. Accordingly, as retrieved from the 30% Club Malaysia Chapter recently, the women's representation on the top 100 public listed boards from 2018 onwards was consistent in the range of 24-26%. (30% Club Malaysia, 2022). This was further explained in Figure 2 below.

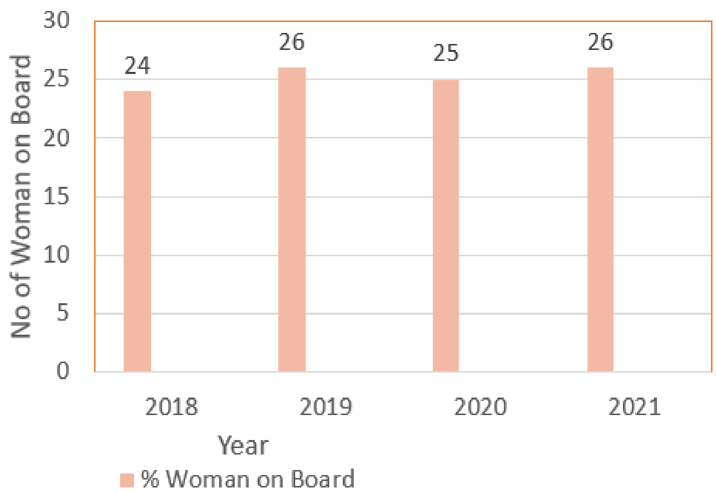

Figure 2: Women on Board in public listed companies in Malaysia
Source: 30% Club Malaysia Chapter

Gender Diversity and ESG

There are numerous studies done by researchers on the ESG and Board Gender Diversity in the United States (Shakil et al., 2020; Manita et. al., 2018;), in the United Kingdom (Arayssi et. al., 2016), in the European Union (Velte, 2016); in Gulf Corporation Council (GCC) countries (Arayssi et. al., 2020); in ASEAN countries (Al-Jaifi, 2020) and in Malaysia (Zahid et. al., 2019); Wasiuzzaman and Wan Mohammad, 2019; and Wan Mohammad and Wasiuzzaman, 2021), however, there are still some further areas that should be conducted. The sample size is one of the variables where previous studies were not fulfilled. Velte (2016) mentioned that the sample size taken was not that high which might be constrained by the time taken for the data analysis. Another study done by Shakil (2021) was based on a single country (the U.S) and the sample size is comparatively small because the target sample is only banks. With this in mind, it will reduce the significance of the research results and considerable improvement has to be done to the research design. Another interesting finding was from the study done by Wasiuzzaman and Wan Mohammad, (2019) which indicated that the sample size of 78 out of 926 firms is quite low as the ESG disclosure among Malaysian firms is very limited. The database used was Bloomberg. Great consideration of using other databases which could be more viable.

The independent variable of Board Gender diversity particularly women on Board was only assessed as whether they are there on Board. The detail of the criteria of the Woman on Board was not taken into account (Manita et al., 2018). Wasiuzzaman and Mohammad (2019) indicated that the influence of the qualification of female directors has not been overly tested in their study. As mentioned in programmed conducted by the Ministry of Women, Family & Community Development, Malaysia in 30% Decision Making Position for Women explicitly required any Malaysian women aged 45 years and above and have experience in holding the top position in the corporate and government sector, have extensive skills, diverse experience and range of perspectives that can be contributed to shaping the future Corporate of Malaysia. In addition to the qualification, the committee members of the women on board should also play an important consideration (Arayssi et. al., 2016). The committee members could influence the dynamics of a diverse board to be able to have the say in the management process and ultimately could improve or reduce the effects on the abnormal returns of the companies.

The evaluation of the diverse government management style to gender diversity is a foundation for this study's scrutiny of the affiliation between gender board differences and ESG. Previously, studies on ESG concentrate on a firm's money-related execution. With such a dearth of the study conducted to investigate the relationship between the woman on board and ESG disclosure (Manita et al., 2018; Velte, 2016; Al-Jaifi, 2020). The presence of gender differences gives more sturdy in making the decision, improves checking exercises, and has a positive effect on execution. The reasons why ESG is related to the woman on board are because women are less overoptimistic, not risk takers, are likely to apply morals in choice making, women on board are perceived to be a sign of quality firms' corporate revelation, and regulators practices and likely to not manipulate earnings (Al-Jaifi, 2020). The composition of the management board is an essential factor of corporate governance in influencing ESG performance (Velte, 2016). Female board members' background, psychological characteristics, and experience influence them to involve in the strategic decision that affects banks and their stakeholders (Manita et al., 2018, Shakil et. al 2020). As such, this study seeks to investigate the extent of the ESG disclosure of Malaysian public listed companies and whether having women on board do contribute to the increase of the ESG score of the companies.

This study intends to look at the empirical evidence in the Malaysian public listed companies in disclosing their environmental, social, and governance (ESG). Few studies substantiated that these research areas should be extended to the emerging market (Shakil et al., 2020; Atan et.al., 2018). This would be contributing to the regulation of the capital market (Atan et.al., 2018), especially from the regulators' point of view (Atan et.al., 2018).

Few empirical studies found that the level of disclosure is very low. Atan 2018 found that only 54 companies in Bursa Malaysia have complete ESG disclosure as of 2015, another study conducted by Chong 2018 found that the sample size is not large due to the limited number of available companies that has ESG disclosure. A most recent study in 2019 by Wasiuzzaman 2019 encountered only 78 out of 926 companies has ESG disclosure which is considered quite low. However, the KPMG sustainability report 2020 testified that Malaysia is one of the tenth (10th) countries with the highest reporting. Although the techniques used might differ, points to ponder should be in consideration.

Gender diversity on boards is also a significant issue in the industry for many countries, particularly those in developing economies. Many discoveries suggest that women play an important role in ESG performance. Shakil et al (2020); Velte (2016); Manita et al (2018); Arayssi et al (2016); Al-Jaifi (2020) Arayssi et al (2020) As a result, more opportunities should be provided to improve firm performance. The corporate sector can promote gender equality to maximize firm profits. With an enhanced company's competitive advantages, gender diversity in the boardroom had a positive impact (Chong et al., 2018).

Table 1
Prior Years Study on Gender Diversity and ESG

No	Research settings	Samples	ESG measurement	Gender diversity measurement	Research design	Sources
1	United States	The United States banks. (2013 to 2017)	ESG disclosure score	Percentage of women on the corporate board of banks	Quantitative	Shakil et.al., 2020
2	German and Austrian	Companies listed in Frankfurt and Vienna Stock Exchange. (2010-2014)	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Velte, 2019
3	Global	Standard & Poor's 500 Index. (2010-2015)	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Manita et.al., 2017
4	Global	Financial Times Stock Exchange 350 index (2007 and 2012)	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Arayssi et. al., 2016
5.	ASEAN	ASEAN Banks (2011–2016)	Environmental performance scores, social performance scores, and governance	Percentage of women on the corporate board of banks	Quantitative	Al-Jaifi, 2020

			performance scores			
6.	Gulf Cooperation Council (GCC)	Public listed companies. (2008 and 2017)	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Arayssi et. al., 2019
7.	Malaysia	Main Market Bursa Malaysia. (2005 to 2016)	Environmental performance scores, social performance scores, and governance performance scores	Percentage of women on the corporate board	Quantitative	Shaista Wasiuzzaman and | Wan Masliza Wan Mohammad, 2016
8.	European Union (EU) countries	European Union (EU) countries (2014–2019).	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Giuseppe Nicol et. al.,2021
9	Italy	Italian-listed firms (2017 and 2018)	ESG disclosure score	Blau index	Quantitative	Mauro Romano et.al. 2020
10.	Gulf Cooperation Council (GCC)	GCC-listed firms. (2010– 2018)	ESG disclosure score	Percentage of women on the corporate board	Quantitative	Jizi et. al., 2021
11.	Global	S&P 500 companies'	ESG metrics (Three components separately)	Percentage of women on the corporate board	Quantitative	Nabil Tamimi and Rose Sebastianelli, 2017

Findings
From the systematic review of eleven (11) empirical research papers, it was found that all the studies analyzed their sampled data using the quantitative research design and most studies were conducted in a global scenario as a whole and the European Union (EU) Countries of three (3) studies respectively. This followed by two (2) studies were conducted in the Gulf Cooperation Council (GCC) countries. Finally, one (1) study was conducted in the United States (U.S,), the Association of Southeast Asian Nations (ASEAN), and Malaysia.

Conclusion
This study aims to present a review of the literature on women on board and the significant influence on the environmental, social, and governance (ESG) performance of public listed companies throughout the world and in Malaysia. This paper contributes to knowledge of the recent development in this area of research. In general, the results show that most prior

empirical studies on Women on Board and ESG were quantitative, and very limited studies utilize the qualitative method. Thus, to increase understanding of the contribution of Women on Board in ESG, more qualitative empirical research is needed in this research area.

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