The Role of Corporate Governance in Achieving SDGs Among Malaysian Companies

By Sharifah Buniamin¹, Romlah Jaffar², Norkhazimah Ahmad³ & Nor Hasimah Johari⁴

Abstract
While the Sustainable Development Goals (SDGs) agenda is applicable to the member states of the UN, many other players are also involved, such as corporations. The primary and economic value chain activities and aims of major companies mean they will ultimately have a crucial and explicit role to play in enabling the SDGs to be attained. In Malaysia, there have been few studies on firms’ engagement in reaching the SDGs. Therefore, the current study aimed to examine the roles played by corporations in enabling SDGs to be attained. A specific analysis was conducted to determine if a company’s participation in the SDGs can be influenced by first-rate corporate governance. The data was collected using content analysis of 87 corporate annual reports of public listed companies from Malaysia. The boards’ independence, size, meeting frequency, and gender diversity were the corporate governance practices examined. An annual report may include details of the company’s role in the SDGs as a proxy for the corporate’s SDG involvement. The findings shed light on the nature of business involvement in the SDGs. The SGD with the most frequent reporting was Goal 8 - Decent work and economic growth, while the SDG with the most frequent reporting was Goal 2 - Zero Hunger. These results indicate that a company’s SDG participation has a positive relationship with certain governance practices of corporations, especially the board meeting frequency. Moreover, these results may serve to emphasise to regulators and policymakers that all corporations require effectual corporate governance so that the challenges facing the world and its population every day can be addressed, leading to an improved and more sustainable future for everyone.

Keywords Sustainable Development Goals (SDGs), corporate governance, Malaysia, companies, content analysis

1. Introduction

Key elements of the United Nations’ (UN) 2030 Agenda for Sustainable Development are the Sustainable Development Goals (SDGs), which all UN members have adopted, Malaysia being one. There are 17 SDGs with 167 targets that address key global issues such as economic, social, and environmental issues (United Nations, 2015). Malaysia has created an encouraging environment through a variety of initiatives, including the establishment of the National SDG Council, chaired by the Prime Minister; holding of SDG symposiums to encourage stakeholder understanding and involvement; conducting a mapping exercise with non-government and society; developing a National SDG Roadmap; and implementing SDG initiative in the 11th Malaysia Plan (EPU, 2021). The government of Malaysia assigned RM20 million in the recent budget of 2021 to the Malaysia-SDG Trust Fund, aiming to stimulate stakeholders’ participation in measures that would guarantee the fulfilment of the SDGs by 2030 (Ministry of Finance, 2020).

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The successful implementation of SDGs worldwide is still questionable. SDGs initiatives were mentioned in the sustainability reports of just four in ten of the 250 biggest global businesses (KPMG, 2018). The disclosure of SDG initiatives in corporate reports is an important way to support corporations in preparing, applying, measuring, and conveying their SDG programmes (Rosati & Faria, 2019). The fulfilment of company SDGs initiatives will be determined by the board members, who shape the policies of their organisations. The SDGs agenda can become the strategic agenda used by companies to differentiate and form a competitive advantage against competitors. The Malaysian government is relying on corporate participants to achieve SDG’s agenda. Therefore, the primary goal of the current research was to examine how major corporations in Malaysia have been involved in SDG initiatives. Furthermore, the role of corporate governance was explored by investigating how far an organisation’s involvement in fulfilling the SDGs was influenced by the characteristics of its corporate governance.

2. Literature Review & Hypothesis Development

Corporate Governance and Sustainable Development Goals (SDGs)

Every corporation requires a specific governing structure to ensure business is conducted properly and progress is being made. Corporate governance is an important governing structure as it relates to improvements in sustainability performance and develops greater investor confidence (Krechovská & Procházková, 2014). The corporate governance structures specify the responsibility among corporate governance players, which include the board’s relationship with internal and external stakeholders. It is important to establish corporate governance structure that has positive social, economic and environmental impacts, and offers potential opportunities to improve corporate performance (Sustentare, 2010). The approach of corporate governance needs to be changed to encourage corporations to continue aiming appropriate social accountability and responsibility (Krechovska & Provchazkova, 2014).

Companies with good governance structure understand stakeholder expectation and involve more in stakeholder’s engagement, which include issues in the SDGs achievement. SDGs participation and achievement can strengthen company legitimacy in the society and community. The SDGs concept is related with companies’ sustainability which has become a concern of all nations worldwide. The SDGs reporting content which businesses were to include was formulated by the UN Global Compact and the Global Reporting Initiatives (GRI). Their publication, ‘Integrating SDGs into Corporate Reporting: A Practical Guide’ (UNGC, 2019), was intended to serve as the guide to any subsequent corporate annual reporting (Huber et al., 2018). The issue of SDGs has spurred new research that may have important contribution in the sustainable development of corporation (Bebbington & Unerman, 2018). Companies with good governance will have more detail and transparent disclosure.

Therefore, given the considerable recent focus on sustainable development, a corporation’s effects on society should be a key area of corporate governance, which must not be confined to reporting on the return of investment. In Malaysia, the government works closely with the UN Country Team (UNCT) to facilitate synergies between the
various agencies. The national commitment to SDGs was incorporated in the 11th Malaysia Plan 2016-2020 (11th Malaysia Plan, 2015). The focus in Malaysia is on mainstreaming SDGs into development and budgeting, inclusivity and wellbeing, environmental sustainability, human rights and governance, and gender equality and empowerment of women. Under the first focus, which is mainstreaming SDGs into development and budgeting, a Malaysia Joint Government-UN SDG Fund of RM20 million was established under Budget 2021. The aim of this fund is to drive SDG initiatives in Malaysia.

Stakeholder Theory
Stakeholder theory is employed in this study to describe issues of corporate governance and sustainable development. The stakeholders’ perspective is a relevant approach when analysing companies’ corporate governance (Letza et al., 2004). The ways that all company stakeholders are affected by the impacts of the organisation’s actions can be explained through stakeholder theory (Price, 2019). The theory stresses the importance of value creation for all stakeholders to safeguard a company’s sustainability (Freeman, 1984; Freeman et al. (2010). It also shows that companies are expected to reduce conflicts between stakeholders (Price, 2019). This commitment could be achieved through corporate governance practices, as the board is concern with protecting the stakeholder rights and ensuring the implementation of sustainability goals as a means to increase market value (Jaimes-Valdez & Jacobo-Hernandez, 2016). Environmental and social reporting are now some of the wide-ranging forms of voluntary reporting research that have employed the principles of stakeholder theory, highlighting that stakeholders must be provided with enough details if they are to make informed decisions (Mitchell et al., 2016). Stakeholders theory also proposes that each shareholder group has different information need that can be fulfill by providing more general financial and non-financial disclosure (Harrison & van der Laan, 2015).

Hypothesis Development
Good corporate governance encourages corporate sustainability practices, forms corporate sustainable values and lead to higher financial performance. Numerous researchers have studied the connections the practice of socially responsible actions has with the aspects of corporate governance and involvement. For example, researchers have identified that corporate governance is positively related to reporting on corporate sustainability (Cormier & Magnan, 2014; Mallin et al., 2012). Research undertaken by Aras and Crowther (2008) demonstrated that to continue its operations successfully, a company required both corporate governance and sustainability. The authors drew the conclusion that such topics were better addressed by companies that completely understood sustainability as well as corporate governance. In the Malaysian context, a similarly significant relationship between sustainable development elements, such as the environment, and corporate governance practices was identified (Yusoff et al., 2018; Abdullah et al., 2012; Buniamin et al., 2011). Work by Martínez-Ferrero and García-Meca (2020) recently noted how a company’s approach to SDGs is greatly determined by its corporate governance. Thus, the first hypothesis was developed as follows:
Corporate governance mechanisms are positively related to corporate SDGs involvement.

Board size is one element of corporate governance that has influenced companies in implementing and reporting all aspects of sustainable initiatives by companies (Cuadrado-Ballesteros et al., 2017). According to Jizi (2017), having a larger board might increase the monitoring capability, as members can offer more expertise and, thus, contribute to good board discussion (Ali, 2018). In addition, with a high number of members, a board would eventually possess sufficiently experienced members with specific and directive knowledge of sustainable strategies, experience and training (Allegrini & Greco, 2013). A recent study by Zubeltzu-Jaka et al. (2020) reported that larger boards enable companies to achieve social objectives as stakeholder sensitivities are better represented. On the other hand, Muñoz (2020) reported that board size has negative relationships with corporate social performance. Other researchers, like Cucari et al. (2018), found no significant relationship between board size and corporate social activities. The current authors’ proposal is that the size of the board has a connection with corporate involvement in SDGs because more judicial decisions can be made due to the knowledge provided by a larger number of board members. Therefore, the authors devised the second hypothesis as follows:

H2 Board size is positively associated with corporate SDGs involvement.

A key mechanism of corporate governance is board independence, which guarantees is that the group is more effectual and can monitor operations more effectively (Said et al., 2009). The independent directors’ monitoring role could be implemented by overseeing the behaviour of executive directors, which would avoid any possible actions incompatible with social interests and the pursuit of personal objectives (Naciti, 2019). This also applies in the context of Malaysia, where the importance of the board’s independence has been demonstrated in the Malaysian Code on Corporate Governance (MCCG) (2017), which recommended that independent directors should comprise no less that fifty per cent of the board’s membership. The proportion of independent directors should be greater for major businesses and form the majority of board membership in such cases, because the common view is that they maintain greater objectivity in their assessments of the company’s operations. More independent board members can provide more effective monitoring process that can reduce potential opportunistic behaviour by the management.

Independent directors have the tendency to pursue sustainable development as they generally have a long-term perspective about their companies (Johnson & Greening, 1999). For example, Jo and Harjoto (2011) and Jizi et al. (2014) outlined how corporate responsibility involvement matching the stakeholders’ interests is strongly affected by independent boards (Jizi, 2017).

The roles of an independent director can be regarded as engaging stakeholders to a greater extent and encouraging the corporation’s publication of details with greater transparency. This would create a better alignment between corporate policy and society ideals (Prado-Lorenzo & Garcia-Sanchez, 2010). Furthermore, the existence of independent directors boosted voluntary disclosure, particularly environmental and corporate social responsibility reporting (Chau & Gray, 2010). Therefore, the findings of
empirical studies indicate that independent boards are valuable mechanisms with which to maintain accountability procedures that enhance company reporting systems and result in more extensive reporting on environmental topics (Michelon & Parbonetti, 2010). As a result, the following hypothesis is developed:

\[ H_3 \] Board independence is positively associated with corporate SDGs involvement.

Gender diversity on corporate boards is a crucial influencer of corporate policy, particularly in social and environmental issues (Martinez et al., 2020). It is well accepted that men and women have different cultural and social preferences. In the MCCG 2017, female participation on boards and in senior managerial roles was encouraged (MCCG, 2017). In this Code, a directorship that is no less than 30% female is also recommended for major business entities. As Barako and Brown (2008) argued, a company might be induced to assume greater social responsibility if it has more women managers. Female board members/managers might promote environmental strategies (Glass et al., 2016) and support the practices and reporting of sustainability initiatives, such as using environmentally friendly manufacturing process that reduces the release of toxic waste and recycle activities. These programmes benefit shareholders' social welfare while also promoting a positive company image (Jizi, 2017). Moreover, corporate social responsibility reporting improves in quality if the company’s board contains a greater proportion of females (Fernandez-Feijoo et al., 2014), because disclosures tend to feature more transparency if females comprise a high proportion of the board’s membership (Rosati et al., 2018). As a result, this hypothesis is proposed:

\[ H_4 \] Women on boards is positively associated with corporate SDGs involvement.

Board meetings are an essential medium to assemble directors to discuss and address issues related to company survival and the achievement of corporate goals (Eluyela et al., 2018). Board meeting frequency is determined as the number of meetings held by top management during a year. It is important for boards of directors to have regular meetings as this ensures a better decision-making process. Frequent meetings and discussions will keep the board well informed about the company’s performance and enable them to take action to improve certain issues (Ponnu & Karthigeyan, 2010). It is also a way to increase the interaction between directors (Ju Ahmad et al., 2017) and improve their monitoring role through effective communication (Vafeas, 1999). Thus, attending board meetings ensures that directors’ responsibilities are fulfilled, which leads to enhanced corporate performance (Chou et al., 2013). In addition, board meetings can be a tool for directors to enhance the quality and credibility of corporate social reporting (Harimawan et al., 2020). The fifth hypothesis is suggested as follows:

\[ H_5 \] There is a significant association between board meetings and corporate involvement in SDGs.
3. Methodology

This study collects data from the corporate annual reports of Malaysian companies listed on the main board of Bursa Malaysia in 2019 using content analysis. This type of report was chosen based on the fact that listed companies in Malaysia must provide disclosure of their sustainability-related actions in their annual reports according to Bursa Malaysia's Sustainability Framework. Due to the issuance of the framework and the announcement of UN SDGs in 2015, companies were expected to include a narrative sustainability statement relevant to SDGs in their 2019 annual reports. In the initial stage, 320 out of 788 annual reports were extracted to identify the presence of SDGs disclosure. The final sample consists of 87 corporate annual reports consisting of a minimum of one SDG and a maximum of 17 SDGs. Next, the number of SDGs-related sentences was used to measure the extent of information on SDGs.

The corporation's involvement in achieving the SDGs outlined by the UN is the dependent variable for this study. Given the study's primary aim, only reports that addressed the SDGs were chosen for further examination. Following van der Waal and Thijssens (2020), all reports should feature the specific phrases "SDG" or "sustainable development goals". A corporation's SDGs engagement, or lack of it, could be confirmed through this measure. Meanwhile, whether or not an annual report referred to SDGs 1 to 17 would determine the extent of the company's involvement in SDGs.

The mechanism of corporate governance was the independent variable, with the corporate governance index (CGIndex) used as the measurement (Al-Hadi et al., 2015). This variable consisted of four attributes of all boards: their size, independence, meetings, and female membership. The true number of members was used to measure the size of the board; the relative balance of independent directors to the overall number of members was used to measure the board’s independence; the frequency of meetings each year was used to measure the board meeting characteristic; the percentage of women board directors against the overall number of members was used to measure women on the board. To obtain the CGIndex scores, values of one or zero were used. A value of one was assigned to board size if this was higher than the average of the sample, and zero otherwise. A value of one was also allocated to board independence if the independent director percentage was higher than fifty per cent, and zero otherwise. Third, a value of one was assigned to the board meeting number characteristic if the board met above the average number of times for the sample, and zero otherwise. Lastly, the number of female directors’ characteristic was given a value of ‘1’ if a company appointed at least one woman director, and ‘0’ otherwise. Therefore, the maximum score on the corporate governance index was 4.

Corporate performance and company size were included in the analysis as control variables. For corporate performance, the Return on Equity (ROE) was used. As the company size proxy, a common natural logarithm of the overall assets was used (Dang et al., 2018). Regression analysis was used to analyse all data.
4. Findings

Descriptive Analysis

In the first analysis of the data, just 27 per cent of the companies sampled (87 businesses from the 320 overall) appear to have mentioned SDGs-related initiatives in which they had been involved. Issues connected with SDGs seem not to have featured on the sampled companies’ main agendas. Table 1 provides the frequency of the companies’ involvement in each of the 17 SDGs.

Goal 8 - Decent Work and Economic Growth was the SDG most frequently reported, with approximately 94 per cent of the companies (82 in all) using their annual reports to mention this information. The least reported SDG was SDG 2 – Zero Hunger, for which only 19 companies discussed their involvement in the annual reports. The involvement of the sampled companies in Goal 8 can be readily understood because of its promotion of ongoing economic expansion, greater productivity, and the use of innovative technology.

Table 1: Frequency of Reporting for each SDG

<table>
<thead>
<tr>
<th>SDGs</th>
<th>YES</th>
<th>NO</th>
<th>% Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 No Poverty</td>
<td>26</td>
<td>61</td>
<td>30</td>
</tr>
<tr>
<td>2 Zero Hunger</td>
<td>19</td>
<td>68</td>
<td>22</td>
</tr>
<tr>
<td>3 Good Health &amp; Well Being</td>
<td>68</td>
<td>19</td>
<td>78</td>
</tr>
<tr>
<td>4 Quality Education</td>
<td>57</td>
<td>30</td>
<td>66</td>
</tr>
<tr>
<td>5 Gender Equality</td>
<td>46</td>
<td>41</td>
<td>53</td>
</tr>
<tr>
<td>6 Clean Water &amp; Sanitation</td>
<td>33</td>
<td>54</td>
<td>38</td>
</tr>
<tr>
<td>7 Affordable &amp; Clean Energy</td>
<td>35</td>
<td>52</td>
<td>40</td>
</tr>
<tr>
<td>8 Decent Work &amp; Economic Growth</td>
<td>82</td>
<td>5</td>
<td>94</td>
</tr>
<tr>
<td>9 Industry, Innovation and Infrastructures</td>
<td>48</td>
<td>39</td>
<td>55</td>
</tr>
<tr>
<td>10 Reduce Inequalities</td>
<td>41</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td>11 Sustainable Cities &amp; Communities</td>
<td>32</td>
<td>55</td>
<td>37</td>
</tr>
<tr>
<td>12 Responsible Consumption &amp; Production</td>
<td>61</td>
<td>26</td>
<td>70</td>
</tr>
<tr>
<td>13 Climate Action</td>
<td>57</td>
<td>30</td>
<td>66</td>
</tr>
<tr>
<td>14 Life Below Water</td>
<td>23</td>
<td>64</td>
<td>26</td>
</tr>
<tr>
<td>15 Life on Land</td>
<td>27</td>
<td>60</td>
<td>31</td>
</tr>
<tr>
<td>16 Peace, Justice &amp; Strong Institutions</td>
<td>41</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td>17 Partnerships for the Goals</td>
<td>23</td>
<td>64</td>
<td>26</td>
</tr>
</tbody>
</table>

The descriptive details of the variables included in the current study are presented in Table 2. On average, companies reported or discussed three SDGs in their annual reports. The average length of the reports was about 26 sentences, with a maximum length of about 233 sentences. The average number of board members was eight, consistent with the number reported in past studies (Aman et al., 2021). The average percentage of board
independence was 54 per cent and the average number of female participants as board members was two. The details of the descriptive statistics are reported in Table 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SDGs</td>
<td>1.000</td>
<td>17.000</td>
<td>8.830</td>
<td>4.471</td>
</tr>
<tr>
<td>SDGs sentences</td>
<td>1.000</td>
<td>233.000</td>
<td>25.660</td>
<td>21.498</td>
</tr>
<tr>
<td>CGIndex</td>
<td>1.000</td>
<td>4.000</td>
<td>2.970</td>
<td>1.048</td>
</tr>
<tr>
<td>BSize</td>
<td>3.000</td>
<td>14.000</td>
<td>8.070</td>
<td>1.857</td>
</tr>
<tr>
<td>Blnd</td>
<td>28.570</td>
<td>100.000</td>
<td>54.101</td>
<td>13.794</td>
</tr>
<tr>
<td>WOB</td>
<td>0.000</td>
<td>5.000</td>
<td>1.920</td>
<td>1.144</td>
</tr>
<tr>
<td>BMect</td>
<td>4.000</td>
<td>28.000</td>
<td>7.590</td>
<td>2.991</td>
</tr>
<tr>
<td>LnROE</td>
<td>-2.660</td>
<td>4.100</td>
<td>0.906</td>
<td>1.244</td>
</tr>
<tr>
<td>LnAssets</td>
<td>15.600</td>
<td>27.070</td>
<td>21.469</td>
<td>1.689</td>
</tr>
</tbody>
</table>

Notes: All SDGs = 1 for each of 17 SDGs mentioned, SDGs sentences = Number of sentences that discuss SDGs in annual report, CGIndex = Corporate Governance Index, BSize = Number of board members, Blnd = (Number of independent board members/total board members) *100%, WOB = Number of women board members, BMect = number of board meetings in a year, LnROE: log of return on equity, LnAssets = log of total assets

Multicollinearity Diagnosis

Table 3 shows the correlation coefficients among independent variables in this study. According to the findings, this research model contains no multicollinearity issues because every correlation is less than 0.80 (Cooper & Schindler, 2013).

<table>
<thead>
<tr>
<th>BSize</th>
<th>Blnd</th>
<th>WOB</th>
<th>BMect</th>
<th>LnAssets</th>
<th>LnROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSize</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blnd</td>
<td>-.174</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WOB</td>
<td>.429*</td>
<td>.101</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BMect</td>
<td>.242*</td>
<td>.181</td>
<td>.389**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Ln Assets</td>
<td>.160</td>
<td>.068</td>
<td>.291*</td>
<td>.470**</td>
<td>1.000</td>
</tr>
<tr>
<td>Ln ROE</td>
<td>-.040</td>
<td>-.143</td>
<td>.152</td>
<td>-.009</td>
<td>.008</td>
</tr>
</tbody>
</table>

Regression Analysis

Table 4 presents the multiple regression analysis results. Column (1) of Table 4 present results of direct relationship between corporate governance mechanism (CGIndex) and disclosure of corporate involvement in all SDGs. According to these findings, the CGIndex (based on the measurement of each board’s size, meeting frequency, female directorial participation, and independence) and corporate involvement in SDGs (all SDGs) are positively and significantly associated (coefficient = 0.260; t = 3.849; p<0.001). The adjusted R² value suggests that all the variables used in this equation can explain 21.4 per cent of the SDGs-related variability. The results suggest that companies that have implemented good corporate governance mechanism are more involved in the achievement of SDGs. Board members strategise their companies’ progress towards financial and nonfinancial sustainability, in line with the national SDGs agenda. Therefore,
H₁, which expects a positive association between corporate governance mechanism and corporate involvement in SDGs, is accepted.

The consistency of these findings could be demonstrated by replacing the dependent variable with the SDG that was reported most often, Goal 8 - Decent Work and Economic Growth (Column 3) (coefficient = 0.216; t = 3.040; p<0.050). Specifically, the results show companies that implemented SDG 8 have a better corporate governance mechanism compared to companies that did not. The value of adjusted R² is 13.7 per cent. All control variables (LnROE and LnAssets) in both analyses (Column 1; Column 3) show positive and significant results with SDGs. This means that larger and more financially successful companies tend to show more commitment to SDGs.

Table 4: Regression Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>All SDGs (1)</th>
<th>All SDGs (2)</th>
<th>SDG 8 (3)</th>
<th>SDG 8 (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-13.660*** (-3.994)</td>
<td>-14.900*** (-4.047)</td>
<td>-0.848 ** (-2.333)</td>
<td>-0.819 ** (-2.210)</td>
</tr>
<tr>
<td>CGIndex</td>
<td>0.260 *** (3.849)</td>
<td>0.215 ** (3.040)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSize</td>
<td>0.159 ** (2.195)</td>
<td>0.033 (0.365)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BMeet</td>
<td>0.289 *** (4.317)</td>
<td>0.181 ** (2.510)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WOB</td>
<td>-0.015 (-0.202)</td>
<td>0.029 (0.370)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bind (%)</td>
<td>0.091 (1.450)</td>
<td>0.134 (1.516)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LnROE</td>
<td>0.145 ** (2.351)</td>
<td>0.161 ** (2.626)</td>
<td>0.166 ** (2.571)</td>
<td>0.168 ** (2.563)</td>
</tr>
<tr>
<td>LnAsset</td>
<td>0.246 *** (3.660)</td>
<td>0.193 ** (2.875)</td>
<td>0.163 ** (2.318)</td>
<td>0.123* (1.714)</td>
</tr>
<tr>
<td>R²</td>
<td>0.225</td>
<td>0.278</td>
<td>0.149</td>
<td>0.180</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.214</td>
<td>0.257</td>
<td>0.137</td>
<td>0.156</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: *significant at 0.10, **significant at 0.05, ***significant at 0.01, t value is in brackets

Column (2) in Table 4 presents the results of individual corporate governance mechanisms and how these connect to companies’ involvement with all SDGs. These findings demonstrate that the level of corporate involvement with SDGs is positively and significantly influenced by a board’s size (BSize) and number of meetings (BMeet). The coefficient for BSize is 0.159 (t = 2.195 and p<0.050). Additionally, the coefficient for BMeet is 0.289 (t = 4.317 and p<0.001). The results imply that companies with more board members and holding more frequent meetings are more committed to achieving SDGs. Therefore, H₂ and H₅ are accepted.

Boards would possess more specialised sustainable strategy knowledge, as well as being more experienced and better trained, if they had more members (Allegrini & Greco, 2013).
Furthermore, a larger number of board members enables companies to achieve social objectives by ensuring that different groups of stakeholders are better represented (Zubeltzu-Jaka et al. 2020). Moreover, better decision-making is possible with more frequent meetings. Frequent meetings will keep the board well informed about the company’s performance and obligations, which enables them to act swiftly to resolve certain issues (Ponnu & Karthigeyan, 2010).

These findings demonstrate that corporate SDGs involvement is not influenced by a board’s independence (BInd) or the presence of female participants (WOB). Therefore, H3 and H4 cannot be accepted. The study proposes that independent directors monitor companies’ engagement with various stakeholders and ensure the compatibility of companies’ objectives with social values (Prado-Lorenzo & García-Sanchez, 2010). Furthermore, the main proposal of the authors is that a more gender-diverse board would engage in the promotion of environmental schemes (Glass et al., 2016) and the practice of sustainability activities. For instance, environmentally friendly materials might be used in its manufacturing processes, while toxic waste and electricity usage levels could be reduced. All these green initiatives can improve environmental performance and subsequently to enhance shareholders value and build a positive corporate image (Jizi, 2017). These propositions cannot be proven by the results of this study.

The results in Column (2) are similar to those in Column (4), except that the board size (BSize) is no longer significant in influencing the involvement of companies in SDGs 8. The number of board meetings (BMeet) is still positive and significant enough to influence corporate commitments to SDG 8 (coefficient = 0.181; t = 2.510; p<0.050). Further study must be conducted to examine these findings in detail. All control variables (Ln ROE and Ln Assets) in Column (2) and Column (4) show positive and significant results with SDGs.

5. Discussion and Conclusion

In 2015, the United Nations (UN) launched a major project aimed at ending poverty, protecting the Earth, and ensuring that humanity would be living peacefully and prosperously by 2030. Key to this were the Sustainable Development Goals (SDGs). There are 17 SDGs that cover specific sustainability issues, including quality of education, equality in human life, and sustainable cities and communities, among others. In 2018, KPMG undertook a study that discovered just four in ten of 250 major global companies mentioned any SDG initiative when reporting on their sustainability. The small extent of corporate involvement has provided an opportunity to investigate corporate involvement in SDGs in the Malaysian context and whether corporate governance mechanisms can influence this involvement.

The findings indicate the low level of corporate initiatives related to SDGs in Malaysia. Just 27 per cent of the companies sampled (87 businesses from the 320 overall) appear to have mentioned SDGs-related initiatives in which they had been involved. Goal 8 – Decent Work and Economic Growth was the SDG most frequently reported, with approximately 94 per cent of the companies (82 in all) using their annual reports to mention this information. The least reported (only 19 companies, or 22 per cent of the sample) was SDG 2 – Zero Hunger. Further analysis shows that good corporate governance mechanisms, measured using the CG Index, have a positive relationship with SDG
initiatives. This implies that having an effective corporate mechanism helps companies to be aware of their responsibilities in terms of achieving SDGs as stipulated by the UN. Specifically, the results show that companies with more board members and holding more frequent meeting are more committed to achieving SDGs. It is suggested that a higher number of boards means the board has specific knowledge of sustainable strategies and imposes that understanding as part of companies’ business operations in Malaysia. Additionally, more frequent meetings allow the board to remain well informed about companies’ social obligations, which means they can act swiftly to resolve certain issues; this potentially includes issues involving SDGs.

This study has contributed to the academic community by determining the relationship between Malaysian companies' engagement with the SDGs and corporate governance. This research may contribute to the current literature on the SDGs engagement of Malaysian companies. Future revisions will therefore enable policymakers and regulators to find ways to encourage companies to focus on their SDGs. In practical terms, the findings of the current work enhance our understanding of which corporate governance attributes can be linked to ascertaining the levels of a company’s SDGs commitment. Policymakers engage with corporate leaders and practitioners to understand the different strategies of companies with different corporate governance practices.

These findings offer improved insights into the extent to which corporate SDGs-related initiatives feature in the activities of corporations in Malaysia. The results also explain how the corporate governance mechanism plays a significant role in the implementation of any such initiative. It is timely that the MCCG 2017 has emphasised how the composition of boards provides better monitoring of corporations. Future research should explore other corporate characteristics that could explain corporate involvement in SDGs, such as various types of industry, ownership, and social and environmental performance.

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