CORPORATE GOVERNANCE REPORTING OF TOP 250 COMPANIES: RECENT EVIDENCE FROM EMERGING ECONOMY

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Abstract
The aim of the research is to determine the intensity of corporate governance reporting and disclosure by the top 250 public listed companies (PLCs) in Malaysia. Subsequently, this study determines whether corporate governance reporting has any significant relationship with firm’s performance. Using the corporate governance disclosure index, top 250 public listed company’s annual report is examined and the scores are recorded for each disclosure item stated. Finding of the study revealed that there is no specific pattern on corporate governance reporting among the Top 250 PLCs in Malaysia and the disclosure index. Some companies had provided a concise and detailed disclosure on every aspect of governance matters as compared to others. The findings also show that there is a very weak negative relationship between the governance score and firm’s performance. This finding indicates that corporate governance mechanism in Malaysia is not specifically for the purpose of enhancing the firm performance but as an important element for directors to perform their oversight responsibilities and efficiently monitor the management.

Key words: corporate governance reporting, corporate governance index, firms’ performance

1.1 Introduction
Corporate governance reporting plays an important role in the effective functioning of the economic market. One of the fundamental principles of good corporate governance is transparency i.e. the disclosure of corporate and financial information to external stakeholders, so that they may make judgments and decisions relating to the corporation (Gaa, 2010; Phillips and Thomas, 2004; Ismail et al., 2008). Corporate governance reporting is important in assessing the quality and the effectiveness of the organization’s corporate governance and to report any findings to all stakeholders which include directors, shareholders, auditors, regulatory agencies and other stakeholders (Webb et al., 2007; Boesso and Kumar, 2005; Gomes (2010). This is because it provides the building blocks of information necessary for effective decision making by investors and other key stakeholders.

Effective corporate governance reporting on the corporate affairs of the company provides assurance to the investors and stakeholders that their interests in the company are being protected. Without sufficient reporting mechanisms, there is inadequate guarantee that the checks and balances in place are effective (Bhuiyan and Biswas, 2007). Effective corporate governance reporting would bring benefits to the company as well as to the stakeholders. Phillips and Thomas (2004) reiterated that it is crucial for companies to have good reporting structures by following the reporting requirements and expectations that has been set out by the governance codes and principles. The reporting of the information about a company’s governance could assist the management in making effective and better decision, increase the company’s performance and its sustainability and the company’s engagement with the stakeholders.

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In Malaysia, extensive studies have been conducted in relation to corporate government reporting (Mohamad Ariff et al., 2007; Che Haat et al., 2008; Wahab et al., 2007; Abdul Rahman, 2009; Hamid, 2008). However, none of these studies examined the pattern of corporate governance reporting in the annual report. In addition, studies that focused in top 250 companies tend to focus in developed countries such as UK (Collier, 2005). Hence, the aim of this study is to examine the level of corporate governance reporting and disclosure by the top 250 Public Listed Companies (PLCs) in Malaysia in their annual reports. This is pertinent as to ascertain whether these top 250 PLCs disclose all relevant information about the effectiveness of their companies’ corporate governance structures and also their effectiveness in meeting the investors and stakeholders’ needs by providing transparent information about the company’s performance and its sustainability. Subsequently, this study examine whether corporate governance reporting has any significant relationship with firm’s performance.

The remainder of this paper is structured as follows. The next section provides a review of relevant literature. Section 3 and Section 4 presents research framework and hypotheses underpinning this study and section 5 outlines the research design. The results and discussion are presented in section 6. A conclusion is provided in the last section.

2.0 Literature Review

Corporate governance reporting is an integral process in conveying, disseminating and communicating the information to the users for decision making. Investors are increasingly demanding a more accurate statement of corporate governance and not merely on financial matters because of the need to ensure that true and fair information is provided (Phillips and Thomas, 2004). Based on the increasing needs by stakeholders in obtaining accurate and relevant information, PLCs are urged to provide a good and quality governance report to stakeholders. Ismail et al. (2008) stated that good quality corporate governance reporting provides credible information of company’s performance to users for economic decisions. They also viewed that the content of annual report should be of quality that is useful to the users of the reports and meets their information needs.

According to Webb et al. (2007), corporate governance activists and institutional investors increasingly have called for increased voluntary governance disclosure. Their study found that there is a high degree of variability in the presentation and reporting format choices for many elements of governance structures. The demand for enhanced disclosures has been further fuelled by the increasing recognition of stakeholders’ approach in reporting and this has led companies to improve their stakeholder reporting (Boesso and Kumar, 2005). Gomes (2010) stated that good corporate governance reporting is generally an indication of competitiveness and superior corporate governance; and the more relevant information it shares with their key stakeholders, the better a company’s corporate governance is likely to be.

However, previous studies also found that the reporting and level of disclosure have nothing to do with the firm’s performance. In a study done by Bauer et al. (2008) on Japanese firms, they used a data set provided by Governance Metrics International (GMI) for various governance categories in analyzing whether Japanese firms with many governance provisions have a better corporate performance than firms with few governance provisions. The findings showed that not
all governance categories affect corporate performance. Only the provisions that deal with financial disclosure, shareholders’ rights, and remuneration that affect the stock price performance. The impact of board accountability, market for control and corporate behaviour is very limited. Further evidence by Che Haat et al. (2008), found that performance is not associated with the level of disclosure and timely reporting as the variables are not significant contributing factors in the relationship between corporate governance and market performance.

It is also believed that a high quality of reporting in disclosing important information about the company to the users may lead to effective corporate governance. Abdul Rahman (2009) stated that effective corporate governance is determined by a number of factors and one of the factors is effective codes of corporate governance that lead to transparent reporting. A report is considered to be of quality if a company provide correct measures in incorporating the differences in cultures and values as well as relevant information that reflects the nature of business, its activities, actions and relationship with the stakeholders.

In Malaysia, there are countless efforts to promote good corporate governance by ways of reporting and ratings in which Corporate Governance Reporting Initiative, 2004 was first introduced and followed by MCCG Index 2009 for the purpose of determining the level of disclosures by PLCs. Mohamad Ariff et al. (2007), reiterated that the corporate governance rating is developed as part of a response to the information needs of market players. They also viewed that the corporate governance ratings as a reliable source of information as it provides an additional criterion for decision making. This is in line to the introduction of the MCCG back in 2000 in which according to Wahab et al. (2007), the MCCG became an integral part of the Bursa Malaysia Listing Rules which requires all listed firms to disclose the extent of compliance with the MCCG. This in turns will determine the effectiveness of companies in providing accurate and relevant information to the users.

3.0 Theoretical framework

Fig.1 shows the theoretical framework on the relationship between the Corporate Governance Disclosure Index (CGDI) and firm’s performance. In this research, the independent variable is corporate governance reporting and disclosure which is based on Corporate Governance Disclosure Index (CGDI) (Bhuiyan and Biswas, 2007). The theoretical framework has been modified as to suit the Malaysia’s environment. The dependent variable is the firm performance of the top 250 PLCs in Malaysia whilst the performance of companies is measured using the Return on Assets (ROA).

The CGDI is used to examine the level of corporate governance among the top 250 public companies in Malaysia by finding the total score of each company. Sime Darby Berhad’s corporate governance reporting as reported in their Annual Report is used as a benchmark to measure governance reporting on other companies in examining the level of disclosures. This is because it has the largest market capitalisation among the top 250 public
listed companies. In addition, Public Bank Berhad’s Annual Report is also used in the modification part of the governance score index as the company has emerged a winner in corporate governance reporting and disclosure index in Malaysia.

4.0 Hypotheses development

Many researchers have been conducted to study the relationship between the level of disclosure and reporting in annual reports, and its effect on the firm’s performance. The increasing needs of corporate governance reporting and the benefits towards the performance or market value made some countries developed their own corporate governance indices or metrics. In India, Balasubramaniam et al. (2010) studied on the Indian Corporate Governance Index (ICGI) in order to examine the connection between corporate governance and firm market value. They found a cross sectional evidence that there is a positive relationship between firm market value and overall governance index as well as a sub-index covering shareholders’ rights. Hence, the disclosures on corporate governance have impact on the firm’s stock price as well as its performance.

Gompers et al. (2003) stated that firms with better governance received higher market valuation and have better reporting performance and lower capital expenditures. Velte (2009), who examined the supervisory board reporting of listed companies in German and Austria found that there is statistically significant positive correlation between reporting on independence of supervisory board and firm performance index. Therefore, it is undeniable that companies are indeed aware the value and importance of corporate governance reporting to enhance their corporate sustainability growth and performance. As such, it is to be expected that corporate governance disclosure index of the top 250 listed companies has significant effect and relationship between corporate governance reporting and firm’s performance. Hence, the following hypotheses are developed:

Hypothesis 1: There is a specific pattern of corporate governance reporting and disclosure index of the top 250 Public Listed Companies (PLCs) in Malaysia.

Hypothesis 2: There is a significant relationship between corporate governance reporting of the top 250 PLCs in Malaysia and their firm’s performance.

5.0 Research Methodology

For the purpose of this study, a sample of top 250 PLCs in year 2009 has been selected. These companies were examined on whether they fulfil the requirement in reporting and disclosure of governance items as in accordance to the corporate governance disclosure index. The corporate governance disclosure index is derived from the The Corporate Governance Disclosure Index (CGDI) developed by Bhuiyan and Biswas (2007) but subsequently modified to suit with Malaysia’s business environment. The modification of the disclosure items are based on the Sime Darby Berhad and Public Bank Berhad 2009 Annual Reports in their governance reporting and disclosure. The main reason these companies are chosen is because they were among the top companies in the 250 PLCs selected. Public Bank is chosen as they emerged as the winner in reporting and disclosing of corporate governance matters in their annual report.
The research is conducted by examining the annual reports of the selected top 250 companies by looking at the financial and non-financial disclosures in which it will be measured against the Corporate Governance Disclosure Index (CGDI). The scoring sheet is prepared in order to obtain the score on disclosure items of each company by referring to the index checklist. The data for each disclosure items is handpicked as to ensure the correct data are obtained. The return on assets (ROA) for each company are obtained for the statistical tests that will be conducted namely the descriptive, correlation and linear regression for which the purpose is to determine whether there is any relationship between the corporate governance reporting (score) and the performance. The first part of the research is to key in all the disclosure items that have been disclosed by these PLCs and their return on assets (ROA). The total scores for all disclosure items for every company are obtained in order to determine which of these top PLCs rank first with the highest score and rank last with the lowest score.

A dichotomous procedure is followed in order to score each of the disclosure items. Each company will be awarded a score of ‘1’ if the company has disclosed the items provided in the index and the company will be given ‘0’ if otherwise. For the purpose of this study, using the corporate governance disclosure index, each company annual report will be examined and find the scores for each disclosure item is computed. The scores will then be tested using descriptive statistic (SPSS) to determine whether there is any specific pattern of the corporate governance reporting among these top 250 Public Listed Companies (PLCs) and the disclosure index. Apart from that, the same total scores will be used to find the correlation by using Pearson’s in order to determine whether corporate governance reporting has any significant relationship with firm’s performance or otherwise.

5.1 Corporate Governance Disclosure Index (CGDI)
The corporate governance disclosure index is divided into five sections: (i) financial disclosures, (ii) non financial disclosures, (iii) annual general meetings, (iv) timing and means of disclosures and (v) best practices for compliance with corporate governance. In the financial disclosures, there are eight (8) items to be disclosed such as financial and operating results, related party transactions, significant accounting policies, statement of director’s responsibility towards preparing and presenting financial statements, risk and estimates in preparing and presenting financial statements, segmental reporting, information regarding future plan and, dividend. These are all based on the criteria stated in the UNCTAD Principles of Good Corporate Governance (2004).

As for the non-financial disclosures, the disclosures are on the company’s objectives, vision and mission, ownership and shareholder rights, governance structure and policies, members of the board and key executives, corporate responsibility and compliance, material foreseeable risk factor. Timing and means of disclosures and best practices for compliance with corporate governance are the sub-sets of non financial disclosure as pertinent to information on governance matters as complied with the Code and also the accessibility and availability of the annual report through the company’s website; and the compliance of the MCCG (2000 and 2007) by the companies are stated accordingly. These are all the criteria that are considered in allocating marks.
to the respective items that have been disclosed by each company and to examine whether there are any differences or variations among these companies in reporting the information to the users.

6.0 Results and Discussion
6.1 Financial and Non-financial disclosures
From the observation of the annual reports of these 242 Public Listed Companies (PLCs) (excluding 8 companies without year 2009 annual reports) and also the scores from the disclosure index, majority all companies (100%) disclosed the financial items from the checklist that comprise items on financial and operating results, related party transactions, significant accounting policies, the director’s statement of responsibilities towards financial statements, risk and estimates, segment reporting, future plan, and the dividend payment to the shareholders. It is expected that most companies in their annual reports disclose more on the financial information (See Figure 2).

Table 1 show that most companies’ scores are in the range of 55 – 65 points which comprise of 172 companies and followed by the scores in the range of 45 – 55 comprising 54 companies. Whilst 15 companies are in the range of 65 – 75 and only one company score in the range of 75 – 85. However, there is an increasing needs and awareness on corporate governance reporting and disclosure as per required by the standards and the Code. Furthermore, there is a variation in terms of the disclosures on non-financial information especially on the governance matters among these companies.

Table 1: Frequency of Governance Score
<table>
<thead>
<tr>
<th>Score range</th>
<th>N</th>
<th>Cumulative N</th>
<th>Percentage(%)</th>
<th>Cumulative percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>45 – 55</td>
<td>54</td>
<td>54</td>
<td>22.3</td>
<td>22.3</td>
</tr>
<tr>
<td>55 – 65</td>
<td>172</td>
<td>226</td>
<td>71.1</td>
<td>93.4</td>
</tr>
<tr>
<td>65 – 75</td>
<td>15</td>
<td>241</td>
<td>6.2</td>
<td>99.6</td>
</tr>
<tr>
<td>75 – 85</td>
<td>1</td>
<td>242</td>
<td>0.4</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Companies’ Annual Reports 2009

6.2 Non-financial disclosure

The observation on the non-financial disclosure items is on the Corporate Governance Statement of each company. Sime Darby Berhad’s Corporate Governance Statement is used as the benchmark in the generated disclosure index on the non-financial part. From the total scores obtained, as expected Sime Darby Berhad almost score in all the items in the checklist. The presentation and the provision on governance matters by Sime Darby Berhad is very concise and informative as compared to other companies that are in the range of 45 – 55 points in which it is considered as a general disclosure as required by the Code (MCCG, 2000) and/or MCCG, 2007), merely to the compliance purpose. Fig. 3 (refer to Appendix 5), shows that, none of the companies have disclosed the items in Question 10 (b.iii) on whether there is any contract between the directors/management. However, most of the companies did disclose on the company’s objective, vision and mission, and breakdown of the shareholdings (Question 9 and Question 10 (a.i) – 100%). Whilst, 99.6% on the direct and indirect interest of directors, 99.2% on management shareholding and 5.4% on the outside holding (foreign) of directors.

As for the disclosures on the shareholders rights, Fig.4 shows that most companies did disclose but only 99.2% or 240 companies disclosed on the control structure in the annual reports as shown below.
Figure 4:

Fig. 5 shows that, 3.3% or 8 companies that consist less than 5 members in the board as compared to 233 companies that consist of more than 5 members and 10% of the companies provide the contact details of senior independent non-executive director. The Figure also shows that 51.6% of these companies did mentioned or provide the name of senior independent non-executive directors in the corporate governance statement (Question 12 e. i) and 52.1% did disclose on the changes in the companies’ board structure (Question 12 f).

Figure 5: Question 12
Computed and compiled from Table 2 and disclosure index

The supply of information for board directors before board meetings is very important. This would help directors to make decisions based on accurate information. The board records its deliberations, in terms of issue discussed, and the conclusions in discharging its duties and responsibilities. All directors are fully briefed in advance of board meetings on the matters to be discussed and have access to any further information they may require. Therefore, board annual
meeting calendar need to be prepared and circulated to the directors. From the findings, only 3 companies out of 242 companies did disclose this matter which is 12.4% (Questions 13 (a) and 13 (b) as shown in Fig. 6.

**Figure 6: Question 13 – 14**
Computed and compiled from Table 2 and disclosure index

Fig. 7 shows that, most companies did not disclose in detail the term of reference for Nomination committee, Remuneration committee, Risk Management committee and other committees that are formed at board level. As for Remuneration committee, only 98 companies that provide detailed term of reference in which 58 companies (24%) disclosed the duties and responsibilities of more than 5, whereas 40 companies (16.5%) disclosed the duties and responsibilities of less than 5. Apart from that, very few companies that stating the authority, the membership and, the minutes and meetings of the Remuneration committee within the board level. From the results, 13 companies (5.4%) state the authority of the committee, 23 companies (9.5%) provide the term of membership and whilst only 19 companies (7.9%) stating the minutes and meeting of the committee and only 36 companies (14.9%) disclose the number of meetings attended by the committee. However, on the contrary, most companies did disclose the composition of the committee that made up entirely of non-executive directors in which 98.8% companies disclosed it.
Similarly with the details on remuneration committee, the term of reference of nomination and risk management committee also not being provided in concise and complete manner (see Fig.8). Mostly, the information just merely to inform the main duties and responsibilities of these committee without stating in specific manner and this is shown in the results in which for the nomination committee only 66 companies that disclosed the specific number of duties more than 5 which is 25.2% whereas for the number of duties that less than 5 only 55 companies did disclose that is 22.7%. As for the number of risk management committee duties and responsibilities, only 35 companies (14.5%) disclose more than 5 and 21 companies (8.7%) disclose less than 5. For any other additional committees that are formed at the board level, only 27 companies that have formed such committees namely the Strategic Task Force Committee (1 company disclosed number of duties more than 3 – 0.41%), Tender Committee (10 companies – 6 companies disclosed number of duties more than 3, 2.5% and 4 companies disclosed number of duties less than 3, 1.7%), Strategic Investment Committee (8 companies disclosed number of duties more than 3 with 3.3% and less than 3 is 0.41%) and other committee like Group Management Committee, Supervisory Committee and Transformation Committee (15 companies with 6.2%).

Figure 7: Question 15 – Question 16
Computed and compiled from Table 2 and disclosure index (Appendix B)

Figure 8: Question 17 – Question 18

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Computed and compiled from Table 2 and disclosure index

Fig. 9 shows the disclosures on the member of board and key executives (based on the above pie chart) especially the information on directors’ profile (Question 19), the appointments and re-election of directors (Question 20) and the date of appointment of each director (Question 21), all these companies disclosed it. However, in the annual reports on the directors’ remuneration, certain companies did not state that the component parts of their remuneration are structured as to link rewards to corporate and individual performance (for executive director on Question 23(a)) and there is no statement mentioned that the level of remuneration reflects the experience and level of responsibilities (for non-executive director on Question 23(b)) in which the former is 40.5% being disclosed by the companies (98 companies) and the latter is 42.3% (103 companies). Besides that, the remuneration packages for the executive and non-executive directors are not being mentioned in complete manner in which only 28 companies (11.6%) disclosed on the executive directors i.e. on Question 23(e), whereas 26 companies (10.7%) disclosed on non-executive directors on Question 23(d).

![Figure 9: Question 19 – Question 23](computed_and_compiled_from_table_2_and_disclosure_index)

A good and effective communication between the management and shareholders (investors) is important in conveying and disseminating important information regarding the company (see Fig.10). To achieve this, each company need to have segregation of units within the management as to perform their task well and on investors/shareholders relation, an investor relations unit need to be formed. However, only 22 companies i.e. 9.1% (Question 25) did have investor relations unit within the companies and while the rest did not have this unit in which the task and responsibility is being taken care either by the Chairman himself, the Senior Independent Non-Executive Director, the members of the board the Chief Financial Controller or the Company Secretary, to name a few. In the matter of queries regarding the company, only 23% (Question 29) did provide contact details of person(s) to be contacted by the shareholders or investors whereas 77% did not. Among these companies, 14 of them in which 5.8% provide the number of person to be contacted is more than 2 whilst 44 companies i.e. 18.2 % is less than 2 persons to be contacted (Question 30(a.i) and 30(a.ii). As majority of the companies did provide a timely
releases of their financial results on a quarterly basis and after the release, a press conference analyst’s briefings are conducted as well as the annual general meeting in which the shareholders are invited to present at the meeting for any dialogue, queries or discussion on the financial results. However, in terms of the summaries of financial results to be advertised in newspapers and copies of the full announcement are supplied upon request by the shareholders, only 6 companies (2.5% on Question 28) that have done it and disclosed it in their Corporate Governance Statement.

![Figure 10: Question 24 – Question 30](computed and compiled from Table 2 and disclosure index)

Apart from the management responsibilities and its relationship with the investors as well as the shareholders, the responsibilities towards the community, environment and the workplace are important in enhancing the societal value, the well beings and also the sustainability of the firm as a whole (see Fig. 11). The results show that 241 companies i.e. 99.6% did report on the corporate social responsibility towards the environment, community and workplace in their annual reports and 1 company did not report namely Berjaya Sports Toto Berhad. From the observation on the annual reports, little companies did have the Whistle Blowing Policy to protect the employees within the company; only 18.2% (44 companies, Question 34) do believe that it is important to create a free misconduct working environment as aligned with the company’s objectives, mission and vision.

![Figure 11: Question 31 – Question 39](computed and compiled from Table 2 and disclosure index)
Every company needs a code of ethics in which the conduct and behaviours of the directors, staff, and employees are bound to the rules and regulations. 110 companies out of 242 companies i.e. 45.5% (Question 33) disclosed on the code of ethics in their annual reports whereas 132 companies did not disclose in the annual reports. All companies did score full for the disclosure items on risk assessment and management namely on risk policy, risk framework and risk reporting (Question 36(a), (b) and (c)) as well as the disclosure on the internal control statement made by the company (Question 37). There are companies that did not disclose the non audit fees incurred and paid during the financial year 2009 in which 214 companies i.e. 88.4% (Question 39) did disclose together with those that did not incurred any non audit fees during the year. As for the information on auditor’s appointment and rotation, all companies did disclose the information on that (Question 39).

![Figure 12: Question 40 - 41](computed and compiled from Table 2 and disclosure index)

Fig. 12 show that all companies did disclose on the notice and agenda of annual general meeting in which it will be distributed to the directors and the shareholders present at the annual general meeting (Question 40 and 41).

![Figure 13: Question 42 - 43](computed and compiled from Table 2 and disclosure index)

Based on Fig. 13, it is noticed that all 242 companies did have separate section in reporting their governance matters in Corporate Governance Statement and their annual reports are also available in the company’s website and also in the internet as a whole (Question 42 and 43). However, as mentioned earlier in this chapter, there are 8 PLCs that are not accountable for the analysis because their annual reports are not available in their websites as well as in the internet. It is observed that, neither these companies did update their investor relations information in the websites nor post the latest annual reports in their websites. All these companies comply with the corporate governance best practices as stated and required in the corporate governance code.
MCCG (2007) and all of these companies did mention on the importance of the Code in their Corporate Governance Statement.

Apart from that, none of these companies report less than 5 pages on governance matters, and this shows that all these companies are complying with the Code in which the format of reporting are based on the reporting framework stated in the Code (Question 44 and 45)(Fig.14).

6.3 Total Governance Scores and Performance

There are 45 disclosure items (with sub-questions) which carry the total score of 85 points and the results show that Sime Darby Berhad ranks first with the total score of 82 points which is consistent to which it also ranks first with the largest market capitalisation among these top 250 PLCs. However, the return on assets (ROA) is only 8.93% which is unexpected from company that have the highest score. The company which ranks last with the lowest score are DNP Holdings Berhad with the total score of 49 points and it’s ROA) is 2.76%. The ranking of companies from highest to lowest score is shown in Table 3. Out of 45 disclosure items, Sime Darby Berhad did not fulfil the requested disclosures on contracts with directors/management, changes in shareholdings and number of contact person for queries regarding to the investors, due to which there is no information regarding to that matters.

As for DNP Holdings, there are many items that are not been disclosed or provided in the annual report such as disclosures on outside (foreign) holdings by directors, contracts with directors/management, changes in shareholdings, details on the Senior Independent Non-Executive Director, details as to whether board annual meeting calendar is prepared and circulated to the directors, the term of reference for authority, membership and, meetings and minutes for remuneration committee, number of duties of nomination committee, no other additional committees are formed at board level, little details provided on the determination and the components of the director’s remuneration for executive and non-executive directors, no details on the training and development of directors, no investor relations units being formed, and lastly no details provided on the code of ethics, whistle blowing policy as well as employees’ training and continuing education.

6.4 Pattern on corporate governance reporting and disclosure index of top 250 Public Listed Companies (PLCs)
From the observation and survey of the annual reports of 242 PLCs (after 8 PLCs being removed) and the scores obtained, it has been identified that there is no specific pattern of corporate governance reporting and the disclosure index of these PLCs in which there is no significant degree of variation on the disclose information among these selected companies regardless it is financial or non financial. Most companies more or less disclose the information in a similar manner, through which in accordance to the compliance of the Code. Some companies provides detailed information and some of them just disclose the basic information according to the presentation outlines sets out in the reporting framework. From the histogram on governance score, the mean is 58 which stated that most companies that comply with the Code are scoring mostly at the average of 58 points out of 88 points (at the range of 57 -59) from the total 45 disclosure items. From the results, the scores does not relate to the performance as the company with highest score has low return on assets (ROA) whereas company with the lowest score has a quite high returns on assets (ROA). Therefore, the ranking shows that there is no variation in the pattern and this means that it is acceptable that there is no specific pattern of corporate governance reporting and the disclosure index of top 250 Public Listed companies (PLCs) (include the 8 PLCs without annual reports), accept Ho.

6.5 Results and findings on 192 top Public Listed Companies (PLCs) after the outliers are removed from the raw data.

To obtain a meaningful result and to determine whether there is any relationship between corporate governance reporting and firm’s performance; the raw data are cleaned by removing the outliers that may affect the result obtained. This is because before the outliers being removed, it is quite difficult to determine the outcome of the findings. For this research, the outliers are identified as those companies that have return on assets (ROA) above 20% and companies with return on assets (ROA) below 1% (which includes negative %) and, therefore being removed (out of 250, 58 companies are removed) which the remaining 192 companies were tested.

Table 2: Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Governance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>-.054</td>
</tr>
</tbody>
</table>

Based on the Table 2 above, it shows that Governance Score and Performance do not correlate with each other (Correlation = -.054, p = 0.454), in which the Sig. (2-tailed) is more (> ) than 0.05 (refer to Appendix 8). Therefore, it is affirmed that there is no correlation between governance score and performance.

7.0 Conclusion

The aim of the research is to determine the intensity of corporate governance reporting and disclosure by the top 250 public listed companies (PLCs) in Malaysia. The disclosure index indicates that there is no specific pattern on corporate governance reporting among these public listed companies and the disclosure index. This is due to the fact that, majority of these public listed companies are complying with the basic standards as required by the Code (MCCG, 2007)
and as such, there is no specific variation in the presentation and the reporting format by these companies on governance matters. The only difference is that the presentation and reporting by the winner of corporate governance disclosure and reporting i.e. Public Bank Berhad and the company that ranked number one for its largest market capitalisation i.e. Sime Darby Berhad provided concise and detailed disclosure on every aspect of governance matters as compared to others. This indicates that the attitudes of these companies toward reporting and disclosure are merely to comply with the standards and the Code, which is considered as satisfactory. Adam and McNicholas (2006) stated that the reporting process and attitudes to reporting were likely to impact on the extensiveness, quality, quantity and completeness of reporting. As observed, the level of compliance is not very high in many public listed companies in Malaysia.

The second objective of the study is to determine whether corporate governance reporting has any significant relationship with firm’s performance. The findings obtained show that there is a very weak negative linear relationship and this indicates that the level of corporate governance compliance is not correlated to performance. The result is obtained after the data were cleaned by removing the outliers (companies with exceptionally high return on assets (ROA) that are above 20% and below 1% (includes negative ROA).

The findings are supported by previous literatures in which performance is not associated with the level of disclosure and timely reporting in which they are not the contributing factors on the relationship with market performance (Che Haat et al., 2008). It is also consistent with the study by Dalton et al. (1999) in which it is found that there is little evidence to support any relationship between governance variables and performance. Bauer et al. (2008) also stated that not all categories of governance affect the corporate performance. This shows that the level of awareness of best practices and the corporate governance compliance by the public listed companies in Malaysia as recommended by MCCG (2000) and MCCG (2007) is still lacking and not too aggressive as compared to other countries in which they are just merely to fulfil the requirements even for the top 250 Public Listed Companies in Malaysia. As such, the corporate governance mechanism in Malaysia is not for the purpose of enhancing the value of firm performance but the mechanism is considered as an important element for the directors of the companies to perform their oversight responsibilities i.e. to effectively and efficiently monitor the management as a whole.

Based on the findings, this research can be extended to make a comparison on the level of disclosure and reporting among East Asian countries to examine whether there is any pattern or variation on the reporting and disclosure on governance matters. Besides that, another future research can be done by covering the level of disclosure and reporting of the public listed companies in Malaysia before the compliance of MCCG (2000) and MCCG (2007), and after the compliance of MCCG (2000) and MCCG (2007) as to examine the amount of disclosure in their corporate governance reporting. The scope can be widened by covering the number of years as to find the extent of the reporting of corporate governance by these public listed companies. The research can also be expanded by increasing the sample size of study by including all public listed companies instead of top 250 to see the overall picture of the disclosure and reporting regardless whether these companies are in the Main FTSE market or ACE market.
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