

ALIGNING MALAYSIAN CODE OF CORPORATE
GOVERNANCE 2017 TOWARDS INTERNATIONAL
STANDARD OF GOVERNANCE AMONG
MALAYSIA COMPANIES

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MASTER OF BUSINESS ADMINISTRATION
(CORPORATE GOVERNANCE)

UNIVERSITI TUNKU ABDUL RAHMAN

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AND MANAGEMENT

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requirement for the degree of

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DECLARATION

I hereby declare that:

- 1) This Research Project is the end result of my own work and that due acknowledgement has been given in the references to all sources of information be they printed, electronic, or personal.
- 2) No portion of this Research Project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- 3) The word count of this Research Report is 17,907.

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The purpose of this research project is to study the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company’s performance and to determine the relationship of among the factors and company’s performance. I strongly believe that the theories included in this research project cover one of the major aspects that Malaysia Companies need to foster a strong culture of corporate governance and

improve the corporate governance practices in the future for the best interest of the company, shareholders and stakeholders in order to sustain in the local market and compete in the international market.

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ABSTRACT

Good corporate governance (“CG”) provides a greater shelter for a company to prevent misconduct of management, corporate fraud and corporate scandals. This CG has drawn the attention of shareholders and stakeholders with the conduct of a company that can arise from the incompetent of Board of Directors and Board Committees, irregularities of financial reporting and corporate reporting and disclosure. In consideration to achieve excellence CG practice, the recently released Malaysian Code on Corporate Governance (“MCCG 2017”) was took place to supersede MCCG 2012 to ensure a greater promotion to internationalization of corporate governance culture for the further enhancement in accountability, transparency and sustainability for Malaysian Companies and continue to strengthening internal and external mechanisms, control and promoting good compliance and CG culture of a company.

Therefore, the objective of this research is to study the factors to the Three (3) Principles set out in the MCCG 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company’s performance and to determine the relationship of among the factors and company’s performance. The factors to the Three (3) Principles are comprised of board characteristics, internal audit function establishment and integrated corporate reporting are chosen in testing the hypothesized relationship between the factors with company’s performance, which is measured by return on asset (ROA). Descriptive, correlation, regression and multiple regression analysis were used to examine the hypotheses in this study. This finding shows that there is a significant relationship between the factors and the company’s performance. This study provides useful information for the Board of Directors in fostering a strong culture of CG and improving the CG practices in the future for the best interest of the

company, shareholders and stakeholders. It also helps in increasing understanding of the relationship between CG practices and the company's performance in order to sustain in the local market and compete in the international market.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Good corporate governance and corporate performance are interrelated with each other. Selvarany Rasiah, Chief Regulatory Office of Bursa Malaysia stated that good corporate governance ought to be strengthened the business growth and development and sustainability; it should not be viewed as an impediment to the success of the company's goal (Elevating Corporate Governance Through Pro-Active Engagements, September 8, 2009). It marks the confidence of a company in building up a business trustworthiness and integrity in the market for future development, growth companies and balancing in the financial and operating leverage (G20/OECD Principle of Corporate Governance, 2015). It is a vital aspect of supporting the integrity and effectiveness of the capital market; and also the responsibility of a company to create values and ethical business conduct. However, a poor corporate governance will lead to a company's poor performance, corporate fraud and corporate scandals. It opens opportunities for irresponsible persons in a company to devise a sinister plan to be executed for personal gain. According to the study conducted by Brunnermeier (2009), some companies may be more seriously affected than others because of poor corporate governance that affects the company's risk management and financing, ultimately affecting the company's business viability to survive in the event of a financial crisis.

According to the traditional theory of corporate governance, strategy for maximizing shareholders' value will be the aim for a company by achieving better performance through profit maximization (Corporate Governance Guide of Bursa

Malaysia, 2017). However, this aim has been extended to create value through entrepreneurialism, ethical business conduct, innovation and development, provide accountability, transparency and control systems including risk management in order to achieve sustainable growth in the business (MCCG 2017).

Therefore, Malaysian Code on Corporate Governance (“MCCG”) has been introduced and revised in order to provide a standard guideline for the companies to strengthen the Board of Directors’ accountabilities and transparent in disclosing their financial and non-financial information to the shareholders. It is governed by law, code, statute and regulations such as Capital Market Services Act 2007, Bursa Malaysia Listing Requirements, Ministry of Finance, Companies Act 2016 and Securities Commission. In the MCCG, a set of principles and best practices have been developed and designed to aim for raising the standard of corporate governance practices in Malaysia to further promote the internationalization of corporate governance culture, further enhancement in accountability, transparency and sustainability for Malaysian Companies and continue to strengthening internal and external mechanisms, control and promoting good compliance and corporate governance culture of a company.

1.2 International General Principles of Corporate Governance Benchmarking

Corporate governance tends to refer to principles raised in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1999, 2004 and 2015) and the Sarbanes-Oxley Act of 2002 (US, 2002). A standout amongst the most guidelines on corporate governance is the G20/OECD Principles of Corporate Governance (“the Principles”), first developed by the Organisation For Economic Co-operation and Development Principles (“OECD”) Principles in 1999, modified in 2004 and revised again and endorsed by the G20 in 2015.

The OECD model (2004) presents a set of principles that are fundamental to good corporate governance and most widely accepted practices. It does not seek to come up with a model which is applicable to all countries as it recognizes that ‘one size does not fit all’ (OECD, 1999 cited Mallin, 2004, p.28). The World Bank’s corporate governance assessments of countries are based on these principles. These Principles provide an indispensable and internationally recognized benchmark for assessing and improving corporate governance. The benchmark consists of five (5) broad categories:

- Auditing
- Board and management structure and process
- Corporate responsibility and compliance in an organization
- Financial transparency and information disclosure
- Ownership structure and exercise of control rights

The Principles cover six (6) key areas of corporate governance are as follows:-

- 1) Ensuring the basis for an effective corporate governance framework. The corporate governance framework should promote the transparent and efficient market, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.
- 2) The rights and equitable treatment of shareholders and key ownership functions. It emphasizes the exercise of shareholders’ rights should be protected and facilitated including openly and effectively disseminating and communicating rights information via electronic means and by encouraging shareholders to participate in general meetings.
- 3) Institutional investors, stock markets and other intermediaries. It should address to the equitable treatment of all shareholders including minority and foreign

shareholders in view to economic reality and incentives throughout the investment to obtain an effective corporate governance by assessing to market information including fair and efficient price discovery in the market.

- 4) The role of stakeholders in corporate governance. It encourages active co-operation between companies and stakeholders in creating the maximization wealth of its stakeholders and their interests in the contribution of the valuable resource for the long-term success of the companies.
- 5) Disclosure and transparency. It should ensure that timely and accurate disclosure is made on all material matters regarding the companies including the financial situation, performance, ownership and governance of the company.
- 6) The responsibilities of the board. It should ensure the strategic guidance of the company, the effective monitoring of management by the board and the board's accountability to the company and the shareholders.

Therefore, this structure provides the setting of the company's objectives and pursuing their objectives in the context of the social, regulatory and market environment. It is a mechanism for monitoring the actions, policies, decisions of the company which involves the alignment of interest among the shareholders.

1.3 Corporate Governance

Corporate governance was formed in 1998 by the High Level Finance Committee and defined as *the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value while taking into account the interest of other stakeholders* in the High Level Finance Committee Report 1999. It involves a set of relationships

between a company's management, its board, its shareholders and other stakeholders together with a given set of structures and methods for accomplishing the company's goal, monitoring and checking on the company's performance.

According to Organisation For Economic Co-operation and Development Principles ("OECD") 2014 defines corporate governance is a system by which is guided and controlled by a company. The structure of corporate governance is interrelated to the management of a company, shareholders and stakeholders to distribute rights and responsibilities. It provides a set of rules and procedures as a guideline for making and monitoring decisions on corporate affairs in order to achieve company objectives, monitor performance and promote transparency. In addition, it is also considered a system of leadership, protocols and law that govern management control, property rights, and decision-making process, as well as other practices (Tihanyi, Graffin, & George, 2015).

Corporate governance refers the rights, responsibilities and duties of all the shareholders and stakeholders like Board of Directors, senior management, creditors, auditors, regulators, government, suppliers, employees, customers, society and environment. It is an important key to the survival of organizations particularly after the separation of "ownership" and "control" where decisions of the managers don't affect their own wealth much (Fama & Jensen, 1983). It has become a hot issue of discussion and research for both academia and industry after the recent scandals reported by The Star and New Straits Times on Telekom Malaysia (TM), Felda Global Ventures (FGV) and 1 Malaysia Development Berhad.

According to Young (2003), it is not easy to establish a link between corporate governance and the company's performance but a common belief that good governance leads to a company's better performance. Some studies show that there is no relationship between corporate governance and company's performance (Karpagam, 2013), while others indicate that there is a significant relationship between them (Shukeri, Shin, & Shaari, 2012; Tham, Marn & Romuald, 2012).

In connection with the above contexts, the implementation and compliance of corporate governance practices have led to the improvement of the company's performance (Noor & Fadzil, 2013 and Velnampy, 2013); as well as it provides an assurance to the shareholders that the company would protect their best interest. The mechanism for maximizing profits in corporate governance will be considered by investors in developing and emerging markets as they will invest in a better governed company as compared to a poorly governed company. The ranking of good and poor governed companies depends on the basis of their financial performance particularly profitability (Khanna & Zyla, 2010). On the other hand, weak compliance of corporate governance practices leads to the company's poor performance and corporate scandals like Perwaja Steel, Technology Resources Industries (TRI), Transmile Air Services Sdn. Bhd., Megan Media Holdings, Malaysia Airlines System (MAS), Port Klang Free Zone (Norwani, Mohamad, & Chek, 2011).

1.4 Background of the Study

The performance of corporate governance has been attempted numerous times to enhance and instill global good corporate governance practices. Following the corporate debacles as demonstrated by Enron Corporation, WorldCom, Lehman Brothers Holdings Inc and Dell Incorporation in the United States of America, Satyam Computers in India, Citic Pacific in Hong Kong. This has led to financial havoc worldwide and regulators around the world have to respond by adopting new legislation to strengthen corporate governance. The same corporate debacles in Malaysia have been highlighted in paragraph 1.3 and the additional cases such as Baneng Holdings Berhad, Farlim Group (Malaysia) Berhad and Satang Holdings Berhad.

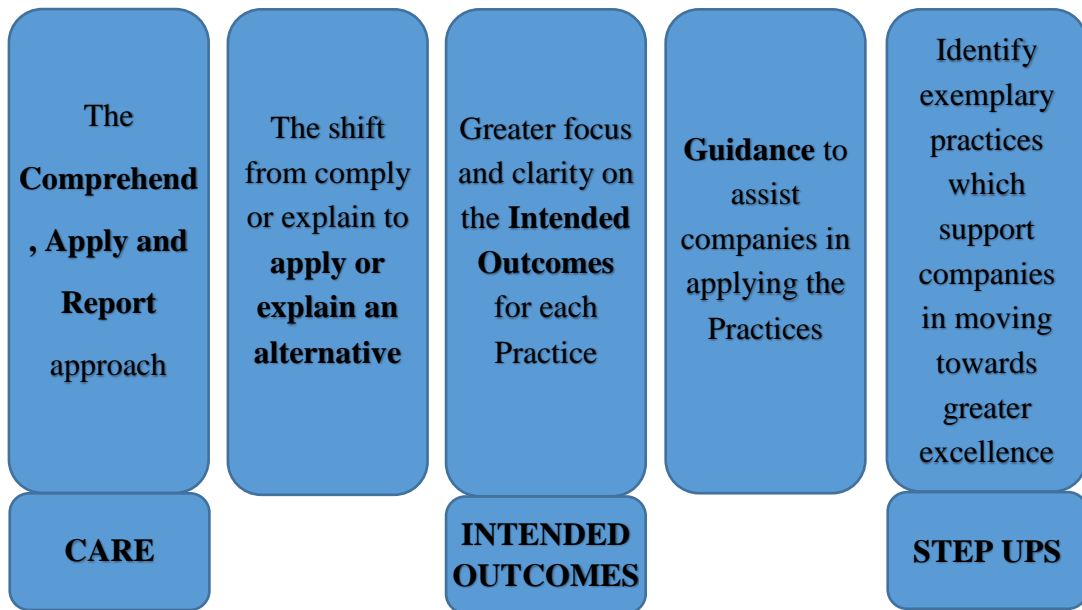
Many researchers believe that the financial crisis occurs when the company do not instill a good corporate governance practice (Yusoff & Alhaji, 2012). The

criteria for poor corporate governance practices can be categorized into insufficient of transparency, accountability and disclosure in financial and non-financial information (Mitton, 2002), high company leverage (Fraser, Zhang & Derashid, 2006) and minority oppression when majority shareholders in a company take action that unfairly prejudices to the minority shareholders (Claessens, Djankov, Fan & Lang, 1999). The investors have a loss of confidence in the capital markets in consequence of poor corporate governance and could be detrimental to the economy of the country.

Therefore, the Malaysian government has taken certain measures to strengthen corporate governance and established the High Level Finance Committee in 1998 to conduct a detailed study on the corporate governance and to make recommendations for improvement (Rahman, 2005). As a result, the Securities Commission (“SC”) has announced the Malaysian Code on Corporate Governance (“MCCG” and/or “Code”) in 2000. Subsequently, SC has reviewed and updated MCCG in 2007 in order to in line with the current economic changes, then 2012 and most recently in April 2017.

On 26 April 2017, the release of the new MCCG 2017 by SC to supersedes the MCCG 2012 for a new approach (diagram as below) to facilitate and enhance more corporate governance culture, accountability and transparency in line with the international standard of corporate governance. The MCCG 2017 has taken effect for those with financial year ending 31 December 2017. This Code will continue to improve the corporate governance practices for public listed companies (“PLCs”), but also encourages non-listed entities including state-owned enterprises, small and medium enterprises (“SMEs”) and licensed intermediaries to be participated and practiced within its company. The Code comprising 36 practices to support three (3) Principles, namely “Board Leadership and Effectiveness”, “Effective Audit, Risk Management and Internal Controls” and “Corporate Reporting and Relationship with Stakeholders”.

Figure 1: Key features of the new approach



Source: MCCG 2017

The new structures of corporate governance have been established for Malaysian companies in order to create their own value through entrepreneurialism, innovation and development based on accountability, transparency and control systems including risk management. It will make the companies more conducive to attracting and increasing capital investment confidence for more investors and raising their position in local and global capital markets toward achieving sustainable business growth. Khanna & Zyla, 2010 found that the good company's performance will lead to the ability to make the profit which it will attract and pursue more investors to invest in the company.

With the introduction of MCCG in Malaysia, there is a positive impact on corporate governance in Malaysia. According to the Annual Report 2017 and Malaysia Corporate Governance Report 2016 of Minority Shareholder Watchdog Group ("MSWG") stated that Asean Corporate Governance Scorecard Methodology is assessed based on the OECD Principle of Corporate Governance

as the main benchmark (the five (5) areas of benchmark and six (6) Principles are shown on paragraph 1.2) for the implementation of good corporate governance. The results showed that there is an increase of 1.4% to 86.18 points in 2017 index score as compared to 68.20 points in 2012 to 85.02 in 2016. This increase has shown that PLCs in Malaysia have put their greater efforts and consistent in improving their corporate governance practices and disclosures (Appendix A). It is a significant result of the substantive implementation of good corporate governance standards and practices in Malaysia and become one of the best in the Asean region. It implies that the continuous to raise and adhere to the highest standard of corporate governance for the PLCs in Malaysia for the survival of a company's competitiveness in local and international markets. Devanesan Evanson, Chief Executive Officer of MSWG reported that MSWG expected more of PLCs would be named in the Top 50 Asean in the year 2018.

Even MCCG has been revised several times by the SC and received a positive feedback on MCCG, nevertheless the introduction of this Code is still unable to curb misconduct in companies in Malaysia such as variety of criminal breach of trust, abuse of power, corruption and other issue involving integrity or moral offence that involves either public or private sector. As a result, it will detrimental to the economy and development plan for the future of the country. Ironically, this crisis can occur as a result of the attitude of the Board of Directors and Board Committees of the company who are greedy and selfish. Their heart is not affected by the Code in the printed paper without doing anything wrong. This attitude results from a lack of internal and external factors of the company.

1.5 Problem Statement

The confidence of investors in Malaysia had been seriously affected during the 1997 and 1998 Asian Financial Crisis due to lack of corporate governance and transparency in disclosure of an accurate information of company including the

reporting of financial performance. The collapse and financial crisis of corporate have given a clear picture on the importance of implementing a good corporate governance practice in Malaysia in order to deter unethical business conduct and practices in the company for the sake of own interest may give an adverse impact to the company's value, its shareholders and investors. This crisis not only introduced the term of corporate governance but had created an awareness to the public about the weaknesses of Malaysia Corporate Governance Practice. Based on the KPMG Malaysia Fraud, Bribery and Corruption Survey 2013 revealed that corporate fraud in Malaysia has continued on the rise (Appendix B). Referring to the Annual Report 2016 of Companies Commission of Malaysia, a total of 9 and 829 cases were reported on serious corporate governance offence and non-compliance offence respectively (Appendix C).

Therefore, corporate governance has attracted the attention of peoples with misconduct of recent management and corporate scandals. Public outcry over the scandal of local history (refer to para 1.3 and 1.4) as well as Government-Link Companies such as for the misuse of public funds or state funds has shown that the drawback corporate governance as a major factor contributing to the collapse of these companies (Rahman, 2013). Even if these companies are still under investigation, we should take it seriously on the factors arise from the corporate governance practices in Malaysia because it may affect Malaysia's well-known company and Malaysian economy and credibility. The most important government imperative is to increase the standard of corporate governance due to the crisis and failure of public listed companies ("PLCs") and to make an effort to bring back the economy on the right track and viable.

With the challenge to overcome the crisis and failure of corporate governance in PLCs, the regulators such as Securities Commission ("SC") have taken steps to review Malaysian Code on Corporate Governance ("MCCG") 2007, 2012 and recently issued MCCG 2017. As well as, Bursa Malaysia Listing Requirements ("BMLR") has been amended in order to in line with the MCCG 2017 and the new

Companies Act, 2016 was introduced to ensure good corporate governance through simplifications of laws, deregulatory measures and encourage entrepreneurship. Therefore, Malaysia government has taken their great initiative to adopt new corporate governance reforms including Malaysia Code and Rules into existence for the purpose of fostering the commitment of companies to improve their corporate governance practice in order to regain the confidence of investors and better protection of the shareholders and investors.

However, there are many rooms for improvements in corporate governance in Malaysia. In the most recent revision on the Codes and regulations put much emphasis on the company toward the effective internal control system, ethical business conduct, accountability, transparency and disclosure to reduce risk, corruption and misconduct of management. Despite the tightening guidelines on the Code and rules and regulations on BMLR and Companies Act, 2016, incidents of bribery, fraud, corruption, misconduct and maladministration are still out of control in Malaysia. It gives an indication of weak corporate governance. Corporate governance relates to doing things right, not to show the number of rules or Codes that have been applied but substance over form is distinguishes between good governance and poor governance. The government should take this matter seriously to reduce losses and continue to improve the standard of corporate governance in Malaysia to adapt to the local and global competitive markets.

The importance of corporate governance function implemented by the Board of Directors (“BOD”) is part of the top corporate hierarchy in the company’s organizational structure (Kim & Nofsinger, 2007). BOD must perform its fiduciary duties and to act in good faith to the company and shareholders to ensure that there is no breach of rules and regulation. However, referring to a study conducted by KPMG Malaysia Fraud, Bribery and Corruption Survey 2013, corporate fraud in Malaysia has continued on the rise and 55% of correspondents said greed or lifestyle demand are the most common motivators for fraud, bribery and corruption. In

addition, a study conducted by Omar, Said & Johari (2016) commented that the top-level management especially Directors who usually commit such a crime.

An internal audit establishment is an important tool in corporate governance in improving a company's performance. According to Archambeault et al. (2008), the internal audit function enhances shareholders and stakeholders confidence when it complies with corporate governance disclosure. The management is responsible for establishing an effective internal control over financial reporting procedures and ensuring the efficient operation of such controls and procedures (Lin et al., 2011). The internal audit department provides an independent assessment of the internal control mechanisms in the organization (Lenz et al., 2014). Referring to a study conducted by KPMG Malaysia Fraud, Bribery and Corruption Survey 2013, 68% of correspondents said poor internal controls due to lack of internal control system, procedures, skill and training for the Internal Audit Team to detect fraud of the company. An investigation paper showed that 38% of false and misleading statements reported by Companies Commission of Malaysia, Annual Report 2016 (Appendix C) which relates to the internal audit function of the company. The five Directors of Trive Property Group Bhd committed an offence by consciously providing false and misleading statements in relation to the company's development expenditure amounting to RM21.10 million to the Securities Commission and Bursa Malaysia Securities Berhad and on conviction, they were liable to a fine of RM2.55 million (Annual Report 2017, Securities Commission).

Corporate disclosure is a vital tool to communicate financial and other performance indicators of business organization. A tool of corporate disclosure is the annual report which comprises financial statements and non-financial information which includes sustainability disclosures to their shareholders. In the revision of MCCG 2017, the new reporting system which represents all information, financial and non-financial, combined into one single report is called an Integrated Corporate Reporting. It can help companies to explain their value creation more effectively to the shareholders and stakeholders and capital markets. According to

KPMG (2011), the company should treat the Integrated Corporate Reporting as part of the communication tool to create an accountability to various shareholders, stakeholders such as investors, suppliers, employees, government and society in the future. Eccles and Krzus (2010) stated that disclosure of an integrated report implies greater transparency for a company's performance. For example, Lim Yin Chow, former Non-Executive Director of Stemlife Bhd, Signature International Bhd and Rev Asia Bhd was reprimanded and imposed a fine of RM30,000 by Bursa Malaysia for giving inaccurate, false and misleading information pertaining to his education qualification in the Bursa announcements and Annual Reports pursuant to paragraph 16.19(1) of the Main Market Listing Requirements (The Sun, 2015).

Therefore, a study is being conducted in which the factors to the Three (3) Principles set out in the MCCG 2017, namely board characteristics, internal audit function establishment and integrated corporate reporting on the contribution to the performance of Malaysia companies. The factors refer to the several important corporate governance practices to support the Three (3) Principles in the MCCG 2017. It is important to determine quantitatively company's performance to ensure the effective corporate governance system in Malaysia. The past similar study had been conducted in Malaysia and it will integrate on the past similar study to incorporate in this study research.

1.6 Research Objectives

The general objectives of this research aims to study the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance.

The special objectives of this research study are the factors to the Three (3) Principles comprise the board characteristics, internal audit function establishment and integrated corporate reporting are selected as the factors for the development of hypothesis testing to be entered in connection with Return on Assets (ROA) as an indicator for the measurement tool of the company's performance. The details are as follows:

1. To examine the relationship between the board characteristics and the company's performance.

H_0 : There is no relationship between the board characteristics and company's performance.

H_A : There is a relationship between the board characteristics and company's performance.

2. To investigate the relationship between the internal audit function establishment and the company's performance.

H_0 : There is no relationship between the internal audit function establishment and company's performance.

H_A : There is a relationship between the internal audit function establishment and company's performance.

3. To assess the relationship between the integrated corporate reporting and the company's performance.

H_0 : There is no relationship between the integrated corporate reporting and company's performance.

H_A : There is a relationship between the integrated corporate reporting and company's performance.

1.7 Research Questions

The research questions to be answered in this research project are as follows:

- i. Is there any relationship between the board characteristics (education, experience, board size, board independence and board meetings) and the company's performance?
- ii. Is there any relationship between the internal audit function establishment and the company's performance?
- iii. Is there any relationship between the integrated corporate reporting and the company's performance?

1.8 Significance of the Study

The key success factors of a company's business depend on the tone at the top of a company in the compliance and ethical conduct which is embraced and integrated into every level of business operations and the employees' work achievement from the highest position to the lowest position. It will affect the company's performance. Thus, the continuous improvement of the new Principles is very necessary to ensure a company remain competitive in local and global markets in line with the current economic situation and able to adapt to the changes in the external and internal environmental factors.

Many kinds of research have been examined for the Malaysian Code on Corporate Governance ("MCCG") 2007 and 2012. Nevertheless, few are doing

research on the factors to Three (3) Principles of MCCG 2017. The findings of this research will contribute to enhancing the existing Principles set out in the MCCG for Malaysia Companies in fostering a strong culture of corporate governance and improving the corporate governance practices in the future for the best interest of the company, shareholders and stakeholders. It further helps in building up of the corporate governance practices networks and relationship with the company's performance in order to promote a safe competitive, orderly market for investors in Malaysia and able to sustain in the local market and compete in the international market.

1.9 Chapter Layout

The Chapter Layout of this study is comprised of the following five (5) chapters:

Chapter 1: This is the introductory chapter which covers the introduction of corporate governance and international general principles of corporate governance benchmarking, the background of the study, the problem statement, the research objectives, the research questions and the significant of the study.

Chapter 2: Chapter 2 provide the in-depth literature review on the introduction of Malaysian Code on Corporate Governance 2017 and its Principles, the understanding of the international standard of governance for company's performance, the comparison with the Corporate Governance Code with other countries, theoretical framework and hypotheses development.

Chapter 3: This chapter is the research methodology that provides the details of techniques used in the study. It includes the research design,

the data collection methods, the population of study, the sampling method and techniques, the research instrument, the structured questionnaire and the data analysis.

Chapter 4: Chapter 4 presents the discussion on findings, analysis and interpretation of the research results according to the research objectives of the study and the agreement with the literature review.

Chapter 5: This is the final chapter and describes the summary, discussion, conclusion, recommendations, limitation and suggestion for future research of this research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In general, many respects of the principles of corporate governance practiced in Malaysia is similar to the principles in the United Kingdom (“UK”). The non-statutory self-regulatory Malaysian Code on Corporate Governance (“Code”) follows the original combined Code of the UK, adjusting the internal governance structures comprised in the code of best practices of the Cadbury Report (Governance, 1992) to suit the Malaysian context. The principles and best practices on structures and processes set out in the corporate governance in order to enhance the higher standards of corporate governance in a company.

Malaysia believes that the practice of self-regulation in the system of corporate governance is more preferable and appropriate to promote compliance with good ambitions and high spirits, thus setting a higher standard and greater respect for the law (Shim, 2006). In addition, the full disclosure regime on the company information pursuant to Bursa Malaysia Listing Requirements (“BMLR”) has been made compulsory for a public listed company in Malaysia to disclose the degree of compliance with the Code.

Malaysia has adopted a single-tier or unitary board model from a very old board model based on the British. It consists of Executive and Non-Executive Directors and there is no separation between the supervisory and management functions of the board. The form of corporate law in Malaysia is similar to the UK and is part of the foundation for securities markets that protect minority rights.

The Hybrid Approach is a blend of the prescriptive and non-prescriptive approaches adopted in the Malaysian Code on Corporate Governance to address the board approaches to the issue of corporate governance in Malaysia. This approach consists of the specified and non-specified standard practices and compliance disclosure and disclosure on actual practices. It is a best practice prescriptions for the corporate governance in Malaysia in order to encourage and create the awareness of governance needs within the company. The Hampel Report was adopted by Malaysia. It is a narrative statement of how to apply and justify the departure that departs from the principles of corporate governance and standard practices in the annual report and accounts of the company.

2.2 Malaysian Code on Corporate Governance (“MCCG” and/or “Codes”) 2017

A set of principles and best practices were set out in the MCCG 2000 in order to aim for strengthening the standard and structure of corporate governance practices. In 2007, Malaysia revised MCCG 2000. The MCCG 2007 mainly addressed the Board of Directors and audit function of the companies to ensure the right principles and best practices in the structures and processes of a company. After revising the MCCG 2012, which superseded the 2007 Codes is to adopt and enhance good corporate governance structure and processes to be integrated as part of their business dealings and culture. The rationale for revising the MCCG 2007 and replacing it with the MCCG 2012 is that the market dynamics and international developments are constantly changing and there is a need to continue to revise in order to enhance the effectiveness of the corporate governance framework due to the changes.

The MCCG 2012 focuses on clarifying the role of the board in providing leadership, enhancing board effectiveness by strengthening its composition and reinforcing its independence. As well as, it encourages the public listed companies

(“PLCs”) to disclose their corporate policies and to make public their commitment to respecting shareholder rights. The principles and recommendations focus on a strong foundation for the board and its committees to carry out their roles effectively, promote timely and balanced disclosure, safeguard the integrity of financial reporting, emphasize the importance of risk management and internal controls and encourage shareholder participation in the general meeting.

In 2017, new MCCG 2017 took place to supersede MCCG 2012 in order to promote the greater internationalization of corporate governance culture for the further enhancement in accountability, transparency and sustainability; not only for the PLCs but also to non-listed entities are encouraged to embrace this Codes. The following table shows the changes in the principles of corporate governance from MCCG 2000, 2007, 2012 and 2017:

Table 1: The changes in the principles of corporate governance from MCCG 2000, 2007, 2012 and 2017

MCCG 2000	MCCG 2007	MCCG 2012	MCCG 2017
1) Directors	1) Directors	1) Establish Clear Roles and Responsibilities	<u>Principal A</u> Board Leadership & Effectiveness
2) Directors Remuneration	2) Directors Remuneration	2) Strengthen Composition	<i>i. Board Responsibilities</i>
3) Shareholders	3) Shareholders	3) Reinforce Independence	<i>ii. Board Composition</i>
4) Accountability & Audit	4) Accountability & Audit	4) Foster Commitment	<i>iii. Remuneration</i>
		5) Uphold Integrity in Financial Reporting	<u>Principal B</u> Effective Audit & Risk Management
		6) Recognized & Manage Risks	<i>i. Audit Committee</i>

MCCG 2000	MCCG 2007	MCCG 2012	MCCG 2017
		7) Ensure Timely & High Quality Disclosure	<i>ii. Risk Management and Internal Control Framework</i>
		8) Strengthen relationship Between Company & Shareholders	<u>Principal C</u> Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders <i>i. Communication with Stakeholders</i> <i>ii. Conduct of General Meetings</i>

2.2.1 Principle A – Board Leadership and Effectiveness

Strong leadership from the Board of Directors is fundamental for achieving higher standards of corporate governance which will enable the companies to compete globally and promote mutual confidence in both Malaysian and overseas investors. It provides the efficiency of operations management, strategic market, industry knowledge and insight to the company. The Board of Directors needs the mix of skills and competencies to the company to ensure the effective good corporate governance, promoting ethical practices, legal compliance, professional perspective and constructive inputs in order to have a better-governed board, the development of the company and other Directors. According to Kumar and Zattoni (2018) stated that capable and well-respected Directors are typically successful managers, entrepreneurs, professionals, academics or politicians. They receive an incentive in the form of directors' fees for their contribution towards fiduciary duties and care to the company and its shareholders so that they can perform their

duties effectively. Therefore, “Tone at the Top” is the most important component of the control environment for a company to help prevent fraud and other unethical practices. It practices an ethical leadership through a set of policies, code of ethics, commitment towards openness, honesty, integrity and ethical behaviour and the development of reward structures in order to promote good internal controls and effective governance.

In the boardroom context, the issue of board effectiveness such as corporate fraud has created the awareness of the public about the importance of high standards of corporate governance (Barton & Wong, 2006). An effective corporate governance requires a clear understanding and relationships between the respective roles of the board, management and shareholders. Berghe and Levrau (2004) stated that the board effectiveness depends on the right structure, the right people, the right culture, the right issues, the right information, the right process, the right remuneration and the right implementation and they concluded that the board needs a right person who can lead the company into the right structure, culture and process of the board. In connection to the right people as a Director, the boardroom effectiveness has an effect on the politically connected Directors (Shin, Hyun, Oh, & Yang, 2018). Further that, the Board of Directors needs to work hard together to improve the company's performance because of legal liability, fiduciary duty and responsibility of each Director (Zahra and Pearce II, 1989). Therefore, leadership is the major determinant of the process of the board, decision making and board effectiveness (Leblanc, 2004).

Several attributes are central in creating good board leadership and effectiveness in corporate governance, board structure and board composition are considered as the main board characteristics to lead the company's performance (Achim, Borlea & Mare, 2016). The Board of Directors is the heart of internal governance of the company and its board characteristics may influence the strategic decision-making and direction of the company (Mandala et al., 2018). The board characteristics are discussed as follows:

i) Education

Pursuant to the Practice 4.4 of MCCG considers that board members must have the right qualifications which represent the educational background of the board members. Carcello (2009) commented that having the right educational background on the board will help to improve the company's performance. There is an impact of education level on the company's performance (Davidsson & Honig, 2003). In order to improve the effectiveness of the board, the continuous training and education to the board members are strongly recommended so that they can effectively discharge their duties (Chiang and He, 2010; paragraph 15.08 of BMLR).

ii) Experience

The board members with a higher age average will have much more experience in constructive inputs and aggressive with decision making as compared to a younger age average. This experience is expected to positively contribute to the better performance of a company. The board consists of well experienced members has a positive relationship with the company's performance (McIntyre, Murphy & Mitchell, 2007). According to Taylor (2001) found that experience is one of the determinants of the company's performance. The type of experience from board members that can predict the company's performance to serve an improved tool to assess the company's business strategy and plan (Reuber and Fischer, 1994). It also serves as a performance indicator for the company in the development and improvement of the business.

iii) Board Size

Board size means the total number of directors who sit on the board (Levrau and Van Den Berghe, 2007), can influence the corporate governance practices of the company and reflect the effectiveness of the Board of Directors. The Executive and Non-Executive Directors should be part of the size of the board. Therefore,

board size is an important aspect of the board structure for governing the company in order to ensure the responsibility, needs and goals of the company are met (Noor and Fadzil, 2013). The internal and external factors such as the company's structure, legal, economic, industries and political environment play an important role in the board size.

The value of a company is influenced by the size of the board. Small board size is generally considered to improve the value of a company. However, larger board size is characterised by longer decision-making process and poorer communication at the organizational level (James, Singh & Goyal, 2018). Many researchers agree that there is a positive relationship between the board size and the company's performance. The large board size seems to have increased the pool of experience, knowledgeable and gather much more information to the board. It also helps to reduce the power of Chief Executive Officer on board and increase the level of monitoring and supervising capacity of the board.

However, large board size sometimes is difficult to manage due to the conflicting interest, inputs, factorization and opinion that will delay in the strategic decision making process. Therefore, a board should be small enough to have the effective interaction between members and large enough to include a diversity of the board members to perform their duty and responsibilities. The board should determine its optimal size based on its needs. The ideal board size for the diversification is up to seven members. For example, the Greek firms tend to have large-sized boards which can have better performance, however, the large-sized boards consist of more independent directors are associated with poor performance (Zhou, Owusu-Ansah & Maggina, 2018).

There is a positive impact on the company's performance when the large and diversified board bring together with the in-depth intellectual knowledge to the board from the business perspective which can influence the quality of strategic decision making (Arosa, Iturralde and Naseda, 2010). A study of corporate

governance among European companies conducted by Heidrick and Struggles (2007) found that the company often has a small board size in the United Kingdom, Switzerland and Holland while the large board size from thirteen to nineteen members is often preferred by the company in Belgium, France, Spain and Germany. When the Board of Directors consists of five members, the company has the highest performance in Malaysia and Singapore (Mak and Yuanto, 2003). There is no optimal board size because the right size for a board should be determined by the effectiveness of the board to operate as a team (Conger and Lawler, 2009).

iv) Board Independence

Pursuant to the Practice 4.1 of MCCG stated that the board composition must at least half of the board are Independent Directors. According to paragraph 15.02(1) of BMLR, the public listed company need to have the balanced composition of the board at least two (2) Directors or one-third (1/3) of the board are Independent Directors, whichever is the higher. Prabowo and Simpson (2011) viewed on the board independence that the level of the aggregate number of Independent Non-Executive Directors to the aggregate number of Directors was expressed as a percentage of the total of the board. According to Young (2000) commented that the check and balance on the effective performance of management and the company's activities are important roles for the Independent Directors. Based on Tulung and Ramdani (2018) stated that the independent director is the main organ and member within the Board of Directors that is responsible for the practice of good corporate governance and professionalism, monitor the function of the board and hold good leadership. There is a need for a significant proportion of Independent Directors in the board in order to increase the effectiveness and efficiency of checking and supervising the company's activities and performance (Ryan Jr. & Wiggins III, 2004). Therefore, the Independent Director does not have any family and business relationship with the company.

v) Board Meetings

The definition of Board Meeting is the regularity of board members meet together and convene a meeting within the financial year. It caters for the board to discuss, analyze and make the decision on the performance, operations, strategic and finance of the company in order to ensure the company operates in the best interest of the shareholders. Pursuant to paragraph 9.25 of BMLR, the PLCs must disclose the number of board meetings conducted by the board and the attendance of each board member in the meeting during the financial year in the annual report. Minichilli et al. (2009) believed that the frequency of board meetings will improve the decision processes that can influence the company's performance because of the competencies and ability of board members such as experiences, skill and knowledge which contribute in the board meetings. The board meetings are an important communication mechanism for the independent directors to in-depth understanding the company's operation, managerial decision-making and effectively facilitating and participation in a company corporate governance (Liao, Lin & Zhang, 2018). However, the increased number of board meetings may also result in the company's poor performance and being harmful to economic growth. Chen et al. (2006) and Kamardin & Haron (2011) expressed that a higher percentage of board meetings means that the board understands and know-how of the company's activities as well as the board is able to monitor and implement the strategy of the company.

2.2.2 Principle B – Effective Audit and Risk Management

In today's business world, markets are highly competitive and companies are continuously affected by competition around the globe and the world is in an era of globalization. Due to the complexity of the markets and market environment is constantly changing nowadays, the board should consider on how to obtain an effective audit and business risk management in accordance with the rules and

regulations, legislation and legal compliance. Therefore, the board delegates the responsibility to the audit committee to oversee and produce a credible financial reporting process and company financial statements to the board for approval. According to Ljubisavljevic & Jovanovi (2011) stated that a credible reporting on financial performance and business practice of a company such as the company's growth and sustainability and strong leadership are the major issue for the stakeholders to consider their investments in a company. One of the important roles in Principal B – Effective Audit and Risk Management is the establishment of Internal Audit Functions pursuant to the Practice 10.1 and 10.2 of MCCG and paragraph 15.27 of BMLR.

The internal audit department plays an important role to assess and check the business accounting systems and transactions of the company in order to develop a quality financial reporting and financial statements. As such, an effective internal control system of the company is to strengthen the financial reporting, successfully implement business strategy and improve the process of risk management in order to attain the company goals (Ljubisavljevic & Jovanovi, 2011). Further that, the internal audit function helps to strengthen the works of management and audit committee (Hutchinson & Zain, 2009).

The establishment of internal audit functions is an internal mechanism to enhance the internal governance process of the company. It helps in business decision making based on the reliability and integrity of information from the financial and operations that come from different departments of the company. The internal audit tasks such as work schedules, information, findings, conclusions and evaluations must be independent and there is no interruption and influence from the management then considers a successful implementation of the internal audit function. It serves an important guideline for the management to develop the internal audit report by way of communication between internal audit department and management (Ljubisavljevic & Jovanovi, 2011). The chairman of the board can affect directors' engagement and internal processes (Bezemer, Nicholson &

Pugliese, 2018). Likewise, it facilitates the effective collaborative working in the company between the operation and audit committee in order to develop and oversight responsibility of the consistent financial reporting process (Goodwin, 2003). In the context of growth opportunity and the independence of the audit committee in Malaysia, Hutchinson & Zain (2009) found that there is a relationship between the internal audit function and the company's performance.

2.2.3 Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Pursuant to the Practice 11.2 of MCCG explains that integrated corporate reporting (“IR”) is the main reporting tool to provide the financial and non-financial information of the company including corporate governance overview statement, corporate social responsibility and sustainability reports to their respective shareholders and stakeholders in order to promote and practice the higher standards of transparency and accountability from the company. The importance of IR is to improve the interaction between the shareholders, stakeholders and company and enhance the corporate behaviour, reputation and performance of the company. The IR adopted the Integrated Reporting Framework issued by the International Integrated Reporting Council (“IIRC”) in December 2013 and is a globally recognized framework. Therefore, the large companies in Malaysia are encouraged to adopt this Practice and is a new mechanism reporting for corporate governance.

IIRC Framework (2013) construes integrated thinking in the IR as a concise communication and relationship between the top management and operation units on how the implementation of company's strategy, governance, performance and prospects in connection to its external environment that lead to the value of the company in the short, medium and long term. It is a connectivity and interdependencies between the information from the company's activities flow into the management reporting for analysis and decision making. It also helps to

improve the integration of internal and external information systems for the preparation of the IR. Through the adoption of IR, the company gains the following benefits (Eccles and Krzus, 2010; Eccles and Armbrester, 2011):

- a) IR provides a better understanding about the internal source of information and serves as a measurement tool for internal decision making in relation to financial and non-financial performance that can increase the efficient and effective use of capital and other resources of the company.
- b) IR provides a deeper interaction between the company, shareholders and stakeholders via the company's website to access more detailed information regarding financial and non-financial of the company.
- c) IR helps the company to focus on its risks derived from business, investment, operational, strategy, market and other relevant risks in connection therewith. So that the company is more effective to identify its risks and set up a systematic risk management process in the company in order to reduce the reputational risk and operational risk.
- d) IR meet the needs of investors because it discloses all the accurate information of the company to the potential investors. It helps to build a greater trust and confidence to the investors and enhance brand value, reputation and improved shareholders and stakeholders support to the company.
- e) IR provides a risk framework to identify the potential threats to the company such as external and internal threats from competitors in the competitive markets, political, legal, economic, social, employees, securities and etc in order to manage, minimize and eliminate the impact of these risks.

According to Couldridge (2014 & 2015) expressed that the sustainability and transparency issues are rising in the corporate reporting and both management and

stakeholders need to comply with more rigorous requirements. The IR represents the goals and overall picture of the company in future and is the link between the financial and non-financial performance (Jensen and Berg, 2012). Steyn (2014) commented that IR is not limited to reporting but it is a business reporting in order to increase the confidence of investors to obtain higher benefits. There is a need to strengthen the company's performance and reputation by the adoption of IR (Smith, 2015).

2.3 International Standard of Governance ~ Company's Performance

The International Standard of Governance refers to the benchmarks for the International General Principles of Corporate Governance in Chapter 1.2 in order to assess and improve the corporate governance. One of the benchmarks is the disclosure and transparency of financial and company information which can lead to the company's performance. The company's performance defines a group of people who work in the company in accordance with their job responsibility in order to achieve the goals of the company. According to Richard et al. (2009) commented that the company's performance consists of the following three areas:

- a) Financial performance refers to profits, return on assets, return on investments, return on equity and etc.
- b) Product market performance refers to sales revenue, market shares, competitive advantages, customer satisfaction, loyalty and etc.
- c) Shareholder returns refer to the total shareholder return, capital gains, dividend, economic value added and etc.

Deegan (2006) stated that the board independence can affect the in-depth knowledge to the board and quality of strategic decision making in order to improve the company's financial performance. The selection of an appropriate measurement

tool for the company's performance is important to ensure better understanding and analysis of the relationship between corporate governance and the company's performance. Therefore, Return on Assets (ROA) is one of the measurements for the financial performance to determine the company's performance.

ROA is the profitability ratio after deduction of earning after tax over an average book value of total assets. It is a widely used accounting-based performance measurement (Bhagat and Black, 2009) in the developing countries such as Malaysia to measure the efficiency of operations, capital market and debt-capital (Chang and Choi, 1988). Other researches commented that ROA is an indicator of the economic performance to measure the results of good corporate governance practices in the board over the company's profitability. There are numerous studies have been conducted to use ROA as the measurement of company's performance (Jackling and Johl, 2009; Cheng, 2008, Brick et al., 2006; Brown and Caylor, 2005 and Klein, 1998). Based on Kim (2005) stated that ROA is a fully comprehensive measurement tool for the company to represent the current company's performance (Ponnu, 2008).

2.4 Comparison with the Corporate Governance Codes of Other Countries

The purpose of this section is to provide the information on the similarities and differences in the corporate governance practices based on the legal, social, jurisdictions and economic framework in each country. The corporate governance codes and principles will reflect the corporate structure and characteristics in each country in order to develop and promote the good corporate governance practices (Christine A. Mallin, 2011). Part of the reasons for the comparison with the corporate governance codes of the following countries are to acknowledge the differences in the corporate structure and characteristics in these countries that encourage good corporate governance behaviour among these countries.

i) Australia

In Australia, the Principles of Corporate Governance is issued by the Australian Stock Exchange Corporate Governance Council. It provides the full pictures and in-depth of corporate governance practices from the perspectives of the rights of shareholders, risk management, ethical and conduct, decision-making and acknowledge the interest of shareholders and other stakeholders.

ii) China

The listed companies in China are mainly state-owned enterprises and often the state-owned enterprises are the controlling shareholders. This is the unique corporate structure in China. In 2001, Code of Corporate Governance was introduced in China in order to improve the corporate governance practices in its listed companies. China has adopted the principles of corporate governance from the Organisation For Economic Co-operation and Development Principles (“OECD”) (Tomatic, 2005). The board consists of Board of Directors and Supervisory Board. The most important principles in China is the roles, responsibility and relationships between the listed companies and the controlling shareholders must be clearly defined and both of them must be independent. Due to the close relationship between the companies and the State or government, the implementation of corporate governance in the West does not have any impact on the Asian country (Guo et al., 2013).

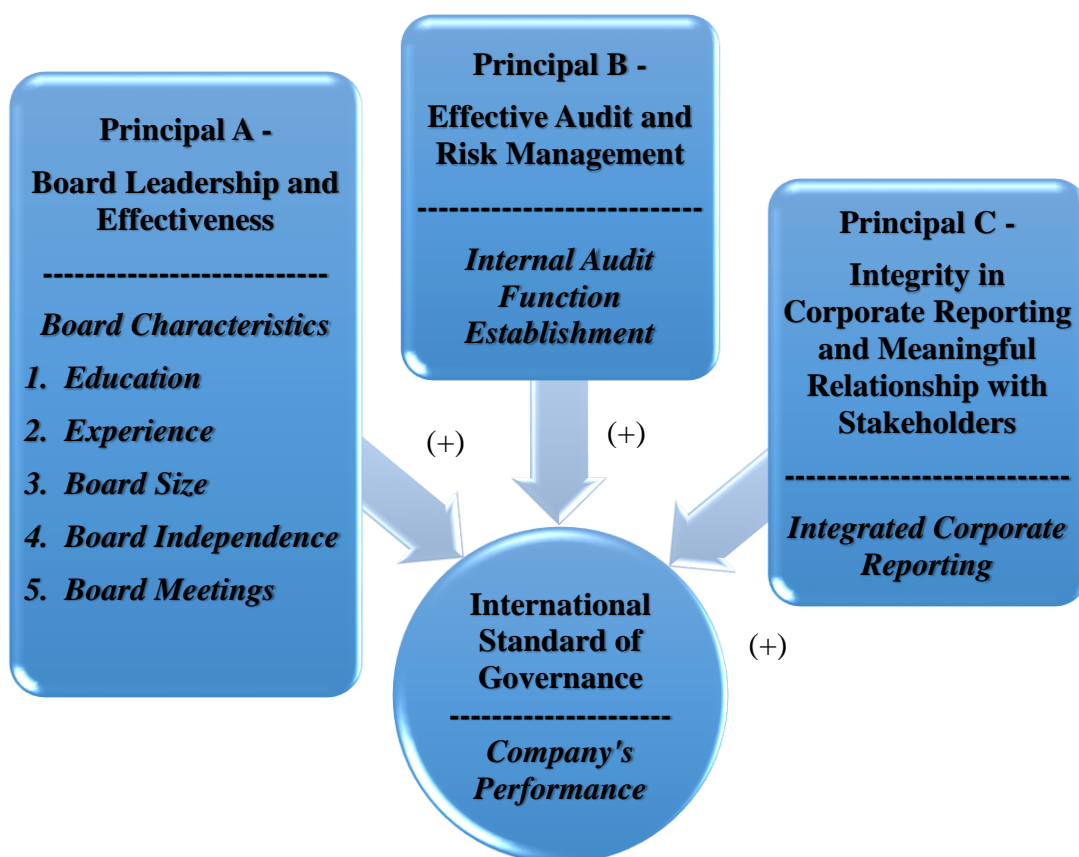
iii) Indonesia

The principles of corporate governance practiced in Indonesia is similar to the principles in the OECD. It covers the perspective of shareholders’ rights, board composition and functions of a board. The board consists of Board of Directors and Supervisory Board.

2.5 The Theoretical Framework

Based on the literature review and theoretically discussed above, this study develops the following theoretical framework. The development of the framework is based on the factors include the several important corporate governance practices to support the three (3) Principles of Malaysian Code on Corporate Governance 2017 as independent variables; while the dependent variable is based on the company's performance that relies on the factors to ensure the effective corporate governance system in Malaysia. Return on Assets is used as the financial performance measurement tool to represent the company's performance. The past similar study had been conducted in Malaysia and it will integrate on the past similar study to incorporate in this study research.

Figure 2: Theoretical Framework



2.6 Hypotheses Development

2.6.1 Relationship Between Board Characteristics and Company's Performance

H_O : There is no relationship between the board characteristics and company's performance.

H_A : There is a relationship between the board characteristics and company's performance.

i) Education

The board is responsible to supervise the management and making the better business decision making for the company in order to improve the company's performance. By doing so, the requirement for each board member needs to have a certain education, qualification and knowledge such as finance, accounting, marketing, legal and other related areas for the better contribution to the company. The requirement refers to education, academic qualification and continuing education for the board members that will have a positive relationship to the company's performance (Adams and Ferreira, 2007; Chan & Li, 2008). The hypothesis is as follows:

H_{1A} : There is a relationship between education and company's performance

ii) Experience

According to Wegge et al. (2008) stated that the board members have fully equipped with working experience that can able to work together with the management in the business environment which positively contributes to

the company's performance. The working experience in the related industries will contribute to the company's performance (Dulewicz & Herbert, 2004). The hypothesis is as follows:

H2_A: There is a relationship between experience and company's performance

iii) Board Size

Based on Shukeri et al. (2012) commented that there is a significant relationship between the board size and the company's performance on the Return on Assets. In addition, the difference number of board members (board size) has a direct relationship with the company's performance (Haniffa & Hudaib, 2006). The hypothesis is as follows:

H3_A: There is a relationship between board size and company's performance

iv) Board Independence

According to Byrd et al. (2010) indicated that there is a significant positive relationship between the board independence (independent directors) and the company's performance. A higher proportion of independent directors that can lead to a better profitability to the company (Brown & Caylor, 2004). The hypothesis is as follows:

H4_A: There is a relationship between board independence and company's performance

v) Board Meetings

A study conducted by a family company in Europe stated that there is a positive relationship between the number of board meetings and company's performance so that the board will perform their fiduciary duties and responsibility in line with the interest of the shareholders (Ramos and Olala, 2011). The frequency of board meetings with at least 75% attendance of board members has a significant relationship to the company's performance. The hypothesis is as follows:

H5_A: There is a relationship between board meetings and company's performance

In conclusion, there is a significant positive relationship between board characteristics and the company's performance for prior and post period of MCCG 2017 implementation (Noor & Fadzil, 2013). Thus, the hypothesis is as follows:

H6_A: There is a relationship between the board characteristics and company's performance

2.6.2 Relationship Between Internal Audit Function Establishment and Company's Performance

H_O: There is no relationship between the internal audit function establishment and company's performance.

H_A: There is a relationship between the internal audit function establishment and company's performance.

In the context of growth opportunity and the independence of audit committee in Malaysia, Hutchinson & Zain (2009) found that there is a relationship between the internal audit function and the company's performance. According to Sarens and Abdolmohammadi (2011) indicated that there is a positive relationship between internal audit function establishment and company's performance. The hypothesis is as follows:

H7_A : There is a relationship between the internal audit function establishment and company's performance

2.6.3 Relationship Between Integrated Corporate Reporting and Company's Performance

H_O : There is no relationship between the integrated corporate reporting and company's performance.

H_A : There is a relationship between the integrated corporate reporting and company's performance.

According to Ahamed et al. (2013) indicated that there is a positive relationship between integrated corporate reporting and the company's performance. A study conducted by Cochran and Wood (1984) found that there is a positive correlation between the integrated corporate reporting (corporate sustainability reporting) and the company's performance. The hypothesis is as follows:

H8_A : There is a relationship between the integrated corporate reporting establishment and company's performance

2.7 Conclusion

In this research, study of the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 in relation to the company's performance comprise the board characteristics (education, experience, board size, board independence and board meetings), internal audit function establishment and integrated corporate reporting which categorize them as independent variables. The independent variables are testing the hypothesized relationship to the company's performance which is measured by Return on Assets (ROA). Both are clearly discussed and defined in the hypotheses form.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter provides the details of techniques used to identify, select, process and analyze information applied to the research paper in order to achieve the research objectives of this study.

3.2 Research Design

The study adopted the quantitative approach to help in studying the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance as a main purpose of this research. According to Creswell (2013) emphasized the need for getting the numerical data by using surveys in a quantitative method in order to have a breadth and depth data. The quantitative approach helps the researcher to quantify the information (Mugenda and Mugenda, 1999). Descriptive and correlations designs are part of a quantitative research design.

This survey was conducted through the online survey (email and social media networking) to the population according to the gender, location, type of company and profession within the specified timeframe which can contribute the highest level

of convenience in getting a large number of respondents from the different background (Wright, 2005). Convenience sampling is one of the non-probability sampling methods to be chosen in this sample.

3.3 Data Collection Methods

The two main determinants of data collection methods are study material and type of information required. In this study, primary data is collected. The details are as follows:

3.3.1 Primary Data

Primary data refers to the first-hand information obtained directly from the respondents such as questionnaire, experimental as well as an interview. Thus, this study was relying on the questionnaire and was the key method for primary data collection. The questionnaire consists of the relevant questions about the research problem based on the study (Amin, 2005). The advantages of primary data are to reveal the information within a short time, less costly method and confidentiality. Therefore, the self-administered questionnaires were given to the stakeholders to fill in accordingly based on the sample size of 300.

3.4 Population of the Study

The target population for this research defined to include the stakeholders and other relevant authorities from Boardroom Limited (“Boardroom”) and Symphony Corporatehouse Sdn. Bhd. (“Symphony”). In this study, the accessible population comprised all the employees, customers, auditors, lawyers, suppliers, society and etc in Kuala Lumpur and branches located at Johor, Kelantan, Selangor, Perak and Penang.

3.5 Sampling Elements

The accessible population were categorized according to the type of company (professional firms, public listed company/non-public listed company and private company/SME) and designation in the company (Director / CEO / Senior Management, Senior Manager / Manager / Senior Executive / Executive, Accountant / Company Secretary / Lawyer / Others Professional Qualification). They are interrelated to govern, practice and procedure for running a company in such way to achieve its goals and objectives, to check and balances to minimize abuse of power in the company's management to protect the interest of shareholders and stakeholders. They are linked to the good corporate governance practice and the company's performance because they possess a lot of information and are knowledgeable about corporate governance practice in the company in order to strengthen the business growth and development and sustainability of the company.

3.6 Sampling Techniques

Non-probability sampling technique is chosen in this research because the sampling frame is not available and is not feasible to draw a random probability-based sample of the population due to the time and cost constraints. In the non-probability sampling, not all members of the population have a chance of participating in the study. Convenience sampling is one of the methods in the non-probability sampling technique whereby one element of the population is selected and taken from a group of people easy to contact or to reach because of their convenient accessibility and proximity to the researcher. It is also called a grab sampling, accidental sampling, opportunity sampling or availability sampling.

The process of convenience sampling is when the researcher simply selects a person or a group of persons, namely the respondent(s) who is available at the moment for the research. The procedure is casual and easy. Thus, in this way a

selection is made for circulating the questionnaires within a short period of time to complete the questionnaires. By using this sampling, the initial respondents are identified conveniently through works, customers, suppliers, friends, online and etc.

3.7 Sampling Size

The sample size of 100 – 200 is adequate and sufficient to carry out the research was recommended by Sekaran and Bougie (2010). According to Roscoe (1975) expressed that the range of sample size from 30 to 500 are applicable to the research being conducted. Due to the constraint in time, cost and resources, a total number of 250 out of 300 questionnaires were completed, received and selected as the samples for testing hypotheses study. The sample size of 250 was adequate and applicable to this research and represented the entire accessible population available. Therefore, the response rate is 83.33%.

3.8 Research Instrument for Data Collection

The researcher designed a set of the questionnaire as the data collection instrument for this study. The questions relating to the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance. The questionnaire consists of five (5) Sections and the details are as follows:

- ❖ Section A – Demographic Data of the respondents consists of gender, location, type of company and professional;
- ❖ Section B – The Board Characteristics consists of education, experience, board size, board independence and board meetings as an independent variable. It has a total of 10 questions;

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- ❖ Section C – The Internal Audit Function Establishment is an independent variable. It has a total of 6 questions;
 - ❖ Section D – The Integrated Corporate Reporting is an independent variable. It has a total of 6 questions; and
 - ❖ Section E – The Company’s Performance is the dependent variable. It has a total of 6 questions.

3.9 Structured Questionnaire

The self-administered questionnaires were used for the accessible population. The structured questions were developed as per the research objectives and were the most appropriate instrument for a sample. The questionnaire was measured by a five (5) point Likert Scale ranging the value from 5 (Strongly Agree) to 1 (Strongly Disagree) while the value of the 3 indicates “Neutrality” in order to maintain the consistent responses and minimize the bias questionnaire. The five (5) point Likert Scale was developed in the questions in Sections B, C, D and E (Appendix D). The Likert Scale is the most common and widely used approach in the form of the questionnaire to scaling the responses in survey research (Likert, 1932).

3.10 Data Analysis

After completing the data collection of the questionnaire, raw data were cleaned, classified and entered in the Statistical Package for Social Sciences (SPSS) Version 20 software by using the designed statistical data entry form. The data then was organized and analyzed using a five (5) point Likert Scale according to the completed questionnaire. SPSS was adopted to determine, gauge and study the information obtained from the questionnaires to determine the relationship between the factors and the company’s performance. The purpose of the analysis is to provide the respondents’ point of view toward the factors to the Three (3) Principles

set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance. The approaches use for analysis in this study are detailed below:

3.10.1 Descriptive Analysis

Descriptive analysis is a summary of the features from the relevant data collection information (Mann, 1995). It is the first stage in statistical analysis in order to identify the outliers, data input errors as well as check for data symmetry, normality and others. It describes the characteristics of the input data as variables (Cooper and Schindler 2011; Zikmund et al., 2010) and transforms the data into the central tendency, variation and shape in numerical data for effective decision making. In this study, the descriptive analysis in the form of the table was used to describe the factors to the Three (3) Principles and the company's performance.

3.10.2 Pearson Correlation

Pearson correlation indicates the extent to which two variables are related. In other words, it is a measurement for the strength of the linear relationship ("association") between two variables called the "Pearson Correlation Coefficient". The correlation coefficient (" r ") is used to measure and analyze the strength and direction of the linear relationship between two variables (independent variable and dependent variable). The objective is to test if there is an association between the variables X (independent) and Y (dependent).

According to the Rule of Thumb of Cohen (1988) interpreted the strength of the value of r between variables is as follows:

❖ Strong Relationship $r = \pm.5$

❖ Moderate Relationship $r = \pm.3$

❖ Weak Relationship $r = \pm.1$

According to the Guildford's (1973) Rule of Thumb was applied to interpret the strength of the value of r between variables is as follows:

❖ < 0.20 Almost negligible relationship

❖ $0.20 - 0.40$ Low Correlation

❖ $0.40 - 0.70$ Moderate Correlation

❖ $0.70 - 0.90$ High Correlation

❖ > 0.90 Very High Correlation

In this study, the Pearson Correlation was used to measure the strength of the relationship between the Three (3) Principles (X) and the company's performance (Y).

3.10.3 Multiple Regression Analysis

Regression analysis is used to understand among the independent variables (X) are related to the dependent variable (Y) and to explore the forms of these relationships. In addition, the multiple regression analysis is run to assess the board characteristics, the internal audit function establishment and the integrated corporate reporting towards the company's performance. It predicts the value of Y based on the value of at least one X and explains the changes in Y are assumed to be caused by changes in X. Regression analysis is the most widely used technique for forecasting and it continues to be an area of active research (Hair et al., 2007). The objective is to test if the variable Y depends on variable X. The relationship between X and Y is described by a linear function.

Regression analysis consists of simple linear regression and multiple regression. Simple linear regression is a statistical model to predict values between

one variable X and Y. This model is not applicable to this study because there are more variables X. Therefore, the multiple regression analysis is used in this study because it allows examining how multiple variables in X are related to Y. The multiple correlation coefficient (“R”) is interpreted the combined relationships between all the variables X and the variable Y and the value of R is the same with the value of correlation coefficient (“r”). Further that, the coefficient of determination (“R²”) is applied in the multiple regression analysis because it explains how much of the variability in the variable Y is related to all of the variables X. The value of R² range from 0 to 1 (0 ≤ R² ≤ 1); the higher values close to 1 indicate that the model does fit the data well and have a strong relationship between all the variable X and the variable Y. Conversely, the small values close to 0 indicate that the model does not fit the data well and have a weak or no relationship between all the variable X and the variable Y.

In this study, multiple regression analysis was used to explain how much of the company’s performance (Y) is related to all of the factors to the Three (3) Principles (X). It gives the explanatory variables accounted for the variation in the variable Y is explained by the variation in all the variables X. The multiple regression equation is read as follows:

$$\hat{Y} = b_0 + b_1 X_1 + b_2 X_2 + \dots + b_k X_k + e_t$$

- | | |
|--|-------------------------------------|
| X1 = Education | X7 = Integrated Corporate Reporting |
| X2 = Experience | \hat{Y} = Company’s Performance |
| X3 = Board Size | b_0 = The Intercept for \hat{Y} |
| X4 = Board Independence | b_{1-7} = Slope Coefficient |
| X5 = Board Meetings | e_t = Random Error |
| X6 = Internal Audit Function Establishment | |

$$\hat{Y} = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + e_t$$

3.11 Conclusion

The main purpose of this research design sets out to test whether the factors to the Three (3) Principles set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance. This chapter introduced and explained the methodological approaches of this research to be used such as data collection and processing, sampling techniques and methods, research instruments, data analysis and measurement of the variables. Thereafter, the presentation on the findings, analysis and interpretation of the results of the study are stated in the next Chapter Four.

CHAPTER 4

RESEARCH RESULTS

4.1 Introduction

This chapter presents the findings, analysis and interpretation of the research results according to the research objectives of the study. This chapter comprises the following Sections:

- ❖ Section A – Descriptive Analysis of the Demographic Data, the factors and the company's performance;
- ❖ Section B – Pearson Correlation Analysis on the strength of the relationship between the factors to the Three (3) Principles and the company's performance;
- ❖ Section C – Multiple Regression Analysis on the combined relationships between all the factors to the Three (3) Principles and the company's performance and how much of the company's performance is related to all of the factors to the Three (3) Principles; and
- ❖ Section D - Conclusion

The questionnaires of this research were distributed to the targeted 300 respondents to provide the completed questionnaires of the study. The targeted respondents who constituted the sample size of the study. The total number of 250 usable questionnaires out of 300 questionnaires were returned giving a response rate of 83.33% which was adequate and acceptable for the study (Sekaran and Bougie, 2010; Sekaran, 2003 and Roscoe, 1975)

4.2 Descriptive Analysis

4.2.1 Demographic Profile of Respondents

The study of demographic analysis is useful in a corporate governance as it describes the population according to gender, location, type of company and professional that allows the research to know what they are really thinking of the relationship between the factors to the Three (3) Principles and the company's performance.

4.2.1.1 Gender

Table 2: Frequency Analysis on Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	98	39.2	39.2	39.2
Female	152	60.8	60.8	100.0
Total	250	100.0	100.0	

As shown in Table 2, 39.20% of 98 respondents were male and 60.80% of 152 respondents were female that constituted a total of 250 respondents in this research. As result, the female respondents were more than the male respondents.

4.2.1.2 Location

Table 3: Frequency Analysis on Location

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Johor	26	10.4	10.4	10.4
Kelantan	19	7.6	7.6	18.0

	Frequency	Percent	Valid Percent	Cumulative Percent
Selangor	81	32.4	32.4	50.4
Kuala Lumpur	56	22.4	22.4	72.8
Valid Perak	38	15.2	15.2	88.0
Penang	30	12.0	12.0	100.0
Total	250	100.0	100.0	

	Gender	
	Male	Female
	Count	Count
Johor	10	16
Kelantan	9	10
Selangor	35	46
Kuala Lumpur	24	32
Perak	9	29
Penang	11	19

As shown in Table 3, the majority of the respondents came from Selangor that represented 32.40% of 81 respondents. The respondents consisted of 35 male and 46 female respectively. While 22.40% of 56 respondents came from Kuala Lumpur that represented 24 male and 32 female respectively. A small percentage of 7.6 came from Kelantan with 19 respondents.

4.2.1.3 Type of Company

Table 4: Frequency Analysis on Type of Company

	Frequency	Percent	Valid Percent	Cumulative Percent
Professional Firms	135	54.0	54.0	54.0
Valid Public Listed Company/ Non-Public Listed Company	57	22.8	22.8	76.8
Private Company/ SME	58	23.2	23.2	100.0
Total	250	100.0	100.0	

			Gender		
			Male	Female	
			Count	Count	
Type of Company	Professional Firms	Location	Johor	6	10
		Kelantan	2	4	
		Selangor	16	30	
		Kuala Lumpur	13	18	
		Perak	0	19	
		Penang	6	11	
	Public Listed Company/ Non-Public Listed Company	Location	Johor	4	2
		Kelantan	2	2	
		Selangor	9	9	
		Kuala Lumpur	5	5	
		Perak	4	7	
		Penang	3	5	
Private Company/ SME	Location	Johor	0	4	
	Kelantan	5	4		
	Selangor	10	7		
	Kuala Lumpur	6	9		
	Perak	5	3		
		Penang	2	3	

As shown in Table 4, 54.00% of 135 respondents who worked in the professional firms and the majority of them came from Selangor (Table 3). Then, the public listed company/ non-public listed company represented 22.80% of 57 respondents. While 23.20% of 58 respondents who worked in the private company/SME.

4.2.1.4 Professional

Table 5: Frequency Analysis on Professional

	Frequency	Percent	Valid Percent	Cumulative Percent
Director/ CEO/ Senior Management	48	19.2	19.2	19.2
Senior Manager/ Manager/ Senior Executive/ Executive	80	32.0	32.0	51.2
Valid Accountant/ Company Secretary/ Lawyer/ Other Professional Qualification	111	44.4	44.4	95.6
Others	11	4.4	4.4	100.0
Total	250	100.0	100.0	

Table 5 indicated that the respondents' profession. It showed that 44.40% of 111 respondents were accountant/company secretary/lawyer/other professional qualification. While the Director/CEO/senior management and senior manager/manager/senior executive/executive represented 19.20% and 32.00% respectively. A small percentage of 4.4% was categorized into others professional.

4.2.2 Descriptive Statistical Results

Table 6: Descriptive Statistics for Factors and Company's Performances

	N	Mean	Std. Deviation	Variance
Education	250	7.9240	1.11858	1.251
Experience	250	8.2880	1.25992	1.587
Board Size	250	7.5880	1.10232	1.215
Board Independence	250	7.7840	.94918	.901
Board Meetings	250	7.3600	1.28570	1.653
Board Characteristic	250	38.9440	3.72510	13.876

	N	Mean	Std. Deviation	Variance
Internal Audit Function	250	24.0120	2.35500	5.546
Integrated Corporate Reporting	250	23.5520	2.48677	6.184
Company's Performance	250	24.1080	2.28148	5.205
Valid N (listwise)	250			

Descriptive Statistics is shown in Table 6, it is a summary of all the variables used for this study. It consists of mean, standard deviation and variance for all variables (Respondents' view on all variables are shown in Table 7). The results are interpreted as follows:

Board Characteristics

- a) The mean value and standard deviation of the education is 7.9240 (approximately to 8 persons) and 1.11858 (which represent closely to 1) respectively. This expected low value of standard deviation indicates that the data information is very near the mean. On average, education of the board members for the most samples is identified as between 7 and 9 persons.

-
- b) 8.2880 (approximately to 8 persons) and 1.25992 (which represent almost to 1) are the mean value and standard deviation of the experience respectively. The low value of this expected standard deviation indicates that the data leans toward the mean and the experience of the board members in average for the most samples is identified as between 7 and 9 persons.
- c) The mean value and standard deviation of the board size is 7.5880 (approximately to 8 persons) and 1.10232 (which represent around to 1). This expected low value of standard deviation indicates that the data information is inclined to the mean. On average, number of the board of directors for the most samples is identified as between 7 and 9 persons.
- d) 7.7840 represents the ratio of the mean for board independence with a standard deviation of 0.9492. The low value of this expected standard deviation indicates that the data moves forward to the mean closely. On average in the board, the ratio of board independence for the majority of the samples is indicated between 6.8348 and 8.7332.
- e) 7.3600 (approximately to 7 meetings) and 1.2857 (which represent closely to 1) are the mean and standard deviation for board meetings respectively. This expected low value of standard deviation indicates that the data information leans toward the mean and the board meetings in average for the majority of the samples is recorded on 6 and 8 board meetings annually.

From the results of board characteristics, it concludes that all samples have on average of 7 to 9 persons for education, experience and board size; the average ratio of board independence was between 6.8348 and 8.7332 and 6 to 8 board meetings in a financial year in order to improve the company's performance.

Internal Audit Function Establishment

The mean ratio of the internal audit function establishment is 24.012 with a standard deviation of 2.3550. The low value of this expected standard deviation indicates that the data information is inclined to the mean. On average, the ratio of the internal audit function establishment for the most samples is indicated between 21.657 and 26.367 that enhances the company's performance.

Integrated Corporate Reporting

The mean ratio of the integrated corporate reporting is 23.5520 with a standard deviation of 2.4868. This expected low value of standard deviation indicates that the data information is very near the mean. The ratio of the integrated corporate reporting in average for the most samples is indicated between 21.0652 and 26.0388 that improves the company's performance.

Company's Performance

The mean ratio of the company's performance is 24.1080 with a standard deviation of 2.2815. The low value of this expected standard deviation indicates that the data tends to be close to the mean. On average, the ratio of the company's performance for the most samples is identified as between 21.8265 and 26.3895. It concludes that all the factors (board characteristics, internal audit functions and integrated corporate reporting) are related to the company's performance.

Table 7: Respondents' View on All Variables

No.	Board Characteristics	Valid	Missing	Mean	Std. Deviation	Variance
1.	<i>Education</i>					
	(a) The Board of Directors have the relevant academic qualification and knowledge which are ability to understand the technical requirements, risk and management of the company's business.	250	0	3.9360	.63047	.397
	(b) The Directors should continue on their education or training as important to enable the Directors to effectively discharge their duties.	250	0	3.9880	.65542	.430
2.	<i>Experience</i>					
	(a) The Board have the right blend of knowledge and experience to optimize company's performance and strategy.	250	0	4.1200	.67782	.459
	(b) The Directors with more experience will cope better within a business environment by working well in a group which will contribute positively to a company's performance.	250	0	4.1680	.66146	.438
3.	<i>Board Size</i>					
	(a) The total number of Directors on a Board be considered to reflect the effectiveness of Board of Directors for governing the company and can influence to company performance.	250	0	3.7680	.62909	.396

No.	Board Characteristics	Valid	Missing	Mean	Std. Deviation	Variance
	(b) The board size consists of Executive and Non-Executive Directors to create a conducive environment for insightful deliberations and informed decision-making.	250	0	3.8200	.61735	.381
4.	<i>Board Independence</i>					
	(a) The composition of the Board of Directors must at least half of the Board of Directors are Independent Directors in order to provide a check and balance on management's performance and reduce agency problems (conflict of interest between the company's management and company's shareholders).	250	0	3.9120	.53797	.289
	(b) The higher proportion of Independent Directors can make significant contributions to monitor board activities, to improve the transparency of corporate boards for company's compliance with disclosure requirement and to bring the fair and quality decision-making for company.	250	0	3.8720	.52985	.281
5.	<i>Board Meeting</i>					
	(a) The frequency of board meetings within the financial year is to ensure the company is running in the best interest of the shareholders.	250	0	3.7200	.64128	.411
	(b) The high number of board meetings indicate that the Board is aware of the company's activities and able to monitor the implementation of the strategy in the company.	250	0	3.6400	.72699	.529

No.	Internal Audit Function Establishment	Valid	Missing	Mean	Std. Deviation	Variance
1.	An internal audit covers the activities of oversight conducted by the Board of Directors and Audit Committees to ensure credible financial reporting process reporting on the financial performance and business practices of the company.	250	0	4.0120	.51078	.261
2.	The internal audit function understand the company's business and the characteristics of the industry(ies) in which the company operates.	250	0	4.0000	.49899	.249
3.	The internal audit function facilitates the operation and effective working of the Audit Committee as the audit function goals are consistent with the former's financial reporting oversight responsibilities.	250	0	4.0080	.53767	.289
4.	The internal audit function perform regular reviews to test the effectiveness of the financial, operational and compliance controls and processes of the company.	250	0	4.0160	.49062	.241
5.	The internal audit function provide input into developing action plans to monitor risks and internal controls based on the internal audit plan and processes undertaken.	250	0	4.0000	.54515	.297
6.	The internal audit function assess on how information on fraud and irregularities is reported and to prevent misleading financial reporting or a threat on the safeguarding of the company's assets.	250	0	3.9760	.56631	.321

No.	Integrated Corporate Reporting	Valid	Missing	Mean	Std. Deviation	Variance
1.	Disclosing all the required information (financial and non-financial) in the integrated corporate reporting such as annual financial statement, corporate governance statement, management discussion and analysis and sustainability reports that helps to convey a more positive image of the company, company's strategy, performance, governance and prospects lead to value creation.	250	0	4.0440	.56865	.323
2.	Bursa Malaysia Listing Requirements assist companies in improving the integrated corporate reporting to enhance the value of information available to shareholders and stakeholders in order to promote greater transparency and accountability on the part of the company.	250	0	4.0920	.56994	.325
3.	An increase in the level of integrated corporate reporting would lead to the benefits for investors make better informed investment decisions and increase the confidence in the capital markets.	250	0	3.9080	.56994	.325
4.	Annual Report and Interim Report are the mechanisms used by the company to disseminate information about the entity's corporate governance practices and standards.	250	0	3.7800	.73605	.542
5.	The integrated corporate reporting is an instrument to improve financial accounting transparency.	250	0	3.9360	.53390	.285

No.	Integrated Corporate Reporting	Valid	Missing	Mean	Std. Deviation	Variance
6.	The Auditor's opinion on the reporting will not affect investors' level of confidence in it and their perception of its reliability.	250	0	3.7920	.78945	.623

No.	Company's Performance	Valid	Missing	Mean	Std. Deviation	Variance
1.	The selection of appropriate financial performance measures is important to ensure better and meaningful analysis of governance-performance relationship such as return of assets, return on equity and Tobin's Q (market value of a company's asset).	250	0	3.9520	.55037	.303
2.	The board characteristics is part of the success of the board in fulfilling its oversight responsibility for effective decision making, supervision of the management, financial reporting and regulatory compliance in order to achieve good corporate governance towards promoting business prosperity, realising long-term shareholder value and protect shareholders' and stakeholders' interests.	250	0	3.9640	.57622	.332
3.	The greater accountability is often presumed to provide more visibility and transparency for company's activity, enabling appropriate company's behaviour and ultimately impact on company's performance in term of profitability and value of company's asset.	250	0	3.9960	.51091	.261

No.	Company's Performance	Valid	Missing	Mean	Std. Deviation	Variance
4.	The significant of internal audit function is to safeguard a company against weaknesses in risk management, internal control and governance processes.	250	0	4.0520	.46709	.218
5.	The integrated corporate reporting will help shareholders and other stakeholders understand how a company takes into account the connectivity and interdependences that have a material effect on the company's ability to create and sustain value over time.	250	0	4.0320	.43788	.192
6.	A poor corporate governance will lead to company's poor performance, corporate fraud and corporate scandals.	250	0	4.1120	.62371	.389

4.3 Pearson Correlation

Table 8: Pearson Correlation Analysis

		Board Characteristics	Internal Audit Function Establishment	Integrated Corporate Reporting	Company's Performance
Board Characteristics	Pearson Correlation	1	.514**	.493**	.473**
	Sig. (2-tailed)		.000	.000	.000
	N	250	250	250	250
Internal Audit Function Establishment	Pearson Correlation	.514**	1	.636**	.648**
	Sig. (2-tailed)	.000		.000	.000
	N	250	250	250	250
Integrated Corporate Reporting	Pearson Correlation	.493**	.636**	1	.651**
	Sig. (2-tailed)	.000	.000		.000
	N	250	250	250	250

		Board Characteristics	Internal Audit Function Establishment	Integrated Corporate Reporting	Company's Performance
Company's Performance	Pearson Correlation	.473**	.648**	.651**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	250	250	250	250

** . Correlation is significant at the 0.01 level (2-tailed).

Components of the Board Characteristics

		Education	Experience	Board Size	Board Independence	Board Meetings	Board Characteristics
Education	Pearson Correlation	1	.386**	.261**	.336**	.187**	.658**
	Sig. (2-tailed)		.000	.000	.000	.003	.000
	N	250	250	250	250	250	250
Experience	Pearson Correlation	.386**	1	.147*	.244**	.045	.575**
	Sig. (2-tailed)	.000		.020	.000	.480	.000
	N	250	250	250	250	250	250
Board Size	Pearson Correlation	.261**	.147*	1	.414**	.442**	.682**
	Sig. (2-tailed)	.000	.020		.000	.000	.000
	N	250	250	250	250	250	250
Board Independence	Pearson Correlation	.336**	.244**	.414**	1	.423**	.706**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250

Components of the Board Characteristics

		Education	Experience	Board Size	Board Independence	Board Meetings	Board Characteristics
Board Meetings	Pearson Correlation	.187**	.045	.442**	.423**	1	.655**
	Sig. (2-tailed)	.003	.480	.000	.000		.000
	N	250	250	250	250	250	250
Board Characteristics	Pearson Correlation	.658**	.575**	.682**	.706**	.655**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Pearson Correlation Analysis is illustrated in Table 8, it is a summary of the strength of the relationship between the factors and the company's performance used for this study. The following Pearson Correlation Coefficient ("*r*") results are interpreted according to the Guildford's (1973) Rule of Thumb:

- a) The *r* values for the education, experience, board size, board independence, board meetings and board characteristics are 0.658, 0.575, 0.682, 0.706 and 0.655 respectively. All of the values are above 0.50. Thus, there is an association between the education, experience, board size, board independence, board meetings and board characteristics. As a results, the company's performance correlates moderately with the board characteristics. The *r* value is 0.473 which is more than 0.30. There is a positive and moderate correlation between the board characteristics and company's performance.
- b) The company's performance correlates moderately with the internal audit function establishment. The *r* value is 0.648 which is more than 0.30. There is

a positive and moderate correlation between the internal audit function establishment and company's performance.

- c) The company's performance correlates moderately with integrated corporate reporting. The r value is 0.651 which is more than 0.30. There is a positive and moderate correlation between the integrated corporate reporting and company's performance.

From the above results, it concludes that the board characteristics, internal audit function establishment and integrated corporate reporting positively and moderately contribute to the company's performance. The p significant value (0.000) for all the variables is less than α 0.01 level significant. All the H_0 are rejected and H_A are accepted. This relationship between all the factors and the company's performance are significant at α 0.01 level. Therefore, the hypothesis that the board characteristics, internal audit function establishment and integrated corporate reporting significantly influences the company's performance is accepted.

Table 9: Pearson Correlation Coefficient Analysis

	Pearson Correlation Coefficient	Findings
<i>Components of the Board Characteristics</i>		
H1 _A : There is a relationship between education and company's performance	0.658	Supported
H2 _A : There is a relationship between experience and company's performance	0.575	Supported
H3 _A : There is a relationship between board size and company's performance	0.682	Supported
H4 _A : There is a relationship between board independence and company's performance	0.706	Supported
H5 _A : There is a relationship between board meetings and company's performance	0.655	Supported

	Pearson Correlation Coefficient	Findings
H6_A : There is a relationship between board characteristics and company's performance	0.473	Supported
<i>Internal Audit Function Establishment</i>		
H7 _A : There is a relationship between internal audit function establishment and company's performance	0.648	Supported
<i>Integrated Corporate Reporting</i>		
H8 _A : There is a relationship between integrated corporate reporting establishment and company's performance	0.651	Supported

Based on the Pearson Correlation Coefficient Analysis showed in Table 9 above, the findings of H1_A, H2_A, H3_A, H4_A, H5_A, H6_A, H7_A, and H8_A are supported of the theory. It can be concluded that the company's performance is positively related to all the independent variables based on the confirmed results from this study. The respondents had given the clear and positive answers to the questionnaire on the relationship between the factors and the company's performance used for this study. Therefore, the model of this study can be concluded as valid and can be accepted.

4.4 Multiple Regression Analysis

Table 10: Multiple Regression Analysis

Model Summary of Company's Performance^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.724 ^a	.524	.518	1.58416	1.931

a. Predictors: (Constant), Integrated Corporate Reporting, Board Characteristics, Internal Audit Function Establishment

b. Dependent Variable: Company's Performance

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	5.234	1.220		4.289	.000	2.831	7.638		
Board Characteristics	.065	.032	.107	2.013	.045	.001	.129	.689	1.450
Internal Audit Function Establishment	.345	.058	.356	5.963	.000	.231	.459	.542	1.844
Integrated Corporate Reporting	.341	.054	.372	6.319	.000	.235	.448	.558	1.791

a. Dependent Variable: Company's Performance

Based on the Multiple Regression Analysis shown in Table 10, it is a summary of the relationship between the factors and the company's performance used for this study. The coefficient of determination shows the R^2 value of 0.524 which means that the explanatory variables accounted for about 52.40% of the variation in the company's performance is explained by the board characteristics, the internal audit

function establishment and integrated corporate reporting. The Durbin-Watson statistic is 1.931.

These estimations reveal that the explanatory variables, namely board characteristics, the internal audit function establishment and integrated corporate reporting were the important explanatory variables with statistical significance at α 0.05 in the company's performance. The company's performance equation is as follows:

$$\text{The Company's Performance} = 5.234 + 0.065 (\text{Board Characteristics}) + 0.345 (\text{Internal Audit Function Establishment}) + 0.341 (\text{Integrated Corporate Reporting}) + 1.220 e_t$$

The interpretation of the abovesaid equation is as follows:

- a) For every one (1) unit increase in the board characteristics, on average, has the positive relationship effect of increasing the company's performance by 0.065 unit with statistical significance at the 0.05 level and provided no changes in other variables.
- b) For every one (1) unit increase in the internal audit function establishment, the company's performance is expected to increase by 0.345 units with statistical significance at the 0.05 level and other variables remain unchanged.
- c) For every one (1) unit increase in the integrated corporate reporting, on average, has the positive relationship effect of increasing the company's performance by 0.341 unit with statistical significance at the 0.05 level and provided the other variables remain unchanged.

The T-statistic significant values (0.045, 0.000 & 0.000) are less than α 0.05 level significant. It indicates that board characteristics, the internal audit function establishment and integrated corporate reporting are the significant predictors. All the H_0 are rejected and H_A are accepted. Therefore, the results of hypothesis testing at α 0.05 level statistical significant are supported of the theory.

There is no multicollinearity problem in the data analysis because the Variance Inflation Factor (“VIF”) values for the independent variables (1.450, 1.844 & 1.791) are less than 5. It means that the independent variables are not highly correlated with each other.

4.5 Discussion of Findings

The research objectives of this paper are discussed in this section based on its findings. An assessment conducted by the researcher to examine the results of the study are consistent or inconsistent with the existing literature reviewed in Chapter 2.

Findings of this research revealed that the company’s performance had a positive relationship with the board characteristics comprised the education, experience, board size, board independence and board meetings. A change in the company’s performance would be affected and determined by the board characteristics factors. These findings were also supported by the correlation and multiple regression results. Therefore, the results of the board characteristics are consistent with para 2.2.1 and 2.6.1 of which the education and experience of board members, board size, board independence and board meetings are the significant predictors to determine the relationship with the company’s performance.

From the findings of the internal audit function establishment, it reported that a positive and moderate relationship between the internal audit function

establishment and the company's performance. Also, these results were in line with the findings of multiple regression analysis. As a result, the research of Hutchinson & Zain (2009) and Sarens and Abdolmohammadi (2011) indicated that there is a positive relationship between internal audit function establishment and company's performance in para 2.2.2 and 2.6.2 are supported by this results of the study.

Based on the findings of the integrated corporate reporting, it showed that there was a positive and moderate relationship between integrated corporate reporting and the company's performance. The results of the multiple correlation coefficient also reported that it predicted a change in the company's performance. Thus, in consistent with the findings in para 2.2.3 and 2.6.3 of this results in support that there is a positive relationship between integrated corporate reporting and the company's performance (Ahamed et al., 2013; Cochran and Wood, 1984).

4.6 Conclusion

Based on the results shown in Table 6 to 10 from this study, it can be concluded that the independent variables of board characteristics, internal audit function establishment and integrated corporate reporting are positively related to the company's performance. In the analysis, all the Pearson Correlation Coefficient ("r") values are more than 0.30 and less than 0.70 which indicate that there is a positive and moderate correlation between all the variables and the relationships between all the factors and the company's performance are significant.

While the findings indicated that the board characteristics, internal audit function establishment and integrated corporate reporting accounting for 52.40% of the change in the company's performance. The p-values model are less than α 0.05 level significant, which mean that there is a relationship between independent variables and dependent variable. As well as, the VIF values are less than 5, which interpret that the independent variables are not highly correlated with each other

and are normally distributed. In conclusion, the research objective of this paper in this study can be accepted. The summary of the findings, discussion, conclusion and recommendations of the study are presented in the next Chapter Five.

CHAPTER 5

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this Chapter 5 is to analyze the development data presentation, results and interpretation in Chapter 4. The research findings indicate that board characteristics, internal audit function establishment and integrated corporate reporting are positively related to the company's performance and they both form a relationship.

5.2 Summary of Findings

The study sought to examine the factors to the Three (3) Principles, namely the board characteristics, internal audit function establishment and integrated corporate reporting set out in the Malaysian Code on Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company's performance and to determine the relationship of among the factors and company's performance. The primary data was collected in this research. Convenience sampling was one of the methods in the non-probability sampling technique used in this study to approach the population. The factors to the Three (3) Principles components were related to the company's performance that used to design for a set of the questionnaire and measured by a five (5) point Likert Scale as the data collection instrument for this

study. The data was collected by way of a self-administered questionnaire and such data were analyzed with the use of the Statistical Package for Social Sciences (SPSS) Version 20 software. The SPSS presented the results in the table forms of descriptive analysis, frequencies, Pearson Correlation and multiple regression analysis.

From the findings on the demographic profile of respondents, a total number of 250 out of 300 respondents were selected as the samples for testing hypotheses study, which representing 83.33% of the response rate. The majority of the respondents were female. Based on the results showed that the respondents came from Selangor who worked in the professional firms were more responsive as compared to other locations. As well as, the most responsive respondent's profession was accountant /company secretary / lawyer/ other professional qualification.

Based on the findings, it revealed that board characteristics were positive and moderate correlated with the company's performance. The education, experience, board size, board independence and board meetings constituted in the board characteristics were the factors to be considered in influencing the company's performance. Besides the correlation findings, multiple regression analysis results also indicated that board characteristics were the significant predictor of the company's performance.

Similarly, the internal audit function establishment and integrated corporate reporting had the positive and moderate correlated with the company's performance. It showed that significant relationships were observed between the study variables. Other findings revealed in the multiple regression analysis, the results of the multiple correlation coefficient (" R ") and coefficient of determination (" R^2 ") were in line with the multiple regression analysis findings; the internal audit function establishment and integrated corporate reporting predicted the company's performance.

5.3 Contribution of the Study

According to the findings on the positive and association relationship between the factors to the Three (3) Principles (board characteristics, internal audit function establishment and integrated corporate reporting) and the company's performance. It revealed that the important role played by the said factors in determining and developing the company's performance, i.e. Return on Assets. Hence, the board members of the company will get the benefits of enhancing the said factors to improve their corporate governance practices in the future for the best interest of the company, shareholders and stakeholders. It also helps to create the awareness and increase the understanding on the important to build a good relationship between corporate governance practices and the company's performance in order to increase their market shares in the market and sustain in the local market that is able to compete in the international market.

Further to the findings on the above, it can be concluded that the importance of the factors to the Three (3) Principles has a beneficial effect on the company's performance. Thus, the company needs to consider the improvement in its corporate governance in order to achieve better performance for the company. A set of the following recommendations be introduced to improve the company's performance:

- 1) The board balance needs to conform to the performance aspects of the board's work for improving the performance of the company via strategy and policy. Clear roles, position and functions of the board and the company's management are required to state in the board charter in order maintain a good relationship between both of them.

- 2) The company need to build a skills-based board. It means that the board members are required to have the wider range of skills and abilities in different industry for the contribution their experience and knowledge to the company in

order to demonstrate and make a good business judgement. As well as, the board can achieve an appropriate balance between board members with experience and knowledge and with specialist expertise or the fresh perspective. Further that, behavioural competency of the board members is any behaviour attribute from them such as explicit and tacit knowledge, skills set, teamwork, leadership skills, technical know-how and etc, should also be considered as part of the skills-based board. This is because it can help in developing an individual in the company and influencing the relationships around the boardroom table, between the board and management, and between board members and shareholders.

- 3) The gender diversity should not be limited to large companies. It should also promote all type of company in Malaysia. The greater benefits of having a good gender balance on boardroom that would offer and bring different perspectives to decision-making, viewpoints, ideas and market insights which enable better problem solving to gain competitive advantage, wider diversity in society, increase in customer base and improving business performance than the boardroom that dominated by one gender. Therefore, the regulators should continue to promote and create more awareness of the importance of boardroom diversity in the company.
- 4) The ideal minimum and maximum of board members in a board are 7 to 9 persons respectively. Failing which, it will lead to a lower performing board due to the problems arising such as difficulty in communication and interaction discussion during the meeting, arrangement for board meetings, some voices may not be heard and forming of the core group and etc.
- 5) The ideal minimum and maximum of board meetings are 6 to 8 meetings annually. It helps to monitor closely the company's activities and financial position in order to avoid and mitigate the company's risks and prevent fraud in the company.

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- 6) The proportion of Independent Directors on the board just more than half of the board. So that most of them can speak up questions, advice, raising issues, acknowledging differences, supportive audiences, demonstrate leadership and teamwork in order to form an effective boardroom of the company.
 - 7) The company need to build and maintain an effective governance on the internal control processes and procedure in order to achieve the higher performance for the company and the board. The audit committee must meet with the internal auditors at least 3 times per year in order to oversight of the company's activities and financial reporting process.
 - 8) As for the financial information in the integrated corporate reporting, the company should prepare a report in the form of a summary to compare the company's audited financial statements for five (5) years in order to increase the confidence of investors and strengthen the reputation of the company's performance. Besides that, the company also can take advantage of the advanced internet technology and social media to facilitate the creation and sharing of information, ideas, interest and other forms of expression for creating more publicity to the investors and shareholders. In order to encourage more shareholders to participate, vote and exercise their rights at the general meetings, video conferencing and online voting or mobile voting are recommended for the general meetings to those shareholders who cannot attend the general meetings in order to further enhance corporate governance practice. Further that, pursuant to paragraph 9.21 of the BMLR, the mandate is given to all the listed issuers to have a company's website and to post a summary of key matters discussed at their general meetings on their websites. Apart from that, the company should also advertise in the widely circulated newspapers in Bahasa Malaysia, English and Chinese languages for all the general meetings.

5.4 Limitations and Suggestions for Future Research

This study is at the initial stage due to the new revision of Malaysian Code on Corporate Governance 2017 on 26 April 2017 and many of the developments and future research to be further explored on this particular subject. Due to some limitations, the results of this study may not be primarily applied to the overall background of Malaysia. Such limitations did not consider the external environmental factors such as political, economic, social, technologic and legal that may have a significant impact on the company's performance. As well as, the costs and times will be the limits to circulate the questionnaire to the respective population. However, the result obtained will be useful to the regulator, investor, corporations and others who contend that good corporate governance is important to increase the company's performance.

Suggestions for future research are described in this paragraph. There are still a lot of rooms for future research on this research topic. Firstly, the selection of another measurement tool for financial performance to determine the company's performance for the analysis of the relationship between corporate governance and the company's performance. Secondly, the future research can consider the different types of independent variables and dependent variable for the factors to the Three (3) Principles set out in the MCCG 2017. Thirdly, the future research can continue to widen the scope of this study to compare the Three (3) Principles to other countries or regions to ascertain the findings. Lastly, the selection of another method of data analysis for this research.

5.5 Conclusion

The conclusion of this study was presented based on the research objectives (refer to para 1.6). The research questions of this research (refer to para 1.7) are highlighted once again as follows:

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- i. Is there any relationship between board characteristics (education, experience, board size, board independence and board meetings) and the company's performance?
 - ii. Is there any relationship between the internal audit function establishment and the company's performance?
 - iii. Is there any relationship between integrated corporate reporting and the company's performance?

The results of the hypotheses indicated that there is a positive and moderate relationship between the board characteristics, internal audit function establishment, integrated corporate reporting and the company's performance. The said results answered all the research questions and were in line with the hypothesis development. The findings were supported by the correlation and multiple regression results. It also showed that the board characteristics, internal audit function establishment and integrated corporate reporting are the significant predictors to determine the relationship with the company's performance; which means that a change in the company's performance will be affected and determined by the predictors.

In conclusion, a proper corporate governance framework, i.e. the factors to the Three (3) Principles (board characteristics, internal audit function establishment and integrated corporate reporting) in a company must be emphasized in order to achieve better performance of the company's profitability and long-term sustainability of the company. The board members need to know their rights, responsibilities, fiduciary duty and duty of care in the company and work together with the management of the company to act in compliance with the rules and procedures for better decision-making, internal control and risk management. It identifies as a proper governance. Therefore, the company should practice good corporate governance with 36 practices in the Three (3) Principles of the MCCG 2017 for the purpose of the achievement in the profitability and sustainability business of the company that can contribute to the better economy in Malaysia.

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APPENDIX A

**MSWG PRESS RELEASE
ASEAN CORPORATE GOVERNANCE AWARD 2017**

**LIST OF TOP 100 COMPANIES WITH GOOD DISCLOSURES
(BY RANK)**

NO.	COMPANY NAME	NO.	COMPANY NAME
1	BURSA MALAYSIA BERHAD	51	MALAYSIAN RESOURCES CORPORATION BERHAD
2	AXIATA GROUP BERHAD	52	AMWAY (MALAYSIA) HOLDINGS BERHAD
3	TELEKOM MALAYSIA BERHAD	53	IOI PROPERTIES BERHAD
4	PETRONAS DAGANGAN BERHAD	54	HEINEKEN MALAYSIA BERHAD
5	MALAYAN BANKING BERHAD	55	POS MALAYSIA BERHAD
6	RHB BANK BERHAD	56	SYARIKAT TAKAFUL MALAYSIA BERHAD
7	SIME DARBY BERHAD	57	WESTPORTS HOLDINGS BERHAD
8	CIMB GROUP HOLDINGS BERHAD	58	DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BERHAD
9	PETRONAS GAS BERHAD	59	TIEN WAH PRESS HOLDINGS BERHAD
10	TENAGA NASIONAL BERHAD	60	ORIENTAL HOLDINGS BERHAD
11	ASTRO MALAYSIA HOLDINGS BERHAD	61	BARAKAH OFFSHORE PETROLEUM BERHAD
12	AMMB HOLDINGS BERHAD	62	UNITED PLANTATIONS BERHAD
13	PETRONAS CHEMICALS GROUP BERHAD	63	MISC BERHAD

NO.	COMPANY NAME	NO.	COMPANY NAME
14	TOP GLOVE CORPORATION BERHAD	64	BINTULU PORT HOLDINGS BERHAD
15	LPI CAPITAL BERHAD	65	GD EXPRESS CARRIER BERHAD
16	IJM CORPORATION BERHAD	66	QL RESOURCES BERHAD
17	PUBLIC BANK BERHAD	67	FRASER & NEAVE HOLDINGS BERHAD
18	MALAYSIA AIRPORTS HOLDINGS BERHAD	68	GADANG HOLDINGS BERHAD
19	DIGI.COM BERHAD	69	KUMPULAN PERANGSANG SELANGOR BERHAD
20	BIMB HOLDINGS BERHAD	70	EVERGREEN FIBREBOARD BERHAD
21	ALLIANZ MALAYSIA BERHAD	71	KUALA LUMPUR KEPONG BERHAD
22	MAXIS BERHAD	72	GAS MALAYSIA BERHAD
23	BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD	73	GENTING MALAYSIA BERHAD
24	ALLIANCE BANK MALAYSIA BERHAD	74	YINSON HOLDINGS BERHAD
25	SUNWAY BERHAD	75	AFFIN HOLDINGS BERHAD
26	S P SETIA BERHAD	76	HONG LEONG BANK BERHAD
27	UEM SUNRISE BERHAD	77	HAI-O ENTERPRISE BERHAD
28	SUNWAY CONSTRUCTION GROUP BERHAD	78	PRG HOLDINGS BERHAD
29	UEM EDGENTA BERHAD	79	TA ENTERPRISE BERHAD
30	NESTLE (MALAYSIA) BERHAD	80	MEDIA CHINESE INTERNATIONAL LIMITED
31	KLCC PROPERTY HOLDINGS BERHAD	81	SCIENTEX BERHAD
32	IOI CORPORATION BERHAD	82	TA GLOBAL BERHAD

NO.	COMPANY NAME	NO.	COMPANY NAME
33	KPJ HEALTHCARE BERHAD	83	C.I. HOLDINGS BERHAD
34	CAHYA MATA SARAWAK BERHAD	84	MBM RESOURCES BERHAD
35	IJM PLANTATIONS BERHAD	85	STAR MEDIA GROUP BERHAD
36	MEDIA PRIMA BERHAD	86	WCT HOLDINGS BERHAD
37	PARAMOUNT CORPORATION BERHAD	87	MANULIFE HOLDINGS BERHAD
38	GAMUDA BERHAD	88	VITROX CORPORATION BERHAD
39	DELEUM BERHAD	89	GLOBETRONICS TECHNOLOGY BERHAD
40	CCM DUOPHARMA BIOTECH BERHAD	90	DESTINI BERHAD
41	MSM MALAYSIA HOLDINGS BERHAD	91	MALAYAN FLOUR MILLS BERHAD
42	KUB MALAYSIA BERHAD	92	AEON CREDIT SERVICE (M) BERHAD
43	MALAKOFF CORPORATION BERHAD	93	CARING PHARMACY GROUP BERHAD
44	LAFARGE MALAYSIA BERHAD	94	MIKRO MSC BERHAD
45	TALIWORKS CORPORATION BERHAD	95	RGB INTERNATIONAL BERHAD
46	TUNE PROTECT GROUP BERHAD	96	DAGANG NEXCHANGE BERHAD
47	MALAYSIA BUILDING SOCIETY BERHAD	97	HONG LEONG FINANCIAL GROUP BERHAD
48	PRESTARIANG BERHAD	98	WCE HOLDINGS BERHAD
49	OSK HOLDINGS BERHAD	99	MPHB CAPITAL BERHAD
50	IHH HEALTHCARE BERHAD	100	MATRIX CONCEPTS HOLDINGS BERHAD

**LIST OF TOP 100 COMPANIES FOR OVERALL CG & PERFORMANCE
(BY RANK)**

NO.	COMPANY NAME	NO.	COMPANY NAME
1	BURSA MALAYSIA BERHAD	51	VITROX CORPORATION BERHAD
2	PETRONAS DAGANGAN BERHAD	52	PRESTARIANG BERHAD
3	LPI CAPITAL BERHAD	53	QL RESOURCES BERHAD
4	TELEKOM MALAYSIA BERHAD	54	MIKRO MSC BERHAD
5	MALAYAN BANKING BERHAD	55	DAGANG NEXCHANGE BERHAD
6	TOP GLOVE CORPORATION BERHAD	56	HAI-O ENTERPRISE BERHAD
7	ASTRO MALAYSIA HOLDINGS BERHAD	57	UCHI TECHNOLOGIES BERHAD
8	TENAGA NASIONAL BERHAD	58	BERMAZ AUTO BERHAD
9	AXIATA GROUP BERHAD	59	OSK HOLDINGS BERHAD
10	PETRONAS GAS BERHAD	60	AEON CREDIT SERVICE (M) BERHAD
11	PETRONAS CHEMICALS GROUP BERHAD	61	PADINI HOLDINGS BERHAD
12	SUNWAY CONSTRUCTION GROUP BERHAD	62	MATRIX CONCEPTS HOLDINGS BERHAD
13	NESTLE (MALAYSIA) BERHAD	63	MALAYSIA BUILDING SOCIETY BERHAD
14	SIME DARBY BERHAD	64	IJM PLANTATIONS BERHAD
15	PUBLIC BANK BERHAD	65	GLOBETRONICS TECHNOLOGY BERHAD
16	RHB BANK BERHAD	66	MEDIA PRIMA BERHAD
17	AMMB HOLDINGS BERHAD	67	MALAYSIAN RESOURCES CORPORATION BERHAD
18	DIGI.COM BERHAD	68	POS MALAYSIA BERHAD

NO.	COMPANY NAME	NO.	COMPANY NAME
19	CIMB GROUP HOLDINGS BERHAD	69	TIEN WAH PRESS HOLDINGS BERHAD
20	BIMB HOLDINGS BERHAD	70	RGB INTERNATIONAL BERHAD
21	MAXIS BERHAD	71	YINSON HOLDINGS BERHAD
22	BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD	72	IHH HEALTHCARE BERHAD
23	SUNWAY BERHAD	73	UNITED PLANTATIONS BERHAD
24	IJM CORPORATION BERHAD	74	MALAKOFF CORPORATION BERHAD
25	ALLIANZ MALAYSIA BERHAD	75	LAFARGE MALAYSIA BERHAD
26	TALIWORKS CORPORATION BERHAD	76	EVERGREEN FIBREBOARD BERHAD
27	S P SETIA BERHAD	77	C.I. HOLDINGS BERHAD
28	ALLIANCE BANK MALAYSIA BERHAD	78	KIMLUN CORPORATION BERHAD
29	KPJ HEALTHCARE BERHAD	79	HONG LEONG BANK BERHAD
30	MALAYSIA AIRPORTS HOLDINGS BERHAD	80	IOI PROPERTIES GROUP BERHAD
31	HEINEKEN MALAYSIA BERHAD	81	MISC BERHAD
32	SYARIKAT TAKAFUL MALAYSIA BERHAD	82	BARAKAH OFFSHORE PETROLEUM BERHAD
33	UEM EDGENTA BERHAD	83	KUB MALAYSIA BERHAD
34	WESTPORTS HOLDINGS BERHAD	84	KUALA LUMPUR KEPONG BERHAD
35	CAHYA MATA SARAWAK BERHAD	85	GENTING MALAYSIA BERHAD
36	KLCC PROPERTY HOLDINGS BERHAD	86	BINTULU PORT HOLDINGS BERHAD

NO.	COMPANY NAME	NO.	COMPANY NAME
37	PARAMOUNT CORPORATION BERHAD	87	PETRON MALAYSIA REFINING & MARKETING BERHAD
38	DELEUM BERHAD	88	SASBADI HOLDINGS BERHAD
39	CCM DUOPHARMA BIOTECH BERHAD	89	CHIN HIN GROUP BERHAD
40	GD EXPRESS CARRIER BERHAD	90	BP PLASTICS HOLDING BERHAD
41	AMWAY (MALAYSIA) HOLDINGS BERHAD	91	GAS MALAYSIA BERHAD
42	FRASER & NEAVE HOLDINGS BERHAD	92	MALAYAN FLOUR MILLS BERHAD
43	GAMUDA BERHAD	93	ORIENTAL HOLDINGS BERHAD
44	GADANG HOLDINGS BERHAD	94	PRG HOLDINGS BERHAD
45	UEM SUNRISE BERHAD	95	STAR MEDIA GROUP BERHAD
46	MSM MALAYSIA HOLDINGS BERHAD	96	KUMPULAN PERANGSANG SELANGOR BERHAD
47	IOI CORPORATION BERHAD	97	HONG LEONG FINANCIAL GROUP BERHAD
48	TUNE PROTECT GROUP BERHAD	98	MEDIA CHINESE INTERNATIONAL LIMITED
49	SCIENTEX BERHAD	99	LBS BINA GROUP BERHAD
50	DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BERHAD	100	AFFIN HOLDINGS BERHAD

**MSWG-ASEAN CORPORATE GOVERNANCE RECOGNITION
2017 AWARD WINNERS**

EXCELLENCE AWARD FOR OVERALL CG & PERFORMANCE (BY RANK)
<ul style="list-style-type: none">• Bursa Malaysia Berhad• Petronas Dagangan Berhad• LPI Capital Berhad• Telekom Malaysia Berhad• Malayan Banking Berhad
CHAIRMAN OF THE YEAR AWARD
Tan Sri Datuk Wira Azman Hj. Mokhtar (Axiata Group Berhad)
CEO OF THE YEAR AWARD
Datuk Seri Tajuddin Atan (Bursa Malaysia Berhad)
REGIONAL CG RECOGNITION AWARD
Mr Jamie Allen (The Asian Corporate Governance Association (ACGA))
BEST INSTITUTIONAL INVESTOR AWARD
Kumpulan Wang Persaraan (Diperbadankan) (KWAP)
EXCELLENCE AWARD FOR OVERALL CG & PERFORMANCE (SPECIAL CATEGORY) – BY RANK
<p>1. Market Cap between RM300 million and RM1 billion</p> <ul style="list-style-type: none">• Paramount Corporation Berhad• Deleum Berhad• CCM Duopharma Biotech Berhad <p>2. Market Cap less than RM300 million</p> <ul style="list-style-type: none">• Mikro MSC Berhad
EXCELLENCE AWARD FOR CG DISCLOSURE (BY RANK)
<ul style="list-style-type: none">• Bursa Malaysia Berhad• Axiata Group Berhad

EXCELLENCE AWARD FOR CG DISCLOSURE (BY RANK)

- Telekom Malaysia Berhad
- Petronas Dagangan Berhad
- Malayan Banking Berhad
- RHB Bank Berhad
- Sime Darby Berhad
- CIMB Group Holdings Berhad
- Petronas Gas Berhad
- Tenaga Nasional Berhad
- Astro Malaysia Holdings Berhad
- AMMB Holdings Berhad
- Petronas Chemicals Group Berhad

INDUSTRY EXCELLENCE AWARD**1. *Plantations***

Sime Darby Berhad

2. *Financial*

LPI Capital Berhad

3. *Property & Construction*

Sunway Construction Group Berhad

4. *Oil & Gas*

Petronas Dagangan Berhad

5. *Food & Beverage*

Nestle (Malaysia) Berhad

6. *Manufacturing*

Top Glove Corporation Berhad

7. *Consumer Goods*

British American Tobacco (Malaysia) Berhad

8. *Consumer Services*

Tenaga Nasional Berhad

KPJ Healthcare Berhad

INDUSTRY EXCELLENCE AWARD
9. Telecommunications & Media Telekom Malaysia Berhad
EXCELLENCE AWARD FOR LONG-TERM VALUE CREATION
<ul style="list-style-type: none"> • Bursa Malaysia Berhad • LPI Capital Berhad • Nestle (Malaysia) Berhad
EXCELLENCE AWARD FOR SUSTAINABILITY PRACTICES
<ul style="list-style-type: none"> • CIMB Group Holdings Berhad • Sime Darby Berhad • Telekom Malaysia Berhad
MERIT AWARD FOR MOST IMPROVED CG DISCLOSURE
<ul style="list-style-type: none"> • RHB Bank Berhad • Top Glove Corporation Berhad • UEM Edgenta Berhad
MERIT AWARD FOR BOARD DIVERSITY
<ul style="list-style-type: none"> • Axiata Group Berhad • RHB Bank Berhad • Telekom Malaysia Berhad
MERIT AWARD FOR BEST AGM (OVERALL CATEGORY)
<ul style="list-style-type: none"> • AMMB Holdings Berhad • Bursa Malaysia Berhad • Petronas Gas Berhad
MERIT AWARD FOR BEST AGM (MARKET CAP LESS THAN RM1 BILLION)
Daibochi Plastic and Packaging Industry Berhad

(Source: <http://www.mswg.org.my/mswg-press-release-asean-cg-award-2017>)

APPENDIX B

KPMG MALAYSIA FRAUD, BRIBERY AND CORRUPTION SURVEY 2013

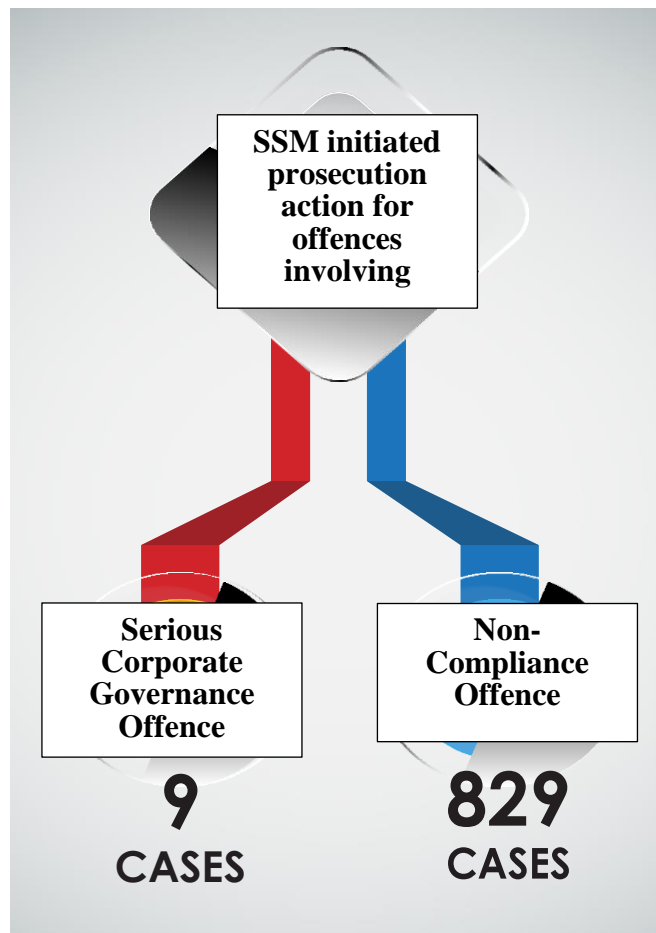
Based on the KPMG Malaysia Fraud, Bribery and Corruption Survey 2013 revealed that corporate fraud in Malaysia has continued on the rise. The opinions on fraud were as follows:-

- ❖ 89% of the respondents found that the quantum of fraud has increased over the past three years;
- ❖ 94% of the respondents believed that frauds have become more sophisticated;
- ❖ 85% of the respondents opined that frauds are increasingly becoming industry aligned and more targeted to certain business processes;
- ❖ 52% stated that fraud is a major problem in their organization;
- ❖ 83% felt that fraud is a major problem for Malaysian businesses general; and
- ❖ 90% felt that fraud is a major problem in their organization felt that fraud is an inevitable cost of doing business.

(Source: <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/03/fraud-survey-report.pdf>)

APPENDIX C

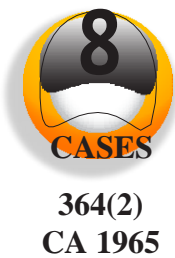
COMPANIES COMMISSION OF MALAYSIA ~ ANNUAL REPORT 2016



Investigation Paper Statistics

False & Misleading Statements						38%
Registration of Business Act 1956					25%	
Other Sections Under CA 1965				16%		
Duty & Liability OF Officers			12%			
Disclosure Of Interest		2%				
Bankruptcy		2%				
Improper Use of Words “Limited” & “Berhad”		2%				
Interest Schemes		2%				
Fraudulently Inducing to Invest	1%					

Cases Investigated & Prosecuted in 2016



- | |
|---|
| <ol style="list-style-type: none"> 1. Increase in shares without approval. 2. False statement involving the resignation of director. 3. Documents forged by company secretaries in relation to a directors' resignation. |
|---|



- | |
|--|
| <ol style="list-style-type: none"> 1. Making false statement by lodging Form B with the intention to remove the owner from a business. 2. Making a false statement relating to the transfer of a business ownership. 3. Submitting false information of business address, branch address, and changes in ownership. |
|--|



CASES

**91(1), 169(1) &
370(1)**

1. Unregistered investment scheme.
2. Failure to present the company's profit and loss at the annual general meeting.
3. Failure to submit annual return.



CASE

**131(1), 132(2),
143(1), 151(1)
& 165(4)**

1. Failure to declared director's interest.
2. Director transferred company's fund to related company without authorization.
3. Failure to hold annual general meeting.
4. Failure to lodge annual return.

(Source: Annual Report 2016 of Companies Commission of Malaysia)

APPENDIX D



ALIGNING MALAYSIAN CODE OF CORPORATE GOVERNANCE 2017 TOWARDS INTERNATIONAL STANDARD OF GOVERNANCE AMONG MALAYSIA COMPANIES

ACADEMIC RESEARCH SURVEY QUESTIONNAIRE FORM

Dear Respondents

I am a final year student pursuing Master of Business Administration (Corporate Governance) from Universiti Tunku Abdul Rahman (UTAR). I would be grateful if you could spend 15 minutes of your precious time to fill out this questionnaire. Your answers will be part of my final research project on “*Aligning Malaysian Code of Corporate Governance 2017 Towards International Standard of Governance Among Malaysia Companies*”. The purpose of this research is to study the factors to the Three (3) Principles set out in the Malaysian Code of Corporate Governance 2017 that can contribute to Malaysia Companies to be aligned with international standard of governance, of which representing company’s performance and to determine the relationship of among the factors and company’s performance.

The questionnaire consists of five (5) Sections A, B, C, D and E with 6 pages excluding cover page of this form.

There is no right or wrong answer. You will not be required to reveal your identity in this research. Your answers are extremely valuable and certainly make

an important contribution to this study. Thank you for taking the time to assist me in my educational endeavour. All the information and the statement provided will only for education purposes and will be strictly formatted in confidential.

Please complete and return this survey questionnaire form via email: kwaiyoongchong@yahoo.com / kwaiyoongchong1974@gmail.com or by returning the copy of this form to me.

Thank you for your participation.

Section A : Demographic Data

This section requests for your background information. Please tick (✓) the appropriate answers.

1. Gender

Male

Female

2. Location

Johor

Kelantan

Selangor

Kuala Lumpur

Perak

Penang

3. Types of Company

Professional Firms

Public Listed Company / Non Public Listed Company

Private Company / SME

4. Professional

Director / CEO / Senior Management

Senior Manager / Manager / Senior Executive / Executive

Accountant / Company Secretary / Lawyer / Others Professional Qualification

Others

Please indicate your answer by a tick (√) in the relevant column according to your preference for the level of agreement or disagreement on the following statements based on the scale as below:-

Section B

No.	Board Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.	<i>Education</i>					
	(a) The Board of Directors have the relevant academic qualification and knowledge which are ability to understand the technical requirements, risk and management of the company's business.					
	(b) The Directors should continue on their education or training as important to enable the Directors to effectively discharge their duties.					
2.	<i>Experience</i>					
	(a) The Board have the right blend of knowledge and experience to optimize company's performance and strategy.					
	(b) The Directors with more experience will cope better within a business environment by working well in a group which will contribute positively to a company's performance.					
3.	<i>Board Size</i>					
	(a) The total number of Directors on a Board be considered to reflect the effectiveness of Board of Directors for governing the company and can influence to company performance.					
	(b) The board size consists of Executive and Non-Executive Directors to create a conducive environment for insightful deliberations and informed decision-making.					

No.	Board Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
4.	<i>Board Independence</i>					
	(a) The composition of the Board of Directors must at least half of the Board of Directors are Independent Directors in order to provide a check and balance on management's performance and reduce agency problems (conflict of interest between the company's management and company's shareholders).					
	(b) The higher proportion of Independent Directors can make significant contributions to monitor board activities, to improve the transparency of corporate boards for company's compliance with disclosure requirement and to bring the fair and quality decision-making for company.					
5.	<i>Board Meeting</i>					
	(a) The frequency of board meetings within the financial year is to ensure the company is running in the best interest of the shareholders.					
	(b) The high number of board meetings indicate that the Board is aware of the company's activities and able to monitor the implementation of the strategy in the company.					

Section C

No.	Internal Audit Function Establishment	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.	An internal audit covers the activities of oversight conducted by the Board of Directors and Audit Committees to ensure credible financial reporting process reporting on the financial performance and business practices of the company.					
2.	The internal audit function understand the company's business and the characteristics of the industry(ies) in which the company operates.					
3.	The internal audit function facilitates the operation and effective working of the Audit Committee as the audit function goals are consistent with the former's financial reporting oversight responsibilities.					
4.	The internal audit function perform regular reviews to test the effectiveness of the financial, operational and compliance controls and processes of the company.					
5.	The internal audit function provide input into developing action plans to monitor risks and internal controls based on the internal audit plan and processes undertaken.					
6.	The internal audit function assess on how information on fraud and irregularities is reported and to prevent misleading financial reporting or a threat on the safeguarding of the company's assets.					

Section D

No.	Integrated Corporate Reporting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.	Disclosing all the required information (financial and non-financial) in the integrated corporate reporting such as annual financial statement, corporate governance statement, management discussion and analysis and sustainability reports that helps to convey a more positive image of the company, company's strategy, performance, governance and prospects lead to value creation.					
2.	Bursa Malaysia Listing Requirements assist companies in improving the integrated corporate reporting to enhance the value of information available to shareholders and stakeholders in order to promote greater transparency and accountability on the part of the company.					
3.	An increase in the level of integrated corporate reporting would lead to the benefits for investors make better informed investment decisions and increase the confidence in the capital markets.					
4.	Annual Report and Interim Report are the mechanisms used by the company to disseminate information about the entity's corporate governance practices and standards.					
5.	The integrated corporate reporting is an instrument to improve financial accounting transparency.					
6.	The Auditor's opinion on the reporting will not affect investors' level of confidence in it and their perception of its reliability.					

Section E

No.	Company's Performance	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.	The selection of appropriate financial performance measures is important to ensure better and meaningful analysis of governance-performance relationship such as return of assets, return on equity and Tobin's Q (market value of a company's asset).					
2.	The board characteristics is part of the success of the board in fulfilling its oversight responsibility for effective decision making, supervision of the management, financial reporting and regulatory compliance in order to achieve good corporate governance towards promoting business prosperity, realising long-term shareholder value and protect shareholders' and stakeholders' interests.					
3.	The greater accountability is often presumed to provide more visibility and transparency for company's activity, enabling appropriate company's behaviour and ultimately impact on company's performance in term of profitability and value of company's asset.					
4.	The significant of internal audit function is to safeguard a company against weaknesses in risk management, internal control and governance processes.					
5.	The integrated corporate reporting will help shareholders and other stakeholders understand how a company takes into account the connectivity and interdependences that have a material effect on the company's ability to create and sustain value over time.					
6.	A poor corporate governance will lead to company's poor performance, corporate fraud and corporate scandals.					

~ Thank you for completing this questionnaire ~