Conference Paper

Ethical Practice Disclosure of Malaysian Public Listed Companies

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Abstract

The Malaysian corporate environment has been shocked by corporate scandals and poor performance among government-related companies, such as 1Malaysia Development Berhad (1MDB), Lembaga Tabung Haji (LTH), Felda Global Ventures (FGV) and Khazanah Nasional Berhad (KHAZANAH). Despite having strong corporate governance and being strengthened through Malaysia Code of Corporate Governance (MCCG), unethical practices and a lack of transparency remain a problem among Malaysian companies. The purpose of this paper is to examine the level of disclosure of ethical practices among Malaysian public listed companies. Ethical practice disclosure is measured using the modified Ethical Commitment Index (ECI) with six themes derived from the literature; notably, corporate ethical values, action to promote ethics, whistle-blowing policy, code of ethics, sustainability practices, and ethics committee. Through content analysis of the annual reports of 1,115 companies and five years' observation (2012-2016), this study found there is a need to improve several aspects of ethical practice disclosure. The findings implied that companies supported the MCCG, with most of the companies complying with the recommendations of MCCG 2012 to uphold a high standard of ethical practice. However, supplementary practices, such as disciplinary action, programmes to support a code of ethics, whistle-blowers' protection, and establishing an ethics committee, are still weak. The findings indicate that the level of ethical practice disclosure among Malaysian public listed companies remains low and raises concern that requires action by regulators. This paper contributes by providing insights into the disclosure of ethical practice among Malaysian public companies.

Keywords: ethics, MCCG 2012, disclosure, whistle-blowing, commitment, sustainability.

1. Introduction

A decade after the global financial crisis in 2008, and despite significant regulations to strengthen corporate governance, issues related to unethical practices remain unresolved. Over two decades, corporations around the world have witnessed major events, such as the 1997 Asian financial crisis; corporate failures, such as Enron and WorldCom in 2000; the global financial crisis in 2008; and numerous accounts of corporate financial...
scandals. In Malaysia, recent corporate scandals involving the Malaysian government-owned companies, for example, 1Malaysia Development Berhad (1MDB) and Lembaga Tabung Haji, and the recent financial losses reported by Khazanah National Berhad, provide evidence that despite sound corporate governance initiatives by the regulators, the unethical conduct or mismanagement by managers is yet to be resolved. In the case involving Khazanah Nasional Berhad, Malaysia’s sovereign wealth fund, in 2018, it announced a loss before tax of RM 6.27 billion. The cause of such a loss was due to investment in companies with poor performance, including Malaysia Airlines and Telekom Malaysia Berhad (Leong, 2019). In the case of Lembaga Tabung Haji, in 2016, the institution for pilgrimage funds stands accused of mismanaging funds amounting to RM4 billion for political purposes (The Straits Times, 2018).

From such recent examples, even large companies related to the government cannot escape issues such as mismanagement and unethical conduct. Such issues can arise from weak corporate governance at the institutional level and can expose companies to the risk of losing their reputation, business relations, and financial losses. The recent survey by PricewaterhouseCoopers (PwC), in the Global Economic Crime Survey Malaysian Report 2018, revealed that fraud cases increased to 41 percent in 2018 compared to a similar survey conducted in 2016 when the figure was 18 percent. Besides, regarding bribery and corruption, the report showed an increase from 30 percent in 2016 to 35 percent in 2018 (PricewaterhouseCoopers, 2018).

The new Malaysian government, after the 14th General Election, has taken initiatives to combat such misconduct, corruption, and bribery by introducing the National Anti-Corruption Plan 2019-2023 or NACP. NACP was launched as a commitment by the Malaysian government to create a nation free of corruption, that is highly transparent, and of high integrity. The issues highlighted in the NACP report include institutions that lack independence that result in corporate scandals, a lack of punishment of offenders, and a lack of monitoring due to constraints of resources. The NACP also highlighted that 80 percent of the complaints received by the Malaysian Anti-Corruption Council (MACC) are related to manipulating procedures, conflicts of interest, and a lack of internal control and transparency (Prime Minister’s Department, 2019). The areas identified that pose a risk involving corruption include political governance, the public sector, legal and judicial, law enforcement, and corporate governance. In relation to corporate governance, the worst-case scenario anticipated is that of unethical behaviour and corruption becoming the norm in corporations; thus, influencing the corporate culture from top to bottom, and, ultimately, affecting the economy of the whole country.
The 2014 ASEAN Corporate Governance Scorecard (ACGS) reported a lack of transparency regarding the MCCG compliance statement and ethical practice (Asian Development Bank, 2014), while the 2016 Malaysian-ASEAN Corporate Governance Scorecard reported that 80 percent of Malaysian companies had improved their transparency in terms of corporate governance (CG). However, transparency related to the code of ethics and whistle-blowing policies is still below 50 percent compared to CG and corporate social responsibility (CSR) disclosure (MSWG, 2017). Also, the more recent 2017 report of the Malaysia-ASEAN Corporate Governance Scorecard provides evidence that there was an increase in the corporate governance practices in the five years from 2013 to 2017 (MSWG, 2018). However, in 2017, the score fell slightly from 66.52 in 2016 to 62.20 percent for all public listed companies; as presented in Figure 1.

In addition, the 2017 report presents that only 11 percent of a total of 880 companies have anti-corruption policies compared to the 2016 report, where 28 percent of companies had such a policy. Although in 2017 the number of companies with a code of ethics was 528 or 60 percent, as compared to the 2016 report, where 57 percent out of 868 companies had a code of ethics, implementation of the code of ethics in companies dropped from 38 percent in 2016 to 26 percent in 2017; as presented in Figure 2.

While the overall CG score increased, compared to other listed companies, it was only the top companies that had better disclosure, which implies that awareness in disclosing ethical practices is still low among the companies (Salin & Ismail, 2015). The lack of disclosure related to corporate ethical conduct signals that unethical practices are
still a problem for the Malaysian corporate sector, which is consistent with the concerns of the NACP about the lack of control and transparency in corporate governance.

Therefore, this paper is motivated to examine the level of ethical practice disclosure based on its reporting in the annual reports. This paper reviews past literature related to ethical commitment to building the ethical indicators for measuring the disclosure level of ethics in Malaysia. By examining 1,115 companies over five years (2012 to 2016), the study provides evidence that ethical practices need to be reviewed and improved by the business players and regulators. This paper contributes by providing insights into the trend of ethics practiced by Malaysian public listed companies. The following section discusses the literature review related to ethical commitment, while the next section discusses the methodology of the research. Descriptive and trend analysis are discussed in the findings section, and the final section presents the overall conclusion of this paper.

2. Literature Review

2.1. Ethical Commitment

Commitment can be defined as a sense of loyalty to a social system (Kanter, 1968). It can also be described as the belief of any individual to achieve mutual benefit through loyalty to society (Wiener, 1982). Meanwhile, ethics is defined as the ability
to distinguish between right and wrong in the decision-making process (Ferrell et al., 2011, pp.7). Combining these two words, the concept of ethical commitment is derived as a willingness to do something based on moral judgment and action towards goodness in maintaining the relationship with the stakeholders. Ethical commitment in organizations should be embedded in individuals invoking a sense of awareness of ethical behaviour while showing commitment to the organization (Ebrahim & Ahmadi, 2012), thus creating a safer corporate environment and increasing the productivity in operations.

The concept of ethics can be intertwined with corporate governance (Othman, Rahman & Shamsudin, 2012). For instance, ethics-related concepts, such as corporate integrity, anti-corruption, compliance, and transparency, have regularly been emphasized in codes of corporate governance. By integrating ethical practices, for example, code of ethics, ethics training, and whistle-blowing policy into the company’s governance, it provides effective tools for monitoring control (Merchant & White, 2017). Therefore, a company’s ethical commitment can provide sound corporate governance practices and promote ethical practices that can prevent unethical behaviour.

Companies that exhibit ethical conduct in operations also receive financial benefits (Abidin, Hashim & Ariff, 2017; Karim, Suh & Tang, 2016; Berrone, Surocca & Tribo, 2007; Donker Poff, & Zahir, 2008). This is because ethical practices will attract more shareholders, thus enhancing the company’s value (Graves & Waddock, 1994). With more ethics-related information provided by companies, the investor can assess that information as to their investment portfolio (Donker et al., 2008). Karim et al. (2016) provide evidence that companies’ ethics-related news created values toward shareholders as they received a positive market reaction. Abidin et al. (2017) illustrated that Malaysian companies with high ethical commitment received higher profits. An empirical study by Pae & Choi (2011) in South Korea shared a similar view as they found companies with ethical commitment able to reduce the cost of capital. From literature related to ethical commitment, it is proven that companies with a high level of ethics able to attract both stakeholders and shareholders.

The area of ethical commitment has been reviewed by prior studies with a variety of measurements and perspectives. Several components of ethics programmes have become instruments to measure ethical commitment. The earlier study by Brenner (1992) categorizes ethics programmes into two dimensions – formal and informal. The formal dimension includes a code of ethics, employees’ training, and seminars, while the informal dimension includes corporate culture, leadership, and management behaviour. Weaver, Trevino, and Cochran (1999) provide six components of ethics programmes:
code of ethics, disciplinary action against unethical behaviour, ethics training, ethics committees, ethics communications programmes, and ethics officers.

Meanwhile, Remišová (2015), cited in Remišová, Lašáková and Kirchmayer (2018), finalizes the ethics components gathered from the literature, which are ethics documentation, reporting mechanisms, ethics education, ethics authorities/committees or officers, and monitoring/control mechanisms. Other researchers, such as Whyatt, Wood, and Callaghan (2012), and Callaghan, Wood & Svensson (2008), review the supporting measures of code of ethics including communication of the codes, ethics training, whistle-blowing procedures, ethics committee, and employee appraisal programmes as a commitment to ethical practices.

2.1.1. Corporate ethics values

Corporate ethics values or core values are the foundation of the ethics culture in companies. Ethical values can be channeled through the company’s vision, and mission statements (Melé, Debeljüh & Arruda, 2006), and the statements can be considered to be the company’s ethical orientation and strategy. The corporate mission statement is recognized as the “heart” of any organisation, as it upholds the organisation’s core values (Craft, 2018). Ethical values include integrity, courage, compassion, loyalty, honesty, forgiveness, trust, optimism, and resilience (Laouisset, 2009), which are promoted in companies to create a healthy business environment. Moreover, disseminating or promoting a company’s ethical values to the company’s stakeholders can be seen as a strategy to gain a competitive advantage. Disclosing information about ethics as a company strategy can create values for shareholders (Ho & Taylor, 2013). Malaysian companies are aware of the importance of disclosures related to corporate strategies (Zaini, Sharma, Samkin & Davey, 2019). Therefore, it is crucial for management to be highly committed and support ethics values as it can form ethical culture within organisations (Driskill, Chatham-Carpenter & McIntyre, 2019) and create value for companies.

2.1.2. Action to promote ethics

In order to create an ethical culture, the implementation of ethics programmes is significant for organizations (Schwartz, 2013). An ethical culture can be implemented effectively when companies provide their core values through suitable programmes and leadership commitment towards ethics (Schwartz, 2013). For example, when companies provide certain ethical policies, implementation through a formal programme – ethics
training, appraisal (Svensson, Wood & Callaghan, 2010), or disciplinary action (Weaver et al., 1999; Trevino & Nelson, 2013, pp. 256) – it will ensure that ethical values are being practised; thus, showing the company’s commitment to support an ethical culture (Whyatt et al., 2012). Therefore, ethics programmes should be part of the mechanism to promote an ethical culture in companies. Managers are responsible for ensuring that ethical behaviour is being practiced in the company, and that unethical behaviour is strictly prohibited.

2.1.3. Whistle-blowing policy

Corporate disclosure and transparency become more significant for a company to operate ethically in the marketplace. The whistle-blowing policy provides a platform for any person, either inside or outside the organization, to report any misconduct they witness during business dealings (Near and Miceli, 1985). However, the implementation of a whistle-blowing policy presents several challenges especially in the Malaysian environment (Nawawi & Salin, 2019; Rachagan & Kuppusamy, 2013). The challenges include a sense of loyalty among employees at different levels of power between top management and employees, fear of retaliation, and an attitude of not interfering with others’ personal affairs (Nawawi & Salin, 2019; Rachagan & Kuppusamy, 2013). Such challenges become reasons for the ineffectiveness of whistle-blowing policy practised in Malaysian companies. Therefore, to ensure that a whistle-blowing policy can be implemented effectively, several programmes should be considered.

Companies can provide a safer platform for employees to express their concerns about ethical conduct through an open communication channel or ethics hotline (Rachagan & Kuppusamy, 2015). Moreover, having a whistle-blowers’ protection programme, will help employees gain confidence in reporting misconduct without any fear (Lee & Fragher, 2012; Singh, 2011). As part of supporting the recommendations of MCCG, companies should adequately implement the whistle-blowing policy as it will result in a good and healthy corporate culture and reduce the risk of misconduct. Moreover, employees will find it more convenient to report any misconduct if the company publishes such a policy on the corporate website. By disclosing information, such as procedures, requirements, channels, and protection on the website, it signals to the stakeholders that the company is committed to combating misconduct (Dhamija, 2014).
2.1.4. Code of ethics

Ethical commitment can also be shown by management through formalizing and promoting a code of ethics. To ensure compliance with such a code, it should be understandable by the management and employees and create awareness of the importance to comply with the code (Donker, Poff & Zahir, 2008). A formal code of ethics in companies can affect the morale of employees (Whyatt et al., 2012), create a strong ethical culture, and prevent unethical behaviour (Merchant & White 2017; Garegnani, Merlotti & Russo, 2015) in business operations. Awareness of the code of ethics among employees can be achieved when companies continuously communicate the code of ethics (Donker et al., 2008). It is important for companies to constantly communicate their code of ethics to provide understanding among employees (Merchant and White, 2017; Whyatt et al., 2012). Therefore, it is important for companies to continually implement and observe the quality of code of ethics as it is one of the measures for ensuring the creation of ethical culture among the employees (Callaghan et al., 2008).

2.1.5. Sustainability practices

Sustainability practices can be seen as tools to reduce conflicts of interest (Suttipun, 2018). Balancing the interests of the stakeholders and shareholders through sustainability practices creates value for companies (Bezares, Przychodzen, & Przychodzen, 2016; Lo & Sheu, 2007). Promoting sustainability practices was emphasized in MCCG 2017, as it is part of good corporate governance practices and a commitment to ethical behaviour. Promoting sustainability practices through reporting is not only in keeping with the mandatory regulations, but also promotes the attention of stakeholders and value (Platonova et al., 2018; Kasbun, Teh & Ong, 2016). Sustainability practices can be recognized as a commitment towards stakeholders (Rivera, Muñoz & Moneva, 2017). Contributions towards society and the environment can enhance the corporate image and reputation (Eger, Miller, & Scarles, 2019). It is important for companies to disclose their sustainability practices, as companies will gain a competitive advantage in the marketplace (Ching, Gerab & Toste 2014).

2.1.6. Ethics committee

The ethics committee has a function to ensure that the ethics programme in the company is implemented effectively. The functions include to provide a platform for employees
or stakeholders to raise concerns regarding ethics, to develop an ethic’s related policy, and to support, monitor, and evaluate ethics programmes (Ark, Kaptein & Karssing, 2018). Companies with an ethics committee will experience full awareness of, and compliance by the employees with the ethics programme and rules implemented by the company (Svensson et al., 2010). Establishment of an ethics committee reflects a company’s commitment to supporting its employees regarding ethics training. It is also suggested that companies have ethics officers who are independent and have the function of managing and resolving ethical concerns among the employees (Singh, Wood, Callaghan, Svensson, & Andersson, 2018; Mpinganjira, Roberts-Lombard, Wood, & Svensson, 2016).

3. Methodology

3.1. Sample selection

This study examines the ethical practice disclosure of 223 companies (Table 1) listed on the main board of Bursa Malaysia for five years, making a total of 1,115 company years for the period of observation (2012-2016). This study applies a systematic random sampling approach to select companies from a total population of 791 companies listed in 2016. The systematic sampling method is simple ways to select samples from large populations as the availability of sample target lists (Sekaran & Bougie, 2016). Only non-financial companies are included in the sample. While 52 companies from financial sector industries are excluded as they are imposed with other regulation and different accounting practice (Nuryanah & Islam, 2011; Ibrahim, Ahmad & Khan 2016). After excluding financial sectors, total companies listed was 739 companies. From Krejcie & Morgan sample size determination table, the sample size required was 253 companies (Krejcie & Morgan 1970). These 253 companies are randomly generated from Microsoft Excel by intervals of 3 from the lists. Each company are numbered accordingly and sorted randomly.

3.2. Measuring ethical practice disclosure

To measure companies’ ethical practice disclosure, content analysis was applied. Various statements regarding ethical practices in the annual reports were analysed in examining the companies’ disclosure of their ethical practices. The ethical practice disclosure was measured using the Ethical Commitment Index (ECI) previously developed
Table 1: Final Sample Size Used in this Study.

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>Number of companies</th>
<th>Total (2012-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population in 2016</td>
<td>791</td>
<td></td>
</tr>
<tr>
<td>Financial Sector Industry</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>739</td>
<td>3785</td>
</tr>
<tr>
<td>Sample size</td>
<td>253</td>
<td>1265</td>
</tr>
<tr>
<td>Missing annual reports</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Final Sample</td>
<td>223</td>
<td>1115</td>
</tr>
</tbody>
</table>

by Choi and Jung (2008). Previous researchers had different approaches to measuring companies’ ethical commitment. Verschoor (1998, 1999) attempt to measure companies’ ethical commitment disclosure based on companies’ code of ethics and transparency. Others review companies’ code of ethics, whistle-blowing policy, ethics education, ethics committee, and employee appraisals (Whyatt et al., 2012; Callaghan et al., 2008; Remišová, 2015) as cited in Remišová, et al., (2018).

There are also studies that develop the instrument to measure companies’ ethical commitment. ECI previously developed by Choi and Jung (2008) in South Korea as survey instruments with 11 items include code of ethics, ethics training, disciplinary action, and ethics committee. Later ECI adapted by Pae and Choi (2011) in similar settings to measure companies’ ethical commitment disclosures. Abidin et al. (2017) adapted and extended ECI into 14 items by including MCCG requirements to measure ethical commitment disclosures among Malaysia public listed companies. Salin and Ismail (2015) also developed 8 items instrument to measure companies’ ethical commitment disclosures based on MCCG 2012 requirements. While Salin et al., (2019) developed 64 items to measure ethical commitment practices based on MCCG 2012 and international guidelines, Vig and Dumičić (2016) developed 9 questionnaire items to measure the commitment to business ethics among companies in Costa Rica.

The index had been modified and adapted for the Malaysian corporate environment. The new modified ECI consists of six themes recognized from past literature, which includes 1) Corporate ethics values (CEV), 2) Action to promote ethics (ACT), 3) Whistle-blowing policy (WBP), 4) Code of ethics (CODE), 5) Sustainability practices (SUST), and 6) Ethics committee (ETH). Binary scoring method is used to score each item from companies’ annual reports, where a score of 1 (one) is given if the item is disclosed, and zero (0) otherwise (Wan Abdullah et al., 2013; Zahid & Ghazali, 2015).
<table>
<thead>
<tr>
<th>Theme</th>
<th>item</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEV</td>
<td>CEV1</td>
<td>Top managers of this company regularly emphasize the importance of business ethics*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011);</td>
</tr>
<tr>
<td></td>
<td>CEV2</td>
<td>This company has an ethical philosophy and ethical values*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011);</td>
</tr>
<tr>
<td></td>
<td>CEV3</td>
<td>This company is committed towards the highest standard of business practice</td>
<td>MCCC 2012</td>
</tr>
<tr>
<td>ACT</td>
<td>ACT1</td>
<td>This company has a disciplinary system through which unethical behaviour is strictly punished*</td>
<td>Merchant &amp; White, (2017); Trevino &amp; Nelson, (2013); Pae &amp; Choi, (2011); Choi &amp; Jung, (2008)</td>
</tr>
<tr>
<td></td>
<td>ACT2</td>
<td>This company provides training, workshops, and education related to ethics for the employees*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011); Whyatt et al., (2012); Schwartz, (2013) Remišová et al., (2018)</td>
</tr>
<tr>
<td></td>
<td>ACT3</td>
<td>This company has an employee appraisal programme to promote ethical conduct</td>
<td>Schwartz, (2013); Svensson et al., (2010)</td>
</tr>
<tr>
<td>WBP</td>
<td>WPP1</td>
<td>This company has established a whistle-blowing policy</td>
<td>Rachagan &amp; Kuppusamy, (2015); Near &amp; Miceli, (1985); MCCC 2012</td>
</tr>
<tr>
<td></td>
<td>WPP2</td>
<td>This company has an open communication channel for employees to get assistance regarding ethical issues*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011); Rachagan &amp; Kuppusamy, (2015)</td>
</tr>
<tr>
<td></td>
<td>WPP3</td>
<td>This company has a whistle-blower protection</td>
<td>Nawawi &amp; Salin, (2019); Rachagan &amp; Kuppusamy, (2015)</td>
</tr>
<tr>
<td></td>
<td>WPP4</td>
<td>This company provides whistle-blowing policies on the website</td>
<td>Lee &amp; Fragher, (2012); Dhamija, (2014)</td>
</tr>
<tr>
<td>CODE</td>
<td>CODE1</td>
<td>This company has a formal code of ethics*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011)</td>
</tr>
<tr>
<td></td>
<td>CODE2</td>
<td>This company uses both formal and informal methods to communicate the code of ethics</td>
<td>Donker et al., (2008); Merchant &amp; White, (2017); Whyatt et al., (2012); Remišová et al., (2018)</td>
</tr>
<tr>
<td></td>
<td>CODE3</td>
<td>This company has implemented a system to ensure compliance with the code of ethics</td>
<td>Jasevičienė, (2012); Donker et al., (2008)</td>
</tr>
<tr>
<td></td>
<td>CODE4</td>
<td>This company periodically revises its code of ethics</td>
<td>MCCC (2012); Callaghan et al., (2008)</td>
</tr>
<tr>
<td></td>
<td>CODE5</td>
<td>The code of ethics is available on the company website</td>
<td>Salin &amp; Ismail, (2015)</td>
</tr>
<tr>
<td>SUST</td>
<td>SUST1</td>
<td>This company is committed to sustainability practices</td>
<td>Suttipun, (2018); Bezares et al., (2016); Lo &amp; Sheu, (2007)</td>
</tr>
<tr>
<td></td>
<td>SUST2</td>
<td>This company regularly puts a significant portion of its profits toward philanthropy*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011); Eger et al., (2019)</td>
</tr>
<tr>
<td></td>
<td>SUST3</td>
<td>The sustainability practice report of this company is also available on the website</td>
<td>Ching et al., (2014); (Ali Khan, (2015)</td>
</tr>
<tr>
<td>ETH</td>
<td>ETH1</td>
<td>This company has an ethics committee</td>
<td>Remišová et al., (2018) Singh et al., (2018); Arık et al., (2018); Mpinganjira et al., (2016)</td>
</tr>
<tr>
<td></td>
<td>ETH3</td>
<td>This company has an independent ethics department and officers*</td>
<td>Choi &amp; Jung, (2008); Pae &amp; Choi, (2011)</td>
</tr>
</tbody>
</table>

* Items adapted from original ECI by Choi and Jung (2008). Original ECI developed with 11 items
4. Results and Discussion

This paper describes the descriptive analysis of the ethical practice disclosure proxy by ECI. Also, trend analysis, in which each of the themes and items is analyzed by each year, is also presented and discussed in the following subsections.

4.1. Corporate ethics values (CEV)

From Table 3, for the first item, CEV1, 148 companies (13.27%) have stated in their reports about the importance of the company conducting its business ethically. The remaining 967 (86.73%) companies did not disclose this item. For CEV2, 333 companies (29.87%) disclosed this item either in the company’s core values, vision and mission, or the company’s philosophy. The remaining 782 companies or 70.13 percent did not have core values or did not state any ethics-related views in their vision and mission statements. For CEV3, 917 companies (82.24%) disclosed this item, and 198 companies (17.76%) did not disclose this item.

<table>
<thead>
<tr>
<th>Items</th>
<th>Disclosed</th>
<th>Not Disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td>CEV1</td>
<td>148</td>
<td>13.27</td>
</tr>
<tr>
<td>CEV2</td>
<td>333</td>
<td>29.87</td>
</tr>
<tr>
<td>CEV3</td>
<td>917</td>
<td>82.24</td>
</tr>
</tbody>
</table>

Further analysis regarding the five-year trend (Figure 3) shows a slight increase for each item from year 2012 to 2016.

Although there is an increase in the number of companies that provide each item disclosed in their reports, regarding CEV1 and CEV2, the disclosure is still below 40 percent. The overall results regarding CEV provide evidence that disclosing the core values is not favourable among companies. However, the majority of the companies show their support for MCCG by providing a statement that they are committed towards business ethics. For instance, some companies explain the importance of best ethical practice (CEV1) to maintain their long-term business operations. Long-term business can be achieved as companies are able to build a strong relationship with their stakeholders. Meanwhile, other companies view that to comply with the regulations, ethical conduct is needed to maintain trust, and thus help the companies to gain corporate image and reputation.
"AMGB believes in adhering to the best practices of corporate governance to sustain business efficiency and sustainability in the long term. Evidence for this can be found in the fact that the Group has consistently upheld the integrity of business practices..." (Chairman - Asia Media Group Berhad, 2016, pp.7)

"The Group ensures that our top management takes a clear position on the central importance of corporate ethics and legal compliance in corporate management. It is a principle that we uphold to ensure everyone in the Group advocates responsibility, fairness and high ethical standards, and to always act in accordance with the law to maintain trust..." (Frontkent Corporations Berhad, 2016, pp.20)

The corporate values and philosophy (CEV2) can be found in the company’s mission and vision statement or board statement. Some companies provide a statement that conducting ethical business is the fundamental element of their company’s mission and vision. Shared values, such as integrity, honesty, and respect, are the basic elements to form their company’s ethical norms and culture. For example, such disclosures can be found in the annual reports of both Alam Maritim Resource Berhad and Boon Koon Group Berhad:

".. The Group’s philosophy, which is anchored to its Vision, Mission Statement, Shared Values and Cultural Beliefs, provide the fundamental guidance to our business conduct. The Vision, which sits at the pinnacle of our Corporate Agenda, represents our aspiration as an organisation. The Mission
CEV3 received the highest disclosure in ECI. This situation can be explained in that MCCG 2012 requires companies to commit to the highest standard of business practices to protect shareholders’ value and companies’ sustainability. MCCG 2012 recommends that companies include their statement of compliance with MCCG as part of their commitment to support and practice the principles in MCCG. For example:

“..The Board of Directors (‘the Board’) of MCE recognises the importance of good corporate governance and continues to be committed to ensure that high standards and appropriate practices are in place throughout the MCE Group to protect, enhance and support the business affairs and financial performance of the Group with the ultimate objective of safeguarding shareholders’ investment and enhancing shareholders’ value...”(MCE Holdings Berhad, 2016, pp. 11)

“..The Board of Directors (“the Board”) of Sanichi Technology Berhad (“Group” or “Company”) is continuously committed to promoting the highest standard of corporate governance within the Group by supporting and implementing the principles and best practices as outlined in the Malaysian Code of Corporate Governance 2012...” (Sanichi Technology Berhad, 2016, pp. 15)

4.2. Action to promote ethics and prevent unethical conduct (ACT)

The second theme refers to the action to promote ethics and prevent unethical conduct. With regards to the first item, ACT1, only 50 companies or 4.48 percent stated that they take disciplinary action against misconduct; 1,065 companies (95.52%) do not have it. Meanwhile, 279 companies or 25.02 percent disclosed ACT2, and the remaining (836 companies or 74.98%) did not disclose ACT2. For item ACT3, only 58 companies (5.2%)
have appraisal programmes regarding ethics for employees, and 1,057 (94.8%) companies do not report any employee appraisal programme to promote ethical conduct (Table 4).

<table>
<thead>
<tr>
<th>Items</th>
<th>Disclosed</th>
<th></th>
<th>Not Disclosed</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT1</td>
<td>50</td>
<td>4.48%</td>
<td>1,065</td>
<td>95.52%</td>
</tr>
<tr>
<td>ACT2</td>
<td>279</td>
<td>25.02%</td>
<td>836</td>
<td>74.98%</td>
</tr>
<tr>
<td>ACT3</td>
<td>58</td>
<td>5.2%</td>
<td>1,057</td>
<td>94.8%</td>
</tr>
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</table>

The majority of companies disclosed that they have provided ethics-related training for their employees (ACT2); as evidenced in Figure 4. ACT2 shows that the highest disclosure with an increasing trend was from the year 2012 to 2016. Such evidence implies that companies are aware of the need to provide ethics training for their employees. Regarding disciplinary action and appraisal (ACT1 & ACT3), although there is an increase between the years 2012 and 2016, the percentage of increment is small. This suggests that neither item is being practiced widely in the companies.

![Figure 4: Five-year Trend Analysis for ACT (n=223) (Source: Authors’ own work).](image-url)
“...Failure to comply with the COC is tantamount to a serious breach and the appropriate actions will be taken by the Company for any non-compliance...”

(AE Multi Berhad, 2016, pp.11)

Meanwhile, other companies have strong consequences if their employees fail to comply with the company policies. For example, Alam Maritim Resources Berhad state that strict punishment will be imposed for violating the company’s drug and alcohol policies:

“...Employees found to be in possession or under the influence of drugs and alcohol are subjected to disciplinary action that includes immediate termination of employment with the Company...” (Alam Maritim Resources Berhad, 2016, pp.25)

As ethics training is more favourable among companies to promote ethical practice, ACT2 can be found in the companies’ annual reports either in the sustainability section or the corporate governance statement. Ethics training for any personnel is important for companies to create an ethical culture (Whyatt et al., 2012). Providing training for employees can be by means of e-learning, workshops, or during induction programmes.

Some companies provide training for employees with the aim of enhancing their employees’ skills and knowledge, and increasing their efficiency for conducting business in their daily operations. Skills, such as soft skills and leadership skills, are important so that employees have guidance for making ethical decisions and are instilled with ethical values in dealing with co-workers, management, and customers. Moreover, employees with the right attitude and behaviour in companies will be able to maintain their compliance with the company’s’ rules and regulations.

“...60% of the training allocation was spent on technical training to enhance and upgrade employees’ skills as well as increase their knowledge to face new challenges in their areas of work. Another 40% was spent on leadership, systems and Soft Skills Training to ensure our human capital are equipped with the right behavioural skills and perform ethically at all times...” (Prestariang Berhad, 2016, pp.55)

“...Training and workshops are conducted regularly to ensure that working environments are in compliance with the rules and regulations...” (Damansara Realty Berhad, 2016, pp. 34)

Another example, Carlsberg Brewery Malaysia Berhad, provides ethics training through their e-learning platform;
“...We also rolled out several other initiatives in accordance with our commitment to ethics and integrity: 169 employees in Malaysia and Singapore were trained on the new Code of Ethics and Conduct and completed E-Learning from November 2016 to February 2017...” (Carlsberg Brewery Malaysia Berhad, 2016, pp. 59).

In order to promote ethics throughout the company, an appraisal programme (ACT3) can be introduced for employees to recognize their contribution to the company. Appraisal programmes can be in the form of a retirement bonus, promotion, or remuneration package for employees who maintain their performance and discipline in the company. For example:

“...Employees on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is received by employees with a minimum of ten years of continuous employment and a clean disciplinary record for the last two years of their employment...” (Cahya Mata Sarawak Berhad, 2016, pp.39)

“...The performance appraisal of our employees is conducted annually based on the objective set for the review period. Based on performance and contribution, they are rewarded through increments, bonuses or promotions...” (Kumpulan Fima Berhad, 2016, pp. 50)

4.3. Whistle blowing Policy (WBP)

Regarding whistle-blowing policy, WBP1, 456 companies or 40.9 percent have stated that they have a whistle-blowing policy, and 659 companies or 59.1 percent do not mention a whistle-blowing policy in their annual report (Table 5).

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<td>456</td>
<td>659</td>
</tr>
<tr>
<td>WBP2</td>
<td>78</td>
<td>1,037</td>
</tr>
<tr>
<td>WBP3</td>
<td>160</td>
<td>955</td>
</tr>
<tr>
<td>WBP4</td>
<td>165</td>
<td>950</td>
</tr>
</tbody>
</table>

For item WBP2, only 78 companies (7%) stated that they have an open communication channel while the remaining 1,037 companies or 93 percent do not have such a channel. Meanwhile, for item WBP3, regarding whistle-blower protection, only 160 companies
or 14.35 percent explain that they have a whistle-blower protection programme, and 955 companies or 85.65 percent do not have one. Lastly, for item WBP4, related to the availability of whistle-blowing policy on the company website, 165 companies (14.8 percent) provide a statement about the availability of a whistle-blowing policy on the company website. The other 950 companies (85.2 percent) do not state on the company website that such a policy is available.

*Figure 5*: Five-year Trend Analysis for WBP (n=223) *(Source: Authors’ own work).*

As shown in Table 5, the majority of companies have a whistle-blowing policy programme to support ethical conduct in the company. The five-year trend (Figure 5) shows a significant increase in the companies that have put in place a whistle-blowing policy (WBP1). The increment from 22 percent (the year 2012) to 60 percent (the year 2016) suggests that Malaysian companies support the recommendations of MCCG to have such a policy. Although there is an increase for each item related to the WBP in the five years, most of the companies are yet to disclose in detail such a policy relating to facilitating an anonymous platform for employees to communicate (WBP2), whistle-blowing protection (WBP3), or the availability on the website (WBP4). The results suggest that companies in Malaysia are not ready to fully implement a whistleblowing policy (Rachagan & Kuppusamy, 2013; Nawawi & Salin, 2019).

In examining whether or not the company has a whistle blowing policy, the disclosures for WBP1 are quite clear and direct. For example:

“..*The Whistleblowing policy is in place with the objective to provide a channel for all employees and stakeholders to report in good faith about alleged...*"
unethical behaviour, actual or suspected improprieties within the business...”
(Chin Well Holdings Berhad, 2016, pp. 15)

A whistle-blowing policy is not complete without any safe communication platform for the employees or stakeholders to raise concerns about ethical issues. An open communication channel (WBP2) can be in many forms. From the analysis of the companies’ annual reports, certain companies provide a whistle-blowing hotline, email, or phone number of the personnel in-charge, as a platform for employees and stakeholders to raise their concerns regarding ethical matters.

“...Apart from the normal reporting of concerns to the Head of the Group Integrity & Assurance Department, the reporting channel as prescribed in the Whistle-Blowing Policy, namely the Whistle-Blowing Hotline (ccmintegrity@gmail.com), is made available to the employees and external parties...”
(Chemical Company of Malaysia Berhad, 2016, pp. 61)

As argued by Rachagan and Kuppusamy (2013), implementation of a whistleblowing policy in the Malaysian environment is not efficient enough due to factors, such as attitudes, power differences, and fears among employees. Whistle-blower protection (WBP3) can provide a safe and comfortable platform for employees to express their issues concerning misconduct without fear. Most companies with whistle-blower protection state that there is protection from reprisals, and that unethical conduct can be reported without fear, and that the whistle-blower’s identity will be kept confidential to encourage whistleblowing. For example:

“...This policy allows the whistle-blower to raise the concerns outside the Management line and the identity will be kept confidential and protection is given against any form of reprisal or retribution...” (Khee San Berhad, 2016, pp.18)

“...The Company recognises that any genuine commitment of detecting and preventing actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct must include a mechanism whereby employees can report their concerns freely without fear, reprisal or intimidation...” (Talam Transform Berhad, 2016, pp.16)

The importance of companies to put such a policy on their website (WBP4), is to ensure that such a policy can be implemented effectively. The availability of such a policy can provide convenience and easy access to such information, thus encouraging stakeholders to raise concerns about misconduct within the company (Dhamija, 2014).
The Whistleblower Policy is available for reference on the Company’s corporate website at www.amway.my...” (Amway Malaysia Holdings Berhad, 2016, pp.51)

4.4. Code of ethics (CODE)

With regards to the code of ethics and their implementation (CODE), Table 6 shows that 691 companies (61.97%) have a code of ethics (CODE1), while 424 companies (38.03%) do not have a code of ethics. Regarding CODE 2, only 97 companies or 8.7 percent provide a statement on the method of communication of their code. A total of 1,018 companies (91.3%) did not state whether they have either a formal or informal method to communicate a code of ethics, thus suggesting that companies in Malaysia are still struggling to provide information about their code to the employees.

**Table 6: Level of Disclosure for CODE (2012 - 2015).**

<table>
<thead>
<tr>
<th>Items</th>
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<th>%</th>
<th>Not Disclosed</th>
<th>%</th>
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<td>CODE1</td>
<td>691</td>
<td>61.97</td>
<td>424</td>
<td>38.03</td>
</tr>
<tr>
<td>CODE2</td>
<td>97</td>
<td>8.7</td>
<td>1,018</td>
<td>91.3</td>
</tr>
<tr>
<td>CODE3</td>
<td>107</td>
<td>9.6</td>
<td>1,008</td>
<td>90.4</td>
</tr>
<tr>
<td>CODE4</td>
<td>103</td>
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<td>90.76</td>
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<tr>
<td>CODE5</td>
<td>325</td>
<td>29.15</td>
<td>790</td>
<td>70.85</td>
</tr>
</tbody>
</table>

**Figure 6:** Five-year Trend Analysis for CODE (n=223) (Source: Authors’ own work).
Regarding CODE3, 107 companies or 9.6 percent stated that their company had implemented programmes to ensure compliance with the code of ethics, while 1,008 companies or 90.4 percent did not disclose any information concerning implementation of the system to ensure compliance with the code of ethics. There were 103 companies or 9.24 percent that provided a statement that the revised or reviewed their code of ethics periodically (CODE 4) and 325 companies or 29.15 percent did not mention about the availability of a code of ethics on the company website (CODE5).

Table 6 shows that the majority of companies have formulated their code of ethics. The five-year trend (Figure 6) shows an increasing percentage of companies that have a code of ethics (CODE1); from 33 percent in the year 2012 to 82 percent in the year 2016. The findings are in line with the MSWG report in 2018. In terms of code implementation, the trend shows a slight increase of all the items stated. However, it can be seen that for the five-year assessment, the increase in the percentage of each item is less than 20 percent for companies communicating the code (CODE2), having a compliance programme (CODE3), and reviewing the code (CODE3). Regarding CODE4, there is a significant increase in the number of companies including their code of ethics on their website. In the year 2012, only 10 percent of companies had their code on their website, whereas, by 2016, the percentage had increased to 48 percent. This shows the awareness of the companies in making their code available to the stakeholders as it can provide an advantage in improving their reputation as an ethical company. Furthermore, another explanation might be due to companies using more technology as a platform to communicate with stakeholders and shareholders.

Companies that have a code of ethics (CODE1), mainly explain that the purpose of the code is to ensure that the business operates ethically and acts as rules or guidance for employees to observe the best manners in their daily tasks. Some companies established their code of ethics, while others adopted the code from their subsidiaries. For example:

“...the Group has established a Code of Practice to guide all its Directors and employees to ensure all its business activities operate with the highest standards of business ethics and integrity...” (Lingkaran Trans Kota Holdings Berhad, 2016, pp.24)

“..MHB’s CoBE follows the example set by PETRONAS. It is applicable to all employees and third parties including contractors, agents, intermediaries or joint venture partners that perform works or provide services for or on...
"The Group communicates its code of conduct to all Directors and employees upon their appointment of employment through the Board Charter and Employees Handbook, respectively. It includes guidance on the disclosure of conflicts of interest, practices regarding gifts and entertainment, amongst others..." (Alam Maritim Resource Berhad, 2016, 82)

"...The Codes are effectively communicated via the Company's intranet and are also subject to regular review and updates..." (Ni Hsin Resources Berhad, 2016, pp.19)

"...All employees are briefed and provided with a copy of the Code of Conduct and Discipline for Employees on the commencement of their employment under the new employee induction programme..." (Gas Malaysia Berhad, 2016, pp. 89)

The importance of communicating the code of ethics throughout the organization is to ensure that employees are constantly aware of the existence of the code (Donker et al., 2008) and to ensure compliance therewith (CODE3). Certain companies used a code of ethics declaration by employees to ensure that they comply with the code:

"Written declaration by all employees confirming their compliance with the Group's Code of Ethics to promote ethical conduct in the workplace..." (Amway (Malaysia) Holdings Berhad, 2016, pp. 51)

While other companies introduced a monitoring system to ensure compliance:

"Employees are constantly monitored to ensure the culture is upheld in their dealings within the Group and also in their association with our customers, distributors, suppliers, governmental and regulatory authorities and other business associates..." (Hwa Tai Industries Berhad, 2016, pp.18)
There is a need for companies to keep updating and reviewing (CODE4) their code based on the current situation. For example, for Item CODE4, which can be found in most companies’ code of ethics section:

“..The Board will review and update the Code of Conduct and Code of Ethics, where necessary, to meet the needs of the Group and to address the changing conditions of its business environment…” (Signature International Berhad, 2016, pp. 43)

“..The Board will periodically review and reassess the adequacy of the Code…” (Asia Brands Berhad, 2016, pp.20)

Disseminating the code of ethics on the company website (CODE5) is important so that stakeholders and employees are able to assess such codes:

“..A summary of the Code of Conduct is available on www.spsetia.com…” (SP Setia Berhad, 2016, pp. 69)

### 4.5. Sustainability practice (SUST)

Ethical companies can also be identified from their commitment to bring balance to the interests of their stakeholders and shareholders, as well as to the company itself (Bezares et al., 2016). The first item, SUST1, examines whether or not companies have sustainability practices. It was found that 897 companies or 80.45 percent are committed towards sustainability practices, while 218 companies or 19.55 percent do not provide such statements in their report. For item SUST2, the philanthropy actions by companies can be in the form of monetary contributions, community engagements, or organizing fund-raising activities for the community. In total, 813 companies or 72.91 percent disclosed this item, while 302 companies or 27.09 percent did not.

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<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td><strong>Sustainability Practices (SUST)</strong></td>
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<td></td>
</tr>
<tr>
<td>SUST1</td>
<td>897</td>
<td>80.45</td>
<td>218</td>
<td>19.55</td>
</tr>
<tr>
<td>SUST2</td>
<td>813</td>
<td>72.91</td>
<td>302</td>
<td>27.09</td>
</tr>
<tr>
<td>SUST3</td>
<td>89</td>
<td>7.98</td>
<td>1,026</td>
<td>92.02</td>
</tr>
</tbody>
</table>

The majority of companies have sustainability practices (SUST1) in their business operations. Through the year 2012 to 2016, there was an increase in such practices from...
68 percent to 89 percent of companies. Moreover, the trend shows that the majority of companies maintained their contribution in terms of philanthropic activities (SUST2); from 70 percent to 74 percent of companies (2012 to 2016). This evidence suggests that companies not only operate their business for profits but also are socially and environmentally responsible. Although the majority of companies stated that they are committed towards sustainability practices, the percentage of companies that promote or disseminate sustainability practices on the website (SUST3) is very low (3% to 12%). This can be explained in that most companies integrate their sustainability practices in their annual reports, which are also available on their websites.

The business operations should include matters about the environment, social/community, and governance. It is important for companies to sustain their business not only for economic purposes but also for the benefit of the surrounding environment.

One example of SUST1, as stated in the annual report, is as follows:

“..The Board is committed to promote sustainability practices in the Group and to maintain a good balance in relation to the environment, social and governance aspects of the Group’s business...” (AE Multi Holdings Berhad, 2016, pp.11)

“..The Group recognizes its corporate social responsibility to act ethically and with trust and integrity in its dealings with employees, customers, supplier, stakeholders, and the environment as a whole. The EG Group has established and continues to embrace the sustainability programmes 34...”
Following the statement on sustainability practices, philanthropic activities (SUST2) are where companies contribute a significant amount of their profit or resources to benefit the society or environment. Some companies provide details about the amount of contribution:

“..During the year, the Group has made donations totaling RM100,000.00 to various schools and charitable causes in sports, cultural and social welfare activities...” (BCB Berhad, 2016, pp. 9)

“.Our ‘Doing Good’ activities continue to champion our community-based CR efforts which have seen our employees step up to the plate time and time again to help those in need. In 2016, our employees raised a total of RM117,121.00 in funds. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day-to-day expenses...” (Cahya Mata Sarawak Berhad, Sustainability Report 2016, pp. 43)

For item SUST3, regarding the availability of sustainability practices on the companies’ websites, 89 companies or 7.98 percent have put their sustainability practices on the website, while 1,026 companies or 92.02 percent have not put their sustainability practices on the website.

“..The details of the Company’s effort to promote sustainability can be found in the Sustainability Report on the Company’s website...” (CCM Duopharman Biotech Berhad, 2016, pp.53)

4.6. Ethics Committee (ETH)

For the last theme, item ETH1, the results from Table 8 show that only 69 companies or 6.19 percent have established an ethics-related committee, while 1,046 companies or 93.81 percent had not.

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</tr>
</thead>
<tbody>
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<td>n=1115</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETH1</td>
<td>69</td>
<td>6.19</td>
<td>1,046</td>
</tr>
<tr>
<td>ETH2</td>
<td>19</td>
<td>1.7</td>
<td>1,096</td>
</tr>
</tbody>
</table>

Based on Figure 8, there was an increase in the number of companies that had established an ethics committee. The ethics committee can ensure that ethics programmes
run efficiently through its support, as well as monitor and review their functioning (Arkk et al., 2018). However, in 2016, it can be seen that only 10 percent of the companies of the total sample had such a committee. This provides evidence that companies are not ready to establish a separate committee for reviewing ethical conduct. Moreover, there might be additional costs that need to be considered when forming a new committee. However, those functions can also be part of the audit committee’s function. For example:

“We have also founded a Fraud Response Committee which comprises appointed representatives from various Head Office Departments. Their responsibilities include: Investigating the circumstances of the suspected fraud and producing a written report...” (Cahya Mata Sarawak Berhad, 2016, pp.54)

While other companies include issues related to ethics as one of the functions of their audit committee:

“.The Axiata Board of Directors wishes to provide all directors, management staff and employees of Axiata and its subsidiaries with mechanisms for employees and other interested parties to confidentially and anonymously bring to the attention of the Board Audit Committee (“BAC”) any concerns related to matters covered by the Company’s Code of Business Conduct and Ethics, legal issues and accounting or audit matters... ” (Axiata Group Berhad, 2016, pp. 87)
Another company established a sustainability committee with the function of managing issues related to the employees, market place, or social/community.

“..The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place...” (United Plantations Berhad, 2016 pp.166)

For the last item, ETH2, companies establishing a department or appointing officers to handle ethics' related issues, only 19 companies or 1.7 percent disclosed this item. And 1,096 companies or 98.3 percent did not disclose about the item (Table 8). For example:

“..MRCB also established a new Department of Integrity and Discipline, which renewed its commitment to upholding integrity in its business...” (Malaysian Resources Corporation Berhad, 2016, pp.64)

“..To report any incidents please contact any of the following Company Directors who have been appointed as the Liaison Officers, via telephone, mail or email...” (PBA Holdings Berhad, 2016, pp.10)

5. Conclusion

With unethical practices still happening in Malaysia's corporate environment, this paper is motivated to examine the level of ethical practices disclosure among Malaysian public listed companies. The study chose years 2012 to 2016 as the period of analysis, as MCCG 2012 recommends that companies uphold a high standard of ethical practice in running their business. This study extends the ECI, originally developed by Choi and Jung (2008), to measure ethical practice disclosure. The extended ECI comprised 20 items with six themes: 1) Corporate ethics values (CEV), 2) Action to promote ethics (ACT), 3) Whistle-blowing policy (WBP), 4) Code of ethics (CODE), 5) Sustainability practices (SUST), and 6) Ethics committee (ETH). Descriptive analysis and trend analysis are conducted to examine the level of ethical practice disclosure by the companies.

From the analysis of 1,115 annual reports for five years, this paper suggests several parts that need to be reviewed by companies regarding their ethical practices. Firstly, regarding the statement of corporate value, companies are willing to disclose their commitment to upholding the highest standard of practices in the marketplace. This situation is expected as part of the compliance with MCCG 2012 where companies should provide a statement of compliance with the Code. This is also proven by the
MSWG report, where there is an increment in the commitment of public companies to comply with MCCG 2012. However, when examining corporate ethical values based on the mission and Chairman/CEO statements, most companies do not provide the core/ethics values for companies to practise a high standard of business ethics. It is important for companies to provide their ethical values in their corporate statements as they act as pillars for the companies to operate ethically in the marketplace. Business players should consider promoting ethical practice by having core values or ethical values as their guidance to create a culture of business ethics.

When examining the level of action towards ethical practices, there is a lack of practice regarding disciplinary action and employee appraisal. Moreover, it shows that the companies only comply with MCCG 2012 recommendations. For example, regarding the whistle-blowing policy and code of ethics, the majority of the companies support the recommendation of MCCG 2012 to have a whistle-blowing policy and to formulate a code of ethics. However, based on details of their explanations concerning their whistle-blowing policy and the code of ethics, they appear inadequate. This signals that companies are not ready to have supplementary programmes to promote ethical practices. Meanwhile, the establishment of an ethics committee had the lowest disclosure, which might be related to the additional costs or because companies treat the audit committee as a committee with an ethics function. This situation could contribute to the increase in the number of unethical cases in companies, as reported by PwC in 2018.

Although the findings provided, showing that the implementation of an ethics programme among Malaysian companies is considered weak or average at best, the findings have several limitations. Firstly, regarding the sample size, this paper only considers 223 companies listed in 2016 to represent the ethical commitment of Malaysian companies. With such a small size, there might be a possibility of bias, which could affect the results of the study. It is recommended that larger sample size should be used in the future, not only to reduce bias, but also to provide greater accuracy in terms of the data. The second limitation concerns the data collection method in that this study only uses content analysis with hand-collected information from the companies’ annual reports. Future studies can consider examining the ethical value communication of other companies, such as media, websites, or news. Different types of resources could provide more detailed information concerning companies’ ethical conduct and commitment. The third limitation is the components of ethics examined in this study. The current index can be extended to suit the current ethics situation and also to answer
the call of NACP to form an ethical corporate environment for a more comprehensive index.

Acknowledgement

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References


