

## THE IMPACT OF BOARD CSR ORIENTATION AND STRATEGIC CSR ON CORPORATE CLIMATE CHANGE DISCLOSURE

Say Keat Ooi

Graduate School of Business, Universiti Sains Malaysia, 11800 Penang, Malaysia

E-mail: ooisaykeat@usm.my

### Abstract

As climate change concerns intensify, corporate transparency in climate-related disclosures has become a key expectation from stakeholders. Explicitly, boards of directors play a crucial role in shaping corporate sustainability strategies, yet the extent to which their corporate social responsibility (CSR) orientation influences climate change disclosure remains underexplored. Drawing on Resource Dependency Theory, this study examines how board CSR orientation influences strategic CSR, ultimately enhancing corporate climate change disclosure. A content analysis of corporate annual and sustainability reports was conducted to assess the extent of climate change disclosure among Malaysian public listed firms. The study employed structural equation modelling to test the relationships between board CSR orientation, strategic CSR, and climate change disclosure, with strategic CSR acting as a mediator. Findings reveal that board CSR orientation positively influences strategic CSR, which, in turn, enhances corporate climate change disclosure. Furthermore, strategic CSR mediates the relationship between board CSR orientation and climate change disclosure, reinforcing its critical role in driving sustainability transparency. Accordingly, these findings offer practical insights for policymakers and corporate leaders in enhancing climate-related disclosures. This study contributes to the literature by addressing the gap in understanding the board's role in advancing corporate climate change disclosure through strategic CSR.

**Keywords:** Board CSR orientation, strategic CSR, corporate climate change disclosure.

### Introduction

Climate change has become an urgent global concern, with the Intergovernmental Panel on Climate Change (IPCC) warning that global temperatures could rise by 1.5°C between 2030 and 2052 due to continued emissions (IPCC, 2018). This warming trend poses significant challenges, particularly for developing countries like Malaysia, where climate change affects key sectors such as agriculture, forestry, water resources, and public health (Ooi & Amran, 2019; Memon et al., 2024). Addressing these issues requires a collaborative effort among governments, businesses, and non-governmental organisations (NGOs) to implement effective adaptation and mitigation strategies (Ooi et al., 2017).

Corporate climate change disclosure has emerged as a critical tool in this effort, providing transparency on how businesses respond to climate-related risks and opportunities (Ooi & Amran, 2018). In response, Malaysia introduced the Sustainability Reporting Guide, requiring publicly listed firms to integrate sustainability considerations into their reporting. Despite regulatory progress, however, significant gaps remain. While 90% of companies include sustainability sections in their annual reports, only 36% embed sustainability strategies, and just 12% successfully create long-term value (Peng, 2018).

Explicitly, corporate governance (CG) plays a crucial role in shaping sustainability reporting. Prior studies highlight the influence of board attributes, such as diversity and independence, on climate change disclosure (Jizi et al., 2014; Ooi et al., 2019). Board CSR orientation, or the extent to which a board integrates CSR values into strategic decision-making,

has been linked to proactive sustainability practices (Shaukat et al., 2016). A CSR-oriented board fosters strategic CSR, where businesses embed sustainability into their core strategies rather than treating it as a compliance requirement (Ooi et al., 2017).

Despite extensive research in developed countries, studies on board CSR orientation and its impact on climate change disclosure remain limited in developing economies like Malaysia, where climate-related disclosure practices are still voluntary. This study seeks to bridge this gap by examining how board CSR orientation influences corporate climate change disclosure, with strategic CSR as a mediating factor. Given the board's central role in shaping business strategies, this study explores whether a CSR-oriented board enhances transparency and sustainability practices through strategic CSR. By providing empirical evidence on these relationships, this study contributes to the growing discourse on corporate governance, sustainability, and climate change disclosure in emerging economies.

### **Research Objectives**

This study explores the impact of board CSR orientation on corporate climate change disclosure, considering the vital mediating role of strategic CSR. Specifically, this study aims to:

1. Examine the influence of board CSR orientation on corporate climate change disclosure.
2. Examine whether the relationship between board CSR orientation and corporate climate change disclosure is mediated by strategic CSR.

### **Scope of the Research**

#### **Population Scope:**

This study focuses on publicly listed companies in Malaysia, as they are subject to greater stakeholder scrutiny and are more likely to engage in corporate climate change disclosure (Ooi et al., 2019). These companies are required to publish annual and sustainability reports, making them suitable for assessing the extent and quality of climate related disclosures. The selection of publicly listed firms ensures data availability and enhances the study's relevance to corporate governance and sustainability reporting practices.

#### **Variable Scope:**

This study examines three key variables: corporate climate change disclosure, board CSR orientation, and strategic CSR. Corporate climate change disclosure refers to non-financial disclosures that reflect a company's responses to climate change, providing stakeholders with transparency on sustainability efforts while supporting management in strategic planning, risk control, and decision-making (Ooi et al., 2019). It comprises seven dimensions: (1) governance, (2) management engagement and actions, (3) strategic analysis, (4) greenhouse gas (GHG) emissions, (5) opportunities arising from climate change, (6) risks associated with climate change, and (7) outlook and external affairs (Ooi & Amran, 2018). Meanwhile, board CSR orientation reflects the extent to which a company's board of directors prioritises, supports, and integrates corporate social responsibility considerations into governance and strategic decision-making processes (Shaukat et al., 2016). It signifies the board's commitment to ethical, social, and environmental responsibilities, influencing corporate sustainability policies. Whereas strategic CSR refers to voluntary, socially oriented activities that align with an organisation's strategic and economic objectives (Ooi et al., 2017). It encompasses three key elements: (1) embedding CSR values in the organisation's vision and

mission, (2) establishing a dedicated CSR committee, and (3) fostering collaborations with non-governmental organisations (NGOs).

### **Time Scope:**

This study adopts a cross-sectional research design, utilising secondary data from corporate annual and sustainability reports. The analysis covers reports published for the financial year 2020, ensuring that the data reflects the most relevant corporate climate change disclosure practices. The selection of this timeframe allows for a robust assessment of disclosure trends and aligns with evolving corporate sustainability reporting frameworks. Given the reliance on publicly available reports, data collection and analysis were conducted over a three-month period to ensure comprehensive examination and accuracy in coding disclosure practices (Ooi & Amran, 2018).

### **Theoretical Framing and Hypotheses Development**

Resource Dependence Theory (RDT) suggests that organisations rely on external resources to navigate complex challenges, including environmental sustainability (Ooi et al., 2019). Effective managerial capability and environmental strategies are crucial for achieving superior environmental performance. Directors serve as valuable resources for corporate management, as they help align corporate social responsibility (CSR) initiatives with multiple stakeholder interests. Accordingly, directors play different roles within organisations, including business experts, support specialists, and community influencers. Their contributions enhance strategic decision-making, corporate legitimacy, and stakeholder relationships (Hillman & Dalziel, 2003).

Board CSR orientation reflects a board’s recognition of social, environmental, and economic issues and its commitment to CSR initiatives (Shaukat et al., 2016). From an RDT perspective, a CSR-oriented board acts as a resource to help organisations manage external environmental uncertainties, strengthen CSR strategies, and enhance environmental performance (Hillman & Dalziel, 2003; Ooi et al., 2019).

Strategic CSR integrates environmental concerns into an organisation’s core strategy to create competitive advantages and improve performance (Ooi et al., 2017). Unlike ethical CSR, which focuses on fulfilling legal and moral obligations, or altruistic CSR, which prioritises philanthropy, strategic CSR ensures a mutual benefit for both the organisation and its stakeholders (McWilliams & Siegel, 2011). For strategic CSR to be effective, both top-down and bottom-up approaches are necessary. The top-down approach embeds CSR into an organisation’s vision and mission, aligning it with long-term business goals, while the bottom-up approach fosters stakeholder engagement through CSR committees and collaborations with NGOs (Ooi et al., 2017). Organisations with CSR committees are more likely to disclose environmental information, while partnerships with NGOs facilitate resource-sharing and strategic CSR initiatives (Ooi et al., 2017).

Board CSR orientation, which includes factors such as board independence, gender diversity, and financial expertise, significantly influences CSR practices (Shaukat et al., 2016). Independent directors enhance transparency and accountability in CSR reporting, while diverse boards improve decision-making by incorporating multiple perspectives. Additionally, financial expertise in audit committees strengthens corporate reporting and risk management (Jizi et al., 2014). Given that strategic CSR requires substantial investment, the board plays a pivotal role in developing and overseeing effective CSR strategies. A CSR-oriented board is more likely to implement proactive, well-structured CSR strategies, leading to superior

environmental and social performance (Moussa et al., 2020; Shaukat et al., 2016). Therefore, the following hypothesis is proposed:

**H<sub>1</sub>:** Board CSR orientation is positively related to strategic CSR.

Corporate climate change disclosure is a subset of non-financial reporting that helps companies enhance risk management, stakeholder relations, and decision-making (Ooi & Amran, 2018). Transparent disclosure allows firms to repair reputations and strengthen relationships with stakeholders by demonstrating their commitment to environmental responsibility (Ooi et al., 2019). Integrating strategic CSR into business operations helps firms address climate-related challenges proactively, enhancing competitiveness and sustainability (Moussa et al., 2020). As organisations increasingly acknowledge their role in environmental responsibility, climate change disclosure has become a key tool for demonstrating corporate legitimacy. Companies with strong CSR strategies tend to have higher environmental performance, as proactive environmental strategies positively impact both environmental and financial performance (Shaukat et al., 2016; Ooi et al., 2024). By adopting legitimacy-based CSR strategies, organisations can improve their climate change disclosures, strengthen their social reputation, and gain stakeholder trust (Moussa et al., 2020). Therefore, the following hypothesis is proposed:

**H<sub>2</sub>:** Strategic CSR has a positive effect on corporate climate change disclosure.

Prior research suggests that board CSR orientation influences environmental and social performance. Effective governance mechanisms enable boards to formulate CSR strategies that enhance sustainability performance (Moussa et al., 2020; Shaukat et al., 2016). For instance, firms with higher board independence, gender diversity, and CSR committees tend to develop stronger CSR strategies, leading to better environmental and social outcomes. Although several studies examine CSR's direct impact on sustainability, few explore how board CSR orientation indirectly influences climate change disclosure through strategic CSR. While some findings suggest that board attributes impact disclosure directly (Ooi et al., 2019), others argue that internalising CSR within business operations is essential for improving transparency and sustainability reporting. A CSR-oriented board can drive internal policies that embed sustainability values, leading to enhanced climate change disclosures.

As strategic CSR represents an internalisation of CSR values within business operations (Ooi et al., 2017), it may mediate the relationship between board CSR orientation and corporate climate change disclosure. Thus, organisations with a strong CSR-oriented board are more likely to integrate strategic CSR, which, in turn, enhances transparency in climate-related reporting. Therefore, the following hypothesis is proposed:

**H<sub>3</sub>:** Strategic CSR mediates the relationship between board CSR orientation and corporate climate change disclosure.

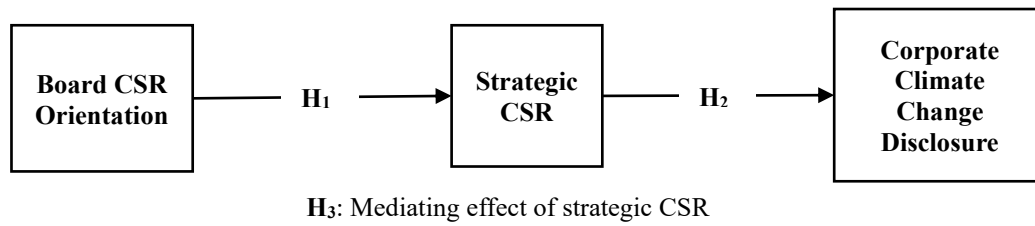


Figure 1: Conceptual Framework

### Research Method

Data were collected from annual and sustainability reports, as publicly listed companies are required to publish these reports. Given that firm size influences CSR, social, and environmental disclosure practices, this study employs a purposive sampling method, selecting the top 200 non-financial companies listed on the Malaysian stock market based on market capitalization. These companies are chosen as they have greater resources to implement sustainability strategies (Ooi et al., 2019).

A content analysis approach is used to assess climate change disclosures in corporate reports for the financial year 2020. Content analysis enables a systematic and consistent review of disclosed information by categorising data into pre-determined themes, allowing for the identification of patterns and meaningful inferences (Ooi & Amran, 2018). The analysis focuses on identifying and quantifying climate change-related disclosures within annual and sustainability reports to provide insights into the corporate climate reporting practices in Malaysia.

### Analysis and Findings

The data for this study were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). PLS-SEM is particularly useful for analysing complex relationships between variables and has been frequently employed in studies at the organisational level (Ooi et al., 2019; Memon et al., 2024).

Accordingly, Table 1 presents the results of the structural model for direct effects, while Table 2 reports the findings on the mediating effect.

Table 1: Results of the Structural Model (Direct effects)

Relationship	Path Coefficient	SE	t-value	Confidence Intervals	
				LL	UL
H <sub>1</sub> : Board CSR Orientation → Strategic CSR	0.187	0.080	2.350**	0.031	0.285
H <sub>2</sub> : Strategic CSR → Climate change disclosure	0.506	0.056	9.006**	0.403	0.589

Note: \*\* p<0.01

Table 2: Results of the Mediating Effect

Relationship	Path Coefficient	SE	t-value	Confidence Intervals	
				LL	UL
H <sub>3</sub> : Board CSR Orientation → Strategic CSR → Climate change disclosure	0.095	0.041	2.326*	0.018	0.145

Note: \* p < 0.05

### Discussion

The results indicate that board CSR orientation has a significant positive effect on strategic CSR (H<sub>1</sub>:  $\beta = 0.187$ ,  $p < 0.01$ ). This finding suggests that when a board prioritises CSR values, it is more likely to implement strategic CSR initiatives, embedding social and environmental considerations into core business strategies. This aligns with previous research, which highlights the role of governance in shaping CSR-driven business practices (Shaukat et al., 2016).

Additionally, the results confirm that strategic CSR has a strong and significant positive effect on climate change disclosure (H<sub>2</sub>:  $\beta = 0.506$ ,  $p < 0.01$ ). This indicates that firms with well-developed strategic CSR initiatives are more transparent in their climate change reporting. This supports the view that organisations leveraging CSR strategically are more likely to disclose environmental information, enhancing their legitimacy and stakeholder trust (Ooi & Amran, 2018; Ooi et al., 2019).

Then, the mediation analysis shows that strategic CSR mediates the relationship between board CSR orientation and climate change disclosure (H<sub>3</sub>:  $\beta = 0.095$ ,  $p < 0.05$ ). This suggests that board CSR orientation indirectly enhances climate change disclosure by fostering strategic CSR practices. This finding reinforces the resource dependence perspective, where boards act as key resources in driving sustainability-oriented strategies and improving corporate transparency (Ooi et al., 2017; Ooi et al., 2019).

### Conclusion

This study provides valuable insights into the influence of board CSR orientation on corporate climate change disclosure, with strategic CSR playing a mediating role. By leveraging board CSR orientation as a key governance mechanism, organisations can integrate sustainability considerations into their strategic decision-making and business operations, enhancing transparency in climate-related disclosures. The findings align with Resource Dependence Theory, demonstrating how a CSR-oriented board acts as a crucial resource in addressing external environmental challenges and promoting sustainability.

### References

- Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management review*, 28(3), 383-396.
- IPCC. (2018) Summary for policymakers. Global warming of 1.5°C. Intergovernmental Panel on Climate Change, Geneva.
- Jizi, M. I., Salama, A., Dixon, R., & Stratling, R. (2014). Corporate governance and corporate social responsibility disclosure: Evidence from the US banking sector. *Journal of business ethics*, 125, 601-615.

- McWilliams, A., & Siegel, D. S. (2011). Creating and capturing value: Strategic corporate social responsibility, resource-based theory, and sustainable competitive advantage. *Journal of management*, 37(5), 1480-1495.
- Memon, K. R., Ooi, S. K., & Han, H. (2024). Responsible innovation and corporate sustainability performance: A structural equation modeling-neural network approach. *Business Strategy and the Environment*, 33(4), 2712-2730.
- Moussa, T., Allam, A., Elbanna, S., & Bani-Mustafa, A. (2020). Can board environmental orientation improve US firms' carbon performance? The mediating role of carbon strategy. *Business Strategy and the Environment*, 29(1), 72-86.
- Ooi, S. K., & Amran, A. (2018). Enabling climate change reporting in Malaysia. *World Review of Entrepreneurship, Management and Sustainable Development*, 14(4), 507-527.
- Ooi, S. K., & Amran, A. (2019). Malaysia's response and strategies towards climate change. *World Review of Entrepreneurship, Management and Sustainable Development*, 15(3), 360-378.
- Ooi, S. K., Amran, A., & Yeap, J. A. (2017). Defining and Measuring Strategic CSR: A Formative Construct. *Global Business & Management Research*, 9(4s), 250-265.
- Ooi, S. K., Amran, A., Yeap, J. A., & Jaaffar, A. H. (2019). Governing climate change: the impact of board attributes on climate change disclosure. *International Journal of Environment and Sustainable Development*, 18(3), 270-288.
- Ooi, S. K., Wong, S. L., & Adeneye, Y. B. (2024). Green pays off: the impact of corporate carbon strategies on corporate financial performance. *Asian Journal of Business Ethics*, 13(1), 245-269.
- Peng, L.Y. (2018). CSR and the Sustainability Reporting Landscape of Malaysia. *Legal Herald*, pp. 24–27.
- Shaukat, A., Qiu, Y., & Trojanowski, G. (2016). Board attributes, corporate social responsibility strategy, and corporate environmental and social performance. *Journal of Business Ethics*, 135, 569-585.