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CORPORATE GOVERNANCE MECHANISMS AND VOLUNTARY DISCLOSURE OF STRATEGIC AND FORWARD LOOKING INFORMATION IN ANNUAL REPORTS

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Abstract: *Strategic and forward looking information (VDSFLI) is important to the stakeholders of the company because it provide strategic plan and future direction of the company. This study aims to examine the relationship between corporate governance mechanisms and VDSFLI. The VDSFLI is measured by using a disclosure index checklist of 36 items. For each item a score is awarded based on the disclosure made by the companies in annual reports. All data is collected from the annual reports of 230 public listed Malaysian companies. The findings of the study revealed that size of audit committee is positively and significantly influence the level of VDSFLI. While the other corporate governance mechanisms are not associated with the level of VDSFLI. The study provides evidence in support of the size of audit committee requirement of Regulatory Framework in Malaysia. This evidence contributes to the argument on the role of audit committee in reducing agency conflict and minimise information asymmetry problem which results in high level of VDSFLI. In addition, the bigger the size of audit committee the better because it would provide positive signal that company has in place an effective governance mechanism as a check and balance which encourage voluntary disclosure practices. It also provides direction to the preparers of the annual report to fully disclose the information voluntarily. This study bridges the gap in the literature of corporate governance by specifically focuses on VDSFLI practices in Malaysia context.*

Keywords: *Voluntary Disclosure; Corporate Governance; Strategic and Forward Looking Information; Annual Report*

Introduction

Voluntary disclosure is additional disclosure which is over and above the requirement of the Acts, rules and regulations (Ghazali and Weetman, 2006). Managers are given freedom and flexibility to decide on what, how, when and how much information to disclose in the annual reports (Meek et al., 1995; Healy and Pelepu, 2001; Sweiti & Attayah, 2013). It is up to the managers to exercise discretion on whether they want to reveal the information to the public.

According to Meek et al. (1995) and Cotter et al. (2011); voluntary corporate disclosure information consists of: i) strategic and forward looking information; ii) financial information; and iii) non-financial information. An appropriate choice of theory or theories is required for different types of voluntary disclosure information. In addition, the differences and similiarities of the theories, the context of the research and information needs of various user groups should also be considered when choosing and applying the appropriate theory on the type of voluntary disclosure information (Cotter et al., 2011).

Strategic information refers to information about corporate planning and strategy (Hashim, Nawawi and Puteh-Salin, 2014; Ferreira & Rezenda, 2007). While forward looking information presents future prospect and prediction of the financial and business performance of the company (Al-Khatib, 2014). In general, the level of VDSFLI in the annual report is sometimes insufficient and unstandardized (Gisbert & Navallas, 2013). In addition, most companies prefer to voluntarily disclose corporate social responsibility, non-financial and historical information rather than strategic and forward looking information due to the sensitivity nature of the information (Hashim et al., 2014). Thus, this study focuses on VDSFLI provided by Malaysian companies in annual reports.

The voluntary disclosure's act is one of the methods used by the company to convince the stakeholders that the company has a good track record (Ali Basah & Albawwat, 2015) and govern by effective board (Cheng and Courtney, 2006). Nevertheless, many of them did not realize about the importance of corporate governance mechanisms as the main aspect for a better transparency in disclosure practices. For the shareholders and investors, any disclosure provided by the company is important as it enables them to make an informed and sound investment decision (Al-Khatib, 2014). Most of the time, companies disclosed certain information just to fulfil and comply with the requirements of the Acts or regulations.

Problem Statement

Failure to provide complete and clear strategic and forward looking information in annual report may prevent the management, shareholders, as well as potential shareholders to understand the company strategic future direction and performance (Liu, 2015; Higgins and Diffenbach, 1985; Santema et al., 2005; Hermalin and Weisbach, 2012). Strategic information is an important subject to top management (Alves, Rodrigues and Canadas, 2012) and has capacity to differentiate the companies in the market. Providing forward looking information in annual reports may enhance shareholder's trust with the future plan of the company where the shareholders believe that the management is doing their best (Al-Khatib, 2014).

Other than that, lack of disclosure on strategic and forward looking information may cause failure on the potential investors to make informative investment decision in one company.

This information can help investors and shareholders to see the company's future and growth (Hashim et al., 2014; Hodgdon & Hughes, 2016). Furthermore, adopting voluntary disclosure can provide positive signal to investors that the company is adopting strong governance mechanisms which ensure positive future prospect of the company (Lokman, Cotter & Mula, 2012). Voluntary disclosure of strategic and forward looking information would likely boost investors and shareholders confidence and trust on the company future.

The present study is significant because it will provide useful finding on both strategic and forward looking information in one study. Prior studies commonly focus on one type of voluntary disclosure information only either on strategic (Hashim et al., 2014) or forward looking (Alves, Rodrigues and Canadas, 2012; Al-Khatib, 2014; Liu, 2015). In addition, this study can be reference for other public and private companies in Malaysia, regulatory bodies and government so as to encourage more company to provide strategic and forward looking information voluntarily. In short, the corporate governance structure, transparency and disclosure practices of Malaysian companies can be strengthening accordingly.

Furthermore, the research on voluntary disclosure of strategic and forward looking information (VDSFLI) in emerging market and specifically Malaysia is limited. For that reason, the study aims to provide interesting insights on how corporate governance mechanism can influence VDSFLI in the annual report. The selected corporate governance mechanisms include size of audit committee, managerial ownership, independent director, and director's remuneration. This paper is organised into five sections. The next section reviews the relevant literature related to corporate governance mechanisms and voluntary disclosure. Section 3 explains the hypotheses development, Section 4 summarises the research methods used in this study. The last two sections explain the results and conclude the paper.

Literature Review

Agency and Signaling Theory

Agency problem occur in a company due to the separation of ownership and control (Eisenhardt, 1989). The agency problem become more severe when information asymmetry possess by one party is lacking than the other party (Jensen & Meckling, 1970). Both agency and information asymmetry problem can be resolved if corporate governance mechanism and voluntary disclosure are practised proactively by the company (Wan-Mohamad & Sulong, 2010). Weak governance system and lack of disclosure on the part of companies are some of the reasons why the Asian Financial Crisis in 1997-1998 severely impacted on companies especially in the Asian countries (Mitton, 2002; Goldstein, 1998 Radelet & Sachs, 1998). Malaysian companies have similar characteristic as most companies in Asian countries which is ownership structured with family-related business, led by majority family related directors and concentrated single ownership. The companies in the Asian region also have weak disclosure policy since the preparers of the annual report prefer to choose mandatory disclosure rather than voluntary disclosure (Liu 2015).

In addition, signalling theory help to explain that voluntary disclosure is the best tool that can help company reduce information asymmetry (Morris, 1987; Levin, 2001). It is suggested that company with strong governance would have incentive to choose voluntary disclosure as a way to reduce information asymmetry and provide positive signal about the company's governance quality (Kanagaretnam, Lobo & Whalen, 2007; Mitchell, 2006). It's also provided positive signal to interested parties that the company business and management are governed by effective board and top management. This signal indicated that the company is of high quality in term of its governance system which would consequently improve company's stock value and opportunity to raise funds in the future (Cotter et al. 2011). Thus, signalling theory provides assumption that firm will choose to disclose information voluntarily than expected.

Voluntary Disclosure Information

Voluntary disclosure information involves inclusion and reporting of various types of voluntary disclosure in either annual reports or in other disclosure media such as company newsletters, press releases, and company and stock exchange websites. Prior studies have given considerable attention to the disclosure, reporting and provision of additional information contained in annual reports (Meek et al. 1995; Hossain et al. 1995; Watson et al. 2002; Collett & Hrasky 2005; Barako et al. 2006; Mitchell 2006; and Langberg & Sivaramakrishnan 2008). The annual report is regarded as the primary document that contains a vast amount of corporate information in relation to the strategic, financial and non-financial activities of a company.

Meek et al. (1995) divided voluntary disclosure information in annual reports into three categories. The first category is strategic and forward looking information. This information relates to a firm's corporate information such as vision, mission, objectives, corporate planning, future development and prospects. The second category is financial information, namely financial statements, financial review, forecast cash flow and stock price information. The third category is non-financial which consists of information about corporate governance, internal control, corporate social responsibility and sustainability reporting and other value added information. They conclude that different factors can affect disclosure decisions of different type of information. This suggests that the determining factors affecting a firm's voluntary disclosure practices are different depending on the type of information disclosed.

Prior studies on voluntary disclosure tend to focus on the reporting of financial ratios (Mitchell 2006; Watson et al. 2002) and management earnings forecasts (Ajinkya et al. 2005; Karamanou & Vafeas 2005). Another group of studies examines voluntary disclosure of non-financial information, which specifically looks at disclosure of corporate governance information (Bujaki & McConomy 2002; Collett & Hrasky 2005; Lokman et al. 2011); reporting on internal risk management and control systems (Bronson et al. 2006; Deumes & Knechel 2008); employee stock options disclosures (Bassett et al. 2007); environmental and corporate social responsibility reporting (Clarkson et al. 2008; Dhaliwal et al. 2009;) in annual reports; and a firm's website and separate documents accompanying annual reports, such as sustainability reporting. Research on non-financial information which focus on strategic information has obtaining escalating attention, however, there is limited study that focused on both strategic and forward looking information in annual reports (Liu 2015; Al-Khatib 2014; Hashim et al., 2014; Alves, Rodrigues & Canadas 2012).

Voluntary Disclosure of Strategic and Forward Looking Information

In Malaysia, there are various regulatory bodies which are trying their best to come out with better framework in order to strengthen the governance together with disclosure practices. This can be seen in the Best Practices in Corporate Disclosure document that was initiated in August 2004 under Bursa Malaysia Listing Requirement (BMLR) (Poh-Ling, 2013). It was suggested that the level of the corporate governance practices will lead to better disclosures in the business strategy reporting since it can enhance the greater market liquidity and capital information in emerging market (Al-Khatib, 2014).

Meek et al. (1995) commented that VDSFLI is important to investors in making investment decisions. VDSFLI can improve the relationship between the shareholders and management. It helps the shareholders to gain better understanding on the future direction, prospect and capital return that they expected to receive if they continue investing in the company (Bozzolan, Trombetta & Beretta, 2009; Robert, 2010). VDSFLI in annual reports can be a good initiative for the company to allow the shareholders and stakeholders to evaluate the company performance properly (Al-Khatib, 2014). It can also lead to healthy competitions among the companies who disclose the information voluntarily.

At present, the challenges faced by business is more complex compared to the old days. This happens due to the advancement of technology as well as the people in the business field itself. More fraud and scandal can be done by the people with the help of technology. Fraud and scandal can make the company fall in a second. These frauds and scandals constitute a major reason for the lack of stakeholder’s trust on the corporations (Sweiti & Attayah, 2013). Thus, providing the strategic and forward looking information voluntarily in annual reports can boost the confidence of shareholders and investors.

The VDSFLI provided in annual report can prevent the information asymmetry problem as management and investor have different methods to access the information of the companies. An information asymmetry is the situation where all parties have different information on the same things (Priyanto, et al. 2014). This often occurs when the management knows better than the investors, and vice versa. The party who has more information will usually take an advantage on the party lacking in the information given (Healy & Pelepu, 2001). Therefore, voluntary disclosure can be used as a medium to reduce information asymmetry problem.

Lokman et al. (2011) suggested that company with good corporate governance mechanism is likely to provide voluntary disclosure about governance information in the annual reports. As such this paper predicted that the level of the VDSFLI is influenced by the company’s corporate governance mechanisms where the better the corporate governance mechanisms in one company, the better the level of VDSFLI disclosed in annual reports. Besides that, investors are more attracted to invest in the company which discloses more information voluntarily compared to the company with poor level of voluntary disclosure. Thus, company should choose to disclose the strategic and forward looking information voluntarily in order to gain investors’ confidence and increase its corporate credibility in the eye of the stakeholders. In this study, selected corporate governance mechanisms that are expected to influence the level of VDSFLI are size of audit committee; managerial ownership; independent director; and director’s remuneration.

Corporate Governance Mechanisms

Securities Commission of Malaysia defined corporate governance in the Malaysian Code on Corporate Governance (MCCG) revised 2012 as a process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking account the interests of the shareholder (Malaysian Code on Corporate Governance, 2012). The MCCG 2012 focus on strengthen the board structure and composition recognising the role of directors as active and responsible fiduciaries to shareholders. Furthermore, in ensuring that interest of other stakeholders are not jeopardised, the board and top management are encourage to increase the quantity and quality of disclosure and transparency.

Corporate governance mechanism has been recognised as the best method of bringing the interests of shareholders and management in line and ensuring that companies are run for the benefits of shareholders (Ponnu, 2008). Corporate governance mechanisms can play an important role towards improvement in the level of voluntary strategic and forward looking information disclosure. There are three types of corporate governance mechanisms, namely internal mechanism, external mechanism and balance of power. Internal corporate governance mechanism are mechanism that control and monitor progress and activities of company and take corrective action when company is off the track. Internal corporate governance mechanisms include oversight of management, independent internal audits, structure of the board of directors into levels of responsibility, segregation of control and policy development. Hence, in this study, four corporate governance mechanisms have been chosen which are: audit committee; independent directors; ownership structure; and; director's remuneration.

Generally, there are vast amounts of research which cover numerous aspects of corporate governance and voluntary disclosure. However, studies that specifically focus on the consideration of corporate governance mechanisms and how they relate to VDSFLI are limited. In addition, study on this topic in Malaysia after the introduction of MCCG 2012 is also scarce. Thus, the next section presents hypotheses development that focuses on the relationship between corporate governance mechanism and VDSFLI.

Hypotheses Development

Size of Audit Committee

Since 2001, Bursa Malaysia has mandated each of public listed companies to set up the audit committees. Wild (1996) stated that the companies with audit committee have higher quality financial reporting disclosures (Seamer & Psaros, 2010). This statement has been supported by the empirical evidence where the companies with the audit committees have less problem in manipulating the earnings as well as have good transparency, disclosure, and, accountability (Ho & Wong, 2001; Allegrini and Greco, 2011). The audit committee must provide oversight of the financial reporting, risk management, internal control, compliances, ethics, management, internal auditors, and external auditors (Malaysian Code on Corporate Governance, 2012).

The MCCG recommends that the audit committee shall consist of not less than three members which consist of all non-executive directors (Malaysian Code on Corporate Governance, 2012). Ho and Wong (2001) stated that the effective size of audit committee serves the best mechanisms to increase the quality and quantity of reporting on internal control system of the company. It was also suggested that a more independent and expert audit committee is the more effective in monitoring (Lisic et al., 2016). In addition, numerous prior studies also found concrete evidence that audit committee can enhance disclosures of financial as well as non-financial information (Taliyang & Jusop, 2011; Barako et al. 2006; Wild 1996). Thus, the level of VDSFLI can be influenced by the proportion of audit committee members to the total numbers of directors on the board. This leads to the hypothesis that:

H1: There is a positive relationship between the size of audit committee and level of VDSFLI.

Managerial Ownership

Ownership structure is the method used to recognize the equity of owners in a company. This is done by examining the distribution of equity with regards to vote and capital. Shleifer and Vishny (1997) suggested that ownership structure is one of the key determinants of voluntary disclosure. The type of ownership and the ownership concentration are two important things in the ownership structure. According to Mitton (2002), large shareholders usually refer as block shareholders which can give the advantages to the minority shareholders due to the power and incentive to avoid expropriation (Zulkafli et al. 2006).

Managerial ownership is known as one of the effective corporate governance mechanisms used by the company to monitor the behaviour of board members and managers (Eng & Mak 2003). It is easier for company to align the interest of the management with the rest of shareholders when they also owned shares in the company. This is because they will be affected by poor decisions made by them since they are also one of the shareholders of the company. In addition, this can also reduce conflict of interest and information asymmetry problems (Baek, Johnson & Kim 2009). Thus, company with high level of managerial ownership would likely to disclose more information voluntarily.

The presence of managerial ownership can make the management become cautious in making investment decision. They tend to focus more on the company's long term value. The valid reason is that they are also the owner of the company and they tend to do their best for the company's growth. Managerial ownership structure can help the shareholders and management to align their interest as managerial ownership has been identified as an effective corporate governance mechanism (Noradiva et al. 2016). In other words, managerial ownership structure can affect the level of VDSFLI in annual reports. Therefore, the following hypothesis is postulated:

H2: There is a positive relationship between managerial ownership and level of VDSFLI.

Independent Director

An independent director refers to a person who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of a listed company. There are several condition of independent directors under Bursa Malaysia Listing Requirements (BMLR) such as; he or she is not a major shareholders in the listed company; he or she is not a relative of any executive director, officer or major shareholder of the listed company; and; he or she has not been within the last two years and is not an officer of the listed company. All listed companies are required to have not less than two independent directors in their board. The independent directors are expected to provide independent judgement, balance to the board and make board become more effective and credible (BMLR, 2015).

The MCCG 2012 reinforce the important of independent directors in four aspects. Firstly, the tenure of the appointment of independent should not exceed nine years, after the period of nine years the directors can no longer be known as an independent directors. If the independent wish to continue to serve as independent director, the shareholders' approval is required to pass the resolution at general meeting of the company. Secondly, the performance of each individual independent directors need to be assessed annually. Thirdly, the positions of chairman and CEO should be held by two separate individual and lastly, the composition of the board should comprised a majority of independent directors where the chairman is not an independent director (Malaysian Code on Corporate Governance, 2012).

Carcello and Neal (2003) found that more independent boards are less likely to make over-optimistic growing concern disclosure, however, their research has been criticised because the model used by them only focuses on the non-executive rather than independent directors (Seamer & Psaros, 2010). Other studies also found that company with bigger number of independent directors will provide more information voluntarily (Fama and Jensen, 1983; Taliyang & Jusop, 2011). In addition, the presence of independent directors on the board can effectively monitor the disclosure made by the company (Chen & Jaggi, 2000; Patelli & Principe, 2007; Ponnu, 2008). Meaning to say, VDSFLI can be affected by the number of independent directors on the board. Thus, we hypothesise that:

H3: There is a positive relationship between independent director and level of VDSFLI.

Director's RemunerationT

The Malaysian Code on Corporate Governance recommended that the board should establish formal and transparent policies in relation to remuneration package as to attract and retain directors (Malaysian Code on Corporate Governance, 2012). The remuneration for executive and non-executive directors should be differed as the executive directors basically is based on the performance of the company while, the remuneration of non-executive directors will be determined by the board as a whole which is based on their experiences and commitments in the company. Attractive remuneration packages not only motivate the directors to work harder, but also encourage them to disclose more information (Surjit 2017). Generally, there are two forms of remuneration package which are financial such as allowance, bonus and monetary incentives; and non-financial such as car, house, medical benefits and related others.

Director's remuneration can be seen as an important corporate governance mechanism as it can reduce the agency problem by aligning the interest of the shareholders and managements (Shleifer & Vishny, 1997). According to Rashmi and Ayan (2015), the director's remuneration concept was brought in the corporate world in order to prevent the agency problem that might be due to conflict of interest that can cause increase in monitoring cost. The remuneration can be said as a reward for the directors for their hard work for the company's growth. In this study director's remuneration refers to the total amount of the salaries which include emoluments and bonus. Prior studies have found that the director's remuneration provide positive effect to the performance (Brick et al. 2006; Mohd Razali et al. 2018), level of voluntary disclosure (Nagar et al. 2003; Arcay & Vasquez, 2005) and can work as effective internal governance mechanism in mitigating agency problems (Florackis, 2006). Thus, we proposed that the level of VDSFLI can be affected by the director's remuneration. The next hypothesis is as follows:

H4: There is a positive relationship between director's remuneration and level of VDSFLI.

Research method

Sample and Data Collection

From the total of 14 industries, only eight industries had been chosen because the other five did not have more than 5 companies that had annual report for the year ended 31st December 2015. The total of 230 publicly listed companies are from eight different industries namely, construction, consumer product, finance and hotels, industrial product, properties, plantations, trading/services as well as technology. Data were collected from the annual reports of company with the financial year ended 31st December 2015 that is available at the Bursa Malaysia website as at 23 September 2015.

Table I provides the sample distribution by industry. The property sector and trading/services equally account for 15.7%, followed by consumer products (13.9%) and industrial product (13.9%). The plantation sector accounts for 11.7%, construction sector at 11.3%, while finance and hotels at 9.7% and technology at 8.3%. As can be seen in Table I, the 230 companies are reasonably represented sample based on industry sector.

Table I: Sample Companies by Industry Sectors

	Sectors	**Number of companies**	**Percentage (%) of companies within sample**
1.	Construction	26	11.3
2.	Consumer Product	32	13.9
3.	Finance & Hotel	21	9.1
4.	Industrial Product	32	13.9
5.	Properties	36	15.7
6.	Plantation	27	11.7
7.	Trading / Services	36	15.7
8.	Technology	20	8.7
	Total	230	100.00

Variables Measurement and Data Analysis

This study used 26 items to measure strategic information and ten items to measure forward looking information. A total of 36 items within the two categories have been identified. The list of the VDSFLI items were adapted with some modifications from the voluntary disclosure checklist developed by Meek et al. (1995); Barako et al. (2006); and Ghazali and Weetman (2006). The disclosure index is unweighted as it assumes that each item is equally important. Following the approach of Robb, Single and Zarzeski (2001), the the disclosure items can be categorized by a different degree of disclosure. A score ranging from 0 (not disclose), 1 (partly disclose) to 2 (fully disclose) was used in the checklist. Similar method of scoring is also used in prior studies (Liu, 2015). All the score then will be add up to obtain the total score of VDSFLI. Please refer to Table II on the items identified as strategic and forward looking information.

The size of audit committee is measured by the total number of directors on the audit committee in one company (Taliyang & Jusop, 2011). The total number of shares owned by the management to the total number of shares issued is used to measure the managerial ownership structure (Chen & Jaggi, 2000). In this study, the independent directors is measured by the number of independent directors divided by the total number of the board of directors (Taliyang & Jusop, 2011). Finally, director's remuneration is measured by total amount of salary which include bonus and emolument received by the director (Nagar et al. 2003). The summary of measurements used in the study is presented in Table III.

Table II: Voluntary Disclosure of Strategic and Forward Looking Information Checklists

No	Items	Not-disclose	Partly-Disclose	Fully-Disclose
Strategic disclosure index (SD)				
1	Financial highlights – 5 years and more	0	1	2
2	Pictures of major types of product	0	1	2
3	Discussion of company's major products / services / projects	0	1	2
4	Information on new product development	0	1	2
5	Discussion of industry trends (past)	0	1	2
6	Information on acquisitions and expansion	0	1	2
7	Statement of ways of improvement in product quality	0	1	2
8	General statement of corporate strategy	0	1	2
9	Information relating to the general outlook of the economy	0	1	2
10	Discussion of competitive environment	0	1	2
11	Information on disposal and cessation	0	1	2
12	A statement of corporate goals	0	1	2
13	Vision and mission statement	0	1	2
14	Description of marketing and distribution network for products/services	0	1	2
15	Statement of ways of improvement in customer service	0	1	2
16	Discussion of principal markets	0	1	2
17	Actions taken during the year to achieve the corporate goal	0	1	2
18	Significant events calendar	0	1	2
19	Reasons for the acquisitions & expansion	0	1	2
20	Impact of strategy on current and/or future results	0	1	2
21	Discussion about major regional economic development	0	1	2
22	Reasons for the disposal and cessation	0	1	2

23	Description of R&D projects	0	1	2
24	Impact of competition on current profit	0	1	2
25	Company’s contribution to the national economy	0	1	2
26	Information about regional political stability	0	1	2
Forward-looking disclosure index (FLD)				
27	Discussion of specific external factors affecting company’s prospects (economy, politics, technology)	0	1	2
28	Discussion of company’s prospects (general)	0	1	2
29	Discussion of likely effect of business strategy on future performance	0	1	2
30	Discussion of future industry trend	0	1	2
31	Discussion of future products/services research and development activities	0	1	2
32	Planned research and development expenditure	0	1	2
33	Planned capital expenditure	0	1	2
34	Planned advertising and publicity expenditure	0	1	2
35	Key financial data (quantitative) forecasts eg. sales revenues, profit, EPS	0	1	2
36	Qualitative forecasts of sales, revenues, profits, EPS	0	1	2
Total Score		**0**	**36**	**72**

Table III: Summary of The Variables and Measurement

Variables	Measurement
Dependent variable: Voluntary Disclosure of Strategic and Forward Looking Information Disclosure	Measured by the voluntary disclosure checklists: 0 = not disclose 1 = partly disclose 2 = fully disclose
Independent variables: Size of Audit Committee (IV)	Measured by the total number of directors on the audit committee in one company
Managerial Ownership Structure (IV)	The total number of shares owned by the management will be divided by the total number of

	shares issued
Independent Directors (IV)	The independent directors will be measured by the number of independent directors divided by the total number of the board of directors
Director's Remuneration (IV)	Measured by total amount of salary, bonus and emolument of executive directors divided by total remuneration of board of directors

Regression Model

The multi regression analysis is used to analyse the data collected where it is used to measure the effect of voluntary disclosure of strategic and forward looking information towards corporate governance mechanisms. The model of the study is given below:

$$VDSFLI = \beta0 + \beta_1 SAC + \beta_2 MOS + \beta_3 ID + \beta_4 DR + \varepsilon i$$

where VDSFLI represents voluntary disclosure of strategic and forward looking information. SAC refers to size of audit committee, MOS represents management ownership structure, ID is number of independent directors, and DR refers to director's remuneration.

Empirical Results

Descriptive Statistics

Table IV presents descriptive statistics for dependent and independent variables for the sample of 230 companies. Data in relation to overall VDSFLI is shown in Panel A. From a minimum possible score of zero to a maximum of 72, Table IV reveals that there is a wide range in VDSFLI scores. These scores range from the lowest 6 and highest 62, with a mean of 31.78 and median of 31.50. The maximum score of 62 out of a possible 72 suggested that majority of companies are only willing to provide moderate level (partly disclose) of information on VDSFLI. The results suggested that there are only a few companies that are willing to provide high level of information voluntarily (fully disclose).

Panel B of Table IV shows the descriptive statistics for independent variables. The size of audit committee ranged from minimum of three directors to maximum of six directors. The mean and median are 3.41 and 3.00 respectively. This indicates that majority of companies in the sample has at least 3 members in the audit committee. Directors on the whole owned on average 0.10 of the total issued share capital of sample companies, with the highest proportion of shares owned by a director in the sample of 0.63. The mean proportion of independent directors on board is 0.48 of which the minimum and maximum proportion is 0.4 and 1 respectively. It indicated that most company would at least has two independent directors on the board. The mean and median of director remuneration for the sample companies is 0.65 and 0.74 respectively.

Table IV: Descriptive Statistics of The Dependent and Independent Variables

Panel A: Dependent Variable

	Mean	Median	SD	Min.	Max.
Voluntary Disclosure of Strategic and Forward Looking Information (VDSFLI)	31.780	31.500	12.433	6	62

Panel B: Independent Variables

	Mean	Median	SD	Min.	Max.
Size of Audit Committee (SAC)	3.410	3.000	0.698	3	6
Managerial Ownership Structure (MOS)	0.105	0.020	0.159	0	0.631
Independent Directors (ID)	0.481	0.445	0.131	0.4	1
Director's Remuneration (DR)	0.650	0.740	0.279	0	1

Correlations Analysis

Table V shows the results of correlation of this study. The results indicated that the size of audit committee is positively and significantly correlated to the voluntary disclosure of strategic and forward looking information (r=0.393, p<0.01). This means that the higher the size of audit committee, the better the voluntary disclosure made by the company specifically on strategic and forward looking information. Next, the managerial ownership structure and director's remuneration are significantly related with the voluntary disclosure of strategic and forward looking information. However, the relationships are in an inverse direction than predicted. Finally, independent directors are not significantly related to voluntary disclosure of strategic and forward looking information.

Table V: Correlation Analysis

Variables				
Voluntary Disclosure of Strategic and Forward Looking Information				
Size of Audit Committee	0.393**			
Managerial Ownership Structure	-0.242**	-0.210**		
Independent Directors	0.118	0.084	-0.34	
Director's Remuneration	-0.213**	-0.179**	0.191**	-0.179**

Note: **. Correlation is significant at the 0.001 level (2-tailed)

Regression Analysis

The regression results for voluntary strategic and forward looking information disclosure is presented in Table VI. The model has an adjusted R^2 of 18.5%. In other words, the predictor variables have 18.5% ability in explaining the outcome variable. There are 81.50% variance of outcome variable that cannot be explained by the predictor variables in this research as it might be explained by other factors. The value of the Durbin-Watson in this study is 1.630 and the F value is 14.018 (Table VI).

As predicted, size of audit committee (β = 0.336) is positive and statistically significant (p < 0.001) in explaining voluntary disclosure of strategic and forward looking information. This provides strong support for hypothesis H1 that there is a positive relationship between size of audit committee and voluntary disclosure of strategic and forward looking information. On the other hand, the management ownership structure (β = -0.147) is negative and statistically significant (p < 0.001) related to voluntary disclosure of strategic and forward looking information. This results suggest that the higher the amount of shares held by the management the lower the level of voluntary disclosure of strategic and forward looking information provided by the company in annual reports. Thus, H2 is not supported. The regression coefficient for independent director is positive (β = 0.064) and not statistically significant (p > 0.001) effect on voluntary disclosure of strategic and forward looking information. Hence, H3 is rejected. The director's remuneration is also found to be negative (β = -0.113) and not statistically significant (p > 0.001) in explaining voluntary disclosure of strategic and forward looking information. Therefore, H4 is also rejected (Table VI).

Table VI: Coefficients of Variables

	Predicted sign	Stand. Coef. (β)	t-stat.
Constant		12.932**	2.419
Size of Audit Committee	+	0.336**	5.447
Managerial Ownership Structure	+	-0.147*	-2.386
Independent Directors	+	0.064	1.055
Director's Remuneration	+	-0.113	-1.821
R^2	0.199		
Adjusted R	0.185		
F-Statistic	14.018**		
Durbin-Watson (2)	1.63		

** Significant at 0.001; * significant at 0.05

Discussion and Conclusion

Based on the above result, the level of VDSFLI among public-listed companies in Malaysia may be considered as moderate. Majority of the public-listed companies in Malaysia tends to provide partial disclosure rather than fully disclosure on strategic and forward looking information. This might be due to non-mandatory nature of this type of information. However, it is important for the companies to adopt full disclosure to gain the trust, confidence and attract potential investors to invest in the company. Adopting voluntary disclosure practices may also help to retain the current shareholders to stay with the company for a long period.

This study found that the size of audit committee significantly increases the level VDSFLI. The finding of this study is consistent with the finding of prior studies that suggest the bigger the size of audit committee, the better the level of voluntary disclosure (Ho & Wong 2001; Sweiti & Attayah 2013). A company with bigger size of audit committee can best monitor the behaviour of the managers especially in relation to voluntary disclosure practices.

The directors who owned substantial amount of company shares are motivated to increase the entities value of the company and at the same time, it can increase the shareholder's wealth by having advantages from the better disclosure. However, this study found an inverse relationship between managerial ownership and the level of VDSFLI. The unexpected finding might be explained by the type of information disclosed voluntarily. This study specifically focused on VDSFLI only, compared to the earlier studies that looked at the total voluntary disclosure of information (Meek et al. 1995) and financial information only (Mitchell 2006; Watson et al. 2002).

Independent director was found to have no statistical significant relationship with VDSFLI. The insignificant result may be due to independent directors in Malaysia that are not truly independent. The independence is only written on paper while the truth is the director is not actually independent. Most companies did not take seriously the definition of independent directors as defined by Bursa Malaysia Listing Requirements. The companies did comply with the requirements by having one-third of the board being independent. However, the independent directors are actually not truly independent as the board chooses them based on the relationship among them such as friends and family. Another reason might be due to failure on the part of independent directors in fulfilling their roles to protect the interests of minority shareholder and provide independent judgement in decision making.

Commonly, the director's remuneration is used as a corporate governance mechanism to reduce agency problem related to conflict of interest between shareholders and managers. Attractive remuneration package can provide incentives to the directors to provide more information in order to convince shareholders that they are working in the best interests of the company and shareholders. This study found that director's remuneration has no significant influence on VDSFLI. Thus directors' remuneration would not reduce the agency problem and motivate directors to provide VDSFLI. The result is parallel with the suggestion made by Bebchuk and Fried (2003) that company should consider the remuneration package as part of the agency problem.

There are four limitations of this study. First, this research relies on secondary data (annual reports) for the data necessary to test the hypotheses. Therefore, relevant information which is reported in websites or other forms of media is not captured. Second, the main focus of this study is specifically on the VDSFLI. As such the results may not be generalisable to other types of voluntary disclosure information. Third, the findings are based on Malaysian companies which may limit the generalisability of the results to other jurisdictions such as to developed countries or other developing countries. Finally, only one year of data, 2015, is used for the analysis. It is possible that our results do not generalise to other years. It is recommended that future studies in this area could address all the above specific issues.

In conclusion, the results of this research suggest that companies with bigger size of audit committee members is more likely to disclose information about strategic and forward looking voluntarily. In this case, the stakeholders of the company may desire bigger size of audit committee to be set-up to ensure better monitoring of the voluntary disclosure practices of the company. This finding suggests that audit committee size is an effective corporate governance mechanism to encourage company to disclose information voluntarily. In addition, the results also indicated that the level of VDSFLI among Malaysian publicly listed companies are moderate where they tend to choose to disclose partially rather than full disclosure on strategic and forward looking information in annual reports.

The findings of the study has policy implication for Bursa Malaysia to revise the guidelines on audit committee size and reporting of strategic and forward looking information in annual reports. A clear guideline may encourage the preparers of the company's annual report to choose to disclose fully rather than partially. Furthermore, the finding of this paper adds to the literature on corporate governance specifically on different type of voluntary disclosure information. Even though with the new introduction of the Malaysian Code on Corporate Governance 2017, the finding of this study is still relevant because the current and previous codes are aiming to strengthen the corporate culture which is based on accountability and transparency. The three core principles of the codes is still maintained namely, board leadership and effectiveness; effective audit, risk management and internal controls; and corporate reporting and relationship with stakeholders.

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