

The Boardroom Effect: Understanding Director Remuneration Disclosure in Malaysia

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Abstract

Stakeholders' concern over director remuneration disclosure has remained prominent following high-profile corporate scandals and financial crises, such as the Enron collapse and the 2009 global financial crisis. Despite the structural and financial challenges faced by firms, many directors continue to receive substantial pay packages, prompting scrutiny from regulators, investors, and the public. This study aims to examine the level of transparency in director remuneration disclosures among Malaysian public-listed companies (PLCs) and to explore the influence of corporate governance attributes particularly board characteristics on disclosure practices. A content analysis approach was employed, utilizing a director remuneration transparency scoreboard to assess the annual reports of 100 Malaysian PLCs. Data was collected from publicly available corporate reports, and board characteristics such as size, independence, and ethnicity were examined using secondary data. The findings reveal that board ethnicity and company size significantly influence the extent of directors' remuneration disclosure. These insights contribute to the ongoing discourse on corporate transparency and suggest that future studies consider ethical dimensions as potential determinants of disclosure practices.

1. Introduction

Boardroom and corporate governance topics are hotly debated and have triggered attention in both developed and developing economies, especially following the financial scandals of the early 2000s. One of the most continuously debated issues in this context is directors' remuneration disclosure. The extensive global corporate scandals, such as Enron, WorldCom, and Skandia were closely linked to questionable director remuneration practices and other misaligned management incentives. The spotlight naturally fell on how well the directors of these listed entities were paid even as the companies recorded massive losses. CEOs and other top officers were found to be enriching themselves at the expense of shareholders through excessive remuneration (Odewale & Kamardin, 2015). This scenario gave rise to growing concern over what is known as the boardroom effect, which refers to the influence of board characteristics such as board size, independence, diversity, and expertise have an impact on corporate decisions and firm outcomes, including transparency and accountability in remuneration practices. Meanwhile, director remuneration disclosure refers to the extent and quality of information made publicly available in corporate reports regarding the compensation of directors, including salary, bonuses, stock options, and other benefits. This transparency is critical for assessing whether pay structures align with company performance and shareholder interests.

Following the scandals, stakeholders lost confidence in the corporate governance mechanisms employed by listed companies (Jaafar et al., 2014). They began to question the lack of transparency in remuneration policies

and demanded more detailed and comprehensible disclosures in annual reports, aiming to understand how directors are paid and whether such remuneration is justified. As a result, there has been a growing call to enhance transparency in remuneration reporting across all publicly listed companies (Devarajar et al., 2020). The urgency for improved corporate governance practices remains relevant today. For instance, Johan (2022) highlighted the 1Malaysia Development Berhad (1MDB) scandal as a recent example of how weak enforcement of governance regulations and significant information asymmetry can lead to catastrophic corporate failure. This reinforces the need for rigorous scrutiny of boardroom dynamics and the disclosure practices surrounding director remuneration.

Good corporate governance is a key factor underpinning the integrity and efficiency of a company, while poor corporate governance can weaken a company's potential, lead to financial difficulties, and damage a company's reputation in the long term. There is growing pressure on firms in developing countries to address board diversity (Hoang et al., 2018; El-Deeb et al., 2021). Transparency is one of the core principles of good corporate governance. Transparency means timeliness, openness, meaningfulness, and willingness to give clear and reliable information to stakeholders. It ensures that stakeholders can have confidence in the decision-making and management process of a company. Additionally, it helps shareholders make an informed decision when voting to approve directors' pay at annual general meetings and helps stakeholders have a better understanding of the link between senior management's remuneration and the company's performance. Transparency or disclosure has been the subject of a great deal of empirical research in Malaysia (see, for example, Esa et al., 2024; Esa & Zahari, 2014; Esa & Mohd Ghazali, 2012; Jaafar et al., 2012; Mohd Ghazali, 2010; Haniffa & Cooke, 2002, 2005; Mohd Ghazali & Weetman, 2006; Mohd Ghazali, 2007). Although much attention has been paid to this area in academic literature, more research is needed to further understand and identify factors that motivate corporate disclosure behaviour, particularly in developing economies and emerging markets.

Prior studies agree that conflict in corporate governance is derived from ownership separation and control, or the so-called agency relationship within business organisations. This relationship is a connection between the shareholders as the principal agrees to hire the directors acting as agents to run their own companies. However, the consequences of this problem revealed a conflict of interest and information asymmetry. Information asymmetry arises from inadequate disclosure in annual reports prepared by managers, who often aim to create a more favorable impression for their benefit. Information asymmetry occurs when managers possess more information than other stakeholders. As a potential loophole that managers may exploit in disclosure practices, it is crucial to establish control mechanisms to align the differing interests of owners and managers. One such approach to mitigating information asymmetry is the implementation of corporate governance characteristics, which can improve disclosure practices (Esa et al., 2024). Therefore, the problem can be cured with appropriate disclosure of information (Healy & Palepu, 2001) and an effective board. Fama and Jensen (1983) note that directors or boards are the company's most important internal mechanism to minimise the agency relationship problem. Shareholders choose boards to receive important power from them to monitor and manage the actions of others. Additionally, boards have the authority to appoint and terminate top officers, and they have the power to remove managers who have failed to meet the management's expectations (Farrell & Whidbee, 2000). They also have the pivotal responsibility to moderate and set the remuneration scheme for top management (Conyon & Peck, 1998; Yermack, 2004).

Equally important, the issue of the director's remuneration has been the focal point of debate in corporate governance literature (see, for example, Yusof et al., 2023; Ferrarini et al., 2003; Cremers & Grinstein, 2014; Esa & Zahari, 2014, 2016). Council (2014) also highlights that remuneration issues are an essential focus for stakeholders. Critics often believe the director's remuneration is excessive and inconsistent with performance. As suggested by Muslu (2010), the volitional transparency of boards' remuneration would restrain excessive or greedy behavior among the directors. When it comes to disclosing directors' and key management personnel's remuneration in publicly listed companies (PLCs), the spotlight naturally falls on how well the CEO and executive directors of the listed entity are paid. In principle, these enhanced disclosures help shareholders make an informed decision when voting to approve directors' pay at annual general meetings. Additionally, they are meant to help investors better understand the connection between senior management's compensation and the company's performance. To be sure, directors' remuneration is a sensitive issue, especially in parts of the world where income disparity is high, and security is a concern. According to one practitioner, many companies would rather not comply with the disclosure standard to avoid drawing attention to a few persons with high salaries and possibly exposing their family members to kidnapping (Yeap, 2018).

The transparency of directors' remuneration has become a priority action taken by the authorities of most developed and developing countries. For example, the Singapore Exchange (SGX) found that only 31% of the listed companies in Singapore disclosed the exact amount paid to their directors, and most companies reportedly cited confidentiality concerns and fear of poaching by competitors (Yeap, 2018). Therefore, SGX stated in the rulebook under principle nine that listed companies must clearly disclose their remuneration policy, level and mix of remuneration, the procedure for setting remuneration, and the link between remuneration paid to directors and key executives and performance. Furthermore, the Canadian Coalition for Good Governance (CCGG) encourages

listed companies to improve compensation quality and enhance the relationship between executive remuneration and performance. Moreover, the United States Securities and Exchange Commission (SEC) encourages companies to disclose more extensive information on directors' remuneration.

Additionally, through the Company Review Act of 1998, Australian authorities encourage listed companies to have greater transparency regarding directors' remuneration. In the UK, the Cadbury Report urges transparency regarding the total compensation received by directors in the annual report. The Malaysian government has also taken numerous initiatives to promote good corporate governance practices. The Malaysian Code on Corporate Governance (MCCG) was first issued in March 2000, requiring all listed companies to disclose their level of compliance. The code was revised in 2007 to focus mainly on boardroom matters, the audit committee, and the internal audit function. Furthermore, the Corporate Governance Blueprint 2011 was released to set the desired corporate governance landscape. To deliver the objectives of the Blueprint, MCCG 2012 was introduced to clarify the board's role in providing leadership, enhance board efficacy, and reinforce the board's independence.

In April 2017, the Security Commission Malaysia released the new MCCG that focuses on strengthening corporate culture, particularly accountability and transparency. Restoring stakeholder confidence can also be achieved by improving and enhancing corporate governance, accountability, and transparency, as recommended by the National Economic Action Council (NEAC). Directors' remuneration is the directors' compensation received for services or employment during their tenure, including basic salary, bonuses, and other economic benefits, such as stock options, stock grants, pensions, and benefits in kind (Esa & Zahari, 2016). The enhanced MCCG 2017 required all companies to make detailed disclosures on remuneration for each director and the top five senior managers and to have at least 50% outside directors as board members starting at the end of 2017.

The main goal of our study is to investigate the factors associated with board characteristics (e.g., board experience, independence, size, diversity, and frequency of meetings) and director remuneration disclosure. This study is particularly relevant as it contributes to the literature by examining the potential impact of board characteristics on director remuneration disclosure in an emerging economy where the market landscape is markedly different from that of developed countries. More importantly, our paper analyzes the data on directors' remuneration as reported by the Corporate Governance Watch 2016, given the prevalent reluctance among Malaysian companies to disclose the remuneration of their directors and key executives.

2. Literature Review, Hypotheses Development, and Conceptual Framework

This study develops six hypotheses grounded in the concept of the boardroom effect, which refers to the influence of board characteristics on corporate decision-making and governance outcomes, including transparency and accountability. The boardroom effect emphasizes how variations in board composition and behavior can impact the quality of disclosures and overall corporate performance. In this context, the study investigates whether specific board attributes are associated with the level of director remuneration disclosure, which is defined as the extent to which companies publicly report detailed and transparent information regarding directors' compensation packages.

To explore these relationships, six corporate governance characteristics, board experience, the presence of independent directors, board size, female representation on the board, board ethnicity, and frequency of board meetings are examined as independent variables. These attributes are theorized to influence the transparency of remuneration disclosures in Malaysian public-listed companies (PLCs). The rationale is that boards with diverse perspectives, adequate oversight, and robust governance structures are more likely to ensure transparent and accountable reporting practices. Additionally, firm size, profitability, and leverage are included as control variables to account for organizational factors that may also affect disclosure levels. These constructs collectively form the basis for testing the study's six hypotheses on the relationship between board characteristics and the transparency of directors' remuneration disclosure.

2.1 Board Experience

Prior studies (e.g., Esa et al., 2023; Johl et al., 2015; Esa & Zahari, 2016) have documented the importance of skill among board members to create a prosperous business. Hillman and Dalziel (2003) categorise skills that board members must have into human capital, which include ability, experience, reputation, and market relationships, which involve cooperation with other companies. The lack of experienced directors with financial ability is the main reason for the failure of businesses, according to Kirkpatrick (2009). Qualified members on the board are important characteristics that directors should have to improve firm performance and reputation (Esa et al., 2024; Smith et al., 2006; Esa & Zahari, 2016). Board experience is a vital indicator of the skills and knowledge the manager brings (Rajagopalan & Datta, 1996). Managers with varied expertise also differ in attitudes, knowledge, and views, making different strategic selections (Guthrie & Datta, 1997). This study uses the proportion of total boards with accounting and financial ability by total directors. Thus, the hypothesis is as follows:

H1: Board experience is positively related to the directors' remuneration disclosure.

2.2 Outside or Independent Directors

Boards are composed of outside and inside directors. Outside directors or independent directors are not employees of a company and do not hold any position within the management. Boards with a higher proportion of external members, a factor of significant influence, have more control over the company, as suggested in agency theory. Independent directors have expertise in controlling and experience in internal organisation control, and they are more likely to eliminate non-performing managers. The proportion of external directors, a key determinant, will influence the effectiveness of the control exercised by the board of directors (Dalton et al., 1998). MCGG 2007 requires all listed companies to have at least one-third of their board members be independent directors. Nevertheless, the enhanced MCGG 2007 requires independent directors to make up at least 50% of the board members by the end of 2017. Studies (see, for example, Huafang & Jianguo, 2007; Donnelly & Mulcany, 2008) have reported a positive and significant association between an independent board and transparency, while others (e.g., Khalid & Abdullah, 2024; Esa & Zahari, 2016; Esa et al., 2023; Barako et al., 2006; Esa & Mohd Ghazali, 2012) have reported no significant association. As the association between outside directors and the transparency of directors' remuneration has not been tested widely, the findings of the present study will enhance the understanding of the role of independent directors in board remuneration disclosure. The hypothesis is as follows:

H2. Independent directors are positively related to directors' remuneration disclosure.

2.3 Board Size

Samaha et al. (2012) agree that companies with more board members would improve reporting and decrease the asymmetry of information between management and stakeholders. A large board would lead to a broad exchange of opinions and experiences; bring more skills, knowledge, and experience; and offer better advice. Board size is an important yardstick of a board's capability to monitor fees paid to top management (Ozdemir & Upneja, 2012). However, Jensen (1993) argues that boards comprising more than seven members might result in conflict. Therefore, it is important to study the association between board size and the level of transparency of director compensation. While studies have revealed a significant association between board size and transparency (Khalid & Abdullah, 2024; Khalid et al., 2022; Esa & Mohd Ghazali, 2012), there is still a need for further research. For instance, according to Said et al. (2009), they found no significant association between the size of a board of directors and corporate responsibility disclosure in the annual report and websites among Malaysian PLCs. The hypothesis is as follows:

H3. There is a relationship between board size and directors' remuneration disclosure.

2.4 Female Board Members

The issue of gender diversity in boardrooms has garnered significant attention worldwide, including in Malaysia. There has been a notable effort to close the gender gap in corporate leadership, with increased emphasis on promoting greater representation of females on boards (Esa et al., 2023). The presence of female directors in the boardroom will likely embed diversity and improve the circumstances that put a company in a superior business position. Board diversity would enhance the board's independence, as suggested in agency theory (Carter et al., 2007). Adam and Ferreira (2009) added that demographic diversity would increase board effectiveness and advised including more female directors in the boardroom, as suggested in The Higgs Report, commissioned by the British Department of Trade and Industry. More policies were designed to raise the participation of female directors in the boardroom. It shows that female boards increase board functioning and companies' performance. In fact, the Malaysian Cabinet has approved legislation requiring companies to have at least 30% representation of women in decision-making positions in the private sector and to promote gender equality (Fong, 2011). Studies have revealed that women directors would enhance corporate sustainability practices, corporate responsibility disclosure (e.g., Fernandez-Feijoo et al., 2012; Zhang et al., 2013), and company performance (Zhang et al., 2013). The presence of female board members focuses not only on economic performance but also on non-financial performance measures (Stephenson, 2004). In this regard, the following hypothesis is formulated:

H4. A female board is positively related to the directors' remuneration disclosure.

2.5 Board Ethnicity

The ethnic diversity of a board is claimed to result in good governance and create more profit for businesses (Carter et al., 2010). Different facets of diversity, namely ethnicity and demographics, also impact business processes, disclosure practices, and audit services (Haniffa & Cooke, 2002). The 2010 Malaysian Census revealed a total population of 28.3 million, with an ethnic composition of 67.4% Malays and Bumiputera, 24.6% Chinese, 7.5% Indians, and 0.7% others (Department of Statistics Malaysia). Prior studies (e.g., Haniffa & Cooke, 2002, 2005) documented that Malay directors improved transparency in financial statements.

However, Malay and Chinese cultural values were not substantially different, as claimed by Lim (1998). In this regard, the current paper focuses on the leading ethnicities in Malaysia. Thus, the following hypothesis is formulated:

H5. A Malay board is positively related to the directors' remuneration disclosure.

2.6 Board Meetings

Board meeting frequency is pivotal to firm performance (Nkundabanyanga et al., 2013). Meetings allow board members to share ideas, discuss issues in the meeting agenda, improve communication, promote coordination, and get jobs done. Meeting frequency is one of the tools to measure boards' commitment and to see whether the board is active and effective (Nkundabanyanga et al., 2013). Brown and Caylor (2004) revealed a positive association between board meetings and company performance. However, they did not examine director remuneration; they examined company performance rather than company disclosure. As the association between board meetings and the extent of director remuneration disclosure has not been investigated widely, the current study adopted this variable to determine the impact of board meeting frequency on the disclosure of director remuneration. The following research hypothesis is therefore formulated:

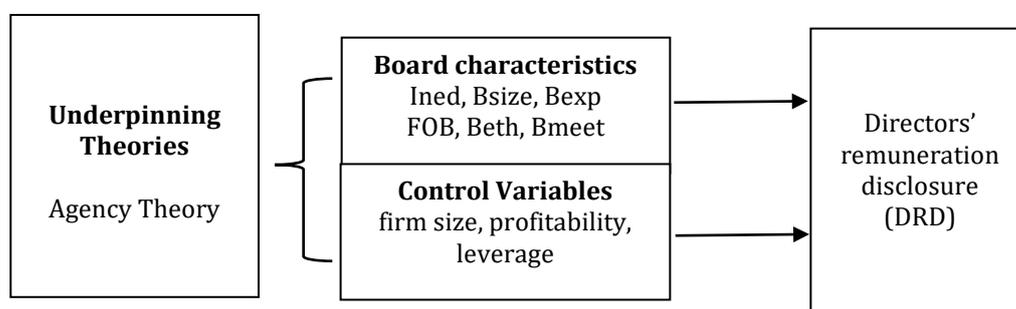
H6. Board meetings are positively related to the directors' remuneration disclosure.

2.7 Other Control Variables

The current paper used firm size, profitability, and leverage as control variables for testing the hypotheses (Belkaoui & Karpik, 1989; Hackston & Milne, 1996; Haniffa and Cooke, 2005; Mohd Ghazali, 2007; Esa & Mohd Ghazali, 2012; Esa & Zahari, 2016). Control variables are due to their correlations with the dependent variables (Meyers et al., 2006). Prior studies show a positive and significant relationship between corporate disclosure and company size (Haniffa & Cooke, 2005; Ahmed Haji, 2013). This study expects a similar relationship between company size and director remuneration disclosure. Additionally, Mohd Ghazali (2007) and Haniffa and Cooke (2005) documented an association between disclosure and profitability. The current study expects a significant association between director remuneration disclosures, while mixed results are reported in the relationship between leverage and corporate disclosure (Ahmed Haji, 2013).

2.8 Conceptual Framework

Figure 1 outlines how agency theory, board characteristics, control variables, and director remuneration disclosure (DRD) interact. It shows that board traits like independence, size, experience, gender diversity, and meeting frequency can influence a company's decision to disclose information about directors' pay. These characteristics help reduce conflicts between management and shareholders, promoting transparency. Control factors such as company size, profitability, and leverage also affect this relationship, shaping how board governance impacts remuneration disclosure.



Note: Ined (independent executive director); Bsize (board size); Bexp (board experience); FOB (female on board); Bmeet (board meeting); Beth (board ethnicity)

Fig. 1 Conceptual framework

2.9 Underpinning Theory: Agency Theory

Figure 1 above illustrates the conceptual framework underpinned by Agency Theory, which provides the theoretical foundation for understanding the relationship between board characteristics and directors' remuneration disclosure (DRD). Agency theory posits that conflicts of interest naturally arise in the principal-agent relationship, namely, between shareholders (principals) and company management (agents). These conflicts often stem from information asymmetry and misaligned objectives, particularly regarding executive

compensation. In this context, board characteristics play a critical monitoring role in mitigating agency problems. Traits such as board independence, size, experience, gender diversity, ethnic composition, and meeting frequency are considered mechanisms of governance that can enhance board oversight and accountability. For instance, independent and experienced directors are more likely to challenge management decisions and demand transparent disclosure practices, including those related to remuneration. Gender and ethnic diversity may also introduce broader perspectives, leading to more balanced and transparent governance outcomes.

By improving the board's ability to monitor executive actions, these characteristics help ensure that directors' pay aligns with company performance and shareholder interests, thereby enhancing the transparency of remuneration disclosures. The model also incorporates control variables such as, firm size, profitability, and leverage which can influence both the capacity and the incentive of firms to disclose remuneration details. Larger firms, for example, may face greater public scrutiny and thus are more inclined to adopt transparent reporting practices. In summary, agency theory provides a robust lens through which to assess how governance mechanisms, particularly board attributes, can reduce agency costs and promote greater transparency in director remuneration reporting.

3. Methodology

3.1 The Model and Variables

The study's objective is to examine factors (i.e., board characteristics) that improve the transparency of directors' remuneration in Malaysian PLCs. The dependent variable is the director remuneration disclosure index (DRDI), measured by the number of items disclosed divided by the maximum score of the item in the remuneration scoreboard index. Additionally, the independent variables used in the current study are characteristic of board directors — namely, board experience, independent board, board size, female board, board ethnicity, and board meetings. The current study also uses company characteristics such as firm size, profitability, and leverage as control variables. The multiple regression models were estimated based on all the sample firm observations that examined the association between board attributes and directors' remuneration disclosure. The full specification of the model is as follows:

$$DRDI = \beta_0 + \beta_1 Bexp + \beta_2 Ined + \beta_3 Bsize + \beta_4 Fob + \beta_5 Beth + \beta_6 Bmeet + \beta_7 Prof + \beta_8 Lev + \beta_9 Cosize + \varepsilon \quad (1)$$

Where:

β_0 = Intercept

DRDI = Director remuneration disclosure index

Bexp = [Board experience] number of directors who have accounting and financial expertise

Ined = [Independent director] proportion of outside directors to total number of directors on the board

Bsize = [Board size] total directors on the board

Fob = [Female on board] total women on board

Beth = [Board ethnicity] proportion of Malay directors

Bmeet = [Frequency of board meetings] total board meetings

Prof = [Profitability] profit before tax ÷ total assets

Lev = [Leverage] total debt ÷ total assets

Cosize = [Firm size] total assets

3.2 Sample Selection

The sample selected for this study consists of the 100 largest listed companies in Bursa Malaysia based on the highest total assets and revenue size. The largest companies were selected because they are commonly transparent. The companies' annual reports were retrieved from the Bursa Malaysia website. The present study only selected non-financial companies. Finance-related companies were excluded due to their unique characteristics and different compliance regulations governed by the Banking and Financial Institution Act of 1989. This approach is in line with prior studies (e.g., Esa et al., 2024; Haniffa & Cooke, 2005; Mohd Ghazali & Weetman, 2006; Esa & Mohd Ghazali, 2012; Esa & Zahari, 2016). Therefore, after eliminating 13 finance-related companies, the final sample comprised 87 companies for multiple regression analysis, as shown in Table 1. The year 2018 was selected as appropriate for the study to determine whether the implementation of MCCG 2017, focusing on the directors' accountability and transparency, impacted the transparency of the directors' remuneration among Malaysian PLCs.

Table 1 *Sample companies*

Industry	Number of Companies
Non-finance	87
Finance	13
Total	100

3.3 Director Remuneration Scoreboard

The current study used a disclosure scoreboard in Esa and Zahari (2016) to measure the transparency of the remuneration practices of Malaysian PLC directors. One group of items was excluded due to its irrelevance for most Malaysian PLCs. A subsample of 30 companies' annual reports was analysed to determine whether the item listed on the scoreboard (e.g., the details of directors' share option schemes) appears in the annual reports. However, none of the subsample companies disclosed the item. The final disclosure checklist of the current study contains 22 items. A dichotomous or unweighted scoring approach is used to score the directors' remuneration items in the checklist. If an item appears in the annual reports, a score of 1 is assigned, and non-appearing items are assigned 0. This method was chosen because all information was equally valued regardless of its importance or relevance to any particular user group (Chau & Gray, 2002). As the dependent variable of the current study, DRDI was calculated with the ratio of actual scores obtained to the maximum possible score (i.e., 22 items) by a particular company.

Content analysis served as the primary methodological approach, employing a structured scoreboard to assess the transparency levels of director remuneration disclosures. The development of the scoreboard was informed by prior validated instruments from established studies in corporate governance and remuneration disclosure. To ensure the reliability of the instrument, a pilot test was conducted involving two independent coders. Inter-rater reliability was assessed using Cohen's Kappa, which yielded a value above 0.75, indicating substantial agreement between coders. Construct validity was also addressed by aligning the indicators within the scoreboard with recognized corporate governance frameworks and disclosure standards, thereby reinforcing the instrument's robustness and relevance.

4. Results and Findings

Table 2 provides the descriptive statistics for the continuous independent variables. The results show that the range of board experience (Bexp) is between 2 and 9, with an average of 4.73 board directors with financial experience. Regarding independent directors (Ined), the minimum score reported is 23%. This implies that some of the 100 largest listed companies did not comply with the mandatory requirement to have at least one-third independent directors for board representation. Moreover, the total number of directors in the boardroom ranges between 5 and 15, with an average of 8.91. Nevertheless, the number of women directors on the board is between 0 and 6, implying that some sample companies did not include women as representatives in their boardrooms. The average number of board meetings is 6.53, implying that more meetings might require the director to commit to organisational performance. Additionally, for board ethnicity, the result shows an average of 43.10% of directors are Malay. The average ratio is inconsistent with studies by Rahman and Ali (2006) and Mohd Yunos et al. (2016), which revealed 37% and 48% ratios, respectively.

Table 2 *Descriptive statistics of continuous independent variables*

Variables	Min	Max	Mean	Std. Dev
Bexp	2.00	9.00	4.73	1.83
Ined	0.23	0.86	0.46	0.13
Bsize	5.00	15.00	8.91	2.28
Fob	0.00	6.00	1.06	1.14
Beth	0.00	100.00	43.10	23.82
Prof	-8.19	102.92	11.26	17.12
Lev	-209.00	114.85	47.68	34.77
Cosize	19.75	24.99	22.30	1.20
Bmeet	2.00	21.00	6.53	2.98

Table 3 presents a simple correlation between DRDI and independent variables. From this table, out of nine independent variables, it can be seen that females on the board (Fob), board ethnicity (Beth), company size (Cosize), and board meetings (Bmeet) were significantly correlated with the directors' remuneration disclosure at the 0.01% level. Leverage is also found to correlate significantly at 0.05% levels. However, board experience (Bexp), independent director (Ined), board size (Bsize), and profitability (Prof) are found to be insignificant to directors' remuneration disclosure.

Table 3 Correlation analysis

	Bexp	Ined	Bsize	Fob	Beth	Prof	Lev	Cosize	Bmeet	DRDI
Ined	-.185									
Bsize	.550**	-.437**								
Fob	.279**	-.129	.372**							
Beth	.057	.084	.106	.241*						
Prof	.048	.003	-.099	.129	-.065					
Lev	-.065	-.010	-.065	-.181	-.019	-.008				
Cosize	.246*	-.008	.304**	.212*	.110	-.237*	-.108			
Bmeet	.177	.059	.093	.345**	.312**	.089	-.265*	.248*		
DRDI	.052	.076	.059	.295**	.325**	.006	-.216*	.370**	.370**	1

**Correlation is significant at the 0.01 level (two-tailed); * Correlation is significant at the 0.05 level (two-tailed).

A test of the coefficient of the regression model is needed to evaluate the significance of the individual independent variables and to compare the relative importance of each one. Table 4 shows the result of the investigation of the potential factors of board attributes associated with directors' remuneration disclosure. The regression model comprises dependent, independent, and control variables, resulting in an adjusted R² of 22.8%. This indicates that the nine variables tested could explain only 22.8% of the variation in the extent of directors' remuneration disclosure among Malaysia's 100 largest listed companies. The results show that out of nine variables, two (company size and board ethnicity) have a significant positive relationship to the disclosure of directors' remuneration. However, other variables (Bexp, Ined, Bsize, Fob, Bmeet, Prof, and Lev) are insignificant.

The size of the variable with a *p-value* of 0.004 is significant at the 0.01 level. The result highlights that this variable influences the decision to disclose directors' remuneration, as the result confirms with other studies (i.e., Elston & Goldberg, 2003; Mohd Ghazali, 2007; Liu & Taylor, 2008; Esa & Zahari, 2016) that company size is a major determinant of governance-related disclosures. The big companies tend to report more information. Additionally, the positive association indicates that larger companies are more transparent than others.

The board ethnicity variable is also significant at the 0.05 level. As hypothesized, companies with more Malay directors representing the board have a positive value, as they have reported more than others. The results affirm Hypothesis 6 and are similar to those of a study by Haniffa and Cooke (2005), as the study examined the association between culture and corporate reporting. The findings might be due to the delicate culture of Malays and the good rapport with the government. Since the government privileges ethnic groups, Malay directors turn stakeholders' attention away from their good relationship with the government by becoming more transparent companies.

Table 4 Results of multiple regression for the extent of director remuneration disclosure

	Beta	t	Sig.	VIF
(Constant)		-1.521	.132	
Bexp	-.066	-.570	.571	1.511
Ined	.018	.169	.866	1.294
Bsize	-.088	-.653	.516	2.010
Fob	.146	1.305	.196	1.396
Beth	.219	2.130	.036**	1.178
Prof	.057	.560	.577	1.153
Lev	-.119	-1.204	.232	1.097
Cosize	.321	2.998	.004***	1.278
Bmeet	.153	1.384	.170	1.370

Adjusted R² = 0.228, F statistic = 3.822, Sig = 0.000, N = 87

Note: *** significant at 0.01 level, ** significant at 0.05 level, * significant at 0.1 level.

5. Conclusion

This study offers an in-depth exploration of the factors that may affect the transparency of directors' remuneration in Malaysia, a developing capital market. Director remuneration transparency is a critical aspect of corporate governance, and our research highlights how board characteristics influence this transparency within Malaysian publicly listed companies (PLCs). Additionally, the study examines the role of firm-specific characteristics in shaping the level of transparency, providing valuable insights for stakeholders.

The finding reveals two significant variables (i.e., company size and board ethnicity) influencing Malaysian directors' remuneration transparency in annual reports. However, seven variables namely board experience, outside director, board size, females on the board, profitability, leverage, and board meetings, have no significant relationship in explaining the level of directors' remuneration disclosure in annual reports of Malaysian listed companies. This implies that the size of the company and Malay culture are important antecedents that influence the transparency of directors' remuneration among Malaysian PLCs.

Similar to all studies, this study has some limitations. The major limitation is data collection issues. The sample of this study only focuses on big companies. Hence, future studies may wish to examine multiple company sizes. This study also analysed the company's annual report alone; however, the annual report is not the only channel used to disperse the directors' remuneration information. Thus, future studies may use other channels to give enough information on directors' remuneration. Future research can also consider other variables, such as ethics, as important factors to enhance disclosure and transparency. Additionally, it is recommended that director remuneration disclosure be examined on a longitudinal basis to provide a trend study on the level of transparency and good corporate governance practices among Malaysian PLCs. Companies might also consider incorporating Environmental, Social, and Governance (ESG) metrics into directors' remuneration packages, thereby encouraging leadership to prioritize not only financial outcomes but also sustainable and ethical practices. This alignment can drive long-term value creation and responsible corporate behavior. In addition, firms could provide comparative disclosures, such as the ratio of director pay to median employee salary, to enhance transparency around internal pay equity. Such disclosure not only addresses growing stakeholder interest in fairness and inclusivity but also strengthens public trust. These actionable steps can help organizations move beyond basic compliance and adopt a more holistic, forward-looking approach to remuneration governance that aligns with evolving stakeholder expectations and global best practices.

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Conflict of Interest

There is no conflict of interest regarding the publication of the paper.

Author Contribution

The authors confirm contribution to the paper as follows: **study conception and design:** Esa. E., Zahari. A.R.; **data collection:** Esa. E., Zahari. A.R.; **analysis and interpretation of results:** Esa. E.; **draft manuscript preparation:** Esa. E., Zahari. A.R. All authors reviewed the results and approved the final version of the manuscript.

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