CHAPTER TWO

LITERATURE REVIEW

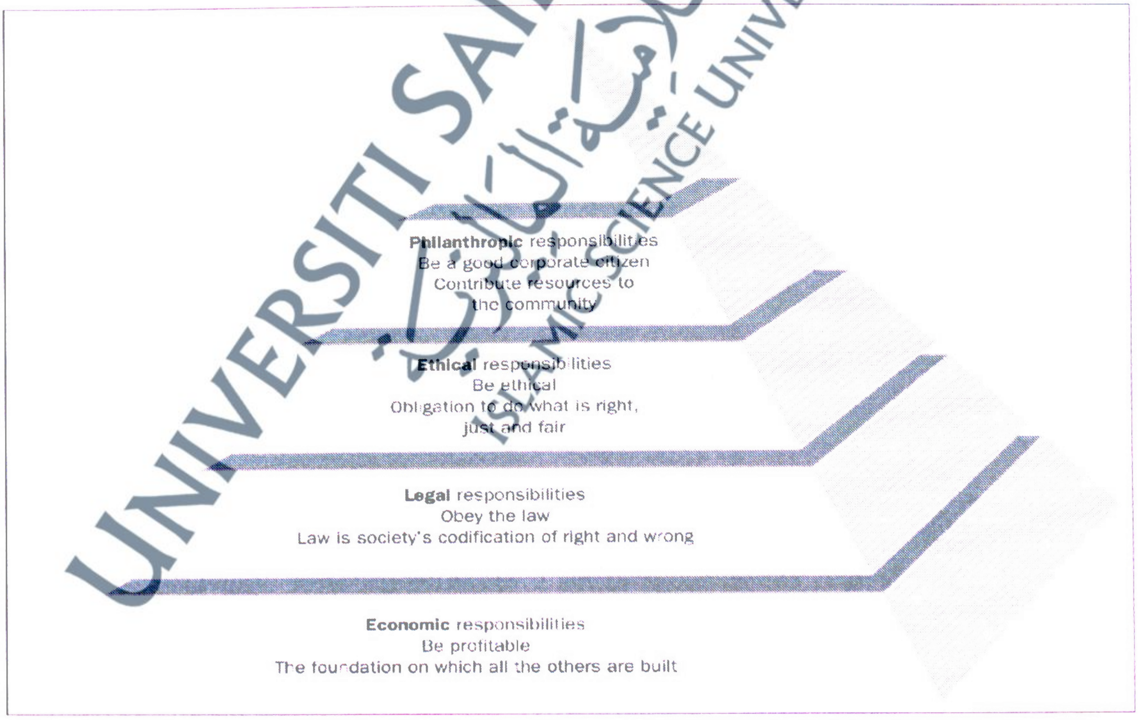
2.1 DEFINITION AND DEVELOPMENT OF CSR

Corporate social responsibility (CSR) has been a topic to extensive study and heated debate over the last few years (Broomhill, 2007). Despite efforts to present a clear definition of CSR, confusion remains in both the corporate and academic worlds as to how CSR must be defined (Dahlsrud, 2006). For our purposes, CSR is defined as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (World Business Council for Sustainable Development, 1999).

One aspect of CSR is the state of corporate social responsibility disclosure (CSRD). CSRD is an extension of the financial disclosure system (Bayoud et al., 2012), which refers to how companies publish or disclose their CSR activities. Saleh et al. (2010) defined CSRD as "the CSR activities communicated to stakeholders via a company's annual reports". Gray et al. (1995) remarked on the terminology for corporate social disclosure and environmental disclosure, social responsibility disclosure and reporting. Said et al. (2009) stated that many researchers used the concept of corporate social disclosure and reporting as a proxy to corporate social responsibility (such as Hackston and Milne, 1996 and Gray et al., 2001). The term "corporate social responsibility disclosure" (CSR disclosure) use in this study and no such proxy made. CSR disclosure has also been defined as "the provision of financial and non-financial information relating to an organisation's interaction with its physical and social environment as stated in corporate annual reports or separate social reports" (Guthrie and Mathews, 1985). One of the most popular definitions is by Gray et al. (1987) who defined corporate social reporting (as a proxy to corporate social responsibility) as "the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large". In this context, CSR information can be typically classified into the following areas: environment, products and service, human resources, community involvement, and other social responsibilities (Ernst and Ernst, 1978). The 'environment' is one of the most common themes of CSR disclosure. Consequently, most studies have considered the environment as a standalone category rather than a series of more detailed categories. However, there are different perceptions regarding the definition of CSR. Some, such as Friedman (1962), defined CSR based on the economic concept of market value maximization. He believed that the responsibility of a company is to conduct its business in accordance with the profit demands of the shareholders. However, a majority of academics defined CSR based on the business responsible to all the stakeholders, not only for the shareholders. Bloom and Gundlach (2000) defined CSR as "the obligation of the firm to its stakeholders, people, and groups who can affect or who are affected by corporate policies and practices".

Historically, CSR emerged in the developed countries in the 1960's (Gray et al., 1987), a time when businesses were growing rapidly and expanding internationally (Lantos, 2001). At the same time, scholars begun to discuss what CSR means. One of the first and most famous researchers in this period to define CSR was Keith Davis. Davis (1960) defined CSR as “businessmen‘s decisions and actions taken for reasons at least partially beyond the firm‘s direct economic or technical interest”. However, in this period there was more talk than action about CSR (McGuire, 1963). The 1970s was a remarkable period for CSR development (Mathews, 1997) with extensive interest in CSR issues, leading to numerous contributions to CSR literature. The main contribution was by Carroll (1979), who defined CSR as “the social responsibility of a business that encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time”. He suggested four categories or components of CSR: economic, legal, ethical, and philanthropic. Altogether, these components were later presented as the first CSR model, as illustrated in Figure 2.1.

Figure 2.1: Carroll Pyramid of CSR


Philanthropic responsibilities
Be a good corporate citizen
Contribute resources to
the community
Ethical responsibilities
Be ethical
Obligation to do what is right,
just and fair
Legal responsibilities
Obey the law
Law is society's codification of right and wrong
Economic responsibilities
Be profitable
The foundation on which all the others are built

(Source: Adapted from Carroll, 1999)

However, in this period the concentration was on disclosures relating to employees and products. This was especially true in EU countries, whereas the environmental issue was more observed in the United States. In the 1980s and 1990s, there were fewer definitions but more empirical research on CSR (Salehi and Azary, 2009). This research was more analytical and less descriptive (Mathews, 1997). At the same time, researchers discussed different themes, categories, concepts, and theories of CSR such as corporate social performance (CSP), stakeholder theory (Freeman, 1984), business ethics, social responsiveness, and environmental issues. In the 1980s, environmental issues, rather than social issues, were the focus (Mathews, 1997). In the mid-1990s, social accounting was re-emerging or rehabilitated (Gray et al., 2001). In the late 1990s, CSR received attention from international organisations such as the United Nations, World Bank, and national development cooperation agencies.

CSR moved towards becoming a global phenomenon and a key business concern of the 21st century (Salehi and Azary, 2009). Since the beginning of the 21st century, CSR transitioned from why to how corporations must be socially responsible. The 21st century is already bearing witness to transformational changes in CSR thinking, regulation, and practice. One such regulation in the 21st century is corporate governance, which resulted from corporate collapses such as Enron and WorldCom (Aras and Crowther, 2008). The concept of corporate governance refers to how a firm is governed (ASE, 2013), it is defined as “the system by which companies are directed and controlled” (Cadbury, 1992). It provides a set of mechanisms related to the board of directors, audit committee and ownership structure, that protect the interest of shareholders and stakeholders. This development highlights how companies have become more concerned with improving internal mechanisms in order to enhance transparency and disclosure in the firm. To this end, scholars have focused on examining how corporate governance mechanisms affect CSR reporting (Abdullah et al., 2011; Buniamin et al., 2008; Darus et al., 2009; Haniffa & Cooke, 2005; Ienciu, 2012; Khan et al., 2012; Lim et al., 2008; Sahin et al., 2011; Said et al., 2009; Webb, 2004).

In recent years, board diversity has become an important element of the corporate governance structure (Barako and Brown, 2008). It refers to the variation in board member characteristics in terms of gender, nationality, age, ethnicity, culture, religion, education and experience (Marimuthu, 2008). The need for board diversity has also garnered greater urgency due to the increased diversity in the workforce in terms of gender, age and ethnicity (Darmadi, 2011). As such, this issue has received the attention of academia and firms, who call for greater board diversity in order to improve CSR reporting (Ayuso & Argandona, 2007; Barako & Brown, 2008; Bear et al., 2010; Bernardi & Threadgill, 2010; Carter & Vos, 2005; Feijoo et al., 2012). One important issue regarding board diversity that has been carried out previously is the representation of women on the board. The majority of these studies were carried out in developed countries (Coffey & Wang, 1998; Wang & Coffey, 1992; Williams, 2003) with little to no discussion of this topic in developing countries, especially the Arab-Muslim world.

2.2 THE JORDANIAN CONTEXT

2.2.1 Location and Population

The official name for Jordan is The Hashemite Kingdom of Jordan. It is an Arab country in the Middle East located at the meeting point of Asia, Africa, and Europe with an area of 88,778 km2, 75% of which is desert. The country is bordered by Syria to the north, Saudi Arabia to the south, Iraq in the northeast, and Palestine to the west. Jordan is divided into three main geographic areas: desert (badia), the Jordan Valley, Mountains and Hills. Jordan's population is increasing with an annual growth rate of approximately 3.4%. According to Jordan's Department of Statistics (DOS), as of July 2013 Jordan's population is estimated at about 6,530,000 with around two million people living in the capital city, Amman. Jordan's population increased rapidly between 2004 to 2013 as a result of Palestinian-Israeli conflict, second Gulf War, and recently Arab spring which refer to the democratic uprisings and a revolutionary wave against an oppressive rule in the Arab world, which began on 2011 in Tunisia and spread throughout the Arab countries. The Arab spring started with non-violent demonstrations and in many case ends with civil wars and riots such as, Syria and Libya.

2.2.2 Society and Culture

Jordan is an Arab country with approximately 98% of Jordanians being Arabs. The remaining population is divided between Caucasians, Czechians, Armenian Kurds, and Gypsy minority groups. Jordan is a majority Muslim country, as 92% of the population are Muslims, 6% are Christians, while the remaining communities worship other religions. The culture of Jordan is based on Arab and Islamic elements. Administratively, Jordan is divided into 12 governorates or provinces which are grouped into three major regions: the north, central and south regions. The major cities in Jordan include the capital Amman, Irbid , Zarqa , Karak, and Aqaba.

2.2.3 Economic Development

Jordan is an emerging market and classified as a middle-income country. Since the country gained its independence from the British in 1946, Jordan's economy has been affected by the Arab–Israeli crises and was dependent on three main sources: exports (such as, phosphates, potash and clothing), foreign aid especially from Arab Gulf countries, and remittances received from Jordanian working mainly in Gulf countries (Marashdeh, 1996). The political conflict in the region, limited natural resources, high debt and the dependce on foreign aid, have a negative affect on the Jordanian economy (Suwaidan, 1997). The Jordanian economy has passed through five distinct periods of economic development between 1950 and 2005.

The first period started in the 1950s till the Israeli war in 1967. In this period, the Jordanian government planned investment in the Jordanian economy, covering three concerns - building the country's infrastructure, developing main natural resources such as potash and phosphates, and investing in large projects involving sectors such as cement, the oil refinery, and manufacturing. During 1973 to 1982, economic growth stood at an annual average of 11.6%, as a result of the oil boom in Arab Gulf region that lead to improve the export, increase the Arab financial aid as well as Jordanian worker's remittances. The third period lasted from the mid -1980s to the

Gulf war in 1990 and 1991. The economic growth decreased with annual average of 2.2%, inflation rate 25.8% and external public debt was 232.2% of GDP (Suwaidan, 1997). With the end of the Gulf war of 1991, the Jordan's economy was affected as the country was dependent on aid from Gulf countries and Iraqi oil, and on export of agricultural and industrial products to Gulf countries and Iraq (Kanaan and Kardoosh, 2002). Because of the Gulf War, Gulf countries stopped importing Jordanian products and approximately 300,000 Jordanians were expelled from the Gulf countries and returned home, which influenced the population growth. Consequently, poverty and unemployment rates rose. However, after 1992, the Jordanian economy showed signs of recovery with real GDP growing by 7% from 1992 to 1997.

Since King Abdullah II's accession to the throne in 1999, Jordan adopted a new economic reform programme, which aimed to create new markets and facilitate trade with countries. As a result of this programme, the government signed a free trade agreement with the United States (US) in April 2000. Jordan also signed an Association Agreement with the EU in 2001. These agreements have significantly affected Jordan's economy whereby economic trends moved from traditional economic resources (such as overseas remittances, foreign aid, and exports of potash and phosphates) to open and development of new markets and sectors such as information technology (IT) and the Aqaba Special Economic Zone (ASEZ).

2.2.4 Accounting Regulations in Jordan

The development of accounting regulation in Jordan are shown in Table 2.1 below:

Table 2.1 The Development of Accounting Regulation in Jordan

Year	The Regulations and events
1961	The Auditing Profession Practice law 1961: is the first auditing profession law, which required a licence for auditing
1964	Auditing became compulsory for all public companies according to Audit Law No. 12 of 1964.
1964	The Company Law 1964: is the first company law in Jordan and the first source of financial disclosure regulation administered by the Ministry of Industry and Trade. The law includes general disclosure requirements, which are the responsibility of the board of directors.
1987	The professional accounting body, represented by the Jordanian Association of Certified Public Accountants (JACPA) was established in Jordan
1989	The JACPA started to adopt International Accounting Standards (IASs).
1996	Jordan embarked on its privatisation programme. To ensure its success, the government developed its corporate disclosure rules
1997	Company Law 1997, mandating the adoption of the full version of IASS and the International Financial Reporting Standards (IFRS).
2004	Jordan Securities Commission issued the "Instructions for Issuing Company's Disclosure, Accounting, and Auditing Standards."

2.2.5 Amman Stock Exchange

The Amman Stock Exchange (ASE), known previously as Amman Bourse, was established on March 11, 1999, in accordance with the Securities Law No. 23 of 1997. As a result of the privatisation policy, ASE is considered to be a private, non-profit organisation with legal and financial autonomy. It is responsible for monitoring and regulating trading on the markets. ASE divides between the first and second market according to liquidity and company profit criteria. To be listed on the first market, companies must have capital greater than Jordanian Dinar (JD) 5 million. In addition, companies must be listed for at least one year on the second market and, the company's shareholders must have no less than 100 shareholders at the end of the financial year, the net shareholders' equity must not be less than 100% of the paid-in capital. On the other hand, companies that are listed on the second market must have capital greater than JD500.000, the number of shareholders must be less than 50 and the net shareholders' equity must be less than 50% of the paid-in capital (ASE, 2010). The difference between first and second market are shown in Table 2.2:

Table 2.2 The Difference Between First and Second Market

Condition	First market	Second market
Capital	Greater than JD5 million	Greater than JD500,000
The net shareholders' equity	Shall not be less than (100%) of its paid-in capita	Shall not be less than (50%) of its paid-in capital
Free Float in the company	Must not be less than 5% if the capital is equals or more than JD50 million , and 10% if the capital is less than JD50 million	Must not be less than 5% if the capital less than JD10 million, excluding whose capital equals or exceeds JD 10 million
Number of shareholders	More than 100	More than 50

The number of listed companies on the ASE increased from 245 companies in 2007 to 277 companies at the end of 2010, while in 2011, the number of listed companies decreased to 247 companies due to the amendment of the Listing Securities Directives in ASE, which led to the delisting of 30 companies. Table 2.3 shows the number of companies listed on the ASE, the market capitalisation, and the value of stock traded from 2007 to 2011.

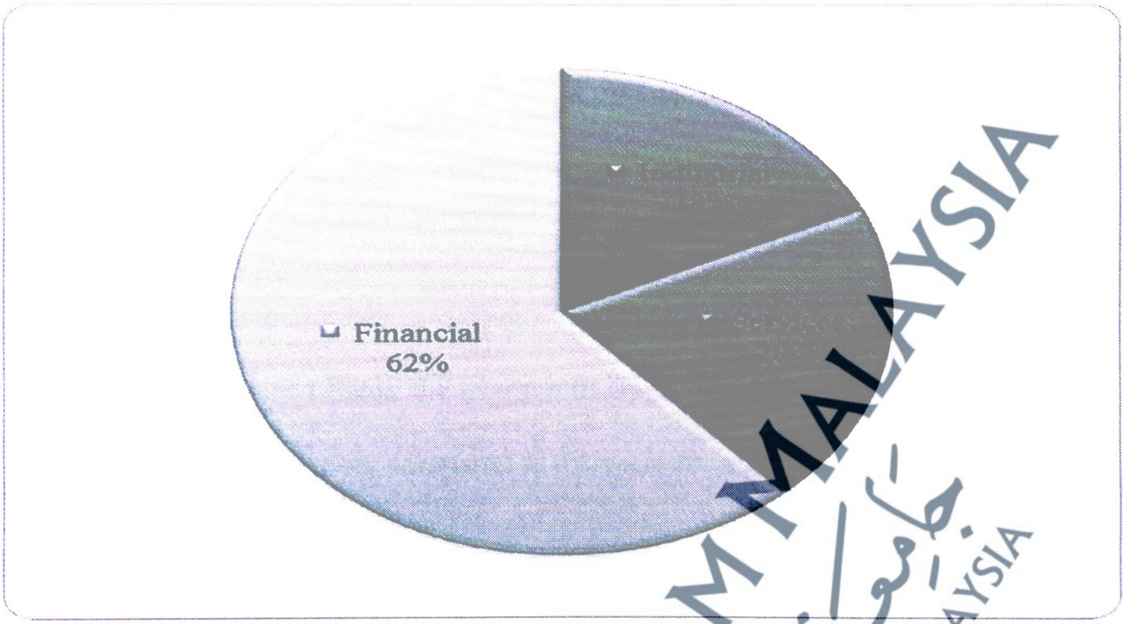
Table 2.3 Companies Listed in The ASE, Market Capitalization and The Value of Stock Traded

Year	No. of listed companies	Market capitalization*	Value of Traded Stock*
2007	245	29,214.2	12,348.1
2008	262	25,406.3	20,406.3
2009	272	22,526.9	9,665.3
2010	277	21,858.2	6,690.0
2011	247	19,272.8	2,850.3

*Number in millions
Source: annual reports, Amman stock exchange

Companies listed on the ASE are divided into three main sectors: the financial sector, the services sector, and the industrial sector. Each major sector includes a number of sub-sectors, consisting of a total of 23 sub-sectors. In terms of trade volume and the number of traded shares, the financial sector ranked first, followed by the services sector, and the industrial sector, as shown in Figure 2.2 (ASE, 2011).

Figure 2.2 Trading Values of Companies Listed on the ASE by Sector, 2011



2.2.6 CSR in Jordan

Jordan has recently faced three major issues, which have affected its development, as well as the lives of its citizens. These issues are poverty, unemployment, and women in the workforce. Poverty is a major issue in Jordanian society. According to the World Bank, as of 2006, 13% of the population live below the poverty line (World Bank, 2009). The latest statistical figures and economic indicators show that Jordan continues to face increasing poverty of up to 14.2% in 2008 (DOS, 2011), whilst unofficial figures indicate 23%. Another serious issue is unemployment. This has been one of the significant problems faced by the Jordanian economy. According to the International Labour Organisation, as of 2010 the unemployment rate in Jordan was around 18% of the entire labour force. The final issue is women in the workforce. Despite the achievements of Jordanian women in many areas, Jordanian women continue to face obstacles in the labour market, such as wage differences between women and men. For example, men earn 23% more than women in management positions (UNDP, 2011). Another obstacle facing women is unemployment and underemployment levels. The female unemployment rate as of 2010 was 25%, compared to the male unemployment rate of 10.7% (DOS, 2011). Moreover, underemployment in Jordan is a major problem that affects Jordanian women. According to the World Bank, the average female wage earner in Jordan is likely to have 12.3 years of education, compared to 9.3 years for a man holding a similar job.

As the Jordanian government is unable to solve these issues alone, companies may play a part in filling this gap through voluntary CSR initiatives. One means of enhancing CSR disclosure in companies is through corporate governance and board diversity mechanisms. For example, appointing more women directors in Jordanian companies may help solve the issue of Jordanian women in the workforce because women directors are more concerned about the needs of woman. In addition, they prefer to attract and retain valuable female employees (Brammer et al., 2009).

There is an increasing role of the private sector in the Jordanian economy, especially after the privatisation programme commenced in 1997. Under this programme, the government sold off the largest and most important companies in the Jordanian economy, such as Arab Potash, Jordan Phosphate Mines, Jordan Cement Factories, and the Jordan Petroleum Refinery. In addition, the government fail to retained the majority holding of shares and their participation in public companies went down to less than 6% (ASE, 2013)

As such, it is necessary for the private sector to be more responsible and accountable to society, to enhance corporate transparency, to develop corporate image, and provide useful information for investment-making decisions. Thus, the Jordanian government has given more attention to the private sector to play an important role in the Jordanian economy and society. To this end, significant steps have been taken by the Jordanian government to improve CSR in Jordan, which includes the enactment of legislation and regulations that mandate Jordanian organisations to disclose social and environmental reporting in their annual reports. An example of such a law is the Law of Environmental Protection (1995), which was enacted to enable regular checks on companies to ensure compliance with its environmental control standards. Another positive step was the mandatory Securities Commission Law of 1998, which required listed companies to disclose information about social and environmental issues in their annual reports. In 2004, the Jordan Securities Commission issued the "Instructions for Issuing Company's Disclosure, Accounting, and Auditing Standards." This meant that the Board of Directors' report must include information about the company's contribution to environmental protection and local community services. Another regulation involved the Jordan Securities Commission issuing a guide for the Preparation of Annual Reports. These guides require companies to explain (in detail) the company's contribution to local community services and the protection of the environment (if any); listing all of the services that the company provides. If the company does not contribute to local community services and the protection of the environment, this should be stated clearly, as follows:

"The Company makes no contribution to the service of the local community and the protection of the environment."

Despite that companies are required to disclose and explain the CSR activities in the annual report, but there is no any detail mentioned by the above regulation. However, companies that non compliance with CSR requirement may affect in their listing status since fail to fulfill the disclosure conditions which are binding under responsibility.

In 2009, the Jordan Securities Commission issued the Corporate Governance Code for Companies Listed on the ASE, which requires companies to disclose social and environmental information in their annual reports. This covered by the code under Chapter 5 (Disclosure and Transparency), article (5), that stated "The company shall disclose its policy regarding the local community and the environment" However, CSR disclosure has been mandatory since 1998 as result of the privatisation programme commenced in 1997 to ensure that private sectors will continue contribution to the community as well as environment and in oreder to to attract foreign investments.

In Jordan, research on CSR disclosure is limited (Al-Khadash, 2003; Jahamani, 2003). Lately, there has an attempt from the Jordanian government to improve the quality of annual reports of Jordanian companies (Naser et al., 2002). However, the majority of research conducted in Jordan have thus far focused on examining the extent of CSR (Abu-Baker and Naser, 2000; Al-Khadash, 2003; Suwaidan et al., 2004; Ismail and Ibrahim, 2008; and Al-Hamadeen and Badran, 2014) Most of these studies employed content analysis to measure the extent of CSR. These studies indicated that the most popular disclosure themes were human resources and community involvement, while the environmental issue had the lowest disclosure among all of these studies. The study by Abu-Baker and Naser (2000) examined the level of CSR of Jordanian listed companies in 1997. Using a sample of 143 companies chosen from three different industry groups, he concluded that all 143 companies, from various industry groups (i.e. manufacturing, insurance, and banking), made some sort of CSRD in their annual reports. In terms of the amount submitted in the annual reports, he found that Jordanian companies achieved a weighted average of 0.45 pages that were devoted to social disclosure. He also found that environmental, product, and energy reporting needed a lot more attention and concentration from Jordanian companies. However, human resources and community involvement were the most commonly disclosed themes across Jordanian companies.

Another study conducted by Al-Khadash (2003) examined the level of social and environmental disclosure in the annual reports of Jordanian companies between 1998 and 2000. The study examined 46 of 68 industrial companies. The results showed that 26% of the companies did not have social and environmental disclosure in their annual reports. The results also indicated that the level of social and environmental disclosure increased from 1998 to 2000. In addition, the findings also showed a significant relationship between the company's size and management risk, with the level of social and environmental disclosure. However, the study did not support any significant relationship between financial performance and the level of social and environmental disclosure. This was consistent with a study by Jahamani (2003), who examined the extent, awareness, and level of environmental responsibility for Jordanian companies in 1998. He found that only nine out of 86 Jordanian companies issued environmental reports. He also found that these Jordanian companies issued such information as part of their annual reports. The amount of information varied from nine pages to only a few paragraphs. This study was supported by the findings of Abu Baker and Naser (2000), who found that environmental, product, and energy reporting, needed a lot more attention from Jordanian companies.

Another study conducted by Suwaidan et al. (2004) examined the impact of company characteristics on CSR disclosure practices in the annual reports of Jordanian industrial companies. Thirty-seven items were applied to the annual reports of 65 industrial companies. The results showed that only three companies received disclosure scores of more than 30%. Size, profitability, and risk were found to be significantly and positively associated with the disclosure of social responsibility information. Similarly, Ismail and Ibrahim (2008) examined the level of social and environmental disclosure in the annual reports of Jordanian listed companies. Using a sample of 60 companies chosen from the manufacturing and service sectors. The result showed that 15% of the companies in the sample did not disclose any information related to CSR activities. The result indicated that company size have a significant positive relationship with CSR disclosure while, the result did not find any significant relationship between industry type and CSR disclosure. Recently, Al-Hamadeen and Badran (2014) empirically investigated the relationship between the levels CSR disclosures and corporate characteristics including age of the company, market capitalization, ownership structure, and industry type. They found a significant relationship between age of the company and market capitalization with level of CSR disclosure in Jordanian companies. However, they failed to find a significant relationship between ownership structure and industry type with CSR disclosure.

In summary, previous studies found that the level of CSR in Jordanian companies remained low. However, all studies focused on the influence of corporate characteristics on CSR. It is thus high time to study the relationship between corporate governance mechanisms (specifically board diversity) and CSR in Jordan, especially after implementing the corporate governance code for Companies listed on the Amman Stock Exchange in 2009. Other issues beside the implementing of CGC, is the dropped down of companies in 2009 as a result of global financial crisis which directly and indirectly affected the Jordanian economy as well as Amman Stock Exchange (ASE).

2.2.7 Corporate Governance in Jordan

Corporate governance has become an important topic in Jordan. The importance of corporate governance in Jordan emerged in 1997 as a result of implementing a privatisation programme. In Jordan, as in any country that operates under civil law, rights, responsibilities, and obligations should be supported by laws, regulations, and rules (Al-Najjar 2010). To improve the regulatory environment, three institutions were established, namely, the Securities Depository Centre (SDC), the Amman Stock Exchange (ASE), and the Jordan Securities Commission (JSC). The SDC is a public institution with financial and administrative autonomy established in 1999 under the Securities Law No. (23) of 1997. It is responsible for supervising registration and the deposit of securities, transfer of ownership, the safekeeping of securities, clearance, and the settlement of securities transactions. The ASE was established in 1999 as a private institution responsible for overseeing the trading of public securities.

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Meanwhile, the JSC is a public institution established in 1997 and responsible for supervising and regulating Jordan's capital market to ensure a good investment environment and the protection of investors.

The development of corporate governance in Jordan was based on a legislative environment. A number of laws and regulations are tasked with regulating the corporate governance in Jordan, such as Company Law (1997), Securities Law (2002), Banking Law, Insurance Law, Commercial Law, Investment Promotion Law, and Privatisation Law. These laws are concerned with many matters related to corporate governance, such as disclosures related to companies, the identification of duties and responsibilities of the board of directors, regulating the conduct of meetings, external auditors, and audit committees. In addition to these laws, important steps have been taken to develop and emphasise corporate governance in Jordan, as shown in Table 2.4

Table 2.4 The Development of Corporate Governance in Jordan

Year	The Regulations and events
2000	The Central Bank of Jordan requested all banks in Jordan to comply with the Basel Committee on Banking Supervision (BCBS) requirements on corporate governance.
2004	The Central Bank of Jordan issued a Bank Directors Handbook of Corporate Governance, which aimed at enhancing the corporate governance of banks in Jordan.
2005	The Jordanian Corporate Governance Association (JCGA) was established as an independent, non-profit organisation, to regulate the implementation of best practices in the CG of Jordanian.
2006	The Board of Director Insurance Commission issued Corporate Governance Instructions and Amendments.

2007	The Central Bank of Jordan issued the Corporate Governance Code for banks.
2009	JSC issued the Corporate Governance Code for Companies listed on the Amman Stock Exchange.
2010	JSC requested all companies listed on the ASE to have a special chapter regarding the implementation of the corporate governance code in their annual reports.

The corporate governance code in Jordan was an important step towards enhancing and developing corporate governance in Jordan. The code aimed to "establish a clear framework that regulated their relations and management and define their rights, duties, and responsibilities, in order to realize their objectives and safeguard the rights of all stakeholders" (Jordan Securities Commission, 2009). However, the code was based on legislation such as the Company Law (1997), Securities Law (2002), and the principles of corporate governance by the Organisation for Economic Cooperation and Development (OECD) for 2004. The code, which was based on the above laws, was mandatory. Therefore, the company had to comply with the rules, based on a legal provision that was binding. The guideline code was applied through a "compliance or explain" approach. Under this approach, companies had to comply with codes, and if they did not or were unable to for any reason, the company had to explain their reason for non-compliance, in the company's annual report. The Jordanian CG code consisted of four sections. The first was the board of director's section, which discussed the board's composition, their responsibilities, committees formed by the board of directors, and meetings of the board of directors. The second section was the general assembly meetings. The third section was the shareholder's rights, including general rights and rights within the jurisdiction of the general assembly. The last section was disclosure and transparency – this section was concerned mainly with information that should be prepared and disclosed, the audit committee, duties of the audit committee, powers of the audit committee, and the external auditor.

The board of directors was the main subject of the CG Code in Jordan. Board size and board independence were covered by the code under article (1). According to the CG Code, members of the board of directors should range from five to 13 directors, as determined by the company's memorandum of association (Companies Law number 22 of 1997). The appointment of independent directors on the board is considered an important issue in corporate governance in Jordan (Abed et al., 2012), The independent directors are described by the Jordanian governance code as "a member of the board of directors who is independent of management and shareholders or relationship relatives to the company that may be suspected to bring that member benefit, whether financial or incorporeal, or that may affect his/her decisions or lead to exploitation of his/ her position with the company". Independent directors result in a more effective monitoring of boards. Article (1) of the code states that at least one third of the board's members should be independent. Regarding to other board diversity characteristics such as, age, gender, and nationality of directors , there are not require by CG code or any law and regulation in Jordan.

The separation between the chief executive officer and chair positions (CEO duality) was also covered in the code as follows: "It is not allowed for one person to hold the positions of chairman of the board of directors and any executive position in the company at the same time." The code also concerns multiple directorships. Where, under chapter(2) article (7):, ”…a member of the board of directors, or his representative, should not be a member of the board or a representative of a member of the board of directors of another company that has similar business, has identical objectives, or is a competitor thereof. In all cases, a natural person must not combine membership of the boards of more than five companies, whether in his personal capacity or as a representative of a legal person”. This code is mandatory, based on Company Law No. 22 of 1997, Article (4)/B.

Audit committees are also an important factor in the corporate governance of Jordan. Jordanian listed companies must establish audit committee based on Securities Law No.76 of 2002. The presence of independent directors on an audit committee ensures that the audit committee is independent. This will improve monitoring and lead to enhanced corporate transparency (Forker, 1992). The corporate governance code in Jordan takes into account the appointment of independent directors on an audit committee formed under article (2) as follows: “The committee shall be composed of not less than three non-executive members of the board of directors, at least two of whom must be independent members, and one of the two independent members must preside over the committee”.

The duties of the audit committee are widely covered in the code, where the main task of the audit committee in Jordan is to oversee and monitor accounting and internal control and auditing activities in the company, which includes 13 duties that are mentioned in detail. All duties are based on the Company Law articles 175/A and 171/A. All companies are expected to comply with the duties mentioned in the code.

The powers of the audit committee are also mandatory by instructions issued within company's disclosure for the year 2004, Articles 15/E 4, 5, and 6.

Tapanjeh (2006) argued that the initiatives to improve corporate governance in Jordan were by means of rules and regulations related to disclosure practice. Khoury (2003) reported that disclosure and accounting standards are important dimensions of corporate governance in Jordan because disclosure in Jordan viewed as integral part of corporate governance which provides an evidence of the existence transparency and accountability of company. The Company Law and Securities Law state that listed companies should adopt IFRS and International Standards Accounting (ISA). Therefore, full disclosure should be made in all matters related to the company. Shanikat and Abbadi (2011) found that disclosure and transparency were observed, to a large extent, in Jordan. However, the corporate governance code states that companies must provide accurate, clear, timely information, related to material information, ownership, financial situation, performance, and governance. This code includes mandatory and guideline codes, as in Article 4 of JSC Disclosure, Accounting, and Auditing Standards of Issuing Companies 2004, which provides a detailed list of requirements for annual reports.

As CG code in Jordan use as an evidence of the existence of good governance, transparency and accountability which lead to protect the investors and attractive more local and foreign investments (Jordan Securities Commission, 2009). The codes give more attention to the qulity of information disclosure in the annual report by requires listed companies to disclose information regarding the local community and the environment as covered under Chapter 5 (Disclosure and Transparency) this disclosure requirement is mandatory, based on Securities Commission law of 1998 and Companies Act 1997.

Research on corporate governance in Jordan is still limited. However, some studies (Tapanjeh, 2006; Jaafar and Shawa, 2009) examined the impact of corporate governance mechanisms on firm performance, whilst others assessed corporate governance in Jordan based on the OECD Principles (Shanikat and Abbadi, 2011). Tapanjeh (2006) examined the impact of corporate governance on firm performance. With a sample of 39 industrial companies listed on the Amman Stock Exchange between 1992 and 2004, the results showed that non-executive director's role duality significantly influenced firm's financial performance. Meanwhile, no significance was found between family members and firm performance.

Similarly, Jaafar and Shawa (2009) examined the influence of the board's characteristics and ownership concentration on firm performance. Their sample consisted of 103 firms listed on the Amman Stock Exchange between 2002 and 2005. They concluded that board size, ownership concentration, and multiple directorships had a significant and positive relationship with firm performance. Shanikat and Abbadi (2011) carried out a study to assess corporate governance in Jordan based on the OECD Principles. Their study involved 20 interviews with employees from ten large companies listed on the Amman Stock Exchange, and a review of related annual reports and laws. Their results showed that (1) the board of directors generally fulfilled their duties and responsibilities, (2) stakeholder's rights were protected by a number of laws and legislation and the stakeholder's role was respected (3) shareholders doesn't treatment equitably, and (4) Jordanian companies fully adopted ISA and IFRS, but disclosure and transparency was limited to quantity rather than quality.

2.3 CORPORATE GOVERNANCE AND CSR

The importance of corporate governance has gained popularity due the collapse of large corporations such as Enron and WorldCom in the US, and Bank of Credit and Commerce International (BCCI) in UK (Aras and Crowther, 2008). A number of factors caused these corporate failures and contributed to the need of corporate governance such as the conflict of interests between management and shareholders in companies, poor banks practices, weak internal control, inconsistent accounting and auditing standards, management greed and recklessness, weak regulatory and legal systems, ineffective oversight by directors, poor risk assessments, poorly regulated capital markets, ethical breakdowns and less attention to the rights of minority shareholders (Rezaee, 2009).

There is no agreed upon definition of corporate governance. In general, the definition of corporate governance can be classified as either narrow or broad. A narrow definition focuses on corporate responsibility and accountability to shareholders while, broad definitions are more concerned with corporate accountability to stakeholders (Mahmood and Riaz, 2008). From a narrow perspective corporate governance is "the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (Shleifer and Vishny, 1997).

Whereas from a broad perspective, corporate governance is "the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity" (Solomon and Solomon, 2004, p.14). One of the most common definitions is that by The Organisation for Economic Co-operation and Development (OECD) which defined corporate governance as "a set of relationships between a company's management, its board, its shareholders and other stockholders. Corporate governance also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined" (OECD, 2004). Based on this definition, corporate governance provides a system that identifies the rights and responsibilities among different corporate participants in companies, such as the board of directors, shareholders, managers, stakeholders, and specifies the rules and procedures for making decisions.

Corporate governance is an important factor in determining CSR disclosure. Nowadays, the role of corporate governance is shifting from the "protect shareholders" goal to fulfilling the goal of "all stakeholders" (Webb, 2004). This helps corporate governance align the interests of managers with the various stakeholders. Huang (2010) argued that good corporate governance ensures that companies are responsible, accountable, and transparent to all stakeholders, thus, enhancing transparency and improving information disclosure (Gul and Leung, 2004) and increasing the quantity and quality of disclosure in order to address the needs of various stakeholders (Lim et al., 2008; Jo and Harjoto, 2011; Khan et al., 2012).

Corporate governance has been theoretically associated with agency problems. Shleifer and Vishny (1997) state that two types of agency problems arise. First is the principal-agency problem, which arises as a result of the separation of management and ownership. The second type arises between controlling and non-controlling shareholders (i.e. minority shareholders). The conflict of interest that results from agency problems gives rise to agency costs (Jensen and Meckling, 1976). Corporate governance mechanisms are mainly used to address the issues arising from the separation of ownership, control, and reducing agency costs (Davis et al., 1997). In this study, the focuse on the first type of agency problem (principal-agency problem) which results from separation between managers and shareholders while, the second type of agency problem will use to explain the relationship between family members on the board and CSR because, the problem arises between controlling (family shareholders) and non-controlling shareholders (minority shareholders).

Agency theory may explain the association between corporate governance and CSR. According to this theory, corporate governance serves as a monitoring mechanism to reduce agency costs. One way of achieving this is through the disclosure of more information. Cheung and Chan (2004) argued that information disclosure is one of the tools used to monitor management. Htay et al. (2012) argued that firms disclose more special, social, and environmental information, in order to mitigate agency problems and reduce information asymmetry. Moreover, managers tend to disclose more CSR information in order to secure their positions (Wang and Coffey, 1992), and enhance their reputations (Miller and Triana, 2009; Bear et al., 2010). Halme and Huse (1997) believe that management has an incentive to disclose more CSR information, because they don’t use their own money.

Previous studies of CSR focused on the relationship between company characteristics and CSR. However, a number of studies have examined the relationship between the corporate governance mechanism and CSR (see Webb, 2004; Carter and Vos, 2005; Haniffa and Cooke, 2005; Lim et al., 2008; Buniamin et al., 2008; Al Arussi et al., 2009; Said et al., 2009; Darus et al., 2009; Clemente and Labat, 2009; Homayoun and Rahman, 2010; Sahin et al., 2011; Abdullah et al., 2011; Ienciu, 2012; Htay et al., 2012; Khan et al., 2012; Abdul Razak and Mustapha, 2013; Al-Janadi et al., 2013; Rahman and Bukair ,2013; Ali and Atan, 2013; Gantyowati and Nugraheni, 2014; Mohamed and Faouzi, 2014). Table 2.5 summarises the empirical studies that examined the relationship between the corporate governance mechanism and CSR.

To the best of my knowledge, no study in Jordan has of yet examined the relationship between the corporate governance mechanism and CSR disclosure. CSR literature in Jordan has focused thus far only on the influence of corporate characteristics on CSR (Abu-Baker and Naser, 2000; Al-Khadash, 2003; Suwaidan et al., 2004; Ismail and Ibrahim, 2008; Al-Hamadeen and Badran, 2014). However, this section provides a review of previous literature that tested the relationship between corporate governance mechanisms, namely role duality, multiple directorships, family members on the board, audit committee, and CSR.

Table 2.5 Empirical Studies on the Impact of Corporate Governance Mechanism on CSR

Study	Country	Sample	Independent variables	Results
Haniffa and Cooke (2005)	Malaysia	139 Malaysian Companies for 1996 and 2002	Malay dominated board of directors, Malay finance director, Malay dominated shareholders, non-executive directors, multiple directorships and foreign ownership.	They found a significant positive relationship between Malay shareholders and directors, multiple directorships and foreign ownership with CSR disclosure. No significant found between a Malay finance director and CSR while, Non-executive directors was negatively associated with CSR disclosure.
Barako et al. (2006)	Kenya	54 Kenyan companies listed in Nairobi stock Exchange (NSE) from 1992 to 2001	Non-executive directors, CEO duality, audit committee, shareholder concentration, foreign ownership and institutional ownership.	Results suggested that voluntary disclosure (including CSR) associated positively with audit committee, institutional and foreign ownership but, negatively with non-executive directors and, no significant with CEO duality.
Lim et al. (2008)	Malaysia	743 Malaysian public listed companies in 2003.	CEO duality, non-executive directors, independent non-executive directors, government linked	Results indicated that non-executive directors and government linked companies were positively associated with the level of CSR

			companies and external auditor	disclosure, while independent non executive directors, CEO duality and external auditor found to be insignificant
Clemente and Labat (2009)	Spain	62 companies listed in the Madrid Stock Exchange in 2005	board size, independent directors, ownership concentration and CEO duality	The results indicated that higher proportion of Independent directors and large board size will increases voluntary information disclosure. the result also showed that CEO duality had negative and statistically significant with the level of voluntary disclosure
Said et al. (2009)	Malaysia	150 companies from the main board of Malaysian listed companies in 2006	Board size, CEO duality, board independence, audit committee, ten largest shareholders, managerial ownership, foreign ownership and government ownership	The result found that only ownership concentration, government ownership and audit committee are positively and significantly associated with the level of CSR disclosure.
Braam and Borghans (2010)	Netherlands	149 companies listed on the Dutch stock exchange in 2004	Multiple directorships	Result indicated that multiple directorships have a higher voluntarily reporting similar financial and non-financial disclosures in their companies' annual reports.

Homayoun and Rahman(2010)	Malaysia	Top 100 companies listed on Bursa Malaysia in 2009	Board size, Board independence, CEO duality	The result indicated that only board size among corporate governance mechanisms have an influence on the extent of internet corporate disclosure(ICR) including CSR disclosure.
Al-Shammari and Al-Sultan (2010)	Kuwait	170 companies listed on the Kuwait Stock Exchange in 2007	Non- executive Directors, family members on boards, role duality and audit committee	They found that only audit committee was significantly and positively related to the level of voluntary disclosure including CSR disclosure. Other variables were not significant.
Khan et al. (2012)	Bangladesh	116 manufacturing companies listed on the Dhaka Stock Exchange between 2005 and 2009.	CEO duality, audit committee, board independence, managerial ownership, foreign ownership and public ownership	Results revealed that board independence, audit committee, public and foreign ownership were significantly associated with CSR disclosures, while no significant impact found of CEO duality.
Courtois, et al. (2011)	France	40 French companies for the year 2006	Multiple directorships	Positive association found between multiple directorships and level of the environmental disclosures
Htay et al. (2012)	Malaysia	12 listed companies	board leadership structure,	Panel data analysis showed that the

		(whose main activity is banking) from 1996 to 2005.	independent non-executive directors, board size and ownership structure director ownership, institutional ownership, and block ownership)	level of social and environmental disclosure are associated with a higher proportion of independent directors, higher board size, higher director ownership and lower institutional and lower block ownership.
Ienciu (2012)	Romania	64 Romanian companies, listed on the Bucharest Stock Exchange in 2010.	Board size, CEO duality, board independent, and audit committee	The result indicated that board independent have positive relationship with environmental reporting while, a negative correlation found with board size, and no significant with CEO duality and audit committee
Damagum and Chima(2013)	Nigeria	35 Nigerian companies from 1999 to 2009	Board size, non-executive directors and director's shareholding.	They found a significant relationship between board size, nonexecutive directors with voluntary disclosures (including CSR) while, no significant relationship found between director's shareholding and disclosure.
Al-Janadi et al.(2013)	Saudi Arabia	87 companies from the Saudi Stock	Family members on the board ,non-executive	The result found that non-executive directors, CEO

		Market for years 2006 and 2007	directors, board size, CEO duality, audit quality, Government ownership, and Independent audit committee members	duality, audit quality, board size and government ownership, have a significant relationship with voluntary disclosure(including CSR). Other variables were not significant
Ali and Atan (2013)	Malaysia	120 companies (60 Malaysian companies and 60 global companies) for year 2009	CEO duality, board size, board independent, ownership concentration, and chairman audit committee	Results found that board size, board independent and ownership concentration show significant relationship with the extent of CSR disclosures. While, no significant relationship between the role of duality and the chairman of the audit committee.
Abdul Razak and Mustapha (2013)	Malaysia	200 companies listed on the main board of Bursa Malaysia in 2010	board size, board independence, CEO duality and managerial ownership	The results show that managerial ownership has negative and significant relationship with CSR disclosure whilst, no association between board size, board independence, CEO duality and CSR disclosure.
Abdul Rahman and Bukair (2013)	GCC countries (Bahrain, Kuwait, Qatar, Saudi	53 Islamic banks for the year 2008.	*Shariah* Supervisory Board (SSB) characteristics: Existence of	The results indicated that all independent variables had a significant positive influence on CSR.

	Arabia, the United Arab Emirates and Oman		SSB, Number of SSB members Cross memberships, Doctoral qualification of SSB member and reputable scholars on SSB	
Mohamed and Faouzi(2014)	Tunisia	23 companies listed on Tunis Stock Exchange from 2003 to 2011.	Independent directors, Board Size, CEO Duality, Institutional ownership and ownership concentration	Panel data analysis showed that independent directors has significant and positive relationship with the level of environment disclosure, while, ownership concentration and CEO duality were negatively related to environment disclosure. Other variables were not significant.
Gantyowati and Nugraheni(2014)	Indonesia	114 companies listed in Indonesian Stock Exchange in the period of 2009-2011	Audit committee independence, board independence, board meeting frequency, audit committee meeting frequency and institutional ownership	The result found significant positive relationship between audit committee independence, audit committee meeting frequency with the level of voluntary disclosure including CSR reporting. No significantly affect found with independent board, board meeting frequency.

2.3.1 Role Duality

One important issue of board structure is CEO duality (role duality). This refers to leadership structure, where the firm's CEO is also the chairman of the board in the same company. The position of CEO is usually full-time and he is responsible for the day-to-day management and operation of the company, whilst implementing the company's strategies that are dictated by the board. The chairman of the board is responsible for managing and leading the board, ensuring the effectiveness of the board, monitoring and evaluating management (including the CEO), setting the agenda, running board meetings, and nominating new board members (Ezat and El-Masry, 2008; Lam and Lee, 2008). There are two theoretical perspectives regarding role duality, namely agency theory and stewardship theory. Agency theory is suggested for separate CEO and chairman roles, since the chairperson's role is to monitor the CEO. Fama and Jensen (1983) argued that a combination of the chair and CEO positions increases agency problems, due to the conflicts of interest that impair the monitoring function. Therefore, the separation of the positions of chairman and CEO is necessary to ensure the independence of the board of directors and thus, enhance monitoring quality and improved quality of reporting (Forker, 1992). However, the stewardship theory suggests that combined roles will improve leadership, because there are no conflicts of interest when the CEO acts as chairman. This enhances communications because there is no information loss between the CEO and the board (Davis et al., 1997). Moreover, duality of roles facilitates decision-making, because the CEO, as an inside director, has more knowledge and understanding about the company's business than an outside director (Lam and Lee, 2008).

Empirical evidence on the relationship between role duality and voluntary disclosure (especially CSR) supports the separation between CEO and chairman positions (e.g., Gul and Leung, 2004; Webb, 2004; Huafang and Jianguo, 2007; Clemente and Labat, 2009; Mohamed and Faouzi, 2014). Gul and Leung (2004) tested the link between CEO duality and voluntary disclosure using a sample of 385 Hong Kong companies from 1996. They found that 54% of companies had CEO duality; showing that CEO duality was associated with a low-level of voluntary disclosure. They argued that combined roles raise the conflicts of interests that make shareholders suffer, and hence, reduce board independence. Huafang and Jianguo (2007) examined the relationship between board composition and ownership structure using the voluntary disclosures of 559 Chinese companies, listed on the Shanghai Stock Exchange in 2002. They found a negative relationship between CEO duality and voluntary disclosure. Webb (2004) found that in US companies, socially responsible firms were less likely to have role duality compared to non-socially responsible firms. Clemente and Labat (2009) studied the relationship between corporate governance mechanisms and voluntary disclosure in a sample of 62 companies listed in the Madrid Stock Exchange in 2005. They reported that 71% of the companies had CEO duality. The results indicated that CEO duality was negatively and statistically significant with the level of voluntary disclosure.

In the case of the Arab region, Mohamed and Faouzi (2014) examined the association between corporate governance and the extent of voluntary environment disclosure for a sample of 23 companies listed on the Tunis Stock Exchange between 2003 to 2011. They reported that 72% of companies in the sample did not separate between the CEO and chairman positions. The result showed a significant negative association between

CEO duality and the extent of environmental disclosure. Different results were found by Al-Janadi et al. (2013) who examined the influence of corporate governance mechanisms on voluntary disclosure in Saudi Arabia. A sample of 87 annual reports of Saudi listed companies for years 2006 and 2007 were selected from which they found a positive relationship between the CEO duality and voluntary disclosure. This mean that companies with CEO duality tend to provide more voluntary information than companies that separate between the CEO and chairman positions. They provided an explanation for this result based on stewardship theory, which considers that the combination of the two roles will provide the power and ability to help companies to achieve its objectives since there are no conflicts of interest between two roles.

A number of previous studies failed to find an association between role duality and CSR disclosure (Ho and Wong, 2001; Arcay and Zquez, 2005; Cheng and Courtenay, 2006; Barako et al., 2006; Buniamin et al., 2008; Said et al., 2009; Al Arussi et al., 2009; Khodadadi et al., 2010; Sahin et al., 2011). Ho and Wong (2001) conducted a questionnaire survey of 610 chief financial officers to examine the impact of corporate governance attributes on voluntary disclosure by Hong Kong's listed companies. The results showed no association between role duality and voluntary disclosure. They provided a possible explanation for this result, where in the case of many Hong Kong companies, the chairman and CEO are possibly substantial shareholders. Therefore, there is no separation between the two roles. The results are consistent with a study by Arcay and Zquez, (2005) who analysed the association between corporate governance mechanisms and voluntary disclosure in Spanish listed companies. Their sample consisted of 117 firms listed on the Madrid Stock Exchange in 1999, and their findings indicated no relationship between CEO duality and voluntary disclosure in Spanish companies. They argued that a low separation between management and ownership, with a high ownership concentration, especially in family-owned firms, resulted from the combination of the two roles. Therefore, the impact of role duality and voluntary disclosure is unclear. Cheng and Courtenay (2006) studied the level of voluntary disclosure for 104 companies listed on the Singapore Stock Exchange for 2000. They found that role duality did not have any influence on the level of voluntary disclosure. Similarly, Khodadadi et al. (2010) analysed the relationship between corporate governance attributes and the extent of voluntary disclosure between 2001 and 2005 of Iranian companies listed on the Tehran Stock Exchange. They concluded no significant relationship between CEO and chairperson duality and the extent of voluntary disclosure. Barako et al. (2006) documented an insignificant relationship between role duality and voluntary disclosure in Kenyan companies. They found that most Kenyan companies separated the role of CEO and the chairman. For example, in 2001, 75% of the sampled companies separated the two roles resulting in no statistical significance due to the small number of firms in the sample (i.e. only 54 firms). Ienciu (2012) analysed the impact of several corporate governance characteristics on the level of environmental disclosure in the annual reports of 64 Romanian companies listed on the Bucharest Stock Exchange in 2010. He found that 60.9% of the companies did not separate CEO and chairman positions, and no significant relationship was found between role duality and the level of environmental disclosure. Sahin et al. (2011) examined the influence of several board characteristics on the corporate social responsibility and financial performance on the annual reports of Turkish companies listed on the Istanbul Stock Exchange (ISE) in 2007. They found that firms with CEO duality were associated with lower levels of financial performance, but failed to find an association between CEO duality and CSR. This was supported by the study of Al Arussi et al. (2009) who examined the factors (including CEO duality) that affected the extent of environmental and financial disclosures through the internet on Malaysian companies. Based on a sample of 201 Malaysian listed companies on the Bursa Malaysia, selected from the main and second boards for 2005, they found a negative relationship existed between role duality and the level of financial disclosure. However, they could not find any association with environmental disclosure. A similar study by Buniamin et al. (2008) (in a Malaysian context), which also regarded environmental reporting, examined whether a relationship existed between corporate governance characteristics and the level of environmental reporting. They used a sample of 243 Malaysian companies' annual reports for 2005. The results showed insignificant relationships existed between CEO duality and environmental disclosure. Said et al. (2009) also investigated the influence of CEO duality on CSR in Malaysian companies, but they did not find any evidence to support the relationship between CEO duality and the extent of corporate social disclosure. Similarly, Abdul Razak and Mustapha (2013) found that CEO duality did not have any significant influence on CSR disclosure in companies listed on the main board of Bursa Malaysia.

It has been observed that the majority of studies conducted in Malaysia could not find any relationship between role duality and CSR. The reason behind these results was explained by Lim et al. (2008) who suggested that in the case of duality roles of Malaysian companies, the CEO (or chairman) gave less attention to the voluntary disclosure level; being more concerned about the company's day-to-day management and operation. Meanwhile, Buniamin et al. (2008) provided justification that CEO duality may be also the substantial shareholder.

2.3.2 Multiple Directorships

Another corporate governance mechanism that affects CSR is multiple directorships. This refers to a situation when one director of a firm sits on the board of another firm. This situation is also known as busy directors (Webb, 2004) or a cross-holding of directorships (Haniffa and Cooke, 2005). Some define it as interlocking directors (Darus et al., 2009).

Multiple directorships are related to the qualifications and experience of the directors. Webb (2004) argued that good reputation and high-level qualifications and experience may be the reason why firms appoint multiple directorships. Mizruchi (1996) stated that firms may appoint multiple directorships for several reasons including enhancing the firm's legitimacy, co-optation and monitoring, social cohesion, and career advancement. However, multiple directorships help boards to link with important resources and networks (Ruigrok et al., 2006). Kiel and Nicholson (2006) stated that multiple directorship links add value in three ways. First, by improving the firm's legitimacy. Samkin et al. (2010) and Haniffa and Cooke (2005) argued that multiple directorships play a role in the strategic change of the board, because they bring experiences and beliefs that come from participating in strategic change in other boards, such as accounting practices. Second, multiple directorships provide channels for communicating information from and to the external environment. Third, they serve as a cooptive instrument to extract resources. However, Latif et al. (2013)

pointed out that multiple directorships can be seen from two perspectives. First, multiple directorships are viewed as a proxy for high director quality which lead to better strategic decisions. Second, directors with multiple boards are viewed as busy directors, this will effect the monitoring of management and leads to high agency costs (Lipton and Lorsch 1992).

The relationship between multiple directorships and CSR is based on resource dependence theory. According to this theory, multiple directorships help firms link with the external environment and access various resources to secure essential resources needed by them. Consistent with this theory, multiple directorships offers a diversity of knowledge, experience, and skills, which comes from experience and knowledge with other firms (Haniffa and Cooke 2005; Ruigrok et al., 2006). Therefore, information disclosure is expected to increase since they have a wider access to important information and resources (Haniffa and Cooke, 2002). Moreover, multiple directorships tend to disclose more social and environmental information since they have contacts and links with various stakeholders (Ruigrok et al., 2006). They also have a broader social network (Samkin et al, 2010) and disclose such information to preserve their good reputation.

Several empirical studies have been conducted regarding the relationship between multiple directorships and CSR (e.g. Webb, 2004; Haniffa and Cooke, 2005; Darus et al., 2009; Braam and Borghans, 2010; Courtois, et al., 2011; Rahman and Bukair (2013). Haniffa and Cooke (2005) revealed empirical evidence of a positive relationship between multiple directorships and the level of corporate social and environmental disclosure in the annual reports of 139 Malaysian companies in 1996 and 2000. They indicated that directors who sit in more than one seat are more aware and have experiences about business environments that render them better able to make disclosure decisions, especially CSR disclosure. However, Darus et al. (2009) found no association between multiple directorships and CSR in Malaysian listed companies. They indicated that these results were related to the impact of family ownership on CSR disclosure whereby collusion may occur between non-executive directors and owners. Therefore, directors tend to disclose less CSR information to support family ownerships rather than managers. Webb (2004) reported that multiple directorships (measured by directors who are directors on three or more boards) are more likely to be on socially responsible firm's boards, compared to non-socially responsible boards in the US. Courtois et al. (2011) investigated the relationship between multiple directorships and the level of environmental disclosures of 40 French companies for the 2006. They documented a positive association between multiple directorships and level of the environmental disclosures. Similarly, Braam and Borghans (2010) examined the linkages between multiple directorships and voluntary corporate disclosures of financial and non-financial performance measures. A final sample of 149 companies listed on the Dutch Stock Exchange was examined in 2004. Their result indicated that multiple directorships have a higher voluntarily reporting in their companies' annual reports. Recently, Rahman and Bukair (2013) used content analysis to examine the impact of the Shariah supervisory board (SSB) characteristics on the level of CSR disclosure for a sample of 53 Islamic banks chosen from Gulf Co-operation Council (GCC) countries in 2008. They concluded that multiple directorships have a positive impact on CSR disclosure.

2.3.3. Family Members on the Board

Family ownership or family businesses play a significant role in the global economy. Many countries worldwide have family owned firms. For example, 58% of all Asian companies (Cheung and Chan, 2004) and 44% of Western European companies (Faccio and Lang, 2002) are family ownership. Family businesses come from the integration of family and business. Chua et al. (1999) defined family business as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family, or a small number of families, in a manner that is potentially sustainable across generations of the family or families."

From the above definition, firms are owned, managed, and controlled by family members. Therefore, family members usually hold important positions, such as CEO, directors, and chairman, or they select people who have strong relations with the family (Al-Shammari and Al-Sultan, 2010) because they have a strong voting power to elect them. Webb (2004) argued that family members join the board of directors in order to preserve control of the firm within the family.

The relationship between family members on the board and CSR is explained by agency theory. Agency theory suggests that in concentrated ownership, agency problems arise between controlling and non-controlling shareholders (Gilson and Gordon, 2003). Therefore, conflicts of interest are generally between smaller and larger shareholders (Shleifer and Vishny 1997). In the case of a family firm, Ali et al. (2006) argued that the agency problem arises between controlling (family shareholders) and non-controlling shareholders (minority shareholders). No agency problem results from separation between managers and shareholders (Shleifer and Vishny, 1997) because there is little separation between those who manage and control the firm and those who own it. Unlike firms with a diffused ownership, which disclose more information to reduce information asymmetry and agency costs (Ho and Wong, 2001), a firm with high family members on the board does not have any incentive to disclose more information, because they have better access to internal information (Chau and Gray, 2010). Therefore, companies with more family members on the broad tend to disclose less CSR information in their annual report.

Most previous studies showed that family members on the board was associated with a low-level of voluntary disclosure (Ho and Wong, 2001; Haniffa and Cooke, 2002; Webb, 2004; Darus et al., 2009; Mohamad and Sulong, 2010; Abdullah et al., 2011; Al-Shammari and Al-Sultan, 2010; Al-Janadi et al., 2013). Abdullah et al. (2011) examined the factors that influence the level and quality of CSR disclosure, based on a sample of 100 Malaysian listed companies for 2007. The factors examined were government ownership, family members on the board, independent directors, and block holder ownership. They found that having family members on the board was negatively associated with CSR. This was supported by the findings of Darus et al. (2009) who used content analysis to examine the impact of institutional pressure and ownership structure on the CSR disclosure of 144 Malaysian listed companies during the years 2005, 2006, and 2007. The results indicated that the proportion of family members led to a low-level of CSR disclosure. They argued that the demand for CSR disclosure in Malaysia needed by the minority shareholder represented outside investor's interests rather than those of the family owners, because family members had easy access to internal information. Mohamad and Sulong (2010) argued that better access to firm's information is the reason why family members sitting on the board tend to disclose less information. They conducted an empirical study on the extent of voluntary disclosure and corporate governance mechanisms for 160 Malaysian listed companies, chosen from the main and second board for 2002 and 2006. Their findings showed that companies with a high number of family members on the board disclosed less information in their annual reports. Haniffa and Cooke (2002) supported this view and found a negative relationship existed between family members on the board, with the level of voluntary disclosure in Malaysia. In the same vein, Ho and Wong (2001) found a negative relationship existed between family members on the board and voluntary disclosure in Hong Kong, where the proportion of family members on the board was 32.1%. In addition, they suggested that this finding could have implications in other Asian countries, where having family members on the board is common.

In contrast, some studies did not find any relation between family members on the board and CSR. Al-Shammari and Al-Sultan (2010) examined whether corporate governance was associated with voluntary disclosure in Kuwait based on a sample of 170 companies listed on the Kuwait Stock Exchange in 2007. They concluded that family members on the board did not affect the level of voluntary disclosure. A similar result was found in Saudi Arabia by Al-Janadi et al. (2013) who examined the impact of corporate governance mechanisms on the level of voluntary disclosure (including CSR) of 87 Saudi companies for years 2006 and 2007. They did not find any significant relationship between family members on the board and voluntary disclosure. They argued that the insignificant result was due to the low rate of family members on the board (only 1 member on average) which could not influence the level of voluntary disclosure since they could not dominate the managers.

2.3.4. Audit Committee

The audit committee is one of the most essential mechanisms of corporate governance that influences the level of CSR. The audit committee has received a lot of attention since the collapse of large corporations such as Enron. Audit committees respond to corporate scandals that result from weak corporate governance and auditing functions (Baxter, 2010). Nowadays, audit committees are mandatory for companies in many countries (Baxter, 2010). In Jordan, the corporate governance code for companies requires companies to establish audit committees, with at least two independent directors. However, the audit committee is considered to be a subcommittee of the board of directors. The main role or function of an audit committee is to monitor accounting and auditing activities and improve the internal control system (Ienciu, 2012). Thus, the audit committee will improve communications between the board and the external auditor (Mohamad and Sulong, 2010). To accomplish its functions effectively, the audit committee must be independent (Baxter, 2010). Previous studies have suggested that the effectiveness of the audit committee can be determined by the size of the audit committee, frequency of committee meetings, experience, qualifications, finance and accounting background, and independence (Baxter, 2010).

Agency theory suggests that the audit committee is a monitoring mechanism that reduces agency costs (Forker, 1992) and improves information between shareholders and managers (Ho and Wong, 2001). Moreover, it suggests that that the presence of independent directors on an audit committee will support the owners in monitoring the managers' activities (Mohamad et al., 2010).

Previous studies on the association between audit committee and CSR documented mixed results. For example, Khan et al. (2012) analysed the impact of corporate governance mechanisms over the CSR disclosures on a sample of 116 companies listed on the Dhaka Stock Exchange between 2005 and 2009. They concluded that CSR disclosure was positively associated with the existence of an audit committee. They argued that disclosing more CSR information indicates that the audit committee could guarantee the objectivity of financial reporting. Furthermore, Said et al. (2009) provided evidence from Malaysian companies and found a positive relationship between audit committee (measured by the percentage of non-executive directors to the total number of directors sitting on the audit committee) and the level of CSR in Malaysia. Using a sample of Turkish firms, Sahin et al. (2011) found that 93% of the companies had an audit committee. In addition, a positive relationship was found between audit committee and corporate social performance. However, Ienciu (2012) used content analysis to examine the effects of corporate governance characteristics on the level of environmental reporting. Using a sample of 64 Romanian listed companies and data collected from annual reports for 2010, they found that the presence of an audit committee does not impact on the existence of environmental reporting for Romanian companies, because the majority did not comply with the law and corporate governance code regarding establishing audit committees. The findings showed that 71.9% of companies did not have an audit committee.

In a study of Saudi firms, Al-Janadi et al. (2013) found that the association between independent audit committee members and the level of voluntary disclosure (including CSR) is statistically insignificant. They argued that low experience of audit committee members and the absence of the regulations regarding to the vital role of audit committee members, might explain the unexpected result. A study conducted in Malaysia by Ali and Atan (2013) examined whether corporate governance mechanisms influence the extent of CSR disclosure in Malaysian and Global companies. Based on a sample of 120 companies (60 Malaysian companies and 60 global companies) for 2009, they found no significant relationship between the independent chairman of audit committee and CSR disclosure. Recently, Ganyowati and Nugraheni (2014) examined the influence of corporate governance on the level of voluntary disclosure (including CSR) of the annual reports of 114 companies listed in the Indonesian Stock Exchange in the 2009-2011 period. The result revealed that firms with a higher proportion of independent directors on an audit committee are associated with high level of voluntary disclosures. They stated that the independence of the audit committee plays an important role in improving the quality of information disclosed between the principal and agent, which in turn reduces agency costs.

Evidence from previous studies indicated that audit committee is an important factor that affects voluntary disclosure. Arcay and Zquez, (2005) studied the voluntary disclosure of Spanish listed companies, using a sample of 117 firms listed on the Madrid Stock Exchange in 1999, and how corporate governance mechanisms effected their level of disclosure. The result showed how companies with an audit committee were associated with a high-level of voluntary disclosure. Their findings also showed that 75% of companies had an audit committee, which suggested that these companies were better able to respond to stakeholders' demands for information. Similarly, Barako et al. (2006) concluded that the presence of an audit committee was an important factor that determined the level of voluntary disclosure in Kenyan firms. They found a positive relationship between the presence of an audit committee and the level of disclosure. Their findings showed that 21% and 52% of companies had an audit committee in 1992 and 2002, respectively. Similarly, Al-Shammari and Al-Sultan (2010) reported that the existence of an audit committee is the most important factor that influences the extent of voluntary disclosure in Kuwait. A significant and positive association was found between audit committee and the level of voluntary disclosure. They argued that audit committees in Kuwaiti companies aimed to flow information to external auditors and shareholders. Using Hong Kong data, Ho and Wong (2001) found that the existence of an audit committee was positively related to a high-level of voluntary disclosure. They also found that 23.5% of firms had an independent director on the audit committee. A study conducted in Malaysia by Akhtaruddin et al. (2009), who empirically examined the governance factors that influence voluntary disclosure in the annual reports of 105 Malaysian listed firms selected from the main board of Bursa Malaysia for 2002, did not find any relation. Empirical results showed that audit committees did not influence the level of voluntary disclosure. They suggested that the level of voluntary disclosure may be affected by the quality of the audit committee.

2.4 BOARD DIVERSITY AND CSR

2.4.1 The Need for Board Diversity

Board diversity is considered one of the most significant governance issues. There is no agreed definition of board diversity. However, the concept of board diversity is defined by Walt and Ingley (2003) as a "varied combination of attributes, characteristics, and expertise contributed by individual board members in relation to board process and decision making." Milliken and Martins (1996) classified board diversity into observable and less-observable attributes. Observable or visible attributes include demographic characteristics such as ethnic background, nationality, age, gender, and religion, while less observable or less visible attributes include cognitive characteristics such as education, skill, knowledge, tenure, professional background, and personality characteristics. Most research on board diversity focus on observable or demographic diversity rather than cognitive characteristics (Erhardt et al., 2003) because cognitive characteristics are unobservable in nature and are difficult to measure (Milliken and Martins, 1996). However, demographic diversity represents the cognitive characteristics such as experience, professional qualifications and educations resulting from unique insights and perspectives brought to the firm (Miller and Triana, 2009).

The demand for greater board diversity increased in the aftermath of large corporate collapses such as Enron (Randøy et al., 2006) caused by ineffective oversight by corporate boards. The urgent need for board diversity is also due to increased diversity in the workforce in terms of gender, age, and ethnicity (Darmadi, 2011). Academia and firms have called for greater board diversity in order to improve monitoring. Board diversity is an advantage to firms as it improves the effectiveness of corporate leadership, develops a better understanding of the marketplace, provides legitimacy to firms, provides global relationships, and enhances corporate governance (Carter et al., 2007; Ferreira et al., 2010)

A number of arguments have been put forward to address why board diversity is important and how CSR in firms can be improved. Firstly, board diversity has led to increased innovation and creativity in firms (Walt and Ingley 2003; Carter et al., 2007; Thomsen et al., 2009; Miller and Triana; 2009). Board diversity creates new ideas and information compared to boards with similar demographic characteristics. Robinson and Deschant (1997) believed that attitudes, beliefs, and cognitive functioning should be distributed systematically between people based on the demographic variables such as gender, age, and race. Therefore, diverse boards provide new strategic opportunities and better alternatives for problem solving and for decisions to create new product lines and new services (Miller and Triana, 2009).

Secondly, board diversity improves the monitoring function of the board because it increases board independence (Erhardt 2003; Carter et al., 2007). For effective monitoring, Erhardt (2003) suggested that CEOs need to independently monitor. Board diversity provides directors with different demographic characteristics from the management which make the board more independent from management and are less able to be manipulated by the CEO. Accordingly, more voluntary disclosures, specifically CSR, are expected by the board to enhance and protect their reputation (Matolcsy and Chow, 2007).

Thirdly, board diversity improves the board's decision-making (Walt and Ingley, 2003; Carter et al. 2003; Ayuso and Argandona, 2007; Ruigrok et al., 2007; Ness et al., 2010). As board diversity brings diverse perspectives, experience, ideas, skills and insights, and foreign directors bring various experience and knowledge to the board from other countries and nations such as corporate governance systems and CSR programmes, such resources play an important role in enhancing the decision-making process by effective problem solving (Ness et al., 2010) and helps in the board's discussions (Daily and Dalton, 2003) accordingly, supporting CSR reporting strategies (Ayuso and Argandona, 2007).

Fourthly, board diversity sends positive signals to the public which aim to enhance the reputation of the firm. For example, women and minority directors act as a signal to stakeholders that the firm pays attention to the labour market especially women and minorities (Bear et al., 2010). It also signals to investors that the firm better understands the market place and has the ability to meet diverse market needs (Miller and Triana, 2009). Consequently, CSR is expected to increase because boards will use CSR reporting and charitable giving as a signal to stakeholders (Miller and Triana, 2009; Bear et al., 2010) to enhance a firm's charity image.

Fifthly, board diversity improves network ties (Hillman et al., 2000). For example, diverse directors are often better linked and connected to suppliers, customers, investors, financial institutions, government agencies and community groups because directors with different demographic characteristics may have access to different resources (Ferreira et al., (2010). Miller and Triana (2009) identified two types of links needed by a firm, namely network resources and social capital. They suggested that information provided by female and minority directors, as a result of links to social networks, were valuable and improved innovative activities because they were linked to a broad range of diverse networks. Bear et al. (2010) argued that network ties benefit the firm by providing expertise, advice, and counsel from external organisations and collaboration with key stakeholders that firms need to improve the ratings of CSR.

2.4.2 Board Diversity Characteristics and CSR

The fourth objective of this thesis is concerned with testing the relationship between board diversity characteristics (e.g. independence, age, gender, and nationality of directors) and the level of CSR disclosure. Many studies have examined this relationship (Wang and Coffey, 1992; Williams, 2003; Webb, 2004; Carter and Vos, 2005; Haniffa and Cooke, 2005; Schnake et al., 2006; Ayuso and Argandona, 2007; Bernardi and Threadgill, 2010; Khan, 2010; Bear et al., 2010; Barako and Brown, 2008; Bernardi and Threadgill, 2010; Post et al., 2011; Rouf, 2011; Sahin et al., 2011; Jo and Harjoto, 2011; Feijoo et al., 2012; Zhang, et al., 2012; and Handajani et al., 2014). These studies use one or more attributes as proxies for board diversity. For example, Barako and Brown (2008) and Khan (2010) used female and foreign directors. Meanwhile, Post et al. (2011) used age and female directors. Gender diversity was the most widely observed attribute (e.g., Wang and Coffey, 1992; Williams, 2003; Webb, 2004; Schnake et al., 2006; Bear et al., 2010; Khan, 2010; Bernardi and Threadgill, 2010; Barako and Brown, 2008; Post et al., 2011; Feijoo et al., 2012; Zhang, et al., 2012). A summary of previous studies examining the relationship between board diversity characteristics and corporate social responsibility (CSR) is provided in Table 2.6 below:

Table 2.6 Empirical Studies on the Impact of Board Diversity Characteristics on CSR

Author	Year	Country	Sample	Independent variables	Results
Wang and Coffey	1992	USA	78 Fortune 500 firms	Women and minorities directors	Women and minority board members indicated positive association with corporate philanthropy
Williams	2003	USA	185 Fortune 500 firms	Women directors	Percentage of women directors increases corporate charitable giving
Webb	2004	USA	394 SR firms in the Domini Social Index	Age, independent directors and women directors	Socially Responsible (SR) companies have more young directors, women, and independent directors than non-socially SR firms
Schnake et al	2006	USA	10K Reports	Women directors	Found that women directors lead to higher firm social performance
Barako and Brown	2008	Kenya	Annual report of 40 banks	Non-executive directors, women directors, foreign nationals on the board	Found that women and independent directors have positive association with CSR whilst there was no association between foreign directors on the board and CSR
Bear et al.	2010	USA	51 firms	Women directors	CSR mediated the relationship between the number of women on the board and corporate reputation
Bernardi and Threadgill	2010	USA	Annual reports of 143 companies	Women directors	Positive association between the number of women directors and CSR

Khan	2010	Bangladesh	Annual report of 30 banks	Independent directors, foreign and women directors	Significant relationship between non-executive and foreign directors, but no significant relationship found with women representation
Post et al.	2011	USA	78 firms list of Fortune 1000 companies	Age, women and independent	Presence of three or more women directors, higher proportion of outside and young directors positively related with higher environmental reporting
Feijoo et al.	2012	22 countries	250 global companies	Women directors	They concluded that boards with at least 3 women are determinant of the quality of CSR reporting
Zhang et al.	2012	USA	500 of the largest companies	Outside directors and women directors	Women and outside directors indicated positive associations with CSR performance
Handajani et al.	2014	Indonesia	152 companies	Women directors, board age, board tenure and board independence	They found that board age and board size have significant positive effect on CSRdisclosure.whilst, board gender and board tenure have significant negative effect on CSR disclosure.

2.4.2.1. Gender Diversity

An important issue of board diversity on which studies have been previously carried out is the representation of women on the board of directors. Gender diversity is part of the broader concept of board diversity (Carter et al., 2003). It refers to the presence of female directors in corporate boards of directors. There has been an increase in the number of women representation on the board. For example, in the USA, the percentage of women board members on the Fortune 500 boards has risen from 9.6% in 1995 to 13.6% in 2003 (Catalyst, 2007). In the United Kingdom (UK), the number of women on FTSE 100 boards has gone from 5.8% in 2000 to 9.7% in 2004 and risen to 11% in 2007. Female representation on boards varies significantly between countries. In countries such as Luxembourg, Italy, and Portugal, women representation on the board is still low at 6.2%, 5% and 3.5%, respectively, while some countries saw high percentage of women in the boardroom such as Sweden 28.7%, Finland 28.8%, and Norway 31.9% (Egon Zehnder International, 2010).

In developing countries, statistics of women representation in boards of directors are scanty and, the number of female representation on the board is still low compared to developed countries. Barako and Brown (2008) found that 75% of Kenyan banks have no women on their boards. On the other hand, however, Scandinavian countries lead the countries in terms of women representation on the boardroom. Randøy et al. (2006) found that female representation made up 14.5% of the board members of 500 largest companies in Denmark, Norway, and Sweden in 2005. The highest number of women directors found in Norway was approximately 20%. Thomsen et al. (2009) reported that Norway has the most diverse boards in terms of gender diversity among Scandinavian countries, where female board members range from 6.5% in Denmark to 10.6% in Finland, 14.4% in Sweden and 34.2% in Norway. Gender diversity data for European boards in 2010 found that every board has at least one woman director in Finland, Norway, and Sweden which means 100% of the boards in these countries have at least one female member. The reason for this high representation of women on the boards in Scandinavian companies (specifically Norway) is due to their legal requirements that aim to increase the presence of female directors. For example, Norway has adopted a gender quota policy. The law was passed in 2006 and requires all listed companies to have at least 40% of women directors on the board seats. In 2010, Spain followed Norway by enacting similar legislation, which requires companies to appoint women to their corporate boards to achieve 40% by 2015. Sweden has also implemented legislation with a target of 25% female representation. Other countries have plans to adopt gender quotas. France for example, plans to pass legislation that aims to increase female representation on boards to 40% by 2016 (Egon Zehnder International, 2010). Despite the pressure to appoint more women to the board, the number of female directors on the board remains low, except in some Scandinavian countries, such as Norway and Sweden.

The questions that could arise here is: Why is having more women on corporate boards important? Does it matter? And Does having more women on the board have an impact on CSR? Previous literature discussed the reasons why women should be on the boards. Burgess and Tharenou (2002) listed the following reasons for having women on the board: ensuring better board room behaviour, improving company image with stakeholder groups, increased diversity of opinions in the boardroom, influence on the decision making and leadership styles of the organisation, providing female role models and mentors, recognizing women's capabilities and availability for director positions, bringing strategic input to the board, and insufficient competent male directors. Huse and Solberg, (2006) found five ways on how women can contribute to corporate boards, namely being visible, taking leadership roles, attending important decision-making arenas, preparation and involvement in the board meetings, and creating alliances.

One of the main reasons for the appointment of women to the board is because women can enhance decision-making. Carter et al. (2003) argued that women directors improve decision-making because women directors produce more effective problem solving. In addition, female directors enhance board discussions by bringing diverse perspectives, experiences and working style to the board (Daily and Dalton, 2003). Women directors may be more participative in decision-making. Huse and Solberg (2006) pointed out that decision-making by women directors takes place not only within the boardroom but before meetings, during meetings, outside the boardroom and after meetings. Adams and Ferreira (2009) suggested that a higher proportion of women directors on the board increases the frequency of board meetings. In addition, women directors have good attendance rates at meetings (Huse and Solberg, 2006). Beside participation in decision-making, women tend to be more democratic in decision-making processes. This is because women are able to ask questions more freely (Bear et al., 2010) consequently improving the innovation and creativity which in turn enhances the quality of the decision-making process of the board (Walt and Ingley, 2003).

Women directors have an effect on the role of the board to monitor management. Hillman et al. (2000) believes that boards need the right skills, knowledge, experience, and expertise for effective monitoring. Bear et al. (2010) stated that women on boards are more likely than men to provide such skills and experience because women are more educated and have a more expert background as compared to men (Hillman et al., 2002). They found that women are twice as likely to hold a doctorate degree than men. Women directors are also more likely to possess a variety of backgrounds such as marketing, human resources and finance (Jamali et al., 2007).

According to Wang and Coffey (1992), women directors have legal, education, or non-profit backgrounds compared to male directors. They therefore tend to be less business-oriented and more sensitive to CSR issues and the welfare of diverse stakeholders.

Increased gender diversity leads to better board diversity. Normally, CEOs try to choose directors who have similar demographic characteristics to them to ensure their support (Bear et al., 2010). Therefore, there is a need for different demographic characteristics in the board. In heterogeneous boards, CEOs may be less able to manipulate reports (Randøy et al., 2006). Further, heterogeneous groups provide a variety of ideas and perspectives that ensure different demographic characteristics from the CEOs (Erhardt et al., 2003). This leads to higher quality decision-making (Post et al., 2011). Consequently, appointing more females to the board increases heterogeneous boards (Bear et al., 2010), because female directors enhance the independence of the board from the management (Walt and Ingley, 2003; Brammer et al., 2009). Agency theory suggests that board diversity leads to better monitoring of managers. Therefore, women directors improve the monitoring function of the board, which in turn improves CSR.

Previous studies suggest that the presence of women directors on the board increases the level of charitable giving (Coffey and Wang, 1998; Wang and Coffey, 1992; Williams, 2003). Williams (2003) examined the relationship between the percentage of women directors and the corporate charitable giving activities by utilizing a sample of 185 Fortune 500 firms between 1991 and 1994. The results indicated that the percentage of women directors increases corporate charitable giving especially in the areas of community service and arts. He argued that women directors used charitable giving as power and means by which to make their presence known on the board. Similarly, Wang and Coffey (1992) employed the agency theory to examine the relationship between corporate composition and corporate philanthropy. Using a small sample of 78 Fortune 500 firms in 1984, they found a positive association between the proportion of women board members and corporate philanthropy. As such, charitable giving and corporate philanthropy enhances a firm's reputation (Miller and Triana, 2009).

Researchers have noted that the increase in the number of women directors on boards has enhanced a firm's image and reputation (Bernardi et al., 2006; Brammer et al., 2009; Miller and Triana, 2009; Bear et al., 2010). Diverse boards that include women directors can enhance a firm's reputation in many ways. Miller and Triana (2009) believe that women and minority directors act as a signal to the public which influence investors, employees, and other stakeholders. They suggested three ways in which women directors can enhance a firm's reputation. Firstly, having more females on the board shows that a company better understands the business environment, and is better able to meet the needs of a diverse market. Secondly, women serve as a signal to the public of representation, and support for minorities and women. Thirdly, women directors enhance a firm's reputation through corporate philanthropy and charitable giving as a signal to stakeholders.

However, some studies found direct effects of women directors on corporate reputation. Brammer et al. (2009), who analysed the relationship between women representation on corporate boards of directors and corporate reputation in UK companies, found that the presence of women directors enhances a firm's reputation. On the other hand, some found indirect effects, such as Bear et al. (2010), who found that women directors improve corporate reputation through CSR, which means that CSR mediated the relationship between the number of women on the board and corporate reputation.

Other arguments support the impact of gender diversity on CSR. Women directors are more concerned about the needs of a wide range of stakeholders (Bernardi and Threadgill, 2010; Brammer et al., 2009; Zhang et al., 2012). Women directors care more about women and minorities. For example, companies with higher women directors appoint more women to senior management positions. In addition, they prefer to attract and retain valuable female employees (Brammer et al., 2009). The consideration of the needs of others and enhancing stakeholder salience make women directors more sensitive towards CSR and environmental politics. Zhang et al. (2012) suggested that women directors have psychological characteristics that are acceptable or preferable to various stakeholders such as those who are concerned about the welfare of others, helpful, kind, interpersonally sensitive, nurturing, and sympathetic. Post et al. (2011) added that women directors focus on maintaining relationships and have a sense of responsibility so as not to hurt others. Women are more sensitive towards ethical issues and this has an effect on ethical decision-making (Bernardi et al., 2006), increases board legitimacy (Hillman et al., 2002), and strengthens corporate governance (Zhang et al., 2012; Bernardi and Threadgill, 2010). Adams and Ferreira (2009) used more non-financial performance measures such as innovation and social responsibility to evaluate the companies (Wang and Coffey, 1992; Williams, 2003; Brammer et al., 2009; Miller and Triana, 2009)

On the contrary, arguments have been presented opposing the idea of increasing female representation. Female directors tend to hold less powerful positions (such as chairpersons, chair of a committee, CEO) compared to male directors. This limits the influence of women (Miller and Triana, 2009). For example, Khan et al. (2010) argued that only a small number of women hold executive positions in Bangladeshi firms thus making the role of women directors restricted and further limits the influence of women directors in improving and contributing towards CSR.

Different view relate to heterogeneous boards presented by Erhardt et al. (2003) who argued that decision-making in a heterogeneous board can be more time-consuming because more opinions and critical questions are brought up in heterogeneous boards. Alvarez et al. (2010) argued that in heterogeneous boards, the decision-making process becomes slow and generates discrepancies among board members because of the different leadership styles between women and men.

Several empirical studies investigated the association between gender diversity and CSR with the majority of studies concluding a positive relationship (Wang and Coffey, 1992; Williams, 2003; Webb, 2004; Schnake et al., 2006; Bernardi and Threadgill, 2010; Bear et al., 2010; Barako and Brown, 2008; Post et al., 2011; Feijoo et al., 2012; Zhang et al., 2012), while only one study found no significant relationship between gender diversity and CSR (Khan, 2010).

Bernardi and Threadgill (2010) tested the association between gender diversity and CSR of annual reports of 143 companies that were included in the Fortune 500 over a three-year period. They measured gender diversity by the percentage of women directors to the total number of directors for each company. They also implemented three indicators to determine the number of women on the board: pictures of boards of directors, statements which usually indicate gender (i.e. he, she, Ms, Mr, etc.) and data on the individual (i.e. press statements or articles indicating gender). The finding showed a positive association between the number of women directors and CSR, and was strong in three areas, namely charitable giving, employees, and community involvement. The relationship between women directors and CSR was also developed by Feijoo et al. (2012) who investigated the effect of gender diversity (measured at least three women in the board of directors) on the CSR of 250 global companies chosen from 22 countries in 2008. They concluded that boards with at least three women are determinant of the quality of CSR reporting. In addition, they found that women directors in boards moderate the effect of cultural characteristics on CSR reporting.

In Kenya, Barako and Brown (2008) carried out a study of 40 Kenyan banks. The women representation on the board was measured based on the ratio of the number of women directors to the total number of directors on the board. The result indicated that 75% of Kenyan banks have no women on their boards, and there were only two banks that had at least three women on their board. They found that the higher the number of women directors on the board, the higher the level of CSR.

The percentage of women directors was low in Kenyan banks compared to firms in developed countries. This is because some developed countries have legal requirements like Norway that adopt gender quotas as mentioned above. In addition, there are social pressures and a culture on companies to support women as part of the workforce in developed countries. Bear at al. (2010) found that women held 15.2% of board seats in Fortune 500 companies and 90% of Fortune 500 companies had at least one woman on the board. Zhang et al. (2012) conducted a research to examine the impact of women directors on CSR performance in 500 of the largest companies listed in the USA. The results suggest that women directors have significant positive associations with CSR performance.

Along the same lines, Schnake et al. (2006) investigated the relationship between the number of women on the board and social performance on 10,000 reports collected from U.S. Securities and Exchange Commission for the 1998 to 2002 period. They found that a higher number of women on boards led to higher social performance. The association between gender diversity and environmental reporting was also tested. Post et al. (2011) tested the influence of gender diversity on the Environmental Corporate Social Responsibility (ECSR) with samples from 78 firms of Fortune 1000 companies in 2006. They found that the presence of three or more women directors on a board is positively related with higher environmental reporting. They suggested that women directors are more concerned than men about environmental issues. A different result was found by Khan (2010) who found no significant relationship between female representation on the board and CSR reporting in Bangladeshi banks. He explained this result stating that appointing women on the board is a new phenomenon in Bangladesh. According to him, in Bangladesh, the role of women on the board is restricted and as such, the role of women directors in contributing to CSR would be limited. Recently, Handajani et al. (2014) examined the impact of board diversity characteristics on CSR disclosure of 152 companies listed on the Indonesia Stock Exchange during the 2010-2012 period. The result indicated that the number of female members on the board was relatively low, with an average of 0.411. The results showed a significant negative relationship between the proportions of female members on the board and the level of CSR disclosure. They stated that in Indonesia, companies are mainly controlled by the family and thus, selecting the female directors is based on the family ties rather than for their skills and experience. Beside this, the low number of female directors in Indonesian companies makes them unable to encourage and improve companies to engage in CSR actives.

The issue of the representation of women on the board of directors is an important topic in Arab and Muslim countries. Islam calls for equality among people which includes equal rights among male and female (Nesamalar and Panjalingam, 2011). It is the right of women to have equal opportunities to be appointed as a member on the board of directors. However, the current representation of women on boards is not encouraging. For example, Malaysia (30.8%) and Indonesia (26.7%) had at least one female director in 2009. The aggregate percentage of women directors shown by these statistics were Malaysia (4.8%), Indonesia (3.7%) and Morocco (0%) (Governance Metrics International, 2011). These results may be because gender equality in Islam is often misunderstood and unclear to non-Muslims as well as some Muslims who believe that Islam discriminates against women (Williams and Zinkin, 2005). Azmi et al. (2011) reported that Malaysian women agreed that Islam does not prevent them to be managers in companies. Therefore, the reason may be due to cultural bias and not to Islamic teachings. For example, in Arab countries, gender equality is not supported in employment especially at the management level because in Arab culture men do not prefer women to work and interact with other men (Salma and Lamki, 1999), preferring instead that they work in teaching or nursing. They stated that women in the Arab world face difficulty in being appointed in senior positions without strong family connections.

The previous studies examining gender diversity in Muslim countries have focused on the Malaysian context (Marimuthu and Kolandaisamy, 2009; Johl and Kaur, 2012; Abdulllah et al., 2012; Zainal et al., 2013). These studies examined the gender diversity on corporate board and its impact on the financial performance. There have been mixed results. Johl and Kaur (2012) found a positive relationship between women participation on the board and firm performance, whereas Marimuthu and Kolandaisamy (2009) found no effect on firm financial performance. Abdulllah et al. (2012) found a negative impact on market performance, while Zainal et al. (2013) found that the presence of women directors in Malaysia is greater in companies with a greater number of Malay and family directors. However, to the best of my knowledge, Malaysia is the only Muslim country to have adopted a policy that requires listed companies to have at least 30% women in boardrooms by 2016 (Abdullah, 2013).

2.4.2.2. Nationality of Directors

The issue of nationality of directors has received much attention in recent years. This may be as a result of foreign directors having a bigger presence in multinational companies. However, as the globalisation of business increases, the number of foreign directors is expected to increase as well. Data from the study of the world's largest transnational corporations by Staples (2007) reported that 35.8% of the companies had at least one foreigner on the board in 1993 and this number had increased to 75% in 2005. In European studies, Veen and Elbertsen (2008) studied the level of nationality diversity of a corporate board in Germany, Netherlands, and the UK. They reported that Netherlands had the highest percentage of foreign directors with 44.3%, UK with 36% while Germany had the lowest percentage of foreign directors with only 13%. They argued that the differences in nationality and diversity between countries resulted in differences in a nation's governance regime.

In globalization of business, the board of directors for large foreign shareholders are probably outsiders (foreigners). Oxelheim and Randøy (2003) listed three different situations where firms have outsider directors on the board. Firstly, foreign directors who represented a foreign shareholder that owned a large stake in the firm. Secondly, foreign board members who represented shareholders with long-lasting interest in the firm, such as a subsidiary or a foreign direct investment. Thirdly, members who may be chosen by the company as independent directors to bring new resources to the firm and to improve board monitoring.

Several reasons have been given to interpret the appointment of foreign directors on the board. Firstly, the appointment of foreign directors improves the quality of the decision-making in the board. Ruigrok et al. (2007) argued that foreign directors bring diverse opinions and perspectives such as language, religion, life experiences, culture, behaviour, and norms of the country or region, which in turn enhances the decision-making. Ayuso and Argandona (2007) suggested that the knowledge brought by foreign directors helps improve the decisions of a firm's strategy such as supporting CSR reporting strategies. Further, foreign directors provide knowledge and information about other nations' regulatory regimes, such as corporate governance systems and CSR programmes. As such, these regulations and legitimacies could be useful to the board and may encourage the board to comply with the same regulations (Ruigrok et al., (2007).

Secondly, some suggest that most foreign directors are usually outsiders (Masulis et al., 2010). Resource dependence theory suggests that appointing more outside board members provides more resources, information, and legitimacy to the board. Webb (2004) argued that outsider directors enhance the monitoring function because outsider directors present a higher degree of board diversity (Ruigrok et al. (2007). Moreover, outsid directors are more likely to make charitable contributions and tend to be more sensitive to society's needs compared to insider directors since they have a wider social network and links with various stakeholders (Ayuso and Argandoña, 2007). Therefore, foreign directors tend to disclose more CSR, because they care about their reputation. Similarly, they also tend to be more independent.

Agency theory suggests that board diversity leads to increased board independence therefore, appointing more foreign directors increases board independence.Thus, more board monitoring leads to improved quality of disclosure, because the board will be more responsive to stakeholders thereby improving the company"s compliance with disclosure requirements (Chen and Jaggi, 2000). Ruigrok et al. (2007) investigated the nationality and gender diversity on directors' level of independence in the Swiss corporate boards. They found that foreign directors are more independent, because they are less likely to be affiliated to the firm and its management. Evidence from the case of the UK, Estelyiova, and Nisar, (2012) found that 76% of foreign directors are classified as independent in the sampled UK companies.

Despite the advantages of appointing foreign board members, there are barriers to such an appointment. For example, foreign directors can be less effective. Masulis et al. (2010) explained that foreign directors can be less effective because they are less able to access the current information about companies. As such, they are less informed about the current performance and operations. Secondly, foreign directors may be less informed about domestic affairs, accounting rules, laws and regulations, and governance standards. Thirdly, foreign directors are less likely to attend board meetings, due to the geographic distance from corporate headquarters, which this affects the quality of decision-making.

Several studies have made attempts to link foreign board members with different aspects within the firm, such as firm performance (Darmadi, 2011; Oxelheim and Randøy; 2003; Randøy et al., 2006; Masulis et al., 2010) and corporate governance (Veen and Elbertsen, 2008), while the effect of nationality of directors on CSR was empirically examined by Ayuso and Argandona (2007), Barako and Brown (2008), and Khan (2010). In a study on Kenyan banks, Barako and Brown (2008) found no association between foreign directors on the board and CSR reporting in Kenyan banks. Recent studies by Khan (2010) found a positive relationship between foreign directors and the level of voluntary CSR reporting in Bangladeshi banks. They argued that foreign representation has become an important element of corporate governance structure in Bangladesh's banking sector.

Previous studies measured foreign board members as a proportion of foreigners on the board. For instance, Barako and Brown (2008) measured non-Kenyans, and Khan (2010) measured non-Bangladeshis. Both studies used the findings of Haniffa and

Cooke (2005) as support. The study of Haniffa and Cooke (2005) examined the proportion of Malay directors on the board (as proxy of ethnicity and culture) on CSR in Malaysian companies. Therefore, there should be a distinction between the study of ethnicity and nationality of the board members. This current study avoided the use of ethnicity as an independent variable because Jordan is not a multiracial country like Malaysia, thus, one can expect a limited number of ethnic directors (non-Arab). This study will examine the nationality of directors (non-Jordanian) because it is expected that the representation of foreign directors will be high due to the fact that percentage of non-Jordanian ownership was 49% in 2009.

2.4.2.3 Independent Directors

A major corporate governance mechanism is board independence. Board members are generally classified as insider and outsider members. Some use the term executive (insider) and non-executive (outsider) directors. Another term often used is "independent directors." Sahin et al. (2011) defined independent directors as directors who do not have "any present direct business relationship with the corporation on whose board they serve." However, the most commonly used indicator for board independence is the ratio of executive and non-executive directors.

Several studies have found a positive relationship between board independence and CSR (Webb, 2004; Carter and Vos, 2005; Clemente and Labat 2009; Khan, 2010; Jo and Harjoto, 2011; Rouf, 2011; Sahin et al., 2011; Htay et al., 2012; Khan et al., 2012; Ienciu 2012; Ali and Atan, 2013; Mohamed and Faouzi, 2014). Agency theory suggests that outsider directors help minimise the monitoring costs which in turn controls the agency problem. According to this theory, a higher proportion of independent directors will improve the voluntary disclosure because independent directors reduce the cost of voluntary information, as they are independent of the day-to-day business operations of the firm (Rouf, 2011). However, Fama and Jensen (1983) argued that the role of independent directors on the board is to be effective at monitoring and controlling firm activities. Webb (2004) stated that independent directors are more effective than non-independent directors, because independent directors are better able to do their duties on behalf of the shareholders, and are less likely to be manipulated by the CEO. Rusbarsky and Wong (1989) cited Chau and Gray (2002) and suggested that "the presence of outside directors on the board should increase the quality of monitoring because they are not affiliated with the company as officers or employees, and are thus independent representatives of the shareholders' interests."

More effective monitoring of boards means the board tends to disclose more information. Fama and Jensen (1983) argued that independent directors are motivated to increase the disclosure to outside investors to enhance the firm's image. Matolcsy and Chow (2007) suggested that independent directors provide more voluntary disclosures to reduce the information asymmetry between shareholders and managers, reduce litigation risk, and protect their reputation. In addition, a higher proportion of outsider directors on corporate boards also enhances the comprehensiveness and quality of disclosures (Lim et al., 2008), which improves corporate social responsibility (Carter and Vos, 2005; Jo and Harjoto, 2011; Rouf , 2011; Sahin et al, 2011; Khan et al , 2012).

Carter and Vos (2005) examined the relationship between the number of independent directors on the board and the levels of CSR (measured by the amount of Triple Bottom Line reporting TBL) in annual reports of New Zealand firms listed on the New Zealand Stock Exchange over the years 2000 to 2003. They found a positive relationship between the percentage of independent directors on the board and the amount of CSR reporting. Similarly, Clemente and Labat (2009) used a sample of 62 companies listed in the Madrid Stock Exchange in 2005 to address the quantity of voluntary disclosure including CSR disclosure. The results indicated that higher proportions of independent directors increases voluntary information disclosure. This is consistent with the study of Sahin et al. (2011) who found that the proportion of independent directors leads to better corporate social performance in Turkish firms. Khan et al. (2012) suggested that independent directors put pressure on companies to engage in CSR. They found a positive association between the proportion of independent directors and corporate social responsibility disclosure in Bangladeshi companies from 2005-2009. The same results were obtained by Rouf (2011) and Khan (2010) who reported that CSR disclosures were significantly correlated with board independence in the annual reports of Bangladeshi companies. Rashid and Lodh (2008) argued that independent directors have moral pressure to respect the good governance principles in Bangladesh. Therefore, it is assumed that there is pressure on companies to disclose CSR to ensure that organisational procedures are in congruence with organisational legitimacy and community values. However, independent directors were found to have an impact on environment disclosure, Mohamed and Faouzi (2014) used a small sample of 23 companies listed on the Tunis Stock Exchange from 2003 to 2011 to examine the effect of corporate governance on the extent of voluntary environmental disclosure. They found a significant and positive relationship between independent directors and the level of voluntary environmental disclosure.

Independent directors also influence board decisions to disclose social and environmental information. Jo and Harjoto (2011) found that the percentage of independent directors has a positive effect on a firm's decision to engage in CSR. Resource dependence theory suggests that independent directors will provide the firm with links to the external environment. Arora and Dharwadkar (2011) believe that independent directors are important because they pay greater attention to link the firm to its external environment and legitimacy. Carter and Vos (2005) reported that independent directors are more likely to represent the stakeholder groups thereby having more influence on CSR reporting (Haniffa and Cooke, 2005). Ibrahim and Angelidis, (1995) studied the differences between insider and outsider board members' attitudes towards CSR and found that outsider board members were less economical and more sensitive to philanthropic activities than insider board members , since they have a wider social network and links with various stakeholders.

Alternatively, there are competing arguments for inside (executive) directors to CSR reporting. Ayuso and Argandona (2007) suggested that insider directors are likely to have more and better information. Kruger (2009) argued that insider directors provide the firm with specific information in order to improve corporate governance and the board's decisions. Haniffa and Cooke (2005) argued that executive directors used CSR as a legitimation strategy in order to satisfy the various stakeholders. Kruger (2009) supported the view that insider directors disclose social information in order to build strong relationships with stakeholders and communities to protect their reputation and to mitigate litigation risks. Some previous empirical studies support this assumption. Studies conducted by Buniamin et al. (2008) examined the level of environmental reporting among Malaysian companies and found no significant relationships between the board independence and the level of environmental reporting. This study was supported by the study of Said et al. (2009) who found no association between independent directors and CSR in Malaysian companies. Similarly, Homayoun and Rahman (2010) examined the relationship between a number of corporate governance mechanisms and the extent of internet corporate disclosure (including CSR disclosure) for the top 100 companies listed on Bursa Malaysia in 2009. They did not find any significant relationship between independent directors and the extent of disclosure. Likewise, Haniffa and Cooke, (2005) found a significant relationship between corporate social disclosure and executive (non-independent) directors in Malaysian companies. Recently, Abdul Razak and Mustapha (2013) investigated the influence of different governance characteristics, including the independent directors on the level of CSR disclosure. Using a sample of 200 companies listed on the main board of Bursa Malaysia in 2010, they found no significant association between independent directors and the extent of CSR disclosure. The reasons for these results were explained by Buniamin et al. (2008) who believed that independent directors in Malaysia were not effective in monitoring, because they believe that independent directors were in fact not independent as suggested by the MIA (2004). Independence may be divided into independence of mind and independence of appearance. This may have caused them to fall into scepticism, integrity, and objectivity. Haniffa and Cooke, (2005) argued that non-executive directors lack experience and knowledge, which confirm the previous result found in Malaysia (Buniamin et al., 2008; Homayoun and Rahman, 2010; Abdul Razak and Mustapha, 2013).

In most countries, the presence of independent directors on the board becomes a regulatory requirement provided by law or by corporate governance codes. For example in developed countries such as the US, UK, Australia and New Zealand, all listed companies are required to have a majority of independent directors on the board while the regulation is different among countries. Some require at least one third of the board to be independent directors, such as Thailand, Malaysia, China, and India. Others require at least two independent directors, such as Philippines and Singapore (Asian Corporate Governance Association ACGA, 2010).

In the case of Jordan, the corporate governance code for companies listed on the ASE requires at least one third of the board members to comprise of independent directors. In this study, the focus on the independent directors as defined by CG code. Therefore, it is important to distinguish between independent and non-executive directors where, non-executive directors are defined by CG code as "A member who is not employed by, and who does not receive a salary from the company". Therefore, non-executive directors may contain independent directors and those who are not independent. Thus, it is important to avoid it as indicator for board independence.

2.4.2.4. Age Diversity

Age diversity has become an important issue in board diversity. Age diversity was defined by Li et al. (2011) as the extent to which a group or an organisation is heterogeneous with respect to age among its members. Sonnenfeld (2002) argued that age can be seen as an asset to the board and considered as part of human capital because age can reflect maturity, experience and risk-taking manner (Darmadi, 2011).

The global workforce is a mature workforce. For example, in the UK, 30% of the working-age population is over 50 years of age. In China, 11.34% of the workforce is over 65-years as of 2010 compared to 3.08% in 2000 (Li et al., 2011). In the corporate world, most members of the board are traditionally dominated by old members (Gilpatrick, 2000) and the representation of young directors on boards remains very limited. For example, the data from the study of Post et al. (2011) showed that the average age of the sample was 61-years in the U.S. as of 2006. It has become clear that there is an increase of old directors on the board. Therefore, there is a need for more age diversity because different age groups bring different perspectives to the board. Kang et al. (2007) stated that older directors provide economic resources, experience and wisdom while the middle aged directors hold major positions of active responsibilities in corporations and in society whereas the younger directors have the energy and drive to succeed .

The relationship between age diversity and CSR is explained by resource dependence theory which suggests that a diversity of directors' age on the board will bring different perspectives, skills and insights, which enhance firms' creativity and problem-solving capabilities thus leading to enhanced board performance and decision-making (Ness et al., 2010). According to the European Commission Initiative to encourage and recommend increased board diversity in the board, "Resulting from the experiences and knowledge that different age groups bring to the board, increasing levels of age diversity may improve the overall level of knowledge on the board." (European Commission, 2010:11).

Some studies provide evidence that younger directors are positively associated with higher CSR. Ness et al. (2010) argued that younger board members are more innovative and possess better ability to process new ideas (Darmadi, 2011). Older board members provide experience, wisdom, and economic resources, but they are more complacent and less likely to initiate change. Moreover, older board members are less likely to do their duties as directors (Webb, 2004). Therefore, they will be less connected to current stakeholders. Younger board members however, may increase human capital because directors with different ages may bring different perspectives and ideas to the firm. Moreover, they are positively related to strategic change and are more willing to participate in the monitoring process (Darmadi, 2011). Younger board members will therefore improve the organisation's philanthropy. Klineberg et al. (1998) found that younger Americans are more concerned than older Americans about environmental issues. This is supported by the study of Post et al. (2011) who found that young directors may give more attention to CSR governance issues.

There are a limited number of studies that investigate the relationship between the age of directors and CSR. Post et al. (2011) examined the relationship between the board's demographic composition (including age) and environmental corporate social responsibility using a sample of 78 companies chosen from electronic manufacturing firms in the USA in 2006. The data of directors' age were collected from annual reports and companies' websites. The total number of directors was 374. The directors in the sample were on average 61 years old. The youngest director was 38 years old and the oldest was 89 years old. They found that social and environmental disclosure was higher with boards containing younger directors. These results are consistent with the study by Webb (2004) who investigated the structure of the board of directors at socially responsible (SR) firms and examined the differences between SR firms and non-socially responsible firms. The sample consisted of 394 SR firms in the Domini Social Index (as of November 2001). They were broken up into four age group (less than 51 years old, between 51 and 57, between 57 and 61, and over 61 years old). The result showed that SR companies have more young directors than non-socially SR firms.

In the case of Indonesia, Handajani et al. (2014) examined the impact of board diversity characteristics on CSR disclosure of 152 companies listed on the Indonesia Stock Exchange during the period of 2010-2012. They found that board age (measured by the proportion of older directors to the total number of board member) has a significant positive effect on CSR disclosure. They believed that old board members in Indonesian companies are more able to meet the interest of diverse stakeholders and tend to build a strong relationship with the community and environment.

2.5 ISLAMIC CSR

2.5.1 Introduction to Islamic CSR

Islam is not only a religion but also a guide for all aspects of life. These activities are largely guided by Islamic law which by nature enjoys a degree of flexibility and contextualisation which developed over time and varies somewhat from place to place, unlike the fundamentals of Islam such as *ibadah* (worship), *akhlaq* (morality and ethics) and *aqidah* (belief and faith), which are not subject to change (Dusuki, 2008).

Social responsibility has been a part of Islamic practice since the time of the holy Prophet Muhammad (PBUH) 14 centuries ago. It is deeply rooted in the Qur'an (the divine book of Islam) and Hadith (the sayings and deeds of the holy Prophet Muhammad). Mohammad (2007) stated that Islamic CSR is based on four main principles. First, the unity (*Tawhid*) of Allah is the foundation of Islam, and all Islamic ethics and principles comes from this concept of unity (Naqvi, 1981). It is the fundamental belief that 'there is no God but Allah and none is worth worshiping except him'. This concept means that Allah is the owner and creator of all things. People are thus vicegerents (*Khalifah*) of Allah on the earth and thus trustees of Allah's resources (Mohammad, 2007). Second, free will (*Ikhtiyar*) means that individuals have the freedom to choose whether to be good or bad, moral or immoral. This freedom should be managed according to the moral code set forth in the *shari'ah*. Therefore, Muslims are expected to fulfil all obligations and contribute to the needs of their communities. The third principle is responsibility (*Fardh*), meaning that individuals as well as corporations are accountable and responsible for their own actions. Finally, equilibrium (*Al'adl*) is a balance among all of the various aspects of life that allows for the best social order and social harmony (Yusuf and Bahari, 2011). A fifth principle has been posited by Dusuki (2008), who asserted that CSR is based on the principles of *taqwa* (piety) and *khalifah* (vicegerency). According to Farook (2007), the principle of vicegerency means that human beings are the representatives of Allah on the earth. They are supposed to cultivate it and develop its bounty. Thus, human beings are trustees of Allah's resources, and they are obliged to use those resources responsibly and in accordance with *shari'ah*. People and companies are required to pursue social responsibility and justice in order to maintain an equilibrium within society (Mohammad, 2007). *Taqwa* (piety) means God-consciousness or awareness of God (Hasan, 2012). Taqwa refers to other important principles of Islam such as free will, trust, responsibility, equality and rights, and human dignity (Hasan, 2012). One way to achieve *taqwa* is by implementing CSR, because taqwa shows people that their role in life is to manage and develop the earth in accordance with *shari'ah* and the values of truthfulness, fairness and kindness that result from their strong relationships with Allah. This should be reflected in business activities and relations with stakeholders (Siwar and Hossain, 2009).

In Islam, businesses are concerned with fulfilling religious obligations. They not only aim to achieve material goals but also, more importantly, strive toward non-material goals such as meeting social needs (Muazir et al., 2006). Therefore, the concept of CSR in Islam has some differences from the Western concept of CSR (Mohammed, 2007; Dusuki, 2008; Yusuf and Bahari, 2011) because the principles of Islamic CSR are based on *shari'ah*. While CSR in the West is based on the culture and beliefs of Western society (Yusuf and Bahari, 2011), Islam requires companies to engage in

CSR for the pleasure of Allah (Zahid and Hassan, 2012). Western companies do not concern themselves with religion or the pleasure of God. Zahid (2009) argued that the Western concept of CSR does not suit Islam's conception of the term because Western businesses do not concern themselves about whether their businesses and products are lawful (*halal*) or not. In addition, Western companies use CSR to enhance their corporate image, but in Islam, this is not acceptable because all CSR activities should be for the pleasure of Allah.

Islamic business values such as human well-being, social justice, and balanced living are at the core of Islamic CSR (Chapra, 1992). Social justice is a critical factor in bettering society (Zubairuet al., 2011). This is clearly mentioned in the Qur'an, 'We sent our messengers with clear evidence (to support their truthfulness), and sent with them the book and the balance so that people would maintain justice' (Al-Quran. Al-Al-Hadid 57:25). Social justice improves through the adoption of the concept of brotherhood, which renders Muslims responsible for one another (Muazir et al., 2006). The Prophet Muhammad (PBUH) says that each "Muslim is a brother of another Muslim: He nether wrongs him, nor leaves him without help, nor humiliates him" (Hadith. Al-Bukhari and Muslim, #233). In general, Muslims have a responsibility to Allah, themselves, and society. Companies have responsibilities toward Allah, society, and the environment (Atan and Abdul Halim, 2012). Wahiba (2011) emphasizes that Islam organises corporate social responsibility toward stakeholders such as creditors, employees, consumers, the environment, and society.

First, corporate social responsibility toward employees. In Islam, employees are considered the greatest assets of a business (Hassan and Harahap, 2010). According to Islamic business ethics, the relationship between employer and employee is based on brotherhood. The Prophet Muhammad (PBUH) explained this principle: “Your employees are your brethren, over whom Allah has given you authority. So if one of you has his brother under his control, you should feed him with the like of what you eat and clothe him with the like of what you wear. You should not overburden him with what he cannot bear, and if you do so, help him in his job.” (Hadith. Sahih Muslim. #4093). Therefore, it is the responsibility of employers to care for their employees in terms of paying fair wages, offering equal opportunities in recruitment, not overworking them, and providing good working conditions (Dusuki, 2011). *Shari'ah* requires prompt payment of wages. The Prophet Muhammad (PBUH) said that “an employee shall be given his wages before his sweat dries” (Hadith. Ibn-Maja. #2434). *Shari'ah* is also concerned with fair wages, which was affirmed by the Prophet Muhammad “A worker/employee is entitled to at least get good food and clothing with a decent size and is not burdened with ability to work outside the limits” (Hadith: Malik, #980). This Hadith indicates that the minimum wage should enable employees to fulfil their families' essential needs (Yusuf and Bahari, 2011). Employers must not burden workers with heavy workloads that negatively affect their health unless the employees agree to it and receive proper wages (Dusuki, 2011). The Prophet Muhammad (PBUH) said, “Do not impose a burden on your brothers that will overpower them, and if you need to do so, help them out” (Hadith: Ibn Kather. # 2407). Islam emphasises equal opportunity in recruitment based on merit regardless of gender, race, religion, disability, or socioeconomic background. Allah says in the Qur'an, “The best for you to employ is one who is strong and trustworthy” (Al-Quran. Al-Qasas 28:26).

Second, corporate social responsibility toward the environment. Islam also considers caring for the environment as a part of social responsibility. Therefore, corporations should ensure environmental sustainability. This is because Muslims, as *Khalifah* (vicegerents) of Allah on earth, are accountable to Allah for the way they preserve and protect what He has entrusted to them (*amanah*) (Farook, 2007). A number of verses in the Qur'an and several Hadith indicate the importance of the environment and the responsibilities of human society toward it. Islam calls for environmental protection. The Qur'an says, "And when he turns away, he strives throughout the land to cause destruction therein and destroy crops and animals. And Allah does not like mischievous acts" (Al-Quran. Al-Baqarah 2:205). Allah also says, "Don't you do any mischief on the earth, as Allah dislikes those that make destruction on the earth" (Al-Quran. Al Qasas 28:77). Islam promotes the wise utilisation of natural resources, "Eat and drink, but waste not by excess; "He" loves not the excessive" (Al-Quran. Al-A'raf 7:31). Allah also says, "And do not cause corruption in the earth, when it has been set in order" (Qur'an: Al-A'raf 7:56). Islam encourages planting of trees, "If the Judgment Day comes when one of you is holding a seedling in his hand, if you are able to plant it before the day arrives, do so" (Hadith. Al-Bukari. #1997). Regarding the preservation of trees, plants and animals, the Prophet Muhammad (PBUH) advised troops not to chop down trees, destroy crops, or kill animals.

Third, social responsibility toward the consumer. In Islam, firms are responsible to provide consumers with *halal* (permitted) services and products. Thus, *haram* (prohibited) businesses such as those involved in alcoholic drinks, gambling, pork and pornography must be avoided because Islam only allows what it believes are good for consumption. Allah says, "O mankind! Eat of what is lawful and good on the earth" (Al-Quran. Al-Baqarah 2:168). The Prophet (PBUH) said, "Allah and his messenger made illegal the trade of alcoholic liquors, dead animals, pigs, and idols." Corporations must be trustworthy (*amanah*) in their buying and selling, and avoid fraud. The Prophet Muhammad (PBUH) said, "Whosoever deceives us is not one of us."

Fourth, social responsibility toward society.CSR plays an important role in Muslim society. Corporations and individuals are accountable to society. It is the responsibility of corporations to care for the needy and contribute to society in terms of education, health, social welfare, alleviating poverty, reducing inequality by giving to the needy (*zakat*) and funding philanthropic trusts (*waqf*), and give in alms and charity (*sadaqah*) and interest-free loans (*Qard al Hassan*). These will be discussed in detail below.

2.5.2 *Qard al Hassan*

Riba (usury) is forbidden in Islam, as Islam aims to establish social justice and remove exploitation from society. Islam therefore allows loans as a form of social service to help the needy through *Qard al Hassan* (benevolent loans). Chapra (1985) defined *Qard al Hassan* as 'a loan which is returned at the end of the agreed period without any interest or share in the profit or loss of the business'. The recipient is required to repay only the original amount of the loan without any interest or profit (Dusuki, 2012). Allah has encouraged Muslims to give *Qard al Hassan* many places within the Holy Qur'an, "He who will give Allah *Qard al Hasan*, which Allah will double into his credit and multiply many times" (Al-Quran. Al-Baqarah. 2:245). The

Prophet Mohammad (PBUH), "In the night of the journey, I saw on the gate of heaven written, 'reward for *sadaqah* is ten times and the reward for *Qard al Hasan* is eighteen times.' So, I asked the angel, how is it possible? The angel replied, 'Because the beggar who asked already had something, but a loanee did not ask for a loan unless he was in need."

Qard al Hassan is based on the principle of brotherhood, which aims to help fellow Muslims who need money. It offers many advantages to society. *Qard al Hassan* helps the needy and alleviates unemployment and poverty within society by creating new jobs, markets, and business ventures which serve to strengthen the national economy. Moreover, *Qard al Hassan* is used by the Islamic banking system as an instrument of income redistribution and source of loan for the needy, such as students who would otherwise be unable to get an education, low-income families that must purchase household items, and small businesses that need financing. In addition, banks provide *Qard al Hassan* to help clients that have cash-flow problems or have blocked savings accounts and are in urgent need for financing (Lewis and Algaud, 2001).

Qard al Hassan is widely practiced among Islamic banks and charitable organisations in Jordan. For example, the amount of *Qard al Hassan* provided by Islamic banks in 2008 reached JD 21.8 million and benefited approximately 19,000 citizens. Most of it went to help the needy, students, newly married couples, pilgrims, patients, and farmers (Jordan Islamic Bank, 2009).

2.5.3 *Waqf*

Waqf is one of Islam's most powerful charitable instruments for meeting social, religious, and economic needs (Abdul Karim, 2010). *Waqf* is an Arabic word derived from the word *Waqafa*, which means 'hold, confinement or prohibition'. It is also called *Habs* in North and West Africa. Khaf (1998) defined *waqf* as "holding certain property and preserving it for the confined benefit of certain philanthropy and prohibiting any use or disposition of it outside its specific objective." *Waqf* is different from *zakat* in that while *zakat* is compulsory for Muslims *waqf* is a voluntary act of charity that comes under the general terms of *sadaqah* and *infaq* (Ahmad, 2004) and is considered a form of continuous charity (*sadaqah jariah*)(Hassan and Shahid, 2010). Thus, people will continue to benefit from *waqf* even after the donor's death. The Prophet Muhammad (PBUH) said, "When a human being dies, his work for God comes to an end except for three: an ongoing *sadaqah*, knowledge that benefits others, and a good child who calls on God for His favour" (Hadeeth. Muslim. #1631).

Waqf is an Islamic economic tool that aims to establish socioeconomic welfare and alleviate poverty within society (Khaf, 1998; Sadeq, 2002; Ahmad, 2004; Bello, 2009; Khan, 2010a; Nurrachmi, 2012; and Budiman and Kusuma, 2011).It plays a significant role in this respect. Bello (2009) asserts that *waqf* alleviates poverty and enhances social welfare by providing the material infrastructure and revenue to enhance activities at family, social and governmental levels (Ahmad, 2004). In addition, *waqf* provides basic facilities to the poor and needy that the public sector is unable to provide, such as health, educational, and physical assistance which can enhance the capabilities of the poor (Nurrachmi, 2012). *Waqf* also contributes to economic development. Budiman and Kusuma (2011) pointed out that *waqf* does this by providing services to society at zero cost to the government. This reduces government expenditures and thus budget deficits and interest rates (Çizakça, 2000). Budiman and Kusuma (2011) also argued that *waqf* improves economic development because it can help decrease unemployment levels and create job opportunities. *Waqf* has wider benefits compared to other types of charity. For example, *waqf* benefits are not reserved for Muslims alone, but are permissible for people of every religion. The Oxford University, in the UK. was established on *waqf* land, yet most of the students who study there are not Muslims. Moreover, *waqf* can be used during periods of famine and other crises to help the poor and needy survive (Bello, 2009).

There are generally three types of *waqf* (Kahf, 1998). *Religious waqf* covers property for worship such as Masjid and property that provides revenue for maintenance and operational expenses. This kind of *waqf* helps to reduce the cost of providing religious services and satisfy the religious needs of the people (Khan, 2010a). *Philanthropic waqf* aims to support all activities related to the interests of everyone, especially the poor: education, health services, libraries, parks, roads, bridges, and public utilities. *Posterity or family waqf* allocates revenue to the owner's children and family first. If any surplus remains, it must be given to the poor. *Waqf* can also be classified into three types based on the asset involved. There are fixed assets such as real estate and land, movable assets such as goods and animals, equipment, trees or books, and then there is cash (Hassan and Shahid, 2010; Elasrag, 2012). Cash *waqf* refers to money that is collected from donors and investments. The income generated is distributed to the beneficiaries according to terms of the *waqf* deed (Nahar and Yaacob, 2011). Cash *waqf* takes two forms according to Ahmad (2004). The cash may be invested and the income distributed to the beneficiaries, or it can be freely loaned to the beneficiaries. Nurrachmi (2012) claimed that cash *waqf* can be used for financing, as in *Mudarabah* (capital trust) or *Musharakah* (Islamic partnership). Lahsasna (2010) pointed out that cash *waqf* plays a key role in economic growth by creating more business opportunities, employment, and projects. In addition, cash *waqf* improves the industrial and financial systems because it enhances the financial options for small- and medium-sized enterprises (SMEs). *Waqf* has a rich history. The first *waqf* in Islam was the masjed of Quba which was built after the Prophet Muhammad (PBUH) arrived in Madina. This was followed by the mosque of the Prophet in the centre of Madina. Another type of *waqf* initiated by the Prophet Muhammad was the philanthropic *waqf*. Seven orchards were left to the Prophet Muhammad by a man named Mukhairiq, who died in the War of Uhud. The Prophet took the orchards as *waqf* for the benefit of the poor.

Nowadays, all Muslim countries have established agencies to cater to the needs of *awqaf*. These tend to be either ministries or central administrative units such as the State Islamic Religions Council (SIRC) in Malaysia, the Kuwait Awqaf Foundation in Kuwait, the Public Corporation of Awqāf in the Sudan, and Tabung Wakaf Indonesia (TWI)in Indonesia. Most *awqaf* are mosques. Francesa (2008) reported that more than 8,000 educational institutions, 123,000 mosques and 8,317 *madrasahs* in Bangladesh are based on *waqf*. Abdul Karim (2010) noted that there are 99 *awqaf* in Singapore, including 200 properties and assets worth about S$300 million. Again, most of these (65%) were mosques, but 11% were *madrasahs* (religious schools). Eleven percent were designated for the poor 6% for charity and 6% 'other'. According to official sources, *awqaf* properties in Malaysia are mainly religious in nature, with a large number designated for cemeteries. About 926.6 acres (71%) of the total 1.307 acres of *waqf* land in the state of Johor are reserved for this. Another 246.8 acres (19%) are mosques, 90 acres (6.9%) are for *suraus* and only one acre is reserved for other purposes (Ahmed, 2004).

In Jordan, *waqf* has a significant role in achieving social and economic development (Al-Aqaileh, 2008). Since 1972, the Jordanian government has included a separate chapter for *waqf* in the country's development plans. The *waqf* administration in Jordan is under the Ministry of *Awqaf* and Islamic Affairs. It is governed by many laws such as the Civil Code No.43 of 1976 and the *Awaqaf* Law of 1966. Under these laws, *waqf* is classified into two types: *waqif khayri* (public or charitable *waqf*) supervised by the Ministry of Awqaf, and *waqf zurri* (*ahli* or family *waqf)* under the supervision of *shari'ah* courts. Most of the *waqf* in Jordan contributes to religious projects such as building mosques. Data from the Ministry of Awqaf and Islamic Affairs for 2003 show that 6,243 mosques, 4,591 plots of land, 1,719 other properties, 1,422cemeteries, 161 orchards, and 41 charitable projects were all based on *waqf*. However, all type of *waqf* will condider in this study.

2.5.4 *Zakat*

Zakat is the most prominent feature of an Islamic economic system (Atia, 2011) and the most important mechanism for achieving economic justice (Kahf, 1999). The word *zakat* in Arabic means increase, growth, cleanness and purity. It is defined as 'a compulsory levy imposed on the Muslims so as to take surplus money or wealth from the comparatively well-to-do members of the Muslim society and give it to the destitute and needy' (Zaim, 1989). *Zakat* is one of the five pillars of Islam, which also include faith (*shahadah*), prayer (*salah*), pilgrimage (*hajj*) and fasting (*saum*). *Zaka*t payments are compulsory (*fardh*), and Muslims who have extra wealth are required to pay. The main objective of *zakat* is to achieve socioeconomic justice and alleviate poverty in the Muslim society (Kahf, 1999; Dusuki, 2008; Bello, 2009; Hassan, 2010; Kusuma and Sukmana, 2010; Zubairu et al., 2011; Hassan et al., 2012). *Zakat* offers many benefits to society and has spiritually, socially, and economically influenced Muslim societies.

Spiritually, paying *zakat* helps to cleanse people from selfishness, avarice and miserliness, enhance *taqwallah* (God-consciousness) and cause sincerity of faith in Allah (Abdullah and Suhaib, 2011). Therefore, *zakat* purifies the hearts and minds of recipients, payers and all other people. Socially, *zakat* aims to achieve social justice by bridging the gap between the rich and the poor (Hossain, 2012). Abdullah and Suhaib (2011) explained the impact of *zakat* on society. They argued that *zakat* ensures peace and prosperity in society because crime rates and terrorism will decrease when social justice and equitable distributions of wealth are ensured. This leads to a reduction in the unemployment level. *Zakat* also provides a type of social security system (Bello, 2009) by ensuring that every individual receives a minimum means of livelihood in order to live decently. This establishes brotherhood among the people (Hossain, 2012) and achieves social stability (Dusuki, 2008). There is also a significant relationship between *zakat* and economic development (Kahf, 2004; Suhaib, 2009; Sarea, 2012; Sarif and Kamri, 2009). Sarea (2012) argued that *zakat* has positive effects on economic growth through reducing unemployment by employing resources to create new jobs, reducing poverty by investing and redistributing wealth and reducing inflation by affecting the methods of supply and demand for money. Sarif and Kamri (2009) suggested that one of the best ways to solve the problems of poverty and unemployment is to use *zakat* funds for income generation. They argued that *zakat* should help the poor and needy to become more economically independent. This view is supported by contemporary Muslim economists and jurists such as Monzer Kahf and al-Qaradawi, who believe *zakat* should be used for productive purposes. Therefore, *zakat* distribution should shift from a consumptive to a productive practice through programs that aim to help the poor generate their own income. Ahmad (2004) said such programs should provide physical capital such as sewing machines and taxis, skills development and training, and offer financial capital to start businesses.

There are various forms of *zakat*. The Qur'an and Hadith mention some assets which are subject to *zakat*, such as gold and silver, "And those who hoard up gold and silver, and spend them not in the way of Allah, announce to them a painful to torment" Al-Quran. Al Taubah. 9:34). The Prophet Muhammad (PBUH) added some items such as crops, camels, land, produce, sheep, cattle, and fruits to this list. The Qur'an also mentions the *zakat* of *amwal* (wealth or assets), "Take *sadaqah* (alms) from their wealth in order to purify them with it." Qaradawi (1999) explained that the word *amwal* has been generalized from gold and silver to include all things that people like to own and acquire such as agricultural products and livestock. According to Ahmad (2004), *zakat* items are now classified as apparent assets (*amwal zahirah*) and non-apparent assets (*amwal batinah*). The first refers to assets that can easily be observed, such as livestock and fruit. Non-apparent assets are not so easy to observe such as goods and cash for trading. Contemporary scholars have diverse opinions regarding it.

Ahmad (2004) and Kahf (1993) stated that new items and assets which should be subject to *zakat* include stocks and shares of companies, salaries and professional incomes, mineral resources, revenue generated from fixed assets, and rental income from real estate. *Shari'ah* identifies the conditions that make *zakat* compulsory, which are categorized with regard to *zakat* payers and *zakat* items (Khaf, 2004). There are two conditions for *zakat* payers. Payers should be mature Muslims of sound mind. With regard to *zakat* items, five conditions have been identified: full possession and legal ownership of the asset, real or assumed growth, fulfilment of the *Nisab* (minimum amount subject to zakat), fulfilment of one's basic needs, and the passage of one year.

Zakat is payable at a rate of 2.5% on *al-mal* (or 'alms on money') such as cash, gold, silver or goods for trade, 10% on agricultural products that are fed by rain, rivers or springs, which reduces to 5% in the case of crops irrigated by water extracted from wells using animals or artificial means. Such assets and wealth should fulfil the *Nisab*, the minimum amount of liable assets. This is equivalent to 87.48 grams of gold and 612.36 grams of silver. There are eight categories of *zakat* recipients as determined by the Qur'an, "The *Sadaqat* (prescribed alms) are only to be given to the poor, the needy, to those employed to collect them, to those whose hearts are to be won, in the cause of the slaves and those encumbered with debt, in the way of Allah and to a way farer .This is an obligation prescribed by Allah. Allah is all knowing, wise." (Al-Quran. Al Taubah. 9:60). Othman and Noor (2012) interpreted these eight categories as the poor (*Fakir*); meaning people who have less than they need with regard to income, the needy (*Miskin*); those who own nothing, Collectors of *zakat* (*Al-'Aamileen*); those who are appointed to collect and distribute *zakat*, which also pays their salaries, those whose hearts are to be won (*Al-Mu'allafatu-Al-Quloob*), including people who have recently embraced Islam and those who are expected to do so (*zakat* is handled by Muslim governments), the cause of freeing the slaves (*Ar-Riqaab*), debtors (*Gharimeen*) who are impoverished, the way of Allah (*fi Sabilillah*); referring to the cause of Allah, and wayfarers *(Ibn-us-sabil*); people who are outside their homeland, cannot access their wealth and need help reaching home. Atia (2011) argued that the way of Allah (*fi Sabilillah*) is the most open to interpretation and discussion because the meaning extends to all good actions covered by *shari'ah* such as *jihad*, pilgrimage to Mecca and the building of hospitals, roads, and bridges.

Muslim jurists agree that governments are responsible and accountable for collecting and distributing *zakat* (Ahmad, 2004). *Zakat* was first implemented by the government of the Prophet in the second year of *Hijrah* for which the Prophet (PBUH) appointed *zakat* workers to manage its collection and distribution (Qardawi, 1973). Today, six Muslim countries have compulsory government collection of *zakat*- Libya, Malaysia, Pakistan, Saudi Arabia, Sudan and Yemen. On the other hand, in many other countries such as Kuwait, Jordan, Iraq, Oman, Qatar, Bahrain, and Bangladesh, *zakat* is paid voluntarily and not required by law. These countries have established governmental departments and institutions for collection and distribution of *zakat*.

In Jordan, *zakat* is collected and distributed by the *zaka*t fund which is considered the oldest fund in the region. Payment to the *zakat* fund in Jordan is voluntary. However, *zakat* in Jordan is governed by law. The first *zakat* law was issued in 1944, followed by the *Zakat* Fund Act in 1978. *Zakat* contributes positively to Jordanian society and

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constitutes an important tool to alleviate poverty. For example, in 2010, there were 15,500 family beneficiaries from cash assistance to the needy, 32,670 orphans received salaries from the *Zakat* Fund, 60000 families beneficiaries from emergency cash assistance, 1700 families benefited from the rehabilitation assistance project, 12,000 benefitted persons from medical care programmes and support, 47,000 students were given financial assistance.

2.5.5 Islamic CSR Disclosure

From an Islamic perspective, disclosure is related to the concept of accountability (Hassan and Harahap, 2010) and posits that individuals and companies are accountable to Allah and society for the way in which they recognize the rights of others (Othman and Thani, 2010). In this context, Islamic society has the right to know how companies' activities are affecting its well-being (Rahman et al., 2010). Naturally, the concept of Islamic CSR has some differences from the Western approach of CSR (Mohammed, 2007; Dusuki, 2008; Yusuf and Bahari, 2011) because the principles of Islamic CSR are based on *shari'ah*. While CSR in the West is based on the culture and beliefs of Western society (Yusuf and Bahari, 2011). Atan and Abdul Halim (2012)stated that Islamic CSR is based on five CSR dimensions namely, economic, legal, ethical, philanthropic and Islamic values. While the conventional concept of CSR is based on economic, legal, ethical, and philanthropic considerations. The extends of CSR dimensions by incorporating Islamic value as new dimension, make the differences between western concept of CSR and Islamic CSR more clear by providing indicate that CSR in Islam considered as religious obligatory which based on Shari'ah principles and Islamic values. In this study, Islamic CSR items such as, *zakat, waqf* and *Qard alHasan* will use to represent the Islamic dimensions of CSR which are considered the most important mechanism for achieving economic and social justice and meet the need of Muslim stakeholders.

In an Islamic context, disclosure means providing and sharing information that helps in making economic and religious decisions (Muwazir et al., 2006). Therefore, the main objective of Islamic CSR is to show compliance with Islamic *shari'ah* in terms of *zakat, sadaqah* and lawful dealings (Othman and Thani, 2010), and to show how a company's activities affect the welfare of the Muslim society, help people perform their religious duties (Maali et al., 2006) and, like the Western model, aid users in making economic decisions (Mohammed et al., 2009). Because of this, Islam requires full disclosure from companies (Haniffa, 2002). Othman and Thani (2010) believed that full disclosure meant sharing everything of importance to Muslim users. This view means that companies do not need to disclose everything; only information believed to be relevant to the community, which will help Muslim decision-makers (Muwazir et al., 2006). Haniffa and Hudaib (2002) suggested that full disclosure would help companies to fulfil their accountability to Allah and society as well as enable Muslim stakeholders to make religious and economic choices. Othman et al. (2009) suggested that one way to provide full disclosure is to disclose information relevant to Islamic social reporting such as *zakat, Qard al Hassan*, and employment details (Rahman et al., 2010). Therefore, companies operating in Muslim-dominated societies are expected to present a higher level of disclosure because there is additional demand for information from Muslim users with regard to CSR. For example, Muslim investors prefer to know detailed information to verify that the company is in compliance with *shari'ah* requirements (Arshad et al., 2012).

In such a way, Islamic CSR provides additional information compared to conventional CSR. Haniffa and Hudaib (2004) suggested that companies should disclose additional information related to *halal* dealings, *zakat, sadaqah*, *riba*-free resources, environmental protection, employees, and welfare attainment. Maali et al. (2003) suggested that Islamic businesses must disclosure information related to *Qard al Hassan*, the activities of the Shari'ah Advisory Board, unlawful (*haram*) operations, the environment, products and services, *zakat*, employees, and community involvement. Ibrahim et al. (2013) said information on *zakat* should include the amount and sources of *zakat*, payments to beneficiaries, and any balance that has not been distributed. Hassan and Harahap (2010) reported that companies should disclose the amount of *Qard al Hassan* as well as the sources and uses of such funds.

In terms of *waqf*, companies are accountable to beneficiaries and the community. Therefore, transparency is necessary in *waqf* reporting (Daud et al., 2011). Daud et al. (2011) asserted that *waqf* reporting aims to show compliance with *shari'ah*, and to demonstrate accountability to Allah. Sulaiman et al. (2009) pointed out that disclosure practices surrounding *waqf* are important for three reasons. First, donors want to ensure that the *waqf* funds have been disbursed to the intended beneficiaries. Second, society has the right to know how *waqf* funds are being managed. Third, the *mutawalli* (trustees*)* should be able to confirm that the revenue from *waqf* can legitimately be used in accordance with the donor's wishes. Furthermore, the users of *waqf* need different information. Daud et al. (2011) suggested that *waqf* users need both financial information (such as costs of developing *waqf* assets) and non-financial information such as the type and objective of *waqf* and the progress of *waqf* programs.

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Previous studies examining Islamic CSR have focused on Islamic banks (Maali et al., 2003; Haniffa & Hudaib, 2007; Othman et al., 2009; Rahman et al., 2010; Hassan and Harahap,2010; Abdullah et al., 2011; Farook et al., 2011; Arshad et al., 2012; Ibrahim et al., 2013) and shari'ah-approved companies (Mohammed et al., 2009; Othman and Thani, 2010; Arif et al.,2011). All of the aforementioned studies were conducted in Malaysia because s*hari'ah*-compliant companies listed in Malaysia represent 87% of all of the listed securities, or 64.3% of the market capitalisation in Bursa Malaysia. These companies are also expected to disclose comparatively more information related to Islamic CSR to meet the demands of Muslims stakeholders (Mohammedet al., 2009).

Othman and Thani (2010) examined the extent of Islamic social reporting within the annual reports of the 100 largest *shari'ah*-approved companies listed for Bursa Malaysia from 2004–2006. Results indicated that society was the most-disclosed theme category for all three years at 30%, 32% and 36%, respectively, while the least-used theme was finance and investment. In addition, they found that all of the sampled companies disclosed information about BOD structures between Muslims and non-Muslims as well as *riba* activities. This study found that some items like *gharar* were not disclosed by all companies, and *zakat* report frequency was low with a meagre 1.79% in 2004 and 2005and nothing in 2006. *Qard al Hassan* frequency was a respective 1.79%, 3.57% and 3.57%. A similar study conducted by Othman et al. (2009) who used the same sample size and same disclosure index in order to examine the relationship between some corporate characteristics (size, profitability, board composition and type of industry) and Islamic social reporting, found that size, profitability, and board composition, significantly influence Islamic social reporting.

However, no relationship was found between type of industry and Islamic social reporting. Another study conducted by Mohammed et al. (2009) who examined CSR among 134 Malaysian *shari'ah*-compliant companies based on the companies' website for 2009 categorised disclosed items into three groups: corporate governance index, *shari'ah* compliance indicators, and the social and environmental index. They concluded that 56.4% of the companies disclosed information about corporate governance, 43.9% gave social and environmental data, and 16.3% disclosed *shari'ah* compliance. These low levels of disclosure may reflect the lack of comprehensive disclosure standard.

Another study conducted by Arif et al. (2011) examined the factors (Muslims directors, firm size, industry type, profitability and shareholders) that could influence *zakat* payments. The study sample consisted of the annual reports for 281 companies chosen from Bursa Malaysia's website for 2009. They found that Muslim directors and industries have positive relationships with *zakat* compliance. One reason behind this result is that boards of directors have the authority to make decisions for their companies, such as disclosure in the annual report. Although *shari'ah*-approved companies expect to disclose more CSR than other companies, no significant difference in Islamic social disclosure between *shari'ah*-compliant companies and others has been found. This is likely because corporate management may understand that *zakat* is not a compulsory business payment but an obligation that should be the responsibility of individuals (Ibrahimet al., 2013). Ibrahim et al. (2013) studied the level of Islamic social disclosure in the annual reports of companies listed by the main board of Bursa Malaysia between 1999 and 2007. The sample consisted of 224 companies divided into three groups: *shari'ah*-compliant companies (SCCs), *shari'ah* non-compliant (SNCs), and delisted and listed businesses (DLL). Eight themes were included in this study: *zakat*, community, products or services, *Shari'ah* Supervisory Board, employees, environment, Islamic terminology and values, and underlying philosophy and values. The findings indicated that the level of Islamic social disclosure is generally low, especially with regard to the *Shari'ah* Supervisory Board, *zaka*t and Islamic terminology and values. For example, only two companies listed as DLL and four listed as SCC disclosed information related to *zakat* payments. The authors concluded that there was no significant difference in disclosure levels among these three groups of companies.

Previous studies also examined CSR in Islamic banks, which should prove that they are operating under Islamic laws and emphasise social justice and accountability (Farook et al., 2011). Islamic banks are therefore expected to disclose both qualitative and quantitative information in their annual reports, according to AAOIFI standards (Hassan & Harahap, 2010). Haniffa and Hudaib (2007) conducted a survey of seven Islamic banks in the Gulf Region countries (United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain) from 2002–2004. They found that the Bahrain Islamic Bank (BIB) disclosed 65% of the items they checked, the highest reporting rate among the banks, while Al-Rajhi Bank had the lowest at 16% as well as the least *zakat*. The authors found that four banks included information about *Qard al Hassan* in their annual reports. Those results are similar to the findings of Hassan and Harahap (2010) who studied the CSR disclosures in the annual reports of seven Islamic banks in the United Arab Emirates, Malaysia, Bangladesh, Indonesia, Kuwait, Bahrain, and Saudi Arabia for 2006. This study concluded that CSR practices were not being encouraged at Islamic banks. Bank Islam Malaysia (BIM) had the highest disclosure rate with around 61% of CSR activities, while 14% of CSR activities were disclosed by Al-Rajhi Bank (ARB), which was again the lowest among the banks. The results also showed that two banks were following AAOIFI standards, four were providing information about *Qard al Hassan*, and two were disclosing balances for *zakat* and charity. Saudi Arabia has an established *zakat* accounting standard, but Al-Rajhi Bank, the largest Islamic bank in Saudi Arabia had the lowest level of disclosure in both studies because the banks there understand and treat *zakat* as a tax rather than as a form of CSR (Gravem, 2010).

Maali et al. (2003) suggested that social reporting is not a major concern for most Islamic banks. They examined this using 29 annual reports from 16 countries. The findings showed that 21 banks provided *Shari'ah* Supervisory Board reports. In addition, two banks provided detailed information about *Qard al Hassan*. Ten of the sampled banks were required to pay *zakat*. The authors determined that Islamic banks tend to disclose only those items that help to construct a positive corporate image. Abdullah et al. (2011) investigated the extent of *zakat* and *Shari'ah* Supervisory Board disclosures in the annual reports of 22 Islamic banks, 18 in Malaysia and four in Indonesia for 2009. They concluded that CSR disclosures were limited with only 15 banks having paid *zakat*. Two Indonesian banks provided information about the sources and uses of *zakat* in their annual reports. This is due to the fact that in Malaysia and Indonesia, *zakat* authorities and foundations are supposed to distribute and manage *zakat*. Another study by Rahman et al. (2010) analysed the CSR disclosures in the annual reports of Bank Islam Malaysia Berhad (BIMB) over 14 years, from 1992 to 2005. They found that the highest rate of disclosure was in 2004, with 17.9% of total volume. Meanwhile, 1993 reported the lowest with 2.87%. Their results showed that employees was the most disclosed CSR item. On the other hand, the least disclosed themes were *Qard al Hassan* (1.88%) and *zakat* (6.74%). This may reflect a lack of enforcement with regard to managing *zakat* accounting information.

Some studies have examined the factors that affect CSR at Islamic banks. Arshad et al. (2012) used content analysis to examine the impact of Islamic corporate social responsibility disclosures (ICSRs) on corporate reputation and performance. Their sample comprised of the annual reports of 17 Islamic banks in Malaysia for the years 2008, 2009 and 2010. Significant positive relationships between ICSR disclosure and firm performance as well as corporate reputations, were found. Farook et al. (2011) determined the level of social disclosure among Islamic banks based on benchmarks derived from Islamic principles. Forty-seven annual reports from 14 countries were analysed. They found that the levels of CSR were below expectations, with only 16.8% of expected disclosures. They also found that economic incentives and socio political pressures influenced CSR disclosure at Islamic banks. Ahmed (2012) examined the social disclosures of six Islamic banks in the UAE. He analysed the questionnaires distributed to 32 senior managers and the annual reports from the banks and found that four banks prepared separate social reports. In addition, he found that management experience, age, size and the level of regulation all had a positive relationship with CSR at those banks.

2.6 DISCUSSION OF PRIOR STUDIES

Reviewing of corporate governance mechanisms literature indicated that the impact of governance mechanisms on CSR disclosures provide mixed evidence both in developed and developing countries. The difference of CSR levels between countries may be based on the level of compliance with regulations, especially with the codes of corporate governance.

In corporate governance literature, the separation between the chairman and CEO roles is necessary to ensure the independence of the board of directors (Chaganti et. al., 1985). CEO duality signals a weak governance mechanism, which in turn results in high information asymmetry and lack of transparency thus impairing the quality of reporting (Gul and Leung, 2004). A number of studies found a weak level of compliance with codes of good governance regarding CEO duality. For example, 60.9% of Romanian companies have CEO duality (Ienciu, 2012), 72% in Tunis (Mohamed and Faouzi, 2014), and 54% in Hong Kong companies (Gul and Leung, 2004), despite many countries taking into account the importance of separating the activities of the Chairman and CEO for good corporate governance. CEO duality has been associated with low disclosure levels, although some studies produced inconsistent results and did not find any significant relationship between CEO duality and disclosure levels (Buniamin et al., 2008; Said et al., 2009; Al Arussi et al., 2009; and Abdul Razak and Mustapha, 2013). One possible explanation for this is that CEOs may be also substantial shareholders concerned with the company's day-to-day management and operation rather than disclosing information.

The audit committee is an essential governance mechanism that determinants the level of CSR in corporate annual reports. Most empirical research on audit committees have focused on their presence (Ho and Wong, 2001; Arcay and Vazquez, 2005; Barako et al., 2006; Al Shammari and Al Sultan, 2010) while only few studies focused on the impact of the independence of audit committees on disclosure (Al-Janadi et al., 2013; Gantyowati and Nugraheni, 2014). As the audit committee is vital monitoring mechanism to enhance the quality of information disclosure, the current study focuses on the impact of the independence of audit committees on CSR disclosure. This study thus seeks to determine whether the audit committee sufficiently independent to carry out their responsibility effectively and help monitor the management. Accordingly, the independence of the audit committee will represent its quality. In order to improve the quality of the audit committee, most corporate governance codes and regulations require companies to establish audit committees that consist of a majority of independent members such as the Sarbanes Oxley Act 2002, Cadbury 1992, and Jordanian Corporate Governance Code 2009.

Another corporate governance mechanism is multiple directorships. One reason to consider this factor in the current study is because multiple directorships are common among listed companies in Jordan since the corporate governance code allows directors to sit on a number of boards. Multiple directorships positively affect CSR disclosure as they are viewed as a proxy for high director quality based on the belief that they disclose information to preserve their reputation due to having contacts and links with various stakeholders and having a wider social network. However, some belived that when directors sit on a high number of boards, they will be seen as busy directors, which will negatively affect the monitoring of management and potentially lead to high agency costs (Lipton and Lorsch, 1992). They stated that multiple directorships will be useful and have a positive impact on CSR disclosure when sitting on a small number of boards.

Previous literature has paid much attention to examining the relationship between family members on the board and CSR disclosure. This is due to the fact that family firms play a significant role in the economy of many countries. As discussed earlier, firms with a large number of family members on the board have little incentive to disclose more information because they have better access to internal information (Chau and Gray, 2010). This argument is supported by many previous studies (Haniffa and Cooke, 2002; Webb, 2004; Darus et al., 2009; Mohamad and Sulong, 2010; Abdullah et al., 2011). In contrast, arguments have been presented opposing this idea where companies may have the incentive to disclose more CSR information in order to show a good investment opportunity since investors may consider this type of company unattractive. Ali et al. (2007) reported that US family companies have better disclosure than non-family companies. However, this result does not necessarily apply to companies in other countries due to the institutional differences across countries.

Empirical studies that examined the relationship between board diversity characteristics (e.g. independence, age, gender, and nationality of directors) and the level of CSR disclosure have predominantly been based in developed countries (Webb, 2004; Post et al., 2011; Bear et al., 2010; Feijoo et al., 2012; Zhang et al., 2012), with only a handful being undertaken in developing countries (Barako and Brown, 2008; Khan, 2010). Most previous studies indicated that diverse boards were relatively low, specifically the level of female representation on the board. This may be related to the absence of regulations pertaining to board diversity especially in developing countries (Zainal et al., 2013). For example, some countries introduced mandatory quotas for female directors such as Spain and Norway (Egon Zehnder International, 2010) while others require companies to report their policy regarding improving board diversity in the annual reports such as in the UK (London stock exchange, 2012). In most countries, certain board diversity characteristics are required by law or by corporate governance codes such as the presence of independent directors on the board.

Low levels of board diversity may also related to culture factors (Zainal et al., 2013). For example, Japan has the lowest level of women representation on the board among Asian countries (Governance Metrics International, 2011). Similarly, in the case of the Arab world, culture often leads to discrimination against Women (Salma and Lamki, 1999). In this regard, should be careful not to mix Islam and culture when talking about the issue of female representation on the board of directors in Muslim countries, as Islam prohibits discrimination on the basis of gender. Moreover, Muslim countries like Indonesia and Malaysia are among the top Asian countries in terms of board diversity in the board (Governance Metrics International, 2011).

Boards should also have a balance of young and old directors, because diversity in directors' age will bring different perspectives to the board. Older directors provide experience and wisdom whereas younger directors have the energy and drive to succeed (Kang et al., 2007). A similar balance should be struck between independent and executive, foreign and local, male and female members in order to stimulate healthy debates of viewpoint. Some studies suggested a minimum level of board diversity to be more effective. For example, Feijoo et al. (2012) found that boards with at least three women have better CSR reporting.

Reviewing the board diversity and CSR literature indicated that studies use one or more attributes as proxies for board diversity. This varies from one country to another. For example, race, ethnicity and age diversity have been widely used in North America (Webb, 2004; Post et al., 2011), whereas nationality is widely observed attribute in Europe (Ruigrok et al., 2007), while independent and women was the most widely observed attribute in developed countries (Bear et al., 2010 ; Zhang, et al., 2012) and developing countries (Barako and Brown, 2008; Khan, 2010 ; Handajani et al., 2014).

The current study uses age, independence, female and nationality as proxies for board diversity in Jordan due to the importance and the need of these characteristics in Jordan. Diversity in directors' age will represent the different age groups of stakeholders. Including young directors as a proxy of age diversity is due to the fact that 72.6% of the Jordanian population is consider young, and young directors are expected to increase innovation and creativity in firms and meet the needs of the young population.

Foreign directors (non-Jordanian) also appears to be an important dimension of board diversity in Jordan because the percentage of foreign ownership was 49%. Foreign directors are expected to add value to Jordanian companies by brining various experience and knowledge to the board from other countries and nations. For example, Arab directors will bring various experience and knowledge to the board related to Islamic finiance and Islamic CSR especial those from Gulf countries who have long experience in this field. While western or Asian directors may bring knowledge and experience from other nations' regulatory regimes, such as corporate governance systems and CSR programmes. Independent directors in Jordan is the only board diversity characteristic required by law, which reflects the importance of independent directors due to the perceived monitoring of the management's behaviour thus leading to higher levels of corporate transparency.

Gender diversity was the most widely observed attribute among other board diversity characteristics because there is greater pressure by NOG and stakeholders to increase gender diversity of the corporate board. In Jordan, women tend to have higher levels of academic achievement than men in both high school and college. Therefore, female members on the board in Jordan are expected to play important roles in improving CSR and reducing gender bias.

As for Islamic CSR, unlike CSR from a conventional perspective, it is based on *shari'ah* and related to the concept of accountability, which means that companies are accountable to Allah and society. Islamic CSR aims to show how companies are compliant with Islamic principles. Islam requires full disclosure from companies because society has the right to know how corporate activities are affecting its well-being in order to enable Muslim stakeholders to make religious and economic decisions.

Previous studies examining Islamic CSR have focused on Islamic banks and *shari'ah*-approved companies with the majority of studies conducted in Malaysia. Moreover, there is an absence of Islamic CSR literature with regards to *waqf* items. To remedy this, the current study focuses on three Islamic CSR items such as *zakat, waqf* and *Qard alHasan*, which are considered the most important mechanisms for achieving economic and social justice while also helping reduce unemployment and poverty in Muslim societies. Such items also play important roles in economic development in Jordan. However, other Islamic CSR such as *riba* and *halal* (permitted) services and products do not take place in Jordan and are not the main current concentration in government strategies. In same line, other items such as *Shari'ah* Supervisory Board are not part of the current focus because this item more observe in Islamic finance thus, the study will ignore such items since the concern in current study on all listed companies, rather than Islamic banks or shari'ah-approved companies.

It is important to shed light on the role of Islamic corporate governance to improve CSR. Loo et al. (2015) in their recent book, *Corporate Governance and Boards: System and Behaviour, Developing Board Effectiveness in Malaysia,* stated that Islamic values lead to the best practices of corporate governance. These include ethical behaviour and moral codes in the boards and thus improve the accountability and transparency whilst enhancing board effectiveness and board integrity. Hasan (2012) pointed out that a number of Islamic principles related to corporate governance such as *maslahah* and *maqasid Shari'ah* are consider the most efficient tools used to resolve agency problems and conflict of interest between shareholders and management.

Reviewing of CSR literature in the Jordanian context found numerous gaps (Abu-Baker and Naser, 2000; Al-Khadash, 2003; Suwaidan et al., 2004; Ismail and Ibrahim, 2008; and Al-Hamadeen and Badran, 2014). These studies are focused only on the influence of corporate characteristics on CSR and concerned only with the first market or large companies, especial those from industrial sectors. Despite information disclosure changes over time, especial after the issue of new regulations such as the CG code, most of the studies examined the level of CSR disclosure at one point in time. In all the reviewed studies, the level of CSR disclosure was measured by either disclosure index or amount of disclosure.

To bridge the gap in existing CSR literature in Jordan, the current study focuses on examining the influence of corporate governance mechanisms and board diversity characteristics on the level of CSR disclosures (measure by the amount and disclosure index) in the annual reports of the Jordanian listed companies from 2007 to 2011. In addition, the study examines if there is a significant difference in CSR disclosure levels between the first and second market and during pre and post corporate governance code in Jordan.

2.7 CHAPTER SUMMARY

This chapter discussed the definition and development of CSR. The chapter also provided background information about Jordan, including general information (such as location, population, culture, and society). The chapter then presented a brief description of economic development and accounting regulation in Jordan. This was followed by an explanation of the state of CSR and corporate governance practices in

Jordan which included a review of prior studies conducted in Jordan. The reviewed studies focused on the influence of corporate characteristics on CSR. These studies showed that the level of CSR remained low (Abu-Baker and Naser, 2000; Al-Khadash, 2003; Suwaidan et al., 2004; Ismail and Ibrahim, 2008).This chapter also reviewed and discussed previous literature in relation to the impact of corporate governance mechanisms and board diversity on CSR. The review of studies on corporate governance reported mixed. With regard to board diversity, the majority of previous literature found a positive relationship between board diversity, especially between women directors and CSR (Webb, 2004; Schnake et al., 2006; Bernardi and Threadgill, 2010; Bear et al., 2010; Barako and Brown, 2008; Post et al., 2011; Feijoo et al., 2012; Zhang et al., 2012). The last section in this chapter focused on the Islamic CSR and discussed the role of *zakat*, *waqf* and *qard al hassan* in Muslim society. The next chapter presents the theoretical and conceptual framework adopted in this thesis.