

ESG DISCLOSURES AND FIRM PROFITABILITY IN AN EMERGING MARKET: THE MODERATING ROLES OF STATE OWNERSHIP, BOARD GENDER DIVERSITY, AND BOARD INDEPENDENCE

Thanh Nguyen Minh ^{*}, Phuong Nguyen Thi Thanh ^{**},
Han Tran Thi Ngoc ^{*}, Linh Vu Thuy ^{*}, Duy Do Dinh ^{*}

^{*} Faculty of Accounting, Academy of Finance, Hanoi, Vietnam

^{**} Corresponding author, Faculty of Accounting, Academy of Finance, Hanoi, Vietnam

Contact details: Faculty of Accounting, Academy of Finance, 58 Le Van Hien, Dong Ngac, Bac Tu Liem, Hanoi 10000, Vietnam



Abstract

How to cite this paper: Minh, T. N., Thanh, P. N. T., Ngoc, H. T. T., Thuy, L. V., & Dinh, D. D. (2026). ESG disclosures and firm profitability in an emerging market: The moderating roles of state ownership, board gender diversity, and board independence. *Corporate Board: Role, Duties and Composition*, 22(1), 74–86. <https://doi.org/10.22495/cbv22i1art6>

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ISSN Online: 2312-2722

ISSN Print: 1810-8601

Received: 23.12.2025

Revised: 06.02.2026; 23.02.2026

Accepted: 02.03.2026

JEL Classification: C33, G34, M14, Q56

DOI: 10.22495/cbv22i1art6

This study examines the relationship between environmental, social, and governance (ESG) disclosures and firm profitability in Vietnam, a transitional emerging economy characterized by significant state ownership and evolving corporate governance structures. Drawing on stakeholder, agency, and resource dependence theories, and building on prior ESG-performance research largely conducted in developed markets (Alareeni & Hamdan, 2020; Rahi et al., 2024), we investigate whether the financial effects of ESG disclosures are contingent on governance conditions. Using panel data from 147 Vietnamese listed firms over the period 2014–2023 and fixed-effects regressions with Driscoll-Kraay robust standard errors, we analyze the effects of environmental (E), social (S), and governance (G) disclosures on return on assets (ROA). The results indicate that social and governance disclosures are positively associated with profitability, whereas environmental disclosure shows no significant short-term effect. Moreover, state ownership weakens the positive impacts of environmental and governance disclosures, board gender diversity amplifies the effect of governance disclosure, and board independence unexpectedly reduces the performance gains from environmental and social disclosures. These findings contribute to the ESG literature by demonstrating that ESG value creation is highly context-dependent and shaped by ownership structure and board characteristics, offering new evidence from an underexplored emerging market setting.

Keywords: ESG Disclosure, Firm Performance, State Ownership, Gender Diversity, Board Independence, Vietnam

Authors' individual contribution: Conceptualization — T.N.M.; Methodology — L.V.T.; Investigation — D.D.D.; Writing — Original Draft — P.N.T.T.; Writing — Review & Editing — P.N.T.T. and H.T.T.N.; Supervision — T.N.M.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

Acknowledgements: This research is funded by the Academy of Finance, Hanoi, Vietnam (Grant No. DTHV2026/162).

1. INTRODUCTION

Environmental, social, and governance (ESG) factors have become important in corporate strategy because they can enhance efficiency and firm reputation (Alareeni & Hamdan, 2020; Aouadi & Marsat, 2018). However, most evidence linking ESG to financial performance comes from developed countries (Rahi et al., 2024). Emerging markets like Vietnam have very different institutions and large state-owned sectors, so the ESG-performance relationship may not operate the same way (Arya & Zhang, 2009). This study, therefore, asks:

RQ: How does ESG disclosure affect profitability in Vietnam, and how do ownership and board characteristics influence this link?

This version immediately establishes context, gap, and the key research question.

As mentioned above, most studies on the impact of ESG on financial performance have been conducted in developed countries. Results from a study in Jordan — a developing market — show clear economic benefits (a reduction of approximately 0.75% in borrowing interest rates) from increasing the proportion of women on boards of directors (Mansour et al., 2024) — an aspect related to governance (G) in the ESG concept — but the generalizability of this finding is limited to emerging markets with similar characteristics (Mansour et al., 2024). This suggests the need to expand research to other emerging contexts, to examine whether the impact of ESG differs in specific economic, social, and institutional environments such as Vietnam.

Vietnam provides a novel and insightful context for examining this issue. As a transitional emerging economy, Vietnam features concentrated ownership structures (with the state often a major shareholder) and evolving corporate governance frameworks. Firstly, unlike in many Western markets, state-owned enterprises in Vietnam pursue objectives beyond pure profit maximization, such as social stability or policy goals, which can shape their commitment to corporate social responsibility (CSR)/ESG activities (Dam & Scholtens, 2012; Esa & Anum Mohd Ghazali, 2012). Secondly, regulatory standards for ESG disclosure in Vietnam are still developing. Until recently, sustainability reporting has been largely voluntary and inconsistent, raising the question of whether ESG disclosures truly translate into improved profitability in such an environment (Aversa, 2024; Bataineh et al., 2025). These characteristics set Vietnam apart and present a knowledge gap: we do not yet know if widely observed positive ESG impacts (documented in developed markets) hold true in an emerging market where ownership structure and corporate governance are less mature, and stakeholder pressures differ. Addressing this gap is important for international readers because Vietnam's experience can shed light on ESG-performance dynamics in other developing and transitional economies.

On the one hand, the financial implications of ESG initiatives under different ownership structures, particularly state ownership, remain insufficiently understood (Najaf et al., 2025). While state ownership may facilitate ESG adoption by providing access to strategic resources, it can also undermine

efficiency by advancing political or non-economic objectives (Dam & Scholtens, 2012). Despite this dual potential, ownership-related variables — especially state ownership — have not been thoroughly incorporated into models assessing the ESG-performance relationship. Even in the context of ESG disclosure, the role of ownership structure is inconclusive; a meta-analysis by Lagasio and Cucari (2019) found that insider or concentrated ownership does not consistently enhance ESG transparency. These mixed findings raise the critical question of whether state ownership moderates the effect of ESG engagement on firm financial performance.

On the other hand, another under-explored aspect is the role of corporate governance characteristics (board diversity and board independence) in shaping ESG outcomes. Prior research indicates that boards of directors play a pivotal role in guiding and overseeing ESG policies (Bear et al., 2010; Cucari et al., 2018; Husted & de Sousa-Filho, 2019; Lagasio & Cucari, 2019). In particular, board gender diversity and board independence have been associated with stronger ESG engagement and disclosure quality (Allegrini & Greco, 2013; Elsheikh et al., 2024; Harjoto et al., 2015; Mayzona & Rusmanto, 2025). Yet, empirical evidence on how such board characteristics (diversity and independence) moderate the relationship between ESG activities and firm performance remains scarce (Alahdal et al., 2024), especially in Vietnam's context.

Hence, this study contends that the above factors (state-ownership, board diversity, and board independence) may condition the effectiveness of ESG strategies in generating profits.

This study investigates whether ESG disclosures improve firms' return on assets (ROA) in Vietnam and how this effect is conditioned by: 1) the extent of state ownership, and 2) board characteristics (gender diversity and independence). We use a panel of 1,470 firm-year observations from Vietnamese listed companies (2014–2023) and employ fixed-effects panel regressions with Driscoll-Kraay robust standard errors to ensure reliable inference (Driscoll & Kraay, 1998). This design allows us to isolate the relationship between ESG disclosures and ROA, and to test whether the strength of this relationship varies under different governance conditions (high vs. low state ownership, varying levels of female board representation, and board independence). By focusing on an emerging market setting, our research offers a fresh perspective to the ESG literature, examining whether the purported benefits of ESG extend beyond the developed economies usually studied. We also respond to calls in the literature to incorporate institutional and governance context into analyses of ESG-performance links (Sundarasan et al., 2024).

Overall, this study aims to make a twofold contribution. First, it provides new empirical evidence from Vietnam, a market that exemplifies characteristics of many emerging economies (significant state influence and evolving governance), thereby testing the generalizability of ESG-financial performance theories. Second, it integrates corporate governance factors (state-ownership and board diversity, and board independence) into the ESG-performance nexus, offering insight into how

internal and external governance contexts can enable or constrain the value of ESG. In doing so, our findings will not only fill an important gap in the literature but also inform international practitioners and policymakers interested in leveraging ESG for performance improvement in varying institutional settings.

The structure of this paper is as follows. Section 2 reviews the relevant literature and develops the hypotheses. Section 3 describes the research methodology, including data, variables, and model specification. Section 4 presents the empirical results. Section 5 discusses the findings. Section 6 concludes the paper.

2. LITERATURE REVIEW

Drawing on stakeholder theory (Donaldson & Preston, 1995) and agency theory (Jensen & Meckling, 1976), we propose that firm ESG disclosure can create value by strengthening stakeholder relationships and reducing information asymmetry. However, in Vietnam's transitional market — characterized by state-influenced ownership and evolving corporate governance — the effectiveness of ESG may vary.

Furthermore, building on resource dependence theory (Hillman et al., 2009), we argue that board characteristics shape this relationship. Specifically, while social and governance disclosures are expected to enhance profitability, their impact is hypothesized to be contingent on governance factors: high state ownership may weaken ESG's financial benefits (principal-principal conflict), greater board gender diversity may amplify them (diverse expertise and stakeholder linkages), and strong board independence may impose conservative oversight that tempers ESG gains. Recent empirical evidence further supports this governance-contingent view of ESG outcomes. Using a large sample of Chinese firms, Liu et al. (2025) show that corporate governance mechanisms influence firms' financial outcomes not only directly but also indirectly through ESG disclosure. Their findings indicate that ESG disclosure plays a mediating role in reducing firms' cost of debt, highlighting ESG reporting as a signaling mechanism that mitigates information asymmetry between firms and external stakeholders. This evidence reinforces the argument that board characteristics and governance structures are critical in shaping the economic consequences of ESG disclosure, particularly in emerging and transitional markets. The following are our specific arguments in formulating the research hypotheses.

2.1. Stakeholder theory and hypotheses

This research is grounded in stakeholder theory, which posits that firms create long-term value by addressing the needs and interests of various stakeholders (Donaldson & Preston, 1995). From this perspective, robust ESG practices can enhance firm performance because they strengthen stakeholder relationships — improving customer loyalty, employee morale, investor confidence, and community support. Prior studies have found that investments in social initiatives (the “S” pillar) often yield performance

gains consistent with improved stakeholder satisfaction and reputation (Bissoonoyal-Bheenick et al., 2023). Similarly, governance enhancements (the “G” pillar), such as transparency and anti-corruption measures, reduce operational risks and bolster decision-making quality (Chen et al., 2023; Seow, 2024). These effects suggest a positive overall relationship between ESG disclosure and financial outcomes, especially via the social and governance dimensions. However, stakeholder theory also implies that the magnitude of these benefits may depend on the institutional context. In emerging markets like Vietnam, where formal stakeholder protections (e.g., environmental regulations, labor standards enforcement) are still developing, the payoff to ESG initiatives might be less immediate or obvious (Baldini et al., 2018). In particular, environmental investments could involve substantial costs and compliance efforts with uncertain short-term returns, making their impact on profitability ambiguous. Based on stakeholder-oriented logic and existing empirical trends, we hypothesize that all three ESG dimensions have non-negative effects on firm performance, with social (S) and governance (G) disclosures expected to improve profitability, while environmental (E) disclosure's effect may be weaker or more context-dependent. Formally:

H1a: Environmental disclosure (E) has a positive effect on ROA.

H1b: Social disclosure (S) has a positive effect on ROA.

H1c: Governance disclosure (G) has a positive effect on ROA.

2.2. Agency theory and hypotheses

The role of ownership structure can be examined through an agency theory lens. Agency theory suggests that managers (agents) may not always act in the best interest of shareholders (principals), especially if oversight is weak or if there are conflicting objectives. In Vietnam, the state is a prominent shareholder in many enterprises, introducing a unique principal-principal dynamic (state vs. minority investors) in addition to the usual principal-agent issues. State owners often pursue political or social objectives alongside profit, potentially leading to agency conflicts where ESG initiatives are implemented for legitimacy or public image rather than for maximizing shareholder value (Aboud & Diab, 2019). This could dilute the positive impact of ESG on financial performance. Indeed, state-controlled firms might invest in ESG activities due to government mandates or social expectations (e.g., charitable projects, environmental pledges) that do not translate into immediate profit gains. Moreover, state ownership can entail bureaucratic decision-making and less efficient monitoring of managers, further weakening the link between ESG efforts and firm profitability. On the other hand, one might argue that government ownership provides patient capital and access to resources, which could support ESG projects — but if profit motivation is secondary, the incremental financial returns from ESG are likely suppressed. Consistent with this reasoning and prior findings that public ownership often correlates with lower profit-driven behavior in CSR (Dam & Scholtens, 2012), we hypothesize

that state ownership negatively moderates the ESG-performance relationship. In other words, the beneficial impact of ESG disclosures on ROA will be weaker for firms with higher state ownership. Formally:

H2a: State ownership diminishes the positive effect of environmental disclosures (E) on ROA.

H2b: State ownership diminishes the positive effect of social disclosures (S) on ROA.

H2c: State ownership diminishes the positive effect of governance disclosures (G) on ROA.

2.3. Resource dependence theory and hypotheses

We draw on resource dependence theory and related governance theories to understand the influence of board composition on ESG outcomes. Resource dependence theory (Hillman et al., 2009) views the board of directors as a provider of critical resources, including expertise, access to external networks, and diverse perspectives that can help the firm respond to its environment. Board gender diversity (female representation) is one facet of board composition that has been linked to better sustainability governance. Female directors may bring unique insights, values, and stakeholder-sensitive approaches that enrich board deliberations on ESG issues (Adams & Ferreira, 2009). Empirically, gender-diverse boards are associated with more proactive CSR/ESG practices and higher ESG disclosure levels. Women on boards often champion social and community initiatives and improve a firm's image with stakeholders (Bear et al., 2010; Williams, 2003). From a resource dependence perspective, greater female representation broadens the board's human capital and stakeholder connectivity, potentially amplifying the effectiveness of ESG initiatives. We therefore expect that board gender diversity strengthens the positive impact of ESG disclosure on firm performance. Specifically, firms with more women on their boards should realize higher financial returns from their ESG efforts, as diverse boards better channel stakeholder-oriented strategies into performance gains. Empirical evidence also suggests that the role of board diversity in ESG-related outcomes is context-dependent. For instance, Cucari et al. (2018) show that while board independence and the presence of CSR committees are positively associated with ESG disclosure, female board representation exhibits a negative relationship with ESG disclosure in Italian listed firms. This finding implies that board diversity does not uniformly translate into stronger ESG engagement, but rather depends on institutional settings and the actual influence of directors. Accordingly, the moderating role of female directors on the ESG-performance relationship may vary across countries and governance environments. Formally:

H3a: The proportion of female directors on the board positively moderates the effect of environmental disclosures (E) on ROA.

H3b: The proportion of female directors on the board positively moderates the effect of social disclosures (S) on ROA.

H3c: The proportion of female directors on the board positively moderates the effect of governance (G) disclosures on ROA.

2.4. Agency theory and board independence

Independent directors are often touted by agency theory as key to effective monitoring of management (Jensen & Meckling, 1976). A higher proportion of independent (non-executive) directors can improve oversight, reduce agency costs, and encourage transparency and accountability in decision-making. In the context of ESG, one might expect independent directors to push for better disclosure and integration of ESG if they believe it will enhance long-term shareholder value. Indeed, research shows board independence is associated with stronger environmental performance in some settings (de Villiers et al., 2011) and can curb opportunistic behaviors such as "greenwashing" (Ma et al., 2024). However, the influence of independent boards on ESG and performance may be double-edged and highly context-dependent. In emerging markets or firms with concentrated ownership, independent directors sometimes lack real authority or firm-specific knowledge, which can limit their effectiveness (Ferrarini & Filippelli, 2014). Additionally, independent directors may prioritize financial and compliance outcomes, leading to a more conservative stance on ESG investments — for example, scrutinizing sustainability projects more rigorously or being reluctant to approve expenditures with longer-term payoffs. The manuscript's findings (and some prior evidence) hint that in Vietnam, boards with more independents tended to dampen the financial returns of ESG disclosures. A plausible explanation is that independent directors in this context provide stringent monitoring that, while improving compliance, might restrain initiatives that are seen as risky or peripheral to short-term financial performance. We thus hypothesize an inverse moderation effect: board independence may weaken the positive impact of ESG disclosure on firm performance. In formal terms:

H4a: A higher proportion of independent directors reduces the strength of the positive relationship between environmental disclosures (E) and ROA.

H4b: A higher proportion of independent directors reduces the strength of the positive relationship between social disclosures (S) and ROA.

H4c: A higher proportion of independent directors reduces the strength of the positive relationship between governance disclosures (G) and ROA.

These hypotheses acknowledge the possibility that traditional governance mechanisms (like independent boards), though enhancing oversight, could inadvertently curb the potential benefits of ESG in certain institutional environments.

In summary, our conceptual framework marries stakeholder theory with agency theory and resource dependence insights to propose that ESG disclosures generally improve firm performance (particularly through social and governance dimensions), but the magnitude of this benefit is contingent on ownership and board characteristics. State ownership (agency context: conflicting objectives) is expected to dilute ESG's payoff, female board representation (stakeholder/resource context: diverse expertise) is expected to enhance it, and independent directors (agency context: strict

monitoring) might constrain it. The next sections empirically test these hypotheses in the Vietnamese market, offering evidence on each pillar's effect and each moderator's role.

In addition, recent meta-analytical evidence further reinforces the theoretical linkage between corporate governance mechanisms and ESG disclosure. Lagasio and Cucari (2019), through a meta-analysis, suggest that effective governance structures play a critical enabling role in enhancing ESG transparency and accountability across firms. Incorporating this meta-analytical perspective strengthens the conceptual foundation of the present study by highlighting that governance mechanisms are not merely control devices, but also institutional channels through which ESG strategies are formulated, disclosed, and translated into potential performance outcomes.

3. RESEARCH METHODOLOGY

3.1. Data collection

Initially, this study uses a panel dataset comprising 200 non-financial firms listed on the Ho Chi Minh and Hanoi stock exchanges from 2014 to 2023. Financial firms, such as banks and insurance companies, were excluded due to their distinct regulatory environments, capital structures, and risk profiles, which differ substantially from those of non-financial companies. Moreover, firms that lacked complete data for key variables, including ESG disclosure, financial indicators, and governance attributes, were also excluded. Specifically, companies without annual reports, financial statements, or missing ESG-related information for any year in the period were removed from the sample. Finally, after applying these screening criteria, the final sample consists of 147 firms, yielding a balanced panel of 1,470 firm-year observations from 2014 to 2023.

To minimize potential sample selection bias, it is acknowledged that the exclusion of financial firms and companies with missing data may skew the sample toward larger or more transparent firms. However, this concern has been mitigated by controlling for firm size and leverage in the regression models. Overall, the sampling approach ensures both data quality and analytical validity for examining the ESG-performance nexus in the Vietnamese context.

3.2. Variable definitions and measurements

To empirically examine the relationship between ESG disclosure and firm profitability, as well as

Model 1: Direct effects of ESG disclosure

$$ROA_{it} = \beta_0 + \beta_1 E_{it} + \beta_2 S_{it} + \beta_3 G_{it} + \sum \beta_k Control_{it} + \varepsilon_{it} \quad (1)$$

Model 2: Moderating effects of governance variables

$$ROA_{it} = \beta_0 + \beta_1 ESG_{it} + \beta_2 Moderator_{it} + \beta_3 ESG_{it} * Moderator_{it} + \sum \beta_k Control_{it} + \varepsilon_{it} \quad (2)$$

the moderating roles of ownership structure and board characteristics, this study carefully operationalizes each variable in line with prior ESG and corporate governance literature. The measurement choices reflect both theoretical considerations discussed in Section 2 and data availability in an emerging market context such as Vietnam, where ESG reporting practices remain largely voluntary and heterogeneous. Following previous studies in emerging economies (Baldini et al., 2018; Boubakri et al., 2021), ESG disclosure is measured at the pillar level to capture potential heterogeneity across environmental, social, and governance dimensions. Governance-related moderators — including state ownership, board gender diversity, and board independence — are defined consistently with agency theory and resource dependence theory, which emphasize the role of ownership incentives and board composition in shaping strategic outcomes (Jensen & Meckling, 1976; Hillman et al., 2009). This approach allows for a nuanced assessment of how ESG disclosures and governance mechanisms jointly influence firm performance. Here's how each variable in the model is specifically measured:

- **Dependent variable:** Firm performance is measured using return on assets (ROA), defined as net income divided by total assets.

- **Independent variables:** We measure disclosure presence (1 vs. 0) for each ESG pillar; this binary coding captures whether a firm reports on that dimension, but it does not capture intensity or quality. Future work might use more granular scoring.

- **Moderating variables:** Three governance-related moderators are considered: state ownership (SO): the proportion of shares held by the government; board gender diversity (FB): the percentage of female directors on the board; board independence (IDB): the proportion of independent non-executive directors.

- **Control variables:** Control variables include firm size (FSIZE = log of total assets), leverage (LEV = debt-to-assets ratio), firm age (FirmAge = log of years since listing), cost of debt (CoD = interest expense / total assets), audited by Big 4 or not (BIG4 = 1 if yes; = 0 otherwise), and Industry and Year dummies.

3.3. Research model

To examine the effect of ESG disclosure on firm performance and the moderating role of governance factors, we estimate the following fixed-effects regression models with Driscoll-Kraay standard errors (Driscoll & Kraay, 1998; Hoechle, 2007) to account for heteroskedasticity, autocorrelation, and cross-sectional dependence:

Although this study employs fixed-effects panel regressions with Driscoll-Kraay standard errors, alternative empirical approaches could also be suitable for examining the ESG-performance relationship. For instance, dynamic panel models such as the system generalized method of moments could be used to address potential endogeneity concerns arising from reverse causality between ESG disclosure and firm performance (Boubakri et al., 2021). However, the relatively short time dimension and the focus on governance-based moderation effects make fixed-effects estimation more appropriate in the present context.

4. RESEARCH RESULTS

4.1. Descriptive statistics and correlation

Table 1 shows that the average ROA is approximately 5.93%, with moderate variation across firms. Among the ESG components, governance (G) exhibits the highest disclosure rate, while environmental (E) and social (S) disclosures are less prevalent.

Table 1. Descriptive statistics

Variable	Obs.	Mean	Std. dev.	Min	Max
ROA	1470	0.0593	0.0669	-0.1049	0.3009
E	1470	0.532	0.4991	0	1
S	1470	0.4966	0.5002	0	1
G	1470	0.9939	0.078	0	1
SO	1470	17.8829	26.0418	0	99.98
FB	1470	0.1716	0.19	0	1
IDB	1470	0.1659	0.1933	0	1
CoD	1470	0.0254	0.0333	0	0.6829
FSIZE	1470	27.7377	1.9611	23.2625	34.3756
LEV	1470	0.4717	0.2345	0.0113	0.9706
FirmAge	1470	20.2075	12.9241	0	63
BIG4	1470	0.2728	0.4455	0	1

Note: Obs. = number of observations, Mean = average value, Std. dev. = standard deviation.
Source: Authors' calculation.

Table 2 presents the correlation matrix, indicating that no pairwise correlations exceed the 0.8 threshold, suggesting that multicollinearity is

not a significant concern. These descriptive statistics confirm the appropriateness of the dataset for regression analysis.

Table 2. Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) ROA	1.000											
(2) E	0.074	1.000										
(3) S	0.095	0.771	1.000									
(4) G	0.056	0.049	0.078	1.000								
(5) SO	0.006	0.012	-0.018	0.044	1.000							
(6) FB	0.067	0.069	0.052	-0.034	-0.158	1.000						
(7) IDB	-0.060	0.132	0.129	0.067	-0.047	0.093	1.000					
(8) CoD	-0.047	0.002	0.015	-0.047	0.051	0.034	-0.027	1.000				
(9) FSIZE	-0.082	0.348	0.383	0.054	-0.060	0.074	0.071	0.011	1.000			
(10) LEV	-0.436	-0.007	0.037	-0.045	0.046	-0.042	-0.050	0.102	0.440	1.000		
(11) FirmAge	0.095	-0.055	0.051	-0.020	-0.050	-0.019	-0.089	-0.061	0.038	0.120	1.000	
(12) BIG4	0.070	0.327	0.323	0.028	0.061	0.013	0.020	-0.012	0.424	0.127	0.019	1.000

Source: Authors' calculation.

4.2. Main effects of ESG disclosure on firm performance (Model 1)

The baseline fixed-effects regression model (Model 1) reveals that the social (S) and governance (G) pillars of ESG disclosure have positive and statistically significant effects on ROA (with p-values < 0.05 and < 0.01, respectively), while the environmental (E) pillar does not show a significant impact. These findings support hypotheses H1b and H1c, which posit that S and G disclosures enhance firm profitability. In contrast, hypothesis H1a — predicting a positive effect of E disclosure — is not

supported due to the insignificance of its coefficient. Control variables such as firm size, capital structure, and firm age behave as expected and do not alter the main findings.

These results suggest that firms in Vietnam derive more tangible financial benefits from social initiatives and governance practices than from environmental efforts, which may take longer to materialize or require stronger regulatory enforcement. This pattern aligns with prior literature highlighting the strategic value of governance and social responsibility in emerging markets (Boubakri et al., 2021).

Table 3. Effect of ESG disclosure on ROA (without moderators)

Variables	(1)	(2)	(3)
	ROA	ROA	ROA
<i>E</i>	0.00248 (0.00369)		
<i>S</i>		0.00642** (0.00229)	
<i>G</i>			0.02471*** (0.00505)
<i>CoD</i>	0.02776 (0.06741)	0.02521 (0.06928)	0.03073 (0.06767)
<i>FSIZE</i>	0.00314*** (0.00046)	0.00274*** (0.00052)	0.00326*** (0.00058)
<i>LEV</i>	-0.14466** (0.00887)	-0.14340** (0.00975)	-0.14496** (0.00958)
<i>FirmAge</i>	0.00079** (0.00006)	0.00077** (0.00007)	0.00079** (0.00006)
<i>BIG4</i>	0.01308** (0.00520)	0.01232** (0.00468)	0.01365** (0.00473)
_cons	0.01907 (0.01683)	0.02824 (0.01600)	-0.00773 (0.01711)
Obs.	1470	1470	1470
R-squared	0.23451	0.23607	0.23506

Note: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: Authors' calculation.

4.3. Moderating effects of governance characteristics (Model 2)

Tables 4 to 6 present the results of Model 2, incorporating interaction terms between ESG disclosure and three moderating variables: state ownership (*SO*), board gender diversity (*FB*), and board independence (*IDB*).

Table 4 (state ownership and board characteristics as moderators): Overall, when *SO*, *FB*, and *IDB* are included in the same model, all three variables impact each ESG pillar in different ways. The interaction terms between *SO* and each ESG pillar are negative and significant for *E* and *G*, indicating that state ownership weakens the positive effects of ESG disclosure on performance. This finding supports the notion that state-owned enterprises may pursue ESG agendas for legitimacy rather than profit (Dam & Scholtens, 2012), diluting the value relevance of such disclosures. In addition, *FB* only has a statistically significant positive impact on *G* ($p < 0.01$), but has no statistically significant impact on *E* and *S*. In the context of Vietnam, women on the board of directors can play an active role in promoting transparent governance standards,

internal control, and regulatory compliance — thereby increasing the effectiveness of activities related to the governance pillar (Adams & Ferreira, 2009). However, their influence on the environmental and social pillars is limited due to the lack of substantive power, short-term strategic priorities of the enterprise, and the abstract, long-term nature of ESG initiatives beyond the scope of internal control. Finally, the proportion of independent board members has a statistically significant negative impact on *E* and *S*, but not on *G*. In the context of Vietnam, independent board members are often limited in their actual power, are attached to a formal role, and tend to be cost-conservative, leading to negative impacts on environmental and social initiatives (Sundarasan et al., 2024). At the same time, they also have difficulty influencing the internal governance structure due to the dominance of large shareholders and weak institutions. The negative results for *E* and *S*, together with the non-relevance for *G*, reflect the mismatch between the expected and actual roles of independent members in the context of Vietnam's economic and institutional transition.

Table 4. Moderating role of state ownership and board characteristics (pooled model) (Part 1)

Variables	(1)	(2)	(3)
	ROA	ROA	ROA
<i>E</i>	0.01823*** (0.00295)		
<i>E * SO</i>	-0.00029** (0.00009)		
<i>E * FB</i>	-0.01924 (0.01753)		
<i>E * IDB</i>	-0.04017*** (0.00917)		
<i>S</i>		0.01345*** (0.00170)	
<i>S * SO</i>		-0.00017 (0.00011)	
<i>S * FB</i>		0.02152 (0.01753)	
<i>S * IDB</i>		-0.03907 (0.02026)	
<i>G</i>			0.01734*** (0.00464)

Table 4. Moderating role of state ownership and board characteristics (pooled model) (Part 2)

Variables	(1)	(2)	(3)
	ROA	ROA	ROA
G * SO			-0.00048** (0.00016)
G * FB			0.05202*** (0.01112)
G * IDB			0.00396 (0.01528)
SO	0.00026*** (0.00004)	0.00019** (0.00007)	0.00058*** (0.00014)
IDB	-0.01174 (0.00855)	-0.01396 (0.01512)	-0.03415 (0.02273)
FB	0.02802** (0.01069)	0.00645 (0.00712)	-0.03248* (0.01494)
CoD	0.01407 (0.06773)	0.01839 (0.07426)	0.01935 (0.06742)
FSIZE	0.00366*** (0.00053)	0.00341*** (0.00060)	0.00357*** (0.00052)
LEV	-0.14809*** (0.00810)	-0.14650*** (0.00925)	-0.14669*** (0.00871)
FirmAge	0.00078*** (0.00006)	0.00075*** (0.00006)	0.00076*** (0.00006)
BIG4	0.01215** (0.00451)	0.00999** (0.00425)	0.01295** (0.00422)
_cons	-0.00009 (0.02132)	0.00988 (0.01897)	-0.00730 (0.01746)
Obs.	1470	1470	1470
R-squared	0.25205	0.25238	0.24601

Note: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Source: Authors' calculation.

State ownership (SO, H2): The interaction terms between SO and both the environmental (E) and governance (G) indicators are negative and statistically significant. This suggests that state ownership weakens the positive effects of E and G disclosures

on firm performance. Thus, hypotheses H2a and H2c are supported. However, the interaction between SO and social (S) is not statistically significant, so H2b is not supported.

Table 5. Moderating role of state ownership (separate model)

Variables	(1)	(2)	(3)
	ROA	ROA	ROA
SO	0.00024*** (0.00004)	0.00017** (0.00007)	0.00058*** (0.00014)
E	0.00635 (0.00538)		
E * SO	-0.00024* (0.00011)		
S		0.00908*** (0.00241)	
S * SO		-0.00015 (0.00011)	
G			0.02466*** (0.00566)
G * SO			-0.00049** (0.00016)
CoD	0.02094 (0.06910)	0.01956 (0.07184)	0.02809 (0.06912)
FSIZE	0.00353*** (0.00052)	0.00305*** (0.00052)	0.00345*** (0.00057)
LEV	-0.14749*** (0.00863)	-0.14553*** (0.00962)	-0.14605*** (0.00917)
FirmAge	0.00080*** (0.00006)	0.00078*** (0.00007)	0.00080*** (0.00006)
BIG4	0.01230** (0.00500)	0.01106** (0.00463)	0.01306** (0.00453)
_cons	0.00558 (0.01890)	0.01772 (0.01644)	-0.01399 (0.01690)
Obs.	1470	1470	1470
R-squared	0.23791	0.23826	0.23636

Note: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Source: Authors' calculation.

Female board representation (FB, H3): The interaction between FB and Governance (G) disclosure is positive and statistically significant

($p < 0.01$), indicating that female directors amplify the positive impact of governance initiatives on ROA. However, the interactions of FB with E and S

are not significant, meaning that gender diversity does not enhance the profitability of environmental or social disclosures. Therefore, *H3c* is supported, whereas *H3a* and *H3b* are not.

Board independence (*IDB*, *H4*): The interactions of *IDB* with *E* and *S* disclosures are negative and significant, while the interaction with *G* is not

significant. This indicates that a higher proportion of independent directors reduces the financial benefits of environmental and social initiatives and has no moderating effect on governance disclosures. As a result, hypotheses *H4a*, *H4b*, and *H4c* are not supported.

Table 6. Moderating role of board characteristics (separate model)

Variables	(1)	(2)	(3)
	ROA	ROA	ROA
<i>E</i>	0.01279*** (0.00178)		
<i>E * FB</i>	-0.01494 (0.01983)		
<i>E * IDB</i>	-0.04119*** (0.00817)		
<i>S</i>		0.00984*** (0.00289)	
<i>S * FB</i>		0.02529 (0.01790)	
<i>S * IDB</i>		-0.03971* (0.01961)	
<i>G</i>			0.01863*** (0.00402)
<i>G * FB</i>			0.04751*** (0.00802)
<i>G * IDB</i>			0.00019 (0.01504)
<i>IDB</i>	-0.00999 (0.00872)	-0.01321 (0.01475)	-0.03077 (0.02260)
<i>FB</i>	0.02494* (0.01102)	0.00242 (0.00751)	-0.03006** (0.01074)
<i>CoD</i>	0.02276 (0.06609)	0.02575 (0.07150)	0.02284 (0.06618)
<i>FSIZE</i>	0.00325*** (0.00045)	0.00312*** (0.00061)	0.00339*** (0.00050)
<i>LEV</i>	-0.14490*** (0.00842)	-0.14429*** (0.00937)	-0.14565*** (0.00905)
<i>FirmAge</i>	0.00077*** (0.00005)	0.00074*** (0.00006)	0.00075*** (0.00005)
<i>BIG4</i>	0.01292** (0.00472)	0.01125** (0.00437)	0.01359** (0.00441)
_cons	0.01422 (0.01885)	0.02050 (0.01886)	-0.00180 (0.01644)
Obs.	1470	1470	1470
R-squared	0.24787	0.24993	0.24439

Note: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: Authors' calculation.

4.4. Summary and interpretation

Table 7 below summarizes the hypothesis testing results, clearly indicating which ESG dimensions have significant direct and moderated effects on firm profitability.

Table 7. Summary of hypothesis test results

Hypothesis	Direction	Significance
<i>H1a</i> ($E \rightarrow ROA$)	+	n.s.
<i>H1b</i> ($S \rightarrow ROA$)	+	**
<i>H1c</i> ($G \rightarrow ROA$)	+	***
<i>H2a</i> ($E \times SO \rightarrow ROA$)	-	**
<i>H2b</i> ($S \times SO \rightarrow ROA$)	-	n.s.
<i>H2c</i> ($G \times SO \rightarrow ROA$)	-	**
<i>H3a</i> ($E \times FB \rightarrow ROA$)	-	n.s.
<i>H3b</i> ($S \times FB \rightarrow ROA$)	+	n.s.
<i>H3c</i> ($G \times FB \rightarrow ROA$)	+	***
<i>H4a</i> ($E \times IDB \rightarrow ROA$)	-	***
<i>H4b</i> ($S \times IDB \rightarrow ROA$)	-	*
<i>H4c</i> ($G \times IDB \rightarrow ROA$)	+	n.s.

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Source: Authors' compilation.

Taken together, these findings confirm that ESG disclosures, particularly in the social and governance pillars, are positively associated with firm performance in Vietnam. However, this relationship is not uniform and is significantly shaped by governance structures:

- State ownership reduces the financial effectiveness of ESG, possibly due to conflicting objectives or weak performance incentives.

- Female representation on boards enhances ESG value creation, especially in the corporate governance pillar.

- Board independence may inadvertently constrain ESG impact, possibly due to conservative oversight or limited contextual understanding.

These results highlight the contextual and conditional nature of ESG value in emerging markets and underscore the need for firms and policymakers to align governance structures with sustainability objectives.

5. DISCUSSION

This study set out to examine whether ESG disclosures enhance firm profitability in Vietnam and whether this relationship is contingent on ownership structure and board characteristics. By situating the analysis in a transitional emerging economy characterized by strong state influence and evolving governance frameworks, the study responds directly to calls in the literature for greater contextualization of ESG-performance relationships beyond developed markets (Arya & Zhang, 2009; Rahi et al., 2024).

5.1. ESG disclosure and firm performance: Comparison with prior studies

The findings reveal that only the social (*S*) and governance (*G*) dimensions of ESG disclosure are positively and significantly associated with firm profitability (*ROA*), while environmental (*E*) disclosure does not exhibit a statistically significant effect. This result partially aligns with prior evidence from emerging markets, which suggests that ESG impacts are heterogeneous across dimensions and contexts (Baldini et al., 2018; Boubakri et al., 2021).

In developed markets, several studies document a broadly positive ESG-performance relationship across all pillars (Alareeni & Hamdan, 2020; Aouadi & Marsat, 2018). However, our results diverge from this dominant narrative by showing that, in Vietnam, environmental disclosure does not translate into short-term profitability gains. This divergence supports the stakeholder-theoretic argument advanced in subsection 2.1: in institutional environments where environmental regulation and enforcement remain weak, environmental investments may generate legitimacy benefits without immediate financial returns. Similar patterns have been observed in other emerging economies, where environmental initiatives tend to involve higher costs and longer payback horizons (Baldini et al., 2018).

Conversely, the strong and robust effects of social and governance disclosures are consistent with findings from Bissoondoyal-Bheenick et al. (2023) and Chen et al. (2023), who emphasize that social responsibility and governance quality are more directly valued by stakeholders and capital providers in contexts with information asymmetry. This pillar-specific evidence represents an important contribution, as it reinforces recent calls to move beyond aggregate ESG scores and examine the differentiated effects of ESG components (Rahi et al., 2024).

5.2. State ownership as a governance contingency

A key contribution of this study lies in demonstrating that state ownership significantly weakens the positive effects of environmental and governance disclosures on firm performance. This finding extends prior work on ownership structure and CSR by empirically confirming the moderating role of state ownership in the ESG-performance nexus (Dam & Scholtens, 2012; Esa & Anum Mohd Ghazali, 2012).

While some studies argue that state ownership may facilitate ESG engagement by providing access to resources and policy support (Najaf et al., 2025),

our results suggest that such engagement does not necessarily translate into superior financial outcomes. This supports the agency-based interpretation developed in subsection 2.2: in Vietnamese state-influenced firms, ESG initiatives — particularly in environmental and governance domains — may be pursued primarily for political legitimacy or regulatory compliance rather than profit maximization. As a result, the economic returns from ESG disclosure are diluted.

Importantly, this finding adds nuance to the mixed evidence reported by Lagasio and Cucari (2019), who find no consistent relationship between concentrated ownership and ESG transparency. Our study shows that ownership type — not merely concentration — matters, and that state ownership constitutes a distinct governance condition that reshapes ESG value creation. This insight represents a novel empirical contribution, particularly given the scarcity of firm-level evidence from transitional economies.

5.3. Board gender diversity and ESG value creation

The results further indicate that board gender diversity positively moderates the relationship between governance disclosure and firm profitability, while its moderating effects on environmental and social disclosures are insignificant. This partial support for resource dependence theory refines prior findings on board diversity and ESG outcomes.

In line with Adams and Ferreira (2009) and Bear et al. (2010), the positive moderation effect on governance suggests that female directors enhance oversight quality, transparency, and internal control — core elements of the governance pillar. This finding complements recent evidence from emerging markets showing that female board representation strengthens governance-related outcomes (Mansour et al., 2023; Alahdal et al., 2024).

At the same time, the absence of significant moderation effects for environmental and social disclosures highlights the contextual nature of board diversity effects. Unlike studies in developed markets where female directors often exert broader influence over CSR agendas (Harjoto et al., 2015), female directors in Vietnam may face institutional constraints that limit their impact on strategic ESG investments. This result echoes Cucari et al. (2018), who show that the influence of board diversity on ESG engagement varies across governance regimes. By documenting this selective moderation effect, our study contributes to a more contingent understanding of board gender diversity in ESG governance.

5.4. Board independence and the limits of traditional governance mechanisms

One of the most striking findings is that board independence negatively moderates the effects of environmental and social disclosures on firm performance, while exerting no significant influence on governance disclosures. This result contrasts with conventional agency theory expectations and with evidence from developed markets where independent directors are often associated with stronger ESG outcomes (de Villiers et al., 2011; Ma et al., 2024).

However, this finding aligns closely with the institutional arguments outlined in subsection 2.3. In emerging markets with concentrated ownership and weak enforcement, independent directors may lack both the authority and the firm-specific knowledge necessary to champion long-term ESG investments (Ferrarini & Filippelli, 2014). Instead, they may adopt a conservative, compliance-oriented stance that prioritizes short-term financial discipline over sustainability initiatives with uncertain payoffs.

By empirically documenting this negative moderation effect, the study challenges the assumption that greater board independence universally enhances ESG value creation. This insight is particularly relevant for governance research and responds directly to the journal's focus on board roles and effectiveness. It also complements recent reviews emphasizing that board independence may function differently across institutional contexts (Sundarasan et al., 2024).

5.5. Theoretical and contextual contributions

Taken together, the findings advance ESG-performance theory in three important ways. First, they confirm that ESG value creation is highly context-dependent, reinforcing stakeholder and agency theories that emphasize institutional conditions. Second, they demonstrate that governance mechanisms — state ownership, gender diversity, and board independence — do not operate uniformly but selectively shape the financial consequences of ESG disclosure. Third, by focusing on Vietnam, the study provides rare firm-level evidence from a transitional economy, enhancing the external validity of ESG theories developed primarily in Western settings.

In contrast to prior studies that treat governance variables as control factors, this research positions them as core moderators, thereby offering a more integrated and contingent framework for understanding ESG outcomes. These insights not only differentiate the study from existing literature but also offer a foundation for future comparative research across emerging markets with similar governance structures.

6. CONCLUSION

This study investigates the relationship between ESG disclosures and firm profitability in Vietnam, with particular attention to the moderating roles of state ownership, board gender diversity, and board independence. Drawing on stakeholder theory, agency theory, and resource dependence theory, the study provides new empirical evidence from a transitional emerging economy characterized by strong state influence and evolving corporate governance institutions.

The results show that ESG disclosure does not uniformly enhance firm performance. Specifically, only the social (S) and governance (G) pillars are positively associated with ROA, while environmental (E) disclosure does not exhibit a significant short-term effect. This finding contrasts with much of the evidence from developed markets, where all ESG dimensions often contribute positively to financial outcomes (Alareeni & Hamdan, 2020; Aouadi & Marsat, 2018), but aligns with studies emphasizing

the context-dependent nature of ESG value creation in emerging economies (Baldini et al., 2018; Boubakri et al., 2021). In institutional environments where environmental regulation and enforcement remain weak, environmental investments may generate legitimacy benefits without immediate profitability gains.

Importantly, the study demonstrates that governance conditions critically shape the ESG-performance relationship. State ownership significantly weakens the positive effects of environmental and governance disclosures, supporting the agency-based argument that state-controlled firms may pursue ESG initiatives for political legitimacy or compliance rather than profit maximization (Dam & Scholtens, 2012; Esa & Anum Mohd Ghazali, 2012). This finding refines prior mixed evidence on ownership structure and ESG transparency (Lagasio & Cucari, 2019) by showing that ownership type, rather than ownership concentration alone, plays a decisive moderating role.

The results further indicate that board gender diversity enhances the financial returns from governance-related ESG disclosure, but not from environmental or social disclosure. This selective moderation supports resource dependence theory by suggesting that female directors strengthen internal governance quality, transparency, and oversight — key components of the governance pillar (Adams & Ferreira, 2009; Bear et al., 2010). At the same time, the limited impact of gender diversity on environmental and social disclosures highlights institutional constraints that may restrict directors' influence over long-term or externally oriented ESG strategies in Vietnam, consistent with Cucari et al. (2018).

Finally, the finding that board independence reduces the performance benefits of environmental and social disclosures challenges conventional agency-theory expectations and evidence from developed markets (de Villiers et al., 2011; Ma et al., 2024). In line with recent governance research, this result suggests that, in emerging markets with concentrated ownership and weak enforcement, independent directors may adopt a conservative, compliance-oriented stance that constrains ESG initiatives with uncertain short-term returns (Ferrarini & Filippelli, 2014; Sundarasan et al., 2024).

Taken together, the study makes three key contributions. First, it provides rare firm-level evidence from Vietnam, extending the ESG-performance literature beyond its dominant developed-market focus (Rahi et al., 2024). Second, it demonstrates that ESG value creation is highly contingent on governance structures, positioning ownership type and board characteristics as core moderators rather than peripheral control variables. Third, it offers insights relevant to governance research and practice, particularly in emerging economies where institutional conditions differ markedly from Western settings.

Despite its contributions, this study has several limitations that open avenues for future research. First, ESG disclosure is measured using binary indicators that capture the presence of disclosure rather than its depth, quality, or credibility. Future studies could employ more granular ESG scores or content-based measures to better capture variation in disclosure quality (Baldini et al., 2018). Second,

firm performance is assessed using a short-term accounting measure (ROA). Subsequent research could examine longer-term outcomes such as firm value, risk, cost of capital, or market-based performance, as ESG benefits may materialize over longer horizons (Chen et al., 2023; Rahi et al., 2024).

Third, while this study focuses on Vietnam, geopolitical and regional dynamics — such as economic relations between Vietnam and neighboring or strategically connected economies (e.g., India or Association of South-East Asian Nations partners) — may influence ESG practices and investor perceptions. Future research could explicitly incorporate geopolitical risk, cross-border investment exposure, or comparative multi-country designs to assess how

ESG-performance relationships vary across emerging markets with different political and institutional configurations. Finally, qualitative or mixed-method approaches could complement large-sample analyses by shedding light on how boards and state owners actually interpret and implement ESG strategies in practice.

Overall, this study underscores that ESG is not a “one-size-fits-all” strategy. Its financial effectiveness depends critically on institutional context and governance structures, a lesson that is particularly salient for firms, regulators, and investors operating in emerging and transitional economies.

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