Governance and Sustainability in Southeast Asia

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Keywords: Southeast Asia; corporate sustainability responsibility disclosure (CSD); content analysis; stakeholder reform; corporate governance; sustainable development.

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Abstract

Purpose – This paper aims to examine the relationship between a diverse set of corporate governance (CG) mechanisms and corporate sustainability disclosures (CSD) in Southeast Asian countries under national stakeholder reform.

Design/ methodology/ approach – Data analysis is based on 171 of the largest companies across six Southeast Asian countries using a 30-item CSD measure.

Findings - The authors find that there are wide variations in the levels of CSD across the countries. The findings indicate that board size, board gender diversity, block ownership and the presence of a sustainability committee are significant determinants of CSD. Additionally, while more stringent stakeholder governance reform motivates firms to publish more sustainability information, it fails to influence the effectiveness of board of directors in promoting CSD.

Practical implications – Findings of this study highlight the essential role internal governance structure plays in monitoring corporate actions and enabling corporations to reduce their legitimacy gap. The findings further encourage regulators and policy makers to question, with utmost importance, the effectiveness of stakeholder reform in making significant organisational changes.

Originality/ value – There is a dearth of studies that examine the CG-CSD nexus in relation to specific institutional characteristics. Existing studies mainly focus on a single country with similar institutional environments, and thus limiting the ability to understand 'context specificity' of sustainability content development. This paper provides an overview of stakeholder reform in Southeast Asian countries and empirically substantiates the relationship between CG and CSD across six countries undergoing such reforms in the region.

Keywords: Southeast Asia; corporate sustainability disclosure (CSD); content analysis; stakeholder reform; corporate governance; sustainable development.

1. Introduction

There is a notable convergence of corporate governance (CG) practices across countries, due to the convergence of securities regulations and CG codes (Tricker, 2012). In this regard, the pervasive adoption of institutional-level reforms and their influence on corporate sustainability disclosure (CSD) is of growing interest to researchers (Aguilera, 2005). While the influence of CG mechanisms upon CSD has been widely explored, especially from a Western perspective (Al-Shaer *et al.*, 2019; Aureli *et al.*, 2020; Giannarakis *et al.*, 2019), our understanding of the *effectiveness of CG structures* in fostering firms' sustainability practices, based upon associated national institutional pressures remains scarce (Ortiz-de-Mandojana *et al.*, 2016).

Contradictory to the common convergence perception, institutional scholars have long argued that the CG–CSD nexus may not only vary in terms of differences arising from firm-level characteristics, but could also be influenced by country-level variations related to cultural, governance, corporate sustainability, institutional and legal differences (Young and Thyil, 2014). Thus, the effectiveness of CG mechanisms may indeed depend on each country's specific institutional characteristics (Aguilera *et al.*, 2008; Filatotchev *et al.*, 2013). Any investigation of the organisational outcomes of CG, such as that of CSD, thus, requires the adoption of an institutionally embedded approach (Filatotchev *et al.*, 2013), to understand the diffusion and the multifaceted relationship of CG and CSD, particularly in non-Western contexts where efforts to adopt recommended governance practices through institutional reforms may be ineffective.

The central purpose of this study, therefore, is to investigate the effect of CG mechanisms including block ownership, board gender diversity, board independence, board size, CEO role duality and the presence of a corporate sustainability (CS) committee on CSD and the extent to which such influences are moderated by national-level stakeholder reforms. We focus on the Southeast Asia region due to its uniqueness. Despite being a rising star of the global market, these countries still experience numerous social problems, such as poverty, climate change, corruption, child labour, human rights violations and social exploitation (Belal *et al.*, 2013), which not only impacts negatively on the image of these countries, but also raises concerns about their corporations' long-term sustainability (Li *et al.*, 2010). As a result, these countries have undertaken a range of institutional reforms (Claessens and Yurtoglu, 2013; Tipton, 2009), in order to encourage and enhance wider responsibilities and transparency in public corporations (Enriques and Volpin, 2007; Kim and Lu, 2013; Ntim *et al.*, 2012). Nevertheless, the effectiveness of these reforms could be mitigated by extant societal norms, such as concentrated company ownership, pervasive corruption, family dominance and political interference (Globerman, Peng and Shapiro, 2011; Khan *et al.*, 2013a).

Thus, we adopt a cross-country comparative approach in this paper, examining how diverse CG practices affect CSD, across selected countries in the South-East Region and the potential influence of stakeholder reforms upon this relationship (Patten and Shin, 2019; Tilt, 2016). In doing so, we move away from the existing narrow focus on a single-country context (e.g., Amran and Devi, 2008; Othman *et al.*, 2011) and the over-focus on Anglo-Saxon and Western European country contexts (Cordeiro *et al.*, 2018; Fifka, 2013; Haque and Ntim, 2018). We contribute to extant literature by providing deeper insights into, and more complete understanding of, the 'context specificity' of CSR/sustainability content development, and subsequent disclosure of such practices (Prieto-Carron *et al.*, 2006).

The remainder of the paper is structured as follows. The next section discusses CS reforms in Southeast Asian countries. The following sections will present the theoretical framework, review empirical literature and develop hypotheses, present the research design and discuss empirical findings. The final section will conclude the paper.

2. Corporate Sustainability Reforms in Southeast Asia

In recent years, a number of countries in the SEA, have undertaken substantive institutional reforms, primarily to promote the adoption of more stakeholder responsibilities by companies. For example, Indonesia became the first country in the region to mandate CS through the release of Law No. 40 in 2007, which mandated the disclosure of environmental and social information in annual reports. This initial step has been followed by a range of governmental regulations in 2012, mandating CS and CSD for public listed companies and companies with business activities in the area of natural resources. Following the example of Indonesia, Philippines released the Corporate Social Responsibility Act in 2011 to institutionalise CSR for domestic and international corporations. Recently, in 2015, the Vietnamese government also released the Circular No.155/2015/TT-BTC in which all listed companies, except those operating in finance, banking, securities and insurance sectors, are required to disclose any impact of their activities on the environment and society. In the other countries, CS has not been made mandated through official laws and regulations, however, there are laws and regulations addressing some fundamental aspects of CS, such as human rights, environmental protection, labour law and customer protection law.

Other countries such as Malaysia and Thailand have used a softer regulatory approach to govern CS and CSD through listing requirements on national stock exchanges in 2006 and 2013 respectively. Alongside such reforms are the changes which have occurred in these countries' CG codes. Until very recently, all the six countries have reflected companies' responsibilities towards stakeholders in their codes with the earliest move from Indonesia in 2006, followed by Malaysia, Singapore and

Thailand in 2012, Philippines in 2016 and finally Vietnam in 2019. Overall, the updated CG codes underpin three key changes; first, updated definitions for CG incorporating the stakeholder perspective, refers to mechanisms to direct and manage business to not only enhance shareholder value as well as stakeholders' interests. Secondly, the codes emphasise the rights and interests of stakeholders when achieving long-term sustainable growth. Thirdly, the codes highlight the duties of the board of directors towards stakeholders specifically in delivering sustainable value to them. Collectively, these institutional reforms in the SEA region countries, with their focus on propagating stakeholder responsibility, is anticipated to enhance CSD. Table 1 outlines further details related to these existing reforms efforts in the six countries.

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3. Theoretical framework

Empirical findings in the literature have proven constantly, over time and across countries, that corporate voluntary disclosure is influenced by diverse CG elements (e.g., Alshbili *et al.*, 2019; Beekes *et al.*, 2016; Sanchez *et al.*, 2020). In the majority of these studies the relationship between corporate disclosure and CG is explained as a solution to reduce information asymmetry, which is one of the major issues in the agency relationship (Barako *et al.*, 2006; Michelon and Parbonetti, 2012).

Underpinning the Agency Theory, CSD is also deemed to ensure greater accountability of managers and reduce their opportunistic behaviour, as well as the intention to withhold information (Ho and Wong, 2001). Effective CG systems, therefore, play an important role in motivating managers to be more transparent, productive and put effort into fulfilling tasks undertaken for their owners (Said *et al.*, 2009).

While this study examines the relationship between CG and disclosure, it does so in relation to the broader view of stakeholders rather than that of shareholders, and thereby adopting a more expansive view of corporate disclosure itself. Thus, we move away from the traditional use of agency theory and draw on the basic premise of institutional theory to investigate the interaction between CG and CSD within a wider societal context (Brammer *et al.*, 2012; Campbell, 2007; Ioannou and Serafeim, 2014, Scott, 1995). Various institutional actors within this context are able to exert pressures on companies and monitor their behaviours (Baughn *et al.*, 2007), influencing their decision making (Ioannou and Serafeim, 2012; Scott, 1995). Companies, as a result, exhibit their effort to pursue legitimacy by aligning their practices with these institutional pressures and thereby conforming to formal and informal rules (Peng *et al.*, 2008; Pedersen *et al.*, 2013). Given the institutional focus of CG and CS, (Campbell, 2007; Kang and Moon, 2012; Marquis *et al.*, 2007), the theory provides a rational approach and a useful framework to extend our understanding of, and provide insight into how corporate practices such as CSD are adopted in different institutional contexts in which interactions between actors are conceptualised within a specific governance system (Irvine, 2008; Tran and Beddewela, 2020).

4. Hypotheses Development

Whilst research looking at the relationship between CG and CSD has increased in recent years (e.g., Hussain *et al.*, 2018; Manning *et al.*, 2019), current literature is still largely neglected with regards to the effect of key CG characteristics upon CSD (Jizi *et al.*, 2014). We draw from these strands of the literature and the unique context of Southeast Asian countries to hypothesise the potential impact of CG mechanisms and their interaction with institutional stakeholder reform upon CSD.

4.1 Board Size and CSD

The effectiveness of a board's supervision function is influenced by its size (Berghe and Levrau, 2004; Mak and Li, 2001; Nam and Nam, 2004). Despite a concern on the effectiveness of large board (Berghe and Levrau, 2004), the increase in board size can simultaneously expand the pool of expertise and diversify its knowledge and skills (Hu and Loh, 2018), and thereby raising its legitimacy (Mahmood and Orazalin, 2017). The presence of several stakeholders in a larger board would result in greater demands upon CS engagement and provide a higher level of managerial monitoring of corporate activities (Ntim and Soobaroyen, 2013; Charms and Garcia-Blandon, 2019). Previous studies indicate that larger boards are able to organise and initiate healthy discussions in which CS activities and disclosure can be of interest (Esa and Ghazali, 2012; Giannarakis, 2014; Said *et al.*, 2009), and thereby enabling firms to respond to social pressures and demands from multiple stakeholders in an effective manner (Barakat *et al.*, 2015). Thus, our first hypothesis is that:

Hypothesis 1 Board size is positively associated with CSD

4.2 Board Independence and CSD

Independent directors can strengthen the board (Petra, 2005) and potentially reduce agency costs (Bae *et al.*, 2018) by monitoring the activities of management and protecting the interests of investors. Independent directors are also expected to concentrate less on short-term financial performance and more on long-term sustainability to maintain reputational capital by controlling major decisions taken at the board level (Cheng and Courtenay, 2006; Ibrahim *et al.*, 2003; Jizi *et al.*, 2014).

As the role of independent directors depends on the contextual factors of the country's legal and regulatory environment, the context specificity of studies has resulted the mixed empirical findings (Bose *et al.*, 2018; Zhou, 2019; Ntim and Soobaroyen, 2013). In SEA specifically, with the high level of concentrated ownership, board independence has increasingly become an important monitoring mechanism to keep track of corporate insiders' activities, on behalf of minority shareholders (Chen and Nowland, 2010). From a broader perspective, independent directors are expected to provide information to society about the firm being well managed, managers being effectively supervised and interests of stakeholders being considered (Ong and Djajadikerta, 2018). To test the relationship between board independence and CSD, we, therefore, propose the second hypothesis to be tested as:

Hypothesis 2 Board independence is positively associated with CSD.

4.3 Board Gender Diversity and CSD

From an agency perspective, boards with a more balanced mix of experiences and capabilities are more effective in monitoring and assessing management practices, evaluating strategies and in influencing CS (Hillman and Dalziel, 2003; Jizi, 2017). Gender diversity on boards is claimed to increase board independence through better managerial monitoring, improve efficiency, achieve greater financial outcomes and enhance legitimacy (Ntim and Soobaroyen, 2013a, b; Ong and Djajadikerta, 2018). Previous studies have argued that female board members have different ethical criteria and frameworks compared to men (Harris, 1989), are often perceived to implement a more caring approach and hence would be more interested in and provide better transparency on sustainability issues (Al-Shaer and Zaman, 2016; Bravo and Reguera-Alvarado, 2019. There has been little research attempting to link board gender diversity and CSD (Fernandez-Feijoo *et al.*, 2014; Rao and Tilt, 2016). However, results of existing studies seem to confirm a positive association (e.g., Fernandez-Feijoo *et al.*, 2014; Charms and Garcia-Blandon, 2019; Bravo and Reguera-Alvarado, 2019). Therefore, following these theoretical and empirical evidence in the literature, our third hypothesis is that:

Hypothesis 3 Board gender diversity is positively associated with CSD.

4.4 CEO duality and CSD

CEO duality addresses the practice on boards, whereby the same individual holds both of the position of Chief Executive Officer and Chairman. Combination of the two positions allows a person to have greater power, with associated detrimental governance issues (Said *et al.*, 2009). Based on the agency perspective, the extent to which firms engage in CS activities and disclose CS information is likely to be determined by managerial discretion and interests (Jizi *et al.*, 2014). CEOs with dual power, thus, could use CS for their own personal motives without considering other stakeholders' interests (Khan *et al.*, 2013a), providing less CS information to avoid improving effective external control (Jizi *et al.*, 2014).

The issue of CEO duality is particularly applicable in the Southeast Asian context, where the practice is still customary due to the high level of family control (Millar *et al.*, 2005). A number of studies have examined the relationship between CEO duality and CSD with contested findings (e.g., Zhou, 2019; Jizi *et al.*, 2014; Khan *et al.*, 2013a). Nevertheless, aligned with the argument from agency theory, firms with CEO duality on boards can reduce the effectiveness of monitoring activities, leading to the lack of transparency and lower CSD levels. Therefore, our fourth hypothesis is that:

Hypothesis 4 CEO duality is negatively associated with CSD.

4.5 Block Ownership and CSD

As most firms in Southeast Asia are family-owned, highly concentrated ownership is a common practice, even within listed companies (Asia Development Bank [ADB], 2014; Mitchell and Wee, 2004). Firms with a high percentage of block ownership have been argued to receive less pressure for public accountability as the interests of outsiders are deemed to be of lesser importance (Ntim and Soobaroyen, 2013a, b); and block shareholders with more than 5% of ownership tend to care more about financial than social accountability (Salvioni *et al.*, 2016).

In contrast, from the agency perspective, voluntary disclosure plays the role of a monitoring mechanism to reduce agency conflicts by enhancing the efficiency of operations and corporate financial performance (Jensen and Meckling, 1976). Firms with dispersed ownership tend to use CSD purposefully to address higher pressure from socially interested shareholders (Brammer and Pavelin, 2008), improve their financial reporting, thereby reducing information asymmetries between firms and their investors (Reverte, 2009). Empirical findings consistently support the argument that firms with a higher-level of concentrated ownership disclose less CS information (Khan *et al.*, 2013b; Ntim and Soobaroyen, 2013a, b; Reverte, 2009). As a result, our fifth hypothesis is that:

Hypothesis 5 Block ownership is negatively associated with CSD.

4.6 CS Committee and CSD

Despite the growing interest in enacting a CS committee amongst firms, literature on the role of such a committee on boards has been quite limited (Eberhardt-Toth, 2017), with little insights into the effectiveness of CS committees in motivating firms' CS engagement. As CS committees are responsible for enacting CS processes and policies (Post *et al.*, 2002), its presence is demonstrative of a firm's orientation towards sustainability development (Hussain *et al.*, 2018) and its intention to uphold its legitimacy in relation to social and environmental reputation (Rankin *et al.*, 2011). One of the rare studies, which have directly examined the impact of CS Committees on CSD is the paper of Cowen *et al.* (1987) in which the committee's findings regarding CS activities, arguably, were significant enough to be published in annual reports, resulting in higher levels of disclosure. Similarly, using a sample of South African and Sub-Saharan Africa listed firms, Ntim and Soobaroyen (2013a) and Ntim (2016) report a significant effect of the presence of CS committee on CSD. Following these arguments, our sixth hypothesis is that:

Hypothesis 6 Firms with CS committee are likely to have higher CSD.

4.7 Stakeholder governance reforms and CSD

Stakeholder governance reforms, has been approached by scholars through the adoption of either a hard and/or a soft approach (Gjolberg, 2011; Kourula *et al.*, 2019; Schrempf-Stirling, 2018). The hard (law) approach affirms the coercive power of legal/regulatory policies to mobilize corporate conformance for CS, aimed at protecting stakeholders' interests (Scott, 2008; Campbell, 2007, Kim *et al.*, 2013; Eccles *et al.*, 2014). However, this approach restricts the ability of institutional actors to engage in a continuous process of improved stakeholder governance (Waagstein, 2011). It also does not guarantee an effective enforcement of ‘norms’, due to a lack of precise guidance or monitoring system (Chinkin, 2000).

Corresponding to a widely advocated movement away from the use of hard (law) approaches (Salamon, 2002; Zehavi, 2012), many national governments has thus, opted to use a diverse range of soft (law) approaches, such as; incentives, guidelines or requirements from governmental actors to encourage CS and CSD. These approaches, enables the gradual development of CS knowledge, facilitate compromise and allow collaboration among actors, due to a lack of monitoring and associated costs (Abbott and Snidal, 2000; Lee and Petts, 2013). Nevertheless, soft (law) approaches, tend to relay on international instruments such as standards, principles, initiatives and norms, while ignoring national-level instruments and efforts in this regard (Voegtlin and Scherer, 2017).

Thus, in order to focus on the effect of national stakeholder governance reforms on CSD, we examine its moderating effect by focus on three key reforms; national-level mandatory laws, non-mandatory reforms proposed by other governmental agencies such as national stock exchanges and efforts undertaken to at a national-level to incorporate stakeholder responsibilities into CG codes. We expect such stakeholder governance reforms would influence the effectiveness of board mechanisms, thus, in turn enabling a greater fulfilment of a corporation’s social contract (White, 2006).

Previous studies have however, reiterated that managers operating under stringent CS regulatory environment will only take minimal effort to comply with such requirements (Ortiz-de-Mandojana *et al.*, 2016). As such, in the context of SEA countries, with questionable governmental monitoring of corporate behaviour, within highly stringent regulatory environments, *the effectiveness* of traditional CG mechanisms at the board level (such as the number of independent directors, board diversity through the representative of female directors and the separation of CEO and Chairman positions and the presence of CS committee) may be weak (or have less impact) in relation to CSD.

Hypothesis 7a: In countries with more stringent regulatory environment, independent directors have less impact on CSD

Hypothesis 7b: In countries with more stringent regulatory environment, the presence of female directors on board have less impact on CSD

Hypothesis 7c: In countries with more stringent regulatory environment, the separation of CEO and Chairman on board have less impact on CSD

Hypothesis 7d: In countries with more stringent regulatory environment, the presence of CS committee has less impact on CSD

5. Research design

5.1 Sample design and data collection

The study adopts the methodology of the Financial Times Stock Exchange (FTSE)'s ASEAN all-stars index, which comprises the most exciting companies with the largest and most liquid stocks on their national stock exchanges to reflect the breadth and depth of the ASEAN economies. Due to the unavailability of reliable databases on sustainability information in these countries, the annual reports (year ending 2013) from thirty largest listed-companies on each country's stock exchange market were hand-collected and analysed to reflect accurately the level of SD across firms. We specifically focus on 2013, to enable us to evaluate the impact on CSD, of different stakeholder governance reforms initiated across our sample of SEA countries. Particularly, by 2013, Malaysia, following Indonesia and Philippines, implemented mandatory CSD through its stock exchange listing requirements. By 2013, Singapore and Thailand had incorporated CSD requirements in their CG codes. Vietnam was the only country, which had not officially implemented stakeholder governance reforms by 2013. Such diverse approaches from these governments made 2013 an interesting year to study.

Furthermore, our decision to choose the largest firms from each country was related to the need to capture more information about CS, as large corporations are the main practitioners of CS in the examined countries (Herrera *et al.*, 2011; Lu, 2013) and are deemed to have more resources to implement substantial CS practices (Chapple and Moon, 2005). This selection criterion also enabled us to obtain data from countries, such as the Philippines and Vietnam, where the concept of CS is not yet substantially adopted by corporations (Chapple and Moon, 2005; Hieu, 2011), and thereby enabling the completeness of our overall data set.

Overall, whilst the total expected sample size was 180, nine companies, however, were excluded for either missing a 2013 annual report or due to a lack of business activities distinctive from their parent companies. This resulted in a final sample size of 171 firms. Although we are aware that a larger sample size would allow better generalisability of CSD practice in these countries, the labour-intensive data collection process has hindered our ability to expand the sample size further.

5.2 Measurements of variables

To measure the level of CSD, we use the equal-weighted index developed from the study of Branco and Rodrigues (2008). The index has been cross-checked and modified slightly with reference to other studies to reflect accurately diverse sustainability issues relevant to the studied context (Abd-Mutalib *et al.*, 2014; Hummel and Schlick, 2016; Islam *et al.*, 2016; Nobanee and Ellili, 2015).

Based on the list of 30 disclosure items divided into four major sub-categories (1. environmental disclosure, 2. human resources disclosure, 3. products and consumers disclosure, and 4. community involvement disclosure), each item was awarded a point if it is disclosed and 0 if missing. To avoid penalising firms for not disclosing the items unrelated to their business, we adopt the absolute disclosure ratio where the set of disclosure items relevant to a corporation based on the industries in which it operates (Marquis and Toffel, 2012) and exclude certain items for firms from service industries with low supply chain and environmental impact (Simpson and Kohers, 2002; Lock and Seele, 2015). The CSD index is, thus, calculated by the ratio of actual scores awarded to the maximum score that a firm could achieve.

For the level of stringency in the stakeholder reform, we use a dummy variable to depict various approaches from countries. Specifically, the value of 3 is allocated to countries with a mandatory CS(R) law, the value of 2 to countries that integrate CS into listing requirements on national stock exchange, the value of 1 for countries that incorporate stakeholder responsibilities into national CG codes, and finally 0 for countries with no official stakeholder reform.

The data related to the governance variables was collected mainly from annual reports, information on the national stock exchanges and companies' websites. To prevent the potential of omitted variables bias, we included several control variables, namely firm size, profitability, leverage, firm age, audit firm size and industry affiliation. Whilst for brevity we do not develop direct theoretical links to support the relationship between these control variables and CSD, there are extensive theoretical and empirical literature suggesting the potential impact of these variables on CSD (e.g., Amran and Devi, 2008; Cowen *et al.*, 1987; Khan, 2010; Ntim and Soobaroyen, 2013a, b; Othman *et al.*, 2011). Table 2 provides a summary of all the variables' measurements.

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6. Results

6.1 Descriptive statistics

Table 3 reports a summary of descriptive statistics of all metric variables employed in this study. The overall CSD index score ranges from a minimum of 0% (0.000) to a maximum of 92% (0.917), with the average firm disclosing 44% (0.440) of the 30 items investigated. Both of the average disclosure score and the percentage of companies disclosing at least one item on sustainability (97.076%) are higher compared to similar studies conducted in the region (See Chapple and Moon, 2005; Gunawan and Hermanwan, 2012; Haji, 2013; Siregar and Bachtiar, 2010), signalling the potential increase in CS awareness. The mean scores of the CSDI emphasise various levels of disclosure across the countries with Thailand having the highest score (0.554), followed by Indonesia (0.552), Malaysia (0.459), Singapore (0.427), Philippines (0.326) and Vietnam (0.302). In comparison with the study of Chapple and Moon (2005), one of the rare cross-country study in SEA, the ranking of the countries indicate minor changes except for Indonesia which position has altered significantly from being the country with the lowest score to now sits in the second position in this study. Our result could indicate that the potential influences of institutional reform as Indonesia has been active in promoting stakeholder responsibilities.

INSERT TABLE 3 ABOUT HERE

Table 4 provides descriptive statistics for components of each categories in CSDI, reaffirming the focus of SEA companies on disclosing community and human resources practices and their attention on human welfare (See Djajadikerta and Trireksani, 2012; Kuasirikun and Sherer, 2004; Gunawan and Hermawan, 2012). CD, as the highest disclosure category, reflects the classic philanthropy model of the SEA business community and its strong background of giving back to society rooted in some of these countries as a business necessity because of colonialism and war (Sharma, 2013). Through institutional reforms, many initiatives used by the governments specifically target community-related activities as an effective and convenient way to address the high level of poverty. Pursuing such practices would enable corporations to uphold their image as a good corporate citizen that follow the governments' policies and appear legitimate to a wider society (Nugroho *et al.*, 2010; Rahman *et al.*, 2011).

INSERT TABLE 4 ABOUT HERE

Having the second highest level of disclosure is human resource category. This reflects the intention of firms to promote employee well-being through their mutual interest in which economic advantage could be achieved through the increase of employee performance (Kuasirikun and Sherer, 2004; Mirfazli, 2008), the support from labour providers and the enhanced values in consumers' eyes (Holder-Webb *et al.*, 2009). The focus of human resource information in CSD can also be attributed to the countries' policies relating to employee welfare and the existence of a unionised labour force (Belal and Momin, 2009).

The other categories, environmental disclosure (ED) and products and consumers disclosure (PCD), receive lower levels of attention. The limited attention on ED is aligned with a number of previous studies (Ahmad and Haraf, 2013; Sumiani *et al.*, 2007; Thompson and Zakaria, 2004), reflecting the low awareness of environmental issues in these countries. The limited attention of companies on consumers as a stakeholder group might be explained by the low CS awareness and consumer activism in the countries (Sharma, 2013).

The descriptive statistics of CG variables (Table 3) depict a large amount of variability in CG practices across the countries with a number of notable observations. First, the large board size, with an average of 11 members, seems to reflect previous findings (Ilaboya *et al.*, 2016; World Bank, 2013) as a customary practice among big corporations in Southeast Asia, symbolising complex and organisational structures. Second, the average percentage of independent directors complies with national requirements to have one-third of the board made up of independent directors (Ramly *et al.*, 2017). Notably, the percentages in Indonesia and Vietnam fall short from other countries, corresponding to the previous assessment of CG in these countries (IFC, 2012; SEC, 2015). Third, aligned with the findings in similar studies (See Nguyen *et al.*, 2015; Abdullah and Abdullah, 2014; Issarawornranich and Suneerat, 2019), the practices of gender diversity on board and the presence of CS committee have not been widely adopted across the countries. Fourth, only 14.6% of the firms have the same person undertaking both CEO and Chairman positions, which is much lower than reported in previous research (Nuanpradit, 2019; Pham *et al.*, 2015), signalling an optimistic sign for CG improvements. Finally, as expected (ADB, 2014; Mitchell and Wee, 2004), the percentage of block ownership (Mean = 64.435%) is high in the region, albeit being varied across the countries.

Table 5 presents the coefficients of both Pearson's parametric correlation and Spearman's non-parametric correlation. Observably, the direction and magnitude of both correlation matrices indicate no serious non-normality problems and potential multicollinearity.

INSERT TABLE 5 ABOUT HERE

6.2 Multivariate Regression Analysis

The OLS multiple regression was used to test the hypotheses. The multivariate regression model is specified as follows:

$$\mathbf{CSDI_i = \beta_0 + \beta_1\, BS_i + \beta_2\, IND_i + \beta_3\, FED_i + \beta_4\, DUAL_i + \beta_5\, BLOC_i + \beta_6\, COMT_i + \beta_7\, REF{*}IND + \beta_8\, REF{*}FED + \beta_9\, REF{*}DUAL + \beta_{10}\, REF{*}COMT + \Sigma\, \beta_i\, CONTS_i + \varepsilon_i}$$

Where *CSDI* presents the *CSD* index; *BS* denotes board size; *IND* refers to the percentage of independent directors; *FED* denotes the percentage of female directors on board; *DUAL* is CEO duality; *BLOC* refers to the percentage of block owners; COMT refers to the presence of CS committee at the board level; *REF*IND* denotes the moderating effect of stakeholder reform on independent directors; *REF*FED* denotes the moderating effect of stakeholder reform on female directors; *REF*DUAL* denotes the moderating effect of stakeholder reform on CEO duality; *REF*COMT* denotes the moderating effect of stakeholder reform on CS committee; *CONTS* represents all the control variables, including firm size, leverage, profitability, firm age, audit firm size and industry affiliation.

The main assumptions underlying multiple regressions; linearity, normality, independence of residuals, homoscedasticity and multicollinearity, were tested by using various statistical and visual examinations, including the use of normal probability plots of the residuals, the scatterplots of standardised residuals, Durbin-Watson test, tolerance and VIF values.

INSERT TABLE 6 ABOUT HERE

The results of the regression analyses are presented in Table 6. Model 1 shows our findings for control variables. Model 2 and 3 include the CG mechanisms and stakeholder reform as direct effects respectively. Finally, model 4 presents the results for the complete model, including control variables, CG mechanisms and the moderating effects of stakeholder reform.

The empirical findings across the regression models show consistent findings regarding the impact of CG mechanisms on CSD. Confirming our expectation in the hypothesis 1, we found that board size has a positive impact on CSD, supporting the findings of some previous studies (Esa and Ghazali, 2012; Post *et al.*, 2011). Within the Asian context, contradicting the traditional Western agency theory perspective, in which the boards are used to separate ownership and control between managers and shareholders (see Mak and Li, 2001; Nam and Nam, 2004), board membership is often offered to leading business partners, politicians and public servants as a means to access resources (McVey, 1992), and is in effect 'an instrument of security' for resource providers (Williamson, 1991; Peng, 2004). Such diverse board representation can engender a variety of ideas and experiences, leading to a higher involvement in CSD (Esa and Ghazali, 2012). The traditional agency assumption, hence, may not hold in Asian contexts where the institutional environment is different.

Contradicting the expectations in hypotheses 2 and 4 and findings from previous studies (Cuadrado-Ballesteros *et al.*, 2015; Giannarakis, 2014; Lone *et al.*, 2016), the effect of independent directors and CEO duality on CSD was insignificant. As many companies in Asia tend to be family-owned with highly concentrated ownership, outside directors are less likely to be truly independent due to the family's involvement in the selection process (Chen and Nowland, 2010). Furthermore, independent directors are effective only when they possess the right experience and knowledge of corporate environment to be able to review reports and identify potential management problems (Keasey and Hudson, 2002). Relatedly, in some SEA countries, such as the Philippines and Vietnam, CS awareness and knowledge is not yet substantially established (Chapple and Moon, 2005; Nguyen *et al.*, 2015). Similar to the impact of independent directors and contrasting with previous arguments (e.g., Chakroun and Matoussi, 2012; Muttakin and Subramaniam, 2015), separation of the two positions, CEO and Chairman, does not have much meaning in this context, as these positions could be allocated to the two members of the same family or majority shareholders (Khan *et al.*, 2013a).

Opposite to the consistent evidence for the positive relationship between board gender diversity and CSD (e.g., Arayssi *et al.*, 2016; Carter *et al.*, 2003; Khan, 2010), the effect of gender diversity was found to be negative in this study. The impact of board gender diversity in SEA might be limited by discrimination or a stereotyping challenge against women (Arfken *et al.*, 2004; Galbreath, 2011/ 2010; Rao and Tilt, 2016) rooted in traditional beliefs on the inferior status of females to males. Pursuing management careers mean that women usually reject feminine stereotypes and adapt similar needs, values and leadership styles similar to men (Lee *et al.*, 2014), explaining the unexpected negative finding in this study.

Consistent with previous studies (Adelopo, 2011; Htay *et al.*, 2012; Ntim and Soobaroyen, 2013a, b), the coefficient of block ownership was significant and negative, confirming the hypothesis 5. With high investment in firms, block shareholders are motivated to monitor management (Khan *et al.*, 2013b) and reduce the agency problem (Shleifer and Vishny, 1997). The finding also provides support for our theoretical argument that dominant shareholders whose focus often fixates on long term financial performance might restrict information disclosure and hence limit the diversity in views on stakeholder responsibilities and CS (Lau *et al.*, 2016). Such influence of block ownership is even stronger in the Asian contexts where concentrated ownership and family dominance have been distinctive traditional norms (Globerman *et al.*, 2011; Khan *et al.*, 2013a).

With a positive and significant coefficient, the findings indicate that CS committees are an important CG mechanism, and its presence corroborates CS information in annual reports. The result, hence, confirms our hypothesis 6 and supports previous studies (e.g., Amran *et al.*, 2014; Peters and Romi, 2014; Arena *et al.*, 2015; Helfaya and Moussa, 2017) suggesting that the presence of CS committee demonstrates corporations' concern in legitimising social and environmental reputation, as well as its pursuit of CS at board level. From an agency perspective, a CS committee is created to tackle the problems associated with information asymmetry and narrow the agency costs raised from conflicts of interests (Martinez-Ferrero and Garcia-Sanchez, 2017). Although the number of firms with a CS committee on board is relatively small across the countries, the operationality of CS committees might have been strengthened in recent years due to the increase awareness of sustainability issues. Our result, therefore, provides a different perspective from what have been observed in earlier studies in which CS committees were claimed to be more symbolic than operational without any real impact on a company's CS and transparency (Rankin *et al.*, 2011; Michelon and Parbonetti, 2012; Rupley *et al.*, 2012).

In relation to the moderating effect of national stakeholder governance reforms, our findings showed that there is a significantly higher level of CSD in countries with a more stringent approach to stakeholder governance reforms. The findings contradict CSD studies conducted in Western countries contexts indicating minimal influences of mandated regulations upon CSD (See Larrinaga *et al.*, 2002; Peters and Romi, 2013) and supports previous studies (Ioannou and Serafeim, 2014; Overland, 2007) arguing for the effectiveness of a 'hard' approach in influencing pro-active CSD.

Despite being an evidently positive driver of CSD, our empirical findings signal that such stakeholder governance reforms failed to influence the effectiveness of the board of directors (i.e. independent directors, female directors, CEO/Chairman positions and CS committee) in promoting CSD, thus, rejecting hypotheses 7a, 7b, 7c and 7d. These findings reinforce a growing concern that regulatory pressure might trigger superficial compliance among corporations (Bebbingtone *et al.*, 2009) and that top management have a rather relaxed attitude towards the enforcement of such regulation (Pedersen *et al.*, 2013). While in theory the application of a mandatory reform in CS should not stop corporations from actively engaging in voluntary initiatives, such an approach to stakeholder governance reform can run the risk of placing corporations on the defensive mode and taking actions only to comply with the minimal regulatory requirement for legitimacy purposes (Ortiz-de-Mandojana *et al.*, 2016; Waagstein, 2011). This behaviour could be more pronounced in SEA countries where the majority of the existing mandatory policies in the region lacks of details and clarity.

6.3 Sensitivity analyses

Several tests were conducted to examine the robustness of our empirical results. First, to examine whether the findings are consistent with the use of sub-indices, the regression model is re-estimated with each of the sub-indices, environmental disclosure index (*EDI*), human resource disclosure index (*HRDI*), products and consumers disclosure index (*PCDI*) and community-involvement disclosure index (*CDI*), replaced CSDI as the dependent variable. Table 7 presents the results of these regression models. As the results of these models are largely similar with those reported in Table 7, it can be concluded that the empirical findings are relatively robust to the use of different sub-indices.

As CSD checklist contains four categories with unequal numbers of items (eleven, nine, five and five respectively), the empirical results could be sensitive to the weighting of each sub-index. Following the suggestion of Al-Bassam *et al.* (2018), an alternative weighted index *W-CSDI* is established with each of the sub-indices allocated an equal weight of 20% and replaced the equal-weighted *CSDI* as the dependent variable. The findings of the new model (9) are also presented in the Table 7. Compared with the empirical findings presented in the table 5, the results of both models are essentially the same. Therefore, the empirical findings of the main model are relatively robust with the weighting of sub-indices.

INSERT TABLE 7 ABOUT HERE

Finally, several studies suggested that the effect of some CG mechanisms, such as board size and block ownership, on corporate voluntary disclosure could be non-linear (e.g., Ntim *et al.*, 2013). We, therefore, include the squared transformation of board size and block ownership, BS^2 and $BLOC^2$, to the regression model to examine the non-linear relationship between these two mechanisms and CSD. The coefficients of both variables, BS^2 (-0.001, p=0.515) and $BLOC^2$ (-0.000, p=0.595) are insignificant, while the rest of the results remaining essentially the same with those reported in Table 6. Thus, our evidence does not support the non-linear relationship between CG and CSD.

7. Conclusion

In response to previous calls in the literature for an in-depth research on CG mechanisms within their respective institutional context and organisational outcomes, we draw on both agency and institutional perspectives to investigate the impact of diverse CG mechanisms on CSD in the unique of context of SEA countries and evidence the key role of national stakeholder governance reform in conditioning the effectiveness of such CG mechanisms in CSD.

Our findings are threefold. First, the level of CSD across the countries do not inherently correspond with their level of economic development, and therefore, directs our attention to other important factors, such as internal corporate-level and external national-level governance systems that could potentially contribute to the differences in these countries' disclosure practices. Second, our findings show that board size, board gender diversity, block ownership and the presence of CS committee are the key CG drivers of CSD in SEA. The impact of some CG mechanisms, i.e. board gender diversity and independent directors, reflects the uniqueness of the SEA context and contradicts to what is often expected from a Western perspective. Third, our results based on various forms of stakeholder governance reform indicate that while hard (law) approach might motivate companies to engage in CSD, it could nevertheless, be unsuccessful in inspiring deeper organisational changes from the management level toward CS.

As one of the few CSD studies which have attempted to conduct a cross-sectional analysis in SEA, our study contributes to the existing body of literature interested in further examining the relationship between CG and CSD beyond the traditional Western context (Frias-Aceituno *et al.*, 2013; Htay *et al.*, 2012; Michelon and Parbonetti, 2012). We further make a unique contribution to the literature and fill the gap in extant literature by examining the interplay of internal CG mechanisms and external stakeholder reforms in specific institutional contexts and how this reflects and moulds CSD practices. The study sheds light on the diffusion of CG and CS across SEA countries, as well as the multifaceted nature of CG and CSD and their complex interfaces.

At present, CSD practice in these six Southeast Asian countries leaves much room for improvement. Our findings highlight the impact of the *internal* governance structure on CSD, and the essential role it plays in acting not only as a monitoring mechanism of corporate actions, but enabling corporations to reduce the legitimacy gap. While we found that a more stringent stakeholder reform has a positive impact on CSD, such influences should be interpreted with care. The changes in *external* governance mechanisms might motivate firms to adopt a superficial approach and comply minimally by simply publishing a greater amount of information that firms have at hand, rather than making any meaningful organisational changes. The findings of this study, therefore, suggest regulators and policy makers question, with utmost importance, the effectiveness of '*hard*' legislation approaches over '*soft*' encouragement in CS and CSD engagement.

The nature of this study, however, does present certain limitations. First, as the subject of the sample are large listed companies in the stock exchanges, the findings provide limited interpretation of other types of companies. Future studies might consider conducting research on Small and Medium Enterprises (SMEs) to allow a better interpretation of CSD in the countries. Second, our study was limited to the data obtained from the 2013 annual reports of the companies in our sample. However, a longitudinal study, which considers other CSD communication channels, might provide deeper insights, about the nature and scope of CSD over time, specifically showing the impact of the external context on CSD across the years, in this region. Finally, as our study only examines the role of internal CG, future research may want to examine the effect of external governance factors on disclosure practice as well.

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Table 1: Summary of sustainability governance frameworks across the six countries

Country	Corporate Governance Frameworks
Indonesia	The Code on Good Corporate Governance (2006)
	Decree No.134/BL/2006
	The Limited Liability Company Law No.40 of 2007
	Regulation No.KEP-431/BL/2012
	Government Regulation no.47/2012
	Regulation No.24/2012
	The Corporate Governance Manual 2014
	Code of Conduct (Indonesia Stock Exchange IDX) (2011)
Malaysia	The Capital Markets and Services Act (2007)
	The Code of Corporate Governance (2016) – revised based on 2012 CG Code
	The Company Act (2016) replaced the old Act (1965) effective from 31st, January, 2017
	Malaysia Code for Institutional Investors (2014)
	The Securities Commission Act (1993) last amended in 2015
	Bursa Malaysia's listing requirements
Philippines	The Corporation Code (Batas Pambansa Bilang 68)
	The Securities Regulation Code (Republic Act No. 8799)
	The Code of Corporate Governance (2016) – revised from 2009 CG code
	Philippines Stock Exchange's listing and disclosure rules
Singapore	The Companies Act (Chapter 50)
	The Securities and Future Act of 2001 (Chapter 289)
	Singapore Stock Exchange (SGX) listing requirements
	The Code of Corporate Governance (2012)
Thailand	Public Limited Companies Act (1992)
	The Securities and Exchange Act (1992)
	The Stock Exchange of Thailand SET's regulations for listed companies
	Principles of good corporate governance for listed companies (2012)
Vietnam	The Enterprise Law (2014)
	The Law on Securities (2006)
	Corporate Governance regulation (2012) (121/2012/TT-BTC) - replaced by Government Decree No.71/2017/ND-CP in 2017
	Disclosure Rule (2012) 52/2012/TT-BTC
	Stock Exchanges' listing requirements (including Ho Chi Minh Stock Exchange and Ha Noi Stock Exchange)

Table 2: Variables and measurements

Variables	Measurement
	Dependent variable
CSDI	CSD checklist includes 30 items. For each disclosed item, a value of 1 is awarded and 0 otherwise. The CSDI is calculated by the ratio of the number of disclosed items to the maximum number of relevant items a company may disclose.
EDI	For each disclosed item, a value of 1 is awarded and 0 otherwise. The EDI is calculated by the ratio of the number of disclosed items to the maximum number of relevant items a company may disclose.
HRDI	For each disclosed item, a value of 1 is awarded and 0 otherwise. The HRDI is calculated by the ratio of the number of disclosed items to the maximum number of relevant items a company may disclose.
PCDI	For each disclosed item, a value of 1 is awarded and 0 otherwise. The PCDI is calculated by the ratio of the number of disclosed items to the maximum number of relevant items a company may disclose.
CDI	For each disclosed item, a value of 1 is awarded and 0 otherwise. The CDI is calculated by the ratio of the number of disclosed items to the maximum number of relevant items a company may disclose.
	Independent variables – CG mechanisms
BS	The total number of inside and outside executive on board. In the case of two-tier boards, board size is calculated by the total number of both Board of Directors and Supervisory Board
IND	Ratio of independent directors on board.
FED	Ratio of female directors on board.
DUAL	1 if the Chairman and CEO position are held by the same person, and 0 otherwise
BLOC	The percentage of ordinary shares held by large shareholders who have more than 5% ownership
COMT	1 if a company has CS committee on board and 0 otherwise
STAREF	0 if the country has had no stakeholder reform; 1 if the country has revised CG code and integrated stakeholder responsibilities; 2 if the country has CSD as a requirement to be listed on the national stock exchange; 3 if the country has a CS law or regulation
	Control variables
FSIZE	Natural log of total assets
LEV	Ratio of total debt to total assets
PROF	Ratio of net income to total assets
AGE	The number of years from establishing to 2013
BIG4	1 if a company was audited by one of the Big 4 auditing firms (including Deloitte, PricewaterhouseCoopers, Ernst & Young, and KPMG), and 0 otherwise
ES	1 if a company operates in high sensitive industry and 0 otherwise
CP	1 if a company operates in highly visible industry to consumers, and 0 otherwise

Notes: *CSDI* denotes CSD index; *EDI* denotes environmental disclosure index; *HRDI* denotes human resources disclosure index; *PCDI* denotes products and consumers disclosure index; *CDI* denotes community-related disclosure index; *BS* denotes board size; *IND* denotes board independence; *FED* denotes board gender diversity; *DUAL* denotes CEO duality; *BLOC* denotes block ownership; *COMT* denotes CS committee; *STAREF* denotes stakeholder reforms; *FSIZE* denotes firm size; *LEV* denotes leverage; *PROF* denotes profitability; *AGE* denotes firm age; *BIG4* denotes audit firm size; *CP* denotes consumer proximity; *ES* denotes environmental sensitivity.

Table 3: Descriptive statistics of metric variables

Variables	All firms	Thailand	Singapore	Malaysia	Indonesia	Philippines	Vietnam
Panel A: CSD							
Mean	0.440	0.554	0.427	0.459	0.552	0.326	0.302
Std. dev.	0.000	0.192	0.167	0.155	0.162	0.208	0.194
Min	0.000	0.000	0.000	0.167	0.267	0.033	0.000
Max	0.917	0.917	0.700	0.750	0.875	0.800	0.792
Panel B: Board size							
Mean	11.351	13.483	10.385	9.379	13.724	10.208	10.118
Std. dev.	2.985	2.516	1.941	2.211	2.698	2.718	2.395
Min	5.000	7.000	5.000	6.000	9.000	7.000	5.000
Max	19.000	18.000	14.000	14.000	19.000	15.000	14.000
Panel C: Board Independence (%)							
Mean	38.722	44.424	64.346	48.750	19.959	29.350	17.941
Std. dev.	19.715	11.423	14.736	13.424	5.691	8.537	11.645
Min	7.140	33.330	38.460	25.000	10.000	13.330	7.140
Max	90.910	73.330	90.910	87.500	42.860	50.000	50.000
Panel D: Board Gender Diversity (%)							
Mean	11.728	9.655	7.581	14.852	6.871	9.862	21.230
Std. dev.	11.985	8.271	8.362	12.089	7.171	10.244	17.005
Min	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Max	50.000	28.570	25.000	42.860	22.220	28.570	56.250
Panel E: CEO Duality							
Mean	0.146	0.067	0.154	0.207	0.000	0.333	0.138
Std. dev.	0.354	0.253	0.368	0.412	0.000	0.480	0.350
Minimum	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maximum	1.000	1.000	1.000	1.000	0.000	1.000	1.000
Panel F: Percentage of block ownership (%)							
Mean	64.232	57.200	71.314	59.660	59.620	86.491	49.637
Std. dev.	19.694	16.476	15.165	15.554	13.263	14.600	24.897
Min	9.580	18.710	24.680	13.200	17.880	49.540	9.580
Max	99.960	97.880	87.190	78.770	85.000	99.960	97.360
Panel G: Existence of CS Committee							
Mean	0.163	0.333	0.308	0.138	0.067	0.148	0.000
Std. dev.	0.371	0.479	0.471	0.351	0.254	0.362	0.000
Minimum	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maximum	1.000	1.000	1.000	1.000	1.000	1.000	0.000

Table 4: Descriptive statistics of CSD sub-categories

Disclosure categories and sub-categories	% of companies disclosed						
	Indonesia (N=30)	Malaysia (N=29)	Philippines (N=27)	Singapore (N=26)	Thailand (N=30)	Vietnam (N=29)	Total (N=171)
Environment Disclosure							
Environmental policies or expression of environmental concerns	83.3	79.3	40.7	84.6	80	37.9	67.8
Certified environmental management systems and audit	56.7	34.5	29.6	38.5	53.3	24.1	39.8
Pollution (air, water, noise, visual and wastes) from business conduct	6.7	24.1	18.5	26.9	20	6.9	17
Pollution/effort to reduce pollution created from the use of company's products	0	0	3.7	0	0	0	0.6
Prevention and/or repair of environmental damage	93.3	86.2	66.7	73.1	90	37.9	74.6
Natural resources conservation and recycling activities	73.3	72.4	59.3	84.6	83.3	31	67.3
Sustainable development/ management	20	24.1	18.5	23.1	40	6.9	22.2
Designing or contributing to develop facilities harmonious with the environment	23.3	31.0	25.9	7.7	33.3	20.7	24.0
Energy conservation in operations	50	55.2	40.7	69.2	83.3	24.1	53.8
Sustainable products or services	10	0.0	11.1	3.8	10.0	3.4	6.4
Discussion of environmental laws and regulations	23.3	3.4	7.4	3.8	6.7	6.9	8.8
Human Resources Disclosure							
Employee Health and Safety	83.3	79.3	44.4	73.1	86.7	41.4	68.4
Recruitment policy for minorities and/or women	53.3	48.3	22.2	42.3	53.3	31	48
Human resources profile	90	31	29.6	30.8	60	44.8	48.5
Employment remuneration	53.3	20.7	22.2	53.8	83.3	51.7	48
Share options for employees	33.3	37.9	29.6	57.7	23.3	10.3	31.6
Employee assistance/ benefits	83.3	93.1	29.6	84.6	86.7	55.2	72.5
Employee training	96.7	89.7	40.7	84.6	86.7	69	78.4
Employee morale	30	17.2	14.8	11.5	53.3	20.7	25.1
Relationship with trade unions and/or workers	66.7	17.2	22.2	34.6	30	24.1	32.7
Products and Consumer Disclosure							
Product safety (information on safety and safety standards)	36.7	20.7	29.6	7.7	33.3	13.8	24
Product quality (prizes/awards/certificates)	53.3	51.7	25.9	15.4	80	34.5	44.4
Disclosing of consumer safety practices (protecting consumers' rights and safety)	23.3	13.8	7.4	19.2	60	0	21.1
Consumer satisfaction and feedback	60	41.4	22.2	23.1	70	17.2	39.8
Accommodating disabled, aged, difficult-to-reach consumers	3.3	10.3	7.4	11.5	3.3	6.9	7
Community involvement Disclosure							
Charitable donations and activities	93.3	93.1	88.9	92.3	63.3	79.3	84.8
Support for education	100	93.1	85.2	88.5	86.7	62.1	86
Support for the arts and culture	70	48.3	29.6	46.2	53.3	24.1	45.6
Support for public health	93.3	34.5	59.3	23.1	46.7	37.9	49.7
Sponsoring sporting or recreational projects	23.3	55.2	11.1	19.2	26.7	10.3	24.6

Table 5: Correlation coefficients of all the variables of the regression model

VARIABLES	*CSDI*	*BS*	*IND*	*FED*	*DUAL*	*COMT*	*BLOC*	*STAREF*	*FSIZE*	*LEV*	*PROF*	*AGE*	*BIG4*	*CP*	*ES*
CSDI		.375***	.003	-.169**	-.183**	.269***	-.329***	0.075	.106	.173**	-.043	.141	.254***	.067	-.035
BS	.362***		-.256***	-.047	-.214***	.009	-.154*	0.075	.139	.271***	-.120	.102	.189**	.181**	-.111
IND	.034	-.241***		-.085	.039	.214***	.051	-0.299***	.340***	-.038	-.134	-.062	.151	-.069	-.032
FED	-.191**	-.049	-.134		-.082	-.158	.032	-0.156*	-.008	.068	-.056	-.068	.073	.099	-.035
DUAL	-.181**	-.214***	.008	-.070		-.010	.070	0.075	.084	-.161**	-.107	.097	-.206*	-.032	.025
COMT	.266***	-.014	.173**	-.135	-.010		-.062	-0.100	-.013	.113	.014	-.031	.057	.018	.057
BLOC	-.290***	-.132	.008	.021	.090	-.052		0.241***	.009	-.087	.049	-.082	-.245***	.041	.098
STAREF	0.094*	0.156	-0.280***	-0.218***	0.075	-0.091	0.295***		0.030	-0.085	0.143*	0.309***	-0.423***	0.062	0.094
FSIZE	.155	.156	.350***	-.009	.059	-.016	.022	0.079**		.424***	-.669***	.300***	.127	.227***	-.164**
LEV	.179**	.287***	-.075	.076	-.175**	.085	-.125	-0.071	.442***		-.545***	.277***	.004	.444***	-.182**
PROF	-.043	-.078	-.117	.043	-.107	.049	.036	0.088	-.537***	-.238***		-.156	-.018	-.101	.039
AGE	.098	.083	-.033	-.070	.083	.001	-.023	0.277***	.308***	.240***	-.002		-.047	.143	-.147
BIG4	.269***	.193**	.181**	.093	-.206**	.057	-.249***	-0.417***	.141*	.040	.024	-.010		.065	-.248***
CP	.058	.185**	-.101	.080	-.032	.018	.055	0.064*	.259***	.459***	.062	.123	.065		-.320***
ES	-.040	-.112	-.019	-.021	.025	.057	.092	0.092	-.161*	-.211***	-.107	-.086	-.248***	-.320***	

Notes: The bottom left half provides Pearson's parametric correlation coefficients, whereas the upper right half contains Spearman's non-parametric correlation coefficients. *CSDI* denotes CSD index; *BS* denotes board size; *IND* denotes board independence; *FED* denotes board gender diversity; *DUAL* denotes CEO duality; *COMT* denotes CS committee; *BLOC* denotes block ownership; *STAREF* denotes stakeholder reforms; *FSIZE* denotes firm size; *LEV* denotes leverage; *PROF* denotes profitability; *AGE* denotes firm age; *BIG4* denotes audit firm size; *CP* denotes consumer proximity; *ES* denotes environmental sensitivity. ***, ** and * indicate significant at 0.01, 0.05 and 0.10 levels.

Table 6: Results of the multiple regressions

	Model 1		Model 2		Model 3		Model 4	
Control variables								
Fsize	0.020	0.111	0.018	0.200	0.004	0.796	0.007	0.624
Leverage	0.002	0.039**	7.198E-5	0.926	0.001	0.393	0.000	0.640
Profit	0.002	0.223	0.001	0.586	-0.000	0.895	0.000	0.904
Age	0.000	0.499	0.000	0.722	-0.000	0.767	-0.000	0.882
Big4	0.136	0.000***	0.070	0.059*	0.117	0.003***	0.111	0.007***
CP	-0.032	0.359	-0.006	0.854	-0.009	0.773	-0.006	0.837
ES	0.034	0.297	0.023	0.452	0.018	0.545	0.025	0.446
Independent variables								
BS			0.017	0.002***	0.015	0.004***	0.018	0.001***
IND			0.000	0.695	0.001	0.497	-0.001	0.274
FED			-0.003	0.026**	-0.002	0.153	-0.003	0.099*
DUAL			-0.050	0.230	-0.039	0.332	-0.067	0.435
COMT			-0.002	0.008***	0.117	0.001***	0.100	0.216
BLOC			0.115	0.002***	-0.002	0.001***	-0.002	0.003***
Institutional pressure								
STAREF					0.052	0.004***		
Moderating effects								
STAREF*IND							0.001	0.105
STAREF*FED							0.000	0.785
STAREF*DUAL							0.012	0.773
STAREF*COMT							0.011	0.805
Number of obs	171							
R-squared	0.160		0.323		0.363		0.351	
Adj R-squared	0.124		0.260		0.299		0.269	
Prob> F	0.000		0.000		0.000		0.000	
Root MSE	0.191		0.167		0.163		0.166	

Notes: *BS* denotes board size; *IND* denotes board independence; *FED* denotes board gender diversity; *DUAL* denotes CEO duality; *COMT* denotes CS committee; BLOC denotes block ownership; *STAREF* denotes stakeholder reforms; *FSIZE* denotes firm size; *LEV* denotes leverage; *PROF* denotes profitability; *AGE* denotes firm age; *BIG4* denotes audit firm size; *CP* denotes consumer proximity; *ES* denotes environmental sensitivity. ***, ** and * indicates significance at 0.01; 0.05 and 0.10 level, respectively.

Table 7: Summary of results of the sensitivity tests

Independent variable (Model)	EDI (5)	HRDI (6)	PCDI (7)	CDI (8)	W-CSDI (9)	Non-linear (10)
Corporate Governance variables:						
BS	0.018 (.016)**	0.015 (.038)**	0.026 (.001)***	0.014 (.079)*	0.019 (.000)***	0.039 (.234)
BS^2	-	-	-	-	-	-0.001 (.515)
IND	0.001 (.657)	0.000 (.836)	-0.000 (.685)	-0.007 (.000)***	-0.002 (.119)	-0.001 (.270)
FED	-0.003 (.183)	-0.005 (.037)**	-0.002 (.482)	-0.001 (.757)	-0.003 (.111)	-0.003 (.113)
DUAL	-0.027 (.826)	-0.144 (.231)	-0.055 (.652)	-0.042 (.751)	-0.066 (.430)	-.0.072 (.406)
COMT	0.043 (.707)	0.100 (.393)	0.126 (.271)	0.215 (.080)*	0.120 (.131)	0.096 (.237)
BLOC	-0.003 (.010)***	-0.002 (.037)*	-0.002 (.079)*	-0.002 (.119)	-0.002 (.004)***	-0.000 (.881)
BLOC^2	-	-	-	-	-	-0.000 (.595)
*REF*IND*	0.000 (.377)	0.000 (.831)	0.001 (.503)	0.004 (.001)***	0.001 (.058)*	0.001 (.103)
*REF*FED*	0.000 (.519)	0.001 (.422)	0.000 (.918)	-0.001 (.420)	0.000 (.806)	0.000 (.788)
*REF*DUAL*	0.002 (.973)	0.036 (.516)	0.003 (.958)	0.016 (.783)	0.015 (.713)	0.017 (.681)
*REF*COMT*	0.084 (.181)	-0.004 (.941)	0.014 (.819)	-0.111 (.098)*	-0.004 (.921)	0.011 (.810)
Control variables:						
FSIZE	0.028 (.177)	-0.028 (.166)	-0.014 (.499)	0.041 (.065)*	0.007 (.636)	0.007 (.636)
LEV	-0.001 (.592)	0.002 (.025)**	0.001 (.430)	-0.003 (.031)**	0.000 (.958)	0.000 (.675)
PROF	0.002 (.478)	-0.000 (.899)	0.003 (.358)	-0.004 (.196)	0.000 (.965)	0.000 (.961)
AGE	0.000 (.855)	0.001 (.446)	-0.001 (.445)	-0.000 (.569)	-0.000 (.770)	-0.000 (.805)
BIG4	0.082 (.533)	0.208 (.000)***	0.013 (.825)	0.097 (.118)	0.100 (.013)**	0.106 (.014)**
CP	0.013 (.774)	-0.035 (.446)	0.046 (.335)	-0.001 (.420)	-0.000 (.993)	-0.003 (.922)
ES	0.057 (.210)	0.012 (.780)	-0.020 (.656)	0.041 (.388)	0.023 (.467)	0.021 (.516)
Constant	-0.412 (.322)	0.813 (.046)*	0.333 (.420)	-0.183 (.679)	0.138 (.630)	-0.040 (.908)
Durbin-W. Stat	1.788	1.842	1.886	2.112	2.041	1.963
F-value	3.08***	3.92***	2.74 ***	2.77 ***	4.03***	3.83***
Adj. R^2	18.9%	24.6%	16.3%	16.5%	25.3%	26.2%

Notes*:* *EDI* denotes environmental disclosure index; *HRDI* denotes human resources disclosure index; *PCDI* denotes products and consumers disclosure index; *CDI* denotes community-related disclosure index; *W-CSDI* denotes weighted CSD index; *BS* denotes board size; *BS*^{2} denotes the squared transformation of BS; *IND* denotes board independence; *FED* denotes board gender diversity; *DUAL* denotes CEO duality; *COMT* denotes CS committee; *BLOC* denotes block ownership; *BLOC*^{2} denotes the squared transformation of *BLOC*; *REIND* denotes interaction between regulatory reforms and independent directors; *REFED* denotes interaction between regulatory reforms and female directors; *FEDUAL* denotes interaction between regulatory reforms and CEO duality; *RECOMT* denotes interaction between regulatory reforms and CS committee; *FSIZE* denotes firm size*;* *LEV* denotes leverage*; PROF* denotes profitability; *AGE* denotes firm age*; BIG4* denotes audit firm size; *CP* denotes consumer proximity*; ES* denotes environmental sensitivity. *P*-values are in brackets. ***, ** and * indicates significance at 0.01; 0.05 and 0.10 level, respectively.