



# The Governance Behind the Green: How CSR Strategy and Stakeholder Engagement Shape ESG Performance in Southeast Asia

Tham Tjin Shia Alias Sally<sup>1</sup>, Tommy Andrian<sup>2\*</sup>

<sup>1</sup>Department of Accounting, School of Accounting, Master of Accounting, Bina Nusantara University, Jakarta, 11480, Indonesia,

<sup>2</sup>Department of Accounting, School of Accounting, Bina Nusantara University, Jakarta, 11480, Indonesia.

\*Email: [tommy.andrian@binus.ac.id](mailto:tommy.andrian@binus.ac.id)

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## ABSTRACT

The purpose of this study is to analyze the effect of CSR strategy, sustainability committee, and corporate governance board committee on ESG Score in Southeast Asia, with stakeholder engagement as a moderating variable. The study uses quantitative methods with secondary data sourced from Refinitiv, with companies listed on stock exchanges in Indonesia, Malaysia, Thailand, Singapore, and Philippines from 2014 to 2023. This study uses balanced panel data with a total of 1,350 observations processed using SPSS 30 statistical software. The results showed that CSR strategy and corporate governance board committee have a significant positive effect on ESG score, while sustainability committee does not have a significant effect. Stakeholder engagement weakened the relationship between CSR strategy, sustainability committee, and corporate governance board committee on ESG score. These findings highlight that the impact of CSR and governance strategies on sustainability is influenced by institutional pressures and cultural factors. ESG implementation in Southeast Asia should balance external pressures with strong internal commitment by embedding sustainability across all operations and reporting levels. Companies must ensure that CSR initiatives are measurable and transparent, strengthen sustainability and governance committees, and promote authentic stakeholder engagement through continuous dialogue, to enhance ESG Score in the global sustainable economy.

**Keywords:** ESG Score, CSR Strategy, Sustainability Committee, Governance Committee, Stakeholder Engagement, SDGs

**JEL Classifications:** G12, G30

## 1. INTRODUCTION

ESG performance can be evaluated using various indicators, one of the most widely used being the ESG score. The Environmental, Social, and Governance (ESG) score provides a composite measure that reflects a firm's overall sustainability performance across environmental stewardship, social responsibility, and governance quality. However, empirical evidence indicates that ESG scores in the Asian region remain relatively low compared to those in Europe, largely due to structural, regulatory, and cultural challenges (Sustainalytics, 2025). Consistent with this view, Le (2024) shows documents that ESG performance in Southeast Asia tends to be weaker as a result of less stringent regulatory frameworks, limited reporting transparency, and insufficient

corporate awareness regarding the strategic importance of ESG integration. Moreover, in many emerging Asian economies, the prioritization of short-term economic growth frequently outweighs commitments to environmental and social sustainability objectives. This situation is further compounded by greenwashing practices, whereby firms emphasize symbolic sustainability disclosures to enhance corporate image without implementing substantive ESG improvements (Yu et al., 2020; Viona et al., 2025). Collectively, these factors contribute to persistently low ESG scores in the region and highlight the need for coordinated efforts among governments, corporations, and stakeholders to strengthen regulatory enforcement, enhance disclosure transparency, and foster a deeper institutional commitment to sustainable development.

In recent years, ESG performance has increasingly become a critical indicator in evaluating corporate sustainability, as it reflects the extent to which firms comply with environmental, social, and governance standards (Lhutfi et al., 2024). Investors are now prioritising companies with good ESG performance in their investment decisions, reflecting the global trend towards sustainable investment (Wang and Chen, 2017; Khamisu et al., 2024; Lukman et al., 2024; Indriyani et al., 2025; Tulya et al., 2025). Companies that fail to integrate ESG into their business strategy face a range of risks, from poor reputation to reduced competitiveness and long-term financial losses (Jamaludin and Razali, 2024). This encourages companies to improve their ESG performance to attract more investment, increase market value, and maintain the sustainability of the company's business in the global market (Mohamad et al., 2021).

ESG Score is becoming an important tool for companies to achieve the Sustainable Development Goals (SDGs) targets by 2030 (Lee and Hess, 2022). In the face of unique challenges such as air pollution, social inequality, and lack of governance transparency, the application of ESG principles can be a strategic solution. The environmental aspects of ESG Score encourage companies to adopt sustainable practices, such as reducing carbon emissions and transitioning to renewable energy, which support SDGs 7 (Clean Energy) and SDG 13 (Climate Action). The social aspect helps companies improve community well-being through education, gender equality, and community empowerment initiatives, in line with SDGs 4 (Quality Education) and SDGs 5 (Gender Equality). Meanwhile, good governance ensures accountability and transparency, which strengthens institutions and supports SDG 16 (Strong and Inclusive Institutions). By integrating ESG into their business strategies, companies in Asia can not only improve operational sustainability but also make a real contribution to the global development agenda by 2030.

On average, companies in Indonesia have low ESG Score and face challenges in implementing ESG principles, including a lack of understanding and adequate regulatory support (Kurniawan and Gunawan, 2024). In Malaysia, the education and industrial sectors still face challenges in understanding and applying ESG principles, and key issues such as deforestation, plastic pollution, and waste management are persistent. On the other hand, Singapore shows higher ESG awareness, but implementation is hampered by a lack of accountability and alignment between governance and business performance, including the difficulty of ensuring individuals responsible for ESG transformation receive appropriate compensation. Meanwhile, Thailand is facing pressure from global investors to improve sustainability commitments, but corporate responses are often limited to incomplete ESG reports, making it mandatory for the Stock Exchange of Thailand to include information on fuel, electricity and water use as information on clean energy, renewable technologies and innovation in the ONE Report. The Philippines recorded the lowest ESG Score in the region, particularly in environmental technology investment and sustainability policy compliance, reflecting governance weaknesses, such as a lack of board diversity and sustainability oversight (Mohamad et al., 2021; Jamaludin and Razali, 2024).

This study is based on research conducted by Rajesh and Rajendran (2020), who link ESG performance to sustainability performance, a relationship that is directly relevant to examining the factors influencing ESG performance. The dependent variable in this study is ESG performance, which is assessed using ESG score, a metric reflecting the company's performance in environmental, social, and governance aspects (Bifulco et al., 2023). The independent variable of corporate social responsibility strategy refers to the research of Bernal-Conesa et al. (2017), Dupire and M'Zali (2018), and Bian et al. (2021). The independent variable of the sustainability committee will oversee the implementation of sustainability strategies and CSR practices within the company, so that it will affect the ESG performance (Eberhardt-Toth, 2017; Orazalin, 2020; Velte and Stawinoga, 2020; Matta et al., 2022). This study also adds the independent variable of corporate governance board committee, which refers to Rey's research (2022).

The moderating variable is stakeholder engagement because the level of engagement can significantly affect the effectiveness of CSR strategy and governance structures in improving ESG Score (Bose et al., 2024). Companies that actively engage stakeholders tend to be more aligned in implementing corporate social responsibility strategies, resulting in a more positive impact (Lopatta et al., 2017; Zaid et al., 2020; Konadu et al., 2021). Furthermore, this study employs control variables such as board size (Treepongkaruna et al., 2024), Return on assets (ROA), and return on equity (ROE) (Aydoğmuş et al., 2022), to ensure the validity of the results obtained. With this approach, the research is expected to provide more accurate and relevant results to support the development of corporate sustainability strategies.

Previous studies have shown that ESG Score play an important role in measuring corporate sustainability, but empirical findings are mixed and not always consistent. Some studies show a positive relationship between CSR strategy, CSR sustainability committees, and corporate governance board committee and ESG score (Rajesh, 2020; Orazalin, 2020), but other results show weak, insignificant, and even negative effects on financial and market performance (Duque-Grisales and Aguilera-Caracuel, 2021; Candio, 2024). Although stakeholder engagement is considered important in improving the effectiveness of CSR and corporate governance (Lopatta et al., 2017; Doni et al., 2021), there is limited research that uses it as a moderating variable on ESG Score. Research gaps are also found in the geographical context, where most studies are conducted in developed countries, while the Southeast Asian region with different governance and cultural characteristics, is still less thoroughly explored (López-Concepción et al., 2022; Doni et al., 2021; Konadu et al., 2021). Therefore, this study fills this gap by investigating the influence of CSR strategy, sustainability committees, and corporate governance board committee on ESG score, as well as positioning stakeholder engagement as a moderating variable in a cross-country corporate context in Southeast Asia.

Based on the background information provided previously in this article and in the previous research, it can be concluded that several factors can affect ESG Score both positively and negatively. The research aims to analyse the effect of CSR strategy,

CSR sustainability committee, and corporate governance board committee on ESG Score by considering the moderating role of stakeholder engagement in Southeast Asian firms during the period 2014-2023. The research questions in this study are whether the three independent variables significantly affect ESG score and whether stakeholder engagement strengthens these relationships.

The benefits of this study include theoretical contributions to the development of ESG literature, as well as practical implications for companies, investors, regulators, and academics in understanding the determinants of ESG Score in a region with unique cultural and governance complexities. Nonetheless, this study has limitations such as data that is not always available in full in the Refinitiv database, non-normal distribution of financial data, and Adjusted R-Square values that indicate there are other variables outside the model that influence ESG Score.

The rest of the discussion are organised as follows: Part 2 reviews the relevant literature. Part 3 reviews the research methodology used in analysing ESG Score. Part 4 presents and discusses the empirical findings. Part 5 provides the conclusion and recommendations of the study.

## 2. LITERATURE REVIEW

### 2.1. Stakeholder Theory

Research conducted by Freeman (2010), that organisations must manage their relationships with all stakeholders, including employees, customers, suppliers, investors, and communities, not just shareholders. This Stakeholder Theory emphasises that companies must align their strategies to meet the interests and expectations of diverse stakeholder groups. According to Nurim et al. (2022), corporate engagement in improving ESG Score is often driven by pressure from stakeholders who expect companies to act ethically and responsibly. Research conducted by Aydoğmuş et al. (2022) emphasises that a high ESG score not only reflects meeting the needs of stakeholders but also strengthens the value of the firm and its profitability. In stakeholder theory, this underlines the important role of ESG Score as a tool to build trust and positive relationships with key stakeholders.

### 2.2. Resource-Based View Theory

The resource-based view (RBV) theory explains that a company's competitive advantage is determined by the management of valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 2018; Barney et al., 2021). In this study, ESG scores are viewed as the result of strategic resource utilization, while CSR strategies, sustainability committees, and governance committees represent organizational capabilities that strengthen sustainability performance. Integrating RBV with stakeholder theory shows that managing resources with stakeholder interests in mind can increase company value (Freeman et al., 2021; McGahan, 2021). Stakeholder engagement also serves to strengthen the effectiveness of sustainability strategies, in line with the findings of Ozdemir et al. (2023) and Ahmad et al. (2025). Thus, RBV provides a robust conceptual framework to explain how internal resources and external engagement contribute to improved ESG scores and long-term competitive advantage.

### 2.3. Institutional Legitimacy Theory

The institutional legitimacy theory encourages companies to adopt sustainability practices to increase credibility in the eyes of stakeholders and create a competitive advantage in the global market (Kuzey et al., 2021; Orazalin, 2020). In the context of ESG Score, institutional legitimacy theory highlights that firms that adhere to global sustainability norms and standards tend to have higher ESG Score (Bifulco et al., 2023; Lhutfi et al., 2024). CSR strategy is seen as an organisation's response to institutional pressures, which can enhance legitimacy and contribute to improved ESG Score (Issa and Hanaysha, 2023; Bernal-Conesa et al., 2017). Sustainability committees and governance board committees also play an important role in ensuring that corporate policies are in line with institutional expectations and strengthen a company's sustainability credibility (Orazalin, 2020; Velte and Stawinoga, 2020; Shaukat and Trojanowski, 2018). The existence of this committee gives a positive signal to the market that the company complies with the principles of transparency and accountability (Rey, 2022). Legitimacy is an important resource that drives trust, especially when companies adopt CSR policies strategically to strengthen their reputation, but insufficient institutional pressure or ambiguous standards can hinder the adoption of effective sustainability practices (DiMaggio and Powell, 1983).

### 2.4. Hypothesis Development

Stakeholder theory provides the basis for companies to view CSR not only as a moral obligation but also as a strategic tool to create value for stakeholders. From the perspective of Resource-Based View theory, a CSR strategy represents a valuable organizational capability that, when implemented consistently, becomes a source of competitive advantage by enhancing corporate reputation and supporting long-term value creation, which is ultimately reflected in higher ESG performance (Barney et al., 2021). Within the framework of institutional legitimacy theory as an applied theory, CSR strategy is seen as corporate response to institutional pressures, such as sustainability regulations and market expectations, to gain legitimacy and increase credibility in the eyes of the public (DiMaggio and Powell, 1983; Orazalin, 2020).

By integrating sustainability principles into business practices through CSR strategy, companies not only comply with external norms but also improve ESG performance as an indicator of success in meeting global sustainability standards. Rajesh and Rajendran (2020) assert that the linkage between CSR strategy and ESG performance demonstrates a company's ability to manage environmental, social, and governance aspects holistically. By integrating CSR into core business practices, companies can better respond to stakeholder expectations (Nurdiniah et al., 2025). Thus, it can be assumed that a well-implemented CSR strategy contributes significantly to the achievement of higher ESG performance.

$H_1$ : Corporate social responsibility strategy has a positive effect on ESG score.

The existence of CSR sustainability committees in organisations can be explained through stakeholder theory as a grand theory, which



emphasises the importance of meeting stakeholder expectations for environmental, social, and governance responsibilities (Freeman, 2010). Within the framework of Resource-Based View theory, a sustainability committee can strengthen the coordination of sustainability strategies and ensure that sustainability policies are effectively implemented (Barney et al., 2021). In the context of institutional legitimacy theory as an applied theory, CSR sustainability committees play an important role in ensuring that corporate sustainability policies and practices are aligned with institutional pressures, such as sustainability regulations and ESG standards (Orazalin, 2020). By bridging stakeholder needs and institutional requirements, these committees help companies gain legitimacy in the eyes of the public while improving credibility and ESG performance. Therefore, the role of CSR sustainability committees is not only to strengthen sustainability governance but also to ensure the long-term sustainability of companies through improved ESG performance. Eberhardt-Toth (2017) stated that CSR sustainability committees consisting of individuals with specialised environmental and social expertise can direct sustainability policies more effectively. The committee serves as a liaison between company management and stakeholders, thus ensuring that sustainability issues become an integral part of the company's business strategy.

H<sub>2</sub>: CSR Sustainability committee has a positive effect on ESG score.

A Corporate Governance Board Committee is a group of board members responsible for overseeing and evaluating corporate governance practices within an organisation (Shaukat and Trojanowski, 2018; Kolev et al., 2019; Rey, 2022). Corporate governance board committees can be explained through stakeholder theory as a grand theory, which emphasises the importance of transparent and accountable governance in meeting the needs and expectations of stakeholders (Freeman, 2010). In the context of institutional legitimacy theory as applied theory governance committees play a crucial role in ensuring that corporate policies and practices are aligned with institutional pressures, such as ESG regulations, international standards, and industry expectations (Tran et al., 2021).

Corporate governance board committees have a central role in providing strategic oversight of governance, risk, and sustainability to ensure regulatory compliance and stakeholder interests, ultimately building public trust and improving a company's ESG score (Kujala et al., 2022). Shaukat and Trojanowski (2018) show that the presence of governance committees can increase corporate transparency and accountability, which in turn has a positive impact on ESG Score. Corporate governance board committees play an important role in managing sustainability risks, ensuring regulatory compliance, and supporting consistent implementation of ESG policies across the organisation (Kolev et al., 2019; Tran et al., 2021). Therefore, corporate governance board committees act as a key driver in optimising operational sustainability to achieve ESG Score that meet stakeholders' expectations.

H<sub>3</sub>: Corporate governance board committee has a positive effect on ESG score.

Stakeholder engagement plays an important role in strengthening the relationship between CSR strategies and ESG Score, as it enables companies to understand relevant sustainability issues and design responsive CSR strategies that positively impact ESG Score (Lopatta et al., 2017; Manning et al., 2019; Jafar et al., 2024). This active engagement not only enhances CSR effectiveness but also supports ESG transparency and disclosure better. Zaid et al. (2020) added that ownership structure and board independence strengthen the positive impact of stakeholder engagement on CSR strategy implementation. With the contribution of insights from stakeholders, companies can more precisely align CSR strategies with sustainability goals. Therefore, stakeholder engagement is a key element in driving ESG score improvement and corporate sustainability achievement.

H<sub>4</sub>: Stakeholder engagement strengthens the relationship between CSR strategy and ESG score.

CSR Sustainability committee supported by stakeholder engagement can have a greater impact on a company's ESG score. Xie et al. (2019) showed that the success of sustainability committees depends largely on the extent to which stakeholders are involved in the decision-making process related to sustainability issues. Konadu et al. (2021) added that stakeholder involvement helps companies create more relevant and effective sustainability policies. With stakeholder support, the CSR sustainability committee can focus more on managing issues that have a direct impact on the company's ESG score. Therefore, collaboration between the sustainability committee and stakeholders is a key factor in achieving the company's ESG score.

H<sub>5</sub>: Stakeholder engagement strengthens the relationship between CSR sustainability committee and ESG score.

Stakeholder engagement can strengthen the link between corporate governance board committees and ESG Score by ensuring that the governance policies formulated reflect the needs and expectations of various interested parties. Doni et al. (2021) states that companies that actively involve stakeholders in the governance process are more likely to develop relevant and effective policies to address sustainability issues. Manning et al. (2019) add that stakeholder involvement in the decision-making process of governance board committees increases the credibility and transparency of the company. This directly contributes to achieving better ESG score and strengthening the company's relationships with key stakeholders. Governance structures that are responsive to stakeholder input also enable companies to more effectively mitigate sustainability risks (Zaid et al., 2020).

H<sub>6</sub>: Stakeholder engagement strengthens the relationship between corporate governance board committee and ESG score.

## 2.5. Conceptual Framework

This study shows how the internal factors of corporate social responsibility strategy, sustainability committee, and corporate governance board committee serve as independent variables that influence ESG score (dependent variable). The study also uses the external factor of stakeholder engagement as a moderating variable, which is hypothesised to strengthen the relationship

between corporate social responsibility strategy, sustainability committee, and corporate governance board committee on ESG score. In addition, the variables of board size, ROA, and ROE are used as control variables to look at other influences that might affect ESG Score. This conceptual framework in Figure 1 provides a comprehensive view of how a firm's internal factors and external factors interact to influence ESG Score.

### 3. METHODOLOGY

This research uses a quantitative approach with secondary data collected from the Refinitiv database and uses a causal study approach, which aims to understand the causal relationship between the variables under study (Sekaran and Bougie, 2020). This study includes data from companies listed on the stock exchanges of five Southeast Asian countries, namely Indonesia, Malaysia, Thailand, Singapore, and the Philippines. The total number of companies from the five countries is 3,829 during the observation period of 2014-2023 to obtain relevant and up-to-date data related to ESG Score. However, after a selection process based on purposive sampling criteria, namely only companies that consistently report all variables during the period 2014-2023 and are included in the non-financial sector, 135 companies remain eligible, so with a time coverage of 10 years, the total number of observations used in this study is 1,350 observations. This sample is considered adequate to be analysed using the panel regression approach, given the completeness and consistency of reporting required in this study.

The dependent variable is ESG performance, measured by Refinitiv ESG score ranging from 0 to 100. A higher ESG score indicates stronger ESG performance and greater transparency in disclosure, reflecting the company's progress in meeting sustainability and social responsibility standards (Deegan, 2019). The independent variables consist of Refinitiv's CSR Strategy, CSR Sustainability Committee, and Corporate Governance Board Committee. The CSR Strategy score (0–100) evaluates the integration of sustainability policies into strategic decision-making, while

the CSR Sustainability Committee score (0–100) assesses the committee's effectiveness in governing ESG issues. The Corporate Governance Board Committee is treated as an existence-based indicator, represented by a binary variable (1 if a committee exists, 0 if otherwise). The moderating variable is the stakeholder engagement score, which reflects the extent to which companies that actively respond to stakeholder expectations achieve higher social legitimacy and stronger sustainability performance.

The control variables are board size, return on assets (ROA), and return on equity (ROE). Board size, defined as the total number of directors on a company's board in a given year, may influence both the complexity and effectiveness of corporate decision-making, oversight, and management. ROA is the percentage of net income generated from the company's average total assets over the past 12 months, capturing the efficiency of asset utilization, a negative value indicates a loss during the period. ROE is the percentage of net income relative to average total shareholders' equity over the past 12 months, indicating how effectively a company employs its capital to generate earnings, while a negative ROE reflects a loss relative to equity.

This study employs multiple linear regression, following Treepongkaruna et al. (2024), to examine the effect of CSR strategy, CSR Sustainability committee, and Corporate Governance board committee on ESG score. In addition, a moderation model will be used to look at the role of stakeholder engagement as a moderating variable (Gujarati and Porter, 2009; Hair et al., 2019). Hypothesis testing is conducted using SPSS version 30 statistical software. The regression model used in this study is:

$$ESG = \beta_0 + \beta_1 CSR + \beta_2 KMK + \beta_3 KTK + \beta_4 (CSR \times KPK) + \beta_5 (KMK \times KPK) + \beta_6 (KTK \times KPK) + \beta_7 KPK + \beta_8 UKD + \beta_9 ROA + \beta_{10} ROE + \epsilon \quad (1)$$

### 4. FINDINGS AND DISCUSSION

#### 4.1. Descriptive Statistics

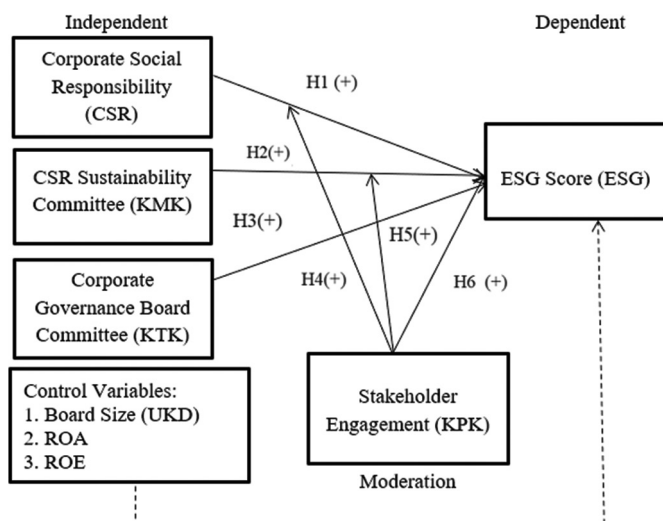
The results of the descriptive statistical analysis test can be seen in Table 1, which reflects the results of all countries in Southeast Asia, namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand, as follows:

**Table 1: Descriptive statistics**

Variable	N	Min	Max	Mean	Std deviation
ESG	1,350	3.88000	91.35000	50.85627	19.60564
CSR	1,350	0.00000	99.47000	51.86636	32.01319
KMK	1,350	0.00000	86.71000	48.82422	21.92111
KTK	1,350	0.00000	1.00000	0.40000	0.490079
KPK	1,350	0.00000	89.56000	46.87492	26.25178
UKD	1,350	0.00000	21.00000	8.42296	4.35026
ROA	1,350	-36.70000	55.70000	4.76921	6.62167
ROE	1,350	-2,199.33000	1,152.31000	11.77153	77.47567

Dependent variable: ESG Score (ESG), Independent variable: CSR Strategy score (CSR), CSR sustainability committee score (KMK), Corporate Governance Board Committee (KTK), Moderating variable: Stakeholder engagement score (KPK), Control variable: Board size (UKD), Return on average total assets (ROA), Return on average total equity (ROE)

**Figure 1:** Conceptual framework annually



The data reveals significant variation in ESG performance and related governance structures among the companies studied. The highest ESG score is 91.35, held by Minor International PCL of Thailand, which is recognized for its comprehensive environmental and social programs. In contrast, the lowest score is 3.88, belonging to Singapore's Yangzijiang Shipbuilding, reflecting the challenges of emission-intensive industries. The average ESG score of approximately 51 indicates a moderate overall level of ESG implementation and reporting, suggesting considerable room for improvement across the sample.

The analysis of specific governance variables shows a similar pattern of disparity. For CSR strategy, companies like Keppel Ltd and Wilmar International Ltd achieved near-perfect scores due to their deeply integrated sustainability initiatives, while other firms scored zero, indicating no structured CSR strategy. The presence of active sustainability committees (KMK) also varies greatly, with Hongkong Land Holdings Ltd scoring a high of 86.71 and Parkson Holdings scoring zero. Furthermore, only 40% of companies have a dedicated corporate governance board committee (KTK), highlighting that such governance practices are not yet widespread in the region.

Stakeholder engagement (KPK) has a low average score, indicating limited practice, while the average board size is considered ideal for decision-making. Financial performance metrics (ROA and ROE) show moderate averages but extreme highs and lows, pointing to a wide variation in company performance. This diversity in corporate structure and financial health may influence the effectiveness and prioritization of ESG implementation.

## 4.2. Classical Assumption Test

Classical assumption testing is carried out to ensure that the model estimation results are valid and reliable. The classical assumption test is required in multiple linear regression analysis (Andrian and Pangestu, 2022). The normality test, shows that the Monte Carlo Sig value is 0.072, which is  $>0.05$ . This shows that the regression model used in this study meets the normality test measurement standards. The results of the Autocorrelation test show that the DW

value is 1.95100, with a lower limit (dL) of 1.92100 and an upper limit (dU) of 1.90000. According to the basis for decision making, there is no autocorrelation if the DW number is between  $-2$  and  $+2$ . The DW value of 1.95100 is between the upper limit (dU = 1.90000) and the limit ( $4 - dU = 2.10000$ ), so it can be concluded that there are no autocorrelation symptoms in the regression model used in this study. The results of the Multicollinearity Test it can be seen that the VIF value of all variables is below 10 and the tolerance value of all variables is above 0.10. Therefore, it can be confirmed that there is no multicollinearity in the variables in this study. The results of the Heteroscedasticity Test show that the residual points are randomly scattered around the zero-horizontal line, and do not form a certain pattern such as conical, spreading, or forming waves. The distribution of points also looks quite evenly distributed across the predicted values, both negative and positive. Regarding the guidelines from Hair et al. (2019) and Gujarati and Porter (2009), the Heteroscedasticity Test results show that there are no significant heteroscedastic symptoms in the regression model used.

## 4.3. Regression Result

Table 2 shows that the CSR Strategy variable has a significant positive effect on ESG Score, as shown by the  $P = 0.000$  and the t-statistic value of 11.977. This result supports the hypothesis that CSR has a positive influence on ESG Score. In contrast, the other independent variable, the Sustainability Committee (KMK), does not have a significant effect, as the  $P = 0.387$  is above the 0.05 significance threshold. Similarly, the moderation test results show that the interaction variables CSR\_KPK, KMK\_KPK, and KTK\_KPK are not significant because the  $P = 0.000$ , 0.173, and 0.306, respectively, are above or far below the significance limit, with the direction of influence that is not as expected. The Adjusted R-square value of 0.593 indicates that the combination of CSR, KMK, KTK, KPK, moderation interaction, as well as the control variables UKD, ROA, and ROE, can explain 59.3% of the variation in ESG Score, while the remaining 40.7% is explained by other factors outside this research model.

This result indicates that the regression model has good explanatory power in this context. The number of observations (N) of 1,350 supports the validity of the findings as it covers cross-country and time series data from the Southeast Asian region from 2014 to 2023. The P-value of ROA variable of 0.000 is also significant, but in a negative direction, while UKD and ROE are not significant as they have  $P = 0.05$ . Based on the partial t-test results, it can be concluded that CSR, CEC, and KPK have a significant effect on ESG Score, while KMK and all interaction variables do not have a significant effect. These results reinforce the view that an integrated sustainability strategy and strong governance can drive the achievement of higher ESG Score. However, the failure of the interaction variables suggests that stakeholder engagement has not been able to effectively moderate the relationship between internal factors and ESG Score. This finding is consistent with previous studies that suggest that in Southeast Asia, ESG practices and stakeholder engagement are still largely symbolic and not substantially implemented (Jatmiko et al., 2025; Jamaludin and Razali, 2024).

**Table 2: Regression result proxied by ESG score as dependent variable**

Variable	N	Pred.	t-Stat	P-value	Result
Constant			4.703	0.000	
CSR	1,350	(+)	11.977	0.000**	Accepted
KMK	1,350	(+)	-0.287	0.387	Rejected
KTK	1,350	(+)	4.162	0.000**	Accepted
KPK	1,350	(+)	4.574	0.000**	Accepted
CSR_KPK	1,350	(+)	-4.219	0.000**	Rejected
KMK_KPK	1,350	(+)	0.945	0.173	Rejected
KTK_KPK	1,350	(+)	0.509	0.306	Rejected
UKD	1,350		1.286	0.100	
ROA	1,350		-4.937	0.000**	
ROE	1,350		-0.615	0.270	
Adjusted R-square				0.593	

\*\* $P > 0.05$ . Dependent variable: ESG Score (ESG), Independent variable: CSR strategy score (CSR), CSR sustainability committee score (KMK), Corporate Governance Board Committee (KTK), Moderating variable: Stakeholder engagement score (KPK), Control variable: Board Size (UKD), Return on average total assets (ROA), Return on average total equity (ROE)



**Table 3: Regression results by country, proxied by ESG score as dependent variable**

Variable	Pred.	Indonesia	Malaysia	Filipina	Singapura	Thailand
CSR	(+)	5.052 0.000**	6.458 0.000**	4.035 0.000**	5.276 0.000**	4.501 0.000**
KMK	(+)	-0.632 0.264	-1.152 0.125	0.555 0.290	0.350 0.364	-0.346 0.365
KTK	(+)	1.905 0.029**	3.592 0.000**	0.182 0.428	1.873 0.031**	-1.803 0.037**
KPK	(+)	5.157 0.000**	4.482 0.000**	0.260 0.398	2.463 0.007**	-1.122 0.132
CSR_ KPK	(+)	-2.262 0.012**	-3.155 0.001**	-1.073 0.142	-2.566 0.006**	-2.836 0.003**
KMK_ KPK	(+)	-2.128 0.017**	0.635 0.263	0.848 0.199	0.079 0.469	2.150 0.017**
KTK_ KPK	(+)	0.577 0.283	-1.095 0.137	-0.157 0.438	0.483 0.315	1.078 0.142
UKD		2.211 0.014**	-0.638 0.262	1.551 0.061	1.174 0.121	-4.755 0.000**
ROA		3.650 0.000**	1.574 0.058	1.701 0.045**	1.628 0.053	-2.909 0.002**
ROE		0.536 0.296	2.180 0.015**	-2.094 0.019**	-2.093 0.019**	2.854 0.003**
N		280	360	190	310	210
Adjusted R-square		0.680	0.485	0.535	0.609	0.589

\*\*P&gt;0.05

#### 4.4. Regression Results by Country

Regression analyses were also conducted on companies in each of the five countries used as samples in this study, namely Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Table 3 presents the regression results for each country with ESG score as the dependent variable. The results show that the CSR Strategy Score (CSR) variable has a positive and significant influence on ESG Score across countries, with a  $P < 0.001$  and the highest t-statistic in Malaysia (6.458). This suggests that corporate social responsibility strategic initiatives consistently strengthen ESG Score across regions. In contrast, CSR Sustainability Committee Score (KMK) and Corporate Governance Board Committee (KTK) do not show significant effects in most countries. The only exceptions are Indonesia, where KTK is significant at a  $P = 0.058$  (marginal), as well as Malaysia on the ROE variable, which is also significant with a  $P = 0.030$ .

In terms of moderating variables, Stakeholder Engagement Score (KPK) is only significant in Indonesia, Malaysia, and Singapore, but shows a negative effect on the relationship between CSR and ESG, as seen from the  $P < 0.05$  on the CSR\_KPK interaction and the negative t-statistic value. This suggests that in all three countries, stakeholder engagement weakens the relationship between CSR strategy and ESG Score, contrary to the initial theoretical assumption. The KMK\_KPK variable is only significant in Indonesia and Thailand, with a positive direction, while KTK\_KPK is not significant across countries. This finding suggests that moderating stakeholder engagement is not fully optimal in supporting the effectiveness of governance and sustainability committees towards achieving high ESG Score.

In terms of control variables, only a few variables show significance: UKD is significant in Indonesia ( $P = 0.028$ ), ROA is significant in Indonesia and Thailand with a negative direction, and ROE is significant in Malaysia, Thailand, and the Philippines. The highest Adjusted R-square value is found in Indonesia (0.680), followed by Singapore (0.609), suggesting that the research model most strongly explains the variation in ESG Score in Indonesia and Singapore. In contrast, Malaysia shows the lowest Adjusted R-square value (0.485), indicating that there are many other factors outside the model that influence ESG Score in the country. These findings support the importance of considering local institutional and cultural contexts in analysing ESG implementation in Southeast Asia (Jatmiko et al., 2025; Jamaludin and Razali, 2024; Wai-Khuen et al., 2023).

#### 4.5. Discussion

Referring to the significance levels in Tables 2 and 3, it can be concluded that CSR strategy consistently show a significant positive influence on ESG Score across all countries. The very low P-value ( $P < 0.001$ ) and high t value reinforce that CSR is an important factor in improving corporate sustainability. This is in line with legitimacy theory, which states that companies need to demonstrate compliance with society, norms and expectations to gain social legitimacy (Suopajarvi et al., 2016). In addition, according to stakeholder theory, a strong CSR strategy provides a positive signal to stakeholders that the company is committed to environmental and social issues (Freeman, 2010; Rajesh and Rajendran, 2020). This finding is reinforced by Rajesh (2020) and Naeem et al. (2022), who mentioned that a proactive CSR strategy significantly improves ESG Score because it reflects the company's concern for sustainability and social welfare.

However, different results were found for the Sustainability Committee variable, which was only significant in Malaysia, and the Corporate Governance Committee, which was only significant in Indonesia and Malaysia. While these committees have an important role in designing and overseeing sustainability policies (Orazalin, 2020; Barney, 2018), these results suggest that their effectiveness still varies across countries, depending on the prevailing institutional context and governance culture. These results also highlight that the existence of formal structures such as committees does not necessarily guarantee optimal ESG outcomes, as noted by Velte and Stawinoga (2020), that committee effectiveness depends on the quality of oversight and substantial decision-making. In the context of institutional legitimacy theory, many companies may establish committees merely as a symbolic response to external pressures without real strategic integration of ESG practices.

Furthermore, the Stakeholder Engagement (KPK) variable as a moderating variable shows a weakening effect on the relationship between CSR, KMK, and KTK on ESG Score. This can be seen from the significant results but with a negative coefficient direction in several countries such as Indonesia, Malaysia, and Singapore. This finding contradicts the expectation of stakeholder theory, which states that the active involvement of stakeholders can strengthen the effectiveness of CSR and governance (Lopatta et al., 2017; Zaid et al., 2020; Ozdemir et al., 2023). In the context of Southeast Asia, this phenomenon can be explained through the

studies of Jatmiko et al. (2025) and Wai-Khuen et al. (2023), which show that many companies only engage stakeholders for reporting and image purposes, not as a form of substantial commitment to sustainability. This emphasises the need for a more contextualised and participatory, rather than merely symbolic, approach to ESG.

Adjusted R-Square values vary across countries, indicating the different strengths of the model in explaining variations in ESG Score. Indonesia recorded the highest value (0.680), followed by Singapore (0.609), indicating that the combination of independent and moderating variables has a strong influence in the context of these countries. In contrast, Malaysia has the lowest Adjusted R-Square value (0.485), suggesting that other factors outside this model contribute to ESG Score. These results reinforce the argument that the effect of CSR and governance strategies on sustainability is strongly influenced by local institutional and cultural factors that differ across countries (Jamaludin and Razali, 2024; Konadu et al., 2021). Therefore, ESG implementation in the Southeast Asian region should consider institutional pressures and strategic integration that not only follow external demands but also be supported by strong internal commitment.

## 5. CONCLUSION

This study found that the independent variables CSR Strategy and Corporate Governance Board Committee have a significant positive effect on ESG performance, while sustainability committee does not have a significant effect. The regression analysis results show that companies with well-structured CSR strategy and effective corporate governance board committees tend to have better ESG performance. However, the effectiveness of CSR Sustainability Committee activities does not have a significant impact on ESG performance. This implies that committee governance remains insufficiently integrated into core business strategies to drive measurable ESG outcomes. The results support institutional legitimacy theory and stakeholder theory, which emphasize that sustainability, accountability, and transparency are essential for creating value and legitimacy in the eyes of the public and stakeholders in the long run. Furthermore, this study broadens the discussion by integrating the Resource-Based View theory, which posits that a firm's internal resources and capabilities in sustainability management are pivotal for improving its ESG performance.

However, the research findings also show that stakeholder engagement, as a moderating variable, weakens the relationship between CSR Strategy, Sustainability Committee, and corporate governance board committees on ESG Score. In other words, while stakeholder engagement can theoretically strengthen sustainability policies, in the Southeast Asian context, stakeholder engagement practices are not yet deeply rooted or strategically integrated into corporate governance. Although capable of strengthening sustainability initiatives, this engagement is often symbolic or reactive, not a core strategic process. Enhancing its authenticity and quality is thus essential to transform it into a genuine support for higher ESG Scores, rather than a hindrance. This study ultimately identifies sustainability-oriented governance and strategic CSR as key drivers for improving ESG performance and advancing sustainable business in emerging markets.

To foster substantive progress, companies must evolve from a compliance-centric view of sustainability toward a holistic and forward-looking strategy that is aligned with international ESG standards. Companies are encouraged to embed sustainability principles across all operational, managerial, and reporting tiers, ensuring that their Corporate Social Responsibility initiatives are quantifiable, transparent, and linked to specific performance indicators. Strengthening the roles of sustainability and governance committees can further enhance accountability, providing a structured mechanism for the systematic monitoring and achievement of ESG targets. Concurrently, companies should prioritize authentic stakeholder engagement by establishing ongoing dialogue, incorporating stakeholder feedback into strategic decisions, and demonstrating tangible impacts through comprehensive sustainability reporting. This integrated approach serves not only to elevate a corporation's ESG performance but also to bolster its institutional legitimacy, operational resilience, and long-term competitiveness within the global sustainable economy. For regulators in Southeast Asia, the findings underscore the necessity of developing more detailed and harmonized ESG disclosure frameworks. Such frameworks should provide unambiguous metrics, consistent reporting guidelines, and tangible incentives for companies that demonstrate leadership in sustainability.

The limitations of this study are the non-normal distribution of the data initially due to outliers in the ROA and ROE control variables; the low Adjusted R-Square value of 58.90%, which indicates that there are still variables outside the model that affect the ESG score; and the secondary data of each research variable used on the Refinitiv platform is not presented in full for all companies during the 2014-2023 research period. Therefore, for future researchers, it is recommended to strengthen the validity of their results by using new variables such as Green Bond or Green Innovation Strategy and using alternative data sources such as Bloomberg or Thomson Reuters Datastream.

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