ANALYSIS BOARD COMPOSITION: BOARD SIZE, BOARD INDEPENDENCE, BOARD GENDER DIVERSITY ON CORPORATE SUSTAINABILITY DISCLOSURE IN SOUTHEAST ASIAN

Thesis for An Undergraduate

By

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ABSTRAK

ANALISIS KOMPOSISI DEWAN: UKURAN DEWAN, INDEPENDENSI DEWAN, KEANEKARAGAMAN GENDER DEWAN TERHADAP PENGUNGKAPAN KEBERLANJUTAN PERUSAHAAN DI NEGARA ASIA TENGGARA

Oleh

MELY NUR KHASANAH

Meningkatnya kesadaran global dan regional terhadap isu keberlanjutan, pengungkapan terkait hal ini masih relatif kecil di ASEAN. Regulasi yang bervariasi dan kurangnya pengawasan dewan terhadap isu keberlanjutan menjadi beberapa alasan utamanya. Komitmen yang lebih kuat dari dewan direksi dan implementasi regulasi yang lebih ketat dan seragam di seluruh kawasan ASEAN diperlukan untuk meningkatkan pengungkapan keberlanjutan. Data menggunakan data sekunder dari Laporan Tahunan dan Laporan Keberlanjutan dan pengolahan dilakukan dengan menggunakan Microsoft Excel dan SPSS versi 27 untuk mempercepat perolehan data hasil yang dapat menjelaskan variabel yang diteliti. Untuk pemilihan sampel dalam penelitian ini menggunakan metode purposive sampling. Penelitian ini mengkaji dampak karakteristik dewan terhadap pengungkapan keberlanjutan di perusahaan-perusahaan Asia Tenggara (2018-2022). Hasil penelitian menunjukkan bahwa ukuran dewan memengaruhi pengungkapan keberlanjutan secara positif, sedangkan independensi dewan memengaruhinya secara negatif. Keberagaman dewan tidak berdampak.

Kata Kunci: Pengungkapan Keberlanjutan Perusahaan, Ukuran Dewan Direksi, Independensi Dewan Direksi, Keberagaman Dewan Direksi

ABSTRACT

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Increasing global and regional awareness of sustainability issues, disclosures related to this are still relatively small in ASEAN. Varied regulations and lack of board oversight on sustainability issues are some of the main reasons. Studies show that board size can positively influence sustainability report disclosure and vice versa, but results may vary depending on the context and other factors. Boards play a crucial role in implementing the disclosure of corporate sustainability reports. A stronger commitment from the board of directors and stricter and uniform implementation of regulations across the ASEAN region is required to improve sustainability disclosure. Data using the secondary data from the Annual Report and Sustainability Report and processing was carried out using Microsoft Excel and SPSS version 27 for Windows to speed up the acquisition of result data that can explain the variables studied. For sample selection in this study using a purposive sampling method. This study examines the impact of board characteristics on sustainability disclosure in Southeast Asian companies (2018-2022). The results show that board size positively affects sustainability disclosure, while board independence negatively affects it. Board diversity has no impact. Companies should assess the impact of board members" skills on performance. Stakeholders should support research on optimal board size, CSD training, and transparency. Future studies should focus on SMEs, longer observation periods, and additional diversity factors.

Keywords: Corporate Sustainability Disclosure, Board Size, Board Independence, Board Diversity

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Dengan ini menyatakan bahwa skripsi yang berujudul " Analysis Board Composition: Board Size, Board Independence, Board Diversity on Corporate Sustainability Disclosure in South East Asia" adalah benar hasil karya saya sendiri. Dalam skripsi ini tidak terdapat keseluruhan atau sebagian tulisan orang lain yang saya ambil dengan cara menyalin atau meniru dalam bentuk rangkaian kalimat atau simbol yang menunjukan gagasan atau pendapat atau pemikiran dari penulis lain, yang saya akui seolah-olah sebagai tulisan saya, selain itu atau yang saya ambil dari tulisan orang lain tanpa memberikan pengakuan penulis aslinya. Apabila dikemudian hari terbukti bahwa pernyataan saya ini tidak benar, maka saya siap menerima sanksi sesuai dengan peraturan yang berlaku.

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BIOGRAPHY

The author named Mely Nur Khasanah, was born in Sumber Agung on August 13, 2001. The author is the second child of two siblings born to the couple Sri Wahyudi and Supini. The author is Indonesian and Muslim. The author now lives in Batanghari District, East Lampung, Lampung.

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DEDICATION

Alhamdulilahirabilalamin

Praise be to Allah SWT who has given His grace and blessingsmso that this thesis can be completed. Blessings and greetings are always praised to the Prophet Muhammad SAW.

I dedicate this thesis as a sign of sincere love and affection to:

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MOTTO

"So, surely with hardship comes ease. Surely with ˹that˺ hardship comes ˹more˺ ease"

(Q.S. Al-Insyirah 5-6)

"Life is so exhausting, but never hate yourself because Allah is the one who gives mercy to you and Allah's angels (asks for forgiveness for you), so that Allah can bring you out of darkness into light. And Allah is merciful to those who believe."

(Q.S Al-Ahzab verse 43)

"Life can be heavy, especially if you try to carry it all at once. Part of growing up and moving into new chapters of your life is about catch and release. What I mean by that is, knowing what things to keep, and what things to release. Oftentimes the good things in your life are lighter anyway, so there's more room for them. You get to pick what your life has time and room for.
Be discerning. And I know it can be really overwhelming figuring out who to be, and when. Who you are now and how to act in order to get where you want to go. I have some good news: it's totally up to you. I also have some terrifying news: it's totally up to you"

(Taylor Swift)

"If not now, then when? Its never easy but I know I can. Then things always get better"

(Mely Nur Khasanah)

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CHAPTER I

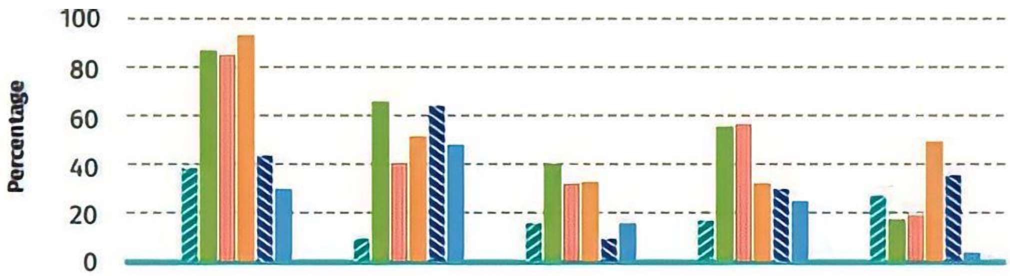
INTRODUCTION

1.1 Background of the Problem

Based on the Global Sustainable Investment Alliance (GSIA) in 2021, over the past four years investment in environment has increased globally. Likewise, attention and awareness regarding issues related to sustainability have increased in ASEAN countries. This is in line with the perspective of a company that adheres to profit-oriented principles which began to be questioned after there was a lot of environmental and social damage from the business activities. Companies are starting to realize that sustainability has an important role in the company's continuity in operating its business (Deloitte, 2018).

At the company level pressure from stakeholders in some areas encourage companies in ASEAN to put more effort into sustainability and sustainability reporting. Completeness is one of measurements in sustainability disclosure. Completeness refers to the extent to which all significant impacts of EESG on an overall company's operations in the reporting period are disclosed (C. A. Adams & Evans, 2004). Furthermore, completeness increases the credibility of sustainability report. It also facilitates stakeholder's ability to accurately assess the impact of company operations whether established goals have been achieved. (Badia et al., 2020). Nearly two-third of ASEAN companies in this study disclosed the scope of their sustainability reports. Disclosure in general is still quite low with only 27% of incorporated companies as a whole making disclosure (ASEAN CSR Network, 2020)

Figure 1. 1 Percentage of disclosed



	(a) Scope of report disclosed	(b) Scope of report explained	(c) Scope covers full business ops	(d) Scope covers subsidiaries	(e) Boundary of material topics
Indonesia	39.0%	10.3%	17.0%	14.0%	35.0%
Malaysia	85.0%	64.7%	40.0%	55.0%	17.0%
Philippines	84.0%	40.5%	34.0%	58.0%	19.0%
Singapore	89.0%	52.8%	34.0%	30.0%	47.0%
Thailand	42.0%	61.9%	8.0%	28.0%	37.0%
Vietnam	32.9%	48.1%	17.1%	23.2%	3.7%

Note: Base (a) and (c) to (e) is number of companies; base for (b) is number of companies who disclosed their reporting scope.

Source: ASEAN CSR Network, 2020

Stock exchange-listed companies in Malaysia and the Philippines have the most comprehensive reporting coverage, with more than half of their companies covering their subsidiaries in sustainability disclosures (vs. 35% for ASEAN as a whole), and at least a third covers their entire business. EESG reporting is expected to continue to develop and continue within ASEAN considering global market and regulatory pressures. This can be accelerated by reducing barriers to sustainability reporting, such as a lack of understanding of the resources required and the benefits that can be gained. This can be overcome with training and education facilitated by collaboration between government, regulators and others.

Fulfilling regulatory requirements is a strong motivation for sustainability reporting among Indo-Pacific companies (Qian et al., 2020). As can be seen in the following table, the six countries included in this study have regulations that require some form of sustainability impact reporting regulation.

Table 1. 1 Reporting Status

ASEAN Countries	Reporting Status
Indonesia	Public listed companies requires to publish sustainability reporting based on Otoritas Jasa Keuangan (OJK) through POJK51/POJK.03/2017, gradually starting in 2020. SEOJK16/SEOJK.04/2021 for the details of sustainability reports The sustainability performance covers: economic, green environment, and social aspects. June 2021 Indonesia Stock Exchange (IDX) became a TCFD supporter to support sustainability in Indonesia's capital market. GRI signed a collaboration agreement with Indonesia that commits to support and provide reporting framework for the countries.
Malaysia	ESG reporting, or disclosing narrative summaries of the management in annual reports, is required as a listing rule. To assist in integrating sustainability into reporting, Bursa Malaysia published a Sustainability Reporting Guide in 2015 and a second edition in 2018.
Singapura	As of 2017, all Singapore Exchange listed firms must report on sustainability. For firms listed in Singapore: Starting in 2022, the sustainability reporting process must be at least minimally subject to internal or external assessment. Required and 'comply or explain' based on TCFD guidelines. Disclosures regarding board diversity. Mandatory board directors training. Proposed core ESG considerations.
Filipina	From the 2019 the Securities and Exchange Commission (SEC) adopted a "comply and explain" strategy. All PLCs must, however, abide by the regulations for sustainability reporting starting in 2023 (2022 reporting period). The GRI Sustainability Reporting Standards, the IIRC Integrated Reporting Framework, the SASB Sustainability Accounting Standards, and the TCFD

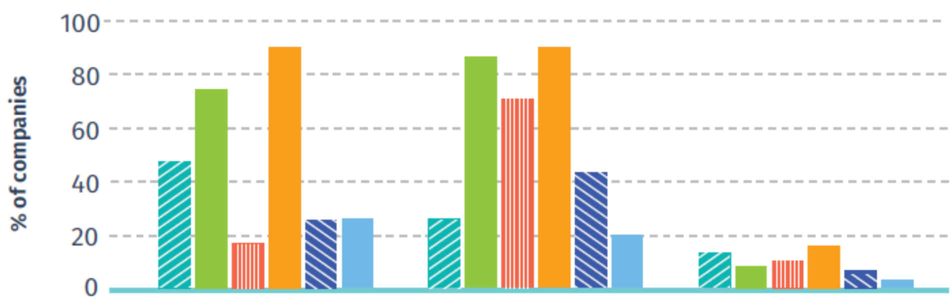
	recommendations form the foundation of the SEC's required framework for sustainability reporting.
Thailand	Since 2022, it is mandatory for all PLCs to report their ESG performance via Form 56-1 One Report (eff ective from fi nancial period ending 31 December 2021). The submission must be within three months from the publication of the financial report. GRI is common following Stock Exchange of Thailand (SET) guidance. On 17 November 2021, SET announced its support for the TCFD.
Vietnam	The Ministry of Finance of Vietnam requires PLCs to consider the social and environmental consequences of their activities, and their social commitments in their annual report. PLCs are encouraged to apply the globally accepted reporting and disclosure standards in preparing their sustainability reports.

Source: website each country

Apart from the regulations in each country, the role of the board in a company is also very important in expanding the company's sustainability. Board involvement in the company's overall strategic direction, including sustainability disclosures, is critical, particularly within the board structure (Shamil et al., 2014). Sustainability, which includes environmental, social and governance (ESG) concerns, is increasingly at the top of boards' agendas. Although it is not the main topic at meetings, sustainability is now at the center of a company's competitiveness and a measure of a company's ability to continue operating. Given the important role of boards in sustainability management, presenting sustainability disclosures in board governance is at the core of quality sustainability reporting. Disclosures regarding the board's responsibility for sustainability and the company's sustainability governance structure can serve as a signal to investors and other stakeholders, indicating how seriously the company takes sustainability and the extent to which the company holds management accountable for performance on sustainability issues. In doing so, this helps to ensure that EESG issues are truly implemented into the company's strategy and are not just an add-on issue. (Genovese dan Saltman 2019,Deloitte, 2018)

However, board oversight of sustainability issues is somewhat worrying as only around half of companies (48%) include a board responsibility statement.

Figure 1. 2 Board Governance



	BOD responsibility stated	Governance structure disclosed	BOD training
Indonesia	48.0%	25.0%	14.0%
Malaysia	75.0%	88.0%	9.0%
Philippines	19.0%	74.0%	10.0%
Singapore	93.0%	91.0%	15.0%
Thailand	24.0%	42.0%	6.0%
Vietnam	24.4%	19.5%	2.4%

Source: ASEAN CSR Network, 2020

Based on the existing phenomenon, the role of boards is essential in implementing the disclosure of corporate sustainability reports. Research conducted by Tran et al. (2020) found that there are wide variations in the level of CSD in various countries. Findings suggest that board size, board gender diversity, block ownership and the presence of a sustainability committee are determinants of CSD. Besides that, although it is stricter, stakeholder governance reforms motivate companies to publish more sustainability information, but this fails to influence the effectiveness of duelling boards in promoting CSD. De Villiers et al. (2011) observe that environmental performance is better in companies with larger boards, more legal experts, and diverse active CEOs on the board. Ortiz-de-Mandojana et al. (2012) detect that multiple directorships of board members in companies providing knowledge-intensive business services have a positive effect on the implementation of proactive environmental strategies. The size of the board and audit committee have a positive effect on corporate social responsibility disclosures. Previous research has examined board size and the proportion of independent board members on the impact of sustainability reports (Naciti, 2019; Mason 2019; Liu et al. 2020). However, (Amran et al., 2015) did not find significant relationship between the existence of a board and voluntary disclosure because governance practices have shortcomings, such as lack of disclosure caused by low levels of effectiveness and reliability of internal control mechanisms.

Regarding to UN SSE the average of number women on board in South East Asia only 19% and there are no regulations regarding women on board. Whereas, Mallin & Michelon (2011) found that female directors' increased sensitivity to others and their consideration of various stakeholders' interests are able to enhance the board's service role. Board diversity influences the quality of sustainability reports ((Post et al., 2011; Hussain et al. 2018; García-Sánchez et al. 2019; Arayssi et al., 2020). On the contrary, Adams (2015) believes that female directors have the same impact as male directors. Independent commissioners have a negatif effect on corporate social responsibility disclosure. There is no evidence of the effect of gender on corporate social responsibility disclosure (Anggraeni, 2020).

The theories underlying this research are signalling theory and resource dependence theory. Based on signalling theory, sustainability disclosure provokes diverse reactions from the market and sends different signals to it. Sustainability reporting minimizes information asymmetry in the communication process and aids in gaining an advantage in competitiveness and reputation that maximize value(Bae et al., 2018). Furthermore, market forces have a significant role in influencing sustainability practices. Thus, high-quality information and reporting give stakeholders positive signals. As a result, the market sends the company accurate signals (Ching & Gerab, 2017). Meanwhile, resource dependence theory underlies that an organization's ability to participate in sustainability reporting is influenced by the availability of resources. RDT believes that boards of directors should collaborate with other external organizations to address a company's dependence on the environment.

According to Pfeffer & Salancik (1978) there are four advantages of external relationships: services such as knowledge and skills available, development of a network of contacts with important elements of the business, desire to help important organizations or entities, and the establishment of external relationships also the credibility of the organization with the external environment (Innayah & Pratama, 2021).

The focus on this research in Southeast Asian because several countries in ASEAN have experienced rapid economic growth in recent years. In 2022, the Southeast Asian economy gained momentum as growth reached 5.5 per cent (Menon, 2023). This growth is often accompanied by changes in business practices and environmental and social impacts. Understanding how companies in the region manage sustainability aspects is becoming increasingly important. Thus, this research adopt a cross country comparative approach to examining how diverse Corporate Governance (CG) practices including board size, board independence and board diversity affect Corporate Sustainability Disclosure (CSD) (Patten & Shin, 2019; Tilt, 2016)

Therefore, based on existing phenomena and the differences in the results of previous studies, this research needs to be carried out because the boards of directors and commissioners have an important role in companies in reporting and disclosing corporate sustainability. So that the authors have an interest in discussing further the influence given by the boards in the disclosure of sustainability reports. Thus, this study is entitled "Analysis of Board Composition: Board Size, Board Independence, Board Gender Diversity on Corporate Sustainability Disclosure in Asian Countries".

1.2 Research Question

Based on the background previously described by the author, the problem formulations to be studied are as follows:

1. Is there an effect of board size on corporate sustainability disclosure?

2. Is there an effect of board independence with corporate sustainability disclosure?
3. Is there an effect of board diversity on corporate sustainability disclosure?

1.3 Research Purpose

From the formulation of the problems in this study, the objectives of this study are:

1. To obtain empirical evidence regarding the effect of board size on corporate sustainability disclosure.
2. To obtain empirical evidence regarding the effect of board independence on corporate sustainability disclosure.
3. To obtain empirical evidence regarding the effect of board diversity on corporate sustainability disclosure.

1.4 Research Significance

1.4.1 Theoritical Contribution

The theoretical benefits of this research are expected to support and confirm previous research and enrich the literature on the influence of boards on corporate sustainability disclosure. In addition, to be the basis and can be developed again in further research.

1.4.2 Practical Contribution

The author hopes that this research can be used as a contribution to a better understanding of the influence of the board on the disclosure of sustainability reports so that it can be used as an evaluation and reference material for both internal and external parties of the company.

CHAPTER II

LITERATURE REVIEW

2.1 Grand Theory

2.1.1 Signalling Theory

Signalling theory was initially developed to explain uncertainty in workforce markets (Spence, 1973). The signalling theory deals with how to solve the problem of information asymmetry in a competitive environment. In the signalling process the signaller and the receiver are the key actors while the signals convey positive or negative information to improve information asymmetry. The signalling theory suggests that companies disclose information to signal their quality to external parties, such as investors and customers.

Signalling theory and agency theory both address information asymmetry in corporate governance and disclosure, albeit from different angles. Agency theory focuses on conflicts of interest due to information asymmetry between principals (shareholders) and agents (managers), suggesting monitoring and incentive mechanisms to align interests. Signalling theory, on the other hand, explains how companies use signals to reduce information asymmetry and demonstrate quality to outsiders, with high-quality firms sending costly signals to differentiate themselves. Both theories acknowledge the costs of information disclosure and verification, propose mechanisms to reduce uncertainty and build trust, and explain motivations for voluntary disclosure. They also use board characteristics to signal quality or as monitoring mechanisms and apply to sustainability reporting, where agency theory suggests it reduces agency costs and signalling theory views it as a commitment to sustainability. Research supporting these theories includes works by Jensen & Meckling (1976), Spence (1973), Connelly et al. (2011), and Morris (1987). While agency theory deals with aligning interests and reducing conflicts, signalling theory focuses on reducing information asymmetry through signals, making both theories complementary in understanding corporate governance and sustainability reporting.

When analyzing the board's role in disclosing sustainability reports, both signalling theory and agency theory provide valuable insights. Agency theory focuses on the relationship between management (agents) and shareholders (principals), examining how board composition can align management's interests with shareholders to reduce agency costs. In terms of sustainability disclosure, this theory views it as a way for the board to demonstrate to shareholders that the company is managing long-term risks and opportunities, protecting their interests, and reducing information asymmetry. Signalling theory, on the other hand, addresses how actions by one party (the sender) can communicate qualities or information to another party (the receiver) to reduce information asymmetry (Anderson et al, 2004); Hillman, et al 2003). Here, the board's sustainability disclosures act as signals to stakeholders (investors, customers, regulators) about the company's commitment to sustainability, ethical practices, and long-term viability, enhancing reputation and credibility. If the goal is to ensure management acts in shareholders' best interest and reduce agency costs, agency theory is more suitable, emphasizing oversight and alignment of interests for effective governance. Conversely, if the focus is on communicating sustainability efforts and building trust with external stakeholders, signalling theory is more appropriate, highlighting transparency and strategic information use to convey the company's values and commitments. Therefore, the suitable theory for this research is signalling theory.

Signal theory states that companies that are committed to social and environmental responsibility to stakeholders will be involved in sustainability reporting. On the other hand, signalling theory argues that in order to gain stakeholder support, disclosure plays an indirect role by revealing the true nature of a company's sustainability performance. Companies have a responsibility to make extensive disclosures if they want to benefit from their social and environmental success (Hawn & Ioannou, 2016).

The broader the disclosure provided by a company, the greater the likelihood that the signal will convince stakeholders regarding the reliability of its sustainability performance characteristics. Companies only realize fully reap the advantages of their social and environmental initiatives when they communicate externally with important stakeholders of the organization (Hawn & Ioannou, 2016) and when companies report detailed and concrete indicators of their good environmental performance (Plumlee et al., 2015). Firms voluntarily publish SRs as a means to demonstrate their values, goals, and results in addressing various social, environmental, and ethical problems in accordance with the claims of signalling theory (Clarkson et al., 2011).

Compared to other companies, those with better environmental performance reveal more information about their greenhouse gas emissions. Based on signalling theory businesses with higher performance indicators should communicate their outcomes and implications more frequently than businesses with lower performance levels (Borghei et al., 2018). According to several studies the board determines the existence and quality of disclosed information by minimizes the information asymmetry that exist between managers, owners, and other stakeholders (Donnelly & Mulcahy, 2008; Frias-Aceituno et al., 2013).

Jensen & Meckling (1976), Donnelly & Mulcahy (2008), and Frias-Aceituno et al. (2014) tested the existence of a positive relationship between board strength as measured by size, independence, activity, and diversity with the existence and quality of voluntary disclosure in order to develop assumptions for complementarity between the board's role in mitigating agency problems and corporate transparency. The results obtained indicate a positive relationship between size, number of independent directors, and board diversity with the existence and quality of voluntary disclosure. In the literature, the level and quality of sustainability disclosure are often positively associated with best management practices and elements of good corporate governance, for example the presence of an audit committee, the presence of an environmental committee, gender diversity, board independence (Baalouch et al., 2019).

2.1.2 Resource Dependence Theory

Resource dependence theory developed by (Pfeffer & Salancik, 1978) suggest that organizations are reliant on their environment to assure the flow of essential resources for the company survival. Scholars also follow Pfeffer (1972) in how the composition of the direction board and the resources it provides should match the needs of the firm. Therefore, the board of executive plays essential role in preserving the supply of vital resources like legitimacy, knowledge or personal ties to the institution (Mallin, 2013). Resource dependency theory argues that boards of directors bring knowledge, skills, experience, expertise, information, and values which are valuable strategic resources for the company. The resource dependency theory that the board of directors can serve as the firm’s valuable resources to provide advisory and monitoring services to control management activities in favour of the extended (Finn & Mohamed, 2020). A board must consider many policies and regulations when making decisions regarding a firm's environmental strategies and daily operations (Masud et al., 2018).

Furthermore, Ntim & Soobaroyen (2013) state that firms with risk-related disclosures can gain a distinct competitive advantage due to their resource potential, and previous literature proves that resource-based directors possess this quality (Hillman et al., 2009)

In relation to corporate sustainability reports, the resources provided by directors, such as knowledge related to the company's environment and stakeholders, can encourage companies to engage in CSR practices, thereby enabling them to achieve sources of strategic legitimacy and long-term value creation (Godos-Díez et al., 2018). In this context, the attributes and structure of the board are expected to influence sustainability report disclosures (Uyar et al., 2021).

According to RDT on the resource provision function, company directors should benefit from larger boards, because companies have more directors, each of whom can provide access to resources, such as specialized knowledge and networks (Hillman et al., 2009; Pfeffer, 1972). The presence of more directors potentially provides more external links and knowledge to secure important CSR resources, more CSR-related experience, knowledge, advice and counsel (De Villiers et al., 2011).

The study supports the resource dependency view that a larger board opens an avenue for more detailed intellectual abilities to enhance financial performance (Bempah, 2023). Drees and Heugens (2013) argue that based on RDT, organizations depend on the external environment for resources useful to the company and this relationship is reciprocal. Thus, for survival, organizations depend on the external environment (Hillman et al., 2009; Pfeffer & Salancik, 1978). The dependence of organizational resources is described by the characteristics of the company's operating environment. Based on RDT estimates, a company's behavior is based on environmental factors (Bempah, 2023). The service role is one of the fundamental roles that RDT represents for the board (Al-Shaer & Zaman, 2018). Previous literature confirms that the board of directors provides valuable advice and counsel to the company (Hillman et al., 2009; Song et al., 2020).

The board functions as a source of knowledge and guidance and is considered the key to connecting the company with external information sources and bringing positive impacts to the company (Endo, 2020). He explains that a larger board can be a source of intelligence for the company. In addition, having an independent director who has an appropriate professional background, expertise and experience can provide an opportunity for the board to consider the interests of various stakeholders and provide positive responses. Harjoto et al. (2019) explains the relationship between a company and the external environment through a board of directors that emphasizes community and social to improve the sustainability performance of an organization.

2.1.3 Corporate Sustainability Disclosure

The primary objectives of accounting are to provide valuable financial information that supports decision-making, accountability, and regulatory compliance. Accounting systematically records, summarizes, and reports financial transactions, offering accurate and timely insights into a company's financial position, performance, and cash flows. This information is crucial for internal and external stakeholders, including management, investors, and creditors, to make informed decisions about resource allocation, investments, and business strategies. Additionally, accounting ensures that businesses adhere to financial reporting standards, facilitating transparency and comparability across time and between companies. By supporting financial planning, control, and asset protection, accounting plays a vital role in promoting sustainable business growth and maintaining stakeholder trust. In accounting there are 4 basic principles, one of which is the principle of full disclosure. In determining what information will be reported, the company follows the general practice of providing information that is important enough to influence the judgment and decisions of informed users. Full disclosure in accounting refers to the principle that all relevant and material financial information must be disclosed in a company's financial statements and accompanying notes. The full disclosure principle also applies to non-financial information that is relevant to stakeholders' decision-making processes. Non-financial information includes data on environmental, social, and governance (ESG) factors, sustainability practices, corporate social responsibility (CSR) activities, and other aspects of a company's operations that might not be reflected directly in the financial statements but can significantly impact the company's reputation, long-term viability, and risk profile. The financial statements that are informed are in the form of financial position statements, income statements, equity changes statements and cash flow statements. Notes to the financial statements are also an inseparable part of the five reports above. In addition, there are additional reports disclosed by the company, one of which is the sustainability report.

Materiality in accounting dictates that all significant information that could influence stakeholders' decisions should be disclosed. Sustainability issues, like environmental risks or social impacts, can be material to a company's long-term financial health. Therefore, under the materiality concept, these should be disclosed in financial reports if they are deemed significant.

Corporate Sustainability Disclosure is the disclosure of non-financial information that can be accessed publicly reported by companies to stakeholders. This information contains disclosures relating to economic, environmental, social and corporate governance aspects related to business activities. It can also inform about disclosure of materiality standards, stakeholder engagement and corporate strategy. These disclosures encourage companies to be more transparent about the details of operations that are relevant to stakeholders. This ensures the commitment of sustainability activities to the business operations of the companies.

2.1.4 Board Composition

The composition of the board of directors in a company that is responsible for protecting the interests of shareholders. The board of directors as the primary decision-making body in any company, plays an indispensable role in CSR matters. The board sets company policy, approves the annual budget for CSR activities, scrutinizes the actions of top managers and forms an independent committee that handles CSR issues (Walls et al., 2012).

Boards are a key element of corporate structure because they consider the benefits of individuals who provide capital (shareholders) and create value for the company (managers) and the interests of various other groups (Finn & Mohamed, 2020). In other words, a direction board is a meeting point between a small but powerful group that owns or operates the company and a large, broad, and relatively less powerful group that cares about the company's performance (Monks & Minnow, 2011)

2.1.4.1 Board Size

The total number of directors on the board (Van den Berghe & Levrau, 2004). The optimal board size should include both executive and non-executive directors (Goshi, 2002) . Effectiveness in board structuring is important to govern the company. Board size has a positive influence on CSR practices. They have professional experience that strengthens the decision-making process (Correa et al., 2020). Building a larger board of directors with various stakeholder groups can enhance the organization's corporate reputation, and in turn, this can increase its legitimacy in a broader social context. This research, in line with stakeholder theory, shows that more directors allow different opinions and interests to be aligned with stakeholders' interests, intentions and goals. As a result, these directors improve social performance by incorporating social strategies into corporate policies. Nguyen et al (2020) present similar evidence in their six-year study across three developing countries in East Asia. The authors explain that businesses with more than one board of directors tend to have access to a wealth of human resources and extensive outside connections to provide companies with the necessary expertise, monitoring, and consulting services that help them deal with social issues. The focus of this research is how board structure impacts financial, social, and environmental performance.

2.1.4.2 Board Independence

Independent board membership refers to board members who are not employed by the company and have no significant business affiliation with the company. Berghe and Baelden (2005) examine the issue of independence as an important factor in ensuring board effectiveness through monitoring and the strategic role of directors. The main factor for board independence is to obtain a sufficient number of independent directors. They state that director ability, willingness and board environment can lead to the independent attitude of each director.

2.1.4.3 Board Diversity

Board diversity consists of the attributes, backgrounds, and characteristics of different board members. Individual directors on a company's board may differ in many ways, including background education, industry experience, race, and gender (Hovey, 2015). Some of the positive impacts of gender diversity are the creation of a more effective oversight system and board members will have more responsibilities to attend board meetings and complete other responsibilities (R. B. Adams & Ferreira, 2009). Gender diversity can provide a new perspective for the board, and will create a different approach when the decision-making process occurs.

An early study showed that board member diversity increases "breadth of perspective, cognitive resources, and problem-solving capacity" (Hoffman & Maier, 1961) and claimed that higher quality solutions to problems are generated by heterogeneous groups than homogeneous groups. This can also be applied to CSR as it requires full awareness of the demands and interests of multiple stakeholders (Hung, 2011).

Previous research provides evidence of a positive relationship between corporate charitable giving and boards with female directors (Ibrahim & Angelidis, 2011; Williams, 2003). Female directors also positively influence qualitative tasks, such as CSR control and strategy setting (Bilimoria, 2000; Huse et al., 2009; Rosener, 1990). Ibrahim and Angelidis (2011) examined the orientation of corporate directors in adopting CSR programs and found that female directors have a higher orientation towards charitable donations compared to their male counterparts and they are more oriented towards CSR issues. Another study of female directors showed that they are more concerned about social issues than men. Other studies have also argued that female board members have different criteria and ethical frameworks than men (Harris, 1989), are often perceived to adopt a more caring approach and therefore will be more interested in and provide better transparency on sustainability issues (Al-Shaer & Zaman, 2018). For example, differences in skills and experience between female and male board members are critical in decision-making to improve operational and financial performance, including CSR (Finn & Mohamed, 2020)

2.2 Previous Research

The following are the results of previous research related to board composition on corporate sustainability disclosure can be seen as follows:

Table 2. 1 Previous Research

No.	Previous Research	Research Result
1.	Governance and sustainability in south east asia (Mi Tran, Eshani S. Beddewela, Collins G. Ntim, 2020)	Board size, board gender diversity, block ownership and the presence of CS committee are the key CG drivers of CSD in SEA. Independent directors, reflects the uniqueness of the SEA context.

2.	The impact of board composition on the level of ESG disclosures in GCC countries (Mahmoud Arayssi, Mohammad Jizi & Hala Hussein Tabaja, 2020)	Higher board independence and female board participation facilitate the transmission of a firm's positive image by improving social responsibility.
3	Green Governance and Sustainability Report Quality: The Moderating Role of Sustainability Commitment in ASEAN Countries (Chairina Chairina dan Bambang Tjahjadi, 2023)	The board's independence, board diversity, and sustainability commitment are significantly associated with the quality sustainability reports. Moreover, the board size indicates a low effect on the reliability. The sustainability commitment also moderates female directors and the quality of sustainability reports.
4	Board involvement in corporate sustainability reporting: evidence from Sri Lanka (Nayana Chandani, Swarnapali Rathnayaka dan Mudiyanselage, 2018)	The results point out that firms that follow a sustainability disclosure policy have larger boards, a higher proportion of independent directors and more female directors.
5	The Impact Of Board Characteristics On Corporate Social Responsibility Performance Of Companies: Evidence From Emerging Markets (Farah Finn Mohamud Mohamed, 2020)	The results show that a greater presence of independent board members and women on boards are significantly and positively associated with CSR performance, and decrease ESG controversies.

2.4 Framework of Thought and Hypothesis Development

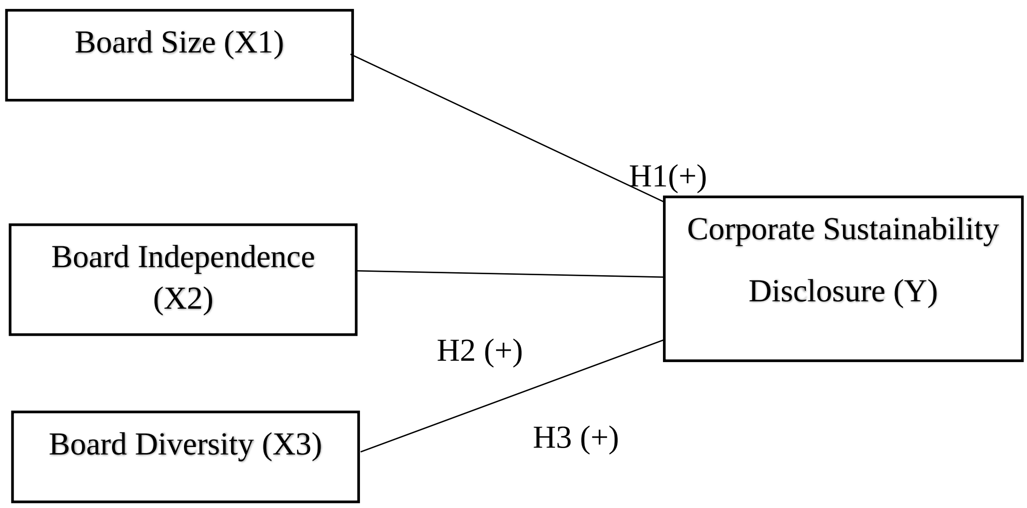


Figure 2. 1 Framework

1. Board Size and Corporate Sustainability Disclosure

Collier and Gregory (1999) argue that a larger board size will facilitate CEO control and the supervisory process will be more effective. In addition, Al-Najjar (2014) identified that a larger board size allows for more significant consideration of various issues during board meetings (Bempah, 2023). As justification, the authors argue that the larger the board size, the greater the depth of intellectual knowledge to improve performance(Bempah, 2023) The reason is that larger boards are efficient in controlling management activities and have effective mechanisms. Al Farooque, Buachoom and Sun (2020) found a larger board size has a significant positive effect on financial performance. They believe that companies in developing countries such as Thailand need more directors with the required experience and diverse skills to monitor management activities to solve problems (Bempah, 2023)

(De Villiers et al., 2011) examined the effect of board characteristics on environmental performance among non-financial firms in the US and found a positive effect of board size on environmental performance. From a resource dependence theory perspective, the authors explain that larger board size increases board diversity which increases the likelihood of attracting members with knowledge, skills, and experience regarding environmental issues to provide the board with relevant knowledge and advice regarding opportunities and strategies to address environmental issues. However, like most board structure studies, these findings are mainly related to non-financial companies in developed countries. In a study conducted on 90 Japanese non-financial companies, Endo (2020) also noted a positive and significant relationship between board size and CEP. A larger board size makes it easier for the company to access people rich in relevant knowledge and expertise and connects the company with the network needed to align stakeholders' interests with the company's objectives (Bempah, 2023).

Nguyen et al (2020) also noted that larger board size results in better corporate environmental and social performance. This is because, with a larger board, the company is connected to a wider social network. In addition, large human resources are accessible, providing motivation to understand and effectively address social and environmental issues. They have a professional experience that strengthens the decision-making process (Correa et al., 2020). A larger number of board and members that consist of various groups can provide more input into the company’s SR practices. Thereby, they may expand the area and improve the quality of SR practices (Frias-Aceituno et al., 2013).

This concept aligns with signalling theory, an extensive board size denotes balanced and diversified management, which lowers agency conflicts and signals the organization's commitment to sustainability to external partners (Masud et al., 2018). Increasing the size of a board can simultaneously expand the board's pool of expertise and diversify its knowledge and skills

(Hu & Loh, 2018), and thereby increase its legitimacy (Mahmood & Orazalin, 2017). The presence of multiple stakeholders on a larger board will result in greater demands for CS involvement and provide a higher level of managerial monitoring of corporate activities (Ntim & Soobaroyen, 2013; Charms and Garcia-Blandon, 2019).

Previous research shows that larger boards are able to organize and initiate healthy discussions about which CS activities and disclosures can attract attention (Esa & Ghazali, 2012; Giannarakis, 2014; Said et al., 2009), and thus enable the firm to respond pressure and social demands of various stakeholders effectively (Barakat et al., 2015).

The size of company's board of directors plays a crucial role in disclosing the sustainability report. According to these evidences the first hypothesis in this study as follows:

H1: Board size affects corporate sustainability disclosure positively

2. Board Independence and Corporate Sustainability Disclosure

Investors, various interest groups, and shareholders began scrutinizing the role of boards of directors in companies since 2000. Concerns arose due to fears that board members and managers may use their positions for their own interests and independent board members typically lack sufficient information and involvement to monitor and provide guidance to top management (Finn & Mohamed, 2020). Particularly in Southeast Asia, with high levels of concentrated ownership, board independence is increasingly becoming an important monitoring mechanism to track the activities of corporate insiders, on behalf of minority shareholders (Chen & Nowland, 2010). From a broader perspective, independent directors are expected to provide information to the public about companies that are well managed, managers are effectively supervised, and stakeholders' interests are considered (Ong & Djajadikerta, 2018). Managers' actions can be controlled through independent monitoring through the appointment of outside board members (Walsh & Seward, 1990). The selfish activities of managers are more likely to be prevented by the presence of outside directors who protect the company from socially irresponsible actions. Therefore, board independence may encourage CSR as board members are expected to pursue the long-term success of the firm and have a better stakeholder orientation (Johnson & Greening, 1999; Wang & Dewhirst, 2). Compare to managers, independent board members are also interested in acting in accordance with their wishes. They usually have more diverse educational backgrounds and professional experiences (Williams, 2003). They also increase CSR information disclosure (Prado-Lorenzo & Garcia-Sanchez, 2010; Barako & Brown, 2008). 1992)

Many researchers agree that independent directors are objective and not easily influenced by corporate directors (Kosnik, 1987; Fama, 1980; H. Singh & Harianto, 1989; Mizruchi, 1983). The presence of a larger independent executive board will undoubtedly increase the effectiveness of the firm by using resources to address stakeholder claims(Finn & Mohamed, 2020)

Fama and Jensen (1983) also argue that independent non-executive directors can effectively monitor executive management to ensure proper utilization of shareholders' investment and rate of return. Furthermore, Terjesen et al. (2016) state that it has been accepted by researchers, academics and policy makers as well as outside directors on the board ensure transparency, effective monitoring and oversight of top-level management. According to signalling theory, diversity on the board of directors has a significant impact on sustainability disclosure, which aims to reduce agency problems and provide effective signals to society and stakeholders (Bae et al., 2018). Typically, independent directors play an active role in overseeing and controlling the board on behalf of outside parties (Khan et al., 2013). Therefore, more independent directors can reduce agency conflicts and based on theory signalling, they can send a positive signal to external parties regarding the organization's commitment to sustainability initiatives (Bae et al., 2018). Problems that occur among stakeholders can be reduced by greater board independence which encourages and focuses on maximizing lasting value and high levels of transparency. When board independence is higher, it has better board monitoring quality.

Several studies reveal that board independence is reported to have a positive and significant impact on corporate disclosure (De Villiers et al., 2011; Kilic¸ et al., 2015; Muttakin & Subramaniam, 2015). Moreover, based on resource dependency theory, external directors or independent directors provide useful resources in various forms such as skills, experience, expertise, and also connect the company with relevant external resources (Bempah, 2023). Resource dependency theory emphasizes that if the proportion of independent directors on the board is higher, the more proactive the company will be in its CSR strategy, and the more prominent its social performance will be (Shaukat et al., 2016). In general, independent directors are those with little connection with the CEO and others executive board members. Their personal background and their personal skills should increase their sensitivity to a broader context than the conventional view of business objectives. The independence of a company’s board positively influences corporate social performance (Eduardo, 2017).

H2: Board independence affects corporate sustainability disclosure positively

3. Board Diversity and Corporate Sustainability Disclosure

The Malaysian government has set a requirement that all companies listed on Bursa Malaysia must appoint at least 30 percent women as board members by the end of 2016 (Ahmad et al., 2019). In the 100 largest companies on the stock exchange, 36 percent of board positions will be held by women by 2022 - up from 23 percent in 2021. Other disparities remain. More than 90 percent of Singapore's boards are chaired by men, the CBD report found. And only 7 percent of the top 100 companies have gender-balanced boards, defined as boards that are 40 to 60 percent male or female.In Indonesia only 33.6 percent of state-owned companies have 15 percent of women's roles in the board of directors (CNN Indonesia, 2021). This number is considered small considering the role of women who are felt to be needed in the sustainability of SOEs. Lack of women's roles in the board of directors can caused poor Corporate Governance. Gender plays an important role in decision-making. Because the roles of men and women have different considerations (Faisal Rizki Mufid, 2023)

The motivation for this research is that on average, women executives perform better than men, especially under conditions of uncertainty. In fact, women have more communal characteristics; they are attentive, sympathetic, kind, cooperative, concerned about the welfare of others, nurturing and interpersonally sensitive (Eagly, Johannesen-Schmidt, & Van Engen, 2003). Huse, Nielsen, & Hagen, (2009) state that "women's attention and consideration for the needs of others, can lead to women's active involvement in strategic issues of concern to the company and its stakeholders". Thus, women can be more responsive to certain organizational practices, such as CSR and environmental issues. In addition, women directors need more time in decision-making so that they can consider the positive and negative impacts of their decisions in the future. Thus, decisions made by both male and female directors are more moral than decisions made by male directors alone. A neuroscience specialist pointed out that women use both sides of their brain in making decisions, while men use only one side of their brain. This shows that female directors consider all aspects of their stakeholders' interests (Kansaku, Yamaura, & Kitazawa, 2000). Female directors are always interested in asking many questions, showing mutual understanding, and trying to ensure ethical standards (Bilimoria & Wheeler, 2000; Eagly & Johannesen-Schmidt, 2001; Pan & Sparks, 2012). Pathan and Faff (2013) revealed that women do more preparation before attending any meeting.

According to resource dependence theory board that has diverse director can offer new information that will help to make smarter choices and more representative board will also provide more useful services, thereby contributing to improved company performance (Carter et al., 2010).

Innayah & Pratama (2021) suggests that the diversity of human resources on the board that makes these resources special will influence the company's actions, impacting performance and risk. Gender diversity or diversity in a company is important because it is to create the value of the company itself which will have an impact on the high quality of company performance(Luckerath-Rovers, 2013).

A diverse board can easily understand the demands and interests of all its stakeholders (Abdullah, 2014). Some researchers argue that female directors are more likely than male directors to disclose sustainability-related information (Frias-Aceituno et al., 2013; Hafsi and Turgut, 2013; Kaca et al., 2015). Empirical studies have widely reported that heterogeneous boards have a positive effect on sustainability disclosure (Haniffa and Cooke, 2005; Hafsi and Turgut, 2013; Ntim and Soobaroyen, 2013).

Proportion of female in boards plays important role in corporate sustainability disclosure. According to the description above, the third hypothesis in this study as follows:

H3: Board diversity affects corporate sustainability disclosure positively

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Type, Data Source and Research Method

This research is using quantitative method and uses secondary data that is processed and collected by organizations or other parties. Secondary data is obtained indirectly through official websites. This study adopts the methodology of the Financial Times Stock Exchange (FTSE)'s ASEAN allstars index, which consists of the most attractive companies with the largest and most liquid stocks on their national stock exchanges to reflect the breadth and depth of the ASEAN economy. The study utilized Annual Reports and Sustainability Reports accessed through each company's website in the 2018-2022 period and data from the ASEAN CSR Network on Sustainability Reports from the ACN website. Each country has regulation for the board itself. The following table shows which countries use one tier or two tiers in their boards.

Table 3. 1 Rules of Tier

Name	One or Two Tier
Indonesia	2
Malaysia	1
Filipina	1
Singapura	1
Thailand	1
Vietnam	2

According to the table, researcher decided to use one tier for the sampling because from 6 countries, there are 4 countries that use one tier in their boards.

3.2 Research Variable

The variables used in this study are:

Table 3. 2 Variables and Measurements

Variable Name	Measurements
Dependent Variable:	
Corporate Sustainability Disclosure (CSD)	The CSD checklist includes 30 items. For each item disclosed, a value of 1 is assigned and 0 otherwise. The CSD Index is calculated by the ratio of the number of items disclosed to the maximum number of relevant items a company may disclose.
Independent Variable:	
Board Size	Total number of executives, both directors and commissioners
Board Independence	Ratio of independent directors
Board Diversity	Ratio of female directors

3.2.1 Dependent Variable

The dependent variable used in this study is corporate sustainability disclosure (CSD). To measure the level of CSD, a weighted index developed from the Branco and Rodrigues (2008) study was used which has been re-examined and modified slightly with reference to the Mi Tran (2020) study and other studies to accurately reflect the diverse sustainability issues relevant to the context under study (Abd-Mutalib et al., 2014; Hummel and Schlick, 2016; Islam et al., 2016; Nobanee and Ellili, 2015). Based on a list of 30 disclosure items divided into four main sub-categories (1. Environmental disclosure, 2. Human resources disclosure, 3. Product and consumer disclosure, and 4. Community involvement disclosure), each item is assigned one point if disclosed and 0 if not disclosed. To avoid penalizing companies that do not disclose items unrelated to their business, researchers adopted an absolute disclosure ratio where companies are assessed with disclosure items relevant to the company based on the industry in which the company operates (Marquis & Toffel, 2012). Thus, the CSD index is calculated based on the ratio of the actual score given to the maximum score achievable by the company. The following are the 30 list items used:

Table 3. 3 CSD Item List

No.	**Environmental Disclosure**
1	Environmental policy or expression of concern for the environment
2	Certified environmental management systems and audits
3	Pollution (air, water, noise, visual, and waste) from business conduct
4	Pollution/efforts to reduce pollution created from use of company products
5	Prevention and/or repair of environmental damage
6	Natural resources conservation and recycling activities
7	Sustainable development/management
8	Designing or contributing to develop facilities that are harmonious with the environment
9	Energy conservation in operations
10	Sustainable products or services
11	Discussion of environmental laws and regulations
	Human Resources Disclosure

12	Employee Health and Safety
13	Recruitment policy for minorities and/or women
14	Human resource profile
15	Employment remuneration
16	Share options for employees
17	Employee assistance/benefits
18	Employee training
19	Employee morale
20	Relations with trade unions and/or workers
	Product and Consumer Disclosures
21	Product safety (information on safety and safety standards)
22	Product quality (prizes/awards/certificates)
23	Disclosing of consumer safety practices (protecting consumer rights and safety)
24	Consumer satisfaction and feedback
25	Accommodating disabled, elderly, and hard-to-reach consumers
	Community engagement Disclosure
26	Charitable donations and activities
27	Support for education
28	Support for arts and culture
29	Support for public health
30	Sponsoring sports or recreational projects

Source: Journal Governance and Sustainability, 2020

$$CSD\ Index = \frac{\sum xI}{\text{Nx}}$$

CSD Index : Corporate Sustainability Disclosure Index

$\sum XI$: The total of disclosing item on company, dummy variable: 1 = if item disclosed; and 0 = if item is not disclosed

Nx : Total of relevant item, the maximum number of relevant items a company may disclose (30 items)

3.2.2 Independen Variable

The independent variable used in this study is board composition including board size, board independence and board diversity. The board size represents the total number of the board on the corporate. Board independence is the percentage of independence board members as reported by a company. Then, board diversity is the percentage of females on board.

Board Size = $\sum Number\ of\ board$

Board Independence = $\frac{\text{Total of board independence}}{\text{Total number of the board}}$

Board Diversity = $\frac{\text{Total of females on board}}{\text{Total number of the board}}$

3.3 Population, Sample and Sampling Technique

3.3.1 Population

In this study, the population is companies listed in each country based on the stock exchange of each country in ASEAN for the 2018-2022 period.

3.3.2 Sample and Sampling Technique

The sampling technique in this study used purposive sampling technique which has the following criteria:

Table 3. 4 Sample Criteria

No.	Criteria	Total
1.	Most liquid companies listed on the Stock Exchange (based on each country index) : Indonesia (LQ45) Malaysia (KLCI) Filipina (PSEI 30) Singapura (STI 30) Thailand (SET50) Vietnam (VNX30) Total:	 45 30 30 30 50 30 215
2.	Total companies stay on index for 5 years	148
3.	Total companies published SR for 5 years	70
4.	Total research data (2018-2022) 70 x 5 tahun	 350

3.4 Data Analysis Method

3.4.1 Descriptive Statistic

In the descriptive statistical data analysis, the value of each research variable described by various descriptive measures such as average (mean), standard deviation, minimum value, and maximum value.

3.4.2 Classical Assumption Testing

This test is carried out if the variables in the study are more than two. Classical assumption testing, namely:

3.4.2.1 Data Normality Test

To test whether the data used is normally distributed. In this study, the Kolmogorov-Smirnov method was used with a significance level of 0.05 for the normality test. based on the following standards:

a) Significant > 0.05, normally distributed data is used.

b) Significant < 0.05, the data used is not normally

distributed.

3.4.2.2 Heteroscedasticity Test

The heterogeneous variance test aims to test whether there is an inequality of variance between the residuals of one observation in the regression model. Heterogeneous variance can be tested with the Spearman's rho test. If the residual is smaller than 0.05 (5%) and the regression model is significant, the residual equation contains heterogeneous variance, which means homoscedasticity or does not have symptoms of heteroscedasticity. The regression model is said to be good if it is homoscedastic, or does not have a non-uniform variance (Chariri & Ghozali, 2014)

3.4.2.3 Multicollinearity Test

According to Ghozali (2014), the multicollinearity test aims to test whether the regression model found a correlation between the independent variables. In a good regression model, there should be no correlation between the independent variables. The presence or absence of multicollinearity in the regression model can be determined based on the Variance Inflation Factor (VIF) number or tolerance value. If the VIF value is less than 10 or the tolerance value is more than 0.1, it can be concluded that there is no multicollinearity in the regression model.

3.4.2.4 Autocorrelation Test

According to Ghozali (2016), a regression model that has a correlation is called autocorrelation. Autocorrelation arises because successive observations over time are related to one another. Autocorrelation can be detected using the Run test. If there is no correlation between residuals, it is said that the residuals are random or random. Run test is used to detect whether the residual data is random or not. If Asymp Sig. (2-tailed) is greater than the significance of 0.05, it is concluded that there is no autocorrelation.

3.4.3 Hypothesis Testing

3.4.3.1 Regression

Regression analysis is one of several methods used to determine the causal relationship between one variable and another. This analysis is also used to understand which independent variables are associated with the dependent variable and to determine the form of the relationship between these variables. This study uses multiple regression because it uses more than one independent variable.

$$CSDi = \beta 0 + \beta 1\ BSi + \beta 2\ INDi + \beta 3\ FEDi + e$$

- CSDi = Corporate Disclosure Index
- BSi = Board Size index: Number of board
- INDi = Board Independence index: Ratio of independence board
- FEDi= Board Diversity index: Ratio of female on boards

3.4.3.2 F Test (ANOVA)

The F statistical test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. This test uses a 95% confidence level, to test the hypothesis used by comparing the probability value with its alpha. If the significance value is greater than 0.05, the regression model is not feasible to use, while if the significance value is less than 0.05, the regression model is feasible to use, which means that all independent variables simultaneously affect the dependent variable together.

3.4.3.3 T Test (Partial)

The partial test or t statistical test is basically used to show how far individual explanatory or independent variables are in explaining variations in the dependent variable (Ghozali, 2009). This test was carried out to test the independent variable partially with a probability level (α) of 5%. If the significance level is smaller than 5% then the independent variable has an effect on the dependent variable, H0 is rejected, in other words the alternative hypothesis is accepted.

3.4.3.4 Determination Test (R2)

The coefficient of determination basically measures the ability of the model to explain the variations in the dependent variables. The coefficient of determination has a value between 0 and 1. A small R2 value indicates that the independent variable has a very limited ability to explain the variable. A value close to 1 means that the independent variables provide almost all the information needed to predict the dependent variable

CHAPTER V

CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

5.1 Conclusion

This study aims to examine the effect of board size, board independence, and board diversity on corporate sustainability disclosure in southeast Asian companies listed on the liquid index on the Stock Exchange of each country in 2018 - 2022. Based on the results of the analysis, hypothesis testing and data interpretation that has been carried out, the following conclusions can be drawn:

1. Based on the test results of the first hypothesis, board size has a significant positive effect on corporate sustainability disclosure. So that H1 in this study is supported.
2. Based on the test results of the second hypothesis, board independence has a significant negative effect on corporate sustainability disclosure. So that H2 in this study is not supported.
3. Based on the test results of the third hypothesis, board diversity has no influence on corporate sustainability disclosure. So that H3 in this study is not supported.

5.2 Limitation of The Study

Based on the results that have been concluded, this study has several limitations, as follow:

1. Since the sample subjects are large companies listed on the stock exchange liquid index, the findings provide limited interpretation for other types of companies.
2. This research was conducted in the year of the COVID-19 pandemic (2019 and 2020) so that some companies are in a less fit condition with fluctuating

company performance and also have a very wide range of values from one company to another.

3. Our research is limited to the data and conditions obtained from the company's Sustainability Report without considering the conditions of the company that are not reported in the report and website. Especially for the Philippines and Vietnam, where the amount of data obtained is small, the amount of data obtained is quite far from the data of other countries.
4. With only 3 elements of the dependent variable in board composition and no control variables, the variety of data that can be analyzed is very limited. This may affect the generalizability of the research findings as it does not include various combinations of elements or variables that may be more relevant or significant.
5. This study has a lot of extreme data so that researchers make outliers using the SPSS 27 application from 350 sample observation objects to 340 observation objects.

5.3 Recommendation Future Research

1. For the companies, must investigate how board members' competence and experience contribute to board performance. These factors may be more significant than mere independence or diversity. Analyze how interactions among board members and group dynamics affect decision-making and overall board performance.
2. For the stakeholder, must support initiatives that determine the ideal board size for enhancing CSD disclosure. Firms can discover the ideal balance between corporate social responsibility and transparency with the assistance of this research. Programs for training board members with the goal of raising their knowledge and expertise in CSD might have the support of stakeholders. Social responsibility, transparency, and environmental challenges are a few possible subjects for this training. Urge businesses to open up more about the CSD board decision-making process. Publicating minutes from board meetings and CSR-related decisions are a couple examples of this.

3. Future studies may be undertaken conducting research on Small and Medium Enterprises (SMEs) in order to provide a better interpretation of CSD in these countries and may even elaborate on the CSD in different industries in emerging markets. In addition, it is expected to increase the observation time to get better and significant observation results and can add variables that affect the diversity of directors that are not only limited to the number, independent, and gender, only. It can be added with ethnicity, religion, race, and so on.

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