

ESG Controversies in ASEAN-5: The Role of Board Structure and Governance Characteristics

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Abstract: This study analyzes the effects of corporate governance mechanisms on ESG controversies among non-financial ASEAN-5 firms from 2021–2024, with firm size as a moderator. Using a Fixed Effects Model with PCSE, the findings show that audit committee independence and board gender diversity significantly reduce ESG controversies, whereas board independence increases controversy exposure due to greater transparency. CEO duality exhibits a marginally positive effect. Firm size weakens the positive effects of CEO duality, audit committee independence, and gender diversity, while reducing the adverse effect of board independence. Robustness tests confirm the consistency of results. Overall, the study emphasizes that the role of governance in mitigating ESG controversies depends on organizational scale and institutional context.

Keywords: Corporate Governance; ESG Controversies; ASEAN-5.

Abstrak: Penelitian ini menganalisis pengaruh mekanisme tata kelola perusahaan terhadap kontroversi ESG pada perusahaan non-keuangan di ASEAN-5 periode 2021–2024, dengan ukuran perusahaan sebagai variabel moderasi. Menggunakan Fixed Effects Model dengan PCSE, hasil menunjukkan bahwa independensi komite audit dan keberagaman gender dewan menurunkan kontroversi ESG, sementara independensi dewan justru meningkatkan eksposur karena tingginya transparansi pelaporan. CEO duality berpengaruh positif secara marjinal. Ukuran perusahaan melemahkan pengaruh positif CEO duality, independensi komite audit, dan keberagaman gender, tetapi mengurangi dampak negatif independensi dewan. Uji robustness mengonfirmasi konsistensi temuan. Secara keseluruhan, studi ini menekankan bahwa peran tata kelola dalam mengatasi kontroversi ESG bergantung pada skala organisasi dan konteks institusional.

Kata Kunci: Tata Kelola Perusahaan; ESG *Controversies*; ASEAN-5.

INTRODUCTION

The mounting push from corporations and academic institutions to include environmental, social, and governance (ESG) factors into corporate strategic decision-making has significantly contributed to the heightened worldwide focus on sustainability issues in recent years (Solikhah & Weng, 2024; Treepongkaruna et al., 2024a). This paradigm allows companies to be judged not only on financial results but also on environmental responsibility, social impact, and governance quality, thus reflecting a broader transformation in how a company's performance is evaluated. This condition supports the increasingly vital position of ESG scores in the strategic decisions of companies, markets, industries, and countries (Jucá et al., 2024). Financial performance is not only a parameter assessed on the company, but also its contribution to environmental, social, and governance (ESG) aspects. ESG implementation has been shown to provide various positive benefits for companies, such as increased competitiveness (Ni et al.,



2024), performance (Ho et al., 2024), employee engagement (Wong et al., 2025), future cash flow, long-term value, and market competitiveness (Fang & Guo, 2025).

However, alongside the rapid expansion of ESG adoption and sustainability reporting, a contrasting and increasingly visible phenomenon has emerged, namely ESG controversies. The term ESG Controversies describes negative media coverage that occurs when companies fail to fulfill their environmental, social, or governance responsibilities (Ghafoor & Gull, 2024). The ESG Controversies score shows how much a company is affected by adverse events covered in news around the world (Agnese et al., 2023). A company's involvement in ESG Controversies can severely damage a company's reputation, reduce market valuation, undermine operational efficiency, and undermine long-term sustainability based on the empirical evidence found. This is a result of increased stakeholder skepticism and reputational exposure (García-Sánchez et al., 2025; Jucá et al., 2024). For instance, Passos & Campos-Rasera (2024) demonstrate that ESG controversies significantly reduce firm value, while Ma & Ma (2025) find that ESG controversies lower total factor productivity, hinder green innovation, and restrict access to external financing.

The growing number of ESG problems highlights a significant gap between the volume of ESG disclosures and organizations' actual ESG performance. This phenomenon indicates that the increasing trend of sustainability reporting (ESG disclosure) is sometimes inconsistent with actual corporate behavior, often leading to greenwashing practices (Fernandez, 2025; Yu et al., 2020). found that ESG controversies reduce total factor productivity, hinder green innovation, and worsen access to financing, thereby depressing firm value. This discrepancy between companies' claims and their actual implementation makes ESG controversies an important issue to study. However, existing empirical research has largely focused on ESG scores or ESG disclosure quality. The determinants of ESG controversies, particularly in emerging markets like ASEAN, remain underexplored. This ASEAN region becomes important to study, where institutional frameworks, enforcement mechanisms, and governance practices differ substantially from those in developed economies (see **Figure 1**).

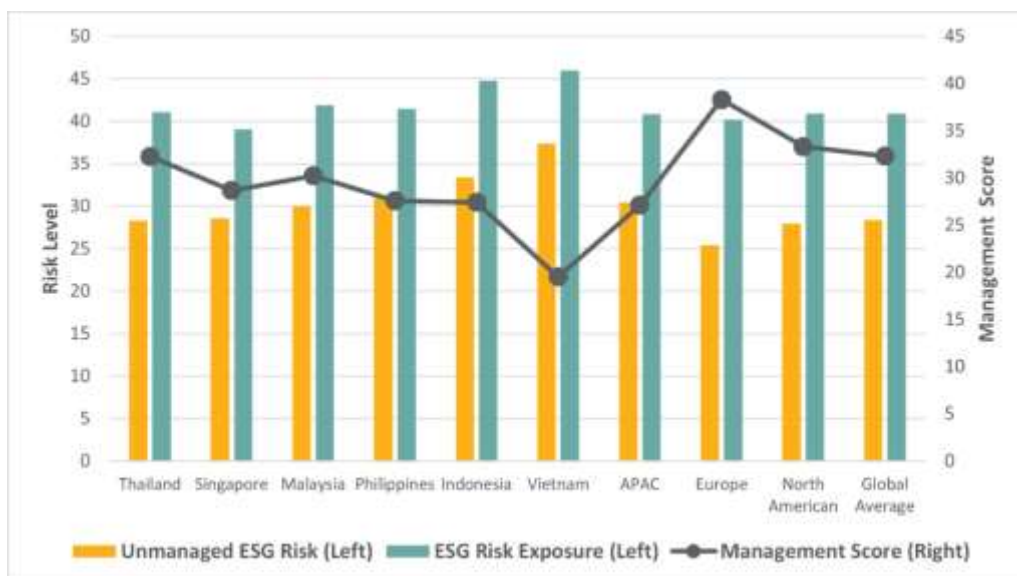


Figure 1. Comparative ESG Risk Profiles of ASEAN Countries and Global Benchmarks
Source: Sustainalytics, 2021



Figure 1 shows clear differences in ESG risk profiles across several ASEAN countries when compared with regional and global benchmarks. Although ESG risk exposure appears relatively high, countries such as Indonesia, Vietnam, and Malaysia still record high levels of unmanaged ESG risk and lower management scores than Europe and the global average. This situation indicates that the ability to manage and mitigate ESG risks remains limited. In other words, wider ESG disclosure does not always lead to stronger ESG risk management, which helps explain why ESG controversies continue to emerge in many ASEAN firms despite growing attention to sustainability issues (Fernandez, 2025; García-Sánchez et al., 2025; Jucá et al., 2024).

Corporate governance mechanisms are essential in mitigating the likelihood of ESG controversies (Abu Khalaf et al., 2025; García-Sánchez et al., 2025). One important aspect of corporate governance is CEO duality. Agency theory (Jensen & Meckling, 1976) suggest that separating these two roles enhances board independence and monitoring effectiveness, reducing the potential for managerial dominance. However, (Buchetti et al., 2025) asserted that declining board monitoring and exacerbates agency problems, which may facilitate opportunistic behavior and increase firms' vulnerability to ESG-related controversies due to the consolidation of power in the hands of the CEO. Empirical evidence supports this notion studies, as Arici et al. (2025), discover that the duality among the CEO has a negative impact on environmental pillar scores but not on social and governance pillar scores, suggesting that the detrimental effect is particularly pronounced for environmental outcomes. Similarly, Husted & Sousa-Filho (2019), find that CEO duality negatively impacts sustainability reporting among Latin American firms, suggesting that holding both the CEO and chair positions reduces transparency and weakens sustainability oversight.

As the main governance tool for increasing the efficacy of internal monitoring and internal oversight, the audit committee's impartiality is a crucial mechanism for improving governance quality. Prior studies have demonstrated that independent audit committees play an important role in improving the overall credibility and standards of ESG reporting. Ruziwa et al. (2025), demonstrated that audit committee independence was significantly correlated with ESG disclosure and performance, demonstrating that independent members were in a better position to challenge management and reduce the risk of ESG-related violations or controversies. Consistent with these findings, Pozzoli et al. (2022) and Sihombing & Nurhaliza (2025), show that audit committee independence is positively linked with ESG disclosure and performance, suggesting that independent members are better positioned to challenge management and mitigate the risk of ESG-related misconduct or controversies. Similarly, Yuhertiana et al. (2025), highlight that greater independence and expertise within audit committees strengthen monitoring functions and reduce unethical practices that could result in ESG controversies.

The attributes of the board of directors, particularly board independence and gender diversity, play a vital role in sustainability oversight. Independent boards can limit managerial opportunism, while gender-diverse boards contribute broader perspectives and ethical considerations that support environmental initiatives. However, empirical findings evaluating board characteristics on the ESG controversy remain inconsistent. Some studies have treated council gender diversity only as a control variable, meaning that its immediate effects have not been extensively tested (Iannuzzi et al., 2023; Shakri et al., 2025). This inconsistency underscores the need for further empirical research to examine how board characteristics affect ESG controversies, particularly in emerging markets. Firm size can affect how governance mechanisms relate to ESG controversies. Larger firms have more



resources and reputational incentives that lower controversy risk, while smaller firms face greater vulnerability due to limited oversight.

The ASEAN context presents a compelling setting for this inquiry. Despite regional initiatives such as the ASEAN Governance Scorecard and the ASEAN Taxonomy, most sustainability reporting across the region remains voluntary, and governance enforcement remains weak. As a result, the extent to which governance mechanisms can effectively mitigate ESG controversies varies considerably and remains insufficiently examined. In this context, this study aims to identify factors that determine ESG controversies by analyzing four core governance attributes: CEO duality, audit committee independence, board gender diversity, and board independence. This study additionally assesses the moderating effect of firm size using panel data from non-monetary enterprise in ASEAN-5, along with governance pillar score and inflation as key control variables. This approach offers a thorough understanding of how governance structures and company size together influence ESG controversy risks.

This research provides three main contributions to the field of sustainability, particularly regarding ESG controversies and corporate governance. Firstly, it examines ESG controversies rather than overall ESG performance as most studies do. Thus, the result provides a risk-based view that is still limited in the current literature compared to conventional ESG scoring approaches. Second, it incorporates firm size as a moderating variable to clarify when governance mechanisms, such as CEO duality, board independence, audit committee independence, and board gender diversity, become more or less effective in shaping ESG controversy outcomes. This perspective highlights that governance does not operate uniformly across firms but depends on organizational scale and resource capacity. Third, by using multi-country panel data from ASEAN-5 firms and applying a Fixed Effects Model with panel-corrected standard errors and macro-level controls, this study provides contextually grounded evidence from emerging markets with varying institutional environments. Collectively, these contributions advance theoretical understanding and offer practical guidance for improving governance structures to mitigate ESG controversy risks.

THEORETICAL REVIEW

Agency Theory. According to this idea, agency issues prevent managers acting in the best interests of shareholders in their capacity as investor representatives (Jensen & Meckling, 1976). When managerial interests diverge from owners' long-term value creation, agency conflicts arise. Managers who have vested interests may include in opportunistic or unethical activities, such as environmental negligence or poor labor practices to seek personal advantages at the expense of shareholders (Treepongkaruna et al., 2024a). An efficient corporate governance system is necessary to guarantee that managerial decisions continue to be in line with the goals of shareholders in order to reduce agency issues (Yin & Xu, 2025). Mechanisms such as CEO role separation, independent audit committees, and board gender diversity enhanced monitoring functions and enhance accountability. Weak governance structures tend to intensify agency conflicts, which in turn may increase the likelihood of ESG controversies. Moreover, strong governance practices can also reduce ESG controversies, as effective monitoring and ethical leadership discourage managers from taking actions that could damage the company's reputation in terms of governance, social responsibility, and the environment. Thus, agency theory provides the foundation for predicting that governance quality should reduce controversy



risk. Previous studies have applied agency theory to examine how corporate governance influences ESG controversies. (Iannuzzi et al., 2023; Shakri et al., 2025; Treepongkaruna et al., 2024a, 2024b; Yin & Xu, 2025).

Stakeholder Theory. According to stakeholder theory, organizational success depends on addressing the needs of all parties influenced by corporate actions, not only shareholders (Freeman et al., 2010). Firms have responsibilities toward multiple stakeholders—employees, customers, communities, regulators, and investors—and must balance these interests to ensure long-term legitimacy and sustainability (Clarkson, 1995; Donaldson & Preston, 1995). Socially responsible practices enhance firm value by fostering positive relationships with stakeholders (Treepongkaruna et al., 2024b; Wu et al., 2023). Failure to meet stakeholder expectations heightened risk of ESG controversies and reputational damage. Conversely, a strong focus on ESG initiatives helps firms build stakeholder trust, reduce potential conflicts, and achieve sustainable performance (Chen et al., 2025; Wu et al., 2022). Thus, stakeholder theory underscores ESG as a strategic tool for managing stakeholder relationships and preventing controversies.

Legitimacy Theory. According to the theory, a company's ability to exist relies on its capacity to act in alignment with the prevailing norms, values, and beliefs of community (Suchman, 1995). Firms aim to acquire and preserve to ensure acceptance and support from stakeholders (Treepongkaruna et al., 2024a). When companies become involved in environmental, social, or governance (ESG) controversies, their legitimacy may be questioned as such actions contradict public expectations. To restore legitimacy, firms often respond through enhanced ESG disclosures, transparent reporting, and visible ethical initiatives to demonstrate conformity with societal norms. In this context, ESG disclosure functions as a legitimacy tool that enables businesses to show that their activities are carried out in compliance with best practices and to reaffirm their dedication to the social and environmental values that society embraces (Apriono et al., 2023). Thus, legitimacy theory emphasizes the significance of ESG performance and disclosure as mechanisms for maintaining public trust and organizational legitimacy.

ESG Controversies. ESG Controversies (ESGC) from the Refinitiv Eikon database shows the amount of firms that are included in numerous issues related to Environmental, Social, and Governance (ESG) dimensions, and is widely used to assess corporate sustainability and reputational risk. In order to evaluate ESGC, Refinitiv looks at 23 contentious problems that fall into seven major classifications, which are labor, shareholders, management, product responsibility, community, human rights, and resource use. ESGC scores are presented in the form of percentiles (0–100 percent), where higher values reflect lower levels of controversy and lower reputational risk. These assessments are continuously updated based on media reports, legal documents, and official publications, taking into account industry materiality and company size to reduce bias due to market capitalization. Thus, ESGC is a crucial measure of a company's capacity to reduce environmental, social, and governance risks that could have an impact on stakeholder trust and firm value. Although many studies examine socially responsible behavior, literature on ESG scandals and controversies remains relatively limited. ESG controversies tend to negatively affect firm value (Treepongkaruna et al., 2022, 2024a, 2024b). Markets react unfavorably when firms engage in socially irresponsible behavior (Frooman, 1997), and empirical evidence shows that adverse ESG-related news triggers negative abnormal returns (Treepongkaruna et al., 2022, 2024a, 2024b). Agency theory focuses on internal governance control and predicts that better monitoring reduces managerial misconduct. Meanwhile, stakeholder and legitimacy theories explain the



external social consequences when controversies occur, including loss of trust, reputational penalties, and pressure to regain legitimacy. Thus, agency theory explains why controversies may arise, while stakeholder and legitimacy theory explain why controversies matter and how firms respond. Using both perspectives provides a more complete foundation to analyze ESG controversies, especially in emerging markets where governance and social expectations interact strongly.

CEO Duality and ESG Controversies. CEO duality refers to a situation where the Chief Executive Officer assumes both the CEO and board chair roles. This leadership structure is widely debated in the corporate governance literature due to its potential implications for monitoring effectiveness and managerial accountability. According to Agency Theory (Jensen & Meckling, 1976), separating the roles of CEO and board chair is essential to maintain effective checks and balances. In line with this perspective, Freire (2019), demonstrates that CEO duality has an inverse effect on the performance of independent directors. This suggests that when power is concentrated in a single individual, the ability of independent board members to exercise objective oversight is significantly diminished.

In the context of sustainability and corporate ethics, concentrated leadership may further undermine transparency and accountability in ESG-related decision-making. Prior studies provide evidence that CEO duality is associated with weaker corporate governance and lower levels of responsible behavior. Harun et al. (2020), Voinea et al. (2022), and Pirveli (2025), show that firms with CEO duality tend to disclose less CSR information due to diminished board oversight and reduced managerial accountability. Similarly, Arici et al. (2025) find that CEO duality has a detrimental impact on environmental performance, indicating that unified leadership may hinder firms' sustainability initiatives and increase the potential for ESG-related issues. Taken together, the theoretical and empirical literature suggests that CEO duality may weaken governance mechanisms, reduce transparency, and heighten the risk of managerial misconduct, ultimately increasing the likelihood of ESG controversies.

H1: Firms with CEO duality structures tend to experience higher ESG controversies.

Audit Committee Independence and ESG Controversies. Audit committee independence constitutes a central pillar of robust corporate governance, as independent members are expected to exercise objective judgment and provide effective oversight of managerial actions. According to agency theory (Jensen & Meckling, 1976), an independent audit committee mitigates agency conflicts by increasing the boards monitoring capabilities and ensuring the accuracy of both financial and non-financial reports. Independent directors are less influenced by management, helping prevent opportunistic practices, governance failures, or ESG breaches. Stakeholder Theory (Freeman et al., 2010) independence reinforces accountability by ensuring that corporate policies and risk management processes reflect the concerns of a wide range of stakeholders, such as regulators, local communities, and environmental interests.

Empirical evidence generally supports the governance-enhancing role of audit committee independence. Haekal et al. (2024), demonstrate that firms with highly independent audit committees exhibit a lower likelihood of fraudulent reporting. Similarly, a meta-analysis by Arslan et al. (2024), synthesizing 93 empirical studies, finds audit committee independence to be a consistent predictor of sustainability disclosure. Nonetheless, the effectiveness of independence appears context-dependent. Studies in



Malaysia and Indonesia report that independence may be more formalistic than substantive, limiting its capacity to constrain managerial discretion or improve ESG outcomes (Wan Mohammad & Wasiuzzaman, 2020; Pernamasari & Chariri 2024). Conversely, Sihombing & Nurhaliza (2025), provide evidence that independence—when coupled with adequate expertise and committee diligence—strengthens ESG performance among ASEAN-5 firms. Taken together, theoretical arguments and empirical findings suggest that audit committee independence enhances monitoring quality, promotes transparency, and reduces the likelihood of environmental, social, and governance controversies. Accordingly, firms with more independent audit committees are expected to exhibit fewer ESG-related incidents.

H2: Audit committee independence contributes to reducing ESG controversies.

Board Gender Diversity and ESG Controversies. The participation of female directors is proved to improved board monitoring, wider strategic viewpoints, and increased sensitivity to ethical and sustainability-related issues. Therefore, the diversity of board gender has grown in importance as a component of corporate governance. Based on stakeholder theory, (Freeman et al., 2010; Donaldson & Preston, 1995), gender diversity boards tend to better accommodate the interests of a broader range of stakeholders, such as employees, communities, and the natural environment. From an agency theory (Jensen & Meckling, 1976), female directors frequently described as by higher risk aversion, ethical awareness, and attentiveness to long-term value creation, thereby strengthening oversight and constraining managerial misconduct that may lead to ESG controversies.

Empirical research increasingly supports the positive impact of female board representation. Female directors are commonly attentive to ESG issues and contribute to increased transparency and accountability based on some studies (Nadeem et al., 2020; Qureshi et al., 2020). Gull et al. (2025) stated that women on U.S. corporate boards significantly reduce ESG controversies, particularly when they serve as independent directors. Female representation has also been linked to improved strategic decision-making, environmental innovation, and stronger governance practices (Lin et al., 2022; Mansour et al., 2024; Trireksani et al., 2024). Furthermore, gender diversity has successfully improved the CSR disclosure and stimulate proactive environmental engagement (Gallego-Álvarez & Rodriguez-Dominguez, 2025; Naveed et al., 2022).

Additional studies confirm that gender-diverse boards promote a balance between economic and social objectives, ultimately reducing conflicts of interest and improving decision quality. The gender diversity of board was found to be an important factor of environmental reports quality (Baalouch et al., 2019) and broader reporting transparency (Pucheta-Martínez & Gallego-Álvarez, 2019; Vitolla et al., 2020). Additionally, it has been discovered that female directors support environmental initiatives and enhance the firm's overall ESG performance (De Masi et al., 2022; Nekhili et al., 2022).

Taken together, theoretical insights and actual evidence indicate the diversity of board's gender improve ethical standards, strengthen governance oversight, and reduce the likelihood of environmental, social, and governance controversies.

H3: Board Gender Diversity contributes to reducing ESG controversies.

Board Independence and ESG Controversies. The board of directors serves as a key governance tool to minimize conflicts between shareholders and management.



however, if the board is largely controlled by majority shareholder representatives, it may fail to safeguard the rights of minority shareholders (Muhammad & Tadele, 2025). The presence of independent board members is expected to provide objective oversight of management activities and protect stakeholders' interests from managerial opportunism (Fama & Jensen, 1983). Independent directors are in a better position to encourage accountability and openness, ensuring that businesses stick to moral principles and lowering the possibility of ESG controversies.

Empirical evidence supports this expectation. Studies by Muhammad & Tadele (2025), find that document that a higher proportion of independent directors lowers the risk of ESG controversies by strengthening ethical oversight and accountability mechanisms. Similarly, prior research associates board independence with stronger monitoring effectiveness, enhanced transparency, improved ethical practices, and better financial outcomes (Hu et al., 2023; Kyere & Ausloos, 2021), as well as higher environmental disclosure (Aly et al., 2024; Fernandes et al., 2019; Gerged, 2021; Osemene et al., 2024), and stronger CSR performance (Agarwala et al., 2023). Similarly, Liu et al. (2023), show that independent directors actively identify and mitigate misconduct risk, reducing the likelihood of financial fraud through stronger monitoring mechanisms. Accordingly, the expected relationship board independence and ESG controversies is:

H4: Board independence contributes to reducing ESG controversies.

Firm Size as a Moderator Variable. Firm size reflects a firm's resource capacity, operational complexity, and degree of stakeholder visibility (Drempetic et al., 2020). From the perspective of Stakeholder Theory, larger companies are more susceptible to stricter external scrutiny and face stronger expectations to behave responsibly. Agency Theory further suggests that large firms tend to adopt more structured governance systems and broader disclosure practices to mitigate agency costs (Wirianata & Hauw-Sen, 2024). Consistent with Legitimacy Theory, large firms also strengthen their governance mechanisms to preserve legitimacy in the eyes of the public. These arguments suggest that firm size can strengthen governance influence depending on whether control mechanisms are supported by sufficient resources and external pressure. Therefore, firm size is expected to alter the strength and direction of governance mechanisms' impact and ESG controversies.

For CEO Duality (CEOD), concentrated leadership power may weaken monitoring quality and reduce transparency, thereby increasing ESG controversy risks (Harun et al., 2020). However, in larger firms, heightened public visibility, stronger external monitoring, and more formal internal controls tend to limit CEO discretion. Thus, firm size is expected to weaken the positive association between CEO duality and ESG controversies. Regarding Audit Committee Independence (ACI), independent audit committees enhance monitoring and strengthen ESG-related oversight (Pozzoli et al., 2022). Larger firms typically possess more sophisticated reporting systems and compliance infrastructures, enabling independent audit committees to function more effectively. Consequently, firm size is expected to strengthen the negative effect of audit committee independence on ESG controversies. For Board Gender Diversity, the presence of women on the board enhances ethical sensitivity, monitoring, and stakeholder-oriented decision-making (Gull et al., 2025). In larger firms, stronger legitimacy pressures and more formal governance structures allow gender-diverse boards to exert greater influence. Thus, firm size is expected to strengthen the ability of gender-diverse boards to reduce ESG controversies.



Similarly, Board Independence is essential for constraining managerial opportunism and improving transparency. Large firms, due to the complexity of operations and greater reputational exposure, benefit more from the oversight function of independent directors. Therefore, firm size is predicted to strengthen the negative relationship between board independence and ESG controversies.

Prior empirical evidence supports this moderating role. Yuliyanti et al. (2025) show that firm size amplifies the influence of governance mechanisms on ESG-related practices, providing a strong theoretical foundation for this study. Therefore, firm size as a moderator is predicted as follows:

- H5a:** Firm size strengthens the negative relationship between CEO Duality and ESGC score.
- H5b:** Firm size strengthens the positive relationship between Audit Committee Independence and ESGC score.
- H5c:** Firm size strengthens the positive relationship between Board Gender Diversity and ESGC score.
- H5d:** Firm size strengthens the positive relationship between Board Independence and ESGC score.

The research model is illustrated in **Figure 2** below.

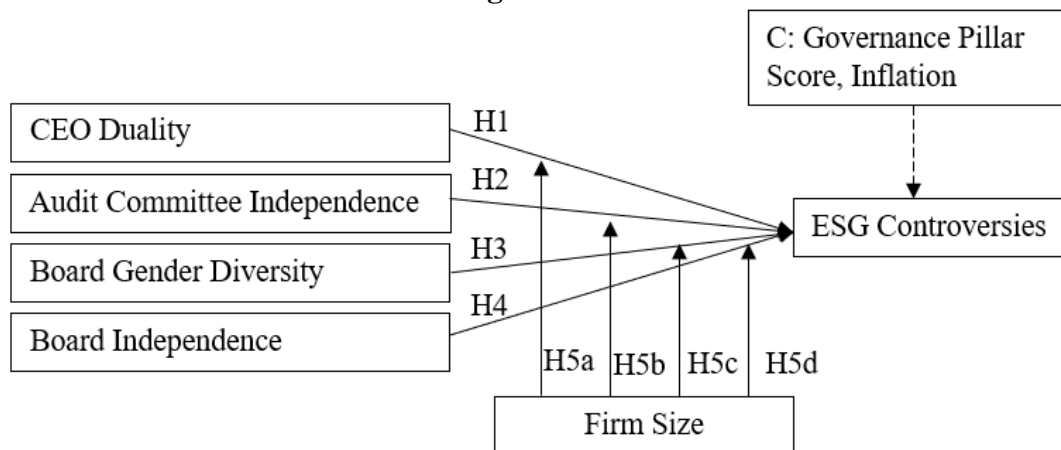


Figure 2. Research Model

METHODS

Panel data from non-monetary enterprise in the ASEAN-5 stock exchanges for the years 2021–2024 is used in this study. ESG Controversies data are obtained from Refinitiv database. Although such data are available from 2020, the analysis begins in 2021 due to the application of a one-year lag structure ($ESGC_{t-1}$), with 2020 used to construct the lagged variable. The sample is selected using purposive sampling by excluding financial firms, delisted companies, firms classified as special treatment, and observations with missing data. After applying these criteria, 622 firms with 1,700 firm year observations become the fixation sample, forming an unbalanced panel. To lessen the impact of extreme values, all variables are adjusted at the 1 per cent and 99 per cent (Gull et al., 2025; Solikhah & Weng, 2024; Treepongkaruna et al., 2022).

This study uses ESG Controversies as the dependent variable. ESG Controversies (ESGC), which are quantified by 23 contentious themes in seven categories, show how involved a corporation is in different ESG problems. Scores are expressed on a 0 to 100 percentile scale, where lower levels of controversy and reputational risk are indicated by higher scores. The data is updated regularly using news reports and official documents and is adjusted for firm size and industry profile to ensure companies remain comparable.

The independent variables include CEO duality, audit committee independence, board independence, and board gender diversity. The moderator variable is firm size (SIZE), while control variables include Inflation (INF) and the Governance pillar score (GOV). The definitions and measurements of all variables are presented in **Table 1**.

Panel-data moderation regression utilizing EViews 12 was used to examine the data from the study. Thus, this study uses regression equations. The equation is as follows:

$$ESGC_{t-1} = \alpha + \beta_1 CEOD_{it} + \beta_2 ACI_{it} + \beta_3 BGD_{it} + \beta_4 BI_{it} + \beta_5 SIZE_{it} + \beta_6 CEOD * SIZE_{it} + \beta_7 ACI * SIZE_{it} + \beta_8 BGD * SIZE_{it} + \beta_9 BI * SIZE_{it} + \beta_{10} GOV_{it} + \beta_{11} INF_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

α represents the constant, β_1 to β_{11} denote the regression coefficient, and ε represents the error.

Table 1. Research Variables

Symbol	Variable	Description	Measurement
Dependent Variable			
ESGC	ESG Controversies	Controversial events related to environmental, social, or governance misconduct recorded by the company (Agnese et al., 2023).	ESGC is measured in percentile scale ranging from 0 to 100, where greater values reflect fewer controversies
Independent Variable			
CEOD	CEO Duality	A state of governance in which the CEO holds the position of Chairman of the Board (Alves, 2023).	Dummy variable, taking the value of one if there is CEO duality and zero if not.
ACI	Audit Committee Independence	Amount of independent audit committee members and free from managerial or ownership ties, enhancing monitoring quality (Sihombing & Nurhaliza, 2025)	Measured as the percentage of independent audit committee members, with values ranging from 0 to 100.
BI	Board Independence	Amount of independent board committee members, do not engage in managerial duties, and are free from influence by controlling owners (Gerged, 2021).	Number of independent directors by total board members.
BGD	Board Gender Diversity	Board diversity, indicated by female representation among directors (Lin et al., 2022).	The proportion of female directors to all board members.
Moderation Variable			
SIZE	Firm Size	Indicator of the firm's scale and resource capacity, often associated with visibility and operational complexity (Gerged, 2021).	The total assets' natural logarithm.
Control Variable			



GOV	Governance Pillar Score	A composite score assessing governance quality, including board structure, ownership, and transparency (Rodríguez-Fernández et al., 2019).	Governance Pillar Score from Refinitiv ESG.
INF	Inflation	Annual percentage increase in general price levels affecting economic conditions (Vargas-Santander et al., 2025).	Annual inflation rate, expressed in percentage terms.

Source: Data Processed (2025)

RESULTS

This study investigates the effect of CEO duality, audit committee independence, board gender diversity, and board independence on ESG controversies, with firm size serving as a moderating variable. The sample comprises non-financial sector companies from the ASEAN-5 stock exchanges, including Malaysia, Thailand, Singapore, Indonesia, and the Philippines, from 2021 to 2024. The dataset comprises 1,700 observations across five countries, as shown in **Table 2**.

Table 2. Sample Distribution

Country	Number	Frequency
Bursa Malaysia (BM)	828	48.706
Stock Exchange of Thailand (SET)	468	27.529
Singapore Exchange (SGX)	193	11.353
Indonesia Stock Exchange (IDX)	121	7.118
Philippine Stock Exchange (PSE)	90	5.294
Total	1,700	100.000

Source: Data Processed (2025)

Descriptive Statistical Test Results. **Table 3** shows the outcomes of the descriptive statistical analysis.

Table 3. Descriptive Statistical Test Results

Variables	N	Mean	Median	Min	Max	Std. Dev
ESGC	1700	98.830	100.000	8.537	100.000	7.408
CEOD	1700	0.118	0.000	0.000	1.000	0.322
ACI	1700	93.083	100.000	0.000	100.000	13.484
BGD	1700	24.429	23.077	4.762	57.149	11.185
BI	1700	49.572	50.000	25.000	83.333	12.914
SIZE	1700	20.545	20.442	15.702	24.084	1.762
GOV	1700	50.218	50.345	6.926	91.530	21.352
INF	1700	2.925	2.489	-1.611	8.478	2.354

Source: Data Processed (2025)

Table 3 shows the descriptive statistics of the study variables. ESG Controversies (ESGC) variable exhibits a minimum value of 8.537, recorded for SD Guthrie Bhd, and a maximum value of 100.000, recorded for Bukit Sembawang Estates Ltd, indicating substantial variation in the level of ESG-related controversies among firms. The mean value of 98.830 with a standard deviation of 7.408 suggests that most firms experienced relatively low ESG controversy, as reflected by scores positioned close to the upper limit.



The median value of 100.000 further implies that the majority of firms had no severe ESG disputes during the observation period.

The CEO Duality (CEOD) variable has values between 0.000 and 1.000, representing the use of a dummy classification. The mean 0.118 and standard deviation of 0.322 indicate that only a small proportion of firms apply a dual leadership structure.

Audit Committee Independence (ACI) variable ranges from 0.000 to 100.000, with a mean of 93.083 and a standard deviation of 13.484, suggesting that most firms maintain a high level of audit committee independence. The median value of 100.000 further supports this conclusion. Board Gender Diversity (BGD) variable shows a range of 4.762 to 57.143, with a mean of 24.429 and a standard deviation of 11.185, indicating relatively low but moderately varied female representation across boards. Board Independence (BI) variable ranges from 25.000 to 83.333, with a mean of 49.572 and a standard deviation of 12.914, showing that firms consistently maintain a high proportion of independent directors.

The Firm Size (SIZE) variable spans from 15.702 to 24.084, with a mean of 20.545 and a standard deviation of 1.762, indicating that most sampled firms are large and exhibit limited size variation. Governance Pillar Score (GOV) variable ranges from 6.926 to 91.530, with a mean of 50.073 and a standard deviation of 21.352, demonstrating substantial differences in institutional quality across firm environments. Finally, the Inflation (INF) variable ranges from -1.611 to 8.478, with a mean of 2.925 and a standard deviation of 2.354, indicating notable fluctuations in macroeconomic conditions throughout the observation period.

Multicollinearity Test Results. Table 4 presents the results of the multicollinearity test.

Table 4. Multicollinearity Analysis

	CEOD	ACI	BGD	BI	SIZE	GOV	INF
CEOD	1						
ACI	-0.170	1					
BGD	-0.040	0.045	1				
BI	-0.115	0.211	0.115	1			
SIZE	0.085	-0.150	-0.135	0.033	1		
GOV	-0.112	0.188	0.129	0.188	0.187	1	
INF	0.040	-0.097	0.025	0.001	0.017	0.012	1

Source: Data Processed (2025)

Table 4 indicates that none of the independent variables exhibit a strong correlation with one another, as all correlation coefficients fall below the 0.800 threshold. Consequently, the findings show that the independent variables in the regression model do not exhibit multicollinearity. **Estimation Model Selection.** Table 5 report the outcomes of the Chow test and the Hausman test.

Table 5. Chow test and Hausman test.

	Chow Test		Hausman Test	
	Cross-section chi-square	Results	Cross-section chi-square	Results
Regression equation without moderation	0.000	Fixed Effect Model	0.000	Fixed Effect Model



Regression equation with moderation	0.000	Fixed Effect Model	0.000	Fixed Effect Model
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Source: Data Processed (2025)

Table 5 shows that the cross-section chi-square values for both the non-moderated and moderated models are below the conventional 5 per cent significance level. These findings confirm that the Fixed Effect Model (FEM) is the most appropriate method of estimate for this study. Following Beck & Katz (1995), FEM is subsequently estimated using Panel-Corrected Standard Errors (PCSE) to enhance the reliability of the statistical inferences. PCSE is particularly relevant in this context, as it effectively addresses potential heteroskedasticity, serial correlation, and cross-sectional dependence, which are common in multi-country panel datasets such as those from the ASEAN-5.

Furthermore, the results of the Panel Cross-section Heteroskedasticity LR Test reveal significant heteroskedasticity across firms ($\chi^2 = 88,716.540$; significant at the one per cent level), indicating that the assumption of homoskedasticity is rejected. Therefore, employing a heteroskedasticity-robust estimator, such as PCSE, in conjunction with the Fixed Effects Model is justified and ensures more accurate and reliable estimation results.

Regression Test Results. **Table 6** shows the regression outcomes based on the fixed-effect model using PCSE.

Based on **Table 6**, the ESG Controversies Score is positively and marginally significantly correlated with CEO duality, with a coefficient value of 2.668 and significance at the 10 per cent level. This positive effect indicates that firms with CEO duality tend to achieve higher ESGC scores, reflecting fewer ESG controversies. Therefore, Hypothesis H1 is rejected. The ESGC score is positively and quantitatively significant affected by audit committee independence, with a coefficient value of 0.020 and significance at the 5 per cent level, implying that greater audit committee independence is associated with reduced ESG controversies. Thus, Hypothesis H2 is accepted. The ESGC score is favorably and significantly correlated with the gender diversity of the board, with a coefficient of 2.022 at the 5 per cent significance level, implying that companies with more female on the board typically deal with less ESG controversies. Consequently, Hypothesis H3 is accepted. Conversely, board independence exhibits a negative and marginally significant effect on ESGC, with a negative coefficient value of 3.037 and significance at the 10 per cent level, indicating that higher board independence is correlated with increased ESG controversies. As a result, Hypothesis H4 is rejected.

Table 6. Regression Test Results

Variable	Moderated Regression				
	Coefficient	Std. Error	t-Statistic	Prob	Decision
Coefficient	13.239	4.880	2.713	0.007***	
CEOD	2.668	1.514	1.762	0.078*	Rejected
ACI	0.020	0.010	2.119	0.034**	Accepted
BGD	2.022	0.951	2.128	0.034**	Accepted
BI	-3.037	1.786	-1.701	0.089*	Rejected
SIZE	0.003	0.271	0.010	0.992	
CEOD*SIZE	-0.150	0.080	-1.871	0.062*	Accepted
ACI*SIZE	-0.062	0.037	-1.704	0.089*	Rejected
BGD*SIZE	-0.104	0.048	-2.140	0.033**	Rejected
BI*SIZE	0.165	0.094	1.756	0.080*	Accepted



GOV	-0.009	0.001	-7.690	0.000
INF	-0.014	0.007	-1.986	0.047
R ²	0.493			
Adjusted R ²	0.194			
F-statistic	1.647			

Note: ***, **, and * represent statistical significance at the 1 per cent, 5 per cent, and 10 per cent levels, respectively.

Source: Data Processed (2025)

Table 6 demonstrates the significant moderating role of firm size (SIZE) in linking corporate governance mechanisms to ESG controversies. All interaction terms are significant at the 10 per cent level, although the direction of the moderating effects differs across mechanisms.

Firm size reduces the beneficial impact of CEO duality on the ESG Controversies Score, according to the interaction between CEO duality and firm size, which has a negative coefficient value of 0.150 and is marginally significant at the 10 per cent level. This implies that, in larger firms, the beneficial impact of CEO duality in reducing ESG controversies becomes less pronounced. Therefore, Hypothesis H5a is accepted. Regarding audit committee independence, the combined effect of audit committee independence and firm size has a negative coefficient value of 0.062, marginal significance at the 10 per cent level, shows larger firm size slightly weakens the positive effects of the independence audit committee. This finding contradicts the expectation that independent audit committees are more effective in larger firms. Thus, Hypothesis H5b is rejected. For board gender diversity, the interaction between board gender diversity and firm size shows a coefficient value that is negative of 0.104 and is significant in terms of statistic at the 5 per cent level, demonstrating that the advantages of having a diverse board of directors are diminished by firm size on ESG controversies. Accordingly, Hypothesis H5c is rejected. In contrast, the correlation among board independence and firm size shows a positive coefficient value of 0.165 and is marginally significant at the 10 per cent level, indicating that firm size mitigates the negative main effect of board independence. This suggests that the adverse impact of board independence on ESG controversies becomes weaker in larger firms. Therefore, Hypothesis H5d is accepted.

Concerning the control variables, the governance pillar score has a negative, highly important effect on ESG controversies, while inflation also shows a statistically significant negative effect. The model produces an R-squared value of approximately 0.493, indicating that about 49 per cent of the variation in ESG controversies is attributable to the independent variables. The adjusted R² value of approximately 0.194 suggests that unobserved factors continue to contribute to variations in ESG controversies.

In conclusion, the moderation analysis highlights that firm size is crucial in determining the efficacy of corporate governance mechanisms in mitigating ESG controversies.

Robustness Test. To ensure the findings are empirically sound, a robustness test was performed. The goal is to verify if the link between the key variables and integrated reporting quality remains consistent after incorporating extra control variables into the baseline model. In this phase, the Environmental Pillar Score (ENV) and GDP growth (GDP) were incorporated into the initial model in order to account for environmental sustainability considerations and macroeconomic conditions characterizing the countries in which the firms operate (Rodríguez-Fernández et al., 2019; Vargas-Santander et al., 2025). The incorporation of these controls enables the assessment of whether the



magnitude, direction, and statistical significance of the baseline estimates persist under a more comprehensive model specification. The revised analytical model is presented in the following equation:

$$ESGC_{t-1} = \alpha + \beta_1 CEOD_{it} + \beta_2 ACI_{it} + \beta_3 BGD_{it} + \beta_4 BI_{it} + \beta_5 SIZE_{it} + \beta_6 CEOD * SIZE_{it} + \beta_7 ACI * SIZE_{it} + \beta_8 BGD * SIZE_{it} + \beta_9 BI * SIZE_{it} + \beta_{10} GOV_{it} + \beta_{11} ENV_{it} + \beta_{12} GDP_{it} + \beta_{13} INF_{it} + \varepsilon_{it} \dots \dots \dots (2)$$

Table 7. Robustness Test Results

Variable	Moderated Regression			
	Coefficient	Std. Error	t-Statistic	Prob.
Coefficient	13.453	5.073	2.654	0.008***
CEOD	2.640	1.507	1.752	0.080*
ACI	0.020	0.010	2.059	0.040**
BGD	1.995	0.952	2.095	0.036**
BI	-3.006	1.800	-1.670	0.095*
SIZE	0.001	0.270	0.004	0.997
CEOD*SIZE	-0.149	0.080	-1.860	0.063*
ACI*SIZE	-0.062	0.037	-1.667	0.096*
BGD*SIZE	-0.103	0.049	-2.111	0.035**
BI*SIZE	0.164	0.095	1.727	0.085*
GOV	-0.009	0.001	-1.977	0.000***
ENV	-0.001	0.001	0.864	0.386
GDP	-0.023	0.100	-0.241	0.810
INF	-0.014	0.007	-1.977	0.048**
R ²	0.493			
Adjusted R ²	0.192			
F-statistic	1.640			

Note: ***, **, and * represent statistical significance at the 1 per cent, 5 per cent, and 10 per cent levels, respectively.

Source: Data Processed (2025)

According to robustness results in **Table 7**, the primary variables' coefficients continue to match those obtained in the baseline model in both direction and statistical significance. The inclusion of the Environmental Pillar Score and GDP as additional controls does not alter the core findings, proving that neither an oversimplified model structure nor omitted-variable bias are responsible for the empirical results. Although slight variations in coefficient magnitudes are observed, they do not affect the interpretation of the results. Overall, the robustness analysis validates the internal validity of the estimates and reinforces the credibility of the study's results.

DISCUSSION

CEO Duality and ESG Controversies. The data's positive association suggests that fewer ESG problems are associated with CEO duality. The outcome also contradicts agency theory, which requires that the concentration of leadership roles in a single individual raise the possibility of ESG-related controversies and governance risks. In contrast, the current analysis indicates that companies where the CEO also holds the position of board chair likely to have less ESG issues. This implies that leadership role



concentration does not necessarily weaken governance; rather, it may enhance managerial effectiveness in decision-making and in addressing ESG-related issues.

This result can be explained using stewardship-based arguments, which emphasize managerial alignment with organizational goals. CEO duality may strengthen strategic coherence and reduce coordination costs between management and the board, enabling firm-level decisions to be implemented more efficiently, particularly in periods of heightened uncertainty (Hassan et al., 2023). Such organizational agility may be particularly relevant for addressing ESG-related challenges, where delayed responses may exacerbate sustainability-related controversies. Further institutional characteristics help explain this result. In the ASEAN-5 context, ownership structures are generally concentrated, and corporate governance systems tend to be relationship-based. Under such conditions, splitting the CEO and board chair positions could exacerbate internal disputes and impede strategic decision-making. Therefore, CEO duality may facilitate a more coordinated approach to poverty management, contributing to a reduction in ESG controversies in emerging market environments.

Several studies support this interpretation. Lassoued & Khanchel (2023) report that CEO duality can enhance CSR disclosure and transparency due to the benefits of unity of command. Hassan et al. (2023), also show that CEO duality enhances firm outcomes during crisis periods by facilitating faster decision-making under high uncertainty. Nonetheless, the literature remains mixed. Arici et al. (2025), Harun et al. (2020), Pirveli (2025), and Voinea et al. (2022) which show that CEO duality weakens corporate governance and reduces CSR disclosure and environmental performance. These results indicate that the effect of CEO duality on ESG outcomes varies significantly depending on the context. Overall, the evidence imply that CEO duality can reduce ESG controversies, but firms should still ensure adequate monitoring mechanisms to maintain accountability and transparency.

Audit Committee Independence and ESG Controversies. The findings of the study claimed that audit committee independence has a favorable and important impact in reducing the level of ESG controversy. ESG-related incidents are typically less common in companies with a higher percentage of independent audit committee members, indicating that independence strengthens oversight functions and helps mitigate environmental, social, and governance risks, particularly in companies in the ASEAN-5 region.

This effect can be explained through agency and stakeholder theory. From an agency perspective, independent audit committee members are less aligned with managerial interests, enabling them to exercise objective judgment, limit opportunistic behavior, and strengthen internal controls (Jensen & Meckling, 1976). From a stakeholder perspective, audit committee independence enhances accountability and transparency in the management and disclosure of ESG risks, thereby reducing information asymmetry and the likelihood of controversies (Freeman et al., 2010; Pozzoli et al., 2022). In the ASEAN-5 context, audit committee independence serves as an important governance mechanism for strengthening the quality of ESG oversight in emerging markets. Although prior studies have been limited in directly examining ESG controversies, the results of this study are conceptually align with an expanding stream of research indicating that audit committee independence enhances overall governance quality and ESG outcomes. Sihombing & Nurhaliza (2025), reports that audit committee independence has a positive and substantial effect on ASEAN-5 firm's ESG performance. Similarly, Arslan et al. (2024) also suggest that independent members enhance monitoring standard and reduce the likelihood of



misconduct. Conversely, several studies report contrasting results. (Pernamasari & Chariri, 2024), find that audit committee independence does not significantly improve ESG performance in Indonesia. Likewise, evidence from Malaysia suggests that independence is often ineffective due to hierarchical cultural norms, concentrated ownership structures, and independent directors' reliance on information provided by management (Wan Mohammad & Wasiuzzaman, 2020).

Overall, by offering data-driven insights into the function of audit committee independence in lowering ESG controversies, especially within the ASEAN-5 region, this study adds to the body of knowledge on corporate governance and ESG. The practical implications of these findings indicate that strengthening audit committee independence is a key mechanism for enhancing the efficiency of ESG risk management and mitigating the potential emergence of ESG controversies. Accordingly, this study underscores that a more independent audit committee structure is a critical factor in strengthening corporate governance and supporting sustainability practices among ASEAN-5 firms.

Board Gender Diversity and ESG Controversies. Research findings show that gender diversity on boards of directors has a significant positive impact on reducing ESG controversies. This means that companies with a higher proportion of women on their boards tend to face fewer ESG-related controversies. These results confirm that a more gender-inclusive board composition plays an important role in strengthening sustainability governance and reducing companies' non-financial risks.

This relationship can be explained through stakeholder and agency perspectives. Female directors are generally more sensitive to ethical, social, and environmental issues and are more likely to incorporate the interests of multiple stakeholders into board deliberations, thereby strengthening sustainability-oriented decision-making (Baalouch et al., 2019). From an agency theory perspective, the presence of female directors on the board is associated with stronger monitoring functions and greater attention to ethical and sustainability issues, which may constrain managerial behavior that could trigger ESG-related controversies (García-Sánchez et al., 2025). In addition, gender diversity enriches the board's cognitive perspectives, reduces the risk of groupthink, and enhances the quality of stakeholder-oriented oversight.

These results imply that having female directors is more than just a token gesture, but rather functions as an active governance mechanism in the sustainability oversight process. By increasing sensitivity to ESG risks, emphasizing transparency, and promoting non-financial accountability, female directors assist boards in identifying potential ESG controversies at an early stage and encouraging the application of sustainable techniques consistently. Consequently, firms with more gender-diverse boards possess a greater capacity to manage non-financial risks, maintain stakeholder legitimacy, and reduce exposure to ESG controversies.

This data supports an increasing amount of empirical research showing that gender diversity on boards lowers sustainability risk and strengthens ESG governance. Issa & Hanaysha (2023) demonstrate that fewer ESG controversies are linked to more female on boards, through improved ethical orientation and monitoring quality. Similarly, Gull et al. (2025) discover that gender diversity on boards reduces ESG controversies, particularly when directors who are female serve as independent directors in weak governance environments where additional oversight is needed. Other studies also suggest that gender-diverse boards enhance ESG oversight, improve corporate transparency, and support more proactive sustainability initiatives (Gallego-Álvarez & Rodríguez-Dominguez, 2025; Naveed et al., 2022; Treepongkaruna et al., 2022). According to Mallidis et al. (2024),



corporate social responsibility performance and gender diversity on the board of directors are negatively correlated.

In the ASEAN-5 context, these findings have particularly strong implications given market characteristics commonly marked by concentrated ownership, family-based governance structures, and uneven regulatory enforcement. In such environments, the participation of female directors may act as an extra monitoring mechanism in these situations, helping balance the power of dominant shareholders and strengthening firms' ethical orientation. Practically speaking, these findings reinforce the significance of firm and government initiatives to encourage more women on boards as a component of a larger plan to improve governance, enhance sustainability transparency, and reduce the risk of ESG controversies in the ASEAN-5 region.

Board Independence and ESG Controversies. The outcomes show that board independence negatively affects the ESG controversies score, indicating that firms with higher board independence tend to report greater ESG controversies. These results do not imply that independent directors harm corporate sustainability. Rather, the finding reflects the strengthened roles of monitoring, accountability, and transparency exercised by independent boards in overseeing environmental, social, and governance issues.

The positive association between higher board independence and increased ESG controversy scores can be understood as a consequence of more intensive monitoring mechanisms and more transparent disclosure practices. Independent directors generally promote higher oversight standards and demand more comprehensive reporting on ESG issues, including sensitive aspects that were previously underreported, due to their more objective positions and limited alignment with internal managerial interests (Oriaifoh & Lodikero, 2025). As a result, ESG-related issues that were previously concealed or insufficiently disclosed become more visible and documented as ESG controversies. Thus, the increase in controversy scores primarily reflects enhanced transparency and corporate visibility rather than an actual deterioration in sustainability performance.

In developing economies, particularly within the ASEAN region, board independence often remains largely symbolic and is not yet supported by adequate monitoring capacity or specialized ESG expertise. Consequently, independent boards tend to prioritize improvements in ESG transparency and disclosure rather than the direct mitigation of sustainability-related issues, which may result in an increase in reported ESG controversies. This outcome highlights how independent boards help to increase accountability and transparency in ESG governance, which is consistent with the ideas of Agency and Stakeholder Theories.

This interpretation aligns with Baalouch et al. (2019) and Kamaludin et al. (2022), which stated that board independence contributes to improved ESG disclosure and reporting quality through more effective monitoring. However, other studies, such as (Treepongkaruna et al., 2024a), indicate that board independence is not effective in reducing ESG controversies, particularly when such independence is merely formal and not supported by adequate organizational capacity. Overall, these outcomes hold meaningful relevance for investors, regulators, and managers in corporations, suggesting that higher ESG controversy scores observed in firms with greater board independence should not be directly interpreted as a deterioration in sustainability performance. Instead, they more accurately reflect improvements in transparency, governance quality, and corporate accountability in managing and disclosing ESG-related issues.

Firm Size as a Moderating Variable. The moderation analysis's findings indicate that the association between corporate governance practices and ESG controversies is



significantly influenced by the size of the organization. In research on ESG and corporate governance, company size is widely recognized as a significant moderating factor (Mulyana et al., 2025; Solikhah & Weng, 2024). Consistent with this view, larger firms tend to achieve better ESG performance as heightened stakeholder expectations encourage stronger governance and disclosure practices (Gómez Martínez et al., 2024).

For CEO duality, the baseline model shows that it is linked to lower ESG controversy scores. However, when firm size is considered as a moderating factor, this association reverses, suggesting that in larger companies, CEO duality corresponds with higher ESG controversies. Accordingly, firm size significantly moderates the relationship between CEO duality and ESG controversies, supporting the proposed moderating hypothesis. This study claimed that the concentration of leadership roles becomes less effective in large firms characterized by greater operational complexity, multiple business units, and higher public exposure. Under such conditions, stronger monitoring mechanisms and more formal governance structures are required, reducing the effectiveness of CEO duality in mitigating ESG-related risks. This interpretation is consistent with legitimacy and signaling theories (Yuliyanti et al., 2025) and prior evidence showing that CEO duality weakens governance oversight and ESG implementation in large firms (Meeprom et al., 2024).

For Audit Committee Independence, the results indicate that a more independent audit committee contributes to reducing ESG controversies. However, the interaction between audit committee independence and firm size is negative and significant, indicating that firm size weakens the effectiveness of audit committee independence in mitigating ESG controversies. As this effect runs counter to the hypothesized direction, the proposed moderating hypothesis is not supported. This finding is consistent with the audit committee overload argument, which posits that increased organizational complexity and expanded oversight responsibilities in large firms lead to information overload and constrain the limited attention and monitoring capacity of audit committees, thereby weakening their oversight effectiveness (Ashraf et al., 2019). In addition, large firms typically face higher public exposure and stronger stakeholder pressure, making ESG-related issues more easily identified and classified as controversies. Accordingly, higher ESG controversy scores in large firms do not necessarily reflect weaker oversight, but rather greater visibility and more intensive external scrutiny. In contrast to this study, Fadhila et al., (2023) report that firm size does not moderate the effect of the audit committee on sustainability report disclosure. Overall, these findings suggest that audit committee independence tends to wane in larger corporations but is more successful in reducing ESG disputes in small and medium-sized firms.

Similarly, Board Gender Diversity shows a substantial and favorable main influence, indicating that female directors contribute to reducing ESG controversies. However, this link is negatively moderated by business size, indicating that larger organizations are less effective at minimizing ESG concerns through board gender diversity. As this moderating effect runs counter to the hypothesized direction, the proposed moderating hypothesis is not supported. This finding suggests that in larger firms, formalized governance mechanisms, hierarchical procedures, and complicated organizational structures could prevent gender-diverse boards from having a significant impact on decision-making. In other words, although female directors have the potential to mitigate ESG controversies, their influence tends to diminish in larger and more complex firms. From an agency theory perspective, the directors who are female are generally linked to a bold monitoring, higher ethical sensitivity, and greater attention to non-financial risks, which can help constrain managerial opportunism and reduce ESG-related controversies. However, as firm size



increases, agency problems become more complex due to dispersed authority, higher coordination costs, and multiple layers of management. The governance benefit of board gender diversity on ESG outcomes is weakened in such circumstances because individual directors' monitoring roles, particularly those of female directors, become less effective. This result is consistent with the findings by Iryanti et al. (2023), who show that extensive hierarchies, formalized procedures, and dispersed decision-making reduce the ability of individual directors, including female directors to have a big impact on board choices and firm outcomes. From an implication standpoint, these results highlighted the cruciality of aligning corporate governance mechanisms with organizational characteristics generally firm size and complexity so that gender diversity can deliver its maximum benefits in reducing ESG-related risks.

Finally, Board Independence exhibits an adverse primary impact on ESG controversies, indicating that higher board independence is associated with greater detection and disclosure of ESG-related issues rather than fewer underlying ESG risks. However, when firm size is introduced as a moderating variable, board independence is found to reduce ESG controversies, suggesting that firm size strengthens the effectiveness of the board's monitoring function. Thus, the proposed moderating hypothesis is supported. This finding indicates that in large firms, independent boards are typically supported by more developed internal control systems, more formalized reporting structures, and greater organizational resources, which enable more structured and effective oversight of ESG-related risks (Velte, 2022). From an agency perspective, boards function as an effective monitoring mechanism by reducing information asymmetry and constraining managerial opportunism. In larger firms, higher organizational complexity encourages clearer task division and specialization within governance structures, enabling independent directors to perform a more substantive rather than symbolic oversight role.

Accordingly, the effectiveness of internal governance mechanisms, including board independence, depends on organizational capacity and institutional context (Omenihu & Nwafor, 2025). Consequently, firm size enhances the ability of independent boards to monitor ESG risks more effectively and to mitigate ESG controversies.

In addition to the main and moderating effects, the control variables also influence ESG controversies. The governance pillar score shows a strong negative effect, indicating that higher governance quality is associated with fewer ESG controversies, consistent with governance theory. Meanwhile, inflation also has a negative and significant effect, reflecting firms' tendency to adopt more conservative practices during periods of economic pressure.

CONCLUSION

The study's findings show that the degree of ESG dispute among ASEAN-5 companies is greatly influenced by corporate governance processes, although their effects vary across governance attributes. Audit committee independence and board gender diversity reduce ESG controversies, highlighting their roles in strengthening oversight and stakeholder-oriented governance. In contrast, board independence increases controversy levels, reflecting greater transparency in reporting rather than deteriorating sustainability practices. CEO duality has a slight favorable impact in reducing controversies, implying that centralized leadership might enhance coordination in concentrated ownership settings. Firm size moderates several relationships by weakening the positive effects of CEO duality, audit committee independence, and gender diversity, while reducing the adverse



effect of board independence. This indicates that larger firms, with greater resources and legitimacy pressures, experience different governance dynamics.

These findings have important theoretical and practical contributions. Theoretically, it is argued that governance mechanisms do not operate uniformly, governance effectiveness depends on agency dynamics, stakeholder expectations, and institutional pressures within ASEAN-5. The transparency-enhancing effects of board independence and gender diversity suggest a shift from preventive monitoring toward disclosure-oriented governance. Practically, regulators should strengthen the substantive independence of audit committees and boards, ensure that gender diversity is accompanied by meaningful authority, and tailor governance guidelines to account for differences in firm size. Companies should also invest in ESG-related expertise to improve oversight and reduce controversy risks.

For future research, scholars may explore alternative measures of ESG controversies, such as media sentiment or litigation events, to minimize scoring bias. Further studies could incorporate additional governance mechanisms, including sustainability committees or directors with specialized ESG expertise. Expanding the sample beyond ASEAN-5, such as to East Asian or other emerging-market economies, would also offer broader insights into the institutional contingencies shaping governance effectiveness.

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