International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 09 Issue 11 November 2026
DOI: 10.47191/ijcsrr/V9-i11-08, Impact Factor: 8.048
IJCSRR @ 2026
www.ijcsrr.org

The Influence of Board Characteristics, ESG-Linked Compensation, and ESG Controversy on ESG Performance: Does the Presence of the ESG Committee Matter?

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ABSTRACT: This study aims to empirically examine the influence of board gender diversity, board independence, ESG-linked compensation, and ESG controversies on ESG performance. Additionally, it seeks to empirically investigate the moderating role of an ESG committee. The study focuses on all non-financial companies listed on the stock exchanges of the ASEAN-5 countries, which consists of Indonesia, Malaysia, the Philippines, Singapore, and Thailand for which data are available via the LSEG (Refinitiv) Eikon database, covering 700 data of the period from 2019 to 2025. Employing multiple regression analysis and also moderated regression analysis, the study provides empirical evidence of the positive influence of board independence, ESG-linked compensation, and ESG controversies on ESG performance. Regarding the moderating role of an ESG committee, the findings indicate that such a committee strengthens the positive impact of board gender diversity on ESG performance. Furthermore, the committee is shown to mitigate the negative impact of ESG controversies on ESG performance.

KEYWORDS: ESG performance, board gender diversity, board independence, ESG-linked compensation, ESG controversy, ESG Committee

INTRODUCTION

In recent years, sustainability has emerged as a global issue. Integrating Environmental, Social, and Governance (ESG) principles is no longer viewed merely as an additional reporting practice; it has become a primary concern for a company's survival and a source of corporate legitimacy. Several empirical studies show that ESG can serve as a negative market signal, reducing firm value and harming performance (de Abreu Passos & de Campos-Rasera, 2024). Furthermore, it increases a company's risk exposure (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024). These highly detrimental impacts are felt most acutely in environmentally sensitive sectors (Jucá et al., 2024) as well as in sectors characterized by minimal investor protection (Lohia & Maji, 2026).

Companies can focus on and rely heavily on internal governance mechanisms to navigate various external challenges and ensure long-term sustainability. Drawing on resource dependence theory, one mechanism that has garnered significant attention is board diversity, such as gender diversity, which has been shown to foster a stakeholder-oriented approach, for instance, through the formulation of efficient environmental policies (Beji et al., 2021; Ben-Amar et al., 2017; Menicucci & Paolucci, 2024; Pfeffer & Salancik, 1978; Wu et al., 2024). Furthermore, based on stakeholder theory, companies benefit from the presence and active role of independent directors, who contribute to objective and transparent oversight and help allocate resources toward enhancing ESG performance (Popov & Makeeva, 2022; Sari & Nadhira Fitriani, 2024; Sundarasen et al., 2024). Furthermore, drawing on agency theory, specifically the concept of optimal contracting, internal governance mechanisms such as executive compensation schemes linked to ESG criteria have been shown to foster long-term performance (Bebchuk & Fried, 2003; Yang et al., 2025; Zhu et al.,

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IJCSRR @ 2026
www.ijcsrr.org

2024). This is because such compensation structures align managerial incentives with established sustainability targets, thereby helping to curb self-serving behavior among executives.

Previous research has also examined the influence of external crisis drivers, such as ESG controversies, on financial outcomes, including firm value and financial performance (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024; de Abreu Passos & de Campos-Rasera, 2024). Yet, various sustainability-related scandals pose a direct and tangible threat to a company's own sustainability. Departing from existing literature, this study offers a novel contribution by investigating the direct impact of ESG controversies on ESG performance itself. By shifting the focus toward non-financial governance, this study provides new insights into how ESG controversies directly affect a firm's legitimacy in the eyes of its stakeholders.

To support internal governance and respond to various external pressures, a company may establish a specialized body known as an ESG committee. Empirical research has demonstrated the role of ESG committees in enhancing the quality of environmental disclosure and accountability (Driss et al., 2024). Such research confirms that ESG committees serve a substantive function, rather than acting merely as a superficial, symbolic gesture. In essence, an ESG committee fulfills a dual governance role: it acts as both an advisor and an overseer (Huang et al., 2025). In carrying out these functions, the ESG committee promotes high-quality internal controls and translates environmental awareness into concrete strategies. Furthermore, the ESG committee collaborates actively with the board of directors to achieve optimal sustainability performance (Bolourian et al., 2023; Almaqtari et al., 2024). Furthermore, drawing on legitimacy theory, an ESG committee plays a crucial role in establishing and maintaining corporate legitimacy, a strategic imperative for building public reputation (Abdullah et al., 2024). In this context, the ESG committee essentially serves a dual moderating function. On one hand, it acts as an accelerator for internal governance mechanisms regarding ESG performance, leveraging technical expertise and dedicated monitoring (Abdullah et al., 2024). On the other hand, in the face of intense criticism concerning sustainability, the ESG committee serves as a buffer that mitigates public scrutiny; it takes proactive, concrete action to suppress the negative impact that ESG-related controversies might otherwise have on overall ESG performance (Abdullah et al., 2024).

This study aims to empirically demonstrate the positive influence of internal governance factors, namely board gender diversity, board independence, and ESG-linked compensation, as well as external crisis drivers (ESG controversy) on ESG performance. Furthermore, this research seeks to empirically examine the moderating role of an ESG committee in strengthening the positive impact of internal governance factors on ESG performance, while simultaneously weakening the negative impact of external crisis drivers on ESG performance. This study is expected to contribute to the sustainability literature, specifically regarding the determinants of ESG performance within the context of the ASEAN-5 countries.

Board Gender Diversity and ESG Performance

Diversity within a board of directors influences the decision-making process, particularly regarding sustainability (Ben-Amar et al., 2017). Such diversity can be examined through the lens of gender, a perspective rooted in Resource Dependence Theory (Pfeffer & Salancik, 1978). Generally, female directors are considered to possess a mindset more oriented toward the interests of stakeholders and to demonstrate a greater concern for health-related issues (Beji et al., 2021). Consequently, a board with a higher percentage of female directors tends to foster policies focused on environmentally friendly activities; this is also clearly reflected in strategic decisions, including those of sustainability (Wu et al., 2024; Al-Shaer & Zaman, 2016). These decisions are invariably aligned with strategies aimed at achieving superior corporate performance, including comprehensive ESG disclosure (Menicucci & Paolucci, 2024).

H_1 Board gender diversity has a positive influence on ESG performance.

Board independence and ESG Performance

From the perspective of stakeholder theory, board independence is closely linked to ESG performance. An independent board possesses a balanced mindset, one that is not solely focused on the company's internal affairs but also considers the interests of its stakeholders (Sundarasen et al., 2024; Sari & Nadhira Fitriani, 2024). This mindset manifests in the resource allocation process, which is significantly oriented toward sustainability issues (Sari & Nadhira Fitriani, 2024). Furthermore, the decisions made by such a board largely pertain to long-term strategic matters,specifically, sustainability. Ultimately, the various areas of focus and the decisions adopted by an independent board have a positive impact on the ESG performance achieved.

H_2 Board independence has a positive influence on ESG performance.

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ESG-linked Compensation and ESG Performance

Empirical research indicates that executive compensation structures influence a company's ESG rating (Zhu et al., 2024). These findings are consistent with those of Yang et al. (2025). Executive compensation structures tied to ESG metrics serve as a mechanism that can significantly boost ESG performance, a trend particularly evident in companies with robust governance frameworks and a high degree of environmental sensitivity. Whether this holds true across other organizational forms and sectors remains a compelling topic for further exploration. This evidence is grounded in optimal contracting theory, which posits that executive compensation structures should be designed to drive performance while minimizing opportunistic behavior (Bebchuk & Fried, 2003). Aligning executive compensation structures with an organization's ESG vision serves as an effective vehicle for achieving sustainability performance.

H_3 ESG-linked compensation has a positive influence on ESG performance.

ESG Controversy and ESG Performance

Drawing on signalling theory, ESG controversies serve as a negative signal to stakeholders (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024; Lohia & Maji, 2026). This signal diminishes both firm value and profitability (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024; de Abreu Passos & de Campos-Rasera, 2024). These effects are particularly pronounced in sectors vulnerable to environmental issues (Jucá et al., 2024) as well as in sectors characterized by weak governance (Lohia & Maji, 2026). While prior research has predominantly focused on the impact of ESG controversies on a firm's financial performance, this study offers a novel contribution by examining the influence of such controversies on non-financial performance, specifically, ESG performance. When companies are the subject of media reports regarding sustainability-related scandals, their performance is inevitably negatively affected; a higher volume of negative coverage correlates with lower performance outcomes.

H_4 ESG controversy has a negative influence on ESG performance.

The Moderation Role of ESG Committee

Empirical research by Driss et al. (2024), drawing on a sample from various countries, demonstrates that sustainability committees at the board level play a crucial role in strengthening accountability and environmental oversight. ESG committees serve a dual function, acting as both advisors and overseers, which enhances the quality of internal controls and translates sustainability strategies into tangible innovations (Huang et al., 2025). Furthermore, these committees collaborate actively with the board of directors to drive high levels of corporate social responsibility (CSR) achievement. Similarly, Almaqtari et al. (2024) highlight that specialized environmental teams and committees significantly moderate the relationship between board characteristics and sustainability performance in both Asian and European markets. Moreover, ESG committees possess the necessary competence to perform oversight functions over the board (Abdullah et al., 2024; Bolourian et al., 2023; Huang et al., 2025). Specifically, these committees amplify the positive impacts of board gender diversity, board independence, and ESG-linked compensation by aligning diverse perspectives, ensuring objective monitoring, and tying executive incentives to concrete sustainability c Conversely, in an effort to maintain legitimacy, these committees act as a protective buffer during sustainability crises; they manage public image and coordinate rapid corrective actions to minimize the destructive impact of ESG-related controversies on overall ESG performance (Abdullah et al., 2024). This study offers a novel contribution by investigating the dual moderating role of ESG committees. The ESG committee serves as a driving force for internal governance mechanisms, while also acting as a safeguard for legitimacy in enhancing ESG performance.

H_5 The presence of the ESG Committee strengthens the positive influence of board gender diversity on ESG performance.

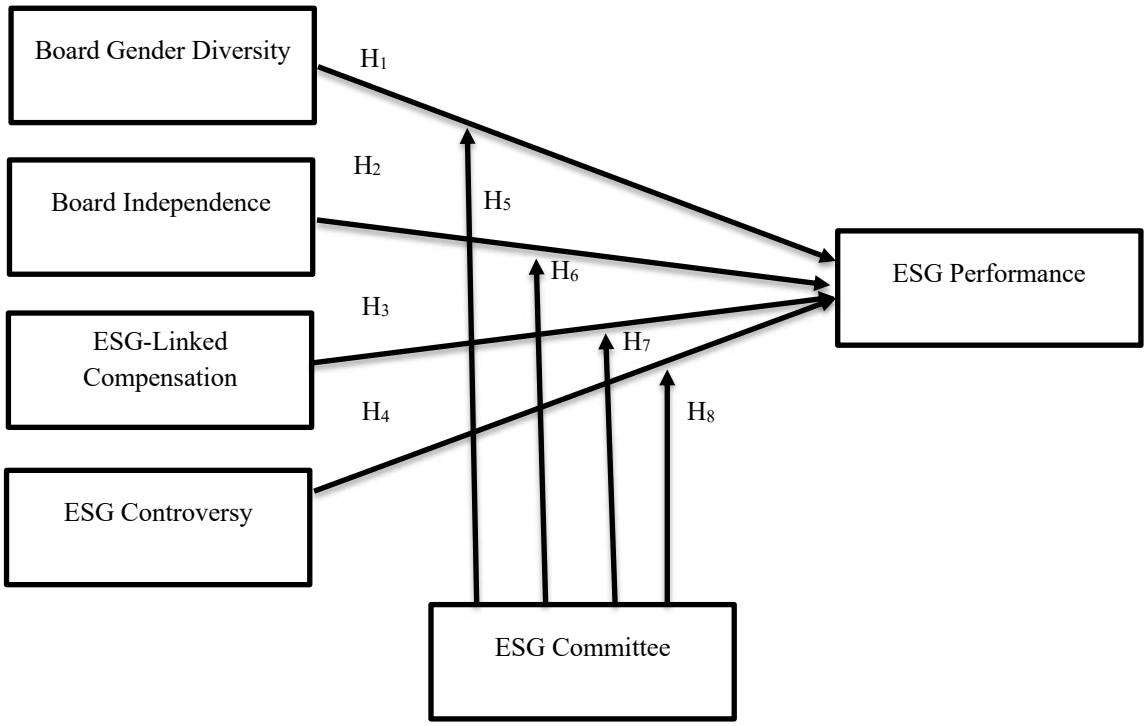
H_6 The presence of the ESG Committee strengthens the positive influence of board independence on ESG performance.

H_7 The presence of the ESG Committee strengthens the positive influence of ESG-Linked compensation on ESG performance.

H_8 The presence of the ESG Committee weakens the negative influence of ESG controversy on ESG performance

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Research Model



MATERIALS AND METHODS

Population and Sample Selection

The population for this study consists of all non-financial companies listed on the stock exchanges of the ASEAN-5 countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) for which data are accessible via the LSEG (Refinitiv) Eikon database. The observation period spans from 2019 to 2025. A purposive sampling technique was employed, with the specific criterion that all data required for the study must be available for each company. A total of 100 companies met these criteria, resulting in 700 total observations, as presented in Table 1 below.

Table 1. Sample Selection Procedure

No	Description	Total
1.	Non-financial companies listed in ASEAN-5 with data available in the LSEG (Refinitiv) Eikon database for the 2019–2025 period	3,485
2.	Non-financial companies in ASEAN-5 with incomplete data for one or more research variables during the 2019–2025 period	(3,385)
3.	Number of firms meeting the selection criteria	100
4.	Observation period (years)	7
5.	Total final sample (firm-year observations)	700

Variables Measurement and Operational Definition

Dependent Variable: ESG performance

ESG performance is defined as a measure that reflects a company's commitment, effectiveness, and accountability in managing non-financial outcomes (Menicucci & Paolucci, 2024; Wu et al., 2024). These non-financial outcomes generally relate to three key dimensions of sustainability: environmental management, social responsibility, and corporate governance. ESG

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performance is measured via an overall ESG score provided by Refinitiv Eikon, which assesses a company's performance and transparency across environmental, social, and governance areas in an integrated manner, based on publicly reported data.

Independent Variable: Board Gender Diversity

Board gender diversity refers to the proportion of female directors serving on a company's board of directors or executive committees (Beji et al., 2021; Wu et al., 2024). Female directors are considered to be more concerned with environmental issues, which leads to decision-making that focuses on sustainability-related matters. Gender diversity on a board is measured by the proportion of female directors serving on the company's board of directors.

Independent Variable: Board Independence

Board independence refers to individuals who are impartial and have no relationships that could introduce bias into the decisions they make (Sari & Nadhira Fitriani, 2024; Sundarasen et al., 2024). They act in the best interests of the company rather than for the benefit of specific parties. Board independence is measured using data on the proportion of independent commissioners relative to the total number of board members.

Independent Variable: ESG-Linked compensation

ESG-linked compensation refers to the structure and scheme of executive compensation within a company that is tied to ESG performance criteria (Yang et al., 2025; Zhu et al., 2024). ESG-linked compensation is measured using a dummy variable. This variable is assigned a value of 1 if the company has an incentive or executive compensation policy linked to ESG or sustainability targets, and a value of 0 otherwise.

Independent Variable: ESG Controversy

ESG controversies arise when a company's products or operations generate negative impacts on the environment, society, or governance (Jucá et al., 2024). Such controversies attract the attention of stakeholders, thereby negatively affecting the company's reputation (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024; Jucá et al., 2024). ESG controversies are measured using an "ESG Controversies Score," obtained directly from Refinitiv Eikon. This score from Refinitiv assesses the extent to which a company is exposed to environmental, social, or governance-related scandals, as well as negative media coverage.

Moderating Variable: ESG Committee

An ESG committee typically consists of executives with expertise in environmental governance and social responsibility (Almaqtari et al., 2024). The primary responsibility of this committee is to formulate an ESG strategy and ensure its effective implementation (Almaqtari et al., 2024; Huang et al., 2025). The ESG committee plays an active role as a key driver of a company's sustainability initiatives. This variable is measured using a dummy variable: 1 if the company has a dedicated ESG committee at the board level, and 0 otherwise.

Control Variable

This study employs control variables at both the firm and macro levels. At the firm level, two control variables are used: profitability and firm size. Firms with strong financial performance are presumed to possess sufficient resources to fund various activities, including sustainability initiatives (Menicucci & Paolucci, 2024). Profitability is measured using return on equity (ROE). Furthermore, larger firms typically face greater pressure from stakeholders, which encourages deeper engagement with sustainability issues (Almaqtari et al., 2024). Firm size is measured using the natural logarithm of total assets. Meanwhile, at the macro level, this study incorporates gross domestic product (GDP) growth and the inflation rate as control variables (Shaban et al., 2025). These macro-level control variables are necessary because the study's sample consists of countries within the ASEAN-5 region, which exhibit varying economic conditions.

Empirical Model

This study employs two empirical models. The first model is used to test H1–H4, while the second model is used to test H5–H8.
First empirical model:

$$ESG_{i,t} = \alpha + \beta_1 BGD_{i,t} + \beta_2 BIND_{i,t} + \beta_3 ECOM_{i,t} + \beta_4 ECON_{i,t} + \beta_5 FSIZE_{i,t} + \beta_6 PROF_{i,t} + \beta_7 GDP_{i,t} + \beta_8 INFRATE_{i,t} + €$$

Second empirical model:

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www.ijcsrr.org

$$ESG_{i,t} = \alpha + \beta_1 BGD_{i,t} + \beta_2 BIND_{i,t} + \beta_3 ECOM_{i,t} + \beta_4 ECON_{i,t} + \beta_5 ESGCOM_{i,t} + \beta_6 BGDESGCOM_{i,t} + \beta_7 BINDESGCOM_{i,t} + \beta_8 ECOMESGCOM_{i,t} + \beta_9 ECONESGCOM_{i,t} + \beta_{10} FSIZE_{i,t} + \beta_{11} PROF_{i,t} + \beta_{12} GDP_{i,t} + \beta_{13} INFRATE_{i,t} + €$$

Description:

ESG_{it}	= Environmental, Social, and Governance Performance
α	= Constant
β	= Coefficient
BGD_{it}	= Board Gender Diversity
$BIND_{it}$	= Board Independence
$ECOM_{it}$	= ESG − linked Compensation
$ECON_{it}$	= ESG Controversy
$ESGCOM_{it}$	= ESG Committee
$BGDESGCOM_{it}$	= Board Gender Diversity x ESG Committee
$BINDESGCOM_{it}$	= Board Independence x ESG Committee
$ECOMESGCOM_{it}$	= ESG-linked Compensation x ESG Committee
$ECONESGCOM_{it}$	= ESG Controversy x ESG Committee
$FSIZE_{it}$	= Firm size
$PROF_{it}$	= Profitability
GDP_{it}	= Gross Domestic Product
$INFRATE_{it}$	= Inflation Rate
€	= Error

RESULTS

Descriptive Statistical Analysis

The results of the descriptive statistical analysis are presented in Table 2. These results provide a general overview of the data used in this study. The components included are the minimum value, maximum value, mean, and standard deviation.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ESG	700	.92	90.04	57.5365	17.20213
BGD	700	2.43	99.65	49.8288	27.96516
BIND	700	.29	99.66	53.2243	28.34070
ECOM	700	.00	1.00	.3443	.47547
ECON	700	3.98	4.02	3.9940	.00481
ESGCOM	700	.00	1.00	.9143	.28014
FSIZE	700	19.80	33.31	24.6215	2.80286
PROF	700	-1.05	1.17	.1140	.15929
GDP	700	26.54	28.00	26.9705	.36986
INFRATE	700	-1.14	6.13	2.1974	1.97172

Classical Assumption Tests

Classical assumption tests include normality tests, multicollinearity tests, autocorrelation tests, and heteroscedasticity tests. The normality test was carried out using the one-sample Kolmogorov-Smirnov test. The test results show the Asymp. value. Sig. (2-tailed) value is 0.081. A value greater than 0.05 indicates that the data used is normally distributed. The multicollinearity test in this study shows that all variables, except for the interaction of the independent variable with the moderating variable, have a tolerance value of > 0.10 and a Variance Inflation Factor (VIF) value of < 10.0. These results indicate that there is no

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IJCSRR @ 2026
www.ijcsrr.org

multicollinearity problem in this study. The multicollinearity problem that occurs in interaction variables can be ignored because the interaction between independent variables and moderating variables can naturally increase the Tolerance and VIF values.

The autocorrelation test uses the Durbin-Watson (DW) test. The DW value is 1,853. Referring to the DW table, with a variable number of 4, the dL value is 1.7279, and the dU value is 1.8094. The test result of 1.853 is between dL and 4-dU, namely 1.7279 < 1.853 < 2.147. These results indicate that the model is free from autocorrelation problems. The heteroscedasticity test uses the Glejser test. The test results show that there is 1 independent variable (ESG-link compensation) and 2 control variables (firm size and GDP) that have a significance value of <0.05. This indicates that there is a heteroscedasticity problem in the Ordinary Least Squares (OLS) regression model. To overcome this problem, the Weighted Least Squares (WLS) method is applied. Re-estimation is carried out by assigning weights to the data to ensure that the residual variance remains constant (homoscedastic). The estimation results are valid and can be used for hypothesis testing.

Hypotheses Testing

This study employs a multiple regression analysis to test hypotheses H_1 through H_4. The test results are presented in Table 3. The findings do not support H_1; board gender diversity is not shown to have a positive influence on ESG performance. While the p-value is 0.044, the coefficient is -0.027, indicating a direction opposite to the hypothesis's prediction. Furthermore, the results support H_2, H_3, and H_4. Board independence has a positive influence on ESG performance, with a p-value of 0.000 and a coefficient of 0.129. ESG-linked compensation is also shown to have a positive influence on ESG performance, with a p-value of 0.000 and a coefficient of 7.756. H_4, which posits that ESG controversies have a negative impact on ESG performance, is supported by the findings, as evidenced by a p-value of 0.001 and a coefficient of -420.760.

Table 3. Results of Hypothesis Tests of H_1–H_4

Variables	Coefficient	P-value	Conclusion
BGD	-.027	.044	H_1 not supported
BIND	.129	.000***	H_2 supported
ECOM	7.756	.000***	H_3 supported
ECON	-420.760	.001***	H_4 supported
FSIZE	.669	.000***	
PROF	19.659	.000***	
GDP	1.339	.252	
INFRATE	-.335	.249	

*** p-value < 0.01
R^2 = 0.431
F = 67.149, p-value = 0.000

To test hypotheses H_5–H_8, this study employs Moderated Regression Analysis (MRA). The test results are presented in Table 4. Based on these findings, the study confirms H_5 and H_8. An ESG committee is shown to strengthen the positive impact of board gender diversity on ESG performance (p-value = 0.049; coefficient = 0.064). Furthermore, the presence of an ESG committee is found to weaken the negative impact of ESG controversy on ESG performance (p-value = 0.000; coefficient = 4.326). Conversely, the study fails to support H_6 and H_7. The interaction between an ESG committee and board independence is not shown to strengthen the influence of board independence on ESG performance (p = 0.495; coefficient = 0.023). The same applies to the interaction between an ESG committee and ESG-linked compensation (p = 0.238; coefficient = -2.807).

Table 4. Results of Hypothesis Tests of H_5–H_8

Variables	Coefficient	P-value	Conclusion
BGD	-.042	.185	
BIND	.120	.000***	
ECOM	10.161	.000***	
ECON	-181.838	.026**	

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Variables	Coefficient	P-value	Conclusion
ESGCOM	-4.705	.811	
BGDESGCOM	.064	.049**	H_5 supported
BINDESGCOM	.023	.495	H_6 not supported
ECOMESGCOM	-2.807	.238	H_7 not supported
ECONESGCOM	4.326	.000***	H_8 supported
FSIZE	1.380	.000***	
PROF	14.579	.000***	
GDP	-2.643	.001***	
INFRATE	-.143	.466	

*** p-value < 0.01
** p-value < 0.05
$R^2 = 0.745$
F = 171.404, p-value = 0.000

DISCUSSION

Board gender diversity has not been shown to have a positive influence on ESG performance. This finding differs from several previous studies, which have demonstrated that gender diversity provides a unique perspective that can drive improvements in ESG performance (Ben-Amar et al., 2017; Beji et al., 2021; Wu et al., 2024; Al-Shaer & Zaman, 2016; Menicucci & Paolucci, 2024). The results of this study suggest that the presence of female directors does not automatically lead to better ESG performance. This is likely due to the limited number of female directors and a potential lack of expertise in sustainability, which may be insufficient to influence decision-making processes related to sustainability initiatives.

Board independence is a fundamental component of good corporate governance. Independent directors have no ties to the company, allowing them to provide objective oversight of corporate efforts. They are generally more inclined to push for the adoption of aggressive and ambitious sustainability strategies. Such board independence enhances accountability to stakeholders, thereby mitigating potential conflicts of interest (Popov & Makeeva, 2022). Companies with independent boards of directors may experience significant improvements in their ESG performance (Sari & Nadhira Fitriani, 2024; Sundarasen et al., 2024). These findings are consistent with stakeholder theory.

This study successfully demonstrates the positive influence of ESG-linked compensation on ESG performance. These findings align with agency theory, specifically the optimal contracting framework (Bebchuk, 2023), and are consistent with the research of Zhu et al. (2024) and Yang et al. (2025). ESG-linked compensation directly affects the decision-making behavior of executives, which, in turn, influences the company's long-term growth and overall performance. Therefore, designing executive compensation schemes that are aligned with long-term strategies, such as sustainability strategies, can help retain top-tier talent, which subsequently fosters more stable and consistent sustainability performance.

Research findings demonstrate that ESG controversies have a negative impact on ESG performance. An ESG controversy arises when a company becomes involved in incidents that negatively affect social and environmental aspects. Repeated involvement in such controversies serves as clear evidence of a company's failure to manage ESG risks. This failure inevitably leads to reputational damage, as well as a loss of trust and loyalty among stakeholders. Numerous empirical studies have confirmed the adverse effects of ESG controversies on a company's financial performance, manifesting in reduced firm value, higher costs of capital, and an overall decline in profitability (Candio & Kaucic, 2026; Elamer & Boulhaga, 2024; Jucá et al., 2024; Lohia & Maji, 2026; de Abreu Passos & de Campos-Rasera, 2024). The present study offers a new insight: ESG controversies also diminish non-financial performance, specifically ESG performance, which serves as a reflection of a company's sustainability performance. Thus, ESG controversies not only impair financial performance but also significantly impact a company's overall sustainability performance score.

ESG committees have been shown to strengthen the positive influence of board gender diversity on ESG performance. Such committees are crucial in supporting the roles of directors and commissioners, ensuring that sustainability strategies and targets are more structured (Bolourian et al., 2023). An ESG committee serves as a bridge between business strategy and ESG initiatives.

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It plays a vital role in ensuring that the ESG agenda is more than just a document on paper or a mere exercise in corporate image-building (Abdullah et al., 2024; Driss et al., 2024). Furthermore, the presence of an ESG committee provides support to female directors in decision-making, particularly regarding sustainability, thereby ensuring that the decisions made lead to the attainment of societal legitimacy through the tangible achievement of sustainability targets.

This study finds no evidence that an ESG committee strengthens the positive influence of board independence on ESG performance, a result that contrasts with the findings of Huang et al. (2025) and Almaqtari et al. (2024). Independent board members play a direct and autonomous role in shaping ESG performance; leveraging their objectivity and expertise, they are able to make decisions that ultimately enhance such performance. The presence of an ESG committee does not appear to bolster the effectiveness of their oversight. Similarly, the hypothesis that an ESG committee might amplify the positive impact of ESG-linked compensation on ESG performance is not supported. Compensation structures already tied to ESG performance exert a direct influence on that performance, and the existence of an ESG committee has no bearing on this relationship—even though, theoretically, such a committee would be expected to help align executive incentives with sustainability targets (Almaqtari et al., 2024).

This study confirms that the presence of an ESG committee significantly mitigates the negative impact of ESG controversies on ESG performance. These findings demonstrate the role of the ESG committee as a guardian of legitimacy when a company faces external challenges (Abdullah et al., 2024). An ESG committee serves as a governance mechanism with the capacity to protect a company's reputation and legitimacy (Driss et al., 2024; Huang et al., 2025). The existence of such a committee ensures the management of sustainability issues and promotes improved sustainability disclosure, which ultimately enhances ESG performance.

This study offers several theoretical contributions. Internal governance, in the form of an independent board and executive compensation schemes, as well as external crisis drivers, such as ESG controversies, are shown to have a direct impact on ESG performance. Furthermore, this study demonstrates the dual moderating role of an ESG committee; it not only strengthens the impact of board diversity on ESG performance but also acts as a buffer against external threats (i.e., ESG controversies). From a practical perspective, this research underscores the necessity of establishing an ESG committee, a non-financial oversight body that plays a crucial role in a company's sustainability performance.

This study provides new insights by offering a comprehensive framework that empirically identifies the determinants of ESG performance, utilizing a robust sample from the ASEAN-5 countries, comprising 700 total observations. Moreover, the research model is validated through a series of reliable statistical tests. Nevertheless, the study has certain limitations. It should be noted that the exclusion of the financial sector and the geographic focus on the ASEAN-5 region limit the generalizability of the findings. Additionally, the measurement of the ESG committee is limited to its mere presence or absence. To address these limitations, future research could investigate the financial sector and expand the geographic scope to enhance generalizability. Future studies might also develop an index to measure the ESG committee by accounting for factors such as the educational background of its members and the direct integration of the committee's functions with key performance indicators (KPIs).

CONCLUSION

This study provides empirical evidence of the positive influence of board independence, ESG-linked compensation, and ESG controversies on ESG performance. Conversely, no such influence could be established for board gender diversity. Regarding the moderating role of an ESG committee, the findings indicate that such a committee strengthens the positive impact of board gender diversity on ESG performance. Furthermore, the committee is shown to mitigate the negative impact of ESG controversies on ESG performance.

The primary contribution of this study lies in providing empirical evidence and fresh insights into the determinants of ESG performance within the ASEAN-5 countries. The research integrates internal governance mechanisms with external crisis factors. Additionally, it demonstrates the dual role of an ESG committee as a moderator. On one hand, it reinforces the impact of governance mechanisms (specifically, board gender diversity), while on the other, it helps safeguard corporate legitimacy by dampening controversies related to environmental issues.

International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 09 Issue 11 November 2026
DOI: 10.47191/ijcsrr/V9-i11-08, Impact Factor: 8.048
IJCSRR @ 2026
www.ijcsrr.org

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International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 09 Issue 11 November 2026
DOI: 10.47191/ijcsrr/V9-i11-08, Impact Factor: 8.048
IJCSRR @ 2026
www.ijcsrr.org

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Cite this Article: Kusuma, B.H., Kurniawan Tjakrawala, F.X., Amiruddin, Rasyid, S. (2026). The Influence of Board Characteristics, ESG-Linked Compensation, and ESG Controversy on ESG Performance: Does the Presence of the ESG Committee Matter?. International Journal of Current Science Research and Review, 9(11), pp. 5590-5600. DOI: https://doi.org/10.47191/ijcsrr/V9-i11-08