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(AIJBES)**www.gaexcellence.com/aijbess**BOARD DIVERSITY AND SUSTAINABILITY DISCLOSURE
QUALITY: A CONCEPTUAL FRAMEWORK
INTEGRATING RESOURCE DEPENDENCE THEORY AND
STAKEHOLDER THEORY**

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Abstract:

Sustainability disclosure is now an important feature of company reporting as the focus on environmental, social, and governance (ESG) issues grows. However, the evidence regarding board diversity remains mixed. Some studies link a diverse board to improved sustainability reporting, while others find little to no effect. This research contends that the distinction may lay in what happens after diverse directors are selected. Specifically, the board must create an internal framework that

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allows for the exploitation of varied information and perspectives in ESG supervision. Drawing on Stakeholder Theory and Resource Dependence Theory (RDT), this paper develops a framework in which ESG committee effectiveness strengthens the relationship between board diversity and sustainability disclosure quality. ESG committee effectiveness is considered in terms of independence, relevant expertise, and diligence. The framework distinguishes between the resources that diverse directors contribute and the committee structure that is used to apply those resources. Three propositions are developed for future empirical testing. The paper contributes to the governance literature by showing that board composition and committee effectiveness should be considered together, especially in emerging markets where formal diversity requirements may not always result in meaningful participation.

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Keywords:

Board Diversity; Sustainability Disclosure Quality; ESG Committee Effectiveness; Resource Dependence Theory; Stakeholder Theory; Corporate Governance.



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Introduction

Background of Study

Corporate reporting is no longer centered only on financial performance and shareholder returns. Companies are also pressured to explain how they manage environmental and social issues and how these issues affect long-term value. This change is visible in Asia, where regulators and stock exchanges have strengthened sustainability reporting requirements. International standards, including those from the International Sustainability Standards Board (ISSB), have raised expectations for the quality and comparability of ESG information. For companies, sustainability disclosure has therefore become part of both regulatory compliance and communication with stakeholders.

The governance setting in Asian emerging markets, however, is not always similar to that of developed Western markets. Malaysia provides a useful example. Many publicly traded corporations operate under concentrated ownership, family influence, or government-linked control. Such qualities can influence board appointments, monitoring, and the balance of power in company decisions. Simultaneously, companies face more complex ESG reporting requirements, such as IFRS S1 and S2. This combination emphasizes the importance of internal governance, as greater reporting regulations alone may not ensure that sustainability information is effectively considered, verified, and reported.

The board is essential to this process because it monitors strategy, risk, and the use of corporate resources. One problem that has gained a lot of attention is board diversity. A board comprised of directors of various genders, ages, and professional backgrounds may have access to a broader range of expertise and experience. It may also be more attentive to the needs of various stakeholder groups (Arayssi et al., 2016; Post et al., 2011). These considerations explain why regulators and investors are increasingly valuing board diversity.

Problem Statement

The empirical evidence is not consistent. According to Velte (2016), there is a beneficial correlation between board diversity and ESG reporting. Meanwhile, Abdullah et al. (2022) demonstrate that the projected benefits of gender diversity are not always apparent in an emerging-market environment. These disparate outcomes raise an important question: why does board diversity appear to succeed in some companies but not in others? One explanation is that diversity on paper does not always translate into variety of influence. Directors may offer different perspectives to the board, but those perspectives must be included into the firm's monitoring and reporting systems. Reporting on sustainability is also technically hard. Climate risks, supply chain information, ESG indicators, and data from many parts of the organization are all included. As a result, a diverse board may have useful insights but no clear method for translating them into disclosure decisions.

This is especially important where board nominations are influenced by regulatory goals. Gender diversity, for example, is encouraged by Malaysia's Code on Corporate Governance (MCCG). Such regulations can enhance representation, but representation alone does not demonstrate whether diverse directors are actively involved in ESG decisions. Where ownership is concentrated, their power may be bolstered by formal board arrangements. As a result, this article explores the ESG committee as one potential tool for increasing board diversity's impact on reporting quality.

The Research Gap

The present research establishes a direct link between board qualities and corporate outcomes. This method is useful, but it may ignore the steps between the board and the ultimate reporting conclusion. Board subcommittees are useful in this regard since they address specific issues that may not receive adequate attention during full board meetings.

ESG and sustainability committees are increasingly being utilized to monitor non-financial issues. According to Chow et al. (2024), sustainability committees can play an essential role in corporate sustainability governance, but their performance varies by organization. A committee with no independence, relevant knowledge, or regular interaction may exist just as a formal organization. In contrast, an active committee can provide directors a clearer route to raise ESG concerns, review information, and follow up on reporting issues. This suggests that committee effectiveness may help explain the inconsistent relationship between board diversity and sustainability disclosure.

The unresolved issue is therefore not simply whether a firm has diverse directors or an ESG committee. The more useful question is whether the committee enables the resources of a diverse board to be used. This paper addresses that question by proposing ESG committee

effectiveness as a moderator of the relationship between board diversity and sustainability disclosure quality.

Novelty and Theoretical Contributions

The paper makes its contribution by bringing two governance elements into the same framework. The first is board diversity, which represents the different knowledge, experience, and perspectives available at the board level. The second factor is the effectiveness of the ESG committee, which serves as the structure for reviewing and following up on sustainability matters. Rather than assuming that diversity has a uniform effect, the framework proposes that its contribution to disclosure quality may be stronger when the ESG committee is independent, knowledgeable, and diligent.

More specifically, the paper contributes in three ways. First, it extends the use of RDT by arguing that the resources available through board diversity need an appropriate governance structure before they can be fully used. Second, it combines RDT and Stakeholder Theory to connect stakeholder expectations with the board's ability to meet those expectations. Third, it allows you to investigate the distinction between formal diversity and real involvement by asking whether diverse directors have an effective committee channel for ESG supervision.

- Theoretical Extension: This theory extends Resource Dependence Theory (RDT) by showing that human capital assets rely on structural capital mechanisms to generate organizational value.
- Conceptual integration uses RDT and Stakeholder Theory to explain stakeholder accountability and technical execution.
- The theoretical framework shows how formal committee arrangements reduce demographic tokenism in rising market governance.

Theoretical Framework and Integration

There are two theories employed since the research problem involves both external expectations and internal capacity. Stakeholder Theory explains why businesses are expected to give valuable sustainability data. RDT, on the other hand, helps to clarify what directors bring to the organization and how those resources might be used to support business choices. The ideas provide a foundation for investigating both the need for transparency and the board's capacity to react.

Stakeholder Theory: The Motivation for Transparency

According to the Stakeholder Theory, the firm has duties to groups that can influence or be affected by its operations (Freeman, 1984; Kivits and Sawang, 2021). These groups include investors, employees, regulators, customers, and communities. Sustainability disclosure is important because it enables stakeholders to examine how the company handles environmental and social issues. When the information is helpful and credible, improved disclosure can help to build confidence and legitimacy.

This argument has a direct connection to board diversity. Directors do not always see shareholder issues the same way. Variations in experience and background may extend the themes addressed during board meetings. Nonetheless, understanding stakeholder issues is

only one aspect of the reporting process. The company also requires a governance framework that can examine ESG data and guarantee that pertinent issues receive adequate attention.

Resource Dependence Theory (RDT): The Capacity for Execution

The RDT provides a different explanation. According to Pfeffer and Salancik (1978), organizations rely on external resources. Boards can help control this dependence by providing knowledge, experience, networks, legitimacy, and access to third parties. Drees and Heugens (2013) later emphasized the importance of this viewpoint for organizational interactions and resource reliance.

In this study, diversity expands the breadth of resources available in the boardroom. Directors with diverse professional and personal experiences may identify various risks, ask different questions, and use different networks (Hillman et al., 2000). These resources are useful for dealing with complex or unfamiliar ESG issues. Their appearance, however, does not imply their use. If the board's internal mechanisms are ineffective, some knowledge may remain outside the actual sustainability oversight process.

Theoretical Integration: The ESG Committee as the Structural Bridge

The advantage of merging the two ideas resides in this distinction. Stakeholder Theory explains the need to respond to different stakeholder expectations, whereas RDT explains the resources that directors can bring to that response. What remains less clear is the internal route through which these resources influence sustainability reporting. In the present framework, the ESG committee performs this role.

The argument is straightforward. Diversity can widen the pool of ideas and experiences available to the board. An effective ESG committee can then provide a smaller and more focused setting in which sustainability issues are examined. It can follow up ESG matters, review the information prepared for disclosure, and bring important issues back to the full board. In this way, the committee may help convert board-level resources into reporting outcomes.

Literature Review and Propositions Development

Board Diversity and Sustainability Disclosure Quality

Board diversity is relevant to sustainability reporting because ESG issues involve different interests, risks, and areas of expertise. Directors with different gender, age, race, and professional backgrounds may not approach these issues in the same way. Broader discussions can reduce the risk of overlooking important concerns. Earlier studies also associate diversity with stronger attention to corporate social responsibility and with a lower tendency toward groupthink (Bear et al., 2010; Rao & Tilt, 2016).

Table 1 brings together recent studies on board governance and sustainability reporting. Some studies affirm the importance of board diversity, while others demonstrate that its impact varies by context or is dependent on other governance systems. This pattern is significant because it moves the focus from the number and characteristics of directors to the circumstances under which those directors can impact reporting.

Table 1: Literature Review Matrix on Board Diversity and Sustainability Disclosure

Author(s) & Year	Country / Context	Theory Applied	Key Variables (IV / DV / Mod)	Key Findings	Identified Gap / Limitation
Endrikat et al. (2021)	Global (Meta-analysis)	Resource Dependence Theory	IV: Board Characteristics DV: Corporate Social Responsibility	Board diversity has a positive but highly variable effect on CSR across different studies.	Explicitly called for future research to identify moderating variables that explain the wide variance in empirical findings.
Abdullah et al. (2022)	Malaysia (PLCs)	Agency Theory, RDT	IV: Board Gender Diversity DV: Firm Performance	Found no significant positive impact of gender diversity, indicating regulatory quotas alone are insufficient.	Focused on financial performance rather than non-financial ESG disclosure; overlooked committee effectiveness.
Chow et al. (2024)	Global (Systematic Review)	Various	IV: Sustainability Committee DV: ESG Performance / Disclosure	Established that standalone ESG committees are critical for driving corporate sustainability agendas.	Highlighted the need for future research to explore how board characteristics interact with committee effectiveness.
Lu et al. (2024)	Global Context	Resource Dependence Theory	IV: Board Interlocks, Sustainability Experience DV: Transparent Disclosure	Experiential capital and external networks are critical for high-quality, transparent ESG reporting.	Investigated experiential traits but did not position the ESG committee as an internal structural moderator.

Bojan Lungu & (2025)	Europe (General)	Stakeholder Theory	IV: Corporate Governance DV: Narrative Tone of Reporting	Strong governance mechanisms actively shape a balanced, objective narrative tone, reducing greenwashing.	Evaluated general governance without pinpointing the interaction between diverse boards and dedicated committees.
EmadEldeen et al. (2025)	UK (Listed Companies)	Stakeholder Theory, RDT	IV: Board Diversity DV: Sustainability Outcomes	Reconfirms that diverse demographic profiles on boards serve as a primary driver for robust sustainability outcomes.	Treated diversity as a direct driver without examining the structural sub-committees necessary for execution.
Fernandez et al. (2025)	Indonesia	Agency Theory	IV: Corporate Governance Mod: Internal Audit Quality DV: Financial Performance	The internal audit function serves as a critical structural moderator linking governance to actual performance.	Focused on financial outcomes and audit mechanisms rather than ESG disclosure quality and sustainability committees.
Hao Rezaee & (2025)	European Union	Institutional Theory	IV: Mandatory ESG Disclosure DV: Graph Disclosure Quality	Regulatory mandates significantly improve the precision and quality of visual ESG data representations.	Analyzed external macro-level regulatory pressures rather than internal board-level moderating dynamics.
Mshana et al. (2025)	Petroleum Industry	Resource Dependence Theory	IV: Boardroom Diversity Mod: Board Diligence	Diversity enhances integrated reporting, but its success heavily	Looked at general board diligence rather than the specific, specialized

			DV: Integrated Reporting Quality	depends on the operational diligence of the board.	role of an active ESG committee.
Xu et al. (2025)	Global (Literature Review)	Various	IV: Board Diversity DV: Environmental Disclosure	Cognitive and demographic diversity remain central to ESG transparency across global markets.	Acknowledge s the broad diversity consensus but highlights the need for nuanced research on internal moderating architectures.

Table 1 provides several key points. First, recent studies increasingly focus on disclosure quality rather than the simple presence of ESG information. Bojan and Lungu (2025) and Hao and Rezaee (2025), for example, show that governance and regulatory arrangements can shape how ESG information is presented. This means that the quality of oversight matters, not only whether a company publishes a sustainability report.

Second, the issue involves the limitations of demographic representation. Studies such as EmadEldeen et al. (2025) and Xu et al. (2025) continue to highlight the importance of diversity, but this does not mean that every diverse board will generate the same results. Abdullah et al. (2022) are relevant here since they demonstrate that formal diversity may not always yield the desired organizational benefits. Lu et al. (2024) emphasize the value of experience and external networks. Taken together, these findings imply that the influence of board diversity merits equal attention as the demographic profile itself.

Third, new research has highlighted the need of regulating governance structures. Chow et al. (2024) especially advocate for more attention to the relationship between board qualities and sustainability committees. Mshana et al. (2025) indicate that board diligence can alter the impact of diversity on reporting, whereas Fernandez et al. (2025) highlight the significance of an internal governance system in another situation. These data do not directly test the model given here, but they do support the larger idea that governance outcomes can be influenced by how internal structures operate.

The literature allows potential for a more specific evaluation of ESG committee efficacy. Existing research provides evidence for diversity, committees, diligence, and other governance measures. They seldom investigate whether an effective ESG committee modifies the relationship between board diversity and sustainability disclosure quality. This is the gap addressed by the current framework. As a result, the framework does not recognize board diversity or the ESG committee as distinct governance aspects. Board diversity is supposed to give a broader set of resources and stakeholder perspectives. The ESG committee is supposed to offer the structure required to employ such resources for sustainability supervision. The interaction of the two is crucial to the third proposition.

According to RDT, a diverse board has access to more information, experience, and external contacts. According to Stakeholder Theory, diversity may also help the board recognize the concerns of a larger range of stakeholders (Freeman, 1984). These two reasons lead to a similar conclusion: when directors bring diverse opinions to board meetings, sustainability issues may receive more attention.

Previous study has provided some support for this expectation. Bear et al. (2010) and Rao and Tilt (2016), for example, associate board diversity with increased focus on corporate social responsibility and sustainability issues. Although the results of the larger research are not consistent, the theoretical idea remains that diversity can improve the information and viewpoints accessible to the board. Accordingly:

Proposition 1 (P1): Board diversity is positively associated with sustainability disclosure quality.

ESG Committee Effectiveness and Sustainability Governance

An ESG committee should be evaluated based on its actions rather than its nomenclature. A committee may be formed when a corporation wishes to demonstrate compliance but does not meet frequently or does not have members with the necessary knowledge. Such a committee is unlikely to provide strong ESG oversight. As a result, the current framework stresses effectiveness over mere committee existence.

Effectiveness is defined by three characteristics: independence, relevance to sustainability, and thoroughness. Independence can provide more objective scrutiny. Expertise helps members understand technical ESG risks, whereas diligence evaluates whether the committee meets regularly enough to complete its obligations. A committee with these features should be better equipped to examine sustainability statistics and call out improper reporting practices. Thus:

Proposition 2 (P2): ESG committee effectiveness is positively associated with sustainability disclosure quality.

The Moderating Role of ESG Committee Effectiveness

The direct relationship proposed in P1 may not be as strong in all firms. Sustainability reporting under standards such as IFRS S1 and S2 demands considerable research into materiality, data collecting, risk management, and departmental collaboration. Full boards are often responsible for a big number of concerns and may have limited time to adequately evaluate each ESG concern. A specialist committee can provide more focused attention.

The concept relies heavily on the effectiveness of ESG committees at this point. RDT's diversified directors constitute a reservoir of human and relational resources. The committee organizes the use of these resources for ESG supervision (Peters and Romi, 2014a; Mahmood et al., 2018). When the committee is independent, informed, and active, directors may have a better chance to raise concerns, examine ESG data, and influence disclosure decisions. The converse may occur if the committee is ineffective. Diverse directors can serve on the board but have little influence on the detailed sustainability reporting process. Weak coordination or the influence of powerful shareholders may further limit their involvement. When ESG committees are functional, the projected impact of diversity should be greater. This leads to the third proposition.

Proposition 3 (P3): ESG committee effectiveness positively moderates the relationship between board diversity and sustainability disclosure quality, such that the positive relationship is strengthened when the ESG committee is highly effective.

Table 2: Research Proposition

Proposition	Relationship	Theoretical Justification
P1	Board Diversity → Sustainability Disclosure Quality	Resource Dependence Theory
P2	ESG Committee Effectiveness → Sustainability Disclosure Quality	Stakeholder Theory
P3	ESG Committee Effectiveness × Board Diversity → Sustainability Disclosure Quality	Integration of Resource Dependence Theory and Stakeholder Theory

The three propositions represent various aspects of the argument. P1 addresses the resources associated with board diversity. P2 addresses the direct contribution of an effective ESG committee. P3 connects the two by arguing that committee effectiveness influences the strength of the diversity-disclosure link. These relationships are summarized in the conceptual framework provided below.

Figure 1 depicts the potential links between board diversity, ESG committee effectiveness, and sustainability disclosure quality.

The Proposed Conceptual Framework

In Figure 1, board diversity is the independent variable, and sustainability disclosure quality is the result. Gender, age, and professional background are all considered aspects of diversity. The model predicts that board diversity will be favorably associated to disclosure quality because various directors can contribute diverse resources and stakeholder views.

The effectiveness of the ESG committee serves as a moderating variable. Committee independence, sustainability knowledge, and diligence all contribute to its representation. The model claims that these elements give the internal support required for a diverse board to better influence sustainability reporting.

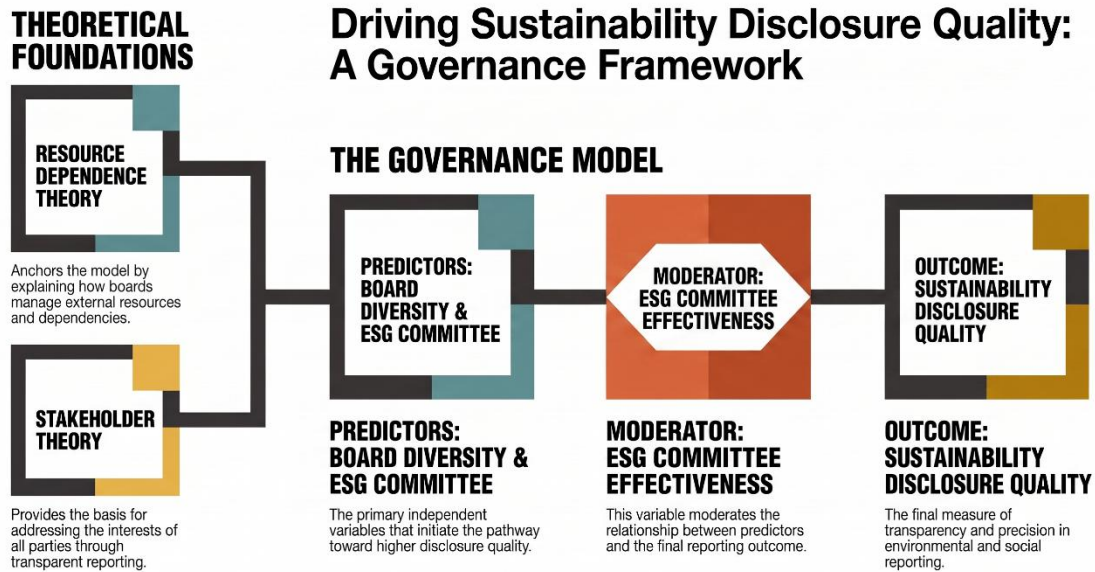


Figure 1: Proposed Conceptual Framework

Methodology

The framework was created in four interconnected stages. The goal of these steps was to connect the theoretical argument with modern governance research and build a solid foundation for future empirical testing.

Stage 1: Theoretical Framing

Stage 1 concentrated on the theoretical problem. Direct-effect models do not fully explain why comparable board qualities might result in disparate reporting outcomes. Stakeholder Theory was thus used to explain the need for transparency, while RDT was used to explain the resources available thru the board.

Stage 2: Literature Synthesis

Stage 2 included a focused evaluation of recent studies on corporate governance and environmental management, primarily from 2021 to 2025. The research was compared based on context, theory, governance characteristics, primary findings, and noted limitations. Table 1 summarizes the contrast.

Stage 3: Conceptual Framework Formulation

Stage 3 developed the three claims by drawing on theoretical reasoning and gaps in literature. Board Diversity was specified as the independent variable, ESG Committee Effectiveness as the moderator, and Sustainability Disclosure Quality as the dependent variable.

Stage 4: Direction for Future Empirical Testing

Stage 4 sets out an empirical direction for later research. The suggested model and measures are intended as a starting point and can be adapted to the institutional setting and data available in future studies.

$$SDQ_{it} = \beta_0 + \beta_1 DIV_{it} + \beta_2 ESGCOM_{it} + \beta_3 (DIV_{it} \times ESGCOM_{it}) + \sum \beta_k CONTROL_{it} + \eta_i + \varepsilon_{it}$$

- **Dependent Variable (SDQ_{it}):** *Sustainability Disclosure Quality*, measured via content analysis using GRI or ISSB (IFRS S1/S2) alignment indices, evaluating depth, coverage, and metric precision.
- **Independent Variable (DIV_{it}):** *Board Diversity*, operationalized as a composite index combining Blau's Gender Diversity Index, age variance, and tenure/professional background heterogeneity.
- **Moderating Variable ($ESGCOM_{it}$):** *ESG Committee Effectiveness*, evaluated using a multi-dimensional composite scoring independence (% non-executive experts), expertise (% directors with certified sustainability credentials), and diligence (annual meeting frequency).
- **Control Variables ($CONTROL_{it}$):** Firm size, leverage, profitability (ROA), firm age, and industry environmental sensitivity.

Discussion and Implications

Theoretical Implications

The main theoretical implication is that board diversity should not be considered only as a demographic characteristic. In this framework, diversity represents a set of resources available to the board. Stakeholder Theory explains why those resources may be useful for responding to different stakeholder expectations, while RDT explains the knowledge, experience, and connections that directors can contribute. Combining the two theories therefore links the demand for sustainability transparency with the board's capacity to respond (Mahmood et al., 2018).

The framework further distinguishes the resources that directors hold from the governance structure employed to apply them. Board diversity is treated as human and relational capital. In contrast, ESG committee effectiveness represents an internal system capable of organizing and directing those resources into sustainability supervision. This distinction provides one explanation for why diversity may have a greater impact in some organizations than others.

This concept also applies to tokenism. A corporation may satisfy a formal diversity target despite offering diverse directors few opportunities to influence ESG decisions. The inclusion of an effective committee does not eliminate this danger, but it does create a formal framework in which sustainability issues can be discussed and pursued. Future empirical research might thus determine whether committee effectiveness correlates with a more substantial role for diverse directors.

Practical and Managerial Implications

Furthermore, the framework is useful in practice. According to the framework, authorities and companies should assess board composition and board processes jointly. This could be especially crucial in growing Asian markets, where formal governance needs coexist with concentrated ownership and other institutional characteristics.

Diversity targets continue to be beneficial for regulators and policymakers in boosting representation, but they do not provide a whole picture of ESG governance. Firms should also assess whether they have an independent, knowledgeable, and active committee to handle sustainability issues. Guidance on committee quality may therefore supplement existing diversity standards (Peters & Romi, 2014a).

The approach advises that boards and shareholders consider factors other than the number of diverse directors. The more pressing concern is whether those directors can contribute to the company's ESG supervision. Committee participation, experience, meeting activity, and access to sustainability information are all practical factors to consider when determining if diversity is likely to have a substantive impact.

Conclusion and Future Research Directions

This paper begins with mixed evidence regarding board diversity and sustainability disclosure. Rather than believing that diversity has the same impact in every organization, it suggests that internal governance circumstances are important. Stakeholder Theory discusses how corporations must respond to various stakeholder expectations, whereas RDT highlights the resources that varied directors can offer to the board. The proposed framework connects these notions by the effectiveness of the ESG committees. Simply said, diversity may give resources, but a competent committee may assist the board in utilizing them.

The next step will be to conduct empirical tests on these relationships. Researchers can utilize panel data from emerging economies to see if the suggested impacts continue after controlling for differences in ownership and business characteristics. Future research could assess ESG committee effectiveness as a multidimensional construct rather than depending just on committee existence. Sustainability disclosure quality can be examined using GRI or ISSB-based content metrics, as well as textual analysis of disclosure depth and tone when applicable. Comparative studies across different ownership structures would also help establish whether the proposed moderating effect is stronger in some institutional settings than in others.

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