COMPANY PERFORMANCE AND ESG DISCLOSURE: DOES COUNTRY GOVERNANCE MATTER? (EVIDENCE FROM SOUTHEAST ASIA)

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ABSTRACT: This study aims to examine the effect of ESG disclosure on company performance and to analyze the moderating effect of country governance on the relationship between ESG and company performance. The study population comprises real estate companies operating in five Southeast Asian countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand (ASEAN-5). The findings reveal that ESG disclosure negatively affects firm performance, highlighting a divergence from the increasing global emphasis on sustainability issues. This indicates that Southeast Asian stakeholders may still undervalue the importance of investments in ESG-related areas. However, the study also finds that good national governance significantly moderates this relationship, mitigating the adverse effects of ESG disclosure on firm performance. This underscores effective governance's crucial role in enhancing ESG practices' benefits. The research provides valuable insights for policymakers and business leaders in the region, emphasizing the need for improved governance structures to support sustainable business practices.

Keywords: ESG Disclosure, Company Performance, Country Governance, Southeast Asia, Real Estate Sector, Stakeholder Theory

INTRODUCTION

Company performance is a key indicator of an organization's operational and financial success in achieving its strategic objectives. Strong performance not only reflects the financial health of a company but also its ability to adapt to market changes, maintain product or service quality, and build robust relationships with stakeholders (Asghar et al., 2023; Bordean & Welsh, 2023; Su, 2023). Enhancing company performance can be achieved through effective strategies, competent management, and an organizational culture that fosters innovation and collaboration (Gamage & Tajeddini, 2022; Poretti et al., 2024).

In addition to financial indicators, stock value serves as another important measure of company performance. Over the past four years, the stock values of property companies in five Southeast Asian countries have predominantly declined. Notably, the property stock values in the Philippines have consistently decreased since 2020. Meanwhile, in Malaysia and Indonesia, stock values began to improve in 2023 following continuous negative performance since 2020. In contrast, property stock values in Thailand and Singapore experienced declines in the past year, as illustrated in Table 1 below :

Table 1. Property Stock Performance in 5 Southeast Asian Countries

No	Stock Exchange Code	Stock Performance			
		2020 (%)	2021 (%)	2022 (%)	2023 (%)
1.	PSE	-11,80	-12,14	-9,04	-2,52
2.	IDX	-24,30	-19,10	- 8,00	4,00
3.	MYX	-13,38	-5,04	-2,40	1,20
4.	SET	-15,63	11,08	1,64	-16,88
5.	SGX	-10,43	4,84	-12,79	-4,01

(Source: Compiled from stock exchanges)

The declining stock values of property companies in Southeast Asia raise concerns about the sustainability of the business in the property sector. This situation encourages property companies to adopt innovative approaches to improve their performance. One increasingly popular approach is through Environmental, Social, and Governance (ESG) disclosure. Good ESG disclosure can provide various benefits that directly or indirectly improve financial performance (Jyoti & Khanna, 2023; Kalia & Aggarwal, 2023). Company performance and sustainability are two interrelated aspects in maintaining long-term growth and stability. Integrating sustainability principles into business strategies not only enhances the company's reputation but also attracts investors who care about environmental and social issues and reduces risks associated with regulatory changes and stakeholder expectations (Chen et al., 2024; Manninen & Huiskonen, 2022). Thus, companies that successfully combine strong financial performance with good sustainability practices can ensure sustainable growth, enhance competitive advantage, and build a solid foundation to face future challenges.

Sustainability is a widely used concept in today's global economy. It offers numerous benefits such as improving work quality and organizational performance (Mishra et al., 2024). The concept of sustainability is implemented to address environmental changes that could potentially reduce investment profitability and productivity in the long term (Rezai et al., 2018). Environmental changes are also projected to reduce the global per capita GDP by 7% from what it could be in the next century (Kahn et al., 2019). Implementing sustainability concepts is expected to have long-term impacts on a country's economic progress (Çifçi & Sönmez, 2023; Mumuni & Hamadjoda Lefe, 2023; Ullah et al., 2024). Although this concept generally relates to the global economy, it is very important for companies. Companies are currently expected to prioritize not only profits in their business activities but also use technology and conduct activities that support environmental sustainability (Liu & Wu, 2023; Liu, 2023; Obobisa et al., 2022; Udeagha & Ngepah, 2023). Companies must also consider the impact of their operations. Social responsibility is crucial as the company's survival depends on its relationship with the community and surrounding environment (Scholtens, 2008).

This sustainability concept is also very important for companies operating in Southeast Asia, a region significantly affected by climate change (Eckstein et al., 2021). Research presented in The Global Climate Risk Index 2021 reveals that several Southeast Asian countries, such as Thailand and the Philippines, have experienced losses over the years due to climate change. Southeast Asia is expected to experience more severe climate change impacts compared to other regions and will face extreme heat and humidity by 2050, significantly reducing income (McKinsey, 2020).

A study by Architecture 2030, quoted by the United Nations Environmental Programme Finance Initiative (UNEP-FI), states that in 2022, the sectors contributing to greenhouse gas emissions were industry (28%), real estate (27.3%), transportation (22%), building support (7.7%), infrastructure (7.3%), and others (7.7%). The industrial sector contributes significantly to greenhouse gas emissions, but the real estate sector is the largest contributor because it is directly related to building support and infrastructure. Therefore, the real estate sector, directly and indirectly, is the largest contributor to greenhouse gas emissions with a total contribution of 42.3%. Consequently, sustainability issues in the real estate sector are a major concern for countries worldwide.

To raise company awareness about environmental issues, several Southeast Asian countries such as the Philippines, Indonesia, Malaysia, Singapore, Thailand, and Vietnam have mandated that companies listed on the stock exchange disclose sustainability-related information. One form of sustainability information disclosure is the Environmental, Social, and Governance (ESG) disclosure as part of the sustainability report. This report provides stakeholders with information about the company's performance in economic, social, and environmental aspects (Tarigan & Semuel, 2015). With this report, companies are expected to communicate their performance and impact on society and the surrounding environment. Nowadays, sustainability reporting has developed and become crucial for every organization (EY, 2013; Khamisu et al., 2024; C. Liu & Wu, 2023).

Several studies have explored the impact of ESG information on company performance from various aspects. These studies indicate that ESG disclosure can reduce capital costs (Dhaliwal et al., 2014), enhance competitive advantage (Veeravel et al., 2024), and increase stock prices (Ishak et al., 2024). This suggests that ESG information disclosure is an important aspect that influences financial performance, ultimately increasing investor confidence (Abu Afifa & Nguyen, 2024; Atan et al., 2018; Fatemi et al., 2018; Rabaya & Saleh, 2022; Rahmaniati & Ekawati, 2024). However, ESG disclosure can have negative effects, especially in developing countries such as Southeast Asia, where countries may not focus on non-financial factors (Prabawati & Rahmawati, 2022).

The importance of moderation relationships lies in ensuring that the relationship between two variables can be better explained compared to a direct relationship (Namazi & Namazi, 2016a). Therefore, we include country governance as a moderating variable. Country governance plays a significant role in enhancing company performance and increasing the flow of investments into companies (Atugeba & Acquah-Sam, 2024; Enriquez-Perales et al., 2023; Jabbouri & Almustafa, 2021; Phan, 2024). Research by Van Essen et al. (2013) found that companies located in countries with more advanced legal frameworks perform better during financial crisis periods. In another study, Eldomiaty et al. (2023) discovered that corporate governance and the legal protection practices by a country for investors jointly influence company performance. Countries with high scores on the country governance index tend to have better regulations, more effective law enforcement, and lower levels of corruption, which create a conducive business environment for strong ESG practices. In countries with good governance, strong ESG disclosure tends to be more valued and positively impacts company performance, while in countries with poor governance, challenges in implementation and oversight can reduce the effectiveness of ESG disclosure.

This study has two objectives: to examine the effect of ESG disclosure on company performance and to analyze the moderating effect of country governance on the relationship between ESG disclosure and company performance. Furthermore, this study contributes by providing empirical evidence and explanations regarding the influence of country governance on the relationship between ESG disclosure and company performance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

a. Stakeholder Theory

Stakeholder theory is an approach that recognizes the crucial role of various parties involved in a company or organization. Besides shareholders, stakeholders include employees, customers, suppliers, local communities, governments, and society at large. This approach highlights that a company's success is not solely measured by financial performance but also by its impact on all involved parties (Alessa et al., 2024; Chen et al., 2024). By considering the interests and needs of all these parties, a company can create long-term value beneficial to all stakeholders, not just shareholders (Shaik et al., 2024). This principle emphasizes the importance of transparency, open dialogue, and corporate social responsibility in business operations. Stakeholder theory underpins sustainable business practices and promotes a balanced relationship between business and society (Rathobei et al., 2024). By attending to the interests of all stakeholders, companies can build a solid reputation, increase trust, and consistently deliver positive long-term impacts (Baah et al., 2021).

b. The Relationship Between ESG Disclosure and Company Performance

Enhancing company value to increase shareholder prosperity is the goal of every company (Chen et al., 2024; Iswajuni et al., 2018). The value assigned by financial markets reflects the company's value and indicates the amount invested by investors in the company (Iswajuni et al., 2018). Market value is considered one of the most objective ways to evaluate a company. Therefore, one way to assess the relationship between ESG disclosure and company performance is by using Tobin's Q. Tobin's Q value is a ratio that reflects a company's value as a measure of its performance. An increase in stock price due to non-financial disclosure information can serve as a signal that positively impacts the company's value.

Several previous studies have revealed that ESG disclosure has a positive impact on company performance (Alareeni & Hamdan, 2020; Buallay, 2019a; Cabaleiro-Cerviño & Mendi, 2024; Kalia & Aggarwal, 2023; Makhdalena et al., 2023; Siwei & Chalermkiat, 2023). Meanwhile, other studies have shown a negative relationship between ESG disclosure and company performance (Buallay, 2019b; Chacon et al., 2024; Fahad & Busru, 2020; Firmansyah et al., 2023; Oware & Mallikarjunappa, 2022; Prabawati & Rahmawati, 2022; Wasiuzzaman et al., 2023).

Additionally, some research indicates no relationship between ESG disclosure and company performance (Atan et al., 2018; Buallay, 2022; Jyoti & Khanna, 2023; Rohendi et al., 2024).

A positive relationship between ESG disclosure and company performance can occur because 1) ESG disclosure enhances the company's image, leading to improved performance, 2) ESG serves as a tool for competitive advantage, and 3) company stakeholders pay attention to activities related to ESG (Buallay, 2019a; Gillan et al., 2021; Siwei & Chalermkiat, 2023). However, the relationship between ESG disclosure and company performance can be negative due to 1) ESG disclosure increasing costs, thereby lowering company value, and 2) investor and consumer cultures that are not highly aware of the importance of ESG practices (Firmansyah et al., 2023; Nguyen et al., 2022).

Despite previous research indicating a negative relationship between financial performance and ESG disclosure, we believe that society currently holds a positive view on environmental issues. This aligns with stakeholder theory, where a company's existence must conform to societal and environmental values. Therefore, ESG disclosure will enhance the company's image, leading to improved performance. Consequently, the hypothesis in this study is :

H1: ESG disclosure is positively related to company performance

c. The Relationship Among ESG Disclosure, Company Performance, and Country Governance

Previous research has found inconsistent results regarding the impact of ESG disclosure on company performance. These inconsistencies can be resolved with the inclusion of a moderating variable. Moderating variables play a critical role in ensuring the relationship between two variables (Namazi & Namazi, 2016b). We argue that external factors, such as country governance, will be a significant variable affecting the relationship between ESG disclosure and company performance.

As stated by Atugeba & Acquah-Sam (2024), company performance is influenced not only by corporate governance mechanisms and company-specific factors but also by the quality of national governance systems in the country where a company operates. Country governance consists of six dimensions: openness and accountability, political stability and absence of terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption (Kaufmann, 1996). The dimensions of regulatory quality and the rule of law are the most important and directly relate to the private sector. Regulatory quality describes how the government develops the private sector through regulations and policies, while the rule of law dimension depicts the supremacy of law within a country.

Good country governance can enhance company performance and investment flows when a country improves the rule of law and reduces corruption levels (Atugeba & Acquah-Sam, 2024; Jabbouri & Almustafa, 2021; Phan, 2024; Shikur, 2024). Van Essen et al. (2013) found that companies located in countries with more advanced legal frameworks perform better during financial crisis periods. Eldomiaty et al. (2023) discovered that corporate governance and legal protection practices by a country for investors jointly influence company performance. Ogundajo et al. (2022) concluded that the institutional environment affects company sustainability performance because each country has different institutional systems driving various CSR policies and priorities related to company sustainability performance.

In countries with high regulatory quality, the government has enacted minimum actions that companies must undertake regarding ESG based on societal aspirations. These actions are articulated in government-issued regulations, allowing society to directly benefit from these regulations. Thus, companies are compelled by the state to engage in ESG-related practices (Alessa et al., 2024; Liang & Renneboog, 2017; Vitale et al., 2022). In contrast, in countries with low regulatory quality, society evaluates ESG disclosure based on voluntary company disclosures due to the absence of or lack of enforcement of ESG-related regulations (Khamisu et al., 2024).

Countries with high scores on the country governance index tend to have better regulations, more effective law enforcement, and lower levels of corruption, creating a conducive business environment for strong ESG practices (Ogundajo et al., 2022). In countries with good governance, strong ESG disclosure tends to be more valued and positively impacts company performance. In contrast, in countries with poor governance, challenges in implementation and oversight can reduce the effectiveness of ESG disclosure. Therefore, specifically, I hypothesize :

H2: Country governance moderates the relationship between ESG disclosure and company performance

RESEARCH METHODOLOGY

This study employs a descriptive quantitative technique to test the predetermined hypotheses. The research population comprises real estate companies operating in five Southeast Asian countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand (ASEAN-5). The data spans from 2016 to 2022, with a final sample size of 343 observations. Table 2 provides information about the research sample.

Table 2. Research Sample

Country	Number of Companies	Number of Observations
Indonesia	7	49
Malaysia	6	42
Singapore	18	126
Philippines	8	56
Thailand	10	70
Total	**49**	**343**

The ESG data used in this study was collected from the Bloomberg database. Secondary financial data was obtained from the annual financial reports released by the companies, accessible via stock exchange websites and company websites.

Data related to country governance and GDP was sourced from the World Bank.

The independent variable (ESG Disclosure) is measured using the total values of environmental, corporate social, and corporate governance indicators (Atan et al., 2018; Buallay, 2019a; Wasiuzzaman et al., 2023). The dependent variable is measured using Tobin's Q (Buallay, 2019a, 2020), calculated as follows :

$$Tobin'sQ = \frac{market\ value + total\ debt}{total\ assets}$$

The moderating variable in this study is country governance, using the dimension of regulatory quality. The regulatory quality indicator measures the government's ability to formulate and implement sound policies and regulations that allow and promote private sector development. This indicator is measured using data values from the World Bank (Sayılır et al., 2018).

The study employs three control variables: company size, leverage, and Gross Domestic Product (GDP). Company size usually determines the amount of information disclosed by a company. Larger companies strive to attract more investment by disclosing more information to investors (Siwei & Chalermkiat, 2023). Leverage, the company's debt ratio, can reduce the positive effects of company profitability (Hung & Su Dinh, 2022). Company size is measured using the logarithm of total assets, leverage is measured by dividing non-equity funds by total assets, and GDP is measured using the logarithm of the annual GDP of each country.

The hypotheses in this study are tested using Moderated Regression Analysis (MRA), where company performance is the dependent variable. The general equation used to examine the impact of ESG disclosure on company performance is as follows:

$$PERF_{it} = \beta_0 + \beta_1 ESG_{it\text{-}1} + \beta_2 GOV_{it} + \beta_3 ESG_{it}{*}GOV_{it} + \beta_4 LEV_{it} + \beta_5 SIZ_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$$

Where :

- PERF is the performance of company i in year t;
- ESG is the ESG disclosure score of the company i in the previous year;
- GOV is the country governance score in terms of regulatory quality for country i in year t;
- LEV is the debt ratio of company i in year t;
- SIZ is the size of company i in year t;
- GDP is the market value of all goods and services in country i in year t;
- ε is the error term.

We use current-year company performance data and compare it with the ESG scores from the previous year. This approach is based on prior research indicating that the impact of sustainability reporting does not occur immediately but rather in the subsequent period (Lhutfi et al., 2024; Siwei & Chalermkiat, 2023).

RESULT AND DISCUSSION

Table 3. Descriptive Results

Variable	N	Mean	Min	Max	Std. dev
PERF	343	0.984	0.412	3.643	0.402
ESG	343	38.510	14.790	60.660	10.611
GOV	343	0.914	-0.044	2.227	0.979
ESG*GOV	343	34.887	-2.530	123.718	39.468
LEV	343	0.446	0.105	0.760	0.130

Variable	N	Mean	Min	Max	Std. dev
SIZ	343	10.844	8.553	13.813	1.256
GDP	343	26.843	26.431	27.908	0.389

As shown in Table 3, the average company performance (PERF) is 0.984, indicating that, on average, the companies in this sample have not been able to manage their assets effectively, resulting in a company value below the actual value. The maximum value is 3.643, and the minimum value is 0.412. The standard deviation is 0.402, which is lower than the average value, indicating that the data is homogeneous with a less varied distribution.

The average value of ESG disclosure is 38.510, indicating that the companies in this sample have an average value below the good ESG disclosure standard of 50.000. The maximum value is 60.660, and the minimum value is 14.790. The standard deviation is 10.611, which is lower than the average value, indicating that the data is homogeneous with a less varied distribution.

The average value of country governance (GOV) is 0.914. This average value is higher than the governance value for countries in the Asia region, which is only -0.1021. This indicates that the average governance in ASEAN-5 countries is better than the average governance in the Asia region. The maximum value is 2.227, and the minimum value is -0.044. The standard deviation is 0.979, which is higher than the average value, indicating that the data is heterogeneous with a varied distribution and, thus, a lower level of deviation.

The average value of ESG*GOV is 34.887. The maximum value is 123.718, and the minimum value is -2.530. The standard deviation is 39.468, which is higher than the average value, indicating that the data is heterogeneous with a varied distribution and, thus, a lower level of deviation.

The average value of LEV is 0.446, indicating that, on average, the companies in this sample do not rely heavily on debt for their operational activities. The maximum value is 0.760, and the minimum value is 0.105. The standard deviation is 0.130, which is lower than the average value, indicating that the data is homogeneous with a less varied distribution.

The average value of SIZ is 10.844. The maximum value is 13.813, and the minimum value is 8.553. The standard deviation is 1.256, which is lower than the average value, indicating that the data is homogeneous with a less varied distribution.

The average value of GDP is 26.843, indicating that the countries in the sample have an average medium GDP. The maximum value is 27.908, and the minimum value is 26.431. The standard deviation is 0.389, which is lower than the average value, indicating that the data is homogeneous with a less varied distribution.

To test the impact of the independent variables, we calculated the Variance Inflation Factor (VIF). This test is conducted to ensure that there are no multicollinearity issues. If the VIF value is higher than 10, it indicates serious multicollinearity problems (Gujarati and Porter, 2003).

Table 4. Multicollinearity Test

Variable	VIF
ESG	3.15754
GOV	1.30541
ESG*GOV	2.61136
LEV	1.23758
SIZ	2.08444
GDP	2.32534

The results in Table 4 show that the VIF values for all variables are less than 10, indicating no multicollinearity issues.

Before testing the hypotheses, we conducted tests to determine the best model to use. The Chow test and Hausman test results indicate that the best model for this study is the fixed effect model. We used three types of hypothesis testing: coefficient determination (R^2), F-test, and partial test (t-test). The test results are shown in Table 5.

Table 5. Moderation Effect Test Results

Variable	β	t - statistic	Sig.
ESG	-0.0097	-4.4407	0.0000***
GOV	-0.3544	-2.3583	0.0190**
ESG*GOV	0.0069	5.4505	0.0000***
LEV	-0.0466	-0.2132	0.8313
SIZ	-0.6588	-4.0936	0.0001***
GDP	-0.3049	-2.4140	0.0164**
F	35.9704		
Sig	0.0000		
R^2	0.8709		
Adjusted R^2	0.8467		

Note : *, **, and *** are significant at 10%, 5%, and 1%, respectively

From the table above, it can be seen that the coefficient of determination (R^2) for the model reaches 0.8467, indicating that this model can explain 84.67% of the dependent variable, while the rest is explained by other variables. The F-test results also show that the model has a high significance value, indicated by a P-value of 0.0000 or less than 5 percent, with an F-statistic coefficient of 35.9704.

The results indicate that ESG disclosure has a negative impact on company performance, as shown by the negative coefficient value (-0.0097) and a probability value of 0.0000, which is below 0.05. Therefore, this result does not support our hypothesis that ESG disclosure has a positive impact on company performance (H1). The results of this study cannot prove the positive impact of ESG disclosure on company performance as in the studies of Alareeni & Hamdan (2020), Buallay (2019a), Cabaleiro-Cerviño & Mendi (2024), Kalia & Aggarwal (2023), Makhdalena et al., (2023) and Siwei & Chalermkiat (2023). This result is similar to studies (Chacon et al., 2024; Fahad & Busru, 2020; Oware & Mallikarjunappa, 2022; Prabawati & Rahmawati, 2022) that failed to reveal a positive impact of ESG disclosure. Stakeholders in Southeast Asian countries, mostly developing countries, still consider ESG practices as consuming company resources and not providing proportional benefits. Investors in developing countries are also less aware of the importance of ESG practices and are more focused on financial performance rather than non-financial performance (Chacon et al., 2024; Fahad & Busru, 2020; Oware & Mallikarjunappa, 2022; Prabawati & Rahmawati, 2022). In addition, investors in real estate companies tend to perceive that ESG investments during times of economic stress can disrupt the company's core business (Chacon et al., 2024). Overall, the negative relationship between ESG disclosure and company performance in the ASEAN-5 real estate sector may reflect the structural challenges faced by companies in the region in integrating ESG. Although ESG has the potential to enhance firm value in the long term, cost constraints, investor perceptions, and limited policy support may hinder such positive impacts in the short term. As a result, ESG disclosure tends to have a negative effect on company performance in developing countries.

In Table 5, it can be seen that country governance significantly moderates the relationship between ESG disclosure and company performance. This is indicated by the positive coefficient value of 0.0069 and a probability value of 0.0000, which is below 0.05. This result supports Hypothesis 2 of our study. Thus, these results reveal that the negative effect of ESG disclosure on company performance can be mitigated by good country governance.

This result aligns with previous research stating that good country governance can positively affect company performance and ESG disclosure (Alessa et al., 2024; Ogundajo et al., 2022; Vitale et al., 2022). Good country governance can reduce the negative effects caused by investor perceptions regarding the value benefits of activities related to environmental, social, and governance aspects. In this context, ESG disclosure may cost companies in the short term by requiring additional investment in sustainable, transparent and ethical activities. However, when the quality of regulation in a country is high, it can drive ESG practices to become standards that are widely recognized and accepted by stakeholders, including investors, consumers and governments. Good regulation often provides a clear framework and certainty for companies to adopt ESG principles without undue concern about the risk of non-compliance or unexpected additional costs. In such circumstances, investors can have greater confidence in the value of ESG disclosure, as compliance with high ESG standards is often associated with better risk management, transparent governance and long-term sustainability.

The test results also show that size has a significant effect on company performance, with a negative coefficient value (-0.6588) and a probability value of 0.0001, which is below 0.05. This means that companies with larger asset values tend to have lower corporate performance. This could be because companies with large assets may face challenges in increasing their market value.

Furthermore, the test results also show a significant influence of GDP on company performance, with a negative coefficient value (-0.3049) and a probability value of 0.0164, which is below 0.05. This suggests that higher economic growth is associated with a decline in corporate performance. This may indicate that as the economy grows, the real estate sector in ASEAN-5 faces more competition or cost pressures that may reduce profitability.

Therefore, we attempted to assess the effect of ESG disclosure on company performance by dividing the companies based on size. This measurement is based on size because using this value allows us to see the size of the company based on asset value. We divided the companies into SIZ-High and SIZ-Low based on the median value. The results of this test are presented in Table 6.

Table 6. ESG Disclosure and Company Performance Based on Size

Variable	SIZ – High	SIZ - Low
ESG	0.0083*** (-00086)	0.0011*** (-0.0078)
GOV	0.2425 (-0.2241)	0.0116*** (-0.5489)
ESG*GOV	0.0015*** (0.0069)	0.0387*** (0.0028)
LEV	0.6597 (0.1364)	0.5240 (0.1425)
SIZ	0.0000*** (-1.7493)	0.0055*** (0.4114)
GDP	0.2320 (-0.2591)	0.0062*** (-0.2968)

Note: *, **, and *** are significant at 10%, 5%, and 1%, respectively

The results in Table 6 provide evidence that the moderating effect of country governance on large companies does not influence the relationship between ESG disclosure and company performance. However, the moderating effect of country governance on small companies has the same impact as the previous test results. This indicates that country governance does not significantly influence the business activities conducted by large companies, whereas it significantly affects small companies. This can happen because country governance helps reduce the risk and uncertainty in ESG adoption in small companies. This has implications for increasing company performance. However, in large companies, the quality of state governance does not have a significant effect because they have a stronger capacity to implement ESG independently and more consistently, regardless of external support or regulation at the country level.

CONCLUSION

From this study, it can be concluded that ESG disclosure has a negative impact on company performance. This result contrasts with the growing concern for issues related to sustainability, particularly concerning environmental, social, and governance (ESG) aspects. In the current era, stakeholders consider issues related to ESG to be very important. However, stakeholders in the Southeast Asian region do not seem to fully understand the importance of investing in ESG issues. Real estate investors in Southeast Asia still perceive that the benefits generated from ESG-related issues are lower than the costs incurred. Although this conclusion contradicts stakeholder theories, it remains reasonable considering that real estate companies may be complying with government regulations regardless of the high costs involved. To address this, companies need to increase their efforts in communicating the long-term benefits of

ESG investments to investors. In addition, real estate companies in Southeast Asia must be more careful in designing cost-effective ESG strategies to minimize negative impacts on financial performance in the short term.

The next conclusion is that country governance significantly moderates the relationship between ESG disclosure and company performance. The negative effects caused by ESG disclosure on company performance can be mitigated through the contribution of the state. This contribution is made in the form of improved governance. In this case, improvements in country governance have a direct impact on the private sector. With improved country governance, the private sector in a country can achieve better performance, and the negative impacts caused by ESG disclosure can be reduced. This aligns with stakeholder theory, where good country governance in the form of quality regulations can reduce the negative effects arising from high expenditures. This implies that policymakers need to formulate clear regulations and provide incentives for companies that commit to ESG. The government can also promote ESG frameworks that prioritize cost efficiency.

In addition, we also find that the moderating effect of country governance will be more significant in small companies compared to large companies. This shows that small companies will benefit greatly if the government provides support in the form of good governance and regulation. With the support of country governance, small companies will feel more protected in implementing ESG without fear of the risk of large cost burdens. The implication is that small companies can be more active in making ESG disclosures and see it as a strategic opportunity to improve their reputation and competitiveness. In addition, small companies can adopt a more flexible and efficient ESG approach that is tailored to their capacity, while still benefiting from good country governance.

This study has several limitations: 1) We only used ESG disclosure in real estate companies in Southeast Asia with ratings obtained from Bloomberg. This provides an opportunity to further explore ESG disclosure for other sectors with different ratings. 2) We only tested the regulatory quality dimension in the country governance index as a moderating variable.

Future research could also consider using other moderating variables such as overall country governance, corporate governance, and audit costs.

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