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Exploring the Impact of Board Attributes on ESG Scores of Indonesian Companies

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ABSTRACT

This study aims to examine the influence of board attributes on ESG (Environmental, Social, and Governance) scores. The total sample is 86 companies from 2019 to 2023, resulting in 433 firm-year observations. The dependent variable is the standardized ESG Score; a high score indicates excellent relative ESG performance and a high degree of transparency in reporting material ESG data publicly. The independent variables used are the Sustainability Committee, Gender Diversity, and Board Meetings. The findings of this study indicate that certain board attributes, specifically the presence of a sustainability committee within the company, gender diversity among board members, and the average overall attendance percentage of board meetings, positively influence ESG Scores. Companies must pay attention to board attributes to improve their ESG Scores, encourage sustainable value creation, and foster stakeholder trust and confidence in their commitment to environmental, social, and governance excellence.

ABSTRAK

Penelitian ini bertujuan untuk menguji dampak atribut dewan terhadap skor ESG *(Environmental, Social, and Governance).* Total sampel yang digunakan sebanyak 86 perusahaan dari tahun 2019 sampai dengan 2023, sehingga menghasilkan 433 firm-year observations. Variabel dependen adalah Skor ESG yang terstandarisasi, skor yang tinggi menunjukkan kinerja ESG yang relatif sangat baik dan tingkat transparansi yang tinggi dalam pelaporan data ESG yang material kepada publik. Variabel independen yang digunakan adalah Komite Keberlanjutan, Keberagaman Gender, dan Rapat Dewan. Temuan penelitian ini menunjukkan bahwa atribut dewan tertentu, khususnya kehadiran komite keberlanjutan dalam perusahaan, keberagaman gender di antara anggota dewan, dan rata-rata persentase kehadiran keseluruhan rapat dewan, berpengaruh positif terhadap Skor ESG. Perusahaan harus memperhatikan atribut dewan untuk meningkatkan Skor ESG mereka, mendorong penciptaan nilai yang berkelanjutan, dan menumbuhkan kepercayaan dan keyakinan pemangku kepentingan terhadap komitmen mereka terhadap keunggulan lingkungan, sosial, dan tata kelola.

1. Introduction

This study investigates the relationship between board attributes and ESG (Environmental, Social, and Governance) scores of Indonesian companies. Global concerns regarding sustainable development are progressively shaping the contemporary business environment and influencing disclosure practices (Subramaniam et al., 2023). Sustainability reports are now essential for demonstrating an organization's dedication to responsible business practices, ethical conduct, and contribution to broader stakeholder goals. In recent years, there has been a notable surge in companies worldwide that have embraced standalone sustainability reporting to transparently communicate their commitment to showcasing their sustainability efforts, achievements, and goals (K. F. Alsahali & Malagueño, 2022; Gunawan et al., 2022; Setiani, 2020) This emerging trend reflects a recognition among businesses that sustainability is no longer merely a peripheral concern but a central pillar of their corporate strategy. As global challenges such as climate change, social inequality, and ethical governance come to the forefront, companies are under increasing pressure from stakeholders for their sustainability practices in a comprehensive (Hales, 2023; Ilhan et al., 2023; Ng et al., 2023).

The board of directors is primarily responsible for formulating the company's long-term vision and strategy. In the context of sustainability, this vision includes a commitment to operate with consideration for the social and environmental impacts generated by business activities (Guerrero-Villegas et al., 2018; Muniandy et al., 2023). Therefore, the attributes of board members significantly influence how much a company will take action and disclose information related to sustainability (Alsahali et al., 2023). Previous research has analyzed how several board attributes can influence policies related to sustainability mechanisms and how companies make sustainability disclosures (Almaqtari et al., 2023; Hu & Loh, 2018).

A solid commitment to sustainability principles at the board level sets the tone for the entire organization and serves as a beacon guiding employees, investors, customers, and other stakeholders (Shaukat et al., 2016). It sends a powerful message that ESG considerations are not just peripheral concerns but are deeply ingrained in the company's core mission and strategy. By embedding sustainability into the corporate DNA, boards lay the foundation for a culture of responsible business practices that permeates every aspect of the organization. This cultural ethos enhances the company's reputation and brand value and fosters stakeholder trust and loyalty (Bhatia & Marwaha, 2022). Moreover, it positions the company for long-term value creation by aligning its activities with societal needs and environmental imperatives, thus ensuring sustainable growth and resilience in an ever-changing world.

Several bodies of literature attempt to clarify the company characteristics that propel organizations toward achieving elevated ESG scores. This study delves into various organizational attributes, from board composition and governance structures to corporate culture and stakeholder engagement practices. Bhatia & Marwaha (2022) examined the influence of board independence, board size, board gender diversity, CEO duality, and female executive participation on ESG disclosure scores in Indian companies and found that only CEO duality was a consistent factor in influencing the ESG Disclosure Score. Nuhu & Alam (2024) find that board gender diversity, board composition, and board diligence positively relate to the level of ESG disclosure, while the study documents no relationship between board size and ESG disclosure.

Furthermore, Shaukat et al. (2016) find that the greater the CSR orientation of the board (as measured by the board's independence, gender diversity, and financial expertise on the audit committee), the more proactive and comprehensive the firm's CSR strategy, and the higher its environmental and social performance. Ismail & Latiff (2019) showed that board diversity traits such as age, board capabilities, and board reputation are positively associated with a firm's sustainability practices, and women directors and independent directors are negatively related to firm sustainability practices. Abdelkader et al. (2024) researched in the South African context and found that there was a negative relationship between board gender diversity (BGD) and Environmental, Social, and Governance (ESG) performance. Bigelli et al. (2023) focused on researching board structures in

European firms, finding that gender diversity, cultural diversity, a higher number of independent directors on the board, and the presence of a CSR committee significantly contributed to higher ESG scores.

Studies and investigations focusing on ESG (Environmental, Social, and Governance) criteria in the Indonesian context are still limited, and there is a little comprehensive research available to explain the country's sustainability practices and corporate governance standards. This gap in research poses challenges in understanding the relationship between board attributes and ESG scores in Indonesia's unique socio-economic and environmental landscape. Apart from that, the results of previous researchers also show inconsistent results between board attribute variables and ESG scores. Therefore, this study conducts empirical research on companies in Indonesia.

This research makes contributions in three categories. First, this study serves as input for policymakers involved in developing regulations related to policies regarding ESG/Sustainability reports, which are currently not mandatory. Second, from a business strategy perspective, these findings guide the importance of analyzing board characteristics to improve ESG scores. Finally, this research enriches the literature on board attributes and ESG scores. This bridges gaps in current research and contributes to a deeper understanding of interconnected variables.

2. Literature Review and Hypothesis Development

2.1. Legitimacy Theory

The legitimacy theory is central to responsible business practices and corporate sustainability performance (Hummel & Schlick, 2016; O'Dwyer et al., 2011; Patten, 1991). Legitimacy theory posits that organizations seek to establish and maintain legitimacy in the eyes of their stakeholders by aligning their actions and disclosures with societal norms, values, standards, and expectations. This theory recognizes that organizations are not merely profit-driven entities but are also accountable to a broader spectrum of stakeholders (Deegan, 2002). This research designates the board of directors as a pivotal legitimacy actor. The board of directors plays a vital role in shaping an organization's reputation and credibility within the broader socio-economic landscape through its decisions, oversight, and leadership.

The legitimacy theory could serve as a theoretical framework for explaining the justification behind this research. Board Attributes play a crucial role in shaping a company's approach to ESG issues (Aladwey et al., 2022; Li et al., 2021). Boards with strong leadership structures are better equipped to integrate ESG considerations into corporate strategy and decision-making processes. ESG Scores, which measure a company's performance on environmental, social, and governance metrics, indicate how well a company is perceived to be managing its societal and environmental impacts. Companies with higher ESG Scores are often perceived as more legitimate and trustworthy by stakeholders, including investors, customers, employees, and regulators (Abdelkader et al., 2024; Shaukat et al., 2016). Therefore, boards may be incentivized to enhance their Board Attributes to improve their company's ESG performance and, consequently, its legitimacy in the eyes of stakeholders.

2.2. Upper Echelon Theory

Upper Echelon Theory, introduced by Hambrick & Mason (1984), provides a significant framework in organizational studies for understanding how top executives' characteristics influence organizational outcomes. At its core, this theory posits that senior executives' experiences, values, and personalities profoundly shape their interpretations of the complex situations they face, affecting their decision-making and, ultimately, their organizations' performance and strategic choices. The theory acknowledges that these executives, often called the 'upper echelon,' are not just passive recipients of organizational data but actively interpret this information through their cognitive frames and biases (Wang et al., 2016).

This theory is then widely used in research, for example, in the fields of management and accounting (Hiebl, 2014), CEO and leadership behavior (Waldman et al., 2004), and strategic management (Plöckinger et al., 2016). Upper Echelon Theory, which underscores the impact of top executives' characteristics on organizational decision-making, offers a valuable lens for understanding the role of board attributes in firms' ESG scores (Lu et al., 2022; Thambugala & Rathwatta, 2021). When applied to the context of corporate governance and sustainability, Upper Echelon Theory offers insight into how the composition and qualities of a company's board of directors, collectively known as board attributes, impact its Environmental, Social, and Governance (ESG) scores. Thambugala & Rathwatta (2021) find that female directors are more interested in CSR practices relating to women and children due to their psychological cognitive such as inherent compassion, empathy, and understanding of women's needs.

2.3. Board Attributes and ESG Scores

Board attributes refer to the various characteristics and qualities of a corporate board of directors that influence its functionality, decision-making processes, and overall governance of an organization (S. N. Abdullah & Ismail, 2013; Aladwey et al., 2022; Liao et al., 2015). Understanding these attributes is crucial for evaluating a board's effectiveness in overseeing corporate strategies and policies, including those related to sustainability and ethical practices. Previous research has extensively examined the relationship between various board attributes and corporate practices, particularly regarding sustainability disclosures and ESG Scores (Aladwey et al., 2022; Nuhu & Alam, 2024; Thambugala & Rathwatta, 2021; Zahid et al., 2020). These studies have identified several essential board characteristics that significantly influence these aspects of corporate governance and decision-making.

Bhatia & Marwaha (2022) examined the influence of board independence, board size, board gender diversity, CEO duality, and female executive participation on ESG disclosure scores in Indian companies and found that only CEO duality was a consistent factor in influencing the ESG Disclosure Score. Nuhu & Alam (2024) found that board gender diversity, board composition, and board diligence positively relate to the level of ESG disclosure, while the study documents no relationship between board size and ESG disclosure. Shaukat et al. (2016) found that the greater the CSR orientation of the board (as measured by the board's independence, gender diversity, and financial expertise on the audit committee), the more proactive and comprehensive the firm's CSR strategy, and the higher its environmental and social performance. Ismail & Latiff (2019) showed that board diversity traits such as age, board capabilities, and board reputation are positively associated with a firm's sustainability practices, and women directors and independent directors are negatively related to firm sustainability practices. Abdelkader et al. (2024) researched in the South African context and found that there was a negative relationship between board gender diversity (BGD) and Environmental, Social, and Governance (ESG) performance. Bigelli et al. (2023) focused on researching board structures in European firms, finding that gender diversity, cultural diversity, a higher number of independent directors on the board, and a CSR committee significantly contributed to higher ESG scores.

In this research, the authors focus on three attributes of the board: the existence of a sustainability committee, gender diversity, and board meetings. The author argues that if a company has a high understanding of sustainability issues, the company will have its sustainability committee (Bradbury et al., 2022; Elbardan et al., 2023; Liao et al., 2015). Furthermore, companies will pay attention to gender diversity because they will not only focus on having male managers (Khemakhem et al., 2023; Liao et al., 2015; Manita et al., 2018; Zahid et al., 2020). Lastly, the company will hold committee meetings more frequently in an effort to discuss the sustainability strategy implemented by the company (Aladwey et al., 2022; K. Alsahali et al., 2023). The author argues that the three attributes that show the company's high concern for sustainability issues will encourage the company to have a high ESG score for its sustainability performance. Thus, the hypothesis in this research is as follows.

H1: Companies with sustainability committees positively affect ESG scores.

H2: Companies with high gender diversity positively affect ESG scores.

H3: Companies that frequently hold board meetings positively affect ESG scores.

3. Research Methods

This quantitative research takes Refinitiv ESG Score data, one of the global financial market data providers owned by LSEG (London Stock Exchange Group). Refinitiv ESG Scores measure companies' ESG performance based on reported data in the public domain across three pillars and 10 different ESG topics (Refinitiv, 2022). Refinitiv captures and calculates over 630 company-level ESG measures, of which we have carefully selected a subset of the 186 most relevant and comparable data points to power the overall company assessment and scoring process (Refinitiv, 2022). The companies analyzed are public companies listed on the Indonesian Stock Exchange from 2019 to 2023. This research only uses companies that have ESG scores. The final total sample used was 86 companies, thus 433 firm-year observations.

The dependent variable is standardized ESG Scores, which have a value range of 0 to 100. A score of 100 indicates relatively good ESG performance and a high level of transparency in reporting material ESG data to the public. The independent variables used are the existence of a sustainability committee score (Sustainability Committee), the percentage of women on the board of directors (Gender Diversity), and the average overall attendance percentage of board meetings during the year (Board Meetings). This research also uses control variables, namely Return on Assets (ROA), Debt to Equity Ratio (Leverage), and Total Assets (Size). All data for this variable was obtained from Refinitiv Eikon. The hypothesis model used in this research is as follows:

$$ESGScore_{\mathrm{i,t}} = \alpha_i + \beta_1 \mathrm{SustainabilityCommittee}_{\mathrm{i,t}} + \beta_2 \mathrm{GenderDiversity}_{\mathrm{i,t}} + \beta_3 \mathrm{BoardMeeting}_{\mathrm{i,t}} + \beta_4 \mathrm{ROA}_{\mathrm{i,t}} + \beta_4 \mathrm{Leverage}_{\mathrm{i,t}} + \beta_4 \mathrm{Size}_{\mathrm{i,t}} + \varepsilon_{i,t}$$

4. Results and Discussion

4.1. Results

Table 1 shows the descriptive statistical results of the research variables. The average ESG Score of the companies analyzed in this study is 34,813; this number can be seen as relatively low on a scale of 0 to 100. However, the standard deviation figure is relatively high, namely 27.6511, which shows that there is quite a high variation in ESG scores between companies in Indonesia. Researchers observed that not all companies are aware of improving sustainability performance to support sustainability practices promoted through the SDGs (Sustainability Development Goals).

Furthermore, not many companies in Indonesia have a sustainability/CSR committee that is responsible for creating sustainability strategies; this is shown by the average score of 28.331. Then, the involvement of women in company boards is also not optimal, with the average obtained being 35,527. The average overall attendance percentage of board meetings, as reported by the company, is also not optimal, with the average obtained being 31.158.

Table 1. Descriptive statistics

	N	Mean	Std. Deviation
ESGScore	430	34.813	27.6511
SustainabilityCommittee	430	28.331	35.1602
GenderDiversity	430	35.527	32.0537
BoardMeeting	430	31.158	32.4187
ROA	430	0.0319	0.1141
Leverage	430	1.0887	5.8467
Size (in Rupiah)	430	300,270,228,426,230	2,224,005,256,363,210
Valid N (listwise)	430		

The results of hypothesis testing in this research are in Table 2. The coefficient value and significance of the Sustainability Committee variable show a positive and significant relationship to ESG Scores with a significance level of 5%. This indicates that hypothesis 1 is supported. Companies with a sustainability committee will be more responsible in making decisions supporting sustainability strategies. Thus, the higher the sustainability committee score, the higher the ESG score obtained by the company.

Furthermore, the coefficient value and significance of the Gender Diversity variable show a positive and significant relationship with ESG Scores. Thus, hypothesis 2 is supported. Companies with more women on their boards will have higher ESG scores. Then, the coefficient value and significance of the Board Meeting variable also show a positive and significant relationship with ESG Scores. Hypothesis 3 is also supported. A higher average attendance percentage at board meetings will also result in a higher ESG score. The control variable, ROA, has a positive and significant influence on ESG Scores, while Leverage and Size do not affect the company's ESG Scores.

Table 2. Regression test

	β	Sig.
(Constant)	9.17	0.000
SustainabilityCommitte	0.4	0.000
GenderDiversity	0.265	0.000
BoardMeeting	0.137	0.000
ROA	22.679	0.003
Leverage	-0.068	0.634
Size	-2.67E-17	0.944
Adjusted R Square	0.608	-
F Value	112.057	0.000

The analysis revealed an Adjusted R Square value of 0.608, indicating that approximately 60.8% of the variance in ESG scores could be explained by the combined influence of sustainability committee, gender diversity, board meeting frequency, ROA, Leverage, and Size. This suggests a substantial level of explanatory power for the model incorporating these variables. However, it is noteworthy that approximately 39.2% of the variance in ESG scores remains unaccounted for by the variables included in the analysis. This underscores the importance of these factors in driving sustainable practices and responsible governance within organizations, thereby enhancing their long-term value and stakeholder trust.

4.2. Discussions

Sustainability Committee and ESG Scores

The first hypothesis is that companies with a sustainability committee positively affect ESG scores. This hypothesis is supported with a significance level of 5%. This hypothesis suggests that the presence of a sustainability committee within a company correlates with enhanced performance in ESG-related metrics. Such committees are typically tasked with overseeing and implementing sustainability initiatives, ensuring that the company integrates environmental and social considerations into its business practices and governance structures (Lu et al., 2022; Shaukat et al., 2016). Companies that establish sustainability committees demonstrate a proactive approach to addressing ESG issues, signaling their commitment to responsible and sustainable business practices. These committees often play a pivotal role in formulating and executing strategies to mitigate environmental impacts, promote social responsibility, and uphold high standards of corporate governance (Bigelli et al., 2023).

This study's results align with research conducted by Bigelli et al. (2023) that focused on researching board structures in European firms; the presence of a CSR committee significantly contributed to higher ESG scores. Baraibar-Diez & Odriozola (2019) also concluded that having a CSR committee also triggers better non-financial performance and, in this case, increases the ESG Score in the UK, France, Germany, and Spain. Thus, based on this research, Indonesia also has the same conclusion. Companies with a CSR Committee were found to have lower CSR controversies when they had more independent directors and a chairman with CSR expertise (Elmaghrabi, 2021).

In addition, the results of this study differ from the findings conducted by (A. Abdullah et al., 2024), who concluded that no significant relationship was revealed between the presence of a Sustainability Committee and ESG scores. This statement pertains to greenwashing, a phenomenon where companies may falsely portray themselves as environmentally friendly or sustainable to deceive consumers, investors, or other stakeholders. Greenwashing occurs when organizations exaggerate or misrepresent their environmental efforts or achievements, often for marketing or public relations purposes (Liu et al., 2023). It undermines the credibility of genuine sustainability initiatives and may lead to skepticism or distrust among stakeholders.

This correlation between sustainability committees and ESG Scores aligns with the principles of legitimacy theory, which posits that organizations strive to maintain their legitimacy by adhering to societal norms and expectations (A. Abdullah et al., 2024; Li et al., 2021). In the context of sustainability, companies with a dedicated sustainability committee demonstrate a proactive commitment to addressing environmental and social concerns, thereby enhancing their perceived legitimacy in the eyes of stakeholders. By integrating sustainability considerations into their governance structures and decision-making processes, these companies align their actions with societal expectations regarding responsible business practices. Consequently, their efforts to improve ESG performance through establishing a sustainability committee contribute to bolstering their legitimacy and reputation as socially responsible entities (Elmaghrabi, 2021).

According to the Upper Echelon Theory, board members' collective traits and experiences shape their attitudes, priorities, and decision-making regarding ESG matters. Therefore, companies with a sustainability committee may strongly emphasize environmental and social considerations in their strategic planning and operational activities (Thambugala & Rathwatta, 2021). This proactive approach to addressing ESG issues aligns with the Upper Echelon Theory's premise that top executives' characteristics influence organizational outcomes. Moreover, creating a sustainability committee can manifest the upper echelons' commitment to stakeholder engagement and responsible corporate citizenship (Thambugala & Rathwatta, 2021; Wang et al., 2016). Companies signal their responsiveness to societal expectations and concerns by dedicating resources and attention to sustainability initiatives. Consequently, the efforts of companies with sustainability committees to improve their ESG scores reflect the influence of the upper echelons' characteristics on organizational behavior and performance in sustainability.

Gender Diversity and ESG Scores

The second hypothesis is supported, as companies with high gender diversity positively affect ESG scores. This finding underscores the significance of gender diversity within corporate leadership structures and its impact on overall organizational performance regarding sustainability and responsible governance practices. Research indicates that companies with greater gender diversity on their boards of directors tend to demonstrate enhanced decision-making processes, increased innovation, and improved risk management strategies (Bhatia & Marwaha, 2022; Shaukat et al., 2016). The positive association between gender diversity and ESG scores supports the notion that diversity within corporate leadership is a matter of social justice and a strategic imperative for driving sustainable business practices and long-term value creation. Embracing gender diversity in boardrooms can lead to tangible improvements in ESG performance, reflecting a commitment to promoting equality, diversity, and sustainability within organizations (Romano et al., 2020; Zahid et al., 2020).

This conclusion about gender diversity aligns with research conducted by Bigelli et al. (2023) and Nuhu & Alam (2024),which concluded that gender diversity significantly contributes to achieving higher ESG scores. In contrast, Abdelkader et al. (2024) concluded a negative relationship between Board Gender Diversity and ESG. Ismail & Latiff (2019) found that female and independent directors negatively affect firm sustainability practices.

Legitimacy theory posits that organizations endeavor to maintain their legitimacy in the eyes of stakeholders by conforming to societal norms, values, and expectations (Hummel & Schlick, 2016). In the context of gender diversity and ESG performance, companies prioritizing and promoting gender diversity within their leadership structures demonstrate a commitment to upholding societal expectations regarding equality, inclusivity, and social responsibility. By embracing gender diversity, these companies signal adherence to prevailing norms and values that advocate for gender equality and diversity in corporate settings. Moreover, gender-diverse boards are often perceived as more representative of the broader societal demographics, enhancing their legitimacy in the eyes of stakeholders such as employees, investors, customers, and regulatory bodies. This alignment with societal expectations regarding gender diversity contributes to the company's legitimacy and enhances its reputation as a socially responsible and inclusive organization (Shaukat et al., 2016).

Upper Echelon Theory suggests that the diversity of top executives shapes organizational decision-making processes. Therefore, companies with high gender diversity in leadership positions may exhibit a broader range of perspectives and approaches to addressing ESG issues (Thambugala & Rathwatta, 2021). The inclusion of diverse viewpoints can lead to more comprehensive assessments of environmental and social risks and opportunities, resulting in more effective strategies to enhance ESG performance. Thambugala & Rathwatta (2021) find that female directors are more interested in CSR practices relating to women and children due to their psychological cognitive such as inherent compassion, empathy, and understanding of women's needs. Furthermore, the presence of gender diversity within the upper echelons can enhance the legitimacy and credibility of the organization. Stakeholders, including investors, customers, and employees, may perceive gender-diverse leadership teams as more representative of society and better equipped to understand and respond to diverse stakeholder interests and concerns.

Board Meeting and ESG Scores

Companies that frequently hold board meetings positively affect ESG scores, hypothesis three is supported. Board meetings serve as crucial forums for deliberating on strategic decisions, evaluating performance, and ensuring accountability across environmental, social, and governance dimensions. Companies that prioritize frequent board meetings demonstrate a commitment to proactive governance and transparency, which are fundamental pillars of sustainable business practices (Aladwey et al., 2022). Regular board meetings facilitate robust discussions and decision-making processes related to ESG issues, enabling boards to provide guidance, set priorities, and monitor progress effectively (Lu et al., 2022). This active engagement of the board fosters a culture of accountability and responsibility throughout the organization, encouraging management to integrate ESG considerations into their operational strategies and decision-making frameworks. Moreover, the frequency of board meetings reflects the board's commitment to fulfilling its oversight responsibilities, including monitoring the company's performance on key ESG metrics and addressing emerging sustainability challenges (Elmaghrabi, 2021). By convening regular board meetings, companies signal their dedication to driving continuous improvement in ESG performance and maintaining alignment with stakeholder expectations.

The results of the research on the average overall attendance percentage of board meetings are in line with research by Elmaghrabi (2021), which shows that companies that hold more meetings have better CSR performance. Moreover, A. Abdullah et al. (2024) concluded that the frequency of committee meetings has a positive and significant influence on the governance dimension of sustainability performance. However, the results of other studies are not in line with this research. Research conducted by Kamaludin et al. (2022) concluded that the number of board meetings has a significant negative influence on the composite in the Malaysian market. Furthermore, Birindelli et al. (2018) found that the number of board meetings positively affects sustainability performance, but it is not significant.

In the context of corporate governance and sustainability, the frequency of board meetings reflects a company's commitment to transparency, accountability, and responsible decision-making, key components of legitimacy (Hummel & Schlick, 2016; Patten, 1991). By convening board meetings regularly, companies demonstrate a dedication to robust oversight and governance practices, which are essential for addressing environmental and social concerns and upholding high standards of corporate responsibility. The transparency and openness demonstrated through regular board engagement enhance the company's perceived legitimacy by signaling a willingness to engage with stakeholders and address their concerns (Birindelli et al., 2018). Moreover, the board's active involvement in ESG-related discussions and decision-making processes reinforces the company's legitimacy by demonstrating a proactive approach to addressing environmental and social challenges. Stakeholders are likelier to view companies prioritizing frequent board meetings as credible and trustworthy partners committed to sustainable business practices.

When companies prioritize frequent board meetings, it indicates a proactive approach to governance and decision-making, which is consistent with Upper Echelon Theory (Thambugala & Rathwatta, 2021; Wang et al., 2016). This theory suggests that the characteristics and attributes of top executives shape organizational behavior and outcomes. Frequent board meetings provide opportunities for top executives to deliberate on strategic decisions, evaluate performance, and address emerging challenges related to environmental, social, and governance issues. Through active engagement in board meetings, top executives can demonstrate their commitment to responsible leadership and governance, aligning with the principles of Upper Echelon Theory (Lu et al., 2022). Moreover, the frequency of board meetings reflects the board's involvement and oversight in ESG-related matters, which is crucial for driving sustainable business practices. Companies that frequently hold board meetings are more likely to have robust governance structures and processes to address ESG concerns effectively.

5. Conclusion

The findings of this study indicate that certain board attributes, specifically the presence of a sustainability committee within the company, gender diversity among board members, and the average overall attendance percentage of board meetings, positively influence ESG Scores. Companies with established sustainability committees demonstrate a proactive commitment to addressing environmental and social concerns, integrating sustainable practices into their core operations, and ensuring robust governance structures. Companies that embrace gender diversity within their boardrooms benefit from a broader range of perspectives, experiences, and insights, which enriches decision-making processes and enhances stakeholder trust. Companies with higher levels of board meeting attendance demonstrate greater engagement and oversight in ESG-related matters, ensuring that sustainability considerations are thoroughly discussed, evaluated, and integrated into strategic decision-making processes. Companies must pay attention to board attributes to improve their ESG Scores, encourage sustainable value creation, and foster stakeholder trust and confidence in their commitment to environmental, social, and governance excellence.

This research only uses public companies in Indonesia, so further research can expand the sample to companies abroad. In addition, this research does not separate types of companies, even though each industry has its own characteristics, especially related to environmental factors. Thus, further research can examine each type of company. Lastly, this research does not examine every aspect, namely environmental, social, and governance, but only one ESG score. Thus, further research can examine each aspect and obtain more comprehensive conclusions.

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