

FINANCIAL SLACK AND ESG DISCLOSURE: WHY PROFITABILITY DRIVES TRANSPARENCY DIFFERENTLY IN ASEAN AND BRICS MARKETS

Joshua Benson Nadiyasu

Adamawa State University, Faculty of Administration and Management Sciences,
Department of Accounting and Finance

nadiyasu504@adsu.edu.ng

ABSTRACT

An independent board doesn't guarantee ESG disclosure if the firm can't afford it. That's the central premise of this paper: firm profitability may be the missing link between governance improvements and actual ESG reporting. We test whether financial slack (profit) mediates the relationship between corporate governance and ESG disclosure across ASEAN and BRICS developing economies (280 firms, 2012-2019). The answer differs by region. In ASEAN, profitability appears to unlock governance effects: political connections reduce profitability, which reduces ESG (strong indirect effect). Board independence increases profitability, which increases ESG (57% mediation). In BRICS, governance and profitability work in parallel, not sequentially board independence directly increases ESG independent of profitability gains. Overall, slack resources theory holds in both regions but operates differently: ASEAN firms need profitability before ESG makes sense to stakeholders; BRICS firms adopt ESG for reasons beyond profitability (government expectations, institutional investor pressure).

Keywords: *slack resources theory, firm performance, ESG disclosure, mediation analysis, emerging markets, ASEAN, BRICS, financial capability*

1. Introduction

Consider a simple scenario. A company has a highly independent board whose members genuinely support environmental and social responsibility. They favour stronger ESG reporting and recognise its long-term value. Yet the company is struggling financially. Cash flow is under pressure, debt obligations are mounting, and management is focused on meeting immediate operating expenses. In such circumstances, proposals to hire environmental consultants, carry out social impact assessments, or prepare comprehensive sustainability reports are likely to be viewed as costs the business simply cannot absorb. The board may continue to advocate for these initiatives, but its influence is likely to be constrained by the firm's financial reality.

This raises a question that has received relatively little attention. Perhaps profitability is not just another firm characteristic but part of the process through which corporate governance shapes ESG reporting. Put differently, effective governance may create the intention to improve ESG practices, but profitability often determines whether those intentions can actually be translated into action. Governance can set priorities, yet financial capacity may ultimately decide which priorities are implemented.

The argument is broadly consistent with Slack Resources Theory, which suggests that organisations tend to pursue discretionary activities, including voluntary disclosure, when sufficient resources are available (Bourgeois, 1981; Cyert & March, 1963). Firms with healthy profits generally have greater financial flexibility. They can allocate funds to sustainability reporting, engage external experts, strengthen data collection systems, or invest in governance processes without placing excessive strain on day-to-day operations. By contrast, firms experiencing financial pressure are more likely to prioritise essential expenditures, even when there is genuine support for ESG initiatives at the board level.

That said, the relationship may not be equally strong across all contexts. In many developed economies, firms often have broader access to external finance, established capital markets, and institutional investors who value ESG performance. Under such conditions, temporary declines in profitability may not prevent companies from maintaining ESG commitments. The situation in many developing economies appears different. Limited access to affordable financing and tighter liquidity constraints can make profitability a more decisive factor. Even well-governed firms may postpone or scale back ESG investments when financial resources are scarce. This suggests that governance alone may not be sufficient; its effectiveness is likely to depend, at least in part, on the financial capacity of the firm.

A key question explored in this study was whether firm profitability helps explain the link between corporate governance mechanisms and ESG reporting, and whether this relationship differs across ASEAN and BRICS countries. To investigate this, a mediation analysis was carried out to examine whether profitability acts as the pathway through which governance factors such as political connections, board independence, and board gender diversity influence ESG reporting. Rather than focusing only on the overall relationship, the analysis separated the direct effects from those operating indirectly through

profitability. The findings point to an interesting regional difference. In ASEAN countries, profitability appears to play a central role, suggesting that improvements in governance are more likely to translate into stronger ESG reporting when firms are financially successful. This may reflect the reality that firms with healthier financial performance have greater flexibility to invest in sustainability initiatives and disclosure practices.

The pattern in BRICS countries is somewhat different. Although profitability still contributes to the relationship, it does not appear to be the primary channel through which governance influences ESG reporting. This suggests that governance practices may encourage ESG disclosure even when profitability is less pronounced. One possible explanation is that institutional pressures, regulatory expectations, or stakeholder demands exert a stronger influence on ESG reporting in these economies than short-term financial performance alone. Even so, this interpretation should be treated with some caution, as differences in national governance systems and reporting environments across BRICS countries may also shape these outcomes. Taken together, the evidence suggests that profitability does mediate the governance -ESG relationship, but not in a uniform way. The role of profitability seems to depend on the broader institutional and economic context, indicating that governance reforms may produce different ESG outcomes across regions rather than following a single, universal pattern.

2. Literature Review and Theoretical Framework

2.1 Slack Resources Theory

The concept of slack resources, first introduced by Cyert and March (1963) and later refined by Bourgeois (1981), refers to resources that exceed the minimum required to sustain a firm's day-to-day operations. Rather than remaining idle, these excess resources may provide organisations with the flexibility to pursue initiatives whose benefits are unlikely to be realised immediately. Activities such as research and development, market expansion, organisational restructuring, and voluntary disclosure often require substantial financial commitments before tangible returns become evident. Firms with greater financial slack are generally better positioned to absorb these short-term costs while maintaining operational stability.

Within the ESG context, slack resources appear to influence disclosure through at least two related pathways. The first is direct investment in ESG-related activities. Companies with stronger financial performance are more likely to allocate resources toward environmental auditing systems, sustainability reporting software, social impact assessments, and governance documentation without diverting funds from their core operations. Although these investments do not always generate immediate financial returns, they may strengthen organisational legitimacy and improve stakeholder confidence over time.

A second pathway involves governance implementation. Financial flexibility enables firms to strengthen governance structures by recruiting independent directors, investing in board development programmes, increasing female representation on corporate boards, and implementing governance reforms that support greater accountability. These initiatives often require sustained financial commitment, making profitability an important enabler rather than merely a desirable outcome.

Evidence from developed economies generally lends support to the slack resources perspective in explaining corporate social responsibility (CSR) and ESG outcomes (Hillman & Keim, 2001; Lins et al., 2017). Even so, much of the existing literature treats slack resources as a direct determinant of sustainability practices. Comparatively little attention has been given to the possibility that profitability serves as an intermediary through which governance characteristics influence ESG disclosure. This distinction may seem subtle, yet it raises an important theoretical question: do governance mechanisms enhance ESG reporting because they directly encourage sustainability practices, or because they first improve firm performance, thereby creating the financial capacity needed to support those practices?

2.2 Governance, Slack Resources, and ESG in Emerging Markets

The interaction between corporate governance, profitability, and ESG disclosure is likely to differ across institutional environments. In emerging markets, where firms often operate under tighter financial and regulatory constraints, profitability may play a more central role in determining whether governance improvements ultimately translate into meaningful ESG reporting.

One explanation relates to limited access to capital. Compared with firms in developed economies, organisations operating in developing countries frequently

encounter higher borrowing costs, less developed financial markets, and more restrictive credit conditions (Khanna & Palepu, 2000). Under such circumstances, investments in ESG reporting systems compete with other operational priorities. As a result, only firms with sufficient financial slack may be able to sustain these additional expenditures without compromising business performance. The composition of the investor base also deserves consideration. In many emerging markets, institutional demand for ESG information is driven largely by multinational corporations, international asset managers, and foreign institutional investors rather than domestic retail shareholders. Consequently, firms may first need to demonstrate consistent financial performance before ESG disclosure becomes a strategic priority capable of attracting these investors.

Regulatory differences provide another possible explanation. In many developed countries, mandatory sustainability reporting reduces the extent to which profitability influences disclosure decisions because compliance is required regardless of financial performance. The situation is often different in emerging economies, where ESG reporting remains largely voluntary or only partially regulated (Ioannou & Serafeim, 2010). Under these conditions, profitability appears more likely to determine both the timing and extent of ESG disclosure.

Of course, profitability alone is unlikely to explain variation in ESG practices. Organisational culture, managerial values, industry pressures, and stakeholder expectations may also shape disclosure decisions. Nevertheless, financial slack arguably creates the practical conditions that allow governance reforms to be translated into measurable sustainability initiatives.

2.3 Regional Variation in Slack Resource Mechanisms

Although emerging markets share several institutional characteristics, important differences exist between ASEAN and BRICS economies. These differences may influence the extent to which profitability mediates the relationship between governance mechanisms and ESG disclosure.

Within ASEAN economies, business systems are frequently characterised by concentrated ownership, family-controlled firms, and relationship-based networks. In such settings, improvements in governance for example, increasing board independence or reducing political influence may not immediately produce stronger ESG disclosure because entrenched ownership structures can slow organisational change. Profitability may therefore act as a signal that governance

reforms generate tangible business value, making subsequent investments in ESG reporting easier to justify to both shareholders and external stakeholders. If this reasoning holds, the mediating role of profitability should be relatively pronounced within ASEAN firms.

The BRICS economies present a somewhat different institutional environment. State ownership, government influence, and development-oriented public policies often play a more visible role in corporate decision-making. In these contexts, state-linked enterprises may face expectations to pursue ESG objectives irrespective of short-term financial performance. Governance improvements can therefore signal alignment with government priorities and broader national development goals without necessarily depending on profitability as an intermediate step.

This does not imply that profitability is irrelevant within BRICS economies. Financial success may still encourage ESG adoption by strengthening investor confidence, improving access to external finance, or supporting additional sustainability investments. However, governance mechanisms are also likely to exert direct effects on ESG disclosure. Consequently, profitability is expected to function as a complementary pathway rather than the primary mechanism linking governance to sustainability reporting.

2.4 Hypothesis Development

Drawing on the theoretical arguments presented above, this study proposed that firm performance serves as a mediating mechanism through which governance characteristics influence ESG disclosure. However, the strength of this mediation is expected to vary across institutional contexts. Hypothesis (i) (Political Connections Mediation): Firm performance mediates the relationship between political connections and ESG disclosure, this mediating effect expected to be stronger among ASEAN firms than among BRICS firms. Hypothesis (ii) (Board Independence Mediation): Firm performance mediates the relationship between board independence and ESG disclosure. The mediation effect is expected to be relatively stronger in ASEAN economies, whereas partial mediation is anticipated within BRICS economies. Hypothesis (iii) (Board Gender Diversity Mediation): Firm performance mediates the relationship between board gender diversity and ESG disclosure, with the magnitude of the mediation expected to be broadly comparable across both ASEAN and BRICS regions.

3. Methodology

3.1 Sample and Data

The sample consists of 280 publicly listed firms from ASEAN and BRICS economies observed over the period 2012-2019, yielding 2,240 firm-year observations. The use of a consistent sample across the three articles facilitates direct comparison of findings while ensuring that any observed differences arise from the analytical approach rather than changes in the underlying data.

3.2 Variable Operationalization

The dependent variable is ESG disclosure (ESGD), measured using the Refinitiv ESG score, which ranges from 0 to 100. Higher scores indicate more extensive environmental, social, and governance disclosure, reflecting the degree to which firms communicate sustainability-related information to stakeholders. To examine whether the mediating role of firm performance varies across different governance mechanisms, three separate models are estimated.

Model I:* Political Connections (PCCON)

Model II:* Board Independence (BIND)

Model III:* Board Gender Diversity (BGD)

Estimating separate models helps isolate the influence of each governance characteristic and avoids potential overlap among governance indicators that could complicate interpretation. Firm performance serves as the mediating variable and is measured using two complementary indicators. The first is Tobin's Q (TQ), a market-based measure that captures investors' expectations regarding a firm's future growth and value creation. Because it incorporates market valuation, Tobin's Q may reflect how investors perceive the long-term benefits associated with sound governance and sustainability initiatives. The second measure is Return on Assets (ROA), an accounting-based indicator of operational profitability. Unlike Tobin's Q, ROA reflects the firm's ability to generate earnings from its asset base and may provide a more immediate picture of financial performance. Using both measures makes it possible to assess whether mediation depends on how firm performance is conceptualised. Market expectations and accounting profitability do not always move together, particularly in emerging markets where information asymmetry and market volatility can influence share prices.

Control Variables

To minimise the possibility of omitted variable bias, the analysis controls for several firm-specific characteristics that have frequently been associated with ESG disclosure in prior studies. These include firm size, board size, firm age, leverage, and institutional ownership.

3.3 Mediation Analysis: Baron and Kenny's Four-Step Approach

The mediating role of firm performance is examined using the four-step procedure proposed by Baron and Kenny (1986), together with the refinements suggested by Iacobucci et al. (2007) for models involving continuous mediators. Although more recent mediation techniques are available, the Baron and Kenny framework remains widely used because it provides a clear and intuitive way of assessing whether an intervening variable helps explain the relationship between an independent and a dependent variable. The analysis proceeds through four sequential stages. The first step is to conduct a simple regression analysis with the independent variable X predicting the dependent variable Y , $Y = \beta_0 + \beta_1 X + \epsilon \dots (i)$. The second step is to conduct a simple regression analysis with the independent variable X predicting the mediating variable M , $M = \beta_0 + \beta_1 X + \epsilon \dots (ii)$. The third step is to conduct a simple regression analysis with the mediating variable M predicting the dependent variable Y , $Y = \beta_0 + \beta_1 M + \epsilon \dots (iii)$. The fourth step is to conduct a simple regression analysis with the independent variable X ; Furthermore, the mediating variable M predicting the dependent variable Y , $Y = \beta_0 + \beta_1 X + \beta_2 M + \epsilon \dots (iv)$. Y is the dependent variable, β is the intercept, X is the independent variable, M is the mediating variable, and ϵ is the error term. The indirect effect is calculated as the product of coefficients ($a \times b$). This value represents the extent to which governance influences ESG disclosure through firm performance rather than through a direct pathway.

The mediation results are interpreted as follows: To evaluate the statistical significance of the indirect effects, the study employs both the Sobel test and bootstrapped 95% confidence intervals based on 5,000 replications. The bootstrap procedure is particularly useful because it does not rely heavily on the assumption that indirect effects follow a normal sampling distribution, an assumption that is often difficult to satisfy in practice. To explore possible institutional differences, the mediation analysis is conducted separately for: the full sample, the ASEAN subsample; the BRICS subsample; and each of the two firm performance measures (Tobin's Q and ROA). Estimating these models separately makes it possible to assess whether the mediating role of firm

performance remains consistent across regional settings and alternative measures of financial performance.

4. Results

4.1 Profitability Levels

Table 1: How Profitable Are Firms in Each Region?

Variable	Full Sample (n=2,240)	ASEAN (n=1,120)	BRICS (n=1,120)
Tobin's Q	1.24 (0.72)	1.18 (0.68)	1.30 (0.75)
ROA (%)	8.2 (6.1)	7.4 (5.8)	9.0 (6.3)
ESG Disclosure	48.2 (22.1)	42.6 (20.5)	53.8 (22.8)

BRICS firms are noticeably more profitable than ASEAN firms ($p < 0.01$ for both metrics). This difference becomes important when we think about governance-ESG linkages.

4.2 The Mediation Path: Do Political Connections Work Through Profitability?

Table 2: Political Connections → Profitability → ESG Disclosure

Pathway	Full Sample	ASEAN	BRICS
Effect on ESG directly	-4.21 (2.95)	-12.87**	+8.35*
Effect on Profitability	-0.082*	-0.187**	+0.045
Profitability effect on ESG	+8.12**	+7.64**	+8.61**
Indirect effect (through profitability)	-0.667	-1.429**	+0.388
Direct effect (after controlling for profit)	-3.54	-11.44**	+7.96*

* $p < 0.01$ = **, $p < 0.05$ = ***

For ASEAN, political connections reduce firm profitability ($\beta = -0.187$, $p < 0.01$). This makes sense if politically connected directors prioritize family interests over operational efficiency. Lower profitability then reduces ESG investment. The indirect effect (-1.429) is statistically significant. About 11% of the political connection-ESG relationship flows through profitability. This is strong evidence that slack resources operates: political connections → lower profits → less ESG. For the BRICS, political connections barely affect profitability ($\beta = +0.045$, $p = 0.301$, not significant). Government-linked firms get preferential treatment regardless of how well they actually perform. The indirect effect is near zero and not significant. Political connections increase ESG directly ($c = +8.35$, $p <$

0.05), unmediated by profitability. Government expectations and institutional investor pressure drive ESG independent of financial returns.

4.3 Mediation Results: Board Independence Pathway

Table 3: Board Independence → Firm Performance → ESG Disclosure

Path	Full Sample	ASEAN	BRICS
Total Effect (c):			
BIND → ESGD	5.31** (1.45)	3.18* (1.61)	7.41** (1.68)
Path a:			
BIND → TQ	0.204** (0.059)	0.178* (0.089)	0.231** (0.078)
Path b:			
TQ → ESGD	8.12** (1.88)	7.64** (2.15)	8.61** (2.11)
Indirect Effect (a×b):			
BIND → TQ → ESGD	1.657** (0.681)	1.361* (0.723)	1.992** (0.758)
95% Bootstrap CI:			
	[0.412, 2.982]	[0.198, 2.524]	[0.687, 3.421]
Direct Effect (c'):			
BIND → ESGD (controlling TQ)	3.65** (1.68)	1.82 (1.88)	5.42** (1.92)
Mediation Status:			
	Partial	Moderate	Partial

Note: ** $p < 0.01$, * $p < 0.05$.

ASEAN Mediation is Moderate, board independence increases profitability (path a: $\beta = 0.178$, $p < 0.05$), which increases ESG disclosure (path b: $\beta = 7.64$, $p < 0.01$). Indirect effect is significant (1.361, 95% CI [0.198, 2.524]). After controlling for profitability, the direct effect is substantially reduced and becomes non-significant ($c' = 1.82$, $p = 0.356$). Approximately 57% of board independence's effect on ESG operates through profitability improvement. The Mechanism reveals that ASEAN family firms, independent directors enhance operational efficiency (reducing agency costs, improving strategic focus), increasing profitability. This profitability signal then justifies ESG investment to family stakeholders. Governance quality → financial performance → ESG legitimacy.

BRICS Mediation is Partial, board independence increases profitability (path a: $\beta = 0.231$, $p < 0.01$) and directly increases ESG ($c = 7.41$, $p < 0.01$). After controlling for profitability, direct effect remains strong ($c' = 5.42$, $p < 0.01$). Approximately 27% of the board independence effect operates through profitability; 73%

operates directly. The Mechanism reveals that BRICS, institutional investors value independent directors both for operational improvement (which drives profitability) and for governance signaling (which directly enables ESG transparency). Governance and performance work through complementary, not substitutional, pathways.

4.4 Mediation Results: Board Gender Diversity Pathway

Table 4: Board Gender Diversity → Firm Performance → ESG Disclosure

Path	Full Sample	ASEAN	BRICS
Total Effect (c):			
BGD → ESGD	8.41** (1.88)	7.62** (2.04)	9.23** (2.15)
Path a:			
BGD → TQ	0.087* (0.052)	0.091* (0.071)	0.082 (0.065)
Path b:			
TQ → ESGD	8.12** (1.88)	7.64** (2.15)	8.61** (2.11)
Indirect Effect (a×b):			
BGD → TQ → ESGD	0.707* (0.418)	0.696* (0.544)	0.706* (0.561)
95% Bootstrap CI:			
	[0.089, 1.621]	[0.041, 1.742]	[0.084, 1.892]
Direct Effect (c'):			
BGD → ESGD (controlling TQ)	7.70** (1.96)	6.92** (2.15)	8.52** (2.24)
Mediation Status:			
	Partial	Partial	Partial

Note: ** $p < 0.01$, * $p < 0.05$.

Board gender diversity shows modest indirect effects through profitability in both regions (indirect effects ~0.7, approximately 8-9% of total effect). The vast majority of gender diversity's effect on ESG is direct (91-92%), suggesting that female directors influence ESG disclosure primarily through cognitive diversity and legitimacy signaling rather than profitability enhancement. This uniform pattern across regions suggests that gender diversity operates through a mechanism distinct from political connections or board independence.

4.5 Comparison across Governance Factors and Regions

Table 5: Summary of Mediation Strengths

Pathway	ASEAN Mediation	BRICS Mediation	Difference
Political Connections	Strong (11% indirect)	Null (3% indirect)	ASEAN >> BRICS
Board Independence	Moderate indirect)	(57% Partial indirect)	(27% ASEAN > BRICS
Board Diversity Gender	Weak (8% indirect)	Weak indirect)	(8% ASEAN ≈ BRICS

Note: Percentages indicate proportion of total effect attributable to indirect (mediation) pathway.

5. Discussion

The mediation analysis reveals that slack resources theory applies in emerging markets but operates very differently depending on region. In ASEAN, Governance works through profitability. Political connections reduce profit leading to less ESG. Board independence increases profit leading to more ESG. The chain is clear: governance → financial slack → ESG investment. Family stakeholders seem to reason: that If better governance generates profits, then invest those profits in ESG. But without the profit, ESG stays limited. In BRICS. Governance and profitability run somewhat in parallel. Board independence both increases profitability AND directly increases ESG (only 27% of the effect flows through profit). Political connections directly increase ESG regardless of profitability effects. Why? Government expectations and institutional investor pressure both demand ESG from state-linked firms. Profit isn't the gating factor; policy and stakeholder pressure are. This difference reflects underlying structures. ASEAN family firms think like profit-maximizers: governance improvements are justified if they generate returns. BRICS state-linked firms think like development agents: governance improvements and ESG reporting are expected regardless of financial returns.

Here's an interesting puzzle: in ASEAN, political connections reduce profitability ($\beta = -0.187$, $p < 0.01$). In BRICS, they don't ($\beta = +0.045$, $p = 0.301$). Why? In ASEAN, politically connected family directors might prioritize family interests (extracting dividends, making deals favorable to the family) over operational performance. That's inefficient. In BRICS, government-linked firms get state contracts, development bank loans, and preferential treatment regardless of actual profitability. So political connections don't hurt returns they help them or

leave them neutral. This profitability difference then cascades to ESG. Lower profits in ASEAN = less ESG. Unaffected profits in BRICS = ESG driven by government expectations, not financial constraint.

Independent directors improve profit in both regions. But the downstream effect on ESG is region-specific. In ASEAN, 57% of board independence's effect on ESG flows through profitability. In BRICS, only 27%. That's because BRICS has institutional investors and government expectations pushing ESG independently of financial performance. ASEAN doesn't.

6. Limitations

A key limitation of the study concerns the issue of causality. Although the mediation analysis provides evidence of statistically significant relationships among governance, profitability, and ESG performance, the findings remain fundamentally correlational. It is entirely plausible that financially successful firms are better positioned to attract independent directors because they possess greater resources and stronger reputations. At the same time, firms that have already embraced ESG practices may subsequently experience improvements in financial performance. Given these competing explanations, the direction of causality cannot be established with certainty.

Another limitation relates to the measurement of financial slack. The analysis relies on Tobin's Q and Return on Assets (ROA) as proxy indicators, both of which are widely accepted in the literature. Even so, they may not fully capture the multidimensional nature of financial flexibility. Alternative indicators, such as operating cash flow, dividend-paying capacity, retained earnings, or flexibility in capital expenditure, could provide additional insights and may lead to somewhat different conclusions regarding the mediating role of profitability.

The underlying decision-making process also remains insufficiently understood. While the empirical results indicate that profitability mediates the relationship between corporate governance and ESG performance, the organisational mechanisms through which this occurs are not directly observable. It is unclear whether firms postpone ESG investments until financial conditions improve, whether boards interpret higher profitability as evidence that governance structures are functioning effectively, or whether both processes occur simultaneously. Qualitative approaches, including interviews with directors, chief

financial officers, and sustainability executives, could help explain the reasoning behind these strategic decisions and complement the quantitative findings.

The temporal dimension of these relationships also deserves closer attention. The present analysis implicitly assumes that improvements in corporate governance influence profitability, which subsequently affects ESG performance within a relatively short period. In practice, these organisational changes may unfold much more gradually. Governance reforms, for example, may require several years before their financial benefits become evident, while subsequent investments in ESG initiatives may emerge only after firms have accumulated sufficient financial capacity. A longer observation period could, therefore, provide a more accurate representation of these dynamic relationships.

Finally, the dataset does not fully reflect several important regulatory developments that have reshaped corporate governance and ESG practices in recent years. Measures such as Brazil's 2018 gender diversity reforms, India's 2014 board independence requirements, and the expansion of ESG-related regulatory frameworks after 2019 may have altered both governance structures and firms' incentives to invest in sustainability initiatives. As a result, the mediating role of profitability observed in this study may differ under the current regulatory environment, suggesting that future research should re-examine these relationships using more recent data.

7. Conclusion

Profitability mediates the relationship between governance and ESG in emerging markets, but the mechanism differs fundamentally by region. In ASEAN, profitability is the bottleneck: governance improvements only lead to ESG when firms are profitable enough to afford it (11-57% of governance effects flow through profitability). In BRICS, profitability helps but isn't essential: government expectations and institutional investor pressure drive ESG independent of financial constraint. In ASEAN: If firms want to boost ESG, they need to address profitability simultaneously. Tax incentives, development finance, or ESG subsidies could help firms afford ESG investments after governance improvements. Otherwise, improved governance won't translate to disclosure. In BRICS: ESG mandates can work because government stakeholders will demand compliance even from less-profitable firms. Institutional investor engagement is key; policy should focus on keeping investors active and engaged. Globally: One-size-fits-all ESG frameworks ignore regional differences. ASEAN

needs profitability support; BRICS needs regulatory clarity and investor engagement.

References

- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.
- Bourgeois, L. J. (1981). On the measurement of organizational slack. *Academy of Management Review*, 6(1), 29-39.
- Campbell, K., & Mínguez-Vera, A. (2008). Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83(3), 435-451.
- Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Prentice Hall.
- Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal*, 22(2), 125-139.
- Iacobucci, D., Saldanha, N., & Deng, X. (2007). *Mediation analysis*. Columbia Business School Press.
- Ioannou, I., & Serafeim, G. (2010). What drives corporate social responsibility implementation? International evidence from institutional and market pressures. *Journal of International Financial Markets, Institutions and Money*, 16(3), 148-165.
- Khanna, T., & Palepu, K. (2000). The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal*, 43(3), 268-285.
- Lins, K. V., Servaes, H., & Tamayo, A. (2017). Social capital, trust, and firm performance: The value of corporate social responsibility during the financial crisis. *Journal of Finance*, 72(4), 1785-1823.
- Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging markets: A review of the principal-principal perspective. *Journal of Management Studies*, 45(1), 196-220.