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Cross-Cultural Boards and ESG Disclosure

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Cross-Cultural Boards and ESG Disclosure

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ABSTRACT – SOMMARIO – The context

This study aims to investigate whether and how board cultural diversity influences the relationship between core board characteristics and the level of overall Environmental, Social, and Governance (ESG) disclosure, as well as its three pillars. To this end, the paper draws on a multi-theoretical framework that integrates Agency Theory, Stakeholder Theory, and Resource Dependence Theory, and uses a sample of non-financial listed companies operating in the European Union for the period 2014-2021. The results suggest that board cultural diversity may complement or substitute for other board attributes in improving ESG transparency. The presence of directors from diverse cultural backgrounds reinforces the positive influence of board size and gender diversity on the overall level of ESG disclosure. For social disclosure, it amplifies the positive effect of gender diversity, board size, and CEO duality, but a substitution effect emerges with respect to board independence. Furthermore, board size and board cultural diversity act in a complementary way to enhance environmental disclosure. Theoretically, this research sheds light on the interaction between board characteristics in shaping ESG disclosure behavior. The findings have practical implications for companies interested in appointing directors from diverse cultural backgrounds, for investors interested in assessing companies' ability to create long-term value, and for regulators and policymakers who should promote board configurations that strategically combine different board characteristics to enhance ESG disclosure.

Questo studio si propone di indagare se e in che modo la diversità culturale all'interno dei Consigli di amministrazione influenzi la relazione tra le caratteristiche fondamentali del board e il livello complessivo di disclosure ambientale, sociale e di governance (ESG), nonché le sue tre componenti. A tale fine, il lavoro si basa su un approccio multi-teorico che integra la Agency Theory, la Stakeholder Theory e la Resource Dependence Theory, utilizzando un campione di imprese non finanziarie quotate e operanti nell'Unione Europea, per il periodo 2014-2021. I risultati suggeriscono che la diversità culturale del board può agire in modo complementare o sostitutivo rispetto ad altri attributi del Consiglio di amministrazione nel migliorare la trasparenza ESG. La presenza di amministratori provenienti da contesti culturali differenti rafforza l'effetto positivo della dimensione del board e della diversità di genere sul livello complessivo di disclosure ESG. Per quanto riguarda la disclosure sociale, la diversità culturale amplifica l'effetto positivo della diversità di genere, della dimensione del board e della dualità del CEO, mentre emerge un

effetto di sostituzione rispetto all'indipendenza del board. Inoltre, la dimensione del board e la diversità culturale interagiscono in modo complementare nel favorire la disclosure ambientale. Dal punto di vista teorico, la ricerca contribuisce a chiarire le interazioni tra le diverse caratteristiche del board nel determinare i comportamenti di disclosure ESG. I risultati offrono implicazioni pratiche per le imprese interessate a nominare amministratori con background culturali diversi, per gli investitori che intendono valutare la capacità delle imprese di creare valore nel lungo periodo e per i regolatori e i policymaker, che dovrebbero promuovere configurazioni dei Consigli di amministrazione in grado di combinare strategicamente differenti caratteristiche per rafforzare la disclosure ESG.

Keywords: board cultural diversity, ESG disclosure, Environmental disclosure, Social disclosure, Governance disclosure, board diversity

1 – Introduction

Nowadays, companies are increasingly required to make a substantial contribution to sustainable development by balancing their financial objectives with environmental and social responsibilities. Concerns from stakeholders, including investors, regulators, and civil society, have prompted companies to strengthen their commitment to providing environmental, social, and governance (ESG) information (KPMG, 2024), in order to enable a more accurate assessment of long-term value creation and risk management capabilities (Zaid & Issa, 2023).

As ESG disclosure strategies are defined at the board level (Rao & Tilt, 2016a), the literature has investigated in depth the role of board characteristics in determining the level of ESG transparency. Numerous studies have focused on the structural aspects of the board, including independence, CEO duality, and board size (Lagasio & Cucari, 2019; Khan, 2022; Brogi & Lagasio, 2025). However, literature shows inconclusive findings on whether and how the aforementioned board structural attributes affect ESG disclosure (Cucari *et al.*, 2018; Pucheta-Martínez & Gallego-Álvarez, 2019; Arayssi *et al.*, 2020; Wang *et al.*, 2022; Agarwala *et al.*, 2023; Jizi *et al.*, 2014; Nguyen *et al.*, 2023). Research has also considered board demographic characteristics, with particular reference to gender diversity (Sundarasen *et al.*, 2024), but the empirical results are far from unambiguous: while some studies show a positive impact of female presence on the level of ESG disclosure (Nicolò *et al.*, 2022; Ma *et al.*, 2024; Gavana *et al.*, 2025), others detect no or even negative effects (Cucari *et al.*, 2018; Issa *et al.*, 2022). The inconclusive findings suggest that board characteristics do not act in isolation.

Recent research outlines the need to examine the interaction between different board characteristics, as they jointly influence corporate behavior (Aguilera *et al.*, 2012; Misangyi & Acharya, 2014). Although a number of studies have investigated these dynamics in the context of corporate social responsibility and ESG communication (Oh *et al.*, 2018; Katmon *et al.*, 2019; Nguyen & Nguyen, 2023), research on the interplay between structural and demographic attributes of the board still appears underdeveloped and is limited to studying the possible effect on the overall level of ESG disclosure. Moreover, board cultural diversity, despite its growing relevance in the European context (Van Veen *et al.*, 2014; Heidrick & Struggles, 2024; European Corporate Governance Barometer, 2025), has received limited attention to date (Aliani *et al.*, 2024), even though it is a potential factor that can enrich board decision-making processes and strengthen a firm's sustainability orientation.

As highlighted by Colombo and Gazzola (2016, p. 166), "Corporate Social Responsibility is not just a set of practices or tools, but rather a cultural change that must permeate the entire organization." In line with this perspective, board cultural diversity may act as a catalyst for such transformation, fostering an organizational environment that is more open to sustainability concerns and more committed to transparent ESG disclosure.

Accordingly, the research addresses the following question: *Does board cultural diversity moderate the relationship between board gender diversity and structural attributes and the level of environmental, social, and governance (ESG) disclosure?*

To answer the research question, this study analyzes the moderating role of board cultural diversity in the relationship between some core board characteristics - gender diversity, independence, size, and CEO duality - and the level of ESG disclosure. The paper adopts a multi-theoretical approach that integrates Agency Theory, Stakeholder Theory, and Resource Dependence Theory, using a sample of non-financial listed companies operating in the European Union over the period 2014-2021. The European context is particularly relevant given the EU's focus on ensuring transparency in preparing sustainability reports. This emerges from regulations such as the Non-Financial Reporting Directive (2014/95/EU) and the Corporate Sustainability Reporting Directive (2022/2464/EU), as well as initiatives aimed at fostering board diversity (EC, 2011; Directive 2022/2381/EU). Findings show that board cultural diversity has a significant moderating effect on the relationship between traditional board characteristics and ESG disclosure, although the significance and direction of this effect vary according to the specific ESG disclosure pillar considered. In particular, cultural diversity strengthens the positive impact of both board size and gender diversity on the overall level of ESG disclosure. Focusing on ESG disclosure pillars, the results demonstrate that cultural diversity increases the positive influence of CEO duality, board size, and gender diversity on social disclosure but weakens the positive effect of board independence. For environmental disclosure, board cultural diversity and board size act in a complementary way to enhance this ESG disclosure dimension.

These findings contribute to Research Dependence Theory, suggesting a substitution effect between the resources provided by independent directors to enhance social disclosure and those brought to the board by directors from diverse cultural backgrounds. On the contrary, cultural diversity complements other board characteristics in improving social and environmental disclosure. This also suggests that the effectiveness of some monitoring mechanisms that help to reduce information asymmetry, such as the appointment of independent directors, is influenced by board cultural diversity. From the perspective of Stakeholder Theory, no significant moderating effect is found for governance disclosure, suggesting that board cultural diversity moderates the impact of board characteristics on ESG disclosure dimensions that meet the needs of stakeholders other than shareholders. The study also contributes to corporate governance research by providing evidence that corporate governance attributes act as part of an interdependent system, highlighting the need to investigate how board structural and demographic characteristics interact to enhance ESG transparency and better respond to the expectations of a wide range of constituencies.

The remainder of the paper is organized as follows: Section 2 provides the theoretical framework, reviews the literature, and develops the hypotheses; Section 3 describes the

methodology and presents the results; Section 4 discusses the findings; Section 5 concludes by highlighting the contributions, implications, limitations, and avenues for future research.

2 – Theoretical framework, literature review, and hypotheses development

2.1 – *Agency Theory, Stakeholder Theory, Resource Dependence Theory*

Existing empirical research analyzing the relationship between board diversity and ESG disclosure resorts to a combination of theories to identify all relevant aspects of board diversity that can explain its impact on this type of disclosure. Agency Theory, combined with Stakeholder Theory and Resource Dependence Theory, offers a suitable framework for examining the relationship between board diversity and ESG disclosure (Issa *et al.*, 2022). Agency Theory states that due to the separation between ownership and control, companies may experience conflicts between managers (agents) and shareholders (principals). Managers may act to achieve personal benefits, harming shareholders' interests (Jensen & Meckling, 1976; Fama & Jensen, 1983). The board of directors is a corporate governance mechanism for reducing agency conflicts, as it plays a crucial role in monitoring managerial behavior. In this vein, board attributes, in terms of its structure as well as the demographic characteristics of its members, significantly influence the effectiveness of the monitoring function (Nguyen *et al.*, 2021; Beji *et al.*, 2020). From the agency perspective, board diversity results in better monitoring because it increases board independence (Carter *et al.*, 2003) and positively affects ESG disclosure to enhance transparency and reduce information asymmetry (Al Natour *et al.*, 2022; Muttakin *et al.*, 2015). Stakeholder Theory (Freeman, 1984) posits that companies operate not only in the interests of shareholders but also should take into account the expectations of a broader range of constituents that are affected by or affect companies' activity, such as customers, local communities, governments, employees, and the natural environment. Stakeholders' interests differ, and in some cases, they may conflict. Therefore, companies are required to address the demands of different stakeholder groups (Hoeffler *et al.*, 2010), seeking a balance between financial and non-financial goals (Nguyen *et al.*, 2021). A stronger commitment to ESG disclosure is a means to create and maintain trust-based relationships with stakeholders by ensuring greater transparency and accountability. Under this view, the variety of perspectives, cultures, values, skills, and experiences that a heterogeneous board expresses helps to guarantee the representation of a broader range of constituents and the recognition of their needs (Cucari *et al.*, 2018; Dodd *et al.*, 2022). Such boards are more likely to demonstrate a high sensitivity to social and environmental issues, prompting management to be accountable for ESG performance through a higher level of ESG disclosure. Under the Resource Dependence Theory (RDT) (Pfeffer & Salancik, 1978), the success of companies depends on their access to external resources, and the primary function of the board of directors is to provide these resources by facilitating the connection with the external environment. The resources that board members bring to the company, including skills, experiences, networks, information, relationships with relevant stakeholders, and legitimacy, enhance the firm's understanding of external threats and opportunities, as well as its ability to address complexity and uncertainty (Issa *et al.*, 2022; Ibrahim & Hanefah, 2016). Board diversity enriches the board's educational and professional background, expands its networks, and contributes diverse experiences, perspectives, and values. Moreover, it can facilitate dialogue with different stakeholders, enhancing the board's

ability to satisfy their needs for information about the company's ESG performance (Gallego-Álvarez & Pucheta-Martínez, 2022).

2.2 – Board cultural diversity and ESG disclosure

Existing literature has demonstrated that directors from diverse cultural backgrounds bring international experience and knowledge to the board, fostering compliance with foreign norms or international standards of ESG disclosure (Dobjia *et al.*, 2023; Khan *et al.*, 2019). They enrich the board's decision-making process with diverse values, perspectives, and insights from their life experiences, cultural backgrounds, and religious beliefs, allowing deeper evaluations and broader discussions, and helping to reduce groupthink as well as contrast individual biases and prejudices (Al Naim & Alomair, 2024; Issa *et al.*, 2022; Harioto *et al.*, 2019; Ibrahim & Hanefah, 2016; Ruigrok *et al.*, 2007). A culturally diverse board may equip a company to navigate uncertainty and cater to the demands of international stakeholders, with a positive effect on the overall ESG disclosure score and each of its three pillars (Aliani *et al.*, 2024). Foreign directors can use their external networks to enhance their advisory function, to the benefit of ESG disclosure (Sun *et al.*, 2024; Mehedi *et al.*, 2024; Garanin & Array, 2021). With a culturally diverse board, companies can better grasp and meet the expectations of various stakeholder groups (Cheung & Lai, 2023; Gallego-Álvarez & Pucheta-Martínez, 2022), which in turn improves ESG disclosure. The positive effect of board members from different nationalities on ESG disclosure may also be ascribable to their commitment to reducing information asymmetry (Muttakin *et al.*, 2015). The literature provides evidence that, in institutional contexts where the appointment of foreign directors is often a response to mimetic pressures, these directors try to gain support from influential stakeholders by pressuring managers to enhance ESG disclosure practices and strengthen the firm's socially responsible reputation (Saha & Khan, 2024).

Despite many studies showing that board cultural diversity benefits ESG disclosure, it may also generate fault lines, raising cooperation and communication problems among board members and lowering the board's effectiveness in promoting ESG transparency (Elshandidy *et al.*, 2025). Literature provides evidence that historical background, as well as socioeconomic and cultural factors that characterize the institutional environment in which firms operate, such as the case of Malaysian context, may lead board members of different nationalities not to work together effectively, with a detrimental effect on the quality of CSR disclosure (Katmon *et al.*, 2019). There is also evidence of a non-statistically significant association between foreign directors on the board and the level of ESG disclosure, particularly for firms in countries where they represent foreign shareholders who consider the presence of such directors as a substitute for greater ESG disclosure (Barako & Brown, 2008). Another explanation for the non-significant impact of foreign directors on ESG disclosure may be that, in some countries, the presence of foreign directors in boardrooms is still too limited to significantly influence the extent of ESG disclosure (Arayssi *et al.*, 2020).

2.3 – Board gender diversity and ESG disclosure. Board cultural diversity as a possible moderator

Women, compared to men, have personal distinctive characteristics (Hillman *et al.*, 2002; Eagly *et al.*, 2003; Nielsen & Huse, 2010) that may increase their propensity to provide ESG

information. However, empirical findings on the effect of female representation on the boards on ESG disclosure are still inconclusive.

Several studies detect a positive association between board gender diversity and ESG disclosure. Female directors care more about social and environmental issues (Jizi, 2017; Nicolò *et al.*, 2022) and favor a balance between the firm's financial objectives and social responsibilities (Arayssi *et al.*, 2020), positively affecting ESG disclosure. This beneficial impact of board gender diversity on ESG disclosure is stronger in countries characterized by weaker stakeholder protections and opaque information environments (Alkhawaja *et al.*, 2023). Female directors bring to the board a unique set of skills, competencies, perspectives, leadership styles, experiences, and network as well as strengthens the board's ability to meet the expectations of a broad range of stakeholders, increasing the overall ESG disclosure as well as its components (Nicolò *et al.*, 2022; Wasiuzzaman & Wan Mohammad, 2020; Wang *et al.*, 2022; Ellili, 2023; Ma *et al.*, 2024; Gavana *et al.*, 2025). Women on the board have been found to increase ESG disclosure also through their participation on board committees (Khemakhem *et al.*, 2023; Ma *et al.*, 2024).

Other studies show that when female directors on the board are at least three or more, companies provide higher-quality CSR reporting (Fernandez Feijoo *et al.*, 2014; Amorelli & García-Sánchez, 2020), more extensive social disclosures (Arora & Singh, 2024), and present a higher level of ESG disclosure as well as of its components (De Masi *et al.*, 2021). These results support the Critical Mass Theory (Kanter, 1977), which suggests that when women are a small minority within a group, they may be viewed as tokens with limited influence on group decisions (Torchia *et al.*, 2011).

Some studies find a negative relationship between board gender diversity and ESG disclosure, suggesting that having a female representation on the board is not, *per se*, sufficient to enhance ESG transparency. Instead, female directors should possess specific characteristics, such as adequate qualifications and experience, to effectively contribute to decision-making processes on ESG topics (Muttakin *et al.*, 2015; Cucari *et al.*, 2018; Issa *et al.*, 2022). There is also evidence of a non-significant relationship between board gender diversity and ESG disclosure (Khan, 2010; Manita *et al.*, 2018; Adel *et al.*, 2019), probably because male and female directors respond to societal expectations in similar ways (Giannarakis, 2014) or stereotypes and gender bias are still an obstacle for women to influence the overall ESG disclosure and its pillars (Alta'any *et al.*, 2024). Moreover, distinguishing developed and developing countries, Wasiuzzaman and Subramaniam (2023) confirm the non-significant relationship in developing countries, where women often lack executive experience due to inequalities in status and opportunities compared to men that exist in such contexts.

Most previous studies have focused on the direct effect of board gender diversity on ESG disclosure, while only a few have examined its interaction with other board attributes (Katmon *et al.*, 2019; Wasiuzzaman & Wan Mohammad, 2020; Gavana *et al.*, 2025). The literature review has shown that board members from diverse cultural backgrounds contribute diverse values, perspectives, and experiences that enrich board discussions, reduce groupthink, and help to contrast individual biases and prejudices. Moreover, cultural diversity enhances the board's ability to recognize the needs of various stakeholder groups. Hence, a culturally diverse board may foster an environment in which female directors can better express their potential and contribute more effectively to ESG disclosure, rather than remaining mere tokens:

H1. Board cultural diversity moderates the relationship between board gender diversity and ESG disclosure

2.4 – Board independence and ESG disclosure. Board cultural diversity as a possible moderator

Independent directors have no ties with managers and can effectively monitor that managerial behavior is in line with shareholders' interests (Fama & Jensen, 1983). By strengthening scrutiny and demanding greater transparency, independent boards encourage the communication of ESG information (Bataineh *et al.*, 2025; Jizi, 2017; Kamaludin *et al.*, 2022) and protect the interests of shareholders and other stakeholders (Cucari *et al.*, 2018; Ellili, 2023). Independent directors raise awareness among shareholders of the importance of ESG disclosure in gaining stakeholder trust (Al Amosh & Khatib, 2022). Research provides evidence that board independence increases ESG disclosure in institutional settings with low stakeholder orientation (Husted & de Sousa-Filho, 2019). Compared to inside directors, independent board members are less focused on short-term financial performance (Ibrahim & Angelidis, 1995; Hillman & Dalziel, 2003) and more concerned with the company's social responsibilities (Arayssi *et al.*, 2020). They prompt companies to engage in ESG disclosure because they care about increasing their standing in society by meeting stakeholder expectations (Mallin *et al.*, 2013).

Despite most empirical research demonstrating a positive relationship between independent directors and the level of ESG disclosure, some studies show contrasting findings. When companies are required to disclose detailed information to stakeholders on relevant environmental matters, such as greenhouse gas emissions, independent directors have been found to oppose the dissemination of such information, which may jeopardize shareholders' interests (Prado-Lorenzo & Garcia-Sanchez, 2010). The mere presence of independent directors may lower ESG disclosure if they do not demonstrate the necessary experience, adequate knowledge, and sufficient sensitivity to social and environmental issues to effectively support their participation in the board's decision-making process (Pucheta-Martínez & Gallego-Álvarez, 2019; Sundararasan *et al.*, 2016).

On the contrary, some studies suggest that the negative association between board independence and ESG disclosure emerges because independent directors on the board are a guarantee of stakeholders' protection, lowering the need to resort to ESG disclosure (Tibiletti *et al.*, 2021; Adel *et al.*, 2019; Barako *et al.*, 2006). There is also evidence in the literature that the potential impact of independent directors may be insignificant due to inappropriate selection criteria, as they are only formally independent and unable to respond to stakeholder expectations (Al Amosh & Khatib, 2021).

A significant body of research has examined the individual effects of board independence on ESG disclosure; however, it is also important to explore possible complementary or substitution effects among board characteristics in shaping a firm's ESG disclosure behavior. In this regard, a culturally diverse board is characterized by different perspectives and critical oversight, which may reduce the need to rely on independent directors to ensure ESG transparency. Like independent directors, board members from diverse cultural backgrounds can provide access to external networks that firms may leverage in addressing ESG-related issues. Furthermore, the board's capacity to identify and respond to stakeholder expectations

may benefit not only from board independence but also from cultural diversity. In a culturally diverse board, the contribution of independent directors to ESG disclosure may become less pronounced, as comparable monitoring capability, stakeholder orientation, and access to external resources are already provided through cultural heterogeneity:

H2. Board cultural diversity moderates the relationship between board independence and ESG disclosure

2.5 – Board size and ESG disclosure. Board cultural diversity as a possible moderator

Board size is another dimension of diversity among boards that may affect ESG disclosure practices. Findings on the association between board size and ESG disclosure are mixed. Large boards may improve the decision-making process by bringing together a wider range of experiences, expertise, and perspectives to the benefit of ESG disclosure (Esa & Ghazali, 2012; Giannarakis, 2014; Husted & Sousa-Filho, 2019; Pucheta-Martínez & Gallego-Álvarez, 2019; Abu Qa'dan & Suwaidan, 2019). However, large boards may suffer from communication and coordination problems, slow decision-making, and difficulties in reaching unanimous decisions (Jensen, 1993; Yermack, 1996; de Andres *et al.*, 2005), with a negative effect on ESG disclosure (Tibiletti *et al.*, 2021; Ellili, 2023).

Large boards have been found positively associated with governance and environmental disclosure, due to their effectiveness in mitigating agency conflicts between managers and shareholders by reducing information asymmetry (Cormier *et al.*, 2010; Nuskiya *et al.*, 2021). Increasing the number of directors facilitates the representation of a broader range of stakeholder interests which, in turn, enhances the firm's responsiveness to these needs through the provisions of greater ESG disclosures (Jizi *et al.*, 2014; Kaimak & Bektas, 2017; Al Amosh & Katib, 2021; Wang *et al.*, 2022).

Despite many studies detecting a positive association between board size and ESG disclosure (Brogi & Lagasio, 2025), there is evidence in the literature of a non-significant relationship between board size and the level or quality of ESG disclosure (Amran *et al.*, 2014; Kiliç *et al.*, 2015; Rao & Tilt, 2016; Cucari *et al.*, 2018; Nguyen *et al.*, 2023; Yadav & Jain, 2023; Nuhu *et al.*, 2024).

Existing research suggests that in larger boards, a variety of experiences, expertise, and stakeholder representation come together, enriching board discussions and positively affecting ESG disclosure. However, they may face communication and coordination problems that reduce the effectiveness of decision-making. In such a context, board cultural diversity may provide international perspectives, knowledge of international ESG disclosure standards, and higher sensitivity to different stakeholder concerns. These attributes may reinforce the board's direction toward globally relevant topics, such as ESG issues. Hence, in larger boards, where internal cohesion is more difficult to achieve, cultural diversity may strengthen ESG orientation and improve ESG disclosure.

H3. Board cultural diversity moderates the relationship between board size and ESG disclosure

2.6 – CEO duality and ESG disclosure. Board cultural diversity as a possible moderator

Literature provides contrasting results on the relationship between CEO duality and ESG disclosure. CEO duality may limit board independence and weaken the board's monitoring effectiveness (Haniffa & Cooke, 2002; Li *et al.*, 2008), resulting in less ESG disclosure (Giannarakis, 2014; Zaid *et al.*, 2019). CEOs who are also chairpersons of the board have greater power, which reduces their need to be transparent with stakeholders, lowering their propensity to disclose ESG information (Michelon & Parbonetti, 2012; Muttakin & Subramaniam, 2015; Abu Qa'dan & Suwaidan, 2019; Arayssi *et al.*, 2020). Powerful CEOs seem to be more focused on financial goals and less concerned with ESG transparency (Khuong *et al.*, 2024). Other studies find a positive relationship between CEO duality and ESG disclosure, suggesting that powerful CEOs are prone to resort to ESG disclosure to gain personal success and increase their compensation and tenure, or reduce the pressure of significant stakeholders (Jizi *et al.*, 2014; Tamimi & Sebastianelli, 2017; Pucheta-Martínez & Gallego-Álvarez, 2019). Strong leadership is associated with a higher level of ESG disclosure (Muttakin *et al.*, 2015), particularly in the environmental and social pillar (Fahad and Rahman, 2020). Finally, several empirical studies find that CEO duality does not influence the extent or quality of ESG reporting (Nguyen *et al.*, 2023; Wang *et al.*, 2022; Adel *et al.*, 2019; Ben Fatma & Chouaibi, 2021; Habbash, 2016; Khan *et al.*, 2013; Said *et al.*, 2009).

Recent research points out that powerful CEOs may use ESG disclosure to secure the support of key stakeholders or gain reputation, which in turn may reinforce their position in terms of compensation or likelihood of reappointment (Jizi *et al.*, 2014). Board cultural diversity brings a variety of perspectives, values, experiences, and knowledge into board discussions, exposing the CEO to the pressure of a broader range of stakeholders. As a result, in the presence of CEO duality, a culturally diverse board may amplify the CEO's sensitivity to ESG-related issues. In this view, cultural diversity may increase the board's ability to direct concentrated leadership toward higher ESG disclosure:

H4. Board cultural diversity moderates the relationship between CEO duality and ESG disclosure

3 – Data and methodology

The database used for this study consists of non-financial companies listed in European Union countries in the period 2014-2021. The initial sample consists of companies with an overall ESG disclosure score in the Bloomberg database. The final sample, after eliminating observations with missing data for the variables used in the models, consists of a panel of 1,873 observations.

We used the overall score calculated annually in the Bloomberg database and its three pillars of Environmental, Social, and Governance as proxies for companies' ESG disclosure. The score assigned takes into account a series of information grouped into several categories.

The main independent variable is BCD, the degree of cultural diversity of the board members, it takes the minimum value (0) if all board members have the same cultural background as the country where the company is based, and the maximum value (1) if all board

members have a cultural background different from that of the country where the company is based.

Among the explanatory variables, BS takes into account the size of the board, i.e., the number of members on the board, BI quantifies the degree of independence of the board of directors as the weight of independent directors out of the total number of board members. Similarly, BGD quantifies female presence on the board as the ratio of women to total board members, while CEO is a dummy that takes the value of one if the CEO is also the chairperson of the board of directors.

As additional control variables, we used ROA as a measure of financial performance, the gearing ratio (GEA) as a measure of leverage, the firm's age (AGE), and company size measured by the logarithm of the number of employees (SIZE). The base model (1) is given by:

$$ESGD_{it}, GOVD_{it}, ENVD_{it}, SOCD_{it}, = \\ \alpha_0 + \beta_1 BS + \beta_2 BI + \beta_3 BGD + \beta_4 CEOD + \beta_5 BCD + \beta_6 ROA + \beta_7 GEA + \beta_8 SIZE + \beta_9 AGE \quad (1)$$

In model (2) we take into account the possible moderating effects of BCD, adding to the base model the interaction terms BCD*BS, BCD*BI, BCD*BGD, and BCD*CEOD:

$$ESGD_{it}, GOVD_{it}, ENVD_{it}, SOCD_{it}, = \\ \alpha_0 + \beta_1 BS + \beta_2 BI + \beta_3 BGD + \beta_4 CEOD + \beta_5 BCD + \beta_6 ROA + \beta_7 GEA + \beta_8 SIZE + \beta_9 AGE \\ + \beta_{10} BCD * BS + \beta_{11} BCD * BI + \beta_{12} BCD * BGD + \beta_{13} BCD * CEOD \quad (2)$$

To mitigate the concerns that the simultaneity of the dependent and independent variables may result in endogeneity problems, we used lagged explanatory variables to estimate the models (Labelle *et al.*, 2018). We estimate the models above using Tobit regressions.

In Table 1, we present the sample descriptive statistics for the overall ESG score, the three pillars, and the independent and control variables.

Table 1 – Descriptive statistics

Variables	Mean	Std dev	Median	Min	Max
ESGD	0.395	0.165	0.399	0.003	0.836
GOVD	0.670	0.219	0.711	0.024	1.000
SOCD	0.250	0.139	0.240	0.004	0.796
ENVD	0.306	0.200	0.307	0.003	0.879
BGD	0.496	0.286	0.497	0.003	0.997
BS	10.949	4.229	11.000	2.000	28.000
BI	0.545	0.278	0.538	0.000	1.000
CEOD	0.291	0.454	0.000	0.000	1.000
BCD	0.513	0.289	0.500	0.006	0.996
ROA	0.005	0.136	0.024	-1.000	0.993

GEA	0.905	1.177	0.573	0.000	9.914
SIZE	6.138	2.563	6.080	0.000	13.473
AGE	48.419	42.198	32.000	0.000	357.000

The average value of the global ESG score is 0.395, the governance pillar has an average score of 0.670, and the social pillar has a mean of 0.250, while the environmental average score in the sample is 0.306. The degree of cultural diversity of the board members (BCD) has a mean value of 0.513.

Table 2 displays the Pearson correlation coefficients between dependent and independent variables; the correlations assume low to moderate values, suggesting the absence of any multicollinearity problems among the independent and control variables in our models.

Table 2 – Pearson correlations

Variab.	GOVD	SOCD	ENVD	BGD	BS	BI	CEOD	BCD	ROA	GEA	SIZE	AGE
ESGD	0.826	0.867	0.880	0.174	0.328	0.291	0.104	0.044	0.039	0.142	0.527	0.122
GOVD		0.535	0.476	0.147	0.195	0.387	0.137	0.046	-0.001	0.115	0.412	0.055
SOCD			0.756	0.135	0.263	0.177	0.067	0.054	0.052	0.104	0.454	0.117
ENVD				0.146	0.326	0.171	0.069	0.014	0.025	0.130	0.439	0.098
BGD					0.083	0.097	0.007	-0.072	0.053	-0.007	0.111	0.019
BS						-0.206	0.116	-0.223	0.009	0.175	0.437	0.200
BI							-0.084	0.084	0.033	-0.012	0.071	-0.058
CEOD								-0.049	-0.026	0.009	-0.015	-0.072
BCD									0.030	-0.026	0.014	-0.099
ROA										-0.124	0.177	0.075
GEA											0.176	0.014
SIZE												0.268

4. Discussion

Considering the effect of single board characteristics on ESG disclosure, our findings point out that board size, independence, gender, and cultural diversity significantly improve the overall ESG disclosure, as well as its three pillars (Table 3).

These results, in line with Agency Theory, suggest that each of these board characteristics is an effective mechanism for monitoring management, which reduces information asymmetry towards firm stakeholders through higher ESG disclosure. From the Stakeholder Theory perspective, each of these board attributes enhances the board's sensitivity to social, environmental, and governance issues, making it more prone to providing information that reflects the expectations of a broad range of stakeholders. Furthermore, in light of the Resource Dependence Theory, each of these forms of board diversity facilitates access to information,

external resources, and networks, improving the company's ability to understand and address the complexity of ESG matters, with a positive effect on ESG disclosure practices. Our findings provide evidence that confirm the empirical research highlighting a positive association between board gender diversity (e.g. Arayssi *et al.*, 2020; Wang *et al.*, 2022; Ma *et al.*, 2024), board cultural diversity (e.g., Issa *et al.*, 2022; Dobjia *et al.*, 2023; Aliani *et al.*, 2024), board size (e.g., Jizi *et al.*, 2014; Nuskiya *et al.*, 2021), board independence (e.g., Cucari *et al.*, 2018; Arayssi *et al.*, 2020; Kamaludin *et al.*, 2022), and ESG disclosure. As for CEO duality, it is positively associated with overall ESG disclosure and social disclosure (Fahad & Rahman, 2020). CEOs who are also chairpersons of the board may be prone to increase overall and social disclosure because both have been found to curb firm risk (Singhania & Gupta, 2024). These results are also consistent with studies showing that powerful CEOs may use ESG disclosure to reinforce their leadership position, strengthen their reputation, and gain support from relevant stakeholders (Jizi *et al.*, 2014), such as employees and consumers, who are essential to the firm's success.

Our findings align with prior conceptualizations that frame ESG disclosure not merely as a compliance mechanism but as a communicative act fostering stakeholder trust. As Colombo and Gazzola (2013) highlight, effective CSR communication is essential to build accountability and credibility, and insufficient disclosure can undermine stakeholder confidence. From this perspective, culturally diverse boards may bring broader sensitivities and competencies that improve transparency practices.

Given that board characteristics do not operate in isolation but as part of an interdependent system (Nguyen & Nguyen, 2023), the present study focuses on how board cultural diversity interacts with other board attributes in shaping ESG disclosure (Table 3). The findings show that board cultural diversity influences the relationship between various board attributes and the level of ESG disclosure, and the significance and sign of the moderating effect vary depending on the ESG disclosure pillar considered. Board cultural diversity strengthens the positive effect of gender diversity on ESG disclosure, revealing a complementary effect between these board demographic characteristics in favoring ESG transparency (Gavana *et al.*, 2025; Nguyen & Nguyen, 2023). Similar evidence was provided by Katmon *et al.* (2019), who analyzed the interaction between board cultural and gender diversity on the quality of CSR disclosure. This indicates that cultural diversity fosters an open-minded board environment (Martínez-Ferrero *et al.*, 2021) that values and empowers other forms of diversity.

The presence of women on the board seems particularly effective in culturally diverse contexts, which facilitates the expression of alternative perspectives and may help reduce the risk of tokenism. Furthermore, board cultural diversity positively moderates the effect of board size on ESG disclosure. This evidence contrasts with the view that directors from diverse cultural backgrounds may raise coordination and communication difficulties (Elshandidy *et al.*, 2025), which may worsen in larger boards, introducing further complexity in the relations between board members. Instead, board cultural diversity reinforces the board's orientation towards ESG disclosure.

When analysing the components of ESG disclosure, our findings suggest a significant moderating effect, particularly regarding the social pillar, indicating that board cultural diversity complements certain board attributes in fostering social disclosure but may also create substitution effects with others. Board cultural diversity strengthens the impact of gender diversity, CEO duality, and board size on social disclosure.

Table 3 – ESG and pillars scores and the moderating effect of BCD. Tobit regression results

	ESGD			GOVD			ENVD			SOCD		
	coeff	St Err	t Stat									
Intercept	0.136	0.022	6.10	0.498	0.025	19.62	-0.087	0.034	-2.55	0.036	0.026	1.40
BS	0.008	0.001	10.28	0.006	0.001	7.07	0.011	0.001	9.13	0.006	0.001	6.93
BI	0.125	0.010	12.94	0.194	0.011	18.05	0.086	0.015	5.68	0.095	0.011	8.59
BGD	0.050	0.008	6.25	0.051	0.009	5.74	0.069	0.012	5.61	0.038	0.009	4.12
CEOD	0.013	0.006	2.20	0.009	0.006	1.49	0.009	0.009	1.02	0.019	0.007	2.86
<i>Moderator</i>												
BCD	0.035	0.008	4.45	0.025	0.009	2.81	0.026	0.012	2.14	0.044	0.009	4.81
<i>Controls</i>												
ROA	0.153	0.033	4.69	0.061	0.036	1.68	0.220	0.055	4.00	0.123	0.037	3.28
GEA	0.005	0.002	2.61	0.004	0.002	1.98	0.016	0.003	5.01	-0.003	0.002	-1.34
SIZE	0.012	0.002	7.53	0.003	0.002	1.55	0.018	0.002	7.23	0.014	0.002	8.03
AGE	0.000	0.000	4.21	0.000	0.000	1.28	0.000	0.000	3.90	0.000	0.000	3.87
Obs	1873			1873			1823			1872		
Log L	1809			1584			1027			1553		
Rho	0.698			0.731			0.661			0.619		
	ESGD			GOVD			ENVD			SOCD		
	coeff	St Err	t Stat									
Intercept	0.166	0.030	5.62	0.503	0.033	15.04	-0.030	0.045	-0.67	0.075	0.034	2.24
BS	0.006	0.001	5.07	0.005	0.001	3.57	0.008	0.002	4.27	0.004	0.001	3.01
BI	0.146	0.018	8.17	0.215	0.020	10.74	0.065	0.028	2.33	0.126	0.020	6.19
BGD	0.024	0.016	1.48	0.053	0.018	2.96	0.060	0.025	2.41	-0.002	0.018	-0.09
CEOD	0.010	0.011	0.89	0.017	0.012	1.37	0.014	0.017	0.84	-0.006	0.013	-0.46
<i>Moderator</i>												
BCD	-0.014	0.035	-0.40	0.017	0.039	0.44	-0.073	0.054	-1.36	-0.020	0.040	-0.51
<i>Controls</i>												
ROA	0.161	0.033	4.94	0.070	0.037	1.91	0.224	0.055	4.06	0.129	0.037	3.45
GEA	0.005	0.002	2.59	0.004	0.002	1.99	0.015	0.003	4.92	-0.003	0.002	-1.39
SIZE	0.012	0.002	7.44	0.003	0.002	1.42	0.018	0.002	7.16	0.014	0.002	7.97
AGE	0.000	0.000	3.97	0.000	0.000	1.18	0.000	0.000	3.89	0.000	0.000	3.52
<i>Interactions</i>												
BCD*BS	0.004	0.002	2.10	0.003	0.002	1.36	0.006	0.003	2.00	0.004	0.002	2.02
BCD*BI	-0.050	0.029	-1.68	-0.041	0.033	-1.25	0.034	0.045	0.74	-0.073	0.034	-2.18
BCD*BGD	0.055	0.027	2.02	-0.001	0.031	-0.02	0.017	0.042	0.41	0.083	0.031	2.65
BCD*CEOD	0.007	0.018	0.40	-0.013	0.020	-0.66	-0.010	0.027	-0.35	0.050	0.021	2.42
Obs	1873			1873			1823			1872		
Log L	1816			1586			1029			1566		
Rho	0.701			0.732			0.662			0.626		

This evidence points out that cultural diversity is a source of human and social capital (Yilmaz *et al.*, 2023) that complements female directors' contribution in raising the board's social sensitivity (Nicolò *et al.*, 2022; Ma *et al.*, 2024), a dimension that is more subjective and value-based compared to environmental or governance issues.

Furthermore, while powerful CEOs may resort to greater social disclosure strategically to gain support from employees and customers, board cultural diversity may complement this approach by providing more ethical motivations for such disclosure. Hence, culturally diverse boards may reinforce the propensity of CEOs to provide social disclosure, giving it intrinsic value (Aliani *et al.*, 2014). Regarding board size, the presence of culturally diverse directors in a large board is likely to result in a higher number of board members with varied sensitivities, enriching the range of perspectives and interpretations of social topics. Culturally diverse directors may foster a board environment that is more receptive to different value systems and promote intercultural dialogue (Harioto *et al.*, 2019). This diversity facilitates mediation between differing viewpoints and helps to reach consensus on social issues. Hence, board cultural diversity in large boards strengthens the ability to identify, discuss, and report on social issues more extensively. On the contrary, board cultural diversity attenuates the positive effect of board independence on social disclosure. The topics covered by this ESG disclosure dimension are closely linked to understanding and satisfying the needs of different stakeholder groups. Cultural diversity may already provide the sensitivity, knowledge, and relational resources necessary to meet these needs (Dodd *et al.*, 2022), making the role of independent directors in ensuring ESG transparency less important, and the contribution to social disclosure less pronounced, suggesting a substitution rather than complementary effect. Board cultural diversity positively moderates the association between board size and environmental disclosure. A possible motivation is that this type of disclosure addresses globally relevant topics, which are subject to international regulations. While larger boards enrich board discussions with diverse expertise, experiences, and a broader stakeholder representation, the presence of culturally diverse directors may favor the board's global perspective. Directors from diverse cultural backgrounds may contribute international experience and knowledge, enhance compliance with international ESG disclosure standards, and improve understanding of global environmental issues (Dobjia *et al.*, 2023; Khan *et al.*, 2019). As a result, culturally diverse large boards may be more prone to engage in environmental disclosure.

For governance disclosure, no interaction is significant. This suggests that board cultural diversity moderates the relationship between selected board attributes and ESG disclosure in areas that typically address the needs of stakeholders other than investors.

5 – Conclusions

This study contributes to the literature on corporate governance and ESG disclosure, shedding light on relevant board characteristics that can enhance ESG disclosure and emphasizing the interplay between board attributes in influencing this type of disclosure. In particular, we provide evidence on how board cultural diversity moderates the relationship between various board characteristics and the extent of the overall ESG disclosure, as well as its three pillars. In doing so, we use a sample of EU non-financial listed firms that have been subject to the same ESG disclosure regulations since 2014, when the EU adopted the Non-Financial Reporting Directive.

Integrating Agency theory, Stakeholder theory, and Resource Dependence Theory, we show that board cultural diversity increases the monitoring capacity of the board, its responsiveness to a broader range of stakeholders, and strengthens its advisory function, through the provision of diverse experiences, expertise, and perspectives to the benefit of the overall ESG disclosure and each of its components. The contribution of culturally diverse directors in larger boards is twofold: they enhance environmental disclosure by fostering the board's global orientation and improve social disclosure by helping to achieve a shared vision on social issues. Board cultural diversity effectively complements board gender diversity, allowing female directors to better express their potential in enhancing ESG disclosure, particularly in its social dimension, while acting as a substitute for board independence.

We demonstrate that board cultural diversity represents one of the mechanisms through which companies can address multiple stakeholder expectations, while still pursuing long-term financial objectives. This resonates with Colombo's assertion that "*by integrating CSR into the corporate strategy and stakeholder management, organizations can ensure that the increasing of shareholder value doesn't overshadow the need to behave ethically to their stakeholders*" (Gazzola & Colombo, 2014, p. 332). In this sense, cultural heterogeneity within boards can be seen as an enabler of stakeholder-oriented governance.

Our study has several practical implications. For companies, our results support the view that board cultural diversity is a key factor to consider in the case of director replacement, as literature points out that firms tend to focus on diversity traits such as gender, age, or ethnicity, but do not actively manage cultural diversity (Dodd *et al.*, 2022). Given that ESG disclosure addresses issues with global relevance, directors from diverse cultural backgrounds bring international experience and knowledge, which may enhance the board's ability to meet the expectations of international markets.

For sustainable investors interested in the firm's commitment to creating long-term value, our findings highlight the importance of considering how different board structural and demographic attributes combine within the overall board configuration. The human and social capital of female and culturally diverse directors act in a complementary way, strengthening the board's responsiveness to stakeholder needs and leading to more extensive ESG disclosure, particularly in the social pillar. Moreover, larger and culturally diverse boards are more conducive to environmental and social transparency.

For regulators and policymakers, the findings point out the need to support the development of governance frameworks that consider the strategic integration of different sources of board diversity, because policies that encourage a holistic approach to board composition can increase ESG transparency.

For stakeholder groups, such as employees, customers, and local communities, this study highlights that directors from diverse cultural background may foster an inclusive board environment that enables female directors to express their potential fully and, at the same time, increase powerful CEOs' sensitivity to the expectations of non-investor stakeholders, especially in dimensions like social disclosure that deals with labor rights, diversity, equity, and community engagement.

Our study presents some limitations. First, it focuses on board cultural diversity and its role in influencing the association between board structural characteristics (board size, board independence, and CEO duality) as well as demographic attributes (board gender diversity)

and environmental, social, and governance disclosure. Other sources of board diversity, such as director age, education, tenure, ESG expertise, and interlocks, could moderate the relationship and should be considered by future research. Second, we focus on non-financial listed firms from the European Union, where ESG disclosure is mandatory. Future studies may expand the analysis to institutional settings where ESG disclosure is not mandatory, to detect whether board cultural diversity effects vary under voluntary disclosure regimes. Finally, our research uses a quantitative approach, which can be complemented by qualitative research to investigate how companies can effectively manage board cultural diversity to enhance ESG disclosure. In particular, future studies could analyse whether the approaches and processes that companies adopt to improve cross-cultural competencies and communication among board members influence the extent of ESG disclosure by fostering a board environment in which cultural differences are valued and not perceived as a source of conflict.

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This paper is dedicated to the memory of Professor Gianluca Colombo, whose intellectual legacy has profoundly shaped our way of doing research. His work on corporate social responsibility, stakeholder engagement, and cultural transformation in organizations provided us with a strong theoretical foundation. His vision of sustainability as an ethical and strategic commitment inspired us to explore how board diversity can foster transparency and accountability. Through his writings, we came to see CSR not merely as a policy set, but as a cultural shift that redefines how companies create value. His ability to bridge academic rigor with real-world relevance remains a lasting reference for our work. More than a source of professional inspiration, Gianluca always knew how to create moments—often convivial and informal—that strengthened cohesion among colleagues. He leaves us not only his intellectual generosity, but also the warmth of his friendship.

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