THE INFLUENCE OF PROFITABILITY, LEVERAGE, AND BOARD CHARACTERISTICS ON CORPORATE ENVIRONMENTAL DISCLOSURE IN ASIA PACIFIC MARKET

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Abstract

This Paper Examines the influence of profitability, leverage, and board characteristics on the environmental disclosure under ISO 26000. Data were collected from 5440 firm-year observations from 12 countries in Asia Pacific. Our study finds that profitability, leverage, and board characteristics do not significantly affect environmental disclosure. Nevertheless, this research can explain that the awareness of environmental policy for employees and society must be improved. Especially in maintaining the social and environmental welfare to their surroundings and increasing the demand of the stakeholders.

Keywords: Environmental disclosure, Profitability, Leverage, Board Independence, Board Diversity, ISO 26000

INTRODUCTION

One of the most fundamental goals of the company is to maximize the stakeholder's wealth that can be achieved through producing good corporate governance practices. On the other hand, companies are also responsible to satisfy the socities demands and its environment. The effect of corporate, which has activities near the community, either directly or indirectly, impacts the environment with their waste and pollution. With that being said, the implementation of Corporate Environmental Disclosure is crucial.

The company needs to give more attention to the public interest (Gulzar et al. 2019). There is a tight mutualism between business organizations and society. A business organization cannot operate if there is no existence of the society. An interaction between the company and community influences the involvement of the stakeholders to become tighter with the company. Poor Environmental Disclosure cannot resemble good ecological performers. The firm value needs to disclose the disclosure of the details in the environmental report. Within the potential role that investors attracted is the cost of the firm to be lower. It could reduce the environmental performance information and depict the Investor's perspective on firm ecological performance.

To fulfill this role, once again, the information needs to consists of reputable information. The relationship between the companies with the environment needs to be more concerned. Disclose environmentally; financial reports might influence how the company tried to attract investors. The possibility of raising money at low costs is the primary reason companies need recourse in the capital market. Investors tend to concern about the companies that have a better return per unit of risk. Albeit, this situation is conditional in remunerating the skill of investors. Emerging Markets in the countries considered scarcer, comparing with other markets in Develop Countries. The emerging market has a less mature economy (Orsato et al., 2015).

This study took the sample from the Markets in the Asia Pacific. As the Markets are currently evolving into the bigger market, it further influences the Company's Operation that grows faster. Environmental disclosure enhances financial performance prediction. This study focuses on The Asia Pacific Market that the researcher observed are the countries currently developing into the more extensive market. These include Japan, China, New Zealand, India, Australia, Malaysia, Hong Kong, Pakistan, Singapore, South Korea, Sri Lanka, and Thailand. All of these companies are being listed in Bloomberg. After the 1980s, Asia-Pacific countries and rapid urbanization have been experiencing rapid economic Growth for more than two decades. While this has led to economic development, it was accompanied by environmental degradation. Thus, the demand for continuously growing to achieve greater importance for these services is increasing fast (Nallathiga, 2014).

In recent years, Asia Pacific Market has underpinned the attractiveness of the Investors as the mature market has been emerging gradually into more stable and attractive pricing. Demographics and Growth become the key factors that enhance the Investor's attraction toward the companies. Albeit slowly, Asia Pacific has been gaining advance to the investors. It has been quite challenging on the nature of the ESG and Sustainability adoption for different funds of Environmental Report in the Asia Pacific sector. Nonetheless, there is a positive side regarding ESG compliance; the company has increased its awareness over wealth management and Asset related to Environmental Activities over the past few years.

To positively impact a social level, Sustainability practices symbolize the Integrative, Complementary, and long-term approaches incorporated in an organization's operations, especially on the economic, ecological, and social system. (Chakrabarty & Wang, 2012). With long-term sustainability, company can create a strategy through sustainability practices, especially to bring prosperity to the community. Through Environmental Disclosure, Company can be more prepared to identify the opportunities and prevent the damage on Economic, Environmental, and Social Risks.

To maintaining the Profit, Company also needs to be aware of the Severe Impact that could be happening because of their Operational Activities within the Environment and Society. (Gulzar et al., 2019) describes that to ensure the Company's Sustainability, it needs to be based on 3P, Profit, People, and Planet. The profit needs to come alongside the Advantage for the Operation Field Surround the Company. The People in here related to the Condition of the Communities surround the company. The welfare of the People needs to be more concerned to maintain good Corporate Social Responsibility. The Planet is the Environment's Condition inside and outside the Companies.

Companies also have the potential to cause a severe impact on social and environmental problems. There is a massive responsibility for the company for giving the increasing demand for the community welfare profits related and fix the damage. A core factor for having the attention is profitability and leverage. A High level of profitability also encourages the Board of directors to give broader information about their social activities. Force influences the Disclosure of Corporate Social Performance as well. The breach of debt contract will naturally make the profit in the report is become higher than the future profit.

The protection of the environment has become a necessary action in these current days. The demand for bringing proper environmental conditions is increasing, especially in the field of company operations. The Pressure comes from the diverse shape of entities such as the government, stakeholders, and community. They push the companies to publish Environmental reports. The exertion of environmental disclosure schemes is to create translucent communication to the stakeholders and community for the organization's prestige, especially when giving the grant to their surrounding operation field. (Chaklader & Gulati, 2015)

There is an accelerated swift in terms of channel, beneficiary, and essence of communication on the corporation (Balluchi et al., 2021). To devise the consent from stakeholders, companies need to maintain their disclosure comprehensively. It illustrates how the company conducting its activities based on environmental standards (Carnevale & Mazzuca, 2014).

The sense of responsibility toward the stakeholders has become an essential element In the Business World and serves as a strategy for the crucial key point. The Corporate Social Disclosure being Publish once a year has the Board of directors handling the Annual Report. The Policies and Overall Norms Activities of Management, Ethical Value, and moral Value are the main course for the Companies to Progress for being the best version each year. Especially for Continue their Project in the Short and Long Term (Gulzar et al., 2019), The Board of Directors have a significant role in devising Strategic Operation and Decided the Annual Report for the Environmental. Disclosure. Which Inherently affect the Operation of Environmental Sustainability in the Company.

Generally, the Board of Directors consists of Independence and Dependence Member. Dependent Member usually comes from inside the firm that owns the company. The Independent Members come from Minor Stakeholders. It is highly assumed that the Independent Managers are not aligned with Management and could be the best mechanism for the stakeholders and society in general. Independent Directors have great possibilities to discouraged companies from reporting more information to the stakeholders. The engagement of the Independent Member on the Board of Directors can be negatively influencing the Environmental Disclosure of the Companies.

CONCEPTUAL FRAMEWORK

Stakeholder Theory

Stakeholder Theory begins with the explanation that there is an essential value in a side of doing business. Part of the duty for a manager is creating equal senses for the precious values, which will be established and align the responsible people of the company together. The definition of stakeholders is the people who are either parties or groups interested in the company directly or indirectly. In operating the company, stakeholders have an essential role in the course of the company's activities. Stakeholders Theory creates a system that the company needs to give back to the Environment and Society related to various parties, such as stakeholders and community. It became the control tool, especially in observing the corporate social responsibility, which the company handles. It also helps evaluate the company to measure its progress and make innovations for better governance and society.

Zeff (1974) maintained that the company's economy has a significant impact, especially on the accounting report on business, government, and creditor decision-making behavior. Furthermore, the statement strengthened by the observation from (Leuz, Christian. Verrecchia, 2002) entitled, "The Economic Consequences of Increased Disclosure," said the proxy used to measure the economic consequence is bid asks spread. This information provides that the components of company social disclosure, Especially the profitability and leverage of the company, are the fundamental requirement. Investors and the possible potential Investors need the information to create an utmost proper and rational decision. Also, to prevent the further asymmetry and bias that might occur when creating decision-making.

There is a valid reason that in providing comprehensive information about the environmental and social programs, Profitability could trigger the managers to disclose the report. Firms that bring good performance have a high possibility that they will be more exposed to the pressure from the community. From the Perspective of Stakeholder Theory, while maintaining the company welfare, Profitable firms have a duty to different stakeholders, especially those interacting with them. Within the pressure from the district and self-regulation mechanism by the firm, high disclosure quality represents a positive response undertaken by the firm (khlif et al., 2015). It has resulted in the company increasing the Environmental Disclosure to attract Employees, Customers, and Stakeholders.

Agency Theory

The agency cost is the relationship between principal and agent. The core convention of this theory states that there is a working relationship between the party who has the jurisdiction, namely the investor, and the party receiving the authority, which is the manager in the form of cooperation. In agency theory, there is an assumption that each individual is motivated by their interests, creating conflicts of interest between the principal and agent. The existence of the party's interest given the authority encourages several fees to be used to fulfill personal interests rather than the company's interests. Agency costs are detrimental to the company because they are only beneficial individually but not to achieve targets or increase value, especially toward the company.

The principal's interest believed that the agent with the same of achieving the augmented profit would serve inappropriately. According to the theory of experts put forward by (Akbas 2016), an agency relationship is a contract where one or more (principal) orders another person (agent) to perform a service on behalf of the principal. It empowers the agent to make the trounce decisions for the principal. According to Ross, Westerfield, & Jaffe (2013), Leverage is an indispensable part of the company. Especially when maintaining the financial performance. Leverage becomes the depiction of how well the company governs the funds, particularly on the source of funds either from the asset owned by the company or from the company's debt. The escalation ratio of Leverage has spectacle that there is an immense need, notably for the company for fresh funds. This demand of the company could lead to the circumstances that the Leverage also divulges on the debt of the company's dependence, which has a high possibility to conceive some risks for the company's survival. According to the agency theory, the higher debt ratio decreases agency cost by aligning the interests of managers and shareholders, thereby proving a negative relationship between leverage and agency cost.

Independent director has a specialty in perceiving the management behavior through supervising the disclosure that needs transparence. Agency Theory also focuses on board independence, representing stakeholders (Riyadh et al., 2019). Independence directors are more attracted to ethical behavior and sustainability as they provide higher incentives from the company (Liao et al., 2018). For the voluntary environmental disclosure, Board Independence has an impact on the company's final reporting. They can command and observe the operation in the management group to provide the relevant safeguarding minority shareholder's interest. (Agrawal & Knoeber, 1996). Independence Director must behave adequately to fulfill the company goals, especially from the objective perspective of an independent and external perception. These might result in how information disclosure is complete with higher quality and quantity of information disclosure (Garcia et al., 2017).

The presence of women in both the board of commissioners and the board of directors is one of the most widely studied variables. It is natural for subordinates to respect the decisions of superiors or elders in the sense that people are more respected. Similarly, the existence of women on board causes respect from men toward women's opinions in a council. Women could potentially lead to "group thinks." Groupthink, a phenomenon that often occurs in group decision making, is defined as a situation in which the majority tried to drown a critical view, unusual, or coming from minority groups (Galbreath, 2018). Women Commissioner is more sensitive to environmental issues and the like with the development and has better communication than men (Westphal, 2016)

There is viable research on how women on board influence the firm performance and the corporation's final decision. Based on the previous. Women and men have different leadership styles, with female directors being more cooperative and democratic than men (Ray, 2005). The Agency theory also emphasizes that the role of the board of directors in monitoring and controlling managers and suggests that gender-diverse boards may help reduce agency problems between managers and shareholders.

Accordingly, women could embolden more clear discussion among board members to encourage more cooperative communication inside the company. (Alazzani et al., 2017). Moreover, in the outcome, women are more feasible than men to acquire communal attributes, such as affinity with other people's well-being, convenience, altruism, tenderness, subtlety, kindness, and sustenance.

Legitimacy Theory

Legitimacy theory explains that corporate carry out the daily business performance with limits determined by Social Values, Norms. Concerning the environment, there is a limitation, especially on how the company behaves toward the environment. Legitimacy Theory believes that community and Society become the core aspects of the success of the company. If the company appropriately conducted the social welfare, it could bring up prosperity for the community and increase social wealth. This theory provides a broader explanation that the company needs to take part in using the community field to maintain their operational activities.

Hypotheses development

The impact of profitability on environmental disclosure

There is a major reason in attaining the attention from the stakeholders and investors, concerning on profitability and leverage. It will bring the details for observing each financial performance for the further company's good performance. Profit playing essential aspects, especially in managing the business for the Companies. Profit depict on how the company treated the business based on environmental performance. For the shareholders, it also the profit that dividend are paid to them. When there is no Profit, the chance that companies do environment responsibility is low. Based on that assumption, Profitability of the company playing an important role especially when disclosed their environmental performance. Companies with high Profitability have high possibility to abide the environmental regulations. Hereby it influences the companies to have less environmental problem in their disclosure. (Sulkowski, 2012)

There is a valid reason that in providing the comprehensive information about the environmental and social programs, Profitability could trigger the managers for disclose the report. Firms that bring the good performance, have a high possibility that they will more exposed to the pressure from the community. In maintaining the company welfare, Profitable firms have a duty to different stakeholders especially that have an interaction with them. Within the pressure from the community and self-regulation mechanism by the firm, high disclosure quality represent a positive response undertaken by the firm (khlif et al., 2015). It is resulted on the way the company to increase the Environmental Disclosure to attract the Employees, Customers, and Stakeholders.

H1: Profitability is Positively influence the Environmental Disclosure

The impact of leverage on environmental disclosure

Company, which has lower leverage, may face pressure from creditors and it could have sufficient funds for financing the environment disclosure and the companies can only focuses on the other activities, such as activities that related with the organizations that would influence the financial success of the company. One of the examples is Voluntary Disclosure (Brammer & Pavelin, 2006)

High leverage for cost could create credit negotiations that suggest the environmental disclosure, which could lead to the increasement of proprietary costs for high leverage cost.

The high the leverage on the company may have less environmental issue to report, as it influence on how companies with high leverage could comply with environmental regulation and has less environmental issue (Cormier & Gordon, 2001).

According to Ross, Westerfield, & Jaffe (2013), Leverage is indispensable part of the company. Especially when maintaining the financial performance. Leverage becomes the depiction on how well the company governs the funds particularly on the source of funds either from the asset owned by the company or from company's debt. The escalation ratio of leverage has spectacle that there is an immense need notably for the company for fresh funds. This related with the circumstances that the leverage also divulge on the debt of company's dependence, which have a high possibility to conceive some risks for the company's survival. This could imply that negative relationship occurs between Leverage of the company and Environmental Disclosure.

In other resource, the supervision by the creditors affect on how management being more careful especially when they disclose their environmental performance. With the high corporate leverage, it shows that the company more likely to fulfill their duty to debt holder than to carry out environmental disclosure as it could expands company expenses. (Sulkowski, 2012) find a negative influence between leverage with environmental disclosure.

The Purpose of Environmental Disclosure is to inform the creditors about the way companies treated environment and employee in the firm's process of production, which financed by the equity capital and also mix of debt. Environmental Reporting is also influenced by a two-fold manner of capital structure. It is spectacle that there is a negative relationship between financial leverage and environmental disclosure. In the environmental reporting, firms with the excessively leveraged usually cannot provide funds for largely unrestricted practices of communication with investors and stakeholders in the extent of environmental reporting.

The previous studies that already discussed about this matter is (Andrikopoulos et al., 2014). Within the suppliers of external capital that consists of stakeholders that being a critical resources for the success of a corporation, the demand of stakeholder have a high possibility to be satisfied. In part of environmental it aligns with the capital that provides available funding.

Leverage is an indicator to measure how much a company depends on Creditors and measure the company's ability to finance company assets. With high leverage, companies will tend to allocate their resources to pay off debts compared to doing environmental disclosure reports.

H2: Leverage is Negatively influence the Environmental Disclosure

The impact of Board Characteristics on environmental disclosure

The board makes fundamental key on practical and financial decisions and contemplate the needs of firms' stakeholders. Within being said, they contribute a big impacts on how the final result of environmental disclosure will be publish in the financial market and also which will be given to the stakeholder. This amplifies the components of Environmental Disclosure itself. The Characters of the board is so diverse. And it is necessary to perceive how they characters could influence the report.

In order to disclose the environmental report, the Board of Director has huge responsibility to finalize the disclosure. They are the one who giving the final decision and also checks the report before it being released. The mechanism of the board of directors is to control, guide, and monitor the corporations as part of the corporate governance (Liao et al., 2018). As board playing an important role on corporate social performance, this research will focus on examining the impact of board characteristics that include the board of independence and board diversity on corporate performance.

Board Independence

The board of independence has the degree for board members especially topical CEO or corporation staff, which has specific relations with the expertise and individual within the company. Exclude the membership in the board that is the shape of independent who doesn't have any link with the firm and other board staff it is assumed as a strong factor in contributing the disclosure of annual report. Board independence is another compelling feature of corporate governance. Defender of the agency theory proposes that independent directors in board may avert agency problems and resulted on the enrichment of board monitoring (Jensen & Meckling, 1976).

Independent nonexecutive director has a specialty in perceive the management behavior through supervise the disclosure that need to be transparence. Agency Theory also focusing on Board Independence as they also become the representative of stakeholders (Riyadh et al., 2019). Independence Director more attracted with ethical behavior and sustainability as they have been provided with higher incentives from the company (Liao et al., 2018).

One of the duties of Board Independence is being expertise of the financial issue of the company. It is become their obligation to create a good reputation and unaligned themselves with any other matter related with commercial or investment with the shareholders and investors. Board Independence supposed to make proper decisions in order to assure the disclosure filled with higher quantity and quality of information (Rodríguez-Ariza, Frías-Aceituno, and García-Rubio, 2014).

For the voluntary environmental disclosure, Board Independence has an impact on company's final reporting. They are able to command and observing the operation in the group of management for providing the relevant safeguarding minority shareholders interest. (Agrawal & Knoeber, 1996). In order to fulfilling the company goals, Independence Director must behave with adequate manner especially from the objective perspective of an independent and external perception. These might resulted in a way information disclosure completed with a higher quality and quantity of information disclosure (Garcia et al., 2017).

Independence Director has been appointed by their performance especially in maintaining the financial performance and also their good reputation, and professional background when maintaining their job. They also do not have any direct relationship with the shareholders that lead to inherently; their independence could not be vouch. They have an unlimited authority for the knowledge of environmental issue on the report of financial disclosure. If there is any issues occurred on the disclosure, Independence Director can observe the problem even before it out to the stakeholders (Keasey and Hudson, 2002). They also capable on bring up the effective reporting quality for the company (Reeb and Zhao, 2013). But, the Board Independence mainly consists of the company's management team and CEOs. with that being said, the way they maintaining the observation for the respective company and obtaining the resource from external factors could possibly put in a high stake (Johnson, Schnatterly, & Hill, 2012). These factors could lead to the argumentation that Independent Directors while maintain the disclosure especially on the final environmental reporting might discourage the companies to publish the report in appropriate manner.

Part of Environmental Disclosure is the report on greenhouse gas emission. Which could fulfill the benefit for the stakeholders. But in reality, it also cannot satisfy the desire of shareholders. In conclusion, there is a high possibility that in order to fulfill the satisfaction of the stakeholders, the Independent Directors will prefer to choose not to support the final result of the report in environmental disclosure.

In a previous study, there are several researchers whom already conduct the Investigation toward the discussion on how the Independence Director negatively influences the voluntary disclosure, Including Environmental Disclosure. The previous researches such from (Eng and Mak, 2003), (Arora and Dharwadkar, 2011) and (Garcia-Sanchez, 2010), also support the hypothesis.

H3 : Board Independence Negatively influence Environmental Disclosure

Board Diversity

In companies, Men are the majors composed, comparing with the women member; it has a huge amount of the total staff. There is still lack of diversity especially when it comes to women. Gender diversity is important as it can give diverse perspectives to create better companies with good vision. It also can bring a chance for women to have the equal duty as Men do. The firm performance, which is in here the annual report of corporate social disclosure, could have a huge influence; hereby my research will observe the effect of gender diversity in the company. It has been proof that the role of women on the board of directors influence a positive effect on companies' process when taking the final decision-making and performance since female directors are devoted, diligent and obedient (Trireksani & Djajadikerta, 2016).

Presence of women in both the board of commissioners and board of directors is one of the most widely studied variables. It is a natural thing for subordinates to respect the decisions of superiors or elders in the sense that people are more respected. Similarly, the existence of women on the board causes the respects from the men toward the opinions and views of women in a council. This could potentially lead to "group think". Group think, is a phenomenon that often occurs in group decision making, is defined as a situation in which the majority tried to drown a critical view, unusual, or coming from minority groups (Galbreath, 2018). This is because the commissioner women are more sensitive and sensitive to environmental issues and the like with the development and have better communication than men (Westphal, 2016)

There is viable research on how women in board influences the firm performance and the final decision of corporation. Based on the previous. Women and men have different leadership styles, with female directors being more cooperative and democratic than men (Ray, 2005).

Accordingly, among board members women could embolden more clear discussion to encourage more cooperative communication inside the company. (Alazzani et al., 2017). Moreover, in denouement women are feasible than men to acquire communal attributes, such as affinity with the well being of other people, convenience, altruism, tenderness, subtlety, kindness and sustenance.

H4 : Board Diversity Positively influence the Environmental Disclosure

METHOD

Research Method

Sample sources being listed publicly in Bloomberg. For having a complete result, especially to observe the data indicated by ISO 26000, this study decided to put control variables in the hypothesis development. The control variable consists of EBITDA, P/E, Sustainable Growth Rate, Government disclosure Score, Human Right Policy, Equal Opportunity, GRI, and Environmental Supply Chain. Control Variables will allow limiting confounding and other extraneous variables.

Data Sources

Data obtained from secondary sources. This research area focuses on the company located in Asian Pacific. Further distinguishes into Emerging and Developing Market. For the Emerging Market, Australia, China, Hong Kong, Japan, New Zealand, Singapore, and South Korea. And for Developing Market consists of India, Malaysia, Pakistan, Sri Lanka, and Thailand.

The population of this study comprises Asian Pacific Companies listed on Bloomberg Index from 2016 until 2020. After limiting the categories of the data variable, this study has narrowed to 5440 observations. The listed companies already used the components of ISO 26000, such as human rights policy, equal opportunity, Sustainable Growth Rate, Environmental Supply Chain, and GRI Compliance. The data collected is secondary data by reviewing the companies' annual reports in five years. The reason for using the yearly account of this study is that previous researchers commonly used it when conducting observations. Annual report also contains essential information on the variables required for this study.

Table 1
Sample Selection

Criteria	**Number of Companies**
Total Number of Company's Primary Security of Asia Pacific listed in the Bloomberg	36123
Less: Companies do not have adequate Independent Variables Data used in the research from 2016-2020	-31580
Less: Companied do not have Board Characteristics data from 2016-2020	-2077
Companies do not have the incomplete data of the implementation of ISO 2600 from 2016 - 2020	-1378
Total Companies	1088
Number of Observations (Total Companies x 5 Years)	5440

Table 2
Descriptive Statistic

Variables	Mean	Median	Minimum	Maximum	Std. Dev.
EDS	21.05667	14.73	0.33	79.84	16.36221
ROA	5.940654	4.64	-5.06	75.64	4.989795
LEVERAGE	2.232191	1.86	1.04	18.18	1.381878
BOARD_Diversity	0.829963	1	0	6	0.939199
BIND	3.334559	3	0	11	1.684266
EBITDA	7.34	1.520012	-3.730011	5.520014	2.580013
ESC	0.496691	0	0	1	0.500035
P_E	23.9192	15.305	0.97	4410	69.86233
GDS	50.53798	46.43	33.93	99.31	8.281
GRI	0.217096	0	0	1	0.412306
SGR	7.071805	6.22	-296.39	112.79	8.648723
HR POLICY	0.663971	1	0	1	0.472392
EOP	0.668382	1	0	1	0.470838

Data Analysis Strategy

All data are being acquired and analyzed by Quantitative method with Eviews 10 statistical application. The estimation of this study are using the Fixed Effect Model and uses the ordinary least square principle. As for the method of regression data panel, the data uses the model of Chow Test. The score of the environmental disclosure is simplifying the environmental disclosure. It involved the percentage figure that represents aggregated level of disclosure from global standards, which is considered by the respective industries. There are four indicators that act as the measurement of environmental disclosure score are being used for the dependent variable of the research. The four indicators that needed are Return on Asset, Leverage, Board Independence, and Board Diversity in order to measure the Environmental Disclosure.

Table 3
Contingency Table

Sector	Country												
	AU	CH	HK	IN	JN	MA	NZ	PK	SI	SK	SL	TH	Total
Communication Services	2	1	2	4	13	1	2		1	1		2	29
Consumer Discretionary	8	9	6	19	98		3	1		1			145
Consumer Staples	5	2	1	16	70	3	1		1		1		100
Energy	2			5	5	1		1		1			15
Financial	3		1	9	10	2		1	1				27
Health Care	5	6		15	36	2	1			3		1	69
Industrial	7	14	1	41	234	3	1	1	2	2	4	1	311

Information Technology	4	7	1	8	109				1	1			131
Material	13	12	1	55	99			4			1	2	187
Real Estate	8	5	5	5	11				7			1	42
Utilities	2	1	1	7	17	1	2					1	32
Total	59	57	19	184	702	13	10	8	13	9	6	8	1088

RESULT

Prior to testing our hypotheses, we check our regressions for any violations of classical assumptions in the models. We run several tests including, multivariate non-normality, Multicollinearity, Heteroscedasticity, and Autocorrelation. The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis, which runs under ordinary least square (OLS) (Alipour et al. 2019).

Normality Test

In Normality Test, the results of the residual normality test above are the Jarque fallow value is 24768.58 with a p value of 0.0000 where <0.05 so accept H1 or which means the residual is not normally distributed.

Multicollinearity Test

This study uses Multicollinearity. The result shows that R squared is less than 0.8 it provides the explanation that this study Accepting the hypothesis. And all the Variables in this research have the value less than 10. Meaning there is no any issue of Multicollinearity.

Table 4
Multicollinearity Test

Variable	Coefficient Variant	Centered VIF
C	1.160082	NA
ROA	0.001348	1.574877
Leverage	0.013473	1.207546
Independence Director	0.012398	1.650716
Board Diversity	0.036914	1.528292
EBITDA	3.60E-29	1.122808
Environmental Supply Chain	0.114470	1.343356
P_E	4.43E-06	1.014249
Government Disclosure Score	0.000494	1.589729
GRI	0.196900	1.571026
Sustainable Growth Rate	0.000380	1.334251
Human Right Policy	0.126914	1.329274
Equal Opportunity	0.141512	1.472425

Heteroskedasticity

Heteroscedasticity test is used to determine whether or not there is a deviation from the classical assumptions. Heteroscedasticity is the presence of variance inequality from the residuals for all observations in the model regression. The prerequisite that must be met in the regression model is the absence of Heteroscedasticity symptoms. If the prob value is < 0.05, then there is a symptom of Heteroscedasticity in the research model, while if the value of prob > 0.05 then there is no symptom of Heteroscedasticity in the research model. From the results of the Heteroscedasticity test using the white method, The panel regression output is Robust to the presence of Heteroskedasticity period. White Heteroskedasticity indicate that the prob value is 0.000 < 0.05. So it can be concluded that there is a symptom of Heteroscedasticity in the research model.

After Comparing the Estimation Output from the regression with the Heteroskedasticity Consistent Covariance and the Estimation Output. Based on the data, the Heteroskedasticity Consistent Covariance correction has reduced the size of t-statistic for the coefficients, a typical result.

Autocorrelation

The Prob Chi Square value is the p value of the Breusch-Godfrey Serial Correlation LM test, which is 0.000 where < 0.05

The results of Autocorrelation show that if the hypotheses in the autocorrelation test are:

H0: there is no autocorrelation

H1: there is autocorrelation.

Then if the p value of the Obs*R-squared value is statistically significant (less than 0.05) then H0 (no autocorrelation) is rejected. The results of the LM test above show the p value of the Obs*R-squared = 24.05574 (more than 0.05) then H0 is rejected while H1 is accepted, meaning that there is an autocorrelation. If Durbin Watson Statistic <2, there is an indication that the autocorrelation has occurred. When performing the autocorrelation test with the Breusch Godfrey method, the prob chi square value and the Durbin Watson statistic test were below 0.05. After seeing that there is an autocorrelation in the variable, this study try to fix the regression with the estimation of ρ. Simply the value of ρ can be estimated using the d statistic with the new equation generated using the ρ with the formula:

$$\rho = 1 - d/2$$

After the ρ value is obtained, then the data transformation can be carried out by estimating the ordinary least square (OLS) method. The probability is not significant as it is more than 0.05, the Durbin Watson Statistic already more than 0,8. Which means is autocorrelation free.

Regression Analysis

Regression Analyses were performed to predict the relationship between independent variables and dependent variables. The dependent variables in this study are Environmental Disclosure as measured by the Environmental Disclosure Score and independent variables in this study are Profitability, Leverage, and Board Characteristics that was measured by the level of ROA, Leverage, Independence Director, and Board Diversity. The proxy of EBITDA, Environmental Supply Chain, Price Earning, Government Disclosure Score, GRI, Sustainable Growth Rate, Human Right Policy, and Equal Opportunity measured the Control Variables.

The Fixed effect model differs from the common effect, but still uses the ordinary least Square principal. The assumption of modeling that produces a constant intercept for each Cross section and time is considered less realistic, so more models are needed to capture the Difference. It is equally desirable to use Fixed Effect when observations are obtained from the whole population and the aim is to make inferences for the individuals (firms) for which data are available. All these conditions fit this work. Prob (F-statistic) of 0.00000 indicates that all the independent and control variables are simultaneously influencing the dependent variables with the t-statistic that is influences the variables if the significant value less than 0.05.

Discussion

Given the result obtained, the dependent variables such as Board Diversity, ROA, Leverage, and Independence Director seems to have weak correlation with Environmental Disclosure Score.

Previous Studies for example, Ohidoa et al., (2016), Dibia & Onwuchekwa (2015), documented that leverage do not influence the ability of a company to disclose environmental information. As the probability of the leverage is 0.9633 and the coefficient is -0.005 shows that Leverage is negatively influencing the environmental disclosure. it is aligned with the 2nd hypothesis that Leverage is negatively influencing the environmental disclosure.

Table 5
Regression Analysis

	Coefficients	Std. Errors	Probability
BOARD_DIVERSITY	-0.30971	0.192131	0.107
ROA	-0.252012	0.036711	0.00
LEVERAGE	-0.005342	0.116074	0.9633

INDEPENDENCE_DIRECTOR	-0.32386	0.111347	0.0036
EBITDA	6.75E-14	6.00E-15	0.00
ENV_SUPPLY_CHAIN	14.55745	0.338335	0
P_E	-0.003753	0.002104	0.0745
GOV_DISCLOSURE_SCORE	0.129352	0.022224	0
GRI	11.20423	0.443735	0
SUST_GROWTH_RATE	0.041036	0.019495	0.0353
HUMAN_RIGHT_POLICY	2.742144	0.356251	0
EQUAL_OPP	3.05116	0.376181	0

Regression Model

As Shown in **Table 2** the data result depicts that there is a Negative Significant Relationship of Profitability and Environmental Disclosure. With the coefficient of ROA is -0,252 meaning that there is no significant effect on Environmental Disclosure. It indicates that company's ability to gain profit indicated by return of asset ratio (ROA) does not have effect to Environmental Disclosure. It caused by when company has high level of profit, manager does not need to report things that can interfere the interests of the company to allocate the profit as manager interest purposes. It contradicts

When the value of profitability is low, there will be the high expectation that the company's report readers, especially Investors and Stakeholders will read about "good news" of the performance. The result of this research shows that company with high ROA, indeed has positively contributed to the social and environment activities, but not significantly allocates the money in social and environment activities. It shows that Environmental Disclosure done by company is really low. This is rejecting the hypothesis of this study that Profitability supposedly influences the Environmental Disclosure. This study also not aligns with the previous studies from (khlif et al., 2015) and (Sulkowski, 2012) that provide the positive relationship of profitability on environmental disclosure.

Based on the Agency Theory, conflict of agency will happen if manager's interest contradicts with stakeholders' interest. The coefficients for the board independence and gender diversity with the involvement of Women on Board are not statistically significant. These results suggest that the presence of independent directors and women directors on the board is unrelated to the level of environmental disclosures of the Asian Pacific sampled companies. These findings are in line with the results of the studies conducted by (Michelon & Parbonetti, 2012), whom found an non-significant relationship between the proportion of independent directors and sustainability disclosure and the observation conducted by (Khan et al., 2020) The study documented that Independent Directors on the board is not statistically significantly associated with corporate environmental disclosure. Hereby, the 3rd hypothesis is accepted in this study.

For the Board Diversity, There is no significant relationship between board diversity and environmental disclosure; it can be explained by the fact that dependent and male members mainly dominated the majority of the boards of the sampled firms for the time period covered in the study (Akbas, 2016). In this observation, Asia Pacific Market still didn't encouraged women to be part of their board members. They have a negative relationship on environmental disclosure. Rejecting the previous studies form (Alazzani et al., 2017) and (Trireksani & Djajadikerta, 2016).

CONCLUSION

This study aiming for depicts a more comprehensive explanation toward the companies, focusing on how the companies disclose their environmental report. Since the beginning of this Observation, the researcher has been aware of the complexity of the Result that will create new output, especially for the dependent and independent variables, which consist of Profitability, Leverage, Board Independence, and Board Diversity. As a result of this, this study also added the additional control variables such as EBITDA, Environmental Supply Chain, Price Earning, Government Disclosure Score, GRI Compliance, Sustainable Growth Rate, Human Right Policy, and Equal Opportunity. These Control Variables are also part of the measurement to indicates the ISO 26000. This study is focusing on Asia Pacific Market, as it is currently evolving into an emerging market. This study is concerned with ISO 26000 because it is inherently related to how the companies conduct their Environmental Policy while affecting their employee welfare and environmental surroundings.

The Result showed that Profitability, Leverage, and Board Characteristics do not significantly affect Environmental Disclosure and aligns with the Leverage and Board Independence hypothesis, which Negatively Influence Environmental Disclosure. For the Profitability and Board Diversity, the hypothesis has been rejected. As a result, it shows that Profitability and Board Diversity do not significantly influence Corporate Environmental Disclosure. Nevertheless, this research can explain that the awareness of environmental policy for employees and society must improve, especially in maintaining their surroundings' social and environmental welfare and increasing the stakeholders' demand. The data of this study is deficient. As this study observes the data using the Classical Assumption Test, there is still some probability of the test, which is not significantly impactful to the research.

Disclosure of environmental information by large-sized companies may result from stakeholder pressure or purely voluntary. The Result also shows that environmental certification of ISO 26000 Components is positively associated with Sustainable Growth Rate, Government Disclosure Score, GRI Compliance, Human Right Policy, and Equal Opportunity. The Result is quite logical as an environmentally certified company from an environmental rating agency has to follow several guidelines and hence has more to disclose. Environmental certification reduces the agency cost by reducing the monitoring cost since the firms voluntarily follow a set of externally set measured objectives.

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