JURNAL ASET (AKUNTANSI RISET) 17(2) (2025) 331-342

Jurnal ASET
(Akuntansi Riset)

Journal homepage: http://ejournal.upi.edu/index.php/aset/

ESG Reputation Risk, Corporate Risk-Taking, and Climate Impact in Southeast Asia

Fajar Meiyanti, Desi Adhariani*

Department of Accounting, Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia

*Correspondence: E-mail: fajar.meiyanti@ui.ac.id

ABSTRACT

The primary objective of this study is to examine the influence of corporate risk-taking (CRT) and the climate risk index (CRI) on the Reputation Risk Index (RRI). The analysis employs panel data regression using 597 firm-year observations of non-financial firms across five Southeast Asian countries from 2021 to 2023. Additional robust tests and alternative measurements are used to ensure the consistency and reliability of the findings. The results reveal that CRT has a significant positive effect on RRI, indicating that higher levels of corporate risk-taking are associated with increased ESG-related reputation risks driven by heightened stakeholder scrutiny. Furthermore, the findings show that CRI does not exert a significant influence on RRI, suggesting that climate-related vulnerabilities may affect reputation only through indirect channels. These results reflect broader phenomena wherein firms engaging in aggressive financial or strategic risk behaviors face greater reputational exposure than those primarily confronted with environmental risks. The evidence highlights the distinct pathways through which financial and environmental dimensions translate into corporate reputation outcomes. Theoretical and practical implications encourage firms to strengthen governance mechanisms that balance risk-taking with stakeholder expectations to reduce ESG reputation risks. Policymakers are advised to integrate ESG-aligned risk management standards to enhance corporate accountability across emerging markets. The novelty of this research lies in the introduction of the ESG Reputation Risk Index as a new metric and its application within the Southeast Asian context, which remains underexplored in prior studies.

ARTICLE INFO

Article History:
Submitted/Received 14 Jul 2025
First Revised 10 Aug 2025
Accepted 13 Oct 2025
First Available online 10 Nov 2025
Publication Date 01 Dec 2025

Keyword:
ESG Reputation Risk,
Corporate Risk Taking,
Climate Risk.

1. INTRODUCTION

With increasing attention toward sustainability and social responsibility, reputation associated with environmental, social, and governance (ESG) factors has become a key component in stakeholder evaluations. ESG encompasses strategic issues that affect financial reporting, corporate risk, and the cost of capital (Hales, 2018). One of the critical elements influencing ESG reputation is the level of corporate risk-taking. Risk-related decisions made by firms often reflect their commitment to sustainability. A survey conducted by Deloitte (2014) revealed that 87% of executives consider reputational risk to be one of the most significant strategic risks, including ESG-related reputational risk, which may arise when business decisions fail to meet stakeholders' sustainability expectations.

Corporate risk-taking is also a central aspect of agency theory, which highlights the conflict of interest between managers (as agents) and owners (as principals) (Jensen and Meckling, 1976). In the context of ESG, short-term profit-oriented managers often neglect sustainability investments that generate long-term benefits, thereby creating challenges in fulfilling stakeholder expectations (Ooi et al., 2024). Previous studies have found that companies with high levels of risk-taking tend to experience lower ESG performance due to the negative impacts of their decisions on environmental, social, and governance outcomes (Aydogmuş et al., 2022; He et al., 2023). Therefore, ESG initiatives are important strategies to balance short-term risks with long-term sustainable growth. In this regard, the implementation of ESG has been shown to be an effective strategy to meet stakeholder expectations while simultaneously safeguarding corporate sustainability (Witanto and Kuang, 2024). Proper allocation of resources between risk management and ESG investment plays a crucial role in shaping a favorable corporate reputation among stakeholders.

In addition to internal risk behavior, climate risk has emerged as a significant external factor affecting a firm's ESG reputation. According to the Allianz Risk Barometer (2024), natural disaster risk has increased substantially, with 26% of companies identifying it as a primary concern. Climate change and natural catastrophes can impair company operations and lower profits, ultimately limiting the company's ability to adopt sustainable efforts (Huang et al., 2018). Businesses are more likely to have a drop in their ESG performance if they cannot adequately manage climate-related risks (Chen et al., 2024). Such conditions may lead to negative public perception and stakeholder dissatisfaction, increasing ESG reputational risk. Given its direct and far-reaching impact on operations and public perception, climate risk is a key factor exacerbating challenges to ESG's reputation.

However, existing studies are still predominantly focused on the Chinese context, which limits the generalizability of findings globally. This study addresses this research gap by expanding the geographical scope to focus on Southeast Asia, specifically Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. These five countries were selected due to their similar economic structures as developing nations reliant on agriculture, manufacturing, and energy sectors that are highly vulnerable to the impacts of climate change, including rising frequencies of natural disasters and extreme weather events. Furthermore, these countries share common challenges in managing climate risk, thus highlighting the urgency of integrating ESG and climate considerations into corporate risk management strategies.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Based on these conditions, this study aims to examine the influence of corporate risk-taking and climate risk on ESG reputation risk in Southeast Asian firms. The research contributes to the accounting literature by providing empirical evidence on how risk behavior and environmental exposure affect reputation-based outcomes that are increasingly relevant to financial reporting quality, risk disclosure practices, and governance mechanisms. The findings are expected to support the development of more comprehensive ESG-related disclosure policies, strengthen risk oversight frameworks, and enhance the role of accounting in promoting transparency and stakeholder trust across emerging markets.

2. METHODS

Sample selection and variable measurement. This study focuses on non-financial firms listed in five Southeast Asian countries, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam, from 2021 to 2023. The sample selection was based on the availability of complete data related to corporate risk-taking, climate risk, and ESG reputational risk variables. In total, 597 firm-year observations were analyzed in this study. The following table presents the sample distribution by industry in **Table 1**.

The selection of non-financial firms in these five countries is motivated by their similar economic structures and high exposure to climate-related risks, making them well-suited for examining ESG-related reputation effects. Additionally, the period 2021–2023 was chosen because ESG disclosure requirements and climate-related reporting practices intensified significantly in Southeast Asia during these years, ensuring that the data captured reflect the most recent developments in sustainability practices.

Table 1. Sample distribution across industry

Industries	Freq.	Percent
Communication Services	58	9.72
Consumer Discretionary	39	6.53
Consumer Staples	115	19.26
Energy	64	10.72
Health Care	23	3.85
Industrials	110	18.43
Information Technology	11	1.84
Materials	55	9.21
Real Estate	60	10.05
Utilities	62	10.39
Total	597	100.00

The sample distribution in this study encompasses a variety of industry types with diverse compositions. The Consumer Staples industry represents the most significant portion of the sample, comprising 115 firms (19.26%), followed by the Industrials sector with 110 firms (18.43%). Conversely, the industry with the lowest representation is Information Technology, which includes only 11 firms (1.84%). With 597 firm-year observations, this sample distribution reflects the sectoral diversity relevant to the research analysis, offering broad coverage of corporate behavior across different segments of the economy.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Reliable ESG-related data is essential to capture reputational dynamics across these diverse sectors. In this research, ESG reputation risk data were obtained from (RepRisk, 2025), a research and analytics platform that monitors business conduct risks and issues related to environmental, social, and governance (ESG) factors. (RepRisk, 2025) tracks over 150,000 sources daily in 23 languages, including print and online media, social media, blogs, and government and regulatory reports. This approach has been adopted in previous studies, such as those by Asante-Appiah and Lambert (2023) and Zhu et al. (2024).

Corporate risk-taking was measured using the volatility of ROA over three years (σ ROA -3), as applied in the study by Feng and Yu (2025), Du and Azman (2024), and Nguyen et al. (2022). The data for this variable were obtained from Thomson Reuters (Refinitiv Eikon, 2025). In addition to risk-taking, control variables such as firm size and leverage ratio were also sourced from the same database.

Lastly, climate risk was measured using the World Risk Index (WRI), as adopted in the study by Yébenes (2023). The WRI measures a country's climate risk on a scale from 0 to 100, with higher scores indicating a higher level of climate vulnerability. The data for this index were obtained from the Welt Risiko Bericht report.

The use of these specific measurements follows established practices in the ESG and risk literature, ensuring consistency with prior empirical work. CRT based on ROA volatility effectively captures managerial risk behavior, while the WRI provides a comprehensive indicator of climate vulnerability at the country level. The RRI from (RepRisk, 2025) is used due to its wide recognition as a reliable metric for capturing ESG-related reputational exposure. Including firm size and leverage as control variables helps minimize omitted variable bias and accounts for structural differences across firms.

Model specification. This study employs panel data regression analysis to test the proposed hypotheses. The model is specified as follows:

$$RRI_{i,t} = \beta_0 + \beta_1 CRTi,t + \beta_2 CRI_{i,t} + \beta_3 Size_{i,t} + \beta_4 LEV_{i,t} + e$$

RRI represents the Reputation Risk Index, which is the dependent variable. CRT captures corporate risk-taking, and CRI denotes the Climate Risk Index, both serving as independent variables. The model includes two control variables: Size, which represents company size, and LEV, which indicates the leverage ratio. The error term is denoted by *e*.

This model examines the direct relationship between the independent variables CRT and CRI and the dependent variable RRI, while controlling for the potential influence of company size and leverage.

Panel data regression is selected because it allows the analysis to account for both cross-sectional differences among firms and time-series variations across the three-year period. This method is more appropriate than pure cross-sectional or time-series approaches, as ESG reputation risk, climate exposure, and risk-taking behaviors vary simultaneously across firms and over time. Moreover, panel regression helps control for unobservable firm-specific characteristics that could bias the results, making it a preferred technique in empirical ESG research.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

The inclusion of both independent variables within a single model enables an integrated assessment of internal risk behavior (CRT) and external environmental exposure (CRI) on reputation risk. This specification aligns with prior studies examining multi-dimensional determinants of ESG outcomes and ensures that the estimated relationships are not confounded by omitted factors.

3. RESULTS AND DISCUSSION

3.1. Descriptive Statistics

Table 2 provides an overview of the descriptive statistics for the variables in this study's empirical analyses. The statistics include the total number of observations, mean values, standard deviations, and minimum and maximum values for the dependent and independent variables. To ensure the robustness of the analysis and improve the interpretability of the regression coefficients, particularly in the presence of interaction terms, the firm size variable, measured as the logarithm of total assets, was mean-centered before analysis. This transformation helps mitigate potential multicollinearity issues and enhances the clarity of the relationships examined within the regression model. The table is shown in **Table 2**:

Table 2. Descriptive statistica

Variable	Obs	Mean	Std. Dev.	Min	Max
RRI	597	8.072	10.245	0	52
CRT	597	.032	.051	0	.523
ClimateRisk	597	25.755	12.406	14.5	47.51
SIZE	597	0	1.374	-3.305	3.68
LEV	597	.242	.169	0	1.434

Source: Processed Data (2025)

The descriptive statistics for the variables used in this study are summarized as follows. The average RRI value is 8.072, with a standard deviation of 10.245, a minimum value of 0, and a maximum value of 52. This indicates that, on average, the ESG reputation risk across the observed firms is relatively moderate. However, the high standard deviation suggests substantial variation among firms. While some firms exhibit no ESG reputation risk (minimum value of 0), others experience significantly elevated levels of reputational exposure, as reflected in the maximum value. Notably, the highest RRI value of 52 is observed in one of the firms within the Information Technology sector, highlighting sectoral differences in reputational vulnerability.

The CRT variable has a mean value of 0.032 and a standard deviation of 0.051, with minimum and maximum values of 0 and 0.523, respectively. These figures suggest that, on average, firms in the sample engage in relatively low levels of corporate risk-taking. However, the relatively high standard deviation indicates substantial variation in firms' risk-taking behavior, ranging from those with no measurable risk-taking to those adopting highly aggressive strategies. This dispersion reflects the heterogeneity in firms' risk management orientations, which may influence industry characteristics, governance structures, or managerial discretion. Firms at the lower end of the CRT spectrum can be considered more risk-averse, favoring stability and regulatory compliance, while those with higher CRT values are likely less risk-averse and more inclined toward high-risk, high-reward strategies. This variation in corporate risk appetite provides an important context for understanding the relationship between CRT and ESG-related outcomes, particularly regarding reputational exposure.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

The CRI records a mean of 25.755, with a standard deviation of 12.406, a minimum value of 14.5, and a maximum of 47.51. This distribution suggests that the firms in the sample face a moderate level of climate-related risks on average, with marked heterogeneity in exposure. The relatively wide spread of values indicates that some firms operate in environments with lower climate vulnerability, while others are situated in regions subject to more severe climate threats. Climate risk values are uniform across firms within the same country and year, as the CRI is derived from national-level indicators. This uniformity emphasizes the role of geographic and regional factors, rather than firm-specific attributes, in shaping climate risk exposure.

The Firm Size variable (centered) has a mean of 0, a standard deviation of 1.374, a minimum value of –3.305, and a maximum of 3.680. The mean value of zero reflects the centering process applied during data transformation, which standardizes firm size around the sample mean. This centering facilitates the interpretation of regression coefficients and reduces the risk of multicollinearity. In contrast, the Leverage (LEV) variable has an average value of 0.242, with a standard deviation of 0.169, a minimum of 0, and a maximum of 1.434. These statistics indicate that, on average, the firms maintain moderate leverage ratios, though with considerable variation. Some firms operate entirely without debt, while others maintain relatively high levels of financial leverage. This study includes SIZE and LEV as control variables to account for structural differences among firms.

The descriptive statistics reveal substantial heterogeneity across firms regarding ESG reputation risk, corporate risk-taking behavior, climate risk exposure, and financial characteristics. These patterns provide a comprehensive dataset overview and offer important contextual insights that inform the interpretation of subsequent regression analyses.

3.2. Correlation Analysis

In addition to conducting descriptive statistical analysis, we examined the correlations among the key variables used in this study, as presented in **Table 3**.

Table 3. Correlation between RRI, CRT, CRI

Variables	(1)	(2)	(3)	(4)	(5)
(1) RRI	1.000				
(2) CRT	0.116	1.000			
	(0.005)				
(3) CRI	0.077	-0.147	1.000		
	(0.060)	(0.000)			
(4) SIZE	0.275	-0.201	0.339	1.000	
	(0.000)	(0.000)	(0.000)		
(5) LEV	0.045	-0.140	0.003	0.170	1.000
	(0.269)	(0.001)	(0.944)	(0.000)	

The correlation matrix shows several notable relationships. RRI variable exhibits a positive and statistically significant correlation with CRT ($r = 0.116$, $p = 0.005$), suggesting that higher perceived or actual risk levels are associated with greater intensity ESG reputation risk. RRI also demonstrates a positive but statistically insignificant correlation with CRI ($r = 0.077$, $p = 0.060$), indicating a potential, though weak, relationship.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

A stronger and highly significant positive correlation is observed between RRI and Firm Size (measured by the centered log of total assets, SIZE) ($r = 0.275$, $p < 0.001$), implying that larger firms are more likely to exhibit greater reputational risk reporting intensity. In contrast, the correlation between RRI and LEV is weak and not statistically significant ($r = 0.045$, $p = 0.269$), indicating minimal association between a firm's capital structure and its reputational risk.

Meanwhile, CRT shows a statistically significant negative correlation with both CRI ($r = -0.147$, $p < 0.001$) and SIZE ($r = -0.201$, $p < 0.001$), suggesting that firms with higher climate-related risks or larger asset bases tend to exhibit slightly lower levels of measured corporate risk-taking. A small but significant negative correlation is also found between RISK2 and LEV ($r = -0.140$, $p = 0.001$), implying that firms with higher financial leverage may be more risk-averse or report lower levels of risk-taking.

These correlations provide important insights into the relationships between corporate risk-taking, ESG reputational risk, and firm-specific characteristics. While not all associations are statistically significant, the observed patterns contribute to a deeper understanding of the dynamics that will be further explored in the subsequent regression analysis.

Following the correlation analysis, it is essential to ensure that the explanatory variables do not exhibit problematic levels of multicollinearity, which could bias the regression model results. To evaluate the possible problem of multicollinearity between the independent variables, this study employed the Variance Inflation Factor (VIF) test. VIF is a statistical measure used to detect the degree of linear correlation among explanatory variables in a regression model. A commonly accepted guideline suggests that VIF values below 5 indicate an acceptable level of multicollinearity, whereas values exceeding 10 may suggest serious concerns.

The results of the VIF test indicate that all variables in this model exhibit VIF values well below the critical threshold. The highest VIF value is observed for the variable CRI, with a score of 2.42, followed by LEV at 2.22. The remaining variables, CRT and SIZE, show lower values of 1.32 and 1.10, respectively. The mean VIF across all predictors is 1.76. These findings suggest that multicollinearity is not present at a level that would undermine the integrity of the regression analysis, thus validating the inclusion of all independent variables in the model.

3.3. Regression Result

Table 4 presents the results of the regression analyses conducted to examine the relationships between ESG Reputation Risk, Corporate Risk Taking and Climate Risk, including the control variables.

In this model, the variable CRT has a coefficient of 36.996, which is significant at the 1% level ($p < 0.01$). This indicates a strong and positive relationship between CRT and RRI, suggesting that a unit increase in CRT is associated with a significant increase in RRI. This finding highlights the substantial impact of CRT on RRI. On the other hand, the variable SIZE also shows a positive and significant coefficient of 2.243 at the 1% significance level ($p < 0.01$). It implies that larger companies (after accounting for the centered asset size) tend to have higher RRI, further supporting the importance of company size in explaining risk-related outcomes. In contrast, the variables CRI and LEV are not statistically significant, with p-values of 0.96 and 0.628, respectively. This indicates that neither climate-related risks nor leverage levels have a discernible effect on RRI in this model.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 4. Regression between RRI, CRT, CRI

RRI	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
CRT	36.996	9.076	4.08	0	19.208	54.785	***
CRI	-.002	.042	-0.05	.96	-.085	.081	
SIZE	2.243	.385	5.82	0	1.487	2.998	***
LEV	1.35	2.79	0.48	.628	-4.118	6.819	
Constant	6.657	1.465	4.55	0	3.787	9.528	***

Mean dependent var	8.072	SD dependent var	10.245
Overall r-squared	0.106	Number of obs	597
Chi-square	48.375	Prob > chi2	0.000
R-squared within	0.011	R-squared between	0.162

**** p<.01, ** p<.05, * p<.1*

The overall R-squared value of 0.106 indicates that approximately 10.6% of the variation in the dependent variable, RRI, is explained by the independent variables included in the model. The Prob > chi2 value of 0.00 indicates that the model is statistically significant. It means that the combination of the independent variables included in the model provides a meaningful explanation of the dependent variable and the null hypothesis. That all regression coefficients are equal to zero can be rejected. This result reinforces the model's validity in explaining the relationships between the variables under investigation.

3.4. Discussion

The findings reveal that corporate risk-taking (CRT) has a positive and significant effect on ESG reputational risk (RRI), which aligns with the theoretical arguments outlined in the introduction. As emphasized in agency theory, managers who are oriented toward short-term financial gains often engage in aggressive risk-taking strategies that do not support long-term sustainability objectives. This tendency is consistent with the literature indicating that higher levels of risk-taking can undermine ESG performance and elevate reputational exposure (Aydogmuş et al., 2022; He et al., 2023). The significant effect found in this study reinforces the idea that managerial behavior and strategic decisions directly influence stakeholders' perceptions of the firm's environmental, social, and governance commitment.

The results further confirm the arguments presented by Ooi et al. (2024), who describe how firms with constrained resources and profit-driven priorities often de-prioritize sustainability initiatives. Such decisions intensify reputational vulnerability, as stakeholders increasingly expect firms to uphold responsible and sustainable practices. Consistent with these theoretical expectations, the empirical findings indicate that firms with higher CRT face greater reputational scrutiny, particularly in contexts where stakeholders assess not only financial outcomes but also governance quality, ethical conduct, and long-term resilience. This reinforces the relevance of incorporating reputational considerations into overall risk management frameworks, especially in ESG-oriented environments.

In contrast to theoretical expectations, climate risk (CRI) does not demonstrate a statistically significant effect on ESG reputational risk. This outcome differs from the argument presented in the introduction, which emphasized that climate-related disruptions can impair operations, reduce profits, and provoke negative public perceptions (Huang et al., 2018; Chen et al., 2024). Several contextual explanations may clarify this discrepancy. First, the climate-

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

risk measure used in this study reflects national-level exposure, which may not accurately capture firm-specific vulnerabilities or adaptive capacities. Companies within the same country may face very different levels of exposure depending on their industry, geographic location, and preparedness.

Second, institutional and stakeholder dynamics in Southeast Asian emerging markets may contribute to the insignificant relationship. As highlighted in the introduction, ESG and climate-risk awareness in this region is still evolving. Stakeholders may not consistently incorporate climate-risk responsiveness into their reputational assessments, unlike in more mature regulatory environments. Prior studies that found significant effects often focused on single-country contexts with stronger environmental governance structures, suggesting that institutional maturity plays a key role in shaping how climate risk translates into reputational consequences. Thus, while theory suggests a strong connection between climate risk and ESG reputation, the empirical results indicate that the relationship may depend on regional factors, measurement granularity, and varying stakeholder expectations.

Regarding the control variables, firm size has a positive and significant impact on ESG reputational risk. This result is consistent with stakeholder theory, which suggests that larger firms face greater scrutiny due to their visibility, public exposure, and heightened accountability expectations. Bigger firms are more frequently monitored by the media, regulators, and stakeholders, increasing the likelihood that any ESG-related shortcomings affect their reputation. In response to this heightened scrutiny, corporate social responsibility, and ESG practices, serve as tools for firms to signal their concern for stakeholders and to gain legitimacy, including compliance with and adaptation to local regulations, which are generally perceived as positive signals by investors (Yuliyanti and Nugraha, 2023). In this context, sustainability-related information is not immediately translated into firm value; rather, its impact is first reflected through improvements in financial performance (Purwanti, 2018), which subsequently shape stakeholder perceptions and firm reputation. Meanwhile, leverage does not exhibit a significant effect on reputational risk, indicating that stakeholders may place more emphasis on observable ESG behavior and performance outcomes rather than financial structure when evaluating a firm's sustainability reputation.

3.5. Robustness Test

We conducted a robustness test by measuring corporate risk-taking using an alternative metric, specifically the level of corporate cash flow, as developed in the study by Feng and Yu (2025). The regression analysis employing this alternative approach indicates that CRT remains positively and significantly associated with the Reputation Risk Index (RRI). The CRT coefficient is 17.956, with a significant level of 1% ($p < 0.01$), as detailed in the following **Table 5**.

The positive and significant CRT coefficient (17.956, $p < 0.01$) demonstrates that using corporate cash flow as an alternative measure of corporate risk-taking yields findings consistent with the primary analysis. This result suggests that higher levels of corporate risk-taking, as captured by cash flow, are significantly associated with increases in RRI. Furthermore, the SIZE variable exhibits a positive and significant relationship (coefficient 2.198, $p < 0.01$), reinforcing the importance of firm size in explaining variations in RRI. In contrast, the CRI and LEV variables are not statistically significant, indicating that climate-related risks and leverage levels do not have a discernible impact on RRI within this model.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 5. Robustness test

RRI	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
CRT	17.956	6.159	2.92	.004	5.886	30.027	***
CRI	-.033	.043	-0.77	.441	-.118	.051	
SIZE	2.198	.392	5.61	0	1.431	2.966	***
LEV	2.462	2.913	0.85	.398	-3.247	8.171	
Constant	6.826	1.522	4.48	0	3.843	9.81	***

Mean dependent var	8.072	SD dependent var	10.245
Overall r-squared	0.089	Number of obs	597
Chi-square	39.296	Prob > chi2	0.000
R-squared within	0.007	R-squared between	0.139

**** p<.01, ** p<.05, * p<.1*

These findings confirm the robustness of the analysis, highlighting that the relationship between corporate risk-taking and ESG reputation risk persists across different measurement approaches. This consistency underscores the reliability of the study’s conclusions.

4. CONCLUSION

This study investigates the influence of corporate risk-taking (CRT) and climate risk index (CRI) on the Reputation Risk Index (RRI), offering new insights into the interplay between corporate decision-making, climate risk, and ESG reputation. The findings demonstrate a strong and positive relationship between CRT and RRI, with CRT consistently showing significant effects across different robustness tests, including alternative measures of corporate risk-taking. This indicates that firms with higher risk-taking tendencies tend to face elevated ESG reputation risks, as their decisions often draw heightened scrutiny from stakeholders. Conversely, the CRI variable does not exhibit a statistically significant relationship with RRI, suggesting that climate-related risks, while impactful at the macro level, may not directly influence a firm's reputation risk unless they materialize into operational or financial disruptions. These results align with prior research by Ooi et al. (2024), which highlights the critical role of corporate risk-taking in shaping stakeholder perceptions, and Chen et al. (2024), which emphasizes the nuanced impact of environmental risks. However, this study introduces a novel perspective by focusing on Southeast Asian firms.

The study underscores the significance of corporate risk-taking as a critical determinant of ESG reputation risks, emphasizing the need for firms to align their risk management strategies with sustainability objectives. The robustness of the findings, supported by alternative metrics and rigorous statistical analyses, enhances the reliability of the conclusions and contributes to the broader understanding of ESG dynamics in emerging markets. This article bridges gaps in geographic focus and methodology, offering actionable insights for policymakers and corporate leaders aiming to mitigate reputation risks in the face of evolving ESG demands. Future research could build on this study by exploring industry-specific nuances and incorporating longitudinal impacts of climate risks, further enriching the discourse on sustainable corporate practices.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

5. REFERENCES

Allianz. (2024). *Allianz Risk Barometer: Identifying the major business risks for 2024*.

Asante-Appiah, B., and Lambert, T. A. (2023). The role of the external auditor in managing environmental, social, and governance (ESG) reputation risk. *Review of Accounting Studies*, 28(4), 2589–2641.

Aydogmus¸, M., Gülay, G., and Ergun, K. (2022). Impact of ESG performance on firm value and profitability. *Borsa Istanbul Review*, 22(suppl 2), S119–S127.

Chen, Y., Ren, Y. S., Narayan, S., and Huynh, N. Q. A. (2024). Does climate risk impact firms' ESG performance? Evidence from China. *Economic Analysis and Policy*, 81, 683–695.

Deloitte. (2014). *Global survey on reputation risk*.

Du, L., and Nik Azman, N. H. (2024). The impact of ESG performance on corporate risk-taking: Empirical evidence from China. *Journal of Sustainable Finance and Investment.*

Feng, X., and Yu, R. (2024). How does digital transformation affect corporate risk-taking? Evidence from China. *International Review of Economics and Finance*, 103614.

Hales, J. 2018. The Future of Accounting is Now. *The CPA Journal*, (July 2018).

Huang, H., Kerstein, J., and Wang, C. (2018). The impact of climate risk on firm performance and financing choices: An international comparison.

He, F., Ding, C., Yue, W., and Liu, G. (2023). ESG performance and corporate risk-taking: Evidence from China. *International Review of Financial Analysis*, 87.

Jensen, M. C., Meckling, W. H., Benston, G., Canes, M., Henderson, D., Leffler, K., Long, J., Smith, C., Thompson, R., Watts, R., and Zimmerman, J. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* (Issue 4). Harvard University Press.

Nguyen, Q. K. (2022). Audit committee effectiveness, bank efficiency and risk-taking: Evidence in ASEAN countries. *Cogent Business and Management* (Vol. 9, Issue 1). Cogent OA.

Ooi, C. A., Lu, M. P., and Zulkafli, A. H. (2024). Corporate risk-taking, economic policy uncertainty and ESG performance: International evidence. Business Strategy and Development, 7(4).

Purwanti, A. (2018). The role of return on assets on sustainability disclosure to value of the firm. *Jurnal ASET (Akuntansi Riset)*, 10(1), 83–94.

Refinitiv Eikon. (2025). *Refinitiv Eikon*.

RepRisk. (2025). *RepRisk.*

Witanto, R. F., and Kuang, T. M. (2024). Can ESG save zombie companies during the COVID-19 pandemic? *Jurnal ASET (Akuntansi Riset)*, 16(1), 1–12.

Yébenes, M.O. (2024). Climate change, ESG criteria and recent regulation: challenges and opportunities. *Eurasian Economic Review*, 14(1), 87–120.

Yuliyanti, L., and Nugraha, N. (2023). Corporate social responsibility, company value, and company size in Southeast Asia. *Jurnal ASET (Akuntansi Riset)*, 15(2), 335–346.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Zhu, N., Yang, J., and Rahman, A. (2024). The impact of managerial myopia on corporate ESG reputation risk: Moderating role of digitization. *Environment, Development and Sustainability*.

DOI: https://doi.org/10.17509/jaset.v17i2
p- ISSN 2086-2563 e- ISSN 2541-0342