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Governance Structures Mechanisms and Sustainability Reporting Clarity: Stakeholder Dialogue as a Catalyst

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ABSTRACT

Growing societal demands for corporate accountability have increased pressure on companies, particularly in the energy sector, to provide transparent sustainability reporting. This study examines the effects of good corporate governance mechanisms institutional ownership, managerial ownership, independent commissioners, audit committees, and the board of directors on sustainability report disclosure, with stakeholder engagement as a moderating variable. This study employed a quantitative research approach using an explanatory design with panel data from 79 Indonesian energy companies (316 firm-year observations) during 2019–2022. The data were analyzed using Moderated Multiple Regression (MMR). The results indicate that institutional ownership has a significant negative effect on sustainability report disclosure (b = −3.2571; p = 0.020), while the other governance variables have no significant direct effects. Stakeholder engagement significantly moderates the relationship between institutional ownership and sustainability report disclosure (b = 0.4027; p = 0.022) but does not significantly moderate the remaining governance mechanisms. These findings highlight the importance of stakeholder engagement in strengthening the role of institutional investors in promoting sustainability reporting transparency in emerging economies.

Keywords: Audit Committee; Corporate Governance; Institutional Ownership; Stakeholder Engagement; Sustainability Report Disclosure

JEL Classification: M14; G34; Q56

INTRODUCTION

Over recent decades, global climate instability has escalated into a paramount systemic concern, drawing critical scrutiny from civil society, corporate entities, state policymakers, and multilateral institutions. Climate projections indicate potential temperature increases exceeding 3°C to 5°C relative to pre-industrial benchmarks by the end of this century, alongside historical sea-level rises. The report stresses that failing to curtail greenhouse gas emissions could drive average global warming beyond 4°C past historical baselines by 2100. In addressing these ecological threats, the IPCC underscores climate adaptation solutions anchored in climate justice, featuring distributive justice principles that govern how societal burdens and ecological benefits are shared across individuals, jurisdictions, and generations.

Grounded in three-pillar sustainability principles, current business entities must integrate wealth generation with active environmental protection and equitable social responsibility. Publishing dedicated sustainability reports enables enterprises to systematically communicate their ecological and societal footprint, transcending traditional financial frameworks (Global Reporting Initiative [GRI], 2022). These disclosures extend beyond traditional financial accounting to encompass corporate social responsibility initiatives and environmental impacts, serving as essential instruments for enduring sustainable development.

Table 1. Company Data on Sustainability Report Disclosure (2018–2020)

No	Year	Listed Company on IDX	Company Disclosure SR
1	2018	607	58
2	2019	661	94
3	2020	712	140

Table 1 presents the number of companies listed on the Indonesia Stock Exchange (IDX) and those publishing sustainability reports during the 2018–2020 period. The data indicate that although the number of listed companies continued to increase, only a limited proportion issued sustainability reports. The IDX operates as the primary national venue for securities trading, facilitating capital flow between funds-seeking issuers and capital providers (Suryaningrum & Shiyammurti, 2026). Despite persistent growth in listed issuers and investor activity within the Indonesian capital market, official trading data indicates that the proportion of firms issuing standalone sustainability reports remains small relative to total listed entities (Kepakisan & Budiasih, 2022). While publishing transparent non-financial reports enhances stakeholder perception and public trust, sustainability reporting in Indonesia has largely remained voluntary and developmental, explaining its constrained rate of adoption.

To address inconsistent empirical findings regarding the influence of corporate governance mechanisms on sustainability report disclosure, this study introduces stakeholder engagement as a moderating variable within the Indonesian energy sector. Specifically, this study aims to examine the effects of institutional ownership, managerial ownership, independent commissioners, audit committees, and the board of directors on sustainability report disclosure, while assessing whether stakeholder engagement strengthens or weakens these relationships. The novelty of this study lies in integrating stakeholder engagement into the governance sustainability reporting framework, providing a more comprehensive explanation of disclosure practices in environmentally sensitive industries. The findings are expected to enrich Agency Theory, Stakeholder Theory, and Legitimacy Theory by explaining the contingent role of stakeholder engagement. Practically, the results offer insights for corporate managers, institutional

investors, and regulators in improving sustainability reporting quality and governance practices in emerging economies.

LITERATURE REVIEW

Theoretical Framework

The theoretical framework relates to Agency Theory, Stakeholder Theory, and Legitimacy Theory to describe corporate voluntary reporting behaviors.

Agency Theory

Agency Theory frames the firm as a contractual arrangement between resource owners (principals) and executive agents. Operating under assumptions of self-interest, goal conflicts arise wherein owners seek long-term equity optimization while managers prioritize immediate personal rewards (Donaldson & Davis, 1991). This principal-agent divergence creates information asymmetry across three institutional dynamics (Eisenhardt, 1989). In shareholder-management relationships, capital owners demand higher voluntary disclosures when executive equity stakes are minimal. In creditor-management dynamics, executives tailor financial disclosures to maintain debt agreement compliance. In state-management relations, managers navigate regulatory scrutiny and taxation risks through discretionary reporting. Agency problems worsen when executives seek personal enrichment at the expense of shareholder wealth. Equity ownership by managers serves to realign goals, encouraging executives holding firm equity to act in accordance with investor interests (Simon et al., 2025).

Stakeholder Theory

Stakeholder Theory posits that corporate entities must look beyond shareholder wealth maximization to address all entities capable of affecting or being affected by organizational goals, including civic communities, public institutions, workforce members, customers, and suppliers (Attanasio et al., 2022). The core thesis assumes that institutions do not operate in isolation; rather, institutions exist to generate multi-dimensional value for a broad spectrum of internal and external constituents (Derakhshan & Turner, 2022). Stakeholder theory posits that organizational research should analyze the various forms of connection linking a firm to its broader network of stakeholders (Freeman, 1984).

Legitimacy Theory

Legitimacy Theory asserts that an enterprise's market viability depends on maintaining alignment between its corporate activities and the broader value systems of society. Corporate operations gain legitimacy when recognized as acceptable by the surrounding social structure (Arianpoor et al., 2023). Legitimacy theory recommends that institutions ensure that their operational activities are acceptable to society (Meutia et al., 2022). Institutions are able to prove a sense of responsibility both socially and environmentally that can be accepted by society, namely by carrying out social and environmental activities contained in sustainable development reports (P. P. Dewi & Utami, 2024). Consequently, corporations utilize sustainability disclosures to demonstrate social and environmental responsibility, securing their social license to operate.

Sustainability Report Disclosure, Good Corporate Governance and Stakeholder Engagement

Demonstrating institutional accountability by assessing and releasing performance metrics related to sustainable development goals represents the core definition of sustainability reporting established by the Global Reporting Initiative. Sustainability reports serve as primary media to detail economic, environmental, and social impacts (GRI, 2021). Rising demand for transparent corporate governance has intensified

pressure on managers to capture, audit, and communicate non-financial metrics, turning sustainability reporting into a strategic communication bridge (Arora & Rathore, 2022).

The core mandate of governance lies in implementing organizational mechanisms that bypass reliance on explicit authoritative mandates (Sari, 2024). Governance mechanism (GCG) represents the system of internal control and supervisory structures designed to govern managerial discretion, reduce agency conflicts, and drive corporate reporting transparency. GCG represents the system of internal control and supervisory structures designed to govern managerial discretion, reduce agency conflicts, and drive corporate reporting transparency (Sriningsih & Wahyuningrum, 2022).

Stakeholder Engagement refers to stakeholders who are involved in organizational activities in a positive way. Stakeholder Engagement describes the structured involvement of constituent groups in organizational decision-making processes to form mutually beneficial outcomes and mitigate operational conflict (Pascale et al., 2020). Corporates need to understand each stakeholder and how to interact with each stakeholder. Use some analysis stages to classify Stakeholder engagement initiatives according to their quality, scope, and emphasis. The strategies of stakeholder engagement can be evaluated through a 3×3 classification matrix measuring engagement quality (Information, Response, and Engagement strategies) against engagement breadth (number of stakeholder groups involved). As a result, the Stakeholder Engagement matrix was developed to classify nine engagement strategy types.

Table 2. Stakeholder Engagement Strategy Matrix

		Quality of Engagement Level of Stakeholder Engagement		
		Level 1 (Information strategy)	Level 2 (response strategy)	Level 3 (engagement strategy)
Engagement Extension: Number of stakeholders involved	High (≥ 3 Stakeholders)	Show off (7)	Researcher (8)	Philanthrope (9)
	Medium (=2 Stakeholders)	Trumpet player (4)	Curious (5)	Soft (6)
	Low (=1 Stakeholder)	Isolated (1)	Wise (2)	Focused (3)

Table 2 presents the Stakeholder Engagement Strategy Matrix illustrating the classification of stakeholder engagement according to engagement quality and the number of stakeholder groups involved. The matrix distinguishes nine engagement strategies, ranging from basic information disclosure to active stakeholder participation. Organizations positioned at higher engagement levels demonstrate greater dialogue, collaboration, and responsiveness toward stakeholders. Accordingly, this framework serves as the conceptual basis for measuring stakeholder engagement as a moderating variable in explaining the relationship between good corporate governance mechanisms and sustainability report disclosure.

Hypotheses Development

Independent Commissioners and Sustainability Report Disclosure

Independent commissioners are expected to strengthen board monitoring and reduce managerial opportunism, thereby encouraging more transparent sustainability reporting. In the context of sustainability disclosure, stronger independent oversight can increase accountability and improve the quality of non-financial reporting. Recent studies on board characteristics and sustainability-related disclosure support this expectation because board independence is often treated as a key governance mechanism influencing

disclosure quality (Alta'any et al., 2024; Ho et al., 2024; Pratitarari & Honggowati, 2025). Therefore, this study proposes the following hypothesis.

H1: The proportion of independent commissioners has a positive impact on sustainability report disclosure.

Audit Committee and Sustainability Report Disclosure
The audit committee is commonly viewed as a core governance mechanism that supports transparency, internal control, and reporting integrity. A well-functioning audit committee may improve sustainability report disclosure by strengthening review processes and ensuring that non-financial information is reported more consistently. Recent studies examining audit committee characteristics and sustainability-related disclosure suggest that audit committees are relevant governance actors in shaping disclosure quality (Adam et al., 2025; Bataineh et al., 2025; Chulim et al., 2025). Accordingly, the following hypothesis is proposed.

H2: The audit committee has a positive influence on sustainability report disclosure.

Managerial Ownership and Sustainability Report Disclosure
Managerial ownership may align managerial interests with long-term firm value, motivating managers to support broader corporate transparency, including sustainability reporting. When managers hold shares in the company may be more willing to disclose sustainability information to strengthen legitimacy and stakeholder trust. Recent ownership-structure studies continue to position managerial ownership as an important factor in sustainability-related reporting behavior (Indy et al., 2022; Meqbel et al., 2025; Ramahdani & Tarmidi, 2025). Thus, the following hypothesis is formulated.

H3: Managerial ownership has a positive impact on sustainability report disclosure.

Board of Directors and Sustainability Report Disclosure
A larger or more effective board of directors may provide broader expertise, better monitoring, and stronger strategic support for sustainability initiatives. Through these functions, the board can encourage more comprehensive sustainability disclosure as part of corporate accountability. Recent studies on board structure and sustainability disclosure indicate that board characteristics remain relevant in explaining disclosure quality (Adam et al., 2025; Gunawan et al., 2025; Ho et al., 2024). Based on this reasoning, the following hypothesis is proposed.

H4: The board of directors has a positive influence on sustainability report disclosure.

Institutional Ownership and Sustainability Report Disclosure
Institutional investors are often assumed to exercise stronger monitoring than individual shareholders because of their resources, expertise, and influence over management. Their presence may push firms toward greater transparency, including sustainability disclosure, as a way to reduce information asymmetry and strengthen corporate accountability. Recent studies on institutional ownership and sustainability/climate-related disclosure suggest that ownership structure remains an important predictor of disclosure behavior (Hikal et al., 2025; Meqbel et al., 2025; Qasem et al., 2025). Therefore, the following hypothesis is proposed.

H5: Institutional ownership has a positive impact on sustainability report disclosure.

Stakeholder Engagement as a Moderator of Independent Commissioners and Sustainability Report Disclosure

Stakeholder engagement can strengthen the effect of independent commissioners by providing broader information about stakeholder expectations and material sustainability issues. When stakeholder dialogue is active, independent commissioners may have better guidance to support more relevant and transparent sustainability reporting. Studies on stakeholder engagement and sustainability reporting emphasize that disclosure quality improves when stakeholder involvement is embedded in governance processes (Attanasio et al., 2022; A. A. Dewi et al., 2023; Yadav & Jain, 2023). Therefore, the following hypothesis is formulated.

H6: Stakeholder engagement moderates the relationship between the proportion of independent commissioners and sustainability report disclosure.

Stakeholder Engagement as a Moderator of Audit Committee and Sustainability Report Disclosure

Stakeholder engagement may also strengthen the audit committee's role by increasing attention to sustainability-related accountability and disclosure priorities. Through active dialogue with stakeholders, the audit committee may be more responsive to expectations for transparent non-financial reporting. Recent studies suggest that stakeholder engagement becomes more meaningful when it is connected to formal governance mechanisms and materiality assessment processes (A. A. Dewi et al., 2023; Ho et al., 2024; Saraswati et al., 2024). Thus, the following hypothesis is proposed.

H7: Stakeholder engagement moderates the relationship between the audit committee and sustainability report disclosure.

Stakeholder Engagement as a Moderator of Managerial Ownership and Sustainability Report Disclosure

Stakeholder engagement may influence how managerial ownership affects sustainability disclosure by exposing owner-managers to external expectations and reputational pressure. When engagement is strong, managers who also hold ownership stakes may be more inclined to support transparent sustainability reporting. Stakeholder-oriented studies indicate that engagement can help align managerial decisions with broader sustainability concerns (Attanasio et al., 2022; A. A. Dewi et al., 2023; Yadav & Jain, 2023). Accordingly, the following hypothesis is formulated.

H8: Stakeholder engagement moderates the relationship between managerial ownership and sustainability report disclosure.

Stakeholder Engagement as a Moderator of Board of Directors and Sustainability Report Disclosure

Stakeholder engagement may strengthen the board's influence on sustainability disclosure by providing direct input regarding external expectations and material issues. A board that responds to stakeholder dialogue may be more likely to support transparent and comprehensive sustainability reporting. Prior research shows that stakeholder engagement and board characteristics are both relevant for sustainability disclosure quality (Gunawan et al., 2025; Ho et al., 2024; Saraswati et al., 2024). Therefore, the following hypothesis is proposed.

H9: Stakeholder engagement moderates the relationship between the board of directors and sustainability report disclosure.

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Stakeholder Engagement as a Moderator of Institutional Ownership and Sustainability Report Disclosure

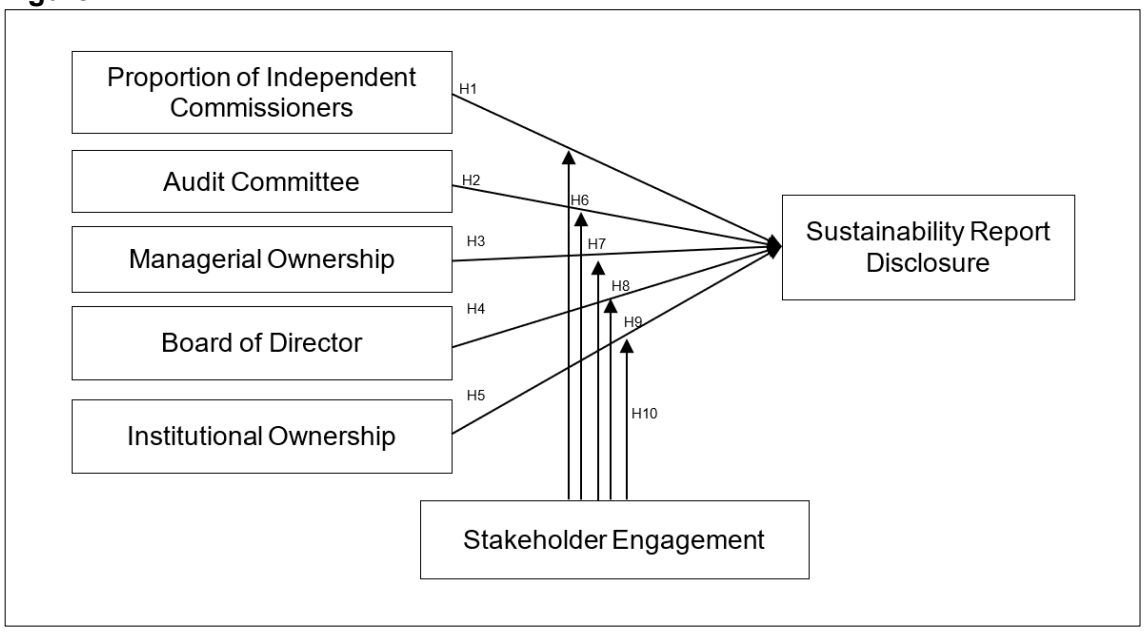
Stakeholder engagement may amplify the effect of institutional ownership by making sustainability expectations more visible and more difficult to ignore. When exposed to active stakeholder dialogue, institutional owners may place greater emphasis on transparent and comprehensive sustainability reporting. Recent studies on institutional ownership, stakeholder engagement, and sustainability-related disclosure support the idea that ownership effects become stronger in a more engaged stakeholder environment (Hikal et al., 2025; Meqbel et al., 2025; Qasem et al., 2025). Thus, the following hypothesis is proposed.

H10: Stakeholder engagement moderates the relationship between institutional ownership and sustainability report disclosure.

Conceptual Framework

Figure 1 illustrates the conceptual framework of this study. The framework depicts the relationships between good corporate governance mechanisms, namely institutional ownership, managerial ownership, board of directors, independent commissioners, and audit committee, and sustainability report disclosure. In addition, stakeholder engagement is positioned as a moderating variable that interacts with each governance mechanism, potentially strengthening or weakening its effect on sustainability report disclosure.

Figure 1. Research Framework



RESEARCH METHOD

Research Design

This study employed a quantitative research approach using an explanatory research design to examine the influence of good corporate governance mechanisms on sustainability report disclosure, with stakeholder engagement serving as a moderating variable. The analysis was conducted using panel data from Indonesian energy companies listed on the IDX during the 2019–2022 period.

Population and Sample

The population comprised all 87 energy companies listed on the IDX during the 2019–2022 period. Using purposive sampling, firms with incomplete annual reports, sustainability reports, or governance and stakeholder engagement data were excluded. Consequently, 79 companies met the selection criteria, resulting in 316 firm-year observations, as presented in Table 3.

Table 3. Research Sample

No.	Information	Total
1.	Energy sector companies listed on the IDX during the 2019–2022 period	87 Companies
2.	Energy firms failing to present complete annual/sustainability reports or missing governance & engagement data	8 Companies
3.	Final selected energy firms satisfying all observation criteria	79 Companies
4.	Final Balanced Panel Sample (79 companies × 4 years)	316 firm-year observations

Data Collection

This study used secondary data obtained from annual reports and sustainability reports published on the official IDX website and the official websites of the respective companies. The sustainability disclosure data were collected using content analysis. To ensure coding consistency, inter-coder reliability was assessed using Holsti's reliability coefficient, which exceeded the recommended threshold of 0.90.

Variable Measurement

The dependent variable is Sustainability Report Disclosure (SRDI), measured using the Global Reporting Initiative (GRI) Standards through a binary scoring approach. A disclosed item received a score of one (1), whereas an undisclosed item received a score of zero (0). The Sustainability Report Disclosure Index was calculated as the ratio of disclosed GRI indicators to the total applicable indicators.

The independent variables consisted of five governance mechanisms, namely Independent Commissioners (X1), Audit Committee (X2), Managerial Ownership (X3), Board of Directors (X4), and Institutional Ownership (X5), measured using an index based on GRI disclosure items related to stakeholder identification, dialogue mechanisms, and engagement frequency.

Data Analysis

The hypotheses were tested using Moderated Multiple Regression (MMR) with panel data estimation. Prior to regression analysis, the most appropriate panel estimation model was selected through the Chow Test, Hausman Test, and Breusch–Pagan Lagrange Multiplier Test. The empirical model is specified as follows:

$$\begin{aligned}\text{SRDI}_{it} = {} & \alpha_0 + \beta_1 \text{INST}_{it} + \beta_2 \text{MANAG}_{it} + \beta_3 \text{BOARD}_{it} + \beta_4 \text{INDCOMP}_{it} \\ & + \beta_5 \text{AUDCOM}_{it} + \beta_6 \text{STKENG}_{it} + \beta_7 (\text{INST}_{it} \times \text{STKENG}_{it}) \\ & + \beta_8 (\text{MANAG}_{it} \times \text{STKENG}_{it}) + \beta_9 (\text{BOARD}_{it} \times \text{STKENG}_{it}) \\ & + \beta_{10} (\text{INDCOMP}_{it} \times \text{STKENG}_{it}) \\ & + \beta_{11} (\text{AUDCOM}_{it} \times \text{STKENG}_{it}) + \varepsilon_{it}\end{aligned}$$

RESULTS

Panel Data Model Selection

Statistical evaluations were processed using STATA 17. Estimation model selection followed standard sequential testing procedures. Table 4 presents the the results of the panel-data model selection tests.

Table 4. Model Selection Diagnostic Tests

Diagnostic Test	Statistical Test	Score Value	p-value
Chow Test	F (10.227)	1.76	0.0002
Hausman Test	$X^2(10)$	10.74	0.3782
Lagrange Multiplier Test	Breusch-Pagan $X^2(01)$	12.16	0.0002

As presented in Table 4, the Chow Test produced a probability value of 0.0002 (< 0.05), indicating that the Fixed Effects Model (FEM) is preferred over the Common Effects Model (CEM). However, the Hausman Test yielded a probability value of 0.3782 (> 0.05), indicating that the Random Effects Model (REM) is more appropriate than the Fixed Effects Model. Furthermore, the Breusch–Pagan Lagrange Multiplier Test generated a probability value of 0.0002 (< 0.05), confirming that the Random Effects Model is preferable to the Common Effects Model. Based on these results, the REM was selected as the most appropriate estimation model for hypothesis testing.

Diagnostic Assumption and Regression Results

Multicollinearity testing demonstrates a mean Variance Inflation Factor (VIF) of 17.67. High VIF figures observed in interaction terms (X1 VIF = 16.26; X2 VIF = 28.22) represent structural multicollinearity typical of uncentered product interactions in moderated regression frameworks. Table 5 presents the multicollinearity test results.

Table 5. Multicollinearity Test Results (VIF)

Variable	VIF	1/VIF
X1	16.26	0.061514
X2	28.22	0.035438
X3	1.35	0.741110
X4	6.77	0.147777
X5	9.47	0.105545
Means VIF	17.67	

As shown in Table 5, the mean VIF is 17.67, which exceeds the conventional threshold of 10. The high VIF values are mainly attributable to the interaction terms included in the moderated regression model, a common characteristic of MMR. The VIF values of managerial ownership (X3), board of directors (X4), and institutional ownership (X5) remain below the critical threshold, indicating no serious multicollinearity for these variables. Therefore, the observed multicollinearity is considered structural rather than problematic and does not invalidate the moderated regression analysis.

Random Effects Panel Regression Estimates

To evaluate the impact of governance mechanisms including independent commissioners, audit committee oversight, managerial ownership, board size, and institutional ownership on sustainability report disclosure, this study utilizes a REM panel regression. Model selection diagnostics established the REM as the most appropriate estimation approach. Table 6 presents the regression results for testing the proposed hypotheses.

Table 6. Random Effects Panel Regression Estimates

Variables	Coef.	Std. Error.	Z	Prob>[z]
VAR_X1	2.02864	2.996791	0.68	0.498
VAR_X2	-0.9864619	2.293931	-0.43	0.667
VAR_X3	-2.7975	2.006121	-1.39	0.163
VAR_X4	0.3400309	0.1813814	1.87	0.061
VAR_X5	-3.257092	1.405244	-2.32	0.020
VAR_X1M	-0.2259094	0.372045	-0.61	0.544
VAR_X2M	0.189796	0.2883366	0.66	0.510
VAR_X3M	0.3500429	0.2661235	1.32	0.188
VAR_X4M	-0.0341376	0.0223051	-1.53	0.126
VAR_X5M	0.4027185	0.1753738	2.30	0.022
cons	0.0590562	0.0799729	0.74	0.460

Table 6 presents the results of the Random Effects panel regression analysis. Among the five governance mechanisms, only Institutional Ownership (X5) has a significant effect on Sustainability Report Disclosure (β = −3.2571, p = 0.020), indicating that higher institutional ownership is associated with lower sustainability report disclosure. In contrast, Independent Commissioners (X1), Audit Committee (X2), Managerial Ownership (X3), and Board of Directors (X4) do not significantly influence Sustainability Report Disclosure (p > 0.05). Regarding the moderating effects, Stakeholder Engagement significantly moderates only the relationship between Institutional Ownership and Sustainability Report Disclosure (β = 0.4027, p = 0.022), whereas the remaining interaction effects are statistically insignificant. Therefore, only H5 and H10 are supported, while H1, H2, H3, H4, H6, H7, H8, and H9 are not supported.

Table 7. Hypothesis Testing

Hypothesis and Relationship		Coefficient	p-value	Decision
H1	Independent Commissioners → SRD	2.0286	0.498	Not Supported
H2	Audit Committee → SRD	-0.9865	0.667	Not Supported
H3	Managerial Ownership → SRD	-2.7975	0.163	Not Supported
H4	Board of Directors → SRD	0.34	0.061	Not Supported
H5	Institutional Ownership → SRD	-3.2571	0.02	Supported
H6	Stakeholder Engagement × Independent Commissioners	-0.2259	0.544	Not Supported
H7	Stakeholder Engagement × Audit Committee	0.1898	0.51	Not Supported
H8	Stakeholder Engagement × Managerial Ownership	0.35	0.188	Not Supported
H9	Stakeholder Engagement × Board of Directors	-0.0341	0.126	Not Supported
H10	Stakeholder Engagement × Institutional Ownership	0.4027	0.022	Supported

Table 7 summarizes the hypothesis testing results. Of the ten proposed hypotheses, only H5 and H10 are supported at the 5% significance level. The remaining hypotheses are not supported because their p-values exceed the significance threshold.

Table 8. Results Coefficient of Determination

R-Square	
Within R^2	0.0541
Between R^2	0.3782
Overall R^2	0.2054

Table 8 presents the coefficient of determination (R^2) of the Random Effects Model. The overall R^2 value of 0.2054 indicates that the independent and moderating variables explain 20.54% of the variation in Sustainability Report Disclosure. The remaining 79.46% is explained by other variables outside the scope of this study.

DISCUSSION

Independent Commissioners and Sustainability Report Disclosure (H1)

The empirical estimates indicate that the proportion of independent commissioners displays no statistically significant influence on sustainability disclosure; therefore, H1 is not supported. Under Agency Theory, independent commissioners serve to lessen information asymmetry through objective supervisory oversight. However, in emerging markets like Indonesia, independent appointments often reflect symbolic compliance (rubber stamping) to satisfy exchange regulations rather than integrating technical ESG qualifications. Consequently, board oversight focuses primarily on administrative legal compliance rather than driving strategic sustainability disclosures. The insignificant effect of independent commissioners suggests that board independence alone is not sufficient to improve sustainability report disclosure.

Recent studies show that board characteristics can matter, but the effect is usually stronger when independence is supported by broader board expertise or other governance attributes (Alta'any et al., 2024; Gunawan et al., 2025; Ho et al., 2024). In the Indonesian context, this implies that independent commissioners may function more as a formal compliance mechanism than as a direct driver of disclosure quality. This also differs from Pratitarari and Honggowati (2025), who found that independent commissioners and ownership structure had a positive impact on sustainability disclosure in Indonesia.

Audit Committee and Sustainability Report Disclosure (H2)

Similarly, audit committee size yields an insignificant effect; therefore, H2 is not supported. Grounded in Institutional Theory, corporate audit committees operate under intense pressure to prioritize financial auditing, internal controls, and statutory compliance. Non-financial sustainability reporting is frequently viewed as outside their core fiduciary scope. This phenomenon occurs because audit committees in most publicly listed companies primarily allocate their resources and focus toward financial reporting integrity, internal audit verification, and statutory legal compliance. The audit committee does not show a significant direct effect on sustainability report disclosure, indicating that the existence of the committee is not enough to guarantee stronger non-financial reporting.

Bataineh et al. (2025) similarly reported no evidence that audit committee characteristics influenced CSR disclosure in Jordan, which supports the view that audit committees matter more when supported by sustainability expertise, frequent meetings, and an explicit disclosure mandate. Recent Indonesian work also continues to examine audit committee characteristics together with ownership structure in sustainability reporting research, showing that the topic remains important but context dependent (Chulim et al., 2025).

Managerial Ownership and Sustainability Report Disclosure (H3)

Managerial ownership also displays no significant direct impact; therefore, H3 is not supported. From an entrenchment perspective, owner-managers often prioritize cash preservation, treating costly voluntary ESG disclosures as non-essential expenditures that offer minimal short-term financial returns. Through the lens of Agency Theory (specifically the entrenchment hypothesis), managers holding substantial equity stakes often prioritize short-term cash flow efficiency. In practice, compiling and assuring sustainability reports requires significant financial expenditures (e.g., consultant fees, GRI standards certification, ESG data collection) without offering immediate financial returns.

Managerial ownership is also insignificant, suggesting that shares held by managers do not automatically translate into broader sustainability disclosure. This result can be explained by the possibility that managerial owners still prioritize short-term financial outcomes over voluntary disclosure commitments. Recent ownership-structure studies in Indonesia and Europe show that the effect of ownership on sustainability-related disclosure depends on the wider governance environment and reporting incentives (Indy et al., 2022; Meqbel et al., 2025; Pratitarari & Honggowati, 2025).

Board of Directors and Sustainability Report Disclosure (H4)
Board of directors demonstrates a positive coefficient but fails to achieve statistical significance at the 5% level (p = 0.061); therefore, H4 is also not supported. While Stakeholder Theory recommends that larger boards offer broader expertise, large board size can also introduce communication friction and coordination delays, counteracting potential governance benefits. However, organizational dynamics reveal risks of coordination loss and communication friction within expanded board structures. Strategic decision-making regarding sustainability budget allocations encounters internal resistance and slower consensus building. Although the board of directors is expected to promote transparency, the present findings indicate that board size alone does not guarantee higher sustainability disclosure. The board of directors does not significantly affect sustainability report disclosure in this study, which suggests that board size or board presence alone does not guarantee stronger disclosure.

This is consistent with recent evidence that only certain board attributes are relevant for sustainability-related disclosure, while others are not uniformly influential (Alta'any et al., 2024; Ho et al., 2024). It also differs from Adam et al. (2025), who found that board of directors effectiveness positively affected carbon disclosure quality in Malaysia. Therefore, the result here indicates that board composition must be accompanied by sustainability expertise and active oversight to influence disclosure quality.

Institutional Ownership and Sustainability Report Disclosure (H5)
Conversely, institutional ownership exhibits a statistically significant negative influence; therefore, H5 is supported. Driven by investor short-termism, institutional investors in emerging capital markets often prioritize immediate quarterly earnings and profit margins. Voluntary sustainability disclosures are frequently viewed by institutional blockholders as burdensome overhead costs that reduce short-term net returns, leading them to discourage discretionary non-financial reporting. Institutional ownership has a significant negative effect on sustainability report disclosure, which suggests that institutional investors in this sample may focus more on short-term financial discipline than on voluntary sustainability transparency.

This finding contrasts with Adam et al. (2025), Hikal et al. (2025), and Pratitarari & Honggowati (2025), who reported positive links between institutional ownership and carbon, climate-related, or sustainability disclosure quality. It is also different from the broader European evidence that ownership structure is associated with stronger SDG disclosure (Meqbel et al., 2025). The negative sign therefore shows that the role of institutional ownership is highly context-dependent and may not always encourage more extensive sustainability reporting.

Moderating Role of Stakeholder Engagement (H6–H10)
Moderating Effect of Stakeholder Engagement on the Relationship between Independent Commissioners and Sustainability Report Disclosure (H6)
The interaction term between independent commissioners and stakeholder engagement is not statistically significant (p = 0.544); therefore, H6 is not supported. Stakeholder engagement insignificantly moderates (strengthens or weakens) the relationship

between independent commissioners and sustainability report disclosure. Stakeholder Theory emphasizes incorporating public and environmental interests into strategic corporate decision-making. However, corporate governance structures often exhibit structural decoupling between operational units managing stakeholder engagement (such as CSR or Public Relations departments) and the board of independent commissioners. Insights from stakeholder dialogues rarely penetrate the formal supervisory agenda of independent commissioners.

Because external information channels are not formally integrated into board oversight, this interaction fails to influence disclosure practices. Stakeholder engagement does not moderate the relationship between independent commissioners and sustainability report disclosure, which means that dialogue with stakeholders does not automatically strengthen board oversight. Prior studies suggest that stakeholder engagement becomes meaningful when it is embedded in materiality assessment and board decision-making, not when it is treated as a stand-alone communication activity (Attanasio et al., 2022; A. A. Dewi et al., 2023; Yadav & Jain, 2023). In this study, stakeholder engagement may therefore be too diffuse to alter the effect of independent commissioners on reporting behavior.

Moderating Effect of Stakeholder Engagement on the Relationship between Audit Committee and Sustainability Report Disclosure (H7)

The interaction between the audit committee and stakeholder engagement is not statistically significant (p = 0.510); therefore, H7 is not supported. Stakeholder engagement fails to moderate the impact of the audit committee on sustainability disclosure transparency. This phenomenon is explained through Institutional Theory, where audit committees remain bound by financial accounting standards and formal statutory frameworks. External stakeholder dialogues lack the regulatory authority to expand the audit committee's oversight scope. Consequently, audit committees treat ESG disclosures as managerial responsibilities rather than audit functions.

The audit committee result also remains unmoderated by stakeholder engagement, indicating that external dialogue does not expand the committee's role unless sustainability issues are formally integrated into audit processes. Recent studies suggest that governance effects become stronger when these effects are tied to explicit sustainability committees or formal reporting routines, rather than to general engagement alone (Adam et al., 2025; Hikal et al., 2025). This implies that stakeholder engagement may improve transparency, but it does not automatically change the audit committee's attention to sustainability disclosure.

Moderating Effect of Stakeholder Engagement on the Relationship between Managerial Ownership and Sustainability Report Disclosure (H8)

The interaction between managerial ownership and stakeholder engagement is not statistically significant (p = 0.188); therefore, H8 is not supported. Stakeholder engagement does not significantly condition the influence of managerial shareholding on sustainability disclosure. Under Agency Theory, when managers hold substantial equity stakes, decision-making authority centers on protecting personal equity value. Stakeholder engagement does not moderate the relationship between managerial ownership and sustainability report disclosure, which suggests that manager-shareholders may still prioritize internal financial objectives even when stakeholder pressure exists.

Stakeholder-oriented governance studies argue that engagement affects disclosure only when it reshapes decision rights and reporting priorities, not merely when it increases communication volume (Attanasio et al., 2022; Yadav & Jain, 2023). In other words,

stakeholder engagement in this context is not strong enough to turn managerial ownership into a stronger driver of sustainability transparency.

Moderating Effect of Stakeholder Engagement on the Relationship between Board of Directors and Sustainability Report Disclosure (H9)

The interaction between the board of directors and stakeholder engagement is not statistically significant (p = 0.126); therefore, H9 is not supported. Stakeholder engagement does not moderate the influence of board size on sustainability report disclosure. Although Stakeholder Theory suggests that larger boards can leverage stakeholder feedback to improve corporate transparency, internal bureaucratic inertia often hinders this process. Larger boards experience high hierarchical complexity, slowing the transformation of stakeholder inputs into concrete reporting policies.

Stakeholder engagement also does not moderate the relationship between the board of directors and sustainability report disclosure, implying that a larger or more active board does not necessarily convert stakeholder feedback into better reporting. Studies on board characteristics show that board size alone is a weak predictor compared with attributes such as expertise, independence, and the presence of specific sustainability-oriented governance structures (Alta'any et al., 2024; Gunawan et al., 2025; Ho et al., 2024). Thus, stakeholder engagement may be useful, but it does not automatically overcome the limitations of board structure.

Moderating Effect of Stakeholder Engagement on the Relationship between Institutional Ownership and Sustainability Report Disclosure (H10)

The interaction between institutional ownership and stakeholder engagement is statistically significant (p = 0.022); therefore, H10 is supported. This finding confirms that stakeholder engagement significantly moderates and reverses the direct negative influence of institutional ownership on sustainability report disclosure into a positive one. Theoretically, this outcome supports Stakeholder-Agency Theory and Legitimacy Theory. In modern capital markets, when institutional investors are exposed to active stakeholder demands (such as climate change mitigation, labor practices, and supply chain transparency), their strategic orientation shifts from short-term financial returns toward long-term ESG risk management. Institutional investors recognize that ignoring stakeholder expectations damages corporate reputation and firm valuation. This is the strongest result in the model.

Stakeholder engagement significantly strengthens the relationship between institutional ownership and sustainability report disclosure, suggesting that institutional owners respond more constructively when stakeholder expectations are visible and actively voiced. This pattern is consistent with recent evidence showing that institutional ownership becomes more disclosure-friendly when sustainability or environmental committees are present, as well as with studies that link ownership structure to higher-quality sustainability or SDG disclosure (Adam et al., 2025; Hikal et al., 2025; Meqbel et al., 2025). It also fits the argument that stakeholder engagement improves sustainability reporting by sharpening materiality assessment and disclosure priorities (A. A. Dewi et al., 2023; Yadav & Jain, 2023).

CONCLUSION

This study investigated the influence of governance attributes (GCG) on sustainability report disclosure, alongside the moderating role of stakeholder engagement, across listed Indonesian energy companies from 2019 to 2022. Research findings demonstrate that independent commissioners, audit committees, managerial ownership, and board

size do not directly drive sustainability reporting completeness. Conversely, institutional ownership directly exerts a significant negative influence on sustainability disclosures.

Crucially, stakeholder engagement acts as a key contextual moderator, converting the direct negative impact of institutional blockholders into a positive relationship with sustainability disclosure completeness. However, stakeholder engagement does not significantly condition the impact of other internal governance structures. These results highlight that conventional governance mechanisms alone are often insufficient to advance ESG transparency in emerging markets, requiring active stakeholder dialogue to align investor incentives with long-term corporate accountability.

LIMITATION

This study presents several methodological limitations. First, the empirical scope is restricted to the Indonesian energy sector over the 2019–2022 period, which may bound the generalizability of findings to other industries or regulatory settings. Second, evaluating sustainability disclosure relies on content analysis of published reports, which may not fully reflect operational environmental performance. Third, the model focuses on structural governance attributes; future research could incorporate control variables such as firm leverage, profitability, firm size, and regulatory pressure across multi-sector samples over extended observation windows.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare that there are no conflicts of interest regarding the research, authorship, and publication of this article.

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