

# Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

## Research Horizon

Volume: 05

Issue: 05

Year: 2025

Page: 1955-1966

## Citation:

Ramahdani, S. P., & Tarmidi, D. (2025). The effect of ownership structure on sustainability reporting: The moderating role of board diversity. *Research Horizon*, 5(5), 1955–1966.

## Article History:

Received: September 6, 2025

Revised: September 27, 2025

Accepted: October 7, 2025

Online since: October 30, 2025

# The Effect of Ownership Structure on Sustainability Reporting: The Moderating Role of Board Diversity

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## Abstract

Sustainability reporting has emerged as a vital mechanism for demonstrating corporate accountability. However, many companies in Indonesia continue to disregard the environmental and social consequences of their operations despite the existence of regulatory requirements. This study investigates the influence of ownership structure on sustainability reporting disclosure, focusing on concentrated ownership, public ownership, and institutional ownership, with board diversity examined as a moderating factor. A quantitative approach was applied to 66 industrial sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023, using purposive sampling. Data were analyzed through multiple linear regression and Moderated Regression Analysis (MRA) with the Stata software. The results indicate that concentrated ownership positively and significantly affects sustainability reporting, whereas public and institutional ownership show negative effects. Furthermore, board diversity weakens the positive relationship between concentrated ownership and sustainability reporting, while strengthening the effects of public and institutional ownership. These findings demonstrate that ownership structure and board diversity jointly shape corporate transparency and accountability in sustainability reporting. The study concludes that enhancing gender diversity within boards can strengthen governance mechanisms, promote stakeholder trust, and encourage companies to adopt more comprehensive sustainability disclosure practices.

## Keywords

Board Diversity, Ownership Structure, Public Ownership, Shareholding, Sustainability Reporting.

## 1. Introduction

The development of sustainability reporting standards continues to progress globally in order to address various reporting issues that do not fully align with sustainability principles. Many companies still show limited concern regarding the environmental and social consequences of their operations or products, often ignoring the burden borne by communities surrounding their business activities (Barung et al., 2018). In Indonesia, sustainability reporting has been mandatory for financial institutions and public companies since 2019, and for registered companies since 2020. This obligation is reinforced by the financial services authority through Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance, which requires the submission of separate sustainability reports annually (Sidiq et al., 2021). Despite such regulations, cases of environmental damage, such as pollution caused by PT. Panggung Jaya Indah Textile (PT Pajitex) in Pekalongan demonstrates that many firms have yet to conduct operations in accordance with sustainability principles. Companies are expected to take responsibility not only economically but also socially and environmentally (Balachandran & Chandrasekaran, 2011). The 2019 National ESG Survey further shows that Indonesian businesses generally do not incorporate ESG criteria in a structured way within decision-making. This condition persists even though the government has issued policies such as Law Number 32 of 2009 on environmental management and Law Number 40 of 2007 on social responsibility.

Nevertheless, Indonesia has made progress. The Asia Sustainability Reporting Awards highlight an increasing number of Indonesian companies being nominated each year, suggesting a growing adoption of sustainability reporting. However, the level of ESG implementation remains relatively low. According to the Sustainable Development Solutions Network, Indonesia's SDG achievement ranked 78th out of 166 countries, behind Thailand (45th) and Vietnam (54th). Loh (2023) notes that 80% of surveyed Indonesian firms apply GRI standards, demonstrating that sustainability reporting is increasingly recognized as a bridge between companies and both internal stakeholders (shareholders, management, employees) and external stakeholders (consumers, society, environment). Ownership structure plays a crucial role in this context. It refers to the composition of shareholding within a company (Sugiarto & Rizdiansyah, 2024). The degree of ownership concentration, control, supervision, and potential conflicts of interest among shareholders shape a firm's ownership characteristics (Susadi & Kholmi, 2021). Ownership types managerial, institutional, governmental, foreign, and family carry significant implications for company objectives and governance (Akbar et al., 2025). Prior studies confirm that ownership structure influences the extent of sustainability reporting disclosure (Nuhu & Alam, 2024).

Concentrated ownership, for instance, may reduce disclosure incentives since controlling shareholders have direct access to internal information, diminishing the need for external accountability (Upaa et al., 2024). This concentration can also lead to agency conflicts between majority and minority shareholders, thereby limiting sustainability reporting. Public ownership, on the other hand, often involves retail investors primarily focused on dividends, resulting in minimal pressure for sustainability disclosure. Similarly, institutional investors frequently prioritize short-term profitability, providing little encouragement for sustainability transparency (Sidiq et al., 2021). Nonetheless, the literature on public ownership and sustainability reporting remains inconclusive. A study by Zharfpeykan and Askarany (2023) suggests a positive relationship, while Fathurrohman et al. (2022) find negative effects. Institutional ownership is also debated: while short-term orientation may hinder disclosure, higher institutional ownership can also reduce

information asymmetry and encourage sustainability practices (Sellami et al., 2019; Sidiq et al., 2021).

Another critical factor is board diversity. According to the American Psychological Association in 2023, although men and women are equally intelligent, male-dominated organizational cultures may perpetuate bias and distrust. Board diversity, especially gender diversity, broadens perspectives and enhances sensitivity to social and environmental issues. Within the framework of legitimacy theory, diverse boards are more responsive to societal pressures and more committed to accountability through sustainability reporting. Empirical studies further highlight the importance of valuing gender diversity and continuously evaluating boards' sustainability performance (Widvannanda et al., 2025; Noor et al., 2025). From a theoretical standpoint, agency theory explains the ownership relationship between insiders (management) and outsiders (shareholders), and how agency conflicts affect governance and disclosure practices (Jensen & Meckling, 1976). Concentrated ownership may exacerbate conflicts between majority and minority shareholders, thereby influencing disclosure quality. Legitimacy theory complements this by emphasizing that organizational survival depends on aligning corporate actions with societal values. Publicly acceptable disclosures, including financial statements, annual reports, and sustainability reports, become tools to ensure transparency and maintain legitimacy (Affriani, 2020).

Taken together, prior evidence suggests that ownership structure and board diversity are fundamental in shaping sustainability reporting disclosure. However, inconsistencies in findings highlight the need for further research to clarify the roles of concentrated, public, and institutional ownership, as well as the moderating influence of board diversity, in the Indonesian context. This study aims to examine the effects of public ownership and shareholding concentration, alongside institutional ownership, on sustainability reporting, with board diversity included as a moderating factor.

## **2. Literature Review and Hypothesis Development**

### **2.1 The Determinants of Sustainability Reporting**

Sustainability reporting has become a standard practice that attracts the interest of all stakeholder groups and plays a role in accountability relationships, serving as a means of communication between organizations and various stakeholders (Laine et al., 2022). Sustainability reporting involves disclosing the economic, environmental, and social policies, impacts, and performance of organizations and their products within the framework of sustainable development. Many companies in Indonesia began adopting the Global Reporting Initiative (GRI) as a reference due to the lack of official guidelines from the government and the Indonesian Institute of Accountants. Furthermore, the preparation of sustainability reports is mandated under Article 66, paragraph 2 of Law Number 40 of 2007 on Limited Liability Companies.

Concentrated share ownership is the distribution of share ownership in which most of the shares are owned by a few individuals or groups, and a small portion of the shares is owned by other shareholders (Pratiwi, 2018). Most of the shares are controlled by a group or individual who has relatively dominant shares compared to others. When linked to agency theory, concentrated ownership can influence the extent to which the company shows significant results in the relationship between concentrated ownership and the disclosure of sustainability reports (Sidiq et al., 2021).

Public ownership refers to the number of company shares held by the public, as disclosed in the notes to the annual financial statements (Marsudi & Soetanto, 2020). Firms with high public ownership tend to pursue societal legitimacy and strengthen

social and environmental responsibility (Fuadah et al., 2022). According to legitimacy theory, greater public ownership increases exposure and encourages companies to maintain legitimacy through sustainability reporting. Raquiba and Ishak (2020) found a significant positive relationship between managerial ownership and sustainability disclosure. Institutional ownership is the shareholding of institutions such as government bodies, private entities, investment firms, pension funds, insurance companies, and banks (Irawati, 2022; Akbar et al., 2025). Based on Agency Theory, sustainability reporting helps reduce information asymmetry between agents and principals. Sellami et al. (2019) showed that higher institutional ownership leads to greater demands for sustainability disclosure. Institutional ownership affects sustainability reporting disclosure.

H1: Concentrated ownership has a positive effect on the disclosure of sustainability reporting.

H2: Public ownership has a positive effect on the disclosure of sustainability reporting.

H3: Institutional ownership has a positive effect on the disclosure of sustainability reporting.

## 2.2 Board Diversity as a Moderating Variable

The effectiveness of sustainability reporting is not only determined by ownership structure but also influenced by the governance mechanism of the company, particularly board diversity. Board diversity refers to the heterogeneity of board members in terms of gender, expertise, background, and perspectives (Mishra & Jhunjhunwala, 2013). A more diverse board is expected to improve decision-making processes, enhance monitoring functions, and increase the quality of disclosures provided to stakeholders. According to stakeholder theory, diverse boards respond better to stakeholder expectations, encouraging broader and more transparent sustainability disclosures. From an agency theory perspective, board diversity reduces information asymmetry by ensuring decisions are reviewed from multiple angles. Therefore, it is expected to moderate the relationship between ownership structures and sustainability disclosure, reinforcing their positive effects.

H4: Board diversity positively moderates the effect of concentrated ownership on the disclosure of sustainability reporting.

H5: Board diversity positively moderates the effect of public ownership on the disclosure of sustainability reporting.

H6: Board diversity positively moderates the effect of institutional ownership on the disclosure of sustainability reporting.

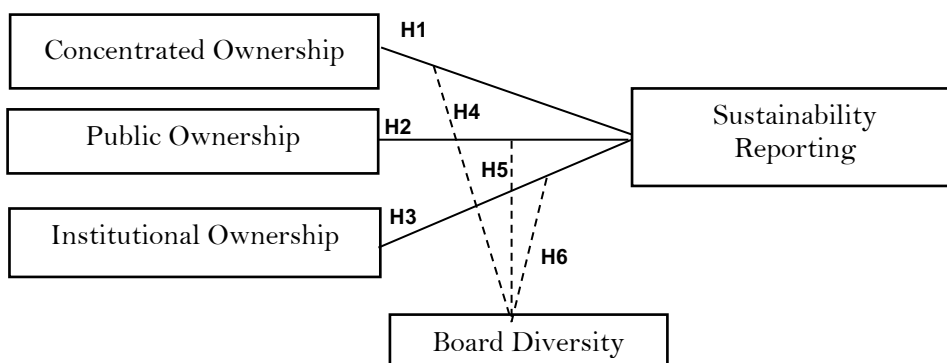


Figure 1. Conceptual Framework

Figure 1 presents the conceptual framework of this study. It posits that concentrated ownership (X1), public ownership (X2), and institutional ownership (X3) exert a positive effect on sustainability reporting (Y). In addition, board diversity (Z) is hypothesized to serve as a positive moderating factor, enhancing the relationship between ownership structures and sustainability reporting, and thus reinforcing disclosure practices.

### **3. Methods**

This study applies a quantitative approach with purposive sampling to explain variable relationships, test theories, and generalize social phenomena, where results are presented in mathematical form (Leon et al., 2023). The research object is industrial sub-sector companies listed on the Indonesia Stock Exchange (IDX), using financial statements from 2021 to 2023. Data analysis is conducted with the Stata application. The dependent variable, sustainability reporting, is a non-financial report separate from financial statements (Herusetya, 2024). Measurement uses the Sustainability Report Disclosure Index (SRDI), with a score of 1 for disclosed items and 0 for undisclosed items. Here is the calculation of SRDI:

$$SRDI = \sum x_{ij}/n_j$$

Independent variables (also called independent, predictor, explanatory, or exogenous variables) are variables that affect dependent variables, either positively or negatively. The ability to explain the relationship between independent and dependent variables is crucial, as it reflects how much variability independent variables influence dependent variables. Concentrated ownership is measured by comparing the number of shares held by majority shareholders with the total number of shares outstanding. The calculation is expressed as the ratio of concentrated shares to total shares, multiplied by 100 percent (Gunawan, 2021). Public ownership is measured by the proportion of shares held by the public compared to the total number of outstanding shares. Institutional ownership is calculated by comparing the number of shares held by institutional investors such as government bodies, financial institutions, pension funds, or insurance companies to the total number of outstanding shares.

A moderating variable influences the relationship between independent and dependent variables, either by strengthening or weakening it. In this research, board diversity, defined as gender diversity, is measured using a dummy variable, with a value of 1 assigned when female board members are present and zero otherwise. Descriptive statistics summarize the data through indicators such as mean, standard deviation, variance, minimum, maximum, range, kurtosis, and skewness. The study utilizes time series data from 2021 to 2023, analyzed with panel data regression methods, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To ensure model accuracy, three specification tests are conducted: the Chow Test to determine whether the Fixed Effect Model is more appropriate than the Common Effect Model, the Hausman Test to decide whether the Fixed Effect or Random Effect provides a more consistent and efficient estimator, and the Lagrange Multiplier (LM) Test to examine whether the Random Effect is better than the Common Effect Model. These tests are used sequentially to identify the most suitable model for the panel data structure and to avoid estimation bias. Model selection is based on the Chow test, Hausman test, and Lagrange Multiplier test. Classical assumption testing includes assessments of multicollinearity, autocorrelation, heteroscedasticity, and normality. Hypotheses are tested using the coefficient of determination ( $R^2$ ), t-test, F-test, and moderation regression analysis (Amaliana et al., 2019). The moderation regression model is specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 M + \beta_5 (X_1 \times M) + \beta_6 (X_2 \times M) + \beta_7 (X_3 \times M) + \epsilon$$

The purposive sampling technique is justified as it allows the selection of companies that consistently disclose sustainability and financial reports, ensuring data completeness and relevance to the research objectives. Moderated Regression Analysis (MRA) is employed because it is effective for testing interaction effects, specifically examining how board diversity moderates the relationship between ownership structure and sustainability reporting disclosure

#### 4. Results

This study employs time series data, consisting of variables observed over a specific period. The sample uses consistent data for each company over three years, from 2021 to 2023.

**Table 1.** Descriptive Statistical Analysis Table

Measurement	X1	X2	X3	Z	Y
Minimum	0.00011	0.00653	0.14128	1.00000	0.16854
Maximum	0.99347	0.82454	0.99347	2.00000	1.00000
Mean	0.47194	0.27994	0.67599	1.61468	0.75291
Std. Deviation	0.24919	0.18213	0.20939	0.48756	0.20176

As shown in Table 1, which summarizes the results of the descriptive statistical analysis, the variable of Constricted Ownership (X1) ranges from a minimum value of 0.00011 to a maximum of 0.99347. The public ownership variable (X2) records values between 0.00653 and 0.82454. The institutional ownership variable (X3) demonstrates a minimum of 0.14128 and a maximum of 0.99347. For the moderating variable, board diversity (Z), the values range from 1.0000 to 2.0000. Finally, the sustainability reporting variable (Y) ranges from 0.16854 to 1.0000.

**Table 2.** Estimation Model Selection

Test	Model	Results	Results
Chow	CEM vs FEM	0.0479 < 0.05	(FEM)
Lagrange Multiplier	REM vs CEM	0.0000 < 0.05	(REM)
Hausman	FEM vs REM	0.0000 < 0.05	(FEM)

Based on Table 2, the Chow Test produces a P-value (Prob < F) of 0.0479, which is lower than the significance threshold of 0.05. This indicates that the most appropriate model according to the Chow Test is the Fixed Effect Model (FEM). Meanwhile, the Lagrange Multiplier (LM) Test shows a Prob < chibar2 value of 0.0000, which is smaller than the 0.05 significance level. This result suggests that the Random Effect Model (REM) is the most suitable based on the LM Test. Furthermore, the Hausman Test demonstrates a probability value of Cross-Section random equal to 0.0000, which is below the significance level of 0.05. Therefore, the Hausman Test confirms that the Fixed Effect Model (FEM) is the best fit. Additionally, the Combined K-S value of 0.084 exceeds the significance level of 0.05, indicating that the data meet the normality assumption.

**Table 3.** Classic Assumption Test

Test	Results	Status
Normality Test	Combined K-S values > significant values Combined K-S = 0.084 > 0.05	Passed
Multicollinearity Test	VIF : Pub = 4.71, Ins = 4.42, Con = 1.51 dif = 1.03 1/VIF : Pub = 0.212137, Ins = 0.226059, Con = 0.662860, dif = 0.966659	Passed
Heteroscedasticity Test	Chi2 = 5.31, Prob > Chi2 by 0.0212	Not Passed (Robust)
Autocorrelation Test	Prob > F = 0.0004	Not Passed
Prais and Robust	Robust: Rsquare:0.0934, Prob > F by 0.7316 Prais; beginning: 0.028833 -> 0.892433	

The results presented in Table 3 for the normality test indicate that the normality assumption is fulfilled when the combined K-S value exceeds the significance threshold ( $\alpha = 0.05$ ). Accordingly, the assumption of normality is satisfied, which allows the application of the t-test and F-test in the regression model to be considered valid. Furthermore, the multicollinearity test results show that the VIF values for all variables fall within a very low range. All of these values are still far below the general tolerance limit often used in multicollinearity testing, which is 10. In addition, the tolerance value (1/VIF) is also high, which indicates that these independent variables do not explain each other significantly. The Heteroscedasticity Test uses the Breusch-Pagan/Cook-Weisberg method.

This method examines whether the variance of the residuals is correlated with the predicted values of the independent variables in the model. Regarding the Autocorrelation Test, the Wooldridge test produced an F-statistic of 21.321 with a probability value (p-value) of 0.0001. Since the p-value is far below the 0.05 significance threshold, the results indicate the presence of autocorrelation, thereby violating the assumption of no autocorrelation. For the Robust method itself, individually, there is not a single statistically significant variable.  $P > |t|$  value for all three variables are above 0.05, which proves that there is no significant influence of each variable on the dependent variable. The Prais-Winsten method is a method that changes the error structure of the model by estimating the rho parameter, which explains the autocorrelation coefficient between the errors in the current and previous periods. using the original Durbin-Watson statistic of 0.028833 increased to 0.892433, indicating that after the Prais-Winsten correction, the DW value increased to close to 1, but still showed an indication of autocorrelation. Ideally close to 2 for no autocorrelation. changes even though they have not completely eliminated autocorrelation.

**Table 4.** Test Multiple Linear Regression

Variable	Coefficient	T-Statistic	Sig.
CON (X1)	0.42861	2.61	0.011**
PUB (X2)	-0.32697	-2.59	0.012**
INS (X3)	-0.29051	-2.38	0.020**
N	111		
R-Square	0.1206		
Prob F	0.0716		

Table 4 presents the multiple linear test (without moderation), with the result of Concentrated Ownership (X1) having a coefficient value greater than the significance limit. Therefore, Hypothesis 1 (H1) is accepted, as statistically concentrated ownership has a positive effect on the disclosure of sustainability reporting. This means that the existence of concentrated ownership within the

company structure has proven to be quite strong in the disclosure of Sustainability reporting. In the Public Ownership Variable (X2), the coefficient value is smaller than the significance limit, so the direction of the influence can be said to be negative, but the results of Hypothesis 2 (H2) are accepted. The same result is also explained from the variable value X3 (Institutional Ownership), which shows results with a coefficient value smaller than the significance limit, so that the direction of influence can be said to be negative, but the results of hypothesis 3 (H3) are accepted. In substance, this also shows that the greater the proportion of public ownership and institutional ownership in the Company, the lower the Company's tendency to disclose Sustainability reporting.

**Table 5.** Test Regression Analysis

Variable	Coefficient	T-Statistic	Sig.
CON (X1)	1.91091	4.53	0.000***
PUB (X2)	-2.63438	-3.92	0.000***
INS (X3)	-2.78291	-4.15	0.000***
CON*DIF	-0.47590	-3.27	0.002***
PUB*DIF	1.62583	3.45	0.001***
INS*DIF	1.75652	3.74	0.000***
N	111		
R-Square	0.2990		
Prob F	0.0016		

Based on the findings presented in Table 5, concentrated ownership (X1) has a positive and significant effect on sustainability reporting disclosure, indicating that higher levels of concentrated ownership are associated with greater disclosure. In contrast, public ownership (X2) and institutional ownership (X3) both show negative effects, suggesting that an increase in these ownership types tends to reduce the extent of sustainability reporting. Board diversity (DIF) also demonstrates a significant negative impact, implying that the presence of female board members does not necessarily improve sustainability disclosure and may, in fact, diminish it.

When the moderating role is examined, the interaction term CON\*DIF reveals a significant negative effect, indicating that board diversity weakens the positive relationship between concentrated ownership and sustainability reporting. On the other hand, the interaction terms PUB\*DIF and INS\*DIF yield significant positive results, suggesting that board diversity strengthens the influence of public and institutional ownership on disclosure practices. Thus, although board diversity directly exerts a negative effect, it simultaneously enhances the role of public and institutional ownership in driving broader sustainability reporting disclosure.

## 5. Discussion

The findings confirm that Hypothesis 1 (H1) is accepted. This result aligns with prior research by Barung et al. (2018) and Sidiq et al. (2021), which demonstrates that concentrated ownership significantly influences sustainability reporting disclosure. Consistent with agency theory, majority shareholders can utilize sustainability reporting as an accountability tool to mitigate conflicts of interest with minority shareholders. With the increase in concentrated ownership, the majority shareholders are trying to maintain the company's reputation and increase transparency through sustainability reporting, thereby encouraging information disclosure. The results of Hypothesis 2 (H2) explain that the direction of influence can be said to be negative, but the results of Hypothesis 2 (H2) are accepted. Based on research conducted by Dakhli (2021) and Fathurohman et al. (2022), in line with the results of this study, the findings indicate that public ownership has a negative effect on sustainability reporting disclosure. In the framework of agency theory, this

condition can cause monitoring problems because minority shareholders are more focused on short-term financial gains than on sustainability accountability. The majority of public ownership is more interested in small, retail, or capital market investors who often do not care too much about sustainability issues; they are more interested in dividends, capital gains, and financial statements. not Sustainability reporting.

The results of hypothesis 3 (H3) show a negative influence of institutional ownership on sustainability reporting, and the hypothesis is therefore accepted. This finding is consistent with prior studies by Acar et al. (2021), Martínez-Ferrero and Lozano (2021), and Nuhu et al. (2024), which conclude that higher institutional ownership tends to increase demands for sustainability-related information, thereby exerting pressure on disclosure practices. Meanwhile, hypothesis 4 (H4) confirms that board diversity weakens the effect of concentrated ownership on sustainability reporting. In line with agency theory, diverse boards help reduce information asymmetry and mitigate the opportunistic behavior of majority shareholders. While concentrated ownership often centralizes decision-making in the hands of controlling shareholders, board diversity introduces broader perspectives and greater attention to external stakeholders such as society, the environment, and the wider community. As a result, diverse boards can limit dominant shareholder control and encourage management to maintain sustainability reporting for social legitimacy (McKinsey, 2020).

The results of hypothesis 5 (H5) board diversity strengthen the influence of moderation of public ownership on sustainability reporting. While board diversity can broaden perspectives and increase sensitivity to sustainability issues, its existence is strong enough to bridge the weaknesses of passive public influence. Theoretically, this is in line with agency theory, where minority shareholders tend to experience limitations in monitoring management. Although, diversity on the board of directors can support more stakeholder-oriented decision-making, the presence of board diversity, particularly gender diversity, reinforces this impulse. Diverse board members are typically more sensitive to sustainability, ethics, and external stakeholder issues. They can pressure management to be more transparent and more active in compiling and disclosing sustainability reporting (Akbar & Choiriyah, 2025).

The result of hypothesis 6 (H6) is that board diversity strengthens the influence of institutional ownership on sustainability reporting. According to agency theory, institutions that own large stakes may only pursue their own economic interests through direct relationships with management, thus encouraging companies to focus less on external openness (e.g., sustainability reporting) because they are considered less necessary. However, when there is Board diversity, especially gender diversity, the board's oversight mechanism becomes more effective. Diverse board members tend to be more concerned about the interests of various stakeholders, including the public. This makes the board more demanding for higher transparency, thus pressuring management to not only meet the information needs of institutional investors, but also increase the disclosure of sustainability reporting.

## **6. Conclusion**

Sustainability reporting disclosure is positively impacted by concentrated ownership. The disclosure of sustainability reporting, however, is negatively impacted by both institutional and public ownership. Furthermore, it has been discovered that, as a moderating variable, board diversity both strengthens the impact of institutional and public ownership on sustainability reporting disclosure and weakens the association between concentrated ownership and sustainability reporting disclosure.

Increasing the representation of women on boards helps promote institutional and public ownership of sustainability reporting. Therefore, in order to comply with rules and obtain a better perspective on strategic decision-making linked to sustainability, corporations are advised to enhance the representation of women on their boards of directors. Practically, these findings imply that companies should ensure gender-inclusive board structures to enhance transparency and accountability, while investors and regulators can use ownership structure and board composition as benchmarks in assessing corporate governance and sustainability compliance.

Future research include independent variables or other forms of moderation in board diversity to better understand and organize. The implications of this study highlight the importance of ownership structure and gender diversity in improving transparency and accountability in sustainability reporting, which is valuable for both corporate governance and regulators. However, this research is limited to industrial sub-sector companies listed on the IDX from 2021 to 2023 and only measures board diversity by gender, excluding other aspects. Future research should therefore broaden the scope across sectors or countries, use wider measures of diversity, and include additional variables such as firm size, profitability, or leverage to provide deeper insights.

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***Acknowledgment***

We gratefully acknowledge the contributions of individuals who supported the completion of this article.

***Funding Information***

This research did not receive any funding.

***Conflict of Interest Statement***

The authors declare that there is no conflict of interest.

***Ethical Approval and Originality Statement***

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

***Data Disclosure Statement***

The data that support the findings of this study are available from the corresponding author upon reasonable request.



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