

**DO INDUSTRY SENSITIVITY AND BOARD CHARACTERISTICS INFLUENCE ESG REPORTING IN INDONESIA?****Diska Arliena Hafni.**Associate Professor, Accounting Program,  
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Universitas Aisyiyah Yogyakarta, Indonesia**ABSTRACT**

This study aims to analyze the effects of industry sensitivity and board characteristics on Environmental, Social, and Governance (ESG) reporting. This quantitative study uses a correlational approach. The study population was companies listed on the IDX in 2024. The sample was selected using a purposive sampling method, with 46 companies selected for the study. Multiple linear regression was used to analyze the data. The results show that industry sensitivity, company size, and the level of education of the board of directors have no effect on ESG reporting. However, board diversity significantly negatively affects the ESG reporting of companies listed on the IDX in Indonesia. The findings emphasize the important roles of regulation and organizational culture, as well as uneven strategic awareness of ESG among companies in Indonesia. Therefore, there is a need for increased ESG awareness at the strategic level, as well as intervention from regulators, to encourage more comprehensive and meaningful sustainability reporting.

**Keywords:**

Industry sensitivity, board size, board diversity, board education level, company size, ESG reporting

**INTRODUCTION**

Business activities today cannot be separated from the environmental and social issues that accompany them. Companies need to pay attention to the sustainability of nature and safeguard their surrounding social environment. This can be achieved by taking into account several aspects, such as the use of natural resources, carbon emissions, energy efficiency, pollution, and sustainability initiatives. Social aspects may encompass labour-related issues, such as health, education and inequality, as well as broader social issues such as human rights, data privacy and community engagement. This means that the business activities carried out by a company must take into account the need for good and equitable relationships between the company and its other stakeholders, both internal and external. The relevant parties include the general public, local communities, and the company's own employees (Sofia, 2024).

In addition to considering environmental and social factors, companies must also pay attention to governance factors in their business operations. According to Sofia (2024), governance factors encompass corporate ethics, such as the use of accurate and transparent accounting methods, upholding integrity and equality in the selection of leaders, and the fulfilment of shareholders' rights. This implies that companies must conduct their business activities in accordance with good corporate governance to ensure the sustainability of their operations.

The concept of Environmental, Social, and Governance (ESG) came to global attention in 2005 when the United Nations (UN) introduced the Principles for Responsible Investment, which encouraged investors to consider ESG factors in their investment decisions (Nofrian & Sebrina, 2024). Since then, an increasing number of companies have come to realise that implementing ESG practices serves not only as a form of social responsibility but also as a business strategy that can enhance their appeal in the global market (Astuti et al., 2023).

Further developments regarding ESG are evident in the business world's response to the challenges of climate change and social inequality. Wang's (2024) research findings indicate that integrating ESG into employee and management performance assessments broadens the perspective on corporate development, emphasising social responsibility and environmentally friendly business practices. Companies that apply ESG principles have the potential to gain greater trust from stakeholders, including investors, consumers and the general public, who increasingly value sustainability (Hake & Shanti, 2024). Furthermore, companies that prioritise ESG initiatives can strengthen their relationships with stakeholders and boost investor confidence, whilst enhancing their competitiveness in the market (Kulova & Nikolova-Alexieva, 2023). Consistent sustainable practices build stakeholder trust and contribute to long-term value (Cohen & Zhu, 2024).

ESG disclosure contributes positively to corporate performance, thereby enhancing competitiveness in the market (Gharchia & Mindosa, 2023). ESG disclosure strengthens the link between such disclosure and corporate performance, including in relation to risk (Reber et al., 2021). Research by Jorgji et al. (2024) provides empirical evidence that transparency in ESG reporting can optimise the benefits of corporate sustainability efforts, thereby strengthening the positive relationship between ESG performance and financial outcomes. The implementation of ESG is not only a moral obligation but also a competitive advantage that is taken into account in investment decision-making. Research by Li and Li (2022) shows that improvements in ESG performance can be integrated with green technology innovation processes, indicating that good ESG disclosure acts as a driver for greater innovation within companies. Thus, ESG information not only impacts business sustainability but is also capable of driving innovation that yields positive financial results.

Governments and capital market authorities in various countries, including Indonesia, have begun to support ESG disclosure as part of their regulations. In 2022, Indonesia's annual report on National Investment (INA) included key steps in implementing ESG policies, demonstrating a strong commitment to steering investment towards more sustainable practices (Sukarsa & Akhmadi, 2024). Companies listed on the Indonesia Stock Exchange (IDX) are beginning to focus on this development as they recognise that investors are increasingly seeking ESG-related information before making investment decisions (Ningwati et al., 2022).

Generally, according to Nofrian and Sabrina (2024), companies in sensitive industries face stricter requirements from customers, the public and the government, including non-toxic packaging, low-pollution production, better environmental management and so on. If companies can address all these issues effectively, they will meet shareholders' expectations and enhance the company's value. Industry sensitivity reinforces the link between ESG and corporate value; in other words, companies classified as being in sensitive industries are able to demonstrate accountability for the environmental impact of their activities through their ESG performance, thereby strengthening the relationship between ESG and corporate value.

Industrial sensitivity is defined as the scrutiny to which a company is subject in order to fulfil its social and environmental responsibilities; high-profile industries face high consumer scrutiny, resulting in high levels of political risk and intense competition (Julekhah and Rahmawati, 2019). Some industries included in the high-profile classification are mining and energy companies (Widiastuti et al., 2018). Meanwhile, those categorised as low-profile companies include firms in the chemical, pharmaceutical, cosmetics, food and beverage industries (Julekhah and Rahmawati, 2019).

According to Barbosa et al. (2023), the integration of ESG criteria into corporate reporting can influence performance sustainability and risk management. This is in line with the findings of Lee et al. (2024), who state that ESG metrics provide valuable insights into operational practices and have a significant influence on investor confidence and decision-making when companies adopt sustainable practices and effective governance. The implementation of ESG principles within a company is heavily influenced by corporate governance mechanisms, as well as the characteristics of the board of directors. Various studies have highlighted the importance of the composition and activities of the board of directors in enhancing a company's ESG performance. Gender diversity on a company's board of directors is increasingly recognised as a key factor influencing ESG disclosure. Research showing that the presence of women on the board of directors can have a positive impact on the transparency and quality of ESG reporting includes, for example, the study by Gavana et al. (2024). The findings of this research suggest that gender diversity can serve as an alternative mechanism for improving ESG disclosure, in line with the effective oversight role played by female directors, which benefits stakeholders.

Furthermore, research by Dempere and Abdalla (2023) emphasises that governments should implement policies that promote the empowerment of women in the corporate world to enhance ESG disclosure. This is supported by research showing that companies with more gender-diverse boards tend to have higher ESG scores; however, it is also acknowledged that external factors, such as global pressure to increase transparency,

may influence this relationship (Toerien et al., 2023). Although there are indications that gender diversity can contribute positively to ESG disclosure, varying research findings suggest that this influence is not absolute. This reflects the complexity of the interactions between internal and external factors that influence ESG disclosure practices within each company. Not all studies confirm a positive influence of gender diversity on ESG disclosure.

Research by Cucari et al. (2017) and Birindelli et al. (2018) suggests that increasing the number of women on boards does not necessarily lead to improved ESG disclosure. Both studies noted a significant negative correlation between gender diversity on boards and ESG disclosure in companies. Furthermore, Bukarim and Widarjo (2024) also concluded that there is an insignificant relationship between gender diversity on boards and ESG disclosure in the ASEAN banking sector, particularly where the number of women on the board is fewer than three.

In Indonesia, although ESG reporting remains voluntary, there is pressure from policymakers to encourage companies to be more active in adopting ESG practices. The implementation of ESG reporting within companies is crucial, particularly for those with high sensitivity to social and environmental impacts. This is not only to meet stakeholder expectations but also serves as a strategic tool for companies to enhance their performance and competitiveness in the future. Many factors influence ESG reporting and will undoubtedly be a key concern for companies. The inconsistency of findings from previous studies motivated the author to conduct research into the influence of industry sensitivity and board characteristics on ESG reporting, using company size as a control variable, amongst companies listed on the Indonesia Stock Exchange (BEI) in 2024.

## OBJECTIVES

The aim of this study is to analyse the impact of industry sensitivity and board characteristics on ESG reporting.

## THEORETICAL REVIEW AND HYPOTHESES

Environmental, Social, and Governance (ESG) reporting is becoming increasingly important in the context of stakeholder theory, which describes how companies interact with various stakeholders, both internal and external. Stakeholder theory focuses on how a company's decisions can influence and be influenced by various groups, such as shareholders, employees, consumers, suppliers and the wider community (Wang, 2024; Rezaee, 2016). Companies must take into account the interests of all stakeholders, not just shareholders, in their operations and reporting (Holly et al., 2023). By implementing ESG principles, companies can enhance stakeholder trust, foster better relationships, and minimise reputational risk (Lindawati & Puspita, 2015). Through transparency in ESG reporting, companies can demonstrate their commitment to good governance and sustainability, which in turn can increase market value and reduce the cost of capital (Nisa et al., 2023).

Transparency in ESG information can reduce information asymmetry between companies and stakeholders (Sugianto et al., 2022). This not only minimises agency conflicts (Agency Theory) but also helps stakeholders to better understand and evaluate the company's practices and performance in terms of sustainability. By providing comprehensive ESG reports, companies can build a better reputation, enhance employee loyalty, and attract customer support (Ma, 2024).

One theory that is also prominent in the context of ESG reporting is the Legitimacy Theory. This theory states that organisations must obtain legitimacy from society in order to survive, which makes ESG reporting one of the key tools for companies to ensure that they operate within a framework of values desired by society (Nugraheni & Permatasari, 2016; Dara, 2022; Holly et al., 2023). In this regard, companies seek to communicate information regarding their social and environmental activities as part of their efforts to bridge the potential legitimacy gap between societal expectations and the reality of the company's operations (Lindawati & Puspita, 2015).

### Hypothesis

Companies in environmentally sensitive industries tend to produce more transparent sustainability reports in order to enhance their legitimacy and reputation in the eyes of the public and other stakeholders (García-Torea et al., 2016). Furthermore, companies operating in sectors more closely linked to social or environmental impacts typically face greater pressure from regulators and the public to improve the quality of their reporting (Dara, 2022). So-called 'high-profile' companies will demonstrate a greater awareness of their social and environmental responsibilities, which the wider public no longer need to fear (Kustina and Hasanah, 2020).

So-called high-profile companies will have a greater awareness of their social and environmental responsibilities, which need no longer be a cause for concern amongst the general public (Kustina and Hasanah,

2020). Legitimacy theory states that if a company can exert significant influence over external factors, this will have a major impact on media coverage as a means of gaining recognition from stakeholders (Julekhah and Rahmawati, 2019). According to Kustina and Hasanah (2020), industry sensitivity can influence CSR disclosure because high-profile companies can achieve greater growth in social impact compared to low-profile companies, as high-profile companies will carry out CSR disclosure as a form of legitimisation. This attracts greater attention and recognition from both the public and their stakeholders, enabling high-profile companies to provide more information regarding the impact of their social and environmental performance, as well as their financial reports. Based on the above discussion, the hypothesis can be formulated as follows:

### **H<sub>1</sub> = Industry sensitivity has a positive effect on ESG reporting**

Agency theory posits that conflicts of interest between owners and managers give rise to agency problems and agency costs. Consequently, a board of directors is appointed to monitor managers' actions in order to mitigate agency problems and costs. A larger board will provide more experience and knowledge, resulting in better corporate governance and management skills, as well as better business decision-making to improve company performance and sustainability reporting. Research conducted by Justin (2019) demonstrates a positive relationship between board size and sustainability reporting. The larger a company's board, the easier it is to oversee management's duties in running the company's business activities. This is consistent with the research carried out by Rachmawati (2015). A larger board provides greater access to resources and opportunities compared to a smaller board (Shamil et al., 2014). This is because a larger board brings more expertise and experience, thereby enabling the board to make better decisions. Furthermore, larger boards tend to be less susceptible to external influences than smaller ones (Shamil et al., 2014). Based on the above explanation, the board of directors is considered to possess greater managerial resources, and it is therefore anticipated that this will have a positive impact on business performance, including in terms of corporate transparency. Several previous studies have also found a positive relationship between board size and corporate information disclosure (Shamil et al., 2014; Rachmawati 2015). Based on the above discussion, the hypothesis to be tested can be formulated as follows:

### **H<sub>2</sub> = Board size has a positive effect on ESG reporting**

Women on boards play a significant role in promoting diversity at the decision-making level. The presence of women on boards of directors can enhance transparency and the quality of ESG reporting. Research by Tamimi & Sebastianelli (2017) shows that gender diversity on boards can improve analysis and decision-making processes, which in turn enhances Corporate Social Responsibility (CSR) scores. Another study by Mohammad et al. (2022) also notes that companies with more than 30 per cent female board members demonstrate better ESG reporting. The positive impact of female board members on ESG reporting is also supported by resource dependence theory, which explains that companies with more diverse boards have broader networks and can access better resources (Gürol & Lagasio, 2022; Birindelli et al., 2018). Research by Gürol & Lagasio (2022) found that board diversity contributes to better ESG disclosure, supporting the idea that a more diverse board can help companies access valuable information and resources. Not only quantitatively, but also qualitatively, women in leadership positions tend to be more focused on social and environmental issues. Research by Harjoto et al. (2019) confirms that diversity in the backgrounds of board members, including gender, has a positive impact on a company's social performance. The results of research by Disli et al. (2022) also show that good corporate governance practices are directly linked to sustainability performance, with a diverse board acting as a key driver of success in this area. Therefore, the third hypothesis can be formulated as follows:

### **H<sub>3</sub> = Board diversity has a positive effect on ESG reporting**

According to Shamil et al. (2014), demographic characteristics refer to an individual's personality or traits based on their demographic attributes, including their level of education. Education and managerial experience have a significant positive impact on company performance, and this may also apply to aspects of ESG reporting (Dewi et al., 2018; Darmadi, 2013). With a highly educated board, it is hoped that decision-making and the formulation of ESG reporting will improve, given a deeper understanding of sustainability issues (Darmadi, 2013; Nicolò et al., 2021). Based on the above discussion, the fourth hypothesis proposed in this study is as follows:

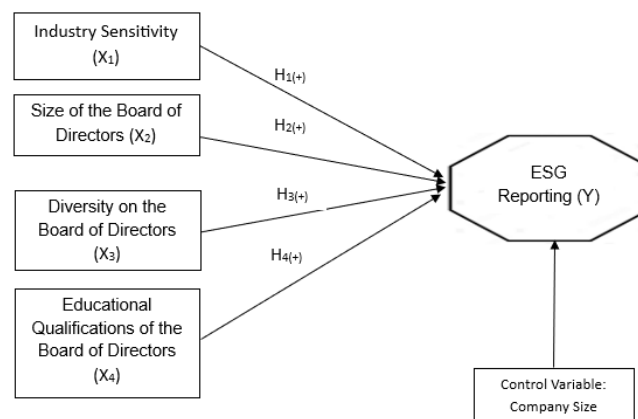
### **H<sub>4</sub> = The educational level of the board of directors has a positive effect on ESG reporting**

Company size, which is usually measured by total assets, has a significant influence on CSR disclosure, which is closely linked to ESG reporting. Firdausi & Mayangsari (2022) found that company size contributes to CSR disclosure in the context of financial firms. Their research findings indicate a positive relationship between company size and CSR disclosure, reflecting that larger companies tend to have more

resources to implement CSR programmes and meet stakeholder demands (Mughtar & Purwatiningsih, 2021). Furthermore, Mustafa & Suaidah (2020) suggest that larger companies generally pay more attention to and report on their CSR activities to enhance their reputation in the market. Research by Prayogo et al. (2023) shows that firm size can moderate the relationship between ESG disclosure and firm value, suggesting that larger firms are more likely to disclose ESG information effectively than smaller firms. This indicates that firm size contributes to better quality ESG disclosure. Consequently, the fifth hypothesis tested in this study is as follows: **H<sub>5</sub> = Company size has a positive effect on ESG reporting**

### METHODOLOGY

This study is a quantitative study employing a correlational approach. Quantitative methods focus on specific hypotheses, numerical data and statistical analysis; they also focus on outcomes and are deductive in nature (Waruwu et al., 2023). This study has one dependent variable, namely ESG reporting, and four independent variables, namely industry sensitivity, board size, board diversity and the educational level of the board. A control variable, namely firm size, is also used in this study. The conceptual framework of this study is illustrated in Figure 1.



**Figure 1 Conceptual Framework**

### Operational Definitions

The ESG variables in this study are measured using ESG scores based on the Bloomberg ESG indicators, with environmental performance comprising 51 indicators, social performance comprising 22 indicators, and CSR governance comprising 24 indicators (Wang & Sarkis, 2017). Bloomberg ESG scores range from 0% (companies that do not disclose any ESG data) to 100% (companies that disclose all ESG data). Specifically, a higher score indicates that more information has been disclosed. The Bloomberg ESG score is the percentage of items disclosed by a company relative to the standard Bloomberg disclosure items.

Industry sensitivity is measured using dummy variables, namely: Score 1 = mining and energy companies; Score 0 = chemical, pharmaceutical, cosmetics, food and beverage companies. Board size refers to the number of board members in a company. The study by Restu et al. (2017) measured board size by counting the number of directors on a company's board. This research method is most frequently used in calculating board size and has been most widely applied by previous researchers due to its ease of use. Gender diversity is measured using a percentage, calculated by dividing the number of female directors by the total number of board members. Educational attainment is measured by comparing the number of board members in a company who hold a Master's or Doctorate (PhD) degree with the total number of board members (Gohanna et al., 2021). Meanwhile, company size is measured using the natural logarithm of total assets (Rao and Tilt, 2016); this natural logarithm aims to reduce significant differences between companies that are too large and those that are too small, thereby ensuring that the total asset data follows a normal distribution.

### Data Types, Population & Sampling

The data in this study comprises secondary data in the form of sustainability reports. These sustainability reports were published by companies listed on the IDX in 2024. The secondary data for this study was obtained and collected via the IDX by accessing the website [www.idx.co.id](http://www.idx.co.id) and from the companies' official websites. The population for this study consists of companies listed on the IDX in 2024.

The sample selection method employed was purposive sampling. Purposive sampling is a method of selecting a sample based on specific characteristics. The criteria determined for the research sample included: 1) Companies with a recorded ESG score on the IDX in 2024; 2) Companies that published annual and/or sustainability reports for 2024.

### Data Analysis Techniques

The data analysis techniques used in this study were descriptive statistics, classical assumption tests and hypothesis testing. The data analysis software used in this study was SPSS. Multiple linear regression was used to determine the extent of the influence of the independent variables on the dependent variable (Ghozali, 2018). Multiple linear regression is useful for predicting the dependent variable using two or more independent variables. The regression model used in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Y = ESG Reporting

$\alpha$  = Constanta

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Regression coefficient

X1 = Industry Sensitivity

X2 = Size of the Board of Directors

X3 = Gender Diversity on the Board of Directors

X4 = Educational Qualifications of the Board of Directors

X5 = Company Size

## RESULTS AND DISCUSSION

Based on a search of research data on <https://www.idx.co.id/en/listed-companies/esg-score>, 46 research samples were identified that met the predetermined criteria. These samples comprised companies operating in the following sectors: primary consumer goods (food and beverages), energy (oil, gas and coal), infrastructure (utilities, transport infrastructure, telecommunications and building construction), healthcare (pharmaceuticals & health research, as well as healthcare services & equipment), finance (banks, financing services, and holding & investment companies), and property & real estate.

The results of the descriptive analysis in Table 1 show that companies' ESG scores vary considerably, with a moderate average and moderate deviation, indicating differences in ESG performance between companies. Regarding the binary (dummy) variable, approximately 54 per cent of companies operate in sensitive industries. A deviation of 0.5 indicates a fairly balanced distribution. The average board size is 7 members, with moderate variation. Some companies have very small boards of just 2 members, whilst others have quite large boards of 14 members. On average, only 16 per cent of board members are women. The variation is significant, meaning some companies are highly diverse whilst others are not at all. The educational levels of board members vary considerably, with an average of 49 per cent. Total assets are fairly stable across companies, with relatively little variation.

Variable	Minimum	Maksimum	Mean	Standard Deviation
ESG Score	7.11	54.02	30.35	10.26
Industry Sensitivity	0.00	1.00	0.54	0.50
Size of the Board of Directors	2.00	14.00	6.98	2.79
Gender Diversity on the Board of Directors	0.00	50.00	16.03	14.07
Educational Qualifications of the Board of Directors	0.00	100.00	49.10	28.71
Company Size (Total Assets)	26.45	35.43	31.67	1.70

Source: Data compiled by the researcher, 2025

**Table 1. Descriptive Statistical Results**

After the data had passed the classical assumption tests and were found to satisfy these assumptions, a multiple regression analysis was carried out, with the results shown in Table 2. Based on the results of the

multiple regression analysis, the regression equation can be expressed as follows:  
 $Y=79,887-2,044X_1-0,549X_2-0,238X_3-0,038X_4-1,228X_5+e$

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	79.887	35.348		2.260	.029
	X1	-2.044	2.971	-.100	-.688	.495
	X2	-.549	.726	-.150	-.757	.454
	X3	-.238	.103	-.326	-2.299	.027
	X4	-.038	.053	-.107	-.726	.472
	X5	-1.228	1.245	-.204	-.986	.330

Source: Data compiled by the researcher, 2025

**Table 2. Results of the Multiple Regression Analysis**

The interpretation of the regression model above is as follows:

- 1) Variable X1, in this case industrial sensitivity, has a significance value of 0.495 greater than 0.05 meaning that industrial sensitivity does not influence ESG reporting. The regression coefficient is negative, at -2.044; this is inconsistent with the hypothesis, so Hypothesis 1 is rejected.
- 2) Variable X2, in this case board size, has a significance value greater than 0.05, namely 0.454, meaning that the board size variable has no effect on ESG reporting. The regression coefficient is negative, at -0.549; this is inconsistent with the hypothesis, so Hypothesis 2 is rejected.
- 3) Variable X3, which represents board diversity, has a significance value of less than 0.05 (0.027), meaning that board diversity influences ESG reporting. The regression coefficient is negative, at -0.238; this is inconsistent with the hypothesis, so Hypothesis 3 is rejected.
- 4) Variable X4, in this case the educational level of the board of directors, has a significance value greater than 0.05, namely 0.472; this means that the variable 'educational level of the board of directors' does not influence ESG reporting. The regression coefficient is negative, at -0.038; this is inconsistent with the hypothesis, so Hypothesis 4 is rejected.
- 5) Variable X5, in this case company size, has a significance value greater than 0.05, namely 0.330; this means that the company size variable has no effect on ESG reporting. The regression coefficient is negative, at -1.228; this is inconsistent with the hypothesis, so Hypothesis 5 is rejected.

The results of the multiple linear regression analysis in this study indicate that, of the four independent variables tested, only one variable had a significant influence on ESG reporting, namely gender diversity on the board of directors. The other three variables did not show a significant influence. These findings have important implications in the context of the influence of corporate governance on ESG disclosure in Indonesia.

The industry sensitivity variable did not have a significant effect on ESG reporting, as indicated by a significance value of 0.495. The negative regression coefficient (-2.044) suggests that companies operating in sensitive industries tend not to be more active in ESG reporting than those in non-sensitive industries. This finding is inconsistent with legitimacy theory, which states that companies in industries with high environmental impact should be motivated to engage in more transparent reporting in order to maintain their image and social legitimacy. Previous research, such as that by Clarkson et al. (2008), supports the influence of industry sensitivity on environmental reporting. However, in the context of developing countries, such as Indonesia, Rahman et al. (2020) found that weak regulatory pressure can result in industry sensitivity having no significant effect on ESG reporting; these findings are consistent with the results of this study.

The size of the board of directors also had no significant effect on ESG reporting, with a significance value of 0.454 and a negative coefficient of -0.549. This contradicts agency theory, which states that a larger board should provide more effective oversight of management, including in relation to ESG reporting. These findings also contradict the research by Post et al. (2011) and Khan et al. (2013), which demonstrated a positive relationship between board size and ESG reporting. However, these results are consistent with the findings of Jizi et al. (2014), who argued that an overly large board can reduce the effectiveness of decision-making and therefore does not automatically improve the quality of ESG reporting.

Gender diversity was the only variable with a significant effect on ESG reporting, with a significance value of 0.027. However, the direction of the effect was negative (-0.238), which contradicts the initial hypothesis. According to stakeholder theory and diversity theory, the participation of women on the board of

directors should increase attention to sustainability and social issues, thereby promoting better ESG reporting. These results are inconsistent with the research by Bear et al. (2010) and Rao & Tilt (2016), which found a positive effect of gender diversity on ESG disclosure. It is possible that this negative effect is due to diversity not yet being strategically internalised, or to the role of women on boards still being merely symbolic (tokenism), as suggested by Liu et al. (2021).

Furthermore, the educational level of the board of directors also did not show a significant influence on ESG reporting ( $p = 0.472$ ). The negative regression coefficient ( $-0.038$ ) indicates that a high level of education does not guarantee an improvement in the quality of ESG reporting. Resource dependence theory suggests that a well-educated board should make a positive contribution to strategy formulation, including sustainability. However, these results support the findings of Hasan et al. (2022), who emphasised that formal education without specialised expertise in sustainability is insufficient to drive ESG reporting. Finally, the control variable of firm size showed no significant effect on ESG reporting ( $p = 0.330$ ), with a negative coefficient of  $-1.228$ . This contradicts legitimacy theory and political cost theory, which state that larger firms have greater incentives to engage in ESG reporting due to greater public scrutiny.

### CONCLUSION

This study analyses and tests the influence of industry sensitivity and board characteristics—measured by firm size, board diversity and the educational level of board members—on ESG reporting, with the analysis supported by the control variable of firm size. The study focused on companies operating in the following sectors: basic consumer goods (food and beverages), energy (oil, gas and coal), infrastructure (utilities, transport infrastructure, telecommunications and building construction), healthcare (pharmaceuticals & health research, as well as healthcare services & equipment), finance (banks, financing services, and holding & investment companies), and property & real estate. listed on the Indonesia Stock Exchange (IDX) in 2024.

The conclusions drawn from the test results and discussion are: Industry sensitivity is measured using a dummy variable, which is assigned a value of “1” if the company is classified as high-profile and a value of “0” if it is classified as low-profile. The results of the tests in this study indicate that the industry sensitivity variable has no effect on ESG reporting. This suggests that high-profile companies, which face greater risks to the environment and natural resources, do not influence ESG reporting; rather, such companies consistently provide high-quality disclosures and report more frequently.

Board size is measured by the number of board members in a company. The results of the tests in this study show that company size does not influence ESG reporting; consequently, there is no evidence that a larger or more numerous board of directors can influence ESG reporting, as ESG reporting remains voluntary. Therefore, even if a board is larger and possesses greater expertise and experience, it does not necessarily mean it will make better decisions in the context of ESG reporting. Everything is based on the needs and interests of each individual company.

Board diversity is measured using the percentage of female board members out of the total number of directors. The results of this study indicate that board diversity has a significant negative impact on ESG reporting. This suggests that a gender-homogeneous board of directors influences ESG reporting. The educational level of the board of directors is measured by comparing the number of board members in a company who hold a Master’s or Doctorate (PhD) degree with the total number of board members. The results of this study indicate that the educational level of the board of directors has no effect on ESG reporting.

Overall, the findings of this study indicate that internal governance factors have not yet been fully effective in driving ESG reporting in Indonesia. These findings highlight the importance of regulation, organisational culture and strategic awareness of ESG, which is not yet widespread amongst companies. Therefore, there is a need to raise ESG awareness at a strategic level and for regulatory intervention to encourage more comprehensive and meaningful sustainability reporting.

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