

Do Corporate Governance and Ownership Structure Influence Environmental, Social, and Governance (ESG) Decoupling? Evidence from Indonesian Energy Companies

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Abstract: This study examines the effects of independent commissioners, board gender diversity, and institutional ownership on ESG decoupling among energy sector firms listed on the Indonesia Stock Exchange from 2020 to 2024. Data were collected from annual reports, sustainability reports, Bloomberg ESG disclosure scores, and Refinitiv ESG performance scores. Purposive sampling was used to select the firms, resulting in a dataset of 18 firms and 90 observations. Panel data regression was employed using the Random Effect Model (REM), estimated using Generalized Least Squares (GLS) in EViews 13. The results indicate a positive and statistically significant effect of board gender diversity on ESG decoupling. However, independent commissioners and institutional ownership do not have significant effects on ESG decoupling. The Debt to Equity Ratio (DER) has a significant negative effect, whereas Return on Assets (ROA) and firm size do not have significant effects. Overall, the findings indicate that the examined corporate governance and ownership structure variables have different effects on ESG decoupling.

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INTRODUCTION

Financial reporting delivers crucial information to investors and other capital market participants, supporting their evaluations and economic assessments (Davern et al., 2019). The information presented assists users in assessing a company's economic condition, forecasting future cash flow prospects, and evaluating management's accountability regarding the stewardship of economic resources (El-Diftar & Elkalla, 2019). Therefore, the quality of accounting information is crucial, as it may mitigate information risk and bolster the reliability of the information used by investors to assess a corporation (Bordeman et al., 2026).

Evolving business environments have driven changes in the information needs of report users, meaning corporate reporting no longer focuses solely on financial information (Migliavacca, 2024). Value relevance research indicates that investors are increasingly considering other information that sheds light on a company's prospects, risks, and capacity to create long term value (Dunham & Grandstaff, 2022). This shift has contributed to the growing importance of sustainability reporting, complementing financial data with information on a company's sustainability aspects (Arvidsson & Dumay, 2022).

Sustainability information can provide investors with additional insights into risks and opportunities that may not be immediately observable in conventional financial statements. These include climate-related risks, resource dependency, environmental liabilities, employee and community relations, supply-chain risks, and governance weaknesses. The increasing relevance of such information reflects a broader understanding of corporate value creation in which financial performance is influenced by environmental, social, and governance conditions. Empirical evidence

also indicates that sustainability reporting can provide incremental information beyond conventional financial reporting and may therefore contribute to the value relevance of corporate disclosures (Donkor & Djajadikerta, 2024). In the Indonesian context, previous evidence similarly indicates that sustainability reports can provide information considered relevant by investors when evaluating corporate value and making investment decisions (Endiana & Suryandari, 2021). Thus, sustainability reporting should not be viewed simply as an additional communication mechanism but as an increasingly important component of the corporate information environment.

The heightened attention to sustainability reporting has prompted the creation of many guidelines that refine sustainability reporting processes on an international and national scale. The International Sustainability Standards Board (ISSB) has launched IFRS S1, specifying the General Requirements for disclosing Sustainability related Financial Information, along with IFRS S2, which addresses Climate related Disclosures, establishing global standards that underscore the vital importance of sustainability data in informing investors' financial decisions (ISSB, 2023). IFRS S1 requires companies to disclose material sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance, or cost of capital over the short, medium, or long term. IFRS S2 complements this framework by establishing specific requirements for climate-related risks and opportunities. Both standards therefore strengthen the connection between sustainability information and financial decision-making rather than treating sustainability as a separate reporting domain. The ISSB emphasizes that sustainability-related financial information should be useful to capital market participants and should be presented in a manner that enables investors to evaluate its implications for corporate prospects. In Indonesia, the implementation of POJK No. 51/POJK.03/2017 has bolstered these practices by mandating financial services institutions, issuers, and public companies to prepare sustainability reports, therefore enhancing openness and accountability in corporate reporting (OJK, 2017).

One important component of sustainability reporting is Environmental, Social, and Governance (ESG) information, which augments financial data, delivering a more complete understanding of an organization's current and future potential (Wagenhofer, 2024). The environmental pillar relates to the disclosure of environmental impacts and risks, the social pillar reflects corporate responsibility toward stakeholders, and the governance pillar demonstrates the quality of governance that supports the transparency and credibility of corporate reporting (de Villiers et al., 2022). ESG information complements financial data, making it increasingly relevant in helping investors assess risks, opportunities, and their implications for long term corporate value creation (Tsang et al., 2023).

Although ESG disclosure is increasingly incorporated into corporate reporting, the ESG information shared by corporations often fails to accurately depict real sustainability efforts (Eliwa et al., 2023). This phenomenon is referred to as ESG Decoupling, indicating a gap between stated ESG metrics and true sustainable practices, which might compromise the reliability of information available to investors (Yang et al., 2024). This situation indicates that comprehensive ESG disclosure does not necessarily reflect authentic ESG performance. This issue has attracted increasing attention in accounting and sustainability research (Loko & Schiehl, 2025).

The phenomenon of ESG decoupling is becoming increasingly relevant as sustainability reporting practices expand across various countries. According to the KPMG Survey of Sustainability Reporting 2024, 82% of G250 companies have embedded sustainability information in their annual reports, 77% follow GRI standards, and 69% have achieved third party assurance, reflecting that ESG disclosure is now a conventional practice in corporate reporting (KPMG, 2025). In the energy sector, the OECD Global Corporate Sustainability Report 2025 reveals that sustainability related disclosure covers approximately 94% of the sector's market capitalization, a figure higher than that of most other sectors (OECD, 2025). This high level of disclosure underscores the fact that the energy sector is a key area of focus within sustainability reporting practices.

Increased ESG disclosure does not always reflect a company's actual implementation of sustainability practices. RepRisk (2024) reported that high-severity greenwashing incidents increased by more than 30% in 2024, while low-severity incidents declined by approximately 20% and medium-severity incidents declined by more than 15%. These findings suggest an escalation in the severity of greenwashing practices and reinforce indications of ESG decoupling. This phenomenon is also evident in the energy sector. According to RepRisk (2024), the oil and gas industry is a significant source of greenwashing incidents. Although the number of incidents in the sector fell by approximately 6%, various environmental cases demonstrate that misleading sustainability claims remain a significant issue within the industry.

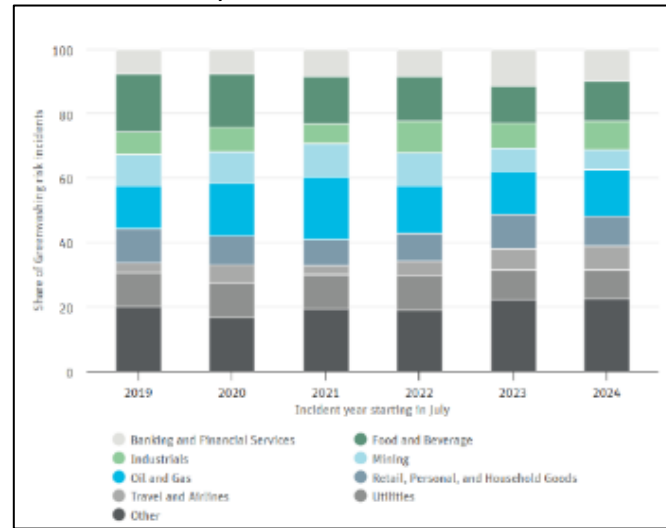


Figure 1. Greenwashing Risk by Sectors in 2019–2024
Source: RepRisk (2024)

Agency Theory maintains that the disjunction of ownership and management in a corporation may generate conflicts of interest, prompting management to act in serving ways to enhance their own benefits (Jensen & Meckling, 1976). Such opportunistic behavior may manifest in ESG disclosure practices, where companies seek to cultivate a sustainability image through information dissemination that is not matched by commensurate implementation, thereby increasing the risk of ESG decoupling (Cepêda et al., 2025). Accordingly, this analysis incorporates independent commissioners and board gender diversity as manifestations of corporate governance systems, with institutional ownership denoting ownership structure. These three governance and ownership mechanisms are expected to strengthen management oversight, improve the credibility of ESG information, and reduce the likelihood of ESG decoupling (Eliwa et al., 2023).

Literature on ESG decoupling has expanded rapidly, yet research remains concentrated in developed countries. While prior studies have examined ESG decoupling and individual governance mechanisms, limited evidence exists on how internal governance and ownership mechanisms jointly relate to ESG decoupling among energy sector companies in developing countries (Laeq et al., 2026). This study therefore examines how independent commissioners, board gender diversity, and institutional ownership influence ESG decoupling in energy sector companies listed on the Indonesia Stock Exchange from 2020 to 2024. The findings are expected to enrich the accounting literature by broadening empirical evidence about the correlation between corporate governance frameworks, ownership configurations, and the reliability of sustainability disclosures and ESG decoupling.

Hypothesis Development:

H1: Independent Commissioners have a significant effect on ESG Decoupling.

H2: Board Gender Diversity has a significant effect on ESG Decoupling.

H3: Institutional Ownership has a significant effect on ESG Decoupling.

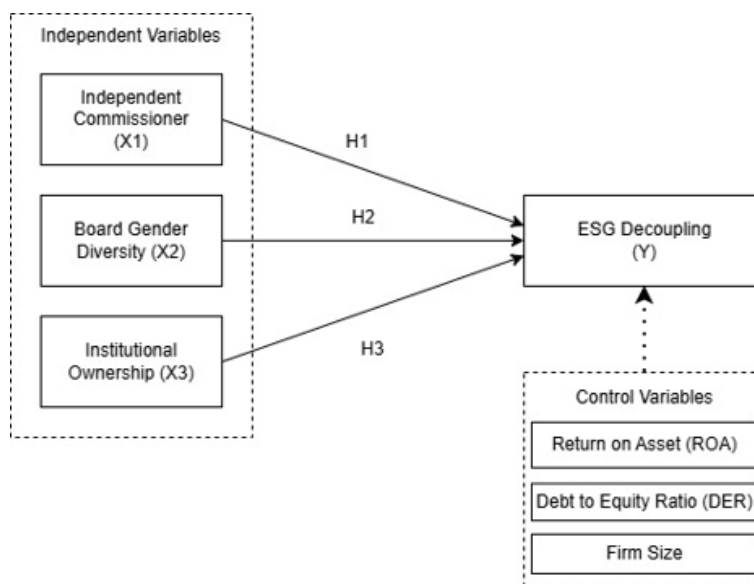


Figure 2. Research Model
 Source: Author's Data Processing (2026)

RESEARCH METHOD

This research utilizes a quantitative approach with a causal research design to examine the relationships among variables using numerical data and statistical analysis. The population of this study consists of energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024.

Purposive sampling was used to select the sample based on criteria directly related to the objectives of the study. These criteria were designed to ensure that the selected firms had the necessary information to assess ESG disclosure, ESG performance, corporate governance, ownership structure, and control variables across the 2020–2024 period. The sample selection criteria and the results of the purposive sampling process are presented in Table 1.

Table 1. Research Sample

No	Sample Criteria	Quantity
1	Energy sector firms listed on the Indonesia Stock Exchange over the 2020–2024 period	91
2	Companies that failed to regularly release annual reports and sustainability reports in 2020–2024	(25)
3	Companies without complete ESG disclosure scores from Bloomberg during 2020–2024	(31)
4	Companies without complete ESG performance scores from Refinitiv during 2020–2024	(12)
5	Companies without complete data for the research variables	(5)
Number of Companies Selected		18

No	Sample Criteria	Quantity
	Number of observations (18 × 5 years)	90

Source: Author's Data Processing (2026)

The data for this investigation were gathered through a documentation method, which involved compiling, recording, and processing secondary sources. The information was exclusively sourced from the annual and sustainability reports of energy companies listed on the Indonesia Stock Exchange from 2020 to 2024. ESG disclosure scores information was sourced from Bloomberg, whilst ESG performance scores were derived from Refinitiv.

For the analytical phase, this research used panel data regression, a technique that integrates cross-sectional and time-series data to examine the relationship between the independent and dependent variables. The analysis was performed using EViews 13. Based on the selected model, the regression equation for this study is expressed as follows:

$$ESGD_{it} = \beta_0 + \beta_1 IC_{it} + \beta_2 BGD_{it} + \beta_3 IO_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 FS_{it} + \epsilon_{it}$$

RESULTS AND DISCUSSION

Descriptive Statistics Analysis

Descriptive statistical analysis functions as an initial assessment of the dataset's characteristics prior to using panel data regression methods. This study encompasses descriptive statistics such as the mean, median, maximum, and minimum values, and the standard deviation for each variable assessed. The information was analyzed using EViews 13.

Table 2. Descriptive Statistics Analysis

	ESG Decoupling	Independent Commissioners	Board Gender Diversity	Institutional Ownership	ROA	DER	FS
Mean	-0.626398	0.469183	0.123595	0.741849	0.127278	0.837333	30.83799
Median	2.861764	0.500000	0.105000	0.835153	0.071000	0.500000	31.05056
Maximum	20.24760	0.800000	0.333333	0.983150	0.923000	12.95000	32.75395
Minimum	-29.82444	0.166667	0.045455	0.100000	-0.104000	0.030000	28.48104
Std. Dev.	9.973865	0.135277	0.065286	0.228028	0.172883	1.436631	1.102511
Observations	90	90	90	90	90	90	90

Source: Author's Analysis Using EViews 13 (2026)

Based on Table 2, the characteristics of the research variables differ across the 2020–2024 period. The average value for ESG Decoupling stands at -0.626. In comparison, the mean values for Independent Commissioners, Board Gender Diversity, and Institutional Ownership are 0.469, 0.123, and 0.741, respectively. As for the control variables, ROA, DER, and Firm Size record average values of 0.127, 0.837, and 30.837, in that order. Overall, these descriptive statistics reveal notable variation in company characteristics, which supports the suitability of the data for panel data regression analysis.

Model Selection Test

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.390441	(17,66)	0.0000
Cross-section Chi-square	103.5849	17	0.0000
	21		

Source: Author's Analysis Using EViews 13 (2026)

The Chow test findings reveal that the p-value for Cross-section F is 0.0000, which is below the 0.05 threshold. Therefore, H_0 is rejected. This suggests that the Fixed Effect Model (FEM) is more suitable for application than the Common Effect Model (CEM).

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.923657	6	0.4318

Source: Author's Analysis Using EViews 13 (2026)

The Hausman test yields a probability value of 0.4318, which is above the 0.05 significance threshold. As a consequence, the null hypothesis (H_0) is not rejected, leading to the conclusion that the Random Effect Model (REM) is preferred over the Fixed Effect Model (FEM).

Table 5. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	46.86229 (0.0000)	0.010377 (0.9189)	46.87266 (0.0000)

Source: Author's Analysis Using EViews 13 (2026)

The Lagrange Multiplier test yields a Breusch-Pagan p-value of 0.0000, which falls below the 0.05 significance level, resulting in the rejection of H_0 . This indicates that the Random Effect Model (REM) is preferred to the Common Effect Model (CEM). Considering the outcomes of the Chow, Hausman, and Lagrange Multiplier tests together, the panel data regression approach used in this study is the Random Effect Model (REM).

Classical Assumption Test

This study employs a Random Effect Model (REM) estimated using the Generalized Least Squares (GLS) method. As a result, the traditional assumption tests often linked to Ordinary Least Squares (OLS) regression are not essential prerequisites. As a diagnostic measure, the study conducts only normality and multicollinearity tests, while model estimation utilizes the White Cross-section robust covariance estimator to yield more reliable statistical inferences in the presence of potential heteroskedasticity (Baltagi, 2021).

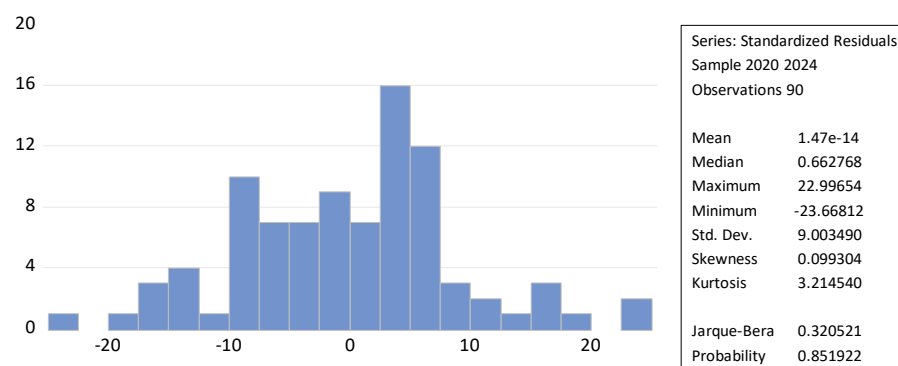


Figure 3. Normality Test Result

Source: Author's Analysis Using EViews 13 (2026)

The normality assessment using the Jarque-Bera test produced a Jarque-Bera statistic of 0.320521, accompanied by a probability of 0.851922. Since the probability value exceeds 0.05, one may infer that the residuals in the research model conform to a normal distribution.

Table 6. Multicollinearity Test

	IC	BGD	IO	ROA	DER	FS
X1	1.000000	-0.167379	-0.068797	-0.040006	0.010232	-0.062120
X2	-0.167379	1.000000	0.317102	-0.034318	-0.093622	-0.079568
X3	-0.068797	0.317102	1.000000	-0.309662	0.018938	0.060582
C1	-0.040006	-0.034318	-0.309662	1.000000	-0.253710	0.270969
C2	0.010232	-0.093622	0.018938	-0.253710	1.000000	0.101740
C3	-0.062120	-0.079568	0.060582	0.270969	0.101740	1.000000

Source: Author's Analysis Using EViews 13 (2026)

The results of the multicollinearity analysis indicate that the correlation coefficients among the independent and control variables are relatively low. The highest correlation coefficient was 0.317, observed between Board Gender Diversity and Institutional Ownership, whereas all other variable correlations were lower than this value. Given that all correlation coefficients remained below 0.80, there is no indication of substantial multicollinearity within the study model. Consequently, the independent and control variables are appropriate for simultaneous inclusion in the regression analysis.

Table 7. Coefficient of Determination Test

R-squared	0.223086
Adjusted R-squared	0.166923

Source: Author's Analysis Using EViews 13 (2026)

The Random Effect Model (REM) yielded an Adjusted R-squared score of 0.166923. The adjusted R-squared of 0.166923 indicates that approximately 16.69% of the variation in ESG decoupling is explained by the independent and control variables included in the model. Conversely, the remaining 83.31% of the variance is ascribed to factors excluded from the parameters of this research.

Table 8. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31.69360	43.29805	0.731987	0.5048
IC	-0.841327	7.422043	-0.113355	0.9152
BGD	45.28937	14.53378	3.116145	0.0357
IO	6.378170	4.948975	1.288786	0.2670
ROA	-2.250169	3.432132	-0.655618	0.5479
DER	-1.654872	0.208789	-7.926047	0.0014
FS	-1.315986	1.508889	-0.872155	0.4323

Source: Author's Analysis Using EViews 13 (2026)

The first test findings reveal that the Independent Commissioner variable (X1) has a coefficient of -0.841327 and a probability value of 0.9152, suggesting it has an insignificant impact on ESG Decoupling. In contrast, the Board Gender Diversity variable (X2) has a coefficient of 45.28937 and a probability value of 0.0357, indicating a positive and significant effect on ESG decoupling. In contrast, the Institutional Ownership variable (X3) has a coefficient of 6.378170 and a probability value of 0.2670, suggesting that Institutional Ownership does not have a statistically significant effect on ESG decoupling.

The control variable Return on Assets (ROA) has a coefficient of -2.250169 and a probability value of 0.5479, indicating it lacks a significant influence on ESG Decoupling. The Debt to Equity Ratio (DER) has a coefficient of -1.654872 and a probability value of 0.0014, indicating a significant negative effect on ESG Decoupling. Ultimately, Firm Size shows a coefficient of -1.315986 and a probability value of 0.4323, indicating that Firm Size does not have a statistically significant effect on ESG decoupling.

The Effect of Independent Commissioners on ESG Decoupling

The hypothesis testing results show that Independent Commissioners have no significant effect on ESG decoupling, with a regression coefficient of -0.841327 and a probability value of 0.9152 (>0.05). Therefore, H1 is not supported. Although the negative coefficient indicates an inverse relationship, the effect is not statistically significant, suggesting that a higher proportion of independent commissioners does not necessarily reduce ESG decoupling among Indonesian energy sector companies.

According to Agency Theory, independent directors serve as a governance mechanism to reduce conflicts of interest between management and shareholders through effective oversight (Fama & Jensen, 1983). However, the findings suggest that the presence of independent commissioners alone may not be sufficient to ensure effective oversight of corporate ESG decisions and practices. This finding is consistent with Sapsudin et al. (2026), who found that the effect of board independence on sustainability reporting quality varies across contexts and is subject to certain limitations. Similarly, Marfuah & Hamsyah (2025) found that the proportion of independent commissioners did not significantly influence sustainability report quality.

The Effect of Board Gender Diversity on ESG Decoupling

According to the hypothesis testing, a probability value of 0.0357 (<0.05) was derived, accompanied by a regression coefficient of 45.28937. Therefore, H2 is supported. This result indicates that Board gender diversity has a statistically significant positive effect on ESG decoupling. The positive regression coefficient implies that, within the scope of this study's sample, an increase in board gender diversity was associated with a higher degree of ESG decoupling observed in energy sector firms. These findings suggest that having greater Board gender diversity does not automatically translate into more authentic ESG implementation that is consistent with the companies' stated ESG disclosures.

From a theoretical perspective, Board gender diversity may provide a broader array of viewpoints and enhance decision making quality, especially on sustainability issues (Carter et al., 2003). The empirical results suggest that the impact of board gender diversity on ESG decoupling may be shaped by the specific circumstances of the organization and its industrial context. This is consistent with the research of Moreno Ureba et al. (2026), who indicated that the inclusion of female board members correlates with an increase in environmental greenwashing practices, while simultaneously aiding in the decrease of brownwashing. These results indicate that the correlation between gender diversity and environmental decoupling is contingent upon context and influenced by industry specific constraints and company characteristics. Furthermore, Eliwa et al. (2023) emphasize that the effectiveness of board gender diversity in influencing ESG decoupling is contingent upon the overarching corporate milieu and institutional structures.

The Effect of Institutional Ownership on ESG Decoupling

According to the hypothesis testing, a probability value of 0.2670 (>0.05) was observed, along with a regression coefficient of 6.378170. Therefore, H3 is not supported. This outcome suggests that institutional ownership does not have a statistically significant effect on ESG decoupling. Even though the regression coefficient points in a positive direction, the statistical evidence is insufficient to establish a meaningful impact of institutional ownership on ESG decoupling. In line with Agency Theory, institutional investors are anticipated to act as monitors of management to prevent opportunistic actions and strengthen corporate accountability (Jensen & Meckling, 1976). Meanwhile, Legitimacy Theory suggests that companies are motivated to align their ESG practices and reporting to secure legitimacy from stakeholders (Deegan, 2002). Nonetheless, the results of the present research indicate that institutional ownership does not have a statistically significant effect on ESG decoupling.

This conclusion aligns with Cepêda et al. (2025), who note that the degree to which institutional ownership can affect ESG decoupling hinges on the robustness of monitoring efforts and the traits of corporate governance. Institutional investors may not exert considerable pressure for ESG initiatives if their primary focus is on short term financial gains. Furthermore, Khalifa et al. (2026) reinforce these results, asserting that corporate governance mechanisms prove more effective in shaping ESG practices when paired with diligent oversight and a dedication to sustainability.

The Effect of Control Variables on ESG Decoupling

The study results indicate that, of the three control factors examined, only the Debt to Equity Ratio (DER) has a significant negative effect on ESG decoupling. Conversely, neither Return on Assets (ROA) nor Firm Size has any notable impact. The regression coefficient for DER stands at -1.654872, accompanied by a probability value of 0.0014, indicating that higher leverage corresponds to lower levels of ESG Decoupling. This implies that firms with greater debt obligations may experience heightened pressure to preserve the trustworthiness of information shared with creditors and other relevant parties.

These findings are consistent with Asimakopoulous et al. (2023), who found that companies exhibiting robust ESG performance often enjoy more advantageous loan conditions and less information asymmetry. Additionally, Malik & Kashiramka (2025) discovered that ESG transparency can strengthen creditor confidence in a business. As a result, the inverse link between leverage and ESG Decoupling identified in this study suggests that creditor pressure motivates companies to maintain the integrity of their sustainability reporting and ensure consistency between their disclosed ESG information and their actual practices.

CONCLUSION

This study, which investigates the effects of independent commissioners, board gender diversity, and institutional ownership on ESG decoupling among energy sector companies from 2020 to 2024, finds that board gender diversity has a positive and statistically significant effect on ESG decoupling. In contrast, independent commissioners and institutional ownership show no significant effect. Among the control variables applied, only the Debt to Equity Ratio (DER) demonstrates a notable negative relationship with ESG decoupling, whereas Return on Assets (ROA) and firm size appear to have no meaningful impact. The examined corporate governance mechanisms do not consistently reduce the gap between ESG reporting and actual practices. The negative relationship between leverage and ESG decoupling suggests that higher leverage may be associated with greater alignment between sustainability initiatives and disclosed ESG information.

Given these results, it is recommended that energy sector companies prioritize not merely the enhancement of ESG disclosure quality, but also the reinforcement of sustainability implementation, ensuring that disclosed information accurately reflects the company's actual operations. For future studies, it would be beneficial to lengthen the observation period, broaden the sample to encompass additional industries, and evaluate outcomes through alternative frameworks or metrics for assessing ESG decoupling. These steps are anticipated to foster a deeper and more holistic insight into the drivers of ESG decoupling in Indonesia.

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