

DOES CEO GENDER AND INDEPENDENT COMMISSIONER MODERATE EXECUTIVE REMUNERATION ON SUSTAINABILITY DISCLOSURE? EVIDENCE FROM INDONESIA

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Abstract:

This study examines whether CEO gender and independent commissioner moderate the effect of executive remuneration on sustainability disclosure among Indonesia Stock Exchange (IDX) listed firms. Using purposive sampling, we compile 908 firm-year observations from 2018 to 2023 and estimate ordinary least squares regressions with industry and year fixed effects in Stata 17. The results show that executive remuneration is positively and significantly associated with sustainability disclosure. Moreover, the positive effect is stronger in firms led by female CEOs and in firms with more independent commissioners, indicating that leadership and governance characteristics enhance the alignment between pay design and sustainability objectives. These findings suggest that firms can improve sustainability outcomes by structuring compensation to incentivize sustainability and by strengthening board oversight to ensure the effectiveness and credibility of such incentives. The study contributes to the executive pay and sustainability literature by providing evidence from an emerging market that CEO gender and independent commissioners amplify the remuneration–sustainability link, helping to address prior mixed findings on the effectiveness of executive remuneration.

Key words: CEO gender, executive remuneration, sustainability disclosure, independent commissioner, corporate governance

1. Introduction

Throughout the previous decades, the relevance of sustainability has grown exponentially within society and financial capitalism (Almici, 2022; Dell'Erba & Ferrarini, 2024; Hojnik et al., 2019). Consumers are increasingly prioritising sustainability in their consumption practices, as almost 85% experiencing the adverse impacts of climate change in their lives and 46% prefer more sustainable products as a way to reduce their impact on the environment (PwC, 2024). In Indonesia, sustainability reporting has been mandatory for financial institutions and public companies since 2019 and for listed companies since 2020 (PwC, 2023). This has become a challenge for companies, as they are now required to shift their focus from simple profitability to complex sustainability and recognised sustainability management as a crucial strategy to effectively address the sustainability challenges (Camilleri, 2017; Daniel-Vasconcelos et al., 2022; Devi, 2024; Hojnik et al., 2019; Ogreaan & Herciu, 2020; Rau et al., 2018; Saether et al., 2021).

In response to these changes, companies have increasingly emphasized the importance of sustainability in decision-making with long-term value creation and broader social objectives (D'Apolito et al., 2019). In this context, executive remuneration serves as an effective mechanism for enhancing both financial and sustainability disclosure (Adu et al., 2022; Almici, 2022; Dell'Erba & Ferrarini, 2024). Implementing incentive structures that link executive remuneration to sustainability disclosure metrics can effectively align managerial decision-making with environmental, social, and economic considerations. (Berrone & Gomez-Mejia, 2009; De Villiers et al., 2011). Integrating sustainability considerations into executive remuneration frameworks can serve as an effective instrument for enhancing overall corporate performance (Gallén & Peraita, 2024). Linking financial incentives to sustainability objectives encourages executives to embed sustainability principles into strategic decision-making processes (Johri et al., 2024). Such alignment also mitigates short-term risk by redirecting managerial focus from immediate financial returns toward the creation of enduring, long-term value (Sedovs et al., 2025). Moreover, sustainability-linked remuneration mechanisms promote greater transparency and accountability, as executives are required to demonstrate progress against clearly defined and measurable targets (Zhu et al., 2024).

This research is based on corporate governance literature, by aligning remuneration with sustainability disclosure, not only reinforcing organizational commitment to sustainable practices but also strengthening business resilience in addressing global challenges, including climate change and social inequality (Alhares, 2025). However, although linking executive remuneration to sustainability disclosure could theoretically strengthen organizational commitment, empirical evidence suggests a contradictory, even negative relationship, as found by Hartikainen et al. (2021) and Maas and Rosendaal (2016). Sustainability targets in executive compensation raise significant concerns regarding corporate intentions, particularly whether such measures truly improve sustainability outcomes or simply maintain high bonus structures. While linking executive pay to sustainability metrics has emerged as a popular performance incentive, the lack of transparency in reporting significantly reduces its effectiveness (Hartikainen et al., 2021; Maas & Rosendaal, 2016). This indicates that the relationship is not a direct causal one,

but rather an understanding the conditions and mechanisms that make it effective, or a deceptive practice where companies falsely claim to be environmentally friendly. In other words, the real research gap is not the existence of a relationship, but rather understanding which characteristics would be more effective in strengthening transparency in the relationship.

Furthermore, this study holds a distinct position in the international literature by highlighting unique institutional context of Indonesia as an emerging economy. The findings from developed nations regarding sustainability-linked remuneration cannot be readily generalized to this setting, as Indonesian firms operate under a different set of stakeholder pressures. These include the issue complexities of deforestation, the critical importance of indigenous rights, and an evolving regulatory framework for sustainability (Jamali & Neville, 2011; Sahide et al., 2016). By applying the theoretical model within this distinct context, this research serves a purpose: it contributes to the growing body of evidence that the efficacy of sustainability governance mechanisms is highly context-dependent. It posits that the interaction between structural governance factors, such as an independent commissioner, and individual leadership characteristics, like CEO gender, can yield unique dynamics not observed in nations with more mature, established corporate governance systems.

This study specifically aims to explore the roles of the independent commissioner and CEO gender as moderating variables that can explain why the relationship between remuneration and sustainability can have varying results. In the Indonesian context, this study offers a significant difference from previous studies that may have focused on a simple two-variable relationship. This study goes further by including two key variables representing aspects of governance and leadership. The focus on an independent commissioner is crucial in Indonesian businesses characterized by concentrated ownership and conglomerate dominance, where strong oversight is needed to ensure that sustainability incentives are substantive and not merely legitimate (Jovita & Se Tin, 2025; Krisyadi et al., 2025). Meanwhile, the examination of CEO gender brings a more nuanced leadership perspective, exploring whether certain leadership characteristics can moderate the effectiveness of sustainability incentives within the context of unique local business cultures (Graham & Mack, 2019; Kapse et al., 2024).

Chief Executive Officers (CEOs), as the highest-ranking decision makers, play a pivotal role in determining whether companies adopt sustainable practices or remain focused on short-term financial gains (Septiany et al., 2025; Zhang et al., 2022). Their commitment to sustainability can drive innovation, enhance brand reputation, and mitigate risks associated with climate change and social inequality (Gazzola et al., 2024). Females as CEOs tend to prioritize social aspects of sustainability, such as human rights, employee well-being, and community engagement, alongside environmental concerns (Glass *et al.*, 2016). They are more likely to consider the broader environmental and social risks associated with business operations, leading to proactive sustainability strategies (Zhu et al., 2022). Female leaders are often perceived as more collaborative, empathetic, and inclusive, traits that can foster a culture supportive of sustainability initiatives (Pierli *et al.*, 2022). Also, this study examines the critical role of independent boards in ensuring credible sustainability-linked pay structures. Independent boards are seen as being

essential for good governance and contact between owners and executives (Capezio et al., 2011; De Villiers et al., 2011; Naciti, 2019). With a high level of independence, it signals a commitment to transparency and enhancing stakeholder trust in the company's sustainability efforts, especially on the remuneration structure (Hussain et al., 2018).

This study offers contributions to both theory and practice. Practically, it provides actionable insights for companies and investors. First, for companies, this contributes to the implementation of corporate policies by showing the positive impact of the remuneration structure on both company performance and sustainability disclosure. Second, for investors, this study will help reduce portfolio risk and increase the potential for higher long-term investment returns. This is because companies with a strong commitment to sustainability tend to be more resilient to long-term risks such as climate change and social unrest, and are more likely to adapt and develop in a sustainable future. Furthermore, this study contributes to the academic literature by examining the moderating role of CEO gender and independent commissioner in strengthening the relationship between executive remuneration and sustainability disclosure.

The remainder of the paper is organized as follows. After the introduction, Section 2 explains the theoretical framework, provides a review of the previous literature, and presents the development of the research hypotheses. Section 3, the research methodology and data collection. Section 4, followed by the empirical results and discusses the main result. Finally, section 5 draws conclusions, limitations, and suggestions.

2. Literature review

In this research, agency theory is used because it offers a broader perspective than classical agency theory. Agency theory expects agents to act and make decisions in the principal's interest (Jensen & Meckling, 1976). On the contrary, the agent may not necessarily make decisions in the best interests of the principals and may give rise to agency problems (Jurnali et al., 2025). Based on the framework created, not only shareholders of the company but also all stakeholders have legal claims to the company. The relationship between the CEO and all stakeholders is expected to involve matters relevant to the economy and non-economy (Bosse & Phillips, 2016). Therefore, companies can carry out activities with principles such as global responsibility, transparency in economic results, and protecting ecosystems and society. The literature has discussed executive remuneration as a mechanism to reduce agency problems (Gillan et al., 2021). In particular, remuneration policy becomes a driver for harmony between shareholders and management, especially if the policy is linked to sustainability goals and the company's governance system so that it can facilitate the formation of a long-term orientation towards sustainability (Al Farooque et al., 2019; Costa et al., 2023; Kartadjumena & Rodgers, 2019; Michael Faulkender et al., 2010). This shift in priorities will increase the company's impact on the environment and society in line with an increased orientation towards sustainability by facilitating the convergence of interests and mitigating agency problems. Thus, this theory is an interesting theoretical framework to explain how remuneration can

facilitate sustainability to improve social and environmental performance by ensuring the expectations of all stakeholders are met.

While agency theory suggests that aligning managerial incentives with shareholder interests will curb opportunism. However, upper echelons theory suggests that the effects of this alignment depend on the cognitive, experiential, and demographic characteristics of executives. The idea behind this theory emerged from the notion that the outcomes of an organization's strategy and effectiveness reflect the quality and values held by the company's management, as suggested by Hambrick and Mason (1984). This theory emphasizes that an organization's outcomes, whether success or failure are shaped not only by external conditions and market factors but also by the quality and perspective of its top management (Birindelli et al., 2019; Hambrick & Mason, 1984). The upper echelon theory related to CEO gender by examining how CEOs' personal characteristics, including gender, influence strategic decisions and organizational performance. Specifically, this theory proposes that the personal characteristics, experiences, values, and beliefs of top management, such as CEOs and managing directors, play an important role in strategic decision-making and ultimately impact organizational effectiveness (Byron & Post, 2016). This theory offers a framework for understanding whether and how gender differences at the leadership level influence an organization's direction and success. As a key characteristic of top management, gender plays an important role in shaping their perspective, leadership style, and approach to making strategic decisions in response to market challenges and opportunities (Post & Byron, 2014). Therefore, upper-echelon theory states that whether a CEO is female or male, their individual characteristics and values can have a significant impact on decisions that may have a positive or negative impact on company performance (Adolph, 2016; Faccio et al., 2016; Kroll et al., 2022). Thus, the two theories are not competing but complementary: agency theory identifies motivational issues, while upper echelons theory explains how the heterogeneous nature of agents moderates the effectiveness of governance solutions.

2.1. Executive remuneration and sustainability disclosure

Executive remuneration refers to the financial and non-financial compensation awarded to directors and board commissioners for their services to the company, encompassing salaries, benefits, and incentive structures (Qawqzeh et al., 2021). The extent of managers' attention to stakeholders' demands depends largely on their incentives and interests (Al-Shaer et al., 2023). Consequently, executive remuneration should be strategically designed to align board directors' actions with shareholder interests while discouraging excessive risk-taking that may adversely impact firm performance (Mukherjee & Sen, 2022). By incorporating sustainability goals into compensation structures, companies can incentivize executives to pursue long-term sustainable outcomes, thereby preventing agency problems. (Almici, 2022; Costa et al., 2023; D'Apolito et al., 2019; Gallén & Peraita, 2024; Maas & Rosendaal, 2016; Wahab et al., 2016). The existing literature, such as Almici (2022), found a positive relationship between executive remuneration and sustainability disclosure, a greater remuneration structure created by the audit committee can be an incentive for the board of directors to be sustainability-oriented. Adu *et al.* (2022) empirically demonstrate that executive

remuneration exerts a positive influence on sustainability disclosure. Their findings suggest that appropriately structured compensation packages can motivate corporate leaders to actively pursue sustainability initiatives, ultimately enhancing organizational sustainability outcomes. D'Apolito *et al.* (2019) also highlighted a positive impact on sustainability disclosure. This positive outcome arises because incorporating non-financial metrics into executive compensation incentivizes managers to adopt a long-term strategic perspective, thereby fostering the integration of sustainable practices within the firm.

Contrary to positive perspectives, Hartikainen *et al.* (2021) present critical evidence that sustainable executive remuneration often fails to effectively support sustainability strategy implementation when coupled with inadequate transparency in reporting. Their findings reveal a concerning disconnect between incentive structures and substantive sustainability outcomes, suggesting that current practices may actually impede progress toward meaningful corporate sustainability. Consistent with Maas and Rosendaal's (2016) findings, current executive remuneration structures frequently fail to generate sustainable value creation for firms. Their research raises critical questions about whether incorporating sustainability targets into compensation schemes genuinely reflects corporate commitment to social responsibility, or merely another strategic mechanism to maintain elevated bonus levels without substantive organizational change. Conversely, empirical research by Zhu *et al.* (2024) demonstrates that properly structured executive compensation incentives can effectively align risk-reward trade-offs for corporate managers. Their findings suggest a positive alignment between compensation and sustainability disclosure. Da Silva *et al.* (2022) indeed highlighted a positive effect of executive remuneration on sustainability disclosure. The following is the first hypothesis to be tested:

H1: Executive remuneration has a positive and significance on sustainability disclosure.

2.2. The moderating effect of CEO gender on executive remuneration to sustainability disclosure

The CEO's gender, whether it is a man or a woman, has a different strategy and values for the social responsibility and disclosure of sustainability (Ullah *et al.*, 2020). These practices and the push for greater disclosure can be influenced by leadership's stance on social and environmental issues, including the gender of the CEO (Klein *et al.*, 2021). Women as leaders are estimated to be more innovative and more inclined to adopt a "people-based" style (Birindelli *et al.*, 2019). Research by Riyadh *et al.* (2019) indicates that gender diversity on corporate sustainability reporting is positive and significant. Research indicates that firms led by female CEOs exhibit stronger sustainability engagement, which helps boost their reputation with institutional stakeholders (Lim & Chung, 2021; Riyadh *et al.*, 2019). Specifically, a study by Lim and Chung (2021) found that companies led by female CEOs had more active overall participation in sustainability activities, which may include sustainability disclosures, resulting in a positive and significant relationship between female CEO and sustainability disclosure. The presence of female directors on an independent board can also provide a positive and inspiring role model for other women in the company and beyond the company (Rodríguez-Ariza *et al.*, 2017). According to Gallén and Peraita (2024), increasing the proportion of women in each

category of the board leads to a higher payout ratio, and the result shows that women in the position of board director have a significant and positive effect on payout ratio. Effiezal Aswadi Abdul *et al.* (2018) found that the presence of women on the board of directors has a positive and significant effect on remuneration, because a diverse board is able to provide a different perspective and improve communication on the board of directors.

According to Jiang and Akbar (2018), females generally pay more attention to moral ethics, care for others and value social responsibility, so under this economic consideration, regardless of whether the female executives have a good sense of responsibility on social, firms will undertake environmental investment as an important means to acquire some economic gain and it was found that female CEO positive linked to sustainability disclosure. Another study by Daniel-Vasconcelos *et al.* (2022) indicates that the presence of women on the board of directors means that the company is committed to corporate sustainability, because women are less likely to engage in the board director position, and it was found a positive and significant relationship was found between gender diversity and sustainable development goals disclosure. This is consistent with research by Rao and Tilt (2016), which found a positive effect between gender diversity and sustainability disclosure. Rao and Tilt (2016) explain that by having women on the board of directors, the company is socially responsible and does not differentiate values from gender, and this contributes to the goals of sustainable development. Rouf and Hossan (2021) explain that women taking part on boards leads to better communication in making contributions to sustainability disclosure, which is positive and significant between the proportion of female directors and the sustainability disclosure. Communication styles tend to be more participative with female members, and women seemed to be more charitable than men (Giannarakis, 2014). Results found by Jiang and Akbar (2018) indicate that having a female executive director leads to a significant reduction in the emission of pollutants, thus increasing the sustainability disclosure of the firm, because of the persistence of the female executive with the environmental investment. In this study, we adopt an agency theory perspective and consider CEO gender as a sign that strengthens executive remuneration and improves sustainability disclosure.

H2: CEO Gender strengthens the executive remuneration on sustainability disclosure.

2.3. The moderating effect of the independent commissioner on the executive remuneration to sustainability disclosure

Agency theory suggests that independent commissioners act as effective monitoring mechanisms to mitigate managerial opportunism. Given that sustainability disclosure is largely optional in many jurisdictions, managers may completely ignore mandatory disclosure rules. This failure may be due to a limited understanding of the motives behind these companies' disclosures (Khamisu *et al.*, 2024). Independent commissioners who are not involved in management and focus on the company's reputation and risk management tend to encourage increased greater transparency (Susanto *et al.*, 2024). Existing empirical studies present evidence regarding the relationship between independent commissioner and sustainability disclosure. Empirical findings by Azizah *et al.*, (2026) this suggests that independent commissioners have a direct influence on sustainability disclosure, as they provide the necessary oversight and

can mandate such disclosures as an integral component of risk management; in the absence of this pressure, management may be inclined to prioritize financial reporting alone. These findings align with Pratitarari and Honggowati's (2025) empirical evidence demonstrating a positive impact of independent commissioners on sustainability disclosure. The study by Popov and Makeeva (2022) demonstrated that increasing board independence positively affects sustainability disclosure, with board independence serving as a valuable external resources that contributes specialized knowledge, professional experience, and network connections to effectively monitor executive actions. Recent findings by Pratiwi *et al.* (2023) reveal that companies with higher numbers of board independence tend to have the potential to increase the sustainability disclosure, thereby suggesting a positive association between board independence and corporate sustainability disclosure. Mititean and Ghigiu (2024) found that board independence significantly enhances both social and environmental performance. Their research indicates that boards with a higher proportion of board independent are more likely to prioritize and achieve sustainability-related objectives. By mitigating agency problems and constraining managerial influence, board independence strengthen organizational governance (Kuo & Yu, 2014). Empirical evidence, Musta Ani *et al.* (2022), indicates that independent commissioners act as a counterweight to the power of corporate executives, with the aim of aligning salaries with shareholder interests. Dutschkus and Lukas (2022) also reveal a positive association with executive remuneration, indicating that independent commissioners who lead the remuneration committee have a specific duty to ensure that the remuneration policy is fair based on performance. Furthermore, the presence of a greater share of outside directors, whether on the main board or the compensation committee, enhances the alignment between managerial pay and firm performance. These arguments lead to the following hypothesis:

H3: An independent commissioner strengthens executive remuneration for sustainability disclosure.

3. Methodology

3.1. Data and sample selection

The research method is quantitative , and the data are unbalanced data, collected from companies listed on the Indonesia Stock Exchange (IDX) over the period 2018-2023. The sample selection in this study uses purposive sampling. The criteria are excluded companies that do not have sustainability reporting. Our final sample observation is 164 companies using Stata 17 software with an analysis of panel regression.

Table 1. Sample criteria

Description		Total
Companies listed on the Indonesia Stock Exchange	938	Companies
Companies that do not meet the criteria	(774)	Companies
Companies used as research samples	164	Companies
Research years	6	Years
Total research sample data	984	Data
Outlier	(76)	Data
Total research sample	908	Data

Source: Author's Calculation

Table 2. Distribution of data by industry and year

SIC	YEAR						Total
	2018	2019	2020	2021	2022	2023	
(SIC 0) Agriculture, forestry, and fisheries	10	10	10	10	10	12	62
(SIC 1) Mining	27	27	27	27	27	28	163
(SIC 2) Construction industries	26	26	26	26	26	27	157
(SIC 3) Manufacturing	10	10	10	10	10	10	60
(SIC 4) Transportation, communications, and utilities	14	14	14	14	14	15	85
(SIC 5) Wholesale and retail trade	8	8	8	8	8	10	50
(SIC 6) Financial firms	46	47	47	47	45	50	282
(SIC 7) Service industries	4	4	4	4	4	5	25
(SIC 8) Health, legal, educational services and consulting	4	4	4	4	4	4	24
Total	149	150	150	150	148	161	908

Source: Author's Calculation

3.2. Research variables and models

Dependent variables in our study are sustainability disclosure, and the independent variable is executive remuneration. As for the moderating variable, there are the independent commissioner and the CEO gender. We used sustainability reporting to collect data for this variable, and we used the annual report for the independent variable.

The following are the definitions and measurements of each variable, as follows:

- Sustainability disclosure refers to the extent to which a company reports economic, environmental, and social information in line with the GRI framework (Malesios et al., 2021; Zimek & Baumgartner, 2017).
- Executive remuneration is measured as the natural logarithm of total executive remuneration (Harymawan et al., 2020; Pratama & Prasetya, 2017; Qawqzeh et al., 2021).
- CEO gender is a moderating variable that shows the gender of the main director of the company.
- Independent commissioner refers to the proportion of independent commissioners on the board of commissioners who provide objective oversight and strengthen the monitoring function within the company (Trinugroho et al., 2023).
- Leverage refers to the strategic use of debt to amplify potential investment returns or operational capacity beyond what could be achieved using only equity financing (Itan et al., 2025). In corporate finance, leverage enables firms to access additional capital for growth while maintaining relatively lower equity investments, thereby potentially enhancing returns on equity when performance is strong (Jurnali & Septiany, 2022; Lang et al., 1996).

Table 3. Variable measurements.

Variable Name	Symbol	Measurement
Dependent variable		
Sustainability Disclosure	SD	The average score of general disclosure, economy, environment, and social divided by the total indicators of the GRI standard (Liou et al., 2023; Malesios et al., 2021; Septiany et al., 2025; Zimek & Baumgartner, 2017)
Independent variable		
Executive Remuneration	ER	The natural logarithm of total executive remuneration disclosed in the annual report (Harymawan et al., 2020; Pratama & Prasetya, 2017; Rostami & Rezaei, 2022).
Moderating variable		
CEO Gender	CG	The value is 1 if the CEO is female and 0 if the CEO is male (Ahmad et al., 2022; Klein et al., 2021; Ullah et al., 2020).
Independent Commissioner	IC	The percentage of independent commissioners over total commissioners (Trinugroho et al., 2023).
Control variables		
Leverage	LEV	Total debt divided by total assets (Ghardallou, 2022; Lang et al., 1996)

The analysis proceeds in four stages. First, we report descriptive statistics. Second, we examine pairwise associations using Pearson correlations. Third, we estimate ordinary least squares regressions with industry and year fixed effects to test H1–H3. Finally, we conduct robustness checks through Coarsened Exact Matching (CEM) and subsample analysis by CEO gender. The following regression model is employed to empirically test the impact of the executive remuneration on sustainability disclosure:

Model 1:

$$SD_{i,t} = \beta_0 + \beta_1 ER_{i,t} + \beta_2 LEV_{i,t} + INDUSTRY_{i,t} + YEAR_{i,t} + \varepsilon$$

To empirically test H2 and H3, we extend this model by including the interaction terms between the moderators, as follows:

Model 2:

$$SD_{i,t} = \beta_0 + \beta_1 ER_{i,t} + \beta_2 CEOGEN_{i,t} + (\beta_3 ER_{i,t} * CEOGEN_{i,t}) + \beta_4 LEV_{i,t} + INDUSTRY_{i,t} + YEAR_{i,t} + \varepsilon$$

Model 3:

$$SD_{i,t} = \beta_0 + \beta_1 ER_{i,t} + \beta_2 IC_{i,t} + (\beta_3 ER_{i,t} * IC_{i,t}) + \beta_4 LEV_{i,t} + +INDUSTRY_{i,t} + YEAR_{i,t} + \varepsilon$$

4. Results/findings

4.1. Descriptive statistics

Descriptive statistics is the processing and presentation of data with the aim of describing data concisely, which can produce maximum, minimum, and average results. The following are descriptive statistical results consisting of mean, maximum, minimum, standard deviation, and median:

Table 4. Descriptive Statistics

	N	Mean	Standard Deviation	Median	Minimum	Maximum
SD	908	0.474	0.315	0.563	0.000	0.929
ER	908	24.258	1.266	24.188	18.540	28.101
CEOGEN	908	0.058	0.235	0.000	0.000	1.000
IC	908	0.435	0.139	0.400	0.250	0.800
LEV	908	0.564	0.308	0.557	0.052	1.887

		Frequency	Percentage
CEO gender	The value is 1 if the CEO is female, and 0 if the CEO is male	53	5.84%

Source: Author's Calculation

Based on Table 4, the average value of the sustainability disclosure variable is 0.474 or 47.4%, which means that, on average, companies have carried out sustainability 47.4% of the applicable GRI standards. The maximum value in Table 4 for the executive remuneration variable is log 28.10, which means that the largest remuneration given by companies that carry out sustainability is Rp 1,600,000 million. On average, companies that provide remuneration to their executives have remuneration of Rp 90,670 million. In the course of the directors discharging their responsibilities and duties, they are expected to receive some remuneration (Qawqzeh et al., 2021). The greater remuneration structure established by the audit committee can serve as an incentive for the board of directors to adopt a sustainability orientation (Almici, 2022). The CEO gender, with only 53 observations (approximately 5.8%), has a female CEO. This significant gender imbalance means that the analysis of CEO gender on sustainability disclosure is based on a relatively small proportion of female-led to male-led firms. The mean value of independent commissioners is 0.435, which indicates that independent commissioners account for 43.5% of total commissioners on average. The presence of independent commissioners supports the company's investment in sustainability disclosure and provides clear guidance to managers on activities that can enhance long-term company value and transparency (Adel et al., 2019; Almici, 2022; Mohammadi et al., 2021).

4.2. Pearson Correlation

Table 5. Pearson Correlation

	[1] SD	[2] ER	[3] CEOGEN	[4] IC	[5] LEV
SD	1.000				
ER	0.096*** (0.004)	1.000			
CEOGEN	-0.002 (0.953)	-0.079** (0.017)	1.000		
IC	0.364*** (0.000)	0.050 (0.130)	-0.102*** (0.002)	1.000	
LEV	-0.016 (0.627)	0.048 (0.145)	-0.085** (0.010)	0.178*** (0.000)	1.000

p-values in parentheses

* *p* < 0.1, ** *p* < 0.05, *** *p* < 0.01

Source: Author's Calculation

Table 5 reports the Pearson correlations among the study variables. Executive remuneration is positively and significantly correlated with sustainability disclosure (0.096, *p* < 0.01). To align the goals of the company and benefit both the organization and its stakeholders in the future, a company must design compensation for executives to motivate and involve them more in sustainability activities (Kartadjudena & Rodgers, 2019; Mukherjee & Sen, 2022). CEO gender has a very small and statistically insignificant bivariate correlation with sustainability disclosure (-0.002). Independent commissioners are positively correlated with sustainability disclosure (0.364, *p* < 0.01), indicating that firms with stronger independent oversight tend to disclose more sustainability information. Leverage is not significantly correlated with sustainability disclosure.

4.3. Empirical Results

Table 6. Main Regression

	(1) SD
ER	0.056*** (7.16)
LEV	0.045 (1.40)
_cons	-1.065*** (-5.47)
Industry FE	Yes
Year FE	Yes
r2	0.183
r2_a	0.169
N	908

t statistics are reported in parentheses

* *p* < 0.1, ** *p* < 0.05, *** *p* < 0.01

Source: Author's Calculation

Table 6 reports the main regression results. The first model shows that executive remuneration is positive and significant on sustainability disclosure ($\beta = 0.056$, *p* < 0.01).

Therefore, H1 is supported. This indicates that firms with higher executive remuneration tend to disclose more extensive sustainability information. Because remuneration is expressed in natural logarithms, the coefficient can be interpreted in percentage terms. A 1% increase in executive remuneration is associated with an increase of approximately 0.00056 in the sustainability-disclosure score.

Table 7. Moderating Regression

	(1)	(2)	(3)	(4)	(5)	(6)
	SD	SD	SD	SD	SD	SD
ER	0.056*** (7.16)	0.056*** (7.13)	0.054*** (6.70)	0.056*** (7.16)	0.049*** (6.93)	0.018** (2.46)
LEV	0.045 (1.40)	0.046 (1.41)	0.042 (1.29)	0.045 (1.40)	-0.018 (-0.58)	-0.030 (-1.01)
CEOGEN		0.012 (0.29)	-1.986** (-1.98)			
ERX CEOGEN			0.084** (2.01)			
IC					0.788*** (12.40)	-0.319*** (-4.75)
ERXIC						0.054*** (18.47)
_cons	-1.065*** (-5.47)	-1.068*** (-5.45)	-1.006*** (-5.03)	-1.065*** (-5.47)	-1.145*** (-6.49)	-0.440** (-2.50)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
r2	0.183	0.183	0.186	0.183	0.294	0.395
r2_a	0.169	0.168	0.170	0.169	0.281	0.384
N	908	908	908	908	908	908

t statistics are reported in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author's Calculation

Table 7 presents the moderating regressions. Column 3 shows that the interaction between executive remuneration and CEO gender is positive and significant ($\beta = 0.084$, $p < 0.05$), it can be concluded that CEO gender strengthens executive remuneration on sustainability disclosure. Therefore, H2 is supported. Meanwhile, in column 6, the influence of independent commissioners and executive remuneration on sustainability disclosure is supported as positive and significant ($\beta = 0.054$, $p < 0.01$), thus H3 is supported. This result suggested that CEO gender and independent commissioner strengthen the influence of executive remuneration on sustainability disclosure.

4.4. Robustness Analysis

Table 8. Robustness test

	Low Remuneration = 0	High Remuneration = 1
<i>Panel A: matching summary</i>		
All	454	454
Matched	141	161
Unmatched	313	293
<i>Panel B: regression result</i>		
	(1)	
	SD	
ER	0.048***	
	(4.070)	
LEV	-0.110	
	(-1.050)	
_cons	-1.187***	
	(-3.950)	
Year FE	Yes	
Industry FE	Yes	
r2	0.303	
r2_a	0.269	
N	302	

t statistics are reported in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author's Calculation

To address potential endogeneity arising from observable differences between firms with low and high executive remuneration, this study applies Coarsened Exact Matching (CEM) as a preprocessing procedure (Blackwell et al., 2009). The treatment variable is high ER, defined using the sample median. The matching procedure uses observed covariates, including leverage, CEO gender, independent commissioners, industry, and year, to improve comparability across treatment groups. As shown in Panel A of Table 8, the matched sample retains 302 firm-year observations, consisting of 141 low-ER observations and 161 high-ER observations. The matching results indicate improved balance between the treatment and control groups on observed characteristics. Panel B shows that ER remains positive and significant in the matched sample ($\beta = 0.048$, $p < 0.01$). This result suggests that the positive relationship between executive remuneration and sustainability disclosure remains robust after matching. However, this robustness check should be interpreted as supplementary evidence because CEM addresses only observable firm characteristics.

Table 9. Robustness Check: Subsample Analysis by CEO Gender

	(1) Male CEO SD	(2) Female CEO SD
ER	0.053*** (6.639)	0.196*** (3.868)
LEV	0.039 (1.189)	-0.043 (-0.217)
_cons	-1.001*** (-5.003)	-3.755*** (-3.635)
Industry FE	Yes	Yes
Year FE	Yes	Yes
r2	0.175	0.568
r2_a	0.160	0.438
N	855	53

t statistics are reported in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 9 provides additional evidence for the CEO-gender result. In the subsample analysis by CEO gender, the positive effect of executive compensation (ER) on sustainability disclosure (SD) was statistically significant in both male and female-led companies, further validating the robustness of our main findings. Notably, the coefficient for female CEOs, 0.196, was significantly larger than that for male CEOs, 0.053, indicating a more significant association between ER and SD in companies led by female CEOs. However, female CEOs comprised only 53 observations, limiting statistical precision and increasing the sensitivity of the results to sample composition.

5. Discussions

The results confirm a statistically significant and positive effect, suggesting that financially incentivizing executives is an effective mechanism for promoting a stronger commitment to sustainability objectives. The findings of this study demonstrate that incorporating sustainability metrics into executive remuneration can enhance sustainability disclosure. Companies can use compensation packages as a strategic tool to align executives' incentives with long-term sustainability goals, consistent with agency theory. Linking a substantial portion of executive pay to sustainability disclosure can motivate leaders to prioritize sustainable practices. This finding is consistent with prior literature, as most studies have reported a positive association between this variable and sustainability practices (Adu et al., 2022; Almici, 2022; D'Apolito et al., 2019; da Silva et al., 2022; Zhu et al., 2024). Increasing compensation will motivate CEOs to improve environmental activities and performance (Al-Shaer et al., 2023). For corporate boards and compensation committees, the findings of this research provide a clear imperative positing that the structure of executive remuneration is an instrument for steering strategic corporate conduct towards sustainable outcomes. The practical implications are: first, the explicit

incorporation of calibrated and demanding ESG key performance indicators into incentive plans; second, a rigorous focus on the materiality of metrics to ensure alignment with core business impacts and stakeholder expectations, thereby providing legitimacy and avoiding perfunctory compliance; and third, the long-term institutionalization of compensation structures that reward sustained performance, for example, through multi-year performance-sharing plans, which serve to reduce incentives for decisions that prioritize immediate profits over long-term sustainability and value.

The upper echelon theory posits that organizational outcomes reflect the complex, personalized interpretations of top managers, shaped by observable characteristics such as gender (Hambrick & Mason, 1984). Our findings suggest that female CEOs, on average, do not merely respond to the financial incentives provided by remuneration contracts; they appear to interpret and act upon these incentives with a greater inherent propensity to integrate environmental, social, and governance (ESG) considerations into core strategy. These results indicate that the CEO's gender has a strong moderating effect on executive remuneration, so H2 is supported. It demonstrates that the executive remuneration sustainability disclosure link is not a simple economic transaction but a psychologically and socially complex process moderated by key demographic factors. It bridges Upper Echelons Theory with agency and stakeholder theories, showing that the identity of the agent fundamentally affects how they respond to incentives designed to align their interests with those of stakeholders. Research suggests a correlation between female CEOs and increased executive remuneration. One plausible explanation for this phenomenon is that female leaders, who often demonstrate a stronger orientation toward stakeholder well-being, advocate for remuneration packages explicitly linked to sustainability disclosure (Gallén & Peraïta, 2024). Consequently, the observed overall compensation increase is not simply a base salary increase, but likely reflects the integration of performance-related bonuses and long-term incentives designed to reward the achievement of ambitious environmental and social goals. This result is supported by Rao and Tilt (2016), who stated that having women on the board of directors contributes to the goals of sustainable development. When women become CEOs, this will help the company to increase its social activities (Lim & Chung, 2021), because women tend to pay more attention to moral ethics, value social responsibility, and are active in participating in sustainability activities (Jiang & Akbar, 2018; Riyadh et al., 2019). These findings reinforce the business case for diversity, not only enhancing sustainability disclosure but also mitigating risks by broadening decision-making perspectives.

This empirical result also shows that an independent commissioner strengthens executive remuneration on sustainability disclosure, therefore, H3 is supported. An independent commissioner, with minimal conflicts of interest, is able to objectively monitor and evaluate management policies, including ensuring that executive compensation is truly linked to achieving long-term sustainability goals, not just short-term financial performance. From an agency theory perspective, highly independent boards enhance organizational governance by mitigating agency risks through monitoring of executive decision-making (Hussain et al., 2018; Jensen & Meckling, 1976). The presence of an independent board of commissioners can strengthen the executive remuneration process by ensuring that decisions are based on objective, comprehensive evaluations and transparent processes,

as well as integrating long-term considerations to achieve overall company goals (Susanto et al., 2024). This finding aligns with prior studies demonstrating that an independent commissioner has a significant positive effect on sustainability disclosure (Azizah et al., 2026; Musta Ani et al., 2022; Popov & Makeeva, 2022; Pratitarari & Honggowati, 2025). An independent commissioner helps reduce conflicts of interest between management and shareholders. On the board of directors, there must be at least one independent commissioner because this will increase the effectiveness of supervision and control over company activities, especially sustainability activities. Likewise, having an independent commissioner will promote transparency and a greater focus on the long-term value of the company and the environment. This reinforces the business case for independent governance not just as a compliance measure but as a strategic advantage in driving meaningful sustainability transformation while balancing shareholder and societal interests.

The result of this study carries important practical implications for companies, particularly in shaping corporate governance and compensation strategies. First, this result suggests that tying executive pay to sustainability metrics effectively aligns leadership incentives with long-term sustainability objectives. Companies should consider restructuring compensation packages to include sustainability-linked bonuses, as this can motivate executives to prioritize environmental and social initiatives alongside financial performance. Second, the significant relationship implies that investors should view such compensation models favourably, as they demonstrate a commitment to stakeholder capitalism. Additionally, in jurisdictions like Indonesia, where sustainability reporting is gaining regulatory traction, this approach can ensure compliance while driving genuine impact. The finding has implications for academic literature, it advances gender diversity research in corporate governance by providing empirical evidence that female CEOs amplify the effectiveness of sustainability-linked compensation, where women executives are more likely to prioritize sustainability when incentivized.

6. Conclusions

The aim of this research is to examine the relationship between executive remuneration and sustainability disclosure, and assess how CEO gender and independent commissioners can moderate this relationship. This research data was collected from annual reports and sustainability disclosures covering the period 2018 to 2023. These findings reveal a significant positive relationship between executive remuneration and sustainability disclosure. In line with agency theory, executive management serves as an agency that has goals that are in line with the principal shareholders, if there is an incentive for executives to achieve the principal's goals. In addition, analysis of the moderating variables, CEO gender, and independent commissioner, shows that these two factors strengthen the impact of executive remuneration on sustainability disclosure.

This study contributes to the corporation with useful insight into the positive impact of the remuneration structure on the sustainability disclosure. Another implication is that it can provide investors with a greater awareness of their portfolio risk and increase the potential for higher investment return in the long term. At the same time, this research creates an opportunity for women to take on leadership roles, such as serving as CEO,

which in turn can improve sustainability disclosure. Furthermore, this study contributes to the literature by examining the moderating role of CEO gender and independent commissioner in strengthening the relationship between executive remuneration and sustainability disclosure.

However, there are several limitations. First, sustainability disclosure is only by the presence of sustainability disclosure, thus it neglects the quality of the report, which can lead to misinterpretation, and there are also some companies that didn't provide the amount of executive remuneration. Second, the study focuses on the quantitative link between executive remuneration and performance but does not qualitatively analyse the specific design of the remuneration contracts. Lastly, the study was focused only on the CEO's gender. For future research, one could add variables that could address the quality of the report. Second, this research should be extended to other countries, because the representation of women on boards of directors remains limited in Indonesia, reflecting persistent gender disparities in corporate leadership. Third, future research could explore the moderating effect of gender diversity across the entire top management team or the board of directors.

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