

The Influence of CEO Power Characteristics and Chief Sustainability Officer on ESG Performance

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Abstract

After the Covid-19 pandemic, global companies have faced complex challenges that drive a paradigm shift from a financial focus to social and environmental sustainability. ESG scores serve as an important indicator in assessing corporate sustainability. This study provides an important contribution due to the limited number of studies in Indonesia that examine ESG performance rather than merely ESG disclosure, which allows the results to better reflect the quality of sustainability implementation. This research employs a quantitative approach to analyze the effects of CEO education, ownership power, CEO tenure, and the presence of a CSO on ESG performance, with profitability and firm size as control variables. The research data consist of secondary data from companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2023 period, selected using purposive sampling and analyzed using multiple linear regression with SPSS 30. The findings show that CEO education and ownership power have no significant effect on ESG performance, while CEO tenure and CSO have a significant effect on ESG performance. Companies that establish a CSO demonstrate a proactive approach to addressing ESG issues. This study evaluates the role of CSO which remains underexplored, suggesting that regulators, particularly the OJK, should encourage public companies to position the CSO as a strategic role in presenting ESG scores as part of transparency and accountability in supporting the SDGs.

Keywords: CEO Education; Ownership Power; CEO Tenure; Chief Sustainability Officer; ESG Performance.

Introduction

The Covid-19 pandemic that spread throughout the world in mid-2020 has had a rapid transitional impact on economic conditions in Indonesia. These economic changes require companies to think critically and dynamically in facing business pressures, challenges, and risks, both from an economic and non-economic perspective, in order to survive and achieve sustainable business goals.

The issue of sustainability is a major issue that continues to be discussed and developed by companies and the government in order to achieve balance and harmony in unifying business concept strategies while maintaining the sustainability of the natural environmental ecosystem and opening up opportunities to achieve a better future.

Recently, there has been a shift in the view of the role of companies in the economy from the traditional view that views companies as profit-seeking agents for the benefit of shareholders to a social paradigm that views companies as part of the world's citizens who seek profit and have a positive impact on the environment and society (Sekarlangit and Wardhani, 2021). Investors, financial analysts, and regulatory bodies have raised doubts regarding the effectiveness of traditional management and are integrating the concept of sustainability into corporate strategy (Ghardallou, 2022). Yuan (2024) stated that sustainability is a win-win solution for all parties, where companies work together with the surrounding environment.

Sustainability goals are always long-term, as are their impacts, ESG (environmental, social, and governance) scores are important indicators of a company's level of sustainability and corporate social responsibility performance. ESG plays a crucial role in shaping corporate strategies that drive competitive advantage, foster innovation, and create new opportunities, making it a key component of managerial capabilities (Menicucci and Paolucci, 2022). As a third-party assessment mechanism, ESG performance evaluates how well companies manage environmental, social, and governance issues, coordinating these efforts with both economic outcomes and social benefits (Xu and Zhu, 2024).

Mari Elka Pangestu, Chair of the Expert Council of the Indonesian Employers Association (APINDO), explained that all large or small companies, including MSMEs, must begin to understand the importance of implementing sustainable concepts. This is mandatory because based on a survey

conducted by APINDO, it shows that only around 35% of business actors understand environmental, social, and governance (ESG) practices. ESG integration is very important for accessing markets, social preferences, winning the competition, and also environmentally friendly industry opportunities. Therefore, APINDO recommends that the government implement ESG among entrepreneurs by providing information, education, capacity building, government and business sector cooperation, facilitating ESG fulfillment, including for MSMEs, strengthening policies, regulations, business investment and funding (CNBC, 2023).

Several studies in Indonesia related to ESG are mostly limited to focusing on ESG disclosure, such as the study conducted by Triyani and Setyahuni (2020) which stated that CEO tenure and age have a negative effect on ESG information disclosure. The study conducted by Rohman, Ainiyah, and Ilmidaviq (2024) explained that ESG disclosure has a positive effect on financial performance, managerial ownership structure has a negative effect on financial performance, but the interaction between managerial ownership structure and ESG aspects can improve financial performance.

Based on the description above, this study is expected to provide a contribution. First, the findings of this study are expected to provide a managerial perspective for companies in identifying the characteristics of CEOs who are committed to sustainable corporate responsibility management through ESG performance scores. Second, the position of Chief Sustainability Officer (CSO) in

companies in Indonesia is still limited, this study is expected to be able to provide a response to company management regarding the importance of the role of the CSO in increasing ESG performance scores. Third, research on ESG performance in Indonesia remains scarce, so this study aims to offer guidance and strategic insights for CEOs and companies when making key ESG-related decisions.

This research is grounded by the upper echelon theory developed by Hambrick and Mason (1984). This theory explains that the personal characteristics of top executives such as age, education, experience, and personal values, will influence the way of thinking including interpreting situations and making strategic decisions.

CEO education has an influence on strategic decision-making in company development (Triyani and Setyahuni, 2020). Educational background can influence the level of social and environmental awareness of a CEO. A CEO's education level that tends to be high can increase awareness of social and environmental protection (Ghardallou, 2022). Ownership power is the power that a CEO has over shares in a company. If a CEO owns shares in the company he leads, then the CEO has the same interests as other shareholders (Fadilah and Venusita, 2024).

CEO tenure is an important characteristic that can influence business decisions and ESG performance (Khan, Bai, Fareed, Quresh, Khalid, and Khan, 2021). CEO tenure will have a good and bad influence on a CEO in managing the company (Triyani and Setyahuni, 2020). The longer the CEO serves, it can be assumed that the better the leadership of a CEO and should be able to strengthen and have a better influence on company

performance (Zahroh and Hersugondo, 2021).

The presence of a sustainability management unit, generally under the leadership of the Chief Sustainability Officer, ensures that sustainability is strongly integrated into the company's strategic priorities (Ebele, Bae, and Kim, 2023). The Chief Sustainability Officer is responsible for identifying the most critical issues, providing leadership with strategic thinking and direction, and supporting the company's planning and governance procedures (Ardi, Cahyadi, Sarwono, Limaho, Meilani, and Pramono, 2023).

This study discusses the influence of CEO power and Chief Sustainability Officer on ESG performance with control variables of profitability and company size. This study develops the research of Lee and Hooy (2024) which discusses the influence of CEO power on ESG performance mediated by managerial risk taking. The difference between this study and previous studies is that this study uses the ESG performance variable as the dependent variable and adds the independent variable Chief Sustainability Officer with control variables of profitability and company size.

Literature Review

Stakeholder Theory

According to the stakeholder theory proposed by Freeman (1984), stakeholders in a company are not only shareholders, but also all other stakeholders. Stakeholder theory emphasizes that by managing stakeholder needs and expectations effectively, companies can reduce conflict, improve corporate reputation, and strengthen overall competitiveness. Good ESG performance allows companies to manage

stakeholder relationships more efficiently, thereby improving long-term performance and sustainable development (Li, Zhu, and Liu, 2024). Based on stakeholder theory, the role of the CEO is expected to help create the best value for the company. The CEO not only plays a role in improving the company's financial performance, but also has a high concern for the environment and society (Triyani and Setyahuni, 2020).

The stakeholder theory initiated by Freeman (1984) was further developed, this theory states that the success of a company is not only measured based on the way the company pays attention to stakeholders, but also comes from the management framework and management philosophy in developing the organization (Freeman and Dmytriiev, 2023). Organizations with high stakeholder management capabilities are able to design and implement effective communication processes, are able to negotiate with stakeholders on critical issues to reach voluntary agreements, generalize marketing approaches to serve many stakeholders, and integrate interests into the strategy formulation process in the organization (Freeman and Dmytriiev, 2023). Thus, the CEO as the company's management plays an important role and is key in serving stakeholders through responsible decision-making and is oriented towards the company's sustainability.

Stakeholder theory is at the heart of disclosing a company's non-financial performance. This theory explains that stakeholders influence and are influenced by an organization's activities, and vice versa. ESG issues are closely scrutinized by all stakeholders, thus requiring companies to disclose ESG information

to all stakeholders (Al Amosh and Khatib, 2021).

Upper Echelon Theory

Upper echelon theory describes that different executive characteristics have an influence on strategy and thought structure, which also have a direct influence on the company's strategic actions and organizational performance (Kaur and Singh, 2019). This theory states that the beliefs, values, and behaviors of top management greatly influence the company's business model and strategic choices. Based on this theory, certain observable personal characteristics can hinder or accelerate decision making. The CEO is an important player in the company, where the CEO's role can guide and direct the company in making decisions that affect the company's activities (Al-Duais, Qasem, Hussin, Bamahros, Thomran, and Alqufaih, 2021). The essence of upper echelon theory is that the values of senior executives, such as age and education, influence how a person interprets and responds to strategic situations through their decisions, thereby affecting organizational performance (Hambrick and Mason, 1984).

Based on upper echelon theory, a CEO's understanding, analysis, and strategic decision-making are heavily influenced by their education level, age, social background, economic strata, and environmental factors. Therefore, this theory can predict a company's future based on the characteristics of the CEO responsible for carrying out their mandate (Haneul, Ahmad, and Siregar, 2023). The CEO's characteristics, experience, and values also influence the company's strategic decisions, including managerial decisions related to improving ESG performance scores.

Agency Theory

Agency theory explains the contractual relationship in which shareholders act as principals and managers serve as their agents. The relationship between principal and agent occurs when the principal employs another party as an agent to be given authority in decision-making (Jensen and Meckling, 1976). Based on agency theory, conflicts of interest can occur in the relationship between the principal and the agent. The situation will become more complicated when the principal and agent have different goals (Yan, 2000). One way to solve the agency problem is to align managerial interests with other shareholders through managerial ownership (Al-Duais, et al., 2021). The CEO as an agent in this case has the task of improving the welfare of the owners and shareholders (principals).

Based on agency theory, ESG implementation can help minimize conflicts between shareholders and management by ensuring that the company does not only focus on short-term performance, but also on sustainability and corporate social responsibility issues. ESG encourages transparency and accountability, so that shareholders obtain the information needed to control management performance. Thus, the role of the CEO as an expert has the power to easily manage the company well (Fadilah and Venusita, 2024). From an agency theory perspective, ESG performance practices in Indonesia are often viewed as a control instrument to curb opportunistic managerial behavior. Aligning the interests of principals and agents is a key factor in achieving better ESG performance.

Going Concern

The concept of going concern discusses the assumption that an organization (entity) will continue its operations in the future, and there is no assumption that it will be dissolved (IAI, 2023). In the context of modern business sustainability, going concern is the main goal that company leaders, especially CEOs, want to maintain. The CEO's orientation towards going concern is very relevant to the company's long-term strategic decisions, including the implementation of sustainability and ESG principles. It can be said that responsible business tends to make ethical CEOs have positive values in running the company's business operations, treating employees fairly, and maintaining harmonious relationships with customers and the community. This ethical example and leadership of a CEO with integrity will create higher organizational productivity and performance, increase sales, and ultimately create high profits (Omura, Roca, and Nakai 2021).

ESG Performance

ESG performance reflects the overall performance of a company and helps stakeholders understand the sustainability and value of the company (Sang et al., 2024). Beyond emphasizing financial outcomes, ESG performance provides a comprehensive and objective assessment of companies using non-financial criteria, including environmental care, social responsibility, and governance practices (Ren and Cheng, 2024). ESG performance is an important non-financial indicator because it reflects the company's social responsibility and governance and encourages companies to shift from maximizing self-interest to maximizing social value (Hu, Zhu, Zhang, Zhang, and

Zhang, 2023). The purpose of ESG measurement is to capture additional dimensions of company performance that are not presented in the company's accounting data such as reputation, workplace culture, branding value, and the value of a series of other assets (Yuan, 2024).

There are three reasons that encourage companies to engage in ESG practices. First, the implementation of ESG performance is a way to show that the company's operations are within social boundaries and show that the activities carried out by the company are ethical. Thus, the implementation of ESG performance serves as a guide for managers in improving sustainability performance, evaluating the impact of company decisions on stakeholders, and serves to prevent negative impacts and risks. Second, the implementation of ESG performance focuses on the company's needs to reduce information asymmetry between controlling and non-controlling shareholders. In addition, the implementation of ESG performance helps policymakers and governments in the task of promoting transparency and monitoring the company's impact on society. Third, ESG performance is a multi-dimensional element behind the company's strategy in corporate decision making (Lavin and Montecinus-Pearce, 2021).

CEO Power

CEO (Chief Executive Officer) is the main decision maker in a company, where the CEO's personal characteristics influence decision making in the company (Lee and Hooy, 2024). CEO power can accelerate and influence important decisions at the board of directors level. CEO power allows a CEO to take actions that can improve the company's reputation, thereby

maintaining a CEO's reputation and increasing his or her social tenure (Abdullah, Zhu, Hasmi, and Shah, 2024). Companies with strong CEO power in supporting sustainability not only have a positive impact on ESG performance but are also able to increase the company's legitimacy from the perspective of stakeholders (Dillak and Hapsari, 2024).

CEO Education

The CEO's educational background has an impact on the company's strategic decision-making. This is because education can change someone to be innovative and able to develop their skills (Haneul, et al., 2023). The level of education is an indicator that is widely used to measure human capital and human potential to develop, The level of education of the CEO is often used to represent the CEO's cognitive abilities to a certain extent (Wang, Pei, and Liang, 2022), the CEO has an important role in supporting the success of a company, so that his responsibilities include aspects of financial and non-financial success. Thus, the CEO must be able to make strategic decisions in relation to overcoming the company's environmental problems (Triyani and Setyahuni, 2020).

There are three levels of education that a person can obtain during their education, including undergraduate, master's and doctoral levels. Different levels of education have different focuses and qualities, so they will produce different results. The education level of CEOs with bachelor's degrees, especially science and engineering, supports high-level research and development (Barker and Mueller, 2002; in Garcia-Blandon, Argiles-Bosch, and Ravenda (2019). The education level of CEOs with master's degrees has the ability to produce better performance, the CEO is able to take

more risks and adopt innovative business models to achieve better performance (King, et al., 2016; in Altuwaijri and Kalyanaraman, 2020). The education level of CEOs with doctoral degrees tends to be more skilled in the implications of liquidity and solvency for company operations, and understands the importance of ESG factors in long-term business strategy (Urquhart and Zhang, 2021).

Ownership Power

Ownership consists of two types, namely institutional ownership and managerial ownership. Institutional ownership is institutional investors such as investment companies, insurance companies, banks and others. Managerial ownership means that management has a role as a decision maker and also acts as an investor (Sugiarto, 2009 in Pradinata, Handoko, and Mokoginta, 2024). Yan (2000) defines ownership as a combination of rights and responsibilities towards a particular asset object. Ownership is defined into three basic rights, namely the right to own assets and/or their financial value, the right to exercise influence over the use of assets, and the right to information about ownership status. Fadilah and Venusita (2024) explain that if a CEO owns shares in the company he leads, then the CEO has the same interests as other shareholders. This is a good signal for investors, because a CEO will certainly have a deeper effort to increase the value of the company as well as the prosperity of its shareholders, thus encouraging a CEO to reduce information asymmetry by increasing the quality of his ESG performance score.

Research conducted by Villalonga, Tufano, and Wang (2022) using a sample of companies in developed countries such as Asia,

Europe, America, and Australia found that CEO ownership significantly influences ESG performance, as a more concentrated ownership structure allows major shareholders to exert more influence over the organization. Research in developing countries, particularly Indonesia, conducted by Farizki and Harto (2025) demonstrated that concentrated family ownership tends to reduce understanding of ESG performance because the majority of companies are controlled by families, which can reduce high costs, which are considered less of a priority for owners, thus tending to reduce sustainability efforts.

CEO Tenure

CEO tenure is an important characteristic that influences business choices and company performance. Long-serving CEOs are responsible for a lot of authority in making the right choices and can build on previous decisions by developing successful strategies with the aim of improving company performance to be better (Ghardallou, 2022). The longer the CEO serves, it is assumed that the better the CEO's leadership is and should be able to strengthen and have a better influence on company performance (Zahroh and Hersugondo, 2021). Longer CEO tenure tends to provide greater experience and power in making strategic decisions, thus having a positive impact on company performance through the design and implementation of more effective important strategies in the company (Al-Duais, et al., 2021).

Chief Sustainability Officer (CSO)

Ebele, et al. (2023) stated that the core role of CSO is to oversee, formulate and implement the organization's sustainability plan and action. CSO is oversees the evaluation of business

operations, assesses social implications, and develops related planning appropriate strategies in integrating sustainable profit growth and productivity. Fitriyani (2023) stated that CSO is a relatively new position in the company's management team, reflecting a shift in focus towards sustainable decisions and investments in the economic sector, while also acting as a representative of influential internal stakeholders in terms of driving the company's initiatives and commitments to sustainability issues. One of the CSO's tasks is to ensure that sustainability aspects are strategically integrated and reporting decisions are carried out throughout the organization, both executives and the board of directors (Baraibar-Diez and Odriozola, 2019).

Profitability

This study uses a profitability control variable proxied by Return on Assets (ROA). The ROA ratio is used by management to measure company performance, namely by looking at the profit that the company has managed to obtain from the capital or assets that have been invested. ROA is used as an indicator of profitability because the higher the ROA value reflects the higher the company's profit, thus being able to attract investors to invest their capital (Adhi and Cahyonowati, 2023). This study uses profitability as a control variable because company profitability can influence company management in an effort to increase the ESG performance score. Companies with high profitability tend to be encouraged to increase their ESG performance scores because the company is trying to maintain its reputation in order to attract investors.

Company Size

Company size describes the size of a company's assets. Company size is

one indicator that can influence investor interest in investing their capital. If a company has large assets, it can be interpreted that the company is a strong company, so that it can easily attract investors to invest (Arofah and Khomsiyah, 2023). Large companies are usually always the object of supervision and scrutiny by the government, strict supervision and investigations require large companies to provide accountable and transparent information to company stakeholders, including information on ESG (Roestanto, Vivianita, and Nurkomalasari, 2022). Company size was chosen as a control variable in this study because large companies are more often exposed to the public and receive pressure from investors and regulators, thus large companies tend to try to present better ESG performance scores.

The Influence of CEO Education on ESG Performance

Kaur and Singh (2019) stated that the level of formal education is a person's cognitive ability that can affect company performance. Based on the upper echelon theory, CEO education can affect the company's innovation activities (Wang, Pei, and Liang, 2022). CEO education can influence the CEO's ability in terms of company management (Haneul, Ahmad, and Siregar, 2023). When connected with the upper echelon theory, the CEO's expertise is obtained from insight and knowledge while studying (Fadilah and Venusita, 2024). CEO education with a high degree background is believed to have high analytical skills and practical thinking patterns, the CEO has a better understanding of the benefits of ESG, not only from a compliance perspective, but also in terms of long-term sustainable business growth (Wan, Hong, Liu, and Jiashuo, 2023). Research conducted by Tu and Guo, (2024)

revealed that CEO education has an effect on the company's ESG performance. Another study conducted by Wan, et al. (2023) concluded that CEO education has an effect on ESG.

H1a: CEO education has a positive effect on ESG performance.

The Influence of Ownership Power on ESG Performance

Ownership structure describes the ownership rights of a business distributed to owners, including individuals, groups, institutional investors, or the general public. Ownership structure will affect the control, decision-making, and performance of the company, thus reflecting the dynamics of power in an organization (Rohman, et al., 2024). Ownership power shows how much of the manager's share ownership is owned by all outstanding shares (Tambunan and Wahyuliza, 2024). Based on agency theory, agency conflict can occur when the CEO and shareholders have different interests, but having common goals and interests can minimize the occurrence of such conflicts (Fadilah and Venusita, 2024). The CEO can maximize ownership power during the implementation of the GMS (General Meeting of Shareholders) by providing direction or influence on investor decisions through the voting rights he has. The greater the CEO's share ownership in a company, the greater the influence he has to control the company's decisions (Fadilah and Venusita, 2024). Research conducted by Villalonga, Tufano, and Wang (2022) proves that ownership power affects ESG performance.

H1b: Ownership power has a positive effect on ESG performance.

The Influence of CEO Tenure on ESG Performance

Long CEO tenure indicates a CEO's understanding of the company and its ownership (Al-Duais, et al., 2021). CEOs with long tenure tend to feel secure in their positions because they receive loose supervision from the board of directors. In contrast, CEOs with new tenures are generally supervised more closely, so that CEOs tend to show more proactive leadership and performance in efforts to improve ESG practices (Triyani and Setyahuni, 2020). In the early period of their tenure, a CEO is more likely to invest in ESG projects to gain benefits in the following years (Khan, et al., 2021). Zhou, Dutta, and Zhu (2020) revealed that longer CEO tenure results in more successful manager activities. Long CEO tenure has an impact on strategic decisions and company performance. This is due to several reasons. First, CEOs with long tenure may have greater power to make the best decisions, thus having a positive impact on company performance because the CEO is able to build successful decisions and strategies. Second, during their tenure in the company, CEOs acquire more skills, knowledge, company-specific strengths, and greater insight into the company's culture, structure, and resources. Third, CEOs with long tenure are able to develop more social capital towards the company's long-term performance (Al-Duais, et al., 2021).

H1c: CEO tenure has a positive effect on ESG performance.

The Influence of Chief Sustainability Officer (CSO) on ESG Performance

Chief Sustainability Officer is someone who is given the mandate to manage everything related to the company's social and environmental responsibility (Fitriasari, 2023). This role is sometimes labeled differently, including chief responsibility officer,

corporate social and environmental officer, or sustainability-focused executive or senior vice president (Ebele, et al., 2023). The characteristics of a chief sustainability officer include having skills and knowledge in the field of CSR, being responsible for proposing regulations and corporate CSR strategies, ensuring the suitability of CSR functions and information systems, and monitoring the sustainability reporting process. Based on stakeholder theory, all stakeholders such as investors, workers, consumers, and regulators need to understand the importance of implementing ESG. In this case, the CSO's task must be able to make plans that comply with ESG objectives by aligning strategies so that the company's goals and objectives are achieved (Ardi, et al., 2023).

H2: Chief Sustainability Officer has a positive influence on ESG performance.

Research Method

This research is a quantitative research processed using the Statistical Product Services Solution (SPSS) software application version 30. The data used in this study are secondary data. The population in this study are all companies in Indonesia listed on the Indonesia Stock Exchange for the period 2021-2023. The ESG performance data used in this study is the ESG score obtained through the Bloomberg terminal and other data such as CEO education, CEO Ownership, CEO tenure, profitability, company size, and Chief Sustainability Officer obtained through annual reports and company sustainability reports that can be accessed through the Indonesia Stock Exchange website at the site address www.idx.co.id or through the official website of each company.

The sampling technique used the purposive sampling method, with the following criteria: companies that have

been listed on the Indonesia Stock Exchange and have not experienced delisting for the period 2021-2023. Companies that publish financial reports (annual reports) and sustainability reports consecutively (no missing data) for the period 2021-2023. Companies that publish ESG performance scores completely and consecutively (no missing data) by Bloomberg for the period 2021-2023.

Table 1 Variables Definition

Variables	Definition	Measurement
CEO education	the level of academic knowledge obtained by the CEO during his studies (Fadilah and Venusita, 2024)	Dummy variable. Value 0 if the CEO has an education high school or lower. Value 1 if the CEO is a bachelor's degree graduate. Value 2 if the CEO is a master's degree graduate. Value 3 if the CEO is a doctor's degree graduate (Wang, et al., 2022).
Ownership Power	the power of a CEO measured by the number of shares he owns in a company	OP : CEO Shares/ number of shares outstanding

Variables	Definition	Measurement	Variables	Definition	Measurement
	(Fadilah and Venusita, 2024).			transparency of information about the impact of environmental, social, and governance practices that have been implemented by the company (Velte, 2020).	Bloomberg terminal. The ESG score range is between 0-10 (Bloomberg, 2025).
CEO tenure	the length of the term of office of the main director in a company (Triyani and Setyahuni, 2020).	CEO tenure = Number of CEO terms of office (in months) (Triyani and Setyahuni, 2020).			
Chief Sustainability Officer (CSO)	a position that has the capacity to direct the company towards sustainable practices, which will ultimately lead to improved financial and environmental performance (Ebele, et al., 2023).	Dummy variable. Value 1 if the company has a CSO, and 0 if the company does not have a CSO (Fitriasari, 2023).	Profitability	the rate of return on a company's total assets and Hersugondo, 2021).	$ROA = \frac{EAT}{\text{Total Asset}} \times 100\%$ (Dillak dan Hapsari, 2024).
			Company size	a depiction of the company's level of wealth expressed in assets (Dillak and Hapsari, 2024).	Company Size = $\ln(\text{Total assets})$ (Fitriasari, 2023).
ESG performance	a measuring tool to determine the	The company's ESG score contained in the			

Results and Discussion

Data Description

Table 2 Descriptive Statistical Result

	N	Minimum	Maximum	Mean	Std, Deviation
ESGP	183	0,940	5,690	3,025	1,095
CEOED	183	0,000	3,000	1,490	0,636
OP	183	0,000	55,130	2,963	9,258
CEOT	183	0,000	324,000	63,680	64,071
P	183	-167,100	45,400	4,044	16,765
CS	183	7,240	30,060	18,174	3,268
Valid N	183				

Source: Processed data (2025)

The data presented in table 2 shows that the ESG performance variable (ESGP) has a minimum value of 0,940; a maximum value of 5,690; an average value of 3,025; and standard deviation value is 1,095; which means that the entire sample is located at 1,095 of the average value.

The CEO education variable (CEOED) has a minimum value of 0. This indicates that there are CEOs with an education level below S1, a maximum value of 3. This indicates that there are CEOs with a S3 education level, an average value of 1,490. The value of 1,490 indicates that the average education of CEOs in Indonesia is S1, and standard deviation value is 0,636.

The ownership power variable (OP) has a minimum value of 0,000. A value of 0,000 indicates that there is managerial share ownership by the CEO in the sample of companies, thus the CEO has very little influence on the direction of company decision making. The ownership power variable (OP) has a maximum value of 55,130. The value of 55,130 indicates that there are companies with large managerial share ownership by the CEO, thus the CEO has high control and power over company activities. The

ownership power variable (OP) has an average value of 2,963. The value of 2,963 shows that on average, companies in Indonesia have share ownership that is not too high, this reflects that the company is not fully controlled by dominant shareholders, either from outside investors or managers. The ownership power (OP) variable has a standard deviation value of 9,258; which means that the entire sample is 9,258 from the average value.

The CEO tenure variable (CEOT) has a minimum value of 0. This shows that there are CEOs who have just been appointed and their term of office has not even been 1 month in office, a maximum value of 324. A value of 324 shows that there are CEOs who have served for 27 years and are senior CEOs in leading the company. The CEO tenure variable (CEOT) has an average value of 63,680. The value of 63,680 shows that on average the CEOs who serve are not new CEOs, but are also not included in the category of senior CEOs with an average tenure of around 5 years.

The profitability variable (P) has a minimum value of -167,100. The minimum value of -167,100 indicates that the company's ROA is negative because the company's profit is very low

compared to its total assets, a maximum value of 45,400. The maximum value of 45,400 indicates that the company's ROA is positive because the company's profit is higher than its total assets. The profitability variable (P) has an average value of 4,044. The value of 4,044 indicates that the company in the research sample has a net profit of 4,044 of its total assets. The profitability variable has a standard deviation value of 16,765; which means that the entire sample is 16,765 from the average value.

The company size variable (CS) has a minimum value of 7,240. The value of 7,240 indicates that there is a sample of companies with the smallest total

assets, which is Rp 1,400,383,315,761.00; a maximum value of 30,060. The value of 30,060 indicates that there is a sample of companies with the largest total assets, which is Rp 11,315,730,833,410.00. The company size variable (CS) has an average value of 18.170. The standard deviation value of the company size variable is 3,260. The value of 3,260 indicates that the entire sample is located at 3,260 of the average value.

Table 3 Frequency Test CSO

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	93	0,0	50,8	50,8
	1	90	0,0	49,2	100
	Total	183	0,0	100	
Missing	System	1048281	100		
Total		1048464	100		

Based on the results of the frequency test of the Chief Sustainability Officer (CSO) variable in table 3, it can

Normality Test

Table 4 Normality Test Results

	Unstandardized Residual	Information
Sig, (2-tailed)	1,000	Normally Distributed

The residual value of 1,000 in table 4 indicates that the data is normally distributed. The conclusion is made on

Heteroscedasticity Test

Table 5 Heteroscedasticity Test

N	Sig	Information
183	0,301	There is no heteroscedasticity

The significance value of 0,301 in table 5 indicates that there is no heteroscedasticity symptom in the data. This conclusion is made based on the

Autocorrelation Test

be seen that there are 93 companies that do not have a CSO and there are 90 companies that have a CSO.

the basis of the residual value presented having a significance value above 5% or 0,05.

significance value above 5% or 0,05. Thus indicating that there is no heteroscedasticity symptom.

Table 6 Autocorrelation Test

Model	Estimasi Standar Error	du	Durbin–Watson	4-du
1	0,69335	1,826	1,842	2,173

The results of the autocorrelation test in table 6 show a Durbin–Watson (dw) value of 1,842. This indicates that the data passes the autocorrelation test.

This conclusion is based on the requirement that the du value is smaller than dw and smaller than 4-du to pass the autocorrelation test.

Multicollinearity Test

Table 7 Multicollinearity Test

Model	Tolerance	VIF	Information
CEOED	0,925	1,081	Multicollinearity Free
OP	0,889	1,125	Multicollinearity Free
CEOT	0,924	1,082	Multicollinearity Free
CSO	0,889	1,125	Multicollinearity Free
P	0,964	1,037	Multicollinearity Free
CS	0,928	1,078	Multicollinearity Free

The results of the multicollinearity test in table 7 show that the tolerance value and the Variance Inflation Factor (VIF) value have passed the multicollinearity test. The conclusion

is drawn based on the requirements of the tolerance value and VIF value. The tolerance value $> 0,10$ and the VIF value < 10 are the requirements to pass the multicollinearity test.

Coefficient of Determination Test (R²)

Table 8 Coefficient of Determination Test (R²)

Model	R	R Square	Adjusted R Square	Std, Error of the Estimate
1	0,363 ^a	0,132	0,102	0,69335

The adjusted R² value in table 8 shows a figure of 0,102. This figure shows that the independent variables of CEO education (CEOED), ownership power (OP), CEO tenure (CEOT), Chief Sustainability Officer (CSO) and the control variables of profitability (P) and company size (CZ) are able to explain the dependent variable, namely ESG performance (ESGP) by 10,2%. While the remaining 89,8% is explained by other factors outside the model studied. The low Adjusted R² value indicates that variations in ESG performance cannot be

fully explained by financial factors. This is likely due to the lack of standardized ESG measurement standards, limited data quality and availability, and the strong influence of non-financial factors such as leadership commitment, stakeholder pressure, and organizational culture. This finding reflects that ESG improvements are not solely driven by financial indicators but require more comprehensive sustainability governance and strategies, both at the company level and in national policies.

F Statistic Test

Table 9 F Statistic Test

Model	Sum of Squares	df	Mean Square	F	Sig,
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1	Regression	12,804	6	2,134	4,439	0,001
	Residual	84,128	175	0,481		
	Total	96,932	181			

The significance value in table 4.6 shows a significance value of 0,001; which means that the regression model is worthy of being tested because it has met the requirements to pass the F test. This conclusion is drawn based on the requirement that the significance value must be less than 5% or 0,05 to pass the F test.

Hypothesis Test (t)

Table 10 Hypothesis Test (t)

		Unstandardized Coefficients				
Model		B	Std. Error	t	Sig	information
1	(Constant)	1,353	0,175	7,734	<,001	
	CEOED	0,188	0,106	1,779	0,077	Not Significant
	OP	-0,006	0,008	-0,713	0,477	Not Significant
	CEOT	0,002	0,001	2,100	0,037	Significant
	CSO	0,617	0,149	4,129	0,001	Significant
	P	-0,002	0,003	-,0733	0,465	Not Significant
	CS	-0,060	0,022	-2,794	0,006	Significant

The results of the hypothesis test in table 10 produce the following regression equation:

$$ESGP = 1,353 + 0,188PC - 0,006OP + 0,002MJ + 0,617CSO - 0,002 P - 0,060UP + \varepsilon$$

Based on the test results in table 10, it shows that the CEO education variable has no effect on ESG performance because the probability value of 0,077 is above the significance value of 0,05. CEO education has no effect on ESG performance because education can cause bias, meaning that the higher the education of the CEO, the more self-confidence a person has, which has a negative impact on company performance (Kaur and Singh, 2019). Education level is not the only key factor in selecting a CEO, because apart from education level, there are many other factors that need to be considered in selecting a CEO, such as the ability to assess and handle risks in the company's internal and external environment (Wang,

et al., 2022). CEO performance is more a result of certain experiences and skills developed during the CEO's life than the CEO's education level obtained from his university. A CEO's international assignment experience also has a greater influence on increasing the company's ESG performance score (Kutzschbach, Tanikulova, and Willers, 2020). Based on upper echelon theory, CEO's understanding, analysis, and strategic decision-making are greatly influenced by education level, age, social background, economic strata, and environmental factors (Haneul et al., 2023), but the results of this study indicate that CEO education has no effect on ESG performance strategy. This is because there is a difference in the length of time when the CEO received his educational degree and achieved the current CEO position (Kutzschbach et al., 2020). CEO performance in increasing ESG performance scores is more influenced by certain experiences and skills during his career than by his level

of education. In addition, the skills and knowledge learned during education are not enough to prepare the CEO to focus the company on ESG performance implementation practices (Kutzschbach et al., 2020).

Based on the test results in table 10, it shows that the ownership power variable has no effect on ESG performance because the probability value of 0,477 is above the significance value of 0,05. The results of this study support the research of Al-Amosh and Khatib (2021) which states that ownership power has no effect on ESG. The results of this study show insignificant results because managers who own shares in the company and act as company agents do not pay much attention to important issues regarding sustainability (Tambunan and Wahyuliza, 2024). The amount of ownership power does not affect the increase in ESG performance, this is because the CEO is more focused on achieving the company's short-term goals such as obtaining bonuses and financial performance benefits in the near future, thus ignoring the company's long-term goals related to increasing ESG performance scores, such as procuring programs related to improving environmental, social, and corporate governance quality (Herlambang, 2024). Based on agency theory, agency conflict can occur when there are differences in interests between the CEO and shareholders, but this conflict can be minimized if there is alignment of goals and interests between the two parties (Fadilah and Venusita, 2024). This study shows that high ownership power does not affect ESG performance. This is because the CEO as an agent and shareholder has certain interests that cause the CEO to ignore his responsibilities to stakeholders regarding

increasing the ESG performance score (Herlambang, 2024). The sample company with the highest level of ownership power is PT. DCI Indonesia, Tbk with share ownership of 55,130% in 2021, 2022, and 2023. Despite having a high level of ownership power, this company shows a relatively low ESG performance score, namely 2,770; 3,150; and 3,180, respectively. Thus, the amount of ownership power in the company does not affect the increase in the ESG performance score. This is because increasing the ESG performance score requires a large capital outlay which ultimately reduces the company's profit which is feared to affect the CEO's finances. Therefore, the CEO who also acts as the company's shareholder is more interested in fulfilling his short-term interests, namely trying to prioritize his personal needs such as getting a salary, large incentives and recognition for his reputation as a manager who is able to produce large profit performance in a short time.

The results of this study indicate that ownership power does not necessarily guarantee improved ESG performance without the support of effective governance and incentive systems. CEOs need to integrate ESG performance into Key Performance Indicators (KPIs) and management remuneration systems so that sustainability orientation becomes part of the company's strategic decisions. For regulators, these findings emphasize the importance of strengthening regulations and standardizing ESG performance measurement in public companies, as well as providing fiscal incentives or green financing for companies that demonstrate a commitment to sustainable practices. Meanwhile, investors are advised not only to assess company

ownership before investing, but also to review active management involvement and the transparency of measurable ESG performance results.

Based on the test results in table 10, it shows that the CEO tenure variable has a significant effect on ESG performance because the probability value of 0,037 is below the significance value of 0,05. The results of the hypothesis test in table 10 support the research conducted by Abdullah, et al. (2024) which revealed that CEO tenure has a significant effect on ESG performance. The length of the CEO's tenure gives the CEO more authority to make the right choices and can build successful decisions and strategies. The CEO gains more and more skills, expertise and special influence while working at the company, including in-depth knowledge of the company's culture, management and capabilities. A long CEO tenure can make the CEO build social ties by getting involved in sustainability projects, so that he is encouraged to create long-term prosperity for his company (Ghardallou, 2022). Thus, a long CEO tenure encourages the creation of practices to increase ESG performance scores in companies. The results of this study support the upper echelon theory, which describes that CEO tenure is one of the main characteristics of the CEO that has an impact on strategic decisions and company performance (Hambrick and Mason, 1984). Long-tenured CEOs usually have a high level of experience and understanding of the dynamics of the company. This experience can provide the CEO with a perspective on their strategic role in decision-making on the importance of sustainability issues.

CEO tenure influences ESG performance because Indonesia's

management culture emphasizes seniority. Senior CEOs are able to build credibility and consistency in ESG strategies despite increasing regulations and market pressures and varying market conditions. Meanwhile, research in Egypt conducted by Albaz and Alrobai (2025) shows that long CEO tenure negatively impacts ESG performance because long-serving CEOs become too comfortable and less responsive to changes in ESG-related regulations.

Based on the test results in table 10, it shows that the Chief Sustainability Officer (CSO) variable has an effect on ESG performance because the probability value of 0,001 is below the significance value of 0,05. The results of the hypothesis test in table 10 support the research conducted by Setiani and Novitasari (2024) which states that the Chief Sustainability Officer or company sustainability committee has a significant effect on ESG scores. Companies that form sustainability committees demonstrate a proactive approach in addressing ESG issues as well as their commitment to responsible and sustainable business practices.

Based on a research sample of 183 companies in Indonesia, there are 118 companies showing the Chief Sustainability Officer has an average ESG score of 3,534; while 93 companies that do not have a Chief Sustainability Officer have an average ESG score of 2,532. Thus, companies that have a Chief Sustainability Officer are proven to have a higher ESG score compared to companies that do not have a Chief Sustainability Officer. Companies that have a Chief Sustainability Officer show that the company is also thinking about and is responsible for developing sustainability strategies that support environmental impact management

efforts, contribute to the welfare of society and employees, and manage good corporate governance. Thus, the existence of a Chief Sustainability Officer Committee in business decisions signals to investors and stakeholders the company's commitment to improving its environmental performance (Ebele, et al., 2023).

CSOs significantly influence ESG performance due to OJK regulations requiring Indonesian companies to have a CSO to meet ESG reporting, auditing, and investor pressure. Companies seeking access to international capital or seeking to enter international stock exchanges must align their corporate governance with a CSO, demonstrating their commitment to integrating ESG globally.

Based on the test results in table 10, it shows that the profitability control variable does not affect ESG performance because the probability value of 0.465 is above the significance value of 0,05. The research sample of 183 companies in Indonesia, there are 16 companies with negative profitability or experiencing losses have an average ESG score of 3,041; while the remaining 167 companies with positive profitability or making a profit have an average ESG score of 3,023. Companies that experience losses or profits do not show high ESG scores and the average ESG scores they have tend to be almost the same. Thus, ESG practices in companies do not depend on their profitability. There are reasons that encourage every company in Indonesia to continue implementing increased ESG performance scores, namely there are regulations governing the implementation of sustainability for the financial institution industry, issuers, and public companies as stated in the Financial Services Authority Regulation No. 51 /

POJK.03 / 2017. This regulation requires public companies in Indonesia listed on the Indonesia Stock Exchange to report sustainability aspects that include environmental, social, and governance in their sustainability reports (Arofah and Khomsiyah, 2023). Based on agency theory, ESG practices are seen as efforts that require significant resource allocation, because companies must meet environmental, social, and good governance standards. In this context, ESG initiatives can be considered as an additional cost burden by owners or shareholders who are more oriented towards short-term financial gain. As a result, there is a potential conflict of interest between management and shareholders, which ultimately has a negative impact on the company's profitability in the short term (Wibowo, 2023). Thus, high company profitability does not guarantee the effectiveness of ESG initiatives in the company.

The results of this study indicate that high profitability does not necessarily improve ESG performance. CEOs need to shift their strategic focus from solely profit-oriented to sustainable performance-oriented by allocating a portion of profits to sustainability investments. For regulators, these findings emphasize the importance of building institutional pressure for companies to be sustainability-oriented, for example by integrating ESG indicators into the performance assessment of issuers on the IDX by awarding companies that have implemented sustainability performance. Meanwhile, investors need to conduct in-depth analysis of a company's ESG performance as part of their investment decisions, and not rely solely on profitability levels.

Based on the test results in table 10, it shows that the control variable of company size has an effect on ESG performance because the probability value of 0,006 is below the significance value of 0,05. The results of the hypothesis test in table 4.7 support the research conducted by Roestanto, Vivianita, and Nurkomalasari (2022) which states that company size has a significant effect on ESG scores. Large company size has a significant effect on ESG performance scores, this is due to several reasons. First, large company size reflects more adequate human resources and financial resources to develop ESG policies sustainably, be able to invest in environmentally friendly technology, carry out sustainability strategy programs, and be able to regulate a good corporate governance system. Second, the existence of strict supervision and inspection by the government forces large companies to be open and transparent about ESG information (Oktafiyani, Puspawati, and Permatasari, 2024). The large size of the company will encourage companies to voluntarily report ESG, because the larger the company, the greater the demands of stakeholders to obtain transparent information (Oktafiyani, et al., 2024). Thus, large companies that pay attention to and report ESG performance well will bring profitable benefits such as easy access to the capital market and improve their reputation in the future.

Conclusion

Based on the results of the study, it can be concluded that CEO education does not affect ESG performance, indicating that educational background is not the only major factor in appointing a CEO. Instead, companies consider the CEO's ability to manage the company's internal and external risks. In addition,

ownership power also does not show an effect on ESG performance, given the CEO's tendency to focus more on achieving short-term goals that have a direct impact on personal compensation, rather than driving long-term initiatives such as improving environmental, social, and corporate governance aspects. However, CEO tenure is proven to have a significant positive effect on ESG performance, because the longer a CEO serves, the more likely they are to internalize sustainability values and commit to implementing ESG practices in the company. In addition, the existence of a Chief Sustainability Officer (CSO) also makes a significant positive contribution to ESG performance. This shows that companies that have a CSO or sustainability committee tend to be more proactive in responding to ESG challenges and demonstrate a commitment to responsible and sustainable business.

CEOs and CSOs play a strategic role in shifting the ESG agenda from mere reporting to concrete actions that support the 2030 SDGs. CEOs play a key role in integrating ESG into core business models, while CSOs play a key role in bridging the company's relationship with stakeholders, aligning the business model with ESG performance implementation. Integrating ESG into corporate governance codes is key to ensuring companies systematically commit to sustainability responsibilities, thereby contributing to the achievement of the SDGs.

This study has several limitations, namely the unavailability of ESG performance data for all public companies in Indonesia, either through the Bloomberg database or official company reports, so that the scope of the analysis is limited. Through these

limitations, this study opens up strategic suggestions for the development of future studies, namely the need to explore companies abroad to provide a comparative perspective on the regulations and sustainability strategies implemented, especially in the context of increasing ESG performance scores. In addition, the limited number of companies in Indonesia that have the position of Chief Sustainability Officer shows that the role of CSO has not been fully utilized optimally. Therefore, it is important for companies, especially those engaged in industrial sectors that have high environmental risks such as mining, energy, and manufacturing, to strengthen their sustainability structure and place competent human resources in these strategic roles. In terms of policy, the government as a regulator needs to require public companies to openly present ESG scores, as part of transparency and accountability in supporting sustainable development goals. On the other hand, the implementation of a sustainability strategy requires a significant investment in human and financial resources, and results that tend not to be immediately visible in the short term. This raises concerns that sustainability can be a threat to the company's going concern. Therefore, further research is recommended to further examine the relationship between sustainability costs, capital structure, and their impact on ESG performance, in order to better understand the balance between sustainability practices and the long-term sustainability of corporate operations.

Suggestions for future research include comparing companies across industries (manufacturing, services, energy, technology) to see if the roles of CEOs and CSOs differ across sectors in

driving ESG and achieving the SDGs. Use long-term panel data spanning 10-15 years to examine how CEO roles and CSO appointments impact long-term ESG performance and contribute to the SDGs. Conduct in-depth qualitative research through interviews with CEOs and CSOs in Indonesian companies to understand the barriers, strategies, organizational culture, CEO-CSO relationships, the influence of OJK regulations, and how they align ESG strategies with the SDGs.

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