

Sustainability Practices in Agricultural and Mining Companies: Do Political Connections Strengthen The Role of The Board of Commissioners?

Lita Arfah^{1*}, Armadani²

^{1),2)} Universitas Riau, STAI Al-Kifayah Riau, 28111, Indonesia

litaarfah25@gmail.com*, armadani1701@gmail.com

*corresponding author

Article Information		Abstract
Submission date	4 February 2026	Research aim : The purpose of this study is to empirically test the moderating role of political connections on the role of the board of commissioners in the sustainability practices of agricultural and mining companies listed on the Indonesia Stock Exchange. Design/Method/Approach : This study uses moderating regression analysis (MRA) analysis techniques. The data consists of agricultural and mining companies listed on the Indonesia Stock Exchange (IDX) from 2010 to 2023. Research Finding : The findings of this study reveal that boards of commissioners improve corporate sustainability practices. Furthermore, political connections strengthen boards of commissioners' ability to improve sustainability practices. Theoretical contribution/Originality : To the best of our knowledge, this study is the first to explore such a model, making a significant contribution to the growing literature. Furthermore, the comprehensive analysis provides a broad and in-depth perspective on the theme of sustainability practices in companies. Practitioner/Policy implication : This research can be used as a consideration for taking policies at the highest level of the company, namely by encouraging adequate supervision by the BOC so that the company's sustainability practices are high. Research limitation : The data used in this research is limited to agricultural and mining companies only. Keywords : Sustainability Practices, Board Of Commissioners, Political Connections, Agriculture, Mining
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1. Introduction

In recent decades, the issue of sustainability has become a topic of discussion, attracting the attention of practitioners and academics worldwide [1–3]. This issue of desire has attracted attention because of the many environmental damages, labor exploitation, discrimination, and agrarian conflicts that, in the further stages, cause climate change that threatens human life [4–6]. The level of stakeholders' awareness of this urgent issue requiring immediate attention is

increasing [7]. Both from academics, with various studies conducted, and from practitioners and governments, with policies that support desires [8,9]. In 2015, all member countries of the United Nations (UN) declared that sustainable development would be implemented across every aspect of life, including the business world [10].

Companies, as key players in the business world, face pressure from shareholders and the general public to operate with sustainability principles in mind [11–13]. Companies are no longer solely assessed for their economic performance, but also for their social and environmental performance. Companies that align with sustainability principles will gain legitimacy with the public and other stakeholders, ultimately benefiting the company [14,15]. Therefore, companies must consider sustainability aspects in pursuing targeted profits. It not only generates profits for the company but also helps resolve sustainability-related issues.

Good corporate governance (GCG) plays a crucial role in determining a company's financial and non-financial performance, particularly its sustainability performance [16,17]. One of the most crucial GCG attributes is its top leadership, the board of commissioners. In the Indonesian context, with its two-tier corporate structure, the board of commissioners oversees the board of directors. It means they hold a structural position above the board of directors and thus have greater power to determine the company's direction [18–20]. They play a role in suppressing the opportunistic behavior of company directors by effective supervision, encouraging accountability, and ensuring the company's direction aligns with long-term goals. Several studies have found that the board of commissioners has a positive influence on corporate sustainability practices [21]. Conversely, other studies have found that the role of commissioners does not have a positive impact on corporate sustainability practices [22,23]. Therefore, there is a research gap regarding this relationship. In addition, literature specifically discussing the board of commissioners and its relationship to sustainability practices is still very rare. Therefore, this research is still very necessary.

The role of the board of commissioners in promoting corporate sustainability practices is inextricably linked to the institutional and regulatory context in which the company operates. Indonesia, a developing country, has a complex, highly political culture that affects companies operating there. Therefore, political connections are a highly relevant contextual factor in corporate governance, determining its sustainability practices. Political connections can strengthen the relationship between these two variables by providing competitive advantages and facilitating regulatory compliance, including those related to sustainability practices [24–26]. However, political connections can also lead to poor corporate governance, as they may drive practices such as avoiding sustainability regulations.

The purpose of this study is to examine the moderating role of political connections on the relationship between the board of commissioners and corporate sustainability practices in agricultural and mining companies in Indonesia. Agricultural and mining companies were selected because their activities are directly related to natural resource management. They undoubtedly have a direct impact on the environment and sustainability issues.

This type of research has a significant impact on the development of the literature, providing a comprehensive analysis using a model first proposed in a developing country context. This research is pioneering and can be further developed. Furthermore, it has practical implications for policymaking, ensuring companies operate with sustainability principles at the forefront.

Based on the explanation above, this study will address the following research questions:

1. Does the board of commissioners improve corporate sustainability practices?
2. Can political connections strengthen the board of commissioners' influence in improving corporate sustainability practices?

2. Method

This study uses data from agricultural and mining companies listed on the Indonesia Stock Exchange (IDX) for the period 2010-2023. This study specifically uses these sectors because they are considered to have a direct impact on the environment and, therefore, are more vulnerable to sustainability issues. Data were collected from the company's annual reports. After filtering out outliers and incomplete data, a total of 721 firm-year observations were obtained.

The analytical technique used was moderated regression analysis (MRA), as described in previous research [27, 28]. The following is the empirical model used:

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 AC_{it} + \beta_3 ROA_{it} + \beta_4 DER_{it} + \beta_5 SIZE_{it} + \epsilon \dots\dots\dots (1)$$

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POC_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (2)$$

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POC_{it} + \beta_3 BOC * POC_{it} + \beta_4 AC_{it} + \beta_5 ROA_{it} + \beta_6 DER_{it} + \beta_7 SIZE_{it} + \epsilon \dots\dots\dots (3)$$

In addition to the main tests, we also conducted a robustness test to ensure the robustness of the research model and the reliability of the results. We used a different measure of political connections, namely, firms politically connected through owners (POCOWN). The empirical model used is as follows:

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 AC_{it} + \beta_3 ROA_{it} + \beta_4 DER_{it} + \beta_5 SIZE_{it} + \epsilon \dots\dots\dots (1)$$

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (2)$$

$$SP_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 BOC * POCOWN_{it} + \beta_4 AC_{it} + \beta_5 ROA_{it} + \beta_6 DER_{it} + \beta_7 SIZE_{it} + \epsilon \dots\dots\dots (3)$$

Finally, we also conducted additional analysis by examining each element of corporate sustainability practices, consisting of environmental (ENVI), social (SOC), and governance (GOV) aspects. The following is the empirical model used:

$$ENVI_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 AC_{it} + \beta_3 ROA_{it} + \beta_4 DER_{it} + \beta_5 SIZE_{it} + \epsilon \dots\dots\dots (1)$$

$$ENVI_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (2)$$

$$ENVI_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 BOC * POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (3)$$

$$SOC_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 AC_{it} + \beta_3 ROA_{it} + \beta_4 DER_{it} + \beta_5 SIZE_{it} + \epsilon \dots\dots\dots (4)$$

$$SOC_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (5)$$

$$SOC_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 BOC * POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (6)$$

$$GOV_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 AC_{it} + \beta_3 ROA_{it} + \beta_4 DER_{it} + \beta_5 SIZE_{it} + \epsilon \dots\dots\dots (7)$$

$$GOV_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (8)$$

$$GOV_{it} = \alpha + \beta_1 BOC_{it} + \beta_2 POCOWN_{it} + \beta_3 BOC * POCOWN_{it} + \beta_3 AC_{it} + \beta_4 ROA_{it} + \beta_5 DER_{it} + \beta_6 SIZE_{it} + \epsilon \dots\dots\dots (9)$$

Where SP stands for sustainability practices, ENVI stands for the environmental aspect of sustainability practices, SOC stands for the social aspect of sustainability, GOV stands for the governance aspect of sustainability practices, BOC stands for the board of commissioners, AC stands for the audit committee, ROA stands for return on assets, DER stands for debt-to-equity ratio, and SIZE stands for company size.

The dependent variable in this study is sustainability practices (SP). SP represents a company's achievement in implementing sustainability principles across three areas: environmental, social, and governance. SP is measured using the ESG score from the Refinitiv dataset, referring to previous research [9, 29]. This data assesses companies' ESG performance across 10 themes and three pillars, using over 600 criteria [30].

The independent variable in this study is the board of commissioners (BOC), measured by the number of board members [31]. The moderating variable in this study is political connections (POC), which is measured using a dummy variable. It takes a value of 1 if any of the shareholders, board members, or commissioners are high-ranking or former government officials (e.g., ministers, members of national parliaments, or senior military personnel), members of political parties, or have family ties with such politicians, and 0 otherwise [44], [52]. POCOWN is measured using a dummy variable that takes a value of 1 if any of the company's large shareholders (who control at least 5% of the company's shares) are high-ranking or former government officials (e.g., ministers, members of national parliaments, or senior military personnel), members of political parties, or have family ties with politicians, and 0 otherwise.

This study uses several control variables, including the audit committee (AC), measured by the number of audit committee members [32]. Return on assets (ROA) is measured by dividing net profit by total assets. Debt-to-equity (DER) is measured by dividing debt by equity. The natural logarithm of total assets serves as a proxy for firm size (SIZE).

3. Results and Discussion

Tables 1 and 2 present a summary of the research variables used in this study. The SP score averaged 2.265 and remained stable in 2018. Interestingly, a significant increase occurred after 2017. Each sustainability practice showed an average range of 0.685 to 0.821, with governance having the highest average. Generally, a company's board of commissioners consists of five people. As for the moderating variable, political connections account for 49% of politically affiliated companies. Looking at year-to-year figures, they remain relatively stable despite changes.

Tabel 1. Descriptive Statistics

VARIABLE	Obs	Mean	Std. Dev.	Min	Max
SP	721	2.265	.222	1.523	2.688
ENVI	721	.685	.126	.35	.925
SOC	721	.76	.085	.542	.915
GOV	721	.821	.074	.563	.906
BOC	721	5.828	.919	4	7
POC	721	.497	.5	0	1
POCOWN	721	.469	.499	0	1
AC	721	3.501	.5	3	4
ROA	721	5.359	11.143	-37.36	94.36
DER	721	1.235	1.286	.019	8.739
SIZE	721	26.45	3.831	17.935	32.86

Table 2. Descriptive statistics - by Year

	SP	ENVI	SOC	GOV	BOC	POC	POCOWN	AC	ROA	DER	Size
2010	1.655	.475	0.576	.604	4.333	.333	.333	3.333	4.577	1.292	23.575
2011	1.685	.469	0.623	.594	4.25	.75	.75	3.5	6.485	1.615	24.972
2012	1.712	.508	0.610	.594	4.333	.667	.667	3.667	2.63	1.492	21.955
2013	1.68	.467	0.624	.589	4.667	.833	.833	3.5	2.692	.99	25.427
2014	1.702	.472	0.640	.59	5	.75	.75	3.5	7.655	1.313	27.356
2015	1.848	.522	0.674	.652	5	.5	.5	3.5	5.468	1.172	27.414
2016	1.885	.547	0.678	.659	5.2	.6	.5	3.5	5.248	1.058	26.876
2017	1.881	.543	0.679	.658	4.933	.533	.467	3.467	4.795	1.544	27.231
2018	2.081	.614	0.716	.75	5	.526	.526	3.421	4.573	1.883	26.682
2019	2.059	.598	0.712	.749	5.059	.559	.529	3.529	2.397	1.711	26.195
2020	2.099	.631	0.722	.745	6.145	.655	.618	3.509	2.52	1.375	26.418
2021	2.321	.705	0.772	.844	5.95	.504	.461	3.511	6.076	1.27	26.317
2022	2.319	.707	0.770	.842	6	.473	.443	3.493	6.325	1.155	26.439
2023	2.396	.732	0.791	.873	5.958	.43	.416	3.505	5.306	1.098	26.592

We conducted a pairwise correlation test to ensure that this model is free of multicollinearity. The threshold for a model to be free of multicollinearity is when the absolute values of the coefficients for independent variables are no greater than 0.8 [17,33]. Based on Table 3, this research model is free of multicollinearity issues, as no independent variable coefficient exceeds 0.8.

Table 3. Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) SP	1.000									
(2) ENVI	0.834*	1.000								
(3) SOC	0.694*	0.282*	1.000							
(4) GOV	0.772*	0.467*	0.447*	1.000						
(5) BOC	0.245*	0.137*	0.156*	0.321*	1.000					
(6) POC	-0.057	-0.002	-0.034	-0.128*	-0.092	1.000				
(7) AC	-0.021	-0.109*	0.122*	-0.019	-0.093	0.010	1.000			
(8) ROA	0.017	-0.030	0.030	0.068	0.130*	-0.026	0.048	1.000		
(9) DER	-0.157*	-0.147*	-0.096*	-0.110*	-0.056	-0.007	-0.037	-0.251*	1.000	
(10) SIZE	0.106*	0.066	0.169*	0.010	0.008	0.012	0.043	-0.010	-0.086	1.000

*** $P < 0.01$, ** $P < 0.05$, * $P < 0.1$

The main findings of this study reveal that the board of commissioners has a positive impact on corporate sustainability practices. This finding underscores the board of commissioners' vital role in overseeing the company's operations to achieve long-term goals, namely by prioritizing sustainable practices. As stated in the upper echelons theory, top management significantly determines a company's operations. In the Indonesian context, the executive role played by the board of directors is under the supervision of the board of commissioners. A board of commissioners that carries out this oversight role will be much better able to fulfill its responsibilities with adequate membership. In other words, a board of commissioners with a larger membership tends to have better oversight capabilities.

The board of commissioners ensures that the board of directors does not take opportunistic actions that prioritize the board's own interests. Furthermore, they are also deeply involved in the strategic policy-making process, providing insights that can help the company in the long term by prioritizing sustainability principles. They can also encourage the integration of sustainability into the company's strategy. The board members' substantial emphasis on operational implementation makes sustainability activities more than just greenwashing. Therefore, the presence of an effective board of commissioners in a company can enable it to carry out its supervisory function effectively and ensure that it practices the principles of sustainability.

Table 4. Main regression

	(1) SP	(2) SP	(3) SP
Intercept	1.832*** (19.218)	1.844*** (19.218)	1.988*** (17.999)
BOC	0.058***	0.058***	0.033***

	(1)	(2)	(3)
	(6.736)	(6.619)	(2.606)
POC		-0.017	-0.277***
		(-1.075)	(-2.729)
POCxBOC			0.045***
			(2.594)
AC	-0.002	-0.002	-0.004
	(-0.155)	(-0.154)	(-0.226)
ROA	-0.001	-0.001	-0.001
	(-1.363)	(-1.384)	(-1.354)
DER	-0.026***	-0.026***	-0.026***
	(-4.045)	(-4.065)	(-4.082)
Size	0.005**	0.005**	0.005***
	(2.540)	(2.554)	(2.634)
N	721	721	721

t statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

Table 4 also shows that political connections strengthen the board of commissioners' influence in improving corporate sustainability practices. This finding suggests that, in developing countries like Indonesia, political connections are a highly relevant factor in shaping a company's direction. Politically connected companies gain extensive access to strategic resources and institutional legitimacy. It means they have a distinct advantage over others. Another consequence is that companies are required to maintain their reputation, as this diminishes institutional legitimacy. Regarding sustainability practices, political connections view companies as crucial for compliance with applicable regulations to protect their image, including adhering to the sustainability principles required by applicable regulations.

Using resource dependence theory, politically connected companies obtain information on government policy direction, sustainability standards, and sustainability-related incentives more quickly. Their role in overseeing and maintaining the company's direction will be much more effective with the greater, faster access they have. Therefore, political connections significantly assist the board of commissioners in carrying out their role as supervisors and guardians of the company's policy direction, particularly regarding sustainability practices.

Table 5. Robustness test

	(1)	(2)	(3)
	Tab91	Tab92	Tab93
Intercept	1.832***	1.851***	1.985***
	(19.218)	(19.298)	(18.429)
BOC	0.058***	0.057***	0.034***
	(6.736)	(6.586)	(2.755)
POCOWN		-0.025	-0.293***
		(-1.581)	(-2.905)
POCOWNxBOC			0.046***

	(1)	(2)	(3)
AC	-0.002 (-0.155)	-0.003 (-0.162)	(2.690) -0.002 (-0.107)
ROA	-0.001 (-1.363)	-0.001 (-1.382)	-0.001 (-1.367)
DER	-0.026*** (-4.045)	-0.026*** (-4.082)	-0.026*** (-4.087)
Size	0.005** (2.540)	0.005** (2.550)	0.005** (2.575)
N	721	721	721

t statistics in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5 shows the results of our robustness test. The purpose of this test was to demonstrate the reliability and robustness of the study's main regression results across different model specifications. We conducted the robustness test using an alternative measure of the moderating variable, POCOWN. The measurement is shown in the previous section. Based on the results presented in Table 5, the results are consistent with the main regression. It means that the research findings are robust.

Finally, to deepen our study, we analyzed the research model by treating each aspect as the dependent variable, comprising environmental, social, and governance elements. The results of the additional analysis are presented in Table 6; in general, the results align with the main findings. The board of commissioners has a positive influence on corporate sustainability practices, and political connections strengthen the relationship between the board and corporate sustainability practices. However, interestingly, the social element is not significant, although it still shows a positive trend. It is likely due to the greater focus on environmental sustainability issues.

Table 6. Additional Analysis

	(1) ENVI	(2) ENVI	(3) ENVI	(4) SOC	(5) SOC	(6) SOC	(7) GOV	(8) GOV	(9) GOV
Intercept	0.648*** (11.707)	0.646*** (11.592)	0.727*** (11.329)	0.508*** (13.722)	0.511*** (13.699)	0.523*** (12.113)	0.676*** (21.520)	0.687*** (21.833)	0.738*** (20.406)
BOC	0.018*** (3.522)	0.018*** (3.526)	0.004 (0.557)	0.015*** (4.531)	0.015*** (4.458)	0.013*** (2.637)	0.025*** (8.894)	0.025*** (8.653)	0.016*** (3.824)
AC	-0.026*** (-2.775)	-0.026*** (-2.776)	-0.026*** (-2.856)	0.022*** (3.577)	0.022*** (3.579)	0.022*** (3.563)	0.001 (0.201)	0.001 (0.205)	0.001 (0.129)
POC		0.002 (0.201)	-0.145** (-2.451)		-0.004 (-0.638)	-0.025 (-0.621)		-0.015*** (-2.878)	-0.108*** (-3.245)
POCxBOC			0.025** (2.512)			0.004 (0.528)			0.016*** (2.831)
ROA	-0.001** (-2.153)	-0.001** (-2.149)	-0.001** (-2.124)	-0.000 (-0.381)	-0.000 (-0.392)	-0.000 (-0.385)	0.000 (0.105)	0.000 (0.054)	0.000 (0.093)
DER	-0.016*** (-4.251)	-0.016*** (-4.247)	-0.016*** (-4.264)	-0.005* (-1.941)	-0.005* (-1.952)	-0.005* (-1.952)	-0.005** (-2.498)	-0.005** (-2.557)	-0.005** (-2.569)
SIZE	0.002 (1.503)	0.002 (1.501)	0.002 (1.574)	0.003*** (4.319)	0.003*** (4.327)	0.003*** (4.341)	-0.000 (-0.034)	-0.000 (-0.003)	0.000 (0.073)
N	721	721	721	721	721	721	721	721	721

t statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

4. Conclusion

Sustainability issues have become crucial in recent decades. The phenomena of environmental damage, natural resource exploitation, labor discrimination, poverty, and economic inequality have heightened stakeholder awareness, driving demands for companies to practice in accordance with sustainability principles. The purpose of this study is to examine the moderating effect of political connections on the relationship between boards of commissioners and sustainability practices.

The study makes a significant contribution to the growing literature by presenting a comprehensive model that integrates corporate governance with political connections to influence corporate sustainability practices. To the author's knowledge, this is the first study to use such a model in the context of agricultural and mining companies in developing countries. This study also contributes to practice, demonstrating that boards of commissioners can improve corporate sustainability practices. Therefore, company leaders must provide adequate space for boards of commissioners to carry out their oversight function and participate in strategic decision-making. Furthermore, political connections provide added value to a company. It needs to be supported to continue making a positive contribution, but should be limited to anything that might degrade corporate governance.

Some limitations of this study lie in the data used. Although the data spans a relatively long period, it still focuses solely on the agriculture and mining sectors. Future research could expand on this by analyzing the model using larger datasets across various sectors. Furthermore, we analyzed only one aspect of corporate governance: the board of commissioners. Future research could explore aspects that have rarely, or even never, been discussed in previous research.

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