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The Veil of Secrecy: Family Firms' Approach to ESG Transparency and the Role of Institutional Investors

Abstract

This research examines the impact of family ownership on the transparency of Environmental, Social, and Governance (ESG) practices in businesses, comparing these entities with their non-family counterparts. Additionally, it explores how institutional investors may influence this relationship. Leveraging theories of agency, stakeholder engagement, and Socio Emotional Wealth (SEW), our analysis spans a dataset of Italian companies listed from 2016 to 2020. We employ ESG disclosure scores from Bloomberg, financial metrics from Orbis BVD, and governance data from Consob—the Italian financial market regulator—to evaluate the transparency levels of these firms. Our results indicate that family-owned businesses generally exhibit lower transparency in their ESG practices, particularly regarding social aspects. This tendency is attributed to their prioritization of privacy, control, and legacy preservation, which are central to the SEW model. Conversely, institutional investors emerge as pivotal in enhancing transparency, counteracting the traditionally less transparent practices of family firms. This study sheds light on the crucial influence of institutional investors in improving ESG disclosures among family-owned businesses, offering fresh perspectives on governance strategies that bridge the transparency gap associated with family ownership.

Keywords: Corporate Governance; ESG disclosure; Family Firms; Institutional Investors

JEL: G34; L21; Q56;

1 Introduction & Background

Family businesses are vital for a healthy economy, contributing 40-60% of GDPs and 35 to 70% of job generation (Gils et al. 2008). The prevalence of family ownership as a primary business structure has been well-documented across various regions and markets. La Porta et al. (1999) underscored the global dominance of family ownership in business structures. Zellweger (2017) expanded on this by noting that a majority of companies in Western European countries and Asia are family-owned. In the United States, family-owned businesses account for approximately 80% to 90% of all business entities and employ around 60% of the total U.S. workforce, as detailed by Pieper et al. (2021).

Family firms have received much attention regarding governance structure and financial performance in the past decades (Barka et al. 2022, Belling et al. 2022, Amore et al. 2022). However, their orientation to Environmental, Social, and Governance (ESG) performance and disclosure is yet immature, leaving a void in the literature to be explored. Different issues have been dealt with separately, focusing only on one theory or framework. Institutional, agency, and socioemotional wealth (SEW) theories have been trying to explain the dynamics of governance structure and performance in family firms and the potential agency conflicts. Yet, there are still gaps that need to be explored. Stockmans et al. (2010) state that family owners would be willing to forego economic performance to preserve the family's SEW. Such characteristics might lead to conservativeness in financial and non-financial disclosures by family firms.

In recent years, boards of directors and management have been under pressure from stakeholders to demonstrate their companies are operating sustainably and incorporate sustainable business practices into their corporate identities. In this new business contest, it's generally recognized that an adequate governance system can ensure that enterprise consciously assumes social responsibility for protecting the natural environment and resources and promoting the sustainable development of the national economy (Al-Shaer & Zaman 2018, Harasheh & Provasi 2023).

Given the mentioned background, family firms are not an exception; therefore, in this study, we assess whether family-owned firms exhibit higher or lower ESG disclosure scores compared to non-family firms and how the presence of institutional investors moderate this relationship. Our approach is innovative in three significant ways.

First and foremost, it extends the understanding of ESG disclosure mechanisms within family firms, an area that has been relatively overlooked despite its growing importance. While previous studies such as Rees & Rodionova (2015), Huang & Chen (2023), and Sun et al. (2023) have primarily focused on ESG performance, our work shifts the focus

towards disclosure, unveiling new perspectives on how family-owned enterprises navigate ESG transparency. Additionally, previous studies (Nekhili et al. 2021, Wan et al. 2023) focus on aggregate ESG scores; we go further by analyzing the aggregate ESG scores and the individual pillars. This approach enables us to precisely identify which aspects of ESG are affected by family ownership. Consequently, it furnishes practitioners and policymakers with clear, targeted insights, facilitating the development of strategies to enhance ESG outcomes in family-owned firms.

Moreover, exploring institutional investors as a moderating force is a novel angle in the context of family firms and ESG disclosure. This study sheds light on how external actors can influence the often inward-looking governance of family enterprises (Rees & Rodionova 2015, Huang & Chen 2023), potentially ushering in a new era of accountability and sustainability in this crucial sector of the economy.

In this study, we propose the hypothesis that family-owned businesses may demonstrate reduced transparency in ESG areas. This hypothesis is based on the theories of Social Emotional Wealth (SEW) and agency theory.

Firstly, from the SEW perspective as explained by Chrisman et al. (2004), Gomez-Mejia et al. (2011), and Berrone et al. (2012), it is understood that family businesses place a high value on non-financial objectives that reflect their identity, influence, and legacy. The implication is that revealing extensive ESG information could subject these firms to heightened scrutiny, potentially leading them to opt for less transparency to protect their privacy and control.

Secondly, agency theory, outlined by Shleifer & Vishny (1986), explores the relationship dynamics between owners and managers. In family businesses, where ownership often translates to significant control, there's a tendency for actions to be directed towards benefiting the owning family, possibly at the expense of broader stakeholder interests. This is supported by Anderson & Reeb (2003) and Kappes & Schmid (2013), who note a preference among family owners for ensuring steady cash flows and generous dividend distributions over investments in non-immediately profitable ventures like comprehensive ESG reporting.

Lastly, the deep connection and longstanding engagement of family owners with their firms are believed to cultivate a view of themselves as the most suitable custodians of their business (Anderson & Reeb 2003, Rees & Rodionova 2015). This perspective may lead to a hesitancy towards adopting external transparency measures or initiatives, with a preference for retaining control and preserving the tradition of family governance.

For all these reasons we can expect that:

- **H1:** *There is a negative association between family firms and ESG transparency*

Multiple studies have demonstrated a positive relationship between institutional investors and ESG disclosure practices (Table 1), indicating that the presence of such investors is often associated with enhanced transparency in ESG matters. In this research we propose that family firms are more inclined to be open about their ESG practices when institutional investors hold stakes in those firms.

We identify two main elements that can justify this moderating effect in the relationship between family-owned companies and ESG transparency, each underpinned by the foundational theories of agency (Jensen & Meckling 2019) and stakeholder perspectives (Freeman 2010).

Firstly, from an agency theory viewpoint, institutional investors play a crucial role in mitigating the principal-agent problem by providing not just capital but also guidance and expertise. Key strategies encompass engaging in early dialogues with top executives (Semenova & Hassel 2019), deliberate divestment of company shares (Liu et al. 2023), and participating actively in voting mechanisms (Tilba 2022). Such involvement frequently leads to the introduction of shareholder resolutions related to ESG concerns during Annual General Meetings (Dikolli et al. 2022, Baloria et al. 2019), enabling institutional investors to express their endorsement. This involvement improves the monitoring of directors' behaviors, ensuring that management's actions are in the best interests of the shareholders, including those related to ESG practices (Semenova & Hassel 2019, Ng et al. 2023, Barko et al. 2022, Lozano & Martínez-Ferrero 2022, Yu & Van Luu 2021, Alda 2019, Baloria et al. 2019). This guidance is pivotal as it encourages or even pressures family firms to adopt more transparent ESG practices. Such practices reduce information asymmetry between owners and external investors, aligning the firm's interests with those of a broader stakeholder base and enhancing its appeal to a wider range of stakeholders.

Secondly, aligning with stakeholder theory, institutional investors are increasingly cognizant of their reputation and the implications of their investment choices on societal perceptions¹. They are actively seeking to invest in companies that prioritize ESG transparency, recognizing that such investments not only cater to the financial returns but also to the ethical and social expectations of their stakeholders (Dikolli et al. 2022, Barko et al. 2022, Chen & Xie 2022, Tilba 2022, Alda 2019, Rees & Rodionova 2015). This stance demonstrates a shift towards a more inclusive approach to value creation, where the focus extends beyond financial capital to encompass social and environmental capital.

¹Institutional investors portfolios are vulnerable to the dangers stemming from harmful corporate externalities, such as inadequate ESG scores.

By associating with family firms that demonstrate a solid commitment to ESG standards, institutional investors can leverage these associations to improve their own reputation and ensure compliance with the growing societal and regulatory demands for sustainable practices. In other words, institutional investors do not improve ESG disclosure but invest in family firms with higher ESG transparency ratios².

Our second hypothesis is, therefore, formulated as follows:

- **H2:** *Institutional investors' power positively moderates the relationship between family firms and ESG transparency*

2 Empirical Strategy & Models

We analyze a sample of Italian-listed companies from 2016 to 2020. We sourced ESG disclosure scores from Bloomberg, renowned for its extensive range of ESG indicators. Additionally, we extracted corporate governance data variables, including data on family and institutional investors, from the Consob ("Commissione Nazionale per le Società e la Borsa")³ website, a repository known for its detailed financial regulatory information. We also collected accounting data from Orbis BVD. To construct a representative and robust sample, we established stringent inclusion criteria. Specifically, our study focused exclusively on companies with complete accounting, governance, ESG data and listed companies that adhere to the NFD directive. We expressly excluded firms operating in the financial sector and those with missing total revenue data to ensure the accuracy of our analysis. Our final sample consists of 409 firm-year observations.

We further employ an empirical strategy, obtaining the following two regression models to test the hypotheses:

$$ESG = \beta_0 + \beta_1 Family + \beta_2 \theta + \beta_3 \rho + \gamma + \alpha + \epsilon \quad (1)$$

$$ESG = \beta_0 + \beta_1 Family + \beta_2 InstInvest + \beta_3 Family * InstInvest + \beta_4 \theta + \beta_5 \rho + \gamma + \alpha + \epsilon \quad (2)$$

²In this paper, we do not investigate causality, namely, we do not examine whether family firms enhance their ESG disclosure scores due to the presence of institutional investors or, conversely, whether institutional investors preferentially invest in family firms with superior ESG transparency.

³It's the government authority responsible for regulating the Italian financial markets, similar to the Securities and Exchange Commission (SEC) in the United States.

Equation (1) examines the impact of family ownership on ESG disclosure. Equation (2) investigates the moderating effect of institutional investors' presence.

In evaluating ESG disclosure (*ESG*), we also explore the individual pillars of the score, following methodologies established in prior research (Kind et al. 2023, De Masi et al. 2021). Based on Villalonga & Amit (2006), we define a firm as a family firm (*Family*) if a founder or relative, related by blood or marriage, possesses (directly or via entities) a minimum of 5 percent of the firm's equity, and the collective family is either the primary or secondary largest shareholder. Institutional ownership is measured as the proportion of a firm's equity held by its largest institutional investors. This is quantified in three ways: the percentage held by the single largest investor (*Inv 1*), the combined percentage held by the two largest investors (*Inv 2*), and the total percentage held by the three largest investors (*Inv 3*). This approach is consistent with methodologies used in prior research, such as the study conducted by Dikolli et al. (2022).

In both equations, we include several firm control variables (θ). Specifically, we include⁴ the market-to-book ratio (*MTB*), the return on assets (*ROA*), firm size (*Firm Size*), and firm leverage (*LEV*). We also control for corporate governance attributes (ρ) that have been shown to affect the level of ESG disclosure. Specifically, board size (*Board Size*) (Yu & Van Luu 2021), the proportion of independent board members (*Indep*) (Yadav & Jain 2023), CEO duality (*CEO duality*) (Li et al. 2018), and gender diversity (*Board Diversity*) (De Masi et al. 2021). Additionally, we include year (γ) and industry (α) fixed effects to control for time-invariant characteristics while clustering standard errors by the firm.

3 Empirical results

Table 2 presents the data sources and description of variables, and Table 3 shows the correlation matrix. Table 3 displays key descriptive statistics for the variables, including the number of observations, mean, standard deviation, median, and the range of minimum to maximum values. As an initial glimpse, Figure 1 demonstrates the average ESG scores between family and non-family firms subject to non-financial reporting, evidencing that non-family firms enjoy superior ESG scores. The rest of the analysis evidences how significant this difference is.

Tables 5 and 6 provide the results of the first regression model in equation (1) to test hypothesis 1 of the impact of family ownership on ESG disclosure transparency. The

⁴We winsorise all firm-level variables at 3% cutoff, respectively, to minimise the likelihood that outliers will overly influence our results.

coefficients derived from the regression models offer substantial insights into how these variables interplay. The negative coefficient associated with family firms confirms the hypothesis (H1) that family-owned businesses tend to be less transparent in their ESG reporting compared to their non-family counterparts (Table 5), particularly regarding social aspects⁵ (Table 6 - columns 3 and 4). These findings are consistent with the notion that family entities prioritize privacy and control, often perceiving external reporting requirements as secondary, especially in areas not directly tied to immediate financial performance. This aligns with the literature suggesting that the unique governance structures and cultural ethos of family firms might often lead to a more insular approach, prioritizing internal control over external accountability (Chrisman et al. 2004, Gomez-Mejia et al. 2011, Berrone et al. 2012).

The central focus of Table 7 is the interaction term between family firm status and institutional investor presence represented in Equation 2 to test the moderation role of institutional investors on ESG disclosure in family firms. The positive and statistically significant coefficient on this interaction term provides robust support for the second hypothesis (H2). It indicates that the presence of institutional investors moderates the relationship between family ownership and ESG transparency, encouraging greater disclosure in the area in which family firms are generally less transparent (i.e., regarding social aspects). This effect is stronger when multiple institutional investors (*Inv 2*; *Inv 3*) (columns 8 and 12) exist. This suggests that while family firms inherently lean towards less transparency, the strategic influence and governance oversight provided by institutional investors can steer these firms towards more open ESG practices.

This positive moderation effect is particularly noteworthy in the evolving finance landscape, where ESG factors are becoming increasingly critical for investors as a strategic tool for value creation. Institutional investors, with their broad market outlook and focus on sustainable, long-term returns, appear to play a pivotal role in providing capital and shaping corporate behavior towards better governance and disclosure practices.

4 Conclusion

In this research, we provide novel insights on the impact of family ownership on ESG reporting transparency and how the presence of institutional investors moderates such a relationship. We demonstrate that family-owned firms are less transparent in their ESG

⁵The untabulated results show that our main inferences hold even if we calculate the natural logarithm of the three pillars, which is $1 + \ln(\text{ENV})$, $1 + \ln(\text{SOC})$, or $1 + \ln(\text{GOV})$.

practices, with this trend being particularly pronounced in the social dimension, suggesting preferences for privacy and discretion. However, institutional investors moderate the relationship between family ownership and ESG transparency, providing that institutional investors play a pivotal role in encouraging more open and transparent ESG practices.

In light of these findings, several implications arise for practitioners and regulators. For one, the results underscore the importance of a diverse ownership structure, where the presence of external institutional investors can complement the deep-rooted knowledge and commitment of family owners, leading to more balanced and transparent governance. For regulators and policymakers, understanding the dynamics between different types of ownership and their impact on transparency can inform more nuanced approaches to corporate governance and reporting standards, encouraging practices that align with broader market expectations and sustainability goals.

Additionally, in Europe, non-financial reporting has been an obligation since 2017 only for large companies. However, the new amendment of the E.U. directive⁶ requires all listed companies to disclose non-financial information. Therefore, a change in the socio-economic behavior of family firms would be necessary to adapt to the new reporting paradigm, which requires additional investment in expertise to avoid legal liability that can translate into value destruction.

⁶Currently, EU rules on non-financial reporting apply to large public-interest companies with more than 500 employees. However, On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements to include all companies listed on regulated markets (except listed micro-enterprises) to be enacted in 2024. Recently, the EU parliament has approved a draft proposal from the EU Commission which aims to gradually integrate reporting obligations for companies by postponing by two years, until June 2026, the deadline for the adoption of reporting standards on the sustainability of certain sectors, including oil, energy and mining, and for non-EU companies

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Figure 1: The average ESG scores over time, with the green line representing non-family firms and the blue line depicting family firms

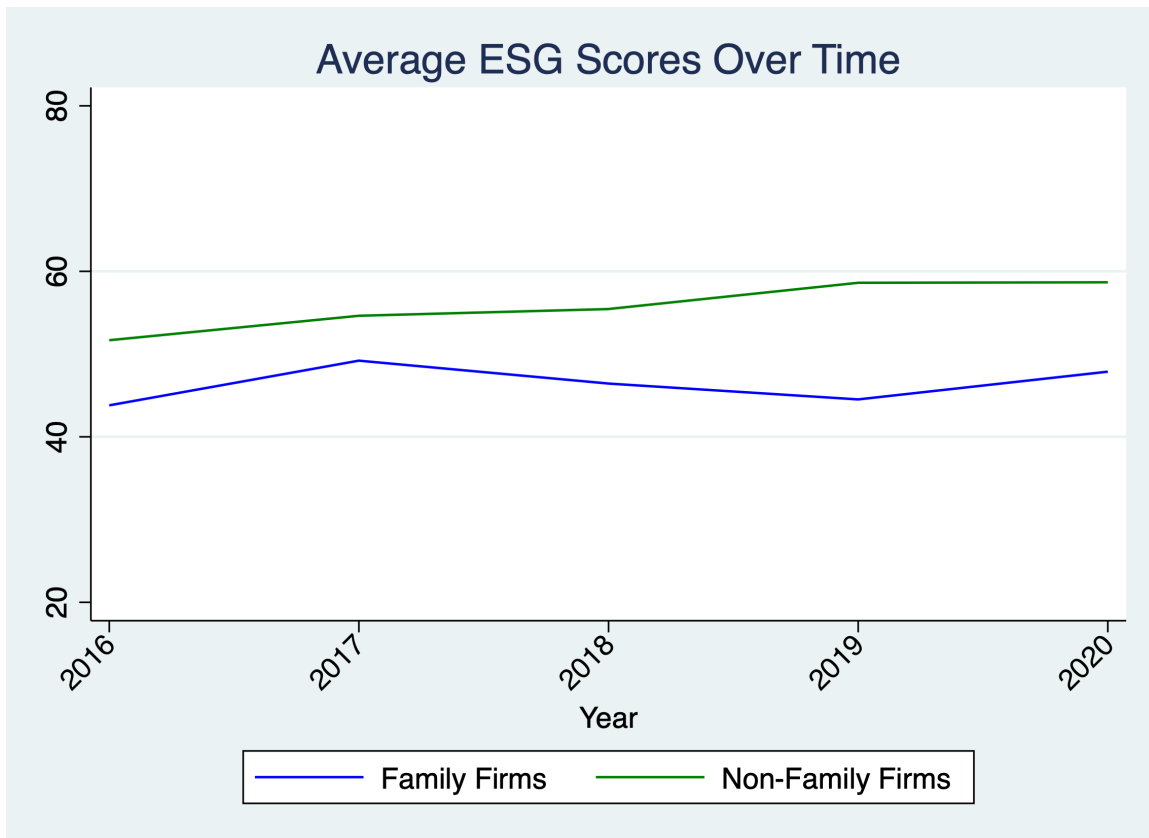


Table 1: Summary of Institutional Investors and ESG Disclosure Relations

N.	Year	Authors	Title	Journal	Institutional investors and ESG
1	2023	Ng et al. (2023)	Disparities in ESG reporting by emerging Chinese enterprises: evidence from a global financial center	Sustainability Accounting, Management and Policy Journal	Positive relation
2	2022	Aluchna et al. (2022)	Do institutional investors encourage firm to social disclosure? The stakeholder salience perspective	Journal of Business Research	Negative relation
3	2022	Chen & Xie (2022)	ESG disclosure and financial performance: Moderating role of ESG investors	International Review of Financial Analysis	Moderator (Positive relation)
4	2022	Dikolli et al. (2022)	Walk the talk: ESG mutual fund voting on shareholder proposals	Review of Accounting Studies	Positive relation
5	2022	Huang et al. (2022)	Natural disasters, risk salience, and corporate ESG disclosure	Journal of Corporate Finance	Positive relation
6	2021	Yu & Van Luu (2021)	International variations in ESG disclosure – Do cross-listed companies care more?	International Review of Financial Analysis	No relation
7	2019	Baloria et al. (2019)	Shareholder Activism and Voluntary Disclosure Initiation: The Case of Political Spending	Contemporary Accounting Research	Positive relation
8	2019	Semenova & Hassel (2019)	Private engagement by Nordic institutional investors on environmental, social, and governance risks in global companies	Corporate Governance: An International Review	Positive relation
9	2019	Waeger & Mena (2019)	Activists as moral entrepreneurs: How shareholder activists brought active ownership to Switzerland	Research in the Sociology of Organizations	Positive relation
10	2019	Erhemjamts & Huang (2019)	Institutional ownership horizon, corporate social responsibility and shareholder value	Journal of Business Research	Positive relation

Note: This table presents a collection of scholarly articles that explore the interplay between institutional investors and ESG disclosures. Each entry in the table references a distinct study, delineating the year of publication, the authors involved, the title of the work, the journal it was published in, and the nature of the relationship identified between institutional investors and ESG practices. The "Positive relation" indicates that the study found a supportive link between institutional investors and the advancement of ESG disclosures, whereas a "Negative relation" denotes findings that suggest institutional investors may impede ESG transparency. Instances where the study serves as a moderator are marked accordingly, implying that the relationship examined is more nuanced, with institutional investors influencing ESG disclosure in a contingent or variable manner.

Table 2: Variables Description

Variable (<i>label</i>)	Definition	Source
<i>Dependant Variables</i>		
ESG	Bloomberg's proprietary score is based on the extent of a company's environmental, social, and governance disclosure. The score ranges from 0.1 to 100, with higher values reflecting increased ESG transparency.	Bloomberg
ENV	Bloomberg's proprietary score is based on the extent of a company's environmental disclosure, with higher values reflecting increased environmental transparency.	Bloomberg
SOC	Bloomberg's proprietary score is based on the extent of a company's social disclosure, with higher values reflecting increased social transparency.	Bloomberg
GOV	Bloomberg's proprietary score is based on the extent of a company's governance disclosure, with higher values reflecting increased governance transparency.	Bloomberg
<i>Firm control variables</i>		
Family	A dummy variable that takes the value of 1 if the firm is family-owned and 0 otherwise. Based on (Villalonga & Amit 2006), we define a firm as a family firm if a founder or relative, related by blood or marriage, possesses (directly or via entities) a minimum of 5 percent of the firm's equity, and the collective family is either the primary or secondary largest shareholder.	CONSOB
MTB	The ratio of market capitalization to the book value of equity, illustrating the market's valuation of a firm relative to its accounting value.	Orbis
ROA	The ratio of net income to total firm assets, measuring the efficiency of the firm in generating profits from its assets.	Orbis
Firm Size	Natural logarithm of total firm revenues.	Orbis
LEV	Natural logarithm of the ratio of total firm debt to total assets.	Orbis
<i>Governance Variables</i>		
Board Size	Number of board members.	CONSOB
Indep	Percentage of independent board members.	CONSOB
Ceo Duality	A dummy variable that equals 1 if the CEO also serves as the chairperson of the board, and 0 otherwise.	CONSOB
Board Diversity	The percentage of female directors on the board, representing the proportion of board seats held by women relative to the total number of seats.	CONSOB
Inv 1	It indicates the percentage of shares owned by the company's largest institutional investor, reflecting their ownership stake and potential influence Dikolli et al. (2022).	CONSOB
Inv 2	It represents the combined percentage of shares owned by the two largest institutional investors in the company, illustrating their collective ownership and potential sway over corporate decisions Dikolli et al. (2022).	CONSOB
Inv 3	It represents the total percentage of shares held by the three largest institutional investors in the company, highlighting their cumulative ownership stake and potential influence Dikolli et al. (2022).	CONSOB

Table 3: Descriptive statistics

	Obs	Mean	Std. Dev.	Min	P25	P50	P75	Max
ESG	409	50	14	5	42	50	60	79
ENV	409	39	19	0	30	42	53	78
SOC	409	34	15	0	25	33	42	76
GOV	409	76	17	7	68	80	90	99
Family	409	0,64	0,48	0	0	1	1	1
MTB	409	2,1	1,87	0,22	0,89	1,46	2,49	7,96
ROA	409	0,03	0,06	-0,14	0,01	0,03	0,05	0,18
LEV	409	1,78	1,05	0	1,07	1,58	2,41	4,7
Firm Size	409	13,89	1,47	11,15	12,8	13,91	14,89	16,8
Board Size	409	11,01	3	5	9	10	13	23
Indep	409	52,22	15,48	11,11	43	52,38	63,64	92,59
Ceo Duality	409	0,25	0,44	0	0	0	1	1
Board Diversity	409	35,2	9,5	0	33,33	33,33	40	77,78
Inv 1	409	3,51	7,12	0	0	0	5,04	50,4
Inv 2	409	4,02	8,05	0	0	0	5,05	50,4
Inv 3	409	4,1	8,22	0	0	0	5,05	50,4

Note: Table 3 presents descriptive statistics for the variables analyzed in the study. These statistics include the mean, standard deviation, minimum, 25th percentile (P25), median (P50), 75th percentile (P75), and maximum values for each variable.

Table 4: Correlation Matrix

	ESG	ENV	SOC	GOV	Family	MTB	ROA	LEV	Firm_Size	Board_Size	Indep	Ceo_Duality	Board_Diversity	Inv_1	Inv_2	Inv_3
ESG	1.000															
ENV	0.892***	1.000														
SOC	0.854***	0.729***	1.000													
GOV	0.779***	0.498***	0.468***	1.000												
Family	-0.324***	-0.234***	-0.359***	-0.244***	1.000											
MTB	0.014	-0.021	-0.036	0.084*	0.180***	1.000										
ROA	0.058	0.057	-0.042	0.107**	0.116**	0.458***	1.000									
LEV	-0.185***	-0.149***	-0.276***	-0.044	0.225***	0.116**	0.176***	1.000								
Firm_Size	0.248***	0.197***	0.339***	0.259***	-0.394***	0.048	0.039	-0.020	1.000							
Board_Size	0.140***	0.137***	0.219***	0.017	-0.083*	0.034	0.027	-0.165***	0.375***	1.000						
Indep	0.283***	0.178***	0.309***	0.251***	-0.423***	-0.057	-0.048	-0.257***	0.368***	0.089*	1.000					
Ceo_Duality	-0.096*	-0.026	-0.154***	-0.085*	0.189***	0.074	0.102**	0.143***	-0.046	-0.123**	-0.231***	1.000				
Board_Diversity	0.044	-0.032	0.099**	0.055	-0.051	-0.138***	-0.111**	-0.018	-0.071	-0.163***	0.097**	-0.018	1.000			
Inv_1	0.011	-0.007	0.047	-0.009	-0.146***	0.183***	0.079	-0.026	-0.055	-0.013	-0.061	-0.142***	-0.008	1.000		
Inv_2	0.019	-0.013	0.065	0.005	-0.136***	0.179***	0.091*	-0.008	-0.065	-0.026	-0.069	-0.133***	-0.015	0.979***	1.000	
Inv_3	0.017	-0.016	0.064	0.004	-0.139***	0.177***	0.093*	0.001	-0.066	-0.029	-0.073	-0.131***	-0.018	0.971***	0.997***	1.000

Note: The matrix shows correlations between variables, with values from -1 (negative) to 1 (positive), highlighting their linear relationships.

Table 5: Regression Analysis: ESG Transparency in Family Firms - Main Findings

VARIABLES	(1) ESG	(2) ESG	(3) ESG	(4) ESG	(5) ESG
Family	-8.395*** (2.638)	-5.285** (2.583)	-4.382** (1.985)	-5.205** (2.355)	-3.860* (1.975)
MTB		-0.148 (0.526)	0.563 (0.465)	-0.021 (0.447)	0.630 (0.474)
ROA		-14.681* (7.733)	17.590 (14.122)	-8.854 (6.319)	20.793 (14.023)
LEV		-0.680 (0.787)	-1.145 (0.855)	-0.746 (0.725)	-1.109 (0.817)
Firm_Size		5.418*** (0.781)	5.236*** (0.656)	5.543*** (0.762)	5.581*** (0.656)
Board_Size				0.060 (0.243)	-0.318 (0.251)
Indep				-0.005 (0.041)	-0.000 (0.047)
Ceo_Duality				2.399** (1.136)	-4.456* (2.366)
Board_Diversity				0.270*** (0.046)	0.038 (0.074)
Constant	55.148*** (2.027)	-21.206* (11.736)	-19.813* (10.070)	-33.929*** (11.179)	-21.914** (10.167)
Observations	409	409	409	409	409
R-squared	0.231	0.382	0.480	0.349	0.498
Year FE	Yes	No	Yes	No	Yes
Industry FE	Yes	No	Yes	No	Yes
Cluster SE	Firm	Firm	Firm	Firm	Firm

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Note: Table 5 provides a comprehensive analysis of the impact of family ownership on ESG transparency across various regression models. Models 1, 3 and 5 incorporate Year and Industry Fixed Effects to account for temporal and sectoral variations, offering a deeper insight into the dynamics at play.

Table 6: Regression Analysis: ESG Transparency in Family Firms - Pillars

VARIABLES	(1) ENV	(2) ENV	(3) SOC	(4) SOC	(5) GOV	(6) GOV
Family	-6.632 (4.046)	-2.618 (2.968)	-7.021** (2.843)	-5.280*** (2.014)	-2.272 (2.278)	-3.776 (2.802)
MTB	-1.038* (0.616)	-0.017 (0.629)	-0.237 (0.533)	0.822* (0.473)	1.246* (0.638)	1.063* (0.558)
ROA	-4.404 (9.016)	29.905* (16.469)	-12.030** (5.192)	1.873 (18.373)	-9.268 (10.397)	25.443 (17.204)
LEV	-1.177 (1.119)	-0.850 (1.199)	-1.496* (0.858)	-2.353*** (0.826)	0.518 (0.573)	0.188 (0.924)
Firm_Size	5.913*** (1.098)	7.420*** (0.923)	5.473*** (0.817)	5.264*** (0.787)	5.084*** (1.007)	3.894*** (0.910)
Board_Size	0.241 (0.338)	-0.353 (0.410)	0.327 (0.254)	0.119 (0.284)	-0.374 (0.281)	-0.624* (0.338)
Indep	-0.056 (0.048)	-0.107 (0.076)	-0.078 (0.048)	0.010 (0.063)	0.118* (0.062)	0.107 (0.068)
Ceo_Duality	5.676*** (1.986)	-3.237 (3.176)	1.339 (1.392)	-5.688** (2.367)	-0.344 (2.944)	-4.466 (2.919)
Board_Diversity	0.238*** (0.062)	-0.109 (0.122)	0.276*** (0.046)	0.136* (0.079)	0.284*** (0.074)	0.085 (0.104)
Constant	-45.423*** (16.428)	-47.225*** (15.397)	-44.708*** (11.101)	-38.846*** (10.521)	-8.948 (15.321)	20.810 (13.544)
Observations	409	409	409	409	409	409
R-squared	0.251	0.410	0.383	0.512	0.169	0.321
Year FE	No	Yes	No	Yes	No	Yes
Industry FE	No	Yes	No	Yes	No	Yes
Cluster SE	Firm	Firm	Firm	Firm	Firm	Firm

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Note: Table 6 disaggregates the ESG transparency analysis into its three pillars: Environmental (ENV), Social (SOC), and Governance (GOV), examining the impact of family ownership alongside various control variables.

Table 7: Regression Analysis: ESG Transparency in Family Firms and the Moderating Role of Institutional Investors

VARIABLES	(1) ESG	(2) ESG	(3) SOC	(4) SOC	(5) ESG	(6) ESG	(7) SOC	(8) SOC	(9) ESG	(10) ESG	(11) SOC	(12) SOC
Family		-4.205*		-6.422***		-4.348*		-6.540***		-4.369*		-6.535***
		(2.430)		(2.447)		(2.402)		(2.430)		(2.397)		(2.425)
Inv_1	0.129	0.014	0.179	-0.037								
	(0.112)	(0.082)	(0.125)	(0.102)								
Family#Inv_1		0.196		0.462*								
		(0.292)		(0.265)								
Inv_2					0.121	-0.004	0.193*	-0.043				
					(0.105)	(0.081)	(0.114)	(0.095)				
Family#Inv_2						0.207		0.459**				
						(0.224)		(0.188)				
Inv_3									0.112	-0.010	0.187*	-0.043
									(0.104)	(0.080)	(0.110)	(0.091)
Family#Inv_3										0.200		0.451**
										(0.224)		(0.184)
MTB	0.399	0.601	0.505	0.814*	0.397	0.598	0.484	0.783*	0.404	0.599	0.488	0.772*
	(0.492)	(0.485)	(0.474)	(0.472)	(0.489)	(0.478)	(0.465)	(0.458)	(0.488)	(0.478)	(0.463)	(0.454)
ROA	20.526	19.928	1.496	0.123	20.316	19.780	1.046	-0.168	20.294	19.870	0.945	-0.066
	(14.224)	(14.203)	(18.842)	(18.840)	(14.228)	(14.195)	(18.891)	(18.824)	(14.214)	(14.172)	(18.882)	(18.831)
LEV	-1.124	-1.102	-2.372***	-2.357***	-1.127	-1.095	-2.367***	-2.332***	-1.136	-1.096	-2.378***	-2.327***
	(0.815)	(0.830)	(0.837)	(0.848)	(0.818)	(0.832)	(0.840)	(0.848)	(0.817)	(0.831)	(0.839)	(0.847)
Firm_Size	5.855***	5.605***	5.639***	5.305***	5.859***	5.619***	5.643***	5.339***	5.859***	5.616***	5.642***	5.337***
	(0.651)	(0.651)	(0.823)	(0.760)	(0.649)	(0.650)	(0.816)	(0.753)	(0.650)	(0.650)	(0.817)	(0.753)
Board_Size	-0.362	-0.323	0.060	0.107	-0.359	-0.330	0.067	0.091	-0.359	-0.331	0.068	0.090
	(0.243)	(0.253)	(0.288)	(0.286)	(0.244)	(0.253)	(0.288)	(0.285)	(0.244)	(0.253)	(0.288)	(0.285)
Indep	0.028	0.002	0.048	0.012	0.028	0.001	0.049	0.011	0.028	0.001	0.049	0.011
	(0.049)	(0.049)	(0.067)	(0.063)	(0.049)	(0.049)	(0.067)	(0.062)	(0.049)	(0.049)	(0.067)	(0.063)
Ceo_Duality	-4.268*	-4.139*	-5.423**	-5.110**	-4.228*	-4.121*	-5.293**	-5.042**	-4.246*	-4.154*	-5.294**	-5.068**
	(2.339)	(2.320)	(2.412)	(2.317)	(2.324)	(2.305)	(2.400)	(2.299)	(2.323)	(2.302)	(2.400)	(2.296)
Board_Diversity	0.042	0.040	0.143*	0.139*	0.043	0.037	0.145*	0.134*	0.044	0.036	0.146*	0.132*
	(0.075)	(0.075)	(0.081)	(0.078)	(0.076)	(0.075)	(0.081)	(0.077)	(0.076)	(0.075)	(0.081)	(0.077)
Constant	-29.350***	-22.589***	-49.029***	-39.509***	-29.489***	-22.486**	-49.380***	-39.582***	-29.460***	-22.326***	-49.395***	-39.441***
	(10.257)	(10.390)	(11.314)	(10.284)	(10.272)	(10.399)	(11.282)	(10.167)	(10.284)	(10.412)	(11.287)	(10.166)
Observations	409	409	409	409	409	409	409	409	409	409	409	409
R-squared	0.491	0.501	0.500	0.523	0.491	0.502	0.503	0.528	0.491	0.502	0.503	0.528
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1.

Note: Table 7 conducts a regression analysis to explore the impact of family ownership on ESG transparency, with a focus on the moderating influence of institutional investors. Columns 1, 3, 5, 7, 9, and 11 examine the relationship between the type of institutional investors (categorized as Inv_1, Inv_2, Inv_3) and ESG or SOC transparency, independently of family ownership. This analysis aims to discern how different categories of institutional investors correlate with transparency levels in ESG and social reporting. Conversely, Columns 2, 4, 6, 8, 10, and 12 introduce interaction terms between the types of investors and family ownership (Family#Inv_x), delving into how institutional investors' involvement specifically influences the transparency practices of family firms in ESG and SOC aspects.