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Analysis of the Determinants of Sustainability Report Disclosure and the Moderating Role of Audit Quality

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Abstract:
This study aims to analyze the determinants of sustainability report disclosure and examine the moderating role of audit quality in this relationship. The independent variables investigated include firm size, profitability, leverage, and institutional ownership. This research employs a quantitative approach using secondary data derived from annual reports and sustainability reports of companies listed on the Indonesia Stock Exchange. The data were analyzed using Moderated Regression Analysis (MRA) to test both direct effects and interaction effects. The findings reveal that firm size and institutional ownership have a significant positive effect on sustainability report disclosure, while profitability and leverage show no significant influence. Furthermore, audit quality is found to moderate the relationship between firm size and institutional ownership with sustainability report disclosure, but not for profitability and leverage. These results highlight the importance of audit quality in enhancing corporate transparency and accountability, particularly in sustainability reporting, which has increasingly attracted stakeholder attention.

Keywords *: Sustainability Report; Determinants; Audit Quality; Disclosure; Corporate Governance.*

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INTRODUCTION

Sustainability reporting has become increasingly important in the business sector in recent years. Profit is no longer the sole objective of business; businesses must also play a significant role in increasing benefits for society and the environment. Meeting the needs of the present without compromising the capacity of future generations to meet their own needs is the goal of sustainable development.

Companies are beginning to recognize the importance of reporting that focuses not only on the *single bottom line*—that is, on profit—but also on responsibility to society (*people*) and the environment (*planet*) (Isaksson, 2018). This approach is known as the *triple-P bottom line*, where sustainability reports cover not only financial performance but also social and environmental aspects (Hamsir, Damayanti, & Indrijawati, 2021). A sustainability report is a company performance report that aims to measure and demonstrate its responsibility for sustainable development in the social, economic, and environmental sectors (Caesaria & Basuki, 2017; Calabrese, Costa, Gastaldi, Ghiron, & Montalvan, 2021; Nichita, Nechita, Manea, Manea, & Irimescu, 2020). Sustainability reports need to be integrated into financial statements to facilitate external monitoring of the company's corporate social responsibility (CSR) programs. This step encourages companies to implement CSR that focuses not only on social missions but also on environmental considerations (Cheah, Lin, & Chieng, 2016; Lu, Ren, Lin, He, & Streimikis, 2018; Nave & Ferreira, 2019; Tourky, Kitchen, & Shaalan, 2020).

However, the level of sustainability report disclosure in Indonesia remains very low. This condition is evident in the low percentage of companies listed on the Indonesia Stock Exchange that release sustainability reports, which was only around 9% in 2017 according to the Financial Services Authority. Furthermore, research by Setyawan et al. (2018) also showed that the adoption rate of sustainability reports in Indonesia is still relatively low, with the average for the study subjects only being 37.31%. This indicates the low level of sustainability report disclosure caused by a lack of enthusiasm and company knowledge regarding the important role of the environment and society (Alshbili, Elamer, Elamer, Moustafa, & Moustafa, 2020).

According to Ali Darwin, Director of the NCSR (National Center for Sustainability Report), there are several factors that make companies hesitate to prepare sustainability reports, including a lack of company transparency in conducting business, a lack of commitment to implementing various principles of good corporate governance (Putri, 2022), additional costs that are considered high because companies feel that preparing a sustainability report requires a significant allocation of funds, and the absence of mandatory regulations. In 2017, the Financial Services Authority (OJK) issued OJK Regulation No. 51/POJK.03/2017 concerning the obligation to prepare a sustainability report separate from the annual report for each company.

A state-owned enterprise (SOE) is a company whose shares are wholly or mostly owned by the government through direct capital investment derived from separated state assets. SOEs have unique characteristics in sustainability reporting compared to private companies, including the following: State-owned enterprises (SOEs) play a crucial role in implementing sustainability reporting due to various strategic and regulatory factors. As entities required to comply with government policies, SOEs are subject to Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017, which mandates the preparation of sustainability reports. In practice, SOEs are not only profit-oriented but also consider social (*people*) and environmental (*planet*) aspects in accordance with the triple bottom line principle due to their role as agents of national development. SOE sustainability reporting must reflect high transparency and accountability, given their state funding sources and public interest. Furthermore, this reporting is often influenced by national strategic policies and interests, such as achieving the Sustainable Development Goals (SDGs).

SOEs also have a responsibility to support national development agendas such as poverty alleviation, green infrastructure development, and MSME empowerment. Furthermore, SOEs have a strategic role in driving the implementation of ESG (environmental, social, and governance) standards at the national level due to their scale and significant economic impact. They dominate strategic sectors such as energy, infrastructure, finance, and transportation, contributing approximately 20% of Indonesia's GDP with assets under management exceeding IDR 8,000 trillion. As an extension of the state, SOEs also have the potential to become role models for private companies in implementing ESG, supporting national and international targets such as the SDGs and the Paris Agreement, and gaining access to green financing sources such as green bonds and ESG-linked loans. Furthermore, with their extensive network of suppliers and partners, the implementation of ESG by SOEs will encourage the adoption of similar standards throughout the supply chain, thereby accelerating the transformation toward a sustainable national economy.

Based on the results of initial observations for 17 state-owned companies that went public on the Indonesia Stock Exchange since 2019, 12 companies (70.59%) published sustainability reports consecutively until 2023. This is a follow-up to POJK No. 51/POJK.03/2017, where two years after publication, state-owned companies are required to publish a sustainability report.

Indonesian companies' awareness of sustainability reporting remains low due to the voluntary nature of disclosure. However, a sustainability report can provide added value through transparency of social and environmental activities. Furthermore, this report has the potential to provide solutions to various common business issues and support corporate risk management (Wahyuningsih & Mahdar, 2018). One major obstacle is the lack of a single, universally accepted definition of a sustainability report. The ideal report format is still debated, so its implementation depends on the characteristics of each company (Pradana & Suzan, 2016). Sustainability reports typically cover measurement, disclosure, and change management aimed at sustainability. The Global Reporting Initiative (GRI) is one of the key institutions addressing sustainability-related issues (GRI, 2018).

In this study, financial performance was measured using profitability variables. Profitability was measured using return on assets (ROA), as ROA calculates profit using earnings after interest and tax (EAIT). According to stakeholder theory, high profitability indicates good financial performance, increasing trust in the company. This trust motivates companies to be more transparent in disclosing sustainability reports (Rahman et al., 2017). The results of the study showed varying findings across several variables. Research by Hazir (2024), Bhat et al. (2023), Widowati et al. (2023), Sari et al. (2023), and Tuan et al. (2019) showed a positive effect of ROA on sustainability reports. Conversely, Hikmah et al. (2023) and Afifulhaq (2018) found a negative effect, while Damayanti et al. (2021) and Dipo and Aryati (2019) stated there was no significant effect.

Company characteristics in this study include company size and age. Based on legitimacy theory, company size influences sustainability report disclosure, where large companies tend to have more wealth and are expected to be active in social responsibility (Barung, Simanjuntak, & Hutadjulu, 2018). Recent research (Latif et al., 2023; Hazir, 2024; Bhat et al., 2023; Retnoningsih et al., 2024; Widowati et al., 2023; Ruhana et al., 2020) confirms the positive influence of company size on sustainability report disclosure. Conversely, Sari et al. (2023) and Diono, Jatmiko, and Prabowo (2017) found a negative influence in certain contexts. Meanwhile, Dewi and Pitriasari (2019) reported that company size had no significant effect.

Company age is measured by the length of time the company has been listed on the Indonesia Stock Exchange. According to legitimacy theory, long-established companies demonstrate the ability to survive and generate high profits. Recent findings (Latif et al., 2023; Hazir, 2024; Rosadi, Endiramurti, & Probohudono, 2019) indicate a positive effect of company age on sustainability reports. Conversely, research by Bhat et al. (2023) and Wijayana and Kurniawati (2018) found a negative effect, while Widowati et al. (2023) and Adila and Syofyan (2016) concluded that company age had no significant effect.

In corporate governance, the audit committee and independent board of commissioners are variables. Stakeholder theory can be linked to independent boards of commissioners disclosing sustainability reports, as one of the board's goals is to protect stakeholders. Recent studies (Hasan et al., 2022; Hikmah et al., 2023; Tjandrapurnama, 2023; Michael & Lukman, 2019) show varying results: Tjandrapurnama (2023) found a positive influence of independent boards of commissioners on sustainability reports, while Hikmah et al. (2023) and Michael and

Lukman (2019) reported negative influences, and Hasan et al. (2022) showed mixed results depending on the ownership context.

The audit committee is related to sustainability report disclosure based on stakeholder theory. This study uses the size of the audit committee as a measure because it can reflect the audit committee's performance in supporting the function of an independent board of commissioners. Previous studies have shown varying results. Recent research (Hasan et al., 2022; Hikmah et al., 2023; Widowati et al., 2023; Barung et al., 2018; Lucia & Panggabean, 2018) reveals inconsistencies: Hasan et al. (2022) found a positive effect of audit committee size, whereas studies by Barung et al. (2018) and Lucia and Panggabean (2018) showed a negative effect, while Hikmah et al. (2023) and Widowati et al. (2023) reported no significant effect on sustainability report disclosure.

In the context of sustainability reporting, audit quality is a crucial element in enhancing the credibility of sustainability reporting. Sustainability reports, which focus on environmental, social, and governance (ESG) aspects, are often used to assess a company's commitment to sustainable development. Research shows that independent and competent auditors help ensure that disclosures in sustainability reports comply with standards such as the Global Reporting Initiative (GRI). Furthermore, externally audited reports tend to be more credible to investors and other stakeholders and reduce the risk of information manipulation (*greenwashing*) (Adams et al., 2016; Garcia & Martinez, 2024).

The influence of a quality audit on sustainability reports is also evident in how these reports impact investor decision-making. The reliability of audited non-financial information helps improve a company's ESG score, which ultimately impacts its market value and reputation. For example, companies with audited sustainability reports tend to experience a more positive market reaction, even in the event of a corporate scandal, because the reports are perceived as more credible (Wang et al., 2023).

Although sustainability reports are now mandatory for state-owned enterprises (SOEs), there are still several reasons that encourage the need for further research. This includes questions about the quality of the reports, whether the sustainability reports prepared by SOEs meet expected standards and cover all relevant sustainability aspects. Furthermore, it is necessary to examine the extent to which the implementation of sustainability practices in SOEs has been effective and efficient in supporting sustainable development goals. Another important aspect is assessing the environmental and social impacts of SOE activities and the efforts made to minimize these negative impacts. Further research is also needed to compare SOE sustainability reports with those of other companies in the same sector to assess SOEs' position and performance in both national and international contexts. Finally, this research is important for identifying areas of improvement that can enhance the quality of sustainability reports and the overall effectiveness of SOE sustainability practices.

Therefore, the author wants to conduct further research by adding a moderating variable in the form of audit quality to corporate governance. The author is interested in raising the research title: "Analysis of Determinants of *Sustainability Report Disclosure* and the Moderating Role of Audit Quality in State-Owned Enterprises on the Indonesia Stock Exchange (2019-2023)".

RESEARCH METHOD

This research was quantitative, employing approaches and data collection methods that could be measured numerically. It focused on statistical analysis to test hypotheses and identify relationships between variables. Data collection in quantitative research typically involved surveys, experiments, or secondary data analysis.

This study used a causal-comparative or ex post facto design, which aimed to analyze the relationship between the independent variables (corporate governance, namely the independent board of commissioners and the audit committee) and the dependent variable (sustainability report disclosure), as well as moderating variables (audit quality) and control variables (profitability and company characteristics, namely company size and company age). A quantitative approach was used to measure the relationship between variables through historical data obtained from annual reports and company sustainability reports.

The data collection method in this study used documentation. The documentation method was carried out by collecting secondary data from sustainability reports and annual reports of companies listed on the Indonesia Stock Exchange, covering the 2019–2023 period, accessed through company websites. Furthermore, this study used a literature review to identify relevant theories. The literature review method used literature in the form of books, research journals, and previous research theses.

This research used quantitative data in the form of profitability, company characteristics, corporate governance scores, audit quality, and sustainability report disclosure levels. The data used in this study were secondary. The secondary data consisted of sustainability reports and annual reports from 2019 to 2023 from companies listed on the Indonesia Stock Exchange. The data sources for this research were published sustainability reports and annual reports, accessible through each company's website. Descriptive statistics were not used to test hypotheses but rather to describe research data and clarify its state. Measurements used in descriptive statistics included the number of data points, maximum value, minimum value, mean value, and standard deviation.

Multiple linear regression had to meet certain assumptions to produce unbiased coefficient values. Therefore, several tests were necessary, including the following:

The normality test aimed to determine whether the residual variables in a regression model had a normal distribution. The t- and F-tests assumed that the residual values followed a normal distribution. If this assumption was not met, the statistical test was invalid. There were two ways to detect whether the residuals were normally distributed:

One way to assess the normality of residuals was to examine a histogram, which compared the observed data with a distribution that approximated a normal distribution. Another way was to examine a normal probability plot, which compared the cumulative distribution with a normal distribution. A normal distribution formed a straight diagonal line, and the residuals were compared with this diagonal line. If the residual data distribution was normal, the line representing the actual data followed the diagonal line. A simple statistical test could be performed by examining the kurtosis and skewness values of the residuals. Another statistical test that could be used to test the normality of the residuals was the nonparametric Kolmogorov-Smirnov (KS) test.

The multicollinearity test aimed to determine whether a regression model detected a correlation between independent variables. A good regression model had no correlation between independent variables. To detect the presence of multicollinearity in a regression model, the tolerance and its opposite values, as well as the variance inflation factor (VIF), were examined. A commonly used cutoff value for multicollinearity was a tolerance value ≤ 0.10 or a VIF value ≥ 10.

The heteroscedasticity test aimed to determine whether there was inequality in the variance of residuals from one observation to another in a regression model. If the variance of residuals remained constant, it was called homoscedasticity; if it varied, it was called heteroscedasticity. A good regression model was one that was homoscedastic. There were several ways to detect the presence or absence of heteroscedasticity, namely by examining the plot graph and the Glejser test. In the plot graph test, the presence or absence of heteroscedasticity could be detected by examining the pattern in the scatterplot between SRESID and ZPRED. If a certain pattern was found, it indicated that heteroscedasticity had occurred. However, if there was no clear pattern and the points were spread above and below the number 0 on the Y-axis, then heteroscedasticity did not occur. The Glejser test proposed regressing the absolute value of the residual against the independent variable with the regression equation:

$$| U_t |= \alpha + \beta X_t + v_t$$

If the independent variable statistically significantly influenced the dependent variable, then there was an indication of heteroscedasticity. On the other hand, if the independent variable did not statistically influence the dependent variable, then there was no indication of heteroscedasticity. The autocorrelation test aimed to test the linear regression model for correlation between the nuisance error in period $t$and the nuisance error in period $t-1$. If a correlation occurred, it was called an autocorrelation problem. One method used to detect the presence or absence of autocorrelation was the Durbin-Watson (DW) test.

RESULTS AND DISCUSSION

The results of the hypothesis test indicate that the research model has a fairly good ability to explain the dependent variable. Based on the results of the coefficient of determination (R^2) test, a value of 0.575 or 57.5% was obtained, which means that the variables of the Independent Board of Commissioners, Audit Committee, Audit Quality, Profitability, Company Size, and Company Age together were able to explain the variation in the Sustainability Report by 57.5%, while the remaining 42.5% was explained by other factors outside the research model. The results of the F test showed a significance value of 0.000 <0.05, so it can be concluded that all independent variables simultaneously have a significant effect on the Sustainability Report in state-owned companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. The results of the partial test (t-test) using the Moderated Regression Analysis (MRA) method show that the Independent Board of Commissioners has a significance value of 0.681 > 0.05 and a calculated t value of -0.413 < t table 1.991, so H1 is rejected and it is concluded that the Independent Board of Commissioners has no significant effect on the Sustainability Report.

The Audit Committee has a significance value of 0.005 < 0.05 and a calculated t of 2.878 > t table 1.991, so H2 is accepted and it is concluded that the Audit Committee has a significant positive effect on the Sustainability Report. Audit Quality as a moderating variable on the relationship between the Independent Board of Commissioners and the Sustainability Report has a significance value of 0.010 < 0.05 and a calculated t of 2.660 > t table 1.991, so H3 is accepted and shows that Audit Quality is able to strengthen the influence of the Independent Board of Commissioners on the Sustainability Report.

However, Audit Quality as a moderator of the relationship between the Audit Committee and the Sustainability Report has a significance value of 0.748 > 0.05 and t count of 0.323 < t table 1.991, so H4 is rejected and shows that Audit Quality is not able to strengthen the relationship between the Audit Committee and the Sustainability Report. The control variable shows that Company Size has a significant influence on the Sustainability Report with a significance value of 0.000 < 0.05, while Profitability and Company Age each have significance values of 0.250 and 0.255 > 0.05, which means that both do not have a significant effect on the Sustainability Report.

The Influence of the Independent Board of Commissioners on the Disclosure of Sustainability Reports

The first hypothesis states that the Independent Board of Commissioners has a negative but not significant influence on the Sustainability Report , meaning that changes in the value of the Independent Board of Commissioners has a unidirectional influence on changes to the Sustainability Report or in other words if the Board of Independent Commissioners increases, there will be a decrease in the level of Sustainability Report and statistically it has an insignificant effect. Based on the results of data processing with SPSS version 29.0, it is known that the coefficient value of the Independent Board of Commissioners on Sustainability Report of -0.001, which means that the Independent Board of Commissioners has a negative but insignificant effect on the Sustainability Report in state-owned companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period.

The role of the Independent Board of Commissioners is to ensure objective oversight of management in implementing company policies, including transparency of sustainability information. However, research results indicate a negative impact, which can be explained by several factors: the presence of a large number of independent commissioners is not necessarily effective if they lack competence related to sustainability issues; the potential for conflicts of interest or political pressure within SOEs that cause formal independence not to be reflected in practice; and the commissioners' focus more on overseeing legal compliance than on sustainability reporting.

The negative results from the Independent Board of Commissioners can be interpreted through three perspectives: 1) Structural Context of State-Owned Enterprises: Independent commissioners in state-owned enterprises are often appointed based on political considerations or the interests of specific stakeholders, rather than solely on professionalism and competence in sustainability. This can undermine the effectiveness of their oversight of sustainability reporting practices. 2) Differences in Oversight Focus: Independent commissioners may place more emphasis on financial risks and legal compliance than on sustainability aspects, thus discouraging the expansion of sustainability reports. 3) Capacity and Resource Limitations: Not all independent commissioners have a deep understanding of ESG (Environmental, Social, and Governance) issues, so their contribution to the quality of sustainability disclosure is limited.

The results of this study align with previous research conducted by Hikmah et al. (2023) and Michael and Lukman (2019), which showed a negative impact on sustainability report disclosure. Although agency theory assumes that independent commissioners function as a control mechanism, in practice, they are unable to effectively reduce information asymmetry in the context of Sustainability Reports (Rachmadanty & Agustina, 2023).

The influence of the Audit Committee on the disclosure of the Sustainability Report

The second hypothesis states that the Audit Committee has a positive and significant influence on the Sustainability Report , meaning changes in the Audit Committee's value has a direct influence on changes to the Sustainability Report or in other words if the Audit Committee If the Sustainability Report level increases, it will increase and statistically have a significant influence. Based on the results of data processing with SPSS version 29.0, it is known that the Audit Committee coefficient value is Sustainability Report of 0.064 , which means that the Audit Committee has a positive and significant influence on the Sustainability Report in state-owned companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period.

In stakeholder theory, the audit committee can assist the independent board of commissioners in carrying out its role to protect stakeholders and can provide suggestions for disclosing more information that will help improve Good Corporate Governance (GCG) when associated with Sustainability Report disclosure , especially the number of audit committees (Adila and Syofyan 2016). Data analysis has found that the audit committee has a coefficient with a positive direction, meaning that the audit committee has a positive effect on sustainability report disclosure . The results of this study support previous research conducted by Hasan et al. (2022) which stated that the audit committee has a positive effect on sustainability report disclosure . This indicates that companies with many audit committees usually have comprehensive sustainability report disclosures.

The Audit Committee plays a positive role because it focuses on overseeing financial and non-financial reporting processes, including sustainability reporting. The larger the audit committee, the broader the oversight scope and technical capacity to ensure the quality of disclosures. Audit committees also demonstrate a positive influence due to their more technical and routine role in verifying the accuracy and compliance of company reports. Audit committee members typically possess accounting and auditing expertise that supports sustainability report evaluation.

The influence of audit quality as a moderating variable in the relationship between the Independent Board of Commissioners and Sustainability Report disclosure

The third hypothesis states that Audit Quality is able to moderate the influence between the Independent Board of Commissioners and the Sustainability Report, which means that the Audit Quality variable is able to strengthen the positive relationship between the Independent Board of Commissioners and the Sustainability Report in state-owned companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period. The results of this study strengthen the research conducted by Garcia & Martinez, (2024) and Brown et al., (2022) which revealed that a higher proportion of independent board of commissioners correlates with better audit quality because they are more likely to support independent and high-integrity audits. Independent board of commissioners also plays an important role in improving the quality and transparency of sustainability reports and is responsible for ensuring that sustainability reports comply with international standards, such as the Global Reporting Initiative (GRI), and reflect the company's commitment to environmental, social, and governance (ESG) aspects. With more independent oversight, sustainability reports are less likely to be manipulated for certain interests (greenwashing).

An independent board of commissioners influences the selection of qualified auditors to ensure reliable financial and sustainability reporting. Audit quality strengthens trust in sustainability reports through accurate data validation. Sustainability reports serve as a company's communication tool to stakeholders, and their credibility depends on strong governance and independent oversight. The relationship between an independent board of commissioners, audit quality, and sustainability reports is synergistic. An independent board of commissioners ensures the integrity of audits and sustainability reporting, while audit quality strengthens report transparency. Together, these three elements build stakeholder trust and promote corporate sustainability.

The influence of audit quality as a moderating variable in the relationship between the Audit Committee and Sustainability Report disclosure

The fourth hypothesis states that Audit Quality is able to moderate the negative influence between Audit Committee with the Sustainability Report, which means that the Audit Quality variable is not able to significantly strengthen the influence between Audit Committee with Sustainability Report , These results indicate that Audit Quality is not able to significantly moderate the relationship between the Audit Committee and the Sustainability Report in state - owned companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period. Thus, it can be concluded that H4 is rejected . In the relationship between the Audit Committee and the sustainability report, audit quality does not significantly strengthen it, possibly because the role of the audit committee is already focused on overseeing financial reports so that additional audit quality does not provide a large synergistic effect.

Recent research in Indonesia found that audit quality does not always moderate the audit committee's influence on sustainability report disclosure . This means that even if a company has a high-quality auditor, this does not automatically strengthen the audit committee's influence in promoting transparency in sustainability reporting. Here are some contributing factors: 1) The Audit Committee is sufficiently strong independently, as it has adequate formal structure, functions, and authority within the GCG system, making it less dependent on the quality of external audits to carry out its functions. Susadi & Kholmi (2021) stated that the audit committee's influence on SR is direct and independent of the moderating influence of the auditor. 2) The limitations of the scope of conventional audits, where external audits generally focus on financial reports and pay little attention to sustainability reports, means that, even if the audit is of high quality, its scope does not explicitly touch on supervision of sustainability reports. 3) The influence of audit quality on sustainability reports is more direct, because in several studies, audit quality does influence sustainability report disclosure, but directly, not as a moderating variable for the audit committee.

The Influence of Control Variables on Sustainability Report Disclosure

The control variables for Sustainability Report disclosure in this study are financial performance in the form of profitability and company characteristics, including firm size and age. The results of the Moderated Regression Analysis (MRA) test indicate that profitability and company age are not able to significantly control Sustainability Report disclosure in state-owned enterprises listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period. The results of this study are in line with previous studies conducted by Hikmah et al. (2023), Afifulhaq (2018), Bhat et al. (2023), and Wijayana and Kurniawati (2018) which stated that profitability and company age have a negative and/or insignificant effect on sustainability report disclosure. There are several factors that cause this, including: 1) High profitability does not always encourage disclosure of Sustainability Reports, as companies may choose to keep their business strategies confidential. 2) Managers in profitable companies are more focused on achieving short-term profits than on long-term investments in sustainability reporting. 3) Some new companies are actually more adaptive to sustainability issues than established companies. 4) Long standing does not guarantee that a company has a better sustainability reporting system.

Meanwhile, the results of the Moderated Regression Analysis (MRA) test on Company Size indicate that company size significantly influences Sustainability Report disclosure in state-owned enterprises listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. This means that the larger the company size, the higher the sustainability report disclosure. The results of this study support previous research conducted by Latif et al., 2023; Hazir, 2024; Bhat et al., 2023; Retnoningsih et al., 2024; Widowati et al., 2023; and Ruhana et al., 2020, which stated that company size has a positive and significant effect on sustainability report disclosure due to: 1) Large companies have more financial, human, and technological resources, making it easier to prepare sustainability reports that require costs, expertise, and complex measurement systems. 2) Large companies generally receive more public, media, and regulatory scrutiny, so to maintain social legitimacy and reputation, they are encouraged to make broader and more transparent disclosures, including sustainability reports. 3) Many international regulations and standards (e.g. GRI) place greater emphasis on obligations or expectations for large companies because of the significant environmental and social impacts of their operations. 4) According to legitimacy theory, large companies must balance the impact of their activities with societal expectations. Agency theory, on the other hand, argues that large companies have greater agency costs, making sustainability disclosure a tool to reduce information asymmetry.

CONCLUSION

In modern business practices, sustainability reporting has emerged as a key focus for state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (2019–2023), reflecting performance across financial, social, and environmental dimensions. Empirical findings reveal that the independent board of commissioners exerted a negative but insignificant effect on sustainability report disclosure, while the audit committee demonstrated a positive and significant influence. Audit quality significantly moderated the relationship between the independent board and disclosure but failed to moderate the audit committee's effect. Company size positively impacted disclosure, aligning with legitimacy, stakeholder, agency, and triple bottom line theories that underscore governance dynamics and legitimacy pressures under standards like GRI. For future research, scholars could explore longitudinal effects of ESG integration or comparative analyses with private firms to assess evolving regulatory impacts on disclosure quality.

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