

## DETERMINANTS OF THE QUALITY OF SUSTAINABILITY REPORTS IN COMPANIES INCLUDED IN THE KOMPAS 100 INDEX

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### ABSTRACT

*Sustainability reports are reports used by companies to disclose non-financial information regarding economic, environmental and social impacts in a transparent manner as a form of accountability to Stakeholders. Disclosure of the current sustainability report has developed quite well. However, when viewed from a quality standpoint, the reports disclosed have not been maximized where investors claim to have received minimal information about non-financial information from the company. This causes stakeholders to demand that companies disclose sustainability report information in a higher quality according to GRI standards. These demands also come from within the company related to Good Corporate Governance. In addition, if there is a relationship between politics and business, there are interrelated roles, especially regarding the disclosure of sustainability reports. This study aims to obtain empirical evidence regarding the determinants or determinants that influence the quality of the Sustainability Report. The determinants referred to in this study consist of stakeholder pressure (X1), good corporate governance (X2), and political connections (X3). The population in this study are companies included in the Kompas 100 Index for the 2018-2021 period. The sample was selected using purposive sampling in order to obtain 34 observation samples. The analysis technique used in this study uses the panel data regression model with the selected research model Fixed Effect Model (FEM) using the E-views 12 research tool. The results of this study indicate that the determinants consist of Stakeholder pressure (X1) with environmental pressure indicators, shareholders, employees and Good Corporate Governance (X2) with indicators of board of commissioners size, audit committee size and Political Connection (X3) have no significant effect on the Quality of Sustainability Reports. As for the Stakeholder pressure variable with the indicator of consumer pressure and Good Corporate Governance (X3) with the indicator of the proportion of independent commissioners and managerial ownership, it has a significant positive effect on the quality of the Sustainability Report, while shareholder pressure has a significant negative effect on the Quality of the Sustainability Report.*

**Keywords:** Sustainability Report, Stakeholder Pressure, Good Corporate Governance, Political Connections and Kompas 100 Index

### INTRODUCTION

The Sustainability Report is a report disclosed by the company which contains information regarding social and environmental responsibility as a form of the company's commitment to participate in sustainable development in order to improve the quality of life and the environment that is more beneficial for each stakeholder (Adriani and Mahayana, 2021). The purpose of the Sustainability Report is as a form of responsibility for company activities that do not only focus on economic benefits alone, but also on social and environmental disclosures. The Sustainability Report can also be used as a benchmark for assessing Stakeholders in measuring the level of company concern for implementing the concept of sustainable development. (Elkington, 1997) argues that a sustainable company should apply three main concepts in running its business. The three concepts in question are maximizing profit (profit), improving the welfare of the general public including employees (people), and maintaining and preserving environmental conditions (planet). This Sustainability Report was prepared and issued by the Global Reporting Initiative (GRI) as a guideline for preparing sustainability reports.

Disclosure of Sustainability Reports is very important, in Indonesia the disclosure of Sustainability Reports which was originally voluntary has now turned into a mandatory practice (Financial Services Authority Regulation No. 51/PJOK.03, 2017). Disclosure of the current sustainability report has developed quite well, because every year there are more companies making disclosures. However, when viewed from a quality standpoint, the reports disclosed have not been maximized. Specifically in Indonesia, the quality of Sustainability Reports is still growing every year, but this is still far behind compared to developed countries in terms of the number of companies that disclose their sustainability reports (Astuti and Putri, 2019). Based on the 2015 global investor survey conducted by Ernst and Young (EY), it was highlighted that the quality of company sustainability reports in Indonesia was still relatively low, where investors claimed to receive minimal information about non-financial information from companies (CRMS, 2022). This has caused investors and regulators to start pushing for more transparency in corporate sustainability reports. In addition, according to data from Sustainability Reporting Asia (SRA) via (MajalahCSR.id, 2021) it is revealed that in 2020, there are 715 companies listed on the stock exchange and of these only around 90 companies have a separate sustainability report from the annual report. In fact, out of 90 companies, only 19 companies had clear assessments in preparing their reports.

The quality of information in sustainability reports needs to be disclosed clearly and transparently in order to assist stakeholders in providing a real assessment of the company in order to take the right steps in making decisions (Global Reporting Initiative, 2023). This has caused stakeholders to start demanding that companies disclose quality sustainability reports (Hidayah

et al., 2021). Several factors, especially related to Stakeholder pressure, can cause companies to disclose their sustainability reports (Hamudiana and Achmad, 2017). Pressure from Stakeholders demands that companies carry out and convey their social responsibility activities in the form of quality reports (Alfaiz and Aryati, 2019). In Stakeholder theory it is explained that Stakeholders uphold organizational accountability compared to financial performance. This encourages companies to disclose information related to environmental and social performance in accordance with stakeholder expectations which are manifested in quality sustainability reports (Astuti & Putri, 2019).

The demand for the quality of sustainability reporting does not only come from outside but also from within, namely good corporate governance (Angraini et al., 2019). The large number of companies that do not yet have awareness and commitment in disclosing quality sustainability reports can be linked to the corporate governance that is being carried out (Ekaputri and Eriandi, 2022); (Moses et al., 2020). The practice and disclosure of Sustainability Reports is a real impact of the implementation of Good Corporate Governance (Barung et al., 2018). Companies that have the principle that Stakeholders need attention, both in terms of existing rules in actively cooperating between Stakeholders and companies (Aliniar and Wahyuni, 2017). Corporate governance is important for every company in maintaining the continuity of its business on an ongoing basis. Mechanisms and corporate governance structures become supporting infrastructure in the practice of disclosing Sustainability Reports (Clarissa & Rasmini, 2018).

When it comes to politics and business, there are interrelated roles, especially regarding the disclosure of sustainability reports by companies (Saraswati et al., 2020). Politics is able to drive the success obtained by companies because of the formulation of public policies that are useful in the company's business interests (Muttakin et al., 2018). Political Connection is able to help businesses receive various preferential treatment, such as tax breaks, access to resources such as permits and project approvals to financial resources that can reduce risks and gain competitive advantages. In addition, with Political Connection companies can also avoid negative environmental impacts, negative or confidential. (Faccio et al., 2010; Muttakin et al., 2018). On the other hand, the relationship between business and politics can have a positive impact on the environment because politically connected companies face more pressure on government regulations and compliance mechanisms (Wang et al., 2022). Based on this, it can be said that the existence of political and business relations is likely to affect the quality of the Sustainability Report disclosed because with the existence of Political Connections, companies can gain privileges in terms of planning, processing and reporting of company business activities, especially related to the resulting environmental impacts. Political Connection is also a form of company efforts to legitimize Stakeholders so that their activities and performance can be accepted by society (Fu, 2019); (Muttakin et al., 2018).

The quality of Sustainability Reports is a research topic that has been carried out by several previous researchers but still creates inconsistencies. Research conducted by (Rudyanto and Siregar, 2018), and (Arrokhman, DBK and Siswanto, 2021) shows the results that environmental pressure, consumer pressure and employee pressure have a positive effect on the quality of the Sustainability Report while shareholder pressure has a negative effect on the Quality of the Sustainability Report. Research (Sriningsih and Wahyuningrum, 2022) and (Hamudiana and Achmad, 2017) show the results that employee pressure and shareholder pressure affect the quality of the Sustainability Report, while environmental pressure and consumer pressure do not affect the quality of the Sustainability Report.

Research conducted by (Nurumina et al., 2020) and (Muliawati and Hariyati, 2021) showed the results that the size of the board of commissioners and the proportion of independent commissioners have an effect on the quality of the Sustainability Report whereas, the size of the audit committee and managerial ownership have no effect on the quality of the Sustainability Report. Research (Aziz, 2014) shows the results that managerial ownership has an influence on the Quality of Sustainability Reports whereas, studies (Sriningsih and Wahyuningrum, 2022), (Hidayah et al., 2021) and (Barung et al., 2018) show results that board size commissioners, the size of the audit committee and the proportion of independent commissioners has no effect on the quality of the Sustainability Report.

Research related to sustainability reports and Political Connections is still limited so that in this study, Political Connections are associated with social responsibility which is closely related to sustainability reports. As for research conducted by (Huang and Zhao, 2016), (Maiza Abd Rahman and Nor Izah Ku Ismail, 2016), (Fu, 2019), and (Saraswati et al., 2020) regarding Political Connection and social responsibility shows that Political Connection has an influence in the disclosure of social responsibility. Research (Wardah and Nugrahaningsih, 2020) related to Political Connection and social responsibility shows that Political Connection has no influence on the disclosure of social responsibility.

This research is a replication and follow-up research that has been carried out by previous researchers such as research from (Rudyanto and Siregar, 2018) and (Sriningsih and Wahyuningrum, 2022) regarding stakeholder pressure and good corporate governance. However, in this study there is a special aspect that is linked, namely Political Connection. Political Connection helps businesses receive a variety of preferential treatment, such as encouraging the formulation of public policies that are useful in the company's business interests and providing ease of access to resources such as permits and project approvals to avoidance of negative environmental impacts or confidentiality. Political connection in this study is an additional variable which is a research renewal. This study aims to measure the Determinants of Sustainability Report Quality: An Empirical Study of Companies included in the Kompas 100 Index. Where, the determinants in question are independent variables consisting of Stakeholder pressure (X1), Good Corporate Governance (X2), and Political Connections (X3). So it can be concluded that the formulation of the problem in

this study is to examine the effect of Stakeholder pressure (X1), Good Corporate Governance (X2), and Political Connections (X3) on the Quality of Sustainability Reports in companies included in the Kompas 100 Index.

Legitimacy theory explains that the practice of disclosing Sustainability Reports must be carried out in such a way that the company's activities and performance can be accepted by the public. Stakeholder theory as a theory that underlies stakeholder interests states that each stakeholder has the right to information related to company activities that can be used and influences decision making, one of which is related to sustainability reports. This has caused stakeholders to start demanding that companies disclose quality sustainability reports. manifested in quality sustainability reports (Astuti & Putri, 2019) . The quality of the Sustainability Report presented by the company also depends on the morality of the principal and agent. Where in agency theory it is explained that the principal's morality continues to encourage the achievement of the goals to be achieved well for the sustainability of the company, while agents tend to have the morality to pursue their own wealth, not for the sustainability of the company. This will actually lead to conflict between principals and agents due to different objectives between the two which can affect the quality of the Sustainability Reports presented.

Stakeholders are an important part of the company, a company cannot operate without stakeholders. Stakeholders in question include consumers, shareholders, employees, customers, government, community and other parties. The survival of the company is greatly influenced by Stakeholders. The factors that encourage companies to report their sustainability reports are the result of pressure from stakeholders (Suharyani et al., 2019) ; (Lulu, 2021) . Companies with a high level of sensitivity to the environment tend to have high quality Sustainability Reports as well. This is due to pressure from environmental groups (activists and environmental organizations) and society in general who demand companies to reclaim earth that has been damaged as a result of company operational activities (Putri et al., 2022) . Employee intellectual property is a valuable asset owned by the company. This also affects the quality of the company's Sustainability Report. The moral values possessed by employees tend to put pressure on the company so that the company's activities are carried out in a sustainable manner. Furthermore, companies that have close relationships with customers tend to produce quality sustainability reports. Companies with high levels of share ownership tend to have higher quality sustainability reports than those with low levels of ownership (Romero et al., 2019) . Companies with high shareholders pressure the company to produce high transparency of sustainability reports because it indicates pressure from the model market to increase the level of trust from investors (Putri et al., 2022) . Research conducted by (Suharyani et al., 2019) concluded that industries that are sensitive to the environment, industries that are close to consumers, industries that are oriented towards investors and employees have a positive effect on the quality of Sustainability Reports. So that the hypothesis can be formulated as follows:

**H1a: Environmental Pressure has a positive effect on the Quality of Sustainability Reports**

**H1b: Consumer Pressure has a positive effect on the Quality of Sustainability Reports**

**H1c: Shareholder Pressure has a positive effect on the Quality of Sustainability Reports**

**H1d: Employee Pressure has a positive effect on the Quality of Sustainability Reports**

Good Corporate Governance (GCG) is corporate governance that is well oriented towards the sustainability of the company more broadly (Moses et al., 2020) . GCG implementation in a company is the company's effort in conveying all information to Stakeholders including its sustainability report (Suharyani et al., 2019) . The Sustainability Report is a consequence that must be disclosed by the company from the implementation of the concept and mechanism of Good Corporate Governance (Nurumina et al., 2020) . The Board of Commissioners is one of the company organs that has an important role in implementing GCG effectively. The Board of Commissioners in carrying out their duties is assisted by the Audit Committee (Barung et al., 2018) . The Audit Committee's duty is to ensure that the company has implemented internal controls properly. in the GCG implementation mechanism, managerial ownership is used as an effort to reduce conflicts of interest between principals and agents (Rudyanto & Siregar, 2018) . With managerial ownership, management will be actively involved in decision making. The greater the managerial ownership in the company, the more productive the actions of managers in maximizing the activities and values of the company, especially related to corporate social and environmental responsibility activities. Research conducted by (Suharyani et al., 2019) shows that the board of commissioners, the proportion of independent commissioners, the audit committee has a positive effect on the quality of the Sustainability Report. Research (Aliniar and Wahyuni, 2017) states that the proportion of independent commissioners has a significant positive effect on the quality of the Sustainability Report. Research (Safitri and Saifudin, 2019) also shows that the GCG Mechanism in the form of an Audit Committee has a positive effect on the disclosure of Sustainability Reports and (Safitri and Saifuddin, 2019). So that the hypothesis can be formulated as follows

**H2a: Audit Committee Size has a positive effect on the Quality of Sustainability Reports**

**H2b: The size of the Board of Commissioners has a positive effect on the Quality of the Sustainability Report**

**H2c: The proportion of Independent Commissioners has a positive effect on the Quality of Sustainability Reports**

**H2d: Managerial Ownership has a positive effect on the Quality of Sustainability Reports**

Political Connection is when a company executive of a major shareholder has experience working in government, or has a close relationship with political officials (Faccio et al., 2010) . Companies that are connected to politics tend to have better quality social and environmental capabilities and higher social responsibility disclosures compared to companies that do not have political connections (Osazuwa et al., 2015) . This is because companies that are politically connected face more pressure on government

regulations and compliance mechanisms (Wang et al., 2022) . Thus encouraging companies to disclose sustainability reports in a higher quality. Research conducted by (Muliawati and Hariyati, 2021) shows that Political Connection has a positive effect on the disclosure of social responsibility. Meanwhile, research conducted (Fu, 2019) also shows that executive political relations have a significant positive impact on the quality of social responsibility releases and reports. So that the hypothesis can be formulated as follows

**H3: Political Connection has a positive effect on the Quality of Sustainability Reports**

**RESEARCH METHODS**

This research is a type of research using quantitative methods through a causal associative approach. The causal associative approach is an approach taken to determine whether there is a relationship or influence between two or more variables, namely the independent variable (influence) and the dependent variable (influenced (Sugiyono, 2017) Causal is a form of relationship in associative research that is causal. using the associative type with the causality type is to find out the relationship or influence between the independent variables and the dependent variable, namely Stakeholder Pressure, Good Corporate Governance, and Political Connections on the Quality of Sustainability Reports. The data used in this study is secondary data obtained from various sources Data regarding the annual report and Sustainability Report come from the website www.Idx.co.id and some of the company's Sustainability Reports are obtained from the official website of each company that is included in the Kompas Index 100 for the 2018-2021 period.

The population used in this study are companies that are included in the Kompas 100 Index and have been listed on the Indonesia Stock Exchange (IDX) during the 2018-2021 period. Sampling is done through a selection procedure for the number of parts of the population which ultimately produces a sample that can summarize the characteristics of that part of the population. The research sample was selected using purposive sampling method. Purposive sampling is a sampling procedure that determines the number of samples in the standard range that will be used by researchers to show good results (Trihatmoko et al., 2020) . Researchers use several criteria, as in the table below.

**Table 1. "Research Sample Criteria"**

No.	Sample Criteria Details	Amount
1.	Number of companies included in the Kompas 100 Index and listed on the Indonesia Stock Exchange (IDX) during the 2018-2021 period	153
2.	Companies that entered/entered the Kompas 100 Index during the 2018-2021 period	(77)
3.	Companies that do not have complete data (sustainability reports or annual reports)	(42)
<b>The number of samples used in the research and meet the criteria</b>		34
<b>Total observation data for 2018-2021 (34 x 4)</b>		136

(Source: processed secondary data, 2023)

The data generated from the sample selection above has the characteristics of cross section (company) and time series (year of observation) so that the data used is panel data. Measurement of the dependent and independent variables can be seen in table 1.2. The data analysis used in this study is panel data regression using statistical software Eviews 12 which helps provide some model estimates such as CEM, FE, and REM by carrying out several stages of the model selection test, namely the Chow test, Hausman test, and Langrange multiplier test. The following is the panel data analysis equation:

$$Y = \alpha + \beta1X1a + \beta1X1b + \beta1X1c + \beta1X1d + \beta2X2a + \beta2X2b + \beta2X2c + \beta2X2d + \beta3X3 + \epsilon$$

Note: Y = Quality of Sustainability Report;  $\alpha$  = Constant;  $\beta1a$  = Environmental Pressure ,  $\beta1b$  = Consumer Pressure;  $\beta1c$  = Shareholder pressure;  $\beta1d$  = Environmental Pressure;  $\beta2a$  = Board of Commissioners Size;  $\beta2b$  = Audit Committee Size;  $\beta2c$  = Proportion of Independent Commissioners;  $\beta2d$  = Managerial Ownership ;  $\beta3$  = Political Connection  $\epsilon$  = Error

**Table 2. "Variable Operational Definition"**

Variable	Measurement	Reference
<b>Sustainability Report Quality (Y)</b>	Using content analysis with GRI Standards 2016 and 2018, 2019, 2020 (additional). Scores for GRI content analysis, a score of 0 for components that are not disclosed, a score of 1 for components that are disclosed qualitatively, and a score of 2 for components that are disclosed quantitatively.  $SRI\ t = \frac{\text{The total score disclosed}}{\text{Expected score}}$	(Rudyanto and Siregar, 2018)

	(180= 90 items from main indicators x 2)	
<b>Stakeholder Pressure (X1)</b>	<b>X1(1): Environment</b> Using dummy variables based on companies that have a direct relationship or impact with the environment.	(Rudyanto and Siregar, 2018)
	<b>X1(2): Consumer</b> Using a dummy variable based on companies belonging to industries known to the general public who are consumers of their products or services.	(Hamudiana and Achmad, 2017)
	<b>X1 (3) Shareholders</b> Industry with investors as parties that influence the company.  $\frac{\text{The number of shares held by the parent company}}{\text{Total shares}}$	(Rudyanto and Siregar, 2018)
	<b>X1(4): Employee</b> This measurement uses the natural logarithm of the number of employees.  $E01 = \text{Ln} (\text{number of employees})$	(Hamudiana and Achmad, 2017 ; Rudyanto and Siregar, 2018)
<b>Good Corporate Governance (X2)</b>	<b>X2 (1) Size of the Board of Commissioners</b> The size of the Board of Commissioners is calculated by calculating the number of members of the Board of Commissioners in a company mentioned in the annual report.  $DK = \sum \text{Member of the board of commissioners}$	(Barung et al., 2018)
	<b>X2 (2) Size of the Audit Committee</b> The size of the Audit Committee is calculated by counting the number of members of the Audit Committee in a company mentioned in the annual report.  $\text{UDIT} = \sum \text{Number of audit committees}$	(Barung et al., 2018)
	<b>X2 (3) Proportion of Independent Commissioners</b> The proportion of the Board of Commissioners is measured by the ratio or (%) between the number of independent commissioners compared to the total members of the Board of Commissioners.  $DK = \frac{\sum \text{Independent member of the board of commissioners}}{\sum \text{Member of the board of commissioners}}$	(Barung et al., 2018)
	<b>X2 (4) Managerial Ownership</b> Based on the number of shares owned by the management of the entire capital stock of the company being managed.  $KM = \frac{\text{Number of managerial shares}}{\text{Total shares outstanding}} \times 100\%$	(Suharyani et al., 2019)
<b>Political Connection (X3)</b>	Using a dummy variable for companies that have political connections based on certain criteria.	(Muliawati and Hariyati, 2021; Muttakin et al., 2018)

**RESULTS AND DISCUSSION**

Based on table 1.3, it can be seen that the number of data that became observations was 136 observations. The Sustainability Report Quality variable (Y) has a mean value of 0.280221, a median value of 0.260000, a maximum value of 0.640000, a minimum value of 0.040000. the standard deviation value is 0.124802, the skewness is 0.670136, and the kurtosis value is 3.300794.

In addition, for the independent variable Stakeholder Pressure (X1), including environmental pressure (X1a), it has a mean value of 3.882353, a median value of 4.000000, a maximum value of 8.000000, a minimum value of 0.000000, a standard deviation value of 2.641713, a skewness value of -0.2111025, a kurtosis value of 1.764457. Furthermore, consumer pressure (X1b) has a mean value of 1.808824, a median value of 2.000000, a maximum value of 5.000000, a minimum value of 0.000000, a standard deviation value of 1.118959, a skewness value of 0.636242, a kurtosis value of 3.372209. Furthermore, shareholder pressure (X1c) has a mean value of 0.597794, median value of 0.600000, maximum value of 0.900000, minimum value of 0.300000, standard deviation value of 0.120780, skewness value of 0.244890, kurtosis value of 2.894939. Finally, employee pressure (X1d) has a mean value of 8.798603, median value of 8.350000, maximum value of 12.33000, minimum value of 6.750000, standard deviation value of 1.306154, skewness value of 0.731399, and kurtosis value of 2.697615.

Furthermore, for the independent variable Good Corporate Governance (X2), the size of the board of commissioners (X2a) has a mean value of 3.808824, a median value of 3.000000, a maximum value of 8.000000, a minimum value of 2.000000, a standard deviation value of 1.183308, a skewness value of 1.558692, and a kurtosis value of 5.336142. Furthermore, the size of the audit committee (X2b) has a mean value of 6.375000, a median value of 6.000000, a maximum value of 11.00000, a minimum value of 3.000000, a standard deviation value of 1.716748, a skewness value of 0.508745, and a kurtosis value of 5.336142. Furthermore, the proportion of independent commissioners (X2c) has a mean value of 0.435735, a median value of 0.430000, a maximum value of 0.830000, a minimum value of 0.200000, a standard deviation value of 0.119998, a skewness value of 0.924167, and a kurtosis value of 3.934804. Finally, managerial ownership (X2d) has a mean value of 0.156765, a median value of 0.010000, a maximum value of 1.940000, a minimum value of 0.000000, a standard deviation value of 0.368846, a skewness value of 3.152755, and a kurtosis value of 12.69662.

Finally, the Political Connection variable (X3) has a mean value of 0.963235, a median value of 1.000000, a maximum value of 1.000000, a minimum value of 0.000000, a standard deviation value of 0.188879, a skewness value of -4.923227, and a kurtosis value of 25.23817.

**Table 3. "Descriptive Test Results of Research Variables"**

Date: 05/11/23 Time: 13:42  
Sample: 2018 2021

	Y	X1A	X1B	X1C	X1D	X2A	X2B	X2C	X2D	X3
Mean	0.280221	3.882353	1.808824	0.597794	8.798603	3.808824	6.375000	0.435735	0.156765	0.963235
Median	0.260000	4.000000	2.000000	0.600000	8.350000	3.000000	6.000000	0.430000	0.010000	1.000000
Maximum	0.640000	8.000000	5.000000	0.900000	12.33000	8.000000	11.00000	0.830000	1.940000	1.000000
Minimum	0.040000	0.000000	0.000000	0.300000	6.750000	2.000000	3.000000	0.200000	0.000000	0.000000
Std. Dev.	0.124802	2.641713	1.118959	0.120780	1.306154	1.183308	1.716748	0.119998	0.368846	0.188879
Skewness	0.670136	-0.211025	0.636242	0.244890	0.731399	1.558692	0.508745	0.924167	3.152755	-4.923227
Kurtosis	3.300794	1.764457	3.372209	2.894939	2.697615	5.336142	2.889402	3.934804	12.69662	25.23817
Jarque-Bera	10.69191	9.659924	9.960597	1.421889	12.64356	85.99533	5.935931	24.31111	758.1090	3351.770
Probability	0.004767	0.007987	0.006872	0.491180	0.001797	0.000000	0.051408	0.000005	0.000000	0.000000
Sum	38.11000	528.0000	246.0000	81.30000	1196.610	518.0000	867.0000	59.26000	21.32000	131.0000
Sum Sq. Dev.	2.102693	942.1176	169.0294	1.969338	230.3150	189.0294	397.8750	1.943926	18.36638	4.816176
Observations	136	136	136	136	136	136	136	136	136	136

(Source: Secondary data processed with E-Views 12, 2023)

The panel data regression test selected in this study uses the Fixed Effect Model (FEM) approach. Adjusted R-squared shows a value of 0.373165 or 37.3%. This indicates that the independent variable can explain the dependent variable by 37.3%. Meanwhile, the other 62.7% is explained by other variables. Based on table 4, it can be seen that the variable consumer pressure (X1b), the proportion of independent commissioners (X2c), and managerial ownership (x2d) have a positive effect on the variable Quality of Sustainability Reports (Y). While the variable environmental pressure (X1a), shareholder pressure (X1c), employee pressure (X1d), board size (X2a), audit committee size (X2b), and political connections (X3) have no effect on the quality of sustainability reports (Y).

**Table 4.** "Regression Test Results of Panel Data-Fixed Effect Model (FEM)"

Dependent Variable: Y  
Method: Panel Least Squares  
Date: 05/11/23 Time: 11:30  
Sample: 2018 2021  
Periods included: 4  
Cross-sections included: 34  
Total panel (balanced) observations: 136

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.288480	1.023313	-0.281908	0.7786
X1A	0.055614	0.067661	0.821946	0.4132
X1B	0.122408	0.053761	2.276899	0.0251
X1C	0.169353	0.373169	0.453823	0.6510
X1D	-0.021497	0.106414	-0.202009	0.8404
X2A	-0.023374	0.019904	-1.174346	0.2433
X2B	0.007381	0.012459	0.592360	0.5550
X2C	0.492411	0.245301	2.007371	0.0476
X2D	-0.092589	0.044753	-2.068879	0.0413
X3	0.063544	0.114882	0.553125	0.5815

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.568180	Mean dependent var	0.280221
Adjusted R-squared	0.373165	S.D. dependent var	0.124802
S.E. of regression	0.098809	Akaike info criterion	-1.538953
Sum squared resid	0.907985	Schwarz criterion	-0.618040
Log likelihood	147.6488	Hannan-Quinn criter.	-1.164717
F-statistic	2.913515	Durbin-Watson stat	1.879818
Prob(F-statistic)	0.000010		

(Source: Secondary data processed with E-Views 12, 2023)

**The Effect of Stakeholder Pressure on the Quality of Sustainability Reports**

Based on the results of partial testing in this study, it is known that stakeholder pressure (X1) with indicators of environmental pressure (X1a), shareholder pressure (X1c), and employee pressure (X1d) in companies included in the Kompas 100 Index have no effect on Report Quality Continuity. This indicates that even though the company receives high pressure from industry groups with environmental pressure as the main stakeholder, the company will not necessarily issue a higher quality sustainability report (Alfaiz & Aryati, 2019) . In addition, the absence of strict regulations in encouraging companies to disclose quality sustainability reports as a whole causes companies to tend to make sustainability reports solely as additional reports that have at least been disclosed without paying clear attention to the quality of the information presented (Hamudiana & Achmad, 2017) . Agency theory explains that even companies that are not sensitive to the environment have begun to be influenced by company actions and they also have legitimacy claims against companies in relation to the concepts of agency and ownership. This is in line with research conducted by (Alfaiz and Aryati, 2019) and (Hamudiana and Achmad, 2017) which explain that environmental pressure does not affect companies in disclosing quality Sustainability Reports. Meanwhile, for shareholders, the results of this study indicate that shareholders in Indonesia do not yet have high awareness of sustainability and have not paid attention to sustainability reports as the main consideration in determining which companies they will invest in and tend to only invest in companies that at least disclose sustainability reports. . This is in line with research conducted by (Rudyanto and Siregar, 2018) which shows the results that shareholder pressure does not affect companies in disclosing quality sustainability reports. On the other hand, regarding employee pressure which also does not affect the quality of the Sustainability Report, it indicates that employees in Indonesia are still not aware and tend to view sustainability reports as something that is detrimental to the company and lowers the value of the company. In addition, employees do not clearly understand the importance of the quality of the Sustainability Report disclosed by the company for them, instead employees think that the existence of a sustainability report only adds to the cost burden for the company and has no significant impact on employees. This is in line with research conducted by (Sriningsih and Wahyuningrum, 2022) which shows the results that employee pressure does not affect companies in disclosing quality sustainability reports.

Stakeholder pressure (X1) with consumer pressure indicator (X1b) has an effect on the Quality of Sustainability Reports which shows that consumers in Indonesia have high moral awareness and concern for corporate sustainability so that the pressure exerted encourages companies to disclose sustainability reports in a higher quality. In addition, companies may try to improve their

corporate image by increasing the quality and transparency of sustainability reports. This is in line with research conducted by (Rudyanto and Siregar, 2018) and (Hamudiana and Achmad, 2017) which show the results that consumers place quite strong pressure in encouraging companies to disclose quality sustainability reports. Legitimacy theory explains that companies that have close relationships with consumers tend to produce quality sustainability reports as a form of company efforts so that their operational activities can be accepted in society. The moral values that customers have for company sustainability affect the quality of the Sustainability Report (Rudyanto and Siregar, 2018).

### **The Effect of Good Corporate Governance on the Quality of Sustainability Reports**

Based on the results of partial testing in this study, it is known that Good Corporate Governance (X2) with indicators of board of commissioners size (X2a) and audit committee size (X2b) of companies included in the Kompas 100 Index does not influence companies to prepare quality Sustainability Reports. This indicates that the dominance of the board of commissioners prioritizes personal or group interests compared to company interests, especially in terms of disclosure of the Sustainability Report, so that the performance of the board of commissioners becomes ineffective. This is in line with research conducted by (Sriningsih and Wahyuningrum, 2022) which explains that the large number of commissioners causes broader conflicts of interest so that companies focus more on economic performance alone. Meanwhile, the size of the audit committee shows that the number of audit committees in a company has not been effective in supervising and encouraging company management to disclose quality sustainability reports. This is possibly due to the dominance of audit committees and audit performance which focuses more on annual financial reporting and achieving maximum company goals on the economic side alone and pays little attention to the quality of corporate sustainability from an economic, environmental and social perspective through sustainability reports. This is in line with research conducted by (Nurumina et al., 2020) which explains that the dominance of audit committees and audit performance focuses more on annual financial reporting and achieving maximum company goals on the economic side and pays little attention to the quality of corporate sustainability from economic, environmental and social aspects through the Sustainability Report.

Good Corporate Governance (X2) with indicators of the proportion of independent commissioners (X2c) and managerial ownership (X2d) in companies included in the Kompas 100 Index influence companies to disclose quality Sustainability Reports. This indicates that the proportion of independent commissioners can independently encourage companies to disclose quality Sustainability Reports. In addition, the existence of an independent commissioner can ensure that the oversight mechanism runs effectively (KNKG, 2006). This is in line with research conducted by (Aniktia and Khafid, 2015) and (Aziz, 2014) that the existence of an independent commissioner can guarantee an effective oversight mechanism. Agency theory explains that the existence of an independent commissioner in a company who has independent oversight duties can encourage companies to disclose the impact of their operational activities. Meanwhile, for managerial ownership in this study shows that the greater managerial ownership in a company, the more productive the actions of managers in maximizing company activities, especially related to corporate social and environmental responsibility activities through disclosure of quality sustainability reports. In addition, the interest that every manager has in boosting the company's image through the disclosure of quality sustainability reports can indirectly have an impact on increasing the value of shares owned by managers. Based on agency theory, managerial ownership is used as an effort to reduce conflicts of interest between principals and agents. This is in line with research conducted by (Suharyani et al., 2019) and (Aziz, 2014) which show the results that managerial ownership in a company affects the quality of sustainability report information.

### **The Effect of Political Connections on the Quality of Sustainability Reports**

Based on the results of partial testing in this study, it is known that Political Connection (X3) in companies included in the Kompas 100 Index does not influence companies to prepare quality Sustainability Reports. This indicates that the existence of political connections owned by the company has not been able to encourage companies to be more aware in disclosing quality Sustainability Reports. In addition, there are other interests that the company wants to obtain through its Political Connections or certain rules that make it impossible for companies to take advantage of their political relations in disclosing sustainability reports. Based on the theory of legitimacy, Political Connection is one of the company's efforts to gain legitimacy from stakeholders so that the company gains the trust to continue operating in the community. This is in line with research conducted by (Firmansyah et al., 2022) which shows that Political Connections do not affect the quality of social responsibility information disclosed by companies. Therefore, if this Political Connection exists, it can actually undermine the company's need to disclose quality Sustainability Reports.

This research has an important contribution in understanding the determinants of the Quality of Sustainability Reports in companies that are included in the Kompas Index 100. Through an in-depth analysis of Stakeholder pressure (X1), Good Corporate Governance (X2), and Political Connections (X3) as the main determinants, this research provides valuable insights into how these factors with several indicators used can individually or together influence companies in disclosing quality sustainability reports in Indonesia. By identifying the complex relationship between determinants and Sustainability Report Quality, this research not only provides an in-depth view of corporate reporting practices, but can help companies and regulators

to develop more effective strategies in promoting transparency, accountability, and better corporate social responsibility. in the future.

## CONCLUSION

Disclosure of sustainability reports is very important. In Indonesia, disclosure of sustainability reports which was initially voluntary has now turned into a mandatory practice. Disclosure of the current sustainability report has developed quite well, because every year there are more companies making disclosures. However, when viewed from a quality standpoint, the reports disclosed have not been maximized where investors claim to have received minimal information about non-financial information from the company. This study aims to obtain empirical evidence regarding the determinants or determinants that influence the quality of the Sustainability Report. The determinants referred to in this study consist of stakeholder pressure (X1), good corporate governance (X2), and political connections (X3).

The results of this study indicate that Stakeholder pressure (X1) with consumer indicators (X1b) and Good Corporate Governance (X2) with indicators of the proportion of independent commissioners (X2c) and managerial ownership (X2d) have a positive effect on the quality of Sustainability Reports. Meanwhile, Stakeholder pressure with environmental indicators (X1a), shareholders (X1c), employees (X1d) and Good Corporate Governance (X2) with indicators of board of commissioners size (X2a) and audit committee size (X2b) have no effect on the quality of Sustainability Reports. This is in accordance with the value of Adjusted R-squared which shows a value of 0.373165 or 37.3%. This indicates that the independent variable can explain the dependent variable by 37.3%. Meanwhile, the other 62.7% is explained by other variables.

Based on the research results, the researcher hopes for further research to develop research related to sustainability reports by linking other variables, mainly related to the level of ownership, company size and financial performance. In addition, through this research it is hoped that companies will be more aware of paying attention to the impacts that their company has both from an economic, environmental and social perspective by clearly disclosing their quality sustainability reports in accordance with GRI standards.

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