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Stakeholder Pressure And Sustainability Report Quality: Evidence From Indonesian Companies

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Abstract:
Research aims:
The purpose of this study is to analyze the influence of stakeholder pressure, particularly environmental pressure, employee pressure, investor pressure, and consumer pressure, as well as the existence of an independent board of commissioners and company size on the quality of sustainability reports published by industrial companies listed on the Indonesia Stock Exchange (IDX) between 2022 and 2024
Design/Methodology/Approach:
The research sample consisted of 38 companies, selected through purposive sampling. The data used in this study was secondary, obtained from annual reports and corporate sustainability reports obtained from the official website of the Indonesia Stock Exchange and the websites of each company. The statistical software package used for data analysis was SPSS version 26 **Research findings:**
The findings show that the existence of an independent board of commissioners affects the quality of sustainability reports. Meanwhile, pressure from the environment, employees, investors, and consumers, as well as company size, did not show any impact on the quality of these reports. Overall, these findings imply a shift in the primary determinants of sustainability reporting quality from external stakeholder-driven motivations toward internally embedded governance mechanisms under conditions of regulatory compulsion.
Theoretical contribution/ Originality:
This study contributes to the sustainability reporting literature by demonstrating that the determinants of reporting quality shift under a mandatory disclosure settings
Practitioner/Policy implication:
This study can serve as input for companies to strengthen the role of independent boards of commissioners and as consideration for regulators that internal governance may be more effective than external pressure in improving the quality of sustainability reports.
Research limitation/Implication:
This study has several limitations, namely a relatively low coefficient of determination, the use of indicators with different measurement forms that increase the complexity of the analysis, and limitations in sample selection due to the requirement that companies must be listed consecutively.
Keywords: Stakeholder Pressure, Independent Board of Commissioners, Company Size, Sustainability Report Quality

Introduction

In recent decades, sustainability and Environmental, Social, and Governance (ESG) reporting has become a major concern in global business practices. Companies are no longer only required to present financial information, but also to disclose the social and environmental impacts of their operational activities (Elkington, 1998). The growing attention to sustainability

issues has also been driven by the development of international reporting standards and frameworks such as the Global Reporting Initiative (GRI) and the establishment of the International Sustainability Standards Board (ISSB), which publishes the IFRS Sustainability Disclosure Standards (Foundation, 2023).

Generally, sustainability literature focusses primarily on environmental issues, while more specifically, the Circular Economy was presented as one of the most recent proposals for solving both environmental and economic problems (Almagtome, 2020). In the Indonesian context, attention to sustainability reporting has increased since the issuance of regulations by the Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017, which requires financial services institutions, issuers, and public companies to prepare sustainability reports. Although the regulations have been implemented, the quality of corporate sustainability reports in Indonesia still varies. Therefore, it is important to analyze the factors that influence the quality of sustainability reports, particularly in industrial companies listed on the Indonesia Stock Exchange (IDX) (Financial Services Authority, 2017).

Several studies indicate that sustainability reporting practices in Indonesia remain predominantly administrative rather than substantive. Prior research has shown that although companies formally disclose commitments to the Sustainable Development Goals (SDGs), these disclosures often lack measurable indicators, clear linkage to core operations, and evaluation of actual impact. Such practices suggest that key principles of measurability, materiality, and reliability as mandated under POJK 51/2017 are not consistently fulfilled. In addition, the absence of third-party assurance in sustainability reports raises concerns regarding report credibility. Inconsistent disclosure across reporting periods further reflects challenges in maintaining reporting quality and continuity. These issues highlight the need for greater rigor, transparency, and consistency in corporate sustainability reporting.

Recent empirical evidence indicates that sustainability reporting practices among Indonesian publicly listed companies remain at a moderate level. For instance, a market-wide assessment of sustainability disclosures shows an average Sustainability Reporting Disclosure Index (SRDI) score of approximately 62.46%, with less than half of companies achieving high disclosure scores above 80%. This suggests that, despite progress in regulatory compliance under POJK 51/POJK.03/2017, strategic and high-quality sustainability reporting continues to lag behind global expectations. Such empirical context underscores the need to investigate the governance mechanisms that influence sustainability reporting quality in the Indonesian market.

Socoliuc et al., (2021) define a Sustainability Report as a document that encompasses non-financial disclosures, including environmental performance and corporate social initiatives. This type of reporting serves to evaluate potential risks and opportunities, complementing traditional financial reports used for making business decisions. The practice of disclosing sustainability reports fosters greater openness and transparency from organizations regarding their environmental and social impacts. Furthermore, it provides a mechanism for companies to demonstrate accountability to their stakeholders in fulfilling their sustainability objectives. A commitment to sustainability is also evident when companies publish such reports, particularly when they adhere to recognized standards like the Global Reporting Initiative (GRI) Standards and the Financial Services Authority Regulations (POJK) Silvana & Khomsyiah (2023).

The first factor is stakeholder pressure. If stakeholder pressure is not applied in a company, operational activities will not run smoothly. Therefore, stakeholder pressure is very important (Sriningsih & Wahyuningrum, 2022). Freeman (1984) developed stakeholder theory by considering the relationship between companies and various groups and shareholders. Freeman proposed that stakeholders have legitimate claims on the company in relation to the concepts of ownership and agency and that stakeholders almost always have the ability to influence or be influenced by the company's actions. Pressure from stakeholders demands that reports on corporate social responsibility activities be prepared and communicated, not just any reports, but high-quality reports.

Prior empirical studies examining the determinants of Sustainability Report Quality demonstrate inconsistent findings. Several studies find that stakeholder pressure influences sustainability reporting quality, suggesting that greater demands from employees, consumers, and other stakeholders encourage more comprehensive disclosure (Sriningsih & Wahyuningrum, 2022). However, other studies report that not all stakeholder dimensions significantly affect reporting quality, with some evidence indicating that only environmental aspects exert influence (Silvana & Khomsyiah, 2023). From the perspective of Stakeholder Theory, greater stakeholder pressure is expected to encourage higher-quality sustainability disclosure. While several studies confirm this relationship, other findings indicate that not all stakeholder dimensions significantly influence reporting quality.

A second significant consideration is the role of the Independent Board of Commissioners, As outlined by Putri et al., (2022) this body functions within a company with a substantial degree of autonomy. Its primary responsibilities include overseeing the performance of the executive management and ensuring the effective implementation of a robust Good Corporate Governance framework. The presence of an independent board of commissioners is posited to motivate organizations to produce high-caliber Sustainability Reports. Consequently, these independent boards are instrumental in regulating and overseeing the dissemination of sustainability-related information. Prior investigations by Wahyudi, (2021) indicate a correlation between independent boards of commissioners and sustainability reporting. Concurrently, investigations by Wahyudi (2021) and Ludianah et al., (2022) indicate that boards of commissioners do not exert any influence over sustainability reporting.

The third determinant is the magnitude of the enterprise. Suharti et al., (2024) elucidate that company size refers to an evaluation of an organization's scale, considering metrics such as total assets, revenue, and other relevant indicators. The projected size of the company will be determined by employing the natural logarithm of its total assets. Supporting research on this factor encompasses investigations by Suharti et al., (2024), which demonstrate that the scale of a company impacts the publication of sustainability reports, as bigger firms garner greater scrutiny and possess enhanced capacity to release such disclosures. This perspective diverges from findings by Salim et al., (2023), indicating that company size has no bearing on sustainability reporting, given that both smaller and larger enterprises draw public interest through their business operations. Consequently, irrespective of a company's dimensions, it remains imperative for all to provide sustainability reports.

These conflicting findings highlight a theoretical gap regarding the extent to which stakeholder pressure, governance mechanisms, and company characteristics operate in different institutional and regulatory contexts. Existing studies have largely analyzed these factors separately, with limited integration between Stakeholder Theory, Agency Theory, and Legitimacy Theory in explaining Sustainability Report Quality. Therefore, this study aims to address this gap by developing a more integrative framework to analyze the combined influence of stakeholder pressure, independent boards of commissioners, and company size on Sustainability Report Quality (Sulemana et al., 2025).

Based on the foregoing, this study examines whether stakeholder pressure, the independence of the board of commissioners, and firm size influence the quality of sustainability reports among industrial companies listed on the Indonesia Stock Exchange (IDX) during 2022–2024. Theoretically, the study contributes to the literature by re-examining the roles of external and internal governance mechanisms under Indonesia's mandatory sustainability reporting regime, providing insights into whether regulatory requirements reinforce, substitute for, or weaken the influence of stakeholder pressure and corporate governance on sustainability reporting quality.

Literature Review and Hypotheses Development

Theoretical Basis

According to Freeman (1984) at the Stanford Research Institute (SRI), stakeholder theory explains how individuals or groups within an organization influence the process of achieving organizational goals. Suharti et al., (2024) state that one important theory often used in researching sustainability reports is stakeholder theory. Stakeholders are individuals or entities that are expected to have significant power to influence business activities, including products and services. They can also influence how companies implement strategies to achieve their targets. It is hoped that the disclosure of this sustainability report will serve as a tool for interacting with stakeholders and meeting their needs in order to maintain good relationships with them.

Stakeholder theory is a theory that explains how company management meets or manages stakeholder expectations. Stakeholder theory says that a company is not an entity that works for its own interests but also to provide benefits to stakeholders. The social activity of a company must go beyond maximizing profit in the interests of its shareholders. However, if it is expanded further, it is not only the interests of shareholders but also of all parties related to the company. These include, among others, suppliers, customers, governments, local communities, investors, employees, political groups and trade associations (Wahyudi, 2021).
Silvana & Khomsyiah (2023) in their research state that stakeholder theory is a structural framework within a company that is used to generate profits, such as increasing business success and improving corporate accountability.

This theory remains focused on the main objective of the company, which is to meet the interests of stakeholders. Companies engage in sustainability reporting as part of their responsibilities. This reporting highlights the social and environmental activities undertaken by the company and the impact of these activities, which are described in detail in the sustainability report. Therefore, there is a close relationship between sustainability reporting and stakeholder influence.

Jensen and Meckling created the agency theory in 1976 to explain the relationship between agents and principals. Agency problems occur when principals contract agents to complete tasks and compensate them. According to Puspitaningrum & Indriani (2021), this shows that there are differences in interests within a company that continue to be pursued in order to increase the company's profits. As a result, information problems arise between management and company owners because of this.

In Ludianah et al., (2022) the legitimacy theory was first proposed by Dowling and Pfeffer (1975). According to legitimacy theory, companies must strive to follow local norms. Following local norms can give companies a good image in the eyes of external parties. By disclosing sustainability reports, companies show that they are acting in the interests of society and are acceptable to society, generating value that is beneficial to society. According to the theory of societal legitimacy, companies' social and environmental activities generate societal legitimacy.

By integrating Stakeholder Theory, Agency Theory, and Legitimacy Theory, this study develops a comprehensive conceptual framework in which external pressure (stakeholders), internal monitoring mechanisms (independent commissioners), and organizational characteristics (firm size) jointly explain variations in Sustainability Report Quality.

Sustainability Report Quality

According to Fuadah et al., (2018), sustainability reporting is characterized as a systematic approach that enables organizations to establish objectives, assess their achievements, and guide transformations toward a sustainable worldwide economy, integrating enduring financial viability with social accountability and ecological guardianship. This reporting serves as a primary mechanism for disclosing a company's economic, environmental, social, and governance outcomes, encompassing both favorable and unfavorable effects.
Sustainability is a popular topic within the academic literature. The concept of sustainability is linked to the concept of sustainable development, which is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own need”(Badia et al., 2020).

The Global Reporting Initiative (GRI) is a nonprofit organization based around the world that was established to help them create and publish sustainability reports. The GRI establishes standards and guidelines for the process. Sustainability reports allow companies to meet their obligations by communicating their performance in 3 aspects, namely economic, social, and environmental aspects (Lulu, 2021).

This study employs the Financial Services Authority's indicator standard to evaluate the completeness of sustainability reports issued by companies, thereby assessing the overall quality of such disclosures. A sustainability report is deemed to exhibit high quality when it enables stakeholders to derive benefits and when the disclosed information is comprehensive.

Stakeholder Pressure

According to Suharyani (2019), stakeholders represent a crucial element of any organization, as their absence would render the company incapable of operating. They exert substantial influence on the company's continued existence. The drivers prompting organizations to disclose their sustainability efforts stem from pressures exerted by these stakeholders. Lulu (2021) also explain that companies that receive pressure from stakeholders who are highly sensitive and concerned about the environment are pressured to become more aware of business continuity and sustainability in all aspects. Stakeholder theory shows that companies can grow and develop because they have good relationships with the environment. Stakeholders are pressuring businesses to be more transparent by reporting their ESG-related actions, plans, and policies (Almaqtari et al., 2023).

In a study by Suharyani (2019), established a connection between stakeholder pressure and the valuation assigned to stakeholders. This finding aligns with stakeholder theory, which posits that internal and external interests hold equivalent importance. Stakeholders exert comparable influence in prompting organizations to factor them into decision-making processes. The motivating elements encompass both internal and external factors, categorized into four distinct groups. Such pressures exert an impact on consumers, investors, employees, and the environment.

Silvana & Khomsyiah (2023) posit that organizations fostering intimate connections with consumers tend to garner enhanced recognition among the general populace, with the relationship being reciprocal. Such firms frequently disseminate details about their social endeavors due to their proximity to customers. This practice underscores a positive social perception in the view of consumers and society at large. Pursuant to stakeholder theory, enterprises are required to demonstrate accountability to their stakeholders, which includes consumers. Explains that an industry is considered investor-oriented if it has many investors and widespread share ownership. According to the stakeholder theory framework, investors and shareholders are positioned as stakeholders who are entitled to benefits from the company in various forms of non-financial and financial information (Suharyani, 2019)

Suharyani (2019) also explains that in employee-oriented industries, the more employees there are, the more obligations the company must fulfill. Due to the pressure exerted by employees, companies must be clearer about what they are doing. Employee-oriented industries mean that companies must fulfill the rights of each of their employees, because failure to do so will have negative impact on the company (Silvana & Khomsyiah, 2023)

Stakeholder pressure denotes the amount of accountability that firms have to endure their actions and decisions related to designing the product(s), sourcing raw materials, usage of production systems, or distribution network while carrying out its activities (Singh et al., 2022).

Independent Board Of Commissioners

Nurohati (2020) explains that according to Limited Liability Company Law Number 40 of 2007, Article 108 paragraph (5) states that limited liability companies must have at least two members of the Board of Commissioners. Therefore, the number of members of the Board of Commissioners in each company varies because it must be adjusted to the complexity of the company while still considering the effectiveness of decision-making. The responsibility of the board of commissioners is to oversee management in order to ensure alignment with the interests of stakeholders. A competent board of commissioners can assist the company in guaranteeing that management operates in harmony with stakeholders' preferences, which forms the cornerstone of corporate social responsibility as outlined in stakeholder theory.

Wahyudi (2021) Explain that the Independent Commissioner is a commissioner who is not a member of management, majority shareholder, official or in other ways has direct or indirect contact with the majority shareholder of a company that oversees the management of the company. The existence of an independent commissioner is regulated in the provisions of the Indonesian Stock Exchange (IDX) Securities Listing Regulation Number I-A concerning General Provisions for Listing of Equity Securities on the Exchange which took effect from 1 July 2000.

Company Size

Firm size can be measured by the total of assets it owns. If the company has a large number of assets, then the company can be categorized as a large company. Investors more often invest in large companies, because large companies are considered to have good development and are able to improve company performance. This of course can have an impact on firm value which will increase due to good investor perceptions of the company (Bon & Hartoko, 2022).
According to Suharti et al., (2024), Company size serves as a metric for evaluating a firm's scale, primarily through indicators such as total assets, revenue, and market capitalization. This assessment holds significance as it influences key elements of the organization, including its structural framework, strategic direction, and competitive positioning. The reliance on total assets stems from the premise that they provide a reliable indicator of the company's overall magnitude.

Environmental pressure and the quality sustainability reports.

Wahyudi (2021) explain that according to stakeholder theory, companies are not entities that work only for their own interests, but also to help stakeholders. Maheswari & Ramadhan (2024) state that environmentally conscious businesses often publish excellent CSR reports. In addition, under pressure from the public and environmentally conscious communities, companies feel compelled to improve the environment that has been negatively impacted by their operations. Therefore, companies are motivated to publish good sustainability reports to increase public trust. This is due to the fact that investors are becoming more aware of environmental issues as businesses become more sensitive to these issues, resulting in increased reporting on the environmental impact of companies.

Research by Sriningsih & Wahyuningrum (2022) and Lulu (2021) shows that stakeholder pressure from environmentally oriented industries plays an important role in influencing companies' engagement and good relations with the community and the environment. Other studies have also provided research results on the influence of stakeholder pressure from environmental factors on sustainability report quality. Suharyani (2019) the text further indicates that numerous factors and dynamics shape the operations of companies and organizations, notably including pressures exerted by stakeholders. These pressures may originate from diverse groups, including employees, customers, suppliers, governmental

entities, local communities, and additional parties. Drawing upon the scientific explanations and empirical findings from prior studies outlined earlier, the following hypothesis is proposed:
H1: Environmental pressure influences the quality of sustainability reports.

Employee pressure and the quality sustainability reports

According to Suharyani (2019), this aligns with stakeholder theory, which posits that organizations must account for the interests of diverse parties engaged in their operations, including employees. Consequently, sectors that prioritize employee welfare are likely to encourage workers to perceive that the firm fulfills their expectations for clear and comprehensive reporting on social and environmental accountability.

Qomariah (2021) states that companies will make every effort to improve the working conditions of their employees, develop workers' rights to improve safety in the workplace, and provide fair compensation. Companies try to avoid criticism or punishment by focusing on the wishes of employees from a community perspective. In addition, they strive to ensure that they fulfill their obligations to the authorities. An unresponsive sustainability strategy can lead to unreliable reporting of information. Under pressure from employees, companies will be able to take sustainable action as a social responsibility and implement such strategies.

Widyastuti (2022) explains that employees are a company's main asset, and they participate in all company operations. Employee engagement affects company performance. This stems from the recognition that employees are key stakeholders who hold a significant position within the company's internal operations. As primary stakeholders in corporate social responsibility (CSR), their actions and perceptions regarding CSR initiatives can exert substantial influence on the organization. Moreover, there has been a rise in employees' attentiveness to the reliability and openness of the company's social and environmental disclosures. Drawing from the theoretical framework and empirical findings of prior studies outlined above, the following hypothesis is proposed:
H2: Employee pressure influences the quality of sustainability reports.

Investor pressure and the quality of sustainability reports.

Sriningsih & Wahyuningrum (2022) argue that based on stakeholder theory, every investor or shareholder is entitled to company information, both financial and non-financial. Investors also need information related to the social environment to consider when making decisions, and they will seek to obtain good reports through oversight mechanisms, both directly and indirectly. Investor-focused industries are clearer in providing high-quality information, especially reports that provide comprehensive and thorough information about the company's sustainable performance, which can elicit positive investor feedback, helping investors assess the company's future potential (Suharyani, 2019).

Widyastuti (2022) states that shareholders also have the power to compel companies to meet shareholder needs. Thus, shareholders can encourage companies to issue better and more comprehensive Corporate Sustainability Reports. This aligns with the findings of Hummel & Szekely (2022), who demonstrated that industries oriented toward investors exert an influence on the transparency of sustainability reports. Drawing from the scientific explanations and

empirical data derived from prior studies outlined above, the following hypothesis is proposed:
H3: Investor pressure influences the quality of sustainability reports.

Consumer pressure and the quality of sustainability reports

Widyastuti (2022) states that companies that are closer to their customers will produce clearer sustainability reports. Most people believe that companies are under social pressure to improve their performance and provide social and environmental information. According to stakeholder theory, companies choose to voluntarily disclose information about their social and environmental activities if it is not necessary to meet the actual expectations of their stakeholders.

According to Lulu (2021), organizations endeavor to foster positive connections with their clientele by openly revealing details concerning their environmental, social, and intellectual achievements, with the objective of enhancing their corporate reputation and thereby impacting sales. In essence, firms that cultivate favorable ties with consumers are more inclined to provide disclosures regarding their social and environmental obligations. Drawing from this theoretical framework and supporting empirical findings from prior studies, the following hypothesis is proposed:
H4: Consumer pressure influences the quality of sustainability reports.

The Independent Board and the Quality of Sustainability Reports

Based on the concept of agency theory, corporate governance is a mechanism for managing a company. Good management, especially through the supervisory mechanisms of the board of commissioners and audit committee, will encourage the disclosure of good sustainability reports. This is because these reports provide comprehensive information to avoid information asymmetry between agents and principals (Nurumina et al., 2020). According to Wahyudi (2021), enhanced supervision from the board of commissioners can elevate the standard of information transparency in sustainability reports. This improvement facilitates more thorough disclosure of non-financial data, including details on environmental and social matters. Furthermore, the composition of the board of commissioners, particularly
its size and the number of members, plays a role in shaping the extent of such disclosures, with larger boards exerting a greater influence on reporting practices.
Research by Wahyudi (2021) indicates that effective corporate governance, particularly from the board of commissioners, significantly enhances the quality of sustainability report disclosures. Additionally, a separate investigation by Suharyani (2019) examines the impact of the board of commissioners on the overall quality of sustainability reports. Drawing from these scholarly insights and empirical findings, the following hypothesis is formulated:
H5: The Independent Board of Commissioners influences the Quality of Sustainability Reports

The size of a company and the quality of sustainability reports.

Legitimacy theory states that companies seek to maintain legitimacy by aligning their operations with the norms and values of the society in which they operate, particularly in terms of social and environmental practices. Larger companies are often more publicly scrutinized and better known, so they are more likely to produce in-depth sustainability reports to uphold their legitimacy.

Savitri (2021) argues that organizations generating substantial revenues are inherently capable of allocating greater resources toward thorough financial reporting, encompassing both mandatory financial statements and discretionary disclosures such as sustainability reports. It is imperative for all companies to cultivate a positive reputation and perceived legitimacy among the public, demonstrating that their business practices and operational management adhere to established ethical standards and societal expectations.

Research indicates that large corporations frequently face intense oversight from governmental bodies, the public, and media outlets. Consequently, such entities must prioritize transparency and accountability in their environmental, social, and governance (ESG) practices due to this heightened scrutiny. A key method for exhibiting social responsibility and addressing stakeholder demands involves sustainability reporting. As a result, this reporting is commonly integrated into the risk management and reputation strategies of major firms. Drawing from the scientific analysis and empirical data reviewed, the following hypothesis is proposed:
H6: The size of a company influences the quality of sustainability reports.

Research Method

Research Design

This study employs a quantitative research design using secondary data, which aligns with the objective of examining the determinants of sustainability reporting quality. The observation period spans three consecutive years (2022–2024), and the sample includes companies consistently listed during this period to ensure a balanced panel structure, thereby enhancing data reliability and comparability.

Sample

This investigation employs a quantitative research methodology. As outlined by Sugiyono (2024), quantitative research methods are rooted in positivist philosophy, designed to investigate specific populations or samples, and utilize instruments for data collection; the objective of quantitative or statistical data analysis is to verify predetermined hypotheses. The study's emphasis lies on the 2022–2024 sustainability reports, which will explore stakeholder pressure, the Independent Board of Commissioners, and company size. The population comprises companies in the industrial sector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period.
The requirements that must be satisfied for the selection of samples in this study are detailed as follows:
1. Listing for 3 consecutive years of research.
2. Consistent use of POJK standards for the 2022-2024 period.

In accordance with the established criteria, the study includes 38 companies as research samples. Given that the investigation covers a three-year period from 2022 to 2024, the total volume of data analyzed comprises 114 data points.

Table 1. Sample Selection Criteria

No	Description	Amount
1	Industrial Sector Companies listed on the Indonesia Stock Exchange (IDX) during the period 2022-2024 (Base Year 2024)	63
2	Not listed for 3 consecutive years of research	(20)
3	Inconsistent use of POJK Standards for the 2022-2024 period.	(5)
	Number of samples	**38**
	Year of research	**3**
	Amount of data processed	**114**

Measurement of Variable

Sustainability Report Quality

Sustainable Finance is the comprehensive support of the financial services sector to create sustainable economic growth by aligning economic, environmental, and social interests (Financial Services Authority, 2017).

$$SRDI = \frac{n}{k}$$

Stakeholder Pressure

Nurumina et al., (2020) states that pressure from authorities is an important component in the sustainability reporting process. They emphasize that stakeholder engagement improves corporate social performance and serves as an internal driver that shapes corporate culture.

Environmental Pressure :The Dummy Scale scores 1 and 0. Score 1 for the agricultural, mining, chemical, machinery, motor vehicle parts and components, cables, property, housing, construction, energy, highways, airfields, ports, transportation, non-building construction, and electronics industries. In addition to the industries mentioned, it is given a score of 0.

Consumer Pressure : The Dummy Scale scores 1 and 0. Score 1 for the consumer goods, financial services, restaurants, hotels and tourism, retail goods, printing, advertising, media, healthcare, textiles and garments, footwear, energy, investment, and telecommunications industries. Other industries mentioned are given a score of 0.

Investor Pressure : $\frac{Number\ of\ Shares\ held\ by\ the\ parent\ company}{Total\ Shares\ Outstanding}$

Employee Pressure : $Ln\ (Total\ Number\ of\ Company\ Employees)$

Independent Board of Commissioners

The independent board of commissioners is a part of a company with a high level of independence, has the responsibility to monitor management performance, and implement a Good Corporate Governance system (Putri et al., 2022).

Company Size

Firm size is defined as how large a company is in terms of its total assets. Large companies are responsible for disclosing their activities to the public (Hummel & Szekely, 2022).

$Firm\ Size\ =\ Log\ Total\ Assets$

Data Analysis Techniques

This study utilizes quantitative analysis as the primary data analysis technique. Quantitative analysis entails the examination of numerical data, with interpretations derived through statistical testing. This study used pooled OLS because the observation period was relatively short (three years) and the variation between times was limited. In addition, the focus of the research is on the relationships between variables in general, not on the dynamics of individual changes of companies over time. The analytical approach incorporates descriptive statistical methods, classical assumption evaluations, multiple linear regression analysis, and hypothesis testing, all conducted with the assistance of SPSS 26 software on a computer.

Result

This section presents the empirical findings of the study and discusses their implications in relation to the proposed hypotheses, theoretical framework, and previous studies. The analysis begins with descriptive statistics to provide an overview of the characteristics and distribution of the research variables. Subsequently, inferential analyses are conducted to examine the relationships among stakeholder pressure, the independence of the board of commissioners, firm size, and sustainability report quality.

Results of Descriptive Statistical Analysis

Table 2 presents the descriptive statistics of the research variables, including the minimum, maximum, mean, and standard deviation values. These statistics provide a general overview of the characteristics and distribution of the data, serving as the basis for subsequent inferential analyses and hypothesis testing.

Table 2. Descriptive Statistics Results

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Environmental Pressure	114	0,00	1,00	0,8158	0,38937
Consumer Pressure	114	0,00	1,00	0,6053	0,49095
Investor Pressure	113	-0,06	0,93	0,4631	0,21257
Employee Pressure	114	1,92	11,91	6,7189	2,00002
Independent Board of Commissioners	114	0,18	0,61	0,4155	0,08323
Company Size	113	23,33	32,67	27,9975	1,90355
Quality of Sustainability Reports	114	0,54	1,07	0,8710	0,14626
Valid N (listwise)	112				

The descriptive statistics pertaining to the variables employed in the investigation of industrial sector firms listed on the Indonesia Stock Exchange, covering the period from 2022 to 2024, indicate that the dataset consisted of 114 analyses drawn from 38 companies. There were 112 valid or processed data and 2 missing or unprocessed data. Based on the standard errors of mean, the maximum and minimum population data ranges for each variable can be determined.

Results of Classical Assumption Tests

Classical assumption tests were conducted to evaluate the suitability of the regression model. The normality test indicated that the residuals were normally distributed, as evidenced by a Shapiro–Wilk significance value of **0.072**, which exceeds the 0.05 threshold. The Durbin–Watson statistic of **0.940** also indicates that the model is free from autocorrelation. Furthermore, the heteroscedasticity test showed that all independent variables have significance values greater than **0.05**, confirming the absence of heteroscedasticity. The multicollinearity test further demonstrated that all tolerance values exceed **0.10** and all VIF values are below **10**, indicating that multicollinearity is not present among the independent variables. Overall, these results confirm that the regression model satisfies the classical assumptions and is appropriate for hypothesis testing.

Multiple Linear Regression Test Results

Multiple linear regression analysis was performed to examine the effects of environmental pressure, consumer pressure, investor pressure, employee pressure, the independent board of commissioners, and company size on sustainability report quality. The regression results provide information on the direction and significance of each independent variable in explaining variations in sustainability report quality. The results of the partial **t-test** are presented in Table 3**.**

Table 3. Partial t-Test Results

Hypothesis	**Independent Variable**	**Path Coefficient (β)**	**Sig.**	**Conclusion**
H1	Environmental Pressure	-0.021	0.600	**Not Supported**
H2	Consumer Pressure	-0.030	0.307	**Not Supported**
H3	Investor Pressure	-0.130	0.058	**Not Supported**
H4	Employee Pressure	-0.014	0.276	**Not Supported**
H5	Independent Board of Commissioners	-0.438	0.013	**Supported**
H6	Company Size	0.022	0.098	**Not Supported**

Significance level: α = 0.05.

Based on Table 3, it can be seen that to determine the multiple regression equation that measures the effect of Environmental Pressure, Consumer Pressure, Investor Pressure, Employee Pressure, Independent Board of Commissioners, and Company Size on Sustainability Report Quality, the following regression coefficient analysis was performed:

$$Y = 0,624 - 0,021X_1 – 0,030X_2 - 0,130X_3 - 0,014X_4 - 0,438X_5 + 0,022X_6 + e$$

Where:
Y = Sustainability Report Quality
a = Intercept (Constant)

b1-6 X1-6 = Regression coefficients for X1 – X6
e = Cross-Section Error

The results of the partial *t*-test indicate that only one hypothesis is supported. Environmental pressure (β = −0.021, *p* = 0.600), consumer pressure (β = −0.030, *p* = 0.307), investor pressure (β = −0.130, *p* = 0.058), employee pressure (β = −0.014, *p* = 0.276), and company size (β = 0.022, *p* = 0.098) do not have a statistically significant effect on sustainability report quality, as all significance values exceed the 0.05 threshold. Consequently, Hypotheses H1, H2, H3, H4, and H6 are not supported. In contrast, the independent board of commissioners has a significant effect on sustainability report quality ($\beta = -0.438$, $p = 0.013$), supporting H5. These findings suggest that, among the proposed determinants, only the independent board of commissioners significantly influences the quality of sustainability reporting in industrial companies.

Results of the Coefficient of Determination Test (R^2)

The coefficient of determination test shows an R^2 value of 0.101 and an adjusted R^2 value of **0.050**, indicating that the independent variables explain **10.1%** of the variation in sustainability report quality, while the remaining **89.9%** is influenced by other factors not included in the model. Although the explanatory power of the model is relatively low, this result is common in sustainability reporting research, where reporting quality is shaped by multiple organizational, institutional, regulatory, and stakeholder-related factors. Therefore, the findings suggest that environmental pressure, consumer pressure, investor pressure, employee pressure, the independent board of commissioners, and company size capture only a limited proportion of the determinants influencing sustainability report quality.

Based on the SPSS output table titled "Summary of Determination Coefficient Test," the coefficient of determination (R^2) is calculated as 0.101, equivalent to 10.1%. This indicates that 10.1% of the variance in the dependent variable can be attributed to the influence of the independent variable, with the remaining 89.9% accounted for by other factors. Low R^2 values are often observed in sustainability and disclosure research due to the inherently multidimensional, strategic, and context-dependent nature of reporting practices.

Discussion

The Influence of Environmental Pressure on Sustainability Report Quality

The findings indicate that environmental pressure does not significantly influence sustainability report quality. This result suggests that firms facing greater environmental pressure do not necessarily produce higher-quality sustainability disclosures. According to Stakeholder Theory, organizations are expected to respond to stakeholder demands by enhancing transparency and accountability to maintain legitimacy and organizational support (Freeman, 1984). However, the insignificant relationship observed in this study indicates that environmental pressure alone is insufficient to drive improvements in sustainability reporting quality. One possible explanation is that sustainability reporting in Indonesia has become increasingly standardized following the implementation of mandatory disclosure regulations through POJK No. 51/POJK.03/2017. Consequently, firms tend to adopt relatively similar reporting practices regardless of the degree of environmental pressure they experience. This finding is also consistent with Institutional Theory, which argues that coercive regulatory pressures reduce organizational heterogeneity by encouraging compliance with uniform reporting standards (DiMaggio & Powell, 1983). Similar findings have been reported by Michelon et al. (2015) and Cormier and Magnan (2015), who found that regulatory compliance often outweighs external stakeholder pressure in determining disclosure quality.

The Influence of Consumer Pressure on Sustainability Report Quality

Consumer pressure was found to have no significant effect on sustainability report quality. Although consumers are recognized as important stakeholders capable of influencing corporate behavior, their influence may be expressed primarily through purchasing decisions, brand reputation, and market preferences rather than formal sustainability reporting practices. Stakeholder Theory suggests that organizations respond to stakeholders according to their salience and influence (Freeman, 1984). Nevertheless, sustainability reports remain highly technical documents that are generally more relevant to institutional investors, regulators, and governance bodies than to individual consumers. Consequently, consumer pressure may encourage operational improvements without necessarily improving disclosure quality. This finding is consistent with previous studies indicating that customer expectations do not always translate into more comprehensive sustainability reporting (Michelon et al., 2015; Clarkson et al., 2008).

The Influence of Investor Pressure on Sustainability Report Quality

Investor pressure was not found to significantly affect sustainability report quality. From the perspectives of Stakeholder Theory and Agency Theory, investors are expected to encourage greater transparency in order to reduce information asymmetry between managers and shareholders (Jensen & Meckling, 1976). However, the insignificant finding suggests that investors in the Indonesian industrial sector may continue to prioritize financial performance and firm value over the quality of sustainability disclosures. Furthermore, mandatory sustainability reporting regulations may have reduced differences in disclosure practices across firms, thereby limiting the observable influence of investor pressure. Similar findings have been reported by Dhaliwal et al. (2011), who noted that investors often evaluate sustainability information in conjunction with broader financial considerations rather than relying solely on disclosure quality.

The Influence of Employee Pressure on Sustainability Report Quality

The results reveal that employee pressure does not significantly affect sustainability report quality. Although employees represent important internal stakeholders, workforce size alone may not adequately capture the extent of employee influence over sustainability-related decisions. Sustainability reporting is generally coordinated by senior management and specialized sustainability teams rather than by employees collectively. Consequently, employee influence is more likely to be reflected in organizational culture, operational sustainability initiatives, and internal governance practices than in formal disclosure quality. This finding supports previous research suggesting that internal stakeholder influence depends more on organizational participation mechanisms than on workforce characteristics alone (Aguilera et al., 2007).

The Influence of Independent Boards of Commissioners on Sustainability Report Quality

The study demonstrates that the proportion of independent boards of commissioners has a significant negative effect on sustainability report quality. This finding contradicts Agency Theory, which argues that independent commissioners strengthen monitoring effectiveness and improve corporate transparency (Jensen & Meckling, 1976). The negative relationship may indicate that board independence in Indonesian industrial companies is often implemented to satisfy regulatory requirements rather than to enhance substantive oversight of sustainability reporting. Independent commissioners may possess limited expertise in sustainability issues or insufficient authority to influence sustainability disclosure policies. Consequently, formal board independence does not necessarily translate into higher reporting quality. Similar concerns regarding the symbolic implementation of governance mechanisms have been discussed within Institutional Theory, where organizations frequently adopt governance structures primarily to achieve regulatory legitimacy (DiMaggio & Powell, 1983). These findings suggest that regulators should focus not only on board independence requirements but also on strengthening commissioners' competence and involvement in sustainability governance.

The Influence of Company Size on Sustainability Report Quality

Firm size does not significantly influence sustainability report quality. Although larger firms generally possess greater financial resources, organizational capabilities, and public visibility, these advantages do not automatically translate into higher-quality sustainability disclosures. Under Indonesia's mandatory sustainability reporting framework, companies of different sizes may face similar disclosure obligations, thereby reducing differences attributable to firm size. This finding suggests that governance quality, managerial commitment, and regulatory compliance are more important determinants of sustainability reporting quality than organizational scale. The result contrasts with Legitimacy Theory, which predicts that larger firms disclose more sustainability information to maintain public legitimacy (Deegan, 2002), but is consistent with studies showing that regulatory standardization can reduce size-related variation in disclosure practices (Brammer & Pavelin, 2008).

Conclusion

This study investigated the effects of stakeholder pressure, independent boards of commissioners, and firm size on sustainability report quality among industrial companies listed on the Indonesia Stock Exchange during 2022–2024. The empirical findings reveal that environmental pressure, consumer pressure, investor pressure, employee pressure, and firm size do not significantly influence sustainability report quality. In contrast, the independent board of commissioners has a significant negative effect, indicating that board independence alone does not necessarily improve the quality of sustainability reporting.

The findings contribute to the sustainability reporting literature by demonstrating that stakeholder pressure is insufficient to explain variations in sustainability report quality within a mandatory reporting environment. Instead, institutional factors and corporate governance mechanisms appear to play a more prominent role in shaping disclosure practices. These results extend Stakeholder Theory by suggesting that the influence of stakeholders may be moderated by regulatory contexts that standardize corporate reporting behavior.

From a practical perspective, the findings suggest that regulators should strengthen not only mandatory sustainability reporting requirements but also the effectiveness of corporate governance mechanisms by improving the sustainability competence, monitoring capacity, and active involvement of independent commissioners. Companies should similarly view sustainability reporting as a strategic governance tool that reflects genuine accountability rather than merely regulatory compliance.

This study is subject to several limitations. The relatively low explanatory power of the regression model indicates that sustainability reporting quality is influenced by additional governance, institutional, and organizational factors not included in the analysis. Furthermore, the study focuses exclusively on industrial companies listed on the Indonesia Stock Exchange over the 2022–2024 period, which may limit the generalizability of the findings. Future research is encouraged to incorporate broader governance variables, ESG-related characteristics, institutional quality, and cross-industry or cross-country comparisons to develop a more comprehensive understanding of the determinants of sustainability reporting quality.

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