

The Role Of Audit Committee Supervisory Quality: The Effect Of Stakeholder Pressure On The Quality Of Sustainability Reporting

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ABSTRACT

This study aims to examine the effect of media exposure and investor pressure on the quality of sustainability reporting, as well as the role of audit committee oversight as a moderating variable in energy companies listed on the Indonesia Stock Exchange for the period 2021–2024. Data were obtained from annual reports and sustainability reports using purposive sampling, resulting in 268 samples. Multiple regression analysis with MRA testing was conducted. The results show that media exposure has a significant positive effect, while investor pressure has a negative effect. The role of audit committee oversight does not moderate the relationship between media exposure and sustainability reporting quality, but it does weaken the effect of investor pressure on sustainability reporting quality and can even change the direction of the coefficient to positive.

Keywords: Sustainability Reporting; Stakeholder; Media Exposure; Investor Pressure; Audit Committee

Pengaruh kinerja CSR terhadap profitabilitas dengan pendidikan dan masa jabatan CEO sebagai moderasi

ABSTRAK

Penelitian ini bertujuan menguji pengaruh eksposur media dan tekanan investor terhadap kualitas sustainability reporting, serta peran pengawasan komite audit sebagai variabel moderasi pada perusahaan energi yang terdaftar di Bursa Efek Indonesia periode 2021–2024. Data diperoleh dari laporan tahunan dan laporan keberlanjutan dengan purposive sampling sehingga didapat 268 sampel. Analisis regresi berganda dengan uji MRA. Hasil menunjukkan eksposur media berpengaruh positif signifikan, sementara tekanan investor berpengaruh negatif. Peran pengawasan Komite audit tidak memoderasi hubungan eksposur media, namun memperlemah pengaruh tekanan investor terhadap kualitas sustainability reporting bahkan perannya dapat mengubah arah koefisien menjadi positif.

Kata kunci: Sustainability Reporting; Stakeholder; Eksposur Media; Tekanan Investor; Komite Audit

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INTRODUCTION

Sustainability issues are now the main focus of global corporate governance practices, in line with increasing awareness of the impact of business activities on the environment and society. Stakeholder awareness of Environmental, Social, and Governance (ESG) principles encourages companies to not only focus on financial profits, but also pay attention to long-term sustainability aspects. In this context, sustainability reporting has become an important medium used by companies to transparently disclose their social and environmental responsibilities. Sustainability reports not only serve as a strategic communication tool, but also as an instrument of public accountability that can curb opportunistic management behavior. Through quality disclosure, companies can strengthen their legitimacy in the eyes of stakeholders while building a positive reputation that supports business sustainability.

According to the Hindrich-IMD Sustainable Trade Index (2024) report, Indonesia ranks 18th out of 30 countries globally with a score of 45.3, lagging behind most Southeast Asian countries. Within the ASEAN region, Indonesia ranks sixth, behind Singapore, Thailand, the Philippines, Vietnam, and Malaysia, which are more advanced in economic, social, and environmental aspects. This condition reflects that despite progress, Indonesia's commitment to transparency and the quality of sustainability reporting is still not in line with regional standards. This less competitive position signals the need to strengthen regulations, monitoring mechanisms, and stakeholder pressure so that the quality of sustainability reports is more substantial and relevant to ESG issues.

Therefore, the quality of sustainability reporting in Indonesia currently faces serious challenges. Data from Dara & Barokah (2022) shows that only 23% of companies in Indonesia comply with the Global Reporting Initiative (GRI) guidelines. This condition indicates a gap between global standards and disclosure practices in the field. The low quality of reporting can be attributed to weak internal capacity within companies and a lack of effective oversight from governance mechanisms.

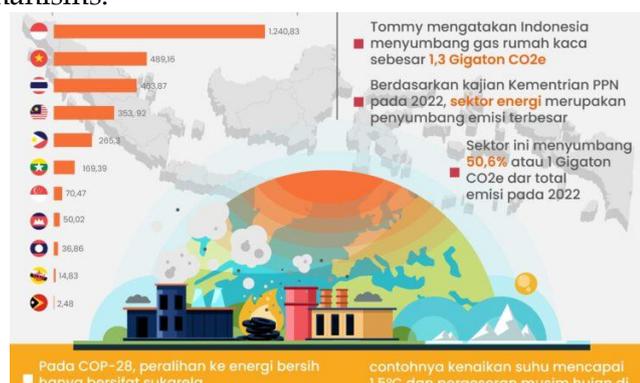


Figure 1. Energy Sector Contributes Most to Emissions in Indonesia

Source: Katadata.co.id (2024)

Specifically in the energy sector, the urgency of improving the quality of sustainability reporting is becoming increasingly pressing. This sector is the largest contributor to greenhouse gas emissions in Indonesia, accounting for around 50.6% of total national emissions (Katadata.co.id, 2024). In the context of

Indonesia's commitment to Net Zero Emissions by 2060, energy companies are facing intense pressure from the public and investors to transition to low-carbon energy sources. Pressure from stakeholders, particularly the media and investors, plays an important role in driving this transparency. The media serves as a mechanism for public monitoring by highlighting environmental and social issues, while ESG-oriented investors pressure companies to disclose their sustainability performance in a credible manner.

The audit committee acts as one of the supervisory instruments established by the board of commissioners. The existence of the audit committee is regulated in various regulations, including Peraturan Otoritas Jasa Keuangan No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of the Audit Committee, as well as the company charter which stipulates that the Audit Committee must hold meetings at least once every three months (quarterly). Despite its important role, the audit committee does not have the direct authority to issue warnings or instructions to the board of directors. This is in line with the two-tier board system principle that applies in Indonesia, where the separation of functions between the board of commissioners (supervisory) and the board of directors (management) is strictly maintained to avoid conflicts of interest and maintain independence. Thus, any findings or recommendations made by the audit committee are submitted to the board of commissioners, which then decides on strategic measures, including issuing warnings or instructions to the board of directors.

However, previous studies have shown inconsistent results regarding the influence of stakeholder pressure on the quality of sustainability reporting. Several studies by Octora & Amin (2023); Sriningsih & Wahyuningrum (2022) found a positive influence, while other studies showed different results. On the other hand, the role of the audit committee as one of the pillars of good corporate governance has rarely been explored as a moderating factor in this relationship. In fact, the intensity of audit committee oversight is believed to strengthen accountability and prevent greenwashing practices in sustainability reporting.

This study focuses on examining the effect of stakeholder pressure, represented by media exposure and investor pressure, on the quality of sustainability reporting, with the quality of audit committee oversight as a moderating variable. This study contributes to the literature on corporate governance and sustainability, and provides practical implications for regulators, investors, and energy company management in Indonesia in improving the quality of sustainability reporting.

In the perspective of Jensen & Meckling's Agency Theory (1976), the media can act as an external monitoring mechanism that can suppress management behavior by reducing information asymmetry between managers (agents) and shareholders (principals). Through news reporting, the media conveys relevant information to the public, thereby encouraging companies to be more transparent in disclosing their business activities. Intense scrutiny of social and environmental issues creates additional pressure on management to improve the quality of disclosure. Thus, corporate transparency is not only an effort to comply with regulations, but also a strategy to avoid the risk of negative reputation in the eyes of stakeholders.

A number of studies support this view. Zhang & Chen (2021) found that companies exposed to the media tend to improve the quality of their sustainability disclosures in order to restore legitimacy. Haryanto & Widodo (2023) showed that media exposure has a positive effect on reporting transparency in the Indonesian energy sector. Meanwhile, research by Nugraha & Pratama (2022) reveals that companies' quick response to media pressure is able to maintain their image and improve the credibility of their reports. In line with this, Wulandari & Yusuf (2024) found a significant relationship between media coverage and the quality of sustainability reports in ASEAN companies. Based on these theories and empirical findings, the first hypothesis is formulated as follows:

H_{1a}: Media exposure has a positive effect on the quality of sustainability reporting.

Investors, especially institutional investors, are often seen as having significant power to pressure management to improve transparency in reporting. The pressure exerted focuses not only on financial performance, but also covers environmental, social, and governance aspects as reflected in Environmental, Social, and Governance (ESG) practices. Within the framework of Agency Theory, investor pressure plays an important role in reducing agency costs by encouraging management to present more open and accountable information. Therefore, the active involvement of institutional investors is believed to be able to improve the quality of ESG disclosures that are more credible and oriented towards long-term interests.

Dyck et al. (2019) found that institutional investors encourage companies to improve the quality of sustainability reporting. Ramadhani & Setiawan (2022) in the Indonesian context also showed that investor pressure improves the quality of ESG disclosure by energy companies. Research by Octora & Amin (2023) found that investor pressure has a positive effect on the quality of sustainability reports. However, Giordino (2025) found different results, namely that short-term oriented institutional investors are negatively correlated with ESG quality, indicating the potential for greenwashing. Considering these findings, the second hypothesis is as follows:

H_{1b}: Investor pressure has a positive effect on the quality of sustainability reporting.

The audit committee is an important element in the mechanism of good corporate governance, which plays a role in overseeing the company's reporting process, both financial and non-financial reports. The existence of an audit committee is believed to ensure that all information disclosed by the company is presented transparently and can be trusted by stakeholders. One indicator of the effectiveness of an audit committee is reflected in the intensity of meetings held during a reporting period. The higher the frequency of meetings held, the greater the opportunity for the audit committee to detect information discrepancies and provide recommendations for improvement. Thus, a high frequency of audit committee meetings can increase the accuracy of disclosures while minimizing manipulative practices in sustainability reports.

Research by Clarkson, P. M., Li et al. (2008) shows that the existence of an effective audit committee strengthens the credibility of ESG disclosure. Aprianti et al. (2022) found that the frequency of audit committee meetings is positively related to the quality of sustainability reporting. (Hamidah & Arisukma, 2020) also

prove that audit committees can strengthen the influence of stakeholder pressure on sustainability disclosure. However, Rianti & Herawaty (2024) found different results, where the frequency of audit committee meetings was unable to moderate the relationship between reporting quality and equity costs. Referring to Agency Theory and the empirical evidence, the following hypothesis is proposed:

H_{2a}: The quality of audit committee oversight strengthens the influence of media exposure on the quality of sustainability reporting.

H_{2b}: The quality of audit committee oversight strengthens the influence of investor pressure on the quality of sustainability reporting.

RESEARCH METHOD

This study uses a quantitative approach by utilizing secondary data obtained from annual reports and sustainability reports of energy sector companies listed on the Indonesia Stock Exchange during the period 2021–2024. Secondary data was chosen because both types of reports are official documents published by companies and the Indonesia Stock Exchange, thus providing a transparent picture of corporate sustainability disclosure and governance practices.

The research population includes all energy sector companies listed on the Indonesia Stock Exchange during the observation period. From this population, the sample was determined using purposive sampling with the following criteria: (1) companies have complete annual reports, (2) companies consistently publish sustainability reports during the research year. The energy sector was selected because it is a major contributor to carbon emissions in Indonesia and is under strong pressure from stakeholders in the energy transition agenda towards Net Zero Emissions by 2060.

The dependent variable in this study is the quality of sustainability reporting, which is measured based on the level of corporate compliance with 25 Global Reporting Initiative (GRI Standards) indicators. The assessment was conducted using content analysis of economic, social, and environmental disclosure items and calculated in the form of a reporting quality index. The independent variables consist of media exposure and investor pressure. Media exposure is measured using the intensity of company coverage on Google News during the research period. Investor pressure is represented by the proportion of institutional ownership of total outstanding shares. The moderating variable is the quality of audit committee oversight, which is proxied by the frequency of audit committee meetings in a fiscal year compared to the minimum regulatory requirements, resulting in a meeting proportion ratio as an indicator of oversight intensity.

Table 1. Operational Definitions of Variables

Dependent Variable		
Quality of Sustainability Reporting	A score of 2 is given if the disclosure is descriptive or qualitative and accompanied by quantitative data or visualizations such as images. A score of 1 is given if the disclosure is only descriptive or qualitative without supporting figures or visual illustrations. Meanwhile, if there is no disclosure of the information referred to in the sustainability report, the company is given a score of 0. (Rofelawaty, 2014)	$SRQ_{it} = \frac{\sum X_{it}}{N_{max}}$ (Rofelawaty, 2014)
Variabel Independen		
Media Exposure	Media reports highlighting the company's activities. (Solikhah & Maulina, 2021).	Natural logarithm of the number of news items related to the company on Google search engine in the reporting year. (Martínez-Ferrero et al., 2015)
Investor/Shareholder Pressure	Industries with investors as parties influencing companies. (Fernandez-Feijoo et al., 2014).	$OSC = \frac{Total\ majority\ shares}{Total\ shares}$ (Rudyanto & Siregar, 2018)
Variabel Moderasi		
Quality of Audit Committee Oversight	Number of meetings during the fiscal year.	$QACO = \frac{Number\ of\ meetings}{Average\ sample\ meeting}$

Source: Research Data, 2024

Data analysis was performed using multiple linear regression to test the direct effect of media exposure and investor pressure on the quality of sustainability reporting. An interaction test (Moderated Regression Analysis/MRA) was used to test the role of audit committee oversight quality in moderating the relationship between stakeholder pressure and reporting quality. The empirical model of the study can be written as follows:

$$QSR = \alpha + \beta_1 ME + \beta_2 IP + \beta_3 QACO + \beta_4 (ME * QACO) + \beta_5 (IP * QACO) + \beta_6 SIZE + \beta_7 DAR + \epsilon$$

Description:

- QSR = Quality of Sustainability Reporting
- ME = Media Exposre
- IP = Investor Pressure
- QACO = Quality of Audit Committee Oversight
- α = Constant
- β_1, β_7 = Regression Coefficient
- ϵ = Eror

Hypothesis testing was conducted at a 5% significance level using SPSS 26 software, thereby producing empirical evidence regarding the influence of

stakeholder pressure and the moderating role of audit committee oversight quality on the quality of sustainability reporting in Indonesian energy companies.

RESULTS AND DISCUSSION

Descriptive statistics provide an overview of the characteristics of the research variables. The following table presents the minimum, maximum, mean, and standard deviation values of all variables.

Table 2. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Quality of SR	268	0,14	0,90	0,493	0,180
Media Exposure	268	0,00	8,97	4,634	2,029
Investor Pressure	268	0,10	0,90	0,530	0,1897
Quality of Audit Committee Oversight	268	0,15	7,43	1,017	0,939
SIZE	268	1,39	12,01	8,236	1,847
DAR	268	0,02	1,83	0,453	0,245

Source: Research Data, 2024

The descriptive statistics of this study based on 255 observations show considerable variation in each variable, but in general, the data distribution is relatively homogeneous so that the average value can represent the characteristics of the sample. The quality of sustainability reporting ranged from 0.14 to 0.90, with an average of 0.4932, where the lowest score was shown by PT RIG Tenders Indonesia Tbk, which only disclosed seven GRI topics qualitatively, while the highest score was obtained by PT Bukit Asam Tbk, which disclosed all topics completely, both qualitatively and quantitatively. The media exposure variable showed an average of 4.6345 with a range of 0.00 to 8.97, where the lowest media exposure was experienced by companies that had just been listed on the stock exchange, while the highest exposure was obtained by PGAS with thousands of news reports covering strategic issues and legal cases.

Investor pressure was recorded at an average of 0.5304, with a minimum of 0.10 and a maximum of 0.90, reflecting differences in majority ownership levels among energy companies. Meanwhile, the quality of audit committee oversight had an average of 1.0170 with a range of 0.15 to 7.43, with the highest value achieved by PGAS during the pandemic with a very high intensity of online meetings. Overall, these descriptive results show that sustainability reporting practices, media exposure, ownership structure, and audit committee meeting intensity in Indonesian energy companies vary greatly, but the data distribution pattern is relatively consistent and can represent the condition of the energy sector during the research period.

The results of classical assumption testing show that the regression model used in this study has met the requirements for analysis. The normality test indicates that the data is normally distributed so that the residuals in the model can be interpreted validly. The multicollinearity test shows a tolerance value greater than 0.10 and a variance inflation factor (VIF) of less than 10, which means that there is no strong relationship between the independent variables. The heteroscedasticity test shows no particular pattern in the distribution of residuals, so it can be

concluded that the model is free from heteroscedasticity. Meanwhile, the autocorrelation test results in values that are within the acceptance limits, indicating no correlation between residuals. Thus, all classical assumption tests conducted reinforce that the regression model is suitable for testing the research hypothesis.

The results of the coefficient of determination test show that the adjusted R² value is 0.561, which means that 56.1% of the variation in sustainability reporting quality can be explained by the independent variables used in the model, namely media exposure, investor pressure, audit committee oversight quality, moderating interaction, company size, and DAR. The remaining 43.9% is influenced by other factors outside the scope of this study. Furthermore, the simultaneous test (ANOVA) results produced an F value of 47.421 with a significance of 0.000, so it can be concluded that all independent variables in the model together have a significant effect on the quality of sustainability reporting. This finding reinforces that the regression model used has good predictive power in explaining the phenomenon of sustainability reporting in energy sector companies in Indonesia.

Table 3. t-test Results (Partial)

No	Variable	Model 1		Model 2		Model 3	
		B	Sig.	B	Sig.	B	Sig.
1	Media Exposure	0,022	0,000	0,019	0,000	0,016	0,014
2	Investor Pressure	-0,147	0,001	-0,153	0,001	-0,562	0,000
3	SIZE	0,045	0,000	0,042	0,000	0,045	0,000
4	DAR	-0,034	0,166	-0,035	0,150	-0,044	0,042
5	Quality of Audit Committee Oversight			0,026	0,015	-0,319	0,000
6	ME*QACO					0,004	0,438
7	IP*QACO					0,557	0,000

Source: Research Data, 2024

The partial test results indicate that the higher the media spotlight on a company, the better the quality of its sustainability reports. This finding is reflected in PT Indo Tambangraya Megah Tbk (ITMG), which experienced a significant increase in its sustainability reporting score as the number of news reports jumped from 124 in 2021 to 835 in 2024, as well as a similar pattern in INPS, INDY, HRUM, and ENRG. This confirms the role of the media as an effective external oversight mechanism in reducing information asymmetry as described in Jensen & Meckling's (1976) agency theory, because media scrutiny limits managers' scope for symbolic disclosure and encourages more accountable reporting.

The consistency of these findings with the research of Sriningsih & Wahyuningrum (2022) and Lee & Carroll (2020) reinforces the evidence that the intensity of media coverage, whether positive or negative, creates significant reputational pressure that encourages companies to present sustainability reports in a more transparent manner and in accordance with standards. The practical implication is that energy companies, as a sector that is highly sensitive to environmental issues, cannot ignore the role of the media as a representative of public interests, because good quality sustainability reporting not only strengthens social legitimacy and stakeholder trust, but also serves as a positive signal for ESG-oriented investors, thereby expanding access to funding and increasing global competitiveness.

The results of the second hypothesis test show that the greater the share controlled by institutional investors, the lower the quality of the sustainability reports presented by companies. This finding reflects that institutional ownership in Indonesia, such as PT AKR Corporindo Tbk (AKRA), which experienced an increase in majority share ownership in 2022 but was followed by a decline in sustainability report scores, is still oriented towards short-term profits rather than promoting ESG transparency. The agency theory perspective, which places investors as the controlling party of management to improve reporting quality, is not fully confirmed, because in practice, investor pressure is actually directed at management to allocate resources to short-term financial indicators, so that sustainability disclosures tend to be delayed, narrowed, or presented minimally.

This condition is in line with the phenomenon of managerial myopia described by Brochet et al. (2012) and research by Xu & Yang (2023) and Puspitasari & Firmansyah (2025), which confirms that investors in Indonesia still place more emphasis on profitability than on sustainability issues. Even the study by Nurullah et al. (2025) reinforces this finding by showing that institutional ownership can weaken the relationship between reporting. Thus, these results indicate a gap between agency theory predictions and empirical reality in Indonesia, where investor pressure has not become an effective control mechanism in improving the quality of sustainability reporting and demonstrates the need for a combination of other mechanisms such as media scrutiny and the effectiveness of audit committees in corporate governance.

The results of Moderated Regression Analysis (MRA) show that media spotlight serves as a strong external mechanism that directly impacts corporate reputation, thereby encouraging management to improve transparency without strengthening the role of the audit committee. The agency theory perspective explains this condition, whereby audit committees in many companies still focus solely on financial reporting compliance, thus failing to optimally follow up on sustainability issues raised by the media. These findings are in line with Rianti & Herawaty (2024) and Hamidah & Arisukma (2020), who emphasize that the effectiveness of audit committees is greatly influenced by the competence of their members in the field of ESG; without this understanding, supervision tends to be symbolic and unable to strengthen the effects of external pressure. Thus, the hypothesis that audit committees can strengthen the influence of media exposure on the quality of sustainability reporting is not proven, and these results confirm that external dynamics based on public reputation are more dominant than internal corporate oversight mechanisms.

These findings also show that energy companies in Indonesia are still more responsive to direct and visible external pressures than to internal oversight mechanisms that should function on an ongoing basis. The media has the power to shape public opinion, which quickly affects corporate legitimacy, while audit committees still face capacity constraints, particularly in understanding complex ESG issues. This condition confirms that corporate legitimacy is more easily maintained through media-constructed reputation than through internal governance, which should be more systematic. Therefore, media spotlight acts as

a major catalyst in promoting sustainability information disclosure, while also indicating the need to strengthen the function of audit committees so that they can contribute substantively, not merely administratively.

These findings indicate that although direct investor pressure tends to have a negative impact on the quality of sustainability reporting, the existence of an audit committee with good oversight capabilities can reduce and even reverse this impact into a positive one. These results are reinforced by the establishment of a sustainability management structure in 2022 that places the audit committee on par with the board of directors in that structure. In addition, the quality of sustainability reporting showed a significant improvement from 2022 to 2023. Theoretically, this is in line with the agency theory perspective of Jensen & Meckling (1976), which emphasizes the role of internal governance in reducing agency costs, where the audit committee functions as a supervisory mechanism that ensures management continues to present relevant and transparent sustainability reports despite external pressures. The results of this study are consistent with the studies by Hamidah & Arisukma (2020) and Larassati et al. (2024), which confirm the effectiveness of audit committees in strengthening the quality of non-financial disclosures, while also showing that the more active and independent the supervision, the higher the quality of reporting. Thus, this empirical evidence confirms that audit committees are not merely a complement to corporate governance, but a strategic instrument that can transform short-term capital market pressures into drivers of long-term transparency and accountability.

The practical implications of these findings suggest that companies need to strengthen the capacity of their audit committees by improving their competence, independence, and in-depth understanding of Environmental, Social, and Governance (ESG) issues. Audit committees with members from diverse professional backgrounds, including sustainability, will be better equipped to provide substantial oversight of non-financial reporting practices. In addition, active meetings accompanied by in-depth discussions can prevent companies from engaging in symbolic greenwashing practices. For regulators, these results send an important signal regarding the urgency of strengthening governance regulations, particularly in standardizing the role and function of audit committees so that they are not merely a formality. With these steps, the role of audit committees can be optimized in directing external pressure from investors into a positive force for increasing the legitimacy and sustainability of companies.

CONCLUSION

This study concludes that media exposure plays an important role in improving the quality of sustainability reporting by energy companies in Indonesia by functioning as an external monitoring mechanism that pressures management to be more transparent and accountable. Conversely, investor pressure has a negative impact on the quality of sustainability reporting because its short-term orientation encourages companies to reduce their focus on non-financial disclosures. The role of audit committees has not been proven to strengthen the influence of media exposure, indicating that this internal oversight function is still more focused on

traditional financial reporting. However, the quality of audit committee oversight has been proven to moderate the relationship between investor pressure and the quality of sustainability reporting, whereby effective internal oversight can reduce or even transform the negative impact of investor pressure into a constructive one, thereby continuing to support increased transparency and legitimacy of companies..

This study has several limitations, including the measurement of media exposure variables, which still depends on Google News searches, making the results susceptible to change due to algorithm dynamics and news coverage intensity, as well as the measurement of sustainability reporting quality using a score index of 0, 1, and 2, which has the potential to cause subjectivity in interpretation. Given these limitations, future research is advised to develop more stable measurement methods, such as using professional media databases, and to minimize subjectivity in report assessments by employing independent evaluation panels. From a practical standpoint, capital market regulators can tighten supervision while providing incentives for companies with high-quality sustainability reports and sanctions for non-compliant companies. Meanwhile, companies are expected to strengthen their internal commitment by integrating ESG practices into their business strategies so that they not only comply with regulations but also genuinely enhance their image and legitimacy in the eyes of the public. Future research is also recommended to apply a mixed method by combining quantitative approaches and in-depth interviews with management and audit committees to gain a more comprehensive understanding of the extent to which sustainability issues are truly on the agenda of audit committee meetings.

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