

# The Influence of Employee and Investor Pressure, Profitability, and Company Activities on Sustainability Reporting Quality

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## ABSTRACT

Sustainability reporting is defined as the practice of disclosing and measuring a company's activities as a responsibility to all stakeholders concerning the organization's performance and effectiveness in attaining sustainable development goals. This research aimed to analyze and obtain empirical evidence of the effects of employee pressure, investor pressure, profitability, and company activities on the quality of sustainability reports. The theoretical frameworks utilized were stakeholder theory and legitimacy theory. The population included all energy companies listed on the IDX from 2019-2022. A total of 66 samples were selected using purposive sampling. The analysis was conducted using multiple linear regression. The findings indicate that the quality of sustainability reports is positively affected by employee pressure and profitability. However, it is not influenced by investor pressure or company activities.

Keywords: *Employee Pressure, Investor Pressure, Profitability, Company Activities, Sustainability report*

## *Pengaruh Tekanan Karyawan, Tekanan Investor, Profitabilitas dan Aktivitas Perusahaan pada Kualitas Sustainability Report*

## ABSTRAK

*Sustainability report merupakan praktik yang mengungkapkan dan mengukur aktivitas perusahaan sebagai pertanggung-jawaban kepada seluruh stakeholder terkait dengan kinerja dan efektivitas organisasi dalam mewujudkan tujuan pembangunan berkelanjutan. Penelitian ini bertujuan untuk mengetahui, menganalisis dan mendapatkan bukti empiris pengaruh tekanan karyawan, tekanan investor, profitabilitas dan aktivitas perusahaan pada kualitas Sustainability report. Teori yang digunakan yaitu teori stakeholder dan teori legitimasi. Populasi penelitian ini adalah seluruh perusahaan sektor energi yang terdaftar di BEI pada tahun 2019-2022. Teknik penentuan sampel menggunakan metode purposive sampling sebanyak 66 amatan. Teknik analisis yang digunakan adalah regresi linier berganda. Hasil penelitian menunjukkan tekanan karyawan dan profitabilitas berpengaruh positif pada kualitas sustainability report, sedangkan tekanan investor dan aktivitas perusahaan tidak berpengaruh pada kualitas sustainability report.*

Kata Kunci: *Tekanan Karyawan, Tekanan Investor, Profitabilitas, Aktivitas Perusahaan, Sustainability report*

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## INTRODUCTION

Many companies, particularly in Indonesia, focus primarily on financial statement disclosures related to their financial performance. However, focusing solely on financial performance is insufficient. Therefore, it is necessary to include additional information reported by company management to attract investor interest (Aliniar & Wahyuni, 2017). Companies must respond to changes in investor behavior that place greater emphasis on social and environmental aspects (Kalbuana et al., 2022). Companies are required to present non-financial performance information, specifically related to social responsibility, such as the company's sustainability report. A sustainability report is a practice of disclosing and measuring the company's activities as a responsibility to all stakeholders, reflecting the organization's performance and effectiveness in achieving sustainable development goals. Stakeholders need information about corporate social responsibility activities to assess how much business organizations care about social and environmental issues.

**Table 1. Sustainability Report Disclosure by Energy Sector Companies, 2017-2020**

Year	Energy Sector Companies on the IDX that Published a Sustainability Report	Energy Sector Companies on the IDX that Did Not Publish a Sustainability Report	Total Energy Sector Companies on the IDX
2017	11	46	57
2018	12	50	62
2019	17	48	65
2020	19	48	67

Source: Research Data, 2024

The activity of disclosing sustainability reports in Indonesia, particularly in the energy sector, remains relatively low. Between 2017 and 2020, there was no significant increase in the number of energy sector companies listed on the IDX that published sustainability reports. The number of companies that published sustainability reports was only 11 out of 57 in 2017 (19.2%), 12 out of 62 in 2018 (19.3%), 17 out of 65 in 2019 (26.1%), and 19 out of 67 in 2020 (28.3%). The industrial and mining sectors in Indonesia are experiencing rapid growth, with the energy sector playing a crucial role as a key resource provider supporting the country's economic growth.

The energy sector boasts a significant market value compared to other sectors, making it increasingly attractive to investors. This observation was supported by IDX Valuation Director Samsul Hidayat, who noted high performance improvements, particularly in the mining and agriculture sectors, with notable earnings increases in the coal mining sub-sector. However, the energy sector also poses a significant adverse impact on the environment, contributing to nearly 70 percent of environmental degradation in Indonesia, primarily due to activities by mining companies. Consequently, there is a growing expectation for companies to enhance transparency and demonstrate care for the impact of their operations on external parties. The quality of the relationship between a company and the community significantly impacts the company's success and helps establish a positive community image.

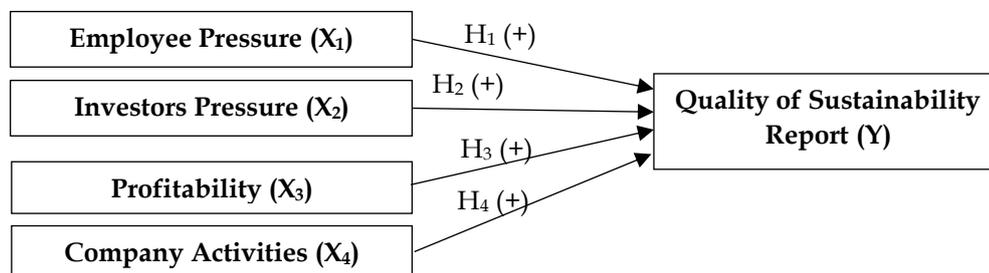
This phenomenon indicates that the publication of sustainability reports in Indonesia remains considerably low. Companies have not fully succeeded in disclosing sustainability reports optimally. Therefore, the solution to address this issue involves mandating companies to publish sustainability reports based on government policy. In 2017, the Financial Services Authority (OJK) implemented a new regulation, POJK Number 51/POJK.03/2017, mandating companies to submit sustainability reports. This regulation encourages financial institutions, public companies, and issuers to progressively furnish and release sustainability reports from 2020 onwards. These reports serve as a platform to delineate environmental, social, and economic impacts in accordance with the Global Reporting Initiative (GRI) Standards, which will be the standard guideline used by companies and organizations in making their sustainability reports. The GRI standards aim to help reporters and companies compile meaningful sustainability reports and make sustainability reporting purposeful in practice.

This research focuses on employee pressure and investor pressure, hoping that this classification allows for more comprehensive conclusions than previous studies, given that stakeholders provide varying levels of encouragement for the disclosure of sustainability reports (Trianaputri & Djakman, 2019). Profitability is crucial in influencing the quality of sustainability reports. High profits encourage management to invest in social costs to enhance the company's image, thereby forming consumer loyalty (Adiatma & Suryanawa, 2018). Further research by Mujiani & Jayanti (2021) suggests a positive correlation between profitability and the level of information disclosure by managers, given that profitability is among the performance metrics mandated for disclosure in sustainability reports. Corporate activity is an important metric in measuring the financial performance of a company. Research by Damayanty et al. (2022) and Wagiswari & Badera (2021) found that company activity has positively and significantly influenced the disclosure of sustainability reports. However, findings by Kalbuana et al. (2022) contradict this, indicating that the quality of the sustainability report remains unaffected by company activities.

In this research, the authors incorporated two independent variables, profitability and company activity, following the suggestions of previous researchers Suharyani et al. (2019), Putri & Erinos (2023) who recommended adding variables to achieve more diverse results. Additionally, the researchers will utilize the latest data from energy sector companies listed on the IDX that issued sustainability reports during the 2019-2022 period, adhering to the advice of Putri & Erinos (2023) to use recent data and focus on a single sector.

The purpose of this research is to analyze and obtain empirical evidence of the influence of employee pressure, investor pressure, profitability, and company activity on the quality of sustainability reports. This study is expected to contribute by providing empirical evidence and explanations of the mechanisms of legitimacy theory and stakeholder theory. Furthermore, this research aims to offer theoretical and practical contributions to stakeholders, namely assisting managers in making informed decisions regarding the disclosure of sustainability reports by considering accountability and responsibility to employees, investors, profitability, and company activities.

In line with stakeholder theory, companies have a responsibility to fulfill their obligations to stakeholders, one method of which is through the disclosure of social information. Stakeholder theory is fundamentally based on a systemic view of an organization and its interaction with the environment, acknowledging the mutual influence between the two (Ardiana, 2019). According to this approach, managers are expected to formulate and implement processes that satisfy stakeholder demands comprehensively. Legitimacy theory posits that organizations ensure their activities are sustainable and conform to societal norms, which leads to the disclosure of corporate social information in sustainability reports (Mujiani & Jayanti, 2021). The concept of legitimacy within the community is critical in maintaining a company's sustainability, emphasizing the importance of aligning business practices with accepted societal values and expectations.



**Figure 1. Research Model**

Source: Research Data, 2024

Pressure from employees is an effort made by employees against the company to ensure the fulfillment of their rights. Research conducted by Meinawati & Wirakusuma (2023), Sawitri & Ardhiani (2023), Octora & Amin (2023), Putri & Erinos (2023), Nurumina et al. (2020) and Nilawati et al. (2019) supports this theory, demonstrating a positive influence of employee pressure on sustainability reports. Employees possess significant power and legitimacy that can influence the company's decisions. Consequently, when it comes to sustainability disclosure, the opinions of organized employee groups tend to be considered more at the managerial level. Theoretical and empirical studies suggest that the greater the number of workers, the higher the level of transparency demanded.

H<sub>1</sub>: Employee pressure has a positive effect on the quality of the sustainability report.

Investor pressure refers to the demands made by investors to obtain accurate information about the company as a form of supervising the company's sustainability. This is supported by research from Fernandez-Feijoo et al. (2014), Suharyani et al. (2019), Putri & Erinos (2023), Octora & Amin (2023), Yuliandhari et al. (2022) and Nilawati et al. (2019), which reveal that pressure from investors encourages companies to increase transparency in presenting quality information, especially in sustainability reports. Theoretical and empirical studies have found that the higher the pressure from investors, the greater the transparency of sustainability reports produced by companies.

H<sub>2</sub>: Investor pressure has a positive effect on the quality of the sustainability report.

Profitability serves as a key factor granting management the latitude and resources to extensively engage in and disclose social responsibility initiatives. Aligned with the findings of various studies, including Setiawan & Hizazi (2019), Mujiani & Jayanti (2021), Pramudito et al. (2022), Handayani et al. (2023), and Kalbuana et al. (2022), it is posited that higher profitability leads to increased information disclosure by managers, as profitability is among the performance indicators mandated for inclusion in sustainability reports. Both theoretical and empirical research suggests that a company's profitability positively influences the quality of its sustainability reporting.

H<sub>3</sub>: Profitability has a positive effect on the quality of the sustainability report.

Company activity serves as a gauge of a company's efficiency and effectiveness in generating profits. This metric allows us to assess how effectively the company utilizes its assets to generate profits. Based on stakeholder theory, a higher activity ratio reflects the effectiveness of the company in managing its assets. Therefore, companies tend to provide more comprehensive information disclosure to fulfill the desires and information needs of stakeholders. Consistent with findings from research conducted by Mujiani & Nurfitri (2020), Damayanty et al. (2022), Rahmawantari (2023), and Heriansyah & Faradiza (2023), it is asserted that company activity positively and significantly influences the disclosure of sustainability reports. Theoretical and empirical evidence suggests that higher activity ratios indicate effective asset management by the company, leading to the tendency to disclose high-quality sustainability reports.

H<sub>4</sub>: Company activity has a positive effect on the quality of the sustainability report.

## RESEARCH METHODS

This research employs an associative research method using a quantitative approach. It focuses on energy sector companies listed on the IDX from 2019 to 2022. The subject of this research is the quality of sustainability reports of these companies during the specified period. The variables under investigation include independent variables – employee pressure, investor pressure, profitability, and company activity – and the dependent variable, which is the quality of the sustainability report.

The Sustainability Report Disclosure Index (SRDI) is utilized to gauge the quality of the sustainability report. The SRDI assigns a value of "1" to disclosed items and a value of "0" to undisclosed items, after which the total score is computed. Each index's score is then entered into the SRDI formula, as outlined in the methodology provided by (Lulu, 2020). The formula is as follows:

$$SRDI = \frac{\text{total number of indicators disclosed by the company}}{\text{number of expected indicators to be disclosed}} \dots\dots\dots(1)$$

Companies are under pressure from their employees to publish sustainability reports, as these reports contain information regarding employee rights (Putri & Erinoss, 2023). The intensity of employee pressure is quantified by the natural logarithm of the employee count, as formulated by Octora & Amin (2023):

$$Employee\ pressure = Ln (total\ employee) \dots\dots\dots(2)$$

Investors or shareholders with significant influence tend to make decisions aimed at maximizing the environmental, economic, and social impacts of company activities (Suharyani et al., 2019). This inclination stems from shareholders' right to be informed about all company activities. The measurement of this variable, as indicated by Rudyanto & Siregar (2018), can be conducted as follows:

$$TPS = \frac{\text{Total number of majority shareholders or parent company}}{\text{Total number of shareholders}} \dots\dots\dots(3)$$

Profitability represents the outcome of evaluating a company's total assets against its capital, which reflects the company's efficiency in generating profits with its available resources (Pramudito et al., 2022). The method employed to assess profitability in this research involves utilizing the Return on Assets (ROA), which is calculated as follows:

$$\text{Return on Assets} = \frac{\text{net profit}}{\text{total assets}} \times 100\% \dots\dots\dots(4)$$

The activity ratio is a metric useful for assessing how effectively and efficiently a company utilizes its existing resources and assets. The company's operational activities can be gauged through the Total Asset Turnover (TATO) indicator. Kalbuana et al. (2022) formulated the company activity (TATO) in their research as follows:

$$TATO = \frac{\text{Sales}}{\text{Total assets}} \times 100\% \dots\dots\dots(5)$$

This research utilizes quantitative data sourced from secondary sources, including sustainability reports and annual reports of energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. The population encompasses all energy sector companies in Indonesia listed on the IDX during this period. Sample selection was conducted using the purposive sampling method, adhering to criteria established by the researcher, resulting in a total of 66 observations (samples) meeting the specified criteria.

Data analysis commenced with descriptive statistical analyses, followed by classical assumption tests. These tests included assessments for normality, multicollinearity, autocorrelation, and heteroscedasticity, aiming to establish a robust regression model. Subsequent analyses involved multiple linear regression tests, which included examinations of the coefficient of determination ( $R^2$ ), model adequacy (F-test), and the significance of individual parameters (t-test), utilizing SPSS version 25. The analytical approach employed involves multiple linear regression, utilizing the regression equation model.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \dots\dots\dots(6)$$

Where :

- Y = Quality of Sustainability Report
- a = Constant
- $X_1$  = Employee Pressure
- $X_2$  = Investors Pressure
- $X_3$  = Profitability
- $X_4$  = Company Activities
- e = error

## RESULTS AND DISCUSSION

**Table 2. Results of Research Sample Determination**

Criteria	Number of Observations				
	2019	2020	2021	2022	Total
Companies in the energy sector that were listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022.	65	67	72	76	280
Companies that published sustainability reports and annual reports during the period from 2019 to 2022.	(48)	(48)	(52)	(56)	(204)
Companies that publish sustainability reports using the GRI Standards as guidelines.	(3)	(1)	(3)	(3)	(10)
<b>Total Observation</b>	<b>14</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>66</b>

Source: Research Data, 2024

Based on predetermined criteria, 14 energy sector companies listed on the Indonesia Stock Exchange (IDX) issued sustainability reports in line with Global Reporting Initiative (GRI) Standards and annual reports during 2019. This number increased to 18 companies in 2020, and remained steady at 17 companies for both 2021 and 2022. Consequently, in this research, a sample meeting the requirements was obtained, comprising 66 observational samples.

**Table 3. Descriptive Statistics Test Results**

Variable	N	Minimum	Maximun	Mean	Std. Deviation
Employee Pressure (X1)	66	3.332	9.704	7.607	1.341
Investors Pressure (X2)	66	0.175	0.825	0.501	0.161
Profitability (X3)	66	-0.114	0.455	0.059	0.098
Company Activities (X4)	66	0.174	1.747	0.661	0.359
<i>Sustainability report</i> (Y)	66	0.207	0.967	0.515	0.222

Source: Research Data, 2024

According to the table, the data consists of 66 observations (N). The variable representing the quality of the sustainability report (Y), proxied by SRDI, shows a standard deviation of 0.222. The mean rate exceeds the standard deviation, suggesting minimal disparity in the quality of the sustainability reports among the sampled companies. The employee pressure variable (X1), proxied by the natural logarithm of the number of employees, has a standard deviation of 1.341, indicating low variability in employee pressure among the sample companies ( $1.341 < 7.607$ ). The investor pressure variable (X2), proxied by TPS (Total Pressure from Shareholders), shows a standard deviation of 0.161, suggesting low differences in investor pressure across the sample ( $0.161 < 0.501$ ). The profitability variable (X3), proxied by Return on Assets (ROA), has a standard deviation of 0.098, indicating significant differences in profitability among the sample companies ( $0.098 > 0.059$ ). Lastly, the company activity variable (X4), proxied by Total Asset Turnover (TATO), exhibits a standard deviation of 0.359, suggesting low variability in company activity among the companies sampled ( $0.359 < 0.661$ ).

**Table 4. Normality Test Results**

One-Sample Kolmogorov-Smirnov Test	
<i>Asymp. Sig. (2-tailed)</i>	<i>Unstandardized Residual</i> 0.200 <sup>c,d</sup>

Source: Research Data, 2024

In Table 4, the Kolmogorov-Smirnov test yields an asymptotic significance (Asymp. Sig., 2-tailed) of 0.200. Residuals are considered to be normally distributed if the Asymp. Sig. (2-tailed) value exceeds 0.05. With a value of 0.200, which is greater than 0.05, it can be inferred that the residuals of the regression equation model follow a normal distribution.

**Table 5. Multicollinearity Test Results**

Model	Variable	Collinearity Tolerance	Statistics VIF
1	Employee Pressure (X1)	0.841	1.189
	Investors Pressure (X2)	0.783	1.276
	Profitability (X3)	0.703	1.422
	Company Activities (X4)	0.700	1.429

Source: Research Data, 2024

According to Table 5, the analysis reveals that the employee pressure variable has a collinearity tolerance value of 0.841, while the investor pressure variable records a value of 0.783, the profitability variable stands at 0.703, and the company activity variable is at 0.700. Furthermore, the Variance Inflation Factor (VIF) values are 1.189 for the employee pressure variable, 1.276 for the investor pressure variable, 1.422 for the profitability variable, and 1.429 for the company activity variable. The regression model is considered free of multicollinearity, as evidenced by tolerance values exceeding 0.01 and VIF values remaining below 10.

**Table 6. Heteroscedasticity Test Results**

Model	Variable	t	Sig
1	Employee Pressure (X1)	1.022	0.311
	Investors Pressure (X2)	1.510	0.136
	Profitability (X3)	-1.521	0.134
	Company Activities (X4)	0.253	0.801

Source: Research Data, 2024

According to Table 6, the employee pressure variable exhibits a significance level of 0.311, while the investor pressure, profitability, and company activity variables show significance levels of 0.136, 0.134, and 0.801, respectively. These results imply that none of the independent variables exert a statistically significant influence on the absolute value of the residuals. Given that the significance levels of the independent variables exceed 0.05, it can be inferred that the regression equation model is not subject to heteroscedasticity.

**Table 7. Autocorrelation Test Results (Durbin-Watson)**

Durbin-Watson Test					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.558 <sup>a</sup>	0.311	0.266	0.190	1.506

Source: Research Data, 2024

According to Table 7, the Durbin-Watson (DW) value is recorded at 1.506. When comparing this value with the significance threshold of 0.05 in the Durbin-Watson table, for a sample size (n) of 66 and four independent variables (k), the upper bound (du) is established at 1.732, and the lower bound (dL) is set at 1.476. Given that the DW value falls between du and dL, specifically below the upper limit of 1.732 and above the lower limit of 1.476, the autocorrelation test results remain inconclusive. Consequently, it is advisable to proceed with further autocorrelation testing using the Run Test.

**Table 8. Autocorrelation Test Results (Run Test)**

Run Test	
Total Cases	Unstandardized Residual 66
Asymp. Sig. (2-tailed)	0.137

Source: Research Data, 2024

The Run Test table presented above reveals an asymptotic significance (Asymp. Sig., 2-tailed) value of 0.137. Given that this value exceeds 0.05, it can be inferred that the data has successfully passed the autocorrelation test and is devoid of any correlation.

**Table 9. Multiple Linear Regression Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-0.133	0.183			-0.728	0.470
Employee Pressure (X1)	0.080	0.019	0.481		4.149	0.000
Investors Pressure (X2)	0.024	0.166	0.017		0.142	0.887
Profitability (X3)	0.673	0.287	0.297		2.346	0.022
Company Activities (X4)	-0.012	0.078	-0.019		-0.150	0.881
Adjusted R Square						0.266
Sig. F						0.000

Source: Research Data, 2024

Based on the table above,  $\beta$  is obtained in the Unstandardized Coefficients column as the regression coefficient. The regression equation in this research is as follows:

$$Y = -0.133 + 0.080 X_1 + 0.024 X_2 + 0.673 X_3 + (-0.012) X_4 + e \dots\dots\dots(7)$$

The findings presented in Table 9 reveal a significance level of 0.000. These findings suggest that the observed value is below the specified significance level of  $\alpha = 0.05$  ( $0.000 < 0.05$ ). Therefore, it can be inferred that this model is suitable for research purposes, indicating that all independent variables, including employee pressure, investor pressure, profitability, and company activity, jointly impact the quality of the sustainability report.

From Table 9, it can be observed that the Adjusted R Square value stands at 0.266. This implies that 26.6% of the variance in sustainability report quality can be accounted for by the variables of employee pressure, investor pressure, profitability, and corporate activity, while the remaining 73.4% of sustainability report quality is attributed to other factors not encompassed in the research model.

According to the t-test results from Table 9, the regression coefficient for the employee pressure variable (X1) is positively indicated as 0.080, with a

significance level of 0.000. Given that this value is below 0.05, it indicates that the employee pressure variable significantly and positively impacts the sustainability report's quality, supporting hypothesis (H1). The regression coefficient for the investor pressure variable (X2) stands at a positive 0.024, with a significance level of 0.887 ( $0.887 > 0.05$ ), indicating that the investor pressure variable does not exert any influence on the quality of the sustainability report, thus rejecting hypothesis (H2). The regression coefficient for the profitability variable (X3) shows a positive value of 0.673, with a significance of 0.022 ( $0.022 < 0.05$ ), indicating that the profitability variable has a positive and statistically significant impact on the quality of the sustainability report, supporting hypothesis (H3). The regression coefficient for the company activity variable (X4) indicates a negative value of -0.012, with a significance of 0.881 ( $0.881 > 0.05$ ), suggesting that the company activity variable does not impact the quality of the sustainability report, neither supporting nor rejecting hypothesis (H4).

The first hypothesis (H1) suggests that employee pressure positively impacts the quality of sustainability reports. Analysis findings reveal that as the number of employees increases in energy sector companies listed on the IDX from 2019 to 2022, the quality of sustainability reports also improves. High pressure from employees encourages companies to produce more transparent sustainability reports, thereby enhancing their quality.

The results of this research support both stakeholder theory and legitimacy theory. Stakeholder theory posits that company operations are conducted not only for internal interests but also for the benefit of other stakeholders (Putri & Pramudiati, 2019). Internal stakeholders, such as employees, can influence management policies concerning employee rights to maintain the company's business continuity. Legitimacy theory explains that companies consistently publishing quality financial and sustainability reports to the public build a positive reputation among stakeholders, including employees and the general public.

This research aligns with the findings of Nilawati et al. (2019), Alfaiz & Aryati (2019), Nurumina et al. (2020), Meinawati & Wirakusuma (2023), Sawitri & Ardiani (2023), and Octora & Amin (2023), all of whom concluded that employee pressure positively influences the quality of sustainability reports. However, this research diverges from the findings of Rudyanto & Siregar (2018), Putri et al. (2022), Lulu (2020), and Darmawan & Sudana (2022), who discovered that employee pressure does not impact the quality of sustainability reports.

The second hypothesis (H2) posits that there is no correlation between investor pressure and the quality of sustainability reports. This implies that, irrespective of the presence of investor pressure in energy sector companies listed on the IDX from 2019 to 2022, it does not affect the company's disclosure of sustainability reports. According to Lulu (2020), parent companies, as shareholders, do not oversee and manage the performance of company management sufficiently to ensure the disclosure of high-quality sustainability reports and uphold company sustainability.

The findings of this research are corroborated by studies from Rudyanto & Siregar (2018), Nurumina et al. (2020), Darmawan & Sudana (2022), Lulu (2020), and Sawitri & Ardiani (2023), all of whom assert that investor pressure does not impact the quality of sustainability reports. However, these results contrast with

the conclusions drawn by Fernandez-Feijoo et al. (2014), Suharyani et al. (2019), Octora & Amin (2023), Yuliandhari et al. (2022), and Nilawati et al. (2019), who found evidence suggesting that investor pressure does affect the quality of sustainability reports. Consequently, this research fails to provide conclusive evidence supporting the notion that stakeholder theory and legitimacy theory underlie the correlation between investor pressure and the quality of sustainability reports.

The third hypothesis (H3) posits that profitability positively influences the quality of sustainability reports. This suggests that the profitability of energy sector companies listed on the IDX between 2019 and 2022 has a beneficial impact on the quality of sustainability reports. Therefore, this research supports or accepts the third hypothesis. Elevated profitability can influence the disclosure of sustainability reports as it affects shareholders' trust, serving as evidence that the company has fulfilled its social responsibility (Mujiani & Jayanti, 2021).

According to stakeholder theory and legitimacy theory, companies with higher profitability aim to secure and uphold their legitimacy in the public eye by disclosing a greater quantity and higher quality of reporting items in their published sustainability reports. This research's findings are corroborated by Kalbuana et al. (2022), Setiawan & Hizazi (2019), Mujiani & Jayanti (2021), Pramudito et al. (2022), Meinawati & Wirakusuma (2023), and Handayani et al. (2023), all of whom assert that profitability positively influences the quality of sustainability reports. However, this research diverges from the conclusions of Damayanty et al. (2022), Prayoga & Mulya (2023), and Fadilla et al. (2021), who found no correlation between profitability and the quality of sustainability reports.

The fourth hypothesis (H4) suggests that the activities of companies do not impact the quality of sustainability reports. This indicates that the activities of energy sector companies listed on the IDX between 2019 and 2022 do not affect the quality of sustainability reports. As a result, this research neither confirms nor refutes the fourth hypothesis. Heriansyah & Faradiza (2023) observed that effective asset management by a company does not consistently lead to the disclosure of high-quality sustainability reports.

These results contradict stakeholder theory, which posits that good asset management improves a company's financial performance, which in turn encourages managers to be more active in disclosing the company's financial statements through sustainability reports. Unstable financial conditions do not reflect the company's efforts to gain support from stakeholders to maintain its business continuity. The findings of this research are supported by Kalbuana et al. (2022), Sawitri & Ardhiani (2023), Suwasono & Prasetyo (2022), and Ho et al. (2023), who concluded that company activity does not impact the quality of sustainability reports. However, these results are inconsistent with those of Heriansyah & Faradiza (2023), Wagiswari & Badera (2021), Mujiani & Nurfitri (2020), Rahmawantari (2023), and Damayanty et al. (2022), who found that company activities positively influence the quality of sustainability reports.

## CONCLUSIONS

Based on the statistical analysis and empirical evidence aligned with stakeholder theory and legitimacy theory, it can be deduced that employee pressure and profitability positively influence the quality of sustainability reports for energy sector companies listed on the IDX from 2019 to 2022. An increased employee count correlates with heightened demands for transparency in sustainability report quality. Additionally, higher profitability is associated with better-quality sustainability reports published by companies. Conversely, investor pressure and company activity do not affect the quality of sustainability reports.

According to the statistical analysis, the adjusted  $R^2$  value stands at 0.266. This suggests that approximately 26.6% of the variability in the dependent variable can be accounted for by changes in the independent variables, leaving around 73.4% of the remaining variability potentially affected by unexplored factors not incorporated in the model. Therefore, it is recommended that future researchers explore the addition of more independent variables to enrich the scope of research outcomes, expand the sample size, and extend the research duration to observe longer-term trends and produce more robust findings.

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