

Determinants Of Sustainability Report Disclosure in Indonesia's Energy Sector

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ABSTRACT

This study is motivated by the disparity in the level of disclosure in Sustainability Reports based on GRI standards, as well as the inconsistencies in the findings of previous studies. This study aims to analyze the influence of profitability, firm size, leverage, institutional ownership, and managerial ownership on sustainability report disclosure among energy sector companies listed on the Indonesia Stock Exchange for the period 2022–2024. This study uses secondary data with a purposive sampling technique, covering 28 companies with a total of 84 observations, and analyzed using multiple linear regression. The results of the study indicate that profitability, firm size, leverage, and institutional ownership have a significant effect on sustainability report disclosure, whereas managerial ownership does not have a significant effect. These findings indicate that external pressures are more dominant in driving corporate transparency and have implications for stakeholders in evaluating sustainability accountability.

Keywords: Disclosure of Sustainability Reports, Profitability, Firm Size, Leverage, Institutional Ownership, Managerial Ownership

Faktor- Faktor Penentu Pengungkapan Laporan Keberlanjutan pada Perusahaan Sektor Energi di Indonesia

ABSTRAK

Penelitian ini dilatarbelakangi oleh kesenjangan tingkat pengungkapan laporan keberlanjutan berdasarkan standar GRI serta inkonsistensi temuan penelitian sebelumnya. Tujuan penelitian ini adalah menganalisis pengaruh profitabilitas, ukuran perusahaan, leverage, kepemilikan institusional, dan kepemilikan manajerial terhadap pengungkapan laporan keberlanjutan pada perusahaan sektor energi yang terdaftar di Bursa Efek Indonesia periode 2022–2024. Penelitian menggunakan data sekunder dengan teknik purposive sampling terhadap 28 perusahaan (84 observasi) dan dianalisis menggunakan regresi linier berganda. Hasil menunjukkan bahwa profitabilitas, ukuran perusahaan, leverage, dan kepemilikan institusional berpengaruh signifikan, sedangkan kepemilikan manajerial tidak berpengaruh signifikan terhadap pengungkapan laporan keberlanjutan. Temuan ini menunjukkan bahwa faktor eksternal lebih berperan dalam mendorong transparansi perusahaan serta memberikan implikasi bagi pemangku kepentingan dalam mengevaluasi akuntabilitas keberlanjutan.

Kata Kunci: Pengungkapan Laporan Keberlanjutan, Profitabilitas, Ukuran Perusahaan, leverage, Kepemilikan Institusional, Kepemilikan Manajemen.

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INTRODUCTION

In recent years, sustainability reporting has become a focal point in global business practices as demands for transparency regarding companies economic, social, and environmental impacts have grown (Triyono et al., 2025). Globally, more than 98% of companies have prepared sustainability reports, and approximately 69% obtaining assurance (IFAC, 2024). However, the level of disclosure does not yet fully align with standard based indicators consequently, differences in reporting standards reduce the consistency and comparability of information and result in disclosures that remain partial and do not comprehensively reflect sustainability performance (Baroroh & Usholikhah, 2026).

In Indonesia, sustainability reporting has shown an increased since the implementation of POJK No 51/POJK.03/2017, which requires public companies to prepare sustainability reports, with a compliance rate reaching 94% in 2024 (IDX Chanel, 2025). However, this increase in the number of reports has not been accompanied by a comparable level of disclosure. (Syahirah et al., 2023). The disclosure rate based on GRI standards ranges from 31.8% Riski et al., (2024), reflecting a gap between high reporting compliance and low disclosure levels of sustainability report items based on GRI standards. (Fatmawati et al., 2026).

The gap between theoretical concepts and the practice of sustainability reporting is particularly relevant to the energy sector (Triyono et al., 2025). This sector has significant environmental and social impacts, thereby increasing demands for corporate accountability (Lestari et al., 2025). Sustainability reporting reflects compliance with regulatory obligations as well as a company's commitment to managing its operational impacts (Toit, 2024). However, an administrative orientation in reporting has the potential to create a gap between reporting practices and the level of disclosure (Amran et al., 2024). Therefore, the energy sector serves as an appropriate context for examining the determinants of sustainability report disclosure (Ayu et al., 2024).

This study expands the application of legitimacy theory in the energy sector. Legitimacy theory emphasizes that companies strive to maintain social support through the disclosure of information aligned with public expectations (Triyono et al., 2025). Sustainability reporting serves as a means to communicate a company's economic, social, and environmental impacts (Yohana & Suhendah, 2023). Companies with high profitability have greater financial flexibility to support sustainability practices and reporting (Maryana & Carolina, 2021). Large companies also face greater public exposure and legitimacy pressures, thereby encouraging them to increase transparency (Ludianah et al., 2022). In addition, the level of leverage reflects pressure from creditors that can strengthen accountability demands, while ownership structure influences the intensity of oversight of management in determining disclosure policies (Pratitarari & Honggowati, 2025).

Previous studies report inconsistent regarding the influence of profitability, company size, leverage, institutional ownership, and managerial ownership on the sustainability report disclosure (Chulim et al., 2025). These differing findings indicate that the influence of internal company characteristics on disclosure levels still requires further testing, particularly in industries with high environmental risks (Dewi, 2024). In addition, most previous studies have not specifically focused their analysis on the energy sector as an industry with high environmental impact intensity

(Anita et al., 2025). Therefore, this study aims to reanalyze the internal determinants of companies on the level of sustainability report disclosure in the energy sector in Indonesia (Yohana & Suhendah, 2023).

This study focuses on the energy sector as an industry with a high environmental impact and uses a measure of disclosure levels based on the number of Global Reporting Initiative (GRI) items (Pratiwi & Merina, 2024). Unlike previous studies that have not specifically analyzed industrial sectors with high environmental risks, this study emphasizes the characteristics of the energy sector, which has a significant level of environmental risk (Syahirah et al., 2023). Furthermore, the comprehensive application of GRI-item-based measurement in the post-implementation period of POJK No. 51/POJK.03/2017 remains limited in the literature (OJK, 2017).

Legitimacy theory explains that companies strive to ensure their operational activities align with the social values and expectations of the communities in which they operate (Dowling, 1975). Any misalignment in this regard has the potential to reduce social acceptance of the company's operational sustainability (Triyono et al., 2025). Efforts to maintain this alignment are realized through the disclosure of sustainability reports as a means of communicating economic, social, and environmental impacts. Legitimacy pressures are reflected in internal company characteristics that drive variations in disclosure levels, namely profitability, company size, leverage, and ownership structure (Syahirah et al., 2023). The level of disclosure reflects the company's response to legitimacy pressures from the social environment (Triyono et al., 2025).

Corporate characteristics shape variations in the intensity of legitimacy pressures, which are reflected in the level of disclosure in sustainability reports (Anita et al., 2025). Greater financial capacity and public exposure drive increased demands for transparency regarding sustainability information (Yohana & Suhendah, 2023). Contractual pressure from creditors and investors reinforces the need for corporate accountability, while ownership structure influences the intensity of oversight and the direction of disclosure policies (Pratitarari & Honggowati, 2025). The combination of these characteristics is associated with differences in the level of sustainability report disclosure among companies (Susandi & Kholmi, 2021).

Previous research conducted by Yohana & Suhendah, (2023) show that profitability has a positive effect on sustainability report disclosure. However, the results of research conducted by Triyono et al., (2025) show that profitability does not affect on sustainability report disclosure. Meanwhile Tjandrapurnama & Oktaviani, (2023) demonstrate that sustainability report disclosure is favorably and highly influenced by firm size, however according to (Triyono et al., 2025) corporation size has no effect on the disclosure of sustainability reports.

Research conducted by Anita et al., (2025) shows that leverage has a significant positive effect on sustainability report disclosure, in contrast to Tyas & Khafid, (2024), which shows that leverage has no effect on sustainability report disclosure. Meanwhile, Pratitarari & Honggowati, (2025) state that Institutional Ownership has a significant positive effect on sustainability report disclosure. There is a difference in the findings of (Ludianah et al., 2022), which show that institutional ownership does not have a significant effect on sustainability report disclosure. The research conducted by Pratitarari & Honggowati, (2025) shows that managerial ownership has

a significant positive effect on sustainability report disclosure. Meanwhile, research conducted by Ludianah et al., (2022) states that managerial ownership has no effect on sustainability report disclosure.

The discrepancies in findings from prior studies suggest that the correlation between company characteristics and sustainability reporting disclosures has not yielded uniform conclusions. This matter reveals a research gap that needs to be analyzed further, especially in the energy sector, which has significant economic, social, and environmental impact. Consequently, the hypotheses in this study are grounded in the theoretical framework of legitimacy and substantiated by relevant empirical evidence.

H₁: Profitability has a positive effect on sustainability report disclosure

Highly profitable companies seek to obtain and maintain public legitimacy by demonstrating social responsibility through the disclosure of sustainability reports (Ayu et al., 2024). High profits provide companies with the financial resources to carry out social and environmental activities, which are then reported transparently (Riski et al., 2024). Research by Maryana & Carolina, (2021), shows that profitability has a positive effect on sustainability report disclosure, where companies with high profits tend to disclose more information. These results are in line with the findings of research by (Yohana & Suhendah, 2023), which found that profitability has a positive and significant effect on sustainability report disclosure. There is a greater incentive to strengthen public image and trust through sustainability reporting.

H₂: Firm size has a positive effect on sustainability report disclosure.

Company size reflects the capacity, resources, and level of an entity Ayu et al., (2024). The larger the company size, the higher its responsibility to society and the environment, because large companies tend to be the center of public and stakeholder attention (Tjandrapurnama & Oktaviani, 2023). Based on legitimacy theory, this condition puts pressure on large companies to maintain their image and gain social acceptance through transparent and comprehensive sustainability report disclosure (Subekti & Surifah, 2025). This is in line with the findings of (Tjandrapurnama & Oktaviani, 2023) and supported by the research of (Anita et al., 2025) which states that company size has a positive and significant effect on sustainability report disclosure. Large companies have a stronger incentive to maintain their reputation and social legitimacy through greater transparency and social responsibility in sustainability reports, because the larger the company, the greater the external pressure to promote openness and provide comprehensive information in order to maintain public trust.

H₃: Leverage has a positive effect on sustainability Report Disclosure

Companies with high leverage have greater demands to maintain public and stakeholder (Anita et al., 2025). This condition encourages companies to increase transparency and demonstrating their concern for the environment through the disclosure of sustainability reports that reflect the company's ability to fulfill its commitments (Mahesana & Ra, 2025). Sustainability reports serve as a means of communication that shows the public that companies are not solely profit-oriented, but also pay attention to the social and environmental impacts of their operational activities (Anita et al., 2025) From the perspective of legitimacy theory, companies use sustainability reporting as a strategy to obtain and maintain social legitimacy by communicating their responsibility for the economic, social, and environmental impacts of their business activities (Apriyani & Widoretno, 2024), who stated that Debt Equity Ratio

has a positive effect on sustainability report disclosure. Companies with high debt levels tend to improve the quality and transparency of sustainability reporting to maintain the trust of investors, creditors, and the public. These findings indicate that companies need to demonstrate strong social and environmental responsibility to maintain public legitimacy.

H₄: Institutional Ownership has a positive effect on sustainability report disclosure.

Institutional ownership indicates the percentage of company shares owned by financial institutions or institutional investors (Rahmat, 2022). High institutional ownership tightens the mechanism of supervision over management, thereby encouraging companies to improve the quality and transparency of their disclosures, including in sustainability reports (Pratiwi & Merina, 2024). Based on legitimacy theory, pressure from institutional investors requires companies to demonstrate the alignment of their business activities with social values and expectations through more comprehensive sustainability reporting. Research by explains that institutional ownership increases investor control, thus becoming one of the reasons for corporate disclosure. This result is supported by the research of (Chulim et al., 2025), which states that institutional ownership has a positive effect on sustainability report disclosure. The higher the proportion of institutional ownership, the stronger the pressure for companies to increase transparency through sustainability report disclosure as an effort to maintain legitimacy in the eyes of stakeholders.

H₅: Managerial Ownership has a positive effect on Sustainability Report Disclosure

Managerial ownership reflects the proportion of shares owned by management, including commissioners and directors who are actively involved in corporate decisionmaking (Susandi & Kholmi, 2021). Based on legitimacy theory, managers who own shares in a company will strive to maintain a positive image because the company's reputation also affects their personal interests. Managerial ownership creates incentives to disclose sustainability reports as a means of maintaining legitimacy in the eyes of the public and internal stakeholders. Research (Pratiwi & Merina, 2024) states that an increase in managerial ownership encourages management to expand sustainability reporting as a form of accountability to the public. This is in line with the research by (Chulim et al., 2025), which also found that managerial ownership has a significant positive effect on sustainability report disclosure. The higher the proportion of institutional ownership, the stronger the pressure on companies to increase transparency through sustainability report disclosure in an effort to maintain legitimacy in the eyes of stakeholders.

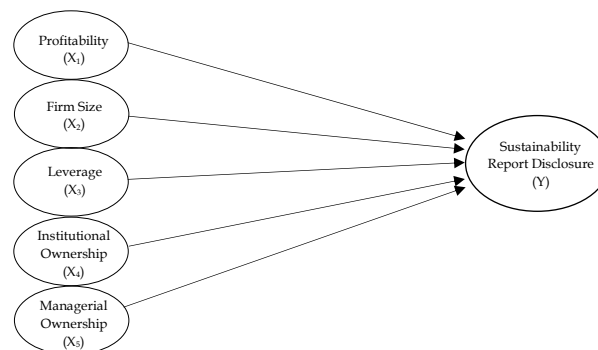


Figure 1. Conceptual Framework

Source: Research Data 2026

RESEARCH METHOD

The population of this study covers all energy sector companies registered on the Indonesia Stock Exchange (IDX) throughout the period 2022–2024, totaling 91 companies. The research sample was established using purposive sampling, namely energy sector companies that were consistently listed on the IDX, submitted comprehensive annual financial reports during the research period, did not experience losses, and provided information on institutional and managerial ownership. Based on these criteria, 28 companies were deemed to be qualified as research samples, increasing the total number of observation units employed in this study to 84 observations for the 2022–2024 timeframe.

The relatively limited sample size reflects the strict application of data completeness and consistency criteria, particularly the availability of sustainability reports and ownership structure disclosures, which are not uniformly reported by all firms in the population.

The annual reports and sustainability reports of energy sector corporations for the years 2022–2024 are the source of secondary data used in this study. Annual reports were utilized to acquire data on profitability, Firm size, leverage, institutional ownership, and managerial ownership, while sustainability reports were used to measure the extent of sustainability report disclosure. All data was accessed through the official website of the Indonesia Stock Exchange (IDX) and the official websites of each company.

The dependent variable in this study is sustainability report disclosure. Measurement was conducted using an index based on GRI standards, which includes GRI 200, GRI 300, and GRI 400, comprising a total of 84 indicators. Each indicator was assigned a score of 1 if disclosed and 0 if not (Pratitarari & Honggowati, 2025). The disclosure score was calculated using the following formula:

$$SRD = \frac{\text{number of indicators disclosed by the company}}{\text{number of GRI 2021 Standard indicators}} \dots\dots\dots(1)$$

The first independent variable is profitability, which indicates a company's ability to generate profit (Rahmat, 2022). Profitability is measured using Return on Assets (ROA) with the following formula:

$$ROA = \text{Net income} / \text{Total assets} \times 100\% \dots\dots\dots(2)$$

Firm size reflects the size of the company's capacity and resources, measured by total assets. (Triyono et al., 2025)

$$FS = \text{Ln Total Asset} \dots\dots\dots(3)$$

The leverage variable indicates the extent to which a company relies on debt for its operational financing (Yohana & Suhendah, 2023). Leverage is measured using the Debt-to-Equity Ratio (DER) with the formula:

$$DER = \text{Total Debt} / \text{Total Equity} \times 100\% \dots\dots\dots(4)$$

The proportion of company shares owned by financial institutions or organizations.(Chulim et al., 2025)

$$\text{Institutional Ownership} = \frac{\text{Number of institutional shares}}{\text{Number of shares outstanding}} \dots\dots\dots(5)$$

The proportion of company shares owned by management, such as directors and commissioners. (Pratitarari & Honggowati, 2025)

$$\text{Managerial Ownership} = \frac{\text{Number of management shares}}{\text{Number of Shares Outstanding}} \dots\dots\dots(6)$$

This study uses multiple linear regression analysis to examine the effect of profitability, company size, leverage, institutional ownership, and managerial ownership on sustainability report disclosure.

The use of multiple regression is considered appropriate as it allows the estimation of the partial effect of each independent variable while controlling for the influence of other variables within the model, thereby providing a more comprehensive explanation of the determinants of sustainability disclosure.

Data processing and analysis were performed using IBM SPSS Statistics software version 27. Descriptive statistics were used to present an overview of the research data characteristics through the minimum, maximum, mean, and standard deviation values of each variable. Before doing the regression analysis, the data was checked with classical assumption tests like normality, multicollinearity, heteroscedasticity, and autocorrelation tests to make sure the regression model was right. At a 0,05significance level, the t-test was used to test the hypothesis and see how each independent variable affected the dependent variable. In addition, the coefficient of determination (Adjusted R²) test was used to measure the ability of the regression model to explain the variation in sustainability report disclosure.

RESULT AND DISCUSSION

This study uses secondary data from energy sector companies listed on the Indonesia Stock Exchange during the period 2022–2024. The sample was determined using purposive sampling, resulting in 28 companies with a total of 84 observations. The research data was sourced from companies' annual reports and sustainability reports.

Table 1. Descriptive Statistics

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	84	0.008	0.616	0.229	0.162
Firm Size	84	27.126	60.408	30.479	3.632
Leverage	84	0.021	3.518	0.893	0.714
Institutional Ownership	84	0.127	0.993	0.560	0.267
Managerial Ownership	84	0.001	0.823	0.264	0.201
Sustainability Report Disclosure	84	0.321	1.000	0.629	0.187

Source: Research Data, 2026

Based on Table 1, the results of descriptive statistical analysis show that the level of sustainability report disclosure in energy sector companies has an average value of 0.629, with a minimum value of 0.321 and a maximum value of 1.000. Profitability, measured using Return on Assets (ROA), shows an average value of 0.229, which reflects the company's ability to generate profits from its total assets. Firm size has an average value of 30.479, which indicates variations in asset scale among the sample companies. Leverage, proxied by the Debt to Equity Ratio (DER), has an average value of 0.893, which illustrates the relatively diverse funding structure of the companies. Institutional ownership shows an average value of 0.560, indicating that most of the company's shares are owned by institutional investors, while managerial ownership has an average value of 0.264, showing that the proportion of share ownership by management is relatively low in most of the sample companies.

Table 2. Classic Assumption Test

Types of Test	Test Results	Criteria	Conclusion
Normality	Sig = 0.200 > 0.05	Normal residual data	Fulfilled
Multicollinearity	VIF < 10; Tolerance > 0.10	There is no correlation between variables	Fulfilled
Heteroscedasticity	Sig. > 0.05	Homogeneous residual variance	Fulfilled
Autocorrelation	DW = 1.783 (between du and 4-du)	No autocorrelation	Fulfilled

Source: Research Data, 2026

Normality testing is conducted to verify whether the residuals in the regression model are normally distributed. This test employs the Kolmogorov-Smirnov test with the criteria that an Asymp. Sig value larger than 0.05 implies that the residuals are regularly distributed. Based on the test findings in Table 2, the Asymp. Sig value is 0.200, which is more than 0.05. Thus, it can be argued that the residuals in the regression model are regularly distributed, so the normality condition is satisfied and the regression model is suitable for further investigation.

The multicollinearity test was conducted to examine whether strong correlations exist among the independent variables in the regression model. A regression model is considered free from multicollinearity when the Tolerance value exceeds 0.10 and the Variance Inflation Factor (VIF) is less than 10. Based on the results shown in the coefficient table, the ROA variable has a Tolerance value of 0.710 with a VIF of 1.409, Firm Size shows a Tolerance value of 0.976 and a VIF of 1.024, DER has a Tolerance value of 0.829 with a VIF of 1.206, Institutional Ownership records a Tolerance value of 0.858 and a VIF of 1.166, while Managerial Ownership presents a Tolerance value of 0.719 and a VIF of 1.391. Since all independent variables exhibit Tolerance values above 0.10 and VIF values below 10, it can be concluded that the regression model does not experience multicollinearity and the independent variables can be analyzed simultaneously.

A heteroscedasticity test was conducted to identify the presence or absence of residual variance inequality in the regression model. This test used the Glejser method, with the condition that the regression model was declared free of heteroscedasticity if the significance value of each independent variable was greater than 0.05. Based on the test results, all independent variables have significance values above 0.05, namely profitability of 0.537, company size of 0.294, leverage of 0.685, institutional ownership of 0.089, and managerial ownership of 0.729. These findings indicate that there are no independent variables that have a significant effect on the absolute residual value. Thus, it can be concluded that the regression model does not experience heteroscedasticity and has fulfilled the homoscedasticity assumption, making it suitable for further regression analysis and hypothesis testing.

The autocorrelation test aims to assess whether there is a relationship between residuals in different observation periods in the regression model. This test is performed using the Durbin-Watson (DW) statistic, with the condition that the regression model is declared free of autocorrelation if the DW value is between the upper limit (dU) and the value 4 - dU. Based on the test results, a DW value of 1.783 was obtained, which lies between the upper limit (dU) and 4 - dU. These results indicate that there is no autocorrelation in the regression model. Thus, the model used

has satisfied the classical assumption of autocorrelation and can be used for further analysis.

Table 4. Multiple Regression Analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Unstandardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0.114	0.137		-0.834	0.407
Profitability	0.594	0.112	0.517	5.321	0.000
Firm Size	0.013	0.004	0.243	2.939	0.004
Leverage	0.06	0.024	0.231	2.572	0.012
Institutional Ownership	0.314	0.062	0.449	5.08	0.000
Managerial Ownership	-0.014	0.09	-0.016	-0.161	0.873

Source: Research Data, 2026

Based on Table 4, the following regression equation is obtained:

$$Y = -0.114 + 0.594 X_1 + 0.013 X_2 + 0.060 X_3 + 0.314 X_4 - 0.014 X_5 + \varepsilon \dots\dots\dots (7)$$

Where:

Y = Sustainability Report Disclosure

X₁ = Profitability

X₂ = Firm Size

X₃ = Leverage

X₄ = Institutional Ownership

X₅ = Managerial Ownership

α = Constant

The regression estimation results show that the constant is -0.114, indicating that when all independent variables are constant, the level of sustainability reporting disclosure is at that value as the starting point of the model. The profitability coefficient (ROA) is positive at 0.594, indicating that an increase in ROA has an effect on increasing sustainability reporting disclosure. Company size also has a positive effect with a coefficient of 0.013, indicating that companies with larger asset scales tend to disclose more sustainability information. Leverage, proxied by DER, has a positive coefficient of 0.060, indicating that an increase in debt levels is followed by an increase in sustainability report disclosure. Institutional ownership has a positive effect with a coefficient of 0.314, indicating that the greater the proportion of institutional ownership, the higher the level of sustainability report disclosure. Conversely, managerial ownership has a negative coefficient of -0.014, indicating that an increase in managerial ownership tends to decrease the level of sustainability report disclosure, assuming that other independent variables remain constant.

The t-test is used to test the effect of each independent variable on the dependent variable partially (Ghozali, 2021). The test is conducted by considering the significance value of the t-statistic, where a significance value < 0.05 indicates a significant effect, while a significance value > 0.05 indicates no significant effect (Ghozali, 2021).

The t-test result show that the probability value of the ROA t-statistic is 0.000, which is below the 0.05 significance level. This finding suggests that profitability has a positive effect on sustainability report disclosure, thereby supporting the acceptance of the first hypothesis (H₁).

The company size variable has a t-value of 2.939 with a significance value of 0.004. The t-test results show a t-statistic probability value of 0.004, which is smaller than 0.05. This indicates that company size affects sustainability report disclosure. Thus, the second hypothesis (H₂) is accepted.

The leverage variable shows a t-value of 2.572 with a significance value of 0.012. The t-test results show a t-statistic of 0.012, which is smaller than 0.05. Thus, it can be concluded that leverage has a positive effect on sustainability report disclosure, so that the third hypothesis (H₃) is accepted.

The institutional ownership variable has a t-value of 5.080 with a significance value of 0.000. The t-test results show a t-statistic probability value of 0.000, which is less than 0.05. Therefore, it can be concluded that institutional ownership has a positive effect on sustainability report disclosure, so that the fourth hypothesis (H₄) is accepted.

The management ownership variable, which is proxied by managerial ownership, has a t-value of 0.161 with a significance value of 0.873, which is greater than 0.05. This suggests that the disclosure of sustainability reports is unaffected by managerial ownership. Thus, it may be inferred that the fifth hypothesis (H₅) in this study is rejected.

Table 5. Coefficient of Determination Test (R²)

Model Summary			
Model	R	R Square	Adjusted R Square
1	0.671 ^a	0.478	0.444

Source: Research Data, 2026

Based on the results of the coefficient of determination test in the Model Summary table, an Adjusted R Square value of 0.444 was obtained. This finding reveals that the variables of profitability, firm size, leverage, institutional ownership, and managerial ownership are able to explain 44.4% of the variation in sustainability report disclosure, whereas 55.6% is explained by additional factors outside the study model. This study implies that the potential of independent variables to explain sustainability report disclosure is still relatively restricted.

The results of the study show that profitability has a positive effect on the level of sustainability report disclosure, so the first hypothesis (H₁) accepted. This finding can be partially explained by legitimacy considerations, where firms seek to maintain alignment with societal expectations through sustainability disclosure (Maryana & Carolina, 2021). The findings of this study indicate that profitability, as measured by Return on Assets (ROA), has a positive and statistically significant effect on sustainability reporting, suggesting that more profitable firms are more capable of supporting sustainability initiatives and their disclosure.

In addition, this relationship also reflects internal resource capacity, where financially stronger firms have greater flexibility to allocate resources for sustainability activities and reporting. In the energy sector, which is characterized by high environmental exposure and stakeholder scrutiny, the relatively large coefficient indicates that profitability plays a substantial role in shaping disclosure practices. These findings are consistent with (Yohana & Suhendah, 2023) and (Riski et al., 2024) found that profitability has a significant positive impact on sustainability reporting disclosure.

The results of the study show that company size has a positive effect on the level of sustainability report disclosure, so the second hypothesis (H₂) accepted. These findings suggest that larger firms tend to disclose sustainability information more extensively (Anita et al., 2025). This relationship can be explained not only from a legitimacy perspective but also reflects differences in internal capacity, as larger companies possess more adequate resources, organizational complexity, and reporting systems to support comprehensive disclosure (Lestari et al., 2025).

In the energy sector, characterized by significant environmental impacts and high stakeholder scrutiny, large companies face higher expectations for transparency in line with the scale of their operations and public visibility. In this context, firm size plays a crucial role in explaining variations in the level of sustainability reporting, indicating that disclosure practices are influenced not only by external pressures but also by the firm's capacity and scale of resources. These findings align with (Tjandrapurnama & Oktaviani, 2023) and (Riski et al., 2024) which states that company size has a significant positive effect on sustainability reporting disclosure.

The results of the study show that leverage has a positive effect on the level of sustainability report disclosure, so the third hypothesis (H₃) accepted. These findings suggest that companies with a higher reliance on external financing tend to increase the scope of their disclosures (Larassati et al., 2024). This relationship is not only related to legitimacy but also reflects contractual pressures from creditors and investors that increase the need for transparency and oversight to mitigate information asymmetry (Toit, 2024).

In the context of the energy sector, industry characteristics such as high reliance on external financing structures and exposure to environmental compliance costs reinforce the demand for greater accountability to provide more comprehensive disclosures (Susandi & Kholmi, 2021). In this context, leverage plays a key role in explaining variations in sustainability reporting practices, indicating that disclosure decisions are influenced not only by reputational considerations but also by a company's financing structure and the need to reduce information asymmetry. These findings are consistent with (Anita et al., 2025) which states that leverage has a significant positive effect on sustainability report disclosure.

The results of the study show that institutional ownership has a positive effect on the level of sustainability report disclosure, so the fourth hypothesis (H₄) accepted. These findings indicate that the higher the proportion of institutional ownership, the more extensive a company's disclosures tend to be (Yohana & Suhendah, 2023). Beyond the perspective of legitimacy, this relationship also reflects a monitoring function, whereby institutional investors possess greater capacity and incentives to promote transparency and the quality of reporting (Susandi & Kholmi, 2021).

In industries facing regulatory pressure and high sustainability expectations, the role of institutional investors becomes increasingly important in shaping disclosure policies (Ludianah et al., 2022). This suggests that institutional ownership contributes to improving the quality and scope of reporting, driven by demands for accountability, governance, and the company's long-term sustainability. These findings are in line with legitimacy theory, which suggests that companies tend to adjust their disclosure practices to meet the expectations of stakeholders who have significant influence. The results of this study are consistent with previous studies conducted by (Chulim et al., 2025) and (Pratitarari & Honggowati, 2025), which show

that institutional ownership has a positive impact on the level of sustainability reporting.

The results of the study show that managerial ownership does not affect the level of sustainability report disclosure, so the fifth hypothesis (H₅) is rejected. These findings indicate that management share ownership does not directly lead to increased disclosure (Syahirah et al., 2023). This can be explained not only from the perspective of legitimacy but also by the limitations of management's influence within the ownership structure, particularly when their shareholding is relatively small. (Rahmat, 2022).

In industries with high external pressure for transparency and sustainability, disclosure decisions are influenced more by external factors than by management's internal interests (Tyas & Khafid, 2024). This suggests that managerial ownership plays a limited role in explaining variations in reporting practices, meaning that sustainability disclosures reflect a response to stakeholder demands rather than management's internal preferences. These results are in line with the findings of (Rahmat, 2022). which indicate that managerial ownership has a minimal influence on sustainability reporting.

CONCLUSION

This study indicates that variations in the level of sustainability reporting among energy sector companies are more closely related to the companies' economic capacity and the effectiveness of external oversight mechanisms than to managerial ownership. These findings suggest that disclosure practices are influenced not only by internal management incentives but also by the companies' ability to allocate reporting resources and the accountability pressures exerted by external stakeholders. From a theoretical perspective, the results of this study expand our understanding of the application of legitimacy theory by positioning financial capacity and oversight structures as factors that play a role in the formation of legitimacy through sustainability reporting. The inconsistent role of managerial ownership suggests that internal mechanisms are not necessarily capable of directly driving increased disclosure. In the energy sector, which has a high intensity of economic and environmental impacts, legitimacy is formed more through structural mechanisms than through internal ownership.

In practical terms, these findings indicate that the use of sustainability reports varies among stakeholders. For investors, the level of disclosure can serve as a basis for assessing a company's transparency, particularly for large-scale companies with high levels of institutional ownership. For regulators, these results point to the need for policies that emphasize not only reporting obligations but also the improvement of the quality and completeness of the information presented. Meanwhile, for the public and other stakeholders, sustainability reports need to be interpreted with the company's characteristics in mind, as the scope of disclosure does not always align with the quality of accountability conveyed. This study has limitations in terms of sectoral coverage, the observation period, and a measurement approach that remains indicator-based. Therefore, future research is recommended to develop a measurement framework based on the quality of disclosure, expand the scope of the study across sectors, and incorporate variables representing corporate governance

and environmental risks in order to gain a more comprehensive understanding of the factors influencing sustainability reporting.

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