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The effect of employee pressure, company activities, and company characteristics on sustainability report disclosure with the audit committee as a moderation

Nur Anita, Niswah Baroroh, Muhammad Khafid, Azizah Alya Majid, Leila Luthfia Ahnaf

Faculty of Economics and Business, Universitas Negeri Semarang

Abstract

The sustainability report reflects a company's social, economic, and environmental responsibilities, serving as a medium to communicate performance to stakeholders. However, not all companies fully optimize their sustainability disclosures. This study examines the effect of employee pressure, corporate activities, and firm characteristics on sustainability report disclosure, with the audit committee serving as a moderating variable. The study population includes non-financial companies listed on the Indonesia Stock Exchange (IDX) for 2020–2022. A total of 64 companies were selected as the research sample using purposive sampling. Data were analyzed using descriptive statistics and hypothesis testing through path analysis with the assistance of SmartPLS 3.0 software. The results indicate that employee pressure and firm characteristics do not significantly influence sustainability report disclosure, whereas corporate activities have a significant effect. The audit committee does not moderate the relationship between employee pressure, corporate activities, or sustainability disclosure. However, it strengthens the influence of firm characteristics on sustainability report disclosure.

Keywords

Sustainability Report; Employee Pressure; Company Activities; Company Characteristics; Audit Committee

INTRODUCTION

In today's business environment, sustainability has become integral to corporate responsibility. Companies are no longer evaluated solely based on financial performance but on managing social and environmental impacts. Sustainability reporting, therefore, serves as a strategic tool to communicate corporate commitments and actions related to environmental, social, and governance (ESG) issues. In Indonesia, the importance of sustainability disclosure has gained momentum, particularly after the Financial Services Authority (OJK) issued Regulation No. 51/POJK.03/2017, encouraging companies—especially those in the financial and public sectors—to publish sustainability reports.

From the perspective of stakeholder theory (Freeman, 1984), sustainability disclosure is a response to the increasing demand for transparency from various stakeholder groups, including employees, investors, regulators, and society. Stakeholders pressure companies to disclose not only their financial outcomes but also their broader societal and environmental performance. Similarly, legitimacy theory (Suchman, 1995) posits that companies engage in sustainability reporting to legitimise their existence and activities within the norms and expectations of society. Both theories suggest companies may strategically disclose sustainability-related information to maintain stakeholder trust and secure long-term survival.

However, despite regulatory developments and theoretical expectations, sustainability reporting practices in Indonesia remain inconsistent. Many non-financial companies have yet to maximise their sustainability disclosures in quantity or quality. This variability raises questions about what factors drive companies to disclose sustainability information. Previous studies have explored several determinants, such as company size, profitability, industry type, and ownership structure (Barako et al., 2006; Wahyudi, 2021). However, internal pressures—such as employee demands—and operational intensity have received limited attention in the Indonesian context.

This study addresses that gap by incorporating employee pressure and corporate activity as potential determinants of sustainability disclosure. As internal stakeholders, employees may influence corporate policies through demands for ethical, safe, and environmentally responsible practices. Meanwhile, corporate activity, such as the scale and complexity of operations, may impact a company's environmental footprint and, consequently, its motivation to disclose relevant information.

Another crucial aspect that this study explores is the moderating role of the audit committee. As part of corporate governance mechanisms, the audit committee oversees financial and non-financial disclosures, including sustainability reports. A competent and independent audit committee may enhance the credibility of disclosures and ensure compliance with reporting standards. While some studies have found a positive relationship between audit committee characteristics and sustainability reporting (Wang & Sun, 2022), others report mixed results, indicating the need for further investigation.

Therefore, this study examines the influence of employee pressure, corporate activity, and firm characteristics on sustainability report disclosure, with the audit committee as a moderating variable. This research focuses on non-financial companies listed on the Indonesia Stock Exchange (IDX) from 2020–2022. Using a quantitative approach, path analysis, and SmartPLS, this study provides empirical evidence on how internal and external factors influence sustainability disclosures.

The novelty of this study lies in its integrative model that incorporates both stakeholder-related pressures (employee pressure) and operational factors (corporate activity) alongside governance mechanisms (audit committee) in a single framework. While previous studies have separately examined these variables, limited research has analyzed their interaction—particularly in the Indonesian non-financial sector post-POJK 51/2017. Furthermore, the study contributes to the theoretical development of stakeholder and legitimacy theories by highlighting the nuanced role of internal stakeholders and governance in shaping sustainability disclosure behaviour.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The Influence of Employee Pressure on Sustainability Report Disclosure

From the stakeholder theory perspective, companies are responsible for paying attention to all stakeholders' interests, including employees (Freeman, 1984). Employees are internal actors who have expectations of ethical, sustainable, and responsible business practices. When pressure or demands from employees increase—for example, related to work safety, environmental balance, or social responsibility—companies tend to respond by increasing transparency and accountability through sustainability report disclosure.

According to legitimacy theory, companies seek to maintain their social legitimacy by adjusting their actions and reports to the values and norms prevailing in society (Suchman, 1995). In this context, employee pressure can be seen as an incentive to adjust corporate behaviour to evolving norms of desire. Companies maintain legitimacy in employees' eyes by explicitly demonstrating their commitment to environmental, social, and governance (ESG) aspects through sustainability reports.

Research by Michelon et al. (2015)shows that internal stakeholders, including employees, play an important role in encouraging companies to disclose information of interest. High employee pressure can push management to be more proactive in communicating the company's sustainability efforts. Furthermore, Fernandez-Feijoo et al. (2014); Kasanah & Wijayanti (2024); Lulu (2020); Rudyanto & Veronica Siregar (2018) found that employee pressure has a positive and significant effect on sustainability report disclosure. It shows that the more employees in a company, the greater the pressure to increase company transparency.

However, several other studies, such as those conducted by Darmawan & Sudana (2022); Hidayah et al. (2021); Silvana & Khomsyiah (2023) showed different results, namely that employee pressure did not have a significant effect on sustainability report disclosure. This difference in results shows that the relationship between employee pressure and sustainability disclosure still requires further empirical testing.

Based on the description of the theory and previous research findings, the first hypothesis proposed in this study is as follows:
H1: Employee pressure has a positive effect on sustainability report disclosure.

The Influence of Company Activities on Sustainability Report Disclosure

Firm activities represent the operational intensity and scope of a company's business processes, which may reflect its interaction with the environment, society, and various stakeholders. The more active a company is in conducting its business—especially if it involves high resource consumption, logistics, or production—the more likely it is to face public scrutiny and expectations regarding environmental and social accountability.

From the perspective of stakeholder theory (Freeman, 1984), companies must address the concerns of all parties affected by their operations. Firm activities with wider societal and environmental impacts will naturally invite greater attention from stakeholders such as investors, regulators, customers, and local communities. These stakeholders may pressure companies to demonstrate their responsibility through transparent and comprehensive sustainability disclosures.

Legitimacy theory (Suchman, 1995) further supports this view by emphasising that firms must seek societal approval to maintain legitimacy. Companies engaged in extensive or high-impact activities may experience legitimacy gaps if they fail to disclose their efforts in managing sustainability issues. As a response, firms are motivated to publish sustainability reports to align their practices with societal norms and reduce legitimacy threats.

In addition, companies with higher levels of business activity often possess greater visibility and public exposure. This visibility creates a form of reputational risk, which motivates firms to communicate their commitment to sustainability practices through voluntary disclosures proactively. Sustainability reports are a strategic communication tool to maintain or enhance a company's image and manage stakeholder perceptions.

Empirical research has provided supporting evidence for the positive relationship between firm activities and sustainability disclosure. Studies by Damayanty et al. (2022); Rachmawantari (2023); Wagiswari & Badera (2021) found that firm activity—often proxied by total asset turnover, production volume, or operational scale—has a significant positive influence on the extent of sustainability report disclosure. These studies argue that companies with intense operational activities are more likely to disclose sustainability information to demonstrate accountability.

On the other hand, some researchers, such as Abbas et al. (2022); Rachmadanty & Agustina (2023); Safitri & Saifudin (2019), found no significant effect of firm activity on sustainability reporting, suggesting that other factors, such as regulatory pressure, governance mechanisms, or firm size, may play a moderating role. Based on these theoretical and empirical considerations, the following hypothesis is proposed:
H2: Company activities has a positive effect on sustainability report disclosure.

The Influence of Company Characteristics on Sustainability Report Disclosure

Industry type is one of the key characteristics that define a firm, particularly in terms of its operational scope, business risks, and ability to respond to external challenges. Roberts (1992) classifies industry types into high-profile and low-profile industries. High-profile industries operate with high environmental sensitivity, face considerable political risks, and compete intensely. In contrast, low-profile industries operate under less public scrutiny and have lower environmental and political exposure.

High-profile companies tend to receive greater public attention regarding their activities compared to low-profile firms (Anindita, 2014). This is due to their more substantial impact on the environment and society, which makes any operational failures more visible and potentially more damaging. According to legitimacy theory, companies in high-profile industries are more likely to disclose sustainability information extensively to maintain or restore their legitimacy in the eyes of stakeholders. Legitimacy theory suggests that companies operate based on a "social contract" with society, where fulfilling expectations, such as transparent sustainability disclosures, can preserve mutual trust and ensure business continuity (Rachmadanty & Agustina, 2023).

Empirical findings on the relationship between firm characteristics and sustainability disclosure have been varied. Studies by Adiatma & Suryanawa (2018); Karlina et al. (2019) found that industry type positively influences sustainability disclosure. High-profile companies typically engage in environmentally impactful activities and are expected to disclose more extensive environmental and social information to stakeholders. In contrast, other studies, such as those by Rachmadanty & Agustina (2023); Syakirli (2019); Wagiswari & Badera (2021), suggest that firm characteristics, including industry type, may not significantly influence sustainability reporting practices. Based on the theoretical reasoning and previous research findings, the following hypothesis is proposed:
H3: Company characteristics have a positive effect on sustainability report disclosure.

Moderating Role of Audit Committee on the Relationship Between Employee Pressure and Sustainability Report Disclosure

The board of commissioners establishes the audit committee to perform supervisory functions over the performance of management and the board of directors, in accordance with the principles of Good Corporate Governance. Within the corporate governance framework, the audit committee plays a strategic role in supporting management in disclosing sustainability reports. Specifically, the audit committee guides and oversees the directors and executive management in reporting the company's social, economic, and environmental responsibilities through sustainability disclosures.

Sustainability reporting is often driven by internal stakeholder pressure, particularly from employees. High-quality employees are typically aware of the importance of corporate social responsibility (CSR) and expect the company to be transparent in its sustainability practices. The sustainability report addresses the interests of stakeholders—one of which is employees—by providing information on the company's economic performance, social responsibility, and environmental impact.

The presence of an effective audit committee can strengthen the company's response to employee pressure by ensuring that management fulfils its disclosure obligations. The audit committee functions as an intermediary that facilitates transparency and accountability, ensuring that employees' expectations regarding sustainability are addressed in the company's reporting practices. Thus, a well-functioning audit committee is expected to enhance the positive influence of employee pressure on the disclosure of sustainability reports. Based on the above explanation, the following hypothesis is proposed:
H4: The audit committee strengthens the positive effect of employee pressure on sustainability report disclosure.

Moderating Role of Audit Committee on the Relationship Between Company Activities and Sustainability Report Disclosure

A company's operational activities are closely related to social and environmental aspects, necessitating responsible practices. Firms that exhibit higher activity levels—often measured through indicators such as asset turnover or production output—are generally considered to have strong and stable performance. In such cases, companies are expected to report financial outcomes and disclose non-financial information that reflects their social and environmental responsibilities.

The audit committee plays a crucial role in assisting the board of directors in overseeing management performance. Within the framework of Good Corporate Governance, the audit committee can influence management behaviour, particularly in ensuring transparency and accountability in corporate reporting. An active audit committee can encourage management to publish sustainability reports to communicate with stakeholders and fulfil the company's social contract with society.

By strengthening corporate governance mechanisms, the audit committee helps ensure that firms engaged in high operational activity also fulfil their obligation to disclose sustainability-related information. The audit committee reinforces the firm's legitimacy through oversight and advisory functions by aligning its operational performance with sustainability expectations.

Accordingly, it is proposed that the audit committee moderates the relationship between firm activity and sustainability report disclosure by strengthening the effect of firm activity on disclosure practices.

H5: The audit committee strengthens the positive effect of company activities on sustainability report disclosure.

Moderating Role of Audit Committee on the Relationship Between Company Characteristics and Sustainability Report Disclosure

High-profile companies are typically involved in industries with broad societal and environmental impacts. As a result, any errors or controversies in their operations are more likely to attract public attention and scrutiny from various stakeholder groups. In contrast, low-profile companies generally operate in sectors with limited exposure, making them less visible to the public and less likely to face stakeholder pressure.

Due to their high visibility and potential to influence a broader range of stakeholders, high-profile companies are more inclined to engage in extensive disclosure practices. Beyond fulfilling accountability requirements, enhanced transparency is a strategic tool to build a positive corporate image and secure stakeholder support (Sinaga & Fachrurrozie, 2017).

An audit committee can further reinforce the company's commitment to sustainability disclosure in this context. The audit committee encourages the board of directors and management to maintain strong relationships with stakeholders and to meet legitimacy expectations by ensuring compliance with the principles of Good Corporate Governance. One tangible realisation of the company's social responsibility is the publication of sustainability reports.

Therefore, the audit committee is expected to strengthen the relationship between firm characteristics—particularly industry profile—and sustainability report disclosure, by promoting greater accountability and transparency.

H6: The audit committee strengthens the positive effect of company characteristics on sustainability report disclosure.

METHODS

This study employs a quantitative research approach using a hypothesis testing design, which involves data analysis to describe and examine the causal relationships among the research variables (Wahyudin, 2015). The data used in this study are secondary data, obtained from annual reports and sustainability reports of non-financial companies listed on the Indonesia Stock Exchange (IDX) for 2020–2022.

The data were collected through the selected companies' official websites and the IDX's official website. The population of this study includes all non-financial companies listed on the IDX during the 2020–2022 period. The sampling technique used was purposive sampling, resulting in a final sample of 192 units of analysis derived from 64 companies.

The study includes three types of variables: dependent, independent, and moderating variables. The dependent variable is sustainability report disclosure. The independent variables are employee pressure, firm activity, and firm characteristics. The moderating variable, which represents the novelty of this research, is the audit committee.

The operational definitions and measurements of all variables used in this study are presented in Table 1.

Table 1. Operational Definition of Variables

Variable	Definition	Measurement Method	Reference
Sustainability Report	Sustainability reporting is a practice of measuring,	Score 0: item not disclosed Score 1: item disclosed qualitatively	(Suharyani et al., 2019)

Variable	Definition	Measurement Method	Reference
	disclosing and being accountable for company performance to realize sustainable development.	Score 2: item disclosed quantitatively. $SRDI = \frac{Number\ of\ items\ disclosed}{Number\ of\ items\ disclosed}$	
Employee Pressure	Fulfillment of employee rights by the company is a form of pressure exerted by employees as stakeholders on the company.	$Cmployee\ Pressure = \frac{Amount\ of\ employee\ benefit\ burden}{Number\ of\ employees}$	(Putri et al., 2022).
Company Activities	Company activities describe the company's goals or level of achievement as a form of presentation of the company's vision, mission and strategy and can show the level of success or failure of the implementation of activities carried out in accordance with established programs and policies.	$TATO = \frac{Sales}{Total\ assets}$	(Kasmir, 2016) dan (Savitri, 2020)
Company Characteristics	Industry type is a characteristic that describes a company based on its business field, business risk, and company scope as well as the company's ability to handle business risks and challenges.	Companies categorized as high-profile will get a score of 1 and low-profile companies will get a score of 0.	(Anindita, 2014) dan (Syakirli, 2019)
Audit Committee	The audit committee is appointed by the company as a liaison between the board of directors, external auditors, internal auditors and independent members.	Score 1 for no university studies, score 2 for diploma, score 3 for bachelor's degree, score 4 for master's degree, and score 5 for PhD $Audit\ Committee = \frac{Total\ education\ score}{Number\ of\ members}$	(Aniktia & Khafid, 2015) dan (Pérez-Cornejo et al., 2019)

This study's hypothesis testing method is conducted using descriptive and inferential statistical analyses (Wahyudin, 2015). The regression analysis employed is the Partial Least Squares (PLS) method, using the SmartPLS software version 3.0 as the statistical tool. Descriptive statistical analysis is used to describe the individual profiles of each research variable. Meanwhile, inferential statistical analysis in this quantitative study is conducted to test the hypotheses developed based on the theoretical framework. The inferential analysis consists of two main components: Outer Model Analysis: Convergent Validity, Discriminant Validity, and Composite Reliability. Furthermore, the Inner Model Analysis includes Path Coefficients, Model Fit, and Coefficient of Determination (R^2). Finally, hypothesis testing is performed to examine the causal relationships among the variables and evaluate the moderating effect of the audit committee.

RESULTS AND DISCUSSION

Table 2 shows the descriptive statistical analysis results

Table 2. Descriptive Statistical Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
	Descriptive Statistics				
Employee Pressure	192	7.00	58.00	22.43	11.211
Company Activities	192	0.2	1.739	.561	.368
Company Characteristics	192	.00	1.00	.42	.495
Sustainability Report	192	0.3	0.999	.594	.366
Audit Committee	192	1.00	5.00	3.77	12.94
Valid N (listwise)	192				

Source: processed secondary data, 2024

Based on the results of the descriptive statistical analysis shown in Table 2, it is evident that the mean values of the variables *employee pressure*, *firm activity*, *sustainability report disclosure*, and *audit committee* are higher than their respective standard deviations. It indicates that the data distribution for these variables is centred around the mean, suggesting a relatively low data dispersion. In contrast, the firm characteristics variable has a standard deviation higher than its mean, which implies that the data are heterogeneous or exhibit considerable variation.

The outer model analysis was conducted to assess how well the latent variables are represented by their respective indicators, focusing on validity and reliability testing. The convergent validity test results show a 1.000 (> 0.7), indicating excellent convergence among indicators. The discriminant validity test reveals that the cross-loading values of each indicator on its respective construct are higher than the cross-loadings on other constructs, confirming that the indicators discriminate well between variables.

The composite reliability score is 1.000 (> 0.6), which confirms that all variables are reliable and meet the internal consistency requirements.

The inner model analysis assessed the overall model fit and the strength of the structural relationships. The model's Normed Fit Index (NFI) is 1.000, indicating an excellent model fit. The R-squared (R^2) value is 0.173, which suggests that the independent and moderating variables collectively explain 17.3% of the variance in sustainability report disclosure.

Based on these results, it can be concluded that the regression model meets the necessary statistical requirements and is appropriate for hypothesis testing.

The results of the hypothesis testing in this study are presented as follows.

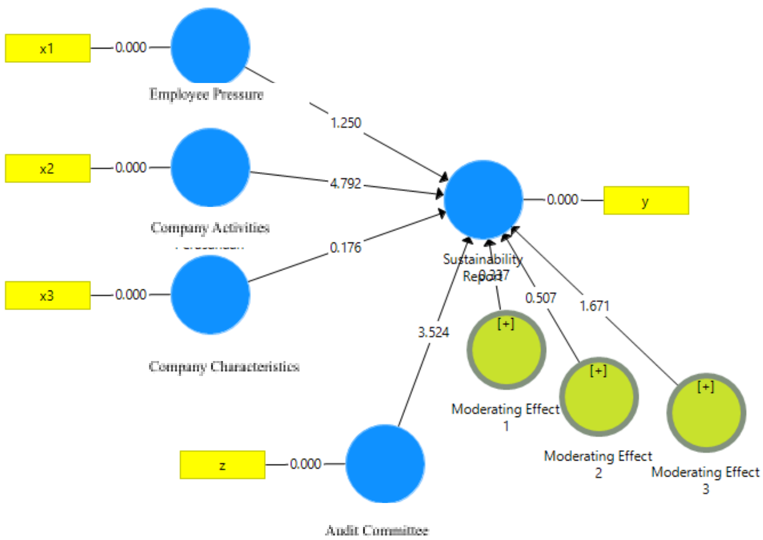

Figure 1. Bootstrapping Test Results

The results of the bootstrapping test are presented in the output image with the audit committee moderation variable, to moderate the relationship between sustainability reports and employee pressure, company activities, and company characteristics. In the output, some t-statistics and p-values must be met to determine the structural relationship between latent variables by comparing the p-values with alpha or t-statistics> 1.96 (Anwar, 2019).

Table 3. Hypothesis Test Result

Hypothesis	Result	Decision
H1: Employee pressure has a positive effect on sustainability report disclosure	t-statistics: 1,250 p-*values*: 0,212	H1 not supported
H2: Company activities has a positive effect on sustainability report disclosure.	t-statistics: 4,792 p-*values*: 0,000 (<0,05)	H2 supported
H3: Company characteristics have a positive effect on sustainability report disclosure.	t-statistics: 0,176 p-*values*: 0,860	H3 not supported
H4: The audit committee strengthens the positive effect of employee pressure on sustainability report disclosure.	t-statistics: 0,337 p-*values*: 0,736	H4 not supported
H5: The audit committee strengthens the positive effect of company activities on sustainability report disclosure.	t-statistics: 0,507 p-*values*: 0,612	H5 not supported
H6: The audit committee strengthens the positive effect of company characteristics on sustainability report disclosure.	t-statistics: 1,671 p-*values*: 0,095 (<0,1)	H6 supported

The Influence of Employee Pressure on Sustainability Report Disclosure

This study's first hypothesis (H1) proposed that employee pressure positively affects sustainability report disclosure. However, the hypothesis test results indicate this relationship is not statistically significant. It means that employee pressure does not significantly influence the company's sustainability reporting practices.

This finding does not align with stakeholder theory, which asserts that a good company fulfils the rights and interests of its stakeholders, including employees. According to the theory, employee-related information should be disclosed in sustainability reports to ensure transparency and accountability. However, the current study shows that variations in employee pressure—whether high or low—do not significantly affect the extent to which companies disclose sustainability information.

These results are consistent with previous research conducted by Darmawan & Sudana (2022); Putri et al. (2022); Silvana & Khomsyiah (2023); Sriningsih & Wahyuningrum (2022), which also found that employee pressure does not significantly influence sustainability report disclosure. Companies may view sustainability reporting primarily as a tool for communication with external stakeholders such as investors, rather than as a response to internal pressures from employees.

Moreover, many employees may not prioritise whether sustainability-related issues are reported, as they tend to be more concerned with receiving fair compensation and benefits for their performance. As long as their direct rights are fulfilled, they may not be aware of or demand transparency through formal sustainability disclosures.

The Influence of Company Activities on Sustainability Report Disclosure

The findings of this study indicate that firm activity has a significant positive effect on sustainability report disclosure. Based on the hypothesis testing results, the second hypothesis

(H2) is supported, as evidenced by a significance value of 0.000, indicating a strong and positive relationship between firm activity and sustainability report disclosure. It suggests that the higher a company's activity ratio, the more likely it is to disclose sustainability-related information.

This result is consistent with stakeholder theory, which posits that companies with more active operations tend to be stable financially due to effective fund management. In such conditions, companies are more inclined to engage in broader disclosures to meet the informational needs of their stakeholders, particularly those who hold power over the company's access to critical resources used in operational activities.

The findings of this study are also in line with previous research by Damayanty et al. (2022); Rahmawantari (2023); Wagiswari & Badera (2021), which similarly found a positive and significant relationship between firm activity and sustainability report disclosure. These studies support the view that companies with higher operational engagement are more responsive to stakeholder demands for transparency and accountability.

The Influence of Company Characteristics on Sustainability Report Disclosure

The third hypothesis (H3) proposed in this study stated that firm characteristics positively affect sustainability report disclosure. However, the hypothesis testing results do not support this assumption. Firm characteristics have no significant effect on sustainability report disclosure. It indicates that a company's industry type or profile does not significantly influence its sustainability reporting practices.

This finding contradicts the legitimacy theory perspective, which suggests that high-profile companies tend to disclose more comprehensive sustainability information to gain and maintain legitimacy from the public. In contrast, the results of this study imply that companies may view sustainability reporting as a matter of internal policy, where the decision to disclose is tailored to the firm's specific conditions rather than being driven by its industry classification.

Even low-profile firms may disclose sustainability information if they perceive it as beneficial or necessary for enhancing their reputation or stakeholder relationships. Therefore, sustainability disclosure appears to be more influenced by strategic decisions and perceived benefits rather than by the inherent characteristics of the firm's industry.

These results are consistent with previous studies by Rachmadanty & Agustina (2023); Syakirli et al. (2019); Wagiswari & Badera (2021), which also found that firm characteristics do not have a significant effect on sustainability report disclosure.

Moderating Role of Audit Committee on the Relationship Between Employee Pressure and Sustainability Report Disclosure

The results of this study indicate that the audit committee does not significantly moderate the relationship between employee pressure and sustainability report disclosure. This finding is evidenced by a p-value greater than the significance level of 0.05, suggesting that the audit committee neither strengthens nor weakens the influence of employee pressure on sustainability reporting practices.

As a moderating variable, the audit committee fails to exert a reinforcing or dampening effect on the relationship between employee-driven pressure and the company's decision to disclose sustainability-related information. Even in firms with audit committee members with relevant educational backgrounds, there appears to be no significant encouragement or pressure for the company to improve its sustainability disclosures in response to employee expectations.

This finding contradicts stakeholder theory, which posits that stakeholders—such as employees—hold legitimate claims and can influence, or be influenced by, corporate actions. Theoretically, an effective audit committee should serve as a governance mechanism that amplifies the company's responsiveness to stakeholder demands, including transparency and sustainability. However, the results of this study suggest that in practice, the presence of an audit committee does not amplify the role of employee pressure in driving sustainability disclosure.

Moderating Role of Audit Committee on the Relationship Between Company Activities and Sustainability Report Disclosure

Based on the interaction test results between the audit committee and company activities concerning sustainability report disclosure, it was found that the audit committee does not significantly moderate the relationship. It is supported by a p-value of 0.612 and a t-statistic of 0.507, indicating that the audit committee neither strengthens nor weakens the effect of firm activity on sustainability disclosure.

As a moderating variable, the audit committee does not significantly influence the relationship between a firm's operational activity and its sustainability reporting behaviour. This result is inconsistent with stakeholder theory, which suggests that companies should align their business activities with the expectations of their stakeholders. When a firm operates efficiently and achieves a strong performance, stakeholders typically expect the company to report its responsibilities and impacts, including disclosing sustainability information.

However, in practice, the audit committee's role appears limited to oversight and performance monitoring. The committee may ensure that operations are running correctly, but does not necessarily push the company to translate these operational outcomes into transparent sustainability reporting. Therefore, the audit committee's influence remains internal and compliance-focused, rather than acting as a driver for enhanced external disclosure to stakeholders.

Moderating Role of Audit Committee on the Relationship Between Company Characteristics and Sustainability Report Disclosure

The analysis results indicate that the interaction variable between the audit committee and firm characteristics has a significance level of 0.095, below the accepted alpha threshold of 0.1. As a moderating variable, the audit committee significantly strengthens the relationship between firm characteristics and sustainability report disclosure. This finding is further supported by the increase in the t-statistic, which rose from 0.176 (before moderation) to 1.671 (after moderation).

As a moderating variable, the audit committee reinforces the influence of firm characteristics—particularly industry profile—on sustainability reporting practices. This finding aligns with legitimacy theory, which posits that high-profile firms engage in more extensive disclosure to maintain continuous public trust and legitimacy.

The presence of an audit committee encourages companies to disclose sustainability-related information as a means of maintaining good relationships with stakeholders and upholding Good Corporate Governance (GCG) principles. The audit committee monitors compliance and performance and emphasises the realisation of corporate social responsibility (CSR), which is increasingly being formalised through sustainability report disclosures.

CONCLUSION

This study examined the effect of employee pressure, firm activity, and firm characteristics on sustainability report disclosure, with the audit committee as a moderating variable. The results reveal that only firm activity significantly positively affects sustainability reporting, while employee pressure and firm characteristics do not. Additionally, the audit committee was found to moderate the relationship between firm characteristics and sustainability reporting significantly, but did not moderate the effects of employee pressure or firm activity.

The findings contribute to stakeholder and legitimacy theory by highlighting the role of operational performance and governance in influencing disclosure practices. From a practical standpoint, the results suggest that companies should prioritise strong operational performance and empower audit committees to enhance the quality and credibility of sustainability disclosures. Enhancing the independence and function of audit committees can strengthen corporate transparency and stakeholder trust.

This study is limited to non-financial companies listed on the Indonesia Stock Exchange from 2020 to 2022 and relies primarily on quantitative secondary data. Future research is encouraged to include qualitative perspectives, such as interviews or case studies, and to explore different industries or cross-country settings to enhance the generalizability of the findings.

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