Journal of Innovation in Business and Economics
Vol. 08 No. 01 June 2024 Page 71-80
P-ISSN: 2580-9431 E-ISSN: 2581-2025 http://ejournal.umm.ac.id/index.php/jibe

Received: 06-12-2023 | Received in revision: 08-06-2024 | Accepted: 14-08-2024 | Published: 10-10-2024

The impact of materiality and stakeholder engagement on firm sustainability reporting

Shafira Salsabilla[1], Erwin Saraswati[2], Wuryan Andayani[3]
Department of Accounting, Faculty of Economics and Business, Universitas Brawijaya Malang, Indonesia[1,2,3]

DOI: https://doi.org/10.22219/jibe.v8i01.30670

Abstract
This paper empirically examines the influence of materiality and stakeholder engagement on the quality of sustainability reports in manufacturing companies in Indonesia from 2017 to 2022. The quality of sustainability reporting is measured using four index dimensions: relative quantity of disclosure, density, accuracy, and management orientation. Materiality and stakeholder engagement are assessed using a content analysis methodology, with relevance of disclosure as the measurement criterion. The regression analysis reveals that materiality has a significant negative effect on the quality of sustainability reporting. Conversely, stakeholder engagement has a significant positive effect on the quality of sustainability reporting. These findings highlight a potential trade-off: an excessive emphasis on materiality may lead to the omission of other critical components, thereby reducing the overall quality and comprehensiveness of sustainability reporting.

Keywords: materiality; stakeholder; firm; sustainability

Introduction

Sustainability and Corporate Social Responsibility (CSR) have become central to the modern business landscape, with global companies increasingly adopting sustainability reporting as a standard practice. This trend is driven by the growing awareness of the risks associated with economic exclusion for companies that fail to disclose their sustainability initiatives. According to the guidelines set by the Global Sustainability Standards Board, the effectiveness of a sustainability report is determined by four essential quality principles: stakeholder engagement, sustainability context, materiality, and completeness. (GRI & SASB, 2021).

Materiality is a crucial principle in sustainability reporting, as researchers such as Farooq et al. (2021) and Sardianou et al. (2021) highlight. The Global Reporting Initiative (GRI) recommends a comprehensive materiality assessment, emphasizing identifying issues pertinent to the reporting entity and its stakeholders, aiming to enhance the quality of sustainability reporting (Global Sustainability Standards Board, 2018). Feliyanti (2022) further supports this, asserting that focusing on materiality during report preparation positively correlates with the overall quality of sustainability reports. Additionally, Bellantuono et al. (2018) propose that materiality plays a pivotal role in preventing the omission of relevant topics in financial reports, thereby bolstering reliability and comparability in sustainability reports and facilitating informed decision-making.

Given the global nature of sustainability concerns, investors are increasingly integrating Environmental, Social, and Governance (ESG) criteria into their decision-making processes. Consequently, companies are under heightened pressure to furnish accurate and reliable sustainability data. Stakeholder oversight becomes instrumental in encouraging companies to adopt robust reporting frameworks like GRI

E-mail: shasalbilla@gmail.com

Copyright (c) 2024 Shafira Salsabilla, Erwin Saraswati, Wuryan Andayani

Creative Commons License
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

or the Sustainability Accounting Standards Board (SASB). However, the effectiveness of stakeholder involvement in enhancing the quality of sustainability reports is not without challenges. Striking a delicate balance among various stakeholder interests, managing conflicting expectations, and ensuring the representation of marginalized voices pose challenges that companies must grapple with. Moreover, the dynamic nature of sustainability issues necessitates companies to remain responsive to emerging concerns from stakeholders, demanding continuous feedback mechanisms.

However, the current situation in Indonesia presents a skepticism towards sustainability reports. There are concerns that such reporting might exhibit biases and an overly optimistic outlook, potentially masking the actual future conditions of the companies involved (Boiral et al., 2019). Existing studies commonly address materiality and stakeholder involvement as separate entities. Previous research primarily delves into the determinants of materiality without exploring how materiality influences sustainability reports (Ningsih & Meiden, 2022; Putri et al., 2022). On the other hand, alternative studies concentrate solely on how stakeholder involvement shapes the quality of sustainability reports (Qisthi & Fitri, 2021). However, materiality plays a crucial role in ensuring the relevance of the information presented, aligning with the interests and values held by stakeholders (Dewi et al., 2023; Torelli et al., 2020). Stakeholders tend to exhibit greater interest and engagement when information directly correlates with material issues impacting the company's performance and sustainability. Therefore, a comprehensive investigation into the combined influence of materiality and stakeholder involvement on the quality of sustainability reports is imperative, rather than treating them as isolated components. In line with this perspective, this study explores how materiality and stakeholder involvement collectively contribute to enhancing the quality of sustainability reporting.

Research Method

Data

Investigating the impact of materiality and stakeholder involvement on the quality of sustainability reporting within Indonesian manufacturing companies holds significant strategic importance. Given their substantial environmental and social footprints, manufacturing industries necessitate meticulous identification of material issues to effectively manage operational impacts in a sustainable manner. Stakeholder engagement, involving suppliers, workers, and local communities, directly influences a company's reputation, ability to meet consumer expectations, and adherence to regulatory standards.

The production of accurate and comprehensive sustainability reports is foundational to strategic decision-making. Such reports empower companies to manage risks, identify innovative opportunities, and enhance competitiveness. In an era where consumers are increasingly aware of environmental and social concerns, manufacturing companies that demonstrate transparency and a commitment to sustainability can establish trust, garner stakeholder support, and generate sustainable value for all involved parties. This study specifically focuses on a sample of 206 manufacturing companies listed on the Indonesian Stock Exchange (IDX) from 2017-2022.

Variable Measurent

Quality of sustainability reports

In this study, the assessment of sustainability report quality relies on the GRI Standard framework, which encompasses 26 themes derived from sustainability report indicators. The dimensions of sustainability report quality (SRQ) are categorized into four indices: relative quantity disclosure (RQT), density (DEN), accuracy (ACC), and managerial orientation (MAN). Each index employed in calculating the sustainability report quality (SR) is standardized to mitigate scale effects, resulting in a value ranging from 0 to 1. The formula used for measuring the quality of sustainability reports adheres to the equation (1).

$$SRQ_{it} = \frac{1}{4(RQT_{it} + DEN_{it} + ACC_{it} + MAN_{it})} \quad (1)$$

Description:

SRQ_{it} : Quality of company i's sustainability report in year t
RQT_{it} : Relative quantity index for company i in year t
DEN_{it} : Density index of company i in year t
ACC_{it} : Accuracy index of company i in year t
MAN_{it} : Company i's managerial orientation index in year t

Relative Quantity Disclosure (RQT) gauges the extent to which a company discloses information compared to others within the same industry. This index assumes a higher value when a company discloses more information than the industry average. In essence, RQT employs a standard residual regression model, incorporating industry and company size as variables (Michelon et al., 2015). The Ordinary Least Squares (OLS) model equation is represented by equation (2), while the assessment of the disclosure level is outlined in equation (3).

$$RQT_{it} = Disc_{it} - \widehat{Disc}_{it} \quad (2)$$

$$Disc_j = \beta_0 + \sum_{j=1}^{k} \beta_j IND_j + \beta_{k+1} SIZE \quad (3)$$

Description:
RQT_{it} : Relative quantity index for company i in year t
$Disc_{it}$: Observed level of disclosure for company i in year t
$\widehat{Disc}_{it}$: Estimated level of disclosure for company i in year t

The Density Index (DEN) characterizes the relevance of sustainability context in disclosures by comparing the number of sustainability-related sentences to the total sentences within the sustainability report (SR). The analysis involves counting each sentence, assigning a value of 1 if it contains sustainability-related (SR) information, and a value of 0 if SR information is absent. The density ratio then compares the number of sentences presenting SR information with the total number of sentences in the SR. A density ratio close to 1 signifies that the information presented is comprehensive and pertinent. The calculation of the density index adheres to equation (4).

$$DEN_{it} = \frac{1}{k_{it}} \sum_{j=1}^{k_{it}} SR_{ijt} \quad (4)$$

Description:
DEN_{it} : Density index of company i in year t
k_{it} : Number of sentences in the documents analyzed for company i in year t
SR_{ijt} : 1 if sentence j in the document analyzed for company I in year t contains SR information and 0 if it does not

The Accuracy Index (ACC) aims to evaluate how companies present information in their sustainability reports (SR). The accuracy analysis specifically examines whether SR activities are disclosed in qualitative, quantitative, or monetary terms, as proposed by Wiseman (1982). A score of 3 is assigned for the disclosure of monetary information, a score of 2 for quantitative non-monetary information, and a score of 1 for qualitative disclosure. The ACC health index is subsequently computed using equation (5).

$$ACC_{it} = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (w * SR_{ijt}) \quad (5)$$

Description:
ACC_{it} : Accuracy index of company i in year t
n_{it} : Number of sentences in the documents analyzed for company i in year t
SR_{ijt} : 1 if sentence j in the analyzed document for company i in year t contains SR information and 0 if it does not
w : 1 if sentence j in the document analyzed for company i in year t is qualitative, 2 if sentence j in the document analyzed for company i in year t is quantitative, 3 if sentence j in the document analyzed for company i in year t is monetary.

The Managerial Orientation Index (MAN) evaluates the extent of management's commitment to disclosing sustainability report (SR) information. MAN is further divided into two components: the time orientation of the disclosed information (whether forward or backward-looking) and the effectiveness of information presentation (utilizing a boilerplate or committed approach). In line with meeting stakeholder expectations, managerial disclosures tend to emphasize definitive statements regarding context,

expectations, strategies, plans, and intentions (backward-looking, boilerplate approach). Conversely, they may provide information about goals, targets, and results of the company's actions (forward-looking, committed approach) (Hopwood, 2009). This index encompasses information about management's time orientation (forward vs. backward-looking) and their approach to presenting information (boilerplate vs. committed). The MAN index is measured according to equation (6).

$$MAN_{it} = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (OBJ_{ijt} + RES_{ijt}) \quad (6)$$

Description:
MAN_{it} : Company i's managerial orientation index in year t
n_{it} : Number of sentences in the documents analyzed for company i in year t
OBJ_{ijt} : 1 if sentence j in the document analyzed for company i in year contains SR information about goals and objectives, and 0 otherwise
RES_{ijt} : 1 if sentence j in the document analyzed for company i in year t contains SR information about reults and outcomes, and 0 otherwise.

Materiality

The operational definition of materiality employs a content analysis methodology measured through the relevance of materiality disclosures. The relevance of materiality disclosure is a categorical variable ranging from 0 to 5, denoting the degree of significance of materiality disclosure within the report—indicating the extent to which the report divulges information about materiality.

The materiality variable assumes a value of 0 if there is no reference at all regarding materiality; 1 if the report merely acknowledges that materiality is a principle followed in preparing the report; 2 if the report includes a concise discussion of what is considered material; 3 if, in addition to a discussion of material, the report also communicates material issues identified from the analysis; 4 if the process description and results are explained in greater detail; 5 if the report dedicates significant attention to materiality issues (Fasan & Mio, 2017).

Stakeholder engagement

Stakeholder engagement delineates who is involved and how stakeholders contribute to preparing sustainability reports. The calculation of stakeholder engagement utilizes a Stakeholder Engagement Disclosure Index, constructed based on the disclosure criteria outlined in the GRI Standards and previous research (Adhariani & du Toit, 2020; Torelli et al., 2020). The requirements for disclosing stakeholder involvement in this research are categorical variables denoted as 1-3, representing different levels of stakeholder engagement. The stakeholder involvement variable assumes a value of 1 if there is no statement about stakeholder involvement; 2 if there is indirect and partial involvement of stakeholders; 3 if there is direct or extensive involvement of stakeholders through direct and participatory activities (Torelli et al., 2020).

Control variables

This study incorporates three control variables: company size, profitability, and solvency. Firm size is considered an indicator of operational complexity and resource capabilities. Profitability, as an economic factor, reflects the extent to which a company can support sustainable initiatives. Meanwhile, solvency provides an overview of the company's ability to manage long-term risks. Including these three control variables enables the study to differentiate the impact of intrinsic company characteristics that may influence sustainability reporting.

By considering these control variables, the study aims to provide a more nuanced and contextual understanding of how these factors interact and influence sustainability practices within the manufacturing industry in Indonesia. This holistic approach allows for a comprehensive analysis of the multifaceted dynamics shaping sustainability reporting in the context of these specific intrinsic company characteristics.

Model

Multiple linear regression was chosen to address the research hypotheses, assuming a linear relationship between the independent variables (materiality and stakeholder involvement) and the dependent variable (quality of sustainability reporting). While real-world relationships might be more complex, multiple linear regression provides an initial framework for analysis. This method offers advantages such as assessing the relative influence of each independent variable, facilitating interpretation

through simple coefficients, handling control variables effectively (e.g., company size, profitability, and solvency) and serving as a powerful statistical tool to determine the significance of observed relationships. Verifying data compliance with model assumptions is essential before employing multiple linear regression. Acknowledging its strengths and limitations, multiple linear regression is a suitable methodological choice for investigating the quality of sustainability reporting in Indonesian manufacturing companies, as outlined by equation (7) in this study.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \quad (7)$$

Description:

Y = Quality of sustainability reports
α = Constant
β = Independent variable regression coefficient
X_1 = Materiality
X_2 = Stakeholder engagement
X_3 = Company Size
X_4 = *Profitability*
X_5 = Solvency
e = *Standard error*

Result and Discussion

Descriptive

Table 1 presents the observational data for a total sample size of 206 data points spanning from 2017 to 2022. The variable X2, representing stakeholder involvement, has a mean of 2.86 and a standard deviation of 0.38, suggesting a consistent distribution. In contrast, the control variable for company size has an average of 3.39 with a standard deviation of 0.05, indicating a relatively even distribution. Regarding the control variables, profitability exhibits a lower mean compared to its standard deviation, signifying high variation in the data due to significant differences between the minimum and maximum values. Conversely, the control variable for solvency displays a higher mean than its standard deviation, indicating a more balanced and even distribution of data.

Model estimation

Materiality has a negative impact on the quality of sustainable reports

The findings presented in Table 2 reveal a significant negative correlation between the level of materiality and the quality of sustainability reports in Indonesian manufacturing companies. Specifically, an increase in the materiality level corresponds to a decline in the overall quality of sustainability reports. This association is noteworthy, suggesting that a heightened focus on materiality—defined as the threshold for misstatements in financial reporting deemed significant—may result in sustainability reports deviating from generally accepted accounting principles. These results highlight a potential trade-off: excessive emphasis on materiality may lead to the omission of other crucial components, thereby diminishing the holistic quality of sustainability reporting.

The observed negative relationship warrants a critical examination within the framework of materiality theory. According to materiality theory, prioritizing issues significant to stakeholders enhances the relevance and effectiveness of sustainability reporting (Leonardi & Barley, 2008; Meutia et al., 2022). However, our findings introduce a nuanced perspective, revealing potential drawbacks of an intensive focus on materiality. This underscores the need for a judicious application of materiality principles, maintaining a balanced approach to ensure comprehensive and high-quality sustainability reporting. These insights align with Dewi et al. (2023), who emphasize the importance of maintaining the quality of information disclosed in materiality assessments.

Supported by empirical evidence, we propose that an excessive emphasis on materiality, while critical for aligning reports with stakeholder interests, may inadvertently compromise the comprehensiveness of sustainability reports. This perspective reinforces the necessity for careful execution of materiality assessments to prevent unintended consequences for the overall quality of the reporting

process (Calvin & Holt, 2023).

Table 1. Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Std. deviation
Sustainability Reporting Quality	206	-0.43	17.59	0.20	1.28
Materiality	206	1.00	5.00	4.32	1.03
Stakeholder Engangement	206	1.00	3.00	2.86	0.38
Size	206	3.25	3.52	3.39	0.05
Profitability	206	-0.45	0.79	0.06	0.13
Solvability	206	0.10	5.14	0.50	0.39

Table 2. Regression results

Model	Coefficients Regression	t-value	Sig.
(Constant)	-2.26	-1.45	0.15
Materiality	-0.19	-5.39	0.00
Stakeholder Engangement	0.35	3.96	0.00
Size	0.70	1.49	0.14
Profitability	0.20	1.11	0.27
Solvability	0.23	-3.70	0.00

Practically, these findings hold significant implications for enhancing sustainability reporting methodologies. The study suggests that companies can improve the quality of their sustainability reports by carefully balancing an emphasis on material issues with broader consideration of other relevant aspects that may concern stakeholders. Achieving this balance is crucial to ensuring that the reporting process remains comprehensive, reflecting the full spectrum of sustainability initiatives.

Furthermore, the results highlight the importance of transparency in the materiality determination process. Companies are encouraged to provide detailed explanations of how materiality assessments are conducted, including the criteria, methodology, and stakeholder engagement processes involved. Such transparency not only fosters a deeper understanding of materiality but also enhances the credibility and trustworthiness of sustainability reports. Stakeholders—including investors, regulators, and the general public—benefit from a clearer understanding of the basis for materiality decisions, thereby improving the overall effectiveness of sustainability reporting (GRI & SASB, 2021).

Stakeholder involvement has a positive impact on the quality of sustainability reports

In our examination of sustainability reporting practices within the manufacturing sector in Indonesia, a noteworthy and encouraging discovery emerged: stakeholder engagement positively influences the quality of sustainability reports. These findings are pivotal in illuminating the intricate dynamics between corporate entities and their stakeholders, underscoring the significance of active engagement in shaping the quality of sustainability disclosures. Aligned with Stakeholder Theory, these results resonate with its fundamental principle that organizations thrive when they genuinely involve and consider the interests of diverse stakeholders (Förster, 2023; Laine et al., 2021). This theoretical framework highlights the symbiotic relationship between businesses and stakeholders, where meaningful engagement acts as a catalyst for achieving positive outcomes.

Moreover, viewed through the lens of Legitimacy Theory, our findings suggest that stakeholder engagement enhances perceptions of corporate legitimacy by emphasizing the importance of aligning with societal expectations.

Additionally, our results are supported by the broader empirical landscape. Prior research, including studies by Suharyani et al. (2019) and Rudyanto & Siregar (2018), similarly highlights a positive correlation between stakeholder involvement and the quality of sustainability reporting. These findings contribute to an expanding body of evidence underscoring the effectiveness of two-way communication with stakeholders, reinforcing the notion that engagement positively impacts reporting practices. Sector-specific studies, such as Manetti's work (2011) in the manufacturing sector, further bolster our findings, emphasizing the universal applicability of stakeholder engagement's positive impact on sustainability reporting quality. The consistency of these findings across studies and industries strengthens the empirical support for the beneficial effects of stakeholder engagement.

Beyond the theoretical and empirical dimensions, this study holds significant practical implications, particularly in advocating for organizations to strategically embrace stakeholder engagement as an integral aspect of sustainable business practices. The heightened transparency resulting from meaningful engagement not only enhances the quality of sustainability reports but also fortifies the organization’s overall credibility in the eyes of stakeholders.

Practically, our research suggests that stakeholder engagement should be integrated into the strategic decision-making process rather than treated as an isolated activity. Companies are encouraged to incorporate stakeholder perspectives when identifying critical issues, ensuring that sustainability reports capture the aspects most relevant and impactful for both the company and its stakeholders. Beyond reporting, our findings underscore stakeholder engagement as a mechanism for building enduring relationships. Companies that actively engage with stakeholders demonstrate a commitment to responsible business practices, cultivating goodwill and trust that extends beyond the reporting period.

In essence, the multifaceted benefits of stakeholder engagement position it as a strategic imperative, delivering tangible advantages for the organization’s broader reporting practices and reputation.

The Impact of Company Size on the Quality of Sustainability Reports

Based on the test results, the t-value obtained was 1.492 with a significance value of 0.137. Since the significance level exceeds 0.05, the company's scale does not have a statistically significant effect on Sustainability Reporting in this study. Despite the lack of statistical significance, it is noteworthy that the company's scale yielded a positive regression coefficient for sustainability reporting. This suggests that leading companies with larger asset values tend to disclose more information about their social responsibility initiatives.

The reasoning behind this observation lies in the correlation between the magnitude of an organization's economic, social, and environmental impact and its scale. Larger companies, equipped with greater resources and influence, are more likely to include comprehensive reporting items in their sustainability reports (Akanfe et al., 2017; Tria Ulfa et al., 2022). This strategic approach is often adopted to uphold legitimacy in the eyes of the public, aligning with both Legitimacy Theory and Stakeholder Theory.

These findings are consistent with previous research by Adel et al. (2019), which reinforces the notion that larger companies, despite not exerting a statistically significant impact, tend to show a positive inclination toward disclosing extensive information in their sustainability reports.

The Impact of Profitability on the Quality of Sustainability Reports

With a regression coefficient of 0.197, the analysis of the influence of profitability on the quality of sustainability reports yielded a significance value of 0.269. Since this significance value exceeds the conventional threshold of 0.05, H1 is rejected, thereby supporting H0. In essence, these findings indicate that profitability has no discernible effect on sustainability reporting. There is no statistically significant relationship between a company's level of profitability and its sustainability reporting.

In accordance with Law Number 40 of 2007, which mandates social and environmental responsibility for corporations, entities are obligated to implement annual corporate social responsibility programs. As a result, the focus on sustainability reporting is not contingent on the profits generated by the entity, as evidenced by the non-significant relationship identified in this research.

These results are consistent with earlier research by Alipour et al. (2019), Hu and Loh (2018), and Rudyanto and Siregar (2018), reinforcing the notion that the correlation between company profitability and the extent of sustainability reporting has diminished in significance.

The Impact of Solvency on the Quality of Sustainability Reports

The company's solvency, assessed through the Debt-to-Equity Ratio (DER), provides a critical indicator of its financial stability and has significant implications for the quality of its sustainability reports. In this study, the DER shows a significance value of 0.000 with a negative coefficient of -0.227, which is well below the threshold of 0.05. These results strongly suggest a substantial inverse relationship between the company's reliance on debt financing and the comprehensiveness of its sustainability disclosures.

This implies that as a company increases its reliance on borrowed capital—evidenced by a higher DER—it faces greater financial constraints that may hinder its ability to produce high-quality sustainability reports. A higher DER indicates a heavier debt burden relative to equity, reflecting a dependency on

external financing (Akanfe et al., 2017; Kong et al., 2023). This dependency can impact the organization's sustainability performance, as higher debt levels often lead to tighter resource allocation, reduced investments in sustainability initiatives, and a narrower focus on immediate financial obligations.

Moreover, the negative correlation underscores how financial solvency influences the credibility and transparency of sustainability reporting. Companies with higher solvency risks may deprioritize detailed disclosures, potentially viewing sustainability as a secondary consideration amidst financial pressures (Dayalan, 2023). This highlights the need for stakeholders to consider solvency as a vital contextual factor when evaluating the reliability and effectiveness of sustainability reports.

The findings underscore the broader interplay between financial health and corporate responsibility. By highlighting the influence of DER on reporting quality, the analysis emphasizes that sustainability reporting does not occur in isolation; instead, it is deeply intertwined with the financial and operational realities of the organization. This insight could encourage further research and discussions on how financial strategies and capital structures shape sustainability practices, paving the way for more integrated approaches to corporate governance and sustainability.

Conclusions, suggestions and limitations

This study concludes that materiality has a negative impact on the quality of sustainability reports in manufacturing companies in Indonesia. These findings highlight a trade-off between focusing on materiality and maintaining the holistic completeness of sustainability reports. Conversely, stakeholder engagement demonstrates a positive impact on the quality of sustainability reports, aligning with Stakeholder Theory and Legitimacy Theory. This underscores the role of active stakeholder involvement as a catalyst for positive outcomes in sustainability reporting quality.

The practical implication of this research suggests that companies should strategically prioritize stakeholder engagement as an integral component of sustainable business practices. Enhanced transparency resulting from meaningful engagement not only improves the quality of sustainability reports but also bolsters the overall credibility of the organization. Therefore, stakeholder engagement should be viewed as an integrated part of the strategic decision-making process, encompassing the identification of pertinent issues relevant to both the company and its stakeholders. Overall, these findings contribute significantly to our understanding of the intricate relationship between materiality, stakeholder engagement, and the quality of sustainability reports.

One limitation of this research is its exclusive focus on assessing the quality of sustainability reports through the lenses of materiality and stakeholder involvement. To offer a more comprehensive perspective, future studies should explore additional principles. Furthermore, broader generalization of the impact of materiality and stakeholder involvement on sustainability reporting quality could be achieved by conducting tests with a larger sample that encompasses diverse sectors within the corporate landscape. This would contribute to a more thorough understanding of the determinants of sustainability reporting quality across various industries.

Competing Interests

The author(s) declare that there are no competing interests relevant to the content of this article.

References

Adel, C., Hussain, M. M., Mohammad, E. K. A., & Basuony, M. A. K. (2019). Is corporate governance relevant to the quality of corporate social responsibility disclosure in large European companies? *International Journal of Accounting & Information Management, 27*(2), 301–332. https://doi.org/10.1108/IJAIM-07-2018-0123

Adhariani, D. and du Toit, E. (2020), "Readability of sustainability reports: evidence from Indonesia", Journal of Accounting in Emerging Economies, Vol. 10 No. 4, pp. 621-636. https://doi.org/10.1108/JAEE-10-2019-0194

Akanfe, S. K., Michael, S. O., & Bose, A. D. (2017). Determinant of corporate social responsibility disclosure in Nigeria. International Journal of Academic Research in Business and Social Sciences, 7(7). https://doi.org/10.6007/ijarbss/v7-i7/3122

Alipour, M., Ghanbari, M., Jamshidinavid, B., & Taherabadi, A. (2019). Does board independence moderate the relationship between environmental disclosure quality and performance? Evidence from static and dynamic panel data. The International Journal of Business in Society, 19(3), 580–610. https://doi.org/10.1108/CG-06-2018-0196

Bellantuono, N., Pontrandolfo, P., & Scozzi, B. (2018). Guiding materiality analysis for sustainability reporting: The case of agri-food sector. International Journal of Technology, Policy and Management, 18(4). https://doi.org/10.1504/IJTPM.2018.096181

Boiral, O., Heras-Saizarbitoria, I., Brotherton, M. C., & Bernard, J. (2019). Ethical issues in the assurance of sustainability reports: Perspectives from assurance providers. Journal of Business Ethics, 159(4). https://doi.org/10.1007/s10551-018-3840-3

Calvin, C.G., & Holt, M. (2023). The Impact of Domain-Specific Internal Audit Education on Financial Reporting Quality and External Audit Efficiency. Accounting Horizons. https://doi.org/10.2308/HORIZONS-2020-105

Dayalan, P. (2023). Corporate financing decisions during a crisis: An empirical review. In Future outlooks on corporate finance and opportunities for robust economic planning. https://doi.org/10.4018/978-1-6684-5342-1.ch003

Dewi, A. A., Saraswati, E., Rahman, A. F., & Atmini, S. (2023). Materiality, stakeholder engagement disclosure, and corporate governance: Critical elements for the quality of sustainability reporting. Cogent Business and Management, 10(1). https://doi.org/10.1080/23311975.2023.2175437

Farooq, M. B., Zaman, R., Sarraj, D., & Khalid, F. (2021). Examining the extent of and drivers for materiality assessment disclosures in sustainability reports. Sustainability Accounting, Management and Policy Journal, 12(5). https://doi.org/10.1108/SAMPJ-04-2020-0113

Fasan, M., & Mio, C. (2017). Fostering Stakeholder Engagement: The Role of Materiality Disclosure in Integrated Reporting. https://doi.org/10.1002/bse.1917

Feliyanti, C. (2022). Analisis penilaian materialitas laporan keberlanjutan pada 15 perusahaan multifinance. Jurnal Akuntansi, 11(1). https://doi.org/10.46806/ja.v11i1.814

Förster, P. (2023). The double materiality principle (Article 19a NFRD) as proposed by the corporate sustainability reporting directive: An effective concept to tackle greenwashing? In European Yearbook of International Economic Law (Vol. 13). https://doi.org/10.1007/8165_2022_90

GRI, & SASB. (2021). A practical guide to sustainability reporting using GRI and SASB standards. Produced by GRI and SASB, with support from PwC, the Impact Management Project, and ClimateWorks Foundation.

Hopwood, A.G. (2009) Accounting and the Environment. Accounting, Organizations and Society, 34, 433-439.

Hu, M., & Loh, L. (2018). Board governance and sustainability disclosure: A cross-sectional study of Singapore-listed companies. Sustainability, 10(7), 2578. https://doi.org/10.3390/su10072578

Kong, Y., Donkor, M., Musah, M., Nkyi, J. A., & Ampong, G. O. A. (2023). Capital structure and corporate financial sustainability: Evidence from listed non-financial entities in Ghana. Sustainability (Switzerland), 15(5). https://doi.org/10.3390/su15054211

Laine, M., Tregidga, H., & Unerman, J. (2021). Accountability, stakeholders, materiality, and externalities. In Sustainability Accounting and Accountability. https://doi.org/10.4324/9781003185611-4

Leonardi, P.M. and Barley, S.R. (2008) Materiality and Change: Challenges to Building Better Theory about Technology and Organizing. Information and Organization, 18, 159-176. http://dx.doi.org/10.1016/j.infoandorg.2008.03.001

Manetti, G. (2011). The quality of stakeholder engagement in sustainability reporting: Empirical evidence and critical points. Corporate Social Responsibility and Environmental Management, 18, 110–122. https://doi.org/10.1002/csr

Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. https://doi.org/10.1016/j.cpa.2014.10.003

Ningsih, R., & Meiden, C. (2022). Analisis penilaian materialitas pada laporan keberlanjutan industri dasar dan kimia tahun 2020. Moneter - Jurnal Akuntansi Dan Keuangan, 9(2). https://doi.org/10.31294/moneter.v9i2.12676

Putri, I. H., Meutia, I., & Yuniarti, E. (2022). Faktor yang mempengaruhi pengungkapan materialitas pada laporan keberlanjutan. E-Jurnal Akuntansi, 32(7). https://doi.org/10.24843/eja.2022.v32.i07.p08

Qisthi, F., & Fitri, M. (2021). Pengaruh keterlibatan pemangku kepentingan terhadap pengungkapan laporan keberlanjutan berdasarkan Global Reporting Initiative (GRI) G4. Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi, 5(4). https://doi.org/10.24815/jimeka.v5i4.16042

Rudyanto, A., & Siregar, S. V. (2018). The effect of stakeholder pressure and corporate governance on the quality of sustainability report. International Journal of Ethics and Systems, 34(2), 234–249.

Sardianou, E., Stauropoulou, A., Evangelinos, K., & Nikolaou, I. (2021). A materiality analysis framework to assess sustainable development goals of the banking sector through sustainability reports. Sustainable Production and Consumption, 27. https://doi.org/10.1016/j.spc.2021.04.020

Suharyani, R., Ulum, I., & Jati, A. W. (2019). Pengaruh tekanan stakeholder dan corporate governance terhadap kualitas sustainability report. Jurnal Akademi Akuntansi, 2(1), 71.

Torelli, R., Balluchi, F., & Furlotti, K. (2020). The materiality assessment and stakeholder engagement: A content analysis of sustainability reports. Corporate Social Responsibility and Environmental Management, 27(2). https://doi.org/10.1002/csr.1813

Ulfa, T., Sari, D., & Syam Bz, F. (2022). Determinants of corporate social responsibility disclosure: Case of mining companies in Indonesia. International Journal of Research in Business and Social Science (2147- 4478). 11. 324-334. https://doi.org/10.20525/ijrbs.v11i5.1831

Wiseman, J. (1982) An Evaluation of Environmental Disclosures Made in Corporate Annual Reports. Accounting, Organizations and Society, 7, 53-63. http://dx.doi.org/10.1016/0361-3682(82)90025-3

This page intentionally left blank