

THE EFFECT OF PROFITABILITY, INSTITUTIONAL OWNERSHIP, AND ENVIRONMENTAL PERFORMANCE ON SUSTAINABILITY REPORT DISCLOSURE

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Abstract. Sustainability report disclosure has become a crucial aspect of corporate reporting practices as a form of accountability to stakeholders. Sustainability report disclosure, as an indicator of corporate social responsibility, is increasingly gaining attention from stakeholders. This study aims to obtain empirical evidence regarding the effect of profitability, institutional ownership, and environmental performance on sustainability report disclosure. The population of this study consisted of 359 energy sector companies listed on the Indonesia Stock Exchange from 2019 to 2023, with 23 companies selected as samples, resulting in 57 observations. The sample was determined using a purposive sampling method and analyzed using multiple linear regression techniques. The results show that profitability and institutional ownership have no effect on sustainability report disclosure, while environmental performance has a positive effect on sustainability report disclosure. The theoretical implications of this study demonstrate the implementation of stakeholder theory in explaining the effect of environmental performance on sustainability report disclosure. This study also provides practical implications regarding the importance of sustainability report disclosure for companies as a form of corporate responsibility and commitment to sustainability, as well as providing information for investors in considering investment decisions.

Keywords: Sustainability Report Disclosure, Profitability, Institutional Ownership, Environmental Performance

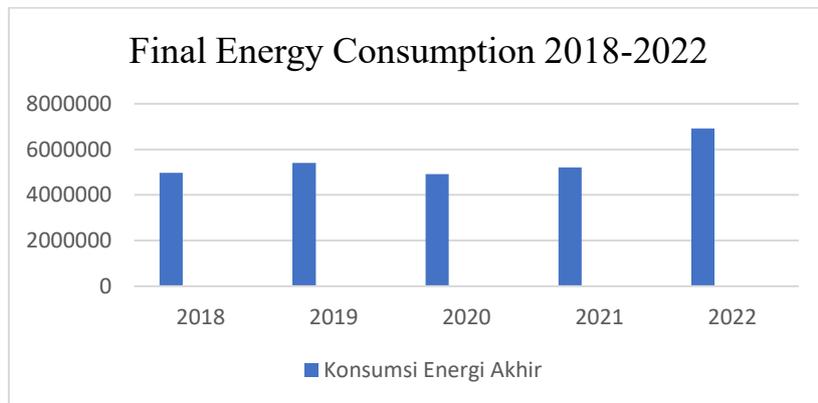
INTRODUCTION

Environmental issues have recently become one of the main concerns at both the national and international levels. This issue was also highlighted at the 61st annual session of the Asian African Legal Consultative Organization in 2023, which discussed the triple planetary crisis or the three crises currently faced by the world, namely climate change, pollution and environmental contamination, and the accelerating loss of biodiversity (ppid.menlhk.go.id, 2023). These three crises occur due to various factors, such as human activities in using vehicles, waste generated from factory production processes, and excessive utilization or exploitation of existing resources (UNEP, 2021).

This environmental crisis has subsequently generated responses as efforts to address increasingly deteriorating environmental conditions. Some of these efforts include transitioning to more environmentally friendly alternative energy, implementing environmental education programs, reducing the use of single use plastic, and using environmentally friendly products (setneg.go.id, 2024). Although there has been a shift toward the use of alternative energy as one response to current environmental conditions, the use of fossil energy remains prevalent. As a non renewable natural resource, the large scale and long term use of fossil energy not only reduces its availability in nature but also causes significant environmental impacts, ranging from exploration processes to distribution activities (pgnlg.co.id, 2023).

Energy consumption in Indonesia experienced fluctuations from 2018 to 2022. Based on data from the Central Bureau of Statistics, it can be observed that during this period, the highest

level of energy consumption occurred in 2022, amounting to 6,914,802 terajoules. The data indicate that energy consumption in 2022 was dominated by coal, followed by light fuel oil, electricity, and heavy fuel oil (bps.go.id, 2023). In Indonesia, the energy source most widely used by companies is coal (Wijaya & Krisnadewi, 2022). The following figure presents energy usage from 2018 to 2022.



Source: Central Bureau of Statistics, 2023

The energy sector is one of the sectors that contributes the largest amount of pollution. Based on data from the International Energy Agency (IEA) over the past twenty years, emissions have increased more than threefold, reaching 33 gigatons of CO₂ in 2019. These data indicate that the energy sector is estimated to contribute 36 percent of global greenhouse gas emissions. In Indonesia, fossil energy accounts for 90 percent of the primary energy mix. The Ministry of National Development Planning estimates that starting in 2022, the energy sector will become the largest contributor to emissions in Indonesia, surpassing the forestry sector, with a projected increase of 1.4 gigatons of CO₂eq by 2030, which is equivalent to 59 percent (lcdi-indonesia.id, 2023).

Information regarding energy consumption levels and the resulting impacts provides an overview of the high level of operational activities carried out by companies in the energy sector, which has led to several cases or violations. The laws and regulations in force in Indonesia regulate the responsibilities and obligations that companies must fulfill in conducting their business activities. This is stated in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies, which regulates the obligation of companies to implement social and environmental responsibility. The commitment to implementing corporate social and environmental responsibility can be observed through the disclosure of sustainability reports (Budiasih & Latrini, 2023). Sustainability reports are also regulated in Financial Services Authority Regulation Number 51 of 2017, which states that sustainability report disclosure is mandatory for financial service institutions, issuers, and public companies (ojk.go.id, 2017).

Sutawan & Sisdyani (2022) state that sustainability reports are reports that contain information beyond a company financial performance. The information referred to includes social activity information that enables companies to grow sustainably. Stakeholder theory states that sustainability report disclosure can enhance supervision and fulfill the information needs of stakeholders (Lewa et al., 2025).

The triple bottom line concept introduced by Elkington in 1994, which consists of economic aspects (profit), social aspects (people), and environmental aspects (planet), can serve as a foundation for companies in developing sustainability strategies (Nica et al., 2025). This study adopts three independent variables that represent each aspect of the triple bottom line concept, namely profitability representing profit, institutional ownership representing people, and environmental performance representing planet.

Profitability is the ability of a company to generate profits. High profits indicate that a company is efficient in utilizing available resources. The higher the profitability of a company, the greater the likelihood that the company will disclose information. One form of information disclosure is the publication of sustainability reports (Sitorus et al., 2024).

Institutional ownership refers to the proportion of company ownership held by external institutions. A high proportion of institutional ownership in a company can motivate management to improve company performance and enhance monitoring mechanisms (Sujatnika et al., 2023). Institutional ownership, as part of good corporate governance, is expected to contribute to corporate information transparency, particularly transparency in sustainability report disclosure (Pandapotan, 2023).

Environmental performance represents the output of environmental management aimed at preserving the surrounding environment. From the perspective of environmental policy, objectives, and environmental targets, environmental performance is guided by ISO 14000 and ISO 14001 standards (Shafira & Hermi, 2022). Environmental performance assessment is conducted by assigning a specific rating to a company. This rating is known as PROPER, which stands for the Company Performance Rating Program in Environmental Management, issued by the Ministry of Environment and Forestry.

This study focuses on energy sector companies listed on the Indonesia Stock Exchange during the period 2019 to 2023. This focus is related to the position of the energy sector as one of the sectors with a high level of environmental risk due to company operational activities. The objective of this study is to examine the effect of profitability, institutional ownership, and environmental performance on sustainability report disclosure.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory proposed by Freeman in 1984 states that companies are entities that do not operate solely for their own interests but must also provide benefits to their stakeholders, such as shareholders, creditors, consumers, suppliers, government, society, analysts, and other related parties (Aydoğmuş et al., 2022). Stakeholders require various types of information related to company activities, which are then used in decision making processes. Therefore, companies will strive to provide information in order to obtain support from stakeholders. Companies should maintain good relationships with stakeholders by accommodating their interests and needs, particularly stakeholders who have power over the provision of resources used in company operational activities, such as labor and markets for company products.

Information disclosure can be classified into two types, namely mandatory disclosure and voluntary disclosure (Imron & Hamidah, 2022). One form of voluntary disclosure that has developed rapidly is sustainability report disclosure. Through sustainability report disclosure that includes social and environmental information, companies are able to provide broader and more comprehensive information regarding their activities as well as the effect of these activities on social conditions and the surrounding environment (Murthin & Septiani, 2022).

Sustainability Report

Financial Services Authority Regulation Number 51 of 2017 explains that sustainability report disclosure is mandatory for financial service institutions, issuers, and public companies. A sustainability report is a report prepared by a company regarding the economic, social, and environmental impacts resulting from company activities, which is then published so that it can be accessed by interested parties (Madani & Gayatri, 2021). This reporting not only serves as a form of corporate accountability for the impacts of company activities but also helps maintain good relationships with stakeholders and enhances the company reputation in the public eye (PwC.com, 2023).

The Effect of Profitability on Sustainability Report Disclosure

According to stakeholder theory, companies with good financial performance tend to have greater confidence in disclosing information to their stakeholders (Indrianingsih & Agustina, 2020). Good financial performance can be observed through a company ability to generate profits. A high level of profit can encourage management to disclose more information to demonstrate favorable company conditions to stakeholders (Sonia & Khafid, 2020). An increase in profitability is expected to enhance the amount of information disclosed by companies through sustainability report disclosure (Meinawati & Wirakusuma, 2023).

Previous studies on profitability indicate that a company ability to generate profits has the effect on the company ability to disclose sustainability reports (Mandagie et al., 2024). Research conducted by Maama & Gani (2022) found that profitability has a significant effect on sustainability report disclosure. Similar findings were reported by Arisandi & Mimba (2021), Raja et al. (2023), and Maryana & Carolina (2021), who stated that companies with the ability to generate profits are also perceived to have substantial resources, particularly financial resources, to disclose sustainability reports. Other studies by Roviqoh & Khafid (2021), Siregar (2022), Yohana & Suhendah (2023), Maliska & Widoyo (2024), Thomas et al. (2020), and Yanthi et al. (2021) also reported similar results, indicating that profitability has the effect on sustainability report disclosure.

H1: Profitability has a positive effect on sustainability report disclosure.

The Effect of Institutional Ownership on Sustainability Report Disclosure

Based on stakeholder theory, companies have an obligation to be accountable to stakeholders through the disclosure of necessary information (Lewa et al., 2025). In a company, one group of stakeholders that plays an important role in decision making is investors within the ownership structure (Gega et al., 2024). Company ownership structure consists of several types of ownership, one of which is institutional ownership. Institutional ownership consists of investors in the form of institutions, such as banks, corporations, pension funds, insurance companies, and mutual funds (Wei et al., 2024).

Studies conducted by Annajib & Sari (2023) and Delfy & Bimo (2021) found that institutional ownership has the effect on sustainability report disclosure. A large proportion of share ownership held by institutions can encourage companies to disclose sustainability reports. Institutional investors have a responsibility to ensure that companies implement good corporate governance and protect the rights and interests of all shareholders. This condition requires companies to provide and disclose information transparently. Other studies that reported similar findings include Jainah & Utami (2024), Noerkholiq & Muslih (2021), Effendi & Harahap (2023), Hidayah & Yusuf (2024), Susadi & Kholmi (2021), Rahmat (2022), and Terry & Asrori (2021), which conclude that institutional ownership has the effect on sustainability report disclosure. Based on this explanation, the hypothesis is formulated as follows.

H2: Institutional ownership has a positive effect on sustainability report disclosure.

The Effect of Environmental Performance on Sustainability Report Disclosure

According to stakeholder theory, companies should consider the interests and concerns of their stakeholders, including investors, consumers, and environmental advocacy groups. The implementation of appropriate environmental strategies to address stakeholder concerns and improve environmental performance can generate stakeholder support (Soana, 2024). A company ability to measure and report environmental performance and environmental impacts is a fundamental element of corporate strategies that support sustainability (Marrucci et al., 2024).

Research conducted by Antara et al. (2020) found that environmental performance has a positive and significant effect on sustainability report disclosure. Jati et al. (2023) also found that environmental performance has a positive effect on sustainability reporting. Companies with good corporate governance tend to disclose sustainability reports more extensively when they also demonstrate strong environmental performance. Other studies that reported similar findings include Tusiayati (2019), Rumaningsih & Rusmanto (2024), Ardyaningsih & Oktarina (2022), Lu & Wang (2021), and Arbin & Rohmatika (2024).

H3: Environmental performance has a positive effect on sustainability report.

METHOD

Sustainability report disclosure is the dependent variable in this study. This variable is measured using the number of disclosed Global Reporting Initiative items, which include economic, social, and environmental items, consisting of a total of 89 disclosure items. The assessment is conducted by assigning a score of 1 for each disclosed item and a score of 0 for each undisclosed item (Ananda et al., 2023).

$$SRDI = \frac{\text{Number of disclosed items}}{89} \dots\dots\dots (1)$$

Profitability is an indicator that reflects a company ability to generate profits from its performance, which subsequently affects financial statements in accordance with applicable accounting standards (Wagiswari & Badera, 2021). Profit is often used by stakeholders to evaluate company performance (Krisnadewi & Soewarno, 2021).

$$\text{Profitability} = \frac{\text{EAT}}{\text{Total Assets}} \dots\dots\dots (2)$$

The percentage of share ownership in a company can be a determining factor in comparing ownership proportions within the company. There are various types of ownership structures, one of which is institutional share ownership. Institutional share ownership in a company can play a role in monitoring company activities, indicating a high level of control over the company. A high level of institutional ownership can exert significant pressure on companies, particularly in carrying out social and environmental activities. This is because institutional investors tend to invest in companies that demonstrate strong social performance (Madani & Gayatri, 2021).

$$IO = \frac{\text{Number of institutional shares}}{\text{Number of outstanding shares}} \times 100\% \dots\dots\dots (3)$$

Environmental performance represents the output generated from environment based management implemented by companies in their efforts to preserve the surrounding environment (Shafira & Hermi, 2022). Environmental performance is a form of corporate social responsibility that reflects a company concern for the environmental impacts resulting from its operational activities. Companies have a responsibility to pay attention to environmental control, which can be reflected through environmental performance (Amalia & Indarti, 2024). In this study, environmental performance is measured using PROPER data obtained from the website of the Ministry of Environment and Forestry by accessing <https://proper.menlhk.go.id/proper/>. The scores assigned to companies based on PROPER ratings are as follows (Cahyani & Puspitasari, 2023).

- 1 = very poor (black)
- 2 = poor (red)
- 3 = good (blue)
- 4 = very good (green)
- 5 = very good (gold)

The sampling technique used in this study is purposive sampling by applying several criteria, namely: (1) companies that disclose sustainability information in sustainability reports or

annual reports; (2) companies that generate profits; (3) companies with institutional ownership; and (4) companies that obtain PROPER ratings. The population of this study consists of 359 companies, with 57 observations that meet the research criteria.

This study uses secondary data in the form of quantitative and qualitative data obtained through non participant observation. The data are sourced from annual reports and sustainability reports of companies listed on the Indonesia Stock Exchange for the period 2019 to 2023 through the official website of the Indonesia Stock Exchange and the respective company websites, as well as the Refinitiv Eikon database.

Data analysis in this study is conducted using STATA version 17. The analysis includes descriptive statistical analysis and classical assumption tests consisting of normality tests, multicollinearity tests, heteroskedasticity tests, and autocorrelation tests. This study also employs multiple linear regression analysis and hypothesis testing.

$$SRD = \alpha + \beta_1 PROF + \beta_2 IO + \beta_3 EP + e \dots\dots\dots(4)$$

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

Variables	Number of Observations	Average value	Standard Deviation Value	Minimum Value	Maximum Value
Sustainability report disclosure	57	0.511	0.241	0.146	0.876
Profitability	57	0.173	0.167	0.017	0.585
Institutional Ownership	57	0.009	0.025	0,000	0.097
Environmental Performance	57	3,824	0.868	2	5

Source: Processed data, 2025

The results of the descriptive statistical analysis for each research variable provide several insights. Sustainability report disclosure has a minimum value of 0.146 and a maximum value of 0.876. The sustainability report disclosure variable in this study has a mean value of 0.511 and a standard deviation of 0.241, which indicates a heterogeneous distribution of sustainability report disclosure. Profitability has a minimum value of 0.017 and a maximum value of 0.585. The profitability variable in this study has a mean value of 0.173 and a standard deviation of 0.167, indicating that the distribution of profitability data tends to be heterogeneous. Institutional ownership has a minimum value of 0.000 and a maximum value of 0.097. The institutional ownership variable has a mean value of 0.009 and a standard deviation of 0.025, which is higher than the mean value, indicating that institutional ownership in this study exhibits a heterogeneous data distribution. Environmental performance has a minimum value of 2 and a maximum value of 5. The environmental performance variable in this study has a mean value of 3.824 and a standard deviation of 0.868. Since the standard deviation is smaller than the mean value, this indicates that environmental performance data in this study are homogeneously distributed.

Classical Assumption Test

1) Normality Test

The normality test is conducted to determine whether the residuals in the regression model are normally distributed. This study uses the Skewness and Kurtosis statistical test to assess normality. Data are considered normally distributed if the Prob > z value exceeds the

significance level of 0.05. The results of the Skewness and Kurtosis test in this study are presented as follows.

Table 2. Normality Test
Skewness/Kurtosis test for normal data

Variable	Obs	Pr (skewness)	Pr (kurtosis)	Adj chi2(2)	Prob > chi2
e	57	0.487	0.033	4.94	0.084

Source: Processed data, 2025

Based on the test results, the Prob > chi2 value is 0.084, which is higher than the predetermined significance level of 0.05. Therefore, it can be concluded that the data in this study are normally distributed (Ghozali, 2018).

2) Multicollinearity Test

The multicollinearity test is conducted to determine whether there is a correlation among independent variables in the model. In this study, the multicollinearity test is performed based on the Variance Inflation Factor (VIF) value. A regression model is considered free from multicollinearity problems if the VIF value is less than 5.

Table 3. Multicollinearity Test

Variable	VIF	1/VIF
PROF	1.04	0.964
IO	1.02	0.975
EP	1.01	0.985
Mean VIF	1.03	

Source: Processed data, 2025

Table 3 shows that the VIF values for each variable are below 5, and the mean VIF value of all variables is 1.03, which is also below 5. These results indicate that there are no multicollinearity issues among the variables used in the regression model in this study.

3) Heteroscedasticity Test

The heteroskedasticity test is conducted to determine whether there is inequality in the variance of residuals across observations in a regression model. This study tests heteroskedasticity using the White test. Data are considered free from heteroskedasticity problems if the Prob > chi2 value exceeds the significance level of 0.05. The results of the White test in this study are presented as follows.

Table 4. Heteroscedasticity Test

White's test
Ho: Homoscedasticity
Ha: Unrestricted heteroskedasticity
chi2(9) = 11.00
Prob > chi2 = 0.275

Source: Processed data, 2025

The test results show that the Prob > chi2 value is 0.275, which is higher than the predetermined significance level of 0.05. Therefore, it can be concluded that there is no heteroskedasticity problem in the regression model used in this study.

4) Autocorrelation Test

The autocorrelation test is used to determine whether there is a correlation between the error terms in period t and the error terms in period t minus one in a regression model. In this study, the autocorrelation test is conducted using the Wooldridge test. Data are considered free

from autocorrelation if the Prob > F value exceeds 0.05. The results of the Wooldridge test in this study are presented as follows.

Table 5. Autocorrelation Test

Wooldridge test for autocorrelation in panel data
Ho: no first-order autocorrelation
F(1, 8) = 7.889
Prob > F = 0.022

Source: Processed data, 2025

The results of the Wooldridge test indicate that the Prob > F value is 0.022, which is lower than the predetermined significance level of 0.05. Based on these results, it can be concluded that there is an autocorrelation issue in the regression model used in this study. This autocorrelation problem can be addressed by using robust standard errors, which aim to correct the calculation of standard errors and ensure that inferential statistics remain valid when certain regression assumptions are not fulfilled (Mansournia et al., 2021).

Multiple Linear Regression Test

Table 6. Multiple Linear Regression Test

SRD	Coefficient	Robust std. err.	t	P > t
PROF	-0.065	0.176	-0.37	0.710
IO	0.245	1,192	0.21	0.838
EP	0.100	0.032	3.03	0.004
_cons	0.138	0.148	0.93	0.355
Number of obs			=	57
F(3, 53)			=	3.75
Prob > F			=	0.016
R-squared			=	0.1364
Root MSE			=	0.23108

Source: Processed data, 2025

The regression equation obtained from the results of the multiple linear regression test is as follows:

$$SRD = 0.138 - 0.065 PROF + 0.245 IO + 0.100 EP + e$$

The regression equation obtained from the results of the multiple linear regression test is as follows.

- (1) The constant value of 0.138 indicates that when all independent variables are equal to zero, the dependent variable, namely sustainability report disclosure, has a value of 0.138.
- (2) The regression coefficient of profitability is -0.065, indicating that when profitability increases by one unit, sustainability report disclosure decreases by 0.065 units, while other variables are assumed to remain constant.
- (3) The regression coefficient of institutional ownership is 0.245, indicating that when institutional ownership increases by one unit, sustainability report disclosure increases by 0.245 units, while other variables are assumed to remain constant.
- (4) The regression coefficient of environmental performance is 0.100, indicating that when environmental performance increases by one unit, sustainability report disclosure increases by 0.100 units, while other variables are assumed to remain constant.

Hypothesis Testing

Model Feasibility Test (F Test)

The F test is conducted to examine the feasibility of the regression model used in predicting whether all independent variables included in the model jointly have an effect on the dependent variable. The regression model is considered feasible for predicting the dependent variable if the significance value is less than 0.05. Based on Table 6, the significance value of Prob > F is 0.016, which is lower than the significance level of 0.05. Therefore, it can be concluded that the regression model is feasible for use in this study.

Table 7. Model Feasibility Test (F Test)

Model	Prob>F
1	0.016

Source: Processed data, 2025

Coefficient of Determination (R²)

The coefficient of determination test is conducted to measure the extent to which the model is able to explain the variation in the dependent variable. Based on Table 6, the adjusted R squared value is 0.1364, or 13.64 percent. This result indicates that sustainability report disclosure can be explained by profitability, institutional ownership, and environmental performance by 13.64 percent, while the remaining 86.36 percent is explained by other factors not included in this research model.

Table 8. Coefficient of Determination (R²)

Model	R Square
1	0.1364

Source: Processed data, 2025

Hypothesis Test (T-Test)

The t test is used to demonstrate the effect of independent variables on the dependent variable. The basis for decision making in the t test can be analyzed through the significance value of each variable and compared with the predetermined significance level. If the t significance value is less than 0.05, the independent variable individually has a significant effect on the dependent variable. Conversely, if the t significance value is greater than or equal to 0.05, the independent variable individually does not have a significant effect on the dependent variable. Based on Table 6, the results of the t test for each hypothesis formulated in this study are as follows.

1) Testing of the First Hypothesis (H₁)

The first hypothesis (H₁) states that profitability has a positive effect on sustainability report disclosure. The test results in Table 6 show that the profitability variable has a significance value of 0.710, which is greater than the predetermined significance level of 0.05, with a regression coefficient of -0.065. These results indicate that profitability has no effect on sustainability report disclosure; therefore, the first hypothesis (H₁) is rejected.

2) Testing of the Second Hypothesis (H₂)

The second hypothesis (H₂) states that institutional ownership has a positive effect on sustainability report disclosure. The test results in Table 6 show that the institutional ownership variable has a significance value of 0.838, which is greater than the predetermined significance level of 0.05, with a regression coefficient of 0.245. These results indicate that institutional ownership has no effect on sustainability report disclosure; therefore, the second hypothesis (H₂) is rejected.

3) Testing of the Third Hypothesis (H₃)

The third hypothesis (H₃) states that environmental performance has a positive effect on sustainability report disclosure. The test results in Table 6 show that the environmental performance variable has a significance value of 0.004, which is less than the predetermined significance level of 0.05, with a positive regression coefficient of 0.100. These results indicate that environmental performance has a positive effect on sustainability report disclosure; therefore, the third hypothesis (H₃) is accepted.

The Effect of Profitability on Sustainability Report Disclosure

The results of hypothesis testing presented in Table 6 show that the profitability variable has a significance value exceeding the predetermined significance level. This finding indicates that the alternative hypothesis (H₁), which states that profitability has a positive effect on sustainability report disclosure, cannot be accepted. This result shows that statistically there is no evidence that profitability affects the level of sustainability report disclosure in energy sector companies listed on the Indonesia Stock Exchange during the period 2019 to 2023.

Stakeholder theory (Freeman, 1984) explains that companies are expected to consider the interests of various parties, including in terms of sustainability transparency. However, the results of this study indicate a contrary finding, namely that profitability is not a primary factor that encourages companies to increase sustainability disclosure. Companies with both high and low profitability face relatively similar external pressures, particularly from government regulations, institutional investor demands, and broad public expectations.

The results of this study are consistent with the studies conducted by Hidayah & Yusuf (2024), Suryani & Suaryana (2022), and Alfandy et al. (2024), which found that profitability has no effect on sustainability report disclosure. This indicates that strong financial conditions do not automatically make companies more active in disclosing sustainability reports. Sustainability report disclosure is generally driven by the need to demonstrate accountability for social and environmental impacts, rather than solely by financial performance.

In this study, profitability does not have a direct effect on the intensity of sustainability disclosure; however, its role as part of the triple bottom line concept cannot be ignored. The profit aspect remains an important component in supporting business continuity and providing resources for the implementation of social and environmental programs. Therefore, profitability is more appropriately understood as a basic requirement that enables companies to achieve sustainability, although it does not directly determine the level of sustainability transparency disclosed.

The Effect of Institutional Ownership on Sustainability Report Disclosure

The results of hypothesis testing presented in Table 6 show that the institutional ownership variable has a significance value greater than the predetermined significance level. This indicates that the alternative hypothesis (H₂), which states that institutional ownership has a positive effect on sustainability report disclosure, cannot be accepted. Empirically, institutional ownership is not proven to have a positive effect on the level of sustainability report disclosure in energy sector companies listed on the Indonesia Stock Exchange during the period 2019 to 2023.

The results of this study are consistent with the studies conducted by Hidayat et al. (2024), Kusumawardani (2022), and Rahmi et al. (2025), which found that institutional ownership does not affect sustainability report disclosure. The empirical data in this study show that although the effect of institutional ownership on sustainability report disclosure is statistically significant, the direction of the effect is negative. This indicates that the higher the proportion of institutional ownership, the lower the level of sustainability disclosure carried out by the company.

Stakeholder theory proposed by Freeman (1984) emphasizes that companies have a responsibility to consider the expectations of all stakeholders, including institutional owners who are often considered to have a strong influence on corporate policy direction, including policies related to sustainability reporting. However, the results of this study show that the presence of institutional owners does not always act as a driving factor for companies to enhance transparency in sustainability reporting. This can be understood as institutional shareholders do not consistently prioritize social and environmental issues and tend to be more oriented toward financial aspects and investment returns.

Institutional ownership within the Triple Bottom Line concept can be classified under the people aspect because institutional investors represent stakeholder groups that interact directly with corporations and have the potential to influence strategic corporate decisions. Although theoretically these institutions fall within the people dimension, they tend to focus more on short term investment returns rather than encouraging the disclosure of non financial information through sustainability reports. Therefore, within the context of the Triple Bottom Line, the contribution of institutional ownership to the social dimension remains limited in terms of strengthening sustainability transparency.

The Effect of Environmental Performance on Sustainability Report Disclosure

The results of hypothesis testing presented in Table 6 show that the environmental performance variable has a significance level below the predetermined threshold and a positive regression coefficient. This finding supports the alternative hypothesis (H₃), which states that environmental performance has a positive effect on sustainability report disclosure. Statistically, environmental performance is proven to make a significant contribution to increasing the level of sustainability report disclosure in energy sector companies listed on the Indonesia Stock Exchange during the period 2019 to 2023.

The results of this study are consistent with the studies conducted by Antara et al. (2020), Jati et al. (2023), Tusiati (2019), Rumaningsih & Rusmanto (2024), Ardyaningsih & Oktarina (2022), Lu & Wang (2021), and Arbin & Rohmatika (2024), which found that environmental performance has a positive effect on sustainability report disclosure. These findings indicate that the higher the quality of a company's environmental performance, the greater the tendency for the company to disclose sustainability information in a broader and more structured manner. Companies that successfully manage their environmental impacts effectively are generally encouraged to publish their performance as a form of accountability to the public. This also reflects the company's commitment to transparency in managing relevant environmental issues.

Stakeholder theory proposed by Freeman (1984) emphasizes that corporate responsibility is not limited to shareholders but also includes all parties affected by corporate operations, including local communities, regulators, and civil society organizations that focus on environmental issues. Positive environmental performance can be regarded as a form of corporate responsibility fulfillment toward stakeholder demands, particularly those related to the management of ecological impacts.

The Triple Bottom Line concept introduced by Elkington (1997) states that corporate sustainability should be assessed through three main dimensions, namely profit as the economic dimension, people as the social dimension, and planet as the environmental dimension. The findings of this study strengthen the view that the planet aspect, which is reflected in environmental performance, is an important factor that affects the extent to which companies disclose sustainability aspects in their official reports.

Improvements in environmental performance indicate that companies have demonstrated a commitment to ecosystem preservation, which is then communicated through sustainability reports. Thus, companies explicitly affirm their position in supporting the Triple

Bottom Line principle, where responsibility toward the environment is placed on an equal level with commitments to social and economic aspects.

CONCLUSION

Based on the results of hypothesis testing and the discussion that has been conducted, it can be concluded that the first hypothesis (H1) is rejected, meaning that profitability has no effect on sustainability report disclosure in energy sector companies listed on the Indonesia Stock Exchange. This finding indicates that a company's financial performance, represented by profitability, is not the main factor that encourages companies to disclose sustainability information. The testing of the second hypothesis (H2) shows that institutional ownership also has no effect on sustainability report disclosure. This result suggests that the strength of institutional ownership does not directly motivate companies to increase transparency related to sustainability information. The testing of the third hypothesis (H3) shows that environmental performance has a positive effect on sustainability report disclosure. The better a company's environmental performance, the greater the tendency for the company to disclose sustainability information as a form of accountability and social responsibility to stakeholders.

The recommendations that can be considered are that companies, particularly those operating in the energy sector, should pay greater attention to environmental performance, as it not only provides positive impacts on the surrounding environment but also enhances stakeholder trust through more accountable sustainability report disclosure. In addition, investors are encouraged to be more careful in considering nonfinancial aspects, particularly sustainability report disclosure, as one of the indicators in making investment decisions. This is important because companies that are transparent in sustainability practices tend to have better long term prospects. Future researchers are advised to further develop this study by reexamining the profitability and institutional ownership variables in relation to sustainability report disclosure using different methodological and theoretical approaches to better explain the relationships among these variables. Furthermore, future studies may classify companies that apply OJK and GRI reporting standards in the preparation of sustainability reports and include controlling shareholders who have the ability to influence managerial decision making within the company.

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