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THE EFFECT OF SUSTAINABILITY REPORT DISCLOSURE ON FIRM VALUE

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Abstract

This study investigates the impact of presence and extent of sustainability reporting on firm value. The sample used in this research is mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. We obtained data from mining sector companies that have published sustainability reports and annual reports. This research uses OLS regression for testing the impact of sustainability report disclosure on firm value. The results of the analysis show that the presence of a sustainability report affects firm value. However, the extent of sustainability report do not impact firm value. This study demonstrates that the existence of a sustainability report alone is enough to have an impact on company value and does not need a high score. This study advances the legitimacy hypothesis by providing further data on the significance of sustainability reports.

Keywords: Firm Value, Legitimacy theory, Sustainability Report.

Abstrak

Penelitian ini menyelidiki dampak keberadaan dan tingkat pelaporan keberlanjutan terhadap nilai perusahaan. Sampel yang digunakan dalam penelitian ini adalah perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2019 hingga 2021. Kami memperoleh data dari perusahaan sektor pertambangan yang telah menerbitkan laporan keberlanjutan dan laporan tahunan. Penelitian ini menggunakan regresi OLS untuk menguji dampak pengungkapan laporan keberlanjutan terhadap nilai perusahaan. Hasil analisis menunjukkan bahwa keberadaan laporan keberlanjutan memengaruhi nilai perusahaan. Namun, tingkat laporan keberlanjutan tidak memengaruhi nilai perusahaan. Studi ini menunjukkan bahwa keberadaan laporan keberlanjutan saja sudah cukup untuk berdampak pada nilai perusahaan dan tidak memerlukan skor yang tinggi. Studi ini memajukan hipotesis legitimasi dengan memberikan data lebih lanjut tentang signifikansi laporan keberlanjutan.

Kata Kunci: *Nilai Perusahaan, Teori legitimasi, Laporan keberlanjutan.*

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INTRODUCTION

This study investigates the influence of sustainability reports on firm value. Specifically, we examine the presence and extent of sustainability report disclosure on firm value as proxied by Tobin's Q. Recently, the company's goal is not only to achieve short-term targets in the form of profitability but also to achieve sustainable growth in the long term. It is important for companies to convince all stakeholders that the business they are running is a responsible one (Ebaid, 2023). One way for companies to inform stakeholders about responsible business is through a sustainability report. According to legitimacy theory, issuance of sustainability reports is a means for a company to build stakeholder trust (Ebaid, 2023; Nurim & Asmara, 2019; Ronald et al., 2019).

Global Reporting Initiative states that a sustainability report broadly includes issues related to the environmental, social, economic and governance issues. Additionally, sustainability reporting can be defined as the activity of measuring, revealing, and accounting for an organization's internal and external success in accomplishing sustainability goals (Erin et al., 2022; Maddocks, 2011). The implementation of sustainability reporting in Indonesia was initiated in 2005 by the National Center to Corporate Reporting (NCCR), previously National Sustainability Reporting Center (NCSR), as an independent and pioneering organization for sustainability reporting (National Center to Corporate Reporting, 2023). The sustainability report approach in Indonesia refers to guidelines developed by Global Sustainability Standard Board that is called the Global Reporting Index (GRI) 4 that implemented since 2014 (Gunawan et al., 2022; National Center to Corporate Reporting, 2023; Nurim & Asmara, 2019). The GRI G4 Guidelines are the fourth generation of the GRI Guidelines for Sustainability Reporting (Permatasari et al., 2020).

Sustainability report relates to firm value in three ways. First, sustainability report has a role as a business strategy (Rustiarini, 2010). Sustainability reports will encourage transparency not only to comply with regulations in force in Indonesia, but will also make the company's internal system always strive for the best business strategy. Second, the sustainability report plays an important role in strengthening a company's risk management (Meizaroh & Lucyanda, 2011). Risk management plays an important role in avoiding and minimizing risks that occur in a business process. Third, the sustainability report contributes to the creation of value, which raises the firm's long-term competitiveness and resilience.

As noted by Gunawan et al. (2022), which investigates evolution of separate sustainability reports of the companies in Indonesia during the period of 2006–2019, the trend of sustainability reporting in Indonesia is increasing year by year. Sustainability reporting and its impact on corporate performance has been confirmed by several studies, for example Friske et al. (2023), Van Linh et al. (2022), and Loh et al. (2017a).

The most widely disclosed information is economic and social information, followed by environmental information. Moreover, Nurim & Asmara (2019) show that manufacturing companies are more concerned about the level of environmental performance, while financial services industry cares more about social indicators.

This research is a development of a study conducted by Loh et al. (2017a), Permatasari et al. (2020) and Ebaid (2023). This research differs from the study of Loh et al. (2017a) in few ways. First, Loh et al. (2017a) investigates the companies listed on the Singapore Stock Exchange, whereas this study examines sustainability report in companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. Second, current study adds one GRI index to be examined, namely aspects of governance and three control variables, namely firm size, leverage, liquidity. Moreover, current study responds to finding of Permatasari et al. (2020) research to not only investigate quantitative aspect of sustainability report but also qualitative one.

The trend of sustainability reporting in Indonesia is growing year by year. However, the absence of reporting standards causes the quality of sustainability reporting to vary widely. Therefore, It is crucial to look at how sustainability reporting affects business value, both in terms of its presence and quality.

We derive two primary hypotheses based on legitimacy theory and other studies on sustainability reporting. According to the first hypothesis, firm that have sustainability reports will be valued more than those that don't. According to legitimacy theory, sustainability reporting offers details on the conduct of legitimate firm. The community or environment in which the business operates will accord status or blessings to the company's existence and its operational operations if the firm provides a social contribution (Loh et al., 2017a). To win over the community and the social environment, companies are recommended to be more open about their overall responsibility for all of their operational operations. Companies that get social legitimacy will discover it simpler to grow their worth, which will boost their earnings. Potential investors are informed that a company is "a legitimate corporate citizen with sustainable plans for the future" by the adoption and implementation of a sustainability reporting framework (Nikolaeva & Bicho, 2011, p. 141).

According to the second hypothesis, businesses that disclose more information about sustainability (produce sustainability reports of a higher quality) would be valued more on the market than those that disclose less information about sustainability (produce reports of a lower quality). Loh et al. (2017a) dan Permatasari et al. (2020) suggest that quality of sustainability report also important to assess and analyze the content of the report. Companies that provide high-quality sustainability reports will stimulate a rise in the value of their organization. Before investing their shares, investors also pay attention to the company's responsibility for its business operational activities which can support the company's performance and the company's survival.

We believe that our study advances to number of areas. First, this study contributes to legitimacy theory in terms of adding evidence of the influence of sustainability reports as a company's effort to remain accepted by society. Second, this study sheds light on the need for stakeholders to take sustainability report quality and quantity into account. Lastly, by examining sustainability disclosure and its impact on corporate performance in developing nations, this study adds to the body of knowledge on sustainability.

LITERATURE REVIEW

Four theories explain the relationship between sustainability reporting and firm value: agency theory, stakeholder theory, signaling theory, and legitimacy theory. Based on agency theory, managers engage in sustainability reporting to reduce agency costs, minimize strict internal monitoring, and gain benefits in the capital market (Sun et al., 2022). Therefore, the issuance of a sustainability report can reduce conflicts and agency costs, leading to an increase in the company's value. This reduction in agency costs will affect the company's risk profile and profitability, which, in turn, can influence the growth of market value.

Based on stakeholder theory, a company's value is determined by how it is perceived by its stakeholders. Disclosing a sustainability report enhances value by offering insights into environmental, social, and economic performance, serving as a key strategy for the company to strengthen its ties with stakeholders (Kurnia et al., 2021). This disclosure delivers essential information to those directly associated with the company. The more a company openly and transparently shares its sustainability report, the greater its value becomes, alongside an improvement in its relationships with stakeholders. Ross (1977) stated that company executives who have better information about their company will be motivated to convey that information to potential investors to increase their company's stock price. The disclosure of a sustainability report sends positive signals to attract investor attention, which can enhance the company's value. Finally, the survival and growth of a company are based on the outcomes it can provide to society. If an organization contributes socially, the company and its operational activities will gain approval or legitimacy from the community or environment in which it operates. Companies are advised to be more transparent about their responsibility for all operational activities to be well accepted by society and the social environment. According to legitimacy theory, sustainability reporting is a way for companies to be transparent about their responsibility for their operational activities (Lodhia et al., 2020).

Suryono & Prastiwi (2011) state that one of the benefits of a sustainability report is that it can help build trust and attract investors with a long-term vision, as well as demonstrate how to enhance a company's value concerning social and environmental issues. Loh et al. (2017b) state that there is an influence of the sustainability report on firm value. The sustainability report is positively related to a company’s market value, and the better the quality of the sustainability report, the stronger the connection. The study also explains that, in addition to reporting the quality of financial statements, the sustainability report is also important. A good sustainability report has many benefits, including attracting and motivating employees to perform better, which can increase the company’s value.

We argue that higher quality sustainability reports can contribute to the reduction of information asymmetry between managers and investors, as it can reassure investors with many aspects of the firm's operations and performance. Sustainability reports with more quality serve as an intensive to minimize the cost of capital of a company, thereby reducing the company's cost of capital and can increase the liquidity of shares. more and higher quality sustainability reports can increase the credibility of the company's profitability because it allows investors to make decisions with less risk and more efficiency, which can then indicate higher company value. Based on this reasoning and previous research, we hypothesize as follows

H1: Companies with a sustainability report have a higher firm value than companies without a sustainability report.

Suryono & Prastiwi (2011) define sustainability reports as encompassing more than just environmental context; they include principles related to human rights and standards for workers, such as eliminating discrimination in the workplace. Additionally, they cover environmental aspects like applying the precautionary principle, greater environmental responsibility, and the development of environmentally friendly technologies.

In a study by Purnamasari & Trimeiningrum (2022), it is explained that there is a positive influence from the economic and social dimensions because companies that are perceived as more transparent and have accurate forecasting gain more trust from investors and fulfill all their responsibilities to stakeholders. Investor trust can positively impact the company's market value.

We posit thar companies that publish sustainability reports with high-quality sustainability in their reporting will drive an increase in firm value. Before investing, investors also consider the company's responsibility for its business operations, which can support the company's performance and sustainability. Therefore, we propose the second hypothesis:

H2: Companies with more extensive sustainability reports (higher sustainability scores in reporting) have a higher firm alue than companies with less extensive sustainability reports (lower scores).

RESEARCH METHODOLOGY

The purpose of this study is to look into how firm value is affected by the degree and intensity of sustainability. First, we investigate the hypothesis that *companies with sustainability* reports will be worth more than companies without such reports (H1). Next, we test the hypothesis that companies with higher quality sustainability reports and more disclosure about sustainability will be worth more on the market than those with lower quality reports and less disclosure about sustainability (H2).

To investigate the first hypothesis, we use all mining sector companies with available data from 2019 to 2021. There are 45 companies or 135 firm-year observation that fulfill the requirement. Furthermore, we only use samples that disclose sustainability reports to test the second hypothesis. There are 15 companies or 45 obserrvations that disclose sustainability reports as stand-alone report or incorporated in annual report. We collect data manually from financial statement and sustainability reports.

Based on earlier research, we employ Tobin's Q as a proxy for company value (such as, Brooks et al., 2022; Friske et al., 2023). Friske et al. (2023) suggest that Tobin's Q is suitable indicator of firm value for several reasons: (1) the Tobin's Q time horizon corresponds to that of the sustainability expenditure, (2) Tobin's Q takes into account the impact of outside shareholders on the valuation process since it is a market-based measure of firm value, and (3) Tobin's Q does not use accounting numbers so it is relatively unaffected by accounting practices. Following previous studies, we define company value (Tobin's Q) as market capitalization plus total debt divided by total asset:

$$Tobin's\ Q = \frac{\mathrm{EMV + D}}{\mathrm{TA}}$$

where MVE = (share price at the end of the financial year)×(number of common shares outstanding); D = book value of debt; and TA = book value of total asset.

The measurement of the sustainability report variable for testing first hypothesis uses a dummy variable. For companies that report sustainability reports will be given a score of 1 and zero, otherwise. For second hypothesis, we measure sustainability report as Sustainability Report Disclosure Index (*SRDI*) as follows (Friske et al., 2023; Supriyati & Anggraini, 2021):

$$\mathrm{SRDI} = \frac{n}{k}$$

where *n* = the number of items disclosed by a company and k = the number of index items based on GRI-G4. Disclosure of the sustainability report of the sample companies will be evaluated with four indicators, namely governance, economic, environmental and social indicators. There are 3 governance indicators, 5 economic indicators, 7 environmental indicators and 8 social indicators, with a total of 23 items. After determining whether the company has submitted a sustainability report, we will assign a score of one (1) to those that report and disclose items on the sustainability report index, and zero (0) to those that do not disclose any of the 23 indicator items. Next, we assess the degree of sustainability reporting by assigning a score based on a measurement scheme that was created in compliance with POJK No.51/POJK03/2017by the Center for Governance, Institutions and Organizations and the ASEAN CSR Network. Table 1 describe the sustainability reporting measurement scheme.

We employ three control variables—firm size, leverage, and liquidity—that are in line with earlier research on the factors that influence a firm's value. Firm size (*SIZE*) is a measure of the company's actual size or performance (Supriyati & Anggraini, 2021). Large companies are considered to have good stability in running a business. Investors perceive large companies as companies with good prospects. As a result, investors are more interested in big companies, which raises stock prices and increases company value. We measure *SIZE* as natural logarithm of total asset. Leverage (*LEV*) is the percentage of the firm's total liabilities to total assets (Friske et al., 2023). The smaller the Leverage the better firm value, because the burden of paying interest on the company's debt is getting smaller. Liquidity (*LIQ*) is the proportion of current asset to current liability. The liquidity level indicates how readily available the company's funds are to support its operations. Companies with high liquidity are thought to have promising futures by investors. A company with strong liquidity indicates that its creditors are willing to lend money to it in order to boost its worth.

The regression model for testing Hypothesis 1 and 2 is as follow:

$$\boldsymbol{FV_{it} = \alpha + \beta_1 SR_{it} + \beta_2 SIZE_{it} + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \varepsilon_{it}}$$

For testing Hypothesis 1, *SR is* a dummy variable that code 1 for company that publish sustainability reports, and 0 otherwise. For testing Hypothesis 2 we measure sustainability report as Sustainability Report Disclosure Index (*SRDI*) that is ratio of the number of sustainability disclosure of a company to the number of sustainability disclosures based on GRI-G4. *SIZE* is firm size proxied as the natural logarithm of total asset; *LEV* is leverage, we measure leverage as debt to total asset ratio; *LIQ* is liquidity, we measure liquidity as current ratio; and *FV* is firm value, we measure firm value as Tobin's Q that is market capitalization plus total debt divided by total asset. We predict that sign of coefficient β1 is positive. A positive and significant coefficient of β1 indicates that the companies that publish sustainability report as well as higher sustainability report disclosure index get higher value.

Table 1 Sustainability reporting measurement scheme

Governance	Economic	Environmental	Social
Corporate governance Code	Economic value generated	Energy	Diversity and equal opportunity
Governance procedures	Value and supply chain	Water	Labour and industrial relations
Anti-corruption and code of ethics	Climate change—implications, risks, opportunities	Waste management	Occupational health and safety
	Investment in non-core business infrastructure	Carbon emissions	Training and education
	Risk management	Biodiversity Compliance	Human rights Community involvement
		Product and service stewardship	Product responsibility
			Philanthropy

Source: Global Reporting Initiative (2023)

RESULT AND DISCUSSIONS

As described in Methods Section, the study's sample consists of mining sector companies that were listed on the Indonesia Stock Exchange between 2019 and 2021. The sample selection procedure is detailed in Table 2.

Table 2 Sample Selection Procedure

Sample Selection Results	Total
1. Companies in mining sector companies that listed on the IDX between 2019 and 2021.	48
2. Mining sector companies listed on the IDX for the 2019-2021 with no available data.	(3)
3. The number of companies that meet the research sample criteria	**45**
Total observation 3 years x 45 samples	**135**

There are 48 companies in the mining industry that are listed on the IDX from 2019 to 2021. We exclude three companies that don't have data available. The final sample is 45 companies, or 135 firm-year. For testing Hypothesis 2 we only use firm sample that publish sustainability report in their annual report or stand-alone report. Only 15 firms that publish the sustainability report or 45 firm-year.

The variables in this study are several types of variables. The independent variables for this study are firm value and the dependent variable is sustainability report (*SR*) for H1 sustainability report disclosure index (*SRDI*) for H2. The control variables are firm size, leverage, and liquidity. Table 3 Panel A shows the descriptive statistics for this full sample of 135 firm-year data from 2019 to 2021. Panel B shows the split sample by SR.

Table 3 Descriptive Statistics

Panel A. Full Sample *(n = 135 observations)*

Variable	Min.	Max.	Mean	Std. Dev.
SR	.00	1.00	.333	.473
SIZE	15.73	32.05	26.043	4.121
LEV	.09	1.33	.536	.261
LIQ	.01	146.13	3.046	12.581
FV	.03	1306.38	61.749	227.228

Test variable: SR = sustainability reporting is a dummy variable code 1 for companies that report sustainability reports, and 0 otherwise;
Control variables: *SIZE* is firm size proxied as the natural logarithm of total asset; *LEV* is leverage, we measure leverage as debt to asset ratio; *LIQ* is liquidity, we measure liquidity as current ratio; and *FV* is firm value, we measure firm value as Tobin's Q that is market capitalization plus total debt divided by total asset.
Dependent variable: *FV*, measured as Tobin's Q that is market capitalization plus total debt divided by total asset.

Panel B. Split Sample

Variable	***SR = 1 (45 firm-year)***				***SR = 0 (90 firm-year)***			
	Min.	Max.	Mean	Std. Dev.	Min.	Max.	Mean	Std. Dev.
SRDI	.65	1.00	.891	.085				
SIZE	15.73	31.60	24.87	5.054	17.98	32.05	26.63	3.448
LEV	.10	.96	.443	.214	.09	1.33	.58	.2270
LIQ	.27	6.72	1.958	1.411	.01	146.13	3.59	15.375
FV	.67	1,306.38	181.21	367.847	.03	41.47	2.02	4.514

SRDI is ratio the number of sustainability disclosure of a company to the number of sustainability disclosures based on GRI-G4; *SIZE* is firm size proxied as the natural logarithm of total asset; *LEV* is leverage, we measure leverage as debt to asset ratio; *LIQ* is liquidity, we measure liquidity as current ratio; and *FV* is firm value, we measure firm value as Tobin's Q that is market capitalization plus total debt divided by total asset.

Source: Results have been obtained by the author in SPSS software

As we seen from Table 3 Panel A the mean value of the *SR* is 0.333 which mean that most of samples do not publish sustainability report either in their annual report or stand-alone report. Only 15 companies or 45 firm-year observations that publish sustainability report in period 2019-2021. The sample firms have, on average, *SRDI* .891 indicates that meet 89.1% number of sustainability disclosure based on GRI-G4. The mean value of *SIZE* and *LEV*, 26.043 and .443 respectively, are similarly reported by Supriyati & Anggraini (2021) and Van Linh et al. (2022). Panel B shows the split sample for SR = 1 and SR = 0. The average value of firm value, *FV*, of sample that publish sustainability report (mean = 181.21) is much higher than that of non-publishing companies (mean = 2.02).

Table 4 Panel A (full sample) and Panel B (for publishing companies) shows the Pearson correlation coefficient for variables in the regression model. We find a positive and significant correlation between sustainability report and firm value. However, we find positive and insignificant correlation between sustainability report disclosure index and firm value. Correlation coefficients among the independent variables and control variables are relatively low. Nonetheless, we still use the Variance Inflation Factor (VIF) to check if there is multicollinearity. In order to determine whether multicollinearity is a concern, we set a threshold of 4.00 as suggested by Ballings et al. (2018). The VIF averages 1.034 across all estimations with a maximum value of 1.066. The VIF values show that multicollinearity has no impact on the regression coefficients.

Table 4 Correlation Matrix

Panel A: H1 (n = 135)

	SR	*SIZE*	*LEV*	*LIQ*	*FV*
SR	1				
SIZE	-.202*	1			
LEV	-.142	.017	1		
LIQ	-.060	.057	.016	1	
FV	.373**	-.431**	-.164	-.014	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Panel B: H2 (n = 45)

	SRDI	*SIZE*	*LEV*	*LIQ*	*FV*
SRDI	1				
SIZE	-.137	1			
LEV	-.320*	.040	1		
LIQ	-.437*	.161	-.649**	1	
FV	.207	-.542**	-.165	-.026	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

In Table 5, we show OLS regression results for the presence of sustainability report and the level of sustainability report disclosure index on firm value. The variable of interest for Hypothesis 1 is Sustainability Report (*SR*). The variable of interest for Hypothesis 2 is Sustainability Report Disclosure Index (*SRDI*). The first full-sample regression shows a significant ($p < 0.00$) and positive coefficient in *FV*. This result suggests that the firm value is higher for companies that publish sustainability report compare to that of non-publishing firms. This study supports legitimacy theory, which states that sustainability reports provide information that legitimises corporate behaviour. The results of this study are in line with previous studies that found a positive relationship between the presence of sustainability reporting and firm value (Friske et al. (2023), Van Linh et al. (2022), and Loh et al. (2017a).

In Table 5 we also present regression result based on publishing companies only (45 firm-year). We discovered that the amount of sustainability reports, as measured by the sustainability report disclosure index, doesn't affect how much a company is worth. We conclude that sustainability reporting is connected to firm value, but the quality of that reporting doesn't affect firm value.

Table 5 Regression Result for H1 and H2

	H1 (n = 135)		H2 (n = 45)	
	Coeff.	**p-value**	**Coeff.**	**p-value**
Test variable				
SR	135.734***	.000		
SRDI			1019.935*	.099
Control variable				
SIZE	-20.605***	.000	-38.622***	.000
LEV	-102.598	.118	-363.238	.208
LIQ	.479	.722	20.125	.662
Adj. R2	.263		.311	
F test	12.984***		5.963***	

Notes: *** p ≤ 0.01; * p ≤ 0.10.
Source: Results have been obtained by the author in SPSS software.

This insignificant result of second hypothesis may be because of the following reasons. First, even though sustainability reports are long in Indonesia, the number of applications is still low. Most of our samples do not publish sustainability in stand-alone report or in annual report. Second, we adopt predefined index that developed by Global Reporting Initiative Index. This ready-made index may not be suitable for developing countries like Indonesia, where the institutional environment and political, economic, and social characteristics may be different from those in developed countries. Ebaid (2023) suggests using an index that reports sustainability according to the characteristics of the country in which the study is conducted, such as sustainability reporting index that has developed by Hongming et al. (2020) based on the GRI. This index was developed to fit Pakistan, which is one of the developing Asian countries. Third, the identification of the most significant sustainability issues in terms of their impact on firm value is constrained by the broad view of standardized sustainability item reporting that developed by Global Reporting Initiative Index. Identifying important sustainability issues depends on the situation and needs to be determined for each sector (Eccles et al., 2012; Jayarathna et al., 2022). Lastly, the sustainability disclosure index may not suit to complex industry, such as mining sector. Therefore, the sustainability report may have low readability. Uddin & Chakraborty (2022) suggest that more complicated firms have less readable sustainability reports.

In summary, this study found that companies with sustainability reports are worth more than companies in the mining industry that don't have sustainability reports. This research is also in line with research of Loh et al. (2017a) and Van Linh et al. (2022) which find that the disclosure of a sustainability report has a positive impact on the market value of a company. Loh et al. (2017a) find that the better quality of the sustainability report, the higher of the market value.

CONCLUSION

This research empirically examine the effect of the disclosure of sustainability reporting on firm value in mining sector company that listed in Bursa Efek Indonesia between 2019 and 2021. We also investigate the effect of quality of sustainability disclosure on firm value. We find that sustainability report has a positive and significant impact on firm value. However, the impact of quality of sustainability report on firm value is not supported.

This research has theoretical and practices implications. First, our study respond to the call to more research on the impact of sustainability reporting on corporate value, specifically in developing country (Wang & Li, 2016). Second, our results show that sustainability reporting has a positive effect on firm value, but the amount of sustainability reporting has no effect. This needs to be a concern for regulators regarding the quality of sustainability reporting.

Our study has some limitations. We adopt Global Reporting Initiative Index for measuring sustainability report that may less suit to our sample. Next research should adopt more sector-specific standard as suggested by Jayarathna et al. (2022) and Eccles et al. (2012). In addition, the ready-made Global Reporting Initiative Index may not fit to developing country characteristics. Future study could develop sustainability disclosure index that relate to institutional environment and political, economic, and social characteristics as done by (Hongming et al., 2020).

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