The Effect of Sustainability Report Disclosure on Company Reputation Through Corporate Governance as A Moderating Variable (Empirical Study on Energy Sector Companies Listed on the Indonesia Stock Exchange in 2021-2023)

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Abstract: - This study aims to analyze the effect of sustainability report disclosure on corporate reputation with corporate governance as a moderating variable. The study was conducted on energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. Corporate reputation is measured using the closing stock price. Sustainability reports utilize the disclosure of Global Reporting Initiative (GRI) indicators on economic, social, and environmental aspects. Meanwhile, corporate governance is measured through independent commissioner size. This study uses a quantitative approach with a purposive sampling technique, which resulted in 38 companies as samples. The analysis method used is panel data regression analysis with a random effect model and Generalized Least Square (GLS) as an estimation method. The results of the study show that sustainability report disclosure has a negative effect on corporate reputation. Independent commissioner size has a positive effect on corporate reputation. In addition, the independent commissioner size variable is able to strengthen the relationship between sustainability reports and company reputation, which is indicated by positive interaction results. These findings emphasize the importance of good corporate governance practices in increasing the credibility and effectiveness of sustainability reporting to improve corporate reputation.

Key-Words: - Sustainability Report, Corporate Reputation, Corporate Governance, Independent Commissioner

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1. Introduction

In recent years, competition between companies in Indonesia has become increasingly fierce. These companies are constantly vying to increase their value and reputation in order to maintain their existence [1]. Corporate reputation is very important because it represents the extent to which stakeholders view the company as "good" or "bad", so a good reputation can strengthen the company's relationship with stakeholders [2]. Because it can position a company to gain a better competitive advantage, leading to more sustainable performance. Companies with a strong reputation enjoy a privileged market position because they have better access to resources on more favorable terms [3].

Corporate reputation can be understood as the expectations held by various stakeholders regarding a company's ability to meet their interests. It attracts loyal customers willing to pay premium prices, attracts better job candidates, reduces employee turnover, increases investor loyalty, and provides better access to finance. Consequently, a company's value can be influenced by its reputation [4]. Competition between companies for profit often negatively impacts a company's reputation, particularly when it neglects its responsibility to the environment surrounding its operations. Some companies deliberately ignore the environmental impacts of their production activities [5].

One real-life example occurred in Indonesia, namely the case of PT Toba Pulp Lestari Tbk (INRU). According to a 2021 report by the Indonesian Farmers Union (SPI), the company carried out deforestation that threatened the ecosystem around Lake Toba. This resulted in lake silting, forest destruction as a water source, loss of biodiversity, and pollution of the Asahan River, leading to a decline and even death of fish populations. The surrounding community did not benefit from the company's presence but instead experienced various losses such as road damage, land conflicts, air pollution, deforestation, waste management that did not comply with the Environmental Impact Assessment (EIA) document, and social impacts such as the criminalization of approximately 70 indigenous community members [5].

A similar incident occurred with Sampoerna Agro Tbk (HMSP) subsidiary PT National Sago Prima (NSP), which was found to have burned approximately 3,000 hectares of forest in its concession area in Meranti Regency, Riau. This action resulted in air pollution and halted activities of the surrounding community due to the resulting smoke. This case was handled by the Ministry of Environment and Forestry (KLHK), which filed an appeal with the Supreme Court (MA), and ultimately the company was found guilty and ordered to pay a fine of IDR 1.07 trillion for land restoration costs. This situation provides a lesson that environmental sustainability is a crucial factor influencing investor perceptions of a company's reputation and long-term value. Investors now look not only at financial aspects but also consider environmental performance and sustainability as indicators of a company's more promising future [5].

Companies listed on the Indonesia Stock Exchange are companies that have competitive advantages [6]. The energy sector is a strategic sector that plays a vital role in supporting national development and economic growth. Energy companies are not only required to generate profits but also to be responsible for preserving the environment, meeting social expectations, and implementing good governance principles [7]. Given projections that energy demand will double by 2040, the sector is paying great attention to research and development that drives innovation to reduce pollution levels [8].

The international community is increasingly promoting measures to guide companies towards sustainable development, such as the 2015 Paris Agreement on Climate Change and the 2030 Agenda for Sustainable Development Goals (SDGs), which aim to stimulate investment choices that safeguard environmental quality [9]. The impact of the COVID-19 crisis has further heightened the urgency of these issues. Overall, the world has undergone significant changes, and companies are being urged to anticipate potential ESG-related issues and provide comprehensive and transparent ESG performance information [10]. This has recently received attention in the management literature. This has resulted in the adoption of these practices by all types of organizations to improve their reputation and performance and reduce conflicts with stakeholders [11].

In line with the implementation of OJK Regulation No. 51/POJK.03/2017, issuers in the energy sector have begun routinely publishing sustainability reports that refer to international standards such as the Global Reporting Initiative (GRI). Among various frameworks and guidelines, the GRI reporting framework has become a widely accepted global standard for sustainability reporting practices due to its comprehensiveness, visibility, and prestige among stakeholders. Unlike other sustainability frameworks, the GRI guidelines are designed to provide comprehensive and detailed information on economic, environmental, and social performance indicators to assess the sustainability performance of business organizations in general [12]. Therefore, the current study seeks to provide up-to-date evidence on the influence of underlying factors on SR practices in the Indonesian context by using the GRI guidelines to incorporate integrated SR dimensions.

A sustainability report is a report prepared by a company to communicate its economic, social and environmental performance to stakeholders [13]. GRI defines sustainability reporting as a process of delivering structured and measurable information about an organization's performance in aspects related to economic, environmental, and social issues with the aim of sustainability [14]. Penerapan peraturan ini diharapkan dapat memperkuat reputasi perusahaan sektor energi dengan meningkatkan kepercayaan publik dan pemangku kepentingan lainnya terhadap komitmen keberlanjutan perusahaan The implementation of this regulation is expected to strengthen the reputation of energy sector companies by increasing public and other stakeholders' trust in the company's sustainability commitments [15]

Quoted from www.pwc.com in Indonesia, the obligation to submit sustainability reports has been implemented for public companies since 2019 and for listed companies since 2020. However, due to the COVID-19 pandemic, the implementation was postponed until 2021. In the second year of implementation, namely 2022, it was recorded that 88% of listed companies had submitted their sustainability reports. This shows that sustainability reports are an important tool in ESG (Environmental, Social, and Governance) reporting in Indonesia because they reflect the company's strategy in dealing with climate risks, engaging stakeholders, improving ESG performance.

However, the effectiveness of sustainability reports in enhancing a company's reputation is greatly influenced by the strength of corporate governance. Corporate governance improves a company's standards [16]. Without good governance, sustainability reports risk becoming mere formality documents that do not reflect the actual conditions on the ground [17]. For example, high-profile cases resulting from weak global corporate governance such as Enron and WorldCom have highlighted the importance of corporate disclosure in playing a vital role as an external control mechanism [18]. Amidst the ever-changing regulatory dynamics in Indonesia, the application of good corporate governance principles can help companies minimize risks and legal uncertainty, thereby strengthening the company's value sustainably in the long term [19].

Quoted from www.rmol.id, in practice, disclosing a sustainability report does not always guarantee a company's reputation is maintained. This is evident in the case of PT RMK Energy Tbk (RMKE), a company engaged in coal and energy logistics. Although RMK Energy had formally published a sustainability report as a commitment to sustainability, the company faced intense public and regulatory scrutiny due to a number of serious environmental and licensing violations.

In 2023, the Ministry of Environment and Forestry (KLHK) imposed administrative sanctions on RMK Energy after it was found to have violated operational activities that produced emissions exceeding ambient air quality standards, as well as activities that did not comply with environmental permit documents. Furthermore, RMK Energy's subsidiary, PT Truba Bara Banyu Enim (TBBE), was also suspected of conducting illegal mining activities on land owned by the local government. This incident not only caused ecological losses but also tarnished the company's reputation in the eyes of the public, media, and investors. This phenomenon demonstrates a gap between the disclosure of sustainability reports and actual company practices on the ground.

This is reinforced by various incidents that emerged after the research period. One case that garnered public attention was the corruption scandal involving PT Pertamina (Persero), a state-owned energy company that plays a vital role in the national economy. In 2024, the Corruption Eradication Commission (KPK) named several Pertamina officials as suspects in a corruption case involving the procurement of goods and services (CNN Indonesia, 2024). This scandal raised concerns about the integrity and transparency of corporate governance and tarnished Pertamina's reputation among the public and stakeholders.

In fact, PT Pertamina routinely publishes sustainability reports as a form of accountability for its sustainability performance in the economic, social, and environmental sectors. Disclosure in these reports should reflect a commitment to the principles of good corporate governance, including corruption prevention efforts as stipulated in GRI 205 (Anti-corruption). When a major corruption scandal occurs, this raises questions about the effectiveness of such disclosures in building and maintaining the company's reputation.

2. Justification Research

Corporate reputation is considered an important variable to study because in today's modern business era, corporate success is no longer measured solely by financial performance but also by public perception and assessment of the company's image and integrity. Reputation is an intangible asset that can significantly impact a company's long-term survival and competitiveness. I see sustainability report disclosure as one form of corporate communication to stakeholders regarding its social, economic, and environmental responsibilities. However, the question is: is such disclosure capable of building or strengthening a company's reputation? The answer to this question cannot be simply assumed. Research is needed that can empirically prove the relationship between corporate transparency and public perception, in this case, reputation. Therefore, reputation is a relevant outcome variable to study.

Furthermore, in the context of energy sector companies, reputation carries even greater weight. This sector is highly vulnerable to environmental issues, such as pollution, natural resource exploitation, and impacts on surrounding communities. The public and media tend to be more sensitive to energy companies, so their reputations can quickly rise or fall depending on how seriously the company implements sustainability practices. This is where the role of sustainability report disclosure and corporate governance implementation is tested: whether they are truly capable of building trust and improving public perception. Finally, I also consider that reputation is not only important from a social perspective but also has significant economic implications. Companies with a good reputation tend to be more trusted by investors, gain customer loyalty, and have greater opportunities for business partnerships. Therefore, I hope this research will provide insight into how sustainability disclosure and corporate governance can directly and indirectly contribute to reputation building, particularly in sectors fraught with risks and challenges like energy.

In this context, corporate governance plays a crucial role as a corporate oversight and control mechanism. Strong governance is expected to enhance the credibility of sustainability report disclosures and prevent fraudulent practices that damage reputation. Conversely, weak corporate governance has the potential to render sustainability reports merely formalities without substance, thus having no positive impact on a company's reputation.

Recently the Organization for Economic Cooperation and Development (OECD) has devoted their attention to improving their reputation [20]. According to him, corporate governance is the procedures and processes that form the basis for directing and controlling an organization. The corporate governance structure defines the distribution of rights and responsibilities among various participants in an organization, such as the board, managers, shareholders, and other stakeholders, and establishes the rules and procedures for decision-making. [21].

One of the company's boards is the board of commissioners. According to Uzliawati, et al [19] The Board of Commissioners provides direction and oversight to the Board of Directors in managing and representing the company. The effectiveness of the board in fulfilling its responsibilities is influenced by the size of the board of commissioners, particularly the number of independent commissioners. Independent commissioners are members of the board of commissioners who do not have family or business relationships with shareholders or other board members that could affect their independence in acting [1]. Many formal regulations issued by authorities in various countries, including Indonesia through OJK Regulation No. 33/POJK.04/2014, mandate a certain proportion of independent commissioners (at least 30% of the board). This demonstrates that institutionally, independent commissioners are a key indicator of good governance practices.

Thus, this research is crucial for empirically examining how sustainability report disclosure and corporate governance implementation can impact corporate reputation, particularly in the energy sector, which faces high levels of environmental and social risks. The findings are expected to contribute academically to the development of the literature on ESG and corporate reputation, as well as provide practical implications for companies in enhancing the credibility of sustainability practices and corporate governance.

3. Research Methods

This study uses a quantitative research method with secondary data. Quantitative research is a research approach that uses statistical techniques to analyze numerical data to test hypotheses and identify relationships between variables [22]. This research focuses on analyzing the impact of sustainability report on company reputation, with Corporate Governance as a moderating variable. This study was conducted in the Energy Sector Companies Listed on the Indonesia Stock Exchange in 2021-2023, using secondary data in the form of annual reports and sustainability reports.

This research was conducted using a quantitative approach. A quantitative approach can be defined as a research approach based on the philosophy of positivism, conducted to examine a specific population or sample, utilizing research instruments and quantitative or statistical data analysis, with the aim of testing a formulated hypothesis [23]. Data collection used an explanatory research approach. This approach aims to explain the relationship between the variables studied, in this case explaining the causal relationship between independent, moderating, and dependent variables.

Population is a generalization area consisting of objects or subjects that have a certain number and characteristics, which have been determined by the researcher to be studied and from which conclusions will be drawn [23]. In this study, the research population includes all companies in the energy sector listed on the Indonesia Stock Exchange during the 2021-2023 period. Consequently, 85 energy sector companies were considered as the population in this study.

A sample is a portion of the number and characteristics or properties possessed by the population [23]. The technique used in collecting samples is the purposive sampling technique where the sample must be based on certain criteria and qualifications [24]. Some companies were excluded due to a lack of data related to the quality of their reports or accounting data. Companies must meet the following criteria: energy sector companies consistently listed on the Indonesia Stock Exchange for the 2021-2023 period, energy sector companies consistently publishing or reporting annual reports for the 2021-2023 period, and energy sector companies consistently publishing or reporting sustainability reports for the 2021-2023 period. Of the 85 energy sector companies listed on the Indonesia Stock Exchange website from 2021 to the end of 2023, 38 companies met the sample criteria. The list of companies included in this study is as follows:

Table 1. List of Companies

No.	**Company Name**	**Code**
1	PT Alamtri Resources Indonesia Tbk	ADRO
2	PT AKR Corporindo Tbk	AKRA
3	PT Apeindo Pratama Duta Tbk	APEX
4	PT Astrindo Nusantara Infrastruktur Tbk	BIPI
5	PT Baramulti suksessarana Tbk	BSSR
6	PT Bumi Resources Tbk	BUMI
7	PT Bayan Resources Tbk	BYAN
8	PT Eploitasi Energi Indonesia Tbk	CNKO
9	PT Darma Henwa Tbk	DEWA
10	PT Delta Dunia Makmur	DOID
11	PT Dwi Guna Laksana Tbk	DWGL
12	PT Elnusa Tbk	ELSA
13	PT Golden Energy Mines Tbk	GEMS
14	PT Humpuss Intermoda Transportasi Tbk.	HITS
15	PT Harum Energy Tbk	HRUM
16	PT Indika Energy Tbk	INDY
17	PT Sumber Energi Andalan Tbk	ITMA
18	PT Indo Tambangraya Megah Tbk	ITMG
19	PT Resource Alam Indonesia Tbk	KKGI
20	PT Mitrabara diperdana Tbk	MBAP
21	PT Mitrabahtera Segara Sejati Tbk	MBSS
22	PT Medco Energi Internasional Tbk	MEDC
23	PT Samindo Resources Tbk	MYOH
24	PT Perusahaan Gas Negara Tbk	PGAS
25	PT IMC Pelita Logistik Tbk	PSSI
26	PT Bukit Asam Tbk	PTBA
27	PT Petrosea Tbk	PTRO
28	PT Rukun Raharja Tbk	RAJA
29	PT RMK Energy Tbk	RMKE
30	PT Radiant Utama Interinsco Tbk	RUIS
31	PT Sumber Global Energy Tbk	SGER
32	PT Sillo Maritime Perdana Tbk	SHIP
33	PT Golden Eagle Energy Tbk	SMMT
34	PT Soechi Lines Tbk	SOCI
35	PT Transcoal Pacific Tbk	TCPI
36	PT Trans Power Marine Tbk	TPMA
37	PT Ulima Nitra Tbk	UNIQ
38	PT Wintermar Offshore Marine Tbk	WINS

Source: IDX (Secondary Processed Data 2025)

This study defines the variables studied, with the sustainability report serving as the independent variable, corporate reputation as the dependent variable, and corporate governance as the moderating variable. Data collection was conducted using secondary data sourced from annual reports and sustainability reports. These reports can be obtained from the website www.idx.co.id and the company's official website 2021–2023.

The influence of the independent and dependent variables in the study was measured through quantitative descriptive analysis and panel data regression analysis. Data analysis in this study was conducted using Eviews software version 12. The steps used in analyzing data are (1) Conducting descriptive statistical tests to present data and summarize them systematically to produce a clear and structured picture of the distribution and basic characteristics of the quantitative data set being analyzed. Next, (2) Conducting panel data regression analysis which is a combination of time series and cross-section. There are three general approaches used to conduct regression estimation with panel data: common effect model, fixed effect model, and random effect model. Then, (3) Selecting panel data estimation model techniques, by conducting the Chow Test, Hausman test, and Lagrange Multiplier test. Next, (5) Conducting Classical Assumption Tests, which consist of Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test. Then, (6) Conducting Panel Data Regression Analysis. Finally, (7) Conducting Hypothesis Tests.

4. Results and Discusson

4.1 Descriptive Analysis

The results of the descriptive analysis in this study are shown in Table 2.

Table 2. Descriptive Statistical Test

	Minimum	Maximum	Mean	Standard Deviation
Corporate Reputation	50.00000	39025.00	2837.807	5964.748
Sustainability Report	0.160000	0.940000	0.499737	0.190381
Corporate Governance	0.330000	0.500000	0.403333	0.073637
Sustainability Report ×′ Corporate Governance	0.052800	0.376000	0.199111	0.075162
Observation	114	114	114	114

Source: Processed Data Eviews 12, 2025

Based on Table 2, the Corporate Reputation (Y) variable, measured by the closing stock price, shows a minimum value of 50 for PT Eploitasi Energi Indonesia Tbk, indicating the lowest stock price, while the maximum value is 39,025, indicating the highest stock price, for PT Indo Tambangraya Megah Tbk. The mean (average) closing stock price of 2,837.807 and the standard deviation of 5,964.748 indicate a very large spread between stock prices, meaning stock prices in the sample vary widely.

The Sustainability Report (X) has a minimum value of 0.160000, indicating that one company, PT Dwi Guna Laksana Tbk, only disclosed 16% of the indicator. The maximum value is 0.940000 for PT Indika Energy Tbk, indicating that PT Indika Energy Tbk disclosed 94% of the Sustainability Report (SR) indicator. The mean value is 0.499737, indicating that the average company in the sample discloses approximately 50% of the total SR indicators assessed. The standard deviation is 0.190381.

The Corporate Governance (Z) variable has a minimum value of 0.330000, indicating companies with the lowest proportion of independent commissioners (33%), while the maximum value is 0.500000, indicating companies with the highest proportion of independent commissioners (50%). The mean value is 0.403333, indicating that a small portion of the sample companies have an average proportion of independent commissioners (40.33%). The standard deviation value is 0.073637.

The interaction variable (Sustainability Report → Corporate Governance) has a minimum value of 0.052800, while the maximum value is 0.376000, with a mean of 0.199111. The standard deviation value is 0.075162.

4.2 Panel Data Selection

4.2.1 Chow Test

In chow test, the common effect and fixed effect models are compared. If the significance value is > α = 0.05, then the decision is to accept H0. The conclusion is that the common effect model is more appropriate to use than the fixed effect model. Conversely, if the significance value is <0.05, then the resulting conclusion will contradict the previous statement. Based on the results of the Chow test, it can be seen that the cross-section Chi-square significance value is 0.0000. This value is below the α value (0.0000 <0.05). Thus, statistically, H1 can be accepted and H0 must be rejected. Based on these results, the fixed effect model is the more appropriate model to use in this Chow test.

4.2.2 Hausman Test

Hausman test is implemented to compare the more optimal model between random effects and fixed effects. If the significance value is > = 0.05, it is concluded that H0 is accepted, with the decision that the random effect model is more appropriate than the fixed effect model, and vice versa. The results obtained from the Hausman test show that the significance of the random cross-section has a value of 0.6160. The result shows a number greater than the value (0. 6160 > 0.05). The decision taken is that H0 is accepted, thus it is concluded that the random effect model is a more appropriate model to apply compared to the fixed effect model.

4.2.3 Lagrange Multiplier Test

Lagrange Multiplier test aims to compare which model is better between the common effect and random effect. If the significance value is > = 0.05, the conclusion is accepted H0 with the decision that the common effect model is better than random and vice versa. The results of the Lagrange multiple test show the significance of the random cross-section is 0.0000. This result is smaller than (0.0000 < 0.05). Thus, the decision to accept H1 is concluded that the common effect model is better than random effect. From the three tests, the conclusion is that the common effect model is the best regression model to use.

4.3 Classical Assumption Test

Based on these three tests, two of them, namely the Hausman Test and the Lagrange Multiplier Test, consistently indicate that the most appropriate model for use in this study is the Random Effect Model (REM). When the selected model is REM, classical assumption testing is not necessary. Based on this basis, the next panel data regression analysis approach is carried out using the Generalized Least Squares (GLS) method. GLS is an appropriate and commonly used estimation method for Random Effect models because it is able to produce accurate and efficient estimates based on the characteristics of the panel data used. In the GLS estimation model, classical assumption testing is not necessary, because the equation already meets classical assumptions or is assumed to automatically meet classical assumptions. Therefore, testing classical assumptions such as normality, multicollinearity, heteroscedasticity, and autocorrelation is no longer necessary separately [25]. Thus, the selection of the GLS method is entirely based on the results of the model tests that have been conducted, which show that REM is the best model to describe the influence of Sustainability Report disclosure on Company Reputation with Independent Commissioner Size as a moderating variable.

4.4 Panel Data Regression Equation Analysis

Selecting a panel data regression equation is the process of determining the most appropriate regression model for analyzing panel data, which is data that combines information from several entities (e.g., companies) observed over a period of time. The goal is to ensure that the model accurately describes the relationships between variables and provides valid analysis results. In this study, the time span used was 2021 to 2023. This study used the panel data regression analysis method with the following equation:

Model (1):

$$CR = \beta 0 + \square\square 1SR + \epsilon$$

$$CR = 5182.614\square\square 0 - 5708.507\square\square 1SR + 5233.6034\epsilon$$

Information:

CR =Dependent variable (Corporate Reputation)

SR =Independent variable (Sustainability Report)

□□0 =Intercept or constant

□□1 = The magnitude of the influence of X on Y

ϵ =Error

The constant value in the regression equation is 5182.614. This means that if the independent variable increases by one unit on average, the dependent variable will also increase by 5182.614. The beta coefficient value of the SR variable is (-5708.507). This means that if the SR variable increases by one unit, the dependent variable (company reputation) will also increase by (-5708.507).

Model (2):

$$CR = \beta 0 + \square\square 1CG + \epsilon$$

$$CR = 5182.614\square\square 0 - 14756.15\square\square 1CG + 4768.404\epsilon$$

Information:

CR =Dependent variable (Corporate Reputation)

CG =Moderating variables (Corporate Governance)

□□0 =Intercept or constant

□□1 = The magnitude of the influence of X on Y

ϵ =Error

The constant value in the regression equation is 5182.614. This means that if the independent variable increases by one unit on average, the dependent variable will also increase by 5182.614. The beta coefficient value of the CG variable is (-14756.15). This means that if the CG variable increases by one unit, the dependent variable (company reputation) will also increase by (-14756.15).

Model (3):

$$CR = \beta 0 + \square\square 1SRICS + \epsilon$$

$$CR = 5182.614\square\square 0 + 28097.76\square\square 1SRCG + 366.4020\epsilon$$

Information:

CR =Dependent variable (Corporate Reputation)

SR =Independent variable (Sustainability Report)

CG =Moderating variables (Corporate Governance)

□□0 =Intercept or constant

□□1 =Interaction/moderation effect

ϵ =Error

The constant value in the regression equation is 5182.614. This means that if the independent variable increases by one unit on average, the dependent variable will also increase by 5182.614. The beta coefficient value of the SRCG variable is 28097.76. If the values of other variables are constant and the SRCG variable increases by one unit, the RP variable will increase by 28097.76.

4.5 Hypothesis Testing

The t-test is a statistical tool used to see whether an independent variable in a regression model has a significant influence on the dependent variable. The test was conducted using the t-test statistic by comparing the calculated t-value with an alpha value of 0.05 and the calculated t-value with the t-table. The basis for decision-making is that if the calculated t-value is <0.05, or the calculated t-value is >t-table, then the independent variable partially influences the dependent variable. If the calculated t-value is >0.05, or the calculated t-value is <t-table, then the independent variable partially does not influence the dependent variable. With a sample size of 38 and a significance level of 5%.

Table 3. Generalized Least Square Mode t-test Test Results

Independent Variable	**Dependent Variable**	***p-value***
Sustainability Report	Corporate Reputation	0.2778
Corporate Governance		0.0025
Sustainability Report x Corporate Governance		0.0461

Source: Processed Data Eviews 12, 2025

Based on the t-test results presented in Table 3, the following information was obtained: First, Testing the First Hypothesis (H1). The sustainability report variable on corporate reputation obtained a significance probability value of 0.2778, which is greater than 0.05. Therefore, it can be concluded that the sustainability report variable has no significant effect on corporate reputation.

Second, Testing the Second Hypothesis (H2). The corporate governance variable on corporate reputation obtained a significance probability value of 0.0025, which is less than 0.05. Therefore, it can be concluded that the corporate governance variable has a positive and significant effect on corporate reputation.

Third, Testing the Third Hypothesis (H3).

The test results show that the interaction between the sustainability report and corporate governance variables on corporate reputation obtained a significance probability value of 0.0461, which is less than 0.05. Therefore, it can be concluded that corporate governance variables can moderate the relationship between sustainability reports and corporate reputation. The following is an illustration of the research framework based on the T-test results..

Based on the results of the F-test, the sustainability report, independent commissioner size, and interaction variables obtained an F-statistic value of 44.11247 and a Probability F-Statistic value of 0.000000. Where the Probability F-Statistic value is smaller than 0.05, this can be interpreted that together the sustainability report, independent commissioner size, and interaction variables have an effect on the company's reputation variable.

4.6 Determination Test

Based on the results of the R-Square variables, the sustainability report, corporate governance, and interaction obtained an adjusted R-Square value of 0.533708 or 53.3708%. The coefficient of determination value indicates that the independent variables consisting of the sustainability report, independent commissioner size, and interaction are able to explain the company's reputation variable by 53.3708%, while the remaining 46.6292% (100 - adjusted R-Square value) is explained by other variables not mentioned in this research model.

4.7 Discussion

4.7.1 The Impact of Sustainability Report Disclosure on Company Reputation

The first hypothesis in this study indicates that sustainability reports have a positive effect on corporate reputation. The Generalized Least Squares (GLS) model yielded a coefficient of 5,708.507 and a p-value of 0.2778, both of which are greater than 0.05. Therefore, sustainability reports have a negative and insignificant effect on corporate reputation. This could logically be due to the fact that the company reputation measurement tool used in this study, which uses closing prices, is not well-suited to assessing the influence of sustainability reports on corporate reputation. Therefore, the claim that sustainability reports have a positive and significant effect on corporate reputation is rejected.

This study's findings contradict legitimacy theory, which argues that a high sustainability report score does not necessarily reflect a strong corporate reputation if the report is prepared solely to maintain its image and not as a form of honest accountability. Therefore, corporate reputation depends not only on what is reported but also on how the public perceives the authenticity and consistency between the report and the company's actual actions.

This theory suggests that companies use sustainability disclosure as a means to maintain or gain legitimacy, which ultimately improves the company's reputation in the public eye. In the context of this theory, sustainability report disclosure is considered a positive signal sent by the company to stakeholders, with the assumption that the higher the quality and completeness of the disclosure, the higher the legitimacy and reputation obtained [9]. However, in this study, even though the sustainability report has a high disclosure value (for example, PT Indika Energy with a score of 0.94), this does not automatically have an impact on improving the company's reputation, which is actually at a medium or low level.

This discrepancy can be explained through the concept of asymmetric information in legitimacy theory. Stakeholders do not have complete information about the company's overall condition, so they rely heavily on disclosures provided by the company [9]. However, when there is a "perception gap" between the information presented in the sustainability report and the actual performance perceived or observed by the public, this can lead to distrust. Stakeholders begin to doubt the authenticity of the information and perceive the sustainability report disclosure as merely symbolic or a greenwashing strategy. In other words, high levels of disclosure are meaningless without concrete supporting actions and positive stakeholder perceptions [9].

Therefore, the findings of this study reject the basic assumptions of Legitimacy Theory, particularly in the context of the direct relationship between sustainability reporting and reputation. Sustainability disclosures do not automatically result in improved reputation if they are not supported by consistent, credible practices that are perceived as authentic by stakeholders.

4.7.2 The Influence of Corporate Governance on Company Reputation

The second hypothesis in this study is that corporate governance has a positive effect on corporate reputation in energy sector companies listed on the Indonesia Stock Exchange from 2021 to 2023. The results of the Generalized Least Squares (GLS) model yielded a coefficient of -14756.15 and a p-value of 0.0025, which is less than 0.05. Therefore, corporate governance has a positive and significant effect on corporate reputation.

This research finding is consistent with research conducted by Uzliawati [19], which states that corporate governance has a positive effect on firm value, meaning that the greater the corporate governance, the higher the company's reputation. Conversely, the lower the corporate governance, the lower the company's reputation.

This finding is supported by agency theory, where corporate governance with a larger number of independent commissioners can benefit shareholders by reducing agency costs. With more independent commissioners, it is expected that there will be increased monitoring of management networks that may not align with shareholder interests. In this case, a larger number of independent commissioners has a positive impact on a company's reputation, as shareholders feel more secure and protected from adverse management actions.

However, agency theory also states that having too many independent commissioners can lead to higher agency costs due to additional costs incurred by the company, such as honoraria and transportation costs. Therefore, although research findings indicate that the number of independent commissioners has a positive impact on firm value, companies also need to consider the optimal limit for the number of independent commissioners to avoid unnecessary costs. Companies must consider the trade-off between benefits and costs when determining the optimal number of independent commissioners.

4.7.3 The Influence of Corporate Governance in Moderating the Relationship Between Sustainability Report Disclosure and Corporate Reputation

The third hypothesis in this study is the negative interaction variable (sustainability report □ corporate governance) on corporate reputation. The results of the Generalized Least Squares (GLS) model obtained a coefficient of -14756.15 and a p-value of 0.0461, which is less than 0.05. Therefore, it can be interpreted that the interaction variable has a positive and significant effect on corporate reputation, as indicated by a p-value <0.05. This finding indicates that the presence of independent commissioners in the corporate governance structure plays a significant role in strengthening the relationship between sustainability and reputation.

This is consistent with agency theory, where independent commissioners function as a monitoring mechanism for management in ensuring corporate accountability and transparency, including in the disclosure of sustainability information. Therefore, the higher the proportion of independent commissioners, the more positive the impact of sustainability report disclosure on corporate reputation tends to be.

5. Conclusion

After conducting a series of regression model selection tests, the most appropriate model was found to be the random effects model. When the REM model was selected, classical assumption testing was not necessary. Based on this, the panel data regression analysis approach was then conducted using the Generalized Least Squares (GLS) method. GLS is an appropriate and commonly used estimation method for random models.

The first hypothesis, based on the results of the Generalized Least Squares (GLS) model, indicated that sustainability reports had a negative and insignificant effect on corporate reputation in energy sector companies listed on the Indonesia Stock Exchange in 2021-2023. This means that sustainability, which is typically associated with a company's efforts to maintain environmental and social sustainability, does not significantly impact corporate reputation.

The findings of this study are inconsistent with legitimacy theory, which argues that a high-quality sustainability report does not necessarily reflect a company's reputation if the report is prepared solely to maintain its image and not as a form of honest accountability. Therefore, a company's reputation depends not only on what is reported, but also on how the public perceives the authenticity and consistency between the report and the company's actual actions.

The second hypothesis, based on the results of the Generalized Least Squares (GLS) model, indicates that corporate governance has a positive and significant effect on corporate reputation in energy sector companies listed on the Indonesia Stock Exchange from 2021 to 2023. This suggests that corporate governance with a greater number of independent commissioners can benefit shareholders by reducing agency costs. With more independent commissioners, there will be increased monitoring of management networks that may not align with shareholder interests and improve the company's reputation among stakeholders.

The third hypothesis, based on the results of the Generalized Least Squares (GLS) model, shows that the probability value of the interaction term (Sustainability Report × Corporate Governance) is less than 0.05, indicating that the presence of independent commissioners can increase the effectiveness of sustainability information disclosure in building a company's reputation among stakeholders. This finding supports agency theory, which states that a strong governance structure can minimize conflicts of interest and encourage companies to be more transparent, accountable, and responsive to sustainability issues.

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