

Green Accounting Enhances Sustainability Report Integrity: Does Governance Support Voluntary Disclosure Perspectives?

Teti Rahmawati^{1*} and Amir Hamzah²

^{1,2}*Accounting Department, Faculty of Economics and Business, Universitas Kuningan, Jawa Barat, Indonesia*

Email Address:

teti.rahmawati@uniku.ac.id*, amir.hamzah@uniku.ac.id

*Corresponding Author

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Abstract: This study examines the relationship between the disclosure of Good Corporate Governance (GCG), Green Accounting (GA), Environmental Performance (EP), and Sustainability Reporting (SR) in manufacturing companies in the primary consumer sector listed on the Indonesia Stock Exchange (IDX) for the 2021 to 2023 period. Path analysis shows that GCG and GA disclosures significantly enhance SR quality directly and through EP as a mediating factor. GCG strengthens transparency and accountability in corporate governance, while GA integrates environmental considerations into financial decision-making, improving EP. EP reflects the company's commitment to sustainable practices. These findings highlight the importance of integrating GCG principles and GA practices into business strategies to improve SR quality, build stakeholder trust, and achieve long-term sustainability goals. The study provides implications for companies and policymakers to advance sustainability efforts by strengthening governance and environmental accounting practices as part of a strategic corporate framework.

Keywords: Good Corporate Governance Disclosure; Green Accounting; Environmental Performance; Sustainability Reporting.

Abstrak: Penelitian ini mengkaji hubungan antara pengungkapan tata kelola perusahaan yang baik (GCG), akuntansi hijau (GA), kinerja lingkungan (EP), dan pelaporan keberlanjutan (SR) pada perusahaan manufaktur sektor konsumsi primer yang terdaftar di Bursa Efek Indonesia periode 2021 sampai 2023. Dengan menggunakan analisis jalur, hasil penelitian menunjukkan bahwa pengungkapan GCG dan GA berpengaruh signifikan dalam meningkatkan kualitas SR, baik secara langsung maupun melalui EP sebagai mediator. GCG memperkuat transparansi dan akuntabilitas tata kelola, sementara GA mengintegrasikan pertimbangan lingkungan dalam pengambilan keputusan keuangan, sehingga meningkatkan EP. EP mencerminkan komitmen perusahaan terhadap praktik keberlanjutan. Temuan ini menekankan pentingnya integrasi prinsip GCG dan praktik GA dalam strategi bisnis untuk memperkuat SR, membangun kepercayaan pemangku kepentingan, dan mewujudkan tujuan keberlanjutan jangka panjang. Penelitian ini memberikan implikasi bagi perusahaan dan pembuat kebijakan untuk memperkuat tata kelola dan praktik akuntansi lingkungan guna mendorong agenda keberlanjutan secara strategis.

Kata Kunci: Pengungkapan Tata Kelola Perusahaan yang Baik; Akuntansi Hijau; Kinerja Lingkungan; Pelaporan Keberlanjutan.

INTRODUCTION

Sustainability issues have received increased attention from creditors, investors, governments, and the general public. The rising business raises the company's demands. (Barko et al., 2022; Clementino & Perkins, 2021). The company must provide transparent and accountable information (Almagtome et al., 2020; Alsayegh et al., 2020). Entities must



provide easily accessible information to stakeholders and accurate, precise and clear information to protect their rights (Cruz & Matos, 2023).

Investors want information about the company's involvement or contribution to society and the environment (Hammami & Hendijani Zadeh, 2019; Vural-Yavaş, 2021). As a result, many companies are increasingly providing their social, environmental, and corporate governance information voluntarily (Aguilera et al., 2021; Aureli et al., 2020; Giannarakis et al., 2020; Tibiletti et al., 2021).

The financial statements issued by the company are no longer considered sufficient to determine whether the company has maintained its environmental and social conditions (Nicholls, 2020), so non-financial reports are needed. Non-financial reports summarised in the concept of sustainability are known as (P. Saari & Nurkhin, 2020) Sustainability Reporting (SR) (Manes-Rossi et al., 2018; Tsagas & Villiers, 2020). Social responsibility is important to the company's (organisation's) long-term performance, sustainability, and expansion. According to the GRI, 2021, an SR measures, reveals, and accepts accountability to internal and external stakeholders for a company's performance in reaching sustainable development goals.

Social responsibility is a platform for companies to communicate their economic, environmental, and social performance. Financial statements published by companies aim to reveal indicators of economic success and not disclose the impact of the company's activities on the environment and society (Oncioiu et al., 2020). With the existence of an SR, the public can immediately assess the company's performance, especially for investors and creditors, because they do not want to bear losses caused by the company's negligence regarding its social and environmental responsibility. The company uses SR as a medium for publishing information that reflects the company's performance in the economic, social, and environmental fields (Oncioiu et al., 2020; Ortiz-Martínez et al., 2023), and it can be used as a consideration for stakeholders' decision-making (Ferrero-Ferrero et al., 2023; Yadav & Jain, 2023). According to the Global Reporting Initiative (2021), SR can be a reporting platform that companies use to achieve sustainability through disclosure, measurement, transparency, and efforts to achieve social, economic, and environmental impacts.

Companies engaged in natural resource-related activities must fulfil social and environmental responsibilities. However, limited information makes the government unable to monitor the extent of corporate responsibility for environmental and social sustainability resulting from its operational activities (Oyewo et al., 2023; L. Wang et al., 2023). At that time, the SR was a voluntary report to present or disclose a report on social, economic, and environmental corporate responsibility (Monteiro et al., 2023). It follows the statement that in Indonesia, the publication of SR is still voluntary, meaning that companies voluntarily publish them, and there are no standard rules that require it, as is the case with the issuance of financial reporting. It often causes companies to allow social and environmental impacts to be caused by their activities.

The number of environmental damage cases that occurred reflects that the level of sensitivity of companies to the environment is still minimal. The company does not care about the ecological impact that the community must face due to the activities carried out by the company. Natural damage from company activities often causes losses to the community and the country. One example of this case is that the Ministry of Environment and Forestry has filed a civil lawsuit against eleven companies that have caused forest fires



and illegal logging against the Supreme Court, with a total fine of Rp18 trillion. In addition, environmental destruction is also caused by pollution due to the company's waste generated from operational activities. The Ministry of Environment and Forestry has successfully won a civil lawsuit over the Citarum Watershed (DAS) environmental pollution case carried out by PT Kamaraga Kurnia Textile Industri, with compensation to be paid reaching Rp16.263 billion (Arumingtyas, 2020).

As a result, it is necessary to enhance policies to improve the company's social and environmental responsibility reports and make SR a requirement for corporate compliance. The Financial Services Authority stated that securities companies are required to submit SR and financial action plans under Financial Services Authority Regulation No.8/POJK.04/2022, which states that Securities Dealer Intermediaries who are Issuers or public companies must submit their first SR no later than 30 April 2023. Although the rules have been issued, practice in the field remains unrestricted.

In Indonesia, the level of disclosure for this SR remains extremely low. The low level of SRing on corporate firms in Indonesia leads to significant environmental damage from corporate business operations. Companies in the primary consumer goods sub-sector, or consumer non-cyclical, listed on the Indonesia Stock Exchange (IDX), which includes the food and necessities retail industry, beverages, processed food, agricultural products, tobacco, household products, and personal care products, are among the corporate sectors with a high level of business activity because they produce anti-cyclical or primary/essential goods.

Companies in the consumer non-cyclical sector can use social responsibility to bridge the gap between their business practices and sustainability principles, ensuring that economic growth does not affect demand for these goods and services. It promotes stakeholder trust, enhances the company's image, and provides a more comprehensive picture of its commitment to sustainability. In the primary consumer sector, SR remains low-quality, and companies underestimate the value of revealing SR. According to the table above, the average disclosure rate in 2020 was 9 per cent, 25 per cent in 2021, and 32 per cent in 2022 among all businesses listed on the Indonesia Stock Exchange (IDX). Despite annual increases, the average disclosure of SR on consumer non-cyclical companies remains low. It can be seen from the table above that some companies only disclose a few items, and some companies still do not disclose the SR at all.

The public's demand for the role of companies in providing benefits encourages companies to provide transparent, accountable, and better corporate governance practices. Therefore, the disclosure of the SR urgently needs corporate governance to improve the development of better corporate sustainability. A need requires corporate organisations to be involved in submitting an SR. In this case, the company is responsible for disclosing corporate governance regulations (Mufida & Syafruddin, 2023).

Good corporate governance (GCG) improves the quality of SR. GCG is an essential element in increasing corporate transparency and accountability. The public's demand for more open information encourages companies to adopt good governance practices to support sustainable development. The results of this study show that GCG has a significant influence on the quality of SRing. Previous studies have shown that applying (Mujiani & Rohmawati, 2022). GCG principles can help improve the quality of SR disclosure. However, a study conducted by (Wahyuni, 2019) shows that implementing GCG can



enhance the quality of SR disclosure, which is not optimal because not all GCG variables can affect the quality of SR disclosure.

The factors that affect the SR have been widely discussed in several studies. One of the main factors is GCG. Another factor is environmental performance (EP). EP significantly affects the disclosure of the SR (Kouloukoui et al., 2019; Waluyo Jati et al., 2023). The study shows that the better a company's EP, the better its PROPER rating and the quality of its SR disclosures. EP results are measured using PROPER, which aims to assess and rank the company's compliance with its environmental performance. If it has a good assessment, it can increase the disclosure of sustainability reports (Chairanee et al., 2022). Organisations with strong environmental performance are more likely to share extensive sustainability information. This approach sets them apart from those with weaker environmental performance. Environmentally responsible companies believe disclosing their environmental achievements can enhance their reputation and demonstrate accountability to their stakeholders (Made et al., 2020). However, other studies, such as (Xaverius & Rahayu, 2023), show different results, namely that EP does not significantly influence the disclosure of SR. This inconsistency in results indicates the need for further study to understand the role of EP on sustainability disclosure.

However, studies that simultaneously link GCG, EP, and GA to SR are minimal. Meanwhile, GA has not been studied in depth as part of sustainability practices, especially in the context of SR in Indonesia. Based on the review, there are several study gaps. First, the study variables used in previous studies are still limited, as shown by (Purbandari et al., 2018), who only use GCG and EP as independent variables. Studies on the influence of GA on SR are still rare. Second, there is an inconsistency in the study results related to the impact of EP on the SR. Some studies showed a significant positive effect, while others showed no effect. Third, the previous study was primarily conducted in specific sectors or for a limited period, so it did not provide a comprehensive picture, especially in the consumer non-cyclical sector.

This study offers novelty by integrating the variable GA as an additional independent variable, which has not been widely studied in previous studies. GA can be used to improve sustainability by incorporating social, economic, and environmental considerations into business decisions. This system helps companies reduce long-term costs, increase shareholder wealth, and build a reputation as a green industry. GA helps policymakers understand sustainability impacts and improve economic development strategies (Rounaghi, 2019). In addition, this study also explores the role of EP as a mediating variable in the relationship between GCG, GA, and SR. The study object is focused on consumer non-cyclical sector companies listed on the Indonesia Stock Exchange consistently in the 2021 to 2023 period, thus providing a new perspective that is more relevant for this sector. Therefore, this study aims to examine the influence of GCG, EP, and GA on the SR and explore the role of EP mediation to provide a more comprehensive picture.

THEORETICAL REVIEW

Legitimacy theory suggests that companies operate within a social system that influences and is influenced by their activities (Adomako & Tran, 2025). To gain social legitimacy, businesses must align their operations with societal norms, values, and expectations (Vigolo et al., 2025). If legitimacy is lost, companies must function



independently, free from external interventions such as those from regulators, communities, or other stakeholders. This study reveals that legitimacy theory is highly relevant to understanding how environmental performance impacts sustainability reporting, with green accounting acting as a mediator. Strong environmental performance and adopting green accounting practices enable companies to enhance their legitimacy by demonstrating accountability for their environmental impact. This is achieved through disclosures in sustainability reports, showcasing the company's transparency and commitment to sustainability. Well-prepared sustainability reports help companies secure continued or increased support from stakeholders, including the community.

Stakeholder theory emphasises that businesses are responsible to shareholders and other parties affected by their activities (Abidin et al., 2025), such as employees, customers, governments, society, and the environment. According to this theory, corporations must consider the interests of all stakeholders when making decisions. This study highlights the importance of green accounting and environmental performance in sustainability reporting. With growing demands from stakeholders, including regulators, communities, and investors, for transparency and accountability in environmental management, companies that address these needs by preparing sustainability reports that include environmental performance data can strengthen their relationships with stakeholders. Additionally, green accounting provides companies with the necessary data to understand and communicate their environmental impact, meeting stakeholder expectations for transparent and reliable sustainability information.

The Effect of GCG Disclosure on Environmental Performance and Sustainability Reporting. GCG is a technique or system for increasing a company's value and ensuring long-term sustainability by considering all stakeholders' interests. GCG disclosure provides stakeholders with a transparent framework for understanding the company's activities, policies, procedures, performance, financial results, environmental practices, social responsibility efforts, and corporate ethics. In Indonesia, the general corporate governance principles highlight the need for social and environmental responsibility to preserve sustainable company operations. It is consistent with legitimacy theory, which states that to acquire social legitimacy, firms must maintain congruence between their value systems and the values held by society.

GCG principles disclosure promotes transparency and improves environmental performance. According to stakeholder theory, corporations must adapt to their stakeholders' requirements and expectations, which include environmental responsibility. Implementing GCG disclosure stimulates organisations to adopt and enhance environmentally sustainable practices (Toukabri & Youssef, 2023), as stakeholders value businesses that exhibit environmental accountability. Several investigations have supported this association. GCG disclosure improves a company's environmental performance (Solikhah & Maulina, 2021). Companies that disclose their corporate governance processes are more likely to pursue initiatives corresponding to environmental management goals, such as waste reduction, energy efficiency, and regulatory compliance (Moussa et al., 2022). It improves environmental outcomes and boosts the company's reputation with stakeholders.

GCG disclosure also directly and significantly positively affects sustainability reporting (SR) (Jamil et al., 2021). SR is a tool for firms to convey their ESG performance to stakeholders. (Chairina & Tjahjadi, 2023). Companies with strong GCG practices are



more likely to produce high-quality sustainability reports (Elaigwu et al., 2024). GCG disclosure principles promote accountability and transparency, essential in preparing comprehensive and reliable SR. Through GCG disclosure, companies outline their environmental and social responsibilities, which are reflected in the SR. Stakeholder theory further reinforces this by emphasising that addressing stakeholders' concerns, such as environmental performance, is crucial for sustaining legitimacy and building trust. Companies with robust GCG systems are more likely to include detailed information about their efforts to manage environmental impacts, align with sustainability goals, and address stakeholder concerns in their SR.

The relationship between GCG disclosure, environmental performance, and SR is interconnected. Adequate GCG disclosure encourages companies to adopt sustainable practices, improving their environmental performance. Improved environmental performance, in turn, enhances the quality of sustainability reporting, as companies have tangible results and initiatives to report. The better the corporate governance disclosure, the higher the environmental performance and SR quality (Adu, 2022). This creates a virtuous cycle where GCG practices drive improvements in sustainability-related outcomes and reporting, reinforcing the company's legitimacy and trustworthiness in the eyes of stakeholders. By fostering transparency and accountability, GCG disclosure drives companies to enhance their environmental practices and ensures high-quality SR (Ananzeh, 2022). It underscores the importance of embedding GCG principles into corporate strategies to achieve long-term sustainability and maintain legitimacy in a socially and environmentally conscious marketplace.

H1: The disclosure of GCG has a positive effect on EP.

H2: The disclosure of GCG has a positive effect on the SR.

The Role of Green Accounting (GA) in Environmental Performance and Sustainability Reporting. Green Accounting (GA) is a key practice that integrates environmental factors into financial decision-making. It involves calculating, allocating, and reporting costs related to environmental management, including preventive measures and expenses arising from a company's operations that impact the environment and society. By disclosing GA practices, companies demonstrate their commitment to minimising environmental harm, helping stakeholders assess the balance between environmental budgets and the funds allocated for sustainable operations.

According to legitimacy theory, businesses strive for stakeholder recognition and acceptance to maintain their social license. GA disclosure is crucial in achieving this by showcasing a company's dedication to environmental sustainability. Firms that allocate resources to environmental management and transparently report these efforts are viewed as more responsible and sustainable (Gunaratne et al., 2021). It enhances its reputation with stakeholders, including customers, investors, and employees, building trust and positioning the company as a sustainability leader in competitive markets. Stakeholder theory highlights the need for businesses to address the interests of all stakeholders, particularly those concerned with environmental sustainability. Through GA disclosure, companies provide stakeholders with comprehensive information about their environmental goals, financial allocations, and sustainability performance. This transparency fosters trust



and aligns corporate practices with stakeholder expectations. Moreover, it allows stakeholders to evaluate the company's environmental performance (Wang et al., 2023), potentially leading to more significant support from investors, customers, and regulators.

GA disclosure is essential for improving the quality of sustainability reporting (SR). By integrating environmental accounting into financial and operational reporting, companies deliver detailed insights into their sustainability practices, addressing stakeholder demands and demonstrating their commitment to sustainable management. This practice positively influences economic and environmental sustainability, ensuring reliable and comprehensive SR. Incorporating GA bridges the gap between environmental performance and stakeholder expectations. Transparent GA reporting enhances a company's environmental performance (Wang et al., 2023), builds stakeholder trust, and improves the credibility of sustainability reports. GA disclosure is a strategic tool for companies aiming to achieve sustainable management, strengthen their reputation, and maintain a competitive edge in an increasingly sustainability-focused marketplace.

H3: The disclosure of GA has a positive effect on EP.

H4: The disclosure of GA has a positive effect on the SR.

The Effect of Environmental Performance (EP) on Sustainability Reporting (SR). Environmental Performance (EP) measures a company's commitment to mitigating its environmental impact and implementing sustainable practices. Companies that promote environmental responsibility earn positive feedback from stakeholders. It is consistent with legitimacy theory, which emphasises matching a company's activities with community norms, values, and expectations. Companies can increase their legitimacy by exhibiting significant concern for environmental issues and adhering to applicable norms and regulations, ensuring that the public accepts and supports their operations. Legitimacy theory emphasises the mutualistic link between businesses and the communities in which they operate. Companies with good environmental performance proactively address societal and environmental concerns while meeting community expectations. This congruence validates the company's activities and develops confidence and acceptance.

Furthermore, organisations striving for excellent EP frequently report their environmental efforts and performance through SR to strengthen their validity. It ensures transparency and accountability, which are essential for retaining their social license to operate. Stakeholder theory states that a company's relationships with its stakeholders are interrelated. Corporations rely on stakeholders for assistance and resources, and stakeholders rely on corporations to meet their needs, such as environmental stewardship and corporate responsibility. High EP reflects the company's responsiveness to environmental concerns, which is important to stakeholders. Companies use sustainability reporting to describe managing environmental concerns and meeting stakeholder expectations. It strengthens trust and collaboration between the company and its stakeholders, thus contributing to its long-term viability.

Environmental performance pushes corporations to disclose their social and environmental responsibilities through sustainability reporting. SR is a platform that allows businesses to post information about their efforts to solve environmental and social challenges, demonstrating their commitment to transparency and sustainability. Companies



with strong EP employ SR to promote their accomplishments, keeping stakeholders informed about the company's environmental actions and outcomes. Previous studies have supported the link between EP and SR. Companies with strong environmental performance are more likely to provide extensive, high-quality sustainability reports. (Krasodomska et al., 2024). These findings indicate that companies with better EP are more committed to environmental responsibility (Made et al., 2020) and more likely to disclose their efforts and achievements transparently. Companies with good EP positively influence the quality of their SR. Grounded in legitimacy theory, EP enhances the company's acceptance and legitimacy within the community by showcasing alignment with societal norms and environmental expectations. Simultaneously, stakeholder theory highlights the importance of EP in meeting stakeholder interests, strengthening trust, and fostering cooperation. By effectively communicating their environmental initiatives through SR, companies can enhance their reputation, maintain stakeholder support, and secure long-term sustainability (Waluyo et al., 2023).

H5: EP has a positive effect on SR.

METHODS

This study employs both descriptive and verifying methodologies. Sustainability reporting is the dependent variable, with environmental performance as the intervening variable. The independent variables are green accounting and sound corporate governance. For 2021 to 2023, 125 manufacturing firms in the primary consumption subsector listed on the Indonesia Stock Exchange (IDX) provided secondary data, yielding 375 observations. Purposive sampling was used to choose the sample, which focused on 27 central consumption sector enterprises over three years, producing 81 data points (27 companies × 3 years). This study employs multiple regression and mediation (intervening) analysis using panel data regression techniques in EViews. The analysis focuses on sustainability reporting (SR) from 2021 to 2023. **Table 1** shows the measurement of every variable examined in this investigation. The equation is :

Direct effect model (No Mediator) :

$$SR_{it} = \alpha + \beta_1 GA_{it} + \beta_2 GCG_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Mediation Model :

First Question (Path a – Predicting Mediator)

$$EP_{it} = \alpha + \beta_1 GA_{it} + \beta_2 GCG_{it} + \epsilon_{it} \dots \dots \dots (2)$$

Second Question (Path b and c – Predicting with mediator)

$$SR_{it} = \alpha + \beta_1 GA_{it} + \beta_2 GCG_{it} + \beta_3 EP_{it} + \epsilon_{it} \dots \dots \dots (3)$$

A indicates the value of the constant, β_1 to β_5 indicate the regression coefficient, and ϵ indicates an error.



Table 1. Study Variables

No.	Variable	Operational Definition and Measurement
1	Sustainability Report	Non-financial statements containing economic, social, and environmental conditions $SRDI = \frac{V}{S} \times 100$ SRDI: Sustainability Disclosure Index V: Number of items revealed S: Expected number of items
2	Good Corporate Governance Disclosure	GCG disclosure is the disclosure of corporate governance information and principles that are disclosed and transparently communicated to the public. $GCG = \frac{\text{Number of disclosed items}}{\text{Total OJK recommendations}}$
3	Environmental Performance	EP refers to a company's interaction with the natural environment, focusing on the environmental impacts of its economic activities, products and services, and adherence to work environment regulations. Measurement of EP using PROPER, which is a measurement by the Ministry of Environment: Gold (excellent) = 5; Green (good) = 4; Blue (good enough) = 3; Red (bad) = 2; Black (naughty) = 1
4	Green Accounting	Green Accounting (GA) refers to a company's strategic approach during the production process that focuses on enhancing efficiency and effectiveness in the sustainable use of resources. It aims to balance the company's operations, environmental preservation, and community well-being. Content analysis is utilised to measure the level of GA disclosure with the following scale: Score 0: The company does not disclose any GA indicators in its annual report. Score 1: The company discloses GA indicators only in narrative form. Score 2: The company discloses GA indicators through images and narratives in its annual report. Score 3: The company provides comprehensive GA disclosure, including images, narratives, and the financial allocation (amount of funds) related to GA in its annual report. This measurement framework evaluates the extent and depth of a company's commitment to implementing and communicating GA practices, reflecting its responsibility towards sustainable management and stakeholder engagement.

RESULTS

Descriptive analysis was used in this study to describe the variables of GCG, EP, GA, and SR.

Table 2 Descriptive Analysis Recapitulation

	SR	GCG	EP	GA
Mean	0.463	21.851	2.246	11.185
Median	0.440	25.000	3.000	11.000



Maximum	0.900	25.000	5.000	25.000
Minimum	0.240	0.000	0.000	0.000
Std. Dev.	0.131	7.869	1.639	6.379
Observations	81	81	81	81

Source: Output Eviews 9

Based on the descriptive analysis, as shown in **Table 2**, the average value for Sustainability Reporting (SR) is 0.463, indicating a moderate overall performance in sustainability among the companies, with a relatively low variation (Std. Dev. = 0.132). The Good Corporate Governance (GCG) variable has an average value of 21.850, suggesting a relatively good implementation of corporate governance across the companies, though there is significant variation (Std. Dev. = 7.870). The maximum value for GCG is 25.000, indicating that some companies excel in governance, while the minimum of 0 shows that some companies lack in this area. Green Accounting (GA) has an average of 11.190, reflecting a moderate application of green accounting practices, with a noticeable variation (Std. Dev. = 6.380) and a range from 0 to 25.

Normality Test. **Table 3** shows that a normality test was conducted as part of the model's diagnostic assessment to evaluate whether the regression model's residuals follow a normal distribution. One method employed for this purpose is the Jarque-Bera statistic.

Table 3. Normality Test

Jarque Bera	0.209
Probability	0.819

Source: Output Eviews 9

Table 3 shows EViews 9 output; the Jarque-Bera test yields a value of 0.209 with a probability (p-value) of 0.819. Since the p-value (0.819) exceeds the significance level of 0.050, we fail to reject the null hypothesis (H_0), indicating that the residuals are normally distributed and confirming that the regression model satisfies the normality assumption.

Autocorrelation Test. **Table 4** shows that the Breusch-Godfrey Serial Correlation LM Test was performed as part of the model diagnostic process to examine the presence of autocorrelation in the regression model. The results of this test are presented in **Table 4**.

Table 4. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.080	Prob. F(2.780)	0.808
Obs*R-squared	0.122	Prob. Chi-Square(2)	0.804

Source: Output Eviews 9

Table 4 shows that the Breusch-Godfrey test for serial correlation yields a p-value of 0.804 (Obs*R-squared), greater than the 0.050 significance level. Therefore, we fail to reject the null hypothesis (H_0) and conclude that no autocorrelation exists in the regression model. This result indicates that the regression model meets the assumption of no serial correlation, suggesting that the error terms are independently distributed across observations.



Multicollinearity Test. A multicollinearity test was conducted as part of the model validation process to assess the presence of multicollinearity among the independent variables. The outcomes of this test are detailed in **Table 5**.

Table 5. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.003	3.111	NA
GCG	0.003	1.038	1.011
GA	0.002	1.076	1.016
EP	0.001	2.139	1.019
SR	0.003	1.901	1.010

Source: Output Eviews 9

Table 5 shows the test results indicating that none of the independent variables have a Variance Inflation Factor (VIF) greater than 10 or a tolerance value less than 0.010. Since all centred VIF values are well below the threshold (close to 1), we conclude no evidence of multicollinearity among the independent variables in the regression model. This suggests that the independent variables are not highly correlated and can be reliably used together in the model without distorting the regression estimates.

Heteroskedasticity Test. The White Heteroskedasticity Test was carried out as part of the diagnostic checks to evaluate whether heteroskedasticity is present in the regression model. The results of this test are displayed in **Table 6**.

Table 6. Heteroskedasticity Test

Heteroskedasticity Test: White			
F-statistic	0.269	Prob. F(14,780)	0.990
Obs*R-squared	4.022	Prob. Chi-Square(14)	0.989
Scaled explained SS	43.039	Prob. Chi-Square(14)	0.000

Source: Output Eviews 9

Table 6 shows that the p-value prob. chi-square on Obs*R-squared is 0.989, more than 0.050. Thus, H₀ is accepted, meaning the data used has no heteroskedasticity. The variance of the residuals is constant across observations. This indicates that the regression model fulfils the homoskedasticity assumption, supporting the reliability of the estimated coefficients.

Table 7 compiles and presents the regression model's findings. This table provides a comprehensive summary of the hypothesis testing results and assesses the strength and significance of the relationships between the variables. It highlights the key statistical outcomes and offers insights into the direct and indirect effects observed within the model.

Table 7. Summary of Regression Model

Hypothesis	Coefficient	t-value	p-value sign	Result
H1: GCG → EP	0.489	6.551	0.000	Accepted



H2: GCG → SR	0.569	9.161	0.000	Accepted
H3: GA → EP	0.306	3.687	0.000	Accepted
H4: GA → SR	0.401	6.515	0.000	Accepted
H5: EP → SR	0.271	4.028	0.000	Accepted
H6 : GCG→EP→SR	0.133	3.549	0.000	Accepted
H7: GA →EP→SR	0.083	2.653	0.008	Accepted

R Square :

Environment Performance	0.525
Sustainability Reporting	0.812

Adj R Square

Environment Performance	0.519
Sustainability Reporting	0.808

Effect Size :

Environment Performance	0.310 (Moderate)
Sustainability Reporting	0.608 (Large)

This study investigates the relationships between Sustainability Reporting (SR), Environmental Performance (EP), Green Accounting (GA), and Good Corporate Governance (GCG) using regression analysis. The results confirm significant positive relationships among the variables, with all hypotheses accepted (p less than 0.050). GCG is shown to play a crucial role in improving both EP (H1: $\beta = 0.489$) and SR (H2: $\beta = 0.569$), highlighting its importance in fostering environmental accountability and transparent reporting. Similarly, GA significantly enhances EP (H3: $\beta = 0.306$) and strongly impacts SR (H4: $\beta = 0.401$), suggesting that adopting green accounting practices supports better sustainability reporting.

Furthermore, EP positively influences SR (H5: $\beta = 0.271$), indicating that improved environmental performance strengthens sustainability reporting practices. Path analysis reveals mediation effects, where GCG indirectly impacts SR through EP (H6: $\beta = 0.133$), and GA similarly influences SR via EP (H7: $\beta = 0.083$). These mediation effects emphasise corporate governance's and green accounting's interconnected roles in shaping environmental outcomes and reporting practices.

The model explains 52.500 per cent of the variation in EP ($R^2 = 0.525$) and 81.2 per cent in SR ($R^2 = 0.812$), with adjusted R^2 values supporting the robustness of these findings. Effect size analysis further underscores the importance of these predictors, with SR showing a large effect size (0.608) and EP a moderate effect size (0.310). Overall, the study highlights the significant contributions of GCG and GA in enhancing environmental performance and sustainability reporting, reinforcing their roles in driving transparency and accountability in corporate sustainability efforts.

DISCUSSION

The Influence of GCG on EP. The study's findings indicate that the company's EP implementation is positively impacted by GCG disclosure. These results are consistent with agency theory, which holds that GCG implementation can reduce stakeholder and management conflicts of interest. (Xaverius & Rahayu, 2023). Regarding sustainability, businesses with sound governance are more likely to implement ethical business practices, such as environmental management. Businesses may guarantee the successful



implementation of environmental programs and policies to improve EP by putting the values of openness, accountability, and responsibility into practice. Furthermore, a company's commitment to operating a sustainability-focused business is communicated to stakeholders, including the public, government, and investors, through adequate GCG disclosure. It pushes businesses to take environmental issues seriously, including waste management, lowering carbon emissions, energy efficiency, and protecting natural resources. These findings are supported by previous studies, such as those conducted by (Made et al., 2020), which stated that substantial GCG disclosure promotes better implementation of environmental policies as companies face pressure from stakeholders to maintain public reputation and trust.

Additionally, the company's monitoring and evaluation system is improved by exceptional GCG implementation, making the EP program more quantifiable and focused. For instance, organisations with sound governance typically have a sustainability or audit committee that is expressly responsible for monitoring how environmental regulations are implemented. As a result, GCG and EP have a formal relationship that demonstrates the company's dedication to operating in an environmentally responsible manner. Businesses, particularly those in the non-cyclical consumer sector, should take note of this conclusion. Businesses must improve GCG transparency to increase EP through adequate and transparent reporting. This action also helps accomplish the Sustainable Development Goals (SDGs) while improving EP. In other words, GCG disclosure is about meeting regulatory obligations and a vital strategy to create long-term value for the company and the environment.

The Influence of GCG on the SR. This beneficial relationship demonstrates that when GCG disclosure increases, so does the quality of the company's SR disclosure. GCG disclosure has the potential to promote corporate openness and accountability, enabling the continuous sharing of fuller and accurate information about the company's performance. GCG Disclosure is one of the accountability principles that can enable transparency in sustainability disclosure to meet stakeholder demands while establishing relationships between the company and other stakeholders. According to stakeholder theory, there is an inherent relationship in GCG; enterprises must consider the wants and wishes of stakeholders, which might influence the disclosure of environmental upkeep.

The disclosure of GCG enables stakeholders to better understand the company's activities, policies, procedures, and performance. It encompasses both corporate performance responsibility and social responsibility and environmental practices, which might push businesses to increase the sharing of higher-quality sustainability data. As a result, disclosing GCG can be an effective technique for increasing the transparency, accountability, and quality of corporate sustainability information. The better the level of GCG disclosure, the higher the quality of SR disclosure. The findings of this study are consistent with those of a previous study (Mujiani & Rohmawati, 2022). GCG have a positive effect on SR. The results of this study are also contrary to the study that states that (Sawitri & Ardhiani, 2023). The company's significant GCG disclosure reflects the company's commitment to transparency and accountability. The study results show that the disclosure of GCG (GCG) positively affects SR (SR), both directly and through the implementation of EP as a mediating variable. These findings confirm that GCG plays an essential role in driving the quality of SR disclosures, and EP is one of the aspects that strengthen that relationship.



Furthermore, EP implementation serves as a mediating variable, strengthening this link. GCG enables management to create and implement environmental policies successfully. Companies with high levels of GCG disclosure have better environmental management systems, including waste management, energy efficiency, and emission reduction. This improvement in EP, in turn, is one of the key components reflected in the company's social responsibility. In other words, establishing EP serves as a bridge between GCG disclosure and SR quality. The study also supports the legitimacy hypothesis, which holds that firms seek to retain social legitimacy by responding to pressure from stakeholders such as governments, investors, and society. In this perspective, the disclosure of GCG and EP represents the company's deliberate attempt to demonstrate its commitment to sustainable development. These findings are consistent with previous studies (Chairanee et al., 2022; Made et al., 2020; Sintadevi et al., 2024), which found that EP positively contributes to the disclosure of SR. These findings have significant ramifications for the company. Businesses can strengthen GCG implementation and incorporate EP into their business plans to improve the quality of SR. Increased transparency in GCG disclosure promotes better SR and adds value for businesses through improved environmental impact management. As a result, effective governance and strong EP contribute to the company's long-term success.

The Influence of GA on EP. The study's findings indicate that GA has a beneficial impact on implementing the company's EP. These findings highlight the relevance of environmental accounting standards in assisting businesses in achieving better EP. GA enables businesses to assess, report, and manage the environmental effects of their operations more systematically. Companies that integrate ecological features into their accounting systems might highlight areas requiring special attention, such as resource use efficiency, waste management, and reducing carbon emissions. GA, in particular, provides a framework for businesses to properly allocate environmental costs, such as pollution mitigation, energy conservation, and investment in environmentally friendly technologies. It encourages businesses to prioritise environmental impact management and sustainability measures. Companies implementing GA tend to have more targeted environmental policies because the information generated helps management make data-driven decisions to improve EP.

The study also supports the stakeholder theory, which holds that businesses have obligations to several people affected by their operations, including the environment. By implementing GA, the organisation meets stakeholders' reporting requirements and is committed to improved environmental management. These findings are consistent with prior studies, such as that conducted by (Wang et al., 2023), which found that applying GA improved energy efficiency and reduced the company's environmental impact. Furthermore, GA contributes to increased transparency and accountability in corporate environmental management. Companies can more easily track progress toward environmental goals when their reports include measurable and relevant environmental data. It encourages the establishment of a continual review framework to ensure that the company's EP continues to develop. These results have important practical ramifications. Companies must increase the integration of GA into their management systems. Companies with accurate and relevant environmental information can better manage environmental hazards, increase operational efficiency, and satisfy stakeholder demands for sustainable



business practices. Additionally, implementing GA can improve the company's brand by demonstrating its commitment to social and environmental responsibility.

The Influence of GA on SR. The hypothesis test findings show that the GA variable has a significant positive effect on the SR. This favourable influence demonstrates that the higher a company's GA disclosure, the higher the quality of its SR disclosure. GA is an accounting activity that involves assessing and assigning preventive expenditures and those resulting from the company's operational activities that directly or indirectly influence the environment and society. According to the legitimacy theory, any corporation endeavours to earn the recognition and acceptance of stakeholders. This accreditation and permission aim to expand the company's operations. GA disclosure is one of the accounting responsibilities used to determine the relationship between the company's environmental budget and the revenues generated to carry out operational activities. GA disclosure can assist organisations in measuring and managing their environmental and social impacts, improving their ability to maintain business sustainability. As a result, corporations must include GA disclosure in their sustainability reports to promote transparency and confidence among stakeholders. The greater a company's GA disclosure, its SR will be better. The findings of this study are consistent with previous studies (Sarni et al., 2023; Nizar & Mulyani, 2023), which found that GA has a beneficial effect on sustainable development, which can assist in improving the quality of SR.

The study's findings suggest that GA has a favourable effect on SR directly and indirectly through the implementation of the company's EP. These findings show the importance of environmental accounting procedures in fostering more significant sustainability disclosures, with EP as a critical component in strengthening such ties. Directly, GA provides a solid framework for businesses to record, measure, and report on the environmental effects of their operations. This data helps corporations quantify their environmental effects and enhances transparency in SR. Companies incorporating environmental factors into their accounting systems can give relevant and reliable data, which is critical when preparing convincing social responsibility reports.

Furthermore, this study discovered that EP implementation is a key mediating variable in the link between GA and SR. It suggests that GA procedures drive enterprises to improve their EP, as evidenced by the quality of their SR. For example, GA assists organisations in identifying crucial areas such as waste management, energy efficiency, and environmentally acceptable raw materials, thereby boosting the quality of the company's environmental policy implementation.

These findings corroborate the legitimacy theory, which states that firms attempt to maintain their social legitimacy by responding to stakeholder pressure on environmental issues. By using GA, businesses may be more transparent in disclosing their environmental impacts while also exhibiting a commitment to sustainability. Applying GA enhances environmental resource management efficiency, improving SR disclosure. Furthermore, this link demonstrates that GA is both a reporting tool and a strategic instrument that drives businesses to take concrete steps to enhance their EP. A GA system provides firms with clear standards for managing green technology investments, boosting operational efficiency, and ensuring that environmental policies are implemented efficiently. This strong EP ultimately improves the quality of SRing by providing more extensive and relevant disclosures about the company's sustainability initiatives. These findings imply that organisations should improve the adoption of GA as part of their sustainability strategy.



Companies can increase their social responsibility's openness, accountability, and credibility by incorporating GA and EP into their management systems. Furthermore, these data show stakeholders that GA and EP are supplementary components critical to fulfilling the company's sustainability goals.

The Influence of EP on SR. The hypothesis test findings show that partial EP variables significantly positively affect the SR. This positive influence indicates that the higher the appraisal of the company's EP, the better the quality of the company's SR disclosure. EP is an essential tool for businesses seeking to reduce their environmental impact. Companies that care about the environment can benefit the company. It is at the heart of the legitimacy theory, namely that there will be a relationship between the firm and the community, in which the company is encouraged to pay attention to the norms and rules that apply in the corporate environment, hence increasing the company's legitimacy. EP is measured using PROPER to assess and score the company's environmental compliance due to its operational activities, such as resource consumption, greenhouse gas emissions, and waste management. Handling excellent EP will allow businesses to measure and improve the environmental impact of their operations. The better the firm's PROPER assessment, the more information about EP contained in the SR can help the company promote openness and accountability about the environmental impact of operational activities. It can also help boost the company's image and gain the trust of stakeholders and the social community. The results of this study are the following: a study conducted by (Antara, 2020) and (Chairanee et al., 2022), showing that EP has a positive effect on SR. The results of this study reject the study conducted by those who believe that EP has no impact on SR (Xaverius & Rahayu, 2023).

These findings confirm that companies with superior EP produce higher-quality SR. A good EP demonstrates the company's dedication to environmental impact management, such as lowering greenhouse gas emissions, managing waste, increasing energy efficiency, and using resources responsibly. These features are critical components of the company's SR. Positive EP demonstrates to stakeholders that the organisation prioritises financial gain while contributing to long-term growth. The stronger the EP, the more the corporation focuses on recording these efforts in its SR. It improves the company's transparency and accountability while meeting stakeholders' expectations for releasing non-financial information. This study supports the legitimacy theory, which holds that firms must match society's expectations to maintain social legitimacy. Companies demonstrating good EP through SR can improve their connections with stakeholders like governments, investors, customers, and local communities in this environment. SR, which includes information about EP accomplishments, is also a strategic instrument for establishing a company's brand as a socially and environmentally responsible organisation.

Furthermore, these findings are consistent with prior studies, indicating that EP improves the quality of SR disclosures. Companies that have effectively improved their EP through programs such as environmental certification, energy efficiency, and waste reduction are more transparent in reporting these accomplishments in their social responsibility reports. These findings have significant implications for firms looking to make EP a strategic goal. By enhancing EP, the organisation improves the quality of SR and adds value to stakeholders. Furthermore, organisations can avoid reputational and regulatory compliance issues by demonstrating that they have taken concrete actions to



manage environmental effects. As a result, strengthening a company's EP should be viewed as a strategic investment to enable greater disclosure of SR.

CONCLUSION

The study emphasises the importance of Good Corporate Governance (GCG) Disclosure, Green Accounting (GA), and Environmental Performance (EP) in improving sustainability reporting (SR) quality. The results show these variables have significant positive connections, with GCG Disclosure and GA impacting SR directly and indirectly via EP. GCG Disclosure encourages transparency and accountability, whereas GA incorporates environmental factors into financial reporting, increasing stakeholder trust. EP mediates these linkages, demonstrating the company's dedication to properly managing environmental concerns. These findings highlight the necessity of implementing comprehensive governance procedures and sustainability-focused accounting systems to match business operations with environmental and societal objectives, promoting long-term sustainability and stakeholder confidence.

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