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Research paper

Comprehensive Corporate Reporting in Emerging Economies: The Role of Political Connections and Corporate Governance in Indonesia

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Abstract

This study examines the influence of Political Connections (PC), Corporate Governance (CG), and their interaction on the adoption of Comprehensive Corporate Reporting (CCR) in Indonesia, with a focus on the country's readiness to adopt international sustainability standards. In response to increasing stakeholder demands, companies are increasingly expected to disclose financial and non-financial information with transparency and accountability. However, implementation gaps remain, especially among companies with varying political affiliations and governance structures. A quantitative method was used, using panel data from agro-industrial and high-polluting companies listed on the Indonesia Stock Exchange from 2019 to 2023, resulting in 295 observations. Secondary data was obtained from annual reports, sustainability reports, and publicly available ESG indicators. The analysis applies multiple linear regression to evaluate the determinants of CCR and to test the moderating role of political connections in the relationship between corporate governance and CCR practices. The results show that strong corporate governance encourages higher levels of CCR, while political connections may hinder the level of CCR. On the other hand, when political connections interact with governance mechanisms that support sustainability reporting behavior. The findings contribute to providing empirical evidence on factors affecting the level of CCR, and provide practical recommendations for policymakers, regulators, and corporate actors in improving Indonesia's readiness to comply with international sustainability reporting disclosure standards.

Keywords: *Comprehensive Corporate Reporting; Political Connections; Corporate Governance.*

1. Introduction

This study focuses on the urgency of the influence of Political Connections (PC) and Corporate Governance (CG) on Comprehensive Corporate Reporting (CCR), as well as the moderating role of PC in the relationship between CG and CCR in Indonesia. The agro-industrial sector was chosen because it plays a strategic role in the Indonesian economy, contributing 13.7% to the national Gross Domestic Product (GDP) in 2023, and absorbing millions of workers from upstream to downstream (BPS, 2023). Given its significant contribution and high exposure to environmental and social issues -such as land use, water consumption, and greenhouse gas emissions-the sector is an appropriate representation for the implementation of CCR. CCR is needed to improve corporate transparency and accountability, especially in the face of increasing demands for ESG (Environmental, Social, and Governance) impacts.

Globally, CCR is evolving in line with increasing stakeholder expectations for corporate information disclosure, both financial and non-financial. In Indonesia, regulations related to reporting are still limited. OJK Regulation No. 51/POJK.03/2017, for example, is still principled and does not include a long-term risk-based reporting structure as demanded by international sustainability reporting standards. This gap points to the need for empirical testing of the readiness and willingness of Indonesian companies to adopt CCR practices more comprehensively, particularly in high-profile sectors such as agro-industry.

In this context, PC is a relevant yet complex variable. On the one hand, the PC can provide privileged access to resources and less regulation. On the other hand, these connections can also reduce the quality of reporting, especially when companies utilize them for specific interests. Several studies show that companies with PC tend to reduce the quality of disclosures, even potentially manipulating information in the interests of dominant shareholders (Widyaningrum et al., 2023; Wallad & Darniaty, 2023). Nuraina and Soewarno's (2022) findings also show that although PC can hurt reporting, the presence of institutional investors can suppress these effects. On the other hand, CG plays an important role in strengthening transparency. Based on agency theory, good governance mechanisms such as an independent board of commissioners and an active audit committee can minimize management's opportunistic behavior. Meanwhile, according to stakeholder theory, companies have broader responsibilities to all stakeholders, requiring more transparent and integrated disclosures. However, the relationship between governance quality and PC in encouraging CCR implementation has not been widely studied, especially in the Indonesian context.

This study aims to fill this gap by empirically examining the influence of CG and PC on the implementation of CCR in the Indonesian agro-industrial sector. In particular, this study also analyzes the moderating role of PC in the relationship between governance and comprehensive reporting. With reference to agency theory, stakeholder theory, as well as recent research results (Faccio, 2006; Siregar, 2023; Tessema et al., 2024), this study is expected to contribute to the development of sustainability reporting literature and institutional challenges in adopting international standards. The findings of this study are expected to contribute both theoretically and practically. Theoretically, this study explains the interaction between governance structures and PC in shaping CCR practices. Practically, the results of this study can serve as a reference for regulators, academics, and practitioners in designing effective CCR implementation strategies, especially in sectors with high political sensitivity. In the long run, the wider implementation of CCR is believed to be able to increase corporate value, social legitimacy, and sustainable economic development in developing countries such as Indonesia.

2. Literature Review

2.1. Legitimacy theory

Based on Legitimacy Theory and Davis' (1973) view, companies have a social contract with society, in which their permission and power to operate are granted on the condition that they act responsibly. This means that companies must carry out their activities based on the values of justice and proactively respond to society's expectations, not just comply with regulations. Companies that are able to build and maintain social legitimacy through ethical business practices and contribute to social welfare and environmental sustainability will gain the support of society, ultimately increasing their durability and sustainability in the long run.

2.2. Stakeholder theory

According to Freeman (1994), stakeholder theory emphasizes that companies are responsible to all parties who are affected or have an interest in the company's operations, not limited to shareholders. Therefore, extensive and transparent information disclosure through CCR is a form of accountability to internal and external stakeholders. This theory supports the idea that good CG is needed to bridge the interests of various stakeholders and strengthen the quality and breadth of sustainability reporting.

2.3. Signaling theory

Signaling theory, developed by Spence (1973), explains how companies, as information owners, provide signals (e.g., through financial reports) to stakeholders to reflect their conditions. This information is not just a reflection of facts, but a strategic communication tool aimed at influencing the perceptions and beliefs of stakeholders such as investors, financial analysts, and creditors. Companies need to ensure that the signals conveyed can be interpreted accurately by stakeholders, thus providing a true picture of the company's condition and direction. In an era of complex information, this theory remains crucial to understanding the dynamics of communication between companies and stakeholders.

2.4. Empirical review

Nuraina and Soewarno (2022) revealed that PC have a negative impact on sustainability reporting quality, as politically connected firms tend to limit disclosure. Similar findings by Widyaningrum et al. (2023) and Wallad & Darniaty (2023) indicate that PC encourages opportunistic and selective disclosure, thereby reducing accountability and transparency. Artiningsih and Wahyudi (2022) also emphasized that political ties within firms are often associated with inadequate social reporting. Nevertheless, according to signaling theory, firms use various signals to convey credibility and positive performance to stakeholders. Political connections can function as a signal of strategic advantage and institutional stability, motivating firms to enhance disclosure quality to maintain public trust. Consistent with this view, Kusharyanti et al. (2024) found that companies with politically connected audit committees demonstrate higher levels of ESG reporting, driven by reputational risk awareness and public pressure. This divergence of evidence highlights the dual role of political connections—either weakening or strengthening disclosure—depending on the firm’s governance quality and external monitoring environment.

Meanwhile, CG has been consistently associated with improvements in reporting quality. Cooray et al. (2020) found that effective governance enhances integrated reporting through greater transparency and accountability. Similarly, Ullah and Kamal (2022) observed that sound governance strengthens both financial and non-financial performance, even in politically connected firms. Elshandidy (2022) further emphasized that governance attributes such as independent commissioners, audit committees, and institutional ownership positively influence sustainability disclosure. From an agency theory perspective, robust governance mechanisms constrain managerial opportunism and promote conservative reporting behavior. However, excessively independent or dominant boards may restrict voluntary disclosure to minimize perceived risks or compliance costs. Romadhona and Prasetiono (2022) found a negative relationship between board independence, female board representation, and CSR disclosure—suggesting that certain governance configurations may unintentionally limit disclosure scope for prudential reasons. Thus, empirical evidence presents a nuanced picture, indicating that CG can both encourage or restrict CCR depending on board dynamics and risk perceptions.

In terms of moderating effects, Tessema et al. (2024) and Siregar (2023) found that strong governance mitigates the negative influence of political connections on sustainability reporting and environmental performance, suggesting that governance acts as a credibility signal that enhances legitimacy even amid political influence. Similarly, Firmansyah et al. (2022) reported that while PC may increase CSR disclosure for reputational purposes, its effectiveness depends heavily on governance strength. Sayekti et al. (2024), focusing on Indonesian SOEs and BUMDs, revealed that CSR disclosure often reflects regulatory compliance rather than value creation, particularly when political dominance shapes decision-making. Nugrahanti (2021) found both positive and negative moderating effects of governance mechanisms on the PC–CSR link: institutional ownership improved transparency in politically connected firms, while limited CSR expertise among independent commissioners reduced monitoring effectiveness. From the perspectives of legitimacy and stakeholder theories, these findings suggest that political connections may either support or hinder disclosure, contingent on the effectiveness of governance structures in ensuring accountability and stakeholder alignment.

2.5. Political connection and CCR

Nuraina and Soewarno (2022) noted that PC's can reduce the quality of sustainability reporting, including the implementation of CCR. Politically connected firms may exploit their ties to gain regulatory or competitive advantages, which can weaken transparency and accountability. Similar findings by Widyaningrum et al. (2023) and Wallad & Darniaty (2023) show that such firms often narrow the scope of sustainability disclosure, increasing information asymmetry. Conversely, Wang et al. (2022) and Siregar (2023) found that PC can play a dual role: while it may drive broader disclosure in response to public scrutiny, it can also be used to obscure information when external oversight is weak. These contrasting findings underline the complexity of PC's influence on CCR, particularly in emerging economies where institutional enforcement varies. In Indonesia's regulatory context, political connection remains a critical determinant of CCR implementation and may pose challenges to achieving transparent, accountable reporting aligned with international sustainability standards. Based on the literature, the following hypothesis is proposed.
Hypothesis 1: Political connections affect the implementation of Comprehensive Corporate Reporting

2.6. Corporate governance and CCR

CG plays a pivotal role in ensuring transparent and accountable CCR in Indonesia. In line with legitimacy theory, strong governance mechanisms serve as monitoring tools that reduce agency conflicts and promote credible reporting practices. Cooray et al. (2020) and Ullah & Kamal (2022) provide evidence that governance attributes such as board independence, active audit committees, and ownership transparency enhance reporting quality and stakeholder confidence. Effective CG promotes accountability and encourages firms to meet stakeholder expectations through structured and informative CCR. Consequently, well-functioning governance mechanisms not only improve disclosure comprehensiveness but also reinforce institutional legitimacy. Based on the literature, the following hypothesis is proposed.
Hypothesis 2: Corporate governance affects the implementation of Comprehensive Corporate Reporting

2.7. Political connection, corporate governance, and CCR

The growing importance of CCR reflects increasing stakeholder demands for transparent and integrated information that includes Environmental, Social, and Governance (ESG) dimensions. Based on legitimacy theory, CCR serves as a strategic instrument for firms to obtain and maintain legitimacy through accountability and transparency (Davis, 1973). However, the quality and scope of CCR depend on both internal governance mechanisms and external political influence. Prior studies show that political connections can compromise reporting quality by promoting selective disclosure to protect vested interests (Nuraina & Soewarno, 2022; Widyaningrum et al., 2023). While PC may provide firms with access and stability, it also poses the risk of reduced transparency that threatens legitimacy and long-term sustainability. Conversely, strong CG enhances CCR quality by strengthening control systems, reducing information asymmetry, and broadening non-financial disclosure (Cooray et al., 2020; Ullah & Kamal, 2022). From an agency perspective, CG aligns management behavior with stakeholder interests, while from a signaling perspective, it serves as a positive indicator of ethical commitment and transparency. The interaction between PC and CG thus creates complex dynamics: robust governance can counterbalance the adverse effects of political ties and transform them into legitimacy-enhancing mechanisms. Accordingly, the following hypothesis is proposed.
Hypothesis 3: The interaction of political connections and corporate governance affects the implementation of Comprehensive Corporate Reporting
Based on the theoretical foundations and the hypotheses developed in the preceding sections, the conceptual framework of this study is presented in Figure 1. It illustrates the relationships among CG, PC, and CCR, including the moderating role of PC in the CG–CCR relationship.

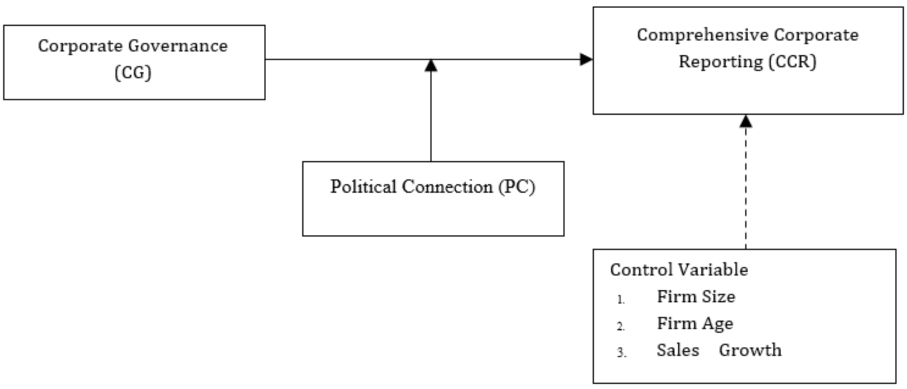

Fig. 1: Conceptual Framework.

3. Materials and Methods

This study uses a quantitative approach by utilizing secondary data in the form of annual reports, sustainability reports, and financial reports obtained from the Indonesia Stock Exchange (IDX), the company's official website, and the ESGI Dataset. This study aims to test and analyze the effect of PC and CG on the implementation of CCR, as well as examine the moderating role of PC in strengthening or weakening the relationship between CG and CCR in companies in Indonesia.
The population in this study includes all agro-industrial companies and highly polluting companies listed on the Indonesia Stock Exchange during the period 2019 to 2023. The sample selection was carried out using a purposive sampling technique, which only selects companies that consistently publish complete annual reports and sustainability reports during the study period and have complete data on the required variables. The total observation of this study, based on those purposive sampling criteria, is 295. The dependent variable in this study is CCR, which is measured using content analysis based on the provisions of GRI Standards. The independent variables consist of PC as measured by dummy variables (1 if the company has PC and 0 if not) and CG as measured by the proportion of the number of independent

commissioners to the total members of the board of commissioners. The moderating variable used is PC, while the control variables employed in this study include firm size (measured by total assets), firm age, and sales growth. To test the hypothesis, this study uses multiple linear regression analysis (OLS) by including the interaction of moderation variables in the regression model. The research equation is formulated as follows:

$$CCR_{it}= \alpha + \beta_1 PC_{it}+ \beta_2 CG_{it} + \beta_3 (PC*CG)_{it}+ \beta_4 FS_{it}+ \beta_5 Age_{it}+ \beta_6 Growth_{it}+ \varepsilon_{it} \quad (1)$$

Description:
CCR: Comprehensive corporate reporting; PC: Political connections; CG: Corporate governance; FS: Firm size; Age: Age of the Company; Growth: Sales Growth; ε: error.

4. Results and Discussion

The descriptive statistics for this study are presented in Table 1 below:

Table 1: Descriptive Statistics

	Mean	Median	Std. Dev	Maximum	Minimum	Skewness
CCR	0,722104	0,835052	0,166428	0,927835	0,195876	-1,258652
CG	0,380302	0,333333	0,148636	0,750000	0,166667	-0,594574
PC	0,406780	0,00000	0,492068	1,00000	0,000000	0,379536
FS	2,902912	29,01473	1,865094	33,25570	23,82780	-0,147186
Age	30,92881	29,00000	19,25319	121,0000	3,000000	1,496600
Growth	3,782140	2,860000	3,770290	8,930000	-0,637700	0,152967

Notes: CCR=Comprehensive corporate reporting; PC=Political connections; CG=Corporate governance; FS=Firm size; Age=Age of the Company; Growth=Sales Growth.

The average CCR score of 0,7221 with a standard deviation of 0,1642 indicates that most companies in the sample have implemented Corporate Sustainability Reporting at a moderate level, meaning that sustainability disclosure practices are carried out reasonably but are not yet exceptional. The considerable variation between companies shows that there are significant differences in the implementation of sustainability reporting, with some companies showing a much stronger commitment than others. The maximum CCR value of 0,9278 indicates that some companies have achieved an excellent level of disclosure and transparency, while the minimum value of 0,1959 indicates that there are still companies with low reporting levels that do not meet basic sustainability standards. The negative skewness value of -1,2586 indicates a right-skewed distribution, meaning that most companies have CCR values above the average. This pattern shows that sustainability reporting has become a common practice in most companies, although there are still a small number of companies that lag behind in adopting comprehensive reporting.

The CG variable has an average of 0,3803 and a standard deviation of 0,1486, indicating that the proportion of independent commissioners on company boards is still below 50% on average, leaving room for improvement in the implementation of effective governance principles. The maximum value of 0,75 indicates that some companies have successfully implemented strong independence principles in their boards of commissioners, although this is not yet common practice across the entire sample. The skewness value of -0,5945 shows that the majority of companies have relatively high CG values compared to the average, but have not yet reached the ideal level. Meanwhile, the kurtosis value of 3,98 shows that the data distribution is leptokurtic, indicating that most companies have similar governance characteristics, with few extreme deviations. This is in line with stakeholder theory and legitimacy theory, where the higher the level of independence and supervision, the better the quality of reporting.

The PC variable shows an average of 0,4068, with a minimum value of 0 and a maximum of 1, which means that around 40,68% of companies in the sample have political connections, while 59,32% do not. PC is measured based on the presence of active or former public officials such as ministers, members of parliament, high-ranking bureaucrats, or military personnel on the board of directors or commissioners. The presence of these figures is believed to provide special access to government policies and information, which could potentially influence strategic decisions and the level of disclosure. The positive skewness value of 0,3795 indicates a left-skewed distribution, showing that most companies do not have political connections, but there are still a small number of companies that have strong connections. This phenomenon is important in the context of developing countries, where political connections still play a significant role in business processes and corporate governance.

The firm size variable, measured by the natural logarithm of total assets, has a mean of 29,03 with a standard deviation of 1,86. This logarithmic transformation is used to normalize the data distribution and reduce the influence of extremely large companies. The skewness value of -0,1472, which is close to zero, indicates an almost symmetrical distribution, signifying an even spread between small, medium, and large companies. Meanwhile, the firm age variable shows an average of 30,93 years with a standard deviation of 19,25 years, indicating considerable variation between newly established and long-established companies. A positive skewness value of 1,49 indicates the dominance of young companies in the sample. The combination of young and old companies enriches the analysis, as it can reveal differences in governance strategies, transparency, and risk resilience between generations of companies.

The sales growth variable has an average of 3,7821, with a high standard deviation of 3,7703, a minimum value of -0,6377, and a maximum of 8,9300. These figures indicate significant differences between companies in terms of sales performance. The positive skewness value of 0,1529 indicates a right-skewed distribution, meaning that a small number of companies experience high sales growth, while the majority show more moderate growth. This extreme variation may be influenced by expansion strategies, market conditions, mergers, and the impact of the COVID-19 pandemic, which has created sharp differences between industries. Because the data distribution is not completely normal, the analysis was performed using robust regression techniques to ensure valid results.

To guarantee the reliability of the multiple linear regression results used, a series of classical assumption tests was conducted, including normality, multicollinearity, and autocorrelation tests. The test results show that all major assumptions have been met: the residuals are normally distributed, there is no high multicollinearity between variables, and no strong autocorrelation was found. Thus, the regression model is declared feasible and robust, and the estimation results are reliable. The fulfillment of these assumptions ensures that the Ordinary Least Squares (OLS) or Robust Least Squares method produces Best Linear Unbiased Estimator (BLUE) estimates, thereby strengthening internal validity and providing a solid basis for drawing conclusions and making data-based policy recommendations.

The following Table 2 shows the results of hypothesis testing in this study.

Table 2: Regression Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	1,306959	0,010792	121,1049	0,0000
CG	0,046473	0,007942	5,851784	0,0000
PC	-0,041416	0,004595	-9,014295	0,0000
CG*PC	0,179470	0,010806	16,60765	0,0000
FS	-0,019692	0,000378	-52,10379	0,0000
Age	-0,000305	0,000000	-9,026495	0,0000
Growth	0,000203	0,000104	1,964348	0,0495
Robust Statistics				
Rw-squares	0,107554		Rn-squared statistic	4700,882
Adjust Rw-squared	0,107554		Prob. (R-squared)	0,000000

Notes: CCR=Comprehensive corporate reporting; PC=Political connections; CG=Corporate governance; FS=Firm size; Age=Age of the Company; Growth=Sales Growth.

The hypothesis test results show that the PC variable has a negative and significant effect on the implementation of CCR, with a coefficient of -0,041416 and a significance value of 0,0000. This means that the existence of PC tends to reduce the quality and completeness of corporate sustainability reporting, possibly because companies feel protected by political power, thereby reducing their incentive for transparency. This finding supports hypothesis 1, stating that Political Connection affects the implementation of Comprehensive Corporate Reporting. In line with previous research, Nuraina and Soewarno (2022) proved that the existence of political connections has the potential to reduce the quality of sustainability reporting because companies feel protected by their proximity to political actors, thereby reducing the incentive to be transparent. Similar findings were revealed by Widyaningrum et al. (2023) and Wallad and Darniaty (2023), who found that companies with political connections tend to narrow the scope of information disclosure and increase information asymmetry. Artiningsih and Wahyudi (2022) also emphasize that political relations within companies have the potential to cause inadequate social reporting practices. However, several studies show the dual nature of political connections. Wang et al. (2022) and Siregar (2023) found that in developing countries, political connections can encourage companies to increase disclosure when there is strong social pressure, although in the context of weak external oversight, these connections are actually used to avoid transparency. Firmansyah et al. (2022) also add that political connections can increase CSR disclosure, for example, in the context of investment and tax avoidance, but their effectiveness is highly determined by the quality of corporate governance. Thus, the results of this study reinforce the argument that political connections are an important determinant in the implementation of CCR, which generally tends to weaken the quality and completeness of reporting, unless balanced by strong governance mechanisms.

Conversely, the CG variable shows a positive and significant effect on CCR, with a coefficient of 0,046473 and the same significance value. This reinforces the argument that good governance encourages companies to be more accountable, transparent, and active in disclosing sustainability information. This finding supports hypothesis 2, stating that Corporate Governance affects the implementation of Comprehensive Corporate Reporting. In line with this evidence, Mawardani and Harymawan (2021) empirically demonstrated that corporate governance mechanisms, particularly board independence and board size, exert a significant positive influence on the extent of integrated reporting disclosure among Indonesian listed firms. These findings emphasize that the presence of effective governance structures not only strengthens monitoring and control functions but also enhances the comprehensiveness of corporate reporting, thereby substantiating Hypothesis 2, which posits that Corporate Governance significantly affects the implementation of Comprehensive Corporate Reporting.

The interaction between Political Connections (PC) and Corporate Governance (CG) shows a positive and significant influence on Comprehensive Corporate Reporting (CCR) (coefficient 0,179470, significance 0,0000), indicating that strong governance can neutralize the adverse impact of political ties on reporting quality. From the perspective of Legitimacy Theory, this finding suggests that politically connected firms—often subject to greater public scrutiny due to perceptions of preferential access or potential opportunism (Faccio, 2006; Nuraina & Soewarno, 2022)—strengthen their legitimacy by relying on robust governance mechanisms such as independent boards, active audit committees, and transparent ownership structures to enhance accountability and transparency (Cooray et al., 2020; Ullah & Kamal, 2022). Effective governance serves as a legitimizing force that compels firms to comply with social and regulatory expectations, mitigating reputational risks associated with political affiliations and encouraging the disclosure of more comprehensive and credible sustainability information (Suchman, 1995; Deegan, 2019). In this regard, Corporate Governance functions not only as an internal control mechanism but also as an institutional signal that demonstrates the firm's commitment to ethical conduct and societal expectations (Freeman, 2010; Hahn & Reimsbach, 2021). This legitimizing effect explains why the interaction between PC and CG positively affects CCR implementation: when political connections are embedded within a transparent and accountable governance framework, firms are more likely to engage in responsible reporting practices that reinforce stakeholder trust and sustain long-term legitimacy. Consistent with this argument, Ullah and Kamal (2022) and Cooray et al. (2020) provide empirical evidence that firms with stronger governance structures exhibit higher levels of reporting quality and stakeholder engagement, even when political connections are present, thereby transforming political ties from a potential liability into a mechanism that promotes legitimacy and enhances the comprehensiveness of corporate reporting.

Regarding the result for variable controls, the empirical test shows that firm size has a negative effect. In line with several previous findings, Siregar's (2023) research found that company size actually reduces the extent of social responsibility disclosure when linked to public ownership, indicating that large companies tend to be more selective in their reporting. Similar findings were reported by Ullah and Kamal (2022), who stated that although large companies have more resources, operational complexity actually encourages more limited reporting practices due to strategic considerations and exposure risks. Deng et al. (2021) also emphasize that the larger the company, the higher the incentive to withhold certain information in order to manage market perceptions and minimize excessive public scrutiny. Thus, the consistency of these results reinforces the argument that company size is not always a driving factor for transparency, but in certain contexts can be an obstacle to comprehensive disclosure. The empirical evidence on the second variable controls, i.e., age, shows significant negative coefficients, meaning that the implementation of CCR is decreasing while the company is getting older. As compared to younger firms, older firms tend to be more conservative, more traditional, and less adaptive to new practices such as CCR. The studies of Kabir & Chowdhury (2023) and Cinˇcalová & Hedija (2020) consistently support these results. The empirical finding for the third variable control,i.e., growth, shows a significant positive impact of CCR on companies' growth. The growth indicates companies' capacity to equip them with more resources in engaging in ESG and CCR activities. The studies of Wigrhayani (2019), Ayem & Nuwa (2021), and Ramadhani et al. (2024) also show the same empirical results that companies' growth positively affects the implementation of CCR.

The regression results indicate that the overall model is statistically significant, confirming the relevance of the proposed relationships. Although the R^2 value of approximately 0.11 indicates modest explanatory power, this result aligns with prior corporate governance studies, where complex behavioral and institutional factors often produce low R^2 values that remain theoretically meaningful (Hair et al., 2021; Mahsina et al., 2025). Such values are acceptable in social science research when supported by strong theoretical grounding and statistically significant relationships.

5. Conclusion and Policy Recommendations

This study aims to examine the influence of PC, CG, and the interaction between them on the implementation of CCR in companies in Indonesia. The results show that the involvement of PC tends to reduce the level of CCR. In contrast, strong CG is proven to increase transparency and accountability of reporting. Interestingly, when CG works well, the negative influence of PC on reporting can be minimized. This confirms the important role of effective CG in maintaining the integrity of sustainability reporting. In addition, it was found that some company characteristics, such as asset size and company age, tend to reduce the implementation of CCR, while sales growth actually encourages an increase in reporting level. However, this study also recognizes that the model used still has limitations in explaining the overall variation in CCR, which indicates the need for further exploration of other factors that influence sustainability reporting.
Based on the research findings, several practical and theoretical recommendations can be proposed:

1) For Companies: Companies need to strengthen CG mechanisms, especially by increasing the proportion of independent commissioners, audit committee effectiveness, and ownership structure transparency to maintain the quality of sustainability reporting, even when there are PC.
2) For Regulators and Policy Makers: The moderating effect of PC on the link between CG and CCR highlights the importance of governance integrity in politically influenced firms. Strong governance can mitigate potential risks of political ties, ensuring credible and transparent disclosures consistent with POJK No. 51/POJK.03/2017, which mandates ESG integration through accountable governance. This finding also reflects Indonesia's progress toward convergence with global sustainability standards such as the ISSB and GRI 2021 updates, reinforcing the policy relevance of promoting governance-driven sustainability reporting.
3) Theoretical Implication: Future research is recommended to expand the study by examining other factors that potentially affect CCR, including the role of organizational culture, social pressure, or industry factors.

This study provides strong empirical evidence regarding the relationship between political connections, corporate governance, and sustainability reporting, but it has several limitations. The research is limited to one country, so future studies are recommended to use a cross-country approach to explore how political systems, regulations, and governance quality affect sustainability reporting. Furthermore, as this study relies on quantitative secondary data, future research is encouraged to adopt a mixed-methods approach combining statistical analysis and interviews to gain deeper insights into the institutional and behavioral factors that influence sustainability disclosure.

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