

GREENER REPORTS, CLEANER BOOKS? THE IMPACT OF SUSTAINABILITY DISCLOSURES ON EARNINGS MANAGEMENT IN ASEAN'S DEVELOPING ENERGY SECTOR

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Abstract

Financial reports represent a form of corporate accountability to stakeholders used for decision-making and evaluating management performance. However, users often focus solely on profit figures without understanding the underlying processes, creating opportunities for management to engage in earnings management practices. These practices can be minimised by disclosing sustainability reports that enhance transparency and reduce information asymmetry between management and stakeholders. This research aims to determine the influence of sustainability disclosure on earnings management in energy sector companies in five developing ASEAN countries (Indonesia, Malaysia, Thailand, Philippines, and Vietnam). The sample was selected using purposive sampling and consisted of 105 companies from 2021 to 2023. Eviews 12 software was used to test the data in this study with an analysis technique using panel data regression. The results of this study indicate that sustainability disclosure influences earnings management. This research encourages regulators to develop more effective and mandatory sustainability reporting policies and standards for the energy sector. Also, it motivates energy companies to improve the quality and quantity of their sustainability disclosure to enhance financial transparency and reduce earnings management practices.

Keywords: Earnings Management, Sustainability Disclosure, ASEAN

1. Introduction

The form of corporate responsibility to stakeholders is realised through financial reports (Samsiah et al., 2022). Stakeholders will utilise this information to make decisions, assess management's performance, and predict future profits and profitability (Syahputri & Nawirah, 2023). However, users of financial statements often only focus on profit

figures without understanding the processes behind them that underlie these figures. Management usually exploits this gap to take improper actions, such as earnings management (Anjarningsih et al., 2022). Agency Theory posits that the core dilemma in the principal-agent relationship between management and stakeholders originates from inherent conflicts of interest and information asymmetry, which encourage opportunistic behaviour (Jensen & Meckling, 1976). Management can manipulate financial information to achieve specific performance levels as a party that knows more about the company's internal conditions than stakeholders (Istiqomah & Pratiwi, 2018).

Earnings management practices have led to scandals in financial reporting, such as what happened to the energy company in the United States, Enron, in 2001, where the scandal is most famous (Ayem & Rumdoni, 2021). In Indonesia, several scandals involving large companies, such as the eFishery case revealed at the end of 2024, allegedly inflated revenues by almost \$600 million, or around IDR 9.74 trillion (Wicaksono, 2025). PT Garuda Indonesia (Persero) Tbk allegedly overstated its revenue in 2018 (CNN Indonesia, 2019). PT Adaro Energy Indonesia was also involved in earnings management practices aimed at minimising taxes imposed on the company from 2009 to 2019 (Damayanti & Solihati, 2024). The company in Thailand, Stark Corporation, was involved in an accounting scandal, so in June 2023, the company restated its 2021 and 2022 financial statements, showing losses (Bloomberg Technoz, 2023). Meanwhile, in Malaysia, the company Transmile Group Berhad was found to have overstated the revenue reported in 2005 and 2006 (Mamesah et al., 2016).

According to the previous description, earnings management practices still occur globally today. Earnings management practices can be minimised by good governance through transparent information disclosure (Sari & Utomo, 2019). This disclosure can be done by encouraging companies to disclose their sustainability performance to prevent corporate involvement in unethical practices (Masmoudi & Ben Salem, 2024), thereby increasing transparency and accountability. The sustainability report discloses the performance, which has become mandatory for the company's sustainability (Suzandry & Hermawan, 2023). High sustainability performance reporting reduces information asymmetry between management and stakeholders (Azimli & Cek, 2024), thus preventing earnings management practices (Putri & Andriani, 2021). Disclosure of sustainability reports that focus on environmental, social, and governance aspects is not only to increase company value but also to demonstrate the sustainability capabilities of the company (Kartika et al., 2023).

However, a conflicting perspective emerges. Dissanayake et al. (2023) suggest managers might hide actual value to avoid negative career consequences, leading to earnings management. Conversely, companies consistently disclose sustainability reports, which are allegedly used as a tactic to divert stakeholders' attention from opportunistic actions. Martínez-Ferrero et al. (2016) also state that these disclosures are often used as a

"strategic shield", protecting companies from the negative effects of earnings management. The researchers argue that these disclosures enhance a company's reputation, which can offset the negative impact of earnings management.

Existing research presents mixed findings on the relationship between sustainability disclosure and earnings management. Research conducted by Astuti (2021) states that sustainability disclosure can reduce the level of earnings management. When the company carries out and discloses its social responsibility activities sustainably, it will impact the company's survival and will receive support from stakeholders (Astuti, 2021). Iqbal et al. (2023) found that companies committed to disclosing social activities tend to be more transparent and have strong sustainability reports, which helps minimise earnings management. In contrast, Dissanayake et al. (2023), Wardani & Santi (2018), Anh (2022), and Amake & Akogo (2021) argue that companies involved in social activities may still engage in opportunistic, using disclosures as a strategic shield for opportunistic actions taken. Furthermore, Renaldi & Hendriyeni (2023) and Yolanda & Widiastuty (2024) indicated an absence of influence from sustainability report disclosure on the practice of earnings management. This divergence in findings highlights a research gap and the need for further investigation.

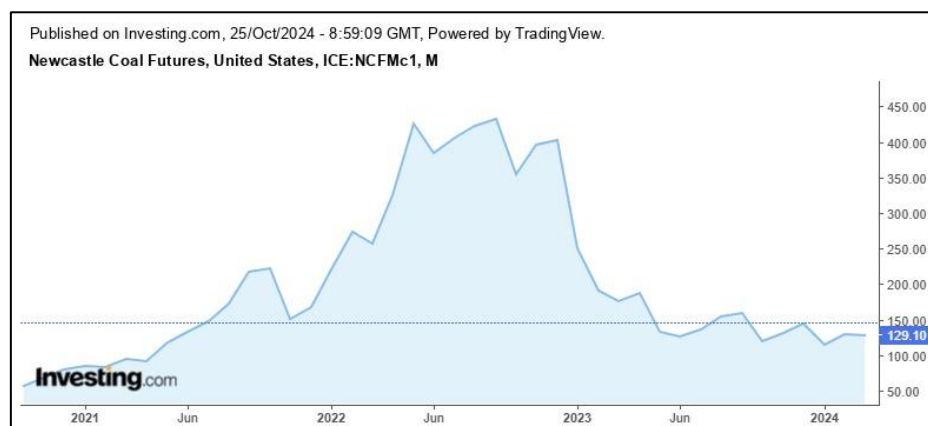


Figure 1. Chart of Coal Price

According to investing.com, in the 2021 to 2023 range, there were fluctuations in energy commodity prices, especially coal, which impacted fluctuations in company profits. It is feared that these fluctuations could motivate managers to carry out earnings management to maintain profitability levels. In addition, energy sector activities significantly impact the environment and surrounding communities. Therefore, companies must also contribute positively and transparently to reporting their sustainability business practices through their sustainability reports. However, companies often focus only on profitability without considering the environmental impacts of their business activities. Improper management of activities within this domain can lead to environmental degradation by contaminating water, air, and soil, as Wulandari and

Istiqomah (2024) noted. Such environmental harm can influence public perception, consequently impacting the company's financial profitability.

The ASEAN region is a global leader in sustainability business, with companies increasingly disclosing their impacts (Global Reporting Initiative, 2023). This makes sustainability disclosure activities important for companies, especially in the five emerging economies of Indonesia, Malaysia, Thailand, Philippines, and Vietnam (Financier Worldwide, 2017). These countries were selected due to their high GDP among developing nations (IMF, 2024), developing capital markets with transaction connectivity programs (Chairina & Tjahjadi, 2023), and widespread adoption of the GRI Standard for sustainability reporting guideline (GRI ASEAN, 2022). Crucially, few studies examine the impact of sustainability disclosure on earnings management, specifically in these ASEAN emerging economies.

Based on the description above, this research aims to analyse the impact of sustainability disclosures on earnings management in ASEAN from 2021 to 2023, building upon the research of Alodat et al. (2023). This study adopts the latest version of GRI Standard 2021 to measure sustainability disclosure. Previous studies primarily used older versions, such as GRI G-4 (Alodat et al., 2023; Iqbal et al., 2023; Renaldi & Hendriyeni, 2023; Sari & Utomo, 2019) or GRI Standard 2016 (Putri & Firmansyah, 2023), addressing a significant methodological update and contributing fresh insights to the literature.

2. Literature Review

2.1 Agency Theory

Jensen and Meckling (1976) defined agency theory as examining the relationship between a company's principals and management. The core issue in this relationship is a conflict of interest that often leads to opportunistic behaviour (Jensen & Meckling, 1976). Management is responsible for optimising stakeholder benefits and fulfilling personal interests. This conflict causes inequality of information obtained by management and principals. Suppose managers' performance is evaluated based on the company's profitability, and they have superior access to information compared to the principal. In that case, there is a possibility that management has a motive to change the amount of company profit (Helmi et al., 2023).

2.2 Stakeholder Theory

Stakeholder theory, as defined by Freeman (1984), outlines the relationships between a company and any individuals or groups that can impact or be impacted by its activities. According to this theory, companies are responsible for providing financial and non-financial information to their stakeholders (Yolanda & Widiastuty, 2024). The theory highlights that a company is about its interests and providing value to its stakeholders (Ricardo & Faisal, 2015). The means of applying stakeholder theory is realised through the disclosure of sustainability reports used by entities to build relationships with stakeholders (Renaldi & Hendriyeni, 2023).

2.3 Sustainability Disclosure

The awareness of sustainability and social and environmental issues makes stakeholders encourage companies to implement sustainability practices (Jadhav et al., 2022). A sustainability report serves as the vehicle for disclosing these practices. The sustainability report is one of the additional information required for all entities registered as public entities (Renaldi & Hendriyeni, 2023). Sustainability reports are also effective for communicating with stakeholders (Amosh & Khatib, 2021). Sustainability disclosure is a form of a company's ethical behaviour to be responsible for the environment and its surroundings. The measurement of sustainability disclosure may vary depending on the research focus and reporting framework used. One common approach is to use content analysis of corporate sustainability reports. This approach identifies and calculates sustainability disclosure items based on specific guidelines, such as the Global Reporting Initiative (GRI). This study uses the GRI Standard 2021, which is the latest version.

2.4 Earnings Management

Managers are given flexibility in choosing accounting policies used in financial reporting. Managers can use this opportunity to select policies to help them achieve a certain level of performance. This practice is known as earnings management (Scott, 2015). Earnings management is an effort to manipulate financial statements for better company performance (Sakinah & Murtadho, 2021). Earnings management is a practice that can reduce stakeholder trust in a company's financial reports (Alodat et al., 2023). Earnings management occurs because of the conflict between the principal and the agent. The principal wants to obtain as much profitability as possible to achieve the maximum stock return rate. At the same time, the agent is interested in obtaining maximum compensation to achieve prosperity. This is why the agent performs earnings management (Sakinah & Murtadho, 2021).

2.5 The Impact of Sustainability Disclosure on Earnings Management

Agency theory addresses the conflict of interest between stakeholders and management, often triggered by information asymmetry (Nurrahman et al., 2019). Meanwhile, stakeholder theory explains the company's obligation to disclose financial or non-financial information to stakeholders (Yolanda & Widiastuty, 2024). These two theories can be bridged by the disclosure of sustainability in the form of a sustainability report. Information asymmetry between managers and stakeholders can be minimised by disclosing information on social responsibility, the environment, and corporate governance (Putri & Andriani, 2021). In addition, the company also carries out its obligations to disclose information to stakeholders.

Companies that use corporate performance reporting as a medium to build stakeholder trust (Cho & Chun, 2016) use a substantive approach. In contrast, companies with high levels of social responsibility will focus more on efforts to increase transparency and strengthen relationships with stakeholders rather than engage in earnings management practices that prioritise short-term profits (Alodat et al., 2023). Therefore,

managers will avoid things that can distort accounting information (Ehsan et al., 2022). More comprehensive disclosures help bridge the information gap between management and stakeholders, which can curb earnings management (Putri & Andriani, 2021). Sustainability disclosure increases pressure on stakeholders to be more ethical and responsible. As a result, companies will reduce their engagement in unethical practices (Alodat et al., 2023). This aligns with Astuti's (2021) research, which suggests that companies disclose extensive social responsibility information to cultivate a positive corporate reputation, encouraging more careful conduct and reducing fraudulent practices. The research findings by Ricardo and Faisal (2015) also say that companies committed to CSR policies will reduce unethical actions. Disclosing sustainability reports demonstrates a company's ethical stance and commitment to meeting stakeholder expectations through social responsibility, which can help minimise earnings management practices (Iqbal et al., 2023).

However, there is also a phenomenon in which companies disclose sustainability information to gain a reputation as a company that is ethical in its business practices. However, at the same time, the company performs unethical actions in profit manipulation for an interest. Thus, companies use sustainability performance disclosure as a tool to divert the attention or supervision of stakeholders from fraudulent actions committed by them (Yolanda & Widiastuty, 2024). Companies that actively practice sustainability values but commit unethical acts exemplify a symbolic approach, where disclosures are made only to build an image that can influence positive stakeholder perceptions (Nasution & Adhariani, 2016). Companies can use such an approach because the manipulation is not immediately visible to the public and requires some expertise to detect it (Santoso et al., 2024). Corporate social responsibility disclosure is used as a strategic reason for management to divert the issue of corporate earnings manipulation. Sustainability disclosure can influence earnings management practices.

The following research conceptual framework illustrates how sustainability disclosure affects earnings management.

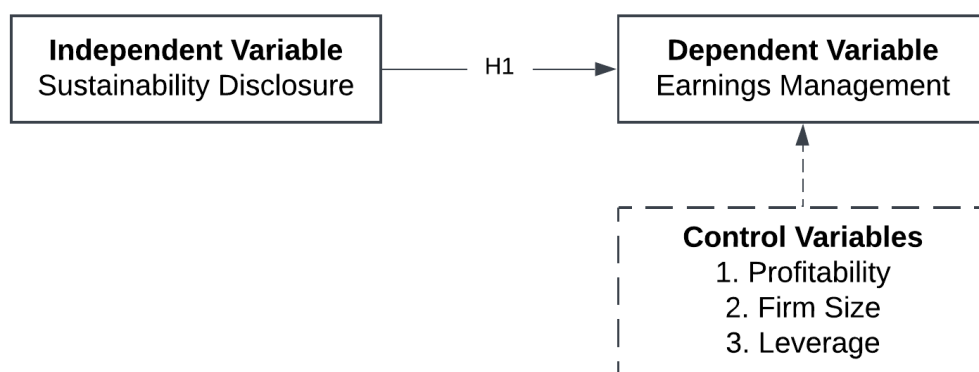


Figure 1. Conceptual Framework

2. Research Methods

This study utilised secondary data, specifically drawing from the financial statements of energy sector companies listed on the stock exchanges of Indonesia, Malaysia, Thailand, the Philippines, and Vietnam during the 2021-2023. The data population in this study amounted to 232 companies listed on the stock exchanges of each country. This study uses a purposive sampling method in sample selection. The final total sample is 105 companies. With three years of observation, 315 observational data were analysed. The sampling criteria are presented in Table 1.

Table 1. Sample Criteria

Sample Criteria	Total
Energy sector companies listed on the stock exchanges of Indonesia, Malaysia, Thailand, Philippines, and Vietnam	232
Companies that present incomplete and inconsistent financial statement data and sustainability reports from 2021 to 2023	(47)
Companies that experienced losses from 2021 to 2023	(80)
Total Research Sample	105
Year of Observation	3
Total Data	315

Table 2 shows the operational definitions of the variables studied in this study, which include three types, namely the dependent variable (earnings management), the independent variable (sustainability disclosure), and the control variables (profitability, firm size, and leverage). Academic literature on earnings management commonly employs these control variables (Alodat et al., 2023; Cho & Chun, 2016; Nguyen, 2022; Yolanda & Widiastuty, 2024).

Table 2. Operational Definition of Variables

Variable	Definition	Measurement
Earnings Management	Earnings management is proxied by discretionary accruals from the Modified Jones Model. This measurement model has been widely used because it is considered the most effective in providing optimal results (Alodat et al., 2023).	$1. TAC_{it} = Ni_{it} - CFO_{it} \frac{TAC_{it}}{A_{it-1}} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + e$ $2. NDA_{it} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right)$ $3. DA_{it} = \frac{TAC_{it}}{A_{it-1}} - NDA_{it}$
Sustainability Disclosure	This variable is measured using the GRI Standard 2021, which consists of 117 indicators. Each point disclosed referring to the disclosure indicator will be given a value of 1 (Putri & Firmansyah,	$SD = \frac{\sum \text{Company's Disclosure Item}}{\sum \text{GRI Standard's Disclosure Item}}$

	2023).	
Profitability	Return on Assets (ROA) is a financial metric that indicates how effectively a company uses its total assets to generate net income, essentially measuring its profitability (Helmi et al., 2023).	$ROA = \frac{Net\ Profit}{Total\ Asset}$
Firm Size	Company size indicates a firm's scale, and Helmi et al. (2023) use the natural logarithm of total assets as its proxy.	$Firm\ Size = Ln\ Total\ Asset$
Leverage	Leverage is the ability of a company to increase the profit potential of shareholders by utilising assets (sources of funds) with fixed costs (debt or special shares) (Sari & Hasnawati, 2022).	$DAR = \frac{Total\ Debt}{Total\ Asset}$

The research methodology involved quantitative descriptive analysis and panel data regression, conducted using EViews 12 software. The specific equation model is presented below.

$$EM = \alpha + \beta_1 SD + \beta_2 ROA + \beta_3 SZ + \beta_4 LV + e_{it}$$

EM = Earnings Management

α = Constant of an equation

$\beta_{1,2,3,4}$ = Coefficient of Regression

SD = Sustainability Disclosure

ROA = Profitability

SZ = Firm Size

LV = Leverage

e_{it} = Residual

3. Results and Discussion

4.1 Result

4.1.1 Descriptive Statistics

This study employed descriptive statistical analysis to assess the quality and characteristics of the collected data. This analysis provides a comprehensive overview of the data's distribution by calculating the mean, maximum, minimum, and standard deviation. The results of these descriptive statistics are presented in the table below.

Table 3. Results of the Descriptive Test

Variable	Mean	Median	Max	Min	Std. Dev.	Obs.
EM	0.611	0.069	0.405	-0.306	0.113	315

SD	0.588	0.598	1	0.085	0.227	315
ROA	0.096	0.055	0.616	0.0002	0.109	315
SZ	20.169	20.240	25.341	15.365	1.731	315
LEV	0.472	0.489	0.915	0.031	0.197	315

The results show that earnings management has an average value of 0.611, and sustainability disclosure has an average of 0.588. This suggests that earnings management is common, even with sustainability disclosure reaching 58%. The maximum value of the dependent variable, Earnings Management, shows a number of 0.405, while the minimum value is -0.306. The standard deviation value of 0.113 is smaller than the mean value, meaning the observation data does not vary. The independent variable, Sustainability Disclosure, proxied by GRI Standard, shows a maximum value of 1, while the minimum value is 0.085. The standard deviation value of the independent variable of 0.227 is smaller than the average value, which means that the observation data does not vary. Profitability (ROA) is a control variable, ranging from 0.489 to 0.616, with a mean value of 0.096 and a standard deviation value of 0.109. Company size (SZ) is also a control variable with a minimum value of 15,365 and a maximum value of 25,341, with a mean value of 20,169 and a standard deviation of 1,731. Leverage (LEV) is also a control variable used by researchers, with a minimum value of 0.031 and a maximum value of 0.915, with a mean value of 0.472 and a standard deviation of 0.197.

4.1.2 Model Selection Test

When conducting panel data regression analysis, researchers must select the most appropriate model from the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). This selection is guided by the results of the Chow, Hausman, and Lagrange Multiplier tests, which are presented in the following table.

Table 4. Model Selection Test Results

Model Test	Statistics	P Value	Model
Chow Test	Cross-section Chi-square	0.0000	Fixed Effect
Hausman Test	Cross-section random	0.0617	Random Effect
LM Test	Prob Cross-section	0.0000	Random Effect

The Chow test was used to compare the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The results indicated that the Fixed Effect Model was more suitable with a probability value of 0.0000 (which is less than 0.05). Next, the Hausman test was performed to differentiate between the Fixed and Random Effect Model (REM). As shown in Table 4, the Random Effect Model emerged as the best fit, evidenced by a probability value of 0.0617 (greater than 0.05). Given the conflicting outcomes from the Chow and Hausman tests, a final assessment was conducted using the Lagrange Multiplier test. This test identified whether the Common Effect or Random Effect Model was more suitable. With a probability value of 0.0000 (less than 0.05), the Random Effect

Model was definitively concluded to be the most suitable model based on the aggregate results of all three tests.

4.1.3 Simultaneous Test and Determination Coefficient Test

After finding the most appropriate regression model, researchers continued with simultaneous testing and the coefficient of determination. The results of these tests are presented in the following table.

Table 5. Results of F and R2 Test

R-squared	0.062096
Adjusted R-squared	0.049994
F-statistic	5.131033
Prob(F-statistic)	0.000514

Table 5 shows this research model's adjusted R-squared value is 4.9%. This indicates that the independent and control variables collectively explain only 4.9% of the variation in the dependent variable, with external factors accounting for the remaining 95.1%. Furthermore, the F-statistic of 5.131033 and a significance value of 0.000514 (which is less than 0.05) demonstrate that the combination of independent variables (Sustainability Disclosure) and control variables (Return on Assets, Firm Size, Leverage) simultaneously influence earnings management (EM).

4.1.4 Hypothesis Test

Panel data regression analysis was employed to test the study's hypotheses regarding the impact of sustainability disclosure on earnings management. The test results are presented in the following table.

Table 6. Results of Hypotheses Test

	Coefficient	t-stat	Prob	Result
C	0.183	2.048	0.041	
SD	0.077	2.494	0.013	Accepted
ROA	-0.225	-3.337	0.000	
SZ	-0.005	-1.11	0.267	
LEV	-0.085	-2.132	0.033	

Table 6 illustrates the hypothesis test results concerning the impact of sustainability disclosure on earnings management. The probability value of 0.013 (less than 0.05) indicates that sustainability disclosure significantly impacts earnings management within ASEAN energy sector companies. Therefore, the research hypothesis (Ha) is supported.

4.2 Discussion

As presented in Table 6, the regression analysis reveals a positive coefficient for the influence of sustainability disclosure on earnings management. These results indicate that increased sustainability disclosure is associated with a higher incidence of earnings management. Contrary to expectations, sustainability disclosure appears to coexist with,

rather than reduce, earnings management practices. The misuse of sustainability reports contradicts the phrase “greener reports, cleaner books”. In other words, the existence of sustainability disclosures does not automatically guarantee that companies do not engage in opportunistic actions. This study highlights that companies in the energy sector use sustainability reporting not only as a responsibility but also as a tool to maintain corporate image and cover opportunistic practices. In this context, this finding supports research by Nguyen (2022) that sustainability disclosure can be used as a distraction from opportunistic actions taken by companies.

The results of this study support previous research by Wardani and Santi (2018), which found that companies with high social activity participation still allow earnings management. Companies exploit the trust they have earned to conceal their opportunistic behaviours. With this public trust, management is freer to take unethical actions. Friedman (1970) argues that companies that participate in social or sustainability activities only want to benefit from the reputation and publicity they receive to maximise their profits. The results of this study are also consistent with the research of Dissanayake et al. (2023), which suggests that companies use CSR reporting to gain a positive image before the public. In addition, disclosing this information is also misused to hide earnings manipulation behaviour to achieve stakeholder expectations. The positive test direction indicates that socially responsible companies have high accruals, so companies tend to engage in earnings management practices (Amake & Akogo, 2021). Companies may conduct extensive sustainability activities to cover up some corporate actions that violate the rules. For example, the company Adaro Energy Indonesia Tbk, which manipulates profits, also discloses its sustainability report consistently from year to year. This shows that sustainability disclosure gives the impression of transparency to stakeholders even though the company is committing fraud secretly.

Angestie and Ghozali (2021) found that there was an abuse of disclosure of social responsibility information to manipulate the profits of energy sector companies in Indonesia. Companies can use sustainability reports and environmental disclosures as an image tool to cover up earnings manipulation practices that are detrimental to financial transparency and accountability. In other words, sustainability disclosures do not necessarily reflect a real commitment to sustainability but can be a strategy to distract the public and investors from harmful earnings management practices.

Research by Anh (2022) indicates a similar phenomenon in Vietnam. Even companies that consistently disclose their social activities still engage in earnings management, as evidenced by high accruals. Managers may use such reporting or disclosure to camouflage the fraudulent practice. Anh (2022) revealed that in developing countries such as Vietnam, where the legal system is immature and the law enforcement system is still weak, managers are more incentivised to disclose social activity information and use it to cover earnings manipulation. In the concept of "greener reports, cleaner

books," sustainability reporting reflects a company's real commitment to sustainability issues, not just as a tool for branding or a strategy to cover up fraudulent practices. Companies that transparently disclose sustainability reports can increase the value of their credibility and accountability in the view of stakeholders. However, this study found that sustainability disclosures are misused.

The empirical findings of this study highlight the urgency of improving the quality and monitoring of sustainability report implementation in ASEAN countries. This conclusion is evidenced by research conducted by Olivia et al. (2024), which detected greenwashing practices by companies to improve their corporate image. For example, PT Shell's 2021 financial disclosures indicated that 12% of its capital expenditure was directed towards Renewable and Energy Solutions. Conversely, an independent analysis by Global Witness found that only 1.5% of the capital expenditure was allocated. This proves that the information presented does not match the actual conditions. Therefore, improved quality can be achieved through sustainability reporting audits (Riantono, 2023), which can provide confidence to stakeholders that the information disclosed by the company is accurate, reliable, and compliant with applicable standards. Kurniawan (2018) also revealed that sustainability report audits can improve sustainability performance and evaluate the impact of the company's business activities.

4. Conclusions

The research explores the relationship between sustainability reporting and earnings management in the energy sector across five ASEAN nations. The study revealed that increased sustainability disclosure is associated with more earnings management, indicating that firms in the energy sector could be strategically manipulating their sustainability reports. These disclosures are employed as a defensive tactic to mask earnings manipulation to meet stakeholder expectations and maintain a favourable corporate image. Consequently, even energy companies that engage robustly in sustainability reporting may still be prone to earnings management practices.

Based on the findings of this study, researchers suggest that energy companies should improve the quality of sustainability disclosures to improve financial transparency and reduce earnings management practices. This research also encourages regulators to develop more effective and mandatory sustainability reporting policies for the energy sector. Regulators need to ensure there is a monitoring mechanism to ensure the quality of information disclosed. This research can be used in the literature on accounting related to sustainability disclosure and earnings management. However, this study has limitations, namely that it only considers sustainability disclosure variables so that future research can consider other variables, such as company characteristics. Future studies can analyse the influence of each dimension of sustainability, namely, environmental, social, and governance (ESG) on earnings management practices. Future research could also employ

two distinct earnings management measurement versions, enabling a comparative analysis to ascertain any observed differences. Furthermore, future research can also expand the sample and research period to increase the generalizability of the research.

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