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The Effect of Audit Quality on ESG Performance with Media Coverage as a Moderating Variable

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Abstract

Purpose – This study aims to examine the impact of audit quality on ESG performance with media coverage as a moderating variable in companies listed on the Indonesia Stock Exchange from 2020 to 2023

Design/methodology/approach –This study is causal research utilizing a quantitative approach. The population for this research includes all companies in the listed on the Indonesia Stock Exchange (IDX) for the period 2020-2023. The sampling method employed is purposive sampling.

Findings – the result of this study find that audit quality, as proxied by the Big Four, does not have a significant impact on ESG performance. However, audit fees have positive effect on ESG performance. On the other hand, the results reveal that media coverage serves as a positive, albeit non-significant, moderating variable between audit quality measured by the Big 4 and ESG performance, while it has a non-significant negative effect when audit quality is evaluated based on audit fees.

Originality/value – This study provides a novel contribution to the literature on audit quality and media coverage in relation to ESG performance. First, it enriches the existing literature on media coverage, which remains limited in emerging markets, particularly in Indonesia, by utilizing a measurement approach that differs from similar studies. Second, this research broadens the examination of media coverage which has been widely studied but has produced varying results.

Research limitations/implications – Research on the impact of audit quality and media coverage on ESG performance remains limited. Furthermore, this study also has several limitations, such as the limited number of sample and research period in this study and does not focus on specific industry. Additionally, the measurement of media coverage that is limited to the number of negative news about the company in terms of ESG without considering positive news. Future studies could explore a broader and specific range of industries, longer time periods, or different geographic regions and considering to include positive news in the measurement of media coverage to enhance the generalizability of the findings and provide deeper insights into the relationship between these factors and ESG performance.

Keywords: audit fees; audit quality; big four; ESG performance; media coverage

Article Type: Research Paper

Introduction

As economic entities, companies have responsibilities that are not limited to achieving financial gains for shareholders, but must also make positive contributions to all stakeholders and society at large (Fatmawatie, 2017). Amidst growing global challenges such as the climate crisis, social inequality, and weak corporate governance, the concept of sustainability has become an important part of modern business strategy. Therefore, companies are required to adopt sustainability principles in their operations, one of which is through the Triple Bottom Line approach (John, 1998), which covers environmental, social, and economic aspects.

As a form of responsibility and transparency in implementing sustainability practices, companies are required to prepare sustainability reports. These reports reflect a company's performance in the areas of Environmental, Social, and Governance (ESG), function as a widely adopted framework for evaluating a company's commitment to sustainability and ethical conduct (Moggi, 2023). The OECD explains that ESG is not only a measure of sustainability but also an important consideration in investment strategy and risk management. Therefore, ESG has become one of the main indicators in decision-making for investors and other stakeholders (Naomi & Akbar, 2021).

Sustainability emphasizes meeting current needs without compromising future generations' ability to do the same (Brundtland, 2017). In corporate practice, this is reflected through the Environmental, Social, and Governance (ESG) framework, which captures a company's commitment to environmental responsibility, social impact, and governance integrity. ESG has emerged as a key criterion for investors assessing long-term value and risk. A primary medium for disclosing ESG practices is the sustainability report, which communicates non-financial performance to stakeholders. As noted by Eccles & Krzus (2018), effective sustainability reporting enhances corporate legitimacy and investor trust. Similarly, Kotsantonis et al. (2016) highlight its positive impact on financial performance and risk mitigation. Thus, sustainability reports serve not only as disclosure tools but also as strategic instruments for reinforcing reputation, transparency, and long-term resilience.

Cases such as the Volkswagen greenwashing scandal (Hasan, 2025) and alleged corruption at PT. Pertamina in 2025 underscore the importance of transparency and accountability in sustainability reporting. In these cases, the companies' reputations were damaged due to information manipulation and weak governance, reflecting gaps in the ESG oversight and reporting system. Therefore, control mechanisms are needed to enhance the credibility of ESG information, one of which is through audits.

However, the implementation of ESG in Indonesia is still relatively new and not yet optimal. According to the 2021 report by the Indonesian Business Council for Sustainable Development (IBCSD), Indonesia's ESG index ranks 36th out of 47 global stock markets, reflecting the low awareness and implementation of ESG domestically (Ramadhani, 2022). Although the Indonesia Stock Exchange (IDX) has required the submission of sustainability reports since 2021 that has been regulated in POJK No. 51/POJK.03/2017 (Peraturan Otoritas Jasa Keuangan, 2017). Unfortunately, in 2022 data from the Financial Services Authority shows that many issuers have not fully complied with this regulation (Puspadini, 2024). This situation highlights the need for serious efforts to promote consistent and transparent ESG implementation.

High-quality audits are an important tool in ensuring the accuracy and transparency of sustainability reports (Myers et al., 2003). Audits conducted by independent and competent auditors, especially from the Big Four Public Accounting Firms are believed to reduce information asymmetry and enhance corporate legitimacy (Cai et al. 2024). From the perspective of legitimacy theory, such audit practices are a strategic response by companies to gain social acceptance and meet the expectations of external stakeholders by demonstrating accountability and compliance (Deegan, 2002). Del Giudice & Rigamonti (2020) state that audits of sustainability reports contribute to increased credibility and quality of ESG disclosure. High-quality audits also help companies comply with global reporting standards such as GRI and SASB, as well as strengthen the company's competitiveness and long-term value.

High quality auditors enjoy good reputations, however, they also pay greater costs along with high litigation costs and reputational damage if failures in the auditing process arise (Bedard et al., 2010). To support the statement, Chen et al. (2016) also argue that paying higher audit fees can improve audit quality because it can positively reflect the honesty and reliability of the report. Prior studies show there is positive effect of audit fees on ESG performance come along with managers can transfer the truthfulness of their ESG disclosure when they allocate more resources such as paying higher audit fees or using industry specialist auditors to obtain high audit quality (Ball et al., 2012). On the contrary, Chen et al. (2016) and Song et al. (2023) indicate that companies' involvement in social and environmental activities and initiatives correlates with lower fees.

However, previous findings regarding the relationship between audit quality and ESG performance still show mixed results. Some studies indicate a significant positive influence (Hammami & Hendijani Zadeh, 2020), while others state that the influence is not statistically significant(Cai et al., 2024). This inconsistency suggests the need for additional variables that may influence the relationship, one of which is media coverage.

Media coverage acts as an external information channel that can shape public opinion about a company's business practices. Extensive media coverage can put pressure on companies to improve their ESG performance in order to maintain their reputation and public trust (Xu et al., 2016; Burke 2022). Conversely, negative coverage can increase reputational risk and prompt companies to make improvements. Therefore, media coverage can act as a moderating variable in the relationship between audit quality and ESG performance (Moalla & Dammak, 2023a).

To address the inconsistencies in the results of previous research conducted in various countries such as China (Cai et al., 2024), the United States (Moalla & Dammak, 2023a), and Canada (Hammami & Hendijani Zadeh, 2020) which researcher see as an urgency to review this research topic and there has been no research conducted in Indonesia that discusses the impact of audit quality on ESG performance by considering the role of media coverage as a moderating variable.

This study contributes to the literature by integrating audit quality and media coverage. It builds on existing research to provide a more comprehensive understanding of the factors influencing ESG performance. It emphasizes the significance of governance factors such as internal (audit quality) and external (media coverage) in promoting sustainable business practices. This study offers a novel contribution by examining the moderating role of media coverage in the relationship between audit quality and ESG performance, a topic that remains underexplored, particularly in the Indonesian context. Unlike prior studies, this research uniquely incorporates two prominent national media sources (Kompas and Liputan6) to construct a more comprehensive proxy for media exposure, while simultaneously employing two audit quality indicators, Big Four affiliation and audit fees to capture both reputational and economic dimensions of audit services. The integration of these variables addresses a significant gap in the existing literature and provides a more nuanced understanding of how external media scrutiny interacts with audit quality to influence corporate sustainability performance.

Based on the above discussion, this study aims to analyze the influence of audit quality on ESG performance with media coverage as a moderating variable, using a sample of companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2023. This study contributes by integrating local media coverage and the use of more specific audit quality proxies in the Indonesian market context.

Literature Review

Legitimacy theory

Legitimacy theory asserts that companies have an obligation to meet society's expectations regarding their operations (Suchman, 1995a). This theory emphasizes that a company's primary goal is not only to generate profit, but also to align its actions with the norms, values, and expectations of the public and stakeholder in order to maintain ongoing societal support. Engaging in ESG activities demonstrates the company's commitment and contribution to meeting stakeholder and societal requirements (Hammami & Hendijani Zadeh, 2020). Furthermore, Suchman (1995) suggests that a company's long-term survival depends on how well it conforms to evolving societal expectations. In the context of sustainability, ESG (Environmental, Social, and Governance) disclosure functions as a strategic communication tool that signals the company's commitment to stakeholder concerns.

Therefore, even though sustainability reporting may be voluntary, many companies aim to ensure ESG transparency by engaging in high-quality audits to enhance their legitimacy (Chen et al., 2016). ESG disclosures provide stakeholders with relevant information to assess whether the company's operations align with their expectations, which can influence stakeholder responses and, ultimately, corporate performance. In the light of this, the potential misalignment between ESG initiatives and the interests of certain shareholders (Broadstock et al., 2019), the role of audit quality becomes critical as a governance mechanism. High-quality audits help ensure that ESG practices are implemented transparently and accountably, thereby minimizing information asymmetry and reinforcing corporate reputation. This, in turn, supports the protection of shareholder rights and promotes the effective execution of ESG-related strategies. Additionally, the media, as a secondary but influential stakeholder, plays a critical role in shaping public perception through its coverage of ESG-related issues

Jiang et al. (2023) provide support for legitimacy theory by illustrating how companies engage in greenwashing practices related to carbon information and utilize carbon disclosures as a means to secure legitimacy. Managers play a key role in selecting which aspects of carbon-related data are disclosed to the public. Their findings also reveal that companies operating in low-carbon industries are more inclined to use carbon disclosures as a governance mechanism, while those in high-carbon sectors are more likely to face legitimacy pressures and thus have stronger motivations to manage their environmental image. Similarly, Hammami & Hendijani Zadeh (2020) argue that both institutional theory and legitimacy theory offer theoretical frameworks for understanding corporate motivations behind ESG disclosures. Institutional theory, which emphasizes the company–stakeholder relationship, can be applied to examine the role of ESG practices within the broader context of economic governance (Brammer et al., 2012). In line with this, Albitar et al. (2023) find that companies focusing on strong corporate governance and ESG performance tend to present more positive CSR narratives, which can enhance their reputation and strengthen stakeholder engagement.

ESG Performance

Sustainability report has become an essential element of corporate accountability, as mandated by POJK 51/POJK.03/2017 issued by Indonesia's Financial Services Authority, which requires companies to submit annual sustainability reports covering environmental, social, and governance (ESG) aspects. These reports are in line with international frameworks such as the Global Reporting Initiative (GRI, 2020), which defines sustainability reporting as a means of communicating a firm's environmental, social, and economic responsibilities to stakeholders. ESG itself represents a conceptual framework that evaluates how companies manage their environmental impact, fulfill social obligations, and apply ethical governance practices (Kim & Li, 2021). In practice, ESG performance is quantified through ESG scores, which are derived from sustainability disclosures, financial reports, regulatory filings, and media analysis (Friede et al., 2015). These scores are increasingly used by investors and regulators as a proxy for a company's sustainability commitment and risk profile, with high ESG scores associated with lower business risks, stronger reputations, and greater market attractiveness.

ESG performance is broadly categorized into three core dimensions: environmental, social, and governance performance, which together reflect a company's alignment with long-term sustainability principles (He et al., 2024). A well-implemented ESG strategy allows companies to effectively anticipate and manage long-term risks and opportunities, promoting sustainable decision-making and stakeholder trust. ESG reporting, while often voluntary, is considered a form of strategic disclosure that enhances transparency and aligns corporate actions with stakeholder expectations (Gharchia & Mindosa, 2023). Environmental performance refers to corporate efforts to mitigate ecological impact through initiatives such as carbon emission reduction, renewable energy usage, waste management, and pollution control (Aulia & Agustina, 2015). Companies that actively disclose their environmental practices not only contribute to global sustainability efforts but also enhance their brand image and regulatory compliance. These disclosures signal the company's seriousness in integrating environmental stewardship into its business model.

Social and governance performance are equally crucial in reinforcing a firm's ethical and responsible image. Social performance encompasses corporate responsibility in areas such as employee welfare, community engagement, human rights, and occupational safety (Mubarak et al., 2019). Companies that excel in social performance tend to earn stronger public trust and stakeholder loyalty. Governance performance, on the other hand, reflects the implementation of good corporate governance principles including board effectiveness, transparency, ethical behavior, and internal control mechanisms (Siew Yee et al., 2018). Effective governance structures are essential to mitigating agency problems, ensuring regulatory compliance, and safeguarding stakeholder interests. Together, the three ESG pillars form a comprehensive indicator of corporate sustainability, guiding both corporate strategy and investor decision-making in an increasingly accountable global business environment.

Audit Quality

Based on POJK No. 29/POJK.04/2016, all issuers or companies listed on the Indonesia Stock Exchange (IDX) are required to be audited by a Public Accounting Firm registered with the Financial Services Authority. This regulation aims to ensure that financial information disclosed by companies is reliable, credible, and can be used by stakeholders, particularly investors, in making economic decisions. The credibility of such information is highly dependent on audit quality, which refers to the level of assurance that financial statements are free from material misstatements and present a true and fair view of the company's financial condition (DeAngelo, 1981) t High-quality audits enforce compliance with accounting standards, reduce reporting bias, and constrain managerial discretion (DeFond & Zhang, 2014). In this context, audit quality not only enhances the transparency of corporate reporting but also contributes significantly to the company's public image and investor confidence.

Audit quality can be measured through several proxies, most notably auditor reputation and audit fees. Auditor reputation is often associated with engagement of the Big Four accounting firms—PwC, Deloitte, EY, and KPMG—which are considered to uphold higher audit standards, possess extensive international networks, and exhibit greater independence and competence in audit practices (Zahid et al., 2022). In parallel, audit fees are also recognized as an indicator of audit quality, as higher fees may reflect greater auditor effort, engagement complexity, or the hiring of more reputable auditors (DeFond & Zhang, 2014; Chen et al., 2016). Furthermore, the magnitude of audit fees may be influenced by multiple factors such as the auditor's reputation (Francis, 1984), firm size, and operational complexity of the auditee (Gerrard et al., 1994b). Larger companies with more diversified operations—indicated by total assets, receivables, inventories, and investments—tend to require more extensive audit procedures, thus incurring higher audit fees. These two proxies together offer an effective approach to evaluating audit quality and its role in enhancing the credibility of financial disclosures.

Media Coverage

Media coverage refers to the news and public exposure disseminated by mass media channels—such as newspapers, television, and digital platforms—about a business, organization, or individual (Cai et al., 2024) Beyond merely reporting facts, the media plays a crucial role in shaping public perception, reputation, and opinion. According to Geng et al. (2023), media coverage can encourage companies to enhance their performance by publicizing their activities to various stakeholders, thereby motivating greater transparency and accountability in corporate reporting (Liu & McConnell, 2013). As public attention increases through media exposure, companies face higher reputational risks, which in turn prompt them to act more ethically and maintain socially responsible business practices.

Furthermore, media coverage serves as a mechanism for reducing information asymmetry between companies and their stakeholders. Liu & McConnell (2013) highlight the media's function as an intermediary source of information, helping stakeholders gain better access to company performance data and evaluate whether managerial actions align with stakeholder interests. From a governance perspective, the media can also act as an external monitoring agent that constrains managerial opportunism (Abreu Passos et al.,2024). Alfariz & Widiastuti (2021) emphasize that media scrutiny can create psychological pressure on companies, leading them to increase disclosures, particularly regarding social initiatives. In this way, media coverage contributes significantly to fostering ethical, transparent, and socially accountable corporate behavior.

The Effect of Audit Quality (Big Four) on ESG Performance

Legitimacy theory, as proposed by Suchman (1995), emphasizes that companies seek to align themselves with prevailing social values and norms in order to be recognized as legitimate actors within society. This alignment extends beyond merely fulfilling shareholder interests, encompassing broader responsibilities toward various stakeholders. One key form of accountability is the transparent disclosure of both financial and non-financial information, such as sustainability reports. The credibility of these disclosures relies heavily on audit quality, which ensures the integrity of the information presented. In this context, audit quality is often measured using proxies such as auditor reputation. Rajgopal et al. (2021) argue that auditors from the Big Four—Deloitte, PwC, EY, and KPMG—possess superior resources, methodologies, and global networks that contribute to more rigorous, independent, and reliable audit outcomes. These firms are widely regarded for their professionalism and adherence to high standards, which in turn enhance the quality of corporate disclosures.

The reputation and expertise of Big Four auditors exert pressure to maintain independence and uphold audit integrity, especially in the context of sustainability reporting (Saeed et al., 2024).. High-quality audits conducted by the Big Four increase stakeholder trust and improve the reliability of ESG disclosures. Cai et al. (2024) highlight that the use of Big Four auditors can reduce information asymmetry between management and stakeholders, thereby encouraging more robust ESG practices. Saeed et al. (2024) further note that the Big Four's investments in audit technology strengthen the credibility of corporate responsibility efforts. Empirical evidence from Chung et al. (2024) supports this view, showing that ESG performance improves significantly when sustainability reports are audited by Big Four firms. These findings support the formulation of the first hypothesis in this study.

H1: Audit Quality (Big Four) has a positive effect on ESG Performance.

The Effect of Audit Quality (Audit Fees) on ESG Performance

Auditing has traditionally concentrated on financial statements; however, the increasing relevance of sustainability has prompted companies to emphasize the reliability of their sustainability reports. These reports, which include environmental, social, and governance (ESG) dimensions, are now viewed not only as a form of corporate accountability but also as a strategic investment tool to attract stakeholders and ensure business continuity (Nazir et al., 2022). In line with legitimacy theory, credible sustainability disclosures serve as a mechanism to maintain public trust and enhance a company's legitimacy. Nonetheless, preparing such reports poses challenges, particularly in ensuring their transparency and accuracy. As a result, many companies are willing to allocate higher audit fees to secure trustworthy assurance on sustainability-related information, reinforcing their commitment to ESG values and strengthening investor confidence.

Empirical studies support the notion that higher audit fees are associated with better audit quality, which in turn positively influences the credibility of ESG reporting. Companies often pay premium audit fees to ensure that their sustainability reports meet stakeholder expectations for accuracy and transparency (Chen et al., 2016; Asante-Appiah & Lambert, 2023). High-quality audits improve the reliability of ESG disclosures, thereby enhancing corporate reputation and accountability (Hammami & Hendijani Zadeh, 2020). Moreover, auditors from highly reputable firms incur significant costs related to litigation and reputational risk, which motivates them to uphold stricter audit standards and minimize the likelihood of audit failures (Bedard et al., 2010). Based on this theoretical and empirical foundation, the second hypothesis of this study is proposed:

H2: Audit Quality (Audit Fees) has a positive effect on ESG Performance.

The Role of Media Coverage in Moderating Audit Quality and ESG Performance

Media coverage refers to the dissemination of news and publicity about an organization, business, or individual through platforms such as newspapers, magazines, television, or online channels (Rodsevic, 2024). When a company involved in controversy or scandal is placed under public scrutiny, the media spotlight can significantly influence external audit processes. Auditors tend to apply more rigorous procedures and allocate additional time to validate the integrity of financial and non-financial disclosures, including ESG reporting. Consequently, these heightened efforts are often reflected in increased audit fees. . Moalla & Dammak, (2023) note that higher audit fees are commonly used to support comprehensive and credible ESG disclosures, ultimately enhancing the perceived quality and trustworthiness of corporate reports.

Del Giudice & Rigamonti, (2020) emphasize that third-party verification, such as external audits, is crucial to reduce information asymmetry between management and stakeholders. According to legitimacy theory, companies must provide accurate and transparent disclosures to maintain their legitimacy, particularly when public trust is at stake. The study finds that when companies undergo scandals, those with audited sustainability reports experience minimal changes in ESG scores, while unaudited reports tend to suffer significant declines. This indicates that audit assurance serves as a stabilizing mechanism that can protect ESG reputation in times of crisis.

Building on this, Moalla & Dammak (2023) explain that media coverage plays a moderating role in the relationship between audit quality and ESG performance. Companies receiving high media attention are more vulnerable to reputational damage, prompting auditors to exercise greater caution and professional diligence. Under such circumstances, auditors are incentivized to maintain higher audit quality to mitigate the potential risks associated with audit failures or negative media exposure.

In light of the above studies, it is evident that media coverage significantly influences corporate accountability and audit behavior. Cai et al. (2024) further support the inclusion of media coverage as a moderating variable, arguing that it amplifies public and institutional pressure for enhanced sustainability performance. This is particularly relevant in the intersection of audit quality and ESG reporting. Therefore, the following hypotheses are proposed:

H3a: Media Coverage moderates the relationship between Audit Quality (Big Four) and ESG Performance.

H3b: Media Coverage moderates the relationship between Audit Quality (Audit Fees) and ESG Performance.

Methods

This study is causal research using a quantitative approach. The aim of the research is to identify the effects among three variables and to provide an explanation of the relationships and impacts among these variables: audit quality as independent variables, while ESG Performance is the dependent variable and media coverage as moderating variable. This research utilizes a quantitative approach to analyze data, interpreting the collected information to reach conclusions (Sekaran & Bougie, 2016).

The study's population comprises all companies within ESG Score from Refinitive Eikon that are listed on the Indonesia Stock Exchange (IDX) for the years 2020 – 2023. The sampling method used is purposive sampling, where samples are selected based on specific criteria related to the data required. The sample criteria are presented in Table 1 below.

Table 1 Sampling Criteria

No.	Description	Total
1	Companies that have gone public and are listed on the Indonesia Stock Exchange (IDX) and have an ESG Score on Refinitiv Eikon from 2020 to 2023.	47
2	Companies that publish annual reports and financial statements from 2020-2023, which are stated in Indonesian Rupiah (IDR)	(9)

3	Companies with no complete data related to all variables used in this study	(5)
	Number of sample	33
	Total sample (×4 years)	132

Source: Processed data by the researcher, 2025

1. ESG Performance
   ESG performance is measured based on non-financial information disclosed by companies through sustainability reports. Although such reports are voluntary and not subject to legally binding standards, several global initiatives have been introduced to promote more structured and reliable non-financial reporting (Eccles et al., 2011). In this study, ESG performance is assessed using ESG scores obtained from Refinitiv Eikon, which calculates the arithmetic average of three components: Environmental, Social, and Governance scores (London Stock Exchange Group, 2024). The ESG score ranges from 0 to 100, with higher scores indicating stronger ESG performance and lower scores reflecting weaker sustainability practices.

2. Big Four
   The term *Big Four* refers to the four largest global professional service firms—Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY), and KPMG—which dominate the international accounting market (Lewis, 2012). These firms provide a broad range of services, including auditing, tax advisory, consulting, valuation, and legal support. Engaging a Big Four auditor is often associated with higher credibility and transparency in corporate reporting. In this study, the presence of a Big Four auditor is measured using a dummy variable (Magri & Marchini, 2024):
   a. Companies audited by a Big Four firm are assigned a value of 1
   b. Those audited by non-Big Four firms are assigned a value of 0.

3. Audit Fees
   Audit fees refer to the compensation paid by a company to external auditors for the provision of audit services. The magnitude of audit fees can vary across companies and is influenced by several factors, including the reputation of the auditor, the size of the audited company (auditee), and the complexity of the auditee's operations (Francis, 1984; Gerrard et al., 1994). Auditors with strong reputations, particularly those affiliated with the Big Four, tend to charge higher fees due to their extensive expertise, rigorous audit procedures, and perceived audit quality. Similarly, larger companies or companies with more complex financial structures typically require more comprehensive audit procedures, leading to higher audit costs. In this study, audit fees are sourced from the companies' annual reports and are transformed using the natural logarithm to normalize the data and reduce scale differences. The audit fee variable is denoted as:

   AUDFEE = Ln (Audit Fees)

4. Media Coverage
   Media coverage is news from a media published by the mass media to an event, phenomenon, person, brand, or organization, so that it can shape public perception, reputation, or opinion that include in 24 aspects in ESG Controversy (London Stock Exchange Group, 2024). The measurement method refers to the formulation developed by Qi et al.,(2014) as follows:

   $$\boldsymbol{MEDCOit = MED_1 + MED_2}$$

   Description:
   *MEDCO*it : Total media coverage of company's controversy ESG i in year t
   MED_1 : Total online media of ESG controversy sourced from liputan6.com

MED_2 : Total online media ESG controversy sourced from kompas.com

The panel data regression model used in this study is as follows:

$$ESGit = \alpha + \beta 1 BIG4it + \beta 2 AUDFEEit + \beta 3 BIG4it*MEDCOVit + \beta 4\ AUDFEEit*MEDCOVit + \varepsilon$$

Results and Discussion

Overview of Research Objects

This study employed a purposive sampling method with specific criteria. Out of 47 companies, 14 did not meet the criteria, resulting in a final sample of 33 companies met the specified criteria, resulting in 132 observations to be analyzed over a four-year period. The companies listed during the 2020–2023.

Descriptive Analysis

Table 2 shows the results of the descriptive statistics. For the dependent variable, ESG performance (ESG) shows a minimum value of 19.73284, while the maximum value obtained is 87.42169. The average value is 55.63000 with a standard deviation of 17.30843. These values indicate that most companies have relatively high ESG scores with moderate variation. For the audit fees (AUDFEE) variable show a minimum value of 19.33897, while the maximum value is 25.51076. The average value is 22.49679 with a standard deviation of 1.304863. With a median value of 22.59495, which indicates that the median value is greater than the mean value, this describes a left-skewed data distribution. Meanwhile, for big four (BIG4) shows a minimum value of 0, while the maximum value is 1. The average value is 0.863636 with a standard deviation of 0.344482. With a median value of 1. This indicates that the data for the institutional ownership variable is less varied. For moderating variable, Media Coverage with minimum value of 0 and a maximum value of 19. The average value is 2.901515 with a standard deviation of 3.761719. With a median value of 1, which indicates that the median value is smaller than the mean value, it describes a right-skewed data distribution.

Table 2 Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
ESG	132	55.630000	17.30843	19.73284	87,42169
AUDFEE	132	22.59495	1.304863	19,33897	25.510076
BIG4	132	0.863636	0.344482	0.000000	1.000000
MEDCOV	132	2.901515	3.761719	0.000000	19.00000

Source: Processed data by the researcher, 2025

In this study, panel data regression uses the Random Effect Model (REM) as the estimation model. The aim is to identify the relationship between independent variables, namely audit quality as proxied by big four and audit fees, the dependent variable, which is ESG performance and media coverage as moderating variable. The results of the Random Effect Model (REM) regression are shown in Table 3.

Table 3 Result of Panel Data Regression Model (REM)

Variables		Exp. Sign	Model
Constant	Coef.		-60.61349
	Prob.		0.0976
AUDFEE	Coef.	+	5.000621
	Prob.		0.0036
BIG4	Coef.	+	4.612305
	Prob.		0.4415
MEDCOV	Coef.	+	6.095428
	Prob.		0.3989
BIG4*MEDCOV	Coef.	+	0.788494
	Prob.		0.2647
AUDFEE*MEDCOV	Coef.	+	-0.299333
	Prob.		0.3653
Adjusted R-squared			0.080028
Prob. (F-statistic)			0.008104

Source: Processed data by the researcher, 2025

Based on Table 3, the results of the panel data regression equation are as follows:

TQit = -60.61349it + 4.612305BIG4it + 5.000621AUDFEEit + 6.095428MEDCOVit + 0.788494BIG4it*MEDCOVit – 0.299333AUDFEEit*MEDCOVit + εit

1. Constant term is -60.61349 indicates the expected ESG performance (ESG) value when all independent variables, namely audit quality and media coverage, are zero
2. Coefficient of Audit Quality as proxied by big four (BIG4) is 4.612305 indicates that ESG performance is influenced by changes in audit quality, both through affiliation with the Big Four. Each one-unit increase in the Big Four variables is associated with an increase in ESG performance of 4.612305.
3. Coefficient of Audit Quality as proxied by audit fees (AUDFEE) is 5.000621 coefficient indicates that ESG performance is influenced by changes in audit quality, through the size of the audit fee. Each one-unit increase in the audit fee variables is associated with an increase in ESG performance of 5.000621 points.
4. Coefficient of Media Coverage is 6.095428 coefficient describes the relationship between media coverage and ESG performance. Each one-unit increase in media coverage will cause ESG performance to decline by 6.095428, ceteris paribus (assuming other variables remain constant).
5. Interaction between Audit Quality (Big4) and Media Coverage with coefficient 0.788494. This coefficient measures the effect of the interaction between audit quality as measured by the big four and media coverage on ESG performance. The relationship between the Big Four and ESG performance may vary depending on the amount of media coverage. This positive coefficient means that if media coverage is greater, the positive impact of the Big Four on ESG performance increases
6. Interaction between audit quality (AUDFEE) and media coverage with coefficient -0.299333. This coefficient measures the interaction effect between audit quality, as measured by audit fees and media coverage on ESG performance. The relationship between audit fees and ESG performance may vary depending on the amount of media coverage. This negative coefficient indicates that as media coverage increases, the positive impact of the Big Four on ESG performance decreases.

Coefficient of Determination Test

The coefficient of determination (R^2) is used to measure the extent to which the model used can explain the variation in the independent variable relative to the dependent variable. Based on Table 3, the adjusted R-squared value obtained is 0.080028, which means that only about 8.00% of the variation in the dependent variable can be explained by the variation in the independent variable and the moderator variable included in the regression model. Thus, 92.00% of the variation in the dependent variable is caused by factors outside the model, which were not analyzed in this study.

F-Test

The F-test is a statistical tool commonly applied in panel data regression analysis to evaluate whether the independent variables used in a model jointly exert a significant influence on the dependent variable. This test assesses the overall significance of the regression model by comparing the probability value of the F-statistic (Prob. F-statistic) to a predetermined significance level ($\alpha = 0.05$). If the p-value is less than 0.05, it indicates that the independent variables collectively have a statistically significant effect on the dependent variable. Conversely, a p-value equal to or greater than 0.05 suggests that there is insufficient evidence to confirm a joint influence of the independent variables. Based on the results presented in Table 4, the Prob(F-statistic) is 0.008104, which is below the 0.05 threshold. Therefore, it can be concluded that the regression model is statistically significant, meaning that all independent variables in the model collectively influence the dependent variable.

Hypothesis Test

The hypothesis testing in this study uses partial tests (t-tests). The t-statistic test is conducted to determine the partial effect of the independent variables, namely audit quality as proxied by big four and audit fees, on the dependent variable, which is ESG performance with media coverage as moderating variable.

Based on table 4 The Big Four variable has a regression coefficient of 4.612305 with a p-value of 0.4415 since the p-value is greater than the significance level of 0.05, the relationship is not statistically significant. Therefore, it can be concluded that the Big Four variable does not have a significant effect on ESG performance, so the first hypothesis (H1) is rejected.

The audit fees variable has a regression coefficient of 5.000621 with a p-value of 0.0036. This positive coefficient indicates a positive relationship between audit fees and ESG performance. With a p-value less than the significance level of 0.05, the relationship can be considered statistically significant. Thus, it can be concluded that the audit fees variable significantly affects ESG performance, so the second hypothesis (H2) is accepted.

The moderating variable, namely the interaction between Media Coverage and the Big Four, has a regression coefficient of 0.788494. This positive coefficient value indicates that media coverage plays a role in strengthening the relationship between the Big Four and ESG performance. However, the p-value of 0.2647, which exceeds the significance level of 0.05, indicates that the interaction is not statistically significant. Therefore, it can be concluded that the interaction between media coverage and the Big Four does not have a significant effect on ESG performance, so the third hypothesis (H3a) is rejected

The moderating variable, namely the interaction between media coverage and audit fees, has a regression coefficient of -0.299333. This negative coefficient value indicates that media coverage plays a role in weakening the relationship between audit fees and ESG performance. The p-value of 0.3653, which exceeds the significance level of 0.05, indicates that the interaction is not statistically significant. Therefore, it can be concluded that the interaction between media coverage and audit fees does not have a significant effect on ESG performance, so the fourth hypothesis (H3b) is rejected.

Robustness Check

To assess the reliability of the main regression results, a robustness check was conducted by introducing Return on Assets (ROA) as a control variable. ROA was selected based on its theoretical and empirical relevance in prior ESG disclosure research, where firm profitability is recognized as a determinant of a company's capacity to engage in and report on sustainability practices (Cucari et al., 2018; Yu et al., 2018). As noted by Hammami & Hendijani Zadeh (2020), ROA controls for firm-specific financial performance, which may influence ESG transparency. The regression model was re-estimated by adding ROA to the previous specification

Table 4 Robustness Check with Additional RAO as Control Variable

Variables		Exp. Sign	Model
Constant	Coef.		-60.89511
	Prob.		-1.663807
AUDFEE	Coef.	+	5.009428
	Prob.		0.0037
BIG4	Coef.	+	4.545664
	Prob.		0.4521
MEDCOV	Coef.	+	6.329632
	Prob.		0.3965
BIG4*MEDCOV	Coef.	+	0.806237
	Prob.		0.2647
AUDFEE*MEDCOV	Coef.	+	-0.309865
	Prob.		0.3640
ROA	Coef.	+	1.819428
	Prob.		0.8962
Adjusted R-squared			0.115224
Prob. (F-statistic)			0.016425

Source: Processed data by the researcher, 2025

The results showed that the coefficient signs and significance levels of the key independent and moderating variables remained consistent, with only marginal changes in magnitude. The audit fees variable (AUDFEE) continued to have a positive and significant impact on ESG performance, while the Big Four affiliation (BIG4) remained statistically insignificant. The interaction terms between media coverage and both audit quality proxies (BIG4 and AUDFEE) also retained their signs, albeit still statistically insignificant. Importantly, the inclusion of ROA led to an improvement in the adjusted R-squared, indicating a better explanatory power of the model. This confirms that the initial findings are robust to the inclusion of profitability as a control variable, suggesting that the relationship between audit quality, media coverage, and ESG performance is not confounded by differences in firm-level profitability.

Discussion

Effect of Big Four on ESG Performance

Based on the hypothesis test, H1 is rejected because the research data from Indonesia shows that the big four does not impact ESG performance. This outcome may be attributed to the widespread use of Big Four auditors among the sampled companies, reducing the variability needed to detect a significant effect. Additionally, many companies may utilize Big Four services as a symbolic strategy to bolster their legitimacy in the eyes of external stakeholders, without necessarily committing to substantive improvements in sustainability practices. According to legitimacy theory, organizations strive to align their operations with prevailing social norms to maintain public approval and institutional support (Suchman, 1995). Employing a prestigious auditor may serve as a signal of credibility; however, this does not always reflect a genuine commitment to ESG principles.

Furthermore, although Big Four firms are globally recognized for their audit quality and independence, their expertise primarily lies in ensuring compliance with financial reporting standards rather than evaluating non-financial ESG dimensions. These results are in line with institutional theory, which explains that the existence of legitimacy pressure is influenced by external parties (Meyer & Rowan, 1977). Use of the Big Four According to DiMaggio & Powell (1983), many organizations follow practices such as using the Big Four because of coercive (regulatory pressure), mimetic (imitating competitors), or normative (professional standards) factors. However, these decisions are often symbolic and do not always reflect substantive changes in internal company practices, including sustainability practices. As argued by Zahid et al. (2022), good audit quality does not inherently equate to stronger ESG performance, as ESG involves broader considerations such as environmental stewardship, labor practices, and ethical governance. Several studies have documented instances where companies audited by Big Four firms still face ESG controversies, suggesting that auditor reputation alone is insufficient to guarantee sustainability performance. These findings are consistent with Saeed et al. (2024) and Cai et al. (2024), who report similar results in the context of Chinese companies, where no regulatory requirement for using Big Four services may contribute to weak ESG oversight. In contrast, Dakhli (2022) presents opposing evidence, indicating that Big Four auditors can positively influence ESG outcomes, underscoring the need for further contextual and regulatory considerations in examining this relationship.

Effect of Audit Fees on ESG Performance

Based on the hypothesis test, H2 is accepted because the research data from Indonesia shows that the audit fees have impact on ESG performance. The findings of this study align with the research conducted by Chen et al. (2016) which suggests that companies are willing to pay higher audit fees as a strategic effort to enhance the credibility and transparency of their financial and non-financial disclosures. By investing in more rigorous audit services, companies aim to strengthen stakeholder confidence—particularly that of investors and the public—regarding the reliability of their reports. This behavior reflects the principles of legitimacy theory, which emphasizes the importance of aligning corporate actions with societal expectations in order to maintain organizational legitimacy and ensure long-term sustainability. In this context, high audit fees serve as a signal of corporate commitment to accountability and transparency.

Further supporting this perspective, Zhang et al. (2023) find that companies with strong ESG practices often incur higher audit costs due to the increased audit risk associated with verifying complex non-financial disclosures. These companies require more in-depth audit procedures, leading to greater resource allocation and the involvement of highly professional audit teams. The willingness to bear such costs illustrates the strategic role of audit quality in ESG reporting. High audit fees, therefore, not only represent financial expenditure but also reflect a company's proactive approach to ensuring accurate and trustworthy ESG disclosures that meet the expectations of stakeholders and regulatory bodies.

The Influence of Media Coverage in Moderating the Relationship between Audit Quality (Big Four & Audit Fees) and ESG Performance

Based on the hypothesis test, H3a and H3b are rejected because the research data from Indonesia shows that the media coverage does not moderate in the relationship between audit quality and ESG performance. Theoretically, increased media attention is expected to intensify public scrutiny and thereby reinforce the positive impact of audit quality on ESG practices. In this framework, media coverage functions as an external monitoring mechanism that, although independent from the firm's internal governance structure, can exert substantial pressure on companies to act transparently and ethically.

These findings suggest that the role of media coverage as an external control mechanism remains limited in the Indonesian context, particularly in enhancing the impact of audit quality on ESG outcomes. One plausible explanation lies in the varying levels of media independence and professionalism across the country. While companies may receive extensive media attention, the content of coverage often lacks critical analysis, objectivity, or a specific focus on ESG-related issues. Consequently, the ability of media to function as a credibility-enhancing agent for ESG performance is undermined. Additionally, the present study only incorporates ESG controversy indicators—primarily negative news—without accounting for neutral or positive coverage. This narrow measurement approach may distort the true moderating role of media, especially in shaping public perception of a firm's environmental and social accountability.

In relation to legitimacy theory, ESG disclosure serves as a strategic communication tool through which companies seek to obtain and maintain societal legitimacy. The mass media, as an independent channel of public information, is theoretically expected to disseminate sustainability-related content that holds companies accountable and aligns them with social expectations (He et al., 2024). However, the empirical evidence in this study reveals a disconnect between normative theoretical assumptions and practical realities. Media coverage in Indonesia, as currently observed, does not significantly enhance the transparency or credibility of ESG practices, nor does it amplify the effectiveness of audit quality. This gap suggests that the content, framing, and focus of media reports must evolve to better capture the full spectrum of corporate sustainability efforts and serve their intended role within the legitimacy framework.

These results are partially consistent with Cai et al. (2024), who found a positive yet statistically insignificant moderating effect of media coverage on the relationship between Big Four audits and ESG performance. Interestingly, their study also reported a significant negative moderating effect of media coverage on the audit fees and ESG relationship, a finding that was not replicated in this study. Instead, media coverage in this research was found to moderate the audit fees and ESG relationship negatively, but insignificantly. Moreover, the findings diverge from Moalla & Dammak (2023), whose study emphasized a stronger and statistically significant moderating role of media coverage in amplifying the impact of audit quality on sustainability outcomes. These mixed results indicate that further exploration is needed, particularly by incorporating more nuanced media variables, such as the tone, frequency, and content depth of coverage, to better understand the conditions under which media can influence ESG reporting and assurance practices.

Conclusion

Based on the research findings and the testing of the hypotheses proposed earlier using a panel data regression model. There are several limitations to this study as follows:

1. Due to the limited number of companies that have ESG scores, there are limitations in the research sample, which does not focus on specific industries.
2. In this study, there are limitations in measuring media coverage, which is only based on two online news sources, namely Kompas and Liputan6.
3. This study only has an Adjusted R value of 9.50%. This indicates that there are other variables not used in this study that have a significant influence on ESG performance.

In light of the limitations identified in this study, future research is encouraged to expand and refine the current framework of which are:

1. Researchers are advised to categorize sampled firms by industry, as sectoral differences may influence ESG outcomes due to varying operational and regulatory contexts.
2. The assessment of media coverage should go beyond merely quantifying ESG-related controversies; incorporating positive news or employing techniques such as sentiment analysis could yield a more nuanced understanding of the media's influence as an external governance mechanism.
3. Future studies may consider utilizing alternative proxies for audit quality—such as audit tenure, auditor size, or other relevant indicators—to strengthen the depth and robustness of the analysis.

The findings of this study offer several practical implications can be presented as follow:

1. There is an urgent need to enhance the transparency and comprehensiveness of ESG disclosures among Chinese companies. This calls for regulatory authorities to enforce mandatory ESG reporting that is both structured and informative.
2. To improve the credibility of ESG-related disclosures, it is essential that such reports be subject to independent audits, thereby reinforcing investor trust.
3. Regulators are encouraged to establish standardized criteria for evaluating ESG disclosures, which aligns with global sustainability objectives and enables the formulation of clear policy frameworks that guide corporate ESG engagement.
4. The significant influence of audit fees on ESG performance as identified in this study, companies should treat audit fees as a strategic consideration, ensuring the engagement of independent and rigorous audit processes. Lastly, companies are advised to proactively manage their media presence, both to build a positive public image and to mitigate reputational risks associated with adverse media coverage, thereby supporting their overall sustainability efforts.

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