ABSTRACT

This study aims to examine the effect of Third-Party Sustainability Assurance (TPSA) on Environmental, Social, and Governance (ESG) performance, investigate the moderating role of the Sustainability Committee (SC) in this relationship, and analyze whether the effect of TPSA on ESG performance differs between high-emission and low-emission companies listed on the Indonesia Stock Exchange (IDX). This study is motivated by the inconsistent findings regarding the effectiveness of TPSA in improving ESG performance, particularly in developing countries, as well as the relatively low adoption rate of sustainability assurance in Indonesia.

This study employs an unbalanced panel dataset consisting of 182 firm-year observations from 39 non-financial companies listed on the IDX during the 2020–2024 period. ESG scores, Sustainability Committee data, and control variables were obtained from Refinitiv Eikon, while TPSA data were manually collected from the companies' annual reports and sustainability reports. Hypotheses 1 and 2 were tested using the Fixed Effect Model with robust standard errors, whereas Hypothesis 3 was examined using the split-sample approach by separating companies into high-emission and low-emission groups.

The results indicate that TPSA does not have a significant effect on ESG performance, and the Sustainability Committee does not moderate the relationship between TPSA and ESG performance. However, the Sustainability Committee has a positive direct effect on ESG performance. Furthermore, TPSA has a positive and significant effect on ESG performance among low-emission companies but does not have a significant effect among high-emission companies. These findings suggest that the effectiveness of TPSA in improving ESG performance depends on a firm's emission intensity, indicating that the benefits of sustainability assurance are more pronounced for companies with lower emission levels.

Keywords: *Third-Party Sustainability Assurance, Sustainability Committee, ESG Performance, Emission Intensity, Indonesia Stock Exchange.*