FINANCIAL PERFORMANCE, GOVERNANCE MECHANISMS, AND INDUSTRY PROFILE AS DRIVERS OF SUSTAINABILITY REPORT DISCLOSURE

Abstract

This study examines the influence of financial performance, governance mechanisms, and industry profile on sustainability report disclosure among manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The financial performance variables include profitability, leverage, and corporate activity, while the governance variables include the independent board of commissioners and audit committee. Industry profile is represented by company size and industrial type. The study uses secondary data obtained from annual reports, financial statements, and sustainability reports. A purposive sampling technique was applied, resulting in 52 manufacturing companies and 156 firm-year observations. Sustainability report disclosure was measured using the Global Reporting Initiative disclosure index, while the data were analyzed using multiple linear regression. The results show that profitability, leverage, independent board of commissioners, company size, and industrial type have positive and significant effects on sustainability report disclosure. In contrast, corporate activity and audit committee do not have a significant effect. These findings indicate that firms with stronger financial capacity, higher external financing pressure, stronger independent supervision, larger size, and higher industry visibility tend to provide broader sustainability disclosures. The study supports the relevance of stakeholder theory and legitimacy theory in explaining sustainability reporting practices among Indonesian manufacturing companies.

Keywords: Profitability, Leverage, Independent Board of Commissioners, Company Size, Industry Type, Sustainability Report Disclosure.

Introduction

Sustainability reporting has become an increasingly important issue in global business practices over the last decade. Companies are no longer expected to focus solely on maximizing profits and financial performance, but are also required to demonstrate accountability regarding environmental, social, and governance (*Environmental, Social, and Governance/ESG*) aspects. This development reflects growing global awareness that business sustainability is essential for maintaining long-term corporate performance and stakeholder trust.

A sustainability report is a report that not only presents financial performance but also provides non-financial information related to environmental preservation, social responsibility, employee welfare, community development, and corporate governance practices. Sustainability reporting reflects the implementation of the *Triple Bottom Line* concept, which emphasizes three important dimensions of sustainability: economic, social, and environmental performance. Through sustainability disclosure, companies are expected to communicate their commitment to sustainable business practices and responsible corporate behavior. The increasing importance of sustainability reporting is closely related to the growing number of environmental and social issues caused by corporate activities, particularly within manufacturing industries. Manufacturing companies are categorized as *high-profile industries* because their operational activities directly affect environmental sustainability through industrial waste, carbon emissions, energy consumption, and natural resource exploitation. Consequently, manufacturing companies face greater public scrutiny and stakeholder pressure regarding sustainability accountability compared to other industries.

In Indonesia, several environmental pollution cases involving manufacturing companies have intensified public concern regarding sustainability practices. One notable case occurred in 2022 involving PT Rayon Utama Makmur and PT Pajitex, which were allegedly responsible for disposing liquid waste and fly ash that polluted residential areas surrounding the companies. As a result, local communities and environmental organizations urged the Ministry of Environment and Forestry to impose sanctions and investigate the companies' environmental reports. This phenomenon demonstrates that manufacturing companies increasingly need to maintain legitimacy from society by ensuring that their operational activities align with environmental norms and stakeholder expectations.

This condition reinforces the relevance of legitimacy theory, which explains that companies seek legitimacy from society by ensuring that their activities are perceived as socially acceptable and consistent with prevailing social values and norms. Sustainability reports therefore function as legitimacy instruments through which companies demonstrate accountability regarding environmental and social responsibility. Companies that fail to maintain legitimacy may experience reputational damage, declining public trust, and increased stakeholder pressure.

In addition, stakeholder theory explains that companies must consider the interests of various stakeholders rather than focusing solely on shareholders. Sustainability reports function as strategic communication tools that improve transparency regarding corporate environmental and social performance, thereby strengthening relationships between companies and stakeholders. The growing importance of sustainability reporting is also influenced by increasing investor attention toward ESG performance. Investors currently evaluate companies not only based on profitability but also based on sustainability performance and ESG disclosure quality. Companies with better sustainability disclosure are generally perceived as having lower long-term risk and better corporate governance quality. Research conducted by Grewal and Serafeim, (2020) found that ESG disclosure practices positively influence corporate reputation and investor confidence.

In response to these developments, the Indonesian government strengthened sustainability reporting regulations through Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan/POJK*) No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This regulation encourages listed companies to publish sustainability reports as part of sustainable finance implementation and corporate transparency practices.

Furthermore, the Indonesia Stock Exchange (IDX) reported in 2025 that approximately 873 listed companies, representing around 97% of public companies, had submitted sustainability reports through the IDX disclosure system. However, despite the increasing number of sustainability reports submitted by public companies, the quality and comprehensiveness of sustainability disclosure remain inconsistent. The Indonesia Stock Exchange noted that many companies still face challenges related to ESG data transparency, carbon emission disclosure, and quantitative sustainability indicators. This condition indicates that sustainability reporting practices among Indonesian companies remain heterogeneous. This phenomenon demonstrates the importance of investigating factors influencing sustainability report disclosure. Differences in sustainability disclosure quality among companies indicate that several corporate characteristics may affect sustainability reporting practices. Previous studies have identified financial performance, corporate governance, and company characteristics as important determinants of sustainability disclosure.

Research conducted by Palwaguna and Setijaningsih, (2025) found that profitability and leverage positively influence sustainability report disclosure because financially strong companies possess greater resources to support sustainability activities and disclosure practices. Companies with stable profitability are more capable of financing environmental and social programs, which are subsequently disclosed through sustainability reports. Different findings were reported by Damayanty et al., (2022), who found that firm size and company activities positively affect sustainability report disclosure. The study explained that companies with larger operational activities and greater asset management capabilities tend to disclose sustainability information more extensively because they experience stronger stakeholder visibility and legitimacy pressure.

Corporate governance mechanisms such as independent boards of commissioners and audit committees are also considered important determinants of sustainability reporting because they enhance monitoring effectiveness and improve corporate transparency. However, previous studies examining sustainability report disclosure determinants have produced inconsistent findings regarding the influence of profitability, leverage, governance mechanisms, company size, and industrial type on sustainability disclosure.

In addition, most previous studies have focused on mixed industrial sectors or financial institutions, while studies specifically examining manufacturing companies listed on the Indonesian Stock Exchange remain relatively limited. This condition creates a research gap requiring further investigation, particularly because manufacturing companies possess high environmental sensitivity and stronger ESG pressure compared to low-profile industries. Therefore, this research aims to examine the influence of profitability, leverage, company activities, independent board of commissioners, audit committee, company size, and industrial type on sustainability report disclosure among manufacturing companies listed on the Indonesian Stock Exchange during the 2021–2023 period using GRI Standards as the disclosure framework.

This research is expected to provide practical contributions for corporate management by emphasizing the importance of sustainability disclosure in improving corporate transparency, legitimacy, and stakeholder trust. Additionally, this study contributes to the sustainability reporting literature by providing empirical evidence regarding the determinants of sustainability report disclosure among Indonesian manufacturing companies facing increasing ESG pressure and sustainability demands.

Theoritical Framework and Hypothesis Developmen

Stakeholder Theory

Stakeholder theory introduced by Freeman and Vea, (2021) explains that companies are responsible not only to shareholders but also to all stakeholders affected by corporate activities, including investors, creditors, employees, government, and society. This theory emphasizes that companies need to maintain good relationships with stakeholders through transparency and accountability.

In the context of this research, sustainability report disclosure is considered a strategic instrument used by companies to provide information regarding environmental, social, and governance (ESG) performance to stakeholders. Manufacturing companies, as high-profile industries, face greater stakeholder pressure because their operational activities directly impact the environment and society. Therefore, companies with strong financial performance, effective corporate governance, larger company size, and high environmental exposure tend to disclose sustainability information more extensively to meet stakeholder expectations and maintain stakeholder trust.

Several previous studies support stakeholder theory in explaining sustainability disclosure practices. Thomas et al., (2020) found that profitability and leverage positively influence sustainability report disclosure because companies with good financial performance possess greater resources to fulfill stakeholder expectations through sustainability activities and disclosure. Damayanty et al., (2022) also found that company size and company activities positively affect sustainability report disclosure due to stronger stakeholder visibility and public pressure faced by larger companies.

Furthermore, Sonia and Khafid, (2020) revealed that audit committees and profitability positively influence sustainability reporting practices because governance mechanisms improve corporate transparency and accountability toward stakeholders. Similarly, Ramadhan et al., (2023) found that audit committees and boards of directors significantly influence sustainability report disclosure practices.

Legitimacy Theory

Legitimacy theory explains that companies continuously seek legitimacy from society to ensure business continuity. Companies are expected to operate in accordance with societal norms, values, and expectations. When corporate activities potentially threaten environmental or social sustainability, companies may experience legitimacy pressure from stakeholders and society.

In this research, sustainability report disclosure is viewed as a legitimacy mechanism used by companies to demonstrate accountability regarding environmental and social responsibilities. Manufacturing companies generally face stronger legitimacy pressure because their operational activities are closely associated with environmental impacts such as waste, emissions, and pollution. Therefore, companies tend to disclose sustainability information more comprehensively to maintain corporate reputation, gain public acceptance, and strengthen legitimacy in the eyes of stakeholders and society.

Legitimacy theory is supported by several previous studies. Haris and Negoro, (2021) found that company activities and company size influence sustainability report disclosure because companies with larger operational activities experience stronger legitimacy pressure from society. Likewise, Satria et al., (2023) stated that larger companies and high-profile industries tend to disclose sustainability information more extensively to maintain legitimacy and corporate reputation.

In addition, Putri and Marsono, (2025) found that industrial type positively influences sustainability report disclosure because companies operating in environmentally sensitive industries face greater societal scrutiny and legitimacy pressure. (Ulfa et al., 2025) also found that independent boards of commissioners and profitability significantly influence sustainability report disclosure practices, indicating that governance mechanisms play an important role in maintaining corporate legitimacy.

Hypothesis Development

The Influence of Profitability on *Sustainability Report Disclosure*

Profitability reflects a company's ability to generate profits through the effective utilization of assets, capital, and operational activities. A high level of profitability indicates that the company has strong financial performance and greater financial capability to support both operational activities and sustainability initiatives. In the context of sustainability reporting, companies with higher profitability tend to possess more sufficient resources to implement sustainability-related programs, such as: environmental management, energy efficiency, carbon emission reduction, social responsibility programs and comprehensive sustainability reporting practices. Moreover, highly profitable companies generally face greater stakeholder pressure to demonstrate accountability regarding the profits they generate. Therefore, companies are encouraged to disclose sustainability information as a form of transparency and accountability toward stakeholders.

Based on stakeholder theory, companies are required to fulfill stakeholders' information needs not only regarding financial performance but also regarding environmental and social responsibilities. Companies with higher profitability are more likely to disclose broader sustainability information because they possess adequate financial resources to meet stakeholder expectations through sustainability activities and sustainability reporting practices. Meanwhile, legitimacy theory explains that companies with strong profitability tend to maintain social legitimacy by demonstrating that the profits earned are not solely used for economic purposes but are also allocated to support environmental and social sustainability. Sustainability reports therefore become an important mechanism for companies to gain and maintain legitimacy from society.

Empirically, Thomas et al., (2020) found that profitability positively influences sustainability report disclosure because more profitable companies have greater capability to finance sustainability activities and related disclosures. Similarly, Ramadhan et al., (2023) found that profitability significantly affects sustainability report disclosure, indicating that companies with higher profits tend to improve sustainability transparency in order to maintain corporate reputation among stakeholders. Furthermore, Ulfa et al., (2025) found that profitability positively affects sustainability report disclosure in food and beverage companies in Indonesia. The study suggests that higher profitability encourages companies to disclose sustainability information more extensively.Based on the theoretical explanation and previous empirical findings, it can be concluded that companies with higher profitability tend to disclose sustainability reports more extensively than companies with lower profitability. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H1: Profitability has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The Influence of Leverage on Sustainability Report Disclosure

Leverage reflects the extent to which a company utilizes debt to finance its operational and investment activities. Companies with high leverage generally face greater pressure from creditors and investors because higher debt levels increase financial risk and the possibility of default. Consequently, companies with higher leverage are expected to provide more transparent information regarding their financial and non-financial performance, including sustainability-related information. In the context of sustainability reporting, leverage is closely associated with corporate accountability and transparency toward stakeholders. Companies with higher debt levels tend to disclose broader sustainability information in order to reduce information asymmetry between management and creditors, increase stakeholder confidence, and maintain corporate reputation.

Based on stakeholder theory, companies are required to fulfill the information needs of stakeholders, including creditors and investors. Creditors are increasingly concerned not only with financial performance but also with environmental, social, and governance (ESG) risks that may affect the company's long-term sustainability and ability to repay obligations. Therefore, companies with high leverage tend to disclose sustainability reports more extensively to demonstrate accountability and strengthen stakeholder trust. Meanwhile, legitimacy theory explains that companies with high leverage may experience greater legitimacy pressure from external parties because creditors and investors demand transparency regarding the company's sustainability practices and risk management. Sustainability report disclosure is therefore used as a legitimacy mechanism to assure stakeholders that the company operates responsibly and is capable of maintaining long-term business sustainability despite having significant debt obligations.

Empirically, Thomas et al., (2020) found that leverage positively influences sustainability report disclosure because companies with higher leverage levels tend to provide broader sustainability information to reduce stakeholder concerns regarding corporate risk. Similarly, Sonia and Khafid, (2020) found that leverage affects sustainability reporting practices due to increasing pressure from creditors and investors for greater corporate transparency.

However, several previous studies reported inconsistent findings regarding the relationship between leverage and sustainability report disclosure. Nioko and Hendrani, (2024) found that leverage negatively affects sustainability report disclosure because highly leveraged companies tend to prioritize financial stability rather than sustainability disclosure activities. These inconsistent findings indicate that the relationship between leverage and sustainability reporting remains an important issue requiring further investigation. Based on the theoretical explanation and previous empirical findings, it can be concluded that leverage may influence the extent of sustainability report disclosure conducted by companies. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H2: Leverage has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The Influence of Company Activities on *Sustainability Report Disclosure*

Company activities reflect the company's operational effectiveness in utilizing its assets to generate sales and support business performance. Company activities are commonly measured using activity ratios, which indicate how efficiently a company manages and utilizes its resources in carrying out operational activities.

Companies with higher operational activities generally have broader business operations, greater stakeholder exposure, and higher public visibility. As a result, these companies tend to face stronger pressure from stakeholders and society regarding transparency and accountability, including disclosure related to environmental, social, and governance (ESG) practices.

Based on stakeholder theory introduced by Freeman (1984), companies are expected to fulfill stakeholders' information needs through transparent disclosure practices. Companies with extensive operational activities interact more intensively with stakeholders such as investors, creditors, customers, suppliers, employees, government, and local communities. Therefore, companies with higher activity levels are more likely to disclose sustainability information more comprehensively in order to maintain stakeholder trust and strengthen corporate reputation. Furthermore, legitimacy theory explains that companies with larger operational activities generally have greater environmental and social impacts. Companies with high operational intensity are more exposed to legitimacy pressure because their business activities are more visible to the public and potentially create environmental and social consequences. Consequently, sustainability report disclosure becomes an important mechanism for companies to demonstrate accountability and maintain legitimacy from society.

Manufacturing companies, as high-profile industries, often face stronger legitimacy pressure because their operational activities involve industrial production, energy consumption, waste generation, carbon emissions, and natural resource utilization. Therefore, companies with higher operational activities tend to disclose sustainability information more extensively in order to justify their operations and maintain positive relationships with stakeholders.

Empirically, Damayanty et al., (2022) found that company activities positively influence sustainability report disclosure because companies with effective asset management and extensive operational activities tend to disclose broader sustainability information. Similarly, Haris and Negoro, (2021) found that company activities significantly affect sustainability reporting practices due to greater public exposure and stakeholder pressure faced by companies with larger operational activities.

Recent studies also support this relationship. Satria et al., (2023) found that company activities positively influence sustainability report disclosure because companies with higher operational intensity tend to improve sustainability transparency in order to maintain corporate image and legitimacy. In addition, Nioko and Hendrani, (2024) found that operational activities significantly affect sustainability report disclosure, indicating that companies with broader operational activities face greater pressure to disclose sustainability information comprehensively.

Furthermore, research conducted by Putri and Marsono, (2025) showed that companies operating in high-profile industries with extensive operational activities tend to disclose sustainability information more broadly due to increasing ESG pressure from investors and society. Likewise, Eriandani and Evangelia, (2024) found that company operational characteristics and business complexity influence the quality of sustainability disclosure practices among Indonesian public companies.

Based on the theoretical explanation and previous empirical findings, it can be concluded that companies with higher operational activities are more likely to disclose sustainability reports more extensively.

H3: Company Activities have a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The influence of the Independent Board of Commissioners on *Sustainability Report Disclosure*

The Independent Board of Commissioners is an important component of corporate governance that functions to supervise and monitor management performance in order to ensure that corporate activities are conducted transparently, responsibly, and in accordance with stakeholder interests. Independent commissioners are expected to provide objective oversight because they do not have direct affiliations with management, controlling shareholders, or other parties that may create conflicts of interest.

In the context of sustainability reporting, the Independent Board of Commissioners plays an essential role in encouraging companies to improve transparency and accountability regarding environmental, social, and governance (ESG) practices. Independent commissioners are expected to strengthen monitoring effectiveness and ensure that companies not only focus on financial performance but also fulfill their social and environmental responsibilities.

Based on stakeholder theory introduced by Freeman (1984), companies are responsible not only to shareholders but also to all stakeholders affected by corporate activities. Stakeholders increasingly demand transparency regarding corporate sustainability practices, including environmental protection, social responsibility, employee welfare, and governance quality. Therefore, the Independent Board of Commissioners is expected to encourage broader sustainability disclosure in order to fulfill stakeholder information needs and maintain stakeholder trust. Furthermore, legitimacy theory explains that companies continuously seek legitimacy from society by ensuring that their operational activities align with social norms, values, and expectations. Companies with stronger governance mechanisms, including independent commissioners, tend to disclose sustainability information more comprehensively in order to maintain legitimacy and corporate reputation. Sustainability report disclosure is therefore viewed as a legitimacy mechanism used to demonstrate corporate accountability regarding environmental and social issues.

Manufacturing companies, as high-profile industries, face stronger legitimacy pressure because their operational activities directly affect environmental sustainability through emissions, industrial waste, energy consumption, and natural resource utilization. Consequently, independent commissioners are expected to strengthen oversight regarding sustainability practices and encourage companies to disclose sustainability information more extensively.

Empirically, previous studies support the important role of the Independent Board of Commissioners in sustainability reporting practices. Sonia and Khafid, (2020) found that corporate governance mechanisms positively influence sustainability report disclosure because effective monitoring increases transparency and accountability toward stakeholders. Similarly, Ramadhan et al., (2023) found that boards of directors and governance structures significantly influence sustainability reporting practices among Indonesian companies.

Recent studies also demonstrate the importance of independent commissioners in improving sustainability disclosure quality. Ulfa et al., (2025) found that the Independent Board of Commissioners positively and significantly affects sustainability report disclosure because independent commissioners enhance corporate oversight and encourage greater sustainability transparency. Likewise, Eriandani and Evangelia, (2024) found that governance mechanisms, including board independence, influence the quality of sustainability disclosure and materiality assessment practices among public companies in Indonesia.

In addition, research conducted by Velte, (2020) showed that board independence positively affects ESG disclosure quality because independent boards improve monitoring effectiveness and reduce information asymmetry between management and stakeholders. Raimo et al., (2021) also found that board independence enhances sustainability disclosure practices because independent commissioners encourage companies to adopt greater transparency regarding sustainability performance.

Furthermore, Buallay, (2022) explained that companies with stronger governance mechanisms tend to provide higher-quality sustainability disclosure because effective governance improves corporate accountability and ESG transparency. Similarly, Fayad et al., (2022) found that board characteristics positively influence integrated reporting quality because effective board oversight improves transparency and disclosure practices.

Based on the theoretical explanation and previous empirical findings, it can be concluded that the Independent Board of Commissioners is expected to encourage broader sustainability report disclosure through stronger monitoring, transparency, and corporate accountability practices. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H4: The Independent Board of Commissioners has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The Influence of the Audit Committee on *Sustainability Report Disclosure*

The Audit Committee is an important corporate governance mechanism that functions to assist the Board of Commissioners in overseeing financial reporting quality, internal control effectiveness, risk management, compliance, and corporate transparency. The existence of an effective Audit Committee is expected to strengthen corporate accountability and improve the quality of both financial and non-financial disclosures, including sustainability reporting. In the context of sustainability reporting, the Audit Committee plays a significant role in ensuring the credibility, transparency, and reliability of environmental, social, and governance (ESG) disclosures. The Audit Committee is expected to encourage management to disclose sustainability information comprehensively and in accordance with applicable reporting standards such as the Global Reporting Initiative (GRI).

Based on stakeholder theory introduced by Freeman, (1984), companies are responsible not only to shareholders but also to all stakeholders affected by corporate activities. Stakeholders increasingly demand transparent information regarding corporate sustainability performance, environmental responsibility, social contribution, and governance quality. Therefore, the Audit Committee is expected to encourage broader sustainability disclosure in order to fulfill stakeholder information needs and reduce information asymmetry between management and stakeholders. Furthermore, legitimacy theory explains that companies continuously seek legitimacy from society by ensuring that their operational activities comply with societal norms and expectations. Sustainability reporting is considered a legitimacy mechanism through which companies demonstrate accountability regarding environmental and social issues. The Audit Committee strengthens this legitimacy process by enhancing transparency, monitoring disclosure practices, and ensuring that sustainability information is properly communicated to stakeholders.

Manufacturing companies, as high-profile industries, face stronger environmental and social scrutiny because their operational activities directly affect environmental sustainability through emissions, waste generation, energy consumption, and natural resource exploitation. Consequently, the Audit Committee is expected to improve oversight regarding sustainability practices and encourage broader sustainability disclosure in order to maintain corporate legitimacy and reputation.

Empirically, previous studies support the role of the Audit Committee in sustainability reporting practices. Sonia and Khafid, (2020) found that the Audit Committee positively influences sustainability report disclosure because stronger governance mechanisms improve corporate transparency and accountability toward stakeholders. Similarly, Ramadhan et al., (2023) found that the Audit Committee significantly affects sustainability report disclosure practices among Indonesian companies.

Recent studies also demonstrate the important role of Audit Committees in improving ESG transparency. Satria et al., (2023) found that companies with more effective Audit Committees tend to disclose sustainability information more comprehensively due to stronger monitoring and governance quality. Likewise, Nioko and Hendrani, (2024) found that the Audit Committee positively influences sustainability report disclosure because governance oversight encourages companies to improve sustainability transparency. Furthermore, Eriandani and Evangelia, (2024) found that corporate governance mechanisms, including Audit Committees, significantly influence the quality of sustainability disclosure and materiality assessment practices among Indonesian public companies. Ulfa et al., (2025) also found that governance quality, including the effectiveness of the Audit Committee, contributes positively to sustainability report disclosure practices.

International studies also support this relationship. Velte, (2020) stated that effective corporate governance mechanisms, including Audit Committees, improve sustainability disclosure quality because stronger governance enhances monitoring effectiveness and stakeholder accountability. Raimo et al., (2021) found that governance quality positively affects ESG disclosure practices because companies with stronger oversight mechanisms are more likely to provide transparent sustainability information. Similarly, Buallay, (2022) explained that Audit Committees play a crucial role in improving ESG disclosure quality because they strengthen transparency and corporate accountability regarding sustainability practices.

However, previous studies have also shown inconsistent findings regarding the influence of the Audit Committee on sustainability reporting practices. Some studies found significant positive effects, while others found insignificant relationships. These inconsistent findings indicate that the relationship between the Audit Committee and sustainability report disclosure remains an important issue requiring further investigation, particularly in manufacturing companies operating in high-profile industries.

Based on the theoretical explanation and previous empirical findings, it can be concluded that the Audit Committee is expected to encourage broader sustainability report disclosure through stronger monitoring, transparency, and corporate accountability practices. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H5: The Audit Committee has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The Influence of company size on *Sustainability Report Disclosure*

Company size reflects the scale and operational capacity of a company, which is commonly measured using total assets, total sales, or market capitalization. Larger companies generally possess greater economic resources, more complex operational activities, broader stakeholder exposure, and higher public visibility compared to smaller companies. As a result, large companies tend to face stronger pressure from stakeholders and society to disclose comprehensive information regarding their environmental, social, and governance (ESG) practices.

In the context of sustainability reporting, larger companies are more likely to disclose sustainability information extensively because they have greater financial capability, more sophisticated reporting systems, and stronger public accountability. Large companies also tend to receive greater scrutiny from investors, regulators, media, environmental organizations, and society regarding the social and environmental impacts of their operations.

Based on stakeholder theory introduced by Freeman (1984), companies are responsible for fulfilling stakeholders' information needs, including information related to sustainability performance. Larger companies generally interact with a wider range of stakeholders and therefore experience greater pressure to maintain transparency and accountability. Consequently, large companies are more likely to disclose sustainability reports in order to strengthen stakeholder trust and reduce information asymmetry. Furthermore, legitimacy theory explains that companies continuously seek legitimacy from society by ensuring that their activities align with social norms, values, and expectations. Large companies generally receive greater public attention because their operational activities have more significant economic, environmental, and social impacts. Therefore, sustainability report disclosure becomes an important legitimacy mechanism used by companies to demonstrate corporate responsibility and maintain public acceptance.

Manufacturing companies, as high-profile industries, face substantial environmental and social pressure due to industrial waste, carbon emissions, energy consumption, and natural resource utilization. Larger manufacturing companies are therefore expected to disclose sustainability information more comprehensively in order to maintain legitimacy, corporate reputation, and stakeholder confidence.

Empirically, previous studies have shown that company size positively influences sustainability report disclosure. Damayanty et al., (2022) found that company size significantly affects sustainability report disclosure because larger companies possess more resources and stronger public accountability regarding sustainability practices. Similarly, Haris and Negoro, (2021) found that firm size positively influences sustainability reporting because large companies face greater stakeholder and societal pressure to disclose sustainability information.

Recent studies also support this relationship. Satria et al., (2023) found that company size positively influences sustainability report disclosure because larger companies tend to improve sustainability transparency to maintain corporate image and investor confidence. Likewise, Nioko and Hendrani, (2024) found that firm size significantly affects sustainability reporting practices among Indonesian public companies. Furthermore, Ulfa et al., (2025) found that larger companies disclose sustainability reports more extensively because they have greater capability to implement ESG practices and sustainability initiatives. Putri and Marsono, (2025) also found that firm size positively affects sustainability report disclosure because larger firms experience stronger legitimacy pressure from stakeholders and society.

International studies similarly support the positive relationship between company size and sustainability disclosure. Velte, (2020) explained that larger firms tend to provide broader sustainability disclosure because they possess greater organizational resources and face stronger external monitoring pressure. Tsang et al., (2023) also stated that company size is one of the most consistent determinants of ESG disclosure practices because large companies are more exposed to stakeholder expectations and sustainability-related risks. In addition, Bhatia and Marwaha, (2022) found that larger companies tend to achieve higher ESG disclosure scores because they possess stronger governance structures and more developed sustainability reporting systems. Fayad et al., (2022) also explained that larger firms are more likely to improve reporting quality and integrated disclosure practices due to increasing public scrutiny and stakeholder demand for transparency.

However, previous studies have also shown inconsistent findings regarding the relationship between company size and sustainability report disclosure. Some studies found positive and significant effects, while others reported insignificant relationships. These inconsistent findings indicate that the influence of company size on sustainability report disclosure remains an important issue for further investigation, particularly in manufacturing companies operating in emerging markets such as Indonesia. Based on the theoretical explanation and previous empirical findings, it can be concluded that larger companies are more likely to disclose sustainability reports more extensively. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H6: Company Size has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

The Influence of Industrial Type on *Sustainability Report Disclosure*

Industrial type reflects the characteristics of a company's business activities and the extent to which its operations potentially affect the environment and society. In sustainability reporting studies, industries are generally classified into high-profile and low-profile industries. High-profile industries are industries with high public visibility and significant environmental and social impacts, such as manufacturing, mining, energy, chemical, and transportation industries. Meanwhile, low-profile industries generally have lower environmental exposure and receive less public scrutiny.

Companies operating in high-profile industries tend to face greater pressure from stakeholders, regulators, environmental organizations, investors, and society to disclose sustainability information comprehensively. These companies are often associated with environmental issues such as carbon emissions, industrial waste, pollution, energy consumption, and natural resource exploitation. Consequently, companies in high-profile industries are more likely to disclose sustainability reports extensively in order to maintain corporate reputation and legitimacy.

Based on stakeholder theory introduced by Freeman (1984), companies are required to fulfill stakeholders' information needs, including information related to environmental, social, and governance (ESG) performance. Companies operating in high-profile industries generally interact with more diverse stakeholders and face stronger stakeholder pressure regarding sustainability practices. Therefore, these companies tend to disclose sustainability reports more broadly in order to maintain stakeholder trust and reduce information asymmetry. Furthermore, legitimacy theory explains that companies continuously seek legitimacy from society by ensuring that their operational activities align with social norms and public expectations. High-profile industries are more vulnerable to legitimacy threats because their activities are directly associated with environmental degradation and social issues. Sustainability report disclosure is therefore used as a legitimacy mechanism to demonstrate that companies operate responsibly and comply with societal expectations regarding sustainability.

Manufacturing companies, as high-profile industries, often receive greater public attention because their operational activities involve industrial production, energy utilization, waste generation, carbon emissions, and environmental risk exposure. Therefore, manufacturing companies are expected to disclose sustainability information more comprehensively in order to maintain legitimacy and strengthen corporate reputation.

Empirically, previous studies have demonstrated that industrial type significantly influences sustainability report disclosure. Putri and Marsono, (2025) found that industrial type positively affects sustainability report disclosure because companies operating in environmentally sensitive industries tend to disclose sustainability information more extensively due to higher stakeholder pressure and legitimacy concerns. Similarly, Haris and Negoro, (2021) found that companies operating in industries with greater environmental exposure tend to disclose broader sustainability information because they face stronger public scrutiny and stakeholder expectations. Damayanty et al., (2022) also explained that companies with extensive operational activities and greater environmental exposure are more likely to improve sustainability disclosure practices.

Tsang et al., (2023) stated that industrial sensitivity is one of the major determinants of ESG disclosure because companies operating in environmentally sensitive industries tend to experience stronger pressure from investors and regulators regarding sustainability transparency. Likewise, Velte, (2020) explained that companies in high-profile industries generally disclose sustainability information more comprehensively because they face higher reputational and legitimacy risks. In addition, Bhatia and Marwaha, (2022) found that companies operating in industries with high ESG exposure tend to achieve higher ESG disclosure scores due to stronger governance pressure and public visibility. Buallay, (2022) also stated that companies operating in industries with greater sustainability risk tend to improve sustainability reporting quality to maintain stakeholder confidence and corporate reputation.

Furthermore, Fayad et al., (2022) found that companies with greater public exposure and operational complexity tend to improve integrated reporting quality because stakeholders increasingly demand transparency regarding sustainability performance. Eriandani and Evangelia, (2024) also explained that firm characteristics and industry-related exposure significantly influence sustainability disclosure quality among Indonesian public companies. However, previous studies have also shown inconsistent findings regarding the influence of industrial type on sustainability report disclosure. Some studies found a significant positive effect, while others reported insignificant relationships. These inconsistent findings indicate that industrial type remains an important variable for further investigation, particularly in manufacturing companies listed on the Indonesia Stock Exchange.

Based on the theoretical explanation and previous empirical findings, it can be concluded that companies operating in high-profile industries are more likely to disclose sustainability reports more extensively than companies operating in low-profile industries. Based on the hypothesis development above, the hypothesis in this study is formulated as follows:

H7: Industrial Type has a positive influence on Sustainability Report Disclosure in manufacturing companies listed on the Indonesia Stock Exchange.

Conseptual Framework

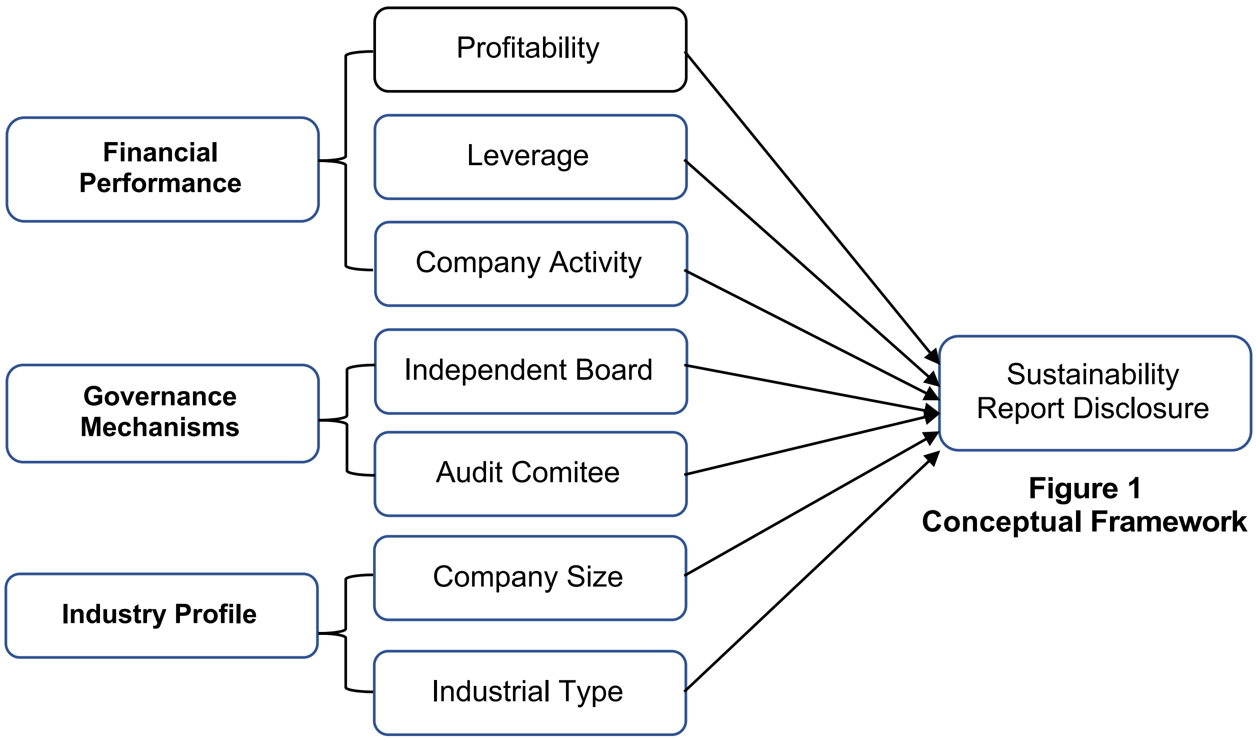

Figure 1
Conceptual Framework

3. Research Methode Sampling Technique

3.1 Sampling Technique

The sample in this study was determined using a purposive sampling method, namely a sampling technique that selects companies (objects) based on the boundaries determined by the researcher. The boundaries used are: 1) Manufacturing Companies registered on the IDX in 2021-2023; 2) Companies that do not publish *sustainability report* separately or combined with *annual report* on the IDX and on the company's official website in 2021-2023; 3) Companies that do not use the GRI index standard *sustainability report* 2021-2023..

3.2 Variables and Operational Definitions of Variables

Table 1 : Operational Definition and Measurement

Operational Definition	Measurement
Sustainability Report Disclosure (SRD) Sustainability Report Disclosure is the disclosure of economic, environmental, social, and governance (ESG) information by a company to provide transparency and	The measurement uses the Global Reporting Initiative (GRI) indicators, which consist of 145 disclosure items covering general (60), economic (13), environ mental (32), and social aspects (40).

accountability regarding its sustainability performance to stakeholders (GRI, 2021).	$$SRD = \frac{Total\ Item\ Disclosure}{145\ Item\ GRI}$$
Profitability (P) Profitability is a ratio used to assess a company's ability to earn profit and measure the effectiveness of management in managing company operations. (Kasmir, 2019)	Profitability is described through return on assets (ROA) which is measured through: $$ROA = \frac{Net\ Income}{Total\ Assets}$$
Leverage (L) leverage is a ratio used to measure how far company assets are financed by debt and the company's ability to meet its financial obligations. (Kasmir, 2019)	This leverage variable is described through the debt to equity ratio (DER) which is measured through: $$L = \frac{Total\ Liabilities}{Total\ Equity}$$
Independent Board of Commissioners (IBC) According to Financial Services Authority (OJK), the Independent Board of Commissioners is a member of the board of commissioners who has no financial, management, ownership, or family relationship with other board members, directors, or controlling shareholders, allowing them to supervise the company independently and objectively.	The Independent Board of Commissioners variable is measured by the proportion of independent commissioners who have no affiliation with major shareholders, directors, or other board members. $$IBC = \frac{Total\ Independent\ Board\ of\ Commisisoners}{Total\ Board\ of\ Commissioners}$$
Corporate Activities (CA) Corporate activity is a measure of a company's operational efficiency in managing and utilizing its assets to support business activities.	In this study, corporate activity is measured using the inventory turnover ratio, which reflects the efficiency of inventory management and the company's ability to optimize working capital invested in inventory. $$CA = \frac{Sales}{Inventory}$$
Audit Committee (AC) Audit Committee is a committee established by the independent board of commissioners to support management	In this study, the audit committee is measured using a ratio scale based on the number of audit committee meetings held within one year**, where** a higher frequency indicates stronger supervisory intensity.

oversight and ensure that corporate governance is conducted in accordance with applicable regulations and principles.	Σ = Frequency of Audit Committee Meeting in 1 year period
Company Size (CS) Company Size refers to the scale of a company that reflects its overall capacity and resources.	In this study, company size is measured using a **ratio scale based on the natural logarithm of total assets**, where larger values indicate a bigger firm size. $SIZE = Ln\ (Total\ Assets)$
Industrial Type	Industrial type was measured using a dummy variable, where companies categorized as high-profile industries were assigned a value of 1, while companies categorized as low-profile industries were assigned a value of 0. The industry classification refers to the study conducted by Hackston and Milne (1996), which classifies industries based on environmental sensitivity and public visibility.

3.3. Classical Assumption Test
The classical assumption test consists of the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test (Ghozali, 2021).

3.4. Multiple Linear Regression Analysis
Multiple linear regression analysis aims to calculate and/or estimate the population mean or the mean value of the dependent variable based on the previous value of the independent variable (Ghozali, 2021). The multiple linear regression model used is:

$$SRD = \alpha + \beta 1P + \beta 2L + \beta 3CA + \beta 4IBC + \beta 5AC + \beta 6CS + \beta 7IT$$

Where :

SRD : Sustainability Report Disclosure
P : Profitability
L : Leverage
CA : Company Activity
IBC : Independent Board of Commissioners
AC : Audit Commitee
CS : Company Size
IT. : Industrial Type

4. Result
4.1 Descriptive Statistics
The following are the results of the descriptive statistical analysis presented in table 3 as follows:

Table 2
Descriptive Analysis Results

Variabel	N	Minimum	Maximum	Mean	Std Deviasi
Profitability (P)	156	-.20	.31	.09	.07
Leverage (L)	156	.05	3.93	.78	.71
Activity Copporate (AC)	156	1.04	29.56	7.46	4.8
Independent Board of Commissioners (IBC)	156	.25	.83	.44	.12
Audit Committee (AC)	156	1	35	6.82	5.13
Company size (CS)	156	25.61	33.73	29.34	1.67
Industrial Type (IT)	156	0	1	.88	.32
Sustainability Report Disclosure (SRD	156	.48	.75	.58	.05

Source: secondary data, 2025 (processed)

Table 2 presents the descriptive statistics of the study variables based on 156 observations of manufacturing companies. Overall, the data show variation across all variables, indicating heterogeneous firm characteristics in the sample.

Profitability (P) has a mean value of 0.09 with a standard deviation of 0.07. The minimum value (-0.203) indicates that some firms experienced losses, while the maximum value (0.31) reflects relatively high profitability in certain firms. This suggests that the sample includes firms with varying financial performance conditions.

Leverage (L) shows a mean of 0.78 with a standard deviation of 0.71. The wide range between the minimum (0.05) and maximum (3.93) indicates substantial differences in capital structure across firms, where some companies rely heavily on debt financing.

Corporate activity CA) as a mean value of 7.46 and a relatively high standard deviation of 4.8, with values ranging from 1.04 to 29.56. This indicates significant variation in operational efficiency among firms, suggesting differences in asset utilization and inventory turnover performance.

The proportion of independent commissioners (IBCs) hows a mean of 0.44, meaning that on average around 44% of the board consists of independent members. The values range from 0.25 to 0.83, indicating variation in governance structure quality across firms.

The audit committee variable has a mean of 6.82 with a standard deviation of 5.13, with values ranging from 1.04 to 35.

Company size (CS) has a mean value of 29.34 with a standard deviation of 1.67. The minimum value (25.61) and maximum value (33.73) indicate variations in firm scale among the sampled companies. This suggests that the sample includes both relatively smaller and larger manufacturing firms, although overall firm size tends to be moderately concentrated around the mean.

Industrial type (IT) has a mean value of 0.88 with a standard deviation of 0.32. The minimum value (0) and maximum value (1) indicate that the variable is measured as a dummy variable, distinguishing between high-profile and low-profile industries. The mean value suggests that most companies in the sample belong to high-profile industries, which are generally more exposed to environmental and social scrutiny.

Sustainability Report Disclosure shows a mean value of 0.5782 with a standard deviation of 0.05. The minimum value (0.48) and maximum value (0.75) indicate relatively moderate variation in disclosure levels among firms. This suggests that while sustainability reporting practices are present across all companies, the extent of disclosure varies, with some firms providing more comprehensive sustainability information than others.

4.2. Result of Classical Assumption Test

4.2.1. Normality Test

The following presents the results of the normality test with the Kolmogo rov-Smirnov statistical test in table 4 as follows:

Tabel 3
Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized residual
N		156
Normal	Mean	.0000000
Parameter	Std. Deviation	.02112935
Most Extreme Differences	Absolute	.07
	Positive	.07
	Negative	-.05
Asymp. Sig (2Tailed)		.07

Based on the results of the Kolmogorov-Smirnov (K-S) test in table 3 it can be seen that the significant value (Asymp. Sig. 2-tailed) is 0.073 > 0.05. This shows that the data is normally distributed, so the regression model is feasible to use.

4.2.2. Multicollinearity Test

The following are the results of the multicollinearity test presented in table 5 as follows:

Table 4.
Multicollinearity Test Result

Variable	Collinearity Statistics	
	Tolerance	VIF
Profitability (P)	.83	1.21
Leverage (L)	.78	1.28
Activity Copporate (AC)	.84	1.19
Independent Board of Commissioners (IBC)	.81	1.24
Audit Committee (AC)	.90	1.11
Company size (CS)	.88	1.13
Industrial Type (IT)	.82	1.23

Source: research data processed (2025)

Based on table 4 above, it can be seen that all variables have a tolerance value greater than 0,10 and VIF value less than 10. So it can be concluded that all independent variables are free from multicollinearity cases.

4.2.3. Autocorrelation Test

The following are the results of the autocorrelation test presented in table 6 as follows:

Table 5
Autocorrelation Test Result

Model	R	R Square	Adjusted R Square	Std Error of The Estimate	Durbin Watson
1	.89	.80	.79	.022	2.11

Source: research data processed (2025)

Table 5 shows that the model has met the assumption of being free from autocorrelation cases. This is indicated by the Durbin-Watson value of 1.868 which is between 1.833 < 2.113 < 2.167

4.2.4. Heteroscedasticity Test

The heteroscedasticity test assesses whether there is an inequality of variance for all residual observations from one observation to another. Based on the glejser test, it can be seen that the four variables, namely Profitability (P), Leverage (L), Activity Copporate (AC), Independent Board of Commissioners (IBC), Audit Committee (AC), Company size (CS) and Industrial Type (IT) have a Sig value > 0.05, so it can be concluded that there is no heteroscedasticity.

Table 6
Heteroscedasticity Test Result

Variable	t	Sig	Keterangan
Profitability (P)	1,06	.29	No heteroscedasticity
Leverage (L)	-,63	.53	No heteroscedasticity
Activity Copporate (AC)	-1,78	.08	No heteroscedasticity
Independent Board of Commissioners (IBC)	,69	.50	No heteroscedasticity
Audit Committee (AC)	-1,66	.10	No heteroscedasticity
Company size (CS)	3,05	,05	No heteroscedasticity
Industrial Type (IT)	,95	,34	No heteroscedasticity

Source: research data processed (2025)

4.3 Multiple Linear Regression Analysis

The results of the multiple linear regression test that can be seen in table 7 are used as a basis for determining the behavior of the regression model using the F test, determining the coefficient of determination by looking at the value of R square/Adjusted R square and testing the hypothesis by looking at the significance value.

Table 7.
Multiple Regression Analysis Results

Variable	Coefficient	t	Sig.	Decision
(Constant)	-.046	-4.666	.000	-
Profitability (P)	.067	2.555	.012	H1 accepted
Leverage (L)	.008	2.985	.003	H2 accepted
Activity Copporate (AC)	.002	.718	.474	H3 reject
Independent Board of Commissioners (IBC)	.042	2.649	.009	H4 accepted
Audit Committee (AC)	-.005	-1.334	.184	H5 reject
Company size (CS)	.023	20.918	0,000	H6 accepted
Industrial Type (IT)	.021	3.489	.001	H7 accepted
R Square /Adjusted R Square	.797 / .787			
Uji F	82.891			
Sig F	0,000			

Source: research data processed (2022)

4.3.1 Goodness of fit

Goodness of fit is used to determine whether this research model is fit. In other words, Goodness of fit states the level of suitability (fit) of the research model with the ideal model for that research. Based on the table above, it shows that the test value of F = 82,891, with a significance level of 0.000 less than 0.05, the regression model is said to be appropriate. This shows that the regression model of this study is in accordance with the ideal model.

4.3.2 Coefficient of Determination Test Results (R^2)

The regression model shows an Adjusted R Square value of 0.787, indicating that 78.7% of the variation in Sustainability Report Disclosure can be explained by the independent variables included in this study (Profitability (P), Leverage (L), Activity Copporate (AC), Independent Board of Commissioners (IBC), Audit Committee (AC), Company size (CS), Industrial Type (IT)), while the remaining 21.3% is explained by other variables outside the model.

4.3.3 Results of Hypothesis Testing

Based on the results of table 7 above, the multiple linear regression model equation is obtained as follows:

$$SRD = -.046 + .067P + .008L + .002CA + .042IBC - .005AC + .023CS + .021IT$$

Based on the regression test results presented in Table 3, the study examines the influence of profitability, leverage, corporate activity, independent board of commissioners, audit committee, company size, and industrial type on Sustainability Report Disclosure (SRD) in manufacturing companies listed on the Indonesia Stock Exchange.

H1: The Influence of Profitability on Sustainability Report Disclosure

The regression results indicate that profitability has a positive and significant effect on Sustainability Report Disclosure (SRD), with a coefficient value of 0.067 and a significance value of 0.012 (< 0.05). This finding indicates that companies with higher profitability tend to disclose sustainability information more extensively. This result suggests that profitable companies possess greater financial resources and operational flexibility to implement sustainability programs and disclose sustainability information comprehensively. Companies with strong financial performance are more capable of allocating resources to environmental management, social responsibility programs, employee welfare, community development, and sustainability reporting activities. Sustainability reporting requires considerable costs, including reporting preparation, ESG implementation, external assurance, and stakeholder engagement. Therefore, companies with higher profitability are more financially prepared to disclose sustainability reports.

Freeman (1984), companies are expected to fulfill stakeholder information needs, including information related to environmental and social performance. Profitable companies generally receive greater attention from investors, creditors, regulators, and society, encouraging management to provide broader sustainability disclosure to maintain stakeholder trust and corporate reputation. In addition, legitimacy theory explains that companies attempt to maintain legitimacy by demonstrating that their business activities align with societal values and expectations. Companies with high profitability tend to use sustainability reporting as a legitimacy strategy to show that corporate success is not solely measured by financial performance but also by social and environmental responsibility.

This finding supports previous studies conducted by Damayanty et al., (2022), Haris and Negoro, (2021) and Nioko and Hendrani, (2024), which found that profitability positively affects sustainability report disclosure.

H2: The Influence of Leverage on Sustainability Report Disclosure

The regression results show that leverage has a positive and significant effect on Sustainability Report Disclosure, with a coefficient value of 0.008 and a significance value of 0.003 (< 0.05). This finding indicates that companies with higher debt levels tend to disclose sustainability information more extensively. Companies with high leverage face greater pressure from creditors and external parties because debt financing increases financial risk and monitoring intensity. Consequently, management attempts to reduce stakeholder concerns by improving corporate transparency through sustainability reporting. High leverage also increases agency conflicts between management and creditors. Sustainability reporting therefore functions as a signaling mechanism to assure creditors that the company manages environmental, social, and governance risks responsibly and maintains long-term business sustainability.

Based on stakeholder theory, creditors are one of the primary stakeholders requiring transparent information regarding company risk management and sustainability practices. Companies with higher leverage are therefore motivated to provide broader sustainability disclosure to reduce information asymmetry and maintain creditor confidence. In the context of manufacturing companies, firms with higher leverage may experience stronger pressure to maintain corporate legitimacy because their operational activities are often associated with environmental risks and sustainability issues. Sustainability reporting becomes an important communication tool to demonstrate corporate accountability and responsible business conduct. This finding supports previous studies by Sonia and Khafid, (2020), Amosh and Khatib, (2021) and Ramadhan et al., (2023).

H3: The Influence of Corporate Activity on Sustainability Report Disclosure

The regression results indicate that corporate activity has no significant effect on Sustainability Report Disclosure, with a significance value of 0.474 (> 0.05). Therefore, H3 is rejected. This finding indicates that operational efficiency reflected through inventory turnover does not necessarily encourage companies to disclose sustainability information more extensively. Although companies may efficiently manage inventory and operational activities, such efficiency does not automatically reflect greater commitment toward sustainability disclosure.

One possible explanation is that corporate activity ratios are more oriented toward short-term operational efficiency and profitability rather than long-term sustainability strategies. Sustainability disclosure is generally influenced more strongly by external pressures, stakeholder expectations, governance quality, and company visibility than by operational activity efficiency alone. In addition, some manufacturing companies may prioritize operational productivity and cost efficiency over sustainability transparency. As a result, high inventory turnover does not necessarily indicate stronger sustainability awareness or ESG commitment. This finding also indicates that sustainability reporting in Indonesia may still be largely driven by regulatory compliance, stakeholder pressure, and legitimacy concerns rather than internal operational efficiency factors.

The result is inconsistent with Damayanty et al., (2022), which found a positive relationship between company activities and sustainability disclosure. However, this study supports previous findings suggesting that operational activity does not significantly influence sustainability reporting practices.

H4: The Influence of the Independent Board of Commissioners on Sustainability Report Disclosure

The regression results indicate that the Independent Board of Commissioners has a positive and significant effect on Sustainability Report Disclosure, with a coefficient value of 0.042 and a significance value of 0.009 (< 0.05). This finding demonstrates that the existence of independent commissioners strengthens corporate governance and encourages companies to disclose sustainability information more comprehensively. Independent commissioners function as monitoring mechanisms that supervise management decisions and ensure corporate accountability toward stakeholders. Independent commissioners are considered more objective and independent because they have no direct affiliation with management or controlling shareholders. Consequently, they are more likely to encourage transparency, accountability, and ethical business practices, including sustainability disclosure.

Based on agency theory, independent commissioners help reduce agency conflicts between management and stakeholders by increasing monitoring effectiveness. Meanwhile, stakeholder theory explains that independent commissioners encourage companies to fulfill stakeholder expectations through broader ESG disclosure and sustainability transparency. In manufacturing companies, which are categorized as high-profile industries with significant environmental exposure, the role of independent commissioners becomes increasingly important in ensuring that sustainability practices are properly disclosed to maintain legitimacy and public trust. This finding supports previous studies conducted by Bhatia and (Marwaha, 2022), and (Pratiwi et al., 2023).

H5: The Influence of the Audit Committee on Sustainability Report Disclosure

The regression results show that the audit committee has no significant effect on Sustainability Report Disclosure, with a significance value of 0.184 (> 0.05). This finding indicates that the existence of an audit committee does not necessarily improve sustainability disclosure practices. Although audit committees play an important role in overseeing financial reporting quality and internal control systems, their responsibilities may still focus primarily on financial reporting compliance rather than sustainability reporting oversight. In many Indonesian companies, sustainability reporting practices still be managed mainly by top management or specialized sustainability divisions rather than by audit committees. Consequently, the existence of an audit committee alone may not guarantee broader sustainability disclosure. Audit committees may lack expertise and experience in ESG reporting and sustainability governance. Therefore, the effectiveness of audit committees in improving sustainability disclosure remains limited.

This finding is inconsistent with Aprianti et al., (2022) and (Ramadhan et al., 2023). However, the result supports studies showing that audit committees do not always significantly influence sustainability reporting practices.

H6: The Influence of Company Size on Sustainability Report Disclosure

The regression results indicate that company size has a positive and highly significant effect on Sustainability Report Disclosure, with a coefficient value of 0.023 and a significance value of 0.000. This finding suggests that larger companies tend to disclose sustainability information more comprehensively than smaller companies. Large companies generally receive greater public attention because their operational activities have broader economic, environmental, and social impacts.

Larger firms also possess more financial resources, human resources, reporting systems, and technological capabilities to prepare sustainability reports in accordance with GRI standards. In addition, large companies face stronger pressure from investors, regulators, environmental organizations, and society regarding ESG transparency.

Based on legitimacy theory, large companies attempt to maintain corporate legitimacy and reputation through extensive sustainability disclosure. Sustainability reporting becomes an important strategy to demonstrate corporate accountability and maintain stakeholder trust.

This finding supports previous studies conducted by Damayanty et al., (2022), Satria et al., (2023), Velte, (2020), and Tsang et al., (2023).

H7: The Influence of Industrial Type on Sustainability Report Disclosure

The regression results indicate that industrial type has a positive and significant effect on Sustainability Report Disclosure, with a coefficient value of 0.021 and a significance value of 0.001 (< 0.05).

This finding indicates that companies operating in high-profile industries tend to disclose sustainability information more extensively than companies operating in low-profile industries. Manufacturing companies are generally categorized as high-profile industries because their activities are closely associated with environmental pollution, industrial waste, carbon emissions, and natural resource utilization.

Companies operating in environmentally sensitive industries tend to experience stronger stakeholder pressure and greater public scrutiny regarding their environmental and social impacts. Therefore, sustainability reporting is used as a legitimacy strategy to maintain public trust and corporate reputation.

Based on legitimacy theory, companies disclose sustainability information to demonstrate that their operational activities comply with societal expectations and environmental responsibility standards. Meanwhile, stakeholder theory explains that companies facing stronger stakeholder pressure are more likely to increase sustainability transparency. This finding supports previous studies conducted by (Putri and Marsono, 2025), (Velte, 2020), and (Tsang et al., 2023).

5. Conclusion, Implications, Limitations And Suggestions for Future Research

5.1 Conclusion

This study investigated the determinants of sustainability report disclosure among manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The findings show that profitability, leverage, independent board of commissioners, company size, and industrial type significantly influence sustainability report disclosure. These results indicate that companies with better profitability, higher leverage, stronger independent board oversight, larger organizational scale, and greater industry visibility tend to disclose sustainability information more extensively. Company size shows the strongest influence, suggesting that larger firms are more likely to have sufficient resources, reporting capacity, and stakeholder pressure to support broader sustainability disclosure. Conversely, corporate activity and audit committee do not significantly affect sustainability report disclosure. This suggests that operational efficiency and the frequency of audit committee meetings do not necessarily lead to more extensive sustainability reporting. Overall, the findings support the view that sustainability disclosure is shaped by financial capacity, governance structure, firm visibility, and stakeholder pressure.

Limitations

This study has several limitations. First, the sample is limited to manufacturing companies listed on the Indonesia Stock Exchange, so the findings may not be generalizable to other sectors. Second, the observation period covers only 2021–2023, which may not fully reflect long-term changes in sustainability reporting practices. Third, sustainability disclosure was measured based on the extent of disclosed items rather than disclosure quality. Fourth, the study included only selected financial, governance, and industry-profile variables, while other factors such as ownership structure, ESG performance, environmental performance, media exposure, and board diversity were not examined.

5.4 Suggestions for Future Research

1. Future studies are recommended to expand the research sample by including companies from different industrial sectors and extending the observation period to obtain broader and more comprehensive findings regarding sustainability reporting practices.
2. Future research may also include additional variables such as ESG performance, environmental performance, institutional ownership, media exposure, board gender diversity, sustainability committees, corporate governance quality, and green innovation to improve the explanatory power of the model.
3. Future studies are encouraged to measure sustainability disclosure quality rather than merely disclosure quantity, for example by using ESG ratings, assurance quality, or content analysis approaches.
4. Future research may compare sustainability reporting practices before and after the implementation of stricter sustainability reporting regulations in Indonesia to examine regulatory impacts on corporate sustainability transparency.

Declaration of AI Use

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