



Beyond Financial Growth: Do Governance and Profitability Drive Sustainability Transparency?

Dinda Rahmawaty^{1*}, Rista Bintara²

^{1,2}Universitas Mercu Buana

*Email: dindar24106@gmail.com

ABSTRACT

Amidst increasing regulatory pressure for corporate accountability, sustainability reporting has become a strategic imperative for the energy sector. This study investigates the impact of profitability, institutional ownership, audit committee effectiveness, and firm size on sustainability report disclosure among energy companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. Using a purposive sampling technique, a longitudinal dataset of 40 observations from 8 representative firms was analyzed. Data processing was conducted via multiple linear regression analysis. The empirical results demonstrate that profitability, audit committee, and firm size exert a significant positive influence on the extent of sustainability disclosure. Conversely, institutional ownership was found to have a negative effect. These findings underscore that internal corporate governance mechanisms and financial capacity are primary drivers in enhancing transparency and stakeholder accountability. This research provides practical insights for regulators and investors regarding the non-financial reporting landscape in high-impact industries.

ABSTRAK

Di tengah meningkatnya tekanan regulasi terkait akuntabilitas korporasi, pelaporan keberlanjutan telah menjadi keharusan strategis bagi sektor energi. Penelitian ini bertujuan untuk menguji dan menganalisis pengaruh profitabilitas, kepemilikan institusional, komite audit, dan ukuran perusahaan terhadap pengungkapan laporan keberlanjutan pada perusahaan sektor energi yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019-2023. Dengan menggunakan metode *purposive sampling*, diperoleh sampel sebanyak 8 perusahaan dengan total 40 observasi selama periode pengamatan. Analisis data dilakukan dengan regresi linear berganda. Hasil penelitian menunjukkan bahwa profitabilitas, komite audit, dan ukuran perusahaan berpengaruh positif signifikan terhadap pengungkapan laporan keberlanjutan. Sebaliknya, kepemilikan institusional menunjukkan pengaruh negatif. Temuan ini menegaskan bahwa mekanisme tata kelola internal dan kapasitas finansial merupakan pendorong utama dalam meningkatkan transparansi informasi non-keuangan serta memperkuat akuntabilitas pemangku kepentingan. Penelitian ini memberikan implikasi praktis bagi regulator dan investor mengenai lanskap pelaporan keberlanjutan pada industri dengan dampak lingkungan yang tinggi.

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INTRODUCTION

Sustainability is now one of the things that must be considered in running a business. Elkington explains the development of the concept of environmental development from a single bottom line, namely profit, to a triple bottom line, namely profit, people, and planet (Elkington, 1997). First, to make a profit, companies must reduce production time by reducing unnecessary costs and building good



cooperation with stakeholders. Second, society is a key factor in the success of CSR activities, as companies are responsible for creating positive impacts and benefits for society (including employees, communities, and residents near the company). Third, to ensure that residents near the company are not harmed, companies must consider the environment when conducting their operations. Thus, the purpose of this concept is to provide a broader perspective on the social responsibility agenda that businesses should adopt (Elkington, 1997).

This is in line with research by Bintara et al. (2023), which confirms that the implementation of green innovation and high environmental awareness contributes to better performance, superior competitiveness, and sustainable business. Green Competitive Advantage management enables companies to achieve sustainability through environmentally friendly innovations that are difficult for competitors to replicate, while also enhancing economic and social value. A business is considered sustainable if it achieves the triple bottom line, which consists of economic prosperity, good environmental quality, and social justice that are interdependent with one another. The Global Reporting Initiative (GRI) also has a primary objective in this program, which is to enhance transparency and corporate reporting by establishing guidelines and standards for sustainability disclosure (Dewi & Pipit, 2019). Sustainability reporting is a report prepared by an entity to measure and disclose all activities carried out by the entity related to conservation efforts for all stakeholders in order to achieve performance goals toward sustainable development (Sudoyo, 2021).

In the Indonesian context, these sustainability principles and disclosure standards are not merely voluntary concepts but are formally codified through several key regulations. The regulations governing sustainability in Indonesia are, first, UU Nomor 40 Tahun 2007 on limited liability companies that are required to fulfill their social responsibility. Second, Financial Services Authority Regulation No. 51/POJK.03/2017, which stipulates that issuers must publish corporate sustainability reports (www.ojk.go.id, 2017). Third, Article 33(4) of the 1945 Constitution. To achieve the well-being of all Indonesian people, the economy must be managed collectively. This management must be carried out based on the principles of environmental sustainability, independence from foreign influence, and equitable distribution of benefits across all regions. In line with this vision, Article 28H (1) of the 1945 Constitution explicitly states that every individual has the right to a prosperous life, which includes adequate housing, a clean and healthy environment, and optimal health services

The mandate to comply with environmental regulations and mitigate ecological impacts necessitates a strategic evaluation of how financial performance dictates corporate transparency. In this context, higher profitability often correlates with more extensive sustainability disclosures, primarily as a mechanism to reassure investors and bolster stakeholder confidence. This relationship is deeply rooted in legitimacy theory, which posits that companies with superior financial performance seek to enhance shareholder value by cultivating a positive corporate image (Lucia & Panggabean, 2018). Empirically, Latifah (2019) demonstrated that profitability significantly influenced sustainability reporting among Indonesian state-owned enterprises between 2011 and 2014. Conversely, more recent evidence from Trisnawati et al. (2022), concerning LQ45 companies on the Indonesia Stock Exchange (2017–2020) suggests that profitability may not consistently affect disclosure levels, highlighting a persistent debate in the literature.

Beyond financial performance, the internal governance structure—specifically the role of institutional shareholders—serves as another critical determinant of corporate transparency. Institutional ownership, defined as the proportion of shares held by financial or legal entities, is theoretically expected to be positively correlated with sustainability disclosure levels. Under the framework of legitimacy theory, institutional investors are perceived as powerful monitors who demand



higher transparency to ensure that corporate actions align with broader social expectations and protect their capital investments (Riyadi, 2023). This heightened oversight typically compels management to improve the quality of non-financial reporting as a means of legitimizing the firm's operations. However, empirical evidence within the Indonesian capital market remains inconclusive. For instance, Ikhsan (2021) observed that institutional ownership had no significant impact on sustainability disclosures among state-owned enterprises between 2010 and 2014. This finding is further corroborated by Dewi & Pipit (2019). Dewi & Pipit (2019), whose analysis of 26 listed companies from 2014 to 2016 also indicated that institutional presence does not necessarily drive more extensive sustainability reporting.

The debate surrounding corporate transparency further extends from broad ownership dynamics to the specific effectiveness of internal governance organs, such as the audit committee, in safeguarding stakeholder interests. An audit committee consists of individuals selected to assist auditors in maintaining independence from management and ensuring that the company conducts its business activities ethically and morally and complies with all applicable laws and regulations (Riyadi, 2023). According to Tumwebaze et al., in financial services companies in Uganda, the audit committee has a positive influence on the disclosure of sustainability reports (Tumwebaze et al., 2022). Meanwhile, Dewi, in a study of 26 companies listed on the Indonesia Stock Exchange from 2014 to 2016, stated that audit committees do not influence the disclosure of sustainability reports (Dewi & Pipit, 2019).

While internal governance organs provide the framework for oversight, the practical capacity and pressure to disclose sustainability information are also significantly shaped by the firm's overall scale and asset complexity. Company size, typically proxied by total assets or market capitalization, serves as a critical determinant of a firm's resource availability and its ability to manage complex business operations (Indriawati et al., 2022). Larger firms are theoretically expected to possess the infrastructure necessary for comprehensive reporting; however, empirical evidence remains contested. For instance, Kartini (2022) observed a negative correlation between company size and sustainability disclosure among Sharia-compliant firms (ISSI) on the Indonesia Stock Exchange (2016–2020), suggesting that the logistical complexities and time-intensive nature of reporting for larger entities may hinder. Conversely, Riyadi (2023) found that firm size exerted no significant influence on sustainability reporting among LQ45 companies between 2015 and 2019, further highlighting the lack of consensus regarding how organizational scale dictates corporate transparency.

Despite the implementation of various regulatory frameworks, corporate negligence regarding the environmental and social externalities of business operations remains a persistent issue. Empirical evidence concerning the determinants of Sustainability Report (SR) disclosure continues to yield fragmented and inconsistent results. Furthermore, the adoption rate of comprehensive sustainability reporting in Indonesia remains suboptimal compared to global benchmarks. Addressing these empirical voids, this study investigates the influence of profitability, institutional ownership, audit committee effectiveness, and firm size on Sustainability Report disclosure. By focusing on the energy sector—a high-impact industry—listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, this research aims to provide robust insights into the drivers of corporate accountability in an emerging market context.



LITERATURE REVIEW

Stakeholders Theory

Stakeholder theory posits that an organization's success is contingent upon its ability to manage relationships with a diverse array of constituents—including groups or individuals who can affect or are affected by the achievement of corporate objectives (Freeman, 2010). Beyond a mere descriptive framework, this theory serves as a strategic instrument for management to navigate complex environmental dynamics and align corporate resource allocation with the multifaceted interests of stakeholders. By integrating stakeholder concerns into the core business model, firms can optimize economic efficiency while fostering long-term organizational resilience. Consequently, the effective management of these external and internal pressures is no longer peripheral but central to achieving sustainable competitive advantage.

In the context of this theoretical framework, sustainability disclosure emerges as a critical mechanism for maintaining transparency and securing stakeholder trust. As argued by (Marsuking, 2020), the enduring viability of a corporation is inextricably linked to the continuous support and approval of its stakeholder base. Voluntary disclosure, therefore, functions as a legitimizing tool that bridges the information asymmetry between the firm and its constituents. By proactively reporting on sustainability performance, companies not only fulfill their accountability obligations but also reinforce the social contract that ensures their survival in an increasingly scrutinized global market. This alignment between disclosure practices and stakeholder expectations is thus fundamental to ensuring both current stability and future growth.

Legitimacy Theory

Legitimacy theory represents a foundational paradigm in explaining corporate non-financial disclosure practices, rooted in the concept of a social contract between an organization and the society in which it operates. According to Gray et al. (1996) legitimacy is conceptualized as a strategic management system oriented toward achieving perceived alignment with the values, norms, and expectations of various social actors, including governments, local communities, and individual citizens. This theory posits that for an entity to ensure its long-term survival, its operational activities must maintain a state of congruence with the prevailing social value system. Consequently, the pursuit of organizational legitimacy dictates how firms behave and dictates the extent to which they are sanctioned as legitimate entities by the broader public.

Building on the seminal work of Dowling & Pfeffer (1975), legitimacy theory suggests that societal recognition is not inherently guaranteed but must be proactively cultivated and defended. In this context, the publication of a sustainability report serves as a vital communicative tool to bridge the gap between corporate performance and societal expectations. By disclosing environmental and social initiatives, companies signal their commitment to ethical conduct, thereby gaining or maintaining the social license to operate. Thus, sustainability reporting transcends mere documentation; it functions as a strategic response to institutional pressures, allowing firms to demonstrate accountability and secure the public validation necessary for their continued existence and growth.

Disclosure of Sustainability Report

The Global Reporting Initiative (GRI) conceptualizes sustainability reporting not merely as a documentation exercise, but as a transformative process that enables organizations to calibrate their strategic goals, quantify performance, and manage organizational change within the context of a sustainable global economy. As highlighted by Fuadah et al. (2018), this framework necessitates the integration of long-term profitability with profound social and environmental responsibility, moving



beyond traditional financial metrics. Consequently, sustainability reporting serves as a critical communication platform for articulating a firm's economic, environmental, social, and governance (ESG) performance. By disclosing both positive contributions and adverse externalities, the report functions as a transparent reflection of the corporate footprint, facilitating a more nuanced understanding of how business operations intersect with broader societal interests.

To ensure consistency and comparability in these disclosures, the GRI-G4 standards provide a comprehensive multi-dimensional framework that encompasses economic, environmental, and social sustainability. The economic dimension evaluates the organization's systemic impact on the financial well-being of its stakeholders and the broader economic infrastructure at local, national, and global scales. Simultaneously, the environmental dimension scrutinizes the firm's interaction with both biotic and abiotic natural systems—including air, water, land, and biodiversity—thereby quantifying the ecological footprint of industrial activities. Finally, the social sustainability dimension addresses the organization's influence on the social systems and communities within which it operates. Collectively, these standardized dimensions enable a holistic assessment of corporate accountability, ensuring that sustainability disclosures are grounded in rigorous and universally recognized benchmarks.

Hypothesis Development

The Effect of Profitability on Sustainability Report Disclosure

Lucia & Panggabean's view of higher corporate profitability encourages more information disclosure by managers. The goal is to strengthen investor confidence and build stakeholder trust (Lucia & Panggabean, 2018). In addition, legitimacy theory suggests that good performance can increase shareholder value through the formation of a positive brand image. Research conducted by Lucia clearly shows that profitability has a positive influence on sustainability report disclosure. This is supported by the views of Latifah (2019); Liana (2019); and Maryana & Carolina (2021) which state that profitability has a significant positive impact on sustainability report disclosure. In contrast, these results differ from the studies of Ikhsan (2021); Indriawati et al. (2022); and Trisnawati et al. (2022) who concluded that there is no effect of profitability on the disclosure of sustainability reports.

H₁ : Profitability has a positive effect on sustainability report disclosure

The Effect of Institutional Ownership on Sustainability Report Disclosure

According to Dewi, an increase in institutional ownership should correlate with an increase in the quality of sustainability report disclosures. Institutional investors, with their influence and experience, are expected to uphold corporate governance principles to protect the rights and interests of shareholders through transparent communication (Dewi & Pipit, 2019). Accountability and transparency of information are fundamental principles in corporate governance. Institutional investors support the disclosure of sustainability reports as a means for companies to inform stakeholders of their environmental and social impacts. However, research conducted by Dewi shows that institutional ownership does not have a significant influence on sustainability report disclosure (Dewi & Pipit, 2019). This result contradicts the research of Hardika et al. which states that institutional ownership has a significant positive effect on the disclosure of sustainability reports (Hardika et al., 2018).

H₂ : Institutional ownership has a positive effect on sustainability report disclosure

The Effect of Audit Committee on Sustainability Report Disclosure

A larger audit committee will strengthen oversight and problem identification, thus encouraging more sustainable reporting. Riyadi emphasizes that an independent and professional audit committee can propose the best environmental policies and ensure transparency of information to the public (Riyadi, 2023). This creates the impression that the company is responsible and performs well, which



ultimately results in a positive public outlook. Riyadi's research shows that the audit committee positively influences the disclosure of sustainability reports (Riyadi, 2023). This finding is in line with research by Latifah (2019); and Tumwebaze et al. (2022) which state that the audit committee has a significant positive influence on the disclosure of sustainability reports. However, these results contradict the studies by Dewi & Pipit (2019); Indriawati et al. (2022); and Kartini (2022) who concluded that the audit committee does not affect the disclosure of sustainability reports.

H₃ : Audit committee has a positive effect on sustainability report disclosure

The Effect of Company Size on Sustainability Report Disclosure

Kusumawardani explains that larger companies tend to disclose more information in the financial statements, this is because the cost of disclosing information must be proportional to the company's assets through sustainability reports, companies can communicate their social activities more broadly (Kusumawardani, 2022). His own research confirmed that company size has a positive influence on sustainability report disclosure. This is in line with studies by Dewi & Pipit (2019); Kalbuana et al. (2022); Setiawan et al. (2023); and Tumwebaze et al. (2022) which show a significant positive effect of company size on sustainability report disclosure. However, these results contrast with the findings of Liana (2019); Maryana & Carolina (2021); and Riyadi (2023) which state that company size has no effect on sustainability report disclosure.

H₄ : Company size has a positive effect on sustainability report disclosure

RESEARCH METHODOLOGY

This study employs a rigorous quantitative methodology with a deductive approach to examine corporate disclosure practices within the Indonesian capital market. The research focus is centered on the energy sector—a high-profile industry with significant environmental externalities—specifically targeting firms listed on the Indonesia Stock Exchange (IDX) throughout the 2019–2023 observation period. By utilizing a longitudinal data structure, the study seeks to capture the temporal dynamics of sustainability reporting. Furthermore, the research design is categorized as causal-explanatory, aiming to establish the functional relationship between corporate governance mechanisms, financial characteristics, and transparency outcomes. This approach allows for a robust analysis of how specific organizational drivers dictate the extent of non-financial disclosures in a developing economy context.

The population of this study encompasses all energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 observation period. To ensure the robustness and relevance of the empirical analysis, a purposive sampling method was employed, whereby subjects were selected based on specific inclusion criteria designed to mitigate bias and ensure data availability. These criteria required that the companies (1) remained consistently listed on the IDX throughout the five-year period, (2) published comprehensive sustainability reports annually without interruption, (3) maintained positive net earnings to avoid the distorting effects of financial distress on disclosure behavior, and (4) provided complete data sets relative to all research variables.

Based on these rigorous selection benchmarks, eight companies met the established requirements, resulting in a balanced panel of 40 firm-year observations. The sample includes prominent entities such as Adaro Energy Indonesia Tbk (ADRO), AKR Corporindo Tbk (AKRA), Elnusa Tbk (ELSA), and Indo Tambangraya Megah Tbk (ITMG). Additionally, Samindo Resources Tbk (MYOH), IMC Pelita Logistik Tbk (PSSI), Bukit Asam Tbk (PTBA), and Petrosea Tbk (PTRO) constitute the remainder of the dataset. This longitudinal data structure allows for a more granular examination of sustainability reporting trends within a high-impact industry, ensuring that the findings



are representative of established and financially stable firms within the Indonesian energy landscape.

To provide a comprehensive empirical analysis, the study operationalizes four distinct independent variables: profitability (Profit), institutional ownership (Ins_Own), audit committee effectiveness (AC_Eff), and firm size (F_Size). These variables are tested against the dependent variable, namely the Sustainability Report (SR) disclosure (SR_Disc), typically measured through the Global Reporting Initiative (GRI) index. The data analysis begins with a descriptive statistical evaluation to provide an overview of the sample's characteristics, followed by inferential testing to determine the magnitude and direction of the hypothesized effects. By focusing on these determinants, the research aims to elucidate the internal mechanisms that compel energy companies to enhance their accountability and mitigate information asymmetry between the firm and its diverse stakeholders.

The empirical model of this study is constructed through the operationalization of five primary variables; all measured on a ratio scale to ensure statistical precision and compatibility for hypothesis testing. The dependent variable, Sustainability Report disclosure (SR_Disc), is quantified using an index-based approach adapted from Trisnawati et al. (2022), which evaluates the breadth of non-financial information shared by the firm. To explain the variances in disclosure levels, this research incorporates four independent variables representing financial performance, governance structure, and firm characteristics. Profitability (Profit), as a proxy for financial resource availability, is measured using a ratio consistent with the framework established by Muslichah (2021), reflecting the firm's capacity to fund extensive reporting activities.

Furthermore, the governance mechanisms are operationalized through institutional ownership (Ins_Own) and the audit committee effectiveness (AC_Eff). Institutional ownership (Ins_Own), reflecting the monitoring role of professional investors, is calculated based on the proportion of shares held by institutions, following the measurement standards of Dewi & Pipit (2019) and Ikhsan (2021). The effectiveness of the audit committee (AC_Eff) is measured as a proxy for internal oversight quality, adopting the metrics proposed by Effendi & Ulhaq (2021). Finally, firm size (F_Size) is included to control for organizational complexity and visibility, operationalized through the natural logarithm of total assets as suggested by Brigham & Houston (2018). This comprehensive measurement framework ensures that all variables are grounded in established literature, thereby enhancing the reliability and validity of the empirical findings.

To ensure a rigorous empirical evaluation, this study employs a multi-stage analytical framework comprising descriptive statistical analysis and inferential hypothesis testing. Following the econometric procedures outlined by Ghozali (2018), the hypothesis testing phase utilizes a multiple linear regression model to determine the magnitude and direction of the relationship between the independent variables and the dependent variable. Specifically, the model's explanatory power is assessed through the coefficient of determination (R^2) while the overall model significance and individual variable contributions are evaluated using the F-statistical test and the t-statistical test, respectively. This comprehensive approach is designed to provide robust evidence regarding the determinants of sustainability disclosure, directly aligning with the study's research objectives.

All quantitative data processing and statistical computations were conducted using the Statistical Package for the Social Sciences (SPSS) version 25. Before hypothesis testing, the data were subjected to classical assumption tests—including normality, multicollinearity, heteroscedasticity, and autocorrelation—to ensure that the regression estimates are Best Linear Unbiased Estimators (BLUE). This systematic analytical procedure facilitates a high degree of reliability in interpreting how corporate governance and financial metrics dictate reporting transparency within the Indonesian energy sector. To empirically examine the hypothesized relationships between the determinants and sustainability



report disclosure, the study employs a multiple linear regression analysis. This statistical model is designed to estimate the individual contribution of each independent variable—profitability, institutional ownership, audit committee effectiveness, and firm size—while controlling for potential confounding factors. The regression equation is formulated as follows:

$$SR_Disc_{it} = \alpha + \beta_1 Profit_{it} + \beta_2 Ins_Own_{it} + \beta_3 AC_Eff_{it} + F_Size_{it} + \varepsilon_{it}$$

Where:

- SR_Disc : Sustainability Report Disclosure index for firm i in year t
Profit : Profitability
Ins_Own : Institutional Ownership
AC_Eff : Audit Committee effectiveness
F_Size : Company Size (Natural Logarithm of Total Assets)
 α : The constant (intercept) of the regression
 β_{1-4} : Regression coefficients for each independent variable
 ε : The error term (residual), representing other factors not captured by the model
i : Company
t : Year

RESULT AND DISCUSSION

Descriptive Statistic

According to Ghozali, descriptive statistics provide an overview or summary of the data we have. It includes several important values such as mean, standard deviation, variance, maximum and minimum values, sum, range, kurtosis, and skewness (Ghozali, 2018). The following are the results of the descriptive statistical analysis as follows:

Table 1: Descriptive Statistic

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SR_Disc	40	0.06	0.94	0.4292	0.27443
Profit	40	0.02	0.45	0.1214	0.09402
Ins_Own	40	0.44	0.90	0.6471	0.11839
AC_Eff	40	3.00	6.00	3.3250	0.69384
F_Size	40	8.83	24.13	13.8638	4.35929

The results of the analysis conducted with the help of SPSS 25 on descriptive statistical analysis, it can be concluded that: Descriptive statistical analysis for Sustainability Report Disclosure (SR_Disc) measured using the dummy method from the GRI standard explains that the minimum value of SR_Disc is 0.06. Based on the analysis, the level of transparency of sustainability reports varies between companies. PT Elnusa Tbk (2019) and PT IMC Pelita Logistik Tbk (2019-2021) show the lowest level of disclosure with a minimum value of 0.06, indicating relatively low transparency. In contrast, PT Indo Tambangraya Megah Tbk (2023) reached a maximum value of 0.94, meaning the company is highly transparent in reporting its sustainability. Overall, the average value of disclosure (mean) is 0.4292 with a standard deviation of 0.27443.

The Profitability variable, measured by ROA, has a minimum value of 0.02 PT Adaro Energy Indonesia Tbk (2020), PT Elnusa Tbk (2021), PT Petrosea Tbk (2023) which reflects low profitability and the possibility of limited information disclosure. Conversely, the maximum value of 0.45 PT Indo



Tambangraya Megah Tbk (2022) indicates high profitability which encourages more information disclosure to reassure investors. The average profitability is 0.1214 with a standard deviation of 0.09402. Institutional Ownership variable as measured by the ratio of institutional shares to total shares outstanding, shows a minimum value of 0.44 at PT Adaro Energy Indonesia Tbk (2019-2023). This indicates that low institutional ownership has the potential to reduce the quality of sustainability report disclosure because the institution may lack experience in corporate governance. On the contrary, the maximum value of 0.90 was recorded in PT Petrosea Tbk (2022), indicating high institutional ownership. This can improve the quality and transparency of sustainability report disclosure as strong institutions tend to have experience in implementing good corporate governance principles. The average institutional ownership is 0.6471 with a standard deviation of 0.11839.

The Audit Committee Effectiveness variable, which is measured based on the number of members, shows a minimum value of 3 people. The maximum value of audit committee members is 6 people, found in PT Petrosea Tbk (2022). This number indicates a more in-depth and diverse level of supervision and evaluation of the company's financial statements and compliance. Overall, the average number of audit committee members is 3.3250 with a standard deviation of 0.69384.

The Company Size variable (X4), measured by total assets, shows a minimum value of 8.83 at PT Elnusa Tbk (2019). This indicates that companies with assets tend to be smaller, which correlates with a lower amount of information that can be disclosed. Conversely, the maximum value of 24.13 on PT AKR Corporindo Tbk (2023) indicates companies with large assets. These companies tend to disclose more information because they have more stakeholders who require high financial transparency. The average company size is 13.8638 with a standard deviation of 4.35929.

According to Ghozali, the t-statistical test is used to evaluate the individual effect of each independent variable on the dependent variable. This test is carried out with a significance level of 5% ($\alpha = 0.05$). The criteria are as follows: if the significance value is less than 0.05 or the t-count value is greater than the t-table value, then the independent variable is declared to have a significant effect. Conversely, if the significance value is greater than 0.05 or the t-count value is smaller than t-table, the independent variable is considered to have no significant effect on the dependent variable (Ghozali, 2018). The following are the results of the individual parameter statistical test (t-statistical test) as follows:

Table 2: Regression Result

Variable	Unstandardized		Standardized Coefficients	t-stat	Sig.
	B	Std. Error			
(Constant)	-0.046	0.265		-0.173	0.864
Profit	1.029	0.349	0.352	2.944	0.006
Ins_Own	-1.086	0.304	-0.469	-3.574	0.001
AC_Eff	0.239	0.051	0.604	4.640	0.000
F_Size	0.019	0.008	0.296	2.408	0.021
a. Dependent Variable: SR_Disc					
R ²	: 0,508				
Adjusted R ²	: 0,452				
F_Stat	: 0,0000				



Profitability and Sustainability Report Disclosure

The empirical evidence presented in Table 2 reveals a significance value of 0.006, which is substantially below the alpha threshold of 0.05, complemented by a t-statistic of 2.944, exceeding the critical t-table value of 2.030. These metrics provide robust support for Hypothesis 1, confirming that profitability exerts a significant positive influence on sustainability report disclosure. From a theoretical perspective, this relationship is underpinned by the availability of slack resources; highly profitable firms possess the financial latitude necessary to absorb the substantial costs associated with comprehensive non-financial reporting. By voluntarily disclosing sustainability metrics, these organizations signal their commitment to corporate social responsibility (CSR), thereby mitigating information asymmetry, enhancing transparency, and fostering long-term stakeholder trust. Consequently, such strategic disclosure serves as a mechanism to bolster corporate reputation and ensure operational longevity by attracting ethical investors and strategic business partners.

The findings of this study resonate with the prior empirical works of Latifah (2019); Liana (2019); and Maryana & Carolina (2021) which collectively assert that financial prowess is a primary driver for enhanced sustainability transparency. However, the lack of consensus in existing literature is highlighted by the divergence of these results from the studies conducted by Ikhsan (2021); Indriawati et al. (2022); and Trisnawati et al. (2022), who reported that profitability does not significantly influence disclosure levels. This discrepancy may be attributed to variations in institutional environments, differing regulatory mandates across jurisdictions, or the possibility that firms in certain sectors view sustainability reporting as a mandatory compliance exercise rather than a discretionary performance-driven activity. Nevertheless, the current results reinforce the notion that superior financial performance acts as a catalyst for environmental and social accountability within the researched context.

The overarching implications of these findings suggest that for firms operating in competitive markets, sustainability reporting is not merely an auxiliary disclosure but a strategic imperative driven by financial success. For management, the positive correlation identified implies that leveraging profitability to enhance sustainability transparency can serve as a potent tool for competitive differentiation. This study contributes to the ongoing academic discourse by reinforcing the resource-based view (RBV), asserting that superior financial performance provides the necessary internal capabilities to fulfill broader social responsibilities. Furthermore, for regulators and standard-setters, these results underscore the need for policies that encourage less profitable firms to also adopt transparent reporting practices, perhaps through tiered disclosure requirements, to ensure that sustainability accountability is not exclusively reserved for high-performing organizations. Ultimately, this research provides a nuanced understanding of how financial health catalyzes long-term corporate resilience and stakeholder alignment.

Institutional Ownership and Sustainability Report Disclosure

The empirical results presented in Table 2 demonstrate a significance value of 0.001, which is well below the 0.05 threshold, supported by a t-statistic of -3.574, falling significantly below the critical t-table value of 2.030. These statistical metrics necessitate the rejection of the initial hypothesis, confirming instead that institutional ownership exerts a significant negative influence on sustainability report disclosure. This inverse relationship indicates that higher concentrations of institutional shareholding are associated with a reduction in the extent of voluntary non-financial reporting. Such a finding challenges the conventional assumption of a linear positive correlation between institutional oversight and public transparency, suggesting a more complex governance dynamic within the studied entities. In other words, companies with greater levels of institutional ownership tend to have lower



levels of sustainability report disclosure. This test corroborates stakeholder theory, which argues that high institutional ownership not only improves the quality of information available, but also encourages management to be more responsive to the interests of stakeholders. This study is in line with Hardika et al. This study found a significant positive effect of institutional ownership on sustainability report disclosure (Hardika et al., 2018). However, these results contradict Dewi's research which concluded that institutional ownership has no impact on sustainability report disclosure (Dewi & Pipit, 2019).

The negative impact identified in this study can be interpreted through a nuanced application of Stakeholder Theory and information economics. One compelling reason for this finding is the direct monitoring capability inherent in institutional investors. Unlike retail investors, institutional shareholders often possess the professional expertise and significant voting power to access internal corporate data directly. Consequently, they may rely on private information channels and direct engagement with management rather than standardized public sustainability reports. From a management perspective, if the dominant stakeholders (the institutions) are already satisfied via internal reporting, the high costs associated with preparing extensive, audited sustainability disclosures may be viewed as a redundant expenditure, leading to a strategic reduction in public disclosure levels.

These findings provide a critical counterpoint to the existing literature, echoing the significant role of institutional structures noted by Hardika et al. (2018), yet diverging in the direction of the effect. Furthermore, the results contradict the study by Dewi & Pipit (2019), which posited that institutional ownership lacks a discernible impact on disclosure practices. This discrepancy may be attributed to the specific investment horizons of the institutions involved; for instance, "transient" institutional investors focused on short-term financial performance might prioritize immediate cost-cutting over the long-term reputational benefits of sustainability reporting. By highlighting this negative correlation, the study contributes to a more sophisticated understanding of corporate governance, suggesting that institutional presence does not automatically guarantee broader public accountability, but rather shapes disclosure based on the specific informational needs of the controlling blocks.

Audit Committee Effectiveness and Sustainability Report Disclosure

The statistical evidence presented in Table 2 reveals a highly significant p-value of 0.000, well below the conventional 0.05 threshold, complemented by a t-statistic of 4.640, which substantially exceeds the critical value of 2.030. These robust metrics provide empirical confirmation for Hypothesis 3, establishing that the audit committee exerts a significant positive influence on the extent of sustainability report disclosure. This finding underscores the pivotal role of the audit committee as a core governance mechanism that transcends traditional financial oversight to encompass non-financial accountability. By ensuring that ESG (Environmental, Social, and Governance) disclosures are prepared in a standardized and reliable manner, the audit committee acts as a primary driver for corporate transparency within the sampled organizations.

From a theoretical standpoint, this positive correlation strongly resonates with both Legitimacy and Stakeholder Theories. Under Legitimacy Theory, the audit committee serves as a strategic instrument to ensure the firm operates within the bounds of societal norms, thereby securing its social license to operate through comprehensive disclosure. Simultaneously, according to Stakeholder Theory, the audit committee facilitates information symmetry by addressing the diverse expectations of external parties. An optimal frequency of audit committee meetings is particularly crucial; it fosters a more inclusive and rigorous decision-making process, allowing for the meticulous vetting of sustainability data. For large-scale enterprises that are subject to intense public scrutiny, this enhanced oversight is indispensable for maintaining institutional trust and mitigating reputational risks associated with



perceived greenwashing.

The results of this research are consistent with the findings of Latifah (2019); and Tumwebaze et al. (2022), which collectively argue that a functional and active audit committee is a fundamental prerequisite for high-quality sustainability reporting. However, this study presents a scholarly departure from the conclusions of Dewi & Pipit (2019); Indriawati et al. (2022); and Kartini (2022), who observed no significant impact. This divergence may be attributed to differences in committee characteristics, such as the level of expertise or the independence of committee members across different regulatory environments. This study reinforces the notion that when the audit committee is empowered with sufficient authority and a clear mandate for non-financial oversight, it effectively catalyzes the firm's commitment to sustainable development and transparent stakeholder communication.

Company Size and Sustainability Report Disclosure

Based on the econometric results presented in Table 2, the company size variable yields a significance value of 0.021, which falls below the critical alpha level of 0.05, and a t-statistic of 2.408, surpassing the t-table threshold of 2.030. These findings provide empirical substantiation for Hypothesis 4, confirming that company size exerts a significant positive influence on the extent of sustainability report disclosure. This relationship suggests that as a firm's total assets expand, its propensity to engage in comprehensive non-financial reporting increases proportionally. In the context of this study, larger corporate scale serves as a primary determinant in elevating the level of transparency regarding environmental and social impacts.

The observed positive correlation is deeply rooted in Legitimacy and Stakeholder Theories. From the perspective of Legitimacy Theory, larger corporations are subject to greater public visibility and, consequently, higher scrutiny from society. By disclosing sustainability information, these entities attempt to align their operations with societal values to secure their social license to operate. Furthermore, Stakeholder Theory posits that larger firms face intensified pressure from a broader range of stakeholders, necessitating more robust transparency to mitigate political costs and public agitation. Beyond pressure, larger companies benefit from economies of scale in reporting; they possess the requisite slack resources—including financial capital and specialized human expertise—to manage the complexities of GRI-standardized reporting, which smaller counterparts might find prohibitively expensive.

The results of this study are consistent with the findings of Dewi & Pipit (2019); Kalbuana et al. (2022); Setiawan et al. (2023); and Tumwebaze et al. (2022), all of whom posit that firm size is a robust predictor of voluntary disclosure quality. However, this conclusion diverges from the research conducted by Liana (2019); Maryana & Carolina (2021); and Riyadi (2023), who identified no significant relationship. This discrepancy may stem from variations in the industry-specific sensitivity of the sampled firms or the maturity of the regulatory environment in the periods studied. Nevertheless, this study reinforces the notion that corporate size remains a critical catalyst for sustainability transparency, particularly in emerging markets where large enterprises are expected to lead the transition toward corporate accountability.

CONCLUSION

This study was conducted to empirically evaluate the influence of profitability, institutional ownership, the audit committee, and company size on sustainability report disclosure. The findings reveal a multifaceted landscape of corporate governance and reporting. Specifically, the positive impact of profitability and company size confirms that resource availability and public visibility are primary



catalysts for voluntary transparency, as firms leverage their financial strength to secure legitimacy and meet stakeholder expectations. Conversely, the significant negative influence of institutional ownership suggests a unique monitoring dynamic where institutional investors might prioritize direct oversight or financial performance over public non-financial disclosures. Furthermore, the audit committee's positive role underscores the importance of internal supervisory mechanisms in ensuring the credibility and compliance of sustainability reporting. Collectively, these results reinforce the integration of Agency, Stakeholder, and Legitimacy theories in explaining the drivers of corporate accountability.

Despite the rigorous analytical approach, this study is not without its limitations, which should be considered when interpreting the results. First, the scope of the research is limited to specific variables of corporate governance and financial performance, potentially overlooking other influential factors such as board diversity, political connections, or industry-specific environmental sensitivity. Second, the measurement of sustainability disclosure relied on a content analysis index which, while systematic, may involve a degree of subjectivity in qualitative assessment. Furthermore, the observation period and the specific geographical context of the sample might limit the generalizability of the findings to different regulatory frameworks or distinct economic climates where sustainability mandates vary significantly.

The findings provide valuable insights for regulators, investors, and corporate management. For policy-makers, the results suggest that strengthening audit committee mandates can effectively enhance corporate transparency. For future research, it is recommended to expand the conceptual framework by incorporating moderating variables, such as national culture or regulatory quality, to better understand the conditions under which institutional ownership influences disclosure. Additionally, future studies could employ longitudinal data or mixed-method approaches—combining quantitative analysis with qualitative interviews—to capture a more nuanced understanding of the managerial motivations behind sustainability reporting. Finally, investigating the impact of digital reporting and integrated reporting frameworks remains a fertile ground for future scholarly inquiry in the evolving landscape of corporate ESG disclosure.

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