FINANCIAL AND GOVERNANCE FACTOR ANALYSIS ON SUSTAINABILITY REPORT DISCLOSURE

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Abstract

Sustainability reporting has become increasingly important as stakeholders demand greater transparency regarding corporate environmental, social, and governance practices. However, the extent of Sustainability Report Disclosure among basic materials firms in Indonesia remains varied, raising questions about whether Financial Factors and Governance Factors influence the level of disclosure. By considering financial traits and corporate governance practices, this study examines Sustainability Report Disclosure among basic materials firms listed on the Indonesia Stock Exchange between 2022 and 2024. Secondary data obtained from companies' annual reports and Sustainability Reports served as the basis for this study. Purposive sampling resulted in 47 firms, yielding 141 firm-year observations. An index derived from the Global Reporting Initiative (GRI) Standards, encompassing the 200, 300, and 400 series, was used to assess Sustainability Report Disclosure. The analysis considered Liquidity, Leverage, Profitability, Proportion of Independent Commissioners, Audit Committee, and Firm Size as explanatory variables. Multiple linear regression was applied after the model met the classical assumption requirements. Liquidity and Leverage exhibited statistically significant negative associations with Sustainability Report Disclosure, while Profitability and Proportion of Independent Commissioners were not significantly associated with disclosure levels. Conversely, Audit Committee and Firm Size showed positive associations with Sustainability Report Disclosure. These findings indicate that Governance Factors and Firm Size contribute to broader Sustainability Report Disclosure, whereas certain Financial Factors are associated with lower disclosure levels.

Keywords: Sustainability Report Disclosure, Financial Factors, Governance Factors, Basic Materials Sector

INTRODUCTION

Sustainability issues are becoming increasingly important in business practices and financial markets. Companies are no longer judged only by their financial performance, but also by their openness to environmental, social, and governance (ESG) impacts through sustainability reporting. This development can be seen from the strengthening of international standards such as IFRS S1 and IFRS S2 compiled by the ISSB, as well as the European Union's policy through the CSRD that encourages sustainability reporting to become an integral part of modern corporate governance. In Indonesia, sustainability reporting obligations are also strengthened through POJK No. 51/POJK.03/2017 and SEOJK 16/SEOJK.04/2021. However, disclosure practices in companies are still uneven. Previous research noted that energy companies' compliance with GRI guidelines is still low, as only about 30% of items are fully disclosed (Adelita et al., 2025). (PwC, 2022) shows that although the number of IDX companies that issue sustainability reports has increased, the quality and depth of information remain varied and are influenced by internal company characteristics (Prihandono & Herliansyah, 2025).

Inconsistent disclosure breadth in sustainability reports indicates that companies face different capabilities and internal constraints in preparing such reports. To understand these conditions, empirical testing is needed that assesses internal factors that have the potential to encourage or limit disclosure. Disclosure levels are examined quantitatively by considering corporate governance mechanisms and financial factors. Sustainability Report Disclosure is measured using an index based on the Global Reporting Initiative (GRI Standards 2021), specifically the 200, 300, and 400 series covering economic, environmental, and social dimensions.

Sustainability Report Disclosure among basic materials companies listed on the Indonesia Stock Exchange during the 2022-2024 period is examined in relation to Liquidity, Leverage, Profitability, and Corporate Governance Mechanisms, including the Proportion of Independent Commissioners, Audit Committee, and Firm Size. The basic materials sector was chosen because it has operational characteristics that are closely related to sustainability risks, such as resource use intensity, potential emissions, pollution, and social risks in the supply chain. This condition demands higher transparency and accountability than other sectors. Nevertheless, sustainability reporting practices among basic materials firms on the IDX remain inconsistent over the 2022-2024 period, with noticeable variation in disclosure levels. This indicates a clear research gap regarding the determinants of sustainability disclosure in this sector.

Previous research that examined the variables in this study showed inconsistent results, so the relationship between variables could not be concluded with certainty. In the liquidity aspect, (Hermawan & Sutarti, 2021) document no significant relationship with Sustainability Report Disclosure. Similar findings were also shown on the leverage variable, although (Adelita et al., 2025) reported a significant negative influence. Inconsistent findings are also observed for profitability. (Hermawan & Sutarti, 2021) report a negative association, whereas (Adelita et al., 2025) document no statistically significant relationship between profitability and sustainability report disclosure. The inconsistencies in the findings did not only occur in financial factors, but also in the company's governance mechanisms. Empirical evidence from (Sofa & Respati, 2020) indicates that Sustainability Disclosure is not significantly associated with the Proportion of Independent Commissioners or the Audit Committees. Conversely, (Kalbuana et al., 2022) reveal a negative association specifically involving the Audit Committees and Sustainability Disclosure. On the variable of company size, (Prihandono & Herliansyah, 2025) found a positive influence, but (Adelita et al., 2025) reported insignificant results. The findings indicate that Sustainability Reporting is shaped by both internal firm conditions and industry-specific characteristics, suggesting that the relationships among variables are context-dependent. Re-testing is therefore necessary, especially in the basic materials industry, which carries significant environmental risks but currently lacks empirical data on Sustainability Reporting Disclosures.

This study is grounded in Stakeholder Theory and Legitimacy Theory, which explain that companies disclose sustainability information to meet stakeholder expectations and maintain organizational legitimacy.

Therefore, this study aims to examine the effect of Liquidity, Leverage, Profitability, Proportion of Independent Commissioners, Audit Committee, and Firm Size on Sustainability Report Disclosure among basic materials companies listed on the Indonesia Stock Exchange during the 2022-2024 period.

REVIEW OF LITERATURE

Companies can disclose information about their sustainability performance, including social, environmental, and economic aspects, through Sustainability Reporting. In addition to supplementing annual reports, sustainability reports help companies gain the trust of stakeholders by presenting non-financial data, which is increasingly important. Sustainability Report Disclosure is assessed through an index derived from the Global Reporting Initiative (GRI) Standards, covering the 200, 300, and 400 series, which are treated as an unweighted index to capture the breadth of disclosure in a structured way.

Stakeholder theory serves as the foundation for this study's explanation of the Sustainability Report Disclosure practice. From a stakeholder perspective, corporate responsibility extends beyond shareholders to include various groups with an interest in the firm's long-term sustainability, such as government bodies, creditors, employees, customers, suppliers, and the wider community (Freeman, 1984). With respect to sustainability reporting, companies will tend to provide more extensive information as stakeholders' demands for transparency increase. Sustainability reports can also be understood as a company's communication medium to show the sustainability commitment carried out, as well as answer public expectations for the impact of company activities (Sofa & Respati, 2020). The need for sustainability information has also increased as investors' attention to environmental and social issues has grown, encouraging firms to strengthen disclosure as a form of accountability (Hermawan & Sutarti, 2021)

The company's financial condition is one of the factors that can affect the extent of sustainability report disclosure. Liquidity describes a company's ability to meet short-term liabilities. Although the link between short-term solvency and long-term sustainability disclosure is not always direct, firms with higher liquidity are generally in a more stable financial position and may have greater flexibility to support sustainability-related activities and reporting. Therefore, liquidity is theoretically expected to have a positive association with Sustainability Report Disclosure. However, prior empirical evidence does not consistently align with this hypothesis. (Hermawan & Sutarti, 2021) report no significant relationship between Liquidity and Sustainability Report Disclosure, indicating that short-term financial capacity is not a dominant driver of expanded Sustainability Reporting.

Leverage reflects how extensively debt is incorporated into a firm's financial structure. From a stakeholder perspective, higher Leverage may lead to tighter financial conditions and closer scrutiny from creditors. There are competing theoretical arguments regarding leverage. On one hand, highly leveraged firms may behave more conservatively and limit voluntary disclosure due to financial constraints. On the other hand, such firms may increase disclosure to reduce information asymmetry and signal accountability to creditors and external stakeholders. (Adelita et al., 2025) document a significant negative association between leverage and sustainability reporting, while (Hermawan & Sutarti, 2021) find no significant relationship, suggesting that the association varies across contexts. Given increasing transparency demands, this study adopts the view that leverage encourages greater disclosure as a signaling mechanism. Supporting this perspective, other empirical evidence also indicates a positive relationship between leverage and sustainability disclosure (Pramudita & Ayu, 2024). Therefore, despite mixed findings, this study maintains that leverage is theoretically expected to have a positive association with Sustainability Report Disclosure.

A company's ability to generate profit from its assets is reflected in its profitability, which may encourage funding for environmental initiatives and more extensive disclosure practices. Empirical findings on this relationship vary across studies. (Adelita et al., 2025) find no significant relationship, whereas (Hermawan & Sutarti, 2021) document a negative association with Sustainability Report Disclosure. Nevertheless, other empirical evidence indicates that profitability positively influences sustainability disclosure (Liana, 2020). These differences indicate that profitability does not necessarily directly increase sustainability disclosure, as such decisions may also be influenced by managerial priorities and strategic considerations. From a stakeholder theory perspective, firms with higher profitability possess greater financial resources and face stronger reputational pressures to meet stakeholder expectations through broader sustainability disclosure. Therefore, despite mixed empirical findings, profitability is theoretically expected to have a positive association with Sustainability Report Disclosure.

In addition to financial characteristics, the corporate governance mechanisms are associated with Sustainability Report Disclosure through their role in strengthening managerial oversight and enhancing disclosure quality. A higher proportion of independent commissioners is generally expected to promote more objective supervision, thereby encouraging firms to present sustainability information more transparently. According to (Sofa & Respati, 2020), the Proportion of Independent Commissioners did not show any significant influence on how extensively companies disclosed their Sustainability Reports. Even with more Independent Commissioners, the scope of Sustainability Disclosure may remain limited if oversight functions lack transparency. However, from a stakeholder theory perspective, a higher proportion of independent commissioners strengthens monitoring mechanisms and enhances accountability to stakeholders, which in turn encourages broader sustainability disclosure. Therefore, the proportion of Independent Commissioners is expected to have a positive association with Sustainability Report Disclosure.

The Audit Committee contributes to Corporate Governance by supporting oversight of corporate reporting and accountability processes. In practice, the audit committee is expected to strengthen the credibility of the information submitted by the company, including sustainability information. According to (Sofa & Respati, 2020), sustainability reporting practices were not influenced by the presence of an Audit Committee, while (Kalbuana et al., 2022) found a negative association. These findings suggest that the role of the Audit Committee in sustainability disclosure may depend on its specific characteristics, such as size or presence, rather than assumed effectiveness. Therefore, this study adopts a more cautious expectation regarding the Audit Committee's influence on Sustainability Report Disclosure. Accordingly, the Audit Committee is hypothesized to have a positive association with Sustainability Report Disclosure, although the relationship may vary across firms.

Company size is also a factor that is frequently linked to the level of sustainability report disclosure. Firms operating on a larger scale generally engage in more complex operations and are subject to greater public scrutiny, which increases the demand for sustainability-related disclosure. (Prihandono & Herliansyah, 2025) found that Company Size has a positive effect on the level of sustainability report disclosure. However, (Adelita et al., 2025) show that Company Size has no significant effect. Company Size alone may not dictate the breadth of sustainability reporting, especially when the practice is not prioritized within corporate strategy. Nevertheless, in line with stakeholder theory, larger firms face greater pressure from diverse stakeholder groups and higher public visibility, which increases the need for transparency through broader sustainability disclosure. Therefore, Company Size is theoretically expected to have a positive association with Sustainability Report Disclosure.

Overall, the outcome of previous studies shows that Sustainability Report Disclosure is influenced by a combination of financial and corporate governance factors, but the direction of influence of each variable still varies in different contexts. Evidence from (Amaliyah et al., 2024) indicates that Sustainability Report Disclosure is shaped by financial and corporate governance characteristics, although the effects of individual variables vary. The difference in results indicates that the extent of Sustainability Report Disclosure remains contextual and influenced by the characteristics of the company and its industrial sector. Accordingly, the analysis concentrates on basic materials companies over the 2022-2024 period, considering that this sector has high environmental risk characteristics and there is still relatively limited empirical evidence on the determinants of Sustainability Report Disclosure.

In order to outline the connections among the variables examined, a conceptual framework was developed. It shows how Liquidity, Leverage, Profitability, Independent Commissioners, Audit Committee, and Firm Size are associated with Sustainability Report Disclosure, as illustrated in Figure 1.

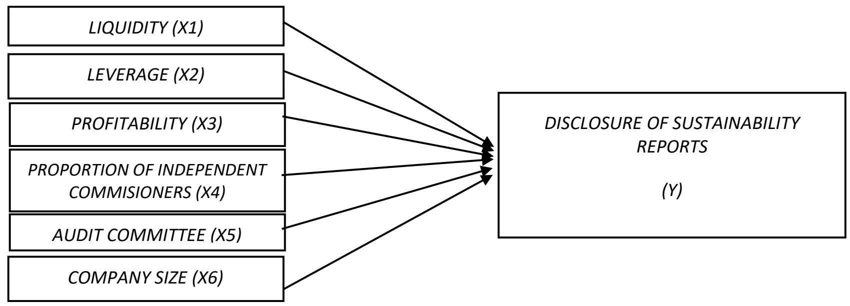

Figure 1.
Conceptual Framework
Source: Processed Author (2026)

Based on the theoretical foundation, the results of previous research, and the framework of thought that has been prepared, the research hypothesis is formulated as follows:

H1: Liquidity is hypothesized to be positively associated with Sustainability Report Disclosure.

H2: Leverage is hypothesized to be positively associated with Sustainability Report Disclosure.

H3: Profitability is hypothesized to be positively associated with Sustainability Report Disclosure.

H4: The proportion of Independent Commissioners is hypothesized to be positively associated with Sustainability Report Disclosure.

H5: The Audit Committee is hypothesized to be positively associated with Sustainability Report Disclosure.

H6: Company size is hypothesized to be positively associated with Sustainability Report Disclosure.

RESEARCH METHOD

Research Method and Design

The influence of Liquidity, Leverage, Profitability, the Proportion of Independent Commissioners, the Audit Committee, and Firm Size on Sustainability Report Disclosure is examined using a quantitative approach. This research adopts a causal design by assessing cause-and-effect relationships based on secondary data obtained from annual reports and sustainability reports. The study focuses on basic materials companies listed on the Indonesia Stock Exchange (IDX) during 2022-2024.

Population and Sample

All basic materials companies listed on the Indonesia Stock Exchange from 2022-2024 constitute the research population (111 firms, resulting in 333 firm-year observations over the three-year period). Purposive sampling is applied to determine the sample based on the following criteria:

1. The company belongs to the basic materials sector and is listed consecutively for 2022-2024

2. The Company publishes an annual report and sustainability report in each observation year
3. The report contains the data needed to calculate all the research variables
4. The company did not incur losses during the observation period to avoid interpretation bias, especially in the profitability variable.

Following these criteria, the final sample consists of 47 companies, yielding 141 firm-year observations. However, the exclusion of loss-making firms may introduce sample selection bias and limit the generalizability of the findings, which should be considered when interpreting the results.

Data Types and Sources

This research relies on secondary quantitative data obtained from annual reports and sustainability reports of basic materials companies listed on the Indonesia Stock Exchange (IDX) during 2022-2024. Additional information was collected from official IDX publications and the websites of the sampled firms. The dataset was then utilized to measure Liquidity, Leverage, Profitability, the Proportion of Independent Commissioners, the Audit Committee, Firm Size, and the level of Sustainability Report Disclosure in accordance with the GRI-based disclosure index.

Data Collection Techniques and Instrument Development

The data were gathered using a documentation technique by retrieving annual reports and Sustainability Reports from the IDX website and/or the official websites of each company. Financial and governance variables were calculated based on information reported in annual reports, while Sustainability Disclosure was assessed from sustainability reports using content analysis. Each disclosure item was coded as “1” when reported and “0” when not reported, and the disclosure index was computed by comparing the number of disclosed items with the total disclosure indicators. The disclosure indicators refer to the GRI Standards 2021, including GRI 200 (economic), GRI 300 (environmental), and GRI 400 (social). The index consists of approximately XX disclosure items and is treated as an unweighted index, where each item is assigned equal importance. (Hermawan & Sutarti, 2021; Rohim et al., 2024) (Lasmana et al., 2023; Salma et al., 2024).

Variable Operations

Table 1.
Variable Operations

Variabel	Measurement
Sustainability Report Disclosure	Measured by the GRI Index of 200, 300, 400 (score of 1 if disclosed; 0 if not), then the disclosure index (Lasmana et al., 2023; Salma et al., 2024) $$SR = \frac{Number\ of\ disclosed\ items}{Total\ GRI\ standard\ items}$$
Liquidity	Measured by Current Ratio (Hermawan & Sutarti, 2021) $$CR = \frac{Current\ Assets}{Current\ Liabilities}$$

Leverage	Measured by Debt to Equity Ratio (Hermawan & Sutarti, 2021; Rohim et al., 2024) $DER = \frac{Total\ Liabilities}{Total\ Equity}$
Profitability	Measured by Return on Assets $ROA = \frac{Net\ Income}{Total\ Assets}$
Proportion of Independent Commissioners	Measured by the percentage of independent commissioners in the board of commissioners. (Ekaputri & Eriandani, 2022; Rohim et al., 2024) $KOMIND = \frac{Number\ of\ Independent\ Commissioners}{Total\ Board\ of\ Commissioners}$
Audit Committee	Number of Audit Committee Members (Hendrati et al., 2023; Kalbuana et al., 2022; Rohim et al., 2024)
Company Size	$SIZE = Ln\ (Total\ Assets)$

Source: Processed Author (2026)

Data Analysis Techniques

To provide an initial overview of the dataset, descriptive statistics are reported by presenting the minimum and maximum values, as well as the mean and standard deviation for each variable. All statistical procedures were conducted using SPSS 27. Prior to hypothesis testing, several diagnostic checks were carried out to confirm that the regression model met the required assumptions. The procedures covered normality, multicollinearity, heteroscedasticity, and autocorrelation. The normality test was conducted on regression residuals to assess whether they follow an approximately normal distribution. The multicollinearity test was used to examine potential correlations among independent variables in a regression model. The heteroscedasticity test was applied to evaluate the consistency of residual variance across observations. The autocorrelation test was conducted to assess the residual correlation between periods using the Durbin-Watson test (Ghozali, 2021)

To examine the proposed hypotheses, this study employed multiple linear regression to evaluate how the independent variables affect Sustainability Report Disclosure. The estimated regression equation is presented as follows:

$$SR = \alpha + \beta_1 LIK + \beta_2 LEV + \beta_3 PROF + \beta_4 KOMIND + \beta_5 KA + \beta_6 SIZE + \varepsilon$$

Description: SR = sustainability report disclosure rate; LIK = Liquidity; LEV = Leverage; PROF = Profitability; KOMIND = Proportion of Independent Commissioners; KA = Audit Committee; SIZE = Company Size; α = constant; β_1-β_6 = regression coefficient; ε = error. In addition, the determination coefficient (R^2) is used to measure the ability of independent variables to explain the variation of dependent variables, while the t-test is used to test the partial influence of each independent variable on the Sustainability Report Disclosure.

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RESULTS AND DISCUSSION

Table 2.
Statistik Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LIK	141	0,4100	33,4837	3,626955	4,3246574
LEV	141	0,0338	12,877	0,742846	1,2740998
PROF	141	0,0011	0,3134	0,069402	0,060884
KOMIND	141	0,25	0,7500	0,434245	0,1166043
KA	141	2	6	3,08	0,398
SIZE	141	25,3133	32,8863	29,013724	1,7910399
SR	141	0,0787	0,9438	0,439796	0,1956595
Valid N (listwise)	141				

Source: SPSS Data Processing Results

Based on Table 2, this study uses 141 observations representing sample companies during the 2022–2024 period. Prior to further analysis, descriptive statistics indicate that each research variable exhibits distinct characteristics. Liquidity (LIK) ranges from 0.4100 to 33.4837, with a mean of 3.6269 and a standard deviation of 4.3247, suggesting substantial heterogeneity in firms' short-term solvency. Leverage (LEV) varies between 0.0338 and 12.8770, with an average of 0.7428 and a standard deviation of 1.2741, reflecting diverse reliance on debt financing across firms.

The descriptive statistics indicate that firms exhibit different financial and governance characteristics. Profitability (PROF) shows an average of 0.0694 (SD = 0.0609), with values ranging from 0.0011 to 0.3134, reflecting unequal asset-return performance across companies. However, the relatively limited variation may be influenced by the exclusion of loss-making firms, which potentially narrows the distribution of profitability values. Governance-related indicators appear relatively stable. The proportion of independent commissioners (KOMIND) averages 0.4342 (SD = 0.1166) and varies between 0.2500 and 0.7500, suggesting comparable board independence among sampled firms. Likewise, audit committee size (KA) is fairly consistent, with most firms maintaining around three members on average (Mean = 3.08; SD = 0.398), indicating limited variability in this governance mechanism.

Firm Size (SIZE) varies across the sample, ranging from 25.3133 to 32.8863 (Mean = 29.0137; SD = 1.7910), indicating differences in firms' asset scale. Sustainability Report Disclosure (SR) also shows considerable dispersion, with values between 0.0787 and 0.9438 and an average disclosure level of 0.4398 (SD = 0.1957). This relatively moderate average with wide dispersion indicates inconsistent sustainability reporting practices among firms. In general, the variation of the data across variables is considered adequate to proceed to classical assumption testing and regression analysis.

Classic Assumption Test

Table 3.
Classic Assumption Test Result

Test	Indicator	Value		Conclusion
Normality Test (Kolmogorov Smirnov)	Asymp. Sig. (2-Tailed)	0,200		Data Normal
Multicollinearity Test		Tolerance	VIF	Not experiencing multicollinearity
	LIK	0,795	1,258	
	LEV	0,917	1,091	
	PROF	0,959	1,042	
	KOMIND	0,936	1,068	
	KA	0,897	1,115	
	SIZE	0,789	1,267	
Heteroscedasticity Test (glejser test)		Sig.		Heteroscedasticity-free
	LIK	0,343		
	LEV	0,385		
	PROF	0,629		
	KOMIND	0,848		
	KA	0,711		
	SIZE	0,965		
Autocorrelation Test	Durbin-Watson	1,843		No Autocorrelation occurs

Source: SPSS Data Processing Results

Based on Table 3, classical assumption testing is performed to ensure the regression model meets the requirements before hypothesis testing. Results from the Kolmogorov-Smirnov normality test show an asymptotic significance (2-tailed) of 0.200 exceeding the 0.05 threshold. These findings show that the regression residuals are normally distributed, which satisfies the normality assumption.

The multicollinearity diagnostics indicate no serious collinearity issues, as all variables report tolerance values greater than 0.10 and VIF values less than 10. In detail, the VIF value is in the range of 1.042 to 1.267 with the Tolerance ranging from 0.789 to 0.959. Accordingly, the regression model does not exhibit multicollinearity, as no significant linear relationships are observed among the independent variables.

The Glejser test for heteroscedasticity indicates that the regression model satisfies the required assumptions. The significance value for all independent variables exceed the 0.05 threshold, including Liquidity (0.343), Leverage (0.385), and Profitability (0.629). The significance values are 0.848 for KOMIND, 0.711 for KA, and 0.965 for SIZE.. The findings show that residual variance is constant, so the regression model does not experience heteroscedasticity.

In the meantime, 1.843 was the result of the Durbin-watson autocorrelation test, indicating that there is no autocorrelation in the regression model since the value falls within < DW < 4 − dU. The impact of independent variables on Sustainability Report Disclosure can be analyzed using multiple linear regression analysis since the regression model generally satisfies the established requirements, according to the findings of classical assumption tests.

Multiple Regression Analysis

Table 4.
Multiple Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,085	0,259		-4,196	0,000
	LIK	-0,008	0,004	-0,176	-2,228	0,028
	LEV	-0,024	0,011	-0,159	-2,154	0,033
	PROF	-0,007	0,232	-0,002	-0,030	0,976
	KOMIND	0,014	0,122	0,009	0,117	0,907
	KA	0,097	0,037	0,198	2,653	0,009
	SIZE	0,044	0,009	0,400	5,027	<0,001

a. Dependent Variable: SR

Source: SPSS Data Processing Results

The estimated multiple linear regression equation is presented as follows:

$$SR= -1.085-0.008LIK-0.024LEV-0.007PROF+0.014KOMIND+0.097KA+0.044SIZE+\varepsilon$$

A constant value of -1.085 indicates that when the variables Liquidity (LIK), Leverage (LEV), Profitability (PROF), Proportion of Independent Commissioners (KOMIND), Audit Committee (KA), and Company Size (SIZE) are assumed to be zero, then the value of the Sustainability Report (SR) Disclosure tends to be -1.085.

The negative relationship is indicated by a Liquidity regression coefficient (LIK) of -0.008, which means that, assuming other variables remain constant, each one-unit increase in LIK will result in a 0.008 decrease in SR.

An increase in Leverage of one unit tends to reduce the SR by 0.024 since the Variable Leverage (LEV) also has a negative coefficient of -0.024. Furthermore, Profitability (PROF) has a coefficient of -0.007, which indicates that an increase in profitability of one unit tends to decrease the SR by 0.007, assuming other variables remain the same.

Regarding governance variables, the Proportion of Independent Commissioners (KOMIND) shows a small positive coefficient (0.014), while the Audit Committee (KA) shows a positive coefficient (0.097). Firm Size (SIZE) also shows a positive coefficient (0.044), indicating that larger firms tend to disclose more sustainability information.

Hypothesis test (t-test)

Table 5.
Hypothesis test (t-test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,085	0,259		-4,196	0,000
	LIK	-0,008	0,004	-0,176	-2,228	0,028
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	KOMIND	0,014	0,122	0,009	0,117	0,907
	KA	0,097	0,037	0,198	2,653	0,009
	SIZE	0,044	0,009	0,400	5,027	<0,001

a. Dependent Variable: SR

Source: SPSS Data Processing Results

Each partially independent variable's impact on the Sustainability Report (SR) Disclosure was evaluated using the t-test. The basis for decision-making is carried out through a significance value at the level of 5% ($\alpha = 0.05$). If the sig. value less than 0.05, the variable is said to have a significant effect; if the sig. value greater than 0.05, the effect is deemed negligible. Table 5 presents a summary of the t-test results, which can be explained as follows.

a) Liquidity (LIK) shows a statistically significant negative association with Sustainability Report (SR) Disclosure, as indicated by a regression coefficient of -0.008 and significant level of 0.028. This finding does not support the proposed hypothesis.
b) Leverage (LEV) exhibits a statistically significant negative association with Sustainability Report (SR) Disclosure, as reflected by a regression coefficient of -0.024 and a significance level of 0.033. This finding does not support the proposed hypothesis.
c) Profitability (PROF) has a regression coefficient of -0.007 with a significance value of 0.976. This value shows that Profitability does not have a significant effect on SR. In other words, the company's ability to generate profits is not directly a determining factor

in the extent of sustainability report disclosure in this research sample. Thus, the proposed hypothesis regarding profitability is not supported.

d) The proportion of Independent Commissioners (KOMIND) obtained a regression coefficient of 0.014 with a significance value of 0.907. The Proportion of Independent Commissioners has no discernible impact on SR, according to these findings. No significant relationship is observed between the Proportion of Independent Commissioners and Sustainability Report Disclosure in the basic materials sector. The hypothesized positive association between the Proportion of Independent Commissioners and Sustainability Report (SR) Disclosure is not empirically supported.

e) The Audit Committee (KA) has a regression coefficient of 0.097 with a significance value of 0.009. This result proves that the Audit Committee has a significant influence and has a positive direction towards SR. Stronger audit committee oversight is positively associated with higher levels of sustainability report disclosure. Therefore, the hypothesis that the Audit Committee has a positive effect on SR is accepted.

f) Company Size (SIZE) shows a regression coefficient of 0.044 with a significance value of < 0.001. These findings indicate that Company Size has a significant and positive effect on SR. Companies with larger asset sizes tend to have a broader level of sustainability report disclosure than smaller companies. Thus, the hypothesis that the Company Size has a positive effect on SR is declared accepted.

Determination Coefficient Test (R Square)

Table 6.
Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,486[a]	0,237	0,202	0,36604
a. Predictors: (Constant), SIZE, LEV, PROF, KOMIND, KA, LIK				
b. Dependent Variable: SR				

Source: SPSS Data Processing Results

Based on Table 6, the Adjusted R Square value obtained is 0.202. These results show that Liquidity, Leverage, Profitability, Proportion of Independent Commissioners, Audit Committee, and Company Size are simultaneously able to explain the variation in Sustainability Report (SR) Disclosure by 20.2%. Meanwhile, 79.8% of SR variations were influenced by other factors outside the research model, such as different company characteristics, internal management policies, pressure from stakeholders, and external conditions that were not included in the analysis.

The use of Adjusted R Square was chosen because it is more representative in regression models with several independent variables, considering that this measure has adjusted the value of the determination coefficient to the number of variables in the model and the number of samples used.

Discussion

The results of the study show that the influence of independent variables on Sustainability Report (SR) Disclosure varies. The Audit Committee and Company Size have proven to have a significant positive effect, while Liquidity and Leverage have a significant effect with a negative direction. Meanwhile, Profitability and Proportion of Independent Commissioners do not have a significant effect on SR in the basic materials sector companies for the 2022-2024 period. These findings indicate that in high environmental risk industries such as basic materials, governance mechanisms appear to play a more decisive role than short-term financial performance in shaping sustainability disclosure practices.

The Effect of Liquidity on Sustainability Reporting Disclosure

Liquidity shows a significant negative relationship with SR, indicating that (H1) is rejected. These findings indicate that companies with stronger liquidity conditions tend to focus more on financial stability and short-term efficiency rather than expanding sustainability disclosures. These results are in line with (Mahendra & Purwanto, 2024) but different from (Ukhti Fatihah et al., 2024) which found a positive influence. These differences show that the role of Liquidity in driving SR still depends on the company's context and observation period. In the basic materials sector, high liquidity may be allocated primarily to operational continuity and working capital management, rather than to voluntary disclosure initiatives such as sustainability reporting. This suggests that financial flexibility does not automatically translate into greater transparency in non-financial reporting.

The Effect of Leverage on Sustainability Report Disclosure

Leverage also shows a significant negative influence on SR, so the hypothesis (H2) is not proven. This condition can be explained because the high burden of obligations to creditors encourages companies to prioritize financial aspects, so that the disclosure of non-financial information becomes more limited. These results are in agreement with (Putri Monica et al., 2025) However, they contradict (Hermawan & Sutarti, 2021), who reports insignificant results, suggesting that the effect of Leverage on SR varies across context. From a stakeholder theory perspective, although leverage theoretically increases external monitoring, excessive debt levels in capital-intensive industries such as basic materials may instead constrain managerial discretion and reduce attention to sustainability disclosure. This finding implies that financial pressure may outweigh reputational considerations in highly leveraged firms.

The Effect of Profitability on Sustainability Report Disclosure

In the Profitability variable, the results showed that there was no significant influence on SR, so the hypothesis (H3) was rejected. This finding is in line with (Yudhanti & Listianto, 2021) who assessed that sustainability disclosure is not always determined by profit because it is still relatively voluntary. However, these results differ from (Afrina et al., 2024) who found positive influences and (Sinaga & Teddyani, 2020) who found negative influences, thus suggesting that the influence of Profitability on SR is still inconsistent across studies. This condition indicates that profitability alone is not a sufficient driver of sustainability transparency, particularly when sustainability reporting is influenced more by regulatory pressure and governance quality than by earnings performance. In other words, the ability to generate profit does not necessarily reflect a stronger commitment to broader sustainability disclosure.

The Effect of the Proportion of Independent Commissioners on Sustainability Report Disclosure

The proportion of Independent Commissioners has no significant effect on SR so hypothesis (H4) is not supported. These findings indicate that the existence of independent commissioners is not necessarily effective in driving increased sustainability disclosure, as the focus of oversight may be more dominant on the financial and formal compliance aspects. These results are in line with (Sofa & Respati, 2020) and (Anggraeni & Sisdyani, 2025) but different from (Grediani & Kapti, 2023) which found a positive influence. This finding may reflect that the presence of independent commissioners in basic materials companies does not automatically ensure substantive oversight of sustainability practices, particularly if their role is more symbolic or compliance-oriented. Thus, board independence alone may be insufficient without stronger sustainability-oriented governance agendas.

The Influence of the Audit Committee on Sustainability Report Disclosure

The Audit Committee had a significant positive effect on SR, so that hypothesis (H5) was accepted. These results suggest that the audit committee's oversight function can drive transparency of reporting, including social and environmental information. These findings support (Grediani & Kapti, 2023) and (Meinawati & Wirakusuma, 2023) although they differ from (Sofa & Respati, 2020) and (Yudhanti & Listianto, 2021) which are stated to be insignificant. This difference indicates that the influence of the audit committee may depend on the effectiveness of its implementation in individual companies. In the context of the basic materials sector, which is exposed to higher environmental scrutiny, the audit committee may play a critical role in ensuring the credibility and completeness of sustainability disclosures. This supports the argument that effective internal monitoring mechanisms are more directly linked to transparency outcomes than general board composition.

The Effect of Company Size on Sustainability Report Disclosure

The size of the Company has a significant positive effect on SR so that the hypothesis (H6) is accepted. Large companies are encouraged to publish sustainability reports more openly, as they typically have greater resources and face greater public pressure. These findings are in line with (Putra et al., 2023) and (Sofa & Respati, 2020) and show that company scale is a relatively consistent factor in driving sustainability disclosure. For basic materials firms, larger asset bases are often associated with higher environmental exposure and stakeholder visibility, which intensifies external pressure for accountability. Therefore, firm size functions not only as a resource indicator but also as a proxy for reputational risk and regulatory scrutiny in sustainability reporting.

CONCLUSION

This study aims to analyze the influence of Liquidity, Leverage, Profitability, Proportion of Independent Commissioners, Audit Committee, and Company Size on the Disclosure of Sustainability Report (SR) in basic materials sector companies listed on the Indonesia Stock Exchange for the 2022-2024 period. The test results show that Liquidity and Leverage have a significant negative effect on SR, indicating that certain financial conditions may be related to the company's tendency to limit the breadth of sustainability disclosures. Meanwhile, the profitability and proportion of independent commissioners have not been proven to have a significant effect on SR, so the level of profit and composition of independent commissioners cannot be used as the main determinant in encouraging the disclosure of sustainability reports in the context of this study. On the other hand, the Audit Committee and Company Size have proven to have a significant positive effect on SR, which confirms that internal oversight mechanisms as well as the company's scale have an important role in expanding transparency of sustainability information. Overall, the results indicate that sustainability report disclosure in the basic materials sector is more strongly influenced by governance oversight and Firm Size characteristics than by specific financial performance indicators.

Theoretically, these findings reinforce stakeholder theory by demonstrating that effective governance mechanisms, particularly the Audit Committee, play a more decisive role than short-term financial indicators in encouraging broader sustainability disclosure in high environmental risk industries. This study contributes to the literature by providing empirical evidence from the basic materials sector, which remains relatively underexplored in sustainability reporting research. Practically, the results suggest that company management and regulators should strengthen internal oversight functions and governance quality to enhance sustainability transparency. For future research, further studies may consider incorporating additional governance variables, external pressures, or comparative sectoral analysis to obtain a more comprehensive understanding of the determinants of Sustainability Report Disclosure.

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