

**EXAMINATION OF CORPORATE GOVERNANCE ON THE SUSTAINABILITY
REPORTING IN MINING INDUSTRY: THE RELEVANCE OF BOARD
COMMISSIONERS AND AUDIT COMMITTEE**

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Received: 05.03.2025

Accepted: 13.06.2025

ABSTRACT

Purpose: Air pollution in Indonesia poses serious health risks, as current air quality fails to meet WHO standards. This issue impacts environmental, social, and economic conditions, raising public concern over corporate activities. While prior research has examined the relationship between corporate governance and sustainability reporting, results have been inconsistent. This study aims to investigate this association specifically in Indonesia's mining sector.

Methodology: Corporate governance was evaluated using board characteristics (size, independence, gender diversity, and financial expertise) and audit committee attributes (size, financial expertise, and meeting frequency). Sustainability reporting was scored from 0 to 4, with the highest score reflecting assurance by an external provider. The study analyzed 20 mining companies listed on the Indonesia Stock Exchange from 2017 to 2022 using multiple regression analysis.

Findings: Board commissioners and the audit committee positively impacted sustainability reporting, except for board size and gender diversity which have negatively impacted the sustainability reporting. However, only board independent, board expertise and audit committee meetings have a significant influence on sustainability reporting.

Contributions: The findings suggest that the board of commissioners and audit committee do not significantly influence the social, economic, and environmental outcomes of company activities. Companies are advised to restructure their boards to enhance oversight and improve sustainability reporting.

Keywords: Corporate governance, sustainability report, environmental pollution, mining industry, Indonesia stock exchange.

Cite as: Gunawan, Y. H., Sutarti, S., Mohd Suffian, M. T. & Zolkaflil, S. (2025). Examination of corporate governance on the sustainability reporting in mining industry: The relevance of board commissioners and audit committee. *Journal of Nusantara Studies*, 10(2), 655-677. <http://dx.doi.org/10.24200/jonus.vol10iss2pp655-677>

1.0 INTRODUCTION

Sustainability reporting (SR) is an essential tool for companies to communicate with stakeholders, investors, and the surrounding community. It includes the triple-bottom-line concept, addressing economic, environmental, and social dimensions (Destiana, 2023). In Indonesia, the number of companies publishing SRs has increased, with 154 companies reporting in 2020. However, this increase is still insufficient for fostering long-term business sustainability in the country. The quality of SR is crucial, as it must be accountable, accurate, coherent, comparable, appropriate, and balanced (GRI G3 Guidelines, 2021).

Research on sustainability is highly relevant in Indonesia, driven by urgent environmental challenges. These include escalating air pollution in the Jabodetabek region and rising sulphur dioxide emissions. Such environmental issues have substantial social and economic consequences, highlighting the need for strong corporate governance (CG). Effective CG is crucial to ensure responsible environmental reporting. Additionally, publishing sustainability reports (SRs) allows companies to foster positive relationships with stakeholders (Hörisch et al., 2020).

Internationally, empirical studies on the relationship between CG and SR have yielded mixed results. For instance, research conducted with 120 companies on the Nigeria Stock Exchange found a positive relationship between board characteristics, audit committees, and SR (Erin et al., 2022; Erin & Ackers, 2024). Similar findings were reported in studies on sub-Saharan African firms and private commercial banks in Bangladesh (Olayinka & Barry, 2024). However, other studies, such as those conducted in Malaysia and Jordan, suggest that CG's influence on SR is not always significant (Rashid, 2018; Alodat et al., 2023). Some researchers

argue that companies may only increase SR disclosure when their legitimacy is threatened (Yadav & Jain, 2023).

In the Indonesian context, research findings on corporate governance (CG) and sustainability reporting (SR) are inconsistent. Some studies report a significant positive relationship between CG and SR among companies listed on the Indonesia Stock Exchange (Wijayana & Kurniawati, 2018). However, other research suggests that board characteristics, such as size, independence, and gender diversity, do not significantly influence SR disclosure (Setyawan et al., 2022; Lusiana & Sari, 2023). Studies on audit committees also yield mixed results, with some emphasizing the importance of committee size and meeting frequency. Meanwhile, others argue that financial expertise plays a less critical role (Mufida & Syafruddin, 2023).

The mixed findings and limited research in developing countries like Indonesia underscore the need for further exploration of corporate governance (CG) and its impact on sustainability reporting (SR). This study aims to address this gap by replicating Erin et al. (2022) and investigating the influence of CG on SR in the Indonesian mining sector. The mining sector is especially pertinent due to its considerable environmental impact. SR has the potential to shape both corporate practices and public perception in this industry. Therefore, understanding the CG-SR relationship in this context is crucial.

Indonesia was chosen as the study location based on findings from the Financial Services Authority (OJK). These findings reveal that weak implementation of Good Corporate Governance (GCG) has contributed to numerous corporate scandals, particularly in the insurance sector, since the Covid-19 pandemic. Furthermore, issues of collusion and nepotism, which conflict with financial interests, highlight the need for stronger GCG practices. The persistence of these governance failures emphasizes the importance of reform. As a result, this study aims to explore how GCG can be improved.

This research contributes both methodologically and conceptually by providing empirical evidence of the influence of governance—specifically, the roles of the board of commissioners and audit committees—on sustainability reporting. The study analyzes 20 mining companies listed on the Indonesia Stock Exchange over the period 2017-2022, utilizing the ordinal logistic regression method to assess these relationships. The next section provides a literature review relevant to the study, followed by the research methodology. This is followed by an analysis and discussion of the findings. The final section concludes the study.

2.0 LITERATURE REVIEW

2.1 Underpinning Theory

This study is grounded in agency theory and stakeholder theory. Agency theory posits that agency relationships arise when individuals, known as principals, engage another individual, referred to as the agent, to perform a service while delegating decision-making authority to that agent (Lesmono & Siregar, 2021). Within this framework, management serves as the professional agent, equipped with a deeper understanding of company operations to maximize profits for the owners at optimal costs. The principals, or shareholders, seek to achieve the highest possible returns on their investments. To align interests, they provide agents with various financial and non-financial incentives (Anggraeni, 2011; Lesmono & Siregar, 2021).

In a company, management will have more internal information than the owner, so that all decisions enacted cannot provide benefits to both parties if they do not have communication. The agency theory occurs because of the different interests of the agent and principal, this difference is called information asymmetry (Fitriyani, 2023). Information asymmetry occurs if the distribution of information is not the same between the agent and the principal (Sambera & Meiranto, 2013). In the journal (Fitriyani, 2023) company management knows more about the information in the company, so there is an information gap between the owners and management. So that decisions will not be able to satisfy the principal and agent together, both parties agree because of the contract that binds both parties. Differences in interests lead to the creation of SR. The problem occurs because the manager does not want to spend a lot of money to make a SR (Ghazali et al., 2018), while the owner or investor wants disclosure of the company's environmental and social responsibility activities in the company.

Environmental and social responsibilities in company is made in the disclosure of SR (Shamil et al., 2014) in the journal (Fitriyani, 2023). Agency theory is the basis for implementing corporate governance because agency theory explains that there is information asymmetry between management and shareholders. So, agency theory is the basis for the company to be better and achieved because of GCG. Corporate governance is a management mechanism for companies based on agency theory. To realize GCG, the company must apply the principles of corporate governance, namely: accountability, transparency, responsibility, fairness, and independence. The existence of governance, namely board governance and audit committee attributes, is one way to resolve agency theory and improve SR disclosure. Governance of the board of commissioners and audit committee is expected to oversee non-financial and financial reporting practices and can minimize information asymmetry between management and stakeholders (Josua & Septiani, 2020; Saari et al., 2020).

Environmental changes are a problem faced by managers, solving this problem can be done on the basis of a desire to establish a responsive framework, which is the reason for the stakeholder approach (Handoko, 2021). The process of achieving organizational goals can be influenced by the activities of groups or individuals referred to as stakeholders. The way entities maintain relationships with stakeholders is through accommodation of stakeholder needs. Through SR, it can help maintain relationships between entities and stakeholders and to maintain the wishes of each party (Hörisch et al., 2020). Regarding the position and activities of the entity to economic, environment and social elements, it is in a transparent SR (Handoko, 2021). Stakeholders can directly assess the entity's performance through the publication of a SR which will then affect stakeholder contributions to the entity. To help achieve sustainable development goals, it is hoped that the disclosure of SR can provide useful information for stakeholder decision making.

Entities are motivated to address the needs of stakeholders for several reasons. First, environmental issues have become a significant concern as they can disrupt the quality of human life. Additionally, in today's increasingly advanced era, there is a growing expectation for traded products to be environmentally friendly. Companies that adopt and update regulations related to environmental protection tend to be more attractive to investors. On the other hand, companies that neglect environmental issues face greater criticism from NGOs and environmental advocates.

2.2 Corporate Governance and Sustainability Report

Corporate governance encompasses the principles, values, and processes that ensure companies operate in an ethical, transparent, and accountable manner. It is essential for companies to uphold the interests of all stakeholders, including shareholders, employees, consumers, and the public. The focus of corporate governance has expanded beyond just shareholders to encompass a broader range of stakeholder interests. Maintaining strong relationships with stakeholders can significantly enhance overall company performance. Consequently, effective corporate governance is crucial for achieving sustainable growth and success (Muhamud Fuzi et al., 2024; Suffian et al., 2022).

Meanwhile, the definition of SR is responsibility to all stakeholders about the company's ability to produce sustainable development goals as a practice in announcing company activities. Currently, companies as much as possible make reports to describe the economic, environmental, and social impacts of the company. The container for making this

report is called Sustainability reporting. The principles for disclosing SR are contained in the GRI G3 Guidelines. To produce a quality SR, it must apply these principles.

(GRI G3 Guidelines, 2021) States that the SR contains elements of economic, environmental, human rights (HAM), society, product responsibility, and social.

The economy is related to the consequences produced by the company on the economic situation of stakeholders and the local, national, and international economic systems. The environment is related to the consequences of the company to living things and ecosystems in the environment around the Company. Human rights are related to transparency in choosing investors and suppliers. Society relates to the impact that the Company produces on the community around the Company. Product responsibility relates to product reporting whether it affects customers or not. The last one is social related to social activities carried out by the Company.

2.3 Hypotheses Development

2.3.1 Board Size

According to the Financial Services Authority Regulation (POJK) Number 33/POJK.04/2014, the board of directors of a public company must consist of at least two members, while the board of commissioners must also have a minimum of two members, including one independent commissioner (Otoritas, 2015). The board of directors is responsible for the daily management and organization of the company, ensuring that operational activities are aligned with the strategic goals and objectives set by the organization. In contrast, the board of commissioners plays a vital role in overseeing and supervising the company's activities, adding a layer of governance and accountability. This separation of responsibilities enables the board of directors to concentrate on operational execution, while the board of commissioners is committed to monitoring compliance with regulatory and ethical standards. Such a structure is essential for maintaining effective corporate governance and ensuring the company's long-term success.

The dual-board structure mandated by POJK Number 33/POJK.04/2014 aims to enhance corporate governance by clearly defining the roles and responsibilities of each board, thereby improving oversight and protecting stakeholders' interests (Kamarudin et al., 2024; Otoritas, 2015). This framework establishes a division where the board of directors manages operational matters, while the board of commissioners focuses on compliance and oversight, fostering a more robust governance environment. Such a structure not only promotes operational efficiency but also strengthens accountability and transparency within the

organization. By delineating these responsibilities, the regulation supports a systematic approach to governance. Consequently, based on this explanation, the research hypothesis is articulated as follows:

H₁: Board size has a positive effect on the sustainability reporting.

2.3.2 Board Independence

According to POJK Number 33 of 2014, an independent commissioner is defined as a board member who is external to the company and meets specific qualifications established for independent commissioners (Otoritas, 2015). This regulation aims to ensure that independent commissioners bring an external perspective and impartiality to the board's decision-making processes. Additionally, Article 6 of POJK Number 55 of 2015 mandates that independent commissioners must comply with the qualifications outlined in POJK Number 33 of 2014 (Otoritas, 2015). This provision specifies that if the Board of Commissioners consists of only two members, at least one must be an independent commissioner. This requirement is designed to ensure a level of independent oversight within the board.

For boards with more than two members, the regulation requires that at least 30% of the total board members be Independent Commissioners. This requirement aims to ensure a substantial presence of independent oversight within the governance structure, thereby enhancing the board's ability to provide objective supervision. The significant proportion of Independent Commissioners is intended to bolster the board's impartiality and effectiveness in overseeing corporate governance. These regulations underscore the importance of having independent oversight in maintaining the integrity of corporate governance practices. Based on this explanation, the research hypothesis is stated as follows:

H₂: Independent commissioners have a positive effect on the sustainability reporting.

2.3.3 Board Gender Diversity

Fitroni and Feliana (2022) and Cox (1991) have highlighted that gender diversity on corporate boards can introduce challenges such as miscommunication and interpersonal conflicts. Despite these potential drawbacks, the presence of gender diversity offers considerable advantages, including a wider range of perspectives in decision-making. This diversity can foster enhanced innovation and creativity, which in turn can lead to more effective marketing strategies tailored to diverse customer segments. Maltz and Borker (1982) further explored how

gender differences in communication styles influence workplace interactions, noting that women may improve their responsiveness by practicing patience, while men often prioritize hierarchical structures, status, and competitiveness. These dynamics illustrate the intricate relationship between gender diversity and communication within organizational contexts.

Moreover, the benefits of gender diversity extend beyond just decision-making and innovation. The varied perspectives brought by a diverse board can lead to more comprehensive problem-solving and strategic planning. However, managing the complexities of gender-based communication styles is crucial for harnessing the full potential of a diverse team. Effective strategies for addressing these challenges can help maximize the positive impact of gender diversity on organizational performance. Based on these insights, the research hypothesis is articulated as follows:

H₃: Gender diversity on the board has a positive effect on sustainability reporting.

2.3.4 Board Financial Expertise

The potential for fraud in financial statement presentation can be significantly reduced through effective oversight by an independent board. This oversight is crucial for minimizing fraud related to financial disclosures, as the competence and expertise of the board of commissioners are essential for ensuring accuracy and integrity in financial reporting (Hariani, 2020). Law No. 40 of 2007 highlights that one of the primary responsibilities of the board of commissioners is to oversee the company's management. This includes scrutinizing financial statements, approving budgets, and monitoring overall performance. When the board has expertise in finance or accounting, it is better equipped to detect discrepancies and potentially fraudulent activities in financial reports. Such specialized knowledge enables the board to implement effective controls and auditing procedures, which helps reduce the likelihood of financial misreporting.

Furthermore, possessing financial expertise allows the board to more effectively identify and address issues within financial statements, thereby enhancing the reliability of disclosures. This competence is critical for enforcing rigorous oversight and ensuring that the company adheres to accurate reporting practices. By implementing robust controls and auditing processes, the board can significantly diminish the risk of financial misreporting. As a result, the presence of knowledgeable board members contributes to greater transparency and trust in financial disclosures. Based on this understanding, the research hypothesis is formulated as follows:

H₄: Board expertise in the finance has a positive effect on the sustainability reporting.

2.3.5 Audit Committee Size

The size of the audit committee refers to the number of members appointed to assist the board of commissioners in its oversight responsibilities (Fakri & Taqwa, 2019). These committee members play a vital role in overseeing the company's financial statements and evaluating the effectiveness of the internal control system (SPI). Additionally, their responsibilities include assessing the company's risk management practices and monitoring the performance of both external and internal auditors. Maintaining an adequate number of committee members is crucial for ensuring effective supervision and accountability within the organization. Therefore, the composition of the audit committee significantly impacts its overall effectiveness in fulfilling its oversight duties.

To meet regulatory requirements, a company must have a minimum of three audit committee members. This requirement aims to guarantee that the committee has the necessary capacity to perform its oversight functions effectively. The members can include independent commissioners or external experts who are not affiliated with the company, which helps enhance the objectivity and thoroughness of the audit process. By adhering to these guidelines, companies can ensure robust oversight and uphold the integrity of their financial reporting. Based on this framework, the research hypothesis is formulated as follows:

H₅: Audit committee size has a positive effect on the sustainability reporting.

2.3.6 Audit Committee Financial Expertise

According to POJK Number 55/POJK.04/2015, the audit committee is required to include at least one member with a background or experience in accounting and finance (Otoritas, 2015). This stipulation aims to ensure that the committee has the necessary financial expertise to effectively address and manage issues related to earnings manipulation and fraudulent activities (Mohd Suffian, 2021; Idris et al., 2015; Isa et al., 2013). The inclusion of members with such qualifications is critical for providing robust oversight, which is essential for identifying and mitigating potential financial discrepancies. Their specialized knowledge greatly enhances the accuracy and reliability of financial reporting, thereby safeguarding the integrity of financial disclosures. Consequently, this requirement underscores the importance of having qualified professionals within the audit committee to uphold sound governance practices.

The financial expertise of audit committee members is crucial for the thorough evaluation and scrutiny of the company's financial statements, ensuring they accurately reflect the company's financial health (Widasari & Isgiyarta, 2017). Having individuals with substantial financial knowledge enhances the committee's ability to detect and address instances of financial misreporting. This expertise also promotes timely and accurate financial reporting, which is vital for maintaining transparency and fostering trust among stakeholders. Based on these insights, the research hypothesis posits that the financial expertise of audit committee members significantly influences the quality and reliability of financial reporting. Therefore, effective governance relies heavily on the financial competencies of those within the audit committee.

H₆: The financial expertise of the audit committee has a positive effect on the sustainability reporting.

2.3.7 Audit Committee Meeting

According to POJK Number 55 of 2015, Article 13, audit committees are encouraged to hold meetings at least once every three months (Otoritas, 2015). This recommendation highlights the significance of regular oversight and continuous engagement by the audit committee to ensure effective monitoring of the company's financial practices. Article 14 further stipulates that a meeting of the audit committee is valid if attended by more than half of its members, which emphasizes the need for sufficient member participation for the meeting to proceed. The frequency of these meetings serves as a critical indicator of the audit committee's commitment to its responsibilities. Ultimately, this proactive approach is essential for overseeing financial reporting and ensuring compliance within the organization.

The activeness and effectiveness of the audit committee can be significantly reflected in the regularity of its meetings. Frequent meetings not only demonstrate the committee's diligence in addressing potential issues but also contribute to more timely and thorough oversight. By adhering to the recommended meeting schedule, the audit committee can better protect its professional integrity and enhance its role in safeguarding the company's financial health. This regular engagement allows for ongoing evaluation of the company's financial practices and internal controls, thus reinforcing the audit committee's role in upholding transparency and accountability within the organization. Based on this explanation, the research hypothesis is stated as follows:

H7: Audit committee meetings have a positive effect on sustainability reporting.

3.0 RESEARCH METHODOLOGY

3.1 Data

This study utilized a sample of 20 companies from a total of 32 mining companies listed on the IDX for the period from 2017 to 2022. Using a purposive sampling technique, it was determined that 12 mining companies did not publish complete annual reports, resulting in 20 companies that fully addressed all research variables. Consequently, the total number of annual reports and sustainability reports (SR) included as samples in this study amounted to 120 data points, representing 20 companies over six years. Data collection was conducted through library research methods and included secondary data from various sources, such as SRs, annual reports, the IDX website, and the official websites of each company. This comprehensive approach ensured the reliability and validity of the data used for the analysis.

Following the methodology of Al-Shaer and Zaman (2016), the sustainability reports (SRs) were evaluated using a 0-4 scoring system to assess the quality of the disclosed data. The scoring system ranged from 0, indicating that no SR was available, to 4, which signified that the SR was available and included assurance provided by an Assurance Services Provider. To analyze the interaction between the dependent and independent variables, this research utilized an ordinal logistic regression model. The quality of the SRs was categorized using a 5-point ordinal scale, including the labels "Poor," "Low," "Average," "Above Average," and "Excellent" (Al-Shaer & Zaman, 2016). This structured approach allowed for a comprehensive evaluation of the SR quality within the study's framework.

In addition, the independent variable in this study is corporate governance which is divided into the quality of the board of commissioners and the characteristics of the audit committee. The quality of the board of commissioners in this study is assessed through several factors. The size of the board is determined by the total number of members serving on the board of commissioners (Erin et al., 2022). Independent commissioners are evaluated by the proportion of independent members relative to the total board size (Erin et al., 2022). Gender diversity on the board is measured by the number of female commissioners in relation to the total number of board members (Erin et al., 2022). Lastly, the financial expertise of the board is gauged by the number of commissioners holding degrees in accounting, finance, or economics, or those with professional experience as accountants, auditors, heads of finance, financial managers, financial advisors, or financial analysts in both financial and non-financial companies (Krishnan, 2007; Sarwar et al., 2019).

The characteristics of the audit committee in this study are evaluated based on several factors. The size of the audit committee is determined by the total number of its members within the company (Erin et al., 2022). Financial expertise is assessed by counting the number of members who hold degrees in accounting, finance, or economics, as well as those with professional experience as accountants, auditors, heads of finance, financial managers, financial advisors, or financial analysts in both financial and non-financial companies (Krishnan, 2007; Sarwar et al., 2019). Additionally, the frequency of audit committee meetings is measured by the total number of meetings held during the specified period (Erin et al., 2022). These evaluations provide a comprehensive understanding of the audit committee's effectiveness and its impact on corporate governance.

To avoid biased results, researchers utilize several control variables, including firm growth, return on equity, and leverage. Firm growth is calculated as the difference between the current year's growth and the previous year's growth, divided by the previous year's growth. Return on equity is measured by dividing net income by equity, while leverage is assessed using the debt-to-equity ratio, calculated as debt divided by equity. The researchers anticipate that higher levels of firm growth, return on equity, and leverage will indicate improved quality of sustainability reports. Information regarding the sample companies is provided in Appendix 1 and 2, and data measurement methods are detailed in Appendix 3.

3.2 Research Model

As explained earlier, to predict the interaction between the dependent variable and the independent variable, this research employs an ordinal logistic regression model. The quality of the sustainability reports (SR) is defined using a 5-point ordinal scale, which includes the categories "Poor," "Low," "Average," "Above Average," and "Excellent" (Al-Shaer & Zaman, 2016). This scale allows for a nuanced assessment of SR quality. Researchers utilized the following regression model to analyze the data effectively. The model is designed to capture the relationships between the various factors influencing SR quality.

$$SRQ_{i,t} = \alpha + \beta_1 BODSIZE_{i,t} + \beta_2 BODINDP_{i,t} + \beta_3 BODGEN_{i,t} + \beta_4 BODEXP_{i,t} \\ + \beta_5 ACSIZE_{i,t} + \beta_6 ACFE_{i,t} + \beta_7 ACMEET_{i,t} + \beta_8 GROWTH_{i,t} \\ + \beta_9 ROE_{i,t} + \beta_{10} LEV_{i,t} + \varepsilon_{i,t}$$

Where:

SRQ = Sustainability report quality

BODSIZE = Board size (board size)

BODINDP = Independent board (independent board)

BODGEN = Board gender diversity (board gender diversity)

BODEXP = Board expertise (board expertise)

ACSIZE = Audit committee size (audit committee size)

ACFE = Audit Committee financial expertise (audit committee financial expertise)

ACMEET = Audit committee meeting (audit committee meeting)

GROWTH = Company Growth Rate

ROE = Company Profitability

LEV = Corporate Leverage

ε = error

4.0 ANALYSIS AND DISCUSSION

Table 1 presents the descriptive statistics for the variables utilized in this study, including the mean, minimum and maximum values, and standard deviation. The N column indicates the total amount of data analyzed. For the dependent and independent variables, the average sustainability report (SR) score is 1.58. This finding suggests that mining companies in Indonesia are performing below average in terms of SR disclosure. Overall, the results highlight the need for improved transparency and reporting practices within the sector.

Regarding governance characteristics, the average board size results range from 4-5, with the maximum number of directors being 8. Board independence has a minimum value of 1 and a maximum value of 3. While board size has a minimum value of 1 and a maximum value of 3. These results are in accordance with POJK. Where these results are in accordance with POJK Number 33 of 2014 Article 1, where (1) "The Board of Commissioners consists of 2 (two) members of the Board of Commissioners, of which 1 (one) of them is an Independent Commissioner. "; (2) "The Board of Commissioners consists of more than 2 (two) members of the Board of Commissioners, where the number of Independent Commissioners must be at

least 30% (thirty percent) of the total number of members of the Board of Commissioners" (Otoritas, 2015).

The number of female directors on the board ranges from 0-1 with a mean of 0.21, while the average value of board expertise is 0.62. In addition, examining the audit committee attribute, the average size of the audit committee size is 3.10 around five members constituting the audit committee. This is in accordance with the POJK that audit committee members should not be less than 3 people. The average value of audit committee expertise is 0.78. The results of the audit committee meetings show that, on average, board members meet 6-7 times a year to discuss issues related to the company's activities.

Table 1: Descriptive statistics

	Minimum	Maximum	Mean	Standard Deviation
SR	1	3	1.58	.714
BODSIZE	2	8	4.68	1.831
BODINDP	1	3	1.82	.683
BODGEN	0	1	.21	.408
BODEXP	0	1	.62	.294
ACSIZE	3	5	3.10	.416
ACEXP	0	1	.78	.217
ACMEET	0	14	6.03	2.942
GROWTH	-82.24	173.59	25.3311	55.9312
ROE	-1.07	4.32	1.1169	1.1270
LEV	-1.99	11.91	1.7298	2.6010

Note: This table presents the descriptive statistics of all variables for a final sample of 120 firm-year observations.

Table 2 explains the results of multiple regression analysis. Where there are columns of variables, coefficients, std. error, t-value, significance, and information on whether the hypothesis is accepted or rejected. Overall, this study explores seven research hypotheses to investigate corporate governance's influence on SR. research hypotheses one to four predict the role of the board in SR. The findings show a negative association between board size and SR indicated by a significance of more than 0.05, namely 0.215. Hence, the first research hypothesis (H_1) is not supported.

The results of this study align with previous research in the sustainability reporting literature (Buallay & Al-Ajmi, 2020; Önder & Baimurzin, 2020; Setyawan et al., 2022), indicating that board size does not significantly influence sustainability report (SR) disclosure.

According to Setiawan and Ridaryanto (2022), members of the board of commissioners have failed to adequately supervise and guide the management of the company. In practice, the board of commissioners has not performed its oversight responsibilities effectively. This inefficacy suggests that the quality of supervision cannot be judged solely by the size of the board. Instead, it must also consider the norms, values, and beliefs present within the organization.

The second research hypothesis focuses on the relationship between board independence and SR. The findings show a significant positive relationship between board independence and SR. It indicated by a significance value of more than 0.05, namely 0.078. Hence, the second research hypothesis (H_2) is supported. This result is inconsistent with the research (Setyawan et al., 2022) which believes that board independence has a negative impact on sustainability disclosure. The supervision carried out by the independent board of commissioners has been carried out properly, which has an impact on the management disclosure of SR.

The third research hypothesis focuses on the relationship between board gender diversity and SR. The findings show a negative association between board gender diversity and SR. It indicated by a significant value that is above 0.05, namely 0.979. Hence, the third research hypothesis (H_3) is not supported. The results of testing this third hypothesis are in line with research (Setyawan et al., 2022) which found no significant relationship between board gender diversity and Sustainability reporting quality.

In a company, female commissioners show more sympathy for social responsibility. A larger number of female commissioners can help make better decisions by seeing more issues that are then considered (Diono & Wahyu Prabowo, 2017). The Indonesian state still uses a patrilineal kinship system or paternal lineage. The system explains that men control all family members, decision-making, sources of income, and ownership of goods. With this system, the presence of women in the company's management ranks is not dominant (Setiawan & Ridaryanto, 2022).

The fourth research hypothesis examines the relationship between board financial expertise and sustainability report (SR) quality. The analysis reveals that board expertise has a negative and significant influence on SR, indicated by a p-value of 0.193, which exceeds the threshold of 0.05. Consequently, the fourth research hypothesis (H_4) is not supported. This study aligns with findings from previous research by Fitriyani (2023) regarding the importance of the experience and education of board commissioners. Furthermore, the competence of the board cannot be assessed solely by quantity; it must also consider the characteristics and

personal qualities of its members, including racial background, culture, and educational background.

However, the results of this study were unable to prove the truth of this theory. This can happen because education is not only obtained through formal channels. The educational background referred to in this study is formal education in economics and business strata 1 and above. The ability of board members to decide on SR disclosure policies can be supported by work experience, training and informal courses (Yuniasih et al., 2011). In addition, the intelligence ability of the board of commissioners can be determined by the soft skills of the board of commissioners (Kusumastuti et al., 2007). Experience as an entrepreneur can be an important factor that supports the competence of the board of commissioners to determine what information policies need to be published to stakeholders. The involvement of the board of commissioners in environmentally and socially oriented organizations can also influence their decisions and supervision of corporate sustainability disclosure.

While the fifth, sixth and seventh hypotheses examine the relationship between audit committee size, financial expertise, audit meetings and SR. The fifth hypothesis focuses on the relationship between audit committee size and SR. The findings show a strong positive association between audit committee size and SR. It indicated by a significant value that is below 0.05, namely 0.001. Hence, the fifth research hypothesis (H_5) is supported. This is in line with research journals (Erin et al., 2022; Lusiana & Sari, 2023; Mufida & Syafruddin, 2023), where the audit committee is responsible for enforcing corporate governance ethics and overseeing the financial reporting process. A strong audit committee will perform an effective oversight function to ensure that management complies with regulations related to Sustainability reporting (Mufida & Syafruddin, 2023).

The sixth research hypothesis predicts the association between audit committee financial expertise and SR. The analysis shows no significant relationship between audit committee financial expertise and SR. It indicated by a significant value that is above 0.05, namely 0.343. hence, the sixth research hypothesis (H_6) is not supported. The results of this test are in line and have similarities with research conducted by (Buallay & Al-Ajmi, 2020; Mufida & Syafruddin, 2023).

The seventh research hypothesis focuses on the relationship between audit committee meetings and SR. The findings show a strong positive association between audit committee meetings and SR. It indicated by a significant value that is below 0.05, namely 0.000. Hence, the seventh research hypothesis (H_7) is supported. The results of this test are in line with the journal (Mufida & Syafruddin, 2023) that audit committee meetings show active involvement

of audit committee members on issues related to company activities, including Sustainability reporting. Regular committee meetings will result in high quality Sustainability reporting, as audit committee members will have more time to discuss financial reporting activities. Companies that have more audit committee meeting frequency will result in audit committee members meeting more frequently and being more active in monitoring the company's financial reporting and Sustainability reporting (Mufida & Syafruddin, 2023).

Table 2: Multiple regression analysis

	SR	Hypotheses Supported/Not Supported
(Constant)	-.790 (-1.267)***	-
BODSIZE	-1.240 (-1.251)	Not Supported
BODINDP	1.851 (1.791)*	Supported
BODGEN	-.005 (-.026)	Not Supported
BODEXP	.337 (1.314)	Not Supported
ACSIZE	.547 (3.325)***	Supported
ACEXP	.337 (.956)	Not Supported
ACMEET	.100 (3.970)***	Supported
GROWTH	.002 (1.878)*	-
ROE	-.097 (-1.479)	-
LEV	.012 (.487)	-
R squared	.486	-
F-statistics	6.237***	-

Note: This table shows the multiple linear regression of Sustainability Reporting for a sample of 120 firm-year observations.

***Significant at the 1% level (1-tailed); **Significant at the 5% level (1-tailed); *Significant at the 10% level (1-tailed)

5.0 CONCLUSION

This study investigates the relationship between corporate governance and sustainability reporting (SR) in Indonesia. It evaluates corporate governance through various board governance factors, including board size, independence, gender diversity, and expertise, along with audit committee attributes such as committee size, financial expertise, and meeting frequency. The quality of SR is assessed using a scoring system that ranges from 0 to 4, where the highest score reflects that the SR is independently assured by an assurance services provider, while the lowest score indicates no SR disclosure. The primary objective of this research is to enhance the understanding of how corporate governance mechanisms, particularly board governance and audit committee characteristics, impact SR in Indonesia. Ultimately, this study aims to contribute valuable insights into the effective governance practices that promote sustainability reporting.

Using a sample of 20 companies from 2017 to 2022 and employing ordered probit and logistic regression methods, the findings reveal that corporate governance does not significantly influence SR. This suggests that existing governance structures may not effectively support SR practices in Indonesia. To address this gap, future research should consider expanding the sample to include companies from various sectors, enhancing the diversity and representativeness of the findings. The study has significant theoretical and practical implications. Theoretically, it contributes to the body of knowledge on the relationship between corporate governance and SR, particularly in the context of emerging markets like Indonesia. Practically, the findings suggest that companies should consider restructuring their boards to improve oversight and support for SR practices. This research provides valuable insights for practitioners, stakeholders, society, and academics, emphasizing the need for stronger governance frameworks to enhance SR in Indonesia.

Quality SR disclosure requires rigorous and continuous oversight by the board during the data collection, selection, and dissemination processes, which should be reinforced by frequent board meetings. The role of external assurance is also critical in enhancing the credibility and reliability of SR. External auditors need to be prepared to meet this challenge by ensuring that SR content and presentation are both reliable and credible. The study's main contribution lies in highlighting the strong connection between the board of directors and the audit committee in driving SR within organizations. It also underscores the need for standard setters and regulators to engage with corporate organizations on how to deliver high-quality SR that serves multiple stakeholders effectively.

Board governance and external assurance have emerged as pivotal factors in driving higher levels of sustainability reporting (SR). To maximize the effectiveness of SR, it is essential for corporate boards to establish specialized committees focused exclusively on sustainability-related issues. These dedicated committees can provide the necessary oversight and strategic direction, ensuring that sustainability initiatives are integrated into the core business practices. Additionally, seeking independent external assurance is vital for enhancing the credibility and reliability of SR, as it offers an objective evaluation of the reported information. This independent verification not only helps stakeholders assess the quality of SR but also reinforces the transparency and accountability of the company. By adopting these measures, companies can significantly strengthen their non-financial disclosures, ultimately building greater trust with stakeholders and improving the overall integrity of corporate reporting.

This study, while insightful, has several limitations that present opportunities for future research. The relatively small sample size of 20 companies may not adequately reflect the broader trends in sustainability reporting (SR) across different industries in Indonesia. To gain a more comprehensive understanding, future research should expand its scope to include a more diverse range of sectors, which could reveal variations in SR practices that are not captured in this study. Moreover, the reliance on internal assurance for SR by many companies, without external verification, raises concerns about the credibility and reliability of their disclosures. This issue underscores the need for further investigation into the impact of external assurance on the quality and trustworthiness of SR.

Addressing these limitations in future studies could significantly enhance our understanding of the relationship between corporate governance and SR. By incorporating a larger and more varied sample, researchers can better assess the effectiveness of governance mechanisms in promoting transparent and accountable SR practices. Additionally, exploring the role of external assurance in greater depth could provide valuable insights into how companies can improve the credibility of their SR, thereby increasing stakeholder confidence. Ultimately, these efforts could contribute to the development of more robust governance frameworks that support high-quality SR, benefiting both companies and their stakeholders.

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