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Influence Of The Board Of Commissioners, Committees Audits, And Company Size On Sustainability Reporting

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ABSTRACT

Sustainability reporting is an important global trend but its implementation is still limited in Indonesia. Previous studies have shown inconsistent results regarding the influence of these variables on sustainability reporting. This study replicates and updates previous studies using the latest data. The goal is to provide a better understanding of the factors that affect the disclosure of sustainability reporting in Indonesia companies, considering the importance of sustainability reporting in encouraging sustainable development. This study examines the influence of the board of commissioners, audit committee, and company size on sustainability reporting. This type of research uses quantitative by testing research instruments and using multiple linear regression analysis. This study used 22 coal companies listed on the IDX in 2020-2022. And those who meet the criteria are 18 coal companies. The data is taken from the Company's annual report and sustainability report data from 2020-2022. The data obtained is then processed and analyzed using the Eviews application. The probability value of the variable of the board of commissioners is 0.0104 < 0.05, the variable of the audit committee is 0.7967 > 0.05, and the variable of the company size is 0.0027 < 0.05. The results of this study show that the board of commissioners and the size of the company have a significant influence on sustainability reporting while the audit committee does not have a significant influence on sustainability reporting.

INTRODUCTION

Sustainability reporting has become an integral part of corporate governance around the world. In Indonesia, companies listed on the Indonesia Stock Exchange (IDX) are increasingly encouraged to implement transparent and accountable sustainability reporting. This reporting includes disclosures related to the company's environmental, social, and economic impacts, which are considered important to various stakeholders, including investors, customers, and the government. However, while the importance of sustainability reporting is increasingly recognized, there are still significant differences in the quality and breadth of disclosures among companies. This raises the question of what factors influence this variation, especially related to corporate governance.

Previous research has explored various aspects of corporate governance that can affect sustainability reporting. Some studies have shown that an independent Board of Commissioners can improve sustainability reporting transparency, while other studies have found that the size of the Board of Commissioners does not always correlate with the quality of reporting. On the other hand, some studies identify external pressures, such as regulations and stakeholder demands, as important factors in encouraging companies to improve the quality of sustainability reporting.

Previous research has not provided a comprehensive picture of how corporate governance elements affect sustainability reporting in Indonesia. Most of the research focuses on the context of developed countries, and few examine the context of developing countries such as Indonesia. In addition, the influence of the Board of Commissioners' experience on sustainability reporting has not been explored in depth, which creates gaps in the existing literature.

Based on the existing gaps, this study aims to identify and analyze the influence of the Board of Commissioners, Audit Committee, and Company Size on sustainability reporting in companies listed on the IDX. This research is expected to contribute to the literature on corporate governance and sustainability reporting in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. The Influence of the Board of Commissioners on Sustainability Reporting
   The research conducted on Sunstainability Reporting, namely the disclosure of the board of commissioners, has a significant positive effect on Sustainability Reporting (Hersanty, 2022; Hersanty, 2022; Ananda & Yusnaini, 2023). In several studies, one of the components included by the board of commissioners has a negative influence on Sustainability Reporting (STACEY, 2020; Sofa & Respati, 2020; E. M. Setiawan & Ridaryanto, 2022))
   Based on the discussion above, the alternative hypothesis is prepared as follows:
   H1: The Board of Commissioners has an influence on Sustainability Reporting.
2. The Influence of the Audit Committee on Sustainability Reporting
   An audit committee is an independent committee body formed by the board of directors of a company to assist in the oversight of internal and external audit functions. The audit committee is responsible for monitoring and reviewing various aspects related to audits, financial statements, compliance, and company risks. From research conducted by (Sofa & Respati, 2020; Kahpiyanti, Kartini et al., 2022; Nioko et al., 2024). The Audit Committee does not have a significant positive effect on Sustainability Reporting. These results are inversely proportional to research conducted by (Roviqoh & Khafid, 2021), (Saputri et al., 2022), (Ardiani, Ni Putu Frishca, Lindrawati Susanto, 2022) one of the components of which is the audit committee that has a positive effect on Sustainability Reporting.
   H2: Audit Quality affects Sustainability Reporting.
3. The Effect of Company Size on Sustainability Reporting
   The size of the company can be used as a reference to determine how big or small the company is. The size or size of a company can be classified based on several factors, such as total sales, total asset value, market capitalization, average number of assets, average total sales, and so on. Other research shows (Aliniar & Wahyuni, 2017; Nutriastuti & Annisa, 2020) shows that Company Size does not have a significant positive effect on Sustainability Reporting. These results are inversely proportional to the research conducted by (Sofa & Respati, 2020; Roviqoh & Khafid, 2021; Saputri et al., 2022; Darmawan & Sudana, 2022; Kuntadi & Pramukty, 2024) which shows that company size has a positive effect on Sustainability Reporting.

Theory of Legitimacy, This theory is one of the dominant theoretical perspectives in corporate social and environmental reporting. Legitimacy theory explains how companies seek to align social values with their business practices in order to gain legitimacy from society. The main

purpose of this theory is to explain the power of organizational legitimacy in the context of corporate social responsibility, especially in developing countries (Fuadah et al., 2018).
Stakeholder Theory: This theory serves as a framework in business policy and planning, as well as corporate social responsibility. This theory explains how a company's strategic decisions should consider the support of various groups or communities that have an interest in the business (Fuadah et al., 2018).

METHOD

This research uses **quantitative** approach with a method based on the philosophy of positivism. Quantitative research is carried out to test hypotheses that have been determined using a specific population or sample, where data collection is carried out using research instruments and data analysis is quantitative or statistical

The population of this study includes 22 coal companies listed on the Indonesia Stock Exchange (IDX) and actively issues annual reports and sustainability reports during the 2020-2022 period. The sample was selected using *a purposive sampling* method with the criteria of companies presenting complete financial reports and sustainability reports during the research period. The total sample obtained was 54 samples from 18 companies. This study uses several variables with the following formula:

1. The Sustainability Report Disclosure Index (SRDI) measures the level of disclosure of a company's sustainability report.
$$SRDI = \frac{\text{Jumlah item yang diungkapkan perusahaan}}{\text{Total item}}$$
2. The board of commissioners is calculated by looking at the number of members of the board of commissioners
3. The size of the company is calculated using the natural logarithm of the company's total assets to reduce excessive data fluctuations.
4. Audit Committee: Measures the performance of corporate governance on the audit committee, which is reflected in the number of audit committee members within the company

RESULT

Information about the description of research data can be understood that descriptive statistics are needed in a study. The board of commissioners (X1), the audit committee (X2), and the size of the company (X3) on the disclosure of the Sustainability Report (Y). Below is a descriptive presentation of the data obtained through data processing using Eviews 12:

Table 1. Descriptive Statistics

	Y	X1	X2	X3
Maximum	0.780000	11.00000	8.000000	32.25000
Minimum	0.350000	2.000000	2.000000	17.00000
Mean	0.595556	5.074074	3.296296	27.45815
Std. Dev.	0.105342	1.931388	0.983441	4.482564
Observation	54	54	54	54

Source: data processed, 2024

The independent variable Y has an average of 0.59 with a standard deviation of 0.10, the highest value of 0.78 and the lowest of 0.35. The *independent* variable X1 has an average of 5.1 with a standard deviation of 1.93, the highest value is 11 and the lowest is 2. The *independent* variable X2 has an average of 3.3 with a standard deviation of 0.98, the highest value of 8 and the lowest value of 2. The *independent* variable X3 has an average of 27.5 with a standard deviation of 4.48, the highest value of 32.3 and the lowest of 17.

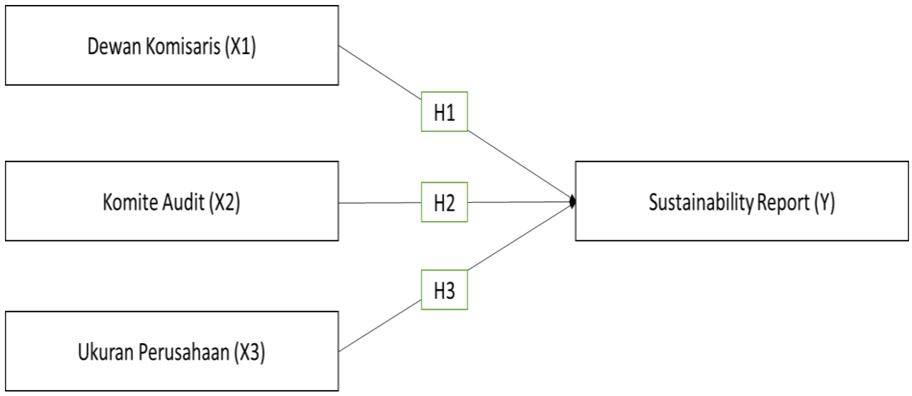

Figure 1. Model analysis

DISCUSSION

Based on the tests that have been carried out, the following discussions can be presented:

1. The influence of the Board of Commissioners on the disclosure of Sustainability Reporting
   The probability value of the variable of the board of commissioners is 0.008086 and the prob is 0.5099 < 0.05. Therefore, this result shows that H1 is accepted stating that the board of commissioners is not significant to the disclosure of the Sustainability Report.
   This may happen because the board of commissioners has not carried out its duties to supervise and provide instructions to the company's managers or management. In this case, the management is responsible for improving the efficiency and competitiveness of the company, while the board of commissioners is responsible for overseeing the management. Therefore, the number of members of the board of commissioners in a company does not affect the disclosure of sustainability reports made by the company. The board of commissioners, as a supervisory board, based on OJK Regulation Number 33 of 2014, has the main task of protecting the interests of shareholders and supervising the performance of the board of directors through financial aspects, so that it is not proven to have a direct effect on the breadth of disclosure of sustainability reports.
2. The influence of the Audit Committee on the disclosure of sustainability reporting
   The probability value of the audit committee variable is -0.004188 and the prob is 0.7967 > 0.05. This states that the audit committee does not have a significant influence on the disclosure of the sustainability report.
   This means that the large number of audit committee members does not always correlate with the high disclosure of sustainability reports, and vice versa. The disclosure of the sustainability report is not influenced by the number of audit committee members. This is because the main purpose of the establishment of the audit committee is to supervise and improve the quality of the preparation of financial statements. Therefore, the audit committee is more focused on discussions and discussions related to the task of

supervising financial statements. In carrying out its duties, the audit committee only focuses on handling audit findings and reviewing complaints within the company, so they are not focused on the breadth of the disclosure of the sustainability report. The audit committee in carrying out its duties focuses on resolving audit findings and reviewing complaints within the company, and does not directly focus on the breadth of disclosure of sustainability reports.

3. The Effect of Company Size on Sustainability Reporting Disclosure
   The probability value of the variable company size is 0.120672 and the prob is 0.0027 < 0.05. This states that the size of the company has a significant positive influence on the disclosure of sustainability reports.
   This means that the larger the size of the company, the greater the attention it will receive from stakeholders. The public and stakeholders tend to pay more attention to companies on a larger scale. Therefore, to convince stakeholders, large companies will make more disclosures than small companies. According to the theory of legitimacy, large corporations tend to get more attention from the public. Therefore, large companies will increase the disclosure of sustainability reports as a means of communication to obtain and maintain legitimacy from the public. Taking these factors into account, the company will disclose complete information, both mandatory and voluntary, to gain legitimacy from stakeholders.
   This information disclosure is carried out as a means of communication and a form of the company's commitment to all its stakeholders. Large companies with many assets and activities as well as relationships with many stakeholders are proven to disclose sustainability reports more broadly as a means of communication and corporate responsibility to all stakeholders. This shows that large companies with many assets and activities as well as relationships with many stakeholders affect the disclosure of sustainability reports that serve as a communication tool and a form of corporate commitment to all its stakeholders.

CONCLUSION

Based on the findings of this study, it can be concluded that the implementation of effective corporate governance, such as oversight by the board of commissioners and the performance of the audit committee, plays an important role in improving the quality and transparency of the disclosure of the company's sustainability report. Company size was also found to have a significant impact, with larger companies tending to have greater resources to implement more comprehensive reporting practices.

However, the study has some limitations, including limited sample coverage on coal companies in Indonesia and a short research period, which may not reflect long-term dynamics. In addition, the study only uses quantitative indicators to assess the quality of disclosure, which may not fully reflect the depth of the information disclosed.

For future research, it is recommended to expand the scope of the industry and time period, as well as consider qualitative approaches that can provide deeper insights into the motivations and decision-making processes behind sustainability reporting. In addition, further research can explore the impact of government regulations and other external pressures on sustainability report disclosure, to better understand how companies respond to stakeholder expectations. The implications of these findings suggest that improved corporate governance and external oversight can drive better reporting practices, which can ultimately improve corporate accountability and stakeholder trust.

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