GOOD CORPORATE GOVERNANCE AS MODERATION ON SUSTAINABILITY REPORT DISCLOSURE

Maylia Pramono Sari *, Stya Rahma Karmida Dewi **, Surya Raharja ***, Aldila Dinanti ****, Fitrarena Widhi Rizkyana **

Abstract
This study aims to analyze the financial indicators on the disclosure of sustainability reports, and the role of good corporate governance can strengthen the disclosure of sustainability reports. The novelty of this research is the role of the moderating variable of the audit committee and the board of directors is expected to be able to provide a solution to the inconsistency of the results of previous studies. The population of this study is mining companies listed on the Indonesia Stock Exchange (IDX) for the 2017–2019 period because they are high-profile companies that significantly impact environmental damage. This study shows that the variables of liquidity, profitability, and leverage have a positive influence on the disclosure of the sustainability report, while the size of the company has a negative effect (Aniktia & Khafid, 2015). The board of directors can strengthen the relationship between company size and profitability in the disclosure of sustainability reports and weaken the relationship between company size, liquidity, profitability, and leverage in the disclosure of sustainability reports. Companies can use the results of this study to consider the application of sustainability reports and investors can increase their attention to financial reports and sustainability in choosing where to invest.

Keywords: Sustainability Report, Good Corporate Governance, Firm Size, Liquidity, Profitability, Leverage

1. INTRODUCTION
Previous research describes that firm size, profitability, liquidity, and leverage, are the most important drivers and affect sustainability reports disclosure (Al-Ajmi et al., 2015; Aniktia & Khafid, 2015; Dienes et al., 2016; Marwati & Yuliandi, 2015; Saputro et al., 2013; Sofa & Respati, 2020). However, other studies do not find the effect of firm size, profitability, and leverage (Diantimala, 2018; Qiu et al., 2016). There is still uncertainty about the relationship between company size, profitability, and leverage in the disclosure of sustainability reports.
It is because sustainability focuses not only on the interests of investors and shareholders but also on the responsibility of stakeholders directly or indirectly affected or related to the business (Sari et al., 2020; Sari & Faisal, 2022). A sustainability report is a report that is done voluntarily by companies (Caesaria & Basuki, 2017). There are social and environmental impacts resulting from the activities of mining companies. One of the examples is the case of PT Indominco Mandiri, which occurred in 2017. People living in the area felt the negative impact resulting from the company's operations. PT Indominco Mandiri disposed of B3 waste (hazardous and toxic materials) in fly ash and bottom ash and burned electric steam power plants without a permit, impacting environmental damage. In this case, the company only cared about the profits earned but ignored the losses experienced by society around.

The number of cases of mining companies that harm the surrounding community made the Indonesian government decide on a policy in Law No. 40 of 2007. It concerns limited liability companies Article 74 paragraph 1, which explains that companies carry out their business activities in the field of and related to natural resources are obliged to carry out social and environmental responsibilities. Companies can transparently present their social and environmental responsibility reports by disclosing a sustainable report with this regulation.

This research is interesting because it uses company size as an independent variable where the company gets a good image from the public by selling and producing a product in the market. This study also uses liquidity through the information needed by investors about the company's assets to pay short-term liabilities or other debt costs. Third, this study uses profitability by measuring the ability of business entities to utilize assets owned by the company. Furthermore, the last is leverage through its ability to rely on debt to finance its assets. Meanwhile, the indicator used for research on moderating variables is good corporate governance. The Indonesian Regulation No. PER-01/MBU/2011 states that good corporate governance is the principles that govern a process and mechanism for managing a company based on laws and regulations and business ethics. The Forum for Corporate Governance in Indonesia (2002) states that good corporate governance is a set of regulations that promote shareholders, company managers, government, creditors, employees, as well as internal and external company stakeholders related to a control system, company. Good corporate governance has a role in the company to facilitate effective supervision to encourage companies to create good performance. Good corporate governance can be proxied by audit committees, boards of commissioners, and independent commissioners. It can project the first audit committee as a professional working committee that helps perform a corporate oversight function that can be measured by summing up members of the audit committee in the research year. Secondly, the board of directors is the corporate organ responsible for achieving goals that can be measured by summing up board members in the research year. The population used are mining companies listed on the Indonesia Stock Exchange for 2017–2019.

Indonesia Stock Exchange is a stock exchange operating in Indonesia. Indonesia Stock Exchange is a party that organizes and provides a system and/or means to bring together offers to buy and sell securities of other parties with the aim of trading securities between them. The reason for choosing IDX is that Indonesia is one of the countries in Asia and the Pacific that have made efforts towards sustainability both regionally and sub-regionally with the support of government agencies' policies (Muñoz-Suárez et al., 2020).

Regulation of Indonesia No. 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies are required to prepare a sustainable finance action plan to be submitted annually even though it is voluntary. One of the companies that are obliged to publish a sustainability report is a mining company because it is included in the high-profile category which has a significant impact on environmental damage. So, this research focuses on mining companies listed on Indonesia Stock Exchange.

This research has both theoretical and practical uses. As the development of accounting science, it can also be a reference for further researchers regarding the disclosure of sustainability reports by adding a moderating variable to the audit committee as an element of good corporate governance to overcome the inconsistency of several previous studies. For practical use: a) mining companies are expected to use the results of research as management considerations as company managers in making decisions to disclose sustainability reports in an effort to gain community legitimacy and meet stakeholder expectations; b) for the investors, the results of this study are expected to provide information to investors regarding the level of social responsibility reporting or sustainability reports on mining companies in Indonesia, so that investors can make decisions to invest in companies; c) for the community, the results of this study are expected to provide information, knowledge, and insight regarding the company's activities as a form of social responsibility by disclosing the sustainability report; d) for the next researcher, the results of this study are expected to be used as a reference and improvement in conducting further research in the future and adding information.

The uniqueness of this study is to add components of good corporate governance, namely the audit committee and the board of directors as moderating variables to determine their role in strengthening the relationship between the elements of the independent variable and the dependent variable. This study responds to findings that suggest that future research needs to use corporate governance, especially the audit committee because it has received global attention (Antwi et al., 2021). Sustainability requires good corporate governance, based on stakeholder engagement, fairness, transparency, and accountability (Salvioni et al., 2016). The complexities of the relationship between CEOs and boards of directors with respect to corporate social responsibility deserve further large-scale investigation since current governance theory.
does not explain this well (Backhouse & Wickham, 2020). All of these principles relate to boards of
director that is more externally focused and define
a governance approach that is geared towards
sustainable value growth. This is needed as
a solution to the inconsistency of the results of
previous studies with the theme of sustainability
reporting. This study also added company age as
a control variable.

The structure of this paper is as follows.
Section 1 reviews the introduction which discusses
the problem, research objectives, and expected
contributions. Section 2 reviews the relevant
literature as a basis for developing hypotheses.
Section 3 analyzes the methodology that has been
used to conduct empirical research consisting of
sample selection and research paradigm. Section 4 is
about findings, results, and discussion. Section 5
deals with conclusions and limitations.

2. LITERATURE REVIEW AND HYPOTHESES
DEVELOPMENT

This study is on two fundamental theories: stakeholder theory and legitimacy theory.
The company's sustainability report disclosure will
provide complete information about the company's
activities and performance and fulfill social and
environmental responsibilities following the needs of
the stakeholders. In addition, disclosure of
sustainability reports can help companies obtain
permits and trust from the community and
the environment to help the company long-term
through environmental ethics. Research by Deegan
(2002) said that legitimacy can be obtained when
there is a match between the existence of a company
that does not interfere and is by the existence of
the existing value system in society. This theory
states that the company must ask permission from
the community to build its business and by the
values and norms that apply in the surrounding
environment. Legitimacy is considered a way to
maintain the viability of a company which is
achieved through company actions that are by rules
that are widely accepted by society (O'Donovan, 2002).

According to Parmar et al. (2011), the concept
of stakeholder theory explains that any group or
individual that affects or is influenced by a business
will make a company achieve its goals as expected.
This of course needs to have a good relationship
with the parties that influence the company.
The concept of stakeholder theory was first
developed by Freeman (2004) who explains
corporate behavior and social performance (Borghesi-

Legitimacy is very important for the running of
the company's business activities because it creates
harmony between the company’s value system and
the behavioral norms that apply in society. This is
the opinion of Dowling and Pfeffer (1975) who say
that as long as the company's value system attached
to business activities with behavioral norms
prevailing in society is still running in harmony, it
can be said that it is by the form of company
legitimacy. This makes the company feel pressure to
disclose information so that the public believes in
the sustainability of the company's business.

Shocker and Sethi (1973) explains the concept of
a social contract, namely: "All social institutions,
including companies, operate in society through
social contracts, both explicit and implicit, where
survival and growth are based on results that can be
socially provided to the wider community and
distribution of economic, social, or political benefits
to groups according to the power they have" (p. 97).

There is some research related to sustainability
reporting (Damiti et al., 2018; Zorio-Grima et al.,
2018; Larrán Jorge & Andrada Peña, 2017; da Silva
Monteiro & Aibar-Guzmán, 2010; Mukhtaruddin et
al., 2019; Osobajo et al., 2022; Ruhana & Hidayah,
2020; Sari et al., 2020; Sudhi & Yatskovskaya, 2014;
Solikhah & Maulina, 2021; Unnerman & O'Dwyer,
2007). Company size describes the size of
a company. Large companies get more attention
from the public because they disclose more
sustainable information than small companies, such
as the resource requirements used. The higher
the level of sales made by the company, the better
the product market makes the company’s performance increase (Dang et al., 2018). Hart and
Oulton (1996) said that net assets can be negative
due to losses but sales are always positive because
the products sold in the market always get a good
image and view from the public. This will encourage
companies to make information transparent about
the company's performance that is conveyed in the
sustainability report.

The results of this study are in line with
research conducted by (Maryana & Carolina, 2021;
Ruhana & Hidayah, 2020) which state that company
size negatively affects the disclosure of
sustainability reports. Sonia and Khafid (2020) found
evidence that liquidity has a negative influence on
the disclosure of sustainability reports.

H1: Firm size has a significant positive effect on
sustainability reports.

Furthermore, a high level of liquidity indicates
that the company's ability to pay short-term
obligations on time is considerable and gets positive
attention from stakeholders. The strength of
the company indicated by a high liquidity ratio will
be associated with a high level of disclosure
(Belkaoui & Karnik, 1989). The higher the liquidity,
the better the company's performance because
the opportunity to get support from various parties
is also more accessible.

H2: Liquidity has a significant positive effect on
sustainability reports.

Profitability describes a company's ability to
generate profits or earnings. Companies with
the ability to create high profits or earnings will
have excellent financial performance and more
power to disclose social and environmental
responsibility (Aniktia & Khafid, 2015). In addition,
research conducted by (Maryana & Carolina, 2021)
also states that profitability has a significant
positive effect on the disclosure of sustainability
reports. Sofa and Respati (2020), Rahman et al.
(2020) state that profitability does not affect
the disclosure of the sustainability report.

H3: Profitability has a significant positive effect on
sustainability reports.

Furthermore, leverage describes the company's
ability to pay off its short-term and long-term
obligations. Companies with a high level of leverage
indicate that the company is very dependent on creditors to finance their assets (Aniktia & Khafid, 2015).

H4: Leverage has a significant positive effect on sustainability reports.

In good corporate governance, an audit committee within a company can assist in implementing good corporate governance. By paying attention to the firm size, liquidity, profitability, and leverage, the audit committee can encourage companies to disclose the sustainability report.

H3a: The audit committee can moderate and strengthen the firm size on sustainability report disclosure.

H3b: The audit committee can moderate and strengthen liquidity on sustainability report disclosure.

H3c: The audit committee can moderate and strengthen profitability on sustainability report disclosure.

H3d: The audit committee can moderate and strengthen leverage on sustainability report disclosure.

Furthermore, the board of directors must make decisions effectively, appropriately, and quickly, and act independently so that the implementation of duties and authorities can run effectively. A board of directors in a company can help the company run its business in the long term. The board of directors can encourage companies to disclose sustainability reports so that stakeholders can see the company’s performance through the firm size, liquidity, profitability, and leverage.

H6a: The board of directors can moderate and strengthen between firm size on sustainability report disclosure.

H6b: The board of directors can moderate and strengthen liquidity on sustainability report disclosure.

H6c: The board of directors can moderate and strengthen profitability on sustainability report disclosure.

H6d: The board of directors can moderate and strengthen leverage on sustainability report disclosure.

3. STUDY DESIGN AND RESEARCH METHODOLOGY

The population used was the mining sector companies listed on Indonesia Stock Exchange for the 2017-2019 period, as many as 50 mining companies. The sampling technique is purposive sampling, and the data analysis uses logistic regression and moderated regression analysis.

This study uses descriptive statistical analysis techniques, logistic regression analysis, and moderated regression analysis to examine the effect of the dependent variable, independent variable, and moderating variable using the IBM SPSS version 25 program. The researcher uses logistic regression analysis techniques because the dependent variable in the study is a dummy. Logistic regression is a mixture of nominal scale variables (non-metric) with interval or ratio scale variables (metric) by testing the extent to which the probability of the occurrence of the dependent variable can be predicted with the independent variable. Logistic regression does not use normality, heteroscedasticity, and autocorrelation tests because logistic regression assesses the feasibility of the regression model and assesses model fit.

Moderated regression analysis is an analytical technique used to test moderating variables with explanations that can strengthen or weaken the relationship between the independent variable and the dependent variable in the study. Moderated regression analysis has three analytical models, namely the interaction test, the absolute difference value test, and the residual test. In this study, researchers used the absolute difference value test.

In this study, all components of variables cannot measure directly but instead use proxies for each variable. The firm size is calculated by the total sales with the measurement scale using the natural log of total sales. Liquidity is calculated by the current ratio with the measurement scale utilizing the ratio of current assets with current liabilities; profitability is calculated by return on asset (ROA) with the measurement scale using the comparison of net income with total assets; leverage is calculated by debt to total asset ratio (DAR) with the measurement scale. It uses a comparison of total debt with total assets (Table 1).

Table 1. Variable operational

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability report</td>
<td>Company performance reports measuring, disclose, and manage the company’s economic, social and environmental activities in realizing sustainable activities</td>
<td>Sustainability report disclosure. Dummy variable. Provides code 1 for companies that issue SR and code 0 for companies that do not disclose SR</td>
<td>Dummy</td>
</tr>
<tr>
<td>Firm size</td>
<td>Variables that describe the size of the company that can attract the attention and trust of investors</td>
<td>Firm size = Ln (Total of sales)</td>
<td>Ratio</td>
</tr>
<tr>
<td>Liquidity</td>
<td>A variable that describes the company’s ability to meet its short-term obligations using current assets</td>
<td>Current ratio = Current assets / Current liabilities</td>
<td>Ratio</td>
</tr>
<tr>
<td>Profitability</td>
<td>Variables that describe the company’s ability to earn profits</td>
<td>ROA = Net income / Total assets</td>
<td>Ratio</td>
</tr>
<tr>
<td>Leverage</td>
<td>A variable that describes the company’s ability to pay off its short-term and long-term obligations</td>
<td>DAR = Total liabilities / Total asset</td>
<td>Ratio</td>
</tr>
<tr>
<td>Audit committee</td>
<td>A committee formed by the board of commissioners to be responsible for supervising the management of the company</td>
<td>Counting the number of members of the audit committee in the year of the study</td>
<td>Nominal</td>
</tr>
<tr>
<td>Board of directors</td>
<td>Company organ that is responsible for interests in the company</td>
<td>Counting the number of members of the board of directors in the year of the study</td>
<td>Nominal</td>
</tr>
<tr>
<td>Company age</td>
<td>The length of time a company has been in existence, whether the company has been around for a long time or has just been established</td>
<td>Company age = Year of research - Year of establishment</td>
<td>Nominal</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration.
4. RESULTS AND DISCUSSION

4.1. Overall model fit testing

In this study, this result assessed the overall model fit. It is by looking at the decrease from the initial value of -2log likelihood of 131.451 and the final result of 81.607. The decrease in the value of -2log likelihood indicates that the regression model is good or is said to fit the data. The chi-square value and significance on the omnibus tests of the model coefficients state that the chi-square count is 39.516 > 9.4877, and the significant value is 0.000 < 0.05. The result of the omnibus tests of model coefficients shows that simultaneously the independent variables have a significant effect on the dependent variable.

The test result on the Hosmer and Lemeshow test shows that the significant value is 0.098 > 0.05, which indicates H is accepted so that the regression model can use in the research or the model is said to be fit. The value on the Nagelkerke R-Square test shows a result of 0.441 or 44.1%. This result indicates that independent variables can explain dependent variables by 44.1%, and other variables describe by 55.9%.

4.2. Descriptive statistical

Table 2 shows the frequency distribution results that 70 units of analysis publish sustainability reports and 34 units of analysis publish sustainability reports in 2017–2019. Furthermore, Table 3 shows interval category statistics of firm size, liquidity, profitability, leverage, audit committee, and the board of directors.

<table>
<thead>
<tr>
<th>Disclosure of sustainability report</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies that do not disclose sustainability report</td>
<td>70</td>
<td>67.3</td>
<td>67.3</td>
<td>67.3</td>
</tr>
<tr>
<td>Companies that disclose sustainability report</td>
<td>34</td>
<td>32.7</td>
<td>32.7</td>
<td>32.7</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration.

Based on Table 2, the percentage of mining companies listed on the Indonesian Stock Exchange for 2017–2019 that publish sustainability reports are still relatively low at 32.7%. In contrast, companies that do not publish sustainability reports are still relatively low, which is 32.7%, while companies that do not publish sustainability reports are 67.3%.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Low</th>
<th>Middle</th>
<th>High</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td>1</td>
<td>60</td>
<td>43</td>
<td>Middle-High</td>
</tr>
<tr>
<td>Liquidity</td>
<td>92</td>
<td>10</td>
<td>2</td>
<td>Low</td>
</tr>
<tr>
<td>Profitability</td>
<td>7</td>
<td>91</td>
<td>6</td>
<td>Middle</td>
</tr>
<tr>
<td>Leverage</td>
<td>59</td>
<td>41</td>
<td>4</td>
<td>Low</td>
</tr>
<tr>
<td>Audit committee</td>
<td>3</td>
<td>85</td>
<td>16</td>
<td>High</td>
</tr>
<tr>
<td>Board of directors</td>
<td>55</td>
<td>33</td>
<td>16</td>
<td>Low</td>
</tr>
<tr>
<td>Company age</td>
<td>3</td>
<td>17</td>
<td>40</td>
<td>Middle</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration.

4.3. Formatting of mathematical components

The logistic regression model equation is as follows:

\[ \ln \left( \frac{SR}{1 - SR} \right) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \varepsilon \]  

where,
- \( \alpha \): constant;
- \( \beta_1 - \beta_{13} \): regression coefficient;
- \( \ln \left( \frac{SR}{1 - SR} \right) \): sustainability reporting;
- \( X_1 \): firm size;
- \( X_2 \): liquidity;
- \( X_3 \): profitability;
- \( X_4 \): leverage;
- \( Z_1 \): audit committee;
- \( Z_2 \): the board director;
- \( \varepsilon \): error.

4.4. Logistic regression analysis

This hypothesis study used logistic regression analysis to test the influence of independent variables on dependent variables. Moderation regression analysis and tests using SPSS Statistics version 25 software. The hypothetical test results in this study are as follows in Figure 1.
Meanwhile, the good corporate governance project with an audit committee and board of directors. The analysis uses logistic regression to analyze company size, liquidity, profitability, and leverage against sustainability report disclosure. It uses moderated regression analysis to analyze good corporate governance variables projected by audit committees and board of directors' coefficients state that the chi-square count is 39.516 > 9.4877, and the significant value is 0.000 < 0.05. The result of the omnibus tests of model coefficients shows that simultaneously the independent variables have a significant effect on the dependent variable. Based on the research analysis test that has been carried out above, the following is a summary of the results of the hypothesis analysis test (Table 5).

### Table 4. Moderates regression analysis variables in the equation

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step1a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zscore: Size</td>
<td>-6.403</td>
<td>1.979</td>
<td>10.467</td>
<td>1</td>
<td>0.001</td>
<td>0.002</td>
</tr>
<tr>
<td>Zscore: Liquidity</td>
<td>2.260</td>
<td>1.078</td>
<td>4.393</td>
<td>1</td>
<td>0.036</td>
<td>9.585</td>
</tr>
<tr>
<td>Zscore: Profitability</td>
<td>2.236</td>
<td>1.123</td>
<td>3.967</td>
<td>1</td>
<td>0.046</td>
<td>9.354</td>
</tr>
<tr>
<td>Zscore: Leverage</td>
<td>3.033</td>
<td>1.174</td>
<td>6.674</td>
<td>1</td>
<td>0.010</td>
<td>20.770</td>
</tr>
<tr>
<td>Zscore: Company age</td>
<td>1.543</td>
<td>0.541</td>
<td>2.345</td>
<td>1</td>
<td>0.023</td>
<td>5.750</td>
</tr>
<tr>
<td>X1Z1</td>
<td>9.653</td>
<td>2.796</td>
<td>11.918</td>
<td>1</td>
<td>0.001</td>
<td>15.364</td>
</tr>
<tr>
<td>X2Z1</td>
<td>-3.499</td>
<td>1.786</td>
<td>3.836</td>
<td>1</td>
<td>0.030</td>
<td>0.030</td>
</tr>
<tr>
<td>X3Z1</td>
<td>-3.141</td>
<td>1.237</td>
<td>6.446</td>
<td>1</td>
<td>0.011</td>
<td>0.043</td>
</tr>
<tr>
<td>X4Z1</td>
<td>-4.529</td>
<td>1.597</td>
<td>8.045</td>
<td>1</td>
<td>0.005</td>
<td>0.011</td>
</tr>
<tr>
<td>X1Z2</td>
<td>2.697</td>
<td>1.437</td>
<td>3.522</td>
<td>1</td>
<td>0.001</td>
<td>14.837</td>
</tr>
<tr>
<td>X2Z2</td>
<td>3.769</td>
<td>1.716</td>
<td>4.827</td>
<td>1</td>
<td>0.028</td>
<td>43.347</td>
</tr>
<tr>
<td>X3Z2</td>
<td>-5.61</td>
<td>1.647</td>
<td>9.116</td>
<td>1</td>
<td>0.733</td>
<td>1.752</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.293</td>
<td>1.287</td>
<td>6.544</td>
<td>1</td>
<td>0.011</td>
<td>0.037</td>
</tr>
</tbody>
</table>

Source: Authors' elaboration.

This study uses the control variable to support the influence of the independent variable on the dependent variable. The control variable used in this study is the age of the company. Based on the results of the t-test, it can be seen that the probability value of the company age variable is 0.023, where this value is lower than the specified significance level of 0.05. This shows that there is a significant influence between the company age variable and the sustainability report disclosure variable. Thus, it can be concluded that the company age variable can play a role as a control variable which can support the influence between the independent variable and the dependent variable.

### Table 5. Hypothesis result

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable</th>
<th>B</th>
<th>Sig.</th>
<th>Interpretation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>X1</td>
<td>-6.403</td>
<td>0.001</td>
<td>Negative</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>X2</td>
<td>2.260</td>
<td>0.036</td>
<td>Positive</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>X3</td>
<td>2.236</td>
<td>0.046</td>
<td>Positive</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4a</td>
<td>X4</td>
<td>3.033</td>
<td>0.010</td>
<td>Positive</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5a</td>
<td>X1Z1</td>
<td>9.653</td>
<td>0.001</td>
<td>Weaken</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3b</td>
<td>X2Z1</td>
<td>-3.499</td>
<td>0.050</td>
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<td>Rejected</td>
</tr>
<tr>
<td>H5c</td>
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<tr>
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<tr>
<td>H6a</td>
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</tr>
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<td>X4Z2</td>
<td>0.561</td>
<td>0.733</td>
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</tr>
</tbody>
</table>

Source: Authors' elaboration.
4.5. Discussion

4.5.1. The effect of firm size on sustainability report

Firm size has a significant negative effect on sustainability report disclosure. It explains that the larger the company’s size, it cannot prove that it will disclose the sustainability report. It is because looking at the sales results owned by the company to make a profit has not been able to encourage the company to carry out more comprehensive information transparency. Based on descriptive statistical analysis, the interval value on the firm size is a middle-high value, meaning that it is not following the research that states sustainability reports disclosure is low in mining companies. It led to the company size hypothesis was not accepted.

It is not supported by the legitimacy theory, which states that companies that have large scales will tend to get legitimacy from higher society. However, small companies also need community legitimacy to adjust the company's value system to the norms prevailing in society. Another theory that can be used for the size of the company to be in line with research is stakeholder theory, where stakeholder theory explains that the company must establish good cooperation with interested parties to be more encouraging in disclosing sustainability reports.

The results of this study follow (Marwati & Yulianti, 2015), which state that the company's size negatively impacts sustainability reports disclosure. However, contrary to the findings made by (Maryana & Carolina, 2021), which state that the size of the company positively influences sustainability reports disclosure.

4.5.2. The effect of liquidity on sustainability report

Liquidity has a significant positive effect on sustainability report disclosure. It explains that the higher the liquidity value of a company, the more it discloses information widely to get the attention of stakeholders.

It is supported by the stakeholder theory, which states that companies will be transparent in fulfilling social and environmental responsibilities by disclosing sustainability reports. This research follows (Saputro et al., 2013), which proved that liquidity positively affects sustainability report disclosure. However, this study contradicts research (Marwati & Yulianti, 2015), which proved that liquidity does not influence sustainability report disclosure.

4.5.3. The effect of profitability on sustainability report

Profitability has a significant positive effect on sustainability report disclosure. It explains that the higher the profit a company generates, the more likely it will disclose more comprehensive information. This study is supported by stakeholder theory which states that the higher the profit generated by a company, the more attention it gets from stakeholders to make long-term investments. High profitability reflects the ability to create high profits, increasing social responsibility. Thus, the company will show good performance by disclosing a sustainability report. This study follows Ruhana and Hidayah (2020) which state that profitability has a significant positive influence on sustainability report disclosure. However, this study contradicts research conducted (Aniktia & Khafid, 2015), which stated that profitability did not influence the disclosure of sustainability reports.

4.5.4. The effect of leverage on sustainability report

Leverage has a significant positive effect on sustainability report disclosure. It explains that the higher the level of leverage the company owns; the company will require loans provided by the stakeholders to cover their obligations. This research is supported by stakeholder theory which states that companies with a high level of leverage will disclose complete information because it is helpful for convincing stakeholders to make loans. The sustainability of the company’s business depends on stakeholders' support to cover the company's short-term and long-term obligations. The companies will be encouraged to disclose sustainability reports to correctly carry out their responsibilities to investors. This study follows (Aniktia & Khafid, 2015), which state that leverage has a significant positive effect on sustainability report disclosure. However, this study contradicts Khafid et al. (2020) research, which proved that leverage does not influence sustainability report disclosure.

4.5.5. The effect moderated the audit committee

The audit committee cannot moderate and weaken the relationship between firm size, liquidity, profitability, and leverage on sustainability reports disclosure. It indicates that the audit committee focuses only on the quality of corporate financial statements compared to sustainability reports which are still voluntary. The audit committee considers that the better the quality of the financial statements produced by the company, the more attention it has attracted to the attention of stakeholders.

Meanwhile, stakeholders also need other information regarding the performance. In addition, the audit committee does not pay attention to the importance of the sustainability report disclosure for the company to cover its obligations. Possibly, the audit committee thinks that the costs that the company should use to disclose the sustainability report can be allocated to other costs so that there is no high financial risk. Thus, the company will not disclose the sustainability report.

4.5.6. The effect is moderated by the board of directors

The board of directors can moderate and strengthen the relationship between firm size and profitability on sustainability report disclosure. The more boards of directors a company has, the more capable it is encouraging companies to disclose sustainability reports. It can create trust in the community of the company so that operational activities can run in the long term. In addition, good company performance will realize the board of directors’ performance to achieve good corporate governance
so that the company’s long-term sustainability can run optimally. Thus, the company will conduct a sustainability report disclosure.

The board of directors cannot moderate or weaken the relationship between liquidity and leverage on the disclosure of sustainability reports. The board of directors has a role in covering the company’s obligations so as not to impact the company’s operational activities in the future. The board of directors assumes that by disclosing a sustainability report, parties can bring down the company due to its unhealthy financial condition. In addition, the board of directors will pay attention to high risks so that stakeholders and the public do not think the company’s performance is deteriorating. Thus, the company will not disclose the sustainability report.

5. CONCLUSION

Based on the analysis results, five hypotheses, including liquidity, profitability, and leverage, are received that positively affect sustainability reports. Meanwhile, the board of directors can moderate and strengthen the relationship between firm size and profitability based on the disclosures of a sustainability report. It shows that the higher the value of liquidity, profitability, and leverage of a company, the more the company increases the disclosure of information widely, and the existence of the board of commissioners can strengthen sustainability reports disclosure.

Companies can use the results of this study to consider the implementation of sustainability reports and investors can increase their attention to financial statements and sustainability in choosing where to invest. Future researchers are expected to use a wider sample and observation period, to obtain maximum results. Using other proxies for variables that are not significant in this study. Using or adding other moderating variables that can strengthen and weaken the relationship between the independent variable and the dependent variable. This study uses control variables for robustness checks for moderation as well as control for spurious moderation.

This study has limitations both from the sample used and the independent variable, and the good corporate governance moderator variable only uses two components of good corporate governance. Thus, further researchers expect to increase the research sample and use independent variables such as stakeholder pressure, capital structure, firm age, and company growth. For moderator variables, other good corporate governance components can use.

REFERENCES


