

The Influence of Good Corporate Governance on Sustainability Reporting: The Moderating Role of Leverage

Nurdina¹ and Rovila El Maghviroh²

¹Universitas PGRI Adi Buana Surabaya, nurdina@unipasby.ac.id

²Universitas PGRI Adi Buana Surabaya, rovilaelm@unipasby.ac.id

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Abstract

This study aims to analyze the effect of Good Corporate Governance (GCG) mechanisms (independent commissioners, audit committees, and managerial ownership) on the quality of sustainability reports in mining companies listed on the Indonesia Stock Exchange for the period 2021–2023, as well as to examine the role of the Debt to Equity Ratio (DER) as a moderating variable. The research employed a quantitative approach with purposive sampling techniques, resulting in a sample of 29 companies. Data were obtained from annual reports and GRI-based sustainability reports. The analysis was conducted through multiple regression and moderated regression analysis (MRA). The results indicate that the audit committee has a positive and significant impact on sustainability reports, whereas independent commissioners and managerial ownership have no effect. DER is not proven to moderate the relationship between GCG mechanisms and the quality of sustainability disclosure. These findings confirm that the effectiveness of internal oversight through the audit committee is more decisive than ownership structure or external pressure from the funding structure. This study contributes theoretically to the strengthening of stakeholder theory and legitimacy theory, and provides practical implications for regulators and management to enhance the quality of sustainable governance in the mining sector.

INTRODUCTION

The issue of sustainability has gained increasing attention in management, accounting, and finance literature since the introduction of the triple bottom line concept by Elkington (1997), which emphasizes the balance between economic, social, and environmental dimensions. Modern companies are no longer only

required to achieve profitability, but also to account for their social and environmental impacts as a form of legitimacy in the eyes of stakeholders (Chowdhury, 2024). In line with stakeholder theory (Freeman, 1984), sustainability reports serve as a crucial instrument for demonstrating transparency and accountability in sustainable business practices.

The quality of sustainability reports is influenced by Good Corporate Governance (GCG) mechanisms, including independent commissioners, audit committees, and managerial ownership, which are believed to strengthen transparency, accountability, and social legitimacy (Mkadmi & Daafous, 2025). Based on legitimacy theory (Suchman, 1995), companies with good governance tend to disclose more sustainability information to gain public support and reduce reputational risk. However, empirical findings are still contradictory. Some studies have found a positive influence of independent commissioners and audit committees on sustainability disclosure (Sitanggang & Paramitadewi, 2022), while other studies have reported insignificant results (Madona & Khafid, 2020; Kristianingrum et al., 2022). Similarly, the influence of managerial ownership on sustainability reporting is also inconsistent (Aziz, 2014; Widianingsih, 2018; Ardiani, 2022).

The effectiveness of GCG is also influenced by the industry context and external factors. For example, Putra (2024) demonstrates that GCG plays a crucial role in enhancing the performance of Indonesian manufacturing companies during the COVID-19 pandemic, with audit committees and institutional ownership mitigating the impact of the crisis. These findings suggest that the impact of GCG on sustainability disclosure is not independent but rather influenced by external conditions and industry-specific characteristics.

In Indonesia, ESG practices still face challenges. The national average ESG score in 2023 was approximately 50.8%, while the disclosure rate reached 42.1%, indicating a low level of disclosure quality compared to international standards. This challenge is particularly evident in the mining sector, which is a significant contributor to the Gross Domestic Product (GDP) (approximately 8–9% in 2022–2023), but is often criticized for environmental issues such as land degradation and pollution (PwC, 2025).

In addition to governance aspects, the financial structure, as measured by the Debt-to-Equity Ratio (DER), also affects the effectiveness of GCG in

promoting sustainability disclosure. A study by Putri & Komara (2025) shows that the mining sector's DER increased during 2019–2023, peaking at 114.54% in 2022, reflecting high dependence on debt due to operational costs and commodity price volatility. Findings on the role of DER also vary: some studies show a significant effect (Dewi et al., 2022), while others show a negative effect (Anggraini et al., 2021), and still others show no moderating effect on the relationship between GCG and performance (Ninava, 2025). These varying findings emphasize the need for further research on DER as a moderating factor.

Based on the above description, three main research gaps are identified. First, the quality of sustainability reporting in the Indonesian mining sector is still low. Second, the influence of GCG on sustainability disclosure shows contradictory results. Third, the role of DER as a moderating variable between GCG and sustainability reporting remains understudied, with inconsistent results.

This study aims to analyze the influence of GCG, represented by independent commissioners, audit committees, and managerial ownership, on the quality of sustainability reports, as well as to examine the role of DER as a moderating variable in mining companies listed on the Indonesia Stock Exchange. The contributions of this study are both conceptual and empirical, with practical implications. Conceptually, this study expands the literature by integrating GCG, DER, and sustainability reporting, grounded in stakeholder and legitimacy theory. Empirically, this study provides new evidence from the highly leveraged Indonesian mining sector. Practically, these findings offer strategic recommendations for regulators, investors, and management on the importance of capital structure in enhancing the effectiveness of sustainability governance.

The novelty of this study lies in the use of DER as a moderating variable between GCG and sustainability reporting, a topic that has been rarely explored, particularly in the context of Indonesia's highly leveraged capital market during the period from 2021 to 2023. This approach enables the study to directly test whether the effectiveness of internal governance mechanisms, in combination with DER, influences the quality of sustainability reporting, thereby bridging a significant empirical gap in the international literature.

Although agency theory and corporate governance predict the important role of independent commissioners and managerial ownership in promoting sustainability reporting, empirical evidence suggests that only audit committees

consistently influence this aspect. These findings reveal a significant gap in the international literature, confirming that the effectiveness of internal oversight, rather than simply ownership structure or leverage, is the main determinant of sustainability reporting practices in emerging markets, while challenging traditional assumptions of governance theory.

The next chapter discusses the literature review and research methods, including the sample, operational definitions of variables, and the research model. Subsequently, the results and discussion chapter presents empirical findings and their interpretation, concluding with a conclusion chapter that highlights theoretical and practical contributions and directions for further research.

Sustainability reports (SR) are increasingly becoming a major focus in modern business practices, as a form of corporate accountability to stakeholders and a public legitimacy strategy. Based on stakeholder theory (Freeman, 1984), companies are not only responsible to shareholders but also to various parties, including employees, investors, the government, and the community. SRs serve as instruments of communication and accountability to gain stakeholder support and enhance social legitimacy. A study by Beretta et al. (2025) demonstrates that the adoption of sustainability disclosure based on the Sustainable Development Goals (SDGs) enhances transparency and sustainability performance in Europe. In Indonesia, mining companies utilize SR to strike a balance between profitability and social and environmental responsibilities, respond to public pressure, and meet investor expectations for sustainable business practices.

Legitimacy theory (Suchman, 1995) emphasizes the importance of companies complying with social norms, regulations, and community expectations to obtain a social license to operate. SR serves as a means of legitimacy and reputation risk mitigation, especially for companies in sectors with high environmental impacts, such as mining. Beretta et al. (2025) demonstrate that non-financial reporting is employed as a legitimacy strategy when companies face regulatory pressure and unfavorable public perception. Similar findings in Indonesia indicate that mining companies utilize SR to address environmental concerns, maintain their reputation, and secure social support.

In the context of governance, agency theory (Jensen & Meckling, 1976) explains the conflict of interest that arises due to information asymmetry between managers and shareholders. GCG mechanisms function as monitoring tools to

suppress opportunistic behavior by managers. Putra (2024) found that audit committees, nomination and remuneration committees, and institutional/foreign ownership influence company performance, although the effects vary during times of crisis. Sitanggang & Paramitadewi (2022) also demonstrated that independent commissioners and audit committees play a crucial role in enhancing the quality of SR disclosure.

Meanwhile, resource dependence theory (Hillman et al., 2000) emphasizes that diversity of expertise in the board of directors and audit committee strengthens oversight and strategic decision-making capacity. Chaudhry (2024) and Musallam (2020) demonstrate that accounting and financial expertise in audit committees positively contributes to reporting integrity, which in turn enhances the quality of sustainability disclosures.

However, empirical literature shows mixed results regarding the effectiveness of GCG on SR. Sitanggang & Paramitadewi (2022) found a positive influence of independent commissioners and audit committees on SR, while Madona & Khafid (2020) and Kristianingrum et al. (2022) reported insignificant results. Managerial ownership also yields varying results; Aziz (2014) and Widianingsih (2018) report a positive influence, whereas Ardiani (2022) obtains different results. The effectiveness of GCG is highly contextual, so moderating variables are needed to explain these variations in influence.

The Debt-to-Equity Ratio (DER) is a capital structure indicator that measures the extent to which a company finances its activities through debt rather than equity. A high DER creates external pressure from creditors to maintain transparency and accountability, in accordance with the agency theory framework. A study by Dewi et al. (2022) shows that highly leveraged companies tend to increase SR disclosure as a risk mitigation and legitimacy strategy. Conversely, research by Anggraini et al. (2021) found a negative effect of leverage on disclosure, as high debt burdens can limit managerial flexibility to allocate resources to non-financial disclosure. This variation in results creates an opportunity for DER to serve as a moderating variable in the relationship between GCG and SR.

The presence of a proportional number of independent commissioners increases the supervisory capacity of the board of directors and the company's sensitivity to social and environmental demands, in line with stakeholder theory

(Freeman, 1984) and legitimacy theory (Suchman, 1995). Independent commissioners act as external supervisors, minimizing management conflicts of interest and ensuring that strategic decisions align with the interests of stakeholders. Research in Indonesia indicates that the proportion of independent commissioners has a positive impact on the quality and breadth of sustainability disclosure (Sitanggang & Paramitadewi, 2022). However, studies have also found no significant effect (Madona & Khafid, 2020; Kristianingrum et al., 2022). These varying results suggest that contextual factors, such as company size and external pressures, influence the effectiveness of independent commissioners. Therefore, the presence of effective independent commissioners is expected to encourage more transparent and comprehensive sustainability report disclosures.

H1: Independent commissioners have an effect on sustainability reports.

The audit committee plays a crucial role in enhancing reporting integrity and transparency, including non-financial disclosures, in accordance with agency theory (Jensen & Meckling, 1976) and resource dependence theory (Pfeffer & Salancik, 1978). The expertise and experience of audit committee members enable them to assess the risks and quality of information provided by management, thereby increasing investor and stakeholder confidence in sustainability reports. Empirical studies indicate that highly competent audit committees have a positive impact on the quality of sustainability disclosures, although the influence of committee size and meeting frequency is not always consistent (Putra, 2024; Chowdhury, 2024). Thus, companies with effective audit committees are better able to produce accurate and credible sustainability reports, thereby supporting the social legitimacy and reputation of the company.

H2: The Audit Committee influences the sustainability report.

Managerial ownership aligns the interests of managers and shareholders, reduces agency conflicts, and encourages managers to increase transparency in sustainability disclosure, in accordance with agency theory (Jensen & Meckling, 1976). Managers who own significant shares tend to maintain the company's long-term legitimacy and reputation, thus encouraging them to make broader SR disclosures (Aziz, 2014; Widianingsih, 2018). However, several studies show insignificant effects, indicating the presence of external or contextual factors that moderate this relationship (Ardiani, 2022;). Therefore, managerial ownership is considered one of the GCG mechanisms that can improve the quality of

sustainability reports, especially if managers have incentives to maintain the company's reputation and credibility.

H3: Managerial ownership affects sustainability reports.

Independent commissioners serve as external supervisors, ensuring that management decisions align with the interests of shareholders and stakeholders (Sitanggang & Paramitadewi, 2022). In conditions of high leverage, pressure from creditors increases the risk of conflicts of interest and requires companies to maintain transparency of non-financial information. Previous studies show that companies with high DER tend to increase disclosure as a risk mitigation and legitimacy strategy (Dewi et al., 2022; Anggraini et al., 2021). With effective supervision from independent commissioners, companies are more encouraged to disclose sustainability reports, maintain their reputation, and reduce agency costs. Therefore, DER is expected to strengthen the influence of independent commissioners on sustainability disclosure, as external pressure from creditors makes the role of independent commissioners more significant.

H4: DER acts as a moderating variable in the influence of independent commissioners on the disclosure of sustainability reports.

The audit committee is responsible for ensuring the integrity of reporting and regulatory compliance, including the disclosure of non-financial information (Kristianingrum et al., 2022). A high DER increases the risk of information asymmetry and demands for transparency from creditors, making the effectiveness of the audit committee critical in producing credible sustainability reports. Previous studies have demonstrated that a competent audit committee can mitigate earnings management practices resulting from debt pressure and ensure comprehensive sustainability disclosure (Anggraini et al., 2021; Ninava, 2025). Thus, DER can moderate the positive relationship between the audit committee and sustainability reports, thereby strengthening governance effectiveness in a high-leverage context.

H5: DER acts as a moderating variable in the influence of audit committees on the disclosure of sustainability reports.

Managerial ownership aligns the interests of managers with those of shareholders, encouraging long-term-oriented decisions (Widianingsih, 2018). However, pressure from creditors in conditions of high DER can shift managers' focus to short-term financial performance, thereby reducing the potential for

sustainability disclosure. On the other hand, managers with substantial ownership still have incentives to maintain long-term legitimacy through the publication of sustainability reports. Variations in previous findings (Aziz, 2014; Ardiani, 2022; Ninava, 2025) highlight the need to investigate how DER influences the relationship between managerial ownership and sustainability disclosure. Thus, DER is expected to strengthen or adjust the influence of managerial ownership on SR quality, depending on the interaction between creditor pressure and ownership incentives.

H6: DER acts as a moderating variable in the influence between Managerial Ownership and sustainability report disclosure.

METHODS

Population and Sample

The population of this study includes all mining sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023, totaling 93 companies. The sample was determined using purposive sampling techniques, considering the following criteria: 1) Listed on the IDX during the period 2021–2023; 2) Published a sustainability report (SR) during the research period; 3) Published complete annual financial reports; 4) Used the GRI Index in the SR; 5) The company earned a profit in the 2021–2023 period. With these criteria, 29 companies were selected as the research sample.

Research Variables and Operational Definitions

Independent Commissioners

Independent commissioners act as external supervisors, minimizing conflicts of interest among managers and ensuring that company decisions align with the interests of stakeholders (Damayanti et al., 2023). This variable is measured by the ratio of the number of independent commissioners to the total number of board members:

$$IC = (\text{Number of IC board members}) / (\text{Total number of IC board members}) \times 100\%$$

Audit Committee

The audit committee functions as a supervisory mechanism that reduces

agency costs, strengthens internal controls, and improves the quality of information disclosed by the company (Aziz, 2014). This variable is measured by calculating the total number of audit committee members:

$$\text{Audit Committee} = \Sigma \text{ Number of Audit Committee Members}$$

Managerial Ownership

Managerial ownership refers to the percentage of shares owned by managers, commissioners, and directors who are actively involved in corporate decision-making (Anwar, 2021). This variable is measured using the following formula:

$$\text{MO} = (\text{Number of managerial shares}) / (\text{Number of outstanding shares}) \times 100\%$$

Sustainability Report (SR)

The Sustainability Report is measured using the 2016 GRI (Global Reporting Initiative) index, which consists of 139 indicators, divided into universal disclosures (GRI 102), management approach (GRI 103), economic topics (GRI 200), environmental topics (GRI 300), and social topics (GRI 400) (Waraihan, 2020; Heineken, 2017). The measurement employs a dichotomous method, where each item disclosed receives a score of 1, and those not disclosed receive a score of 0. The total value is then summed and divided by the total GRI items to produce a disclosure ratio:

$$\text{SR} = (\text{Number of disclosures}) / (\text{Total SR index})$$

Debt to Equity Ratio (DER)

DER is a capital structure indicator that shows the proportion between a company's total debt and total equity, reflecting the extent to which the company finances its operations through loans compared to its own capital. In the context of GCG and SR, DER describes external pressure from creditors that can influence managerial behavior in information disclosure (Anggraini et al., 2021; Dewi et al., 2022).

$$\text{DER} = (\text{Total Debt}) / (\text{Total Equity})$$

Data for the variables of independent commissioners, audit committees, managerial ownership, sustainability reports, and DER were obtained from companies' annual reports and sustainability reports published on their official

websites or the IDX.

Research Model Equation

Basic Regression Model (Without Moderation)

$$Y_SR_i = \alpha + \beta_1 X1_KI_i + \beta_2 X2_KA_i + \beta_3 X3_KM_i + \epsilon_i$$

Explanation:

Y_SR_i = Sustainability Report of company i

β₁X1_KI_i = Independent Commissioner

X2_KA_i = Audit Committee

X3_KM_i = Managerial Ownership

α = Intercept

β₁, β₂, β₃ = Regression coefficients

ε_i = Error term

Moderation Model with DER

$$Y_SR_i = \alpha + \beta_1 X1_KI_i + \beta_2 X2_KA_i + \beta_3 X3_KM_i + \beta_4 M_DER_i + \beta_5 (X1_KI_i \times DER_i) + \beta_6 (X2_KA_i \times DER_i) + \beta_7 (X3_KM_i \times DER_i) + \epsilon_i$$

Additional notes:

DER_i = Debt to Equity Ratio

(X1_KI_i × DER_i), (X2_KA_i × DER_i), (X3_KM_i × DER_i) = Interaction variables for moderation testing.

RESULTS AND DISCUSSION

Table 1. Descriptive Test Results

Variable	count	mean	std	min	max
X1_KI	84	0,441786	0,140885	0,2	0,83
X2_KA	84	3,392857	0,744746	3	6
X3_KM	84	0,011702	0,030911	0	0,124
M_DER	84	0,115	0,120246	0	0,62
Y_SR	84	0,605714	0,206481	0,23	0,93

Source: data processed by researchers

Table 2. Correlation Test Results

	X1_KI	X2_KA	X3_KM	M_DER	Y_SR
X1_KI	1	0,193035	0,052135	-0,29867	-0,01034
X2_KA	0,193035	1	-0,1749	-0,06391	0,199118
X3_KM	0,052135	-0,1749	1	-0,07846	0,015428
M_DER	-0,29867	-0,06391	-0,07846	1	0,168578
Y_SR	-0,01034	0,199118	0,015428	0,168578	1

Source: data processed by researchers

Table 3. Model test results

Model	N	R Square	Adj. R Square	F	Sig. F	AIC	BIC
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Model	N	R Square	Adj. R Square	F	Sig. F	AIC	BIC
Base: Y~X1+X2+X3	84	0,045219	0,009415	1,26296	0,29275	-23,539	-13,816
With M: +DER	84	0,077264	0,030544	1,65375	0,16913	-24,407	-12,253
MRS:centered+ interactions	84	0,087314	0,00325	1,03867	0,41159	-19,327	0,11988

Source: data processed by researchers

Table 4. Basic Regression Results and Results with Leverage

Variable	B	Std. Error	Beta (std)	t	Sig. (2-tailed)
const	0,35359	0,126939		2,785523	0,006688
X1_KI	-0,00136	0,169171	-0,00093	-0,00802	0,993622
X2_KA	0,061947	0,031103	0,223434	1,991664	0,049864
X3_KM	0,46295	0,737875	0,069305	0,627411	0,532199
M_DER	0,322857	0,194919	0,188018	1,656364	0,101615

Source: data processed by researchers

Table 5. Moderated Regression Results

Variable	B	Std. Error	Beta (std)	t	Sig.(2-tailed)
const	0,612706	0,024192		25,326815	0
X1_KI	0,019531	0,180185	0,013326	0,108394	0,913969
X2_KA	0,076513	0,036106	0,275972	2,11914	0,037345
X3_KM	0,503405	0,751305	0,075362	0,670041	0,504863
M_DER	0,390548	0,22226	0,227438	1,757164	0,082917
X1_Kii x DER	1,218584	1,520309	0,096995	0,801537	0,42532
X2_KAi x DER	0,261094	0,437428	0,08296	0,596884	0,552359
X3_KMi x DER	-2,001281	7,545465	-0,029934	-0,26523	0,791551

Source: data processed by researchers

Descriptive Test Results

A descriptive analysis of 84 companies reveals variations in the research variables. Independent Commissioners (X1_KI) averaged 0.442, reflecting heterogeneity of ownership between companies. Audit committees (X2_KA) averaged 3.393 members, indicating relatively uniform committee size. Managerial ownership (X3_KM) was low (average of 0.012), indicating limited management participation in ownership. Leverage (M_DER) averaged 0.115, indicating differences in financing strategies among companies. Meanwhile, sustainability reporting (Y_SR) averages 0.606, indicating varied sustainability reporting practices that tend to be above average. These findings provide an initial picture of the heterogeneity of ownership structure, governance, and leverage, which is relevant for further analysis of their influence on sustainability reporting

practices.

Correlation Analysis Results

The correlation test shows a relatively weak relationship between variables. Independent Commissioners (X1_KI) are negatively correlated with leverage (M_DER) at -0.299 , indicating a tendency that the higher the KI, the lower the use of debt. Meanwhile, the audit committee (X2_KA) exhibits a positive correlation with SR (Y_SR) of 0.199 , which falls within the weak category. Other variables show very low or near-zero correlations with Y_SR, indicating a potentially weak relationship at the bivariate level.

Model Test Results

The model comparison reveals that the model with leverage (With M) yields an R^2 value of 0.077 , slightly higher than that of the basic model (0.045), although neither is statistically significant ($p > 0.05$). The moderation model (MRA) actually experienced a decrease in adjusted R^2 (0.003), indicating that the interaction between the independent variable and leverage did not enhance the model's explanatory power. In terms of information criteria, the model with leverage (AIC = -24.40) is relatively better than the base model (AIC = -23.53) and the moderation model (AIC = -19.33).

Basic Regression Results and Results with Leverage

In the basic model, no independent variables were statistically significant, although the audit committee (X2_KA) showed marginal significance ($p = 0.056$). When leverage was added, the audit committee (X2_KA) became significant at the 5% level ($\beta = 0.062$; $p = 0.050$), indicating that the size of the audit committee contributed positively to the improvement of sustainability reporting practices. Leverage (M_DER) itself has a positive effect on Y_SR ($\beta = 0.323$), although it is not yet statistically significant ($p = 0.102$). Meanwhile, Independent Commissioners (X1_KI) and managerial ownership (X3_KM) consistently have no significant effect on both models.

Moderated Regression Results

In the moderation model (MRA), the interaction between leverage and independent commissioners, audit committees, and managerial ownership was not significant ($p > 0.05$). This confirms that leverage does not affect the influence of

governance mechanisms on sustainability reporting. Only the audit committee (X2_KA) remains significantly positive ($\beta = 0.077$; $p = 0.037$), confirming its role as a major determinant in promoting the quality of sustainability reporting.

Table 6. Summary of Regression Results

Variable	Direction of Influence on Y_SR	Significance	Description
Independent Commissioner (X1_KI)	Negative (inconsistent)	Not significant	No effect on sustainability reporting
Audit Committee (X2_KA)	Positive	Significant ($p < 0.05$ in model with DER & moderation)	Main factor driving sustainability reporting
Managerial Ownership (X3_KM)	Positive (weak)	Not significant	No significant effect on sustainability reporting
Leverage (M_DER)	Positive	Not significant	Tends to increase sustainability reporting, but not significant
Interaction (X1, X2, X3 × M_DER)	Inconsistent	Not significant	Leverage does not act as a moderating variable

Source: processed data by the researcher

DISCUSSION

The Influence of Independent Commissioners on Sustainability Reports

The regression results show that independent commissioners (ICs) do not have a significant influence on sustainability reports. This finding suggests that the presence of independent commissioners has not been sufficient to encourage companies to enhance the quality of their sustainability reporting. Theoretically, agency theory (Jensen & Meckling, 1976) states that ICs function as a monitoring mechanism to reduce conflicts of interest between management and shareholders. However, the effectiveness of ICs in this context is often questioned, especially in developing markets, due to limitations in substantive independence and potential social or economic relationships with management (Fama & Jensen, 1983). These results align with the research of Utama et al. (2020) and Habbash (2016), which found that independent commissioners do not have a significant impact on non-financial reporting practices. Thus, although the role of independent commissioners is normatively important, their implementation in promoting

sustainability reporting remains weak.

The Influence of Audit Committees on Sustainability Reports

Audit committees (AC) have been shown to have a positive and significant influence on sustainability reports, both in leverage and moderation models. These results are consistent with the role of audit committees as a governance mechanism that ensures transparency, accountability, and regulatory compliance (DeZoort et al., 2002). Based on legitimacy theory, companies face pressure to meet social expectations through sustainability reporting, and the AC can encourage this process by ensuring the integrity of the information presented (Suchman, 1995). Previous research supports these findings, with Al-Shaer & Zaman (2016) demonstrating that the presence of a strong audit committee is positively associated with the quality of sustainability reporting. Thus, the findings of this study confirm that the effectiveness of the audit committee is an important determinant in strengthening sustainability reporting practices.

The Effect of Managerial Ownership on Sustainability Reports

Managerial ownership (MO) does not show a significant effect on sustainability reports. The average managerial ownership in the sample is very low, which may reduce management's incentive to promote sustainability reporting. Within the agency theory framework, MO is expected to align the interests of managers with those of shareholders (alignment effect). However, if ownership is too small, this alignment effect becomes irrelevant (Morck, Shleifer, & Vishny, 1988). Previous studies, such as Widyati (2013) and Said et al. (2009), have also reported similar findings, indicating that managerial ownership does not significantly impact social responsibility and sustainability disclosure. This suggests that in the Indonesian context, the financial incentives from managerial share ownership are insufficient to motivate increased non-financial transparency.

DER acts as a moderating variable in the influence of independent commissioners on the sustainability report

The results of the moderation analysis show that leverage (DER) does not moderate the relationship between independent commissioners and sustainability reports. In theory, DER can strengthen the monitoring function of independent commissioners because indebted companies face external pressure from creditors

to increase transparency (Jensen, 1986). However, empirical results show the opposite, namely that DER neither strengthens nor weakens the influence of independent commissioners. This finding aligns with the research by Handajani et al. (2014), which revealed that DER does not always enhance the quality of disclosure. This finding reinforces the argument that the effectiveness of independent commissioners in the context of sustainability reporting is more influenced by the quality of internal control than by the company's funding structure.

DER acts as a moderating variable in the influence of the Audit Committee on the sustainability report

The moderation regression results also show that DER does not act as a moderating variable in the relationship between the audit committee and sustainability reports. Although leverage is often viewed as external pressure that can encourage stricter governance, this study finds that the existence of an audit committee itself is sufficient to improve sustainability reporting practices, regardless of the level of DER. This finding aligns with the study by Al-Shaer & Zaman (2018), which confirms that the effectiveness of the audit committee is a more dominant independent determinant than capital structure factors. Thus, DER does not strengthen the role of the audit committee in the context of sustainability reports.

DER acts as a moderating variable in the influence of managerial ownership on the sustainability report

The final moderation test results show that DER also does not moderate the relationship between managerial ownership and sustainability reports. This can be explained by the fact that low managerial ownership makes the role of DER as external pressure ineffective in encouraging management to disclose sustainability information. Agency theory posits that when management holds only a small ownership stake, it tends not to respond to external pressure to increase transparency (Shleifer & Vishny, 1997). The research by Rahmawati & Dianita (2011) also supports that DER is not always able to strengthen the influence of ownership structure on disclosure quality. Thus, DER is not able to be a factor that strengthens the relationship between managerial ownership and sustainability reports.

CONCLUSION

This study demonstrates that audit committees play a pivotal role in promoting sustainability reporting, whereas independent commissioners, managerial ownership, and leverage have no significant impact. These findings have important implications for global regulators and investors that strengthening the quality of internal oversight, particularly through audit committees, is more effective than simply increasing ownership structures or relying on external funding pressure. Thus, governance policies that focus on enhancing the capacity and independence of audit committees can be a key instrument for strengthening sustainability, transparency, and accountability in emerging markets.

Further research should explore new governance mechanisms and different industry contexts to bridge the gap in international literature, while also re-examining the relevance of agency and legitimacy theories in explaining the effectiveness of internal oversight on sustainability reporting practices.

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