Open Access Indonesia Journal of Social Sciences

Journal Homepage: https://journalsocialsciences.com/index.php/OAIJSS

The Impact of Financial Performance and Stakeholder Pressure on Sustainability Report Disclosure: The Moderating Role of Independent Commissioners

Herawansyah[1*], Danang Adi Putra[1], Indah Oktari Wijayanti[1]

[1]Department of Accounting, Faculty of Economics and Business, Universitas Bengkulu, Bengkulu, Indonesia

ARTICLE INFO

Keywords:
Financial performance
Independent commissioners
Indonesian stock exchange
Stakeholder pressure
Sustainability reporting

***Corresponding author:**
Herawansyah

E-mail address:
herawansyah@unib.ac.id

All authors have reviewed and approved the final version of the manuscript.

https://doi.org/10.37275/oaijss.v7i6.276

ABSTRACT

In the contemporary business landscape, sustainability reporting has become increasingly critical as stakeholders demand greater transparency and accountability from companies regarding their environmental, social, and governance (ESG) performance. This study delves into the factors that influence the extent of sustainability report disclosure, focusing on the role of financial performance, stakeholder pressure, and the moderating effect of independent commissioners. This study employs a quantitative approach, utilizing data from 96 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The sample encompasses 288 observations, and purposive sampling was employed to select companies that met specific criteria, ensuring the inclusion of companies that have consistently disclosed sustainability reports and maintained financial stability. Regression analysis with an absolute difference test was conducted using SPSS 23 to analyze the relationships between the variables. The findings of this study indicate that financial performance and stakeholder pressure significantly influence sustainability report disclosure. Companies with higher financial performance tend to disclose more sustainability information, suggesting that they have the resources and motivation to invest in sustainability reporting. This positive association between financial performance and sustainability reporting implies that companies with stronger financial positions are better equipped to allocate resources towards sustainability initiatives and their subsequent disclosure. In conclusion, the proportion of independent commissioners on the board moderates these relationships, indicating that independent oversight enhances the positive effects of financial performance and stakeholder pressure on sustainability report disclosure. The presence of independent commissioners on the board strengthens corporate governance mechanisms, ensuring greater transparency and accountability in sustainability reporting.

1. Introduction

In the contemporary business landscape, sustainability reporting has become an increasingly critical aspect of corporate disclosure. This heightened importance stems from a growing recognition that business operations are inextricably linked to sustainable development goals (Adhania, 2024). Companies are now expected to go beyond merely pursuing profits and consider their broader impact on society and the environment. This expectation for corporate responsibility is reflected in the increasing demand from stakeholders, including investors, consumers, employees, and communities, for greater transparency and accountability regarding environmental, social, and governance (ESG) performance (Afridayani, 2023).

Sustainability reporting provides a structured mechanism for companies to disclose their ESG initiatives, allowing stakeholders to assess their commitment to sustainability and responsible business practices. These reports offer a comprehensive overview of a company's sustainability performance, encompassing a wide range of topics, including environmental impact, social responsibility, and corporate governance (Bakti, 2023). The information disclosed in sustainability reports enables stakeholders to make informed decisions about their engagement with the company, whether as investors, consumers, or employees. Several factors influence the extent and quality of sustainability report disclosure. Financial performance is often considered a key determinant, as companies with higher profitability may have the resources and motivation to invest in sustainability reporting (Budi et al., 2019). They may also view sustainability reporting as a way to enhance their reputation and attract investors, thereby contributing to their long-term financial success (Marilis, 2024).

Stakeholder pressure also plays a crucial role in shaping corporate sustainability reporting practices. Companies facing greater scrutiny from stakeholders, such as investors, consumers, employees, and communities, are more likely to disclose comprehensive sustainability reports (Ngaziz, 2021). Stakeholder pressure can take various forms, including direct engagement with the company, public campaigns, and media coverage. The responsiveness of companies to stakeholder concerns regarding ESG issues can significantly influence their sustainability reporting practices. In addition to financial performance and stakeholder pressure, the composition of the board of directors, particularly the proportion of independent commissioners, can influence the quality and transparency of corporate disclosures (Rao, 2020). Independent commissioners play a crucial role in corporate governance. They are responsible for overseeing the management of the company and ensuring that it acts in the best interests of shareholders. Their independence allows them to provide objective oversight and challenge management decisions, contributing to greater transparency and accountability in corporate reporting. This study examines the impact of financial performance and stakeholder pressure on sustainability report disclosure, with a focus on the moderating role of independent commissioners. The study aims to contribute to the understanding of sustainability report disclosure determinants and provide insights for policymakers, investors, and companies seeking to improve sustainability reporting practices.

2. Literature Review

Sustainability reporting has emerged as a critical component of corporate disclosure in response to the growing demand for transparency and accountability regarding environmental, social, and governance (ESG) performance (Utami, 2015). It provides a structured mechanism for companies to disclose their ESG initiatives, allowing stakeholders to assess their commitment to sustainability and responsible business practices (Wahyuni, 2019). These reports offer a comprehensive overview of a company's sustainability performance, encompassing a wide range of topics, including environmental impact, social responsibility, and corporate governance. The Global Reporting Initiative (GRI) is the most widely used framework for sustainability reporting. The GRI Standards provide a set of guidelines for companies to report on their ESG performance in a consistent and comparable manner (Zandi, 2023). Other frameworks and standards for sustainability reporting include the Sustainability Accounting Standards Board (SASB) Standards and the International Integrated Reporting Council (IIRC) Framework.

Several theoretical frameworks underpin the practice of sustainability reporting, providing a conceptual foundation for understanding the motivations and implications of corporate sustainability disclosure. Stakeholder theory posits that companies have a responsibility to consider the interests of all stakeholders, not just shareholders (Saenggo, 2024). Stakeholders include employees, customers, suppliers, communities, and the environment. Sustainability reporting can be seen as a way for companies to engage with stakeholders and address their concerns regarding ESG issues. Legitimacy theory suggests that companies seek to maintain their legitimacy by aligning their operations with societal norms and expectations (Purnama, 2021). Sustainability reporting can be used to demonstrate that a company is operating in a responsible and sustainable manner, thereby maintaining its legitimacy in the eyes of stakeholders. Institutional theory emphasizes the role of institutional pressures in shaping corporate behavior (Oktarina, 2018). Sustainability reporting can be seen as a response to institutional pressures from governments, investors, and other stakeholders.

Financial performance is often considered a key determinant of sustainability report disclosure. Companies with higher profitability may have the resources and motivation to invest in sustainability reporting (Loprevite, 2020). They may also view sustainability reporting as a way to enhance their reputation and attract investors, thereby contributing to their long-term financial success (Isiaka, 2023). Several studies have examined the relationship between financial performance and sustainability report disclosure. Some studies have found a positive relationship, suggesting that companies with higher financial performance tend to disclose more sustainability information (Indrianingsih, 2020). Other studies have found no significant relationship (Budi, 2019).

Stakeholder pressure is another important factor that influences sustainability report disclosure. Companies facing greater scrutiny from stakeholders, such as investors, consumers, employees, and communities, are more likely to disclose comprehensive sustainability reports (Barman, 2024). Stakeholder pressure can take various forms, including direct engagement with the company, public campaigns, and media coverage. The responsiveness of companies to stakeholder concerns regarding ESG issues can significantly influence their sustainability reporting practices. Several studies have examined the relationship between stakeholder pressure and sustainability report disclosure. Some studies have found a positive relationship, suggesting that companies facing greater stakeholder pressure tend to disclose more sustainability information (Afridayani, 2023). Other studies have found no significant relationship (Bakti, 2023). Independent commissioners play a crucial role in corporate governance. They are responsible for overseeing the management of the company and ensuring that it acts in the best interests of shareholders. Independent commissioners can also play a role in promoting sustainability reporting. Several studies have examined the relationship between independent commissioners and sustainability report disclosure. Some studies have found a positive relationship, suggesting that companies with a higher proportion of independent commissioners tend to disclose more sustainability information (Purnama, 2021). Other studies have found no significant relationship.

3. Methods

The population for this study comprises manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The manufacturing sector is specifically targeted due to its significant environmental and social impacts, making sustainability reporting particularly relevant for companies in this industry. The study period encompasses three years to capture potential trends and variations in sustainability reporting practices over time. A purposive sampling technique is employed to select companies that meet specific criteria, ensuring the inclusion of companies that have consistently disclosed sustainability reports and maintained financial stability. The criteria for sample selection include; Companies that disclose the Sustainability Report for the period 2020-2022;

Companies that issue Annual reports using Rupiah and disclose Sustainability Reports consecutively for the period 2020-2022; Companies that do not have negative equity. The final sample includes 96 manufacturing companies, resulting in 288 observations over the three-year period. This sample size provides a sufficient number of observations for conducting robust statistical analysis.

Data for this study is collected from publicly available sources, primarily the companies' annual reports and sustainability reports. These reports provide comprehensive information on the companies' financial performance, sustainability initiatives, and board composition. The use of publicly available data ensures transparency and replicability of the research. The variables included in this study are categorized as follows; Dependent Variable: Sustainability report disclosure (SRDI); Independent Variables: Financial performance (NPM) and stakeholder pressure (ESI); Moderating Variable: Proportion of independent commissioners (KI). The dependent variable, sustainability report disclosure (SRDI), is measured using content analysis. This method involves reviewing the companies' sustainability reports and assigning a value of 1 for disclosed items and a value of 0 for undisclosed items. The values of each item are summed to obtain a company score, which is then divided by the number of items expected to be disclosed. This measurement approach is widely used in sustainability reporting research and provides a quantitative measure of the extent of sustainability information disclosed by companies.

Financial performance is measured using net profit margin (NPM), which is calculated as earnings after tax divided by sales. NPM is a commonly used profitability ratio that reflects a company's ability to generate profit from its sales. It is considered a key indicator of financial performance and is expected to influence a company's resources and motivation to invest in sustainability reporting. Stakeholder pressure is measured using a dummy variable for environmentally sensitive industries (ESI). Companies in sectors such as agriculture, mining, chemicals, and energy are classified as ESI and assigned a value of 1, while other sectors are assigned a value of 0. This classification is based on the potential environmental and social impacts of these industries, which often lead to greater scrutiny from stakeholders. The moderating variable, the proportion of independent commissioners (KI), is measured as the total number of independent commissioners divided by the number of board members in the company. This ratio reflects the level of independent oversight on the board of directors. Independent commissioners are expected to enhance the positive effects of financial performance and stakeholder pressure on sustainability report disclosure.

Descriptive statistical analysis is conducted to provide an overview of the data, including measures of central tendency and dispersion. This analysis helps to understand the characteristics of the sample and the distribution of the variables. Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, are performed to ensure the validity of the regression analysis. These tests assess whether the data meets the assumptions required for conducting regression analysis and ensure the reliability of the results. Multiple linear regression analysis is conducted to examine the relationships between the variables. The regression equation is as follows $SRDit = \alpha + \beta 1NPM + \beta 2ESI + \beta 3ESI*KI + e$. Where; SRD = Disclosure of Sustainability Report; NPM = Performance with proxy net profit margin; ESI = Stakeholder pressure with proxy environmentally sensitive industry; KI = Independent Commissioner; e = Error. This equation allows for the assessment of the impact of financial performance and stakeholder pressure on sustainability report disclosure, while also considering the moderating effect of independent commissioners. Hypothesis testing is conducted using the coefficient of determination (R^2), F-test, and t-test. These tests assess the statistical significance of the relationships between the variables and determine whether the hypotheses formulated in the study are supported by the data.

4. Results and Discussion

Table 1 provides descriptive statistics for four variables related to sustainability reporting and corporate governance in a sample of 288 companies. SRDI (Disclosure of Sustainability Report) variable measures the extent of sustainability reporting. The mean score of 3.47 suggests a moderate level of disclosure on average. The minimum value of 2.00 and maximum of 5.00 indicate a range in reporting practices, with some companies disclosing more information than others. The standard deviation of 0.64 shows moderate variation in disclosure scores across the sample. NPM (Performance with a proxy net profit margin) variable represents company performance, using net profit margin as a proxy. The mean net profit margin is 5.26, but the large standard deviation of 9.93 indicates significant variation in profitability across companies, with some experiencing losses (minimum -0.58) and others achieving high profits (maximum 8.37). ESI (Stakeholder pressure with proxy environmentally sensitive industry) variable indicates whether a company operates in an environmentally sensitive industry, which is likely to face higher stakeholder pressure regarding environmental performance. The mean of 0.91 suggests that a large majority of the companies in the sample belong to environmentally sensitive industries. The standard deviation of 0.28 is relatively low, indicating that the distribution of companies across industries is somewhat concentrated. The KI (Independent Commissioner) variable represents the number of independent commissioners on a company's board. The average number of independent commissioners is 3.57. The minimum value of 3 and maximum of 7 show the range of independent commissioner representation on company boards. The standard deviation of 0.99 indicates some variation in the number of independent commissioners across companies.

Table 1. Descriptive statistic.

Variable	N	Minimum	Maximum	Mean	Standard Deviation
SRDI	288	2.00	5.00	3.47	0.64
NPM	288	-0.58	8.37	5.26	9.93
ESI	288	0	1	0.91	0.28
KI	288	3	7	3.57	0.99

SRD = Disclosure of Sustainability Report; NPM = Performance with proxy net profit margin; ESI = Stakeholder pressure with proxy environmentally sensitive industry; KI = Independent Commissioner.

Table 2 provides the results of the classical assumption tests, which are conducted to ensure that the data meets the assumptions required for linear regression analysis. The Kolmogorov-Smirnov test is used to assess whether the data follows a normal distribution. In this case, the p-value (Asymp. Sig.) is 0.096, which is greater than the conventional significance level of 0.05. This indicates that the data is normally distributed, which is an important assumption for linear regression. Multicollinearity refers to a situation where two or more independent variables in a regression model are highly correlated. This can make it difficult to determine the individual effect of each variable on the dependent variable. The

Variance Inflation Factor (VIF) is used to detect multicollinearity. A VIF value of 1 indicates no correlation, while values above 10 suggest significant multicollinearity. In this case, all VIF values are below 10, indicating that there is no significant multicollinearity among the independent variables. Autocorrelation occurs when the residuals (errors) in a regression model are correlated with each other. This violates the assumption of independence of errors. The Durbin-Watson (DW) statistic is used to detect autocorrelation. The DW value ranges from 0 to 4, with a value of 2 indicating no autocorrelation. Values below 2 suggest positive autocorrelation, while values above 2 suggest negative autocorrelation. In this case, the DW value is 2.153, which is close to 2, indicating that there is no significant autocorrelation in the data.

Table 2. Classical assumption testing.

Test	Statistic	Value	Result
Normality Test (Kolmogorov-Smirnov)	Statistic	125	Data is normally distributed
	Asymp. Sig. (2-tailed)	96	Data is normally distributed
	Monte Carlo Sig. (2-tailed)	494	Data is normally distributed
Multicollinearity Test (VIF)	NPM	1.363	No multicollinearity
	ESI	1.446	No multicollinearity
	KI	1.602	No multicollinearity
Autocorrelation Test (Durbin-Watson)	DW	2.153	No autocorrelation

Table 3 presents the results of hypothesis testing examining the relationships between sustainability reporting, financial performance, stakeholder pressure, and independent commissioners. The adjusted R-squared value of 0.216 shows that these factors explain 21.6% of the variation in sustainability report disclosure. While statistically significant, this suggests other factors not included in the model also influence reporting practices. The F-statistic (3.86) from the ANOVA test indicates that the overall regression model is statistically significant ($p < 0.05$). This means the combination of financial performance, stakeholder pressure, and independent commissioners explains a significant portion of the variation in sustainability reporting. Financial Performance (NPM), a significant positive effect ($t = 9.492$, $p < 0.05$) indicates companies with higher net profit margins tend to disclose more sustainability information. Stakeholder Pressure (ESI), companies in environmentally sensitive industries, facing greater stakeholder pressure, also show significantly higher sustainability reporting ($t = 3.061$, $p < 0.05$). Independent Commissioners (KI), the significant moderating effect ($t = 2.237$, $p < 0.05$) suggests the influence of financial performance and stakeholder pressure on sustainability reporting is affected by the number of independent commissioners on the board. This could mean independent commissioners strengthen the positive relationship between these factors and reporting.

Table 3. Hypothesis testing.

Test	Statistic	Value	Result
Coefficient of Determination (Adjusted R^2)	-	216	21.6% of the variation in sustainability report disclosure can be explained by the independent variables and the moderating variable.
Statistical Test F (Anova)	F	3.86	The overall regression model is significant ($p < 0.05$).
Statistical Test t	NPM	9.492	Financial performance has a significant positive effect on sustainability report disclosure ($p < 0.05$).
	ESI	3.061	Stakeholder pressure has a significant positive effect on sustainability report disclosure ($p < 0.05$).
	KI	2.237	The moderating effect of independent commissioners is significant ($p < 0.05$).

The positive relationship between financial performance and sustainability report disclosure is a well-established finding in the academic literature (Zulfikar, 2023). This connection implies that companies exhibiting stronger financial health are more inclined to disclose comprehensive information about their environmental, social, and governance (ESG) performance. This phenomenon can be attributed to several interconnected factors that warrant further exploration. Financial performance serves as a direct indicator of a company's resource availability. Companies with higher profitability and stronger cash flows have greater financial flexibility to allocate resources toward various initiatives, including sustainability reporting (Loprevite, 2020). Sustainability reporting can be a resource-intensive process, requiring investments in data collection, analysis, and reporting infrastructure. Companies with limited financial resources may find it challenging to dedicate the necessary funds to comprehensive sustainability reporting. Moreover, companies with strong financial performance are more likely to view sustainability reporting as a strategic investment rather than a mere compliance exercise. They recognize that sustainability reporting can enhance their reputation, attract investors, and improve stakeholder relationships, ultimately contributing to their long-term financial success (Marilis, 2024). This strategic perspective encourages them to invest in high-quality sustainability reporting that goes beyond basic compliance requirements.

Financial performance can also be a reflection of a company's strategic orientation towards sustainability. Companies with strong financial performance are often those that have successfully integrated sustainability into their core business strategies (Oktarina, 2018). They view sustainability not as a burden or a cost, but as a source of competitive advantage. These companies proactively invest in initiatives that improve their environmental and social performance, recognizing that such initiatives can lead to cost savings, innovation, and enhanced brand value. This proactive approach to sustainability naturally extends to sustainability reporting. Companies that are actively engaged in sustainability initiatives are more likely to be transparent about their ESG performance. They see sustainability reporting as an opportunity to showcase their achievements, engage with stakeholders, and demonstrate their commitment to sustainable development. Companies with strong financial performance often exhibit greater confidence in their ability to manage ESG risks and address stakeholder concerns. This confidence stems from their track record of success and their ability to navigate challenges effectively. As a result, they are less concerned about the potential negative consequences of disclosing sustainability information (Saenggo, 2024). Furthermore, companies with good financial performance may view transparency as a key element of their corporate governance strategy. They recognize that transparency builds trust with stakeholders and enhances their reputation. This commitment to transparency encourages them to disclose comprehensive sustainability information, even if it includes areas where they may not be performing as well as they would like.

Sustainability reporting can also be seen as a signaling mechanism. Companies with strong financial performance use sustainability reporting to signal their commitment to sustainability and responsible business practices to stakeholders (Isiaka, 2023). This signaling can attract investors, customers, and employees who value sustainability. Moreover, sustainability reporting can help companies maintain their legitimacy in the eyes of stakeholders. Legitimacy theory suggests that companies seek to align their operations with societal norms and expectations (Bramanti et al., 2021). By disclosing their ESG performance, companies demonstrate that they are operating in a responsible and sustainable manner, thereby maintaining their legitimacy and social license to operate. Companies with strong financial performance are often more proactive in engaging with stakeholders and identifying their material ESG concerns. This engagement helps them to understand stakeholder expectations and tailor their sustainability reporting to address those concerns. By focusing on material issues, companies can ensure that their sustainability reports are relevant and informative to stakeholders.

The concept of integrated reporting emphasizes the interconnectedness between financial and non-financial performance (Adhania, 2024). Companies with strong financial performance are more likely to adopt an integrated reporting approach, which connects their sustainability reporting to their overall business strategy and value creation process. This integrated approach provides a more holistic view of the company's performance and demonstrates how sustainability contributes to its long-term success. Companies with strong financial performance often have strong leadership teams that champion sustainability. These leaders recognize the importance of sustainability for the company's long-term success and embed it into the corporate culture. This commitment to sustainability is reflected in the company's sustainability reporting, which is seen as an integral part of its overall communication strategy. The positive relationship between stakeholder pressure and sustainability report disclosure is a recurring theme in sustainability reporting literature (Rao, 2020). This connection highlights the growing influence of stakeholders in shaping corporate sustainability practices. Companies are increasingly recognizing the importance of being responsive to stakeholder concerns about environmental, social, and governance (ESG) issues. Stakeholder pressure can manifest in various ways, including direct engagement, public campaigns, and media scrutiny. Companies that are perceived as neglecting sustainability may face reputational damage, loss of investor confidence, and even consumer boycotts (Zandi, 2023). In response to such pressures, companies often adopt more sustainable practices and increase the transparency of their ESG performance through enhanced sustainability reporting.

In recent years, stakeholders have gained significant power and influence in shaping corporate behavior. This rise in stakeholder power can be attributed to several factors, including increased access to information, the growth of social media, and a growing awareness of ESG issues among the general public (Wahyuni, 2019). Stakeholders are no longer passive recipients of corporate information; they actively engage with companies, voice their concerns, and demand greater transparency and accountability. Companies that fail to address stakeholder concerns risk damaging their reputation and losing the trust of their stakeholders. This can have significant financial implications, as stakeholders may choose to invest their money elsewhere, boycott the company's products, or even seek to influence government regulations (Zulfikar, 2023). Sustainability reporting can be seen as a direct response to stakeholder pressure. By disclosing their ESG performance, companies demonstrate their commitment to sustainability and address stakeholder concerns. This can help to build trust and confidence in the company's sustainability practices. Companies may also use sustainability reporting to engage with stakeholders and build relationships with them. This engagement can help companies to understand stakeholder expectations and tailor their sustainability initiatives to address those concerns.

Different stakeholder groups can exert varying degrees of pressure on companies regarding sustainability reporting. Investors, for example, are increasingly incorporating ESG factors into their investment decisions. They recognize that sustainability performance can have a significant impact on a company's long-term financial performance (Ngaziz, 2021). As a result, they are demanding greater transparency and accountability from companies regarding their ESG practices. Consumers are also becoming more aware of ESG issues and are increasingly choosing to support companies that align with their values. This consumer pressure can be particularly powerful in industries with high levels of consumer engagement, such as the food and beverage industry or the fashion industry. Employees are another important stakeholder group that can influence corporate sustainability reporting. Employees want to work for companies that are responsible and sustainable. They may also be more likely to report unethical or unsustainable practices within the company. Communities and NGOs can also play a significant role in pressuring companies to improve their sustainability performance and reporting. They may organize public campaigns, engage with the media, or even take legal action to hold companies accountable for their environmental and social impacts. Stakeholder pressure not only influences the likelihood of companies disclosing sustainability information but also the quality of that information. Companies facing greater stakeholder pressure are more likely to disclose comprehensive and credible sustainability reports. They may also be more likely to seek external assurance for their sustainability reports to enhance their credibility. Effective stakeholder engagement is essential for companies to understand stakeholder expectations and address their concerns. This engagement can take various forms, including surveys, focus groups, and online platforms. Companies should also be responsive to stakeholder feedback and incorporate it into their sustainability reporting and decision-making processes. The concept of materiality is central to sustainability reporting. Materiality refers to the issues that are most significant to stakeholders and have the potential to impact the company's long-term value creation. Companies should focus their sustainability reporting on material issues and ensure that the information disclosed is relevant and informative to stakeholders. Stakeholder pressure encourages greater transparency and accountability in corporate sustainability reporting. Companies that are responsive to stakeholder concerns are more likely to disclose comprehensive and accurate information about their ESG performance. They are also more likely to be held accountable for their sustainability commitments. Stakeholder pressure can drive continuous improvement and innovation in corporate sustainability practices. By engaging with stakeholders and understanding their concerns, companies can identify areas where they need to improve their environmental and social performance. This can lead to the development of new technologies, processes, and business models that are more sustainable and responsible.

The discovery that the proportion of independent commissioners moderates the link between stakeholder pressure and sustainability report disclosure represents a significant contribution to the field (Barman, 2024). This result emphasizes the critical role that independent commissioners play in amplifying the positive effects of stakeholder pressure on corporate sustainability reporting practices. Independent commissioners are individuals appointed to a company's board of directors precisely for their independence and lack of direct financial or personal ties to the company (Indrianingsih, 2020). This independence allows them to provide objective oversight and challenge management decisions, ensuring that the company acts in the best interests of all stakeholders, not just the executive team or majority shareholders. Stakeholder pressure plays a crucial role in driving corporate sustainability initiatives. When stakeholders actively engage with a company on environmental, social, and governance (ESG) issues, it signals the importance of these concerns and encourages the company to take action (Bakti, 2023). However, the effectiveness of stakeholder pressure can be amplified by the presence of independent commissioners on the board. Independent commissioners can act as advocates for stakeholders, ensuring that their concerns are heard and addressed by the company's management (Adhania, 2024). They can also push for greater transparency and accountability in sustainability reporting, ensuring that the company's reports accurately reflect its ESG performance.

Independent commissioners can influence sustainability reporting. Their independence allows them to objectively assess the company's sustainability performance and challenge management's decisions regarding ESG issues (Bramanti et al., 2021). This objective oversight can help to ensure that the company's sustainability reports are accurate and transparent. Independent commissioners can actively engage with stakeholders, providing a channel for communication and feedback on the company's sustainability performance (Budi et al., 2019). This engagement can help to ensure that the company's sustainability reports are relevant and informative to stakeholders. The presence of independent commissioners can increase the diversity of perspectives and expertise on the board, leading to more informed decision-making on sustainability issues (Afridayani, 2023). This diversity can help to ensure that the company's sustainability reports are comprehensive and address a wide range of ESG concerns. The inclusion of independent commissioners on the board can signal to stakeholders that the company is committed to sustainability and transparency (Isiaka, 2023). This can help to build trust and confidence in the company's sustainability reporting. Independent commissioners can take specific actions to enhance the quality and effectiveness of sustainability reporting. They can encourage the company to adopt comprehensive reporting frameworks, such as the GRI Standards, to ensure that its sustainability reports are aligned with best practices (Marilis, 2024). They can challenge management to disclose more detailed information about the company's ESG performance, including both positive and negative aspects. They can advocate for meaningful stakeholder engagement, ensuring that the company's sustainability reports reflect the concerns and expectations of its stakeholders. They can encourage the company to view sustainability as an integral part of its business strategy, not just a separate reporting exercise. They can oversee the implementation of sustainability initiatives and track the company's progress towards its sustainability goals.

The findings of this study have several implications for practice and policy, offering guidance for companies, investors, and policymakers seeking to enhance sustainability reporting practices and promote sustainable development. Companies should acknowledge the interconnectedness between financial performance, stakeholder pressure, and sustainability reporting practices (Wahyuni, 2019). They should strive to maintain strong financial health, not only to ensure business viability but also to allocate resources towards sustainability initiatives and reporting (Oktarina, 2018). Simultaneously, companies should actively engage with stakeholders, understand their concerns about ESG issues, and be responsive to their expectations for transparency and accountability (Saenggo, 2024). Even when facing financial constraints, companies should prioritize investments in sustainability initiatives and reporting. These investments should be viewed as strategic endeavors that contribute to long-term value creation and stakeholder trust (Purnama, 2021). Companies should adopt a proactive approach to sustainability, integrating it into their core business strategies and viewing it as a source of competitive advantage (Rao, 2020). Companies should strengthen their corporate governance structures by ensuring an adequate proportion of independent commissioners on their boards (Ngaziz, 2021). Independent commissioners play a crucial role in providing objective oversight, challenging management decisions, and advocating for stakeholder interests. Their presence enhances the credibility and transparency of sustainability reporting, signaling a genuine commitment to sustainability.

Investors should recognize the value of sustainability reporting in assessing the long-term risks and opportunities associated with their investments (Loprevite, 2020). They should prioritize companies that disclose comprehensive and credible sustainability information, demonstrating a commitment to sustainable and responsible business practices. Investors should actively engage with companies on ESG issues, encouraging them to improve their sustainability performance and reporting practices. This engagement can take various forms, including direct dialogue, shareholder proposals, and collaborative initiatives. By leveraging their influence, investors can drive positive change and promote greater transparency and accountability in corporate sustainability. Policymakers can play a pivotal role in promoting sustainability reporting by providing incentives for companies to disclose more comprehensive information about their ESG performance. These incentives could include tax benefits, preferential access to government contracts, or recognition programs. Additionally, policymakers could consider mandating sustainability reporting for certain companies or industries, particularly those with significant environmental and social impacts. Policymakers should support the development and harmonization of sustainability reporting standards, ensuring consistency and comparability across companies and industries. This would facilitate better-informed decision-making by investors and other stakeholders, promoting greater transparency and accountability in corporate sustainability. To ensure the effectiveness of sustainability reporting regulations, policymakers should establish robust enforcement and monitoring mechanisms. This would help to prevent greenwashing and ensure that companies are held accountable for their sustainability commitments.

5. Conclusion

This study confirms that financial performance significantly influences sustainability reporting practices. Companies with higher profitability tend to disclose more sustainability information, underscoring the importance of financial capacity in facilitating comprehensive reporting. Additionally, stakeholder pressure plays a pivotal role in driving sustainability disclosure. Companies facing greater scrutiny from stakeholders demonstrate a heightened awareness of ESG concerns and a commitment to transparency. Notably, the proportion of independent commissioners on the board significantly moderates these relationships, highlighting the importance of independent oversight in enhancing the credibility and effectiveness of sustainability reporting. These findings offer valuable insights for companies, investors, and policymakers seeking to promote greater transparency and accountability in corporate sustainability practices. By recognizing the interplay between financial performance, stakeholder pressure, and independent board oversight, stakeholders can collectively contribute to a more sustainable and responsible business environment.

6. References

Adhania L, Nurdiana D. 2024. Influence of financial performance, company size and company age on disclosure of sustainability reports in non-financial companies on IDX 2019-2021. International Journal of Multidisciplinary Approach Research and Science. 2(02): 575–85.

Afridayani A, Holiawati H, Ruhiyat E. 2023. The effect of Financial Performance as moderating on Good Corporate Governance, media exposure and disclosure of Sustainability Reports. EAJ (Economic and Accounting Journal). 6(3): 209–21.

Bakti IT, Nengzih N. 2023. The effect of financial performance, company characteristics and corporate governance on the quality of sustainability report disclosure (In Manufacturing Companies Listed on the Indonesia Stock Exchange 2017-2020). Saudi Journal of Economics and Finance. 7(1): 9–21.

Barman S, Mahakud J. 2024. Corruption and sustainability disclosure-firm performance sensitivity: an international evidence. Journal of Financial Reporting and Accounting.

Bramanti GW, Nareswari N, Gunawan MF, Kunaifi A, Negoro NP, et al. 2021. Analysis of sustainability report disclosure, external assurance, environmental performance and financial access on non-financial sector companies. Business and Finance Journal. 6(2): 109–18.

Budi IS, Rahmawati R, Falikhatun F, Muthmainah M, Gunardi A. 2019. Financial performance mediation in the influence of Islamic Corporate Governance disclosure on the Islamic Social Reporting. Indonesian Journal of Sustainability Accounting and Management. 3(1): 75.

Indrianingsih I, Agustina L. 2020. The effect of company size, financial performance, and corporate governance on the disclosure of sustainability report. Accounting Analysis Journal. 9(2): 116–22.

Isiaka AS. 2023. Voluntary sustainability reporting and financial performance: Evidence from Global Reporting Initiative disclosures in the developing economy. Corporate Governance and Sustainability Review. 6(4): 54–64.

Loprevite S, Raucci D, Rupo D. 2020. KPIs reporting and financial performance in the transition to mandatory disclosure: The case of Italy. Sustainability. 12(12): 5195.

Marilis MAP, Subiyanto B, Meini Z. 2024. The effect of intellectual capital and sustainability reporting disclosure on financial performance with corporate governance mechanism as moderating variable (empirical study on companies listed on the Indonesia Stock Exchange in 2017–2021). KnE Social Sciences.

Ngaziz GK, Mulya H. 2021. The influence of the implementation of good corporate governance on the level of disclosure of sustainability reporting with financial performance as an intervening variable. International Journal of Economics and Management Studies. 8(9): 22–28.

Oktarina D. 2018. The effect of disclosure of sustainability report on financial distress with company performance as intervening variables. Journal of Accounting and Strategic Finance. 1(02): 87–99.

Purnama DP, Handayani BD. 2021. The effect of financial performance and corporate governance on sustainability report disclosure with company size as a moderation. Accounting and Finance Studies. 1(2): 138–162.

Rao S, Juma N. 2020. Influence of firms' financial performance on disclosure of sustainability initiatives and assurance of sustainability reports. Corporate Governance and Sustainability Review. 4(2): 77–92.

Saenggo ATP, Widoretno AA. 2024. Exploring the impacts of green accounting, sustainability report disclosure, and environmental investment on financial performance. JASa (Jurnal Akuntansi, Audit Dan Sistem Informasi Akuntansi). 8(2): 420–32.

Utami W. 2015. Financial performance and the quality of sustainability disclosure based on global reporting initiative: value relevances study in Indonesia stock exchange. Mediterranean Journal of Social Sciences.

Wahyuni PD, Dirman A, Oktavia, Kristanto SB. 2019. Effectiveness of the implementation good corporate governance and financial performance on the quality of sustainability reporting disclosure. Saudi Journal of Economics and Finance. 03(12): 562–9.

Zandi GR. 2023. Research on the impacts of corporate sustainability reporting disclosure of Chinese food enterprises on financial performance. Economics Affairs (Calcutta). 68(3).

Zulfikar M, Wahyudi I, Wijaya ZR. 2023. Disclosure of sustainability reporting on company financial performance. GOVERNORS. 2(3): 104–15.