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The Influence of Financial Performance, Environmental Performance, and Governance on Sustainability Reporting: The Moderating Role of Public Demand

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ABSTRACT

This study examines the relationship between financial performance, environmental performance, and corporate governance on sustainability disclosures (sustainability reports). Financial performance is measured using liquidity, solvency, and profitability, whereas environmental performance is measured using environmental costs and the PROPER rating achieved by the company. The corporate governance variable in this study was measured through independent commissioners, audit committees, and institutional ownership. The dependent variable is sustainability disclosure (sustainability reports). This study uses a population and sample of non-cyclical sector companies that published financial statements and sustainability reports from 2021 to 2023. The sample was selected using stratified random sampling, resulting in 135 companies meeting the research criteria. Data analysis employed classical assumption testing and hypothesis testing using the least-squares method. The findings indicate that financial performance, environmental cost-related performance, and institutional ownership significantly influence sustainability reporting. In contrast, PROPER-based environmental performance, independent commissioners, and audit committees did not have a significant effect. The moderating variable, community/media pressure, did not moderate the relationship between the independent and dependent variables. These findings serve as a reference for encouraging better corporate governance practices to support environmental sustainability, thus fostering harmony in environmental preservation.

Keywords: *Sustainability Report, Financial Performance, Corporate Governance.*

Introduction.

The concepts of People, Profit, and Planet, commonly referred to as the *Triple Bottom Line*, have become an increasingly relevant topic of discussion, as individuals and communities alike seek a livable and sustainable environment. Currently, the comfort and sustainability of life on Earth are significantly affected by global warming and climate change. These environmental challenges contribute to greenhouse gas (GHG) emissions and are reflected in global indices, such as the Climate Change Performance Index (CCPI, 2024). Indonesia currently ranks 36th in climate performance, with a drop of ten positions from the previous year. The country is categorized as having low overall performance, particularly in the adoption of renewable energy. Indonesian companies are reported to be underperforming in key areas such as GHG emissions and climate policy. This ranking highlights the country's performance and efforts to address climate change based on various criteria including greenhouse gas emissions, renewable energy deployment, energy efficiency measures, climate policy, and climate protection initiatives.

One of the major contributors to greenhouse gas (GHG) emissions in Indonesia are companies whose operational activities rely heavily on carbon-intensive processes. These activities are often not accompanied by energy efficiency policies or other environmental regulations. Activities related to CO_2 emissions are not without impact; in many cases, they are influenced by the quality of corporate governance.

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A company with good governance is more likely to implement effective carbon emissions policies and conduct its operations more responsibly.The issue of corporate governance, particularly during the Covid-19 pandemic, highlights the weaknesses in governance practices among Indonesian companies. This has attracted the attention of many stakeholders and shareholders. Even companies with strong environmental performance may still suffer from poor governance practices.

The commitment of each individual and economic actor to environmental sustainability is greatly influenced by societal behavior and culture(Dwiyani& Ari, 2025). Entities that respond slowly to environmental sustainability commitments may face fines and penalties. These measures aim to ensure that environmental laws are properly enforced to support long-term sustainability. Companies that comply with environmental regulations are more likely to improve their financial performance (Obey Dzomonda& Olawale Fatoki, 2020). Similarly, Omoike (2020) found that stock price performance is positively and significantly related to Corporate Social and Environmental Reporting (CSER).

Companies can disclose activities related to climate change through their annual reports, particularly within the sustainability report (SR), which also includes Corporate Social Responsibility (CSR) activities (Nurjanah&Herawaty,2022). Companies may also disclose their social activities through media. Media exposure can be interpreted as a means of requiring companies to provide descriptions of their social responsibilities and other relevant opinions or information to stakeholders (Dwiyani et al., 2024). However, accounting policies that specifically address sustainability reporting have not yet been clearly established within Indonesia’s Financial Accounting Standards (SAK). As a result, many companies fail to explicitly disclose their environmental activities (Glenk, G., &Reichelstein, S., 2022).

The disclosure of carbon emissions by companies through their annual reports or sustainability reports (SR) is closely linked to their ability to manage economic resources, commonly referred to as financial performance. The indicators used included liquidity, solvency, and profitability. High ratio values for these indicators suggest that a company is capable of achieving strong financial performance. Carbon emission disclosures from companies can also support government efforts to control national carbon emissions (Erwin Saraswati, Nadia Rani Puspita, & Ananda Sagitaputri, 2021).

Sustainability reporting (SR) is closely related to potential environmental hazards, corporate responsibility, the evolving relationship between industry and the environment, the measurement of industrial impacts, and the disclosure and reporting of these impacts. SR places significant environmental accountability on companies and compels them to justify their actions to gain legitimacy from the public.

This situation requires a holistic understanding of accounting in order to accommodate environment-related needs. Sustainability disclosure can enhance public trust in companies. If an industry fails to fulfill its environmental social responsibilities, the public may feel harmed and demand accountability through informal (community-based) means or through legal action. However, greenhouse gas (GHG) emissions reporting and auditing are not yet mandatory for all companies (Assael, J., Heurtebize, T., Carlier, L., &Soupé, F., 2023).

Sustainability reporting (SR) presents new challenges for professional accountants, particularly in the area of environmental accounting, which is a global concept that considers economic impact on the environment. This approach emphasizes environmental costs as a crucial instrument for providing both the volume and quality of information needed for effective entity-level decision-making (Ileana-Sorina Rakos & Andreea Antohe, 2014). Environmental costs can include prevention, treatment, and control measures aimed at protecting the environment. This aligns with the objectives set by Indonesia’s Ministry of the Environment and Forestry (KLHK) regulations.

Good environmental social accountability within corporate governance can create favorable conditions and encourage decision-makers to be more responsive to their surrounding environment. A conducive environment can provide legal protection, enhance information availability, amplify citizens’ voices, and strengthen institutional capacity and public services (Hossain Ahmed Taufiq, 2021). Environmental accounting serves as a necessary tool to support decision-making by regulating, managing, and providing environmental data and information (Sorina Geanina Stanescu, Constantin Aurelian Ionescu, & Mihaela Denisa Coman, 2020). However, current corporate disclosures regarding carbon emissions lack the generally accepted accounting standards. Consequently, environment-related costs are often reported as operating assets and are charged to operational expenses.

Based on the description above, this study explores how the synergy between financial performance, environmental performance, and good corporate governance can support the achievement of environmental sustainability through sustainability disclosures presented in companies’ annual reports.

In addition to environmental and financial factors, human resource management (HRM) also plays a critical role in shaping a company’s commitment to sustainability. The alignment of sustainability goals with

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human capital strategies, such as employee involvement in green initiatives, leadership commitment to ESG principles, and the embedding of sustainability into organizational culture,has emerged as a key differentiator among firms that excel in sustainability reporting. Companies with strategic HRM policies are more likely to internalize sustainability as part of their corporate identity rather than viewing it as a mere compliance obligation(Putra, 2024; Alfes et al., 2013).

Literature Review

Definition

Sustainability Disclosure (Sustainable Reports) integrates financial and non financial performance (such as social and environmental performance) into a single document. This report provides a comprehensive overview of how a company creates long-term value (Jones, H., 2010).

Financial Performance

Liquidity refers to a company's ability to meet its short-term obligations as they come due without having to sell its fixed assets (Brigham, E. F., & Houston, J. F., 2015). Good financial performance enables a company to perform its social and environmental responsibilities. Studies by Ramadhan, M. I., Nasir, A., &Indrawati, N. (2023) and Syabilla, D., Wijayanti, A., &Fahria, R. (2021) found that financial performance influences sustainability disclosure, whereas Hermawan, T., Sutarti, S., & Munawar, A. (2021) reported no significant effect.

Solvency is a company's ability to meet both short- and long-term obligations. This ratio can be used to assess the risk of long-term business sustainability (Sartono, A., 2010). Nastiti A. and Hardiningsih (2022) and Ramadhan, Nasir, and Indrawati (2023) found that leverage has a positive effect. Conversely, Florencia and Handoko (2021), and Tumewu (2017) indicate that leverage has a negative effect. Meanwhile, Hariswan, A. M., DP, E. N., Mela, N. F. (2022). Adistie, G. R., and Bandi, M. H. (2019) found that leverage has no significant effect on carbon emission disclosure.

Profitability refers to a company's ability to generate profitsby using its own resources. Studies related to financial performance and profitability by Lee and Cho (2021), Syabilla, Wijayanti, and Fahria (2021), and Adistie R. and Bandi (2019) find a positive influence on sustainability disclosure. However, Florencia and Handoko (2021) report that profitability has no significant effect.

Environmental costs are the expenses allocated by companies to fund social and environmental responsibility activities. These activities include prevention, mitigation, and investment efforts aimed at reducing the losses caused by waste treatment. Environmental costs refer to expenses arising from a company's operational activities that can affect the quality of life and the environment (Suseno, N. S., Romdhon, M., &Rochmatunisa, S., 2020). Sustainability reports are influenced by a company's social and ecological environmentally related activities. Ragini Rina Datt, Le Luo, and Qingliang Tang (2019), as well as Syabilla, D., Wijayanti, A., &Fahria, R. (2021), found that environmental performance has a positive effect on environmental sustainability disclosure. However, Sekarini A. and Setiadi (2022) reporte no significant effects.

The KLHK Award is an accolade provided by the Ministry of Environment and Forestry (KLHK) to assess and classify company performance related to environmental management. Its purpose is to encourage companies to comply with environmental regulations and to contribute to sustainable development by emphasizing transparency and accountability.Mewengkang (2014), Iriyanto, F. N., Nugroho, P. I. (2014), Nofita, A. R. D., Yanti, Y., and Puspitasari, M. (2024) state that the award has a positive effect on environmental disclosure, while Wijaya (2024) finds that the award has no significant impact on sustainability reporting (SR).

Independent Commissioners are members of the board of commissioners who have no special relationship with decision-makers within the company, in accordance with Regulation No. 33/POJK.04/2014.The better the corporate governance, the stronger the support for sustainability reporting (Al-Shaer, H., Albitar, K., &Hussainey, K., 2022). Regarding corporate governance from the perspective of independent commissioners, Liao, Lin, Luo, Le, & Tang, Qingliang (2015) and Mohammad Nasih, Iman Harymawan, YuanitaIntanParamitasari, &AzizahHandayani (2019) found that independent commissioners positively influence sustainability reporting. However, studies by Grediani, Rahmawati, and NanikNandari (2020) and Dwiyani, Kristantiningtyas, Apsari, and Budiwidjojo Putra (2024) reportrf no significant effect of independent commissioners on sustainability reporting.

The audit committee is responsible for carrying out the duties and functions of the board of commissioners in supervising company operations, ensuring the implementation of internal controls, and guaranteeing compliance with regulations (Utama, M., 2004). The role of the audit committee in corporate governance can support policies set by commissioners, especially concerning regulations related to

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sustainability reporting.RifqiNadhifHafidhSimamora, Safrida, & Sri Elviani (2022) and Trufvisa and Ardiyanto (2020) state that the audit committee has a significant influence on sustainability reporting. However, Grediani al.(2020) reported that audit committees have no significant effect.

Institutional ownership refers to the ownership of shares by institutions other than issuing companies. This type of ownership can provide external supervision, which may influence managerial policy. Research conducted by Naef, Alain (2022). Erwin Saraswati, Nadia Rani Puspita, and Ananda Sagitaputri (2021) state that institutional ownership has a significant effect on sustainability reporting. However, different findings were reported by Tommy Andrian and Yvonne Augustine Sudibyo (2021), who stated that institutional ownership had no significant impact.

Media Tuntutan Masyarakat, suatu tuntutan oleh masyarakat terhadap pihak perusahaan akibat terjadinya kelalaian perusahaan yang mengakibatkan kerugian bagi masyarakat dan lingkungannya (Mewengkang, E.,2014). Maysaroh, U., & Murwaningsari, E. (2023) dan Wardhaningrum, O. A., Devi, A. R. S., & Puspita, D. A. (2022). menyatakan Media memiliki pengaruh terhadap pengungkapan lingkungan, sedangkan Irfan, A., & Putri, H. (2025) menyatakan tidak mampu memoderasi.

Research Hypothesis

Based on the studies described above, the research hypothesis can be formulated as follows:

Studies related to financial performance conducted by Jeong-Hwan Lee & Jin-Hyung Cho (2021), Ramadhan, M. I., Nasir, A., &Indrawati, N. (2023), and Syabilla, D., Wijayanti, A., &Fahria, R. (2021) have proven that liquidity has a positive effect on carbon emission usage. Based on this explanation, we formulated the following hypotheses:

H1: Liquidity has a positive effect on Sustainability Reports.

From the solvency aspect, fincancial performance refers to a company's ability to meet its long-term obligations. Research related to solvency was conducted by Florencia and Handoko (2021), who stated that solvency has a negative effect on Sustainability Reports. Based on this explanation, the research hypothesis can be formulated as follows:

H2: Solvency has a negative effect on Sustainability Reports

From the profitability aspect, financial performance refers to a company's ability to generate profits by utilizing its resources and implementing appropriate strategies. Research related to profitability has been conducted by Lee and Cho (2021); Syabilla, Wijayanti,, and Fahria (2021); and Adistie R. and Bandi (2019), who stated that profitability has a positive effect on Sustainability Reports. Based on this explanation, we formulate the following hypothesis:

H3: Profitability positively affects Sustainability Reports.

Environmental performance from the aspect of environmental costs: Research related to environmental costs and carbon emissions conducted by Ragini Rina Datt, Le Luo, and Qingliang Tang (2019) and Syabilla, Wijayanti, and Fahria (2021) indicated a positive relationship. Based on this explanation, the research hypothesis is formulated as follows:

H4: Environmental costs have a positive effect on Sustainability Reports.

Research related to awards has been conducted by Suseno, N. S., Romdhon, M., &Rochmatunisa, S. (2020) and Irfan, A., & Putri, H. (2025), who stated that awards have a positive effect. Based on this explanation, the research hypothesis is formulated as follows:

H5: PROPER has a positive effect on Sustainability Reports.

Research related to independent commissioners has been conducted by Liao, Lin & Luo, Le & Tang, Qingliang (2015), and U. S. Trufvisa and M. D. Ardiyanto (2020), who stated that independent commissioners have a positive effect on Sustainability Reports. Therefore, the following research hypothesis is proposed:

H6: Independent commissioners have a positive effect on Sustainability Reports.

The audit committee is a committee tasked with overseeing the company's internal controls related to financial reporting and ensuring that the financial reports comply with the regulations set forth in the Financial Accounting Standards (SAK). RifqiNadhifHafidhSimamora, Safrida, and Sri Elviani (2022) state that the audit committee has a positive effect on Sustainability Reports. Based on this explanation, the research hypothesis is formulated as follows:

H7: The audit committee has a positive effect on Sustainability Reports.

Institutional ownership refers to the ownership of shares held by institutions other than issuing companies. Institutional ownership has a positive effect on Sustainability Reports, as stated by Naef, Alain (2022) and Al-Shaer, H., Albitar, K., &Hussainey, K. (2022). Therefore, the following research hypothesis is proposed:

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H8: Institutional ownership has a positive effect on Sustainability Reports.

Community-demand media is one of the means used to fulfill society's demands regarding the environment. Research by Maysaroh U. and Murwaningsari (2023) and Wardhaningrum, Devi, and Puspita (2022) states that the media has an effect on environmental disclosure, while Irfan A. and Putri (2025) state that it does not have a moderating effect. Therefore, the following research hypothesis is proposed:

H9: Community Demand Media, as a moderating variable of financial performance, environmental performance, and governance, is able to moderate Sustainability Reports.

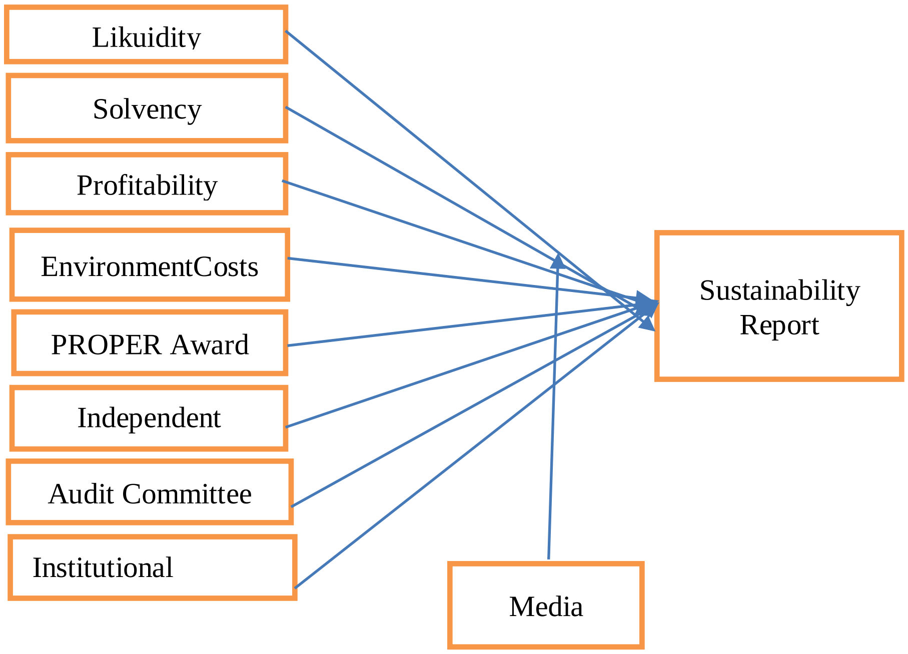

Figure 1. Research Model

Method.

Research Object

The population of this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The sample used in this study comprises Consumer Non-Cyclical companies listed on the IDX consecutively from 2021 to 2023. These companies prepare annual financial reports and sustainability reports (Sustainable Reports) and possess the required data related to the variables used in the study, meeting the established criteria. Based on these criteria, 135 research samples were selected for this study.

Variable Measurement

1. Sustainable Report: Compares the number of GRI items disclosed to the total number of GRI items (2016), number of items disclosed / number of items required).
2. Likuidity, Current ratio, compares Current Cssets/Current Liabilities, current asset/current liabilities).
3. Solvency, Total Liabilities/Total Assets owned by the company, total liabilities/total assets).
4. Profitability and profitability calculated by comparing net profit to total investment used, net profit/total assets
5. Environmental Costs, Environmental costs measured by comparing environmental expenses to net profit, environmental costs/netprofit.
6. PROPER Award, received from the Ministry of Environment and Forestry, measured based on ratings 1 to 5.
7. Independent commissioners, measured by comparing the number of independent commissioners to the total commissioners.
8. Audit Committee, Measured based on the number of audit committee members.
9. Institutional Ownership, Measured by comparing shares owned by institutions to total outstanding shares.

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10. Media Community Pressure, Disclosure of community demands related to the environment

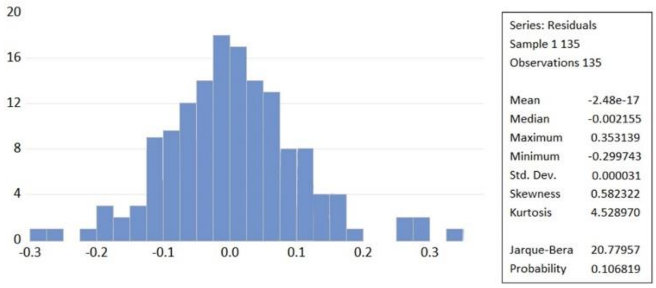
RESEARCH RESULTS AND DISCUSSION

Research Results

1. Classical Assumption Test

Heteroskedasticity Test: White

Figure 1. Normality Test



Based on the normality test graph above, it can be stated that the variables used in this study show values greater than 0.05, which means that the research variables are normally distributed.

2. Multicollinearity Test

Table 2. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.010301	299.9262	NA
X1	8.80E-06	2.235759	1.1979
X2	2.54E-06	1.747152	1.4170
X3	5.26E-06	1.487936	1.4164
X4	0.000347	2.207507	2.1333
X5	0.000742	209.7921	3.6698
X6	0.002238	12.31179	1.1041
X7	0.000243	66.63024	1.0344
X8	0.001187	24.39121	1.7814
X1M	0.352444	719.1264	6.8245
X2M	0.160757	640.6013	6.8746
X3M	0.291092	11.61171	1.2927
X4M	0.619831	32.43632	3.0666
X5M	0.096291	2679.139	2.6077
X6M	0.582382	279.1632	2.6941
X7M	0.123978	2165.951	2.5540
X8M	0.068011	148.4209	1.0069

The results of the multicollinearity test show that the Centered VIF values are greater than 1 and less than 10, so it can be concluded that there is no multicollinearity among the variables in this study.

3. Heteroskedasticity Test

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Table 3. Heteroskedasticity Test

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	0.362029	Prob. F(16,118)	0.9883
Obs*R-squared	6.316885	Prob. Chi-Square(16)	0.9843
Scaled explained SS	7.212345	Prob. Chi-Square(16)	0.9689

The results of the heteroskedasticity test in this study show that the variables used have chi-square values greater than 0.05, indicating that there is no heteroskedasticity in the research variables.

4. Autokorelasi Test

Table 4. Autokorelasi Test

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	14.03048	Prob. F(2,116)	0.2933
Obs*R-squared	26.29601	Prob. Chi-Square(2)	0.2845

Table diatasmenunjukkanhasil uji autokorelasisebesarlebihbesardari 0,05 sehinggadapatdisimpulkanbahwa variable-variabeldalampenelitianinitidakterjadiautokorelasi

Hypothesis Testing

The hypothesis testing was conducted using the Least Squares Method with the following regression equation:

Y = a+ βx1 + β x2 + β x3 + β x4 + βx5 + βx6 + βx7 + βx8 + ε
Y = a+ βx1 + β x2 + β x3 + β x4 + βx5 + βx6 + βx7 + βx8 + βx1M+ βx2M + βx3M + βx4M+ βx5M + βx6M + βx7M + βx8M + ε

Table 5. Regressi Test

Dependent Variable: Y
Method: Least Squares
Date: 01/24/25 Time: 16:03
Sample: 1 135
Included observations: 135

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.168592	0.101492	1.661142	0.0993
Likuiditas	-0.006519	0.002966	-2.197810	0.0299
Solvabilitas	-0.005794	0.001593	-3.636209	0.0004
Profitabilitas	0.007185	0.002294	3.132537	0.0022
Biaya_lingkungan	0.088098	0.018630	4.728740	0.0000
Proper	-0.028159	0.027239	-1.033810	0.3033
Kom_i	-0.046200	0.047311	-0.976509	0.3308
Kom_a	0.012359	0.015590	0.792744	0.4295
Kep_i	0.346890	0.034455	10.06797	0.0000
Likuiditas_M	0.020153	0.593670	0.033946	0.9730
Solvabilitas_M	-0.071642	0.400946	-0.178684	0.8585
Profitabilitas_M	0.248260	0.539529	0.460142	0.6463
Biaya_ling_M	-0.102785	0.787293	-0.130555	0.8964

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Proper_M	0.039478	0.310308	0.127221	0.8990
Kom_i_M	-0.023803	0.763140	-0.031191	0.9752
Kom_a_M	-0.056971	0.352105	-0.161800	0.8717
Kep_i_M	0.142381	0.260788	0.545966	0.5861

R-squared	0.653333	Mean dependent var	0.370978
Adjusted R-squared	0.606328	S.D. dependent var	0.108523
S.E. of regression	0.068091	Akaike info criterion	-2.418679
Sum squared resid	0.547095	Schwarz criterion	-2.052829
Log likelihood	180.2608	Hannan-Quinn criter.	-2.270008
F-statistic	13.89904	Durbin-Watson stat	1.152669
Prob(F-statistic)	0.000000		

Research Results and Discussion

Research results

Based on the regression test results above, the following can be explained:

a. Liquidity, as measured by the current ratio in this study, is proven to affect sustainability reporting. This is evidenced by the test results, which show a value of 0.0299, which is less than 0.05.

b. Solvency in this study is measured using the debt to-assets ratio, which in this test shows a value of 0.0004, smaller than the significance level of 0.05, indicating that the solvency variable has an effect on sustainability reporting.

c. Profitability, calculated using the Return on Assets (ROA) formula in this study, shows a significance value of 0.0022, which is smaller than the significance level of 0.05. Therefore, it can be concluded that profitability affects sustainability reporting.

d. Environmental cost is an indicator used to measure a company’s environmental performance; in this study, it was proven to have an effect on sustainability reporting. This can be seen from the significance test results, which show a value of 0.0000, smaller than the significance level of 0.05.

e. The environmental PROPER is an indicator of environmental performance. This study shows a significance value of 0.3033, which is greater than the significance level of 0.05. Therefore, it can be concluded that the environmental PROPER variable does not affect on sustainability reporting.

f. The independent commissioners in this study proved to have no effect. This is indicated by a significance value of 0.3308, which is greater than the significance level of 0.05.

g. The audit committee variable in this study shows a significance value of 0.4295, which is greater than the predetermined significance level of 0.05. Based on this finding, it can be concluded that the audit committee variable does not affect sustainability reporting.

h. Institutional ownership, as shown in the table above, has a significance value of 0.0000, which is lower than the significance level of 0.05. Therefore, it can be concluded that institutional ownership affects sustainability reporting.

i. Media, as a moderating variable between the independent and dependent variables in this study, was proven to be unable to moderate the relationship.

Discussion

The liquidity aspect of financial performance reflects a company's ability to meet its short-term obligations. The current ratio, used as a measure of liquidity in this study, has been proven to have a negative effect on sustainability reporting. This means that the higher the liquidity, the narrower is the scope of sustainability reporting that can be disclosed. Liquidity is also an indicator that a company can carry out its operational activities properly because it can meet short-term obligations and maintain its working capital needs. However, if liquidity is too high, it may indicate that the company is inefficient and ineffective in using its working capital, which can lead to a decline in the profits to be earned.

Companies that are able to maintain business and environmental sustainability strive to maximize the disclosure of financial and environmental sustainability reports. The extent of disclosure in financial and sustainability reporting indicates that the company truly cares about the environment. Activities related to environmental sustainability are disclosed as fully as possible as evidence that the company is committed to environmental preservation by practicing efficiency in the use of natural resources. The results of this study are in line with the findings of Syabilla, D., Wijayanti, A., &Fahria, R. (2021), which state that liquidity has an effect on sustainability reporting.

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Financial performance from the solvency aspect reflects a company's ability to meet its long-term obligations, especially those related to the use of funds to fulfill their working capital needs. Good solvency is indicated by a low ratio value because the risk of default is also low. Conversely, a high ratio indicates a high default risk. Therefore, many companies maintain this ratio to avoid defaults and preserve their credibility.

This study shows that solvency has a negative effect on sustainability reporting. A high solvency indicates that the company relies more on debt to finance its operations. High debt usage will result in a higher cost of capital financing and may lead to default on its debts. Another impact is that a high cost of capital can distort a company's earnings. This situation affects the company's ability to carry out activities related to business and environmental sustainability, which ultimately reduces the extent of sustainability reporting.

The results of this study align with those of Nastiti A. and Hardiningsih (2022), who state that solvency has a positive effect on sustainability reporting. It is also worth noting that a large amount of debt, if managed well, meaning that the return on debt usage is greater than the interest cost paid, can improve a company's financial performance. Ultimately, this can provide a company with greater flexibility in maintaining business and environmental sustainability.

Financial performance from the profitability perspective in this study shows that profitability, measured by ROA, has a positive effect on sustainability reporting. Profitability is a company's ability to generate profits by utilizing its resources and implementing appropriate strategies. This can happen if the management carefully analyzes the competitive landscape among similar companies and establishes appropriate strategies to win business competition. A combination of owned resources and effective strategies results in high profits for the company.

High profits can increase a company's resources, giving the company greater flexibility in running its operations. This flexibility allows the management to invest in operational activities, business sustainability, and environmental sustainability. Companies that care about the environment gain added value from the community, such as increased credibility or recognition from society. This recognition also positively affect product sales to the community, creating a mutually beneficial relationship between the company and society. The findings of this study align with the research conducted by Jeong-Hwan Lee & Jin-Hyung Cho (2021), which states that profitability has a positive effect on sustainability reporting. Companies with high profits can meet working capital needs and fulfill other requirements, especially those related to environmental sustainability.

Environmental performance, viewed from the perspective of environmental costs, refers to the total expenses incurred by the company related to environmental preservation. The results of this study show that environmental costs have a significant effect on sustainability reporting, which aligns with the findings of Ragini Rina Datt, Le Luo, &Qingliang Tang (2019) and Syabilla, D., Wijayanti, A., &Fahria, R. (2021). This indicates that large environmental expenditures suggest a company's concern for the surrounding environment, regarding both humans and the natural environment. Companies that spend significant amounts on environmental costs also engage in many activities related to the environment. The greater the allocated environmental costs, the higher the company's commitment to environmental care.

Activities related to waste management, carbon emission reduction, the use of renewable energy, and environmentally friendly projects incur substantial costs. The company's environmental expenditures can also be considered an investment in the environment, with benefits that will be felt by all parties, both now and in the future. Many environment-related activities reflect the company's proactive response to government regulations, such as environmental laws, and simultaneously help fulfill its social responsibilities. The environmental costs incurred by a company are generally reported in detail and transparently in sustainability reports. Thus, users of sustainability reports can understand the activities undertaken by the company to maintain environmental sustainability.

This study found that PROPER did not have an effect on sustainability reporting. PROPER was awarded by the Ministry of Environment and Forestry (KLHK) for companies that have conducted activities related to environmental management. The purpose of PROPER is to encourage companies to improve their performance in environmental management and prevent environmental damage caused by the increasing development of industry.

The PROPER assessment is based on aspects such as waste management, energy use, natural resource utilization, pollution control, and compliance with environmental regulations established by laws or existing regulations. PROPER rankings were Gold, Green, Blue, Yellow, and Red, with Gold being the highest rank. Companies that received this ranking complied with applicable regulations. The better the award rating, the

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more items disclosed in the sustainability report.

This study was unable to prove that PROPER had a significant effect on sustainability reporting. This may be because many companies do not have the same level of commitment to implementing environmental laws and regulations. Companies engage in preservation efforts only to meet standard requirements and not continuously. These findings do not align with those of Suseno, Romdhon, and Rochmatunisa (2020) and Irfan A. and Putri (2025), but are consistent with the findings of Grediani et al., (2020).

Governance, viewed from the perspective of independent commissioners, refers to individuals appointed by the board of commissioners or shareholders through the General Meeting of Shareholders (GMS) as independent commissioners who have no affiliation with parties involved in decision-making. This appointment was based on Limited Liability Company Law and Financial Services Authority (OJK) regulations. Independent commissioners play a role in ensuring that the company is managed according to good governance principles, and are tasked with maintaining management focused on achieving the company's primary objectives.

The results of this study indicate that independent commissioners do not affect sustainability reporting in non-cyclical sector companies listed on the Indonesia Stock Exchange. This confirms that although independent commissioners play an important role in corporate governance, their influence on environmental sustainability policies is not yet evident. Environmental sustainability policies are influenced more by financial capability, internal company policies, and government laws and regulations related to the environment. In addition, independent commissioners generally act as supervisors and do not have control functions related to environmental sustainability policies. These findings are consistent with the research conducted by Dwiyani et al. (2024), who state that independent commissioners do not influence sustainability reporting disclosure.

This study was unable to prove that the audit committee has an affects sustainability reporting. This can be explained by the fact that the audit committee established within the company primarily has the role and function of overseeing the financial and audit aspects. The audit committee ensures that the prepared financial statements comply with the financial accounting standards (SAK). They are also responsible for assessing a company's compliance with the regulations governing financial reporting. This is crucial for maintaining financial transparency and accountability. The audit committee is not directly involved in policies related to sustainability reporting; however, they are aware of the funding and reporting costs associated with environmental sustainability activities. Sustainability reporting, which includes social, environmental, and governance (ESG) issues, involves a broader range of factors beyond just financial reporting.

In companies within the non-cyclical sector, such as consumer staples, healthcare, and utilities, the factors that have a greater influence on sustainability reporting disclosure are the company's financial strength, compliance with sustainability regulations, and pressure from stakeholders (investors, customers, and the community) to increase transparency regarding the social and environmental impacts caused by the company's activities. In other words, sustainability disclosure is influenced more by the company's strategic decisions oriented towards sustainability and social responsibility, rather than by audit policies implemented by the audit committee.

In this context, although the audit committee plays an important role in maintaining the transparency and integrity of financial reporting, its not involved in the decision-making processes regarding sustainability disclosure. Sustainability disclosure focuses more on a company's commitment to social and environmental responsibility, involving various departments and stakeholders within the company, including top management, the sustainability team, and the legal division focused on regulatory compliance. Therefore, while the audit committee functions as an internal supervisor to safeguard the quality of financial information, it does not have a direct influence on enhancing sustainability disclosure, which tends to rely more on company strategy and external pressures. The findings of this study do not align with those of RifqiNadhifHafidhSimamora, Safrida, & Sri Elviani (2022), but are consistent with the findings of Grediani E., RahmawatiHanny, and NanikNandari (2020).

The results of the governance study from the perspective of institutional ownership show that institutional ownership has a positive effect on sustainability reporting in non-cyclical sector companies listed on the Indonesia Stock Exchange (IDX). This indicates that institutional shareholders such as investment companies, pension funds, and other financial institutions can encourage companies to be more transparent in reporting sustainability. Companies in the non-cyclical sector, such as consumer staples, healthcare, and utilities, generally have a more stable performance because the demand for their products and services is less affected by economic fluctuations.

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Companies with high institutional ownership tend to disclose more comprehensive sustainability reports, because institutional investors often encourage companies to meet higher and more transparent sustainability standards. Institutional investors have a greater long-term interest in a company's performance and do not focus solely on short-term profit. They are able to carry out their role in overseeing policies related to environmental sustainability by applying pressure and encouragement for companies to be more environmentally responsible and disclose this transparently to the public.

This study reinforces that institutional ownership can drive companies to be more active in disclosing their commitment to sustainability. Owing to pressure from institutional investors and the need to meet their expectations, companies tend to provide better disclosure in their sustainability reports. This is especially important in the non-cyclical sector, where financial stability is better maintained, allowing companies to focus on long-term sustainability rather than short-term profits. These findings are in line with those of Naef and Alain (2022), who state that share ownership influences sustainability reporting.

Although this study does not explicitly include HR-related variables, it is important to note that companies with stronger institutional ownership may also be subject to greater scrutiny regarding how they manage human capital in sustainability contexts. This includes ensuring transparency not only in financial and environmental performance but also in employee well-being (Putra & Sari, 2025), ethical labor practices, and participatory mechanisms. It is recommended for future research to integrate HRM indicators, such as green HR practices, organizational citizenship behavior for the environment (OCBE), and employee-driven innovation, as explanatory variables for sustainability disclosure performance(Renwick et al., 2013; Alfes et al., 2013).

The pressure from the community as a moderating variable in this study was proven to be unable to moderate financial performance, environmental performance, and governance. This may be because financial and environmental performance have already been well executed and have had a positive impact on the environment. Similarly, governance carried out according to the main duties of each division can support environmental policies.

Conclusions

This study successfully proves the influence of financial performance variables—liquidity, solvency, profitability—and environmental performance measured by environmental costs as well as institutional ownership on the disclosure of sustainability reports. This indicates that good financial performance can help maintain business sustainability and ensure that sustainability reporting is conducted in accordance with the principles of transparency and accountability.

The findings of this study also show that PROPER, Independent Commissioners, and Audit Committee do not have a significant effect on sustainability disclosure. This may occur because these variables only fulfill the requirements and carry out their duties in accordance with the company's main objective, which is to achieve short-term profits while neglecting environmental sustainability and reporting.

The community pressure variable used as a moderating variable in this study was unable to moderate financial performance, environmental performance, and corporate governance. This may be because each independent variable in this study has already been functioning according to its respective duties and roles, resulting in community pressure related to environmental issues not occurring.

A limitation of this study is that it has not yet been able to use the latest GRI items because many companies have not yet implemented them in their sustainability reports. Nevertheless, it is hoped that this research can serve as a reference for future studies on the implementation of corporate policies concerning the environment. Companies are expected to align people, profits, and planets to achieve business and environmental sustainability.

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