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The Effect of Board Characteristics and Financial Performance on Sustainability Disclosure

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Abstract

This study aims to determine and analyse the influence of female board leadership, board independence, board financial expertise, and return on assets on sustainability disclosure. This research is quantitative research with multiple linear regression analysis method. The population in this study are companies listed on the Indonesia Stock Exchange in 2019-2022. The sample used in this study was obtained as many as 91 companies using purposive sampling. The sample criteria in this study are companies listed on the Indonesia Stock Exchange in 2019-2022, companies that do not have ESG disclosure in 2019-2022, and companies that do not have complete annual reports and sustainability disclosures in 2019-2022. The data collection technique in this study is secondary data. The results showed that female board leadership has a positive effect on sustainability disclosure, board independence and financial performance have a negative effect on sustainability disclosure. And financial performance as measured using return on assets has a positive effect on sustainability disclosure.

Keywords: Board Directors Characteristics, Financial Performance, and Sustainability Disclosure

INTRODUCTION

As the times change, stakeholders are starting to take environmental concerns into account in addition to financial performance, which forces businesses to operate with a long-term perspective. Therefore, in its operations, companies are required to adopt the concept of sustainability and apply environmentally friendly industrial principles that are integrated, comprehensive, and efficient (Wahyuni et al., 2025). Decisions made by companies often posses an unfavourable impact on environmental, social and governance (ESG) aspects. The global warming phenomenon and the Covid-19 pandemic have added to the level of uncertainty, making reporting on these matters even more important and relevant. In an effort to deal with various complex global problems, governments together with various groups at the international level have formulated steps to realise a more sustainable world. The 2030 Sustainable Development Agenda, which was approved by the UN in September 2015, is one example. In order to preserve human survival and guarantee a brighter future for all, this agenda comprises 169 global targets and 17 Sustainable Development Goals (UN, 2021).

In recent years, attention to the concept of sustainabilty has increased as an effort to address various global challenges (Vásquez-Ordóñez et al., 2023). As a result, social and environmental factors become crucial in deciding how decisions should be made (Michelon et al., 2022). The survey conducted by KPMG shows that the adoption of nonfinancial reporting continues to gradually increase. However, the findings also indicate that reporting on carbon emissions targets, social risks and biodiversity by companies still requires improvement. Therefore, it is important for companies to take a pioneering role in implementing transparency in sustainability reporting, while serving as role models for other companies that have not yet implemented it.

The Global Reporting Initiative (GRI) in 2021, defines sustainabilty disclosure as a report that details the effects that an organization's operations have on the environment, social, and economy. In order to demonstrate the organization's commitment to assisting in the attainment of sustainable development goals, this report has been created in a transparent manner. Currently, companies are starting to design and implement environmental, social, and governance (ESG) principles in response to increasing demands from stakeholders. Since the financial service authority regulation number 51/POJK.03/2017 (3) came into effect, Indonesia has required sustainability disclosure. Actually, the International Sustainability Standards Board currently supports sustainability reporting (ISSB), which has issued global reporting standards known as IFRS 1 and IFRS 2 (Amanda Oktariyani, 2024). In this study, sustainability disclosure is measured through three indicators, namely environmental, social and governance based on the ESG Score disclosure guidelines issued by Bloomberg with a score range of 0-100.

This study introduces novel contributions to the field of sustainability disclosure by examining the interplay between board characteristics, financial performance, and sustainability reporting within the Indonesian context, a setting distinct from prior research focused on regions like East Africa (Githaiga & Kosgei, 2023). Unlike previous studies, this research incorporates financial performance as an additional independent variable, drawing from Maufur et al. (2022) and Dewi et al. (2023), while employing Bloomberg's ESG Score (0-100) as a refined measurement for sustainability disclosure. By utilizing a larger sample size and more recent data (2019–2022), this study enhances the empirical robustness of the analysis. Theoretically, it enriches the understanding of how board dynamics and financial metrics influence sustainability disclosure, contributing to the development of governance and sustainability theories. Practically, it offers actionable insights for policymakers, investors, and companies in Indonesia, supporting the implementation of Good Corporate Governance (GCG) and transparent sustainability reporting in alignment with global standards like IFRS 1 and IFRS 2.

THEORITICAL FRAMEWORK AND HYPOTHESIS

This section presents the literature review and hypothesis development explored in this research, aimed at understanding the effect of board composition and financial performance on sustainability disclosure.

Agency Theory

This theory was initially proposed by Jensen and Meckling in 1976. It outlines the contractual relationship between the client, who is the owner of the company, and the contractor tasked with managing the company's operations. (Bila et al., 2024). This research explores how board composition and financial performance influence sustainability disclosure through the lens of agency theory. This theory elucidates the correlation between managers, who serve as agents, and shareholders, who function as principals in the realm of corporate management. In agency theory, differing interests between clients and contractors frequently result in a lack of transparency regarding the performance reports submitted by contractors. This situation can create opportunities for manipulation. The contractual relationship that exists between these two parties has the potential to be utilised for their own personal interests (Jensen & Meckling, 1976). In other words, In line with agency theory, the stronger the control mechanism in a enterprise, encouragement for managers to disclose information more transparently to reduce agency (Alsheikh, 2024). This theory further clarifies how information asymmetry, opportunistic behavior, and conflicts of interest may arise in the relationship between shareholders and managers.

Legitimacy Theory

Legitimacy theory elucidates the connection between companies and the social environments in which they function. It posits that organizations consistently seek to align their internal values with the prevailing social norms, recognizing that they are an integral part of the societal fabric. According to this theory, businesses are compelled to undertake strategic initiatives that ensure their activities and performance are embraced by the broader community. The aim of these initiatives is to enhance public awareness and concern about the company. In the realm of sustainability information disclosure, legitimacy theory suggests that companies share specific information as a means of demonstrating their social responsibility and justifying their presence in society. Failure to meet these expectations has the possibility of negatively impacting the company's reputation. This theory also highlights the motivation of managers and companies in disclosing sustainability information, which is generally closely related to efforts to gain legitimacy and recognition from society or the public (Michael & Lukman, 2019).

Board of Directors Characteristics

The board of directors is a crucial component in shaping the corporate governance mechanism (Bila et al. , 2024). This essential body is responsible for formulating policies that foster effective corporate governance. By establishing guidelines and hosting regular meetings, the Board of Directors promotes an environment conducive to good governance. These meetings enhance coordination and communication among members, ultimately strengthening corporate governance practices. Companies that maintain a robust governance framework tend to exhibit greater transparency and accountability, enabling them to disclose sustainability information more effectively (Fatmawati & Trisnawati, 2022).

Women Leadership on Board Directors

The proportion of female board members is the ratio of female members to the overall total of board membersIncorporating women into board structures aims to enhance understanding, boost creativity, and foster innovation, as they contribute diverse skills and knowledge to the decision-making process. Moreover, companies that feature more diverse boards of directors, particularly with the inclusion of women, are likely to generate more relevant and insightful sustainability reports than those with predominantly male boards. In general, women pay more attention to social welfare and community issues, while men tend to be more orientated towards achieving financial performance. Within the framework of agency theory, the participation of women on corporate boards is anticipated to enhance transparency by promoting the disclosure of sustainability information. This, in turn, helps to mitigate information asymmetry between clients and contractors. As a result, companies with a greater representation of women in board positions are more inclined to adopt policies that promote the implementation of ESG-related activities and facilitate the disclosure of this information in the company's annual report (Arayssi et al., 2020)
H1: Women leadership board director affect sustainability disclosure.

Independency on Board Directors

The existence of an independent board is essential for supporting the board in fulfilling its responsibilities. An independent board of directors serves a vital role in protecting the interests of both the company and its shareholders. Their primary responsibility is to oversee the actions of directors, ensuring they do not deviate for self-interested reasons or neglect their corporate social responsibilities. As stated by the Corporate Finance Institute, an independent director in corporate governance is a board member who maintains no substantial relationship with the company, does not participate in the management team, and is not involved in the daily operations. The inclusion of independent directors in the board structure aims to promote greater transparency in companies' disclosure of sustainability information. In general, the composition of an independent board of directors should include at least one-third of the total board members or equivalent to 33% of the total board.

Agency theory suggests that having an independent board is crucial for objectively and effectively overseeing and managing performance. The presence of independent directors not only promotes increased transparency and accountability in the management of the company, but also contributes to building strong trust between management and shareholders. In addition, independent directors have the responsibility to ensure that every strategic decision of the company does not solely focus on short-term profits, but also considers business sustainability and long-term growth, as well as the protection of shareholders' interests. With a diverse background of experience, independent directors are able to provide a comprehensive and systematic perspective in responding to challenges and capitalising on opportunities facing the company (U. Afifah et al., 2024).
H2: Board director independent affect sustainability disclosure.

Financial Expertise on Board Directors

When evaluating how well a company discloses sustainability, the board of directors' financial knowledge serves as an indicator. Directors with a background in financial education often possess extensive training in social accounting, which enhances their awareness of the significance of social and environmental issues. This awareness makes them more attuned to the social and environmental impacts that their financial decisions can have (Ahmad et al., 2018). According to legitimacy theory, a board of directors with financial expertise can impact the extent and quality of a company's social and sustainability disclosures. This is because directors with financial knowledge are typically more attuned to the significance of these matters, which can result in increased disclosures related to corporate social responsibility and sustainability (Erin et al., 2022). Financial education usually gives directors a better understanding of the financial accounting reporting process. This helps them create accounting reports that last and maintain the company's credibility through better transparency. (Githaiga & Kosgei, 2023).
H3: Board director financial expertise affect sustainability disclosure.

Financial Performance

Financial performance refers to a company's capability to effectively manage its resources (Indonesian Institute of Accountants, 2007). In addition, financial performance also includes the extent to which the company can generate revenue and experience growth (Wahyuni et al., 2025). Financial performance represents an overview of the operational an organization operational success. Companies with good financial performance tend to gain more trust from stakeholders. However, in the context of modern competitive business, the successful of an Financial accomplishments are no longer the sole measure of an entity's identity. Companies are increasingly expected to prioritize sustainable practices by taking into account environmental, social, and governance (ESG) factors. This shift aims to secure long-term business growth and enhance resilience. In this case, financial performance also acts as a guide for management in managing and optimally utilising the resources that have been entrusted to them (Sarumpaet & Suhardi, 2020). A company's financial performance is typically assessed through financial ratio analysis. This analysis provides crucial insights into the company's financial position and results, which are essential for corporate stakeholders and government agencies. Such information serves as a foundation for making informed economic decisions.

An increase in a company's profitability ratio signifies a greater capacity to generate higher profits. This boost in profitability, in turn, allows for better financing and implementation of social and environmental responsibility initiatives (Meutia & Titik, 2019). Moreover, research conducted by Purba & Chandradewi, (2019) indicates that profitability empowers management with the freedom and flexibility to express social responsibility towards shareholders. In line with this, Roviqoh & Khafid, (2021) It is suggested that profitability plays a crucial role in encouraging sustainability disclosure. A company's capacity to generate profits reflects its financial stability, which, in turn, ensures that there are adequate resources available to implement and report on sustainability initiatives.
H4: Financial performance affect sustainability disclosure

RESEARCH METHOD

Population and Sample

The study focuses on companies listed on the Indonesia Stock Exchange that submitted their annual reports for the period from 2019 to 2022. The sample was selected using a purposive sampling method, adhering to the following criteria:

1. A list of companies listed on the Indonesia Stock Exchange observed from 2019 to 2022.
2. A comprehensive compilation of companies that provided ESG disclosure reports during the years 2019 to 2022.
3. An overview of companies that published annual reports along with sustainability disclosures from 2019 to 2022.

Research Data

This study relies on secondary data as its primary source of information. The data is sourced from annual reports, sustainability reports, and the official websites of relevant companies. Additionally, ESG score data is obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), which collaborates with Bloomberg to provide this information. The analysis is conducted using SPSS software, version 25. Through descriptive statistical analysis, classical assumption tests, and evaluations of normality, multicollinearity, heteroscedasticity, and autocorrelation, as well as employing the Wilcoxon signed-rank test, the study examines the differences in financial performance between the years 2019 and 2021.

Research Type

In this study, the dependent variable is sustainability reporting. The independent variables examined are the representation of women on the board of directors, board independence, board financial literacy, and overall financial literacy. Additionally, control variables such as company size, age, and debt ratio are also considered.

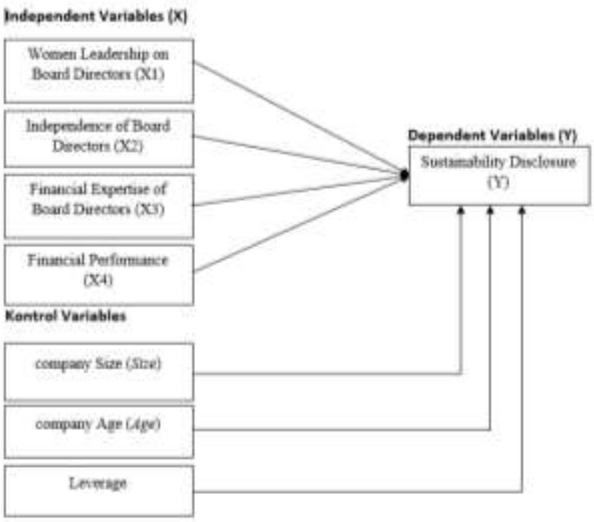

Figure 1. Research Model

Table. 1 Sample Qualification

Samples Criteria	Total
Companies listed on the IDX (Indonesia Stock Exchange) in 2019-2022	**924**
Companies that do not have ESG Disclosure in 2019-2022	(823)
Companies that do not have complete Annual Reports and Sustainability Disclosures 2019 - 2022	(10)
Number of Samples	**91**
Total Observations	**364**

Data source: processed by researchers

Table 2. Variable Indicators

Variables	Indicator	Scale
Sustainability Disclosure (Y)	Sustainability disclosure index through three available indicators: environmental, social, and governance based on the Sustainability disclosure guidelines issued by Bloomberg. The score range consists of 0-100.	Ratio
Women Leadership on Board Directors (X1)	$WLBD = \frac{\text{Number of Women on the Board Directors}}{\text{Total Board of Directors}}$	Ratio
Independence of Board Directors (X2)	$BDI = \frac{\text{Number of Independent Directors}}{\text{Total Board Directors}}$	Ratio
Financial Expertise of Board Directors (X3)	$BDFE = \frac{\text{Number of directors with a financial education background}}{\text{Total Board Directors}}$	Ratio
Financial Perfomance (X4)	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$	Ratio
Company Size	SIZE = Ln (Total Asset)	Ratio
Company Age	AGE = Number of years since the establishment of the company until the sample year.	Ratio
Leverage	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio

Data source: processed by researchers

Technical Analysist

Data analysis in this study was carried out using SPSS 25 software, with the aim of assessing the validity and reliability of the data, seeing the distribution of data, and determining the strength or closeness of the relationship between the two variables studied. This study uses multiple regression analysis methods because the independent variables used are more than one, the purpose of multiple linear analysis in this study is to explore the relationship between two or more independent variables and the dependent variable. The multiple regression analysis equation is as follows: $Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 5X6 + \beta 5X7 + e$

Description:

Y= Sustainability Disclosure

a= Constant (fixed value)

b= Estimated coefficient

X1= Women Leadership n the Board of Directors

X2= Independence Board of Directors

X3= Financial Expertise Board of Directors

X4= Financial Performance

X5= Company Size

X6= Company Age

X7= Leverage

e= error

RESULT AND DISCUSSION

Descriptive Statistics

Tabel 1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ESG SCORE	364	18.40	74.55	44.0127	11.16199
WLBD	364	0.00	66.67	15.1091	17.36579
BDI	364	0.00	33.33	2.8865	6.88290
BDFE	364	0.00	100.00	24.5167	18.93888
ROA	364	-106.05	3110.58	34.9723	294.37582
SIZE	364	26.47	35.23	31.2610	1.44829
UMUR	364	7	163	42.40	20.970
LEVERAGE	364	-4.09	24.85	2.1951	2.69696
Valid N (listwise)	364				

Data source: SPSS processed data, 2024

Normality Test

The findings from the normality test presented in Table 2 reveal an Asymp. The significance value (2-tailed) is 0. 000, which falls below the threshold of 0. 050. Consequently, we can conclude that the research results are not valid, as the data fails to satisfy the normality criteria. The next step involves enhancing the data distribution to align with these normality requirements. One approach to achieve this is by removing any outliers identified within the dataset.

Tabel 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		364
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.63875718
Most Extreme Differences	Absolute	.106
	Positive	.064
	Negative	-.106
Test Statistic		.106
Asymp. Sig. (2-tailed)		.000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Data source: SPSS processed data, 2024

Here are the results of the normality test conducted after eliminating outliers and applying data transformation:

Tabel 3. Normality Test After Outlier

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		236
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.33944819
Most Extreme Differences	Absolute	.035
	Positive	.028
	Negative	-.035
Test Statistic		.035
Asymp. Sig. (2-tailed)		.200[c.d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Data source: SPSS processed data, 2024

According to the findings presented in Table 3, the Asymp. signature value (2-tailed) of 0.200 exceeds the threshold of 0. 0050, suggesting that the data follows a normal distribution. In addition to the Kolmogorov-Smirnov test, normality can also be evaluated using the normal probability plot and histogram tests.

As shown in figure 2, the normal probability plot after removing outliers and applying data transformation reveals that the data points align along the diagonal line, indicating that the data follows a normal distribution.

As illustrated in figure 3, the curve has a distinct bell shape, showing no skew to either the left or the right. This alignment confirms that the curve satisfies the decision-making criteria, indicating a normal distribution pattern. Consequently, it suggests that the regression model upholds the assumption of normality.

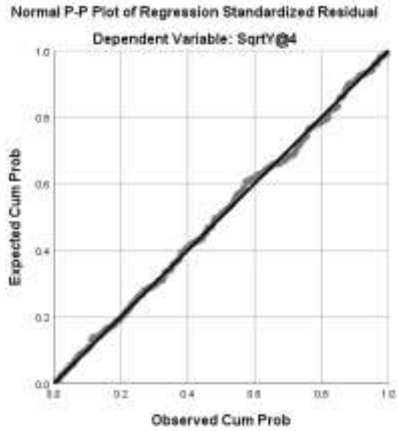

Figure 2. Normal PP Plot
Data source: SPSS processed data, 2024

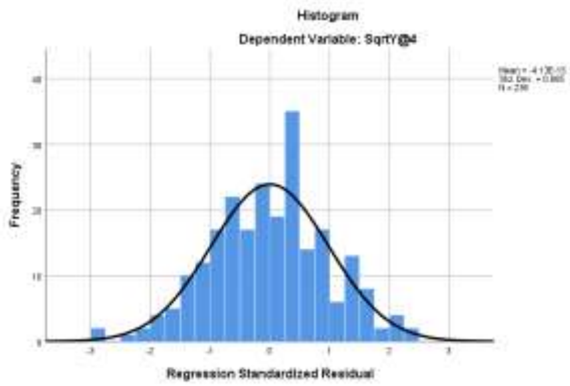

Figure 3. Histogram
Data source: SPSS processed data, 2024

Multicolinearity Test

Tabel 4. Multicolinearity Test
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	WLBD	.934	1.070
	BDI	.906	1.104
	BDFE	.988	1.012
	ROA	.794	1.259
	SIZE	.733	1.364
	AGE	.904	1.107
	LEVERAGE	.877	1.140

a. Dependent Variable: Sustainability Disclosure

Data source: SPSS processed data 2024

According to the results of the multicollinearity test presented in Table 4, the tolerance values exceed 0. 10 while the VIF (Variance Inflation Factor) coefficients remain below 10. This suggests that there is no multicollinearity present among the variables in the regression model utilized in this study, indicating that all the variables are not correlated with one another.

Heterocedasticity Test

Tabel 5. Heterocedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.229	.483		.473	.636
	WLBD	-.001	.008	-.006	-.087	.931
	BDI	.002	.013	.009	.125	.900
	BDFE	.040	.038	.069	1.052	.294
	ROA	-.001	.002	-.048	-.652	.515
	SIZE	.067	.245	.021	.272	.786
	AGE	-.021	.016	-.091	-1.311	.191
	LEVERAGE	-.046	.336	-.010	-.137	.891

a. Dependent Variable: Sustainability Disclosure

Data source: SPSS processed data, 2024

According to the findings presented in Table 5, the variables “female leadership on the board,” “board independence,” “board financial competence,” “financial performance,” “company size,” “company age,” and “leverage” (DER) each exhibit significance values exceeding 0. 05. This indicates the absence of heteroscedasticity among these variables.

Autocorrelation Test

Tabel 6. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.397[a]	.157	.132	.34462	1.533

a. Predictors: (Constant), X1,X2,X3,X4,X5,X6,X7

b. Dependent Variable: Y

Data source: SPSS processed data 2024

Table 6 presents the Durbin-Watson value (d) identified in this study, which is measured at 1. 533. This figure is then compared to the Durbin-Watson table value at a significance level of 5%, based on a sample size of 236 (n) and 7 independent variables (k). The relevant values from the Durbin-Watson table are as follows:

d= 1,533 ; dU= 1,8590 ; dL= 1,7697

then, 0 < d < dL atau 0 < 1,533 <1,7679

Since the value of "d" is greater than the lower limit of "0" and less than "dL," we can conclude that there is evidence of both positive and negative autocorrelation in the regression model of this study.

Non Parametric Test

Tabel 7. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Pre Test	Post Test
N		91	91
Normal Parameters[a,b]	Mean	.384904	.322086
	Std. Deviation	3.2574173	2.6789438
Most Extreme Differences	Absolute	.492	.492
	Positive	.492	.492
	Negative	-.423	-.426
Test Statistic		.492	.492
AsymP. Sig. (2-tailed)		.000[c]	.000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Data source: SPSS Processed data 2024

The results of the normality test presented in Table 7 indicate an asymptotic significance (2-tailed) value of 0. 000. Since this value is less than 0. 050, it suggests that the data is not normally distributed. Consequently, in the next phase of analysis, we will employ the Wilcoxon test to evaluate the hypothesis, taking into account the ranks due to the non-normality of the data.

Wilcoxon Sign Test

Tabel 8. Wilcoxon Sign Test

Test Statistics[a]

	Post Test – Pre Test
Z	-1.209[b]
AsymP. Sig. (2-tailed)	.227

a. Wilcoxon Signed Ranks Test
b. Based on Positive ranks.

Data source: SPSS processed data 2024

The results of the Wilcoxon paired sample test presented in Table 8 indicate an Asymp. sign. (2-tailed) value of 0. 227, which is greater than 0. 005. Consequently, the alternative hypothesis (Ha) is rejected. This finding suggests that there is no significant difference in the average Return on Assets (ROA) between the pre-Covid-19 period of 2019 and the post-pandemic period of 2021. In simpler terms, the company’s financial performance remained stable both before and after the pandemic. The lack of a significant difference implies that the company successfully navigated the challenges posed by Covid-19 by maintaining its business strategy and adapting effectively to changing circumstances.

Multiple Regresion Analysist Test

Tabel 9. Multiple Regresion Analysist Test

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.232	.814		1.513	.132
	WLBD	.035	.014	.161	2.564	.011
	BDI	-.060	.022	-.178	-2.793	.006
	BDFE	-.175	.064	-.167	-2.738	.007
	ROA	.009	.004	.163	2.384	.018
	SIZE	.897	.413	.154	2.170	.031
	AGE	.076	.027	.176	2.756	.006
	LEVERAGE	-.770	.566	-.088	-1.361	.175

a. Dependent Variable: SUSTAINABILITY DISCLOSURE

Data source: SPSS processed data, 2024

The resulting multiple linear regression equation is presented below:

Y = 1,232+0,035X1-0,60X2-0,175X3+0,009X4+0,897X5+0,076X6-0,770X7+e

The significance level for this study is established at 5% (0. 05). To find the critical value from the t-distribution table at this significance level, we refer to the t-table, which yields a value of 1. 970. The results from the individual parameter test (t) indicate that the variable "female leadership positions on the board" has a t value of 2. 564, which exceeds the critical t value of 1. 970. Additionally, the significance level associated with this finding is 0. 011, indicating it is less than 0. 050. This suggests that female leadership on the board positively influences the disclosure of sustainability information. Conversely, the board independence variable has a t value of -2. 793, which is less than the t critical value. The analysis reveals that the presence of financial expertise on the board negatively affects the disclosure of sustainability information. Specifically, the t-value for the financial performance variable exceeds the critical t-table value (2. 384 > 1. 970), with a significance level of 0.018 < 0.050. This indicates that financial performance positively influences the disclosure of sustainability information. Regarding the control variable of company size, the t-value also surpasses the critical value (2. 170 > 1. 970), and the significance level stands at 0. 031, which is below 0. 050. This suggests that larger company size contributes positively to sustainability information disclosure. Similarly, the control variable of company age reveals a t-count greater than the t-table value (2. 756 > 1. 970) with a significance level of 0. 006, also lower than 0. 050, indicating that older companies tend to disclose sustainability information more positively.Conversely, the leverage control variable displays a t-value lower than the critical t-table threshold (-1. 361 < -1. 970), with a significance level of 0. 175, which is above 0. 050. Therefore, leverage does not significantly impact the disclosure of sustainability information.

T test Result

Tabel 10. T-Test

Variable	Kofisien	t count	Sig	Conclusion
Constanta	1,232	2.564	0, 132	
Women Leadership on Board Directors	0,035	2,564	0,011	Accepted
Board Directors Independent	-0,060	-2,793	0,006	Accepted
Board Directors Financial Expertise	-0,175	-2,738	0,007	Accepted
Financial Performance	0,009	2,384	0,018	Accepted
Firm Size (*Size*)	0,897	2,170	0,031	Accepted
Firm Age (*Age*)	0,076	2,756	0,006	Accepted
Leverage	-0,770	-1,361	0,175	Rejected

Data source: SPSS processed data 2024

The impact of female leadership on the board of directors regarding the sustainability disclosure

The presence of female leadership on the board demonstrates a significant value of 0. 11, which is greater than the threshold of 0. 05. Additionally, the t-value of 2. 564 exceeds the critical value of 1. 970, as indicated by the t-test results for the female leadership variable presented in Table 10. Consequently, the first hypothesis (H1), which posits that female leadership on boards positively influences sustainability disclosure, is supported.

This finding suggests that companies with female board members tend to engage in more substantial sustainability reporting. This aligns with agency theory, which asserts that the presence of women in leadership roles fosters communication and transparency, thereby mitigating information asymmetry between agents and principals. The effectiveness of the board in overseeing executives is significantly influenced by its female leadership (Wang et al., 2021). Having women on the Board of Directors will not only uphold the company's commitment to equality standards but also enhance its overall operations. This diversity in leadership is likely to attract investors who prioritize inclusivity, while also introducing fresh perspectives on financing opportunities for the company (Ferdous et al., 2023). One of the benefits of having female directors lies in their tendency to be more risk-averse and less overconfident compared to their male counterparts. This awareness often leads them to approach decision-making with greater caution (Puspasari, 2024). Consequently, having female board members can help diminish the information gap between managers (agents) and shareholders (principals), while also promoting the disclosure of sustainability information. The findings of this study align with existing research on the topic of Herawaty et al., (2021), Erin et al., (2022), and Hasan et al.,(2022), This study revealed that having women in leadership positions on boards positively affects sustainability disclosure. Opposingly, research from A. A. Zaid et al., (2020), Jurnali & Manurung, (2023), It has been observed that having female leaders on the board does not positively influence the disclosure of sustainability information.

The impact of Board Directors Independent regarding the sustainability disclosure

Board independence negatively affects sustainability disclosure. This conclusion is supported by the results of the t-test presented in Table 10, which shows a significance value of 0.06, exceeding the threshold of 0.05, alongside a t-value of -2.793. This perspective challenges agency theory, which posits that an independent board of directors is capable of effectively monitoring and controlling a company’s management. An independent board can enhance the company's transparency and accountability, thereby bolstering shareholder and investor confidence in the integrity and reputation of its management. However, this study reveals that the average company in Indonesia has just 2. 89% independent directors, highlighting a significant shortage in their numbers. At least one third of the board members, or 33%, must be independent. However, the findings of this study suggest that greater board independence may actually adversely affect sustainability disclosure. Previous research by Adel et al., (2019) and Baalouch et al., (2019), also found that the independence of the board of directors is negatively correlated with sustainability disclosure. In contrast, research by Ramadhani & Syafruddin, (2024), Sumilat & Destriana, (2018), Chai & Suparman, (2022), It was discovered that the independence of the Board of Directors did not influence the level of sustainability disclosure.

The Impact of Board Directors Financial Expertise regarding the Sustainability Disclosure

The financial expertise of the board demonstrates a significance value of 0.007 < than 0.05, along with a t-value of -2. 738 < -1,970. Consequently, the third hypothesis (H3) posits that the financial expertise of the board of directors negatively impacts the disclosure of sustainability information. This finding contradicts legitimacy theory, which suggests that a financially knowledgeable board has the ability to shape social and sustainability issues effectively (Erin et al., 2022). Based on research by Al-Qahtani & Elgharbawy, (2020), The presence of board members with financial expertise appears to negatively influence sustainability disclosure. The research revealed that a higher number of board members with financial backgrounds correlates with less transparency in sustainability reporting. This suggests that such board members may prioritize financial matters over sustainability initiatives. Interestingly, the study noted that, on average, only 24. 52% of board members in Indonesian companies hold a financial education background. This figure runs counter to the expectation that having more financially educated board members would enhance sustainability disclosure. These research are in agreement with research by Al-Qahtani & Elgharbawy, (2020), who discovered that the financial expertise of the board of directors has a negative effect on sustainability disclosure. In contrast, research conducted by Chai & Suparman, (2022), found that the financial expertise of the board of directors has no effect on sustainability disclosure.

The Effect Financial Performance on Sustainability Disclosure

In this study, financial performance demonstrated a significance value of 0.018, which is greater than the threshold of 0. 05, along with a t-value of 2.384, exceeding the critical value of 1.970. Consequently, we can accept the fourth hypothesis (H4), which posits that financial performance positively influences sustainability disclosure. This indicates that as a company's financial performance improves, its sustainability disclosures tend to increase. Higher profitability allows companies to generate more resources, enabling them to engage in a greater number of environmental and social initiatives. As these activities expand, the company tends to provide more detailed information in its sustainability reports, covering essential aspects such as natural resource utilization, energy consumption, emission levels, waste management, and water protection. Social information includes labour policies and practices, occupational health and safety, community development programmes, human rights, and corporate governance policies and practices. Economic information includes the company's financial results, investments in sustainability activities, risk management, and corporate governance policies and practices (Meutia & Titik, 2019). In sustainability disclosure, profitability is very important. A company's capacity to generate higher profits reflects a robust financial standing, enabling it to amass substantial resources to meet its sustainability disclosure commitments (Roviqoh & Khafid, 2021). Research by Meutia & Titik, (2019), Purba & Chandradewi, (2019), Roviqoh & Khafid, (2021), found that financial performance positively influences sustainability disclosure. In contrast, research by Sofa & Respati, (2020), N. Afifah et al., (2022), Mardiani et al., (2021), It was found that financial performance does not influence sustainability disclosures.

CONCLUSIONS

Drawing from the research findings presented, several conclusions can be made regarding the impact of board of directors' characteristics and financial performance on sustainability disclosure for companies listed on the IDX (Indonesia Stock Exchange) between 2019 and 2022 (1) The extent of sustainability reporting is shaped by the representation of women on corporate boards. This indicates that having women in leadership positions can broaden the scope of sustainability reporting. In contrast, male board members often prioritize financial profits, reflecting differing perspectives and leadership styles (2) As sustainability disclosure rises, the independence of the board appears to decline. This study reveals that the proportion of independent directors remains relatively low at just 2. 89%. In comparison, the minimum requirement for independent directors in a company is one-third of the total board members, which amounts to 33% (3) As the financial competence of the board of directors declines, the level of sustainability reporting tends to rise, highlighting a negative correlation between these two factors. The study revealed that, on average, directors possess a financial literacy rate of just 24. 52% of the total number. This reflects a concerning reality: the financial literacy of company directors in Indonesia remains relatively low (4) Financial performance plays a significant role in shaping the extent of sustainability reporting. This implies that companies experiencing high profitability are generally more equipped to support and implement environmental and social initiatives.

From the analysis and discussion, several key recommendations emerge. First, it would be beneficial to incorporate additional independent variables that significantly influence sustainability reporting. Additionally, extending the research period could provide a more comprehensive understanding of how these independent variables affect sustainability reporting.

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