



Company Size and Corporate Governance on Sustainability Reporting Disclosure: Moderating Role of Capital Structure

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Abstract

The study empirically examines the relationship between company size and corporate governance on sustainability reporting disclosure, with the role of capital structure as a moderating variable, through the lens of sustainable development theory and legitimacy theory. A purposive sampling method was employed to select a sample of manufacturing companies listed on the Indonesia Stock Exchange (IDX), comprising a total of 174 observations. Our findings reveal that company size had a significant impact on sustainability reporting disclosure. We also found that corporate governance was positively associated with sustainability reporting disclosure. However, capital structure was not found to be a significant moderator of the association between company size and corporate governance on sustainability reporting disclosure. This study offers valuable insights for regulators, practitioners, and investors to assess whether sustainability reporting disclosure is influenced by company size and corporate governance attributes, thereby enhancing sustainability reporting practices.

Abstrak

Studi ini secara empiris meneliti hubungan antara ukuran perusahaan dan tata kelola perusahaan terhadap pengungkapan pelaporan keberlanjutan, dengan peran struktur modal sebagai variabel moderasi, melalui lensa teori pembangunan berkelanjutan dan teori legitimasi. Metode purposive sampling untuk memilih sampel perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (IDX), dengan total 174 observasi. Temuan kami menunjukkan bahwa ukuran perusahaan memiliki dampak signifikan terhadap pengungkapan pelaporan keberlanjutan. Kami juga menemukan bahwa tata kelola perusahaan berhubungan positif dengan pengungkapan pelaporan keberlanjutan. Namun, struktur modal tidak dapat memoderasi hubungan antara ukuran perusahaan dan tata kelola perusahaan terhadap pengungkapan pelaporan keberlanjutan. Studi ini memberikan wawasan penting bagi regulator, praktisi, dan investor untuk menganalisis apakah pengungkapan pelaporan keberlanjutan dipengaruhi oleh ukuran perusahaan dan atribut tata kelola perusahaan, sehingga meningkatkan praktik pelaporan keberlanjutan.

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INTRODUCTION

In the rapidly increasing global attention to the impacts of climate change and support for the Sustainable Development Goals (SDGs), which refer to the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or Integrated Reporting (IR) guidelines, all companies have begun to adjust their ways of doing business. One of them is by practicing the sustainability reporting disclosure. At this time, the reporting issue has become the primary relation to the environment (Tobing et al., 2019). Sustainability reporting is a document that provides an overview of the environmental impacts surrounding the company (Afifah et al., 2022). Sustainability reporting has become a significant focus in the modern business world, with the increasing awareness of the importance of sustainable and responsible business practices. Sustainability reporting reflects the company's commitment to environmental, social, and governance (ESG) aspects, serving as a relevant, transparent, and accountable means of communication between the company and its stakeholders (Baumüller & Sopp, 2022). According to Abdurashed (2025), companies that implement effective sustainability reporting can increase investor confidence and enhance their corporate reputation. Therefore, it is essential to know the factors that support and hinder the disclosure of sustainability reporting.

Sustainability reporting, according to the Global Reporting Initiative (GRI), is recognized as a measurement, disclosure, and accounting technique for assessing organizational performance efforts in achieving sustainable development goals, both internally and externally, towards stakeholders (Ratmono & Sagala, 2016). In addition, sustainability reporting plays a crucial role in helping stakeholders understand the various ways companies demonstrate social and environmental responsibility (Bananuka et al., 2022).

The disclosure of sustainability reporting in Indonesia has experienced very rapid development. This can be seen in government regulations, which initially stipulated that the disclosure of sustainability reporting was voluntary, but it is now mandatory. In addition, the government has also enacted laws and regulations to support the disclosure of sustainability reporting, specifically Law Number 40 of 2007 concerning Limited Liability Companies, Article 74, paragraph (1) of the Public Companies Law. Regarding the form and content of the issuer's annual report, it can be seen in POJK Number 51/POJK.03/2017. In 2021, the Financial Services Authority (OJK) issued SEOJK Regulation Number 16/2021, following the GRI Standards guidelines. This can serve as a basis for company management to prepare a sustainability report. These reasons do not compel all companies in Indonesia to report sustainability. Each company manager has a varying level of initiative when it comes to disclosing sustainability reporting, and this also requires a sizeable budget allocation. Unlike mandatory financial reporting, which has a fixed reporting cycle, voluntary sustainability reporting remains subject to the reporter's motivations in determining the timing of disclosure (El Alfy & Weber, 2019). Many companies have not implemented their processes optimally. The level of disclosure of sustainability reporting for the last 5 (five) years can be seen in Figure 1, as follows:

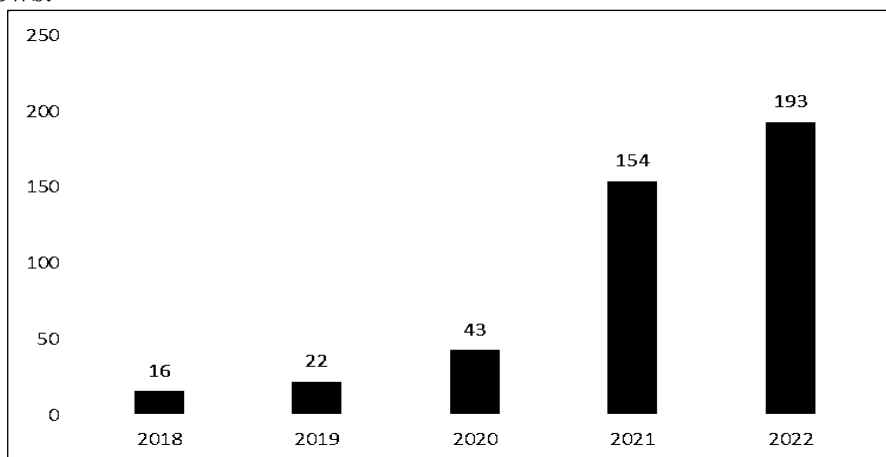


Figure 1. Data on manufacturing sector companies that disclose sustainability reporting in the period 2018 -2022

Based on Figure 1, the level of disclosure in sustainability reporting for the manufacturing sector in Indonesia is considered very high. However, many companies still overlook the impacts of their business activities. Later, it will cause problems in the environment and society. For example, environmental pollution carried out by PT Putra Restu Abadi, in the form of burning medical waste, caused the local community to contract various diseases, including respiratory tract diseases and several skin diseases. This resulted in unsuitable water sources and decreased agricultural soil fertility (Saputro et al., 2022). Other cases can also be seen in the disastrous effects of environmental and societal consequences (Kardi, 2022). In addition, the level and quality of sustainability reporting disclosure indicators in manufacturing sector companies remain highly diverse.

Sustainable development theory explains how business entities can develop economically and socially by maintaining environmental aspects. The World Conservation Strategy, published by the UNEP, IUCN, and WWF, was first introduced in 1987. The report discusses an approach that ensures the needs of the present generation are met without compromising the needs of future generations (Bossel, 1999; Barbier, 2011; Shi et al., 2019). This can be interpreted as the fact that future generations must have access to economic opportunities and natural resources at least equivalent to those available to the present to achieve their economic prosperity (Alper, 2017). The realization of sustainability indicates the system's ability to survive and maintain its potential for long-term prosperity (Shumba, 2017). Sustainable development aims to balance two interests: economic development and environmental preservation. The two interests support each other and cannot stand alone (Apriani, 2016). Every company that participates in sustainable development can contribute by implementing Corporate Social Responsibility (CSR) and disclosing sustainability reporting. The three pillars of the concept of sustainable development are the triple bottom line principle, as outlined in the sustainability reporting, which encompasses profit, people, and planet (Pradipta et al., 2022). This is because sustainable development can be achieved when implementing the triple bottom line. Sustainable development theory is one of the theories that motivates companies to disclose sustainable reporting (Wijayanti, 1972).

In addition, legitimacy theory was proposed by Dowling & Pfeffer, (1975) which states that legitimacy can be interpreted as a potential benefit or source for companies to survive. Legitimacy theory is a theory that asserts that business entities will continue to strive to ensure that operational activities are carried out according to the rules, limits, beliefs, and values that apply in society and seek to have their business activities accepted by stakeholders as "legitimate" or "legal" (Guthrie & Parker, 1989; Deegan, 2002; Lehenchuk et al., 2023). It is implemented to maintain stakeholder legitimacy towards the company.

Based on legitimacy theory, companies will voluntarily disclose their business activities regarding social and environmental reports if this can maintain stakeholder trust (Gray et al., 1995; Deegan, 2002; Maryana & Carolina, 2021; Santoso et al., 2024). Legitimacy is achieved by the company when its values align with the social values inherent in its operations. When there is a mismatch between the two value systems, it will pose a threat to legitimacy in the eyes of society. Companies can reduce the legitimacy gap and continue to regain society's trust by taking actions related to economic, social, and environmental responsibilities. Information about these actions can be conveyed through sustainability reporting. Sustainability reporting serves as evidence of the company's efforts to ensure that its business activities align with the standards and values recognized by society (Hidayah & Kartikadevi, 2021). Disclosure of sustainability reporting is the most effective action to gain legitimacy from society. Sustainability reporting inconsistencies can impact stakeholders, including investors, the public, and customers, who may reconsider or distrust the company, potentially leading to stock declines and funding difficulties. Legitimacy is more critical for a corporation, as it enables the corporation to be accepted by the public, build trust with stakeholders, reduce risk, and increase the company's value.

Some companies proactively adopt comprehensive reporting practices, while others are still limited in their disclosure of sustainability reporting. Some previous studies show mixed results. Some studies suggest that company size and corporate governance do not significantly impact sustainability reporting (Lokuwaduge & Heenetigala, 2017; Tobing et al., 2019; Wahyudi, 2021). However, other studies found a positive and significant influence between company size and

corporate governance on the disclosure of sustainability reporting (Susilawati et al., 2022; Fatmawati & Trisnawati, 2022; Naciti et al., 2022; Hasan et al., 2022; Daud et al., 2023). This highlights the inconsistency in results. This difference raises questions about the factors that influence the practice of disclosing sustainability reporting, underscoring the need for further research to support existing findings. Other research also shows that capital structure influences disclosure of sustainability reporting (Lehenchuk et al., 2023). This is because the capital structure plays a crucial role in determining the company's strategy; with a dominant capital structure, the company will have greater flexibility to allocate its financial resources when disclosing sustainability reporting.

Focusing on the interlinked relationship between company size, corporate governance, capital structure, and sustainability reporting disclosure, this paper emphasizes two main research questions:

RQ1: What is the effect of company size and corporate governance on sustainability reporting disclosure?

RQ2: Does capital structure moderate the relationship between company size, corporate governance, and sustainability reporting disclosure?

This study aims to fill the gap in the literature by focusing on a broader range of companies, specifically those in the manufacturing sector listed on the Indonesia Stock Exchange (IDX). In addition, this study is motivated to investigate the moderating role of capital structure on the association between company size and corporate governance on sustainability reporting disclosure. Ultimately, this study provides a new perspective and possible explanation for the inconclusive findings with respect to the previous studies examining the impact of corporate governance on sustainability reporting disclosure.

METHOD

This study employed a quantitative method, utilizing data analysis techniques that included descriptive statistical analysis and inferential statistical analysis methods, such as panel data regression and Moderated Regression Analysis (MRA). The analysis models were tested using EVIEWS 12, using three models (the Chow test, Hausman test, and Lagrange Multiplier test) to create a fit model. Subsequently, a robustness test is conducted to estimate whether the results can be relied upon. Based on the data used, it can be formulated that the equation model used is as follows:

Panel Data Regression Equation Model

$$SR = \alpha + \beta_1 \text{Ln Total Asset} + \beta_2 \text{Corporate Governance} + \varepsilon$$

Moderated Regression Analysis (MRA) Equation Model

$$SR = \alpha + \beta_1 \text{Ln Total Asset} + \beta_2 \text{CG} + \beta_3 \text{Ln Total Asset} * \text{CS} + \beta_4 \text{CG} * \text{CS} + \varepsilon$$

Description:

SR	: Sustainability Reporting Disclosure
Ln Total Asset	: Company Size
CG	: Corporate Governance
CS	: Capital Structure
$\beta_3 \text{Ln Total Asset} * \text{CS}$: Moderation 1
$\beta_4 \text{CG} * \text{CS}$: Moderation 2
$\beta_1 \beta_2 \beta_3 \beta_4$: Coefficient of Variable
α	: Constant
ε	: Standard Error

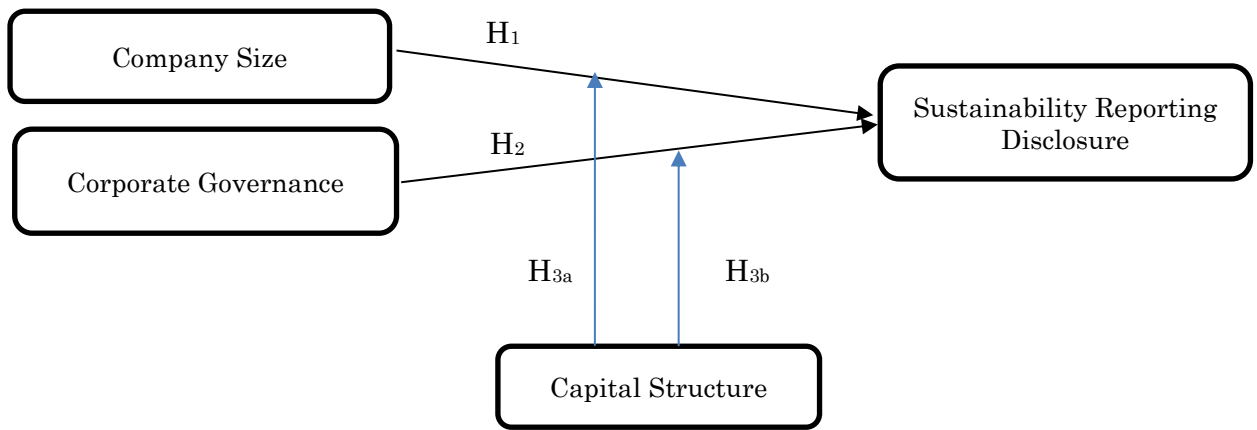


Figure 2. Research Model

Hypothesis Development

The literature suggests that company size can influence the disclosure of sustainability reporting. This notion is based on the argument that larger companies can easily afford sustainability expenditures. Additionally, large companies have greater access to resources (Girón et al., 2021; Desai, 2022). These advantages make it more likely for larger companies to adopt socially desired practices such as sustainability reporting disclosure (Pertwi, 2021; Shofiyah, 2021). Further, larger companies can benefit from economies of scale in their sustainability performance. Due to functional differentiation, specialization, and decentralization, larger companies have more specialized staff, more evolved administrative processes, and more sophisticated internal systems to address business issues, resulting in lower relative costs for sustainability reporting and a higher likelihood of adopting new behaviors among larger companies (Gunawan & Sjarief, 2022). Hence, the following hypothesis is proposed:

H₁: Company size is positively associated with sustainability reporting disclosure.

Corporate governance plays a pivotal role in shaping the quality of sustainability reporting disclosure by reducing information asymmetry and aligning managerial actions with the interests of stakeholders. Based on the legitimacy theory, good corporate governance enhances monitoring and encourages ethical behavior in the disclosure of sustainability reports. Prior empirical studies suggest that active boards, as a mirror of corporate governance practice, as proxied by a higher number of board meetings, are associated with improved corporate disclosure, specifically sustainability reporting disclosure (Erin et al., 2021; Kumar et al., 2022). Based on sustainable development theory, frequent board meeting enables companies to better respond to stakeholder expectations and societal pressures by facilitating timely discussions on sustainability-related concerns (Zimon et al., 2022). Increased meeting frequency allows boards to review sustainability metrics, oversee Environmental, Social, and Governance (ESG) strategies, and generate comprehensive sustainability reports (Alsayegh et al., 2020). Based on the above discussion, the following hypothesis is proposed:

H₂: Corporate governance is positively associated with sustainability reporting disclosure.

Capital structure, proxied by the Debt-to-Equity Ratio (DER), reflects the extent to which a company relies on debt financing relative to shareholders' equity. A higher DER indicates greater financial leverage and increased pressure from creditors to monitor (García & Herrero, 2021). Furthermore, creditors are becoming increasingly attentive to ESG risks, as these risks may impact a company's ability to fulfill its debt obligations. While larger firms generally disclose more sustainability reports, this association is expected to be stronger when companies have higher DER. Highly leveraged companies face heightened scrutiny from both stakeholders and creditors, which

subsequently increases the demand for credible and comprehensive sustainability reporting disclosure (Bananuka et al., 2022). Regarding corporate governance, this governance effect is expected to be amplified in organizations with higher DER, where external monitoring by creditors complements internal governance mechanisms, leading to enhanced sustainability reporting disclosure. Therefore, the following hypotheses are proposed:

H_{3a}: Capital structure positively moderates the association between company size and sustainability reporting disclosure.

H_{3b}: Capital structure positively moderates the association between corporate governance and sustainability reporting disclosure.

Variables Operationalization

Sustainability Reporting Disclosure

Sustainability reporting disclosure is measured using the Global Reporting Initiative (GRI) 2021 index, which comprises 3 standards: GRI 200 Economic, GRI 300 Environmental, and GRI 400 Social. However, corporate social responsibility is not included in this study due to its focus on finding sustainability reporting. The measurement of sustainability reporting using dummy variables is carried out by assigning a value of 1 to each indicator of sustainability reporting disclosure reported by the company and a value of 0 to indicators that the company does not report. Disclosure of sustainability reporting will be measured using the following formula:

$$SRDI = \frac{\text{The number of items disclosed}}{\text{Total GRI items 2021}}$$

Company Size

Company size is measured using the Natural Logarithm (Ln) of total assets; this measurement was chosen to avoid excessive data fluctuations (Stevanus Lumapow & Arthur Ferry Tumiwa, 2017; Velte, 2017; AlHares, 2020; Jamil et al., 2021; Doğan et al., 2022).

Corporate Governance

Corporate governance is an organizational framework designed to direct and control the company, achieving a balance between power and authority, thereby increasing company value and ensuring long-term business sustainability (IDX, 2025). The measurement of corporate governance in this study involves increasing the number of meetings of the board of directors and board of commissioners within a one-year period (Jamil et al., 2021). The frequency of board meetings is used as a proxy for corporate governance because it reflects the level of board activity and effectiveness in monitoring management, which directly impacts the quality of sustainability reporting disclosure (Colak & Sarioglu, 2025). More frequent meetings increase the likelihood that environmental, social, and governance (ESG) issues are discussed in depth, thereby enhancing corporate transparency and accountability. Moreover, this indicator is objective, measurable, and easily obtained from annual reports, making it empirically relevant and valid in explaining the influence of governance on sustainability reporting disclosure.

Capital Structure

Capital structure as a moderating variable refers to the composition or combination of own capital and loan capital (Dabi et al., 2023). Capital structure can also be referred to as the source of funding a company uses to finance its operations and long-term investments. Capital structure is proxied by the Debt-to-Equity Ratio (DER) (Mashayekhi, 2019; Jamil et al., 2021; Singhania & Chadha, 2022).

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Sample

This research sample was selected using a purposive sampling technique based on specific considerations. The sample selection criteria used in this study are presented in Table 1.

Table 1. Research Sampling Criteria and Results

No	Criteria	Number of Companies
1.	Manufacturing sector companies listed on the Indonesia Stock Exchange consecutively during the period 2021-2023	166
2.	Large companies with total net assets of more than 10 billion and total sales more than 50 billion	166
3.	Manufacturing sector companies that do not publish sustainability reporting using the GRI Standard 2021 guidelines during the period 2021-2023	108
4.	Total companies that became the research sample	58
5.	Total analysis units for the period 2021-2023	174

Source: Data Processing 2025

RESULTS AND DISCUSSION

Results

Descriptive Analysis, Inferential Analysis, and Moderated Regression Analysis

Table 2 provides the average value for each variable, which are company size, corporate governance, sustainability reporting, and capital structure, with its standard deviation as follows:

Table 2. Descriptive Statistics of the Group Sample

Variable	Minimum	Maximum	Mean	Std. Dev
Company Size	1.390000	14.88000	8.405230	2.335844
Corporate Governance	20.00000	140.0000	34.09195	18.15166
Sustainability Reporting	0.090000	0.940000	0.393563	0.184130
Capital Structure	-7.700000	16.30000	0.938218	1.723682
Observation	174	174	174	174

Source: Output Eviews 12, Data Processing 2025

Table 3. Chow Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f	Prob
Cross-Section F	3.447235	(57.114)	0.0000
Cross-section Chi-square	174.341219	57	0.0000

Source: Output Eviews 12, Data Processing 2025

Table 4. Hausman Test

Correlated Random Effects – Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f	Prob
Cross-section Chi-square	174.341219	2	0.5331

Source: Output Eviews 12, Data Processing 2025

Table 5. Lagrange Multiplier Tests

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	34.11764 (0.0000)	34.84515 (0.0000)	68.96279 (0.0000)
Honda	5.841030 (0.0000)	5.902978 (0.0000)	8.304268 (0.0000)
King-Wu	5.841030 (0.0000)	5.902978 (0.0000)	6.877486 (0.0000)
Standardized Honda	6.106627 (0.0000)	7.608584 (0.0000)	3.643943 (0.0000)
Standardized King-Wu	6.106627 (0.0000)	7.608584 (0.0000)	5.947053 (0.0000)
Gourieroux, et al.	--	--	68.96279 (0.0000)

Source: Output Eviews 12, Data Processing 2025

Robustness Test

Normality test

It tests whether the confounding variable or residual in the regression model is distributed normally. Based on Figure 3, the residual data are distributed normally, as concluded.

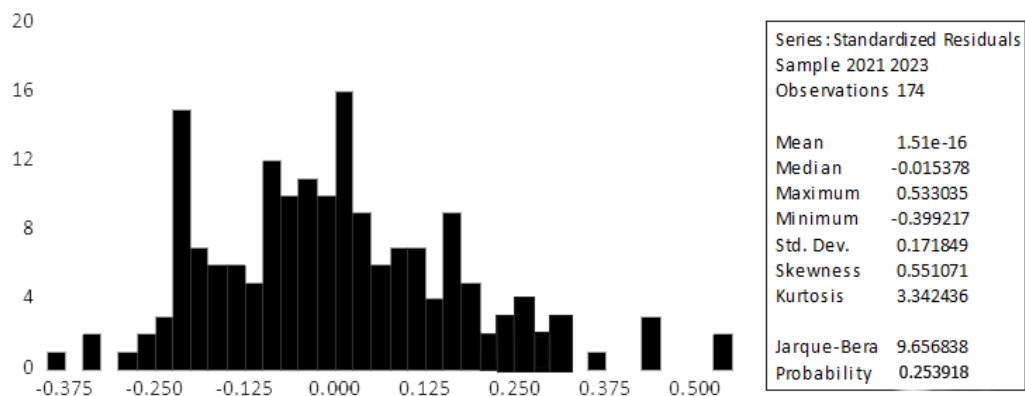


Figure 3. Normality Test

Multicollinearity Test

It is intended to determine whether there is a possible significant correlation between

independent variables in a regression model. Based on Table 6, it can be observed that the correlation value between company size, corporate governance, and capital structure is not significant, indicating a weak correlation with a value of less than 0.90.

Table 6. Multicollinearity Test

	X ₁	X ₂	Y	Z
X1	1.000000	-0.072946	0.067679	0.220731
X2	-0.072946	1.000000	0.347960	-0.067549
Y	0.067679	0.347960	1.000000	0.008382
Z	0.220731	-0.067549	0.008382	1.000000

Source: Output Eviews 12. Data Processing 2025

Heteroscedasticity Test

In the Random Effects Model (REM), the error variance structure is already designed to accommodate differences across individuals (heteroskedasticity) (Schaper & Winkelmann, 2024). This means REM is theoretically more robust against heteroskedasticity compared to Ordinary Least Squares (OLS), which assumes constant variance across all observations. Therefore, when applying REM, it is not necessary to conduct a separate heteroskedasticity test, since the model itself anticipates and adjusts for varying variances among units of analysis. This makes REM more practical and efficient for panel data analysis, especially when individual-specific variance differences are present.

Autocorrelation Test

It is helpful to test whether there is a correlation between residuals in various regressions from the current period and the previous period. It's relevant to data time series and does not require a linear regression data panel; a linear regression data panel typically uses cross-sectional data (Iqbal, 2015).

According to the results of the panel data estimation test, the most appropriate model employed in this study is the Random Effects Model (REM).

Table 7. Moderated Regression Analysis

Dependent Variable: Y				
Method: Panel EGLS (Cross-section random effects)				
Date: 11/28/24 Time: 22:39				
Sample: 2021 2023				
Periods included: 3				
Cross-sections included: 58				
Total panel (balanced) observations: 174				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	8.847276	4.589704	1.1927635	0.0556
Company Size	0.163438	0.058381	2.799520	0.0057
Corporate Governance	2.923275	0.523270	5.586549	0.0000
Capital Structure	3.123299	2.981226	1.047656	0.2963
Moderated 1	-0.030890	0.020481	-1.508238	0.1334
Moderated 2	-0.177581	0.305099	-0.582044	0.5613

Source: Output Eviews 12, Data Processing 2025

Hypothesis Testing

Based on Table 8, the results of the hypothesis testing, specifically H₁, indicate that company size has a positive and statistically significant impact on sustainability reporting disclosure, with a significant value of $0.0057 < 0.05$, which means the hypothesis is accepted. The H₂ corporate governance has a positive and statistically significant effect with $0.0000 < 0.05$, which means the hypothesis is accepted. As for the moderating variable, namely, capital structure, it failed to moderate the impact of company size and corporate governance on sustainability reporting disclosure due to the lack of significance.

Table 8. Descriptive Statistics of the Group Sample

Variable	Coefficient	Sig.	Decision
H ₁	0.1633438	0.0057	Accepted
H ₂	2.923275	0.0000	Accepted
H _{3a}	-0.030890	0.1334	Rejected
H _{3b}	-0.177581	10.5613	Rejected

Source: Data Processing 2025

Discussion

The association between Company Size and Sustainability Reporting Disclosure

Based on findings in Table 8, company size has a positive and statistically significant impact on sustainability reporting disclosure. Company size and sustainability reporting disclosure have a strong correlation because the larger the company, the more recognition, attention, and support it will receive from stakeholders. Therefore, large companies are more likely to disclose more information in their sustainability reporting than smaller companies. These findings are consistent with previous research, which indicates that the larger the company, the higher the level of sustainability report disclosure, due to managers' motivation to enhance the company's image and gain legitimacy from stakeholders, society, and the government (Crossley, 2021). These results support the theory of sustainable development and align with legitimacy theory, which posits that large companies will attempt to reduce the legitimacy gap by disclosing sustainability reports. In addition, the results support previous research on the impact of company size on sustainability reporting disclosure (Sofa & Respati, 2020; Rahmawati, 2020; Pertiwi, 2021; Shofiyah, 2021; Gunawan & Sjarief, 2022; Al-Qudah & Houcine, 2024). This study provides an additional contribution by linking the results not only to legitimacy theory but also to sustainable development theory. This broadens the perspective that large companies are not merely striving to gain social legitimacy, but also play a role in supporting sustainable development goals.

Nevertheless, the results of this study differ from those of Liana, (2019), who reported a negative relationship. Such discrepancies may be explained by differences in sample composition, research periods, or industry-specific characteristics. Accordingly, this study reinforces the prevailing empirical evidence and underscores that company size is a critical determinant of sustainability report disclosure, even though contextual variations may yield divergent outcomes.

The association between Corporate Governance and Sustainability Reporting Disclosure

The statistical results suggested that corporate governance affects sustainability reporting disclosure. These results implied that the frequency of meetings between board members has a pivotal role in sustainability reporting disclosure. The more frequently the board conducts meetings, the more sustainability reporting will be generated. Hence, the level of company information disclosure is also expected to increase (Yударuddin & Pratiwi, 2022). Corporate governance is an organizational framework designed to direct and control the company, achieving a balance between

power and authority, thereby increasing company value and ensuring long-term business sustainability.

The findings of this study show that the frequency of board meetings positively affects sustainability report disclosure. This result is consistent with research that emphasized the role of external auditors (Big Four) in enhancing the quality and transparency of sustainability reports (Orazalin & Mahmood, 2020). Although the focus of the two studies differs, one highlighting internal governance mechanisms (board meetings) and the other emphasizing external mechanisms (auditors), both reinforce the importance of corporate governance in driving transparency in sustainability reporting. Thus, this study strengthens the view that corporate governance, whether through internal coordination or external oversight, is a crucial factor in improving the quality of sustainability report disclosure (Suhartini et al., 2024).

This finding supports the theory of sustainable development, which suggests that companies must maintain good corporate governance to remain sustainable while conducting their business activities, particularly in producing sustainability reports (Alsayegh et al., 2020; Orazalin & Mahmood, 2020; Zimon et al., 2022; Gerwing et al., 2022).

The Moderating Role of Capital Structure on the Association between Company Size and Corporate Governance on Sustainability Reporting Disclosure

Companies are more concerned about risk management and long-term sustainability. Companies with higher debt levels face greater financial risk; therefore, they tend to allocate funds to pay down their debt, especially for small companies. This affects the allocation of funds for sustainability reporting disclosure, resulting in fewer sustainability reporting items being disclosed. This is because creating sustainability reports takes considerable time and incurs high costs. These findings align with Wulandari et al. (2021) and Bananuka et al. (2022), which states that capital structure does not influence the disclosure of sustainability reporting. In other words, financial factors alone cannot fully explain a company's sustainability disclosure decisions.

Capital structure is unable to moderate the influence of corporate governance on sustainability reporting disclosure because DER primarily reflects financial risk and funding efficiency rather than oversight or accountability mechanisms. According to legitimacy theory, companies disclose sustainability reports to gain trust and social acceptance, while sustainable development theory emphasizes balancing economic, social, and environmental aspects. Since capital structure is only related to financial structure, it is not relevant in moderating the relationship between governance and sustainability reporting.

This study confirms prior studies that show capital structure does not moderate the association between corporate governance and sustainability reporting disclosure (Rashid et al., 2025; Anifowose, 2025; Meilanda et al., 2024; Jamil et al., 2021). The finding highlights that corporate governance factors, whether through internal coordination or external oversight, play a more decisive role in determining the quality of sustainability report disclosure than purely financial conditions. The implication is that regulators and stakeholders should place greater emphasis on strengthening corporate governance rather than focusing solely on capital structure to promote greater transparency in sustainability reporting.

CONCLUSIONS AND SUGGESTIONS

This study aims to examine the influence of company size and corporate governance on sustainability reporting disclosure. This study also investigates the moderating role of capital structure on the association between company size and corporate governance on sustainability reporting disclosure. The empirical findings confirm that company size has a significant positive effect on sustainability reporting disclosure, indicating that large companies tend to disclose more comprehensive and detailed sustainability reports, as they generally gain greater legitimacy from the public and stakeholders. Additionally, we found that corporate governance has a significant positive effect on sustainability reporting disclosure. The greater the intensity of meetings among board members to establish good corporate governance, the higher the level of communication and

coordination among them, which subsequently affects sustainability reporting disclosure. In contrast, capital structure failed to moderate the association between company size and corporate governance in sustainability reporting disclosure, suggesting that capital structure focuses primarily on the financial aspect, with limitations that depend on company size and objectives, which in turn affect sustainability reporting disclosure.

This study is subject to several limitations. First, the sample is limited to the manufacturing sector, which may limit its generalizability to non-manufacturing sectors. Second, while the panel data approach strengthens the findings, the observational nature of this study limits causal inference. Future research can expand the scope to include other sectors, which may also provide deeper insights into the relationship between capital structure and sustainability reporting disclosure. Moreover, future studies can investigate the dynamic effects of other corporate governance measures, such as CEO duality, stakeholder pressure, or the establishment of a sustainability committee. Finally, qualitative approaches can complement quantitative findings by examining how companies internally manage and perceive the sustainability reporting process.

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