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Analysis of Factors Affecting the Readability of Sustainability Reports on Companies Listed on the Indonesia Stock Exchange and Bursa Malaysia

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ABSTRACT

This study was conducted to determine the factors that can affect the readability of sustainability reports, especially in coal subsector mining companies listed on the Indonesia stock exchange and the Malaysian stock exchange in 2021-2023 that have published financial statements during the research period. The technique in determining the sample is using the purposive sampling method. Hypothesis testing in this study uses SPSS Version 25. The results of this study show that the variables of green governance quality measured based on board size, independent board, gender diversity, chief sustainability officer and sustainability committee, as well as shareholder pressure variables measured by ownership structure consectration partially have no effect on the readability of sustainable reports. Meanwhile, the sustainable economic performance variable measured by ROSI has a positive effect on the readability of the Sustainable Report. However, simultaneously these variables affect the readability of the continuous report.

INTRODUCTION

Sustainability reporting is an evolution of the Triple Bottom Line (TBL) concept. In the past, business was only oriented to one P (Profit); has now developed into the Triple P (Profit, Planet, People) model. The concept of corporate sustainability describes the company's ability to create value and the ability to survive in the long term (Milne & Gray, 2013). By referring to this, of course, in the era of globalization that is growing, awareness of environmental issues is getting higher. The company is expected to be more transparent and responsible in running its business.

Sustainability reports are one of the main tools to convey the company's performance in environmental, social, and governance (ESG) aspects. The concept of corporate sustainability describes the company's ability to create value and the ability to survive in the long term, so the quality of the sustainability report is a reflection of how well the company is carrying out its sustainability responsibilities.

(Magister et al., 2023) states that companies that have sustainability are seen in the future to increase or vice versa, and companies are able to carry out accountability well. Therefore, this study aims to explore the factors that affect the quality of sustainability reports, with a focus on the quality of green governance reports, sustainable economic performance, and pressure from shareholders play an important role in determining the quality of these reports.

Corporate governance is a factor that cannot be ruled out. Companies will definitely also consider their internal factors (Sari & Widjatmiko, 2024) In the business of a company is its operations, which are carried out to maximize its value and pursue profitability while creating a long-term company (University, 2024). This makes the negative impact of industrial activities on the environment, such as climate change, pollution, and excessive exploitation of natural resources. In line with this increased awareness, stakeholders, including governments, investors, consumers, and the general public, are demanding that companies conduct businesses that are not only oriented towards financial gain, but also socially and environmentally responsible.

Sustainability disclosure is key in fulfilling a company's responsibilities to stakeholders, as it allows them to understand and evaluate the company's social and environmental impact (Fernandez-Feijoo et al., 2014). Sustainability reports are emerging as one of the important instruments for companies to communicate their commitment to sustainable business practices. The report includes information on how companies manage the environmental, social, and economic impacts of their activities. Good quality sustainability reports can improve a company's reputation, attract responsible investors, and meet the expectations of various stakeholders.

Sustainability Reporting is a process in which an organization changes its perspective on sustainability itself, through which the organization learns lessons and improves organizational change towards sustainability. Sustainability reports are a contribution to sustainable development that goes beyond legal obligations (Verbeeten et al.2016). Sustainability reporting is an activity that aims to measure the sustainability status of a company in relation to sustainability, business communication, and economic development. Social; Environmental aspects for stakeholders, measurement of sustainable performance, comparisons with other companies, information on how the organization influences and is influenced by sustainable development expectations, and sustainability are the basis for potential planning changes (Lozano et al., 2015). Therefore, looking at the role of sustainability reports which are very important in the sustainability of the company, it is necessary to assess whether the sustainability report is used as a tool to communicate sustainability activities as a basis for decision-making is well understood and accessed or not, for this reason, this study was conducted to determine the quality of the sustainability report by measuring readability according to the standards applied internationally by GRI by measuring green governance, economic performance, sustainability and shareholder pressure as independent variables on the quality of sustainability reports.

In Indonesia and Malaysia, companies listed on the stock exchanges of their respective countries (Bursa Efek Indonesia and Bursa Malaysia) are no exception to the demand to increase transparency and accountability in their sustainability reporting. These companies are facing increasing pressure to demonstrate that they are committed to implementing green governance and sustainability practices. Mahmood et al. (2018) in (Chairina & Tjahjadi, 2023) said that sustainability activities and governance practices are very important in a company's operations because governance practices are designed for all interests in the context of the organization.

As sustainability issues are getting better day by day, it is stated that GRI publishes an updated analysis tool on the SDGs as mentioned in the news published by Sustainability report.com. (Sustainability et al., 2023) The SDGs are a universal call to action to end poverty, protect the planet, and improve the standard of living and prospects of people around the world. The importance of sustainability disclosure in evaluating a company is increasing. Company executives around the world are beginning to understand how important it is to deliver reports that must be more thorough and include more than just financial statistics to improve business plans (Fajarini et al., 2023).

By looking at GRI's efforts in improving sustainability report standards, it proves that there is not a small influence on business sustainability, it is evident that several cases that occur are related to sustainability reports, therefore this study takes the coal mining subsector which is the subject of research. One of the much-needed energy needs centered around is electrical energy. As is known, electrical energy is energy produced through the process of generating mechanical power from various sources such as water, oil, coal, wind, geothermal, nuclear, and solar. Not only in Indonesia but also around the world, the majority of electrical energy is produced by steam power plants (PLTU) whose main energy source is coal. Indonesia itself is one of the countries with the largest coal reserves in the world, namely with coal reserves, and Indonesia has the largest coal reserves in the world after the United States, Russia, China, Australia, India, Kazakhstan, and Ukraine. It is one of the 10 countries with South Africa having total reserves as large as fruit, accounting for about 3.1% of the world's total reserves of 891.544.4 billion tons (Dale, 2016). In (Benny Samadi 2023).

There is a case of PT Adaro Energy Tbk in 2009, one of the major companies in Indonesia that neglected the prospects for business continuity, namely pollution in Balangan and Amuntai Residents around the PT Adaro Energy mine in South Kalimantan protested related to environmental pollution allegedly stemming from coal mining activities. They reported air pollution that causes health problems and damage to agricultural land. Adaro has stated its commitment to sustainability through various CSR programs, but criticism continues to come because it is considered not able to overcome the environmental impact that occurs." *(Source: https://nasional.tempo.co/)*

Adaro Energy regularly publishes sustainability reports that cover their efforts in emissions reduction, land rehabilitation, and social responsibility. These reports often gain recognition, but they also face criticism for a lack of transparency regarding the environmental impact of their operations. This conflict has caused protests from the community and attracted the attention of environmental NGOs, who consider that the company is less responsible in managing the impact of its operations on the environment and local communities. The company's sustainability report does not adequately address these issues, which has sparked criticism from various quarters.

In another case, Sime Darby Plantation 2020, one of the largest palm oil companies in Malaysia despite being listed as a plantation sector company but Sime Darby has a coal-processing subsidiary Sime Darby Industri Berhad, has been faced with allegations of human rights and environmental violations. The allegations have been brought by various human rights organizations and watchdogs, including a report from Liberty Shared and an investigation by U.S. authorities. In December 2020, U.S. Customs and Border Protection (CBP) issued a restraining order against Sime Darby Plantation products due to allegations of using forced labor. In a new development, in 2023 Sime Darby Plantation was acquitted of the charges. Although the company has adopted various sustainability standards, their sustainability reports remain under close scrutiny from investors and international institutions. These challenges underscore the need to implement stricter and more transparent sustainability practices to meet stakeholder expectations.

In previous research, As already mentioned by (Yao et al., 2023) Environmental regulations are an important external aspect that must be considered. Meanwhile, research on how environmental laws affect green governance is still limited. However, for green corporate governance behavior with adequate externalities, few studies have focused on the impact of market-based environmental regulations. Corporate ESG reflects a specific score of a company's responsibility to the environment, social and corporate governance, which can measure the performance of environmentally friendly corporate governance to some extent. How social responsibility information is provided affects the quality level of sustainability reports (Leitoniene & Sapkauskiene, 2015). However, there is no agreed metric to assess the quality of sustainability reports.

As Loughran and McDonald (2016) point out, the more comprehensive the annual report, the greater the influence of users on bad decisions. This can result in the disclosure of risk texts potentially changing users' perceptions and predictions of the company's future performance. Although many studies have been conducted regarding the relationship between readability index and performance (Lo et al., 2017; Loughran and McDonald, 2016), limited to sustainability reports, so researchers considered measuring sustainability disclosures using a readability index (Harymawan et al., 2020).

In (Nilipour et al., 2020a) Wiseman (1982) was one of the first studies to examine the quality of reporting, while other researchers followed suit and expanded the quality measure (see Nazari et al., 2017 for a brief discussion). However, researchers who research the quality of reporting pay less attention to readability (Pombinho et al., 2023). The quality of reporting, and thus, readability can have a significant influence on the quality of decisions made by stakeholders, and as such should be considered by companies reporting information to the public ((Nilipour et al., 2020b)).

Previous research on the readability of sustainability reports found that readability was generally low (Nilipour et al., 2020b), with some studies specifically hypothetical" (Courtis, 1998) and found that managers generated more support, Bad news, difficult to read (Nazari et al., 2017; Smeuninx et al., 2016). In addition, research has found a relationship between CSR performance and readability (e.g. Nazari et al., 2017). Another study also showed that n companies that have published longer sustainability reports since 2007 – which shows an increase in demand for sustainability reports – did not see a significant improvement in the readability of sustainability reports. Published sustainability information is classified as 'difficult' to read and may obscure negative sustainability performance.

However, in another study, (Nilipour et al., 2020a) that over a ten-year period readability increased by only 6.5 percent, despite a substantial increase in the number of companies reporting sustainability information, and an increase in the quantity of sustainability reporting from nearly one-third of companies. Although many companies are starting to report sustainability information, the quality of the reports, in terms of readability and comprehension, has not improved significantly. This shows that just because there are more reports, it doesn't mean that the information presented is easier to understand. Therefore, in this study, the readability index is used as a measure of the quality of sustainability reports.

This study uses Green Governance variables related to resource use, greenhouse gas emissions, waste management, and initiatives to improve energy efficiency. (Chairina & Tjahjadi, 2023) Good reporting also complies with international standards such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), which provide a framework for transparent and comprehensive reporting. Then the sustainability economic performance variable reflects the extent to which the company strives to achieve economic goals by considering the social and environmental impacts of its operations. Meanwhile, shareholder pressure describes the pressure received by companies from investors, or shareholders, both financial and sustainability demands. This pressure encourages companies to be more transparent and responsible in their operations. In Malaysia, for example, Bursa Malaysia has issued regulations that require companies to include sustainability reports in their annual reports. These stakeholders are not only responsible for decision-making and its implementation, but also the parties who benefit the most from the decision (University, 2024).

Previous research (chairani, Tjahjadi 2023) (Chairina & Tjahjadi, 2023) said commitment to sustainability affects the quality of sustainability reports. Rodrigue et al. (2013) stated that the presence of the sustainability committee only provides symbolic legitimacy in the eyes of the public, and does not have a substantive impact. The findings of this study still provide inconsistent results. Instead, the commitment to social responsibility is applied through social costs. The company has an interest in disclosing and publicizing its social responsibility activities widely. However, the role of sustainability commitments does not moderate the influence of the size of the board of directors, independent boards, civil society organizations, and sustainability committees on the quality of sustainability reports.(Chairina & Tjahjadi, 2023). Therefore, this study uses sustainability economic performance variables that can be assessed to have an influence on the readability of sustainability reports.

Several studies explain that green governance has an important role in the quality of sustainability reports and sustainability performance (GarcSayaseasaiAnchez et al. 2019; Mahmood and Orazalin 2017; Amran et al. 2014; Post et al. 2011), Independent Commissioners have a positive impact on the quality of sustainability reports ((Octora & Amin, 2023) However, there are other inconsistent studies based on oversight conducted by the board of commissioners. The Board of Commissioners has not fully carried out its duties in supervising and giving instructions to the company's managers and company administrators, so that the increase in the number of commissioners cannot determine the quality in the disclosure of sustainable reports (Aliniar & Wahyuni, 2017; Purnama & Handayani, 2020; Shafira et al. (2021; Tarigan & Semuel, 2015).(Master et al., 2023) (Mufid1, Bandi2 2023). The size of the board of directors, which is dominated by Malays, is an important driver of SPQ ((Teknik et al., 2023)).

In previous research studies, sustainability commitments were measured by social costs (Rhou et al. 2016). Because the results are considered inconsistent, the researcher uses sustainability economic performance as an independent variable. Considering the results of previous studies and there are gaps, shareholder pressure has no effect on the quality of sustainability reports, (Yuliandhari & Citta, 2023), Pressure from creditors has a significant positive effect on the quality of sustainability reports. (Darmawan & Idawati, 2024) Shareholder pressure has a positive effect on the company's value partially. Good corporate governance has no effect on the quality of sustainability reports (Yuliandhari & Citta, 2023). It shows that only environmentally sensitive industries and employees as part of stakeholder pressure have a positive and significant effect, while consumers and shareholders have no significant effect on the disclosure of sustainability reports. In another study, shareholder pressure had no effect on the quality of sustainability reports, (Yuliandhari et al., 2022). All measures of corporate governance, such as the board of commissioners, independent commissioners, and audit committees, have no significant effect on the disclosure of sustainability reports. (Suryana, Setiani (2023). There is an inconsistency in stakeholder pressure.

Therefore, this study was carried out by adding an independent variable, namely shareholder pressure to assess whether pressure from shareholders as stakeholders can affect the readability of sustainability reports in a wide scope accompanied by the addition of a research sample, by looking at gaps in previous studies that show inconsistent results on sustainability quality ((Chairina & Tjahjadi, 2023) Another alternative in measuring sustainability quality with indicators: which is broader in accordance with GRI 1

Foundations 2021 related to the principles of sustainability report quality: 1) Accuracy 2) Balance 3) Clarity 4) Comparability 5) Completeness 6) Sustainability context 7) Timeliness 8) Verifiability. However, the focus in this study is on the readability index only. It is hoped that this study can provide in-depth insights into the factors that drive the improvement of the quality of sustainability reports as well as make a meaningful contribution to the development of sustainable business practices in Indonesia and Malaysia, as well as provide guidance for companies in improving the quality of their sustainability reports.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature Review and Hypothesis Development

Agency Theory

Agency theory describes potential conflicts when the interests of agents and principals have different goals. This may be due to information asymmetry, opportunistic behavior, and conflicts of interest between managers and shareholders. Good governance practices are expected to balance the company's activities with the environment and align it with the interests of all stakeholders, so that the Company can obtain social legitimacy (Syamil et al. 2014 in Chairina & Tjahjadi, 2023).

In line with this study, agency theory explains the relationship between owners (principal) and managers (agents) and how conflicts of interest can affect organizational behavior, this is related to the company's green governance in sustainability activities, the pressure of shareholders as stakeholders to play the role of principal with both having a commitment to sustainability, of course, sustainability reports will be of higher quality.

The Effect of the Size of the Board of Directors on the Readability of the Sustainability Report

High-quality reports typically include detailed information on environmental management practices, initiatives to reduce environmental impacts, and compliance with environmental regulations. Companies that are able to produce good green governance reports demonstrate transparency and commitment to environmental sustainability. This is expected to be reflected in the quality of their sustainability report, where the information provided is more complete, accurate, and reliable.

Agency theory argues that larger board sizes help reduce agency costs by engaging in more socially responsible activities. A large number of managers and members from different groups may have a greater influence on a company's SR practices. This allows them to expand their territory and improve the quality of their SR practices (Frias-Aceituno et al., 2013, Chairina & Tjahjadi, 2023). Complete, accurate, and reliable, of course, making sustainability reports readable can affect public understanding of sustainability reports. Based on this description, the following hypothesis is proposed:

H1 : The size of the board of directors has a positive effect on the readability of the sustainability report

The Effect of the Proportion of Independent Boards on the Readability of Sustainability Reports

Companies with more independent directors tend to satisfy diverse stakeholders by providing quality information. An independent board is made up of independent non-executive directors who are not from any company or affiliated with any group. They oversee the work of an independent board, advise CEOs, and protect stakeholder rights (Erin et al., 2022).

According to agency theory, it is important to improve governance practices and limit managers' opportunistic behavior in order to improve the company's reputation and improve the quality of reporting. However, (Atty et al., 2018) found that boards with a high proportion of independent directors can lead to excessive oversight. (Eng & Mak, 2003) found a negative influence of ownership structure and board composition on voluntary disclosure in Singapore. (Nashi et al. 2019) found that the conservative behavior of independent directors tends to be reflected in low CO2 emissions in Indonesia. In (Chairina & Tjahjadi, 2023) Based on this description, the following hypothesis is proposed:

H2: The proportion of independent boards is negatively correlated with the readability of sustainability reports.

The Effect of the Proportion of Women on the Readability of Sustainability Reports

One of the important characteristics of the diversity of the board is gender. Gender diversity refers to the presence of women in the composition of the board of directors. Gender diversity has been shown to be positively related to the quality of sustainability reporting (Al-Shaer & Zaman, 2016). In addition, when considering organizational goals, female directors have different personality values, communication patterns, and leadership styles than male directors. ((Rathnayaka Mudiyanselage, 2018);(Chairina & Tjahjadi, 2023)

The proportion of female executives is increasing in line with the company's commitment to help achieve the Sustainable Development Goals (SDGs) related to gender equality. This is because female executives can ensure good communication and trust with all building stakeholders. Thus, conflicts and information asymmetry are reduced. (Husted & Sousa-Filho, 2019). Based on this description, the following hypothesis is proposed:

H3 : The proportion of women councils has a positive effect on the Readability of the Sustainability Report

The Effect of the Proportion of Chief Sustainability Officer on the Readability of Sustainability Reports

The Chief Sustainability Officer (CSO) is a senior manager in the top management team (TMT) who is responsible for managing the company's sustainability performance. You will be responsible for developing, implementing and monitoring the company's sustainability strategy. They evaluate business practices, analyze the needs of communities and propose strategies that combine profitable growth with sustainable development. In addition, CSOs play a role in maintaining relationships with stakeholders, recruiting employees, and promoting a culture of sustainability within the company (Fu et al. 2019). Therefore, the ability of CSOs to communicate with the community is important to resolve disputes more transparently and increase the openness of social activities and the company's environment. Based on this description, the following hypothesis is proposed:

H4: Chief Sustainability Officer has a positive impact on the readability of sustainability reports

The influence of the sustainability committee on the readability of the Sustainability Report

The sustainability committee has a positive impact on the company's social and environmental performance (Amran et al., 2014); (Orazalin & Baydauletov, 2020); (Arayssi et al., 2020a). According to the RBV theory, the existence of a sustainability committee responsible for CSR is considered a source of capital for a company. The experience, skills, and knowledge expected from a sustainability perspective will be part of the company's strategy, with specific goals such as energy savings, reduction of CO2 emissions, and increased employee awareness of environmental impacts. The existence of the sustainability committee is a form of accountability and a medium of communication with external stakeholders.

Based on the results of previous research, sustainability efforts have an impact on the quality of Sustainability Reports. In contrast, social responsibility obligations are realized through social costs. Companies are interested in comprehensively disclosing and publicizing their social responsibility activities. Social costs also reduce the proportion of women directors and the quality of sustainability reports. However, the role of sustainability commitments does not moderate the influence of the size of the board of directors, the size of independent boards, civil society organizations, and sustainability committees on the quality of sustainability reports. (Chairina & Tjahjadi, 2023). Based on this explanation, the following hypothesis is proposed:

H5: The Sustainability Committee has a positive relationship with the readability of the sustainability report.

The Effect of Sustainability Economic Performance on the Readability of Sustainability Reports

Companies with good economic performance may be more likely to follow international reporting standards, which typically result in more structured and easy-to-understand reports. The use of this standard can improve readability, which is related to economic performance. Easy-to-read reports can increase understanding and trust from stakeholders, including investors, customers, and the public. Good readability indicates that companies value effective communication, which can have a positive impact on reputation and economic performance.

Companies with good sustainability performance tend to have more informative and easy-to-read reports. The research includes data from companies listed on various exchanges, including the IDX and Bursa Malaysia. They found that companies with higher sustainability performance scores had better readability rates, measured using readability indices such as Flesch Reading Ease. In addition, (Eccles et al., 2014) shows that companies with good and easy-to-understand sustainability reports tend to have better economic performance in the long run. The data they analyzed included companies in various industries, including those listed on the IDX and Bursa Malaysia, and showed that high readability contributed to the company's image and trust.

Based on the results of previous research, sustainability initiatives in the form of sustainable economic performance have a positive and significant impact on the readability of sustainability reports. By knowing that a stakeholder-oriented company makes information widely available and publicizes their socially responsible activities,. With the Company's economic performance, it affects operational performance in the disclosure of sustainability reports (Chairina & Tjahjadi, 2023).

H6 : Sustainable economic performance has a positive effect on the readability of sustainability reports

The Effect of Perssure Stakeholders on the Readability of Sustainability Reports

Stakeholders such as governments, investors, customers, and the general public often demand greater transparency and more detailed information about a company's sustainability performance. This pressure can force companies to improve the quality of their sustainability reports in order to meet expectations and maintain social legitimacy.

The four stakeholder groups include internal key stakeholders (investor-oriented industries and employee-focused industries), external key stakeholders (consumer-related industries, environmentally sensitive industries, external pressures), and secondary stakeholders (media presence and audits by the Big 4 KAP). and regulatory stakeholders (government pressure).

Previous research found that key internal stakeholders in the investor-oriented industry did not have a significant influence on the quality of sustainability reports (Sriningsih & Wahyuningrum, 2022). The high concentration of majority shareholding does not make the company produce a quality sustainability report. Adopting this hypothesis, of course, the influence of shareholders has an impact on the preparation of sustainability reports, of course this will have an impact on the readability value of the quality of sustainability reports. My research seeks to test whether a similar relationship exists in companies listed on the Indonesia Stock Exchange and Bursa Malaysia. Taking into account the contextual differences between Indonesia and Malaysia, I hypothesize that

H7: Investor-oriented internal key stakeholders (shareholders) have a positive effect on the readability of sustainability reports.

The Impact of Green Governance, Sustainable Economic Performance, and Shareholder Pressure on the Readability of Sustainability Reports between Companies Listed on the Indonesia Stock Exchange and Bursa Malaysia

Differences in regulations, corporate culture, and levels of sustainability awareness in Indonesia and Malaysia may cause variations in how these factors affect the quality of sustainability reports. This research can identify the differences and similarities between the two exchanges. So I put forward a hypothesis;

H8 : The influence of the quality of green governance reports, sustainable economic performance, and stock investor pressure have a stimulating effect on the readability of Sustainability Reports between companies on the IDX and BM.]

METHOD

This research method uses a descriptive quantitative method. This research data is sourced from the Indonesia Stock Exchange, namely on the www.idx.co.id and Bursa Malaysia websites. The companies sampled in this study are Coal subsector consideration companies listed on the Indonesia stock exchange and Malaysian exchanges that issue sustainability reports. The data taken is secondary data, namely the company's financial statements for three years. The samples in the study were obtained using the purposive sampling method. The criteria used are: (1) Companies in the mining sector of the Coal subsector listed on the Indonesia Stock Exchange and Bursa Malaysia. (2) Companies that have published financial statements and sustainability reports for 3 consecutive years. (3) Companies with complete data for 3 consecutive years.

The dependent variable used in this study is the sustainability report which is measured from the clarity of the readability index with the formula $\frac{jumlah\ kata\ sederhana}{total\ kata}\ x\ 100.$

As for the Independent variable in this study, it consists of 5 variables, namely:

1. Board Size = the number of board of directors members in the Company. According to (Chairina & Tjahjadi, 2023) it is formulated as follows:
   BSize ∑member of the board of commissioners + board of directors in the Company=
2. Independent Board = Percentage of independent commissioners in the Company. According to Ekaputri, Eriandani 2022) the proxies used;
   INDDIR $= \frac{Total\ dewan\ komisaris\ Independen}{Total\ Dewan\ Komisaris} 100\%$
3. Gender Diversity = Proportion of women in the board of directors within the Company. According to (Chairina & Tjahjadi, 2023) proxies are formulated as follows:
   GD = $\frac{Jumlah\ dewan\ pr}{total\ anggota\ dewan} \times 100\%$
4. Chief Sustainability Officer = measured by content analysis where if there is a CSO, it will be given a value of 1 and if there is no CSO, it will be given a value of 0 (Chairina & Tjahjadi, 2023)

$$\text{CSO} = \begin{Bmatrix} 1 & jika\ ada\ CSO \\ 0 & jika\ tidak\ ada\ CSO \end{Bmatrix}$$

5. Sustainability Committee = sustainability committee measured by a dummy scale if there is a sustainability committee then it is given a value of 1 if there is no 0 (Chairina & Tjahjadi, 2023)

$$\text{SCom} = \begin{Bmatrix} 1 & jika\ ada\ SCOM \\ 0 & jika\ tidak\ ada\ SCOM \end{Bmatrix}$$

6. Sustainable Economic Performance. To measure economic performance from a financial perspective is done by measuring the rate of return of sustainability initiatives done by proxy:

$$ROSI = \frac{keuntungan\ inisiatif\ keberlanjutan}{Biaya\ inisiatif\ keberlanjutan}$$

$$ROSI = \frac{B_t - C_t}{C_t}$$

Where:
• (B_t) = total benefit or gain from sustainability initiatives at time (t)
• (C_t) = total cost of sustainability initiatives at time (t)
(Harvard Business Review, "The Comprehensive Business Case for Sustainability," 2016)

7. Shareholder pressure (Investor) Ownership Structure Consentration $= \frac{jumlah\ saham\ yang\ dipegang\ perusahaan\ induk/mayoritas}{Total\ Saham}$
(Rudyanto & Siregar, 2018)

The data analysis techniques are carried out in the following stages: Descriptive statistics, multiple regression analysis, classical assumption test, hypothesis test.

RESULT AND DISCUSSION

Based on the purposive sampling technique, the following data were obtained:

Table 1. Sample Determination Results

No.	Information	Indonesia	Malaysia	Total research data 2021-2023
1.	Mining sector companies in the coal subsector	34	79	(113)
2	Companies that have not published a sustainability report for 3 consecutive years	(19)	(76)	(95)
3.	Companies with complete data	15	3	18
	Total sample 3 years	45	9	54

Source : Data processing result, 2024

Descriptive Statistical Analysis

Table 2. Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Keterbacaan	54	.00	27.17	22.0602	4.00880
Board Size	54	5.00	23.00	10.8519	4.39729
Independent Board	54	.00	80.00	41.7963	19.70766
Gender Diversity	54	.00	50.00	7.6072	11.56997
Chief Sustainability Officer	54	.00	1.00	.2778	.45211
Sustainability Commite	54	.00	1.00	.2778	.45211
Economic Performance	54	.00	9.90	3.0928	2.80680
Investor	54	.00	9.98	3.1113	2.91994
Valid N (listwise)	54				

Source : Data processing result, 2024

Multiple Linear Regression Analysis Test

This study produces multiple linear regression values with the regression equation as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \in$$

$$Y = 22..953 + 0.139\ X_1 + 4.202 X_2 + (-0.017) + (-.056) X_4 + (-0.560) X_5 + (-0.440) X_6 (-0.112) X_7 + \in$$

Hypothesis Test Result

Table 4 t Test Data Result

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	22.953	1.274		18.010	.000
	Board Size	.139	.091	.235	1.522	.135
	Independent Board	4.202E-5	.018	.000	.002	.998
	Gender Diversity	-.017	.030	-.075	-.566	.574
	Chief Sustainability Officer	-.056	.882	-.010	-.063	.950
	Sustainability Commite	-.560	.852	-.097	-.657	.514
	Kinerja ekonomi keberlanjutan	-.440	.134	-.475	-3.284	.002
	Investor	-.112	.120	-.126	-.937	.353

a. Dependent Variable: Keterbacaan

Source : Data processing result, 2024

Table. 5. Result of F Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	81982.961	8	10247.870	2.409	.030[a]
Residual	191452.742	45	4254.505		
Total	273435.704	53			

a. Predictor : (Constant), Investor, Gender Diversity, Independent Board, Kinerja ekonomi berkelanjutan, Chief Sustainability Officer, Sustainability Commite, Board Size
b. Dependent Variable : Keterbacaan

Source : Data processing result, 2024

Table 6. Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.455[a]	.207	.087	2.48214

a. Predictors: (Constant), Investor, Gender Diversity, Independent Board, Kinerja ekonomi keberlanjutan, Chief Sustainability Officer, Sustainability Commite, Board Size

b. Dependent Variable: Keterbacaan

Source : Data processing result, 2024

DISCUSSION

Size of the Board of Directors on the Readability of the Sustainability Report

In this study, green governance was measured by the board size indicator or board size on the quality of the Sustainability report during the research period, which was 3 years. Based on the results of the partial test (t-test) that the researcher has carried out, the results are obtained that the green governance variable of the board size indicator shows a t-value of 1,522 < t table (1, 67943) with a significance value of sig. 0.135 which is greater than the probability value of 0.05. With these results, it can be concluded that the rejected hypothesis (H1) or the size of the board has no effect on the readability of the sustainability report

The findings of this study are inconsistent with research by Mahmood and Orazalin (2017), (Chairina & Tjahjadi, 2023), (Ibrahim and Hanefah, 2016) The size of the board has a positive influence on CSR practices. They have professional experience that strengthens the decision-making process (Correa-Garcia et al., 2020) and show that board size relates to the reliability of sustainability information. It also influences the company's decision to have external and independent assurance of its sustainability report. The results of this study are in line with the research conducted (Githaiga and Kosgei (2023), which reported a negative impact on sustainability disclosure.(Arayssi et al., 2020b).

The influence of the proportion of independent boards is positively related to the readability of sustainability reports.

Based on the results of the research that has been carried out in the hypothesis test using the partial t test, it results that the green governance calculated with the independent board indicator shows a t-value of 0.002< t table (1.67943) with a significance value of 0.998 greater than the probability value of 0.05. Thus, it can be concluded that Hypothesis (H2) is rejected or where the proportion of independent boards has no effect on the readability of sustainability reports.

The results of this study are inconsistent with the research of Rudyanto & Siregar (2018) and Diono & Prabowo (2017) showing a significant influence of the board of commissioners on the quality of sustainability reports, research by Hassan and Rahiani (2020). Naciti (2019), DanEng and Mak (2003). Dewi & Nugrahanti (2017), who argued that the proportion of independent commissioners has an impact on the quality of sustainability reports. They say that the independence of most boards makes it difficult for management to incorporate the board into strategic planning, which can reduce the quality of sustainability reports. In other words, the higher the existence of independent non-executive bodies and the higher the level of protection they have in representing the interests of shareholders and stakeholders, the more likely they are to obtain information directly rather than through public disclosure.

The proportion of women on the board has a positive effect on the readability of sustainability reports

Based on the results of the partial t-test analysis that has been carried out, it is known that the green governance calculated with Gender diversity shows a t-value of -0.566 < t table (1, 67943) with a sgine-value of 0.574 > probability of 0.05 So that in the green governance variable the Gender diversity indicator shows that the hypothesis (H3) is rejected or the regression coefficient is not significant. So that it partially has no effect on readability.

So it can be concluded that (H3) is rejected where the proportion of women councils has no effect on the readability of the sustainability report.

The results of the research are not in line with (Chairina & Tjahjadi, 2023), Garc Anchez et al. (2019) DanErin et al. (2021). Gender diversity has a significant impact on the quality of sustainability reports. Female directors tend to adopt a more participatory and democratic leadership style when making decisions related to social and environmental activities. Their presence determines the policy and method of information disclosure to the company's external group. The research hypothesis of this study concludes that boards with women's representation in green governance can reduce the risk of asymmetry in sustainability disclosure.

Chief Sustainability Officer has a positive impact on the readability of sustainability reports

Based on the results of the calculation of the partial test t on the green governance variable calculated by CSO, the calculated t-value is 0.063 < t table (1.67943) with a significance value of 0.950 > probability of 0.05. In the green governance variable, the CSO indicator shows that the hypothesis (H4) is rejected or the regression coefficient is not significant. So that it partially has no effect on readability. So it can be concluded that (H4) Rejected, meaning that the Chief Sustainability Officer has no effect on the readability of the sustainability report.

The results of this study are not in line with (Chairina & Tjahjadi, 2023), (Fu et al. 2019, Berrone and Gomez-Mejia (2009) DanRodrigue et al. (2013); They say that CSOs play a role in maintaining relationships with stakeholders, recruiting employees, and fostering a culture of sustainability in the Company.

The Sustainability Committee has a positive effect on the readability of the sustainability report

Based on the results of the test on the green governance variables calculated by the sustainability committee indicators, the t-value is -0.657 > t table (1.67943) with a significance value of 0.514 greater than the probability value of 0.05. In the green governance variable of the sustainability committee indicator, it can therefore be concluded that the hypothesis (H5) is rejected or the regression coefficient is not significant. So that it partially has no effect on readability. It was concluded (H5) that it was rejected, meaning that the Sustainability Committee had no effect on the readability of the sustainability report. The results of this study are not in line with (Amran et al.2014; Chams and Garcsayaa-Hambar Haipada 2019; Orazalin 2020; Arayssi et al. 2020). They say that the Sustainability Committee has a positive impact on social and environmental performance.

Economic performance economic sustainability has a positive effect on the readability of sustainability reports

The economic performance of sustainability sustainability shows a t-value of -3.284 > t table (1.67943) with a significance value of sig. 0.002 less than the probability of 0.05. in the sustainability economic performance variable I shows significant results so that the hypothesis (H6) **is accepted** or the regression coefficient is significant. So that it partially affects readability.

It can be seen that a much higher t count than the t-table and a p-value greater than 0.05 indicates that the expected relationship is realized, These results show that sustainability efforts, as measured by economic performance, have a significant impact on the readability of sustainability reporting. or regression coefficients for significant economic performance indicators. This means that the company fully incorporates economic aspects into its sustainability efforts, so that it can have an impact on the quality of the reports produced.

The results of this study are not in line with Hahn and Kühnen (2013) economic performance needs a more holistic approach, Eccles, R. G., Ioannou, I., & Serafeim, G. (2014) they argue that although companies with good economic performance often have better reporting, not all companies with good economic performance can produce transparent and accountable reporting. Companies that are committed to sustainability, including aspects of economic performance, tend to perform better in the long run.

However, this research is in line with Adams and Frost (2008) Eccles et al. (2012) Porter, M. E., & Kramer, M. R. (2006). Lo, S. F., et al. (2012). Friede, G., Busch, T., & Bassen, A. (2015), They say that good economic performance is not always directly related to sustainability, as companies may only focus on short-term profits. A social and environmental performance is more important for long-term sustainability than economic performance alone. Social value and economic performance not only improve their reputation but also sustainable financial performance.

Shareholders have a positive effect on the readability of the Sustainability Report.

Based on the results of the calculation of the shareholder variable, it shows that the calculated t value is 0.937 < t table (1.67943), the significance value (sig.) of 0.353 is greater than 0.05. This suggests that these results are not statistically significant, which means that there is a high probability that these results occurred by chance. This suggests that there is not enough evidence to state the existence of a significant relationship between shareholder pressure and readability, Since t counts < t table and significance values are greater than 0.05, the hypothesis (H8) is rejected. This suggests that the regression coefficient for shareholder pressure is not significant. So it can be partially concluded that the hypothesis (H8) is rejected: the main internal stakeholders are investor-oriented (shareholders) have no effect on the readability of the sustainability report.

The results of this study are inconsistent with the research conducted by Ulum, & Jati (2019), Octora & Amin (2023), Hamudiana and Achmad (2017) and Nilawati et al. (2019) (Yuliandhari et al., 2022) (Octora & Amin, 2023) concluded that industry oriented investors have a positive influence on quality sustainability reports.

The effect of green governance, sustainable economic performance, and shareholders on the readability of sustainability reports between companies listed on the Indonesia Stock Exchange and Bursa Malaysia

Based on the results of the F test above, it can be known that F is calculated as 2,559 < F table (2.81) with a sig value. 0.032 < probability 0.05. Therefore, it can be concluded that this hypothesis (H8) is accepted, so the variables of green governance, sustainability economic performance and stakeholder pressure have a simultaneous effect on the readability of the sustainability report.

The results of the r square test have a large value of 0.207 or 20.7%, indicating that the variables of green governance, sustainable economic performance, and shareholders on the readability of the sustainability report are 20.7% while the remaining 79.9% are influenced by factor factors or other variables that are not studied in this study.

CONCLUSION

Based on the results of the study, the following conclusions were obtained: the variables of green governance quality measured by board size, independent board, board diversity, chief Sustainability and sustainability committee, as well as the shareholder pressure variables measured by ownership structure consentration partially had no effect on the readability of sustainable reports. Meanwhile, the variables of sustainable economic performance as measured by the proportion of investment have a positive effect on the readability of sustainable reports, but simultaneously these variables affect the readability of sustainable reports

In this case, the obstacles in the research or limitations of the research can be described as follows: (1) There are difficulties in finding the Company's data in Malaysia. (2) The number of samples that are the object of research is still too small when compared to the population.

Suggestions for further researchers are expected to increase the sample. For research related to sustainability commitment variables, other measurement procedures other than social and economic performance costs can be used that are more accurate in analyzing research data, because some companies do not provide comprehensive information related to the costs incurred.

IMPLICATIONS AND LIMITATIONS

In this case, the obstacles in the research or limitations of the research can be described as follows:

1. There are difficulties in finding the Company's data in Malaysia.
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For research related to sustainability commitment variables, other measurement procedures other than social and economic performance costs can be used that are more accurate in analyzing research data, because some companies do not provide comprehensive information related to the costs incurred.

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