



The Effect of Liquidity, Leverage, and Audit Committee on Sustainability Report Disclosure with Profitability as a Mediating Variable

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ABSTRACT

The purpose of this study is to obtain empirical evidence about the role of profitability in mediating the effect of liquidity, leverage, and company size to sustainability report disclosure. The population in this study were non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017 from 465 companies. The sampling technique used purposive sampling method and produced a sample of 25 companies with 75 units of analysis. This study used path analysis with the help of IBM SPSS 21 software. The results of the analysis show that liquidity and leverage have a negative and significant effect on sustainability report disclosure. Audit committee and profitability have a positive and significant effect on sustainability report disclosure. Liquidity and leverage have a positive and significant effect on profitability. The audit committee has no effect on profitability. Profitability is successful in mediating the indirect effect of liquidity and leverage on sustainability report disclosure. However, profitability has failed in mediating the indirect influence between the audit committee on sustainability report disclosure. The conclusion of this study is liquidity, leverage, audit committee, and profitability have an important role in disclosure of sustainability report.

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INTRODUCTION

The main goal of company is to make profits. Profits are used as a tool to measure company performance that becomes the spotlight of other parties (Khafid, 2012). This makes profit as a prerequisite for maintaining the continuity of a company's business and fulfilling its responsibilities to the parties concerned. Besides a company carrying out activities in making profits, the company is required to be able to carry out social activities as a form of dedication to the impact of the activities carried out by the company.

Over time, companies began to realize not only to focus on the concept of a single bottom line, but also to focus on the triple bottom line (TBL) is a balance between economic, environmental, and social activities. Dilling (2010) stated that companies that want their business to continue, must pay attention to the "economy" in increasing company revenue, "social" in providing the welfare of the stakeholders, and "environment" in making an effort the quality of the nature in which the company runs business.

On the basis of the TBL concept, companies are expected to be able to contribute more to the economic, environmental and social sectors. A complete description regarding the TBL concept can be disclosed in a report called sustainability report, which is a non-financial report that is published separately from annual report (Idah, 2013). Three things that are included in the sustainability report include economic, environmental and social activities (Khafid & Mulyaningsih, 2017).

Global Reporting Initiative (2016) explains that sustainability report is a reporting of corporate activities openly related to economic, environmental and social impacts, including positive and negative contributions to the goals of sustainable development. Sustainability reporting is able to help a company to evaluate company performance results effectively. This makes companies increasingly have more value in the business world, improve financial performance, and build company legitimacy (Lucia & Panggabean, 2018).

Research by Loh *et al.* (2018) regarding sustainability reporting in ASEAN, viewing the development of sustainability report disclosures in several countries such as: Malaysia, Thailand, Philippines, Singapore and Indonesia. The results of the study revealed the disclosure of sustainability reports in the five countries reached

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59.2%. Malaysia has the highest overall sustainability disclosure quality with disclosure rate of 64.5%, followed by Singapore 61.7%, Thailand 60.0%, Philippines 56.3% and Indonesia 53.6%. The result of the study shows that at the ASEAN level, Indonesia is in the lowest position in conducting sustainability report disclosure.

Lucia & Panggabean (2018) in their research in manufacturing companies listed on the IDX and Malaysia Exchange in 2013-2015, resulting in the value of sustainability report disclosures of 0.041 in Indonesia and 0.036 in Malaysia. This finding states that in Indonesia it is still relatively low in disclosing sustainability reports. This occurs because sustainability reports in Indonesia are still voluntary (Khafid & Mulyaningsih, 2017).

Sustainability report disclosure which is still low raises a sense of concern for the community. This causes the Indonesian government to issue Law No. 40 of 2007 Article 74 paragraph (1) concerning Limited Liability Companies. This regulation explains the social activities that have become the obligations of the company. Environmental and social activities need to be disclosed in a sustainability report prepared separately from annual report (Khafid & Mulyaningsih, 2017).

The phenomenon of low sustainability report disclosure in Indonesia makes sustainability report disclosure interesting to be re-examined. Diantamala (2018) and Doktoralina *et al.*, (2018) proved that liquidity affects the disclosure of sustainability reports. Idah (2013) and Lucia & Panggabean (2018) found a finding that liquidity does not affect the disclosure of sustainability reports. Aniktia & Khafid (2015) & Karaman *et al.*, (2018) revealed that leverage is able to influence the disclosure of sustainability reports. Branco *et al.*, (2014) and Diantamala (2018) said that leverage is not able to influence the disclosure of sustainability reports.

Sari & Marsono (2013) and Aniktia & Khafid (2015) proved that the audit committee influences the disclosure of the sustainability report. Lucia & Panggabean (2018) and Al-shaer & Zaman (2018) stated that audit committee does not affect the disclosure of sustainability report. Branco *et al.*, (2014) and Lucia & Panggabean (2018) stated the result that profitability is able to influence the disclosure of sustainability reports. Aniktia & Khafid (2015) and Doktoralina *et al.*, (2018) revealed that profitability is not able to affect the sustainability report disclosure.

The purpose of this study is to examine the effect of liquidity, leverage, and audit committee on sustainability report disclosure with profitability as a mediating variable. The originality of this research is to present profitability as an intervening variable to mediate the effect of liquidity, leverage, and audit committee on sustainability report disclosure. The results of previous studies revealed that liquidity, leverage and audit committee have weaknesses in influencing the disclosure of sustainability reports. Idah (2013) showed the regression coefficient value of the liquidity effect on the sustainability report of 0.067, Saputro *et al.*, (2013) showed

the regression coefficient value of the leverage effect on the sustainability report of 0.012 and Sari & Marsono (2013) showed the regression coefficient value of the results of the audit committee effect on the disclosure of sustainability report of 0.01.

Inclusion of profitability as a mediating variable because some of the results of previous studies indicate relatively consistent significance affects the sustainability report disclosure and is relatively consistent between the effect of liquidity, leverage, and audit committee on profitability. Weak direct effect of liquidity, leverage, and audit committee on sustainability report disclosure shows low management quality in managing company's internal. So that by presenting profitability as an intervening variable, it is assumed that it can increase the effect of liquidity, leverage, and audit committee on sustainability report disclosure.

This research can be explained by stakeholder theory and legitimacy theory. Stakeholder theory explains that the identity of entity in running a business does not only focus on internal interests, but must be able to prosper its stakeholders. The intended stakeholders among others are creditors, debtors, consumers, the public, and others (Ghozali & Chariri, 2014). An entity is considered to have more capacity in providing information regarding financial and non-financial fields in decision-making. One of them is information about sustainability report disclosure.

Legitimacy theory explains that an organization can run its business properly must be in accordance with the norms and restrictions that are applied in society. The aim is to obtain legality from the community. Because actually, there is a social relationship between the company and the community in the environment where the company conducts operations and uses economic resources to gain legitimacy from the community (Ghozali & Chariri, 2014).

Liquidity has function to determine corporate ability to pay its current debt to creditors. This ability can be used as a measurement of corporate financial condition (Sari & Marsono, 2013). Companies that have high liquidity show that the entities are able to manage its current assets to the maximum, so that it can pay off their current debts on time and can minimize the risks posed. This makes the companies more credible and creates positive image of the companies.

Based on stakeholder theory, companies will make every effort to disclose information to keep positive image of the companies in the eyes of stakeholders. The trust and positive image of stakeholders will continue to persist with the companies providing information on sustainability report disclosure. This information is taken into consideration by creditors to work together and prove that the companies are in a stable financial position, that is, a position where the companies are able to pay off its current debt using current assets for less than one year. This research is strengthened by Saputro *et al.*, (2013) and Tumewu (2017).

H₁ : Liquidity has a positive effect on sustainability report disclosure

Companies require more funds from internal and external parties in carrying out its business activities. Leverage describes the ratio that compares debt and equity (Murhadi, 2015). Leverage is used as a benchmark for how companies make debt as a source of funding for corporate operational activities. Stakeholder theory underlies the relationship between an entity and its stakeholders. High leverage can affect the trust and support of creditors (Aniktia & Khafid, 2015).

More trust from creditors will continue to survive when the companies can report high profits. One of the ways to obtain high profits is to minimize costs incurred by the companies. These costs include the cost of sustainability report disclosure, where the cost requires substantial funds over a long period of time in the disclosure process. So that the entity tries to minimize the disclosure of sustainability reports that are still voluntary. This study is supported by Bhatia & Tuli (2017) and Kuzey & Uyar (2016).

H₂ : Leverage has a negative effect on sustainability report disclosure

Audit committee is a component of GCG which is responsible for carrying out the duties and functions of board of commissioners (OJK Regulation No.55 / PJOK.04 / 2015). Some of its duties are reviewing company financial information. Audit committee has an important task in overseeing the operation of an entity whether the entity has carried out its activities in accordance with the rules or vice versa. An audit committee is formed to support entity issuing comprehensive and qualified reports (Sari & Marsono, 2013).

On the basis of stakeholder theory, the entity that implements an organized company structure allows the company to meet the expectations of voluntary sustainability report disclosure as an effort to meet stakeholder needs (Aniktia & Khafid, 2015). Meetings that are often held by audit committee will form an effective coordination so that it can realize a high level of supervision and support the improvement of the quality of the sustainability report which is wider. This research is in accordance with Aniktia & Khafid (2015) and Sari & Marsono (2013).

H₃ : Audit committee has a positive effect on sustainability report disclosure

Profitability is used as a tool in measuring the ability of entities to generate profits. The generated profit is invested in the form of company assets (Murhadi, 2015). High profitability indicates that entity can obtain large profits. On the basis of stakeholder theory, parties that have an interest can play a role in corporate operational activities. The results of entity's operational activities can be seen from how much company makes profits. The amount of profit generated will affect company's decision making in disclosing the sustainability report.

The higher the profitability, makes managers can publish more information to prove to stakeholders that the entity is in a healthy position.. Penelitian ini sejalan dengan This makes the company have more funds in publishing information, both financial and non-finan-

cial such as the disclosure of sustainability reports. This research is in line with Idah (2013) and Lucia & Panggabean (2018).

H₄ : Profitability has a positive effect on sustainability report disclosure

Creditor's trust will continue to increase when the company is able to fulfil its obligations. Liquidity is used as a tool in measuring the performance of company in paying off current debt due (Murhadi, 2015). High liquidity proves that the company's financial performance is in a healthy position. That is because the entity is able to pay off its current debt, so it can be said that the company has more funds available to pay its debts. The higher the company's liquidity, the more it reflects the quality of the entity that gives rise to a good response from investors to invest in the company in an effort to increase corporate profitability (Febrianto, 2015). This research is supported by Wahyuni & Suryakusuma (2018).

H₅ : Liquidity has a positive effect on profitability

Leverage is able to affect company performance. Leverage is used as a tool to calculate the amount of company equity that comes from debt (Murhadi, 2015). Activities undertaken by the company require donations of funds that can be sought by applying for loans to creditors. This will pose a high risk if the company fails to repay its loans. High leverage results in a large loan and an increase in the interest expense borne by the company, which results in a decrease in profits generated by the company. This research is supported by Wahyuni & Suryakusuma (2018).

H₆ : Leverage has a negative effect on profitability

Audit committee is an important part of GCG implementation in the company. Audit committee can strengthen the company's internal audit function and evaluate the business risks faced by management so as to make the company more controlled (Satriadi *et al.*, 2018). The more intense the audit committee holds meetings, making the company's financial performance more controlled and restrained in carrying out its obligations, which makes company's profitability achieved to the maximum. This research is supported by Aryan (2015).

H₇ : Audit committee has a positive effect on profitability

Liquidity is a ratio that compares current debt to current assets. Higher liquidity shows qualified companies. This has an impact on the emergence of good responses from investors to invest their capital in companies in an effort to support the profitability of the company (Febrianto, 2015). High profitability allows managers to provide more information to prove to investors that the entity is in a healthy position. Thus, the companies have more funds to disclose financial and non-financial information such as sustainability reports. When profitability is high, making the company is able to disclose sustainability reports for sustainable business development.

H₈ : Profitability mediates the effect of liquidity on sustainability report disclosure

Leverage is a ratio that determines how much an entity makes debt as a source of capital to fund its business activities. A high proportion of debt can present a large risk when management cannot repay its debt. This results in companies being more funded using company private funds, so that the use of external debt is lower. Companies that are able to make good use of personal funds make they are able to reduce the risk of failure. So that the company’s responsibility to pay off debt and interest expense to outsiders will be lower, this makes the company’s profits increase. Companies that generate high profits, making the companies have enough funds to disclose information about economic, environmental, and social activities described in the sustainability report.

H₉ : Profitability mediates the effect of leverage on sustainability report disclosure

Audit committee is a component of GCG that has the responsibility in carrying out supervision, examination, and risk management. More intense supervision will reduce the level of risk that is likely to occur so as to make employees able to work effectively and efficiently in improving the quality of the company. With good performance will make the company can achieve profits according to the targets set. So that the company’s profitability can increase, this makes the company has the ability to disclose more information such as sustainability report disclosure to attract investors.

H₁₀ : Profitability mediates the effect of audit committee’s effect on sustainability report disclosure

RESEARCH METHODS

This research used a quantitative approach, accompanied by research data that is secondary data consisting of annual reports and sustainability reports. The population used refers to non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017 as many as 465 companies. The sampling technique used purposive sampling technique.

The results of a purposive sampling technique show that non-financial companies listed on the Indonesia Stock Exchange in 2015-2017 amounted to 465 companies. Furthermore, appropriate criteria were set, namely non-financial companies that issued annual reports and sustainability reports separated from financial statements; informed the GRI guidelines used; and listed the GRI index for three years from 2015-2017 to only 25 companies. Thus, for three years of observation since 2015-2017 a total of 75 companies analysis units were obtained.

This study uses three independent variables, one intervening variable and one dependent variable. Explanation of each variable is shown in Table 1. Data collection technique used documentation technique by analyzing annual report data obtained directly from the Semarang Branch IDX Office and sustainability reports obtained from the sample company’s official website. The data analysis techniques of this research were descriptive statistical analysis, classical assumption test, and path analysis which was assisted by an analysis tool that was the IBM SPSS 21 software. Basic decision-making used a significance level of 5%.

The path analysis model in this study can be formulated in equations 1 and 2.

$$ROA = \alpha + \beta_1 CR + \beta_2 DER + \beta_3 KA + e \dots\dots\dots (1)$$

Table 1. Operational Definitions of Research Variables

No	Variables	Definition	Measurement
1	Sustainability Report Disclosure (SR)	Organization reporting openly on the impact of economic, environmental and social activities (Global Reporting I nitiative, 2016)	$\frac{\sum \text{Item disclosed}}{\sum \text{Item of GRI disclosure}}$ (Doktoralina et al., 2018)
2	Liquidity (CR)	Ratio to see the performance of an entity in meeting its current debt with current assets (Murhadi, 2015)	$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$ (Tumewu, 2017)
3	Leverage (DER)	A ratio that compares debt to company equity (Murhadi, 2015)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$ (Lucia & Panggabean, 2018)
4	Audit	The GCG organ that is responsible for helping carry out the duties and functions of the board of commissioners (Regulation of OJK No.55/PJOK.04/2015)	Number of audit committee meetings per year (Khafid & Mulyaningsih, 2017)
5	Profitability (ROA)	Ratio that shows the amount of profit for each fund invested in the form of assets (Murhadi, 2015)	$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$ (Aniktia & Khafid, 2015)

Source: Various references processed, 2019

$$SR = \alpha + \beta_1 CR + \beta_2 DER + \beta_3 KA + \beta_4 ROA + e \dots (2)$$

RESULTS AND DISCUSSIONS

The results of descriptive statistical analysis for liquidity, leverage, audit committee, profitability and sustainability report disclosure can be seen from Table 2. The result of the normality test carried out by the Kolmogorov-Smirnov test shows a significance value of 0.391 higher than 0.05, meaning that the residual value is normally distributed. The result of the multicollinearity test shows a tolerance value > 0.10 and a VIF value <10 so it can be concluded that this study does not detect multicollinearity symptoms. The result of the autocorrelation test using Durbin - Watson (d) was 1.794. The result means that $du < d < 4-du$ with the description suitable with total independent variables of 4 variables and 75 units of analysis used states that $1.7390 < 1.794 < 2.261$. This result proves that this study is free from positive or negative autocorrelation symptoms or autocorrelation does not occur. The heteroscedasticity test is done by white test which shows the result that c^2 count is $17.325 < c2$ table is 96.21 which means that residual data is free from heteroscedasticity symptoms.

Test result for the coefficient of determination of the regression equation for model 1 shows the adjusted R² value of 0.261. This result indicates that the magnitude of variations in profitability variable in non-financial companies listed on the Indonesia Stock Exchange in 2015-2017 can be explained by variations

in liquidity, leverage, and audit committee variables by 26.1% and the remaining 73.9% is influenced by other variables. Meanwhile, the result of the Adjusted R² value in the model 2 regression equation is 0.168. This shows the result that the magnitude of the variation of the sustainability report disclosure variable on non-financial companies listed on the Indonesia Stock Exchange in 2015-2017 can be explained by variations in liquidity, leverage, audit committee and profitability variables of 16.8% and the remaining 83.2% is influenced by other variables. A summary of the results of the hypothesis test can be seen in Table 3.

The Effect of Liquidity on Sustainability Report Disclosure

The research result shows that liquidity is able to have a negative and significant influence on the disclosure of sustainability reports. This finding explains that entities with high liquidity cause low disclosure of sustainability reports. This result is contrary to the theory of legitimacy that causes a legitimacy gap where companies in financial performance condition are constantly improving but it is not in line with people’s expectations of such capabilities. This is in line with Kuzey & Uyar (2016) who revealed that the company in operating its business operations focusing on managing the company’s liquidity rather than disclosing the sustainability report.

Other reasons indicate that corporate assets are used to pay off debt to creditors and carry on corporate

Table 2. Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
CR	75	0.22	4.89	1.6171	1.05762
DER	75	-3.33	3.31	1.0693	1.06380
KA	75	4	39	12.20	9.795
ROA	75	-0.56	0.21	0.0288	0.09399
SR	75	0.09	0.95	0.3576	0.18096
Valid N (<i>listwise</i>)	75				

Source: SPSS Statistic 21 processed, 2019

Table 3. Summary of Hypothesis Testing Results

Hypothesis	Definition	Regression Coefficient	Sig.	Results
H ₁	Liquidity has a positive effect on sustainability report disclosure	-0.059	0.006	Rejected
H ₂	Leverage has a negative effect on sustainability report disclosure	-0.051	0.017	Accepted
H ₃	Audit committee has a positive effect on sustainability report disclosure	0.006	0.004	Accepted
H ₄	Profitability has a positive effect on sustainability report disclosure	0.616	0.013	Accepted
H ₅	Liquidity has a positive effect on profitability	0.037	0.000	Accepted
H ₆	Leverage has a negative effect on profitability	0.038	0.000	Rejected
H ₇	Audit committee has a positive effect on profitability	0.000	0.719	Rejected
H ₈	Profitability mediates the effect of liquidity on sustainability report disclosure	-0.036	0.029	Accepted
H ₉	Profitability mediates the effect of leverage on sustainability report disclosure	-0.028	0.029	Accepted
H ₁₀	Profitability mediates the effect of audit committee on disclosure sustainability report	0.006	1.0	Rejected

activities without the need for conducting more information disclosures that are voluntary and costly. Thus, the companies believe that investors will be more interested in looking at the financial performance shown by the high level of corporate liquidity to invest their capital than information on sustainability reporting disclosure. This result is in line with Doktoralina *et al.*, (2018) and Diantamala (2018).

The Effect of Leverage on Sustainability Report Disclosure

The research result shows that leverage is able to have a significant negative effect on the disclosure of sustainability reports. In line with stakeholder theory, increased leverage making the entity at high risk of failure if it is not able to pay off its debt. This enables the company tries to manage the costs incurred, including by minimizing the additional costs to do sustainability report disclosure. This research is consistent with Bhatia & Tuli (2017) and Kuzey & Uyar (2016).

The Effect of Audit Committee on Sustainability Report Disclosure

The research result shows the audit committee is able to have a positive and significant effect on the disclosure of sustainability reports. This finding fulfils the assumptions of stakeholder theory that companies are able to meet the expectations of more information disclosure about environmental and social activities in order to obtain legitimacy from the community. Based on the descriptive statistical analysis, it shows that Bukit Asam Coal Mining Company in 2015 was the most frequently company which held a meeting 39 times with the rate of sustainability report disclosure of 95% or 86 disclosure items.

This result proves that the frequency of audit committee meetings will have an impact on the high level of supervision and evaluation, including in exchanging ideas and knowledge of each member on decisions that need to be taken for the interests of all stakeholders. One such decision is the disclosure of sustainability reports. This result is in line with Aniktia & Khafid (2015) and Lucia & Panggabean (2018).

The Effect of Profitability on Sustainability Report Disclosure

The research result shows that profitability is able to have a significant and positive effect on the disclosure of sustainability reports. In line with stakeholder theory, high profitability allows managers to be able to provide more information in convincing investors that the entity is in good condition. This is due to entities having more funds to present financial and non-financial information such as sustainability report disclosures. Dilling (2010) argued that increasing entity profits makes managers able to present information to stakeholders more fully, including information

on environmental and social responsibility. This research is in line with Branco & Delgado (2014) and Lucia & Panggabean (2018).

The Effect of Liquidity on Profitability

The research result proves that liquidity is able to have a significant and positive effect on profitability. High liquidity shows that the entity has enough funds to pay off its current debt. In line with stakeholder theory, states that the success of an organization's business requires the support of interested parties, one of which is creditor. The higher the liquidity of the company is able to improve the quality of the company which raises a positive response from creditors to provide loan funds to the company in an effort to increase company profitability.

Alicia (2017) revealed that the company is able to manage current assets efficiently. High liquidity is expected that the company is able to maintain and improve efficiency in the use of current assets to pay off debts and minimize risks so that the company can improve the company's profitability. This research is in line with Wahyuni & Suryakusuma (2018).

The Effect of Leverage on Profitability

The results of the study prove that leverage is able to have a significant positive effect on profitability. A high level of leverage makes loan bigger to fund corporate operations in order to maximize corporate activities so that it is in a state of profit. Tjandra (2015) stated that leverage is able to influence profitability in a positive direction. The reason is, when leverage is high, then a company is said to be able to manage capital from creditor loans efficiently, so that the company gets high profits. This research is in line with Singapurwoko & El-Wahid (2011).

The Effect of Audit Committee on Profitability

The result of the study states that audit committee is not able to influence profitability. This means that high and low audit committee meetings are not able to influence the level of profitability. This result is not in line with the hypothesis, because the audit committee meetings are not able to guarantee the success of the audit committee in carrying out intense supervision.

According to Komite Nasional Kebijakan *Governance* (2006) explains that the duty of audit committee is responsible to the board of commissioners to confirm that the financial statements and control structures are made properly and can be carried out accordingly. The audit committee meeting will later produce audit findings that the company needs to do. The number of findings obtained through audit committee meetings is not able to influence directly managing the performance of the company's management if it is not supported by internal company collaboration. This makes high or low profitability of the company cannot be determined from the results of the audit committee meeting. This research is in line with Ramiyati (2017).

Profitability Mediates the Effect of Liquidity on Sustainability Report Disclosures

The result of the study shows that profitability has succeeded in mediating the effect of liquidity on the disclosure of sustainability reports. High level of liquidity is able to improve the quality of entity that can bring good responses from investors in investing in companies in an effort to increase company profitability (Febrianto, 2015). High profitability indicates that the company has sufficient funds. This makes managers will reveal more information about financial and non-financial information, namely disclosure of sustainability reports to prove to investors that the company is in a healthy condition.

Profitability Mediates the Effect of Leverage on Sustainability Report Disclosures

The result of the study shows that profitability has succeeded in mediating the effect of leverage on the disclosure of sustainability reports. High profitability can be said that the entity can utilize internal funds efficiently, so the company is able to reduce the risk of failure. This is due to the company can press funds to pay off debt and interest expenses to external parties. This makes the profits generated by the company will increase. In line with stakeholder theory, high profitability makes managers have enough funds to publish more information so investors are trust about the company's performance. Dilling (2010) disclosed the increasing net profit of the entity is able to make managers present more information that is complete to stakeholders including information about environmental and social activities as outlined in the disclosure of sustainability report.

Profitability Mediates the Effect of the Audit Committee on Sustainability Report Disclosure

The result of the study shows that profitability fails to mediate the effect of the audit committee on the disclosure of sustainability reports. The company discloses sustainability reports into a form of policy determined by the company. The audit committee oversees the policies set by the company regardless of how much profitability the company produces. The company management believes that sustainability report disclosure is a policy that can attract investors to invest. This is due to the entity is considered capable of being responsible for the environment in which the company operates.

CONCLUSIONS

The conclusions of this research are liquidity, leverage, and audit committee are able to influence the sustainability report disclosure. Liquidity and leverage are able to effectively affect profitability. High and low audit committee is not able to affect profitability. On the other hand, profitability has an important role in bridging the indirect effect of liquidity and leverage in influencing the disclosure of sustainability reports.

The result of the study shows that the disclosure of sustainability report is still low. In accordance with

the results of the descriptive statistical analysis, the average disclosure of the sustainability report is 35.76%. The company is expected to pay more attention to sustainability report disclosure items by increasing profitability. The government should take firm steps in setting regulations to require companies to disclose sustainability reports. Suggestions for future researchers can widen the sample of research in all sectors of companies listed on the IDX by paying attention to the POJK index number 51 / POJK.03 / 2017 to disclose the sustainability report in the financial sector.

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