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CORPORATE GOVERNANCE, PROFITABILITY, AND ESG DISCLOSURE QUALITY: EVIDENCE FROM INDONESIAN CONSUMER NON-CYCLICAL COMPANIES

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Abstract

This study aims to analyse the effect of profitability on ESG disclosure quality using the share of independent commissioners as a moderating variable in Consumer Non-Cyclicals manufacturing companies listed on the Indonesia Stock Exchange (IDX). A quantitative explanatory approach was conducted utilising secondary panel data from 42 companies in the period 2021–2024, with a total of 167 observations from annual and sustainability reports. The analysis was performed using EViews 13, with a Moderated Regression Analysis (MRA) and a Random Effect Model (REM). The quality of ESG disclosure was examined using the GRI G4 index (91 items), profitability was measured using the Return on Assets (ROA), and corporate governance was measured using the proportion of independent commissioners. At 10% significance level, profitability has a substantial negative effect on ESG disclosure quality ($\beta = -11{,}955.52$; $p = 0.073$) and the proportion of independent commissioners also has a significant negative effect ($\beta = -3{,}265.58$; $p = 0.068$). The interaction variable has a positive quasi-moderating effect ($\beta = 24{,}836.27$; $p = 0.051$), which implies that corporate governance has a partial weakening effect on the negative influence of profitability on ESG disclosure quality. The low explanatory power of the model (Adj. R2 = 0.73%) indicates that other factors are also at play. Future research could extend the observation period, include more control variables such as business size, leverage and institutional ownership, and adopt more thorough governance proxies. Regulators are advised to enhance the substantive effectiveness of governance structures to achieve better quality ESG reporting in emerging markets.

Keywords: Profitability, ESG Disclosure Quality, Corporate Governance, Independent Commissioner, Return on Assets

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INTRODUCTION

Regulations and standardized sustainability reporting requirements have become increasingly common worldwide in recent years. However, the widespread adoption of ESG (Environmental, Social, and Governance) reporting has not yet led to significant improvements in the quality of the information shared. Greenwashing, regulatory differences between countries, and inadequate oversight systems indicate that the quality of ESG disclosures depends on more than just corporate compliance with rules, but also on how companies operate and the institutional pressures they face. These conditions open up opportunities for further research to analyze the factors influencing the quality of ESG disclosures, particularly in developing countries.

As public awareness of sustainability issues grows, corporate reporting is no longer solely about financial performance but increasingly encompasses social and environmental aspects as a form of accountability to stakeholders. ESG disclosure is the primary means of assessing a company's accountability, reputation, and long-term value. In reality, the quality of ESG disclosures reflects the extent to which a company is willing and able to allocate resources to promote sustainability and transparent reporting.

Khamisu and Paluri (2024) highlight that the quality of ESG disclosure has become a crucial topic in contemporary accounting research, given its significant role in enhancing corporate reputation and value in a sustainable manner. Mohammad and Wasiuzzaman (2021) demonstrate that comprehensive ESG disclosure has a positive impact on corporate performance, particularly in terms of competitive advantage. These findings confirm a shift in accounting practices, where companies are now evaluated not only based on financial success but also on the transparency of the sustainability information they publish.

In Indonesia, Nareswari et al., (2023) found that the level and quality of ESG disclosure among IDX-listed companies vary across firms and industries, influenced by reporting capabilities, incomplete standardization, and limited verification resources. Bamel et al., (2025) assert that inconsistent reporting standards in developing countries make ESG disclosures less credible as sustainability indicators for investors. Although OJK Regulation No. 51/POJK.03/2017 has mandated sustainability reporting, the quality of ESG disclosures themselves has not always improved in proportion to formal compliance. Companies still face difficulties in preparing, verifying, and standardizing ESG data due to a lack of adequate human resources.

This phenomenon of a quality gap in ESG disclosures is empirically evident in the Consumer Non-Cyclicals sub-sector of the manufacturing industry in Indonesia. Based on ESG Risk Rating data from Morningstar Sustainalytics officially published via the Indonesia Stock Exchange (Bursa Efek Indonesia, 2026) and (Morningstar Sustainalytics, 2026), out of 132 companies listed in the Consumer Non-Cyclicals sector on the IDX, only 22 companies (16.7%) have received an ESG score from an independent rating agency. In other words, more than 83.3% of companies in this sector have not had the quality of their ESG management independently assessed. Among the 22 companies that have been scored, the variation in the quality of ESG management remains very wide: the best score is 20.64 (PT

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Unilever Indonesia Tbk) and the worst score reaches 48.40 (PT Malindo Feedmill Tbk) a difference of nearly 28 points within the same sector. A total of 7 companies (31.8%) fall into the High ESG Risk category (score ≥40) and 15 companies (68.2%) are in the Moderate category, with an average score of 34.9. Not a single company in this sector has managed to reach the Low Risk category. It should be noted that in the Sustainalytics rating system, a lower score reflects better ESG risk management; thus, the higher the score, the greater the unmanaged ESG risk. This situation underscores that although reporting obligations are regulated, the quality of ESG disclosures in the Consumer Non-Cyclicals sector remains highly variable and far from optimal.

One internal factor influencing the quality of ESG disclosures is profitability. Companies that generate higher profits have greater financial freedom to support sustainability efforts. Slack Resources Theory states that companies tend to invest in sustainability practices and reporting when resources are available. However, high profitability does not automatically guarantee better ESG transparency, as management policies and oversight mechanisms also influence disclosure decisions. In this regard, corporate governance plays a crucial role in ensuring resources are used responsibly. Board composition, including independence and the effectiveness of oversight, has been shown to influence the quality of ESG disclosures (Sari & Nadhira Fitriani, 2024); (Cahyani et al., 2024). In this study, corporate governance is proxied by the Proportion of Independent Commissioners, which is the ratio of the number of independent commissioners to the total number of board members, acting as an external oversight mechanism to promote transparency in ESG disclosures (Sari & Nadhira Fitriani, 2024).

Although many studies have examined the relationship between profitability and sustainability reporting, there remains unresolved inconsistency in the findings. Some studies have found that profitability has a positive effect on the quality of ESG disclosures (Mohammad & Wasiuzzaman, 2021), while other studies have found no significant effect (Nareswari et al., 2023). This inconsistency is suspected to be caused by differences in the governance mechanisms used by each company, but few studies have directly tested this. Very few studies have simultaneously analyzed the impact of profitability on the quality of ESG disclosures with corporate governance—specifically the Proportion of Independent Commissioners—as a moderator variable, particularly in the Consumer Non-Cyclicals sector in Indonesia, which has unique characteristics as a basic needs sector facing increasing sustainability pressures.

REVIEW OF LITERATURE

Profitability

Profitability reflects a company's ability to efficiently generate profits from its resources during a reporting period. As an indicator of financial health, profitability is one of the key considerations for stakeholders in assessing the quality of management and the company's long-term competitiveness. Nurjanah et al., (2025) state that Return on Assets (ROA) is a measure of profitability that illustrates how effectively a company utilizes its assets to generate net profit; thus, a higher ROA value indicates better asset

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performance.

From the perspective of Slack Resources Theory, companies with high profitability not only possess greater financial capacity but also strategic flexibility to allocate resources toward sustainability initiatives, including the preparation of comprehensive and standardized ESG reports. Conversely, companies with low profitability tend to prioritize operational sustainability and reduce expenditures on non-mandatory reporting activities.

Quality of ESG Disclosure

The quality of ESG disclosure refers to the extent to which the environmental (E), social (S), and governance (G) information disclosed by a company meets standards of completeness, accuracy, consistency, and reliability, enabling stakeholders to use it as a basis for decision-making. Khamisu and Paluri (2024) emphasize that the quality of ESG disclosure has become a central topic in contemporary accounting research given its role in enhancing corporate reputation and value sustainably.

In this study, the quality of ESG disclosures is measured using a disclosure index based on the Global Reporting Initiative (GRI) G4 guidelines, which includes 91 indicators divided into environmental (EN1–EN34), social (LA1–LA16, HR1–HR12, SO1–SO11, PR1–PR9), and economic governance (EC1–EC9). The index value is calculated as the ratio of the number of disclosed items to the total number of GRI items, resulting in a score between 0 and 1. This approach is consistent with common practices in the Indonesian ESG disclosure literature (Masyitoh et al., 2024)(Masyitoh et al., 2024; Nareswari et al., 2023).

Corporate Governance

Corporate governance (CG) is a system of rules, structures, and procedures that governs and directs the operation of a company to ensure transparency, accountability, and the protection of the interests of all stakeholders. Based on Agency Theory, effective governance mechanisms—particularly the presence of independent directors—are necessary to reduce conflicts of interest between management and shareholders, as well as to promote the disclosure of non-financial information.

Nicolo et al. (2023) demonstrate that board characteristics, including the proportion of independent members, significantly influence the level and quality of ESG disclosures in the global utilities sector. Sari and Nadhira Fitriani (2024) as well as Cahyani et al. (2024) also confirm the positive relationship between the composition of an independent board of commissioners and the quality of sustainability reporting in the Indonesian context. In this study, corporate governance is proxied by the Proportion of Independent Commissioners, which is the ratio of the number of independent commissioners to the total number of board members.

A review of the literature reveals two major gaps that justify this study. First, there is inconsistency in the findings regarding the effect of profitability on ESG disclosure: Mohammad & Wasiuzzaman (2021) found a positive relationship, while Masyitoh et al. (2024) found no significant direct effect. This inconsistency suggests the

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possibility of a moderating variable that has not yet been tested. Second, most studies treat corporate governance as an independent variable (Nicolo et al., 2023), rather than as a moderator—meaning no study has yet examined whether the quality of corporate governance strengthens or weakens the effect of profitability on the quality of ESG disclosure, particularly in the post-pandemic context of Indonesia.

Based on these gaps, this study contributes by: (1) treating corporate governance (Proportion of Independent Commissioners) as a moderator in the profitability–ESG relationship; (2) using the GRI G4 index as a measure of multidimensional ESG disclosure quality; and (3) providing empirical evidence for the Consumer Non-Cyclicals subsector on the IDX for the 2021–2024 period, which remains very scarce in the Indonesian ESG literature.

RESEARCH METHOD

This study employs a quantitative explanatory research approach, which aims to explain causal relationships among variables based on statistical hypothesis testing. This approach was chosen because all research variables—profitability, ESG disclosure quality, and corporate governance—can be quantified and measured numerically using standardized secondary data sources. The data used consists of panel data that combines cross-firm (cross-section) and time-series dimensions over the 2021–2024 period. The use of panel data allows for the control of unobserved heterogeneity across firms, making the estimation of relationships between variables more reliable compared to cross-section or time-series data alone.

The research procedure was carried out in three main stages. First, the data collection stage was conducted by downloading the annual reports and sustainability reports of all sample companies from the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official websites of each company. Second, the data processing stage involved assigning ESG disclosure scores based on the GRI G4 index, calculating ROA values, and determining the proportion of independent commissioners for each company annually. Third, the data analysis stage was conducted using EViews 13 software via the Moderated Regression Analysis (MRA) method, which includes panel regression model selection tests, hypothesis testing, and interpretation of results.

Population and Sample

The population in this study consists of all manufacturing companies in the Non-Cyclical Consumer Goods subsector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 study period. This subsector was selected because its products are essential goods with relatively stable demand, meaning the pressure for sustainability and transparency in ESG reporting faced by companies in this subsector is relatively greater than in other manufacturing subsectors. Given these characteristics, the Consumer Non-Cyclicals subsector serves as a relevant and representative context for analyzing the factors influencing the quality of ESG disclosures.

Sampling was done by purposive sampling method, that is sampling which is based on certain criteria according to study aims. The chosen methodology was to

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ensure that the sample really reflects the features of the variables under consideration. There were three main criteria used: (1) The company was consistently listed on the IDX in the Consumer Non-Cyclicals subsector during the 2021–2024 period; (2) The company published complete annual reports and/or sustainability reports throughout the entire study period; and (3) The company disclosed ESG information that could be analysed using Global Reporting Initiative (GRI) indicators. By using these three criteria, a final sample of 42 companies with a total of 167 observations was obtained. One data point did not match the reporting completeness criteria in one of the observation years, hence that data point was omitted from the analysis. This is why the number of observations is not a multiple of 4 (42 × 4 = 168). Details of the sample selection process are given in below Table 1.

Tabel 1.

The Research Sample Selection Process

NO	Sample Selection Criteria	Number of Companies
1	Manufacturing companies in the Consumer Non-Cyclicals subsector that were consistently listed on the IDX during the 2021–2024 period	57
2	Excluded: Companies that did not publish complete annual reports and/or sustainability reports during the study period	(9)
3	Excluded: Companies that did not disclose analyzable ESG information based on GRI standards	(6)
	Total Final Sample Companies	42
	Total Observations (42 companies × 4 years, minus 1 incomplete data point)	167

Source: Bursa Efek Indonesia (BEI)

Data Types and Sources

This study uses secondary data, which is data not obtained directly from the source but rather through published official documents. The primary data sources for this study include company annual reports to obtain ROA values and data on the proportion of

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independent commissioners, as well as GRI-based sustainability reports to obtain ESG disclosure data. All documents were downloaded from the official IDX website (www.idx.co.id) or from the official websites of the respective sample companies. The collected data covers a four-year period (2021–2024) and consists of numeric data that is quantitatively measurable.

Operational Definitions and Measurement of Variables

This study involves three main variables, each measured quantitatively. First, profitability as the independent variable (X) is measured using Return on Assets (ROA), which is the ratio of net income to the company's total assets. ROA was selected because it reflects a company's ability to generate profit from its total resources, while also serving as a relevant proxy for Slack Resources Theory (Waddock & Graves, 1997). Second, the quality of ESG disclosure as the dependent variable (Y) is measured using the GRI G4 disclosure index, which comprises 91 items, including 34 environmental items (EN1–EN34), 48 social items (LA1–LA16, HR1–HR12, SO1–SO11, PR1–PR9), and 9 economic/governance items (EC1–EC9). The ESG disclosure score is calculated by comparing the number of disclosed items to the total of 91 items, yielding a value ranging from 0 to 1. Third, corporate governance as a moderating variable (Z) is proxied by the Proportion of Independent Commissioners, which is the ratio of the number of independent commissioners to the total number of board members. This proxy reflects the board's capacity for independent oversight, which is expected to strengthen or weaken the relationship between profitability and the quality of ESG disclosure. A summary of the operational definitions of all variables is presented in Table 2.

Tabel 2.

Operational Definitions of Research Variables

Variable	Proxy	Measurement	Scale	Source
Profitability (Independent Variable, X)	Return on Assets (ROA)	Net Income ÷ Total Assets	Ratio	Annual Report
Quality of ESG Disclosure (Dependent Variable, Y)	GRI G4 Index (91 items)	Number of disclosed ESG items ÷ Total ESG items (91)E: EN1–EN34 (34 items)S: LA1–LA16, HR1–HR12, SO1–SO11, PR1–PR9	Ratio (0–1)	Sustainability Report

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		(48 items)G: EC1–EC9 (9 items)		
Corporate Governance (Moderating Variable, Z)	Proportion of Independent Directors	Number of Independent Directors ÷ Total Board Members	Ratio	Annual Report

Data Collection Instruments and Techniques

The data collection instrument used in this study is a coding sheet in the form of an assessment matrix containing all 91 GRI G4 indicators. Each indicator item is assessed dichotomously: it is scored 1 if the company discloses information relevant to that indicator in its sustainability report, and scored 0 if such information is not disclosed. The assessment process was conducted independently by the researcher by referring directly to the text of each company's sustainability report. To ensure consistency in the assessment, each report was reviewed comprehensively following the order of indicators established in the coding sheet. ROA data was obtained directly from the financial statements in the annual report, while data on the proportion of independent commissioners was obtained from the corporate governance section of the same annual report.

Data Analysis Techniques

Data analysis was performed using the Moderated Regression Analysis (MRA) method with a panel data regression approach, operated through EViews 13 software. MRA was selected because this method is specifically designed to test moderation effects—that is, to what extent the third variable (corporate governance) influences the strength or direction of the relationship between the independent variable (profitability) and the dependent variable (ESG disclosure quality). The advantage of MRA over ordinary linear regression lies in its ability to capture simultaneous interactions among variables within a single model. Furthermore, the use of panel data with the Random Effects Model (REM) approach has addressed the issue of unobserved heterogeneity among individuals, so that classical assumption tests such as residual normality are not an absolute requirement within the panel data regression framework. The regression model used in this study is as follows:

$$Yit = \alpha + \beta 1Xit + \beta 2Zit + \beta 3(Xit \times Zit) + \varepsilon it$$

Notes: Y = ESG Disclosure Quality; X = Profitability (ROA); Z = Proportion of Independent Commissioners; X × Z = Interaction variable (moderation); α = constant; β1–β3 = regression coefficients; ε = error term; i = firm; t = year.

The choice of the best appropriate panel regression model was made in three

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consecutive stages of testing. The Chow test was used first to pick between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) where a probability value less than 0.05 suggests that the FEM is more acceptable. Secondly, the right model was determined by the Hausman test, which tests between the FEM and the Random Effect Model (REM). If the probability value exceeds 0.05, the REM is preferable. Third, the Breusch-Pagan Lagrange Multiplier (LM) test was conducted to prove the superiority of the REM over the CEM. In the light of this series of experiments the model selected is Random Effect Model (REM).

Hypothesis testing was conducted based on the probability values (p-values) of each regression coefficient. The hypothesis was accepted if the probability value was $\leq$ 0.10. A significance level of $\alpha = 0.10$ (10%) was deliberately chosen given the relatively limited sample size (42 companies, 167 observations), thus requiring greater tolerance in detecting relationships between variables. The use of $\alpha = 0.10$ is a common practice in accounting research with small samples in developing countries and is acknowledged as one of the limitations of this study. The moderating effect of corporate governance is considered significant if the coefficient of the interaction variable ($\beta 3$) has a probability value ≤ 0.10. The overall goodness of fit of the model is evaluated using the Adjusted R-squared value to determine the proportion of variation in the dependent variable explained by the model, as well as the F-statistic test to assess the model's suitability simultaneously.

RESULTS AND DISCUSSION

Descriptive Statistics

The analysis used 167 observations from 42 manufacturing companies in the Consumer Non-Cyclicals subsector listed on the Indonesia Stock Exchange (IDX) for the period 2021–2024. Descriptive statistics are presented in Table 3. The ESG disclosure quality variable had a mean of 7,246.114 with a standard deviation of 1,794.673, reflecting a very wide variation among companies—from a minimum value of 2,747 to a maximum of 10,000. The average ROA variable is 0.1029, while the average proportion of independent commissioners is 0.4380, meaning that all companies in the sample have met the OJK requirement of at least 30% independent commissioners.

Tabel 3.

Descriptive Statistics of Research Variables

Statistics	ESG Quality (Y)	ROA (X)	Proportion of Independent Commissioners (Z)
Mean	7.246,114	0,1029	0,4380
Max.	10.000,000	0,3428	1,0000
Min.	2.747,000	0,0079	0,2500

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Std. Dev.	1.794,673	0,0661	0,1331
N	**167**	**167**	**167**

Source: Data analyzed using EViews 13 (2025)

Model Selection and MRA Results

The selection of the panel regression model was conducted using the Chow Test (prob. 0.0194), the Hausman Test (prob. 0.9025), and the Breusch-Pagan Lagrange Multiplier Test (prob. 0.0368), which sequentially yielded the decisions FEM > CEM, REM > FEM, and REM > CEM. Thus, the Random Effects Model (REM) was selected as the estimation model to be used.

The results of MRA estimation are shown in Table 4 as follows: $Y = 8{,}780.607 - 11{,}955.520X - 3{,}265.578Z + 24{,}836.270(X \times Z)$ At the same time, the model is not significant (F-stat = 1.4060; prob. 0.2430) with an Adjusted R^2 of 0.73%, which means that the quality of ESG disclosure is dictated by many other factors outside the model. Partially at $\alpha = 0.10$: profitability has a significant negative effect ($\beta = -11{,}955.520$; prob. 0.0731), corporate governance has a significant negative effect ($\beta = -3{,}265.578$; prob. 0.0675) and the interaction term has a limited but significant positive moderating effect ($\beta = 24{,}836{,}270$; prob. 0.0509). Thus, H1, H2 and H3 are recognised at 10% level of significance.

Tabel 4.

Estimation Results of Moderated Regression Analysis (MRA)

Variable	Coefficient	t-Stat	Prob.	Notes
Constant (α)	8.780,607	—	—	
Profitability / ROA (X)	-11.955,520	-1,8037	**0,0731**	*
Corporate Governance (Z)	-3.265,578	-1,8409	**0,0675**	*
Interaction X × Z	24.836,270	1,9667	**0,0509**	*
R² / Adj. R²	**0,0252 / 0,0073**			
F-stat (Prob.)	**1,4060 (0,2430)**			
Model	**Random Effect Model (REM)**			

Source: Data analyzed using EViews 13 (2025). * Significant at $\alpha = 0.10$

The Effect of Profitability on the Quality of ESG Disclosure (H1)

Profitability has a negative effect on the quality of ESG disclosure, contrary to the predictions of the Slack Resources Theory (Waddock & Graves, 1997) but consistent with

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the findings of Masyitoh et al. (2024) and Nareswari et al. (2023). In the context of the Indonesian Consumer Non-Cyclicals sector, more profitable firms tend to prioritize operational efficiency and returns to shareholders over expanding ESG disclosures. Insufficient institutional pressure at the sectoral level, as explained by Institutional Theory (DiMaggio & Powell, 1983), also helps explain why greater financial capacity has not automatically translated into higher-quality ESG reporting. This finding differs from that of Mohammad and Wasiuzzaman (2021), who found a positive relationship in Malaysia, which can be attributed to differences in regulatory contexts and stakeholder pressure in the two countries.

The Influence of Corporate Governance on the Quality of ESG Disclosure (H2)

The proportion of independent directors has a negative effect on the quality of ESG disclosure, which appears paradoxical to the predictions of Agency Theory (Jensen & Meckling, 1976). This finding can be explained by the fact that formal compliance with the requirement for a certain proportion of independent directors does not automatically reflect substantive oversight effectiveness Khamisu and Paluri (2024). In the context of emerging markets, independent directors place greater emphasis on financial oversight rather than promoting high-quality ESG disclosure (Bamel et al., 2025), consistent with the findings of Sari and Nadhira Fitriani (2024) in Indonesia, as also evidenced empirically by Nurfadilah and Mahadianto (2025), who found that audit committee size alone did not significantly reduce fraudulent financial reporting at PT Pertamina, suggesting that the effectiveness of governance oversight depends more on qualitative factors such as competence and independence than on formal structural presence.

The Moderating Role of Corporate Governance (H3)

The interaction term yields a significant positive coefficient at $\alpha = 0.10$, indicating that corporate governance functions as a quasi-moderator that weakens the negative effect of profitability on the quality of ESG disclosure. This means that in firms with a higher proportion of independent directors, the negative impact of profitability on ESG is reduced. Although this effect is not yet strong at $\alpha = 0.05$, this finding aligns with Nicolo et al. (2023), who noted that the influence of corporate governance is highly dependent on the industry context. The low Adjusted R^2 value suggests the need for further research incorporating additional variables such as firm size, leverage, institutional ownership, and the competence of independent directors as a more comprehensive proxy for corporate governance (Khamisu & Paluri, 2024; Zahid et al., 2022).

CONCLUSION

This research aims to study the effect of profitability on the quality of ESG disclosures with the proportion of independent commissioners as a moderating variable in the manufacturing companies of the Consumer Non-Cyclicals subsector listed on the Indonesia Stock Exchange (IDX) in the 2021-2024 period. The results of the Moderated Regression Analysis (MRA) analysis with the Random Effect Model (REM) on 167 observations from 42 organisations lead to three conclusions. First, profitability as defined by ROA has a negative and significant effect on the quality of ESG disclosure at the 10% significance level ($\beta = -11.955{,}520$; prob. 0.0731), which suggests that increasing

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profitability has not resulted in a better quality of ESG disclosure in this sector. Second, corporate governance, proxied by the Proportion of Independent Directors, has a negative and significant effect on the quality of ESG disclosure at the 10% significance level (β = −3.265,578; prob. 0.0675). This suggests that formal compliance with independent director requirements has not substantively driven improved ESG transparency. Third, corporate governance was significant to moderate the association between profitability and the quality of ESG disclosures at the 10% significance level (β = 24.836,270; prob. 0.0509). The direction of moderation is quasi-moderation, i.e., corporate governance weakens the negative impact of profitability on the quality of ESG disclosures.

Research Implications

Theoretically, this study enriches the literature on sustainability accounting by providing empirical evidence that the Slack Resources Theory does not always hold in the context of developing countries, particularly when institutional pressures are not yet strong enough to drive companies to allocate excess resources to ESG reporting. These findings also expand our understanding of Agency Theory in the context of ESG governance, where the formal presence of independent directors does not necessarily reflect substantive oversight effectiveness regarding the quality of sustainability reporting.

Practically, the results of this study have implications for three parties. For regulators, these findings suggest the importance of strengthening the substance of ESG reporting regulations, not only in terms of formal compliance but also by promoting the actual effectiveness of governance mechanisms within the sustainability agenda. For company management, this study demonstrates that high profitability must be balanced with substantive governance commitments to produce high-quality ESG disclosures. For investors, these results serve as a reminder that formal governance structures such as the proportion of independent commissioners need to be examined more deeply than mere ratio figures when assessing the credibility of a company's ESG reporting.

Recommendations for Further Research

Future research should (1) extend the observation period to capture the long-run dynamics of post-pandemic ESG disclosure policies; (2) include control variables such as firm size, leverage and institutional ownership that might influence the quality of ESG disclosures; (3) employ more comprehensive governance proxies such as the effectiveness of the audit committee, the existence of a sustainability committee or the ESG competence of independent directors; and (4) broaden the sectoral scope of the research to achieve more generalisable findings in the context of emerging markets.

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