

# DRIVERS OF CORPORATE SUSTAINABILITY REPORTING DISCLOSURE: THE ROLE OF TOTAL ASSETS, BUSINESS AGE, FINANCIAL RISK, PROFITABILITY, AND CORPORATE GOVERNANCE

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## ABSTRACT

Corporate sustainability reporting has received increasing attention in recent years due to increased awareness of the importance of transparency and social responsibility. This study aims to analyze the factors influencing sustainability reporting disclosure. The key variables considered were total assets, business age, financial risk, profitability, industry type, and corporate governance. The study results found that the factors that significantly influenced sustainability report disclosure were financial risk, corporate governance, and industry type. Organizations with effective financial risk management and strong governance systems are more likely to disclose sustainability information. In addition, industries with high environmental impacts, such as energy and manufacturing, have incentives to disclose environmental information through sustainability reports. In contrast, other factors such as total assets, firm age, and profitability were not found to significantly influence sustainability report disclosure. This indicates that organizational structure or financial performance may not be the main determinants of sustainability disclosure. However, the study also suggests that the analyzed factors can only partially explain the differences in sustainability reporting disclosures. Therefore, it is necessary to study other factors that may play an additional important role, such as organizational culture, consumer demands, and government policy pressures. The results of this study contribute to an understanding of the factors that motivate organizations to disclose sustainability information, which can be used to develop policy or practice guidelines that support long-term sustainability.

**Keywords:** Sustainability Reporting, Financial Risk, Corporate Governance

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## INTRODUCTION

Sustainable development has become a key issue in the global business world as organizations increasingly recognize the need to integrate sustainability practices into their operations to ensure long-term economic, social and environmental stability. Organizations must take responsibility for the impacts of their activities, particularly in terms of environmental conservation, pollution reduction, efficient waste management, community support, and promotion of social equality (Jansen, 2003).

One of the key ways organizations demonstrate their commitment to sustainability is through sustainability reporting. Such reporting helps to enhance transparency about an organization's sustainability performance. It provides insights to stakeholders such as investors, customers, regulators and the general public, in addition to disclosing environmental and social efforts. Sustainability reporting is also a strategic tool that helps build investor confidence and stakeholder trust by reflecting transparent management practices, awareness of social and environmental impacts, and commitment to long-term value creation.

However, despite the importance of sustainability reporting, in many countries it remains a voluntary practice, leading many companies to fail to produce sustainability reports systematically and consistently. The main reason is the lack of strict legal regulations, as well as financial reporting, which results in some companies still not paying attention to sustainability disclosure (Truant et al., 2017).

In this context, it is important to understand the factors that influence sustainability disclosure, especially for listed companies that already have public disclosure requirements. This study aims to analyze six key factors that may influence corporate sustainability disclosure decisions: asset size, company age, financial risk, profitability, industry type, and corporate governance. Although these factors are different, they are interconnected in determining an organization's sustainability reporting approach.

This study aims to provide insights into corporate disclosure behavior and recommendations to promote listed companies to have more comprehensive and transparent sustainability disclosures. The results of this study can help support stakeholders' expectations, strengthen market confidence, and promote sustainable economic development in the long run.

## LITERATURE REVIEWS

### Contribution

#### Theoretical Knowledge

Academic research on factors influencing corporate sustainability reporting has identified several key determinants. Total Assets are positively associated with disclosure capacity, as larger organizations typically have more resources to manage sustainability data efficiently and face greater stakeholder pressure to disclose such information. Firm Age also plays a crucial role, as older companies tend to have more stability and experience in sustainability reporting. Financial risk impacts disclosure practices, as companies facing higher risks often need to demonstrate transparency to reassure investors and stakeholders about the challenges they face. Similarly, profitability is a motivating factor for disclosure, with companies with higher profits likely to disclose more sustainability information to maintain a positive corporate image. In addition, the type of industry also influences the level of disclosure, with companies operating in industries with significant environmental or social impacts often expected to disclose comprehensive sustainability information. Finally, corporate governance enhances transparency by ensuring that sustainability disclosures are accurate, credible, and aligned with stakeholder expectations.

#### Practical Knowledge

In practice, improving sustainability disclosure requires policies that are transparent and aligned with key influencing factors. For example, companies with high total assets or high

financial risks should provide more detailed and transparent disclosures. In addition, training employees on sustainability reporting enables the production of high-quality reports, while using technology to manage sustainability data increases efficiency. Especially for large organizations or companies in industries that require high transparency. Furthermore, fostering stronger relationships with stakeholders through sustainability disclosure helps build trust and support sustainable growth in the long run.

### **Theories and Concepts**

Stakeholder Theory emphasizes that companies should consider the benefits and impacts to all stakeholders, not just shareholders, but also investors, employees, customers, local communities, and the environment. In the context of sustainability reporting, environmental, social and governance (ESG) disclosure is essential to ensure transparency and accountability to all stakeholders. Many factors influence sustainability disclosure, such as total assets, company age, financial risk, profitability, and corporate governance. This directly impacts a company's ability to meet stakeholder expectations. Larger companies or those with high profitability tend to face greater stakeholder scrutiny. This encourages them to disclose information more transparently and comprehensively. Conversely, companies with high financial risk or low profitability may face constraints in disclosing sustainability information. However, strong corporate governance can mitigate these challenges, making sustainability reporting an important strategy for building trust, fostering long-term relationships, and supporting business sustainability (Schaltegger et al., 2019).

### **Sustainability Reporting Disclosure**

Sustainability disclosure measurement is based on sustainability reports prepared according to the Global Reporting Initiative (GRI) standards, which assess the economic, social, and environmental impacts of organizations. This research used GRI Version 4.1 (2018). Using a scoring method presented in a research paper format, sustainability indicators are divided into three main dimensions: economy, society, and environment, consisting of a total of 91 indicators according to the guidelines of Putri et al. (2020).

### **Key Determinants of Sustainability Disclosure**

#### **1) Total Assets (Firm Size)**

Total assets have a significant influence on a company's ability to disclose its sustainability reports. Companies with a large asset base have sufficient resources to effectively manage sustainability programs and report information. In addition, large companies face increased public scrutiny, necessitating transparent disclosure of environmental and social information to meet stakeholder expectations. The relationship between total assets and sustainability disclosure is often measured using the natural logarithm of total assets, following the approach of Martínez-Ferrero et al. (2015).

Firm Size =  $\text{Log (TA)}$

โดยที่ TA = Total Asset

Where TA represents Total Assets.

#### **2) Firm Age**

Firm age, or the number of years a company has been in operation, has an impact on sustainability reporting, helping to build experience and stability. Older companies are more adept at dealing with environmental and social issues and are more effective at meeting stakeholder expectations. This makes these companies more likely to disclose sustainability information more consistently and transparently. Firm age was measured using the number of years since the company's founding, following the approach of Abdi and Càmarà-Turull. (2022).

#### **3) Financial Risk (Leverage)**

Financial risk affects a company's stability and ability to allocate resources to sustainability projects. Companies with low financial risk tend to have high financial stability. This enables

investment in sustainable projects and transparent disclosure. On the contrary, Companies with high financial risk may have limited disclosures as they prioritize financial stability. Financial risk is measured using the debt to total assets ratio following the approach of Thomas et al. (2020).

$\text{Leverage} = \text{Total Debt} / \text{Total Asset}$

### **Profitability**

Profitability reflects a company's ability to maintain sustainable operations. Highly profitable companies often have sufficient financial resources to invest in environmental and social projects and often transparently disclose sustainability information to demonstrate their positive contributions. This study measured profitability using Return on Equity (ROE) according to Cerciello et al. (2023) which is used to assess business performance.

$\text{ROE} = \text{Net Profit} / \text{Total Equity}$

### **Corporate Governance**

Corporate governance has a significant influence on the transparency and quality of sustainability disclosure. Companies with strong governance structures prioritize accountability and communicate effectively with stakeholders. This helps make sustainability reporting more credible and comprehensive. The quality of corporate governance will be measured using the corporate governance rating scores issued by the Thai Institute of Directors based on the guidelines of Michelin and Parbonetti. (2012). Companies rated as “excellent” or “very good” receive a score of 1, while other companies receive a score of 0.

### **Industry Type**

Industry type plays a key role in determining the level of sustainability disclosure. Manufacturing industries, such as energy and mining, often publish reports that highlight their environmental impacts due to their high levels of resource use and greenhouse gas emissions. While non-manufacturing industries such as financial services and technology tend to focus more on governance, social responsibility and risk management than environmental impact. Industry type is measured as a dichotomous variable, with companies in the manufacturing industry receiving a score of 1 and companies in non-manufacturing industries receiving a score of 0, following the guidelines of Hardiyansah et al. (2021).

## **RESEARCH METHODOLOGY**

### **Research Scope**

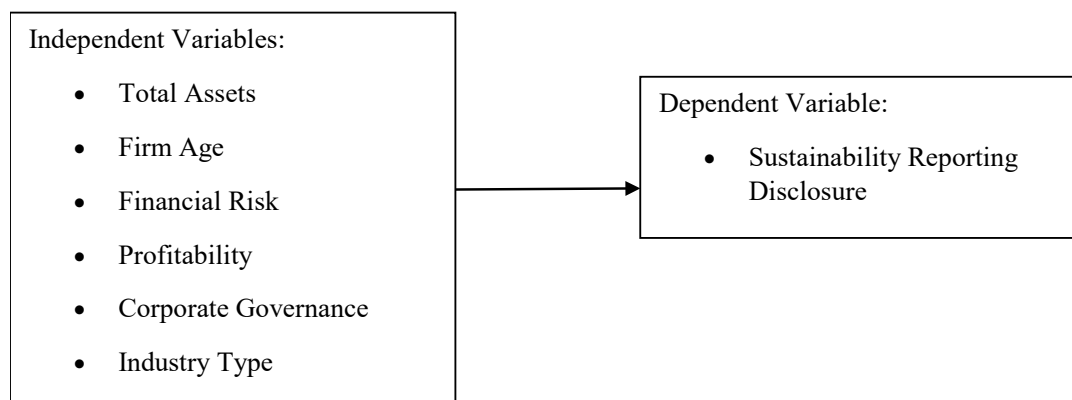
**Population Scope:** This study focuses on 557 listed companies on the Stock Exchange of Thailand (SET) as of 2024, excluding companies in the financial sector. Due to the complex financial and transaction structures, including companies undergoing rehabilitation and real estate investment trusts (REITs) operating under different legal and financial conditions. Selected companies are listed companies that disclose sustainability information in accordance with the Global Reporting Initiative (GRI) standards.

**Time Scope:** The study utilizes data from corporate sustainability reports published in 2018, following the GRI Version 4.1 standard. The analysis is based on sustainability disclosures relevant to the influencing factors outlined in the research scope. To ensure relevance and applicability to current business conditions, the study focuses on the most recent data available as of 2024.

The sample of the study consisted of 557 companies listed on the Stock Exchange of Thailand (SET). In 2024, companies in the financial sector will be exempted due to their complex financial and transactional structures, as well as their unique regulatory framework. (Yiu et al., 2007). Additionally, companies undergoing business rehabilitation, real estate investment trusts (REITs), and property funds are excluded from the sample.

The relationship between sustainability disclosure and its influencing factors is examined using the following multiple regression model:

$$\text{Disit} = \beta_0 + \beta_1 \text{TAit} + \beta_2 \text{FAit} + \beta_3 \text{LEVit} + \beta_4 \text{PROit} + \beta_5 \text{CGit} + \beta_6 \text{ITit}$$



**Figure 1** Research Framework

## RESEARCH RESULTS

### Descriptive Statistics of Variables

**Table 1** Descriptive Statistics of Variables

Variable	Mean	Standard Deviation	N
Sustainability Reporting Disclosure	49.06	10.82	557
Profitability	0.13	0.42	557
Financial Risk	0.32	0.32	557
Corporate Governance	0.60	0.49	557
Firm Size	9.81	0.71	557
Industry Type	0.58	0.50	557
Firm Age	34.86	19.03	557

From the analysis of descriptive statistics presented in Table 1, the findings indicate that the Sustainability Reporting Disclosure variable has a mean of 49.06 and a standard deviation of 10.82. The Profitability variable has a mean of 0.13 with a standard deviation of 0.42. For Financial Risk, both the mean and standard deviation are 0.32. The Corporate Governance variable has a mean of 0.60 and a standard deviation of 0.49. Regarding Firm Size, the mean is 9.81, with a standard deviation of 0.71. The Industry Type variable has a mean of 0.58 and a standard deviation of 0.50. Lastly, Firm Age has a mean of 34.86 and a standard deviation of 19.03.

**Table 2** Pearson Correlation Coefficients of Each Variable

Variable	Sustainability Report Disclosure	Profitability	Financial Risk	Corporate Governance	Firm Size	Industry Type	Firm Age
Sustainability Report Disclosure	1	0.042	0.146	0.192	0.07	0.177	0.071
Profitability	0.042	1	-0.093	0.023	0.106	-0.088	-0.081
Financial Risk	0.146	-0.093	1	0.049	0.136	-0.147	-0.086
Corporate Governance	0.192	0.023	0.049	1	0.248	-0.086	-0.098
Firm Size	0.07	0.106	0.136	0.248	1	-0.049	-0.076
Industry Type	0.177	-0.088	-0.147	-0.086	-0.049	1	-0.024
Firm Age	0.071	-0.081	-0.086	-0.098	-0.076	-0.024	1

The Pearson correlation coefficients in Table 2 indicate the relationships among the variables. The analysis shows that sustainability report disclosure has a correlation with profitability at

0.042 and demonstrates positive correlations with financial risk (0.146), corporate governance (0.192), firm size (0.070), industry type (0.177), and firm age (0.071). For profitability, it exhibits correlations with financial risk (-0.093), corporate governance (0.023), firm size (0.106), industry type (-0.088), and firm age (-0.081). Additionally, financial risk correlates with corporate governance (0.049), firm size (0.136), industry type (-0.147), and firm age (-0.086). In the case of corporate governance, it shows a positive correlation with firm size (0.248) but negative correlations with industry type (-0.086) and firm age (-0.098). Similarly, firm size correlates with industry type (-0.049) and firm age (-0.076), while industry type has a weak correlation with firm age (-0.024). The Pearson correlation coefficients in the table are all below 0.70 or above -0.70, indicating that most independent variables have weak or negligible correlations. This low level of multicollinearity suggests that these variables can be appropriately used in the next step of the analysis, which involves multiple regression analysis.

**Table 3** Multiple Regression Analysis

Variable	Unstandardized Coefficients (B)	Standard Error	Standardized Coefficients (Beta)	t-Statistic	Significance (p-value)
Constant	38.121	14.18		2.688**	0.008
Profitability	2.164	2.361	0.085	0.917	0.361
Financial Risk	6.309	3.148	0.187	2.004**	0.048
Corporate Governance	4.659	2.067	0.212	2.254**	0.026
Firm Size	0.057	1.45	0.004	0.039	0.969
Industry Type	5.091	2.018	0.233	2.522**	0.013
Firm Age	0.068	0.052	0.12	1.310*	0.193
F-Value	0.028**				
Adjusted R Square	0.073				
R Square Change	0.122				
Durbin-Watson	1.576				

Note: \*p < .05, \*\*p < .01

The results from the multiple regression analysis reveal that financial risk ( $t = 2.004$ , Sig. = 0.048), corporate governance ( $t = 2.254$ , Sig. = 0.026), and industry type ( $t = 2.522$ , Sig. = 0.013) significantly influence the disclosure of sustainability reports. These variables exhibit high t-values and Sig. values below 0.05, indicating their positive and significant impact on the coefficient of sustainability reporting. In contrast, profitability ( $t = 0.917$ , Sig. = 0.361), firm size ( $t = 0.039$ , Sig. = 0.969), and firm age ( $t = 1.31$ , Sig. = 0.193) do not show a statistically significant influence, as their t-values are low and Sig. values exceed 0.05. This suggests that these factors do not substantially affect sustainability reporting practices. The model's Adjusted R Square value of 0.073 indicates that the independent variables explain only 7.3% of the variance in sustainability report disclosure, implying the presence of other unexamined factors that may influence the outcome. However, the overall model is statistically significant, as evidenced by an F-value of 0.028 ( $p < 0.01$ ), indicating that at least one independent variable significantly impacts sustainability disclosure. Furthermore, the Durbin-Watson statistic of 1.576 suggests no significant autocorrelation in the residuals, confirming the model's reliability. The study results indicate that financial risk, corporate governance and industry type are the main drivers of sustainability reporting. Although this study design only explained part of the variance, it highlights the need to explore additional factors. At the same time, these factors must be considered as important factors in determining an organization's strategy for disclosing sustainability information.

## DISCUSSION & CONCLUSION

The results of this study indicate that financial risk, corporate governance and industry type are positive and statistically significant factors affecting sustainability reporting disclosure. This is consistent with previous research indicating that financial and governance factors play an important role in promoting sustainability disclosure. For example, Clarkson et al. (2008) stated that companies with strong corporate governance and effective risk management are more likely to disclose sustainability information. As these companies often seek to build trust with shareholders and the public about their transparency and social responsibility. Similarly, García Sánchez et al. (2011) found that companies in industries with high environmental impacts, such as energy and manufacturing. They often disclose more sustainability information than companies in other industries to demonstrate their responsibility to reduce their environmental impact and build better relationships with stakeholders such as customers, investors and regulators.

In addition, the adjusted R-squared value of this model, which is 0.073, indicates that the independent variables in the model can only explain 7.3% of the variance in sustainability reporting disclosure. This means that there are other factors not included in this analysis that may influence sustainability reporting disclosures, such as corporate culture, consumer demands, and government policy pressures. The results of this study are consistent with the research of Hahn and Kühnen (2013) who emphasized that sustainability reporting is influenced by a variety of factors, both at the organizational level, such as internal management, and at the industry level, such as the competitive environment and stakeholder pressure.

Therefore, this research is important for understanding the various factors that encourage companies to enhance transparency in sustainability reporting, which is essential for long-term sustainable development.

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