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MATERIALITY AND STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING: DOES IT MATTER?

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Abstract. Materiality analysis and stakeholder engagement are crucial processes in sustainability reports which aim to identify material issues and prioritize them based on stakeholder interests. Subjectivity in the process of determining materiality and stakeholder engagement can affect the quality of sustainability reports because management can determine the information to be published and eliminate negative information related to sustainability. This research aims to investigate the influence of board of directors' activity, presence of independence commissioners, company financial performance, and size on materiality disclosure and stakeholder engagement in mining companies in Indonesia. Content analysis and multiple regression analysis were carried out on 70 sustainability reports. The research results show that the involvement of the board of directors and the quantity of board members have a positive and significant effect, while the presence of independence commissioners and company size do not have a significant effect on materiality and stakeholder disclosure. It is noteworthy that disclosing materiality in sustainability reports is a crucial aspect of business practices, irrespective of the company's financial status or size. This research contributes to the disclosure of materiality and stakeholder involvement in the reporting of companies operating in Indonesia from the perspective of stakeholder theory and legitimacy theory.

Keywords: stakeholder theory, legitimacy, materiality, stakeholder engagement, sustainability reporting, board activity.

JEL Classification: M41, Q56.

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1. Introduction

During the past half-decade, large corporations have adopted the practice of publishing sustainability reports, particularly after the launch of the Global Reporting Initiative's (GRI) guidelines for producing sustainability reports. Sustainability reports focus on providing detailed information about the impact or results of the business model from three perspectives, namely economic, social and environmental (Beske et al., 2019). The GRI's guidelines are designed to encourage more inclusive disclosure of social, environmental, and economic issues. In compliance with Financial Services Authority regulation number 51/POJK.03/2017, Indonesian issuers and public companies are required to create and report sustainability reports, according to the Indonesian Stock Exchange (IDX) stock market. Sustainability reports that conform to GRI standards have gained prominence in Indonesia, and their information disclosure has a significant impact on the views and choices of investors, shareholders, communities, and various other stakeholders.

One of the principles of preparing a sustainability report, namely the principle of materiality to determine what topics should be reported is important for companies to do in preparing a Sustainability Report (Global Reporting Initiative [GRI], 2016, 2021). Material aspects that need to be disclosed by companies in sustainability reports, apart from being based on GRI standards, are also contained in the Materiality Sustainability Accounting Standard Board (SASB). The SASB regulates in detail what matters that need to be disclosed by companies related to material aspects, then classified specifically based on the type of company industry with the aim of helping investors assess the financial impact in a sustainability report (SASB, 2021).

According to Ferrero-Ferrero et al. (2020), the use of different reporting standards can lead to subjective evaluation processes of materiality that are too flexible, resulting in selective reporting and a decrease in sustainability reporting's credibility. The quality of the materiality assessment process remains a topic of discussion in academia, as

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pointed out by Kitsikopoulos et al. (2018). Unerman and Zappettini (2014) research highlights that the determination of materiality reflects the management's decision-making process to disclose specific information, implying that companies might use materiality to avoid publishing unfavorable information.

Beske et al. (2019) argued that despite organizations such as GRI encouraging companies to follow the materiality principle, there is a lack of empirical studies on how materiality affects sustainability reporting practices. These practices include stakeholder engagement methods, criteria, and assumptions that are not fully disclosed by the company. While GRI guidelines urge companies to involve stakeholder groups in materiality analysis, little scientific literature examines the practical implementation of stakeholder participation in materiality analysis, as noted by Pérez et al. (2015).

Most companies have many types of conflicting stakeholders and expectations, making subjectivity an important aspect of assessing materiality. This results in several contradictions that may arise during the appraisal procedure and make the stakeholder's assessment inconsistent (Calabrese et al., 2015). Companies that has sustainability reports and apply the materiality principle may only be limited to building trust in the information reported to stakeholders and the wider community accordance with the legitimacy theory. Therefore, there is a gap in the application of the materiality and stakeholder engagement principle which should be more comprehensive and credible to be applied in sustainability reports to avoid camouflage practices that have a negative impact on sustainability report.

Based on stakeholder theory lens, enhancing comparability and usefulness for stakeholders can be achieved by concentrating on the most pertinent elements of sustainability reports that are relevant to a given industry (Ferrero-Ferrero et al., 2020). Some empirical studies have examined the external and internal determinants of sustainability reporting and corporate social reporting (Abdullah et al., 2011; Amran & Haniffa, 2011). The governance board has an important role in determining the desired quality of all reports, which is boards help to link a company to its external stakeholders (Frias-Aceituno et al., 2013; Ngu & Amran, 2021). Other studies revealed that financial performance and internal company characteristics are also widely associated with the transparency of non-financial reports (Brammer & Pavelin, 2006; Dang et al., 2018; Shamil et al., 2014). A large company is more concerned about sustainability information disclosure to meet the demands of stakeholders.

On the other hand, legitimacy theory perspective viewed that profitable companies report more non-financial information to show their contribution to society and management in a highly leveraged company will adopt a legitimization strategy aimed at changing the perception of shareholders as well as stakeholders (Freeman, 1984). Hence, the aim of this study is to examine the determinants that impact companies disclosing material sustainability and stakeholder engagement based on two perspectives, namely stakeholder and legitimacy theory. This paper focused on materiality and stakeholder engagement disclosure in the mining companies due to its industry known for its unique features, including changes in the landscape and possible disruptions to the ecosystem, resulting in direct impacts on the company's economic, social, and environmental conditions.

In summary, this study investigates internal factors, namely the role of board direction characteristics, firm financial performance, and firm size on the materiality and stakeholder engagement disclosure in the sustainability report. This research highlights the issue of materiality disclosure and stakeholder engagement from the perspective of stakeholder and legitimacy theories, as well as provide practical recommendations to companies regarding the significance of materiality principles and stakeholder engagement.

2. Literature review

There are two opposing views that have emerged regarding the usefulness of sustainability reports. Sustainability reports are considered as a means of communication between companies and stakeholders about the impact or results of the business model from three perspectives, namely economic, social and environmental (Beske et al., 2019; Ngu & Amran, 2021). On the other hand, sustainability reports do not reflect actual sustainability performance because companies use sustainability reports to carry out greenwashing by influencing stakeholder perceptions (Herbohn et al., 2014; Mahoney et al., 2013).

Stakeholder theory can be utilized to evaluate how well stakeholders are being managed within an organization (Kaur & Lodhia, 2014). According to stakeholder theory, organizations should prioritize the concerns of their stakeholders, who may include groups or individuals that have the ability to impact or be impacted by the organization's objectives, decisions, and targets. In other words, company actions and decision making must be based on the needs of all stakeholders. Therefore, reporting requires companies to publish economic, environmental, social aspects, as well as the risks involved and solutions to deal with risks. To produce effective sustainability reports, it is crucial to take into account the expectations and concerns of stakeholders. Stakeholders' reasonable interests and expectations are often the primary factor considered when making decisions about the scope, boundaries, indicators, measurement of sustainability performance, and the development and refinement of sustainability reports. By engaging stakeholders, organizations can foster relationship built on trust and transparency (de Villiers et al., 2014).

From legitimacy theory, companies use desired reports as a legitimation tool, namely to authorize their activities to the public in connection with their business licenses (Nguyen, 2020). In the context of sustainability, legitimacy is carried out to provide accountability to stakeholders relevant to the company regarding the company's

commitment to economic, social and environmental aspects (Fernando & Lawrence, 2014). In this context, materiality can be a legitimation tool in defining the content of reports and disclosing things that are considered material from the perspective of the company and its stakeholders. Therefore, the extensive literature on legitimacy and stakeholder theory is useful for meeting expectations regarding materiality and stakeholder engagement disclosures.

There are two important principles in sustainability reports that can determine the quality of sustainability report information, namely the principle of materiality and stakeholder involvement. These principle highlights the importance of presenting reliable information that can aid in decision-making activities that have an impact on both society and the environment, while also taking into account the current and future needs of stakeholders (Calabrese et al., 2016; Calace, 2016).

According to the Global Reporting Initiative [GRI] standards, "material aspects" are those that have significant social, economic, and environmental implications for the company, or those that can influence assessments and decisions made by stakeholders (GRI, 2016). The concept of materiality, frequently employed in financial reporting, has been adjusted to apply to sustainability reports as well. Conducting a thorough and structured materiality analysis aids in identifying essential indicators that hold relevance for stakeholders. By using these metrics, companies can improve the quality and clarity of their sustainability reports and increase awareness of their sustainability performance among various stakeholders (Russo-Spena et al., 2018). Materiality analysis serves as a guide for sustainability reporting that considers stakeholder needs and helps to create shared values by identifying areas for improvement that can benefit both the company and its stakeholders (Font et al., 2016).

Furthermore, the principle of stakeholder engagement is communication or dialogue between the company and stakeholders regarding the company's sustainability. This principle shows who the stakeholders are, how they are involved, and what their hopes and interests are in preparing a sustainability report (Calabrese et al., 2016). Involving stakeholders in preparing a sustainability report will allow stakeholders to submit sustainability issues that are considered crucial to be disclosed and followed up by the company so that the information disclosed in the sustainability report becomes more relevant. The high disclosure indicator will reduce the quality of reporting when the report needs to provide information about stakeholder engagement (Anwar & Malik, 2020). Without stakeholder engagement, sustainability information may be irrelevant and tends not to report information that could threaten its reputation (Adhariani & du Toit, 2020). On the other words, low stakeholder engagement disclosure can lead to impression management actions that lead to low-quality sustainability reporting. Based on the literature review, and previous study, this research highlights issues related to the quality of information from sustainability reports by analyzing the factors that influence the quality of materiality disclosure and stakeholder engagement.

2.1. Hypothesis development

Stakeholder theory suggests that sustainability reports should be thorough and intricate, and that the board of directors and commissioners should be involved in meetings to ensure the company's business operations are sustainable. This includes identifying material issues that are pertinent to sustainability reporting and prioritizing them based on the needs of stakeholders (Ngu & Amran, 2021). Continuous problems and issues that occur incidentally require a meeting between the board of directors to discuss and react to these problems and issues and their impact on the company's business (Dienes & Velte, 2016). Therefore, the research hypothesis is:

H_{1a}: *Activity of the board of directors has a positive effect on materiality disclosure*

H_{1b}: *Activity of the board of directors has a positive effect on stakeholder engagement disclosure*

Ngu and Amran (2021) proposed that the process of determining materiality is a means of bridging the gap in legitimacy between stakeholders and management, through the inclusion of external directors guided by legitimacy theory. Corporate governance requires the board of commissioners to be independent (Rehman et al., 2017). With an independent board, the directors are under greater pressure to furnish more comprehensive information and minimize costs. Fasan and Mio (2016) suggest that having an independent board of commissioners plays a crucial role in enhancing the standard of a company's information disclosure within its yearly report. This gives rise to a hypothesis that:

H_{2a}: *Independence of the board of commissioners has a positive effect on materiality disclosure.*

H_{2b}: *Independence of the board of commissioners has a positive effect on stakeholder engagement disclosure.*

According to Rehman et al. (2017), the board of directors can be classified into two categories, one supports a large board size while the other advocates a smaller board size. Smaller board sizes are considered efficient but have the opportunity to be influenced by managers. Therefore, the hypothesis of this study is:

H_{3a}: *The size of the board of directors has a positive effect on materiality disclosure.*

H_{3b}: *The size of the board of directors has a positive effect on stakeholder engagement disclosure.*

Companies with high profitability tend to make more disclosures in SR (Alipour et al., 2019; Hu & Loh, 2018; Rudyanto & Siregar, 2018). Islamiati and Suryandari (2021) suggest that profitability can serve as a metric to measure the growth of profits that result from the efficient utilization of company resources through business activities. A company's high profitability can facilitate its expansion and increase its capacity to engage in socially responsible activities. As profitability levels rise, company management

tends to allocate more attention to social and environmental factors, resulting in more extensive disclosures in sustainability reports. The research hypothesis is as follows:

H_4a: Profitability has a positive effect on materiality disclosure.

H_4a: Profitability has a positive effect on stakeholder engagement disclosure.

According to Aniktia and Khafid (2015), leverage is used as a benchmark for how companies make debt a source of funding for company operations. Stakeholder theory underlies the relationship between the entity and its stakeholders. The results of Baalouch et al. (2019) and Zaid et al. (2019) suggested that companies with high debt levels will provide higher quality SR information to reduce agency costs and negative impacts for investors. Moreover, high leverage can affect creditors' trust and support for the company (Aniktia & Khafid, 2015). The lower the leverage of a company, the greater the opportunity for the company to make non-financial disclosures. Therefore, the hypothesis is:

H_{5a}: Leverage has a positive effect on materiality disclosure.

H_{5b}: Leverage has a positive effect on stakeholder engagement disclosure.

From the perspective of stakeholder theory, previous studies have found that company size is directly related to information disclosure and argued that large companies are more visible because of their size and media (Dang et al., 2018; Welbeck et al., 2017). Large companies pay more attention to disclosing sustainability information to meet stakeholder demands (Ngu & Amran, 2021). For instance, Shamil et al. (2014) reported that company size is one of the predictors of sustainability reporting. Meanwhile, Karlina et al. (2019) discovered that the size of a company does not impact its sustainability report disclosure. Nonetheless, according to stakeholder theory, researchers suggest that larger companies have the ability to allocate more resources to proactively disclose sustainability reports. Therefore, the research hypothesis is as follows:

H_{6a}: Company size has a positive effect on materiality disclosure.

H_{6b}: Company size has a positive effect on stakeholder engagement disclosure.

3. Methodology

3.1. Population and sample

The sample population in this study consists of 36 companies in the mining sector and the unit of analysis was the individual company. The reason for selecting mining companies is their significance as a vital industrial sector for national economic growth and stock market performance. However, it should be noted that the mining industry has a negative impact on the environment and exploits natural resources, as pointed out by (Muhlis & Gultom, 2021). The period observed was the period 2016–2021, due to 2016 was the first year the GRI Standards were used and 2021 was the last year studied.

In this study, researchers used secondary data types obtained from the official publication websites of sustainability reports and annual reports of each company. The reporting framework used in the analysis is the Global Reporting Initiative-GRI because GRI is considered the most detailed and comprehensive guideline and is the most widely used by companies in sustainability reporting (Moneva et al., 2006; Safari & Areeb, 2020). The sample was selected according to certain criteria, namely issuing an annual report accompanied by CSR report data or a sustainability report. This study used a purposive sampling technique, so that the samples from this study were all mining sector companies that have sustainability reports in accordance with GRI standards during the research period. Based on sample selection criteria, 70 SRs from 36 mining companies listed in Indonesian Stock Exchange were observed.

3.2. Research design

Information about corporate governance, financial performance, and internal characteristic of company information was obtained from the annual report. To estimate the corporate governance attributes, the study employed the board of directors' level of activity, the board of commissioners' independence, and the size of the board of directors. Profitability, leverage, and company size are used as a proxy for company performance.

Content analysis was conducted to examine determinants of materiality and stakeholder engagement disclosure. This is a suitable technique to extracted information about the current state of materiality and stakeholder engagement disclosure as large companies are perceived to have higher non-financial information disclosure (Abdullah et al., 2011; Anugerah et al., 2018; Dewi et al., 2023; Ngu & Amran, 2021). Moreover, this study employed an inter-coder method to ensure the reliability of the data collected (Gray & Milne, 2002). The operational definitions and measurements for each variable in this study are described in Table 1.

This study employed two regression models are used by researchers to measure the impact on disclosure of materiality and stakeholder engagement in sustainability reports. The first formula is to determine the effect of activities of the board of director (BOD), independence of the board of commissioners (IBC); size of the board of directors (SBD), profitability (PFT), leverage (LEV), and company size (SIZE) on the materiality disclosure (MAT). Second formula is to determine the of of activities of the board of director (BOD), independence of the board of commissioners (IBC); size of the board of directors (SBD), profitability (PFT), leverage (LEV), and company size (SIZE)

Table 1. Variables measurement

Variables	Operational Definition	Measurement	References
Disclosure of Materiality in the Sustainability Report (MAT)	The material topics refer to the significant economic, social, and environmental effects of the company, its stakeholders, and the broader community. They may also reflect how sustainability influences the decisions of stakeholders.	The word count of the term materiality or materials divided by the number of pages per report	(Fasan & Mio, 2016)
Disclosure of Stakeholder Engagement (STE)	Reflect the determination of materiality involving stakeholders.	Number of words in the sustainability report	(Fasan & Mio, 2016)
Activities of the Board of Directors (BOD)	Meetings between the Board of Directors in preparing the materiality topic of the sustainability report.	The total number of Board of Directors meetings held during the year	(Gere & Schimmack, 2017; Said et al., 2009)
Independence of the Board of Commissioners (IBC)	The independent board of commissioners in the company.	Percentage of independent commissioners	(Cheng & Courtenay, 2006; Wu et al., 2018)
Size of the Board of Directors (SBD)	Number of the Boards of Directors in the company.	Number of the Board of Directors member	(Hafsi & Turgut, 2013)
Profitability (PFT)	The capacity of a company to generate profits during a specific timeframe at a particular level of sales, assets, and equity capital.	Return on Equity (ROE)	(Hafsi & Turgut, 2013)
Leverage (LEV)	The use of loan funds or capital to increase profits in a business.	Total debt divided by total assets	(Brammer & Pavelin, 2006)
Company Size (SIZE)	A scale where it can be classified as the size of the company.	Total Assets	(Cheng & Courtenay, 2006)

on the stakeholder engagement disclosure (STE). Formally, the regression equation formed is as follows:

$$MAT = a + \beta_1 BOD + \beta_2 IBC + \beta_3 SBD + \beta_4 PFT + \beta_5 LEV + \beta_6 SIZE + \varepsilon;$$

$$STE = a + \beta_7 BOD + \beta_8 IBC + \beta_9 SBD + \beta_{10} PFT + \beta_{11} LEV + \beta_{12} SIZE + \varepsilon.$$

4. Results and discussion

This research was conducted on 70 firms' year samples of mining companies listed on the Indonesian Stock Exchange. Table 2 presents descriptive statistics for all research data used. On average, the board of directors conduct meeting activities 26 times a year with an average difference that is quite large Between companies, which is around 22.86 times. The average level of independence is at 38%, higher than the standard ratio set by OJK, which is 30%. In general, the samples tested experienced positive profitability with an ROE value of 15%. Leverage for the sample averages at 50% which indicates a balance between debt and equity. Materiality is disclosed on average 0.21 times per page or 1 word per 5 pages.

This study tested the classical assumptions to ensure the validity of the data used in the regression test. The classical assumption test shows that the data is free from the problem of the assumptions underlying the regression. Thus, the data can be used to draw conclusions and predictions through regression tests. There are three classic assumption tests conducted, namely normality, multicollinearity, and heteroscedasticity.

To evaluate how various predictor variables affect the disclosure of materiality in sustainability reports, the researchers utilized the multiple regression analysis technique. The predictor variables used were the board of directors' activity level (BOD), board of commissioners' independence (IBC), board of directors' size (SBD), profitability

Table 2. Descriptive statistics

Variables	Obs	Min	Max	Mean	Std. Dev.
Activities of the Board of Directors (BOD)	70	3	139	26	22.86
Independence of the Board of Commissioners (IBC)	70	20%	67%	38%	9.35
Size of the Board of Directors (SBD)	70	3	9	5	1.53
Profitability (PFT)	70	–256	615	15	38.91
Leverage (LEV)	70	1	190	50	29.16
Company Size (SIZE)	70	151	7,562	2,397	1,996
Materiality Disclosure (MAT)	70	0.1	0.74	0.21	0.14
Stakeholder Engagement Disclosure (STE)	70	0	1	0.361	0.148

(PFT), leverage (LEV), and firm size (SIZE), while the dependent variable was the disclosure of materiality (MAT). Furthermore, a second linear regression analysis was performed to investigate how predictor variables influence stakeholder engagement disclosure (STE). The regression outcomes are presented in Table 3.

Table 3. Regression results

Relationship	Regression 1 (MAT)	Regression 2 (STE)	Decision
Constanta	0.001 (0.989)	0.627 (0.000)	
H_{1a}: BOD→MAT	0.003 (0.001**)		Supported
H_{1b}: BOD→STE		0.001 (0.066)*)	Supported
H_{2a}: IBC→MAT	–0.0004 (0.834)		Not Supported
H_{2b}: IBC→STE		0.001 (0.485)	Not Supported
H_{3a}: SBD→MAT	0.019 (0.139)		Not Supported
H_{3b}: SBD →STE		0.038 (0.001**)	Supported
H_{4a}: PFT→MAT	–0.008 (0.853)		Not Supported
H_{4b}: PFT→STE		0.002 (0.586)	Not Supported
H_{5a}: LEV →MAT	0.039 (0.561)		Not Supported
H_{5b}: LEV →STE		0.003 (0.515)	Not Supported
H_{6a}: SIZE→MAT	0.009 (0.294)		Not Supported
H_{6b}: SIZE→STE		0.001 (0.622)	Not Supported

Note: *, **, and *** represent significance level at 10, 5, and 1%, respectively.

Based on the findings of the regression analysis, level of board activity played a crucial role of materiality and stakeholder engagement disclosure, with the finding being positively significant (p = 0.001 and p = 0.066). An increase in the number of meetings held annually is associated with higher levels of materiality disclosure. Additionally, board size revealed a significant correlation only with the stakeholder engagement disclosure (p = 0.001). The size of the board of directors has a significant influence on the disclosure of stakeholder engagement, with a greater number of board members being linked to increased levels of stakeholder engagement disclosure in sustainability reports. Therefore, hypothesis H_{1a}, H_{1b}, and H_{3b} were supported. On the other hand, the size of the board of directors were not significant predictors of materiality disclosure. Furthermore, the presence of independence of the board of commissioners, profitability, leverage, and company size were not significant effect on the materiality and stakeholder engagement disclosure in sustainability report. Thus, hypothesis H_{2a}, $H_{2b,}$ H_{3a}, H_{4a}, $H_{4b,}$ $H_{5a,}$ $H_{5b,}$ $H_{6a,}$ and H_{6b} were not supported.

5. Discussion

The findings of the research lead to the conclusion that the participation of the board of directors has a significant and beneficial effect on the disclosure of materiality and stakeholder engagement in sustainability reports. In essence, when the board of directors is more actively involved, there is a considerable rise in the disclosure of materiality and stakeholder engagement in sustainability reports. Conversely, less involvement leads to reduced disclosure. These results are in line with stakeholder theory, which states that the board helps connect the company with external stakeholders (Frias-Aceituno et al., 2013; Hafsi & Turgut, 2013; Ngu & Amran, 2021). In the context of this research, high board meeting activity encourages responsible and accountable management of business operations, with reporting and stakeholder engagement a priority.

The findings of the study align with the materiality principles outlined in GRI standards, which emphasize the importance of engaging stakeholders in comprehensive discussions on materiality topics to be included in sustainability reports. This is consistent with previous research by (Ngu & Amran, 2021), which suggests that sustainability reporting requires involvement from top management, such as the board of directors and stakeholders, in discussing materiality topics.

In addition, the second analysis reveals that the activity and size of the board of directors play a crucial role in the disclosure of stakeholder engagement. These findings reinforce the stakeholder theory's argument that involving a greater number of stakeholders in company affairs leads to more effective stakeholder engagement, as proposed by Freeman (1984). The identification process can be improved by increasing the number of board members involved in stakeholder engagement, which can diversify perspectives and reach previously overlooked stakeholders (Fernandez & Thams, 2019).

According to the research findings, the independence of the board of commissioners does not appear to have a statistically significant influence on the disclosure of materiality or stakeholder engagement in sustainability reports. Therefore, it can be inferred that the board of directors and commissioners are both fulfilling their responsibilities in identifying the materiality topics that are pertinent to be disclosed in the sustainability report. Thus, there is no singular responsibility assigned to only one top management component, such as the independent commissioner, in determining materiality topics (Tibiletti et al., 2021). Determining materiality topics must involve the highest governance body, senior executives, or a group of senior executives, as well as experts (GRI, 2021). As a result, independent commissioners have a limited role in determining materiality topics since they are not part of the governance body.

Financial performance shows insignificant results on materiality disclosure and stakeholder engagement in

sustainable reports. This result is in line with the statement of Islamiati and Suryandari (2021), which concluded that the company's profitability has no impact on management's decision to expand the disclosure of material information in the sustainability report. Therefore, these results indicate that the effect of financial reporting performance, especially on high profitability of the company, does not guarantee the wider material disclosures reported in the sustainability report. Sustainability reports are intended to be made, regardless of the size of the company's profitability.

The study reveals that there is no significant relationship between leverage, company size, and the disclosure of materiality in sustainability reports. These findings corroborate earlier research by (Ezhilarasi & Kabra, 2017; Farooq et al., 2021), who concluded that neither leverage nor company size have a significant impact on the disclosure of materiality in sustainability reporting. In essence, companies with high leverage or larger assets do not necessarily report more materiality information in their sustainability reports, possibly because sustainability reporting is not yet mandatory for companies. Therefore, companies with high leverage or large assets do not necessarily disclose more materiality information in their sustainability reports. This could be attributed to the fact that sustainability reporting is still not a mandatory requirement for companies.

Consideration of the matrix of potential stakeholder risks as presented by (Weiss, 2014). When management feels that stakeholders have not asked for continuous reporting, then most likely management will not disclose it in the report. In addition, GRI regulations does not describe materiality disclosure standards and stakeholder engagement in sustainability reporting. Therefore, the number of social responsibility issues reported by the company does not depend on the size of the company or in this case the total assets owned.

6. Conclusion and recommendations

This study focuses on the determinants of materiality and stakeholder engagement disclosure in sustainability reporting. Specifically, research examines six potential factors of materiality and stakeholder engagement disclosure, namely activities of the board of directors, independence of the board of commissioners, size of the board of directors, profitability, leverage, and company size of mining companies listed on the IDX between 2016 and 2021 and that followed GRI standards. The research found that the board of directors' activity level significantly influenced the disclosure of materiality and stakeholder engagement. Furthermore, study found that the size of the board of commissioners only affected stakeholder engagement disclosure, whereas the presence of independence of the board of commissioners, profitability, leverage, and company size were not significant effect on the materiality and stakeholder engagement disclosure.

This study makes two contributions. The results should be of great interest to policymakers who are concerned with formulating sustainability policies to achieve greater materiality and stakeholder engagement disclosure. These findings should be of great concern to policymakers concerned with implementing sustainability policies. This is also useful for companies to understand the process of materiality analysis and stakeholder engagement in order to improve the quality of sustainability reports. The results of this research also highlight the importance of board governance structures to increase stakeholder trust in sustainability reports.

There are three limitations in this study. First, this paper relying only on secondary data without direct observation. Facts on the ground may reveal things that are different from the findings of this study. In addition, there is still little research related to the principle of materiality and stakeholder engagement in Indonesia. The lack of literature makes it difficult for researchers to mitigate the risk of contingent differences between Indonesia and other countries that are referred to by researchers. Finally, the results are limited to the context of mining companies in Indonesia. Future researchers can compare materiality and stakeholder engagement disclosure with other industries or countries in ASEAN to enrich the sustainability reporting literature.

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