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DISCLOSURE ON SUSTAINABILITY REPORTS, FOREIGN BOARD, FOREIGN OWNERSHIP, INDONESIA SUSTAINABILITY REPORTING AWARDS AND FIRM VALUE[1]

Ismul Aksan[2], Evi Gantyowati

Faculty of Economics and Business, Universitas Sebelas Maret, Jl. Ir. Sutami No.36, Kentingan, Kec. Jebres, Kota Surakarta, Jawa Tengah 57126, Indonesia

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Abstract
This study aims to investigate how disclosure on sustainability reports, foreign on boards, and foreign ownership affect firm value. Indonesia Sustainability Reporting Award (ISRA) is used to moderate the impact of the disclosure on the sustainability report on the firm value from 2013 to 2017. This study uses 37 firms as a sample with 159 observations and using panel data analysis. Subgroup analysis is used to test the existence or absence of homologizer moderation. The result showed that only the disclosure of sustainability has a positive impact on firm value. Foreign board and foreign ownership have been shown to not affect firm value. Additional testing is performed by splitting types of companies that have become state-owned enterprises (SOEs) and non-SOE, as well as kinds of services & finance and Manufacturing & others. We found that foreign commissioners in the service and finance sectors category have a positive effect on firm value, and foreign ownership in State-Owned Enterprises (SOEs) has a positive influence on firm value. Therefore, it is suggested that the organization of ISRA should disclose their winning criteria since it can be used as information in decision-making.

***Keywords:** Disclosure, Firm Value, Sustainability Report, ISRA, Foreign Ownership, Foreign Board, Foreign Commissioner.*

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INTRODUCTION

Companies in carrying out their business activities have a goal to make a profit to provide prosperity for shareholders. One indicator of a company's going public success is reflected in the firm value and the price of shares traded on the capital market. Some aspects that affect the increase or decrease in the firm value are among total assets, total debt, and stock prices (Chung & Pruitt,

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[2]Ismul Aksan
Email: illeaksan@gmail.com

2012). Research from the Ocean Tomo Institute in 2015 stated that there was a change in the determination of the firm value, which is 1975, as much as the financial aspects determined non-financial aspects influenced 83 % and the remaining 17%. By the year 2015, as much as 16% was affected by the financial and non-financial elements changed the remaining 84%.

Stock price declines due to non-financial (social and environmental) factors often occur in Indonesia. Like the case of PT Lapindo Brantas (2006)[2], PT Toba Pulp Lestari (2012)[3], PT Tjiwi Kimia Paper Factory (2013)[4] and the Case of PT Freeport Indonesia (2018)[5] a subsidiary of Freeport McMoran Inc which is listed on the New York Security Exchange (NYSE). Social and environmental issues are an essential concern for the company because it has been proven that many companies fail to maintain firm value due to the company's negligence in preserving the environment and neglecting the society in which the company operates. The company is responsible for the positive or negative impacts arising from its business activities. One form of corporate responsibility is by expressing and communicating environmental and social performance in addition to the corporate's economic performance.

The concept of accountability was introduced by Elkington (1997) with the term Triple Bottom Line (TBL), which is a balance between people-planet-profit, which came to be known as the concept of sustainability. Means of accountability to stakeholders are presented in the form of a sustainability report. Sustainability reports are measurement practices, disclosures revelations, and responsibility endeavors of the organization's exhibition in accomplishing practical advancement objectives to both internal and external stakeholders (Global Reporting Initiative, 2013). The disclosure of sustainability reports is a form of the organization's commitment to take responsibility for all business activities and provide benefits and protect the interests of its stakeholders (National Committee on Governance, 2006)

Previous studies linking various non-financial factors with firm value include disclosure of the accountable information (Schadewitz & Niskala, 2010), disclosure of corporate social responsibility (Jo & Harjoto, 2011; Suhardjanto & Nugraheni, 2012), sustainability reporting (Bachoo, Tan, & Wilson, 2013; Eccles, Ioannou, & Serafeim, 2014; Fatchan & Trisnawati, 2016; Kuzey & Uyar, 2016; Loh et al., 2017), disclosure of environmental, social and governance or (ESG) environmental, social and governance (Li et al., 2018), foreign boards (Bremholm & Svensson, 2015; Choi, Sul, & Min, 2012; Oxelheim & Randøy, 2003), board diversity (Darmadi, 2011), the board of commissioner (Suhardjanto et al., 2017), foreign directors (Choi, Park, & Yoo, 2007) and foreign ownership (Mishra, 2014).

Past research on the role of information disclosure on the firm value that has been carried out has been consistent because developed countries have a sound stakeholder protection system or stakeholder-oriented countries (Setiadi, 2016). While in Indonesia, similar research results are still inconsistent. The role of sustainability reporting disclosure positive effect (Suhardjanto & Nugraheni, 2012; Fatchan & Trisnawati, 2016), negative influence (Wibowo & Faradiza, 2014) and did not influence (Tjia & Setiawati, 2012).

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[2] Cases of hot mudflow which resulted in the accumulation of three subdistricts in Sidoarjo (Detiknews, 2016).

[3] Destroying the environment and eliminating customary land rights in North Sumatra (Okezone, 2012).

[4] Disposal of liquid waste into rivers in Balangbedo (Surabaya.tribunnews, 2013).

[5] Indications of abuse of permit and sanitation debt and changes in the ecosystem resulting from mining operations (Bloomberg, 2018).

Differences in research results in Indonesia related to the disclosure of sustainability reports to the firm value due to differences in population and sample characteristics, length of observation, and measurement as well as theories and methods used. Also, there may be other variables that influence the role of sustainability report disclosures on firm value. Budiman & Supatmi (2009) proved that the company was awarded Indonesia Sustainability Reporting Award (ISRA) make the market react positively and improve the abnormal return. The Indonesia Sustainability Reporting Award effect on firm performance as measured by ROA and Tobins'Q (Wardhani & Hamidah, 2019).

Other non-financial factors that are interesting to be further investigated are the presence of different boards and foreign ownership. There is a government discourse that will use foreign citizens in the ranks of directors or commissioners of SOEs (State-Owned Enterprises) for global competition (sindonews.com, 2017). Empirical studies of foreign on boards and share ownership by foreign citizens, which affects the value of the company, have been carried out in developed countries. In contrast, in developing countries, it is still infrequent. The presence of foreign boards in companies can bring competitive advantages, such as international networks in line with business globalization (Oxelheim & Randøy, 2003).

Tarigan et al. (2019) found that foreign boards effect on firm performance. However, some literature in Indonesia shows the presence of foreigners on the board does not affect market performance (Darmadi, 2011; Suhardjanto et al., 2017). Ownership structure in companies where there is foreign ownership effect on firm value (Mishra, 2014). On the other hand, Makhdalena (2017) conducted in Indonesia, revealed that foreign ownership had no impact on the market value on companies listed on the Indonesia Stock Exchange.

Based on these various backgrounds, this study aims to (1) examine the impact of disclosure on sustainability reports on firm value. (2) examines the moderating effect of the Indonesia Sustainability Reporting Award (ISRA) disclosure on sustainability reports on firm value. (3) testing the impact of foreign boards on firm value and (4) test the effect of foreign ownership on firm value.

Firm value provides management with an overview of investors' perceptions about the firm's past performance and prospects (Brigham & Houston, 2007). Fama (1978) argues that the value of a company can be seen from the price of its shares, the market price of a company's shares is a reflection of the actual firm value's assets. According to the Theory of the firm, the company has the main goal, which is to maximize the company's wealth or value (Salvator, 2005). Firm value is an indicator in assessing the company as a whole, so it becomes an important concept for investors. There have been many literature studies that show that non-financial aspects also have an essential role in determining the firm value. One of them is by disclosing non-financial information such as corporate social and environmental performance. Sustainability reporting can reduce information asymmetry between investors and management, which can increase firm value (Schadewitz & Niskala, 2010). Disclosure related to sustainability to stakeholders increases transparency and accountability of the company, which can help investors evaluate the company (Nobanee & Ellili, 2016). Business organizations need to maintain good relations with all stakeholders, not just to shareholders; organizations must also pay attention to their information needs through sustainability reports (Reverte, 2009).

The concept of stakeholders, according to Clarkson (1995), namely individuals or groups who have claims, interests, ownership, rights, and obligations with the company in the past, present and in the future. Stakeholders are first divided into primary stakeholders such as investors, creditors, employees, customers, suppliers, and the government. Where the main plays a significant role in the involvement of the continuity of related companies, each party here are economically connected and also as a risk bearer. The second secondary stakeholders are groups that have an indirect relationship with the company. Still, this group can put pressure on the company that will encourage the effectiveness and responsibility of the company (Eesley & Lenox, 2006). Groups that include secondary stakeholders include, among others, mass media, academics and environmentalists, social institutions, and the community.

Post, Preston, & Sachs (2012) argue that maintaining a mutually beneficial relationship with stakeholders will have an impact on increasing the prosperity of the company. In contrast, failure will result in limited resources or wealth in the future. Disclosure of sustainability reports can enhance a company's reputation (Fischer & Reuber, 2007), is a source of competitive advantage that drives efficiency and innovation for companies (Harrison, Douglas A, Bosse & Robert A, 2010). Accountability is not only to shareholders, but management also collaborates with all stakeholders efficiently to realize the company's primary goal of maximizing profits (Hill & Jones, 1992).

In 2005 the Indonesian Accountants Association-Compartment of Management Accountants (IAI-KAM) and the National Center for Sustainability Reporting (NCSR) held the *Indonesia Sustainability Reporting Award* (ISRA) award event. These agencies consisted of the Indonesian Netherlands Association (INA), the Forum for Corporate Governance in Indonesia (FCGI), the National Committee The Governance Policy (KNKG), and the Association of Indonesian Issuers (AEI). The award is given to companies that disclose social and environmental performance in addition to economic performance to maintain the company's sustainability. Several studies have shown that companies that won the *Indonesia Sustainability Reporting Award* (ISRA) have better financial performance than those who did not receive awards (Budiman & Supatmi, 2009; Fatchan & Trisnawati, 2016; Wardhani & Hamidah, 2019).

Companies that implement corporate governance in their business activities are also required to pay attention to the principles of transparency, accountability, responsibility, independence, fairness, and equality needed for corporate sustainability by taking into account stakeholders (National Committee on Governance, 2006). Corporate bodies that play a significant role in the application of corporate governance shall consist of the General Meeting of Shareholders (GMS) as well as the Board of Commissioners and the Board of Directors. GMS is a forum for shareholders to make informed decisions on the money spent in the company, taking into account the provisions of the articles of association and the regulations. The GMS can't intercede with the obligations, capacities, and authority of the board of commissioners and board of directors. The jurisdiction of the GMS is following the articles of association and legislation. One of which is to replace or terminate the board of commissioners or directors. The Board of Commissioners is responsible for collectively monitoring and providing advice to directors in the implementation of corporate governance. The board of directors is collegially accountable for managing the organizations.

Shareholders, the board of commissioners and board of directors of foreign citizens can conduct business activities in Indonesia since the issuance of Law No. 1 of 1967 concerning foreign investment. Foreign ownership is regulated in Law No. 25 of 2007 Article (1) paragraph 6 as well as Presidential Regulation Number 77 of 2007 while the Foreign board is regulated in the

Regulation of the Minister of Manpower of the Republic of Indonesia Number 16 of 2015 and Presidential Decree No. 75 of 1995 Article 5 and Article 46 paragraph (1) of Law no. 13 of 2003.

According to Hackston & Milne (1996) that companies that disclose social and environmental responsibility will get a positive image from investors that can increase the firm value. Disclosure of sustainability reports is the company's accountability to stakeholders (Cormier, Magnan, & Van Velthoven, 2005; Li et al., 2018; Setiadi, 2016). This disclosure is based on two things: the company is directly responsible to shareholders and creditors who will create incentives for disclosure of high-quality information to minimize the cost of capital from the company. Furthermore, companies are part of the social context, and stakeholder groups are a direct influence on business continuity (Liu & Anbumozhi, 2009; Lu & Abeysekera, 2014; Roberts, 1992; Schadewitz & Niskala, 2010; Setiadi, 2016).

Disclosure of social and environmental aspects that are relevant to investor valuation in a company will have the same effect as disclosure of financial aspects (Richardson & Welker, 2001). If the company cares about sustainability (social and environmental) issues, then the company should issue a sustainability report. This issue can have an impact on increasing the firm's reputation, strengthening relationships with the community, and giving legitimacy to the company's activities and performance (Kuzey & Uyar, 2016; Oktarina, 2018). Schadewitz & Niskala (2010) concluded that communication via accountability reporting is one crucial factor that can explain the value of a company's market. This report will produce a more precise assessment of the market value of a company.

Based on past investigate, it can be inferred that the more widely a company expresses its social and environmental responsibility in its sustainability report, the company gets a proper assessment by the stakeholders. By publishing a sustainability report, the company is committed to protecting the environment and paying attention to the social aspects of the society in which the company operates. This report will enhance the company's reputation and positive image. Investors will be interested in investing in the company. Consumers will also be more loyal, which will have an impact on increasing company performance obtained through increased profits, which will undoubtedly affect rising stock prices and firm value. Then based on the above summary of the hypothesis proposed in this study is as follows:

H1: Disclosure of sustainability reports positive has a positive impact on firm value.

Companies that have received the Indonesia Sustainability Reporting Award (ISRA) are companies that have excellent sustainability performance and are committed to sustainable development. The existence of the ISRA award will give a positive reaction that can attract investors to make a stock investment in the company. This award has an impact on company performance and increases firm value. The indicator can be seen from the market reaction when the winning company is announced to the public after getting the ISRA award. Investors tend to choose companies that have sustainable concepts because they have long-term prospects in the future and invest in sustainable companies.

According to Budiman & Supatmi (2009), the Indonesia Sustainability Reporting Award (ISRA) caused the market to react in a positive direction, marked by an increase in abnormal returns. Fatchan & Trisnawati (2016) and Wardhani & Hamidah (2019) revealed that the sustainability report or sustainability report on companies participating in the Indonesia Sustainability Reporting Award (ISRA) had a positive impact on firm value. So based on the above summary of the hypothesis in this study is:

H2: Indonesia Sustainability Reporting Award strengthens the relationship of disclosure of sustainability reports to the firm value.

The foreign board is the foreign director and foreign commissioner of the company. The Board of Commissioners and the Board of Directors are critical bodies for the application of corporate governance. The board of directors is responsible for overseeing and monitoring the board of directors of the company. In contrast, the board of directors is responsible for making decisions and handling all the operations of the company. Reese & Weisbach (2002) argue that the presence of a foreign board of commissioners in a company can increase the firm value. The foreign commissioners will be more stringent in conducting supervision, more transparent, and more compliant with corporate governance rules so that it can inhibit managers in pursuing personal profit.

Choi, Sul & Min (2012) suggested that foreign commissioners had a positive effect on firm value. The existence of foreign commissioners is considered to have better managerial skills and bring new benefits that have a positive impact on firm performance. Whereas Choi, Park & Yoo (2007) also found that the presence of foreigners on the board had a positive effect on company performance. Furthermore, Oxelheim & Randøy (2003) argues that the impact of the existence of foreign boards had a significant effect on firm value. The presence of foreigners in a company can produce a competitive advantage or competitiveness in the company and increase the company's international business relations. These advantages are used in carrying out business activities that have an impact on improving the firm's financial performance. SSo based on the above summary of the hypothesis in this study are:

H3a: Foreign commissioners affect firm value.

H3b: Foreign directors affect firm value.

Companies that are bound by contracts with foreign stakeholders are very concerned about social and environmental issues, especially in European and American companies (Novita & Djakman 2008). Stakeholders such as shareholders will pay close attention to the disclosure of sustainability reports on the company. Foreign parties or foreign investors will invest in companies that have excellent protection, disclosure of useful information, and the application of good corporate governance. Drobetz, Schillhofer, & Zimmermann (2003) states that the implementation of good corporate governance will increase the firm value, and investors are willing to buy shares at a premium price. Research Choi, Sul & Min (2012) and Mishra (2014) found that foreign ownership has a positive effect on firm value. This result means that increasing foreign ownership can increase the firm value due to direct supervision by the controlling shareholder.

Bremholm & Svensson (2015) proves that foreign ownership has a positive impact on company performance, and foreign investors can pressure companies to work better. Foreign ownership in companies can increase the firm value because foreign investors will invest in companies that have sound long-term prospects. So based on the above summary of the hypothesis in this study is:

H4: Foreign ownership affects firm value.

The relationship of the variables in this research and its control variables are depicted in figure 1.

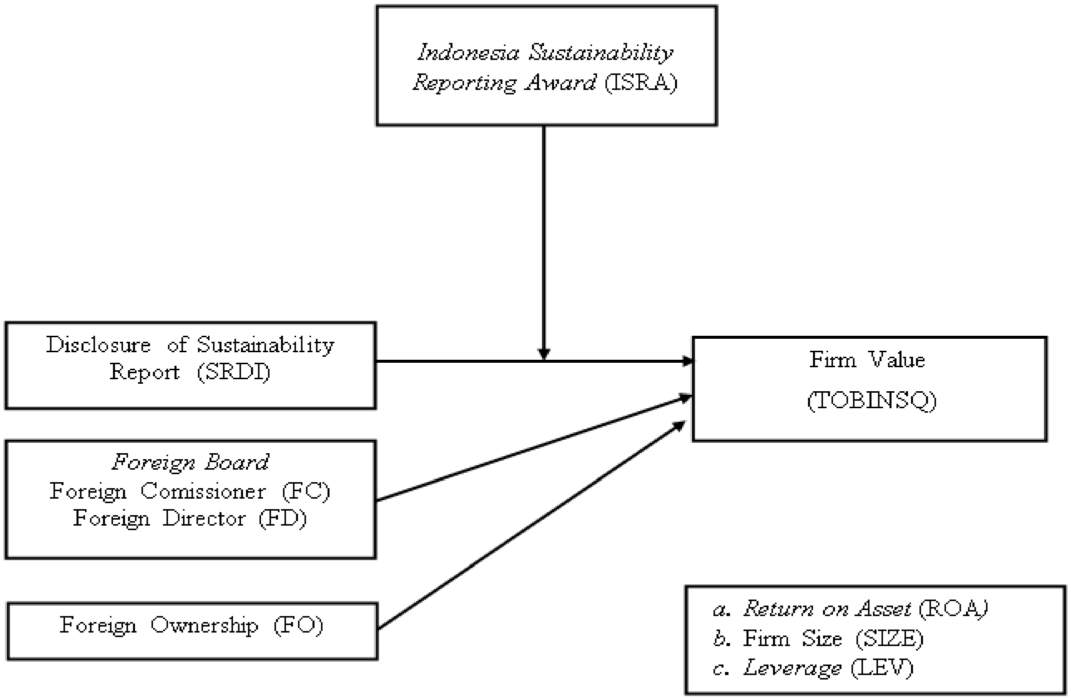

Figure 1. Theoretical Framework

RESEARCH METHOD

This research uses quantitative research methods with the hypothesis testing approach. The population of this study is all companies that publish sustainability reports and are listed on the Indonesian Stock Exchange (IDX) in 2013-2017. The sampling methodology used in this analysis was a purposive sampling process. The criteria used to select this research sample are companies that issue sustainability reports for 2013-2017. They are listed on *the* official GRI website (www.databaseglobalreporting.org), complete annual reports from 2013 to 2017, and listed on the Exchange Indonesian securities obtained from the *website* (www.idx.co.id) and sustainability reports that refer to GRI guidelines version 4. We chose observations for five years from the 2013 to 2017 period because the initial adoption of the GRI Version 4 Sustainability report began in 2013 and the period for the Indonesia Sustainability Reporting Award (ISRA) ends in 2017, in 2018 ISRA has changed to become Asia Sustainability Reporting Rating (ASRR).

The Secondary data used in this study are annual reports, sustainability reports, and shared data. These data were obtained from IDX market capitalization Factbook, a summary of the performance of listed companies, the Indonesian Capital Market Directory (ICMD), website (www.sahamok.com) and data on winners of the Indonesia Sustainability Reporting Awards (ISRA) were obtained through (www.ncsr-id.org) in the year of observation, namely from 2013 to 2017.

Variable's Operationalization and Measurement

There are three independent variables, one moderating variable, one dependent variable, and three control variables. The operationalization of each variables and its measurement can be seen in table 1.

Table 1. Operationalization of Variables

Variable	Measurement
TOBINSQ	*Equity market value* plus *debt* divided by *total assets*
SRDI	Percentage of total GRI G4 disclosure items disclosed divided by total expected items
FC	Percentage of foreign commissioners divided by the total number of boards of commissioners
FD	Percentage of foreign directors divided by the total number of directors
FO	Percentage of foreign ownership
ISRA	Number 1 for the ISRA award-winning company, number 0 for non-winners.
ROA	Net income divided by total assets
SIZE	Natural logarithm of total assets
LEV	Total liabilities divided by total assets

Population and Sample

The sample in this study were all companies that published *sustainability reports* from 2013 to 2017 and were listed on the Indonesia Stock Exchange (IDX). The criteria for sample selection in this study are shown in table 2.

Table 2. Research sample data

Sample Criteria	**Sample**	**Observations**
Companies that publish sustainability reports in 2013-2017 and is listed in the *website* 's official GRI	112	380
Number of companies not listed on the IDX	(55)	(275)
Companies that do not meet the criteria (non-GRI G4)	(19)	(85)
Number of Sample Companies	40	200
Data incomplete		(32)
Data Outlier		(9)
Amount of data processed	**37**	**159**

Source: data processed (2019)

Data analysis method

This study uses two analytical methods to answer the hypotheses in this study: sub-group analysis and panel data regression.

*Sub-group Analysis***.**

This analysis aims to detect whether or not there is *a homologizer moderator* variable type. The analytical method used is a sub-group analysis. The way to analyze is to break the observation or sample into two subgroups based on the third variable that is hypothesized as a moderator. Next, do the regression testing on each sub-group. In this study, the ISRA variable is a categorical variable that has a dummy value (1 = Obtaining *Indonesia Sustainability Reporting Awards*, and 0 = Not getting an award). Determining whether there is a moderator variable can be seen by comparing the coefficient of determination (R^2) of each regression, the value of R-squared higher than considered to have better predictive variables that break down the sub-groups. The second way is to test the similarity between subgroup regressions with the Chow Test. If the regression coefficients in the sub-group are different, then the variable that breaks the sub-group is a moderator variable (Ghozali, 2018).

The Chow test formula (Ghozali, 2018) is as follows:

$$F = \frac{(RSSr - RSSur)/k}{(RSSur)/(n1+n2-2k)}$$

The research model used for *homologizer* moderation regression is as follows:

$$TobinsQ_{it} = \alpha + \beta_1 SRDI_{it} + \varepsilon_1 AllObserve \quad \text{......} 1$$

$$TobinsQ_{it} = \beta_1 + \beta_2 SRDI_{it} + \varepsilon_2 WinnersISRA \quad \text{......} 2$$

$$TobinsQ_{it} = \lambda_1 + \lambda_2 SRDI_{it} + \varepsilon_3 Non - ISRA \quad \text{......} 3$$

Where TOBINSQ is firm value; SRDI sustainability disclosure; $\alpha, \beta_1 \wedge \lambda_1$constant, β_1, β_2 and λ_2 is the regression coefficient of each group; $\varepsilon_1, \varepsilon_2 dan \varepsilon_3$ is a disturbance error; *i* firm to *i*; t is time.

Panel Data Regression Analysis.

The next analysis method used is a panel data regression analysis. Determination of the best model between *Panel Least Square* (PLS), *Fixed Model Effect* (FEM), and *Random Effect Model* (REM) is by performing the *Hausman* test and *chow* test first. The research model used for panel data regression is as follows:

$$TobinsQ_{it} = \alpha + \beta_1 SRDI_{it} + \beta_2 FC_{it} + \beta_3 FD_{it} + \beta_4 FO + \varepsilon_{it} \quad \text{......} 4$$

$$TobinsQ_{it} = \alpha + \beta_1 SRDI_{it} + \beta_2 FC_{it} + \beta_3 FD_{it} + \beta_4 FO + \beta_5 ROA_{it} + \beta_6 \beta \quad {}_7 LEV_{it} + \varepsilon_{it} \quad \text{......} 5$$

Where TOBINSQ is the firm value; SRDI is a sustainability report disclosure; FC is a foreign commissioner; FD is a foreign director; FO is foreign ownership; ROA is *Return on assets*; SIZE is company size, and LEV is *leverage*; α is a constant; β_1, β_2, β_3, β_4 β_5, and β_6 are estimation parameters; ε is a disturbance error; *i* firm to *i*; t is time.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

The results of the descriptive statistics of the variables in this study are presented in tabular form as follows**:**

Table 3. **Descriptive Statistics (N = 159)**

Variable		Min	Max	Mean	Median	Std. Deviation
TOBINSQ	(%)	0.622	3.415	1.353	1.119	0.586
SRDI	(%)	0.065	0.945	0.330	0.296	0.163
FC	(%)	0.000	0.833	0.203	0.000	0.259
FD	(%)	0.000	0.667	0.120	0.000	0.166
FO	(%)	3.010	98.920	44.260	35.070	33.532
ROA	(%)	-18.720	28.810	4.675	3.230	6.680
SIZE	Ln (Millions IDR)	28.431	34.657	31.443	31.081	1.473
LEV	(%)	0.133	1.424	0.596	0.593	0.233

Note: TOBINSQ = Firm value; SRDI = Disclosure of sustainability report; FC = Foreign Commissioner, FD = Foreign Director; ROA = Return on Assets; SIZE = Company Size; LEV = Leverage.

Source: data processed (2019)

The table above shows the results of Descriptive statistics on variables in this analysis can be found that the average TOBINSQ value in this study is 1.353, which means that the company can optimize its resources by 135.3%. SRDI variable or sustainability report disclosure has the lowest value of 0.065 or 6.5% highest value, 0.945 or 94.5%, and the average value is 0.330 or 33%. This value shows that the disclosure of sustainability reports in Indonesia is quite good. However, it is lower than the previous research conducted by Suhardjanto & Nugraheni (2012) of 53.7% and Fatchan & Trisnawati (2016) by 47%. This result indicates that companies in Indonesia are starting to realize the importance of disclosure of sustainability reports, and the government is responding by issuing Financial Services Authority Regulation Number 51/ POJK.03 / 2017 in 2017.

FC or foreign commissioners have the lowest value of 0.000 highest value 0.833 or 83.3% and an average of 0.203 or 20.3% This shows the average number of international commissioners in this study was 20.3% of the total number of commissioners in a company. However, SOEs companies have not allowed *foreign boards* (foreign commissioners and directors) and have their procedures for appointing the board of commissioners regulated in Minister of State-Owned Enterprises (SOEs) Regulation Number PER-02 / MBU / 02/2015. FD or foreign directors have the lowest value of 0.000 highest value 0.667 or 66.7% and an average value of 0.120 or 12%. This value shows that the average percentage of foreign directors in this study was 12% of the total number of directors in a company. FO or foreign ownership has the lowest value of 3.01 or 3.01%, the highest value is 98.920 or 98.92%, an average value of 44.260 or 44.26%. This number shows that the average foreign share ownership is 44.26% in this study. Foreign share ownership is regulated in Presidential Regulation No. 77 of 2007. Whereas in the banking sector, foreign ownership is allowed up to a maximum of 99% under Government Regulation number 29 of 1999 concerning the purchase of commercial bank shares by international parties.

Table 4. Pearson Correlation Analysis Result

	Variable	1	2	3	4	5	6	7	8
1	TOBINSQ	1							
2	SRDI	0.211	1						
3	FC	-0.019	-0.158	1					
4	FD	-0.134	-0.125	0.671	1				
5	FO	0.036	-0.132	0.739	0.592	1			
6	ROA	0.643	0.168	-0.059	-0.256	0.024	1		
7	SIZE	-0.163	-0.203	0.155	-0.022	0.029	-0108	1	
8	LEV	-0.426	-0.338	-0.085	0.016	-0.058	-0.058	0.411	1

TOBINSQ: Firm value. SRDI: Disclosure of sustainability reports. FC: Foreign commissioner. FD: Foreign director. FO: Foreign ownership. ROA: *Return* on assets. SIZE: Company Size. LEV: Leverage.

Source: data processed (2019)

Data Analysis Results

Testing data used in this study are sub-group analysis and panel data regression in the sub-group analysis to find out whether there is a moderation of *homologizer* (ISRA) on the relationship of disclosure.and sustainability.report.on.firm.value.

Based on the findings of the data analysis, the sub-group analysis compares the Adjusted R-squared value in the sub-group model (2), namely the ISRA winner and the model (3), namely

Non-ISRA. The result indicates that the value of the Adjusted R-squared (R2) on the winner ISRA of 7.6% while in non-ISRA of 4.0%. A chow test was then performed for similarities between sub-group regressions ok, resulting in a value of F = 1,677, $F_{\text{-table }(0.05;\,2;\,159)}$ = 3.05, F stat < F table then there is no significant difference between ISRA and non-ISRA sub-groups. The panel data regression results in the model (4) show that SRDI has a positive effect on TOBINSQ (β = 0.494, p = 0.005). In model (5) SRDI has a positive effect on TOBINSQ (β = 0.348, p = 0.027). Adjusted R-squared value in the model (4) without control variable 0.045, which means that 4.5 %. After the addition of the control variable in the model (5), the value becomes 0.280. This value shows that 28.0 % of the TOBINSQ variable can be explained by the SRDI, ROA, and LEV variables. Other factors outside this research model explain the remaining 72 %.

Table 5 shows that foreign commissioners (FC), foreign directors (FD), and foreign ownership (FO) do not affect all models. The possibility of not influencing the global board variable because, in the sample of companies included in the SOEs category, there are no foreign commissioners and foreign directors. The researcher tried to do the test again by comparing the samples of SOEs and non-SOEs companies and also dividing the Manufacturing & Other sectors and the Services & Finance sectors.

Table 5. **Data Analysis Results**

Variable	**Sub-group Analysis**			**Panel Data Regression**	
	All Samples	**1 = ISRA**	**0 = Non ISRA**	**Without Control**	**With Control**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
SRDI	0.6691*** (3.261)	0.8594* (1.824)	0.5917*** (2.653)	0.4940** (2.797)	0.3486** (2.235)
FC				-0.1025 (-0.316)	-0.0509 (-0.188)
FD				-0.3409 (-0.869)	-0.0533 (-0.156)
FO				0.0498 (1.634)	0.0406 (1.540)
ROA					0.0439*** (6.342)
SIZE					-0.0986** (-2.060)
LEV					0.0995 (0.343)
Constant	1.709	1.939	1.621	1.373	4.151
Adjusted R-squared	0.063	0.076	0.040	0.045	0.280
Sum squared resid	50.760	16.311	33.374	49.053	31.223
F-statistics	10.640	3.328	7.043	2.878	9.7783
Prob (F-statistic)	0.001	0.075	0.009	0.024	0.000
Observation	159	117	42	159	159

Note: *** p <0.01; ** p <0.05 and * p <0.10
SRDI: Disclosure of sustainability reports. ROA: *Return on assets*. LEV: *Leverage*. Testing on sub-group analysis uses *Ordinary Least Square* (OLS). The Panel data regression testing models (4) and models (5) are using the *Random Effect Model* (REM).
Source: data processed (2019).

The test results above are dividing the sample based on industry categories and types of companies. In the first model of the type of SOE companies, SRDI had a significant positive effect on TOBINSQ (β = 0.5181, p = 0.088). FO has a significant positive effect on TOBINSQ (β = 0.2054, p = 0.006). The second SRDI model does not affect TOBINSQ. FO has a significant positive effect on TOBINSQ (β= 0.1843, p = 0.007). Value *Adjusted R-squared* on the first model without a control variable is 0.122. After adding the control variable to the second model, the value becomes 0.392. This value shows that 39.2 % of the TOBINSQ variable can be explained by the SRDI, FO, ROA, SIZE, and LEV variables, the remaining 60.8 % is explained by other factors outside this research model.

Table 6. Additional Test

Variable	Additional Test							
	SOEs		Non-SOEs		Manufacturing & Others		Services & Finance	
Independent Variable								
SRDI	0.5181* (1.731)	0.2588 (1.039)	0.4312 (2.088)	0.3972** (2.149)	0.6775** (2.408)	0.5049** (2.107)	-0.0217 (-0.264)	0.0511 (0.448)
FC			0.1886 (0.607)	0.3477 (1.188)	-0.0552 (-0.109)	0.2097 (0.464)	0.1200 (0.478)	0.3401* (1.940)
FD			-0.0820 (0-0.238)	0.1811 (0.592)	-0.5601 (-0.941)	0.0989 (0.190)	-0.1869 (-0.814)	-0.3341 (-1.335)
FO	0.2054*** (2.797)	0.1843** (2.787)	0.0095 (0.303)	0.0288 (0.968)	0.0850 (1.627)	0.0645 (1.380)	-0.0057 (-0.326)	-0.0021 (-0.177)
Control Variable								
ROA		0.0362*** (3.240)		0.0390*** (4.837)		0.0530*** (5.667)		0.0198*** (3.455)
SIZE		-0.0962 (-1.157)		-0.1684** (-2.060)		-0.2327** (-2.417)		0.0966*** (4.016)
LEV		-0.7236 (-1.213)		0.5928* (1.759)		0.4501 (0.996)		-2.2244*** (-8.775)
Constant	0.7900	4.0108	1.4185	5.9200	1.3774	7.9021	1.1695	-0.2868
Adjusted R-squared	0.122	0.392	0.016	0.208	0.067	0.320	-0.058	0.792
F-statistics	5.3735	9.290	1.4008	4.5461	2.7842	7.6653	0.2032	32.568
Prob (F-statistic)	0.007	0.000	0.240	0.000	0.030	0.000	0.935	0.000
Observation	64	64	95	95	100	100	59	59

Note: *** p <0.01 ; ** p <0.05 and * p <0.10
SRDI: Disclosure of sustainability reports. FC: Foreign commissioner. FD: Foreign directors. FO: Foreign ownership. ROA: *Return* on assets. SIZE: Firm Size. LEV: Leverage. Testing uses the *Random Effect Model* (REM), except for the second model in the Services & Financial category using the *Common Effect* (CE).
Source: data processed (2019).

In the Non-SOEs category, the first model is not fit or not worth testing (Prob F = 0.240). In the second model SRDI significant positive effect on TOBINSQ (β = 0.3972, p = 0.039). FC, FD, and FO did not affect TOBINSQ. Value *Adjusted R-squared* in the second model without the control variables of 0.208 or 20.8%. In the Manufacturing & Other category companies, in the first model, only the SRDI variable had a positive effect on TOBINSQ (β = 0.6775, p = 0.0180). In the second variable SRDI the significant positive effect on TOBINSQ (β = 0.5049, p = 0.037. Value *Adjusted R-squared* on the first model without the variable control is 0.067 or 6.7%. After adding control variables in the second model, the value becomes 0.320 or 32%. For the Financial & Services company, the first model is not fit or suitable for testing (Prob F = 0.9935). The second model SRDI no effect. FC variable significantly positive effect on TOBINSQ TOBINSQ (β = 0.3401, p = 0.057). ROA and SIZE control variables have a positive effect, while LEV variables have a negative effect. Value *Adjusted R-squared* on the model of 0.792 or 79.2%.

Discussion

Based on the findings of the studies, the hypothesis indicates that the disclosure on sustainability reports has a positive impact on firm value. According to the perspective of stakeholder theory, the company in carrying out all its business activities is responsible for meeting and protecting the interests of stakeholders. The availability of non-financial information is one of the things needed by stakeholders. Through the disclosure of sustainability reports or sustainability, reports can increase transparency, accountability, and also increase stakeholder confidence, which will have an impact on improving the firm value (Li et al., 2018). This finding is in line with research (Schadewitz & Niskala, 2010; Suhardjanto & Nugraheni, 2012; Bachoo et al., 2013; Eccles et al., 2014; Fatchan & Trisnawati, 2016; Kuzey & Uyar, 2016; Loh et al., 2017; Li et al., 2018). However, these results do not support the research of Wibowo & Faradiza (2014), which states that sustainability reports negatively affect firm value. Yet, after testing in specific industrial sectors, the Service & Finance sector disclosure of sustainability reports has no impact on the firm value. This result also supports research conducted by Tjia & Setiawati (2012), who examined financial sector companies listed on the Indonesia Stock Exchange from 2008 to 2010.

According to Kuzey & Uyar (2016), companies engaged in Manufacturing are more likely to publish sustainability reports compared to companies involved in services. Since companies that Manufacturing of products has a higher environmental effect and causes health issues than service sector businesses (Brammer & Pavelin, 2008; Reverte, 2009). Companies that disclose sustainability reports are committed to long-term business sustainability that will enhance the reputation of the company in the eyes of investors and are expected to maximize the firm value. Investors will feel safe and encourage to invest in companies that not only generate profits but are also sustainable and promote sustainable development.

The homologyzer moderation regression test shows that ISRA is not moderated the impact of disclosure of sustainability reports on firm value. Still, although the ISRA variable is not a moderator variable, the effect of sustainability disclosure on ISRA winners has a higher predictive value in explaining firm value compared to the non-ISRA winner. The significance can be seen from the higher R-Squared values. The probable reason for the ISRA variable is not moderate the relationship of disclosure of sustainability reports to the firm value because the Indonesia Sustainability Reporting Award announced by NCSR has not been able to attract investors to invest in the award-winning company. Investors are more likely to see the company's performance in generating profits and dividend distribution besides looking at the social and environmental performance (Fatchan & Trisnawati, 2016).

Foreign commissioners have no impact on firm value. This result is contrary to previous research conducted by Tarigan et al. (2018), who examined the positive influence of foreign boards on firm value. The role of the commissioner is responsible for the joint supervision of the board of directors. The commissioner has the authority to supervise, but the company operates the board of directors. The probable cause of foreign commissioners' no influence on firm value is that the average international commissioners in this study are still low at 20%. In the sample in this study, there were also 40% State-Owned Enterprises (SOEs), which according to the applicable regulations, could not have recruited foreign commissioners to State-Owned Enterprises (SOEs) to affect the results of the hypothesis test in this study. The results of this study support research conducted by Darmadi (2011) and Suhardjanto et al. (2017), who found that foreign commissioners did not affect company performance. This reasoned is because companies registered in Indonesia are mostly controlled by families (Claessens et al., 2000). Board composition is not very influential on company performance and is influenced by many other factors (Randøy et al., 2006). After additional testing in the category of Services & Finance, foreign commissioners have a significant effect. The results prove that international commissioners can create better corporate value through mechanisms of oversight and good governance in Service & Finance companies in Indonesia.

Foreign directors have no impact on firm value. This result contradicts the research of Choi, Park & Yoo (2007) argue that the presence of foreigners on the board has a positive impact on company performance. Choi, Sul & Min (2012) prove that the presence of foreign directors indicates that the company is willing to sever managerial relations with controlling shareholders and increase the authenticity and independence of the board. The possible cause of the non-influence of foreign commissioners on firm value is that the average international directors in this study are still low at 12%. In the sample in this study, there were also 40% State-Owned Enterprises (SOEs), which according to the applicable regulations, could not have recruited foreign directors in State-Owned Enterprises (SOEs) to influence the results of the hypothesis test in this study.

Foreign ownership does not affect firm value. The findings in this study are that foreign ownership does not affect firm value. Possible causes of foreign ownership do not modify the firm value, according to Chhibber & Majumdar (1999) that share ownership by foreign investors will have a significant effect only if the share is more than 51%. Whereas in this study, the average foreign ownership was only 44.1%. These results support the research of Makhdalena (2017), which found that foreign ownership had no impact on firm value. Foreign ownership does not affect management efficiency, so local investors still dominate company performance and value. After additional testing on the type of State-Owned Enterprises (SOEs), foreign ownership is a positive effect on firm value. Foreign ownership in companies can create corporate value because foreign investors invest in companies that have good prospects and have good governance so that it also has an impact on creating good corporate value in State-Owned Enterprises (SOEs) in Indonesia.

CONCLUSIONS

Based on the findings of the research performed, the result of this study can be inferred as follows (1) Disclosure of sustainability reports positively affects firm value, (2) Indonesia Sustainability Reporting Awards are not a moderating relationship of disclosure on sustainability reports to firm value, but companies that get ISRA awards have a more substantial influence than companies that do not get awards (3) Foreign commissioners does not influence the firm value, but after an additional test conducted at the company Services & Financial foreign commissioners have a positive effect (4) Foreign directors have no impact on firm value and (5) Foreign ownership does not influence firm value, but after an additional test of foreign ownership has a significant positive effect on SOEs companies. Financial factors are still more dominant in affecting the firm value than non-financial factors. After testing on specific industry categories, the disclosure of sustainability reports has a significant positive effect on Manufacturing & other industries, SOE and non-SOEs companies. In contrast, the service & financial industry do not affect firm value.

The results of this study provide findings of the disclosure on sustainability reports, foreign boards, and foreign ownership and their impact on firm value. This finding can be used as a reference for relevant parties, both the government as a regulator, the company as a material for decision-making information, and a reference for further research, especially to develop research related to sustainability reporting, foreign board, foreign ownership and its impact on firm value. NCSR organizations issue the Indonesia Sustainability Reporting Awards to disclose the criteria or indicators of ISRA-winning companies so that researchers can further assess the effects of ISRA winners, mainly on firm value.

For further research, it can elaborate with the Financial Services Authority (OJK) Regulation No.51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This regulation requires companies operating in Indonesia to draw up the Sustainable Financial Action Plan and publish an annual Sustainability Report that shows how companies deal with Environmental, Social, and Governance risks (LST) related to financial facilities provided. Future research can examine the other factors and variables that might affect firm value and the performance of sustainability reporting and its long-term influence to be allowed to find out the impact of the firm value. This study also has a limitation that is only using content analysis that still has an element of subjectivity from the researcher.

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