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Sustainability Report, Institutional Ownership, and Foreign Ownership on Financial Performance with Board of Commissioners as Moderating

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A B S T R A C T

Company was built with the hope of being able to operate for a long time, so must have good financial performance. In order for financial performance to be improved, company need to issue sustainability reports to provide information to stakeholders, and company also need share ownership by institutional and foreign parties because they are considered capable of influencing the course of company in achieving its goals. However, to achieve these goals company requires strict supervision, which is through board of commissioners. This research aims to analyze the effect of sustainability reports, institutional ownership, and foreign ownership on financial performance with board of commissioners as moderating. Research design used is quantitative research. Research object are manufacturing companies listed on Indonesia Stock Exchange with 214 observations. Data analysis technique used is multiple linear regression analysis and moderation. Research results showed that sustainability report and foreign ownership have no effect on financial performance both ROA and ROE, and institutional ownership have a positive effect on financial performance both ROA and ROE with t are 2.892 and 1.983. Board of commissioners was unable to moderate the effect of foreign ownership on financial performance both ROA and ROE. Board of commissioners was able to moderate the effect of sustainability report on financial performance in ROA but weaken with t is negative 2.534, and was unable to moderate the effect on sustainability report to financial performance in ROE. Board of commissioners was able to moderate the effect of institutional ownership on financial performance in ROA with t is positive 2.128, but was unable to moderate on financial performance in ROE.

1. INTRODUCTION

A company is an organization established and managed by several individuals with the aim of generating profit from its business activities (Lisaime & Sri, 2018). This necessitates that companies remain competitive and possess a competitive advantage over others. To achieve this goal, several key stakeholders contribute, such as shareholders and management. Shareholders play a role through a contractual relationship, where, according to agency theory, shareholders act as the principal (authority giver), and management acts as the agent (authority receiver) (Jensen & Meckling, 1976). Shareholders, as the parties providing the funds, grant authority to management. Therefore, management must manage the company effectively, which will have a positive impact on improving financial performance.

Financial performance represents the quality of a company's financial condition over a specific period (Clarissa & Rasmini, 2018). Financial performance reflects a company's ability to manage and control its resources effectively (Anandamaya & Hermanto, 2021). A company's ability to generate profit from its operational activities depends on effective management. Good management enables the company to process its resources efficiently and effectively, maximizing profits and improving financial performance. Financial performance can serve as a basis for strategy formulation, decision-making, and investment planning to enhance the company's productivity and efficiency (Kusumardana et al., 2022). Financial performance can be observed through the financial statements presented by the company. Statement of Financial Accounting Standards No. 1 outlines the purpose of financial statements, which is to provide information related to a company's financial position, performance, and cash flows, useful for users in making decisions (Indonesian Accountants Association (IAI), 2022).

Shareholders use financial performance to assess the company's current performance and future prospects as a basis for making decisions (Simamora & Sembiring, 2018). When the financial statements indicate positive performance, shareholders are more likely to be interested in providing financial support to the company. Financial performance can be

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influenced by sustainability reports and ownership structure (Bukhori & Sopian, 2017; Dissanayake et al., 2020; Lestari & Juliarto, 2017; Rashid, 2020; Sidiq & Azmi, 2022). The sustainability report is a demand from stakeholders for companies to be more transparent in disclosing the impacts that may affect the performance and sustainability of the company (Nurfitriana, 2020). This demand has led to the continuous updating of the sustainability report standards issued by the Global Reporting Initiative (GRI) to keep up with existing needs and changes. Ownership structure, including institutional ownership and foreign ownership, can act as oversight by shareholders, who are seen as capable of influencing the company's operations to achieve its objectives, ultimately impacting the company's performance (Marsinah, 2021).

A sustainability report is a corporate reporting practice that includes the economic, environmental, and social impacts, as well as the contributions made toward achieving sustainable development goals for stakeholders (Global Reporting Initiative, 2020). The sustainability report serves as evidence that a company's operations are not solely focused on profit generation but also consider the environment and society around the company. This aligns with the stakeholder theory proposed (Freeman, 1984) provides an overview of the company's accountability to its stakeholders (Mulpiani, 2019). Stakeholders are a group of individuals or entities that can influence the success or failure of an organization. This group includes employees, creditors, customers, society, suppliers, the government, and other parties (Bukhori & Sopian, 2017). Stakeholders have the right to access information related to all activities within the company that could impact decision-making (Sidiq & Azmi, 2022). A company needs to gain the trust of its stakeholders for the continuity of its business. A sustainability report can have a positive impact on the company by enhancing its reputation and leaving a good impression on stakeholders, making them more willing to provide funds that could lead to increased investment, productivity, and financial performance (Bukhori & Sopian, 2017; Dissanayake et al., 2020). One example of a company that implements a sustainability report is PT Avia Avian Tbk. The company believes that applying a sustainability report will positively impact performance. This is evidenced by a 26% increase in the company's financial performance in 2021 compared to 2020 (Anggara, 2022). However, a study by Fadilla & Yuliandhari (2018) stated that the sustainability report does not have an impact on financial performance. This is because sustainability reports were previously voluntary rather than mandatory, leading to a limited number of companies issuing them. As a result, the existence of a sustainability report has not yet been able to drive an increase in productivity or sales for the company.

Ownership structure is the distribution of equity related to voting rights and capital, which indicates the identity of the company's ownership (Jensen & Meckling, 1976). There are several types of ownership structures, including institutional, foreign, managerial, and family ownership. Institutional ownership refers to a structure where shares are owned by institutions or organizations, such as financial institutions (banks), investment companies, insurance firms, or other entities (Farahdiba & Hendrawaty, 2022). Institutional ownership has greater capability in conducting monitoring and oversight, which helps reduce agency problems and results in improved financial performance (Lestari & Juliarto, 2017; Rashid, 2020). In contrast, a study by Siska et al. (2021) stated that institutional ownership does not have an impact on financial performance because it does not guarantee more effective oversight of management. Foreign ownership refers to an ownership structure where shares are owned by entities or individuals based outside the country (Maulana et al., 2021). Foreign ownership possesses optimal resources and tends to be more cautious, which leads foreign investors to pressure management to demonstrate good performance, ultimately impacting the improvement of financial performance (Rashid, 2020). In contrast, a study by Amin & Hamdan (2018) stated that foreign ownership has a negative impact on financial performance due to information asymmetry, such as differences in the speed of information access. This prevents foreign investors from keeping up with developments and being able to pressure management, resulting in poor management performance.

The results of the previous studies show inconsistencies. These inconsistencies occur due to the influence of other factors, which calls for the need for moderation. Therefore, this study adds a moderating variable in the form of the board of commissioners, which is expected to strengthen the impact of the sustainability report and ownership structure on financial performance (Dissanayake et al., 2020; Maulana et al., 2021). A company needs to be well-managed and requires strict and optimal oversight through the board of commissioners. The board of commissioners, as a corporate organ, functions to monitor and guide management (Shanti, 2020). The board of commissioners is considered capable of performing various roles, such as establishing relationships with external parties, setting strategies and objectives, allocating resource usage, and overseeing the activities of the company's managers (Rashid, 2020).

The board of commissioners is responsible for overseeing management's performance. This oversight ensures that management becomes more accountable for its operational activities, making the company more transparent, open, and willing to disclose extensive information in the sustainability report. This alignment of company actions with societal values or expectations will ultimately enhance the company's performance (Dissanayake et al., 2020). In contrast, a study by Nurlaily & Rahmi (2021) stated that the board of commissioners is unable to moderate the impact of the sustainability report on financial performance, because most publicly listed companies already have a higher level of transparency. This means that even without stricter oversight, companies are still fulfilling their responsibilities to stakeholders.

Shareholders often do not directly manage the company, which means that management has more knowledge of the company's internal affairs, leading to an information gap (Anandamaya & Hermanto, 2021). Therefore, oversight is necessary to protect stakeholders' interests, one of which can be achieved through the board of commissioners. The board of commissioners will monitor management's performance and ensure that the company is fulfilling its vision and mission. A study by Maulana et al. (2021) stated that the board of commissioners can moderate the effect of institutional ownership on financial performance, as the presence of the board of commissioners helps reduce the influence of ownership dominated by specific parties and supports effective oversight of management. This is because institutional ownership has optimal resources, which can lead to an improvement in financial performance. In contrast, a study by Dakhlallh et al. (2019) stated that while the board of commissioners moderates the effect of institutional ownership on financial performance, it weakens the influence due to the perception that the board's oversight is less effective. A study by Maulana et al. (2021) stated that the board of commissioners can moderate the effect of foreign ownership on financial performance. The presence of the board helps reduce the influence of ownership dominated by certain parties, thereby minimizing information asymmetry. This enables foreign ownership to be more effective in overseeing management, which ultimately leads to an improvement in financial performance. In contrast, a study by Anggreni & Robiyanto (2021) stated that the board of commissioners is unable to moderate the effect of foreign ownership on financial performance, because the board cannot ensure the effectiveness of oversight carried out by foreign ownership.

Based on the existing explanations, the objective of this study is to examine the impact of sustainability reports, institutional ownership, and foreign ownership on financial performance, with the board of commissioners acting as a moderating variable. This research conducted is expected to contribute to the literature on Sustainability Reports and ownership, also the role of board of commissioners on Indonesia Stock Exchange in order to improve company performance.

Financial Performance

Financial performance indicates the company's capability in managing and controlling the resources it possesses (Anandamaya & Hermanto, 2021). Financial performance represents the level of a company's health over a specific period (Putranto, 2018). According to Rambe (2020), financial performance is a continuous summary prepared by management based on the results of decisions. Financial performance represents the good or poor financial condition of a company in terms of fund collection and allocation, which can be measured using various indicators such as liquidity, capital adequacy, and profitability (Clarissa & Rasmini, 2018). Financial ratios can be used as indicators of financial performance, with four types: liquidity, activity, profitability, and solvency (Baune et al., 2022). In this study, financial performance is measured using profitability, which companies can use to assess their ability to generate profits (Hanafi, 2017). There are two types of profitability ratios: Return on Assets (ROA) and Return on Equity (ROE) (Subramanyam, 2014). ROA reflects the company's productivity and its ability to allocate and manage assets to generate returns (Tandelilin, 2010). From an internal perspective, financial performance can be assessed through ROA, which shows the effectiveness of management in generating profit using its assets (Gitman & Zutter, 2015). ROE represents the company's ability to effectively manage its equity capital and can be used to measure the return on investment for shareholders (Winarno, 2019). From an external perspective, financial performance can be assessed from ROE, which indicates the company's effectiveness in managing its equity to provide returns for investors (Wijaya, 2019). This study uses both ROA and ROE because they reflect both internal and external aspects of the company. Internally, a higher ROA reflects the company's ability to use assets to generate profit. Externally, ROE serves as an indicator that investors can use to evaluate the success of the company's business (Winarno, 2019).

Sustainability Report

According to Global Reporting Initiative (Global Reporting Initiative, 2020), a sustainability report is a reporting practice conducted by organizations, detailing the economic, environmental, and social impacts, as well as the contributions made towards achieving sustainable development goals for stakeholders. The Triple Bottom Line (3P) concept states that the goal of business is not solely focused on profit, but also on accountability to society (people) and the planet (environment) (Elkington, 1997). This is beneficial for the company's long-term sustainability goals. When a company presents a sustainability report, investors can use it as a consideration when making investment decisions, compared to companies that have not or do not issue sustainability reports. In 2017, the Financial Services Authority (OJK) issued regulations mandating financial services institutions (LJK), issuers, and publicly listed companies to prepare sustainability reports, either separately or as part of their annual reports. This regulation is outlined in POJK No. 51/POJK.03/2017 (Otoritas Jasa Keuangan, 2017). As a continuation of the previous regulation, the OJK issued SEOJK No. 16/SEOJK.04/2021, which mandates publicly listed companies and issuers to prepare sustainability reports (Otoritas Jasa Keuangan, 2021).

The sustainability report is disclosed based on guidelines published by the GRI. The GRI Standards serve as a benchmark for companies to communicate and understand the economic, environmental, and social impacts of their operations. The GRI Standards can enhance accountability and transparency, as they improve global comparability and the quality of information regarding economic, environmental, and social impacts (Global Reporting Initiative, 2020). The GRI guidelines are one of the frameworks used to assess sustainability reports. These guidelines have evolved over time to accommodate changes and the needs of companies, with the most recent version being the GRI Standards. Since 2018, companies have been following the criteria outlined in the GRI Standards for disclosing their sustainability reports. According to the GRI Standards (2020), there are three dimensions disclosed in the sustainability report: the economic dimension, the environmental dimension, and the social dimension. This study uses the Sustainability Report Disclosure Index (SRDI) with a total of 89 disclosure items based on the GRI Standards.

Ownership Structure

Ownership structure refers to the distribution of equity related to voting rights and capital, which indicates the identity of the ownership within a company (Jensen & Meckling, 1976). Ownership structure reflects the level of share ownership in a company. This study focuses on two types of ownership structures: institutional ownership and foreign ownership (Maulana et al., 2021; Rashid, 2020). Institutional ownership refers to share ownership by institutions or other organizations (Farahdiba & Hendrawaty, 2022; Jusuf et al., 2023). Institutional ownership refers to ownership by financial institutions (banks), investment firms, insurance companies, or other large institutions. Typically, institutional ownership is held by large organizations with substantial resources, allowing for enhanced control over company management. The proportion of institutional ownership in a company is often significant, which enables a more effective oversight of management (Ivan & Raharja, 2021). Institutional ownership can serve as an alternative to reduce agency problems because it allows for stricter oversight and helps discipline managers to act in alignment with the company's objectives (Lestari & Juliarto, 2017). The oversight of institutional investors is considered more effective because they can conduct thorough monitoring and maintain balance within the company, as their ownership is managed by professional entities (Rashid, 2020).

Foreign ownership refers to share ownership by an entity or individual located abroad (Maulana et al., 2021). Foreign investors are considered to have a different work ethic compared to domestic investors, as they often bring better management systems, innovation, technology, expertise, and marketing strategies (Ivan & Raharja, 2021). Foreign ownership is considered beneficial for a company, as foreign investors often have less information compared to domestic investors. This limited information makes foreign investors more cautious in analyzing and considering all factors before making decisions, which leads them to pressure managers to demonstrate strong performance (Rashid, 2020).

The Board of Commissioners

The board of directors can perform various roles, such as establishing relationships with external parties, setting strategies and goals, allocating resources, and overseeing the activities of management (Goodstein et al., 1994). Therefore, a board of commissioners is necessary to ensure these roles are carried out effectively. The board of commissioners acts as a liaison between the owners and management, which is responsible for managing and conducting the company's operational activities. According to Komite Nasional Kebijakan Governansi (2021), the board of commissioners is defined as the company's organ responsible for overseeing all activities carried out and guiding the management. According to POJK No.33/POJK.04/2014, the board of commissioners is defined as the company's organ responsible for oversight based on the articles of association and providing advice to the management (Otoritas Jasa Keuangan, 2014). The board of commissioners does not have direct authority over the company (Anggraini et al., 2019). The main function of the board of commissioners is to oversee the quality and completeness of information related to the management's performance reports. The board of commissioners plays a role in ensuring that management has effectively managed the company to achieve its goals (Lukviarman, 2016).

The board of commissioners is measured using independent commissioners. Independent commissioners are members of the board who have no relationship with other members, the board of directors, or controlling shareholders, and are not involved in the management of the company related to the owner company (Fadillah, 2017). Eksandy (2018) states that independent commissioners are members of the board who have no relationships in terms of management, finance, share ownership, or family connections with other board members, directors, or company managers, which could affect their ability to remain independent. In POJK No.33/POJK.04/2014, it is stated that independent commissioners should constitute at least 30% of the total members of the board of commissioners (Otoritas Jasa Keuangan, 2014). Independent commissioners exist because the oversight function of the board of commissioners is considered insufficient, as board members can come from the management or shareholders. This is different from independent commissioners, who are not from the internal company or shareholders, as they are tasked with separating the interests of owners and management. The higher the proportion of independent commissioners, the more optimal the oversight of management will be (Putri & Muid, 2017).

Hypothesis

According to Global Reporting Initiative (Global Reporting Initiative, 2020), a sustainability report is a reporting practice conducted by organizations, containing impacts related to economic, environmental, and social factors, as well as contributions made to achieve sustainable development goals for stakeholders. This aligns with stakeholder theory, which states that stakeholders have the right to receive information related to all company activities that could impact decision-making (Sidiq & Azmi, 2022). Stakeholder theory is an extension of corporate responsibility that highlights the company's duty to stakeholders, not just focusing on investors or owners. It emphasizes that businesses should consider the interests and well-being of all parties involved, such as employees, customers, suppliers, and the wider community (Safriani & Utomo, 2020). The sustainability report disclosed by a company not only contains financial information but also includes non-financial data. This allows stakeholders to better understand the company's performance and the impact it has on social, environmental, and economic aspects, which can help stakeholders in making informed decisions (Bukhori & Sopian, 2017). Stakeholder trust can be manifested in the form of investments and partnerships, which lead to increased financial support for the company, productivity, and sales. Increased productivity indicates that the company has successfully maximized its assets to generate profits, reflecting improved financial performance. The influx of funds signifies that investors are willing to provide capital to the company, thereby increasing its equity. This can positively impact the company's financial performance (Bukhori & Sopian, 2017). Sustainability reports can impact financial performance because, by providing such reports, companies become more transparent with information directed towards stakeholders. This transparency boosts stakeholder trust in the company, which in turn can enhance financial performance (Hogiantoro et al., 2022). A study conducted by Bukhori & Sopian (2017) and Dissanayake et al. (2020) found that sustainability reports have a positive impact on financial performance. The existence of a sustainability report positively affects financial performance, where the more comprehensive and well-executed the sustainability report, the higher the financial performance of the company.

H1: The sustainability report has a positive effect on financial performance.

Institutional ownership refers to the ownership of shares by institutions or other organizations (Farahdiba & Hendrawaty, 2022). Institutional ownership can be an alternative to reduce agency problems. This is because external institutional ownership can discipline managers to align their behavior with the company's goals, focusing on stricter oversight (Lestari & Juliarto, 2017). Institutional ownership is held by large institutions or organizations that possess significant resources, making it more effective in conducting audits and oversight, thereby reducing agency problems. The supervision carried out by institutional investors is considered better because they can perform inspections and maintain balance within the company they invest in, as their ownership is managed by professionals (Rashid, 2020). The stricter oversight leads management to demonstrate better performance, which positively impacts financial performance. This performance is achieved by effectively managing the company's assets to maximize profits. This is supported by research, which highlights the role of institutional ownership in improving management practices and financial outcomes Lestari & Juliarto (2017) and Rashid (2020) which state that institutional ownership has a positive effect on financial performance. Institutional ownership will have a positive impact on financial performance, where the higher the proportion of institutional ownership in a company, the better the company's financial performance will be.

H2: Institutional ownership has a positive effect on financial performance.

Foreign ownership refers to the ownership of shares by entities or individuals based abroad (Maulana et al., 2021). Foreign investors are believed to have a different work ethic compared to domestic investors, as they possess better management systems, innovation, technology, expertise, and marketing systems. In line with agency theory, which suggests that financial performance declines due to differences in interests and information asymmetry, when foreign ownership is more dominant in a company, they will likely choose foreign individuals to manage the company. This helps align the interests and reduce information asymmetry by creating congruence of principles between the management and shareholders (Ivan & Raharja, 2021). Foreign ownership can improve financial performance because foreign investors have more optimal resources and tend to be more cautious due to having less information compared to domestic investors. This makes foreign investors more careful in analyzing and considering all aspects before making decisions, leading them to pressure management to show good performance. This good performance is achieved by effectively managing the company's assets to maximize profits, which ultimately results in improved financial performance. This is supported by research (Rashid, 2020), which states that foreign ownership positively affects financial performance. The presence of foreign ownership has a positive impact on financial performance, where the higher the proportion of foreign ownership in a company, the better the financial performance will be.

H3: Foreign ownership has a positive effect on financial performance.

A company's management is considered effective when it has a proportional board composition, strong oversight, and an independent board within the structure. This is because the board of commissioners plays a crucial role in every decision-making process within the company (Nurlaily & Rahmi, 2021). According to Komite Nasional Kebijakan Governansi (2021), the board of commissioners is an organ of the company responsible for overseeing all activities carried out and guiding the management. The board of commissioners is connected to the shareholders, and therefore, stricter supervision is needed through independent commissioners. Independent commissioners are board members who have no relations with other members, the board of directors, or controlling shareholders, and do not serve as management linked to the parent company (Fadillah, 2017). Investors tend to invest their capital in companies that have transparency and provide information with a low level of information asymmetry (Puspitandari & Septiani, 2017). Strict oversight by the board makes management more accountable to stakeholders for the company's activities, one of which is through the sustainability report. The presence of a board overseeing management can lead to more activities being disclosed in the sustainability report, aligning the company's actions with societal values and expectations, ultimately improving the company's performance (Dissanayake et al., 2020). If a company can maintain stakeholder trust or attract new stakeholders through its sustainability report, supported by effective oversight, it can lead to an increase in the flow of funding into the company, thereby improving its financial performance. The study by Dissanayake et al. (2020) states that the independent board can moderate the effect of sustainability report on financial performance. The presence of an independent board strengthens the relationship between sustainability report and financial performance. The existence of independent commissioners will assist management in preparing the sustainability report more effectively, leading to an improvement in financial performance.
H4: The Board of Commissioners moderates the effect of sustainability report on financial performance.

Vroom & McCann (2009) state that ownership structure refers to the relative number of ownership claims held by internal parties (managers) and external parties (investors with no direct connection to management). Ownership structure is considered key in determining the nature of agency theory, as it determines which conflicts are more dominant within the company, whether it is between management and shareholders or among shareholders. Institutional ownership refers to the ownership of shares by institutions or other entities (Farahdiba & Hendrawaty, 2022). Institutional investor oversight is considered more effective because they conduct thorough evaluations and maintain balance within the companies they invest in, with management handled by professionals (Rashid, 2020). However, shareholders typically do not directly manage the company, which means that management has a better understanding of the internal workings of the company. This creates information asymmetry, which requires stricter oversight, one of which can be provided by the board of commissioners. This oversight function can be carried out effectively and efficiently with independent commissioners, who can ensure the provision of more reliable information, thereby reducing information asymmetry (Setiawan et al., 2020). The stricter oversight ensures that management demonstrates good performance, thereby achieving the company's objectives. This is done through effective management of the company's assets to maximize profits, which in turn leads to improved financial performance. This is supported by the research of Maulana et al. (2021), which states that the board of commissioners is capable of moderating the effect of institutional ownership on financial performance.
H5: The board of commissioners moderates the effect of institutional ownership on financial performance.

Foreign ownership refers to the ownership of shares by an entity or individual located abroad (Maulana et al., 2021). Foreign investors are considered to have a different work ethic compared to domestic investors, as foreign investors who invest in a company tend to have better management systems, innovation, technology, expertise, and marketing systems (Ivan & Raharja, 2021). However, foreign investors are considered to have less information compared to domestic investors, which makes them more cautious in analyzing and considering all factors before making decisions (Rashid, 2020). These differences can lead to an information gap, which requires good management to prevent or minimize such issues. The presence of effective management in a company is often assessed based on the existence of oversight functions within the organization (Ditta & Setiawan, 2019), where the form of this oversight function is through the presence of a board of commissioners. This oversight function can be carried out effectively and efficiently with independent commissioners who can ensure the reporting of more reliable information, thus reducing information asymmetry (Setiawan et al., 2020). A reduction in information asymmetry indicates that the company has implemented transparency in disclosing information, which can increase stakeholder trust. This oversight allows foreign investors to more easily monitor and pressure management to better manage the company, specifically through effective management of assets to achieve maximum profit, ultimately impacting improved financial performance. This is supported by the research of Maulana et al. (2021), which states that the board of commissioners is able to moderate the effect of foreign ownership on financial performance.
H6: The Board of Commissioners moderates the effect of foreign ownership on financial performance.

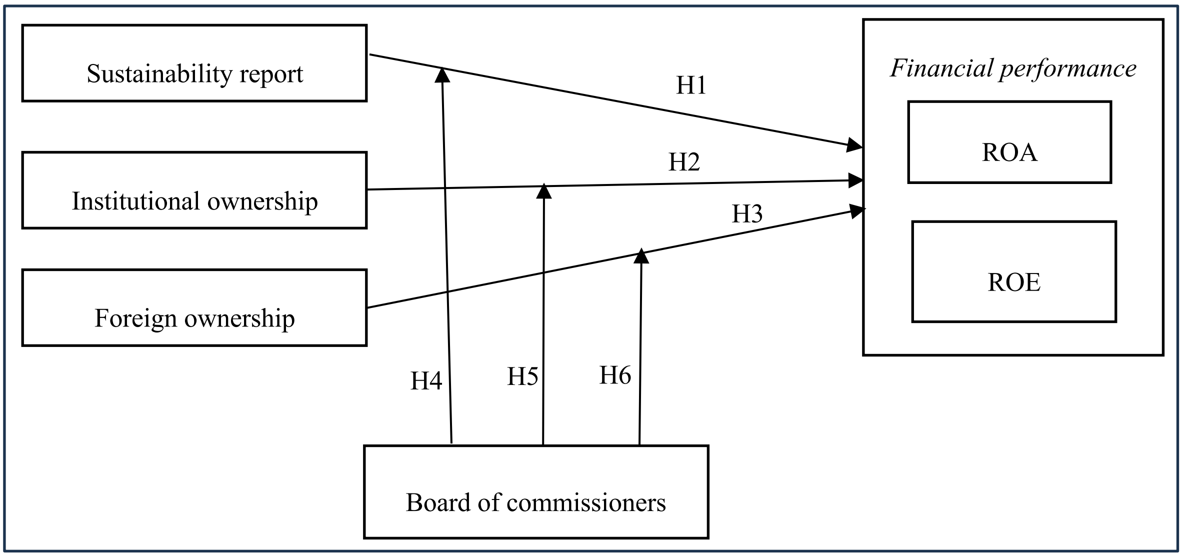

Figure 1. Analysis Model

2. METHOD

The research design used is quantitative. The study employs independent variables including Sustainability Report (SR), Institutional Ownership (INST), and Foreign Ownership (FOREIGN); the dependent variables are Financial Performance (ROA and ROE), and the moderating variable is the Board of Commissioners (IND). The explanation of each variable is as follows:

a. Sustainability Report (SR) refers to the organizational reporting practice that includes the economic, environmental, and social impacts, as well as the contributions made towards achieving sustainable development goals for stakeholders (Global Reporting Initiative, 2020). This study uses the GRI Standard with a total of 89 indicators. The measurement is done using the SRDI (Sustainability Report Disclosure Index), where a value of 1 is given if an item from the 89 items is disclosed, and a value of 0 if the item is not disclosed. The total value of the disclosed items is then divided by the 89 items available to get Sustainability Report indeks.
b. Institutional Ownership (INST) refers to the ownership of shares by institutions or entities such as banks, investment companies, insurance companies, or other institutional ownership (Farahdiba & Hendrawaty, 2022). Institutional ownership is measured by the number of shares owned by institutions compared to the total number of shares outstanding (Rashid, 2020).
c. Foreign Ownership (FOREIGN) refers to the ownership of shares by an entity or individual based outside the country (Maulana et al., 2021). Foreign ownership is measured by the number of shares held by foreign investors compared to the total shares outstanding (Rashid, 2020).
d. Board of Commissioners (IND) is the governing body of the company responsible for overseeing all activities and guiding the management team (Shanti, 2020). The board of commissioners is measured using independent commissioners. Independent commissioners are members of the board who have no relationship with other members, the board of directors, or controlling shareholders, and are not involved in the management of the company related to the owner company (Fadillah, 2017). The board of commissioners is measured by the composition of independent commissioners to the total number of commissioners in the company.
e. Financial performance is a representation of the company's financial condition, reflecting both the positive and negative aspects of fund collection and allocation, which can be measured using various indicators such as liquidity, capital adequacy, and profitability (Clarissa & Rasmini, 2018). Financial performance is measured using profitability ratios, which consist of Return on Assets (ROA) and Return on Equity (ROE) (Fahmi, 2014). ROA illustrates the measure of productivity as well as the company's ability to allocate and manage its assets to generate returns (profit) (Tandelilin, 2010). ROA is measured by comparing net income after tax with total assets (Rashid, 2020). ROE indicates the company's ability to effectively manage its equity and measures the rate of return on investment that shareholders can obtain (Winarno, 2019). ROE is measured by comparing net income after tax with total shareholder equity (Rashid, 2020).

The data used consists of sustainability reports and annual reports obtained from the Indonesia Stock Exchange (IDX) website as well as the respective companies' websites. The research population is manufacturing companies listed on the Indonesia Stock Exchange (IDX), where the manufacturing sector has a significant contribution to environmental and social issues such as waste and pollution (Alamudi, 2022). These issues can pose risks both in the present and in the future, making it important to understand the sustainability of the company. Therefore, manufacturing companies must disclose the impacts and contributions made by the company through sustainability reports. The research period is from 2018 to 2021, as the GRI Standards have been implemented since 2018. The sample was selected using purposive sampling based on the following criteria: (1) Manufacturing companies listed on the IDX consecutively from 2018 to 2021, and (2) Manufacturing companies that published annual reports or sustainability reports in accordance with the GRI Standards consecutively from 2018 to 2021.

The data analysis technique used is multiple linear regression and moderation analysis with the help of SPSS version 23 software, considering that this study uses three independent variables and a moderating variable. The following is the equation model used:

$$ROA = \alpha + \beta1.SR + \beta2.INST + \beta3.FOREIGN + \beta4.IND + \beta5.SR*IND + \beta6.INST*IND + \beta7.\ FOREIGN*IND + \varepsilon$$
$$ROE = \alpha + \beta1.SR + \beta2.INST + \beta3.FOREIGN + \beta4.IND + \beta5.SR*IND + \beta6.INST*IND + \beta7.\ FOREIGN*IND + \varepsilon$$

Data analysis includes (1) Classical assumption tests, which consist of 4 tests: normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test; (2) Model feasibility test conducted using the coefficient of determination (R^2) test and the F-test (goodness of fit); and (3) Hypothesis testing (Ghozali, 2018).

3. RESULT AND DISCUSSION

Table 1. Criteria for Sample Selection in the Research

Description	Quantity
Population: manufacturing companies listed on the IDX	214
Does not meet criteria:	
1. Listed on the IDX consecutively from 2018 to 2021.	(47)
2. Published annual reports or sustainability reports according to GRI Standards consecutively from 2018 to 2021.	(95)
Number of companies meeting the criteria	72
Research period	4
Total observations before outlier removal	288
Number of outlier data	(74)
Final number of observations	214

Source: BEI *website*, processed (2023)

Table 1 shows that based on the established criteria and the presence of outliers, the final number of observations is 214.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
ROA	214	-0.12404	0.20556	0.039569	0.054324
ROE	214	-0.23275	0.32772	0.065001	0.093832
SR	214	0.05618	0.60674	0.218505	0.125569
INST	214	0.00004	0.98691	0.385313	0.326225
FOREIGN	214	0.00008	0.99960	0.313099	0.313361
IND	214	0.20000	0.66667	0.412105	0.102431

Source: Processed data (2023)

Financial performance in the form of ROA has an average value of 0.039569, indicating that the average sample company has the ability to generate returns (profit) from the use of assets amounting to 3.9569%. Financial performance in the form of ROE has an average value of 0.065001, indicating that the average sample company has the ability to provide returns to shareholders through effective capital management amounting to 6.5001%. The Sustainability Report (SR) has an average value of 0.218505, meaning that on average, the sample companies disclose 19 items of SR out of 89 items according to GRI Standards, indicating that the disclosure of sustainability report items by the companies is still limited. Institutional Ownership (INST) has an average value of 0.385313, indicating that on average, the sample companies have institutional ownership amounting to 38.5313% of the total shares outstanding. Foreign Ownership (FOREIGN) has an average value of 0.313099, indicating that on average, the sample companies have foreign ownership amounting to 31.3099% of the total shares outstanding. The Board of Commissioners (IND) has an average value of 0.412105, indicating that on average, the sample companies have an independent board of commissioners composition of 41.2105%, meaning the companies have complied with POJK No.33/POJK.04/2014, where the proportion of independent commissioners in the company is at least 30%.

Table 3. Normality test

Model		Unstandardized Residual	Result
ROA Model	Monte Carlo Sig. (2-tailed)	0.360	normal distribution
ROE Model	Monte Carlo Sig. (2-tailed)	0.117	normal distribution

Source: Processed data (2023)

Based on Table 3, the results of the normality test in the ROA Model show a significance value of 0.360, and in the ROE Model, the significance value is 0.117. This means that both equations represent that the residual data are normally distributed, as the significance values (α) ≥ 0,05.

Table 4. Heteroscedasticity test

Model	Model	Sig.	Result
ROA Model	Regression	0.711	no heteroscedasticity problem
ROE Model	Regression	0.782	no heteroscedasticity problem

Source: Processed data (2023)

Based on Table 4, the results of the heteroscedasticity test using the Glejser test show a significance value of 0.711 for the ROA Model and 0.782 for the ROE Model. This means that in both regression model, heteroscedasticity does not occur because the significance values (α) ≥ 0,05.

Table 5. Autocorrelation test

Model	dU	*Durbin- Watson*	4-dU	Result
ROA Model	1.83305	1.949	2.16695	no autocorrelation problem
ROE Model	1.83305	1.852	2.16695	no autocorrelation problem

Source: Processed data (2023)

Based on Table 5, the Durbin-Watson value for the ROA Model is 1.949 and for the ROE Model, it is 1.852. This means that both model meet the condition dU < dW < 4 - dU, so it can be concluded that there is no autocorrelation in the regression model.

Table 6. Multicollinearity test

Model	Independent variable	TOL	VIF	Result
ROA Model	SR	0.169	5.913	no multicollinearity problem
	INST	0.373	2.678	no multicollinearity problem
	FOREIGN	0.350	2.855	no multicollinearity problem
	IND	0.239	4.179	no multicollinearity problem
	SR*IND	0.100	9.955	no multicollinearity problem
	INST*IND	0.398	2.513	no multicollinearity problem
	FOREIGN*IND	0.381	2.621	no multicollinearity problem
ROE Model	SR	0.169	5.913	no multicollinearity problem
	INST	0.373	2.678	no multicollinearity problem
	FOREIGN	0.350	2.855	no multicollinearity problem
	IND	0.239	4.179	no multicollinearity problem
	SR*IND	0.100	9.955	no multicollinearity problem
	INST*IND	0.398	2.513	no multicollinearity problem
	FOREIGN*IND	0.381	2.621	no multicollinearity problem

Source: Processed data (2023)

Based on Table 6, the results of the multicollinearity test show that all tolerance values in the ROA and ROE Model are > 0.1 and the VIF values are < 10. This means that there is no multicollinearity in both regression model.

Table 7. Coefficient of Determination test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA Model	0.347	0.120	0.091	0.05181
ROE Model	0.302	0.091	0.061	0.09094

Source: Processed data (2023)

In Table 7, the ROA Model shows an Adjusted R Square value of 0.091, meaning that the independent variables (SR, INST, FOREIGN, IND) and the moderating variables (SR*IND, INST*IND, FOREIGN*IND) explain 9.1% of the dependent variable (ROA), while the remaining 90.9% is explained by other variables outside the scope of this study. The ROE Model shows an Adjusted R Square value of 0.061, meaning that the independent variables (SR, INST, FOREIGN, IND) and the moderating variables (SR*IND, INST*IND, FOREIGN*IND) explain 6.1% of the dependent variable (ROE), while the remaining 93.9% is explained by other variables outside the scope of this study.

Table 8. F test

Model	F	Sig.
ROA Model	4.029	0.000
ROE Model	2.963	0.006

Source: Processed data (2023)

Based on Table 8, there are 2 F-test results tested in ROA Model and ROE Model. In ROA Model, the F-test value is 4.029 with a significance level of 0.000 (<0.05). In ROE Model, the F-test value is 2.963 with a significance level of 0.006 (<0.05). This means that both model meet the requirements and it can be concluded that both models are suitable for testing the independent variables (SR, INST, FOREIGN, dan IND) and the moderating variables (SR*IND, INST*IND, dan FOREIGN*IND) on the dependent variables (ROA dan ROE).

Table 9. t test of ROA Model

Variable	B	t	Sig.	Result	conclusion
SR	-0.073	-1.066	0.288	not significant	H1 rejected
INST	0.051	2.892	0.004	significant, positive	H2 accepted
FOREIGN	0.016	0.812	0.417	not significant	H3 rejected
IND	-0.175	-2.464	0.015	significant, negative	
SR*IND	-0.213	-2.534	0.012	significant, negative	H4 rejected
INST*IND	0.030	2.128	0.035	significant, positive	H5 accepted
FOREIGN*IND	-0.016	-1.148	0.252	not significant	H6 rejected

Source: Processed data (2023)

Table 10. t test of ROE Model

Variable	B	t	Sig.	result	conclusion
SR	-0.063	-0.523	0.601	not significant	H1 rejected
INST	0.062	1.983	0.049	significant, positive	H2 accepted
FOREIGN	0.023	0.688	0.492	not significant	H3 rejected
IND	-0.249	-2.003	0.047	significant, negative	
SR*IND	-0.269	-1.820	0.070	not significant	H4 rejected
INST*IND	0.026	1.064	0.288	not significant	H5 rejected
FOREIGN*IND	-0.029	-1.202	0.231	not significant	H6 rejected

Source: Processed data (2023)

Sustainability Report on Financial Performance

The analysis results show that there is no effect of the sustainability report on financial performance (ROA and ROE), therefore H1 is rejected. The results of this study are in line with the research by Fadilla & Yuliandhari (2018), which states that the sustainability report does not affect financial performance, because sustainability reports were previously voluntary rather than mandatory, leading to a limited number of companies publishing sustainability reports. As a result, the presence of a sustainability report has not yet been able to lead to increased productivity or sales within companies. Therefore, the sustainability report published by a company cannot guarantee that the company will successfully achieve maximum returns through the management of its assets or equity. However, the results of this study contrast with the research by Bukhori & Sopian (2017), which states that the sustainability report has a positive effect on financial performance. According to their research, the publication of a sustainability report can have a positive impact as it can enhance the company's reputation and increase stakeholder trust. This trust from stakeholders can be manifested in the form of investments or collaborations, which can lead to increased financial support flowing into the company, as well as improvements in productivity and sales, ultimately boosting financial performance.

The results of this study are not in line with stakeholder theory, which states that stakeholders have the right to receive information regarding all activities within the company that could impact decision-making (Sidiq & Azmi, 2022). This is because the sustainability reports published by companies, whether integrated with the annual report or published separately, are still very few. Stakeholders tend to believe that preparing a sustainability report will reduce the company's profits due to the costs incurred for creating the report. Many companies have yet to publish a sustainability report or fully disclose the items in the sustainability report. This is evident from the minimal disclosure of sustainability reports by companies, with an average of around 19 items out of the total 89 items that should be disclosed. Most sample companies only disclose the mandatory items that are already available in the annual report.

Institutional Ownership on Financial Performance

The analysis results show a positive effect of institutional ownership on financial performance (ROA and ROE), therefore H2 is accepted. These findings are in line with the research by Lestari & Juliarto (2017) and Rashid (2020) , which states that institutional ownership has a positive effect on financial performance. This occurs because institutional ownership has greater capabilities in conducting oversight and monitoring, thus reducing agency problems and impacting the improvement of financial performance. The tighter oversight encourages company management to perform well, thereby improving financial performance. One example of good performance is the effective management of the company's assets and equity to achieve maximum profits. However, the results of this study contrast with the research by Siska et al. (2021) which states that there is no effect of institutional ownership on financial performance, because it does not guarantee more effective management oversight. Institutional ownership held by external parties, typically large institutions or professional entities, does not necessarily ensure stricter supervision of management.

The results of this study are in line with agency theory, which outlines the contractual relationship between shareholders as the principals and management as the agents who are accountable to the principals. Management is responsible to the company's owners for its performance in managing the company. One of its duties is to report and disclose information regarding the company's financial performance to the principals at each period (Ivan & Raharja, 2021). The presence of institutional ownership in a company can lead to tighter and more effective supervision, as oversight by institutional investors is considered more effective. Institutional investors can conduct audits and maintain balance within the companies they invest in because their ownership is managed by professional parties. Therefore, institutional ownership can ensure that company management is accountable to the owners for its performance and put aside its own interests.

Foreign Ownership on Financial Performance

The analysis results show that there is no effect of foreign ownership on financial performance (ROA), therefore H3 is rejected. These findings are in line with the research by Ivan & Raharja (2021) which states that foreign ownership does not affect financial performance. This is due to information asymmetry, such as differences in the speed of obtaining information, which prevents foreign investors from keeping up with developments and effectively pressuring management. Therefore, foreign ownership does not enhance or make management oversight more effective. These differences mean that foreign ownership cannot pressure management to manage the company well, including the effective management of assets and equity to achieve maximum returns. However, the results of this study contrast with the research by Rashid (2020), which states that foreign ownership has a positive effect on financial performance. This is because foreign ownership in a company, with its optimal resources and more cautious approach, tends to pressure management to show good performance, thus improving financial performance. Good performance includes the effective management of company assets and equity to achieve maximum profits, which impacts the improvement of financial performance.

The results of this study are not in line with agency theory, which outlines the contractual relationship between shareholders and management, with management being accountable to the shareholders. Management is responsible to the company's owners for its performance in managing the company. One of its duties is to report and disclose information regarding the company's financial performance to the principals at each period (Ivan & Raharja, 2021). The presence of foreign ownership, however, does not make management oversight more stringent and does not succeed in making management more accountable to investors. Foreign ownership fails to make management set aside its own interests and prioritize the interests of shareholders.

Sustainability Report on Financial Performance with Board of Commissioners Moderation

The analysis results show that the Board of Commissioners is unable to moderate the effect of the sustainability report on financial performance in terms of ROE, but it is able to moderate the effect of the sustainability report on ROA, although it weakens the effect. Therefore, H4 is rejected. The results of this study are in line with the research by Nurlaily & Rahmi (2021), which states that the Board of Commissioners is unable to moderate the effect of the sustainability report on financial performance. This is because most publicly listed companies are generally considered to have a higher level of transparency compared to non-public companies, especially with the strict oversight of the Board of Commissioners, leading the company to feel that it has fulfilled its responsibilities to stakeholders. In reality, companies focus on managing their responsibilities to stakeholders in various aspects such as economic, environmental, and social as much as possible, but they do not ensure that they will disclose as many items as possible in the sustainability report. This shows that the presence of the Board of Commissioners does not guarantee that the company will prepare and publish the sustainability report as thoroughly as possible, which could impact financial performance. However, the results of this study contrast with the research by Dissanayake et al. (2020), which states that the Board of Commissioners is able to moderate the effect of the sustainability report on financial performance. This is because the Board of Commissioners is responsible for overseeing management's performance. This oversight makes the company more accountable for its operational activities, leading to greater transparency, openness, and more comprehensive disclosure in the sustainability report, aligning the company's actions with the values or expectations of society, and ultimately improving the company's performance.

The results of this study are not in line with stakeholder theory, which states that stakeholders have the right to receive both financial and non-financial information related to all activities within the company that could impact decision-making (Sidiq & Azmi, 2022). In reality, many companies have not published a sustainability report or disclosed many items within it, even though on average, each company has complied with OJK Regulation No. 33/POJK.04/2014, which states that a company should have at least 30% independent commissioners on its board. However, the presence of the Board of Commissioners has not been able to encourage companies to disclose more information or to publish the sustainability report as thoroughly as possible. The companies have complied with POJK No. 33/POJK.04/2014, but merely to fulfill regulatory requirements or as a formality.

Institutional Ownership on Financial Performance with Board of Commissioners Moderation

The analysis results show that the Board of Commissioners is able to moderate the effect of institutional ownership on financial performance in terms of ROA, therefore H5 is accepted. These findings are in line with the research by (Maulana et al., 2021), which states that the Board of Commissioners is able to moderate the effect of institutional ownership on financial performance. Institutional ownership is usually held by large institutions or entities with strong resources, making it more effective in conducting oversight, thus reducing agency problems and improving financial performance. However, shareholders typically do not manage the company directly, which means that management is more familiar with the company's internal workings. This leads to information asymmetry, making stricter oversight necessary, one example being the presence of the Board of Commissioners. The oversight by the Board of Commissioners, combined with institutional ownership, ensures that management performs well, helping the company and stakeholders achieve their objectives (Maulana et al., 2021). Good performance includes the effective management of company assets to achieve maximum profits, which impacts the improvement of financial performance. However, the results of this study contrast with the research by Dakhlallh et al. (2019), which states that the Board of Commissioners weakens the effect of institutional ownership on financial performance. This is because the oversight by the Board of Commissioners, particularly through independent commissioners, is considered less effective than oversight by internal company parties. This kind of oversight can reduce the relationship between institutional ownership and financial performance.

The results of this study are in line with agency theory, which explains the contractual relationship between shareholders and management. Management is responsible to the company's owners for its performance in managing the company. One of its duties is to report and disclose information regarding the company's financial performance to the principals at each period (Ivan & Raharja, 2021). The presence of institutional ownership is considered better because institutional investors can conduct examinations and maintain balance in the company they invest in, as their ownership is managed by professional parties (Rashid, 2020). However, with the help of stricter oversight from the company's internal parties through the Board of Commissioners on management's performance, management will focus on managing the company well.

However, in the ROE model, the results show that the Board of Commissioners is unable to moderate the effect of institutional ownership on financial performance in terms of ROE, therefore H5 is rejected. The results of this study are not in line with the research by (Maulana et al., 2021), which states that the Board of Commissioners is able to moderate the effect of institutional ownership on financial performance. This occurs because the presence of the Board of Commissioners does not guarantee that the company's management will manage the company well. Moreover, the existence of the Board of Commissioners cannot guarantee that the influence of excessive institutional ownership, which could affect financial performance, will be prevented or limited. In reality, when institutional ownership is too dominant, it can negatively impact the company because management may prioritize and focus on the welfare of certain institutional parties, neglecting the interests of other stakeholders. This can damage the company's reputation and result in a loss of trust from stakeholders, leading to a decline in the flow of funds to the company, which can affect financial performance.

The results of this study are not in line with agency theory, where management is responsible to the company's owners for its performance in managing the company. One of its duties is to report and disclose information regarding the company's financial performance to the principals at each period (Ivan & Raharja, 2021). The presence of institutional ownership is indeed considered better because institutional investors can conduct stricter oversight. However, in reality, even with stricter internal oversight from the company's Board of Commissioners on management performance and the influence of ownership by certain parties such as institutions, it does not guarantee that financial performance can be improved.

Foreign Ownership on Financial Performance with Moderating Role of the Board of Commissioners

The analysis results show that the Board of Commissioners is unable to moderate the effect of foreign ownership on financial performance, both in terms of ROA and ROE. Therefore, H6 is rejected. These findings align with the study by Anggreni & Robiyanto (2021), which states that the Board of Commissioners cannot moderate the effect of foreign ownership on financial performance. This is because the Board of Commissioners cannot make the oversight conducted by foreign ownership more effective. In most companies with concentrated ownership structures, individual or group interests tend to be prioritized, causing the interests of other shareholders, including foreign shareholders, to be neglected. The Board of Commissioners in the company cannot guarantee that the company has implemented transparency in disclosing relevant company information. Ideally, the oversight by the Board of Commissioners should enable foreign investors to more effectively monitor and pressure management to better manage the company, including managing assets and equity effectively to achieve maximum profits and provide optimal returns, which would enhance financial performance. However, this has proven ineffective. These results are contrary to the research by Maulana et al. (2021), which states that the Board of Commissioners can moderate the effect of foreign ownership on financial performance. This is because the presence of the Board of Commissioners can mitigate the influence of dominant ownership by certain parties, thereby reducing information asymmetry and allowing foreign ownership to more effectively monitor performance and pressure management to better manage the company, leading to improved financial performance.

The results of this study are inconsistent with agency theory, which states that management has a responsibility to the owners of the company regarding its performance in managing the company. One of its obligations is to report and disclose information about the company's financial performance to the principals every period (Ivan & Raharja, 2021). Although foreign ownership is considered to improve oversight, information asymmetry, and the fact that foreign shareholders are generally not directly involved in managing the company, results in limited oversight of management. Even though the board of commissioners can provide internal oversight of management's performance, and there is influence from ownership by certain parties, this does not guarantee that the company's financial performance will improve.

4. CONCLUSION

Sustainability reports and foreign ownership do not have an impact on financial performance, both ROA and ROE, while institutional ownership has been proven to have a positive impact on financial performance, both ROA and ROE. The sustainability report does not affect financial performance because, previously, sustainability reports were voluntary, not mandatory, which resulted in a low number of companies publishing sustainability reports. As a result, sustainability reports have not yet been able to lead to an increase in funding support, productivity, or sales within the company, which would impact financial performance. Institutional ownership has a positive impact on financial performance because institutional owners have the capability to oversee operations, reducing agency problems, which in turn leads to an improvement in financial performance. Foreign ownership does not affect financial performance due to information asymmetry, such as differences in the speed of acquiring information, which prevents foreign investors from keeping up with developments and being able to pressure management. This makes the oversight of management performance less effective.

The board of commissioners is unable to moderate the effect of the sustainability report on financial performance as measured by ROE, where the presence of the board of commissioners does not guarantee that the company will present the sustainability report in the best possible way, which could affect financial performance. On the other hand, the board of commissioners is able to moderate the effect of the sustainability report on financial performance as measured by ROA, but it weakens the effect. The board of commissioners is capable of moderating the effect of institutional ownership on financial performance as measured by ROA, where tighter oversight by the board of commissioners and institutional ownership makes management perform well, thus achieving the company's goal of improving financial performance. However, the board of commissioners is unable to moderate the effect of institutional ownership on financial performance as measured by ROE, where the board of commissioners cannot guarantee that management will manage the company well, nor can it ensure that the excessive influence of institutional ownership, which could affect financial performance, can be prevented or limited. The board of commissioners is unable to moderate the effect of foreign ownership on financial performance, either ROA or ROE, because the board of commissioners cannot make the oversight conducted by foreign ownership more effective. Moreover, the foreign ownership held by the company is suspected to not be large enough, and the composition of independent commissioners is just slightly above the minimum threshold set by the OJK regulations, which suggests that it may merely be a formality.

This study is not without its limitations, including the fact that the results of the coefficient of determination test show small coefficient values of 9.1% and 6.1%, meaning that financial performance is influenced by other independent variables not examined in the current study. The observation period used is still limited to 4 years, from 2018 to 2021, which means it cannot reflect long-term results. Another limitation is that the sample of manufacturing sector companies used is still very limited, as many companies have not issued a sustainability report. Therefore, suggestions for future research include adding other variables that may affect financial performance, such as ownership structure in the form of ownership concentration and managerial ownership (Lestari & Juliarto, 2017), extending the observation period to a longer time frame to better reflect more accurate conditions, and expanding the scope of the research by using different sectors listed on the Indonesia Stock Exchange (BE).

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