CORPORATE GOVERNANCE AND SUSTAINABILITY REPORTING PRACTICES: MARKET DIMENSION OF FINANCIAL PERFORMANCE

Putri Dwi Wahyuni

ABSTRACT

Good corporate governance in Indonesia began to be known in 1997 when the economic crisis hit Indonesia. GCG is one of the keys to a company's success to continue to grow and be profitable in the long run and can be a tool to win a global business competition. Also, through sustainability reports, stakeholders can see the contribution of the company to achieve sustainable development goals and reflect the company's accountability in conducting business responsibly. The purpose of this study is to explain the application of corporate governance (institutional ownership, the proportion of independent commissioners, audit committee activities) and sustainability reporting disclosure to the financial performance of a company that is proxied by Price to Earnings Ratio (PER). The method used is quantitative research with secondary data taken from annual reports on IDX and sustainability reporting on company websites with data collection techniques using a purposive sampling method. Analysis of the data used in the analysis of structural equations (SEM) based on variants that can simultaneously conduct measurement model testing as well as structural model testing. The sample of this study is a company listed on the Indonesia Stock Exchange which published sustainability reports for 3 years of observation, namely 2016-2018. The results of this study indicate that only institutional ownership variables that have a negative and significant effect on a company's financial performance proxy by Price to Earnings Ratio (PER), while the variable proportion of independent directors, audit committee activities and sustainability reporting disclosure have a positive but not significant effect on performance financial company proxy with Price to Earnings Ratio (PER)

Keywords: Corporate Governance Mechanism, Sustainability Report, Price to Earnings Ratio

INTRODUCTION

The era of revolution and industrial competition which is getting more advanced today has had a negative impact. The high desire and interest of the company to be able to obtain profits and efforts to expand its business more broadly, triggering the occurrence of environmental damage and conflict in Indonesia. Based on data from Wahana Lingkungan Hidup (Walhi), there were 302 environmental and agrarian conflicts throughout 2017. This is clearly illustrated in the documentary film "Sexy Killer" which aired some time ago. The film tells the story of the struggle of residents in Kalimantan to get clean water after the expansion of a mining company or the struggle of fishermen and farmers in Batang, Central Java whose activities are disrupted by the existence of the Batang Steam Power Company (PLTU). Not to mention the increased risk of disease caused by air pollution produced by the PLTU. Also, a case of violation of GCG recently was the People's Credit Bank. The Financial Services Authority (OJK) assesses that currently, 70% of the closure of Bank Perkreditan Rakyat (BPR) is due to poor service and good corporate governance (Kontan, 2017). This occurs due to the lack of implementation of good corporate governance and the lack of measurable reports published by companies or organizations on the economic, environmental, and social impacts caused by the company's daily operations.

With this phenomenon, a dilemma arises for companies on how to be able to show their contribution and commitment to sustainable development without reducing investor confidence in the business sustainability of the company itself. Learning from other countries, it is necessary to have regulations that regulate detailed and measurable reports that can be a record of assessment for the government in measuring how far the company's commitment and program to sustainable development are between one company and another. The report is a sustainability report or better known as a sustainability report and the effective implementation of good corporate governance. Corporate governance is a system that can direct and control companies and increase economic efficiency. The link between the implementation of corporate governance and company performance is the application of good corporate governance will make investors respond well to company performance and can increase the company's market value (Asang, Retnowati, & Noviandari, 2017). In addition to the application of good corporate governance, corporate sustainability will also be guaranteed if the company pays attention to social and environmental dimensions. This causes the company as an economic entity not only responsible to shareholders but also the wider community (Dirman, 2019).

A business basically cannot separate sustainability reporting from its operations if it wants to remain in business and attract investors and protection in the future (Asogwa, 2017). Stakeholders, especially shareholders, need more information about the company's involvement in functions and the environment. Therefore, many companies now support their commitment to sustainable activities by voluntarily publishing environmental and governance information in their annual reports and on their company websites (Jizi, Nehme, & Salama, 2016). Sustainability reports help companies to measure and understand their economic, environmental, and social performance, and then set goals, and manage change more effectively.

According to (Setiawan, 2016) states that institutional ownership significantly influences the company's financial performance while the composition of the independent board of commissioners does not significantly influence the company's financial performance. Independent Commissioners influence financial performance while audit committee meetings do not affect company value (Widyatama, Santosa, & Wibowo, 2015). Research (Osemene, Florence, & Grace, 2018) shows that the frequency of audit committee meetings has a significant effect on a company's financial performance. (Whetman, 2018) prove that sustainability reporting has an impact on a company's financial performance. Meanwhile, according to (Ching, Gerab, & Toste, 2017) it cannot prove the effect of sustainability reporting disclosure on company performance as measured by accounting or market variables.

LITERATURE REVIEW AND DEVELOPMENT HYPOTHESIS

AGENCY THEORY

(M. Jensen & Meckling, 1976) define agency relations as a contract between one or more people (principal) by hiring others (agents) to perform several services in their interests involving the delegation of decision-making authority to the agent.
Asymmetric information occurs because of differences in preferences between owners and agents. Each individual is motivated by his interests so that it can cause conflicts between principals and agents. Principals have an interest in increasing the prosperity of their companies by entering into contracts with agents, while agents tend to be opportunistic, ie trying to meet their economic and psychological needs.

In the absence of adequate public disclosure by the company, the amount of risk perceived by investors significantly increases (Klerk & Villiers, 2012). This causes the market to give a lower value to the stock or ask for more returns from companies that do not disclose precisely. Sustainability Reporting reduces information asymmetry and risk perceived by investors, increases market efficiency and reduces capital costs for companies (Dhaliwal, Li, Tsang, & Yang, 2011); Warren & Thomsen, 2012 in (Aggarwal, 2014)

LEGITIMACY THEORY

(Dowling & Pfeffer, 1975) states that legitimacy is a condition or status that exists when the company's value system is in line with the larger social system in which the company is part of the system. When real or potential differences arise between the two value systems, there will be threats to the legitimacy of the company. (Ghozali & Chariri, 2007) states that the theory of legitimacy that underlies is a social contract that takes place between a company and the community where the company operates and uses economic resources.

CORPORATE GOVERNANCE

According to the Forum for Corporate Governance in Indonesia (FCGI), corporate governance is a set of regulations regulating the relationship between shareholders, company management (managers), creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations. , or in other words, a system that regulates and controls the company. (Iskander & Chamlou, 2000) the mechanisms for monitoring corporate governance are divided into two groups, namely internal and external mechanisms. The internal mechanism is a way to control the company by using internal structures and processes such as general meetings of shareholders, the composition of the board of directors, composition of the board of commissioners, and meetings with the board of directors. Meanwhile, the external mechanism is a way to influence the company other than by using internal mechanisms, such as company control and market mechanisms

SUSTAINABILITY REPORTING

The Global Reporting Initiative (GRI) defines that the sustainability report is a measurement, disclosure, and accountability effort of the performance of an organization in achieving sustainable development goals, reported to internal and external stakeholders.
According to the World Business Council for Sustainable Development, the benefits of sustainability reporting include:

1) Provide information for stakeholders
2) Help build a reputation
3) To represent the company in managing risk
4) As stimulation of thought and leadership performance
5) Develop and facilitate the implementation of a better management system in managing environmental, economic and social impacts
6) Describe directly the ability and readiness of the company to meet the wishes of shareholders
7) Build shareholder ownership

FINANCIAL PERFORMANCE

According to (Ross, Westerfield, & Jaffe, 2003) financial performance can be reflected through the analysis of a company's financial ratios. Ross explained there are five dimensions of financial ratios used in measuring an organization's financial performance:

1) Asset Management Dimensions measured using five indicators, namely Inventory Turnover Ratios, Receivables Turnover Ratios, Net Working Capital Turnover Ratios, Fixed Asset Turnover Ratios, Total Asset Turnover Ratios
2) The profitability dimension measured using three indicators, namely: Profit Margin, ROA (Return on Assets) and ROE (Return on Equity)
3) Leverage Dimensions measured using three indicators, namely: Debt Equity Ratio (DER), Time Interest Earned (TIE) and Cash Coverage
4) Liquidity dimensions are measured using three indicators, namely: Current Ratio, Quick Ratio, and Cash Ratio
5) Market dimensions measured using two indicators, namely: Price to Earnings Ratio (PER) and Market to Book Value (MBV)

In this study using the market dimension with a price to earnings ratio (PER) proxy. This Price to Earning Ratio is the company's current price-per-share valuation ratio compared to net profit per share. Its higher PER ratio shows that the market is willing to pay more for a company's revenue or profit, and has high expectations for the company's future so that it is willing to appreciate it at a higher price. On the other hand, a lower Price-to-Earnings Ratio indicates that the market does not have sufficient confidence in the future of the company's shares (Kho, 2017).

DEVELOPMENT HYPOTHESIS

Institutional Ownership And Financial Performance

An institution is an institution that has a great interest in investments made including stock investment. Institutional ownership makes it easier to monitor management. Where institutional shareholders can play a role in management oversight because they gain power through voting rights. The existence of sufficiently high monitoring makes managers have a low degree of discretion in making decisions to benefit themselves. By increasing the proportion of institutional ownership, company monitoring can be carried out more effectively so that company performance can improve.

Companies with large institutional ownership (more than 5 percent) indicate their ability to monitor management. The greater the institutional ownership, the more efficient the use of company assets. Thus the proportion of institutional ownership acts as a prevention against waste by management (Veno, 2015).

Proportion Of Independent Commissioners And Financial Performance

The independent commissioner is in charge of overseeing and providing input to the company's board of directors. Independent commissioners do not have direct authority over the company. The main function of an independent commissioner is to oversee the completeness and quality of the report's information on the performance of the board of directors. Therefore, the position of an independent commissioner is very important in bridging the interests of the principal in a company so that no conflict of interest results in agency problems. The minimum proportion of independent directors is 30% of the total number of members of a company's board of commissioners. According to (Widyatama et al., 2015) it proves that the independent board of commissioners influences financial performance.

Audit Committee Activities And Financial Performance

The role of the audit committee is quite important in improving company performance, especially in the aspect of control. Companies that have an audit committee are usually more transparent and open company management so that corporate governance can be implemented well and company performance can be improved. The company's performance will be good if the company can control the behavior of the company's top executives to protect the interests of the company's owners (shareholders), one of which is the existence of an audit committee.

The audit committee is expected to be able to oversee financial reports, supervise external audits, and supervise the internal control system under OJK Regulation (Number. 55 /POJK.04/2015). In carrying out its duties the audit committee needs to hold a meeting that functions as a medium of communication and coordination among its members in implementing the reporting and supervision functions of the company (Widyatama et al., 2015). The more often the audit committee meets, the better the coordination between members of the audit committee in supervising the company. Therefore, the number of audit committee meetings affects the supervisory process within the company thereby increasing the company's financial performance.

SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE

Sustainability Reports can be defined as reports that contain not only financial performance information but also non-financial information consisting of information on social and environmental activities that enable companies to grow sustainably (Elkington, 1997). Sustainability reporting disclosure is a form of communication and awareness of the company towards the community. Companies that disclose Sustainability reporting tend to provide more information to the public, so they can improve the company's "image" and "trust" of the community (Renalita & Wahyudi, 2019). Disclosure of sustainability report has a positive relationship to financial performance because the information disclosed in the report can ensure the potential of competitive capital resources with a low level of risk to stakeholders and this will affect the Sustainability Report on increasing profits and with increasing profits, financial performance will also increase.

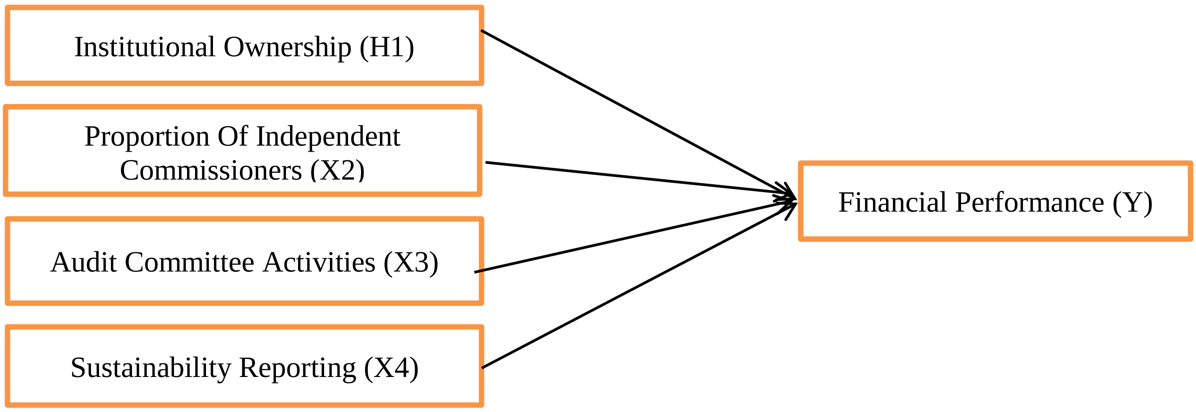

Figure 1. Conceptual Framework

METHODOLOGY

Research Design

In this study, the type of research used is causal research that explains the effect of an independent variable on the dependent variable.
The variable can be seen in table 1.

Table 1: Operationalization Variables

Variable	Definition	Measurement
Price to Earnings Ratio	the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS)	$PER = \frac{Market\ Value\ Price\ per\ Share}{Earnings\ per\ Share}$ (Ross et al., 2003)
Institutional Ownership	the ownership stake in a company that is held by large financial organizations, pension funds or endowments	The percentage of shares owned by the institutional investor is divided by the number of outstanding corporate shares (Fitria, 2018)
Independent Commissioner	a party who has no relationship with the company, and it has a function to monitor managerial decisions, company operations, and ensure that the company implements GCG	Institutional ownership is measured by the percentage of institutional ownership in the company's stock structure (Juniarti & Sentosa, 2009)
Audit Committee Activities	Number of company audit committee meetings one period	The activity of the audit committee is measured by [illegible]it [illegible]) $\frac{Number\ of\ items\ disclosed}{77\ total\ item}\ x\ 100\%$
Sustainability Report	Sustainability reporting disclosure is measured from disclosures related to the environment, society and economy based on the indicators of the Global Reporting Initiative (GRI Standard 2018)	

Population and Sample

The population of this study is companies listed on the Indonesia Stock Exchange which consist of 9 sectors including agriculture; mining; chemical and chemical industries; miscellaneous industry; consumer goods industry; property, real estate, and building construction; infrastructure, utility, and transportation; finance; trade, services; and investment. The samples used in this study, companies listed on the Indonesian Stock Exchange published sustainability reporting in 2016-2018. The sampling method used was purposive sampling, namely sampling based on the following criteria:
1. Companies that are consistently listed in 2016-2018
2. Companies that issue sustainability reporting in 2016-2018
3. The company did not do mergers or acquisitions during 2016-2018

Analysis Method

The method of data analysis in this study uses PLS (Partial Least Square) which is a variance-based structural equation (SEM) analysis that can simultaneously conduct measurement model testing as well as structural model testing. The measurement model is used to test the validity and reliability, while the structural model is used to test causality (hypothesis testing with predictive models).

RESULTS AND DISCUSSIONS

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PER	120	-734.81	421.47	11.8878	87.51674
Institutional Ownership	120	22.67	98.15	67.6459	15.56137
Independent Commissioner	120	20.00	80.00	42.3442	10.98534

Meeting Audit Committee	120	52.00	100.00	91.6772	10.78717
Sustainability Reporting Disclosure	120	7.79	74.03	29.8377	14.23997
Valid N (listwise)	120				

1) Price to Earnings Ratio (PER)

Price to Earnings Ratio or usually abbreviated as PER (P / E Ratio) is the ratio of market price per share to net income per share. Price to Earnings Ratio helps investors determine the market value of a stock by comparing it to company earnings. PER can be a reflection of how much the market is paying today for a stock based on past earnings and estimated future earnings. In the table above the mean value of PER is 11.88 times which is a low-value stock which indicates that the market does not have sufficient confidence in the future of the company's shares (Kho, 2017). PER companies are low and have good growth prospects, there is a high possibility that the company's stock price in the future will go up high. The minimum value of -734.81 times is owned by ANJT in 2018. The maximum value of 421.47 times is owned by ANTM in 2016

2) Institutional Ownership

(Jensen & Meckling, 1976) state that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. The existence of sufficiently high monitoring makes managers have a low degree of discretion in making decisions to benefit themselves. In the table above, the mean value of institutional ownership is 67.65%, which means that institutional ownership is categorized as large. By increasing the proportion of institutional ownership, company monitoring can be carried out more effectively so that company performance can increase, which in turn results in high company stock prices and much demand by investors. The minimum value is 22.67% owned by BUMI in 2018. The maximum value of 98.15% is owned by BBNI in 2017

3) Independent Commissioner

Independent Commissioners are members of the Board of Commissioners who are not affiliated with the Board of Directors, other members of the Board of Commissioners and controlling shareholders, and are free from business relationships or other relationships that can affect their ability to act independently. The existence of an independent commissioner will encourage and create a more independent, objective climate and enhance fairness as one of the main principles in paying attention to the interests of minority shareholders and other stakeholders. In the table above, the average value (mean) proportion of independent directors is 43.34%, which means that they have fulfilled OJK Regulation Number 10 / POJK.04 / 2018 regarding Application of Investment Manager Governance, namely the number of Independent Commissioners must be at least 30% (thirty percent) of the total members of the Board of Commissioners. The minimum value of 20% is owned by TINS in 2017 and 2018. The maximum value of 80% is owned by BJBR in 2017 and 2018

4) Audit Committee Activities

Audit Committee is a committee formed by and responsible to the Board of Commissioners in helping carry out the duties and functions of the Board of Commissioners. Audit committee activities in the form of meetings are held periodically at least 1 (one) time in 3 (three) months and an audit committee meeting can be held if attended by more than 1/2 (one half) the number of members (OJK Regulation Number 55 / POJK.04 / 2015). In the table above, the average value of the audit committee meetings is 91.67%, which means that audit committee activity which is proxied by audit committee meetings are following OJK regulations in implementing good corporate governance. Also, the active audit committee in the meeting can be used as a means to oversee management to act by company goals. The minimum value of 52% is owned by WTON in 2018. The maximum value of 100% is owned by several issuers including AALI, ANTM, BBNI, BNBR, GIAA and so on

5) Sustainability Reporting Disclosure

The Global Reporting Initiative defines sustainability reports as practices in measuring and disclosing company activities as a responsibility to all stakeholders regarding the organization's performance in realizing sustainable development goals. Sustainability Report serves to inform how the economic, environmental, and social performance of the company. In the table above, the average value of the sustainability reporting disclosure is 29.84%, which means the level of sustainability reporting disclosure is relatively low. This could be due to sustainability reporting that is still voluntary. The minimum value of 7.79% is found in BBNI and BBRI in 2017. The maximum value is 74.03% AALI in 2016

Evaluation of the Measurement Model

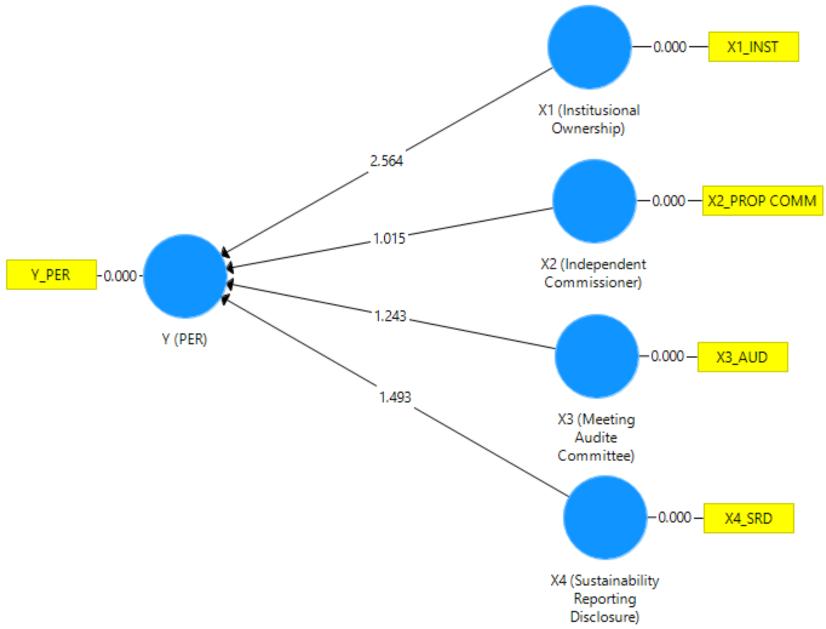

Figure 2. Evaluation of the measurement model

The loading factor illustrates how big the indicators are related to each construct. The path diagram above shows all indicators have a 1,000 loading factor, which means that all indicators are valid because the loading factor value meets the criteria, ie the loading factor of the contract must be above 0.70. These results indicate a good relationship between the indicators with each construct.
The second check of convergent validity is to look at the value of Cronbach's alpha and composite reliability. The results are as follows:

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1 (Institusional Ownership)	1.000	1.000	1.000	1.000
X2 (Independent Commissioner)	1.000	1.000	1.000	1.000
X3 (Meeting Audite Committee)	1.000	1.000	1.000	1.000
X4 (Sustainability Reporting Disclosure)	1.000	1.000	1.000	1.000
Y (PER)	1.000	1.000	1.000	1.000

Cronbach's alpha values and composite reliability above 0.7 indicate high reliability of measuring instruments which means that the gauges of each construct are highly correlated. The third examination of convergent validity is to look at the value of AVE. AVE values above 0.5 are highly recommended. From the above table, all constructs are 1 or above 0.5

Evaluation of Structural Models
After checking the measurement model is fulfilled, then the next is the examination of the structural model. This examination includes the significance of the path relationship and the value of R Square (R2) to see the results of the structural model evaluation. The value of R2 aims to find out how much the independent variable influences the dependent variable. The value of R2 can be seen in table 4.

Table 4. R Square

	R Square	R Square Adjusted
PER	0.038	0.005

R Square (R2) value of 0.038 means that the construct variability of Price Earnings Ratio can be explained by the construct of Institutional Ownership, Proportion of Independent Commissioners, Frequency of Audit Committee Meetings, and Sustainability Reporting Disclosures by 3.8%. While 96.2% is explained by other variables not included in this study.

Hypothesis Test Results

Table 5. Path Value Coefficient (Mean, STDEV, T-Values, P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV)	P Values	Decision
Institutional Ownership -> PER	-0.173	-0.175	0.067	2.568	0.011	Accepted
Independent Commissioner -> PER	0.076	0.073	0.074	1.015	0.311	Rejected
Meeting Audite Committee -> PER	0.064	0.068	0.052	1.243	0.214	Rejected
Sustainability Reporting Disclosure -> PER	0.100	0.117	0.067	1.493	0.136	Rejected

Based on the above table, the results can be used to answer the hypotheses in this study. Hypothesis testing in this study was conducted by looking at the T-Statistic value and the P-Value value with a T value > 1.96 and the P-value < 0.05. In the table above the independent commissioner variable, audit committee meetings and sustainability reporting disclosure have a positive but not significant relationship while the institutional ownership variable has a negative and significant relationship. So it can be concluded that only the Institutional Ownership variable has a negative and significant effect on the Company's Financial Performance which is proxied by Price Earning Ratio (PER) which is accepted by the hypothesis

The Effect of Institutional Ownership on Company Financial Performance Proxied by Price Earning Ratio (PER)
The first hypothesis testing results indicate that the hypothesis is accepted so that it can be said that institutional ownership has a negative and significant effect on the company's financial performance. Ownership of shares in institutional parties makes monitoring of management easier and is expected to unite the interests of the principals with the agent, thereby reducing agency costs. Where institutional shareholders can play a role in management oversight because they gain power through voting rights. The existence of sufficiently high monitoring makes managers have a low degree of discretion in making decisions to benefit themselves. A high level of institutional share ownership will result in more intensive supervision so that it can limit managers' opportunistic behavior, ie managers' report earnings opportunistically to maximize their interests. The existence of institutional ownership causes the manager's behavior to be better controlled by external shareholders. The negative relationship on institutional ownership on financial performance illustrates that the share price of issuers that issue sustainability reporting cannot yet describe future earnings so that the level of investor confidence, especially those of institutions, is still low. Also, institutional shareholders are only temporary and focus on short-term earnings. This is in line with research conducted (Setiawan, 2016) which states that institutional ownership significantly influences the financial performance of companies

The Effect of Independent Commissioners on Company Financial Performance Proxied by Price Earning Ratio (PER)
The second hypothesis testing results show that the hypothesis was rejected so it can be said that the proportion of independent directors has a positive but not significant effect on the company's financial performance. A positive relationship means that the greater the proportion of independent commissioners, the greater the company's financial performance.

This research cannot prove conformity with agency theory which states that the more number of monitors, the possibility of conflict will be low and ultimately will reduce agency costs so that the company's financial performance will be large. The existence of an independent board of commissioners, the interests of shareholders, both majority and minority are not neglected because independent commissioners are more neutral towards decisions made by managers (Jensen & Meckling, 1976). Also, this research hypothesis is rejected because there are still companies that have a proportion of independent commissioners below 30% so that the application of good corporate governance is not optimal, especially to prevent operational activities that harm the company and agency costs are still large because the costs incurred for permanent independent commissioners done. These results are in line with research conducted (Candradewi & Sedana, 2016) which states that the independent board of commissioners has a positive and not significant effect on the company's financial performance.

The Influence of Audit Committee Activities on Company Financial Performance Proxied by Price Earning Ratio (PER)
The results of the third hypothesis testing indicate that the hypothesis was rejected so it can be said that the activities of the audit committee have a positive but not significant effect on the company's financial performance. A positive relationship means that the more active the audit committee is in holding meetings, the greater the company's financial performance.

These results cannot prove conformity with the agency theory which states that the audit committee's activities in holding meetings can reduce conflicts of interest between principals and agents so that management is more transparent and the application of corporate governance is carried out effectively which ultimately the company's financial performance will improve. Audit committee activities in the form of meetings are held periodically at least 1 (one) time in 3 (three) months and an audit committee meeting can be held if attended by more than 1/2 (one half) the number of members (OJK Regulation Number 55 / POJK.04 / 2015). The role of the audit committee is quite important in improving company performance, especially in the aspect of control.

These results contradict the research conducted (Osemene et al., 2018) showing that the frequency of audit committee meetings has a significant effect on the company's financial performance. But in line with research conducted (Muslih, 2019) which states that audit committee meetings are influential and not significant. The number of meetings (meetings) is an effort made by the audit committee to ensure good company performance and financial reporting but the meetings conducted do not all discuss the problems faced by management. In the agency theory, the audit committee should have been able to overcome the problem in overcoming the existing problems, but in reality, the meetings were not effective and even added agency costs. Also, the meeting that was held was not attended by all members of the audit committee so that the audit committee function was less effective.

The Effect of Sustainability Reporting Disclosure on Company Financial Performance Proxied by Price Earning Ratio (PER)

The fourth hypothesis testing results indicate that the hypothesis is rejected so it can be said that sustainability reporting disclosure has a positive but not significant effect on the company's financial performance. A sustainability report is a practice of measurement, disclosure, and accountability efforts of organizational performance in achieving sustainable development goals to both internal and external stakeholders (GRI, 2006). For investors, sustainability reporting disclosure can be used as a monitoring tool for the achievement of company performance that can be a vehicle for decision making. Also, the company is used as a form of accountability to stakeholders in maintaining economic, social, and environmental aspects around the company. Legitimacy theory explains that companies continue to ensure that their business activities are by the norms that exist in the community or environment where the company is located. Companies that make social disclosures, the company feels its existence and activities will get status in the community or the environment around the company operates or it can be said the company is legitimate. Companies that disclose sustainability reporting tend to provide more information to the public, so they can improve the company's "image" and "trust" of the community (Renalita & Wahyudi, 2019).

This result contradicts research conducted (Mohammadi, Mardani, Khan, & Streimikiene, 2018) Sustainability reporting has been proven to be related to company performance using market valuation proxies where active companies are environmentally sensitive industries with sustainability reporting having higher market valuations than companies that activate industries that are not sensitive to sustainability reporting. While this research has an influence but is not significant because sustainability reporting in Indonesia is still voluntary so that only a few publish it and the companies that have published it have an average level of disclosure that is still low at 29.84% so even though companies publishing sustainability reporting cannot be used as a reference in increasing company's financial performance. This research is in line with (Sabrina & Lukman, 2019) state that sustainability report does not affect financial performance.

CONCLUSION

Institutional ownership has a negative and significant effect on the company's financial performance. The existence of institutional ownership causes the manager's behavior to be better controlled by external shareholders. The negative relationship on institutional ownership on financial performance illustrates that the share price of issuers that issue sustainability reporting has not been able to describe future profits so that the level of investor confidence, especially the institution is still low. Also, institutional shareholders are only temporary and focus on short-term earnings.

The proportion of independent directors has a positive but not significant effect on the company's financial performance because there are still companies that have a proportion of independent directors below 30% so that the application of good corporate governance has not been maximized. Audit committee activities have a positive but not significant effect on the company's financial performance. In the agency theory, the audit committee should have been able to overcome the problem in overcoming the existing problems, but in reality, the meetings were not effective and even added agency costs. Also, the meeting conducted was not attended by all members of the audit committee so that the audit committee function was less effective. Sustainability reporting disclosure has a positive but not significant effect on the company's financial performance because sustainability reporting in Indonesia is still voluntary so that only a few publish it and the companies that have issued it also have an average level of disclosure that is still low at 29.84% so even though the company issues sustainability reporting it is not can be used as a reference in improving the company's financial performance

Implication

1) Adding the characteristics of sampling because in this study only companies that publish sustainability reporting
2) Use other measurements for the company's financial performance such as the liquidity dimension or the leverage dimension
3) Using measurements of good corporate governance mechanisms such as the board of directors or use GCG index

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Putri Dwi Wahyuni
Universitas Mercu Buana; Jakarta
Email: putri.dwi@mercubuana.ac.id