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The influence of financial performance and governance on non-financial performance disclosures

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Abstract
Research aims: This research aims to examine the influence of financial performance and corporate governance on non-financial performance, i.e., the disclosure of the sustainability report (SR).
Design/Methodology/Approach: This research used a sample of 35 industrial companies listed on the IDX during 2017-2022 and prepared annual reports (AR) and SR. The total observation data was 210 companies. The data analysis technique employed multiple regression and hypothesis testing using the t-test, with a significance of 5%.
Research findings: The research results demonstrated that governance, including the independent board of commissioners and audit committee, exerted a positive effect on SR disclosure. However, the board of directors, institutional share ownership, public share ownership, and ROA did not affect SR disclosure.
Theoretical contribution/ Originality: Theoretically, this research contributes to the fact that the agency theory approach can be used to determine SR disclosure.
Practitioner/Policy implication: By optimizing independent boards of commissioners and audit committees, companies can help companies supervise managers, thereby increasing SR disclosure.
Research limitation/Implication: This research was limited to examining governance on the board of directors, independent board of commissioners, audit committee, and institutional and public share ownership. The authors have not tested other governance, such as managerial ownership and remuneration committees, so numerous additional factors remain that can impact SR disclosure.
Keywords: Corporate Governance; Sustainability Report (SR)

Introduction

Stakeholders require companies to disclose information related to economic, social, and environmental activities contained in sustainability reports (SR) (Astuti & Juwenah, 2017). According to POJK, a sustainability report is a report announced to the public containing the economic, financial, social, and environmental performance of Financial Services Institutions (LJK), issuers, and public companies in running a sustainable business (OJK RI, 2017).

This sustainability report is an effort to accommodate the many cases of environmental pollution that become a hot topic. Environmental pollution can occur because companies are negligent in managing their companies and do not pay attention to the impact of their business on the environment (Mulpiani, 2019). Based on a survey by an environmental care institution **in Indonesia**, namely Wahana Lingkungan Hidup (WALHI), there were 302 agricultural and environmental cases related to environmental pollution in 2017. According to data from the agricultural reform consortium **in Indonesia**, in 2020, there were 106 cases of rural disputes in private companies and 12 cases of conflict between state-owned enterprises (BUMN) and the community (Sriningsih & Wahyuningrum, 2022). This conflict, for example, occurred between PT Indah Kiat Pulp and the community, where the company caused environmental damage and pollution, forcing it to stop its development plans. Naturally, the Indonesian government emphasizes regulations related to SR (Safitri & Saifudin, 2019). However, the number of companies that compiled information regarding SR, especially those listed on the IDX, was only 154 or around 20% of the total 825 companies listed on the IDX (Delloite, 2022).

Several studies have also proved that companies need to prepare SR, which is influenced by profitability as measured by ROA (Return on Assets) as tested by Dewi (2019), examining the manufacturing sector, Yunan et al. (2021) who tested the financial sector, and Fitri and Yuliandari (2018) investigating the industrial sector. Nevertheless, achieving ROA does not always have a significant effect on SR, as researched by Meutia and Titik (2019) in the non-financial sector, Kurnianto et al. (2023), who studied the transportation sector, and Safitri and Saifudin (2019) who inspected companies included in LQ 45. This serves as the basis for determining ROA in this study, which does not always affect SR; then, testing the effect of ROA was used to assess SR.

Apart from that, companies need to pay attention to good governance, as it will increase stakeholder trust. Corporate governance can be seen from the ownership of the board of directors. Research conducted by Justin and Hadiprajitno (2019) revealed that the board of directors had a positive influence on SR. Likewise, ownership of an independent board of commissioners could influence SR, according to a study by Ardiani et al. (2022). It has also been proven that good corporate governance influences SR, as measured by audit committee ownership (Dewi & Pitriasari, 2019), because the audit committee functions as a supervisor. Corporate governance can also be seen from the company's share ownership structure, such as institutional and foreign share ownership, which can increase SR disclosure (Singal & Asmara, 2019). In addition, public share ownership (Situmorang & Hadiprajitno, 2016) as company supervisors can also increase SR disclosure.

Based on the problems that managers must achieve to balance financial performance, which also needs to pay attention to non-financial performance, such as SR disclosure, the role of governance is very necessary to supervise the running of companies controlled by managers. In general, managers tend to engage in moral hazard, but with supervision in the form of good governance, managers' conflicts of interest can be reduced (Buallay, 2019). Hence, the role of governance, such as an independent board of directors and board of commissioners, as well as institutional, public, and foreign share ownership, can monitor company performance so that managers will try to balance financial performance, which is realized by achieving ROA, and non-financial performance, which is realized through SR disclosure. Therefore, this research aims to examine the balance of financial and non-financial performance in industrial companies listed on the IDX since industrial companies are closest to SR activities. Aside from that, the role of managers as agents also needs to be monitored to determine whether managers tend to commit moral hazards, one of which is by optimizing governance as a supervisor of the running of the company so that principals and stakeholders increasingly trust the company. On that basis, this research is intended to test whether financial performance and governance influence SR disclosure.

This research contributes to proving that corporate governance, such as an independent board of commissioners and audit committee, can influence SR disclosure using an agency theory approach. The company, in fact, wants its performance to be achieved, including the disclosure of non-financial information such as sustainability reports, especially in industrial sector public companies listed on the IDX, with the support of an independent board of commissioners and an audit committee to improve its performance and its SR information.

Literature Review and Hypotheses Development

Agency Theory

A good company undoubtedly has harmony between company goals and personal goals. The goal of conformity can be achieved with the presence of third parties who are crucial for both agents and principals, namely stakeholders (Aras & Crowther, 2009). If the company concentrates on stakeholders, the company's trust in its principals and managers will increase because company leaders will try hard to realize these goals. On the other hand, managers, as agents, certainly have a conflict of interest, as they aim to maximize their needs based on agency theory (Jensen & Meckling, 1976). However, this conflict can be reduced by creating a governance structure that can monitor and assess actual agent behavior. This structure encompasses reporting procedures and a board of directors (Donaldson & Davis, 1991), including a board of commissioners (Buallay, 2019) as well as institutional, public, and foreign share ownership (Susadi & Kholmi, 2021) so that managers will make decisions and strive to consistently pay attention to basic needs, including stakeholders.

Along with increasingly developing businesses, it can influence stakeholders to force the company to fulfill their wishes, including disclosing sustainability reports, which contain disclosures of economic, social, and environmental activities. As such, managers are asked to balance the achievement of financial and non-financial performance, so they act as agents trusted by the principal to manage assets and disclose information related to economic, social, and environmental activities. The balance will be achieved if the company has good governance, so the role of governance needs to be optimized such as the board of directors and audit committee, which can act as supervisors to avoid conflicts between the company and its stakeholders so that managers can achieve financial and non-financial performance.

Achieving financial performance is the company's main target, such as optimal profit or profitability as measured by Return on Assets (ROA). Because principals always hope to get a return or profit, allowing managers to carry out moral hazard, manager performance needs to be monitored. One of the monitoring efforts is to implement good governance and disclose valuable information to stakeholders (Susadi & Kholmi, 2021). Corporate governance, such as the existence of a board of directors, an independent board of commissioners, and an audit committee, including the allocation of share ownership structures, both institutional and public, can influence SR disclosure (Ardiani et al., 2022; Sumilat & Destriana, 2017). It can be explained using the approach agency theory, where managers strive to achieve financial and non-financial performance, which is monitored with good governance so that they will be able to reduce conflicts of interest.

Sustainability Report (SR)

Sustainability reporting is a company report that displays the company's level of compliance in informing about economic, social, and environmental activities (Kaplan & Kinderman, 2019; Nugrahani et al., 2023b, 2023a). Meanwhile, the meaning of SR, according to GRI, is a report published by a company or organization where in the report, the company or organization discloses economic, social, and environmental impacts, which the company or organization can use to measure, understand, and communicate the company's performance in the economic, environmental, social, environmental, and governance fields (GRI, 2013). Companies are asked to prepare SRs because SRs can help the government prepare a sustainability roadmap with sustainable development goals (Bappenas, 2019). SR preparation can be carried out using separate preparation with the annual financial report or with a separate sustainability report (Mahoney et al., 2013; Michelon et al., 2015), and preparing the SR needs to pay attention to guidelines, such as the GRI guidelines. In this study, SR measurement employed the GRI index, consisting of 91 items, and was carried out using content analysis.

The Influence of ROA on Sustainability Report Disclosure

Every company aims to obtain optimal profits as measured by Return on Assets (ROA), namely net profit divided by total assets. Every profit obtained by a company will determine its performance, meaning it can exhibit its ability to generate profits from the total assets used (Subiantoro & Mildawati, 2015). The higher the ROA achieved or the company's ability to gain profits from the assets used, the greater the company's ability to produce. Likewise, the ability to achieve ROA is related to non-financial performance or company sustainability. If a company achieves a high ROA, it has a very good opportunity to disclose a sustainability report (SR) according to the expectations of principals and stakeholders because the company will publicize more of its social responsibilities (Hamdani et al., 2017). However, achieving ROA does not always improve SR preparation if the company does not pay enough attention to the content of the SR (Noerkholiq & Muslih, 2021; Sidiq et al., 2021).

Achieving optimal profits realized by ROA can increase shareholders' confidence in companies. A study conducted by Meutia and Titik (2019) has proven that ROA could increase SR. Therefore, managers as agents will try to achieve optimal financial performance in the form of ROA in the hope of increasing principal and stakeholder trust in SR disclosure. Thus, the first hypothesis is as follows:

H_1: *ROA has a positive effect on SR disclosure.*

The Influence of the Board of Directors on Sustainability Report Disclosure

Apart from financial performance factors such as ROA, SR disclosure must also consider governance. Good corporate governance can be determined by company management, which is tested by director ownership. The board of directors is responsible for all company managers' decisions. The board of directors will supervise all company activities, as it is fully responsible for all actions taken by the entity (Justin & Hadiprajitno, 2019). The bigger the company, the greater the attention of stakeholders toward the company. This means that companies need to align their operational activities with the norms that apply in society to gain legitimacy from stakeholders (Tumewa, 2017). According to research by Latifah et al. (2019), SR disclosure will increase if directors carry out their duties effectively and pay attention to stakeholders and principals. The research results of Latifah et al. (2019) and Justin and Hadiprajitno (2019) further uncovered that the board of directors exerted a positive effect on SR disclosure.

Nevertheless, some studies revealed that the board of directors did not affect SR disclosure, as tested by Awalia et al. (2015) and Sofa and Respati (2020) in non-financial sector companies, and Yudaruddin and Pratiwi (2019) in companies LQ 45. Managers are assumed to have moral hazards who want to maximize utility or value opportunistic behavior aimed at obtaining personal gain and harming other parties, including the preparation of SRs. Thus, by optimizing governance, i.e., the existence of a board of directors whose task is to supervise managers, it is expected that the board of directors can prevent opportunistic behavior (Eisenhardt, 1989). In other words, the role of the board of directors will influence SR disclosure, so the second hypothesis is as follows:

H_2: *The board of directors has a positive effect on SR disclosure.*

The Influence of Independent Board of Commissioners on Sustainability Report Disclosure

Good governance can be characterized by the existence of an independent board of commissioners. Its task is to monitor the company's performance to be transparent to the public (Ardiani et al., 2022). An independent board of commissioners can encourage companies to disclose SR (Dewi & Pitriasari, 2019). Previous research has shown that an independent board of commissioners had a positive effect on SR (Aniktia & Khafid, 2015; Doktoralina et al., 2018; Putri & Sari, 2013; Rahayu & Djuminah, 2022) tested on banking companies. Likewise, studies by Arayssi et al. (2022) examined the independent board of commissioners in 184 public companies in the GCC council region, and the results demonstrated that the independent board of commissioners had a positive effect on SR disclosure.

However, an independent board of commissioners does not always increase SR disclosure and can even reduce SR disclosure (Madona & Khafid, 2020; Michael & Lukman, 2019) due to the large number of independent commissioners who may burden the company, including in disclosing the SR. By agency theory, the role of the independent board of commissioners as a governance structure is to prevent opportunistic behavior of managers as agents (Eisenhardt, 1989), which is expected to influence managers to disclose SR, so the third hypothesis is as follows:

H_3: *The independent board of commissioners has a positive effect on SR disclosure.*

The Influence of the Audit Committee on Sustainability Report Disclosure

The next governance that needs to be considered regarding SR disclosure is the ownership of the audit committee. The role of the audit committee is to supervise managers, one of which is managing the preparation of sustainability reports (Buallay & Al-Ajmi, 2020). The audit committee can mediate with stakeholders, including in disclosing non-financial information such as SRs prepared by the company, because the audit committee can act as a stakeholder guarantor of the information presented by the company (Michelon et al., 2015). The existence of an audit committee increases stakeholder trust in the information presented by the company, including in SR disclosures (Latifah et al., 2019; Mujiani & Jayanti, 2021; Saputri et al., 2022). However, not all research proves that the audit committee has a positive effect on SR disclosure and can even reduce SR, as tested by Aliniar and Wahyuni (2017) and Dewi and Pitriasari (2019). Hence, it remains imperative to assess the audit committee's ability to exert influence over SR disclosure.

According to agency theory, managers, as agents, of course, also try to balance the achievement of financial and non-financial performance. Moreover, managers as agents are supervised by an audit committee, so managers will try to increase trust in principals and stakeholders by preparing SR. The fourth hypothesis is thus proposed as follows:

***H_4*:** *The audit committee has a positive effect on SR disclosure.*

The Influence of Institutional Share Ownership on Sustainability Report Disclosure

Good governance is also characterized by determining the company's share ownership structure, such as the allocation of institutional share ownership. Choosing institutional share ownership can reduce stakeholder conflicts between investors and managers. Institutional share ownership can monitor manager decision-making (Dewi & Pitriasari, 2019) so that institutional share ownership can increase the quantity and quality of SR disclosure. In addition, the allocation of institutional share ownership can better a company's reputation, such as goodwill (Chernev & Blair, 2015). Based on previous research, institutional share ownership has also proven to influence SR disclosure (Masud et al., 2018; Noerkholiq & Muslih, 2021). This means that the higher the institutional share ownership, the greater the SR disclosure, thereby increasing stakeholder trust.

However, previous research also confirms that institutional ownership does not always increase SR disclosure (Aliniar & Wahyuni, 2017; Dewi & Pitriasari, 2019; Novitaningrum & Amboningtyas, 2017). Because institutional ownership is unable to control the company, including in disclosing SR, thus showing several inconsistencies in results, it is necessary to reexamine the role of institutional share ownership in SR disclosure. Under agency theory, the role of governance in operational supervision by managers can be demonstrated by the manager's ability to manage a company that does not have a conflict of interest so that institutional share ownership can play a role in influencing managers in disclosing SR, so the hypothesis formulated is as follows:

***H_5*:** *Institutional share ownership has a positive effect on SR disclosure.*

The Influence of Public Share Ownership on Sustainability Report Disclosure

In addition to allocating shares for institutional share ownership, managers must also pay attention to the rights of the community. Public share ownership allocation is generally less than 5% (Dienes et al., 2016), and they can control the company (Meutia & Titik, 2019), including in supporting SR disclosure (Situmorang & Hadiprajitno, 2016). Company managers still have to consider the needs of the community because even small public share ownership can influence the company in disclosing SR (Situmorang & Hadiprajitno, 2016). However, not all public share owners can comply with SR disclosures, as per the study by Arista et al. (2019), Nur and Priantinah (2012), and Rivandi (2020), which shows that public shareholders do not yet care about SR disclosures that inform economic, social, and environmental activities.

As part of the governance structure, public share ownership is tasked with supervising managers to reduce conflicts of interest in the hope of fulfilling the wishes of principals and stakeholders, including in SR disclosure, so the sixth hypothesis is put forward:

H_6: Public share ownership has a positive influence on SR disclosure.

Based on the preceding hypotheses, Figure 1 describes the conceptual framework of this research:

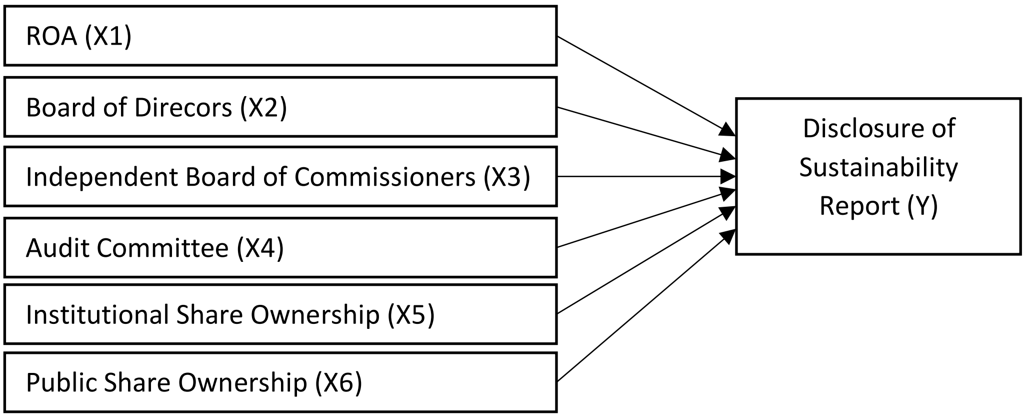

Figure 1 Conceptual Framework

Research Method

This research used a sample of 35 industrial sector companies listed on the IDX during 2017 - 2022, so the number of observations was 210 company data. The sampling method employed was purposive sampling, with the following criteria: 1) Industrial sector companies listed on the IDX for the period 2017 to 2022 ; 2) Companies that prepared annual financial reports (AR) from 2017 to 2022; 3) Companies that prepared sustainability reports (SR) for 2017-2022. This research consists of two variables, namely the dependent variable and the independent variable. A detailed explanation of the variables and their measurements can be seen in Table 1.

Table 1 Variables and Measurements

No	Variable	Operational definition	Measurement
1	Sustainability Report Disclosure/ DSR	A sustainability report is a report published by a company or organization where in the report, the company or organization reveals its economic, social, and environmental impacts, which the company or organization can use to measure, understand, and communicate the company's performance in the economic, environmental, social, and environmental governance sectors (GRI, 2014). The total number of SR items, according to GRI, is 91.	$DSR=\frac{\text{Total Item}}{\text{Total GRI's item}}$

Table 1 Variables and Measurements (cont')

No	Variable	Operational definition	Measurement
2	ROA	The company's ability to obtain profits on the company's total assets (Subiantoro & Mildawati, 2015)	$\text{ROA}=\frac{\text{Total Net Profit}}{\text{Total Asset}}$
3	Board of Directors	The board is responsible for the overall performance of the company (Latifah et al., 2019).	
4	Independent Board of Commissioners	Members of the Board of Commissioners who have no relationship with other Board of Commissioners (Situmorang & Hadiprajitno, 2016)	$\text{IBD}=\frac{\text{Number of independent Board of Commissioners}}{\text{Total Number of Commissioners}}$
5	Audit Committee	This committee oversees the board of directors and external and internal auditors (Aliniar & Wahyuni, 2017).	AC= Number of audit committee meetin
6	Institutional Share Ownership	Ownership of company shares owned by an agency or institution (Situmorang & Hadiprajitno, 2016)	$\text{IO}=\frac{\text{Total institutional shares}}{\text{of shares outstanding}}$
7	Public Share Ownership	Public or community share ownership (Situmorang & Hadiprajitno, 2016)	$\text{PO}=\frac{\text{Total public shares}}{\text{of shares outstanding}}$

This research was tested using multiple regression and hypothesis testing based on the t-test with a significance of 5%.

Result and Discussion

This research used 35 public industrial sector companies listed on the IDX during 2017-2022, so the total observations were 210. The method for determining the sample can be observed in Table 2.

Table 2 Sample Determination Technique

Explanation	Total
Companies listed on the IDX from the industrial sector during 2017-2022	75
Companies that did not prepare AR and SR for 2017-2022	54
Companies that met the criteria	35
Year of observation: 5 years (35 x 5 years)	210

Research data analysis employed multiple regression with classic assumption tests, including normality, heteroscedasticity, multicollinearity, and autocorrelation tests, with all results being met. Testing was carried out, namely the multiple regression test, showing an F-value of 11.925, with a significance of 0.000. This indicates that the research model can be used to predict SR disclosure. The following Table 3 presents the results of multiple regression and hypothesis testing.

Table 3 Hypothesis Test

Variable	Unstandardized Coefficients		t	sig	Conclusion
	B	Std. Error			
Constant	0.430	0.100	4.316	0.000	
ROA (X1)	-0.003	0.005	-0.626	0.532	H1 Not Supported
Directors (X2)	0.002	0.004	0.596	0.552	H2 Not Supported
Independent Board of Commissioners (X3)	0.200	0.078	2.549	0.012	H3 Supported
Audit Committee (X4)	0.078	0.017	4.659	0.000	H4 Supported
Institutional Share Ownership (X5)	-0.001	0.001	-1.536	0.126	H5 Not Supported
Public Share Ownership (X6)	0.001	0.001	1.013	0.312	H6 Not Supported
F Test	11,925 Sig. (0.000)				
Adjusted R-Square	0.239				

The model equation is as follows.

$$Y = 0.430 - 0.003X1 + 0.002X2 + 0.200X3 + 0.078X4 - 0.0015X5 + 0.001X6 + e$$

Where Y is Sustainability Report Disclosure; b1, b2, b3,..,b6 to Regression Coefficient; X1 ROA; X2 to Board of Directors; X3 to Independent Board of Commissioners; X4 to Audit Committee; X5 to Institutional Share Ownership; X6 to Public Share Ownership; and e to Error.

Based on Table 3 above, the Adjusted R^2 value was 0.239, meaning that 23.9% of SR disclosure could be explained by the variables ROA, board of directors, board of independent commissioners, audit committee, institutional share ownership, and public share ownership, and the remaining 76.1% could be explained by the variable others not explained in this study.

Table 3 shows the test results (H_1), where the ROA variable had a t-value of -0.626 and a significance of 0.532, indicating that ROA did not affect SR because the significance of ROA was 0.532 > sig 5%. This indicates that the size of the company's profits, as measured by ROA, could not be used as a benchmark for increasing SR because of a decline in SR, which proves the difficulty of achieving financial and non-financial balance. These test results support the research of Noerkholiq and Muslih (2021), which has verified that ROA does not increase SR. Related to that, it is not easy for companies to achieve balance when disclosing financial and non-financial performance or SR, which has been proven to have an impact on reducing profits. The results of this research also do not support agency theory because the agents played by managers fail to balance the achievement of financial performance, namely ROA, with non-financial performance (SR), even though the role of corporate governance as supervisor has been optimized. The high profits achieved by the company mean that SR disclosure capabilities cannot be improved. However, although principals and stakeholders want high profits, they pay little attention to SR disclosure (Dewi & Pitriasari, 2019).

The results of testing the second hypothesis (H_2) revealed that the t-value of the board of directors variable was 0.596, and the significance was 0.552 > sig 5%, which means the board of directors did not affect SR disclosure. The number of board of directors owned did not increase SR disclosure. The test results contrast the findings of Justin and Hadiprajitno (2019) and Latifah et al. (2019) because the board of directors exhibited a significance of > 5%. Still, the study results support the research by Awalia et al. (2015), Sofa and Respati (2020), and Yudaruddin and Pratiwi (2019). Nevertheless, the research results do not reinforce agency theory because the board of directors failed to supervise managers in reducing conflicts of interest and meeting the principal's expectations. As such, this research could not prove that the board of directors influences SR disclosure because the board of directors tended to focus more on financial performance.

The findings from the examination of the third hypothesis (H_3) indicated that the board of commissioners variable had a t-value (0.012) of 2.549, which is statistically significant at $p < 0.05$. The significance of the test results (H3) indicates that the independent board of commissioners supports the hypothesis. According to the findings of the study, the independent board of commissioners effectively assisted the organization in the disclosure of SR. Consistent with the findings of Aniktia and Khafid (2015) and Doktoralina et al. (2018), the board of commissioners can advocate for the interests of principals and stakeholders, including in SR disclosure. The research findings further substantiate agency theory by demonstrating how independent commissioners' responsibility to maintain a balance between financial and non-financial performance disclosures—including SR disclosures preferred by the principal—can mitigate conflicts of interest among managers. However, the outcomes of the tests are in opposition to the conclusions drawn by Michael and Lukman (2019) and Madona and Khafid (2020), as they were unable to establish the notion that an independent board of commissioners can mitigate conflicts of interest among managers, as evidenced by a decrease in SR disclosure. Consequently, this study exploits the limitations of prior research by demonstrating that the SR disclosure process can be influenced by the board of commissioners.

Upon assessing the fourth hypothesis (H_4), the obtained results indicated a significance level of 0.000, a calculated t-value of 4.659, and a coefficient of 0.078. The test results (H4) provide evidence that the disclosure of sustainability reports is influenced by the audit committee. The findings of the study indicate that the audit committee is responsible for overseeing and executing managerial obligations. Consistent with the conclusions drawn by Latifah et al. (2019), Mujiani and Jayanti (2021), and Saputri et al. (2022), this test demonstrates that audit committees can enhance SR disclosure. Contrary to the findings of Aliniar and Wahyuni (2017) and Dewi and Pitriasari (2019), the results of this study demonstrate that an increased number of audit committees can indeed lead to greater disclosure of sustainability reports. This study supports agency theory by demonstrating that the audit committee's function can mitigate conflicts of interest, consequently impacting managers' inclination to divulge SR information.

The examination of the fifth hypothesis (H5) yielded the following results: the institutional share ownership variable had a coefficient of -0.001, a t-value of -1.536, and a significance level of 0.126 > 5%. The findings of the study demonstrate that institutional ownership of shares did not affect SR disclosure. A substantial proportion of institutional shares will not result in an increase in SR disclosure for the company. In contrast to the conclusions drawn by Aliniar and Wahyuni (2017), Dewi and Pitriasari (2019), and Novitaningrum and Amboningtyas (2017), the outcomes of this examination do not reflect the influence of institutional share ownership on SR disclosure. Due to the inability of institutional share ownership to exert control over managers to mitigate conflicts of interest, including SR disclosure, the research findings contradict agency theory. The findings of this study did not support the claim that managers can mitigate conflicts of interest by publicly disclosing non-financial information in SR (Masud et al., 2018; Noerkholiq & Muslih, 2021). This study's results indicate that institutional share ownership did not provide managerial support in implementing good governance practices, such as disclosing SR. The t-value for institutional share ownership was -1.536, and the coefficient was -0.001. Furthermore, the significance level for these values was 0.126, which is greater than the 5% threshold.

Based on the results of testing the sixth hypothesis (H6), it shows that the coefficient of the public share ownership variable was 0.001, and the t-value was 1.013 with a significance of 0.312 > 5%. The results did not establish that public share ownership affects SR disclosure (H6). The results of this study are inconsistent with those of Dienes et al. (2016), Meutia and Titik (2019), and Situmorang and Hadiprajitno (2016), as public share ownership had no significant positive influence on SR disclosure. This finding corroborates the research conducted by Arista et al. (2019), Nur and Priantinah (2012), and Rivandi (2020), which indicates that company information pertaining to social, environmental, and economic activities that appear in sustainability reports is not yet valued by the general public. Agency theory is also not supported by this research because managers seek to maximize their utility. However, by implementing effective governance mechanisms, such as public share ownership, managers can oversee their activities to establish confidence among the public and reassure principals. Furthermore, the limited number of individuals who hold SR disclosure authority within the company due to public share ownership precludes any influence over such matters.

Conclusion

This research confirms that agency theory can be used to test financial performance and corporate governance regarding SR disclosure. The independent board of commissioners and audit committee have been proven to influence SR disclosure. Independent boards of commissioners and audit committees have been verified to be able to reduce moral hazard carried out by managers so that managers not only aim to disclose financial performance but also disclose non-financial information such as SR disclosures. However, this research failed to provide evidence that the board of directors, institutional share ownership, public share ownership, and ROA can influence companies to disclose SR. This research also does not fully support agency theory, especially regarding governance mechanisms in reducing managers' internal conflicts, because only the independent board of commissioners and audit committee could influence managers to disclose SR. In contrast, governance mechanisms, such as the board of directors, institutional share ownership, and public share ownership, could not influence SR disclosure, and ROA performance disclosure also did not increase SR disclosure. This study demonstrates that better governance is still needed to influence managers to achieve a balance between achieving financial and non-financial performance.

Overall, this research contributes to the need for managers to pay attention to governance structures (Donaldson & Davis, 1991), which can reduce interest behavior by optimizing the role of the board of directors, independent board of commissioners, audit committee, and shared ownership, including institutional and public. Share ownership aims to monitor company operations so that it will influence managers to disclose SR. Apart from that, managers also need to pay attention to the achievement of financial performance, which must also be followed by SR disclosure. Further research can test SR disclosure with other approaches and pay attention to managerial ownership governance and remuneration committees to find out whether SR disclosure increases.

All companies registered on the IDX, especially the industrial sector, need to pay attention to the disclosure of non-financial information, such as the preparation of SRs, as it can increase the trust of principals, including stakeholders. In addition, results showing the opposite direction from the hypothesis require serious attention, such as governance in the form of institutional share ownership with no effect on SR disclosure and ROA that can reduce SR. Hence, the role of institutions must be optimized so that managers as agents can balance achieving financial performance and non-financial in the form of SR. In addition, future research needs to examine other theoretical approaches by separating various stakeholders so that disclosure of financial and non-financial performance can be balanced.

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