CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN INDONESIA: THE MODERATING EFFECT OF FOREIGN OWNERSHIP

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ABTRACT

The trend of research on corporate social responsibility disclosure (CSRD) shows a growing concern on the information content and its trustworthiness, creating apprehension about the whole practice in corporate social reporting. The objective of this study is to examine the extent of CSRD in Indonesian public listed companies (PLC), the relationship of CSRD with corporate governance attributes, and the moderating effect of foreign ownership on the relationship between corporate governance attributes and CSRD using the legitimacy theory, agency theory, and stakeholder theory. The measurement for CSRD is based on quantity (number of pages) and quality (index). Further, the measurement of CSRD quality (index) is based on 25 items according to the practices in Indonesia. Data collection was based on the environment and social items disclosed in annual reports and the sample of the study consists of 353 companies listed in the Indonesia stock exchange (IDX) in the year 2017. Descriptive analysis and a hierarchical multiple regression model are applied to analyse the data. No evidence has been found to suggest the role of corporate governance on CSR disclosure. However, results from the hierarchical regression analysis showed that foreign ownership moderates the relationship between the women on the board director and CSRD quality. The results of this study may provide some insight into how foreign ownership could play their role to ensure better corporate social disclosure. Companies should create more opportunities for foreigners to invest in their companies, in line with the current government's expectations to increase the percentage of foreign ownership in Indonesian companies. Immediate action could also be taken by the government to revise the existing code of corporate governance, by considering higher percentage of women on the board of directors.

Keywords: Corporate social responsibility disclosure, social and environment activity, corporate governance, moderating role, Indonesia

ABSTRAK

Trend penyelidikan mengenai pendedahan tanggungjawab sosial korporat (CSRD) menunjukkan kebimbangan yang semakin meningkat terhadap kandungan maklumat dan kebolehpercayaannya, seterusnya mewujudkan kegusaran tentang keseluruhan amalan dalam pelaporan sosial korporat. Objektif kajian ini adalah untuk mengkaji sejauh mana CSRD dalam syarikat senaraian awam (PLC) Indonesia, hubungan CSRD dengan atribut tadbir urus korporat, dan kesan penyederhanaan pemilikan asing terhadap hubungan antara atribut tadbir urus korporat dan CSRD menggunakan teori legitimasi, teori agensi dan teori pihak berkepentingan. Pengukuran untuk CSRD adalah berdasarkan kuantiti (bilangan muka surat) dan kualiti (indeks). Seterusnya, pengukuran kualiti (indeks) CSRD adalah berdasarkan 25 perkara mengikut amalan di Indonesia. Data yang dikumpul adalah berdasarkan maklumat sosial dan persekitaran yang didedahkan dalam laporan tahunan dan sampel kajian terdiri daripada 353 syarikat yang tersenarai di bursa saham Indonesia (IDX) pada tahun 2017. Analisis deskriptif dan model regresi berganda hierarki digunakan untuk menganalisis data. Tiada bukti ditemui untuk mencadangkan peranan tadbir urus korporat terhadap pendedahan CSR. Walau bagaimanapun, keputusan daripada analisis regresi hierarki menunjukkan bahawa pemilikan asing menyederhanakan hubungan antara wanita dalam lembaga pengarah dan kualiti CSRD. Hasil kajian ini akan memberikan sedikit gambaran tentang bagaimana pemilikan asing boleh memainkan peranan mereka bagi memastikan pendedahan sosial korporat yang lebih baik. Syarikat boleh mewujudkan lebih banyak peluang kepada warga asing untuk melabur dalam syarikat mereka, selaras dengan harapan kerajaan untuk meningkatkan peratusan pemilikan asing dalam syarikat di Indonesia. Tindakan segera boleh digunakan oleh kerajaan untuk menyemak semula kod tadbir urus korporat sedia ada dengan mempertimbangkan peningkatan peratusan wanita dalam lembaga pengarah

Kata kunci: Pendedahan tanggungjawab sosial korporat, aktiviti sosial dan persekitaran, tadbir urus korporat, peranan penyederhana, Indonesia

LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asia Nations
AT	Agency Theory
BoC	Board of Commissioners
BoD	Board of Director
CG	Corporate Governance
CGIO	Centre for Governance Institutions and Organizations
CNN	Cable *News* Network
COMSIZE (Log Form)	Size of the company by log form
CSCSECM	Company sector.
CSER	Corporate Social and Environmental Reporting
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Disclosure
CSRDLength	Corporate Social Responsibility Disclosure by Length
CSRDQ	Corporate Social Responsibility Disclosure by Quality
DV	dependent Variable
ETOBChinese	Ethnicity of the Board
FAOWN	Family Ownership of the Board
FOROWN	Foreign Ownership
GCG	Good Corporate Governance
GDP	Gross Domestic Product
GRI	*Global Reporting Initiative*
IDX	Indonesia Stock Exchange
IFRS	International Financial Reporting Standards
IV	Independent Variable
LG	Local Government
LPRFTBLTY (log form)	Corporate profitability by log form
LT	Legitimacy Theory
MK	Constitutional Court/ Mahkamah Konstitusi
NUS	University of Singapore
NUS	National University of Singapore
OJK	Otoritas Jasa Keuangan
PCOB	Political Connections of The Board
PLC	Public Listed Company
POJK	Peraturan Otoritas Jasa Keuangan
RAKB	Rencana Aksi Keuangan Berkelanjutan
RUPS	Rapat Umum Pemegang Saham
RUU	Rancangan Undang Undang
SMEs	Small and Medium Sized Enterprises
ST	Stakeholder Theory
TCOBPrcntge	The Composition of the Board
UUPT	Undang Undang Perseroan Terbatas
WBCSD	World Business Council for Sustainable Development
WPOB	Women Proportion on the Board

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Corporate social responsibility (CSR) is a term that explains an organisation's relationship with society (Juholin, 2004; Snider, Hill, & Martin, 2003). CSR encompasses various widely used strategies in companies, from donating a portion of a firm's proceeds to implementing "greener" business operations. Currently, Weinger (2014) found that, for the sake of making a profit, the consumer environment does not allow companies to be in business.

CSR is the most significant influential factor in an organisational image, forcing organisations to invest more in CSR-related activities (Mattila, 2009; Virvilaite & Daubaraite, 2011). In a nutshell, researchers argue that CSR practices do increase an organisation's performance, simultaneously becoming competitively advantageous if well implemented (Stanaland, Lwin, & Murphy, 2011). Therefore, the aim of CSR is to provide information that will be useful in making economic decisions. Indeed, its implementation could improve the welfare of social activity. This increasing demand for companies to retain social responsibility has attracted the attention of public companies to provide non-financial information. CSR information includes details of employees, products, and the environment, normally disclosed in the CSR reporting section of companies' annual reports (AR). CSR disclosure has become a contentious issue in the past (Stanaland, Lwin & Murphy, 2011). This disclosure is also crucial for all stakeholders as it provides the necessary information to reduce uncertainty and helps the stakeholders make financial decisions, thus, becoming economically compatible. Transparency in CSR reporting is crucial in achieving economic stability to promote sustainable and high-quality investments made by a company. Besides, CSR reporting should not be limited merely to investors but should also be applied to other groups of stakeholders.

A CSR report delivers a framework for strategising social, economic, and environmental decisions (Burnett & Hansen, 2008). Accountability plays an essential role in delivering a CSR report because companies seem to have taken a lot of interest in many cases. Hence, linkages among various parties should be promoted in order to perform independently and avoid poor accountability (Bendell, 2005). On the other hand, Gray, Bebbington, and Collison (2006) argue that if high transparency and accountability are practised alongside the parties concerned, accountability, in general, would be regarded as good.

There are numerous ways to show organisations' responsibility in the field of sustainability; for example, they may participate in CSR activities or make standalone sustainability reports (Gray, 2010). Burnett and Hansen (2008) found that organisations may reduce environmental costs by implementing an environmental cost management system that emphasises a positive relationship between environmental performance and production efficiency. The report is important for the sustainability of the entity as it is considered their responsibility to stay in business (Gray, 2010)

The above arguments are in line with the idea proposed by several studies (Adeyanju, 2012; Jaggi & Zhao, 1996; Ramanathan, 1976) on a strong association between society and organisations, such that an organisation cannot stay in a vacuum. Adeyanju (2012) explained that while the community benefits from projects executed and initiated by the firms, Businesses build their reputation through CSR. Therefore, firms must gain support from any global markets, national even local and gain a competitive advantage through their social contributions to the whole customers, employees and communities. Companies' entire operation should be checked, particularly from the perspective of CSR, if they want to be recognised as good corporate citizens.

In the Indonesia CSR Exhibition (ICE) 2017, Isyraqi (2017) argues that CSR is not solely a *Jariyah* charity. However, a company has to contribute to society. More importantly, it is how the company can achieve its business goals. In his speech at the opening ceremony of the Indonesia CSR Exhibition 2017, Menteri Tenaga Kerja dan Transmigrasi, Dhakiri (2017) stated that the Indonesian Ministry of Labour was dealing with issues of poverty, inequality, and unemployment. However, regarding the matter, the government should not try to run independently without additional support from various bodies such as CSR activists. CSR in Indonesia is often manifested in a "self-sufficiency" programme on economics, education, health, and the environment that enlightens on basic needs. Isyraqi (2017) also mentioned that occasionally, CSR activities are not treated as part of a business policy that could benefit all parties involved, such as the public, community, and conglomerates.

Indonesia has a corporate rule legislated in 2007, known as the Government Act No. 40 Year 2007. The legislation, enforced since August 2007 (Darwin & Guntensperger, 2007), requires all companies that exploit Indonesia's natural resources to implement CSR programmes by allocating a percentage of the reported revenue to social and environmental activities. Failure to comply with the said rule will subject a company to sanction according to prevailing laws and regulations. CSR funds will be treated as operating expenses and, thus, exempted from taxes (Article 74). Furthermore, since 2016, Otoritas Jasa Keuangan (OJK) has required companies to disclose their CSRD activities in their annual reports (OJK, 2016). Nevertheless, Darwin and Guntensperger (2007) explained that Rancangan Undang Undang (RUU) does not explicitly explain the implementation of CSR; the format also contents of the disclosure are left to the preparers.

However, even though the information about the company's policies and emission performance is essential, only a few companies in Indonesia provide corporate social responsibility disclosure (Faisal et al., 2018; Hermawan, Aisyah, Gunardi, & Putri, 2018). Moreover, many Indonesian companies do not publish CSR disclosure because the information is still a part of voluntary reporting, and the management cannot determine precisely whether the benefit is more significant than the cost incurred for conducting such disclosure (Anggraeni, 2015).

As Indonesian laws create obligations for companies to have programmes on CSR, there has been an argument following the enactment of the Act on CSR. Despite strong protests from the business community in Indonesia due to the cynical indifference towards CSR and CSR programmes modified to cover companies working in natural resource sectors, involvement in providing CSR programmes should remain guarded. Siregar and Utama (2008) reported that the vagueness of CSR reporting guidelines has caused companies to become reluctant to conduct CSR programmes. Therefore, the rule itself requires public tribulation to compare and evaluate the application of CSR, given that there are many variations of CSR reports from one company to another (Siregar & Utama, 2008).

Although CSR is prevalent, its reporting is still relatively low in Indonesia. Among others, Hartanti (2007) investigated the CSRD in the annual report of Indonesian public-listed companies, in which a score of only 8.3 out of 30 points was reported. Darwin and Guntensperger (2007) also reported that in 2004, only 10 percent of the Indonesian public companies' annual reports contained CSR disclosure.

Kusumadilaga (2010) investigated CSR practices in Indonesia before and after the enactment of Act No. 40 Year 2007 among public listed companies and found an increase of 8.44 percent in CSR disclosure after the enactment. Following that, Kartadjumena, Hadi, and Budiana (2011) reported an increase in the average CSR Index of manufacturing companies by 26, 29, and 33 percent in 2007, 2008, and 2009, respectively.

1.1 Corporate Social Responsibility Disclosure (CSRD)

CSRD in developed countries is higher than that in developing nations. Managers in developed countries also pay attention to the concerns of the local community, suppliers, and customers in their decision to disclose CSR information (Wilmshurst & Frost, 2000). Furthermore, some studies have shown that companies in developed countries disclosed social and environmental information due to public pressures (Belkaoui & Karpik, 1989; Patten, 1991; Cormier et al., 2005). Table 1.1 shows that the percentages of social disclosure in developed countries such as China, the UK, the USA and Turkey are quite high, scoring 70% and above.

Table 1.1: Extent of Social Disclosure by Developed Countries

Sources	Country	% Of CSR disclosure
Akbas and Canikli (2014)	Turkey	91.94
Cho, Freedman, and Patten (2012)	US	84
Salama, Dixon, and Habbash (2012)	UK	80
Du, Jian, Zeng, and Du (2014)	China	70

On the contrary, Table 1.2 demonstrates that developing countries such as Malaysia, the Caribbean, Greece, Romania, Bahrain, Taiwan, Kuwait, Saudi Arabia, Thailand, India, and Indonesia, scored below 70%.

Demands on corporate social and environmental reporting (CSER) have increased in the last decade significantly (Deegan, 2007). Corporate social and environmental reporting is a company's environmental management strategy for sustaining stakeholder communication. It plays a vital role in "greening" a company's accountability (sustainability/ UNEP, 2002). However, in a recent survey on principles of sustainability, the awareness of corporations in Indonesia on the environmental aspects is the lowest in comparison to four other ASEAN (Association of South East Asia Nations) countries (Suastha, 2016) (ASEAN CSR Network Bisnis, 2016; Suastha, 2016).

Table 1.2: Extent of Social Disclosure by Developing Countries

Sources	**Year**	**Country**	**% Of CSR Disclosure**
Jitaree	2015	Thailand	62.8
Aldosari and Atkins	2015	Saudi Arabia	62
Vazakidis, Stavropoulos, and Galani	2013	Greece	61
Al-Ajmi, Al-Mutairi, and Al-Duwaila	2015	Kuwait	48
Juhmani	2014	Bahrain	57.57
Chiu and Wang	2015	Taiwan	43.53
Lungu, Caraiani, Dascalu, Turcu, and Turturea	2016	Romania	39.03
Bowrin	2013	Caribbean	33.7
Haji Ahmed	2013	Malaysia	31.71
Nurhayati, Taylor, Rusmin, Tower, and Chatterjee	2016	India	10.44
Agatha Aprinda Kristi	2018	Indonesia	30.26

Most companies in Indonesia do not have a CSR programme clearly (Suastha, 2016). Unfortunately, companies in ASEAN, especially in Indonesia, have not paid attention to human rights (Suastha, 2016). The progress and trends of companies also contribute to inequality and social disparities, given that economic growth is not always in line with equity or the distribution of well-being. The Research Centre for Governance Institutions and Organizations (CGIO) of the National University of Singapore (NUS) Business School even observed a low number of CSR practices by companies in Indonesia (CNN Indonesia, 2016). Meanwhile, the CGIO Director, Mr. Lawrance Loh

(2016), stated that a study on CSR disclosure in 100 companies from four countries (Indonesia, Malaysia, Singapore, and Thailand) showed moderate reporting.

1.2 Corporate Governance and Corporate Social Responsibilities Disclosures

Rossouw (2005) found that some issues regarding corporate governance and CSRD have generated many concerns worldwide, evident in the number of national corporate governance reports issued in some nations. These issues stem from the misalignment between management activities and stakeholders' benefits (Aguilera & Jackson, 2010). Numerous empirical research on corporate governance has been conducted from the lens of agency theory, and the association between the attributes of corporate governance and CSRD have likewise been explored (Aguilera & Jackson, 2010).

Jensen and Meckling (1976) found that strong corporate governance creates effective monitoring and reduces agency costs, improving both non-financial performance and financial. Although traditionally, some governance guidelines on the responsibilities of corporate governance, particularly the boards of directors, to shareholders, the guidelines have increasingly spread to a wider group, namely stakeholders. In fact, the extended responsibility of corporate governance to stakeholders has become an accepted view in the literature (Jamali, Safieddine, & Rabbath, 2008; Kolk & Pinkse, 2010). In addition, the importance of corporate governance has caused many authors to suggest that corporate governance, particularly the board of directors, plays an important role in ensuring that a company meets the purpose of CSR (Mackenzie, 2007).

Research on the subject of corporate governance and CSR have been undertaken in the Anglo-Saxon system (e.g., Adam & Ferreira, 2009; Baysinger & Butler, 1985; Carter et al., 2010; Carter et al., 2003; Choi et al., 2012; Haat et al., 2008; Haniffa & Hudaib, 2006; Miller & Triana, 2009; Switzer & Cao, 2011; Vafeas & Theodorou, 1998; Weir & Laing, 2001). Lam and Lee (2012) note that most prior studies on board characteristics pay much attention to US data. There are limited studies done in Continental European countries (e.g., Demsetz &Villalonga, 2001; Van Ees et al., 2003; Rose, 2005; and Darmadi, 2013). There is a significantly different governance system in these countries. The Anglo-Saxon system uses the one-tier board system, while the Continental European system applies the two-tier board system. Indonesia applies the Continental European system, which has a separated board, namely the board of commissionaire (supervisory board) and the board of directors. Indonesia has modified this system which differs from other Continental European countries, where the board of commissionaire (supervisory board) and the board of directors are selected and dismissed by shareholders.

In Indonesia, the application of good corporate governance (GCG) should be based on the Ministry of State-Owned Enterprises decision based on regulation number: Kep-116/M-MBU/2002. This regulation outlines the process and structure that should be used by the committees/boards of a company (the shareholders' general meetings, boards of commissioners (BoC), and boards of directors (BoD) to ensure the success of the activities and corporate accountability. In addition, shareholders' value would be realised in the long run by being attentive to other stakeholders' interests based on laws and ethical values. Therefore, boards of commissioners and boards of directors are considered, as members of the boards are very important players that regulate companies (Fama & Jensen, 1983; Shivdasani, 1993).

Results of prior studies by Ahmed Haji (2013), Bowrin (2013), Janggu et al. (2014), Handajani, Subroto, Sutrisno and Saraswati (2014), Liao, Luo and Tang (2015), and Yekini, Adelopo, Andrikopoulos and Yekini. (2015) indicate that corporate governance characteristics influence CSR disclosure. The characteristics include board size, profitability, company sector, independent directors (board's composition), political connection and ownership structure. Companies are encouraged to maintain good corporate governance practices and create a control mechanism that improves the performance and disclosure quality of the company.

Besides the aforementioned corporate governance characteristics, the diversity of the board of directors may also influence voluntary disclosure and corporate social responsibility disclosure (CSRD) (Upadhyay & Zeng, 2014). Diversity is grouped based on skills, experience, and viewpoints. Diversity in experience and skills consists of education level, directorship experience, and professional membership. Diversity in viewpoints comprises gender, culture, ethnicity and socio-economic background. A combination of both types of diversity influence companies in a positive manner.

Political connections of board members, women's participation on boards, and board ethnicity are other matters that are heavily discussed. In Indonesia, where ethnicity in the work environment is concerned, social conditions will require a company to be sensitive to various issues, namely poverty, education, health, and other social-related problems such as recurring unemployment among certain ethnic groups. Therefore, companies need to integrate the formal policy of ethnicity with corporate strategy and CSR programmes. Cox, Lobel, and McLeod (1991) argued that various ethnic backgrounds have different norms, attitudes and values that indicate their cultural heritage, thus increasing the need for CSR disclosure.

Another factor that may affect the CSRD is the composition of the board. Chen and Nowland (2010) once raised an issue on the boards and their composition, especially the number of non-executive (independent) directors. It raises doubts about whether the directors would adequately monitor the majority shareholders' interest and are rightfully independent because board members are usually appointed based on the titles they hold (Chen & Nowland, 2010). This issue of board independence seems unresolved for companies in Asia (Globerman, Peng & Shapiro, 2011).

Family ownership of companies is another factor that may affect CSRD. There is an assumption that the uniqueness of family companies may motivate them to become good corporate citizens. Akpinar, Jiang, Gomez-Mejia, Berrone, and Walls (2008) proposed social-emotional wealth as a unique concept in a family company that promotes high environmental responsibility and green strategies. In short, social-emotional wealth preservation is a distinctive as well as important factor in the policy choices of a family company. Akpinar et al. (2008), Cennamo et al. (2012), and Cruz et al. (2014) argued that this preservation effort is very likely to impact the performance of the CSR of family companies positively.

According to the social-emotional wealth perspective, Akpinar et al. (2008), Cennamo et al. (2012), and Cruz et al. (2014) explained that a family company is motivated to protect the environment in order to strengthen and preserve the company's 'affective' endowments (or social-emotional richness). Social-emotional wealth and family wealth concentration enable companies to perform better environmental practices (Cennamo et al., 2012). Huang (2010) found that family companies in Taiwan are more likely to engage in eco-friendly practices.

Concerning the relationship between corporate governance items and CSRD, previous studies in western nations have found that the results are mixed and inconclusive (Jo & Na, 2012; Kemp & Vinke, 2012; McDonald & Hung Lai, 2011). In order to address the inconclusive results, Baron and Kenny (1986) suggest the inclusion of a moderator to provide a new justification for the relationship between these corporate governance variables and CSRD. Based on agency theory, this study used foreign ownership as a moderator. The theory suggests that multinational companies and their primary foreign owners could gain legitimacy through additional disclosure, causing them to operate in a country longer (Barkemeyer, 2007; Suchman, 1995; Susanto, 1992). Angling (2010) argued that companies with foreign ownership would provide additional disclosure due to greater demands from customers, suppliers, and the public. In addition, foreign-owned firms receive better accounting training from their parent firms (Susanto, 1992).

According to Namazi and Namazi (2016), foreign ownership is important in examining the relationship between two variables that explain corporate governance attributes and CSR disclosure. Thus, Muhammad and Aryani (2021) include foreign ownership as the moderating variable. Several reasons why foreign ownership is chosen: (1) foreign investors are still dominating the Indonesia equity market with 51% market share in 2018 (Ayuningtyas, 2019; CNN Indonesia, 2019); (2) foreign investors are more concerned with the environment since they are more knowledgeable and obedient to ecological laws (Rustam, Wang, & Zameer, 2019); (3) foreign investors are more influential in determining the stock prices in the market (Richards, 2002; Wang, 2007).

However, based on past studies on the correlation between foreign ownership and CSRD, not all research papers have shown positive associations. Some studies documented a negative and insignificant relationship (Barako & Brown, 2008; Htay, Rashid, Adnan, & Meera, 2012; Phung & Le, 2013; Praptiningsih, 2009; Zheka, 2005). Although it has often been highlighted that foreign ownership can increase additional disclosure, including CSR data, thus reducing conflicts between owners and management, the studies mentioned above proved inconsistent results. Therefore, this study uses foreign ownership as a moderator.

This study examines the association between the extension of CSRD and corporate governance attributes with foreign ownership for the moderating variable. This study contributes to the understanding and knowledge of corporate governance attributes of Indonesian-listed companies that would affect CSR disclosure.

1.3 Problem Statement

Currently, the public is concerned about social and environmental issues, such as soil erosion, illegal logging, floodwater pollution, and hill cutting, that will harm natural habitats, thus leading to destruction. Stakeholders have been seen to prefer companies that conduct CSR activities as they are considered good corporate citizens (Mahoney et al., 2013). Concerns over the state of the environment have taken centre stage, both domestically and internationally. Yusoff et al. (2006) explained that natural disasters and man-made environments such as landslides, oil spills, and floods had become a significant challenge for future generations.

The practice of companies in the ASEAN countries is not standardised when executing a sustainable business, particularly in the aspect of CSR (Suastha, 2016). Bearing that in mind, it is not surprising that CSR disclosure of the listed companies in ASEAN has not been paying attention to fundamental human rights (Suastha, 2016). Varying activities carried out by the companies have also contributed to inequalities and social disparities since economic growth has not always been in line with inequalities and social disparities. In Indonesia, both economic development and technology have a bearing on society members' education and living standards (Republika, 2013).

Nevertheless, activities related to CSR that are carried out in Indonesia still face numerous constraints. One is the absence of a master plan concerning CSR, resulting from the government's often counterproductive role (SawitIndonesia, 2014). In this regard, the government should actively position itself as a facilitator for CSR activities.

The Indonesian government is very concerned about social responsibilities; thus, it encourages companies to report the effectiveness of economic activities on CSRD in their annual report. However, Kusumadilaga (2010) found that CSR disclosure only increased by 8.44 percent after the enactment of Act No. 40 Year 2007, which requires Indonesian companies to implement CSR activities. In 2012, the government of Indonesia released Government Act Republik Indonesia No. 47, clarifying the social and environmental responsibilities of the public listed company. The Act further requires natural resources companies to undertake environmental and social responsibilities, failing which will subject them to sanctions in accordance with provisions of the legislation enacted by the government.

Furthermore, since 2016, one of the government agencies under the Indonesia stock exchange (IDX), the financial services authority (OJK), has required all public listed companies in IDX to disclose their CSRD activities in their annual reports (OJK, 2016). However, despite the government’s efforts, the CSRD by public listed companies in Indonesia is fairly low. A study by NUS on four ASEAN countries revealed a lack of awareness of CSR practices, resulting in poor operations of the agenda (Suastha, 2016). As shown in Table 1.3, Thailand has taken the lead in producing sustainability disclosures and recorded a 56.81 percent CSR disclosure, followed by Singapore (48.8 percent), Indonesia (48.4 percent), and Malaysia (47.7 percent) (Suastha, 2016).

Table 1.3: Extent of Social Disclosure by ASEAN Countries

Rank	Country	% of CSR disclosure
1	Thailand	56.8
2	Singapore	48.8
3	Indonesia	48.4
4	Malaysia	47.7

Sources: Suastha (2016)

Moreover, Kristi (2013) evaluated the disclosure compliance of CSR disclosure influenced by several subsidiaries and the institutional ownership, managerial ownership and public ownership in Indonesia. The population that is the object of this study includes all companies listed on the Indonesia stock exchange (IDX) in 2010 and 2011 by using purposive sampling. CSR disclosure in Indonesia is still relatively low. This can be seen from the disclosure rate, which is only 30%. The low level of CSR disclosure by public companies in Indonesia is due to the absence of national standards in preparing reports on social responsibility activities. Moreover, most of the content of the CSR disclosure report comes from the company's annual report, so not all items on the list of social and environmental disclosures are disclosed. This is in line with the anecdote evidence statement issued by the Indonesian Accountant Magazine (2010).

According to Edi Setijawan, the Director of Sustainable Finance, there has been no standard on CSR reporting that must be followed by companies in Indonesia, even though there are some companies that report their corporate social and environmental reporting activities. However, the OJK regulation, POJK, No. 51/POJK.03//2017, has required public companies, among others, to publish sustainability reports known as *Rencana Aksi Keuangan Berkelanjutan* (RAKB) together with the annual report starting from 2019 (Wareza, 2018). On CNBC news, Wareza (2018) reported that the financial services authority (OJK) had not set the reporting standards not to burden the company with this report. The model will be reported for no more than three pages for the initial stage and contains images and explanations of the activity (Wareza, 2018) reported on CNBC News.

Strong corporate governance would lead to effective monitoring and reduced agency costs (Jensen and Meckling, 1976). Deegan and Rankin (1996), Johnson et al. (2000), and Johnson et al. (2011) argue that previous studies suggested that corporate governance variables such as board political connection, board composition, women representation on boards, board ethnicity, and family ownership could increase CSR disclosure. There has been increasing evidence in the literature regarding the advantages of board political connection, leading to superior performance. The benefits include favourable policies preventing the competitors from participating in the market (Ding et al., 2015; Osazuwa & Che-Ahmad, 2016; Zhou, 2013) and privileged access to bank loans (Charumilind et al., 2006; Cull & Xu, 2005). A politically connected company is generally recognised by the stakeholders, such as lenders and auditors, to have poor corporate governance practices and are riskier (Bliss & Gul, 2012). Notably, in developing countries, political connections are the most preferred ways to expand a company's network within a country (Osamwonyi & Tafamel, 2013). However, political connections have been seen to weaken the structure of corporate governance and influence a company’s success. Consequently, companies with political connections will have to disclose additional information such as CSR to legitimise their operations in the eyes of the public.

Apart from that, Bear et al. (2010) and Fernandez-Feijoo et al. (2012) explained that agency theory recommends that more outside directors monitor self-interested management activities to minimise the overall costs. In addition, agency theory argues that outside directors perform better than executive directors, given that outside directors work harder to increase shareholders’ benefits (Bathala & Rao, 1995).

The existence of women on boards has also been shown to have a positive influence on CSRD. Studies by Krüger (2009), Bernardi and Threadgill (2011), and Fernandez-Feijoo et al. (2012) argue that women are more committed to carrying out charitable activities for the welfare of the communities surrounding the company compared to men. They claim that CSRD implementation would inflict a considerable impact on the company in the future. Previous studies also show that the women proportion on the board gives positive signals in terms of the welfare of the employees among the company to parties outside the firm, for example, prospective employees.

There is a uniqueness about ethnicity in Indonesia, which does not exist in other countries. Indonesia has over 400 indigenous ethnic groups, the largest being the Javanese (Efferin & Hopper, 2007). Despite that, other ethnic groups, particularly the Chinese, dominate the businesses in Indonesia. Most Chinese become the owners of public listed companies in Indonesia due to the Chinese ethnic group having controlled conglomerates in Indonesia since 1994 (Turner & Allen, 2007). Haniffa and Cooke (2002) stated that different cultural aspects, such as ethnicity, impact accounting and disclosure practices, especially those related to CSR.

Additionally, Iskandar and Pourjalali (2000) and Nazri et al. (2012) claimed that diverse racial groups preserve and implement the principles of ethnic identity and religious beliefs. Therefore, monitoring will be more effective as ethnic diversity provides better access to essential resources within the external environment. Information gathered by such diverse board members is also unique and more useful to the management (Johnson et al., 2011).

While one's responsibility towards the environment is an essential aspect of CSR, the entity's commitment is not to be perceived as an overall obligation to CSR (Campbell, 2007; Margolis & Walsh, 2003). Likewise, it is assumed that the uniqueness of family ownership may motivate these companies to become good corporate citizens. Upon observing an olive oil mill in Spain, Akpinar et al. (2008) proposed the concept of social-emotional wealth as a unique motivator of behaviour in family ownership in the context of corporate social and environmental reporting and greening strategy. According to this concept, Akpinar et al. (2008); Cennamo et al. (2012) explained that family ownership are said to be interested in protecting the environment and strengthening and preserving the 'affective' endowments or social-emotional wealth. Social-emotional wealth is a collective perception of family ownership towards the business established and controlled by their family. Arregle et al. (2007) and Sirmon and Hitt (2003) argued that this opinion allows them to retrieve the typical family ownership of the board. It also aids the formation and development of the family's identity, emotional capital (Hart & Sharma, 2004), and values (Dyer & Chu, 2003). As for social-emotional wealth and wealth concentration, a family encourages better company environmental behaviours (Cennamo et al., 2012). Huang (2010) found that companies owned by Taiwanese families are more likely to engage in eco-friendly practices.

This is similar to other investors; Muhammad & Aryani (2021) found that foreign investors will focus on value maximisation and legitimacy. However, they perhaps face more risk as they invest in foreign countries especially emerging countries with different laws and regulations (Kabir & Thai, 2017). The risk of information asymmetry increases for foreign investors (Kabir & Thai, 2017). To reduce the risk, foreign investors actively participate in decision-making. Foreign investors' active participation potentially pressures the firms to make responsible decisions for legitimacy purposes (Oh, Chang, & Martynov, 2011).

Companies undertaking social and environmental activities can respond to the stakeholder and have CSR activity that can build a good reputation (Asmaranti et al., 2020; Husted and Salazar, 2006). Therefore, CSR Investment positively affects the company's sustainability in the long run (Nakamura, 2011). The greater foreign ownership in one company, the greater pressure on the company management to disclose their CSR activity on their annual report (Chariri & Ghozali, 2007) due to public pressures (Belkaoui & Karpik, 1989; Cormier et al., 2005; Patten, 1991).

This can be seen from the Indonesian government's concern about the percentage of foreign ownership allowed by the Indonesian government itself. In 2016, the president of Indonesia issued Peraturan Presiden of the Republic of Indonesia, No. 44 Tahun 2016. This policy requires the number of ownerships by foreign parties to be at least 20%. Specifically, for companies that organise telecommunication services, information services, data communication systems, and the internet, the maximum amount of foreign ownership allowed is 67%.

Furthermore, in 2021, the Government of Indonesia released a list of investment priorities by Peraturan Presiden No. 10 of 2021. In an effort to attract more investors to play a role in building the country, the government has taken all necessary steps to speed up the administrative process by ensuring certainty of permits, ease of access, transparency, and punctuality. Presidential Regulation No. 10 of 2021 also issued a policy that regulates the number of ownerships by foreign parties, a maximum of 49% for crucial businesses, such as transportation, energy, distribution, construction services, media, and telecommunications. In addition, the ownership of foreign shares can reach a maximum limit of 100%, especially in the banking sector, in accordance with the terms and conditions that the Indonesian government has determined.

Habtoor (2019) stated that agency problems differ according to the ownership interest and the type of firm owners. In the case of the dispersion of company ownership, classic agency problems exist between shareholders (outsiders) and managers (insiders) due to the clear separation between ownership and management (Habtoor, 2020). Otherwise, agency problems are common in firms with high concentrated ownership, which exist between the majority ownership (controlling shareholders) and minority ownership (noncontrolling shareholders) due to the unclear separation between the controlling shareholders and management.

A study by Asmaranti et al. (2020) on mining companies in Indonesia indicated that foreign ownership is a pure moderator for company performance and environmental investment in Indonesia. Foreign inventors will be more comfortable investing in companies with a good reputation for their CSR activities due to the sustainability of their long-run business (Asmaranti et al., 2020).

Nevertheless, Cennamo et al. (2012), Ding et al. (2015), Dyer Jr and Whetten (2006), McKendall et al. (1999), Morck and Yeung (2004) and Wang and Coffey (1992) argued that the inconsistent results had been observed in studies that examined whether board political connection, women representation on boards, board ethnicity, family ownership, and board composition affect CSR disclosure. In addressing the inconsistency, the moderator variable is expected to provide a new explanation of the relationship between variables (Baron & Kenny 1986). Therefore, this study uses foreign ownership as a moderating variable because the variable has crucial implications on performance and innovations relating to CSRD's efforts. It is expected that companies with contracts with foreign stakeholders in both trade and ownership could be better supported in CSRD (Puspitasari, 2009). Foreign-owned companies with more information, knowledge, skills, and experience could eliminate agency problems by suggesting more CSR disclosure (Patrick, 2001). Multinational companies would derive legitimacy from their stakeholders, normally based on the home market, that can facilitate a long-term existence (Barkemeyer, 2007; Suchman, 1995).

Amran and Devi (2008) argued that a company would disclose corporate social responsibility information to legitimise its existence, thus attracting and satisfying foreign investors. Most public listed companies with foreign ownership emphasised implementing CSR programmes and revealed more information about CSR (Teoh & Thong, 1984). According to Andrew et al. (1989), foreign-owned companies would significantly impact the CSRD because foreign companies are more visible, subjected, and controlled by the host country's government. Nevertheless, several studies found no significant relationship between CSRD and foreign ownership (Barako & Brown, 2008; Praptiningsih, 2009). Sufian and Zahan (2013) found no relationship between foreign ownership and CSRD with public listed companies on Dhaka Stock Exchange (DSE), Bangladesh.

Based on the above discussion, there is a need to examine both the quality and level of CSRD in companies listed in Indonesia. This research emphasises the association between the quality and level of CSR disclosure of public listed companies and corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) moderated by foreign ownership. Furthermore, the environment between Indonesia and other developing countries is not the same in the context of corporate governance system. Accordingly, Indonesia has a two-tier board structure: the board of commissioners and the board of directors.

1.4 Research Questions

This study aims to address the following three main research questions:

1. What are the current level and quality of CSRD among public listed companies in Indonesia?
2. Do corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) influence CSRD among public listed companies in Indonesia?
3. Does foreign ownership moderate the relationship between the corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) and CSRD among public listed companies in Indonesia?

1.5 Research Objectives

This study attempts to achieve the following three main objectives:

1. To examine the level and quality of CSRD amongst public listed companies in Indonesia,
2. To examine the relationship among corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) and CSRD among public listed companies in Indonesia, and
3. To examine if foreign ownership moderates the relationship between corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) and CSRD among public listed companies in Indonesia.

1.6 Significance of Study

The significance of this study is discussed from its contribution to several aspects of knowledge. First, studies examining the relationship between corporate governance attributes (board political connection, women participation on boards, board ethnicity, family ownership, and board composition) and CSRD mostly focused on developed economies (Al-Khater & Naser, 2003; Andrew et al., 1989; Gao et al., 2005; Gray et al., 1995; Hackston & Milne, 1996; Hermawan & Maf'ulah, 2014; Idowu & Papasolomou, 2007; Manner, 2010; Octavia, 2014; Rahman et al., 2011; Teoh & Thong, 1984). The results of the studies were mixed. However, the environment between Indonesia and other developing countries is not the same, especially regarding the corporate governance system. Indonesia has a two-tier board structure: the board of commissioners and the board of directors. The two-tier system enhances organisations' performance (Silitonga, 2013). According to Silitonga (2013), a board of commissioners assumes the power of a supervisor; its presence is to prevent or reduce illegal or immoral conduct of the board of directors in performing their duties and responsibilities to a company (Makarim & Taira, 2012). Thus, examining the relationship between corporate governance attributes and CSRD allowed further testing of the theory of corporate governance under the corporate governance system of developing countries, especially in Indonesia.

Theoretically, this study draws upon legitimacy, agency, and stakeholders' theories. This study considers the legitimacy of companies and attempts to add richness to the legitimacy theory. Previous studies in developed and developing countries (Haniffa & Cooke, 2002; Wilmshurst & Frost, 2000) applied legitimacy theory. However, this study intends to apply other theories to the underlying legitimacy theory by testing whether the effectiveness and legitimacy of the rules also apply to developing countries, specifically Indonesia. Past literature (Octavia, 2014) argued that companies' survival depends on their association with both the community and the environment within which it operates.

Another theory that is suitable for this study is the agency theory. The theory observes the relationship between the principal (owner of capital) and agent (management). Both CSR practices and disclosure are also associated with agency theory (Adams, 2002; Campbell, 2007; Cowen et al., 1987), and CSRD is one of management's commitments to improve firm performance, specifically social performance. Stakeholder theory is a concept of CSRD that started in the early 1970s. It is a set of policies and practices related to the stakeholders, along with the values, fulfilment of the provisions of the law, society, and environment, and a company's commitment to supporting sustainable development. Stakeholder theory starts with the premise that values are explicitly and undeniably a part of doing business (Freeman, 2002).

Indonesia follows the Netherlands, France, and Germany in adopting the "Civil Law" system, which offers weak protection for investors and has poor corporate governance. Indeed, companies with poor corporate governance are unable to enhance CSRD and create value for shareholders. Furthermore, this study observes the relationship between corporate governance attributes and CSRD. Similar to previous studies, this study demonstrates how corporate governance attributes improve the perceptions towards CSR and its disclosure in Indonesia. The study's findings are expected to identify the main variables that explain the practice of CSRD. Therefore, these variables should be monitored carefully. Additionally, this study seeks to enrich previous CSRD studies by identifying variables that interact with foreign ownership (as a moderator) to influence CSRD.

From a practical standpoint, this study contributes in several ways. Given that Indonesia's government could not solve the socio-economic complications single-handedly, there is an urgent need for companies in Indonesia to put more effort into CSR and work hand-in-hand with other public and private institutions. This research offers some benefits to the regulators and standard-setting bodies in Indonesia. It provides ideas to companies in enhancing their responsibility towards the social environment. At the same time, the study’s result provides vital information to companies’ management on the importance of CSR, which could improve the CSRD of the companies.

In short, the study’s findings would be a reference for firms in presenting their CSRD in the annual report. For investors, this research provided an overview of the annual report as a reference for making investment decisions. In addition, this study would offer a new discussion in considering the factors to be taken into account in making investment decisions which are not fixated on monetary terms.

1.7 The Scope of Study

This study’s sample consists of public listed companies in the Indonesian Stock Exchange (IDX). This study analyses the CSR disclosure, corporate governance attributes (boards’ political connection, women participation on boards, board ethnicity, family ownership, and board composition), and foreign ownership. A content analysis of the public listed companies’ annual reports is carried out. The quality of CSRD is calculated based on a disclosure index. This study uses the GRI index, consisting of 25 items that suit the circumstances and situation of Indonesia. Three theories – legitimacy, agency, and stakeholder theories - are employed.

Furthermore, the focus of this study is restricted to the availability of the most recent annual reports of the Indonesian Stock Exchange companies after Otoritas Jasa Keuangan (OJK), in 2016, issued a regulation that required companies to disclose their CSR activities in their annual reports (OJK, 2016). During data collection, there were 353 public listed companies on the Indonesian Stock Exchange (IDX, 2017).

Further, this study was conducted on companies' annual reports gathered from the IDX in Indonesia in 2017 for the following reasons. First, the 2017 annual reports were chosen as they are the latest available data on variables of study that could be collected on the websites. Second, the researcher wants to investigate the current level of CSR disclosure since 2016 because there were practical issues during the year in which CNN news reported that the CSRD of Indonesian public listed companies was fairly low (48.4%). Furthermore, one of the government agencies under the IDX, the Financial Services Authority (OJK), revised the code about all public listed companies in IDX.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the relevant literature concerning the association between corporate governance attributes and CSRD. Specifically, the definition of CSRD, empirical evidence, and factors related to CSRD are explained in detail. Last but not least, this chapter discusses the theories behind CSRD.

2.1 Corporate Social Responsibility (CSR)

CSR covers various fields of corporate governance, business ethics, socially responsible investment, community investment, and sustainability of the environment. World Business Council for Sustainable Development (WBCSD) (1999, p. 3) defined CSR as "the continuation of a commitment by a business entity to act ethically and instrumental to economic development by improving the quality of life in the workplace and to their families as well as local communities and the wider community." Carroll (1999) argued that CSR is common to business organisations. It has existed long since the existence of human beings on earth. Historically, CSR activities are based on two concepts, paternalism and philanthropy (Keay, 2002). The concept of paternalism generally reflects the relationship between employees and employers, whereas the concept of philanthropy extends to the greater community. The concept of CSR has been refocused from "the business social responsibility" to "corporate citizenship" and eventually to "triple bottom line." The "triple bottom line" concept consists of a framework to measure a company's environmental, economic, and social performance.

The practicality and dimensions of CSR are not drawn directly from the definition of CSR. Therefore, to provide proven guidelines that are more practical and clearer, the definition of CSR can be integrated into the concept of practicality in the form of a model chart. In 1979, Carroll divided CSR into four fields: economics, ethics, legal and discretionary responsibilities (Carroll, 1979).

According to Suranta (2008), CSR is the base theory of a company's need to build a relationship with local society harmoniously. CSR looks at a company as a moral agent. CSR prioritises the principles of morality and ethics, for example, reaching the best result concerning the interests of other community groups. By implementing CSR, the image upheld by a company will become better, hence strengthening consumers' loyalty. Along with increasing commitment, the sale of a company will likewise improve in the long run. By the end of the CSR implementation, the expected level of company profitability will also increase (Satyo, 2005). Therefore, CSR is instrumental in increasing a company's profitability, resulting from increased sales through various social activities in the immediate surroundings.

CSR can be used as a powerful new marketing tool for the company if it is done in a sustainable manner (Rahma & Candra, 2020). Companies are willing to spend big in performing social responsibilities as regards CSR as an activity in the form of a relationship with the community in order to look good in front of customers and other stakeholders and there are still companies that are not yet using CSR, CSR expresses company in the long term will be able to improve customer loyalty, increase sales and will automatically increase the company's profits. However, not all businesses regard CSR as an advantage but businesses regard CSR as an expense in the company, because in the short-term CSR activities undertaken by the company will be the cost, thereby reducing the company's revenue (Nuryaman, 2013).

Rahma & Candra, (2020) explained that companies are required to undertake responsibility for all activities to stakeholders, one of which is a form of social responsibility is often called Corporate Social Responsibility (CSR). CSR is a form of commitment to the business activity to act ethically, contributing to economic development, and improve the quality of life of workers and the public. In Indonesia, CSR is something that is voluntary or not required by the company. But for some companies operating in Indonesia CSR is a thing that is mandatory or compulsory. In Indonesia the law on disclosure of CSR has been stipulated in Government Regulation No. 47 2012 on Social and Environmental Responsibility Company Limited.

In Indonesia, CSR is one of the obligations to be undertaken by companies under Article 74 of the Limited Liability Company Law (UU No. 40, 2007). In its four paragraphs, the Article states that: (1) The Company that operates in the field related to natural resources shall be obliged to perform its Social and Environmental Responsibility (SER); (2) SER is the obligation of the company which is budgeted and calculated as the cost of the company, implementation of which shall be performed with due observance to the appropriateness and fairness; (3) The company which fails to perform its obligation as referred to in Paragraph (1) shall be imposed with a sanction in accordance with the provision of the regulation, and (4) Provision regarding SER shall be further regulated with a Government Regulation.

Based on stakeholder theory, operationality of the company is strongly influenced by the support of stakeholders, so the company must be able to provide benefits to stakeholders (shareholders' creditors, customers, suppliers, government, society, analysis, and others) (Rahma & Candra, 2020). Companies must also be able to maintain relationships with stakeholders by carrying out CSR. CSR implementation is expected to meet the wishes of the stakeholders so that harmony is maintained so that the impact on the sustainability of the company. According to Hoi, Wu, & Zhang (2013), CSR is the belief of the measures considered great considering not only economic issues but also social issues, the environment and the impact of externalities other than the actions of the company and there is also the name of CSR irresponsible is activities including corporate action which is widely viewed undermine corporate governance, employee relations, community, public health, human rights, diversity, and the environment.

Principally, CSR involves doing good deeds for shareholders and other stakeholders beyond maximising profits. However, Dusuki (2008), Jamali et al. (2009), and Shareef et al. (2014) argued that the interpretation and meaning of CSR influence other factors, for instance, values, perception, knowledge, religion, background, environment and culture. In today's business world, businesses do not only exist for the benefit of owners or shareholders. To be sustainable, companies have to demonstrate social and environmental commitment towards their stakeholders (Carroll & Shabana, 2010).

CSR is a construct that has been noticed within the global economy and has caught the world's attention. However, in Indonesia, the concept is still not uniform, despite its tremendous potential (Jamali & Mirshak, 2010). CSR is an approach for organisations to voluntarily combine social and environmental concerns into their interactions and operations with the investors, exceeding the organisation's liability (Waryanto & Handayani, 2010). There are some other additional definitions of CSR given by some researchers from 1953 to 2018 globally, described in Table 2.1.

Table 2.1: List of CSR Definitions by Different Scholars

No	Authors	Definition
1.	Bowen (1953)	CSR is a line of philanthropic action that abides by society's values.
2.	Frederick (1960)	CSR as a wholly philanthropic approach. Social responsibility implies a public posture towards society's

		economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.
3.	Friedman (1962)	CSR is vague and foolish, as society overestimates the suggested competitive advantage unless responsible business directly relates to profit.
4.	Davis and Blomstrom (1966)	Social responsibility refers to a person's obligation to consider the effects of his decisions and actions on the whole social system.
5.	Andrews (1973)	CSR is a balance between voluntary restraint of profit maximisation, sensitivity to the social costs of economic activity, and the opportunity to focus on possible corporate power objectives that are sometimes less economically attractive than socially desirable.
6.	Arrow (1973)	Firms ought to maximise profit according to their social obligation since business profit represents the net contribution that the firm makes to the social good. On this basis, profit should be as large as possible and only be limited by law and ethical codes.
7.	Sethi (1975)	Social responsibility implies bringing corporate behaviour up to a level that is congruent with the prevailing social norms, values, and performance expectations.
8.	Carroll (1979)	Social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time.
9.	Jones (1980)	Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contracts.
10.	Wood (1991)	The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.
11.	Baker (2003)	CSR is about how companies manage business processes to produce an overall positive impact on society.
12	Okoye (2009)	Corporate social responsibilities (CSR) are an attractive area of research with noteworthy implications for academia, industry and society
13	Virvilaite & Daubaraite (2011)	CSR is biggest influential factor in organizational image and hence forces the organizations investing more and more in CSR activities
14	Bursa Malaysia (2012)	CSR is stressed on a good corporate governance of business operations and it is designed to deliver sustainable value to society at large (Bursa Malaysia, 2012
15	Hoi, Wu, & Zhang (2013)	CSR is the belief of the measures considered great considering not only economic issues but also social issues, the environment and the impact of externalities other than the actions of the company

16	Arief & Ardiyanto (2014)	Social responsibility is a decision made by transparency regarding business activities which will later be reported in a sustainable report.
17	Ng & Rezaee (2015)	CSRD is associated with reduced cost of capital, higher valuation.
18	García-Sánchez & Martínez-Ferrero (2018)	Corporate social responsibility disclosure (CSRD), defined as a range of documents intended to inform all stakeholders on CSR company actions, is regarded as a strategic tool to enhance firms' reputations and improve their access to finance.

2.2 Disclosure of Corporate Social Responsibility (CSRD)

Corporate social responsibility disclosure (CSRD), defined as a range of documents intended to inform all stakeholders on CSR company actions (García-Sánchez and Martínez-Ferrerois, 2018), regarded as a strategic tool to enhance firms' reputations and improve their access to finance (Palacín-Sánchez, 2018). CSRD addresses stakeholder concerns and maximizes shareholder wealth (Banabou and Tirole, 2010; El Ghoul et al., 2011). In line with this view, previous studies have shown that better reported CSRD is associated with reduced cost of capital, higher valuation (El Ghoul et al., 2011; Ng and Rezaee, 2015), and greater access to finance (Cheng et al., 2014). Moreover, CSRD has acquired major importance for a variety of reasons: it enhances the entity's position and image (Siregar and Bachtiar, 2010; Williams and Ho Wern Pei, 1999); it promotes customer, community and government relations (Williams and Ho Wern Pei, 1999; Cormier et al., 2011); it legitimizes their activities (Branco and Rodrigues, 2006); and it reduces information asymmetry between the entity's managers and its stakeholders (Cormier et al., 2011). Furthermore, CSRD improves the image of a company in the eyes of its major stakeholders (Alniacik et al., 2011).

In academic research, CSRD has become an important area of study. One of the meanings of CSRD was offered by Elias and Epstein (1975), who defined CSR as "specific aspects of the report on social activities that engage in economic performance and the impact thereof in the business organisation". Another definition cited by Gray et al. (1995) argued that CSR is "the process of communicating the social and environmental impact of economic organisation action for special interest groups in the community and to the wider community". Gray et al. (1995) explained that the frequency of information in each category could be calculated. CSR is also defined as prime activities used to communicate with stakeholders via companies' annual reports (Ahmad et al., 2003; Ghazali, 2007).

Numerous studies have investigated the level and nature of CSRD among companies in various countries around the world. However, the European Union (EU) has taken a more pragmatic approach. In 2001, France emerged as the first country that required public companies to report CSR practices (Tschopp, 2005). Beginning in 2001, all firms listed on the country's stock exchange should submit details of their CSR activities and respective human resource information in their annual reports. As for UK countries, similar provisions have been enforced since 2007. In Denmark, beginning in 2010, large private and public companies, including institutional investors, must submit a sustainability report. In 2008, Denmark enacted a law that obligates the reporting of CSR involving 1100 public companies. In 2009, Sweden required its public companies to prepare sustainability reporting under the guidelines of the GRI. It was the first nation that made CSR report a requirement for all state-owned enterprises. In 2007, the Swedish government proclaimed the situation correspondingly and requested the state-owned publicly listed companies to issue the reporting of CSR activities by adopting the GRI guidelines. There is an obligatory condition for public listed companies in Spain that employ more than 1000 workers to report on CSR beginning in 2012 (Hąbek, 2012).

Chapple and Moon (2005) investigated the role of the four dimensions of CSR (economic, legal, ethical, and philanthropic) in influencing relationship quality which is expected to have an impact on relationship outcomes in seven Asian countries: India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, and Thailand. It does so by analysing the website reporting of CSR by the top 50 companies of each country. The study mentioned that Korea became the country that focused on CSR in Asia (Chapple & Moon, 2005). There has been a growth in investments dedicated to CSR by big multinational companies in Korea, particularly over the last decade (Lee et al., 2011; Song, 2007).

In Thailand, Ratanajongkol et al. (2006) studied the extent and nature of CSR reporting practices of the top 40 public listed companies on Thailand's stock exchange. The companies' annual reports for 1997, 1999, and 2001 were scrutinised using content analysis. The study found the total CSRD increased from 17,477 words in 1997 to 18,547 in 1999 and 25,263 in 2001. The manufacturing and finance sectors contributed significantly to the disclosure. The main theme of the disclosure was details of employees and human resources. The percentage of total CSRD ranged between 37 and 42 percent over the five years. Disclosure community was the second most disclosed theme, increasing from 30 percent to 36 percent from 1997 to 1999, followed by a sharp decrease in 2001 (32 percent). Environment and product disclosure declined over the period and is proportionate to total CSRD, despite the increase in the actual disclosures in both themes. The least disclosed theme was "energy".

In 2009, the government of Norway published CSR's white paper. The white paper laid the groundwork for further CSR initiatives. In another jurisdiction, the government of Finland has encouraged CSR, considering it as "very active". At the global level, KPMG International carried out surveys every three years "to get an insight of CSR reporting and contribute to the global dialogue that thrives on transparency and accountability" (KPMG, 2008, p. (103): 83-88). The 2008 survey disclosed that 79 percent of the top 250 Fortune 500 companies (250 public listed companies) distributed a distinctive report of non-financial information, an increment of 52 percent from the 2005 survey. The highest disclosure was recorded in 2011, in which almost 95 percent of the companies disclosed the information (KPMG, 2011). The report shows that the degree of openness of information has gradually changed throughout the years across various countries and industries. This difference may arise from the development of disclosure regulations; some rules require CSR disclosure in some jurisdictions, such as Australia, Japan, and the UK. As for other jurisdictions, companies report voluntarily. Besides, enforcement also enhances the adoption rate (Cheng et al., 2014).

According to Othman and Ameer (2010), there are several reasons why firms make CSER and CSRD become the information in their annual reports. Firstly, it is to provide a complete representation of a firm to readers of annual reports. Secondly, it is to decrease the possibility of government intervention and societal restrictions on the firm. Thirdly, the disclosure recognises that society has certain rights to information. Fourthly, the disclosure serves as sound public relations by reporting firms' profits and costs. Finally, it assists management and external stakeholders in making decisions. However, there are no definitive answers as to firms' preference in disclosing or not disclosing certain information and whether the extent and format of such disclosures would best serve the firms' objectives (Muwazir et al., 2006).

Information disclosed by companies can be categorised as follows:

i. financial statements, requiring measurable information to be written in financial statements, inclusive of notes to the accounts;

ii. non-financial disclosure, which refers to reports related to social issues, presented in the form of a measure but is not part of the financial statements;

iii. social disclosure, presented in a descriptive or narrative form and is usually available in the body of the annual report;

iv. adverse news disclosure which could potentially damage a company's reputation from the standpoint of CSR;

v. neutral news disclosure;

vi. good news disclosure that can enhance the reputation of a company; and

vii. total social disclosure, which refers to all the six categories mentioned above.

In Turkey, Dincer and Dincer (2010) investigated the importance of corporate social responsibility (CSR) communication and the technological revolution of the last decade, aiming to investigate SMEs' online CSR communication. A total of 56 enterprises were selected based on random sampling from 113 listed in the SMEs' web portals database. They explained that the CSRD on the websites was fairly low, ranging from zero to three pages, and 90% of the firms did not disclose any CSR information.

Based on the corporate community relations white book of the Federation of Korean Industries/FKI, the average company spending on social activities was $3.07 million in 2000, then increased to $11.7 million in 2010. In 2010, on average, Korean companies spent 4.8 percent of their operating income on social activities. The US firms had a figure four times higher than the average and doubled that of the Japanese

(FKI, 2010). These findings indicate a strong growth trend in CSR spending in countries such as Korea, approaching or surpassing CSR expenses compared to others, especially developed countries.

In Indonesia, Gunawan (2010) distributed questionnaires to company stakeholders (shareholders, investors, customers, employees, suppliers, and communities) to investigate the most important CSRD perceived by the Indonesian stakeholders and the disclosures in Indonesian listed companies' annual reports. Concurrently, she examined the annual reports of 119 Indonesian public listed companies using content analysis. The questionnaire survey found that Indonesian stakeholders believe that product, energy, and sustainability are the crucial CSR activities information that public listed companies should disclose. Nevertheless, a scrutiny of the corporate annual reports revealed that other details relating to human resources and external relations are the most frequently disclosed CSR information by public listed companies in Indonesia. This shows a gap between stakeholders' perceptions of their preferred disclosure of corporate information and the actual information disclosed by companies.

Companies in jurisdictions with the lowest level of enforcement are slower in adopting the rules than firms in jurisdictions that exert punishments. Drastic changes in the European business environment and CSR practices resulted in a new European Commission Directive 2011 (COD), requiring large and/or public listed companies to report their social and environmental activities.

Other research has observed the influence of firm characteristics on CSRD. For example, in Romania, a study was undertaken to address the outcome of environmental and social practices on firm performance and how this was reflected in the changing reporting practice. However, whether CSR activities affect a company's financial performance has been less debated in developing countries. The evidence has allowed researchers to examine the issue and fill the literature gap. According to Goyal et al. (2013), only a few studies are related to sustainability in developing nations than in developed ones. Nonetheless, the increased awareness of social responsibility in Romania has been documented in several studies.

Using a longitudinal approach, Ahmed (2013) analysed companies' 2006 and 2009 annual reports on Bursa Malaysia to determine the level of CSR and quality. Several changes to the Malaysian business environment occurred between 2006 and 2009, such as the revised corporate governance code, CSR reporting obligatory requirements, and the global financial crisis. Thus, the years 2006 and 2009 were examined to see the effects of the events. A sample of 170 non-financial companies was observed. Overall, the results demonstrated an increase in CSR disclosure from 18% in 2006 to 31.71% in 2009.

Vazakidis et al. (2013) investigated the degree of human resource disclosure by companies listed on the ASE (Athens Stock Exchange) by conducting a content analysis of 500 companies in 2012. The study investigated the extent to which Greek companies disclosed information about human resources in their annual reports and analysed whether some firm characteristics are potential determinants of corporate social responsibility. The study revealed that 61 percent of the sampled firms disclose human resource information, and most of the firms based their reports on the Global Report Index (GRI) (Vazakidis et al., 2013).

Al-Ajmi et al. (2015) analysed the extent of CSRD by public listed companies on the Kuwait Stock Exchange (KSE) to determine whether firm-specific characteristics influence the level of social disclosure. A content analysis was conducted on the 2012 annual reports of service and industrial public listed companies. The study showed the level of CSRD was only about 48 percent, and the level of CSRD is positively related to the size and profitability of the public listed company but negatively associated with government ownership (Al-Ajmi et al., 2015).

In Indonesia, Kristi (2013) evaluated the disclosure compliance of CSR disclosure influenced by several subsidiaries and institutional ownership, managerial ownership and public ownership. The population that is the object of this study includes all companies listed on the Indonesia Stock Exchange (IDX) in 2010 and 2011 by using purposive sampling. CSR disclosure in Indonesia is still relatively low; this can be seen from the disclosure rate, which is only 30%. The low level of CSR disclosure by public companies in Indonesia is due to the absence of national standards in preparing reports on social responsibility activities. Moreover, most of the content of the CSR disclosure report comes from the company's annual report, so not all items on the list of social and environmental disclosures are disclosed. This is in accordance with the anecdote evidence statement issued by the Indonesian Accountant Magazine (2010).

The researcher examined whether KOMPAS 100 public listed companies adopted GRI G3.1 guidelines on disclosing programmes, environmental and procedures costs in their 2011 and 2012 financial and sustainability reports. However, only 9 per cent of the companies disclosed their sustainability reports in 2011 and 2012, indicating Indonesia's low adoption of sustainability reporting.

Lungu et al. (2016) examined the relationship between entrepreneurs' personal values and corporate social responsibility (CSR) activity orientations among public listed companies in Rumania. The study investigated the level of CSR disclosure of 85

Bucharest Stock Exchange companies. It was found that 39.03 percent of the Romanian companies presented information on CSR in the annual report, in a separate statement of the CSR report, or on companies' websites (Lungu et al., 2016).

Gunawan (2019) also analysed accounting research developments in corporate social responsibility (CSR) in Indonesia from 2012 to 2016. The focus of the CSR literature review is on disclosures and not on examining CSR activities or programmes. The result showed that (1) 75 per cent of CSR research was in the areas of financial accounting and capital markets, followed by tax accounting and corporate governance; (2) The most widely used variable associated with CSR was financial performance; (3) More than 80 per cent of the CSR research used annual reports as the source of data with only 19.23 per cent using sustainability reports; (4) 65.38 per cent of the CSR disclosure measurement referred to used other CSR disclosure lists, other than the Global Reporting Initiative (GRI).

The above discussion can be summarised as follows: First, although many studies assessed the degree of CSRD, most studies concentrated on developed countries. Second, studies on both developing and ASEAN countries were somewhat lacking. Finally, most companies were pressured by their stakeholders to include other important information in the annual reports, with environmental and social information as one of the items.

2.3 Evolution of Corporate Social Responsibilities (CSR) in Indonesia

In the 1930s, many protests were against companies that did not care about the surrounding community in Indonesia. Worse still, the world recession hit was great, causing many companies to go bankrupt and terminate their work relationships. Most companies were egocentric and pleaded not to be responsible for CSR. Due to the community turmoil, companies apologised and gave assurance to those who had to go through employment terminations (Sukirno, 2004).

In 2003, the Ministry of Social coined the concept of “seat belt” in corporate social investment. Until now, the Ministry has been the key player in developing the concept of CSR and carrying out advocacy tasks at various national companies. Initially, the common practice of CSR was to grant assistance to local organisations and impoverished communities surrounding a company. This approach was motivated by creativity and humanity. At this level, CSR was practised to perform good deeds to appear ‘good.’ As a result, companies are said to be more impressive than stocking charms. Subsequently, the term CSR seems to be more practical once legalised.

In Indonesia, the government has introduced several Acts and Regulations concerning CSR as follows:

1. Act on Environmental Management, No. 23 of 1997. Article 6 of the Act states that: (1) everyone shall be obliged to maintain the sustainability of environmental functions as well as preventing and tackling pollution and destruction; (2) any person doing business and/or activities are obliged to disclose waste management and business results/ activities.
2. Act of No. 25 of 2007, which gives particular attention to investing. Article 15 of the Act states that "every capital investment shall be obliged to carry out CSR, respect for cultural traditions of communities surrounding the capital investment business activity’s location." Next, Article 16 of the Act states that "every investor is responsible for safeguarding environmental sustainability and creating safety, health, comfort, and well-being of workers."

3. Act No. 40 of 2007 on public listed companies, Article 74 of the Act states that "the company that runs its business activities in the field of natural resources is mandatory to carry out social and environmental responsibility."
4. Act No. 20 of 2008 on SMEs company. Article 21 states that "state-owned enterprises can provide financing as part of the annual profit, whereby its allowance allocated to small and micro enterprises in the form of granting a loan, guarantee, grants, and other financings".
5. The Constitutional Court (MK) decision on 15 April 2009 rejected test material KADIN against Article 74 of Law No. 40, Year 2007 on PLC regarding social and environmental responsibility (TJSL) for natural resources companies.
6. Act No. 39 of 2012 on the organisation of social welfare (state agencies of the Republic of Indonesia year 2012 Number 68, additional State agencies of the Republic of Indonesia Number 5294).
7. Act No. 47 of 2012 on the CSER and CSR of public listed companies. This Act is a follow-up of Article 74, Paragraph 1, which explains that those who implement CSR can be awarded facilities based on applicable conditions. In addition, companies that showcase good performance in CSR programmes can be given rewards.
8. Regulation of the Minister of Social Affairs Number 20 of 2015 - refers to the organisation and the Ministry of Social Work (Republic Indonesia, Number 1845 of 2015).
9. Regulation of the Minister of Social Affairs Number 6, Year 2016. It explains the social responsibilities of business entities in implementing social welfare. It acts as a follow-up for Article 1, Paragraph 3, which explains that social welfare is a guided effort, integrated, sustainable, and committed to the society, local

governments to the central government in the form of social contributions to satisfy individual citizens' basic needs. It includes social security, rehabilitation, empowerment, and protection.

10. In 2016, regulation from Financial Services Authority/ Otoritas Jasa Keuangan (an Indonesian government agency) under the Indonesian Stock Exchange (IDX) regulated and supervised the financial services sector. OJK, in 2016, issued a regulation that requires companies to disclose their CSR activities in their annual reports.

11. In 2017, PERATURAN OTORITAS JASA KEUANGAN NOMOR 51 /POJK.03/2017, was issued. It set out the implementation of sustainable finance for financial service institutions, emiten, and public companies. Article 3 stipulates that *the application of Sustainable Finance for Financial Service Institutions, emiten, and Public Companies as intended in Article 2 (Financial Service Institutions, emiten, and Public Companies are required to implement Sustainable Finance in the business activities of Financial Service Institutions, emiten, and Public Companies), must be carried out with the provisions.*

The provisions are:

- For Financial Service Institutions in the form of Commercial Banks included in the group of Commercial Banks of foreign banks, effective on 1 January 2019;
- Finance companies, sharia finance companies, venture capital companies, sharia venture capital companies, infrastructure finance companies, insurance companies, sharia insurance companies, reinsurance companies, sharia reinsurance companies, Indonesian Export Financing Institutions, housing secondary finance companies, Social Security Organizing Agencies, emiten other than emiten with small-scale assets and emiten with medium-scale assets, as well as Public Companies entered into force on dated January 1, 2020;
- Securities companies that administer customer securities accounts and emiten with medium-scale assets entered into force on 1 January 2022;
- Emiten with small-scale assets, securities companies that do not administer customer securities accounts, pawnshop companies, guarantee companies, and sharia guarantee companies will come into effect on 1 January 2024; and

- Financial Services Institutions in the form of pension funds with total assets of at least IDR 1,000,000,000,000.00 (one trillion rupiahs) will come into effect on 1 January 2025.

The above Acts and Regulations show that the development of CSR in Indonesia should be done to have the power set, power tie, and thrust. The original nature of voluntary CSR needs to be upgraded into an overall CSR, whose focus is mandatory. Thus, the systematic and measurable contribution of the business world is expected to increase the welfare of society. The policies on individuals and the environment are desperately needed in the middle of the flow of neoliberalism.

With the increasing roles of the private sector, privatisation and globalisation will be increasingly extended, resulting in more interactions and social responsibility activities within the community and other parties. Many public services that used to be controlled by the government are now taken over by private management, whose services are believed to be excellent. Naturally, as an exchange for the better, the services are generally more expensive,

CSR applies not only to the field of social and economic development but also to the environmental aspect. Corporate citizenship has three main pillars - financial, social, and environmental. Private companies should work with other parties, such as the government and society (including civic organisations, political parties, and the public).

Askari et al. (2010) had once mentioned that in Indonesia, there are five CSR implementation goals: (1) to minimise the social risk, (2) to harmonise with the building society, (3) to play an active role in improving society by engaging companies in surrounding communities, (4) to track companies' business development, and foster public confidence and business partners, and (5) to raise the expectations of the community for companies to pursue social and economic goals.

2.4 Corporate Governance Attributes in Indonesia

Leblanc (2015) states that corporate governance is the oversight of management in the best interests of a firm, which includes responsibilities to shareholders who elect auditors and board of directors and vote on “say on pay”, as well as and influencing both the rights and relationships among organisational stakeholders. Corporate governance also influences the management of an organisation and its performance. The basic concept of corporate governance is based on the notion that ownership and management in public listed companies should be separated (Berle & Means, 1932). As a result, Chau (2011) mentioned that they are known as the "fathers of contemporary thinking about corporate governance ". Kiel and Nicholson (2002) argued that the view is one of the "basic building blocks of corporate governance ". Clarke (2007) explored "the structural and strategic implications of the separation of ownership and control". Their hypothesis, in particular, suggests that in public listed companies, the separation between control and ownership often leads managers of the companies to pursue the highest personal well-being than that of the companies’ shareholders (Berle & Means, 1991). Worse still, such situations often cause managers to destroy shareholders’ wealth, eventually instigating shareholder conflicts (Kaymak & Bektas, 2008).

Richard (2001) argued that proper application of corporate governance requires a significant commitment to a set of basic rules on good administrative practices, including shareholders’ quality, gender equity, the role of stakeholders, transparency, disclosure and the board of directors' responsibilities. For example, shareholders' quality is achieved by practising the right to register and transfer stock ownership, attending the general assembly, voting and electing a board of directors, obtaining information regularly and on time, exercising control, and getting profit returns.

The effectiveness of a corporate governance system should ensure the equality of all shareholders within each category to ensure their rights, provide the necessary information, treat them equally, and give compensation for cases of infringement on their rights. Stakeholders are the owners of the bonds, banks, creditors, suppliers, customers, and workers. They should perform active regulation to monitor the companies' success while ensuring their rights are protected. However, the responsibilities of the board of directors are to determine board structure, ensure that the tasks are assigned to members, and incorporate provisions of the necessary information. It is also the board of directors' responsibility to stay reliable and comply with the laws and interests of all relevant parties in the company.

The Netherlands colonised Indonesia for three and a half centuries. Colonisation started from the beginning of the seventeenth century to the middle of the twentieth century, impacting the Indonesian systems, especially that of companies. Corporate governance in the Continental European system differs from other systems, especially in board structures. Indonesian companies are managed and controlled by a two-tier board system.

Act No. 40, Year 2007, regarding public listed companies, came into full swing on 16 August 2007. This law encompasses several provisions on the responsibilities, duties, and obligations of commissioners and directors of Indonesia's public listed companies. Compared to previous regulations, the provisions of this Act are more comprehensive and simultaneously introduce new requirements for commissioners and directors of companies.

Based on sources formed by the regulatory bodies, Makarim & Taira (2012) concluded that companies in Indonesia must have three tiers, namely, the shareholders' general meeting (RUPS), the board of commissioners, and the board of directors. According to Act No. 40, Year 2007 (UUPT), Point 1, Number 4, the Rapat Umum Pemegang Saham (RUPS) is a body of a limited company which has the authority, which is not given to the board of commissioners, and board of directors, as specified in the Act and/or budget. Arrangements regarding the General Meeting of Shareholders are mentioned in UUPT Chapter VI, concerning RUPS from Point 75 up to Point 91 (Silondae & Ilyas, 2016) as follows: 1. the right to appoint and dismiss members of boards, 2. the right to approve merger, fusion, takeover, or separation, 3. the right to approve the filing of a petition for the public listed companies to be declared bankrupt, 4. the right to approve an extension of establishment period of the company, 5. the right to change articles of association, and 6. the right to dissolve a company.

The main contents of the first Code are (i) shareholders; (ii) the Supervisory Board; (iii) the Board of Directors; (iv) audit systems; (v) company secretary; (vi) stakeholders; (vii) disclosure; (viii) business ethics and corruption; and (ix) compliance with regulations. There are some weaknesses in the old Code compared to the revised Code. First, the old Code focused more on discussing principals, agents and other stakeholders. Second, there was no corporate governance framework. Finally, the Code had no common guidelines to guide companies in implementing good corporate governance practices.

2.4.1 Board of Directors (BoD)

The Board of Directors is responsible for operating the company's business efficiently and effectively to enhance the shareholders' wealth and the company's long-term success. Makarim and Taira (2012) explained that the official duty of a board of directors is to manage a company's interests and achieve its representation and company objectives both outside and inside the court in accordance with the provisions of its Article of Association. A board of directors may have one or more directors. Nevertheless, some companies, especially those engaged in collecting funds (e.g., banks) and issuing public bonds or loans, must contain at least two or more directors.

The second board is the Board of Directors. The Board of Directors is chosen and can be fired by the Supervisory Board. Thus, the Supervisory Board's role is to monitor and control the Board of Directors and elect a better Board of Directors. It appears that a Supervisory Board has the power to select a Board of Directors who can better manage a company.

Under corporate law, the board of directors is obligated to submit annual reports (which include the financial statements) after the board of commissioners has reviewed them in the RUPS within six months of the company's financial year-end. In addition, they need to draw up a business plan (which includes the annual budget) for the next fiscal year before the beginning of the next fiscal year. In addition, the business plan should be submitted to the board of directors or RUPS, as outlined in the articles of association. The board of directors also needs to prepare and maintain a shareholders' list and a special register which contains all the required information.

In addition to the above responsibilities and obligations, the board of directors must also abide by several restrictions enforced by law, for example, (a) the director who acts as a proxy of shareholders in a RUPS comprising shareholders shall have no voting rights at the meeting; (b) the board of directors cannot conduct proceedings on behalf of the PLC after the company's term of expiration; (c) the board of directors of the company cannot file for bankruptcy without the approval of the RUPS; and (d) for specific corporate actions, such as changing the Articles of Association, merger or acquisition, placing security over the assets of a company, and any other actions provided in the Articles of Association of the company, the board of director must obtain consent from the board of commissioners or the RUPS before carrying out the actions.

Also, board members do not have the right to represent the company in the event of (i) a dispute between the relevant director and the company or (ii) a conflict of interest between the relevant board of directors and the PLC itself. In the above event, another board member shall represent the company. If all board of director members experience a conflict, the board of commissioners will represent the company. If all members of both boards had a conflict of interest with the company, another party designated by the RUPS would represent the company.

2.4.2 Board of Commissioners (BoC)

A board of commissioners conducts monitoring in accordance with the Articles of Association and advises the board of directors. The duties of the board of commissioners include: (a) Surveillance the company - The board of commissioners shall be in good faith, carefully and responsibly undertake the tasks that oversee the company and advises the board of director for the benefit of the company, in line with the objectives and the goals of the company; (b) Annual reports and business plans - The board of commissioners shall inspect the annual reports and approve the budget plan delivered by the board of director, as required by the Articles of Association of the company; (c) Secretarial responsibilities – The board of commissioners shall (i) prepare the minutes of the board of commissioners meetings and keep or retain copies, (ii) report their own and their immediate family members' share interest in the company or other companies, and (iii) report on the implementation of oversight during the previous year to the RUPS.

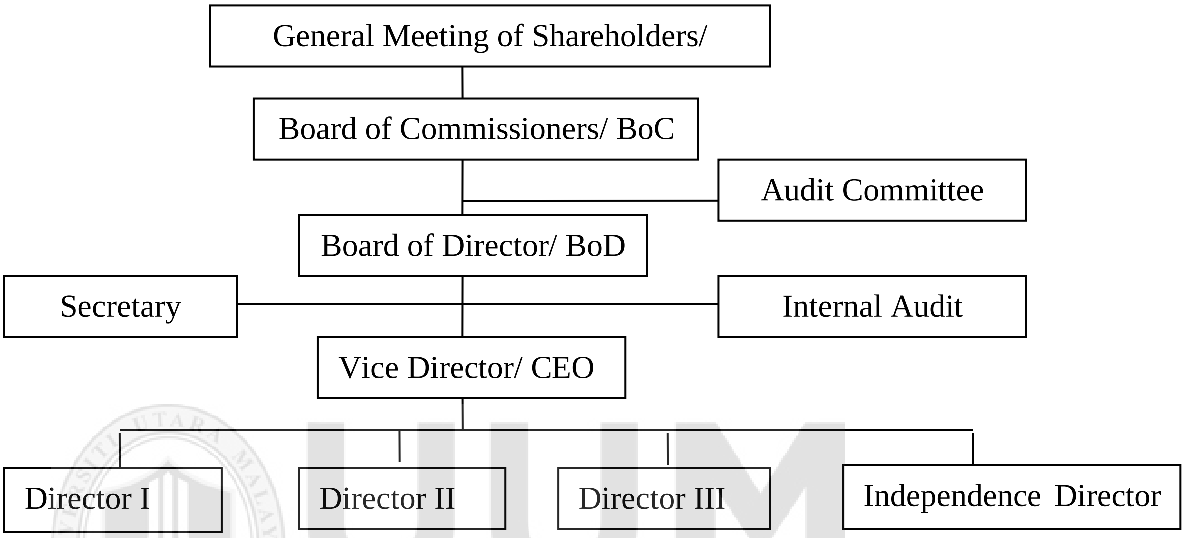

Figure 2.1:
Organisation Structure of Public Listed Companies in Indonesia, Sources: Sofyan Muhammad, 2015.

The Supervisory Board has an important role in the company, focusing on implementing good corporate governance. The key role of the Supervisory Board is to monitor the Board of Directors' actions to ensure that management acts based on the interests of shareholders and the company. In conducting the Supervisory Board's tasks, the Supervisory Board is aided by several committees, namely: (i) the audit committee; (ii) the corporate governance committee; (iii) the risk policy committee; and (iv) the nomination and remuneration committee. However, the Supervisory Board cannot participate in any operational decision-making.

In certain transactions such as mergers, acquisitions, consolidations, or separations, the board of commissioners must also help or supervise the board of directors in the transactions, including approving the planned transactions. To summarise, the organisational structure of the corporate governance of the public listed companies in Indonesia is shown in Figure 2.1.

2.5 Underpinning Theory

This study uses legitimacy theory (LT), agency theory (AT), and stakeholder theory (ST) in conceptualising the research framework. The framework explains the association between several corporate governance attributes (political connections of the board, women proportion on the board, ethnicity of the board, family ownership of the board, and the board's composition) and CSRD of public listed companies with the moderating effect of foreign ownership.

2.5.1 Legitimacy Theory

Deegan et al. (2002) and Gray et al. (1995) mentioned that legitimacy theory and stakeholder theory are neither separate nor competitive, but they have been developed from the broader political economy viewpoint. This perspective views an accounting report as a report for political, economic, and social events. Therefore, both theories act as a means to maintain, build and legitimise the political and economic regulations and organisational and ideological groups, which adds to the benefit of a company. Guthrie and Parker (1990) argue that disclosures can transfer the political, economic, and social meanings for diverse individuals or groups receiving the report.

Several studies (for example, Andrew et al., 1989; Brummer, 1991; Deegan & Rankin, 1996; Gibson & O'Donovan, 2007; Jupe, 2005) have used the legitimacy theory framework. The legitimacy theory regards organisations as constantly attempting to ensure that they operate within their respective communities' bounds and standards (Deegan et al., 2002). In the same vein, some argued that organisations must operate in a socially acceptable manner to ensure a constant and successful operation (Gibson & O'Donovan, 2007). legitimacy is a generalised perception that the responses of an entity are proper, desirable, or appropriate within a socially constructed system of values, beliefs, norms, and definitions (Suchman, 1995). Lindblom (1994, p. 12) argued that legitimacy is "…a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part of it, and when disparity, actual potential, exists between the value systems, there is a threat to the entity's legitimacy".

The legitimacy theory views that society permits organisations to operate as long as the former's expectations are met and the latter abides by the social contract. Furthermore, legitimacy theory stresses that organisations must demonstrate that they consider the rights of society at large. Therefore, legitimacy is vital to organisations and can be viewed as a resource for an organisation's life (Dowling & Pfeffer, 1979).

Scocker and Sethi (1974) and Deegan (2007) provided a good overview of the social contract. They argued that each organisation operates in a community through social contracts, whether communicated or implied. The growth and survival of an organisation would depend on the implementation of the specific socially desirable goal of the distribution and the community of the social and economic benefits to the political groups that come to power. In a dynamic society, both institutional and resource needs are not permanent. Therefore, organisations must always meet the legitimacy and relevance of their social contract by showing society that they provide the community's needs and that society benefits from the permission to operate.

2.5.2 Agency Theory

Currently, the interest in corporate governance has been on reducing the conflict of interest among stakeholders. Such conflicts can be reduced through a corporate governance structure that affects how the organisation is managed and controlled. Based on agency theory, Fernandez-Feijoo et al. (2012) and Jensen and Meckling (1976) argue that in today's companies, due to the separation between control and ownership, managerial activities may differ from those required by the principal to improve shareholder returns. Jensen and Meckling (1976) explained that agency theory describes the relationship between the principal (shareholders) and agent (managers). On the agency's contract, the principal directs the agent to perform services on his behalf. The latter is also authorised to make business decisions in the principal's best interest. However, agency theory can also imply the existence of asymmetry of information. Intergroup conflicts or agency conflicts arise between owners and managers of companies. There is a tendency for managers to be more concerned with their individual goals than those of public listed companies. The existence of GCG is to reduce the conflict expectedly with the decrease in information asymmetry. One way of lowering information asymmetry is by doing extensive disclosure.

In terms of agency theory, a manager (agent) of a company has more internal information and knows more about the company's prospects than the owners (principal). Therefore, the agent is obligated to signal the company's state to the owners. However, the information conveyed sometimes does not correspond to the company's actual state. This situation is known as symmetric or asymmetric information. Information asymmetry occurs because managers are superior in understanding the other party's information (the owner or shareholder) (Ujiyantho, 2004).

According to Brigham and Houston (2006), managers are given the authority by the company owners to make decisions; this will create a potential conflict of interest, known as agency conflict. Agency relationships occur when principals hire agents to perform companies' services and give the agents authority to make decisions.

Agency theory's views have been applied to explain the objectives for an organisation's CSR initiatives. For example, Friedman (1970) argues from the agency perspective that managers use CSR to improve the political, social, or career plans at the expense of their shareholders. Concerning agency cost, the basic premise of corporate governance in financial economics is that enhanced corporate governance will lead to better company financial performance. Thus, shareholders' value is created through adopting a friendly policy for shareholders and reducing agency costs (Gompers et al., 2003). Furthermore, more shareholder-friendly governance would be achieved by applying the practices, rules, and incentives to align managers' and shareholders' interests. Consequently, by advocating for improved corporate governance, shareholders will benefit economically.

2.5.3 Stakeholder Theory

Some researchers define a stakeholder as a group or individuals who can affect or are affected by a company (Freeman & Reed, 1983). Stakeholders include, in addition to the traditional groups (i.e., owners and creditors), other individuals or groups in the community such as communities, employees, customers, suppliers, government, workers, the environmental protection community, and the wider community.

Referring to Freeman's (1983) stakeholder view of strategic management, Ullmann (1985) offered a three-dimensional framework to explain the relationship between social, social disclosure, and economic performance. The first dimension is the power of stakeholders, which describes how responsive companies are to stakeholders' demands (e.g., investors, creditors, and regulators) who have significant control over an organisation's capital. Thus, if CSR activities are regarded as an active management strategy in dealing with stakeholders, there would be a positive relationship between stakeholder power and social performance and disclosure (Roberts, 1992).

The second dimension of Ullmann's model is the active or passive strategic posture. This dimension describes management's response to social needs. An organisation is considered to have an active strategy when management aims to affect the organisation's relationship with a range of stakeholders through its involvement in social responsibility activities. On the other hand, an organisation is regarded as passive when management is not involved in monitoring activities and developing special programmes for its stakeholders. This situation can expose companies to community sanctions and legal, finance, and human resource problems that will threaten their existence. Therefore, companies can use social and financial reporting in their annual reports as a mechanism to acquire, maintain or improve their "legitimacy" or react to the organisational factors that may threaten their legitimacy.

Furthermore, different groups of stakeholders vary in their ability to affect an organisation. Their views on how organisations should operate (Deegan et al., 2002) are different. Therefore, companies may conduct and develop their business in accordance with stakeholders' views of value creation and performance (Freeman, Wicks, & Parmar, 2004). A sound management system of an organisation is reflected by how a company manages its stakeholder relationships (Waddock, 2009), for example, by fulfilling the objectives of its primary stakeholders (shareholders and customers) and ensuring that the other stakeholders are also satisfied with the company's decisions (Carroll, 1999; Thorne et al., 2011).

This research uses stakeholder theory to develop the hypotheses because it can explain the strength of the relationship between the company and its stakeholders (Amran & Devi, 2008). Furthermore, Hackston and Milne (1996), Reverte (2009), and Sembiring (2003) found that this theory has been used extensively in CSRD studies. Based on stakeholder theory, a company must not only act for its own interests. Rather, it should also benefit its stakeholders (shareholders, creditors, suppliers, consumers, community, government, analysts, and other parties). Thus, a firm's survival is largely influenced by its stakeholders' support (Ghozali & Chariri, 2007). In addition, Gray et al. (1995) argue that a company's existence depends on the support of stakeholders. The more powerful the stakeholders are, the greater the company's effort to adapt will be. Therefore, social disclosure is considered part of a discourse between companies and their stakeholders.

Stakeholders have the ability to monitor or manipulate a company's use of economic capital. Thus, stakeholders' power is influenced by their level of control over the resources. Power may be demonstrated by the ability to limit the use of scarce economic resources (e.g., labour along with capital, link to powerful media, ability to form a company, or ability to control the consumption of goods and services (Deegan et al., 2002). Therefore, "when the stakeholders control the economic resources that are important to the company, then the company will react in a way that satisfies the desires of stakeholders" (Ghozali & Chariri, 2007; Ullmann, 1985). Ullmann (1985) in Ghozali and Chariri (2007) also stated that organisations would select stakeholders that are relevant to the business and can produce a harmonious association among their stakeholders and their organisations.

The CSR and framework of management's stakeholders can be rationalised to define corporate citizenship and the efforts undertaken by companies to balance the economic, ethical, legal, and philanthropic responsibilities that their stakeholders imposed on them (Maignan et al., 2005). Thus, as Watson et al. (2002) argued, companies can use voluntary disclosure to gain support and communicate with stakeholders. Gray et al. (1995) believe that CSRD is an effective medium for negotiators between the company stakeholders and the company itself. In addition, Dierkes and Antal (1985) argue that reporting information about company CSR acts as a basis for the relationship with its stakeholders.

Companies can apply various methods to manage their stakeholders, depending on their strategy (Ghozali & Chariri, 2007; Ullmann, 1985). For example, a company may adopt an active or passive strategy. A company that adopts an active strategy may influence the organisation's relationship with its stakeholders, which is considered influential or important (Ghozali & Chariri, 2007; Ullmann, 1985). This shows that the active strategy identifies the stakeholders and determines which would have the greatest ability to affect companies' economic resource allocations. By contrast, companies with a passive strategy may not constantly monitor their stakeholders' activities and tend not to seek optimal strategies to attract the stakeholders' attention. The lack of awareness of stakeholders in the passive posture approach will result in low levels of CSR disclosure (Ghozali & Chariri, 2007; Ullmann, 1985).

2.6 Corporate Governance and Corporate Social Responsibilities

Mitton (2002) defines corporate governance as protecting shareholders from management takeovers. Corporate governance mechanisms are typically established for better corporate control and investor protection (Filatotchev & Wright, 2011). The corporate governance mechanisms may include both internal and external. Among the internal mechanisms are the functions and composition of the boards (Dey, 2008). Fama and Jensen (1983) also found the extent of directors' monitoring functions and the purposes and structure of the audit committees (Demsetz & Lehn, 1985). Dey (2008) found the audit committee's functions include monitoring the executive and external auditors' compensations and overseeing that equity-based incentives align with the interest of the principals (Dey, 2008; Jensen & Meckling, 1976).

Shleifer and Vishny (1997) believe that corporate governance mechanisms are introduced to ensure investors get a true return on investments (ROI). Corporate governance is a system of rules and regulations controlling a company's operations (Gillan & Starks, 2000). Corporate governance has also been defined as a set of mechanisms that control a company's decision due to the separation between management and ownership (Larcker et al., 2007).

Several researchers examine the determinants of the decision to disclose CSR conclusively. An organisation might voluntarily report information for many reasons, for example, to develop company image, legitimize the current activity, distract attention from other areas, discharge accountability, and forestall legislation (Gray & Sinclair, 2001). The factors influencing corporate voluntary CSR disclosure examined by Adams (2002) have been divided into three categories: corporate characteristics, external factors and internal contextual factors.

There is a relationship between the nature of corporate social responsibility disclosure and the social and political connection context. Burchell (1985) proved that the political agenda directly influenced increased or decreased social information in the UK. In terms of gender diversity, according to Pelled (1996), diversity characteristics are often categorised into task-related and relation-oriented attributes. Ruigrok et al. (2007) give examples of task-related diversity attributes, such as education, functional background and tenure. Nationality, gender, and age diversity are relation-oriented attributes. However, Milliken and Martins (1996) distinguish diversity into observable and less visible attributes. Examples of observable diversity are race, ethnic background and gender. Meanwhile, examples of less visible are educational, functional and occupational backgrounds and a range of industrial experiences. Therefore, directors' diversity can be measured in several dimensions: ethnic, gender, and others (Campbell & Minguez-Vera, 2008).

CSR reports involve input from many individuals and functions across an organisation. The reports are therefore influenced by corporate culture due to the differentiation of ethnicity on the board, power relationships and communication flows. Individuals in different cultures belong to distinctive teams with different ways of working. This natural culture affects moral values, which one expects to influence at least the issues a company selects as worthy (Adams, 2000).

Love (2011) mentioned several ways corporate governance mechanisms can enhance a company's performance. First, corporate governance may reduce the frequency of tunnelling, asset stripping, transactions with other related parties, and other ways of transferring companies' assets or cash from shareholders. Investors may be advised to receive a lower ROI as less risky investments will be better protected by a low cost of capital. The increase in growth and opportunities can be enhanced with access to external financing resulting from implementing GCG practices. All the consequences of a company's sound corporate governance will be reflected in its positive cash flow and overall performance.

However, less attention was given to the board's pattern/code of conduct in examining the corporate governance attributes. For example, some studies found that corporate governance negatively affects CSR performance (Aebi et al., 2012; Beltratti & Stulz, 2012), indicating that the corporate governance systems practised were worthless. Therefore, it is more meaningful to examine whether corporate governance affects the CSRD by companies. In addition, as a system, corporate governance may affect other factors that do not directly influence the CSR performance of a company. Thus, in Indonesia, the board of commissioners and board of directors have their own code for contributing to the monitoring and decision-making process of a company's operations.

Normally, having good corporate governance practices is assumed to positively affect voluntary disclosure in general and CSRD in particular (Ho & Taylor, 2013). Corporate governance can address the problem of unfavourable consequences of agency conflict among managers and shareholders or between minority shareholders. Ho and Taylor (2013) explained that the spirit of corporate governance principles and recommendations is largely aimed at encouraging management to provide information more extensively voluntarily to enhance corporate transparency.

They can also focus on certain themes that benefit companies the most (Aghashahi et al., 2013; Gao et al., 2005; Kansal and Singh, 2012). The decisions depend on the considerations deemed important by the directors (Giannarakis et al., 2014). Following is a review of prior studies examining corporate governance characteristics' effect on

CSRD. The association between corporate governance and CSRD is investigated in this study. Five main corporate governance variables and one moderating variable are examined in this study. The five main variables are boards' political connection, women's participation on boards, board ethnicity, family ownership, and board composition. Foreign ownership is the moderating variable.

2.6.1 Boards' Political Connection

Several studies have been found in the literature that discussed the implications of boards' political connections in the business world. There is considerable evidence that suggests that political connection is a worldwide phenomenon. Studies on politically connected companies are found in various jurisdictions by Fan et al. (2007), Johnson and Mitton (2003), and Leuz and Oberholzer-Gee (2006), such as in the US, the UK, France, Malaysia, Indonesia, Pakistan, Thailand, and China. Furthermore, in less perfect economies, where private businesses traditionally lack the protection of property rights and market-supporting structures, there is a greater incentive to develop political ties (McMillan, 1995). China is an excellent example of a jurisdiction that provides evidence of both the positive effect (Berkman et al., 2010; Francis et al., 2009) and the adverse effects (Fan et al., 2007) of political connections on companies.

Faccio (2006) provides evidence that boards' political connections are essential in many of the world's influential economies. The study found board political connections in 35 of 47 sampled countries, representing eight percent of the world's stock market capitalisation. In Russia, Italy, Indonesia, Thailand, and Malaysia, over 10 percent of the firms are boards' political connections and account for over 10 percent of the market capitalisation.

Political connections are normally categorised as either explicit or implicit. An explicit connection is characterised as personal connections between business people and politicians, and an implicit connection, for example, can be identified from a company's financial contributions made by politicians. An explicit board's political connection emerges when a politician becomes a board member or a significant shareholder of a firm (e.g., Fan et al., 2007; Goldman et al., 2008; Khwaja & Mian, 2005). Old partnerships are other examples of explicit boards' political connections. On the other hand, implicit connections emerge, for instance, when a firm donates to the politicians' election campaign (Aggarwal & Meschke, 2009; Claessens et al., 2008; Roberts, 1992).

One of the most important benefits of political connection is the extensive and preferential loans granted to companies, by which politicians provide access to resources such as bank financing. More important, companies are capable of securing capital to fund their investment projects in the future. Therefore, companies need to build a relationship with government officials or politicians to give them privileged access to loans from banks controlled by the government. Charumilind et al. (2006), Johnson and Mitton (2003), and Khwaja and Mian (2005) found the interests charged by banks are more often lower than the prevailing market rates.

Numerous studies have examined the role of political connections in many business aspects, the advantages of which can lead to firms' superior performance. The advantages include favourable policies that prevent competitors from entering the market (Ding et al., 2015; Peter et al., 2015; Zhou, 2013) and privileged access to bank loans (Charumilind et al., 2006; Cull & Xu, 2005). For developing countries, political connections are one of the preferred ways to expand a company's network (Osamwonyi & Tafamel, 2013). A company is known to have political connections from the presence of former government officials on its board. However, studies have shown that political connections can weaken an organisation's governance structure and, thus, negatively affect a company's performance.

Regarding the impact of political connection and CSR disclosure, politically connected companies or directors may have different intentions when deciding to disclose CSR information in annual reports and/or on company websites. This may happen because of control, be it formal or informal, from those exercising their political influence. This stance is often perceived as a decision made to impress those in a powerful position, safeguard their business, win more government contracts, or seek help from the government when facing financial difficulties. Further, politically connected directors use company resources differently, thus affecting the outcomes of their actions and decisions.

To conclude, a company is assumed to be a board's political connection if one of the board members and the politician share the same level of educational background. A network of classmates and alums can be established based on publicly available information on the education experience of all board members and politicians. This network coverage is broad enough to represent a population of politicians while avoiding hidden conflicts of interest, making it possible to generalise the empirical results.

2.6.2 Women's Participation on Boards

Another factor that can affect CSR disclosures of companies is women's participation in the BoDs. Branco and Rodrigues (2008) stated that the "board diversity" theme supports the structure of stakeholder theory. Carter et al. (2003) argued in favour of board diversity because it can enhance board independence. In a board with differences in gender, ethnicity, and cultural background, members would be more likely to ask questions that will not be asked in more typical boards.

Women are more committed to carrying out charitable activities for the surrounding communities than men (Bernardi & Threadgill, 2011; Fernandez-Feijoo et al., 2012; Krüger, 2009;). However, the latter only recently realised that CSR would greatly impact public listed companies in the future.

While Nguyen (2012) argued that in complex tasks, gender differences could help make creative and innovative decisions (Kravitz, 2003). Therefore, the women proportion of the board is said to make more appropriate decisions with lower risks and improve the quality of discussions. Women also have a better understanding and solving tactics of the overall market, resulting in an enhanced appreciation of CSR reporting.

According to Krishnan and Park (2005), there are some benefits of women being in the top management team. First, women are more likely to be recognised as leaders by group members in the social interaction environment. Second, women who face organisational challenges would equip themselves with the necessary skills to deal with environmental uncertainty. Third, women are more likely to have a cognitive sense focusing on harmony than their male counterparts. Fourth, women are more likely to use the procedure of learning the network strategy. Finally, several positions that women have in their social interactions, such as marriage, filial love, and parental roles, give them the psychological advantage that strengthens multitasking and improves interpersonal and leadership skills. It is argued that three or more women on a board composition would ensure the possibility of more effective interaction between the boards of directors and an interest group (Terjesen et al., 2009)

In Indonesia, Kusumastuti et al. (2008) argued that women's participation in the board of commissioners and board of directors gives a positive signal to the internal (employees) and external (prospective employees) parties. High board diversity (participation of women on the board of commissioners and board of directors) indicates that everyone has the same chance to break into the ranks of the board of commissioners and board of directors by ignoring their demographic characteristics. Kusumastuti et al. (2008) revealed that females are wise, unwilling, and thorough compared to men. Having these qualities, women tend not to make decisions in a hurry. Thus, the participation of women in the board of commissioners and board of directors is said to yield more appropriate and less risky decisions. In addition, women are generally more thorough in analysing and making decisions (Robbins & Judge, 2008). They have the propensity to investigate problems before deciding and supporting an assumption that has been made, giving careful consideration to the problems and alternative solutions.

Recent empirical studies on corporate governance show that board diversity has been considered an important corporate governance mechanism (Khan, 2010). Branco and Rodrigues (2008) stated that "board diversity" aligns with the direction of stakeholder theory. In addition, previous studies indicated that board diversity is strongly related to CSR reporting and social performance (Wang & Coffey, 1992).

Carter et al. (2003) explored the association between firm value and gender diversity in the agency theory framework, as illustrated by Fama and Jensen (1983). They indicated that greater gender diversity would increase board independence since females are more likely to raise questions that male directors would not raise.

2.6.3 Board Ethnicity

Indonesia is the largest archipelago in the world. It has more than 17,000 islands, where only around 7,000 are inhabited (Frankfurt's Indonesian Consulate, 2017). Indonesia's major islands include Java, Borneo, Sulawesi, Sumatra, and Papua. Besides, small islands such as Bali, Lombok, Karimunjawa, and Gili are known as tourist destinations. Indonesia's capital city is Jakarta, situated on Java Island.

The National Republik Indonesia's emblem is "Bhinneka Tunggal Ika," which means "variegated except one." The symbol represents an ethnic Indonesian culture that has evolved into a community life that has gripped Indonesia. As of 2016, the population of Indonesia was estimated at 250 million. Indonesia has the world's largest population after China, India, and the United States (Frankfurt's Indonesian Consulate, 2017). Around 300 tribes comprise the Indonesian population, including Javanese, Batak, Sundanese, Dayak, Chinese, and Papua. Each tribe speaks in its dialect. There are more than 360 dialects in Indonesia, which contribute to the country's rich culture. However, the Indonesian language is the national language that unifies the nation. The English language is the most foreign language that is commonly used in Indonesia.

Ethnicity is a source of social identification. It assigns traits to members' focal groups and other ethnic groups (Efferin & Hopper, 2007). Carter et al. (2010) believe that the ethnicity of directors produces better governance, leading to enhanced firm financial performance. Mohr and Shoobridge (2006) believe that ethnicity helps to acquire and assess the necessary information for small and medium-sized enterprises (SMEs) to operate. Cox et al. (1991) argue that the different ethnic backgrounds of people have various values, norms, and attitudes that reflect their cultural heritage.

The ethnicity's role (representing culture) in the decision-making process is important because people within the same ethnicity are exposed to the same social values and think alike. Thus, the way a company reports and functions will be affected by the relevant social values in public, wherever a public listed company is located (Deegan & Rankin, 1996; Lehman, 1995). In addition, in multi-racial countries, social values may not mirror the overall values of the country, particularly if each ethnic group chooses to retain the ethnic image, identity and values itself. Pettigrew (1979) explained that the distinctions among ethnic groups are more significant if a historical controversy or racial disparity coincides with national or socio-economic disparities. Likewise, group differences are reduced as the organisation determines the shared values and the level of cooperation in coordinating their activities. Thus, it is pertinent to recognise that values may vary between ethnic groups, even within a country (Specter & Solomon, 1990).

In Malaysia, Ahmad et al. (2006) indicate that in a developing nation with many ethnic minorities, ethnicity is one of the well-known issues. Ethnicity influenced Malaysian firms' accounting disclosure practices (Haniffa & Cooke, 2002). Furthermore, according to Iskandar and Pourjalali (2000) and Nazri et al. (2012), different ethnic groups prefer to uphold and practise their ethnic principles and religious beliefs. Indeed, ethnicity could lead to effective monitoring by providing access to the vital resources available in the external environment and improving the information delivered to the management due to the exclusive information kept by diverse directors (Carter et al., 2010).

As for culture, accounting values by Gray (1988) and cultural dimensions by Hofstede (1984, 1991) suggest that accounting and disclosure cannot be culturally free (Haniffa and Cooke, 2005). Values belonging to each ethnicity (Malay, Chinese and Indian) shape behaviours and actions that affect decision-making (Wahab et al., 2015), directly or indirectly related to disclosure or performance. Furthermore, values instilled in each ethnic group also affect leadership style (Jogulu, 2010). Therefore, the assumption may be made that directors of different ethnicity could be handling CSR issues differently, thus, affecting their decisions on CSR activities and disclosure.

CSR reports involve input from several individuals and functions across an organisation. The reports are therefore influenced by corporate culture due to the differentiation of ethnicity on the board, power relationships and communication flows. Individuals in different cultures belong to distinctive teams with different ways of working. This natural culture affects moral values, which one expects to influence at least the issues companies regard as worthy (Adams, 2000).

In Indonesia, where ethnicity in the work environment is concerned, social conditions will require a company to be sensitive to various issues, namely poverty, education, health, and other social-related problems such as recurring unemployment among certain ethnic groups. Companies need to integrate the formal policy of ethnicity with corporate strategy and CSR programmes. Therefore, only several studies examine the association between the ethnicity of the board of commissioners and the board of directors and the annual report disclosure of CSR among companies listed on the IDX.

2.6.4 Family Ownership

There are several definitions of family involvement in a business. Some scholars, for example, Anderson & Reeb (2003), argued that it is the family ownership in the company's capital, while others (Mishra & McConaughy, 1999) describe it as family members working for the company. Several studies have analysed family engagement in CSR activities. Aronoff and Ward (1995), Dyer Jr and Whetten (2006), and Miller and Le Breton-Miller (2003) mentioned that some of the studies provide evidence that family businesses with a high level of family involvement show a clear CSR inclination in their operations. There are some valid and conflicting theories as to why family businesses and family members are socially reasonably responsible. Several researchers argued that family businesses are more likely to engage proactively in CSR activities. By doing so, Cennamo et al. (2012) argued that family firms retain and improve their non-financial inclinations and socio-emotional wealth.

On the other hand, other scholars believe that family firms are like any other companies in their attitude towards CSR. Beliefs such as distrust of outsiders (Fukuyama, 1995), amoral familism (Banfield, 1967), and the "dark side" of socio-emotional wealth (Kellermanns et al., 2012) cause family members to care more about their own welfare than those of others, leading to reduced social activities (Morck & Yeung, 2004). Studies have shown mixed and contradictory findings. For example, family companies adopt environment-friendly policies more regularly than other firms in polluting industries (Berrone et al. (2010). Meanwhile, Dyer Jr and Whetten (2006) found that the degree of social initiatives shown by family and non-family firms are the same. Still, family firms were more likely to avoid social concerns.

Chau and Gray (2010) examined the impact of family ownership on the level of voluntary disclosure, incorporating the moderating effect of chairman independence and director independence. Using a sample of 273 companies listed on the Main Board of Hong Kong Stock Exchange for 2002, the study found that an independent chairman lessened the effects of family ownership on voluntary disclosure. The study also found a positive impact of having independent directors. However, the impact may be reduced by the existence of an independent chairman (Chau & Grey, 2010).

The long-term emphasis on family ownership is sometimes indicated by the long-term commitment of the owner (Brigham et al., 2014; Lumpkin et al., 2010). The longevity of family members' participation in the setting up and management will strengthen the collective effect of emotional attachment and socio-emotional endowments within a company (Sharma, 2004). To preserve socio-emotional wealth, controlling families seek to maintain the heritage and traditions of the family in the company through a succession of dynasties.

Corporate social responsibilities continuously improve companies with a long-term vision (Brigham et al., 2014; Lumpkin et al., 2010). Nevertheless, owners and managers would likely conduct activities merely based on financial rewards unless companies have a strong motivation, such as an emotional attachment to CSR (Margolis & Walsh, 2003; Valax, 2012). In their study, Schulze and Kellermanns (2015) found that family companies' CSR programmes were more inspired by non-financial affective appeals compared to non-family companies.

He and Sommer (2010) found that when the separation of management and ownership improves, agency costs and information asymmetry will increase. Because of agency costs, there is a greater need for independent directors to monitor the managers. Therefore, as the separation of ownership and control increases, the board's oversight role is expected to intensify (Fama & Jensen, 1983; Zahra & Pearce, 1989). However, only a few studies (Barnea & Rubin, 2010; Johnson & Greening, 1999) have examined the relationship between ownership structure and company social performance. Because different owners can have different visions and decision-making horizons, it is worth investigating the relationship between the various categories of owners and company social performance (Hoskisson et al., 2002).

Martos and Torraleja (2007) examined the organisational culture of family firms in Spain. They aimed to identify the characteristics of the organisational culture that can promote CSR activities. The study indicated that family businesses were very aware of the local culture and greatly concerned about social responsibility activities.

One of the main issues is whether family firms show a more conservative attitude towards innovation than non-family firms. Subsequently, Craig and Moores (2006) emphasise that family firms are very concerned with innovation, a critical element in their strategy. Family firms are even willing to work with advanced technology companies regarding innovation. In the same vein, Niehm et al. (2010) suggest that the knowledge of technology possessed by the management team of family firms is conducive to innovation. Both the above studies show how vital innovation is to the achievement of family firms, even if they operate in the traditional sectors. The researchers believe that family firms are not inherently more risk-averse or less innovative than non-family firms. Family firms can gradually become more creative and aggressive in their markets than non-family firms (Aronoff & Ward, 1995).

Nevertheless, the above results are not parallel with the outcomes of another research. The latter reported family businesses are more conservative and less prepared to pick the risks related to new ventures (Autio & Mustakallio, 2003; Zahra et al., 2004). The desire to build a legacy to be conservative in their approach was more probable to the founders of family firms due to innovative projects which may give rise to organisational risks (McAdams et al., 2009).

2.6.5 Board Composition

Board composition, often considered a proxy of board independence, relates to the number of outside board directors who sit on the boards (Kim, 2007). An independent board comprises directors, most of whom are free of financial or personal connections that could impair their ability to investigate and criticise management (Felton & Watson, 2002). According to Garcia-Meca and Sanchez-Ballesta (2010), outside boards of directors independent of management are more effective monitors.

In Indonesia, as the culmination of the internal corporate management system, the board of commissioners supervises the overall activities of the board of directors. The composition of the board of commissioners and board of directors shall determine a company's policy, including CSR practices and disclosure. Collier and Gregory (1996) and Sembiring (2006) state that boards of commissioners with more members are better at controlling the CEO. Thus, monitoring will be more effective. In addition, outside (independent) board members would further increase the effectiveness of board surveillance.

The composition of boards also enlightens investors. A study by Rhee and Lee (2008) argued that independent boards of directors are related to a positive growth of foreign ownership. Boards with more independent directors could effectively oversee and control managers (Hanson & Song, 2000). This result is supported by Helland and Sykuta (2005), whose findings demonstrate that boards with a greater proportion of outside directors are better at monitoring managers.

Other studies, such as Armstrong et al. (2014), explored the effect of regulatory changes (NYSE and Nasdaq regulations) that require companies to have 50% independent directors on corporate transparency. The study employed a sample of 1849 companies from 2000 to 2004. The study found a positive association between changes in the proportion of independent directors and corporate transparency.

Furthermore, independent directors require a high level of transparency in order to perform their roles effectively.

Even though the board of director composition is an important research subject, the influence of the board's composition on the CSRD of a company is relatively under-researched. Existing studies show that the findings are inconsistent. Some research, in particular, Johnson and Greening (1999) and Webb (2004), claimed that outside boards of directors are positively correlated with CSR success, while others claim the contrary or no consequence (Coffey & Wang, 1998; Wang & Coffey, 1992).

External representation is assumed to increase the effectiveness of corporate decisions in some ways (McKendall et al., 1999). First, outside directors can be dynamic enough to curb self-serving managers' fraudulent acts. Second, outsiders can generally enhance the alignment of different corporate stakeholders' needs (Freeman & Reed, 1983). Thus, a diverse board is expected to avoid conflicts that may hinder the implementation of valuable strategies.

Although past studies have produced conflicting findings on board composition and firm performance, discussions of board reforms continue to increase, one of the agenda being improving boards' external representation (Schellhardt, 1994). Presumably, outsiders will strengthen board independence and, thus, remove "the operating biases of business executives from social strategic planning decisions" (Marx, 1985, p. 12). The discussions also aim to improve the skills and assertiveness of boards in formulating companies' policies on issues such as CSRD.

2.7 Foreign Ownership

Foreign share ownership of a company is the number of shares owned by foreigners. If viewed from the perception of company stakeholders, CSRD is one of the communication channels for companies to demonstrate their concerns for the surrounding environment. In short, if a firm has contracts with international stakeholders in trading and ownership, it will be better reinforced in disclosing its CSR activities (Puspitasari, 2009).

Legitimacy theory explains that a company must continuously meet public expectations to keep receiving legitimacy from them when doing their operations. The company needs to do it because of the "social contract" between the company and the surrounding community (Choi, Lee, & Psaros, 2013). Furthermore, legitimacy is a dynamic concept that can change anytime, depending on the place and time (Lindblom, 1994). Therefore, companies must also pay attention to societal changes to maintain their legitimacy and not threaten the companies' going concerns or survival (Islam, 2017; Suaryana, 2011).

Some researchers examine the association between ownership structure and firms' CSR activities (Barnea & Rubin, 2010; Johnson & Greening, 1999). Particularly, because different owners may have different aims and decision-making horizons, the relationship between different types of owners and firms' social performance is worth studying (Hoskisson et al., 2002). It is expected that foreign-owned firms will be more likely to disseminate their CSR information to reduce agency conflicts between management and owners. In addition, foreign-owned companies will likely use their company websites to disclose information to facilitate access to their foreign stakeholders (Firth et al., 2008).

According to the literature, the idea of companies investing in foreign countries was motivated by the belief that foreign companies have a better chance because they can utilise the available capacities than domestic companies (Buckley & Casson, 1976; Buckley & Casson, 2003; Porter, 2011). Agency theory explains the relationships between the many categories of ownership concentration and CSR activities, foreign ownership concentration being one of them (Chhibber & Majumdar, 1999). Agency theory claims that foreign ownership of a company is related to superior company performance (Haat et al., 2006). Hingorani et al. (1997) deduce that foreign ownership reduces agency conflicts by aligning management and shareholders' interests.

It is argued that an increase in foreign ownership is related to improved firm performance, as foreign companies have strong supporting abilities that are unavailable to domestic companies (Caves, 2007). In addition, some studies directly provided evidence of the effects, for instance, the increasing disclosure of voluntary information of companies with foreign ownership, particularly of the OECD countries (Dunning & Pearce, 1977; Forsyth & Docherty, 1972; Globerman, 1979).

A group of shareholders who can guide management in making decisions are foreign investors. Local institutional investors may be unable to serve as an independent monitoring mechanism because some may have potential business relationships with companies they invested in (Ferreira & Matos, 2008). Nevertheless, foreign investors can be more effective by pressing management to change their decisions that could benefit all stakeholders - showing that companies with higher foreign ownership have better judgment and performance (Ferreira & Matos, 2008). In Korea, Baek et al. (2004) found that affiliated foreign investors are active monitors of managerial decisions and are able to improve companies' values. Besides, Jeon et al. (2011)

argued that foreign investors in Korea have a longer investment period than local investors.

Foreign investors may employ more stringent global standards and practices when assessing management decisions. Jeon et al. (2011) further suggest that foreign investors with substantial share ownership cause companies to increase dividend payments. Porta et al.'s (1999) findings are consistent with the notion that minority shareholders might force a company to pay extra shares to deter people from excessively utilising the corporation's income for their benefit. Thus, ownership by two groups of shareholders, external agencies and foreign investors, may prevent manipulative, opportunistic behaviour by influencing managers and management to make decisions based on a long-term orientation.

The ownership structure of a company also influences companies' motivation to promote CSR activities. Hence, the incentive to practice CSR to support stakeholders' interests should be more prominent in firms with high foreign ownership. Previous research shows that the magnitude of external shareholders, for example, Chung et al. (2002), Ferreira and Matos (2008), Jiraporn and Gleason (2007), Jung and Kwon (2002), and Yeo et al. (2002) argued that foreign investors could act as an active monitor. Foreign investors with large share interests in a company are motivated to stop managers or owners from pursuing their interests at other shareholders' expense.

Foreign owners who care about the environment and are more obedient to ecological laws than local investors (Rustam et al., 2019) will give more pressure on the company. As a result, the company should fulfil that expectation. In addition, the disclosure of activities regarding reducing carbon emissions will lead to more legitimacy gained from foreign investors. Richards (2002) argues that foreign investors are more influential in determining share price.

Muhammad & Aryani (2021) argued that foreign investment is important in the relationship between carbon disclosure and firm value. Legitimacy theory explains that when a company can fulfil stakeholders' expectations, the company will get legitimacy from stakeholders and society in general, ensuring the company's survival and increasing the company's firm value (Muhammad & Aryani, 2021).

However, some previous studies show that FOROWN has a negative or insignificant association with CSRD (Barako & Brown, 2008; Htay et al., 2012; Phung & Le, 2013; Praptiningsih, 2009; Zheka, 2005). In addition, Machmud and Djakman (2008) found that foreign ownership structure, including that of companies owned by European and US investors, does not affect social responsibility disclosure made by public listed companies of the IDX in 2006. The research results indicate that foreign investors in Indonesia have yet to consider environmental and social attributes in making investment decisions.

Multinational corporations would always like to see that their operations in the country where they reside are profitable to justify their continued presence. CSR disclosure is a medium used by foreign firms to seek attention from local citizens. Therefore, companies with foreign ownership are motivated to disclose more CSR activities. According to Maggio and Powell (1983), the positive relationship between foreign ownership and CSRD shows that foreign associations or foreign business partners are very important. Therefore, local companies must ensure more CSR investments are made to attract foreign investors. Local companies are also recommended to keep the prospects of foreign investors, particularly investors' knowledge of the environment and social questions. Results of previous research vary. While some researchers found that foreign ownership has a positive and significant association with CSRD (Khan et al., 2013), Amran and Devi (2008) found the relationship insignificant.

According to Act No. 25 of 2007 (Article 1, Paragraph 6), a foreign owner is an individual of foreign nationality, a foreign business organisation, or a foreign government that invests in the territory of the Republic of Indonesia (Ramadan, 2010). Multinational or foreign-owned companies foresee that legitimacy, which can lead to their long-term existence, can be derived from their stakeholders, typically based in the country where the companies operate (Barkemeyer, 2007; Suchman, 1995).

Foreign ownership in Indonesia is divided into two – ownership (trade) and increased child branches (ownership). There are several reasons why foreign-owned companies provide more disclosure (Susanto, 1992). First, foreign companies undergo better accounting training from the parent company overseas. Second, a company may have a more efficient information system to satisfy the needs of the internal parties and the parent company. Third, there is a possibility that foreign-based companies receive greater demands from customers, suppliers, and the public.

2.8 Literature Gap and Contributions

In emerging markets such as Asian countries, Chen et al. (2011), Filatotchev and Wright (2011), Globerman et al. (2011), and Rachagan (2010) found that one primary concern is the lack of transparency and disclosure practices among companies. They argued that companies' disclosure and reporting reliability depends on management control and corporate governance. In Indonesia, it is part of the regulator's task to ensure that corporate governance, the board of commissioners and the board of directors are responsible for ensuring AR's accuracy, transparency, and adequacy.

A study by the NUS's Business School on four ASEAN countries revealed that the lack of awareness concerning CSR practices resulted in poor operations of the CSR agenda (Suastha, 2016). Thailand took the lead in providing quality sustainability disclosure, charting a score of 56.81 %, followed by Singapore with 48.8%. Indonesia and Malaysia scored 48.4 % and 47.7 %, respectively (Suastha, 2016).

This study focuses on corporate governance attributes (boards' political connection, women's participation on boards, board ethnicity, family ownership, and board composition) and CSR disclosure in Indonesia. Compared to previous studies, the uniqueness of this study is that it examines the two-tier corporate boards in Indonesia, the board of commissioners and the board of directors. Given that members of the board of directors are appointed from those holding titles, this raises doubts about whether the board of directors would provide sufficient monitoring and is rightfully independent and pursue the majority shareholders' interest (Chen et al., 2011). Therefore, this study assesses the quality and quantity of CSR disclosure provided by public listed companies in Indonesia, excluding finance and banking institutions.

Some studies utilised the agency theory as the underpinning theory. For example, Fernandez-Feijoo et al. (2012), Jensen and Meckling (1976) mentioned that agency theory views that in today's companies, where ownership and control are separated, managerial activities might not align with the principal's expectation, that is, improve shareholders' returns. However, this study uses legitimacy as the underpinning theory while bringing agency and stakeholder theories as supporting theories.

Many studies used foreign ownership as the independent variable in the relationship between corporate governance and CSRD practices. Examples are those by Bayrakdaroglu et al. (2012), Machmud and Djakman (2008), and Praptiningsih (2009). In addition, agency theory suggests that multinational companies and/or their primary foreign owners could gain legitimacy through additional disclosure, leading to a long-term existence (Barkemeyer, 2007; Suchman, 1995). Therefore, Huafang and Jianguo (2007) recommended that regulators encourage foreign ownership in companies.

However, most previous studies show that FOROWN has a negative or insignificant association with CSRD (Barako & Brown, 2008; Htay et al., 2012; Phung & Le, 2013; Praptiningsih, 2009; Zheka, 2005). Machmud and Djakman (2008) found that foreign ownership structure, including that of companies owned by European and US investors, does not affect social responsibility disclosure made by public listed IDX companies in 2006. The research results indicate that foreign investors in Indonesia have yet to consider environmental and social attributes in making investment decisions. This study uses foreign ownership as a moderating variable due to its considerable influence on corporate social disclosure, as agency theory argues.

According to Namazi & Namazi (2016), foreign ownership is important in examining the relationship between two variables that explain corporate governance attributes and CSR disclosure. Thus, Muhammad & Aryani (2021) include foreign ownership as the moderating variable. Several reasons why foreign ownership is chosen include: (1) foreign investors are still dominating the Indonesian equity market by 51% market share in 2018 (Ayuningtyas, 2019; CNN Indonesia, 2019); (2) foreign investors are more concerned with the environment since they are more knowledgeable and obedient to ecological laws (Rustam, Wang, & Zameer, 2019); and (3) foreign investors are more influential in determining stock prices (Richards, 2002; Wang, 2007).

Foreign ownership moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relationship not only positively but also negatively impact CSR disclosure. This result is still in line with research conducted by (Al-Gamrh et al. 2020; Bayrakdaroglu et al., 2012; Ferris & Park, 2005; Makhija & Spiro, 2000). The explanation that foreign ownership could negatively affect CSR disclosure is due to two possible reasons. First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investor ability to monitor firms.

In conclusion, two models supported the association among corporate governance attributes (boards' political connection, women participation on boards, board ethnicity, family ownership, and board composition) and CSRD and whether foreign ownership moderates the relationship in this study. The CSRD is measured by the disclosure quality and quantity (level). Three theories are applied - legitimacy, agency, and stakeholder theories. The models precisely assess the relationship between the variables of this study.

2.9 Summary of the Chapter

This chapter provides an overview of the literature regarding boards' political connection, women's participation on boards, board ethnicity, family ownership, board composition, foreign ownership, and CSRD practices. The literature is mainly based on past studies conducted in developing and developed nations. Based on the discussions in this chapter, the following chapter focuses on the research methods used in this study. The development of hypotheses is also discussed in the next chapter. This study examines companies' annual reports to explain the relationship between corporate governance mechanisms and CSRD.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research framework and methods used to achieve the research objectives and test the hypotheses. The key issues addressed in this chapter are the research framework, the development of hypotheses, and the methods used.

3.1 Research Framework

The need for firms to ensure optimal corporate social responsibility disclosure (CSRD)'s performance has been advocated. Thus, this study examines the factors that affect CSRD due to the complexity of CG, particularly the structure, role, and impact of the boards. Several conflicting theories about boards have emerged from various disciplines, such as economics, law, sociology, finance, strategic management, and organisational studies (Kiel & Nicholson, 2002).

This study applies three theories in the theoretical framework, namely the legitimacy theory (LT), agency theory (AT), and stakeholder theory (ST). These theories supported this study by explaining the conceptual relations in the decisions to become socially responsible, especially in developing nations such as Indonesia. Guthrie and Parker (1998) explained that LT argues that companies disclose CSR information for economic, political pressure and social to establish their legitimate existence. As asserted by O'Dowyer (2002), firms' CSRD and CSER information bring stakeholders to their favour.

Politically connected firms receive excessive benefits from the government. Therefore, they might hide information such as social and environmental performance (Firth et al., 2008; Goldman et al., 2008; Johnson & Mitton, 2003). Firth et al. (2008), Goldman et al. (2008), and Johnson and Mitton (2003) also argued that ‘‘on balance, special-interest organisations and collusions reduce efficiency and aggregate income in the societies in which they operate and make political life more divisive”. Furthermore, politically connected companies may elect to disclose more information to narrow the legitimacy gap between companies and society since they may face increased criticism and pressure from society to legitimise their practices (Sethi, 1979).

As for the stakeholder’s theory approach to the management strategy (Freeman's, 1983), Ullmann (1985) proposed a framework of three-dimensional to describe the relationship between CSR disclosure, CSER and economic performance. The first dimension is stakeholder control; it describes how responsive firms are to the demands of stakeholders (such as owners, creditors, and regulators) who have considerable power over the firms’ capital. Thus, Roberts (1992) argued that if CSR practices are regarded as an active company strategy in dealing with stakeholders, it is believed that there will be a positive association between social performance, stakeholder power then disclosure.

Furthermore, based on agency theory, a manager (agent) of a company has more internal information and knows more about the company's prospects than the owners or stockholders (principal). Therefore, the manager shall be obligated to provide information about the firm's situation to the owners. However, the information conveyed usually does not correspond to the company’s actual state. This situation is acknowledged as asymmetry’s information. It occurs because managers understand the information better than the owners (Ujiyantho, 2004). Some studies have provided evidence of a relationship between CSRD and the various attributes of CG. For instance, greater CSR disclosure is associated with more robust corporate governance.

However, these studies have been undertaken in different nations (Barako & Brown, 2008; Haniffa & Cooke, 2005; Khan, 2010). In addition, one must recognise that economic, social, political, and cultural differences may significantly influence social accounting and disclosure (Mathews, 1993).

The hypothesis development is based on LT as the underpinning theory and AT and ST as supporting theories. The hypotheses and conceptual framework are also developed based on the findings of previous studies on CSR disclosure. In addition, the conceptual framework has been extended to include foreign ownership (FOROWN) as the moderating variable in the relationship between CG attributes and CSR disclosure. This study comprises eight independent variables, comprising five CG attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and control variables (profitability, company size, company sector). It is hypothesised that these variables are associated with CSR disclosure. Figure 3.1 shows the research framework of this study.

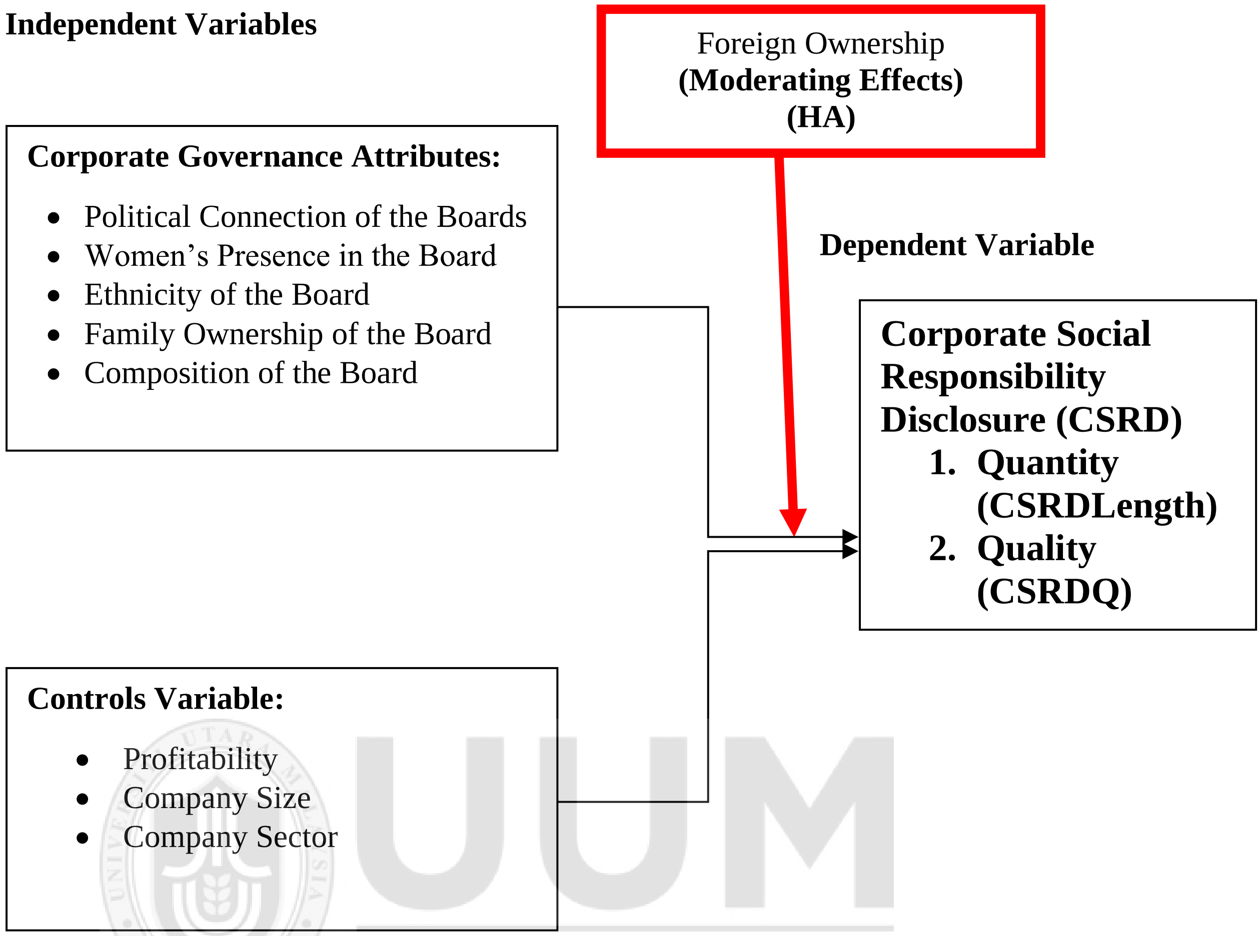

Figure 3.1: Research Framework

3.2 Hypotheses Development

Five hypotheses are developed to test the relationship between CG attributes and CSRD, the former being political connection (PCOB), women's participation on boards (WPOB), board ethnicity, family ownership (FAOWN), and board composition (TCOBPrcntge).

The basic concept of CG is based on the notion that ownership and management should be separated, an idea first acknowledged by Berle & Means (1932). Due to their contribution, Berle and Means are known as the "fathers of contemporary thinking about CG" (Chau, 2011). Kiel and Nicholson (2002) mentioned that the widely accepted view is regarded as one of the "basic building blocks of CG". Clarke (2007) examined "the structural and strategic implications of the separation of ownership and control". Their hypothesis, in particular, suggests that the separation of ownership and control in PLCs would lead managers to pursue their personal interests more than shareholders' (Berle & Means, 1991).

The Indonesian corporate governance is unique if compared to that of other countries in that boards of Indonesian companies are divided into two - (i) board of commissioners (BoC), consisting of a group of people elected or appointed to supervise the activities of a company) and (ii) BoD (the board's executive) in charge of a company's operations (Kurniawan, 2020).

The board of directors, a major internal governance mechanism, can influence CSR decisions, including CSRD (Michelon and Parbonetti, 2012; Rupley et al., 2012). Disclosure is generally one of the board of directors' chief tasks (Cerbioni and Parbonetti, 2007; Cheng and Courtenay, 2006; Gul and Leung, 2004; Haniffa and Cooke, 2001; Ho and Wong, 2001): boards have the essential role of controlling the organizations' CSR behavior and are accountable to all the different interest groups (Hill and Jones, 1992). For that reason, even more studies have focused on the relationships between BoDs and CSRD (Donnelly and Mulcahy, 2008; Jo and Harjoto, 2012; Khan et al., 2013). Previous studies have analyzed how some board attributes, such as CEO duality, lead to concentrating managerial power, thus enabling managers to suspend CSR investments when regarded as wasteful (Jensen and Meckling, 1976; Prior et al., 2008). In this sense, it is also to be expected that an foreign ownership will question management more thoroughly and promote the disclosure of information (Donnelly and Mulcahy, 2008; Hill and Jones, 1992; Jensen and Meckling, 1976; Jo and Harjoto, 2012; Khanet al., 2013; Prioret al., 2008). Other studies have also linked corporate governance to CSRD (Barako, Brown, 2008; Driver and Thompson, 2002; Huse and Rindova, 2008), suggesting that the separation of chairman and CEO roles may lead to monitoring improvements when making critical decisions about stakeholder responsiveness (Unerman and Bennett, 2004) or that larger boards usually represent different groups and will potentially enable the firm to reach out to its different stakeholders (Luoma and Goodstein, 1999).

3.2.1 Political Connection of the Board

Bertrand et al. (2007), Cohen et al. (2008), Fracassi (2016), and Nguyen (2012) define political connections by following the approach of social networks. A company is said to be politically connected if at least one of its directors shares the same educational background as a politician (Bertrand et al., 2007; Cohen et al., 2008; Fracassi, 2016; Nguyen, 2012). According to Cooper et al. (2010), a network of classmates and alums can be based on publicly available information that reveals both politicians' and board members' educational backgrounds. This network coverage is broad enough to represent a population of politicians while avoiding hidden conflicts of interest, making it possible to generalise the empirical results. A network of classmates and alums also plays a vital role in American society (Cooper et al., 2010).

According to Osamwonyi and Tafamel (2013) and Poon et al. (2012), politically-linked businesses are described as having a former government official or a former member of the military (Ujunwa et al., 2012) on the BoD of a company. According to Zhou (2013), a political connection will contribute to organisational inactivity because of government officials' and institutions' enormous support and protection, making politically-linked organisations less concerned with CSR. Wahab et al. (2011) provided evidence that auditors perceive politically connected firms as riskier. Hence, these firms tend to have a higher propensity to manipulate reports to show increased disclosure to adhere to all regulations and hide their close affiliation to the government. Furthermore, theories explain how organisations manage stakeholders. The survival of an organisation depends on how well the stakeholder groups are managed (Neu et al., 1998). The emphasises of ST is that corporations need stakeholders to support their continual existence (Gray et al., 1995). In addition, corporations need politically-linked directors to connect the board of commissioners and the government. A group of individuals can remain relevant at both the institutional and governmental levels. Consistent with legitimacy theory, a company connected to politicians will be very visible in the public eye and tend to disclose more information to improve community relations and image of the company.

For political connections on boards, agency conflicts can occur because influential political directors have interests in a company (Rahman & Ismail, 2016). Furthermore, in less perfect economies, where private businesses traditionally lack the protection of property rights and market-supporting structures, there is a greater incentive to develop political ties (McMillan, 1995). Therefore, their representation in a company should protect their interests, the market's property rights, and institutions (McMillan, 1995). China is an excellent example of a jurisdiction that provides evidence of both the positive effect (for example, Berkman et al., 2010; Francis et al., (2009) and adverse effects (Fan et al., 2007) of political connections on companies.

Stakeholders such as auditors and lenders believe that a board with political connections practices poor corporate governance and puts the company at risk (Bliss & Gul 2012). For developing countries, in particular, political connections become the most preferred approach to expand a company's network within the country (Osamwonyi & Tafamel, 2013). An example would be the presence of former government officials on the boards of companies. However, a politically connected board has also been shown to weaken a company's governance structure, which, in turn, affects the company's performance. Consequently, politically connected boards will disclose additional information, such as CSR, to legitimise their operations in the public's eye. Based on the proposition of the LT and AT and prior empirical research, it is hypothesised that:

H1a: Political connection of BoC is positively related to CSRD, and

H1b: Political connection of BoD is positively related to CSRD.

3.2.2 Women's Participation on Boards

The main issue discussed by previous researchers is whether women's representation on boards impacts a company's decision on CSR's information voluntarily in response to the demands of the main stakeholders for increased public reporting. Brammer and Pavelin (2004) discussed two perspectives that explain the participation of women in the BoC and BoD, that is, from the business perspective and the moral perspective. From the business point of view, the argument for women's equal opportunity is based on the belief that WPOB in the BoC and BoD is suboptimal for a company. The second argument is divided into two, i.e., the arguments for equality of representation and equality of opportunity.

The fundamental theory of the agency's concept is that a board supervises and controls managers (Jensen & Meckling, 1976). Carter et al. (2003) agree that a more diverse board might better monitor the manager's performance because diversity enhances the board's independence. However, they believe that agency theory does not predict the association between board diversity and financial performance. According to this view, BoD diversity is less likely to engage with managers. This proposition, for example, has been adopted by TIAA-CREF, a company involved in the financial services field, in its policy statement (Carleton et al., 1998).

The participation of women on boards is associated with increased consideration given to ethical and environmental issues (Bear et al., 2010; Bernardi et al., 2009; Bernardi & Threadgill, 2011; Larkin et al., 2012). Terjesen et al. (2009) argued that board gender diversity could enhance the effectiveness of CG through the use of capital resources, the practice of a fair business, and the appreciation of the existence of stakeholders. In addition, more WPOBs tend to have a better altruistic attitude, leading to better social behaviour, such as giving donations and getting involved with environmental and labour relations (Bernardi & Threadgill, 2011; Krüger, 2009). Mullen (2011) found that companies with at least three women on their boards donated 28 percent more CSR funds than other companies (Mullen, 2011). Bernardi & Threadgill (2011) found the result supports the proposal that gender diversity can enhance the quality of the decision-making process and give more attention to environmental and ethical issues. In the United Kingdom, Liao et al. (2015) found that WPOB positively influences CSRD. Therefore, the critical mass of WPOB is needed to affect CSR disclosure (Adams & Ferreira, 2009). For example, as the global climate is a major concern, it can be inferred from the above discussion that companies need to increase WPOB in order to improve their disclosure of global climate. Based on the above discussion, the following hypotheses are formulated:

H2a: The proportion of women on the BoC is positively related to CSRD.

H2b: The proportion of women on the BoD is positively related to CSRD.

3.2.3 Ethnicity of the Board

Ethnicity is the origin of group identity. Its characteristics are attributed to members' focal groups and other ethnic groups (Efferin & Hopper, 2007). There are two dominant ethnic groups in the Indonesian business environment, i.e., the Javanese and Chinese ethnic groups. According to Okten and Osili (2004), the Indonesian population mainly comprised of the following ethnic groups - Javanese (45%), Sundanese (14%), Malays (7.5%), Madurese (7.5%), Chinese (3%), and others (23%). Being the largest ethnic group, the Javanese dominate the culture of Indonesia (Tomagola, 2010). Most of the prominent national leaders are from this ethnic group. Likewise, the culture of Indonesian companies is also very much influenced by the Javanese culture. Retsikas (2007) describes the Javanese as soft, tender and delicate, timid and cool-tempered, likely to avoid open conflicts, agreeable and reserved, lacking in desire for adventure and capable of doing hard/manual work. Based on these attributes, the Javanese board members can be assumed to be less energetic and non-assertive when making important policies, especially strategic decisions for CSR activities.

According to Williams (2001), corporate governance researchers often argue that board ethnicity could significantly influence corporate social disclosure. Carter et al. (2003) argued that the ST disagrees that directors from various ethnic backgrounds may raise issues that BoD of the traditional background should not raise. Hence, board ethnicity is expected to improve a company's engagement with different stakeholder groups.

Several studies on ethnicity and CSR disclosure have been conducted in Malaysia, a developing country with multi-ethnic communities (Ahmad et al., 2006). In their study, Haniffa and Cooke (2002) showed that different cultural aspects, such as ethnicity, influence the accounting disclosure practices of companies in Malaysia. According to Iskandar and Pourjalali (2000) and Nazri et al. (2012), each ethnic group tends to preserve and perform its ethnic principles and religious beliefs. In effect, ethnic diversity could lead to effective management monitoring because, for one, diverse ethnicity provides better access to the important resources available in the external environment. Second, mixed ethnicity allows for the dissemination of improved information to the management because of the distinct information kept by such diverse boards (Carter et al., 2010).

Indonesia is a nation of cultural, ethnic, religious, and language diversity (Welianto, 2020). Based on the data from Badan Pusat Statistik (BPS) Indonesia in 2010, Indonesia had 1340 ethnic groups. The largest ethnic group is Javanese, whose origin is Central and Eastern Java, with a population of 85.2 million people, or about 40.2% of Indonesia’s population. The Sundanese, originating from Western Java, are the second largest ethnic group, with 36.7 million people (15.5 percent). This is followed by Malays (7.5%), Madurese (7.5%), Batak (3.6%), Chinese (3%), and others (22.7%). Although the Chinese represent a small proportion of the population, they control more than 70 percent of the country's economy by successfully monopolising the industrialised world and determining labour prices (Hutapea, 2017).

Sumartono (2009) described the Javanese people as slow in taking action, tend to stay in their group, are not emotional, and easily become irritable when not treated according to their status. Based on these characteristics, researchers believe that it is not easy to create CSR activities that are constantly evolving and in accordance with global standards, especially the GRI standards, if a Javanese becomes a CEO or a director of a company.

Ethnicity shapes people's views of the world, and a highly ethnically diverse board is more open to new ideas and viewpoints. Board members from different ethnic backgrounds widen the board's perspectives in the decision-making process (Katmon et al., 2017). Given that every ethnic group is culturally different from other ethnic groups, the inclusion of various ethnic groups in the board is important for commercial reasons as well as designing the strategies as they understand their group more than others. Westphal and Milton (2000) suggest that directors from a minority group may encourage divergent thinking in the board's decision-making process.

McLeod et al. (1996) argue that having people from different cultures in a group leads to high quality with more effective and feasible ideas than having people predominantly from the same culture. Similarly, Butler (2012) claims that racially diverse boards generate and disclose more information because they approach issues from different perspectives, inspire group discussions and may encourage the formation of subgroups within groups. Carter et al. (2010) also contend that unique information held by diverse directors will improve the quality of the information that the board will provide to managers. However, nominations of ethnically diverse boards are more likely based on candidates' qualifications than their ethnic origin.

According to an Indonesian professor, Dr Mikihiro Moriyama, studying at Nanzan University, Japan, the Sundanese hardly initiate things. Savings, as well as upholding the truth, are less likely practised. Parahyangang, in western Java, is the area where the Sundanese originate. Because this area is very beautiful and fertile, it is believed that 'God created "parahyangan tatar" (the landscape of the surrounding environment) in a smile.' However, "pasundan tatar" (the landscape of the surrounding environment) is badly damaged, unfortunately (Djamal & Yulianti, 2013). Protected forests in West Java are almost gone, and most of the region would be flooded during the rainy seasons. However, during the dry seasons, there are no water deposits. Large rivers are polluted, while small rivers are damaged. Djamal and Yulianti (2013) also believe that the Sundanese are less likely to take any initiative, and saving money is considered strange to them, as is upholding the truth. Many of the Sundanese have become victims of gambling and immoral acts. Based on the above description, according to today's society's necessity and development, it is expected that the Sundanese are less likely to take the initiative to undertake CSR programmes. They are also not expected to follow the GRI standards.

Another important ethnic group in Indonesia is the Chinese. Despite their very low proportion of the population (3%), the Chinese dominate businesses in Indonesia (Turner & Allen, 2007). Branzel et al. (2004), who examined the green strategy within Chinese companies, found that the top leaders in Chinese enterprises were more motivated to launch championships that acknowledge executives who attach importance to ecological values.

They also identify a link between performance and motivation. If an initiative is previously perceived to be successful, executives are more likely to increase their investment in ecological strategies and vice versa. Therefore, the following hypotheses are proposed:

H3a: Chinese on the BoC is positively related to CSRD.

H3b: Chinese on the BoD is positively related to CSRD.

3.2.4 Family Ownership of the Board

Stakeholders have different demands from companies due to conflicts of interest among stakeholder groups. Controlling the various interests of various stakeholders is a significant management challenge. Therefore, Agle et al. (1999) prioritise their stakeholders according to their urgency, legitimacy and power characteristics. Deegan and Rankin (1996) argued that companies' response to the information needed by the stakeholders and the CSRD is one of the strategic instruments to shape stakeholders' points of view of the company and validate the company's approval and acceptance of the stakeholders' activities.

Botosan (1997) finds that CSRD leads to decreased information asymmetry between managers and investors. Hooghiemstra (2000) and Spence (2007) explained that this aids the company in building a positive image, increases share liquidity, improves the international capital market, and attracts investors by improving the operating performance. Dam & Scholtens (2012) argued that whenever non-financial motivations are included in designing the information of CSRD, agency costs and any transaction may become not fairly important.

The main problem is how the decisions to conduct CSRD, and a specific owner's holdings influence the quality of its disclosure. In line with LT, Anderson et al. (2003) explained that family firms regard their ownership as an asset to pass on to their descendants rather than wealth to utilise while they are still alive (Anderson et al., 2003). Therefore, Uhlaner et al. (2004), Deniz & Suarez (2005), Stavrou et al. (2007), and Block and Wagner (2010) argued that family firms encourage the behaviour of CSR activity, that builds the reputation become better (Dyer Jr & Whetten, 2006). Therefore, the following hypotheses are formulated:

H4a: Family ownership on the BoC is positively related to CSRD.

H4b: Family ownership on the BoD is positively related to CSRD.

3.2.5 Composition of the Board

Many theories have been developed to describe the role of the BoD, including legitimacy, agency, and stakeholder theories. These theories provide inclusive discussions of board independence in the decision-making process, focusing on strategic-level processes and ensuring that the behaviour of the management is consistent with the interests of shareholders.

Board composition relates to the number of outside directors serving a firm's board, which is considered a proxy of board independence (Kim, 2007). Independent boards should comprise a majority of directors free from business or personal connections that could impair their ability to query and contest management (Felton & Watson, 2002). Outside BoD makes the management more independent and monitors effectively (Garcia-Meca & Sanchez-Ballesta, 2010).

Fama and Jensen (1983) define that the independency of the board becomes important due to rationalised agency theory. Agency theory posits that an independent board is a mechanism to monitor the opportunistic behaviour of the executive director as boards have big authority to fire, compensate and hire any top management and CEOs. In addition, an independent board represents the benefits to a company's shareholders by guidelines, creating objectives that maximise shareholders' value (Hashim & Devi, 2008).

The CSRD practices could be seen as a strategy meant to narrow the perceived legitimacy gap among shareholders and management; the non-executive directors play a key role in accomplishing CSRD (Haniffa & Cooke, 2005). Besides, director independence is expected to address concerns about a company's reputation and duties. They would generally be more concerned that fulfilling a company's social responsibilities could support the image and status of their community (Zahra & Stanton, 1988). Thus, independent directors are more likely to pressure companies to supply CSR information in their corporate AR. Hence, the following hypotheses are proposed:

H5a: The composition of the BoC is positively related to CSRD.

H5b: The composition of the BoD is positively related to CSRD.

3.2.6 Foreign Ownership as a Moderator

Under stakeholder theory, CSR disclosure aims to reveal companies' concerns for the surrounding community. Multinational or foreign-owned companies could gain legitimacy from their stakeholders, who are based in the home market, facilitating them to operate for an extended period (Barkemeyer, 2007; Suchman, 1995). This evidences that FOROWN positively impacts voluntary disclosure (Chau & Gray, 2002). Amran et al. (2014) showed a positive correlation between the profitability and efficiency of FOROWN companies. The results also showed that CSR disclosure was effective in increasing firm profit.

The requirement for disclosure is generally higher with foreign ownership in a company. This is because the management and majority shareholders are geographically separated (Bradbury, 1991; Schipper, 1981). In addition, foreign investors are prone to have different sets of values and knowledge due to their exposure to foreign markets. Thus, companies with FOROWN are expected to disclose more information, including environmental and social information, to assist them in making decisions. There is a significant positive association between FOROWN and CSRD among Malaysian companies, suggesting that companies in Malaysia use CSRD as a proactive legitimation strategy to acquire capital and oblige ethical investors (Haniffa & Cooke, 2005).

The positive relationship between the percentage of FOROWN and CSR reporting could lead to causality issues (Branco & Rodrigues, 2008). Fields and Keys (2003) found that heterogeneity of ideas, experience, and innovations individuals bring to an organisation tends to impact performance. Consequently, Ayuso and Argandona (2007) found that foreign-owned companies support CSR reporting. Haque et al. (2007) found that in Bangladesh's banking sector, diversity became an essential element in the structure of CG in the last few decades as the policy on the representation of foreigners on boards has been implemented.

Patrick (2001) states that foreign shareholders are more independent than local shareholders. Therefore, foreign ownership will reduce conflicts between shareholders as foreign owners bring the skills and management experience to reduce the agency's problems, thus increasing shareholders' wealth. Rhee and Wang (2009) argue that foreign owners have a better experience because they are better trained and have more information.

Thus, the greater the proportion of foreigners' shares, the greater the ability of boards to monitor the companies.

Foreign-owned companies are more likely to use their websites to disseminate their CSR information to reduce agency conflicts among management and owners and facilitate their foreign stakeholders' easy access to information (Firth et al., 2008). Foreign owners with more information, knowledge, skills, and experience could eliminate agency problems by suggesting more CSR disclosure (Patrick, 2001). In addition, firms having contracts with foreign stakeholders in trade and ownership get better support in disclosing their CSR activities (Puspitasari, 2009). The majority of prior studies have shown that foreign ownership has a positive effect on financial or voluntary disclosure. However, Sufian and Zahan (2013), who analysed 70 companies listed on the DSE in Bangladesh, found no association between corporate structure variables (foreign ownership, outside shareholders, and board size) and CSRD. Amran and Devi (2008) also found that FOROWN and affiliation with foreign stakeholders do not influence CSRD in Malaysia.

This inconsistency is possible due to the missing moderating effect of other variables. According to Namazi and Namazi (2016), a moderation relationship is important in examining the relationship between two variables to explain the complex business better than a direct relationship. Thus, we include foreign ownership as the moderating variable. Several reasons why foreign ownership is chosen: (1) foreign investors are still dominating the Indonesian equity market with a 51% market share in 2018 (Ayuningtyas, 2019; CNN Indonesia, 2019), especially since 2021, some sectors can be owned up to 100% refer to Presidential Regulation No. 10 of 2021 (2) foreign investors are more concerned with the social and environment since they are more knowledgeable and obedient to ecological laws

(Rustam et al., 2019); (3) foreign investors are more influential in determining the stock prices in the market (Richards, 2002; Wang, 2007).

Foreign ownership moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relationship positively and can also negatively impact CSR disclosure. This result is still in line with research conducted by Al-Gamrh et al. (2020), Bayrakdaroglu et al. (2012), Ferris and Park (2005), and Makhija and Spiro (2000). Two possible reasons may explain why foreign ownership could negatively affect CSR disclosure. First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing the companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investors' ability to monitor firms.

As for this study, foreign ownership is assumed to impact corporate governance attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and influences decisions on CSR disclosure quality or quantity. The impact may be positive or negative. Thus, this study proposes the following hypotheses:

H6a: Foreign ownership moderates the relationship between each board's political connection, women's participation on boards, board ethnicity, family ownership and board composition (of both the BoC and BoD), and the extent of CSR disclosure.

H6b: Foreign ownership moderates the relationship between each board's political connection, women's participation on boards, board ethnicity, family ownership and board composition (of both the BoC and BoD), and the quality of CSR disclosure.

3.3 Research Design

This study utilises secondary data to solve the problem statements. As this study is conducted on Indonesian listed companies, it observes the annual reports of public listed companies on the Indonesia Stock Exchange (IDX) in 2017, except financial and unit trust companies. Companies with data errors are also excluded. This study uses secondary data. According to Kervin (1999), secondary data comprise quantitative data that can be used in descriptive and explanatory studies. Secondary data is likely to be higher-quality data than collecting one's own (Stewart & Kamins, 1993). It provides a source of data that is both permanent and available in a form that may be checked relatively easily by others (Descombe, 2003). The independent variables to be measured are five mechanisms of CG attributes - PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge. The dependent variable is CSR disclosure, measured in quantity (length/extent) and quality.

3.4 Data Collection Procedures

Secondary data are from companies' annual reports from the IDX in Indonesia in 2017. Pervez (2005) claimed the main benefit is that researchers can save money and time when employing secondary data. Other researchers argued secondary data are more accurate than primary data (Stewart & Kamins, 1993). The former provides a permanent source of data available in a form that others can easily check (Descombe, 2003). Therefore, the quantitative research approach refers to measurement by statistical data and collection of facts (Davidson, 2006).

The most important purpose of this research is getting the determinants of CG attributes that affect the CSRD among public listed companies on the Indonesian Stock Exchange

(IDX). The secondary data (independent, dependent, and moderating variables) are gathered from the 2017 corporate annual reports, considering that such data is relatively current, thus illustrating the recent social and environmental disclosure practice. The data on company annual reports was gathered by downloading from the website (https://www.idx.co.id/)/ or the company website directly. In addition, typically, social and environmental disclosure policies tend to be consistent throughout the year (Botosan, 1997).

Further, this study was conducted on companies' annual reports gathered from the IDX in Indonesia in 2017 for the following reasons. First, the annual reports of 2017 were chosen as they are the latest available source of data on study variables that could be collected on the websites. Second, the researcher wants to investigate the level of CSR disclosure since 2016 because CNN News reported that CSRD disclosure by public listed companies in Indonesia was fairly low (48.4%) during the year. Furthermore, one of the government agencies under the IDX, the financial services authority (OJK), required all public listed companies in IDX to disclose their CSRD activities in their annual report (OJK, 2016).

The use of one-year data is deemed sufficient, as supported by findings of prior studies in Malaysia, such as Ahmed Haji (2013), Embong (2014) and Fatima et al. (2015). Examining the extent and quality of CSRD and environmental disclosure using data for the years 2005, 2006 and 2009, Ahmed Haji (2013) and Fatima et al. (2015) found an increase in the extent of disclosure due to disclosure requirements set by Bursa Malaysia. Therefore, this study's one-year data may be sufficient and appropriate.

This study's independent variables (IV) comprise corporate governance attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge). Meanwhile, CSRD is the dependent variable (DV), and foreign ownership is the moderating variable.

3.5 Sample of the Study

This study collected information mainly from the 2017 annual reports of companies. The use of companies' annual reports for collecting data and information aligns with methods used in previous studies that examined voluntary disclosure and CSRD (Ahmed Haji, 2013; Ahmed Haji & Mohd Ghazali, 2013; AlNaimi et al., 2012; Elmogla et al., 2015; Embong, 2014; Fatima et al., 2015; Gazali & Weetman, 2006; Haniffa & Cooke, 2005; Ho & Taylor, 2013; Ling & Sultana, 2015; Othman et al., 2011; Yekini et al., 2015). The use of annual reports for collecting CSR information may be appropriate and relevant because information on study issues can be reviewed quickly and enable the results of this study to be compared with past studies that widely used CSR information in the annual reports.

Gray et al. (1995) consider the annual report as a major official and legal document that a firm regularly produces, which acts as a significant forum for the presentation of the firm's communication within political, social and economic systems. Previous studies focused solely on the annual report for several reasons. First, the annual report is considered a credible source of specific information and is widely distributed (Unerman, 2000). Second, it is the main medium for a company to promote itself (Gray et al., 1995). Third, since the annual report must be published by all listed companies regularly, it is easier to compare performance among companies.

As presented in Table 3.1, the number of PLCs on the IDX at the end of 2017 was 524. Of that, 82 were financial and unit trust companies. They are excluded as different rules govern their reporting practices (El-Bannany, 2008; Kamath, 2007; Li et al., 2012). In line with previous research (e.g., Haniffa & Hudaib, 2006; Campbell & Minguez-Vera, 2008), the present study only considers companies which disclosed information on CSR activities, the background of the board of commissionaire and the board of directors. However, data from only 353 companies were available on their respective websites and the IDX website at the time of the study. Eighty-nine (16.98%) companies do not disclose the CSR information needed in this study. In addition, some companies have extreme data that make the regression result abnormal. As a result, 89 companies were classified as outliers by the researcher.

Outliers are observations that have their own unique characteristics that make them different from other observations (Hair et al., 2006). There are several methods to check outliers. Standardised residual and Cook's distance were used in this study, widely used methods to detect any outliers. Observations with high standardised residuals have the potential to be influential outliers. According to the rule of thumb, observations with standardised residuals above +3 or below -3 are relevant. Observations that have the potential to be influential outliers are identified. The impact of outliers, whether beneficial or problematic, has to be examined to determine whether to include them in the sample (Hair et al., 2006). After deleting the outliers, multiple regressions were run to see if there were differences in the estimated coefficients. If the difference is not significant, no outlier is eliminated. Hair et al. (2006) suggest that outliers should be retained to ensure generalisation to the entire population.

According to Krejcie and Morgan (1970), the sample size should be at least 157 companies for a population of 524. However, this study uses a sample of 353 PLCs, the distribution of which is presented in Table 3.1. The study consists of five IVs and one DV. All the data for each variable are collected from their respective annual reports.

Table 3.1: Sampling of the Study

No	Sector	Number of the company	Percentage
1	Agriculture	15	4.26%
2	Mining	31	8.78%
3	Basic Industry and Chemical	53	15.01%
4	Miscellaneous Industry	27	7.65%
5	Consumer Goods Industry	30	8.5%
6	Property, Real Estate and Building Construction	55	15.58%
7	Infrastructure, Utilities and Transportation	44	12.46%
8	Trade, Services and Investment	98	27.76%
	Final sample	**353**	**100%**

3.6 Unit of Analysis

One of the important elements in scientific research is the unit of analysis. It is the first step that researchers should clearly define before proceeding with data analysis. The unit of analysis could be individuals, groups, geographical locations, or almost anything (Arikunto, 2010). There is a difference between the unit of analysis and the unit of sampling. For example, in this study, public listed companies (PLCs) in Indonesia are the unit of analysis, and they have been chosen as subjects to represent CSR disclosures. Therefore, the sampled PLCs are the unit of analysis as well as the unit of sampling. The unit of analysis is PLCs, but the unit of sampling is 353 PLCs.

3.7 Operational Definition and Measurement of the Variables

This study's DV is the CSR disclosure (CSRD) measured by quality and quantity. The independent variables (ID) are the CG mechanisms, represented by boards' political connection (PCOB), women's participation on boards (WPOB), board ethnicity (ETOBChinese), family ownership (FAOWN), and board composition (TCOBPrcntge). Companies' profitability, size, and sector are the control variables.

3.7.1 Dependent Variables

This study focuses on CSR disclosure among companies listed on the IDX in Indonesia. The CSRD level is the dependent variable. CSR disclosure is defined as the provision of an organisation's financial and non-financial information, showing companies' interaction with the social and physical environment. The disclosure can be part of a company's annual report or a standalone social report (Guthrie & Mathews, 1985). The significant elements of CSRD include details of a company's community involvement, energy, environment, human resources, physical resources and services and products (Hackston & Milne, 1996).

According to Mathews (1993), the CSRD is often referred to as social disclosure, CSR, or accounting's social disclosure. In other words, CSRD communicates the CSR and CSER impact of an organisation's economic activities to interested parties and society. According to Gray et al. (1987) and Sembiring (2006), CSRD is an extension of the responsibility of organisations, particularly firms, which is outside its traditional role to provide annual reports to their shareholders.

There are two types of CSRD measurements - quantity and quality, and the choice between these measurements depends on the purpose of the study. The measurements are discussed as follows.

3.7.1.1 Corporate Social Responsibility Disclosures Quantity

In past studies, content analysis methods were used to measure CSR reporting, including different units of analysis such as word counts (Deegan & Gordon, 1996), number of sentences (Hackston & Milne, 1996), number of pages (Gray et al., 1995; Guthrie & Parker, 1989; Guthrie & Parker, 1990; Patten, 1992; Patten, 1995). Al-Tuwaijri et al. (2004) argue that a page may contain an image that does not have information about CSR, whereas sentences and words may perhaps not take into account a graph or necessary table. An annual report inspection recognises large differences in the length of sentences within and between companies. Furthermore, pages tend to be the preferred unit as this reflects the amount of total space given to a topic and, by inference, the importance of that topic (see also Krippendorf, 1980). Practically, pages are also the easier (and more reliable) unit to measure by hand (Guthrie and Parker, 1989, 1990).

Previous studies also debated the quantitative measurement of CSRD; some measured by the number of words, pages or sentences used to disclose each disclosure item (Zeghal & Ahmed, 1990). Haniffa and Cooke (2005) argued that the measurement gives a clear picture of the extent of disclosure by emphasising the item's content. The number of pages (Deegan & Rankin, 1996; Patten, 1992) reflects the amount of total space given to a topic and, by inference, the importance of that topic (Krippendorff, 1980). Therefore, in this study, the quantity of CSRD is measured by the number of pages.

3.7.1.2 Corporate Social Responsibility Disclosures Quality

An index is used to assess the quality of information (Leitoniene & Sapkauskiene, 2015). An index of disclosure quality can be defined as a tool designed to measure a number of indicators whose score would indicate the quality level of the disclosed information. It is considered an appropriate technique because the index elements are selected based on guidelines or other indicators presented in the literature (Leitoniene & Sapkauskiene, 2015). Using this technique, researchers must establish the social and environmental responsibility issues their studies would focus on (Cormier & Gordon, 2001; Guthrie & Parker, 1990; Hasseldine et al., 2005).

This study may benefit from using a CSR disclosure checklist and unweighted scoring for CSR information. According to Fatima et al. (2015), this procedure is subjective; however, it ensures that irrelevant information and redundancies are avoided. An unweighted disclosure index assumes that each disclosure item is of equal importance for users of annual reports in making decisions (Akhtaruddin & Haron, 2010; Akhtaruddin et al., 2009; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Mohd Ghazali, 2010; Mohd Ghazali & Weetman, 2006; Said et al., 2009). Several studies have employed the unweighted method (Abeysekera, 2010; Akhtaruddin et al., 2009; Allegrini & Greco, 2013; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Huafang et al., 2007; Ghazali, 2010; Persons, 2009).

In this study, the quality of CSRD is measured based on the GRI index. Twenty-five items are employed after considering the Indonesian environment because public companies are only required to report sustainability reports by the Financial Services Authority (OJK, 2017). In order not to burden companies with this report, OJK has not set the reporting standards. The OJK director remarked on the CNBC news, "now it is too early, so we do not need a perfect report. Most importantly, these companies report first, perfect or imperfect CSR activity report, later we check one by one first." (Wareza, 2018).

Only a handful of Indonesian PLCs has prepared the standalone CSR report due to the absence of standards or guidelines on CSR reporting in the country (Natalylova, 2013).

Moreover, twenty-five items would reflect what extent the Indonesian listed companies have improved their corporate governance, including the effectiveness of the CSRD towards increasing transparency and reporting quality. Thus, the adopted checklist provides a useful benchmark for comparison with earlier research.

Companies implementing CSR or sustainability reporting normally refer to the G3 Global Reporting Guidelines (GRI G3 Guidelines). This globally recognised set of guidelines covers economic performance, environmental, and social aspects (GRI, 2011). The GRI Guidelines discuss some of the benefits of the sustainability report. First, the report can be used to compare the performance of companies. Second, it can indicate the difference between the pre-and post-adoption of sustainability reporting. Third, it benchmarks companies' performance to regulations, standards, and local wisdom (GRI, 2011).

Several steps were carried out to finalize the combined checklist for this study. First, the construction of the disclosure index is based on the global reporting initiative (GRI) in 2016. Second, the construction of the disclosure index is based on the information that firms supply in their annual financial reports published by the Bursa Efek Indonesia (Indonesia Stock Exchange) in 2017 due to majority of the index's items from GRI 2016 are difficult to implement by PLCs in Indonesian environment. For example, Em 301-3 (Reclaimed products and their packaging materials/ calculate the percentage of reclaimed products and their packaging materials for each product category using the following formula); Ee 302-3 (Reclaimed products and their packaging materials/ Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all); Ee 302-3 (Energy intensity/ Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all); Ee 302-5 (Reductions in energy requirements of products and services/ Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. (Standards, methodologies, assumptions, and/or calculation tools used) and others (Ew 303-2, Eb 304-1, Eb 304-4, Ef 306-1, Ef 306-4, Ef 306-5, SEA 308-1, SEA 308-2, EMS 305-1, EMS 305-2, EMS 305-3, EMS 305-4, EMS 305-5, So 403-4, Sh 412-3, Sl 413-2, Sm 417-3, Snd406-1, Scl 408-1, Scp 418-1, Sfcl409-1, Sfacb407-1, Slmr 402-1, Spp 415-1, Srip 411-1, SSp 410-1, Sdo 405-1, Sdo 405-2, Ssa 414-1, Ssa414-2, Sem401-1).

The historical background and social environment of the country are unique (Ramdhony, 2018). A proper appreciation of the local political and social forces at play are important to understand the pro-regulation approach to CSR in the case of Mauritius. Ramdhony, (2018) explained that Mauritius is a former British and French colony. The Mauritian business environment is characterized by family owned and managed firms with concentration of ownership among a small percentage of the population. Even listed companies have a high influence of family driven management with the same people having stakes in related businesses. This results in a "high level of opacity" in running such enterprises (Soobaroyen, T. and Mahadeo, 2008).

Table 3.2 CSR Disclosure Index from GRI

GRI Standards	Dimension	Total/dimension of Index	Index Used
Environmental Standard	**Materials**	3	2
	Energy	5	3
	Water	3	2
	Biodiversity	4	2
	Effluents and Waste	5	2
	Environmental Compliance	1	1

	Supplier environmental assessment	2	0
	Emission	7	0
TOTAL		**30**	**12**
Sosial	**Occupational Health and Safety**	4	3
	Training and Education	3	3
	Human Rights Assessment	3	2
	Local Communities	2	1
	Customer Health and Safety	2	2
	Marketing and Labelling	3	2
	Non-discrimination	1	0
	Child Labor	1	0
	Customer Privacy	1	0
	Forced or Compulsory Labor	1	0
	Freedom of Association and Collective Bargaining	1	0
	Labour or Management Relations	1	0
	Public Policy	1	0
	Rights of Indigenous Peoples	1	0
	Security Practices	1	0
	Diversity and Equal Opportunity	2	0
	Supplier Social Assessment	2	0
	Employment	3	0
TOTAL		**33**	**13**
	TOTAL INDEX	**63**	**25**

Source: GRI index (2016).

Second, the construction of the disclosure index is based on the information that firms supply in their annual financial reports published by the Bursa Efek Indonesia (Indonesia Stock Exchange) in 2017. In addition, Beest et al. (2009) develop a comprehensive measure to operationalise and enhance the qualitative characteristic of annual report information. Third, the combined checklist was extensively examined, and similar/too much non – compliance with the Indonesian environment items detected were eliminated in the initial stage. It could be caused by OJK regulation, PERATURAN OTORITAS JASA KEUANGAN (POJK) NOMOR 51 /POJK.03/2017, concerning the implementation of sustainable finance for financial service institutions, emiten, and public companies. It should be implemented on January 1, 2019, 2020, 2022, 2024 and 2025. On CNBC news, Wareza (2018) reported that, in order not to burden companies with this report, the financial services authority (OJK) had not set the reporting standards. Therefore, the model will be reported for no more than three pages for the initial stage and contains images and explanations of the activities (Wareza, 2018). In this study, the quality of CSRD is measured based on the GRI index. Twenty-five items are employed after considering the Indonesian environment in which public companies are only required to report sustainability reports by the Financial Services Authority (OJK, 2017).

Fourth, the similarity/difficult index's items was verified and determined by a number of senior analysts, accounting professors/senior lecturers in CSR, and executives of non-governmental organisations in the field of CSR, majoring in corporate disclosure practices from Indonesia. There are some lists of practitioners (senior analysts, auditors and secretary helpdesk and management of Kustodian Sentral Efek Indonesia (KSEI)) involved in the process of verifying the data:

- Sister Eni Kartika Sari, senior staff of public relations and strategic management, Financial Services Authority (IDX), Jakarta, Indonesia.
- Yulia Wirdaningsih, secretary, helpdesk of Kustodian Sentral Efek Indonesia (KSEI).
- Mr Delon, Head of Information Technology operating unit, Kustodian Sentral Efek Indonesia (KSEI).
- Keulana Erwin S.E., M.Sc. DBA (Auditor on the Erwin Zikri & Togar and partners public accounting firm, 2017-2018).
- Dian Faqih Sumarli SE, MSc. Finance (Auditor on the Katio and partners public accounting firm from 2017 to 2018).

Furthermore, some professors/senior lecturers were involved in the process of verifying the data:

- Prof. Dr. Dadan Ramdan, M.Eng, M.Sc (Senior lecturer on Universitas Medan Area).
- Prof. Hj. Hasrita Lubis, M.Pd. PhD (Senior lecturer of Universitas Islam Sumatera Utara).
- Warsani Purnama Sari,SE, Ak, MM. (Senior lecturer of Accounting in Universitas Medan Area)
- Erwin Abubakar S.E., M.Sc. DBA (Senior lecturer of Universitas Sumatera Utara).
- Khalik Pratama Nasution SE., MSc. Acc (Senior lecturer of Universitas Islam Sumatera Utara and Universitas Medan Area).

Lastly, in implementing the GRI Index, the unweighted measure is used to identify the level of CSR disclosure quantity which uses a dummy variable, coded one (1) if the information is disclosed and zero (0) otherwise. The score of each item will be summed up to obtain the total score for each company.

Table 3.3 CSR Disclosure Index Checklist from GRI

GRI Standards	Dimension	Code	Items
Environmental Standard	Materials	Em301-1	Materials used by weight or volume
		Em301-2	Recycled input materials used.
		Em 301-3	**Reclaimed products and their packaging materials (calculate the percentage of reclaimed products and their packaging materials for each product category using the following formula)**
	Energy	Ee302-1	Energy consumption within the organization
		Ee302-2	Energy consumption outside of the organization
		Ee 302-3	**Energy intensity (Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all.)** calculate the ratio by dividing the absolute energy consumption (the numerator) by the organization-specific metric (the denominator); if reporting an intensity ratio both for the energy consumed within the organization and outside of it, report these intensity ratios separately.

		Ee302-4	Reduction of energy consumption
		Ee 302-5	**Reductions in energy requirements of products and services.** Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. (Standards, methodologies, assumptions, and/or calculation tools used.)
	Water	Ew303-1	Water withdrawal by source
		Ew 303-2	**Water discharge** Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; Third-party water, and the volume of this total sent for use to other organizations, if applicable
		Ew303-3	Water recycled and reused
	Biodiversity	**Eb 304-1**	**Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas** Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation).
		Eb304-2	Significant impacts of activities, products, and services on biodiversity

		Eb304-3	Habitats protected or restored
		Eb 304-4	**IUCN Red List species and national conservation list species with habitats in areas affected by operations** Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk: i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern
	Effluents and Waste	**Ef 306-1**	**Water discharge by quality and destination** **When compiling the information specified in** Disclosure 306-1, the reporting organization shall: exclude collected rainwater and domestic sewage from the volume of planned and unplanned water discharges; When compiling the information specified in Disclosure 306-1, the reporting organization should: 2.2.1 if it discharges effluents or process water, report water quality in terms of total volumes of effluent using standard effluent parameters, such as Biological Oxygen Demand (BOD) or Total Suspended Solids (TSS); 2.2.2 select parameters that are consistent with those used in the organization's sector
		Ef306-2	Waste by type and disposal method
		Ef306-3	Significant spills.

	Ef 306-4	**Disclosure 306-4 Transport of hazardous waste** The reporting organization shall report the following information: a. Total weight for each of the following: i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated b. Percentage of hazardous waste shipped internationally. c. Standards, methodologies, and assumptions used.
	Ef 306-5	**Water bodies affected by water discharges and/or runoff** When compiling the information in Disclosure 306-5, the reporting organization shall report water bodies and related habitats significantly affected by water discharges and/or runoff that meet one or more of the following criteria: 2.5.1 Discharges account for an average of five percent or more of the annual average volume of the water body; 2.5.2 Discharges that, on the advice of appropriate professionals, such as municipal authorities, are known to have or are highly likely to have significant impacts on the water body and associated habitats; 2.5.3 Discharges to water bodies that are recognized by professionals to be particularly sensitive due to their relative size, function, or status as a rare, threatened, or endangered system, or that support a particular endangered species of plant or animal; 2.5.4 Any discharge to a wetland listed in the Ramsar Convention

			or any other nationally or internationally proclaimed conservation area regardless of the rate of discharge;
	Environmental Compliance	Ec307-1	Non-compliance with environmental laws and regulations
	Supplier Environmental Assessment	**SEA 308-1**	**New suppliers that were screened using environmental criteria** This disclosure informs stakeholders about the percentage of suppliers selected or contracted subject to due diligence processes for environmental impacts. An organization is expected to initiate due diligence as early as possible in the development of a new relationship with a supplier. Impacts may be prevented or mitigated at the stage of structuring contracts or other agreements, as well as via ongoing collaboration with suppliers.
		SEA 308-2	**Negative environmental impacts in the supply chain and actions taken** The reporting organization shall report the following information: a. Significant actual and potential negative environmental impacts identified in the supply chain. b. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. **c.** Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.

	Emission	**EMS 305-1**	**Direct (Scope 1) GHG emissions** The reporting organization shall report the following information: Compilation requirements a. Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent. b. Gases included in the calculation; whether CO2 , CH4 , N2O, HFCs, PFCs, SF6 , NF3 , or all. c. Biogenic CO2 emissions in metric tons of CO2 equivalent. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; the context for any significant changes in emissions that triggered recalculations of base year emissions
		EMS 305-2	**Energy indirect (Scope 2) GHG emissions** The reporting organization shall report the following information: Compilation requirements. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent. a. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent. b. If available, the gases included in the calculation; whether CO , CH , N O, HFCs, PFCs, SF , NF , or all. 2 4 2 6 3 c. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; the context for any significant changes in emissions that triggered recalculations of base year emissions. iii. d. Source of the emission factors and the global warming potential

		(GWP) rates used, or a reference to the GWP source
	EMS 305-3	**Other indirect (Scope 3) GHG emissions** The reporting organization shall report the following information: Compilation requirements a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO_2 equivalent. If available, the gases included in the calculation; whether CO , CH , N O, HFCs, PFCs, SF , NF , or all. 2 4 2 6 3 b. c. Biogenic CO_2 emissions in metric tons of CO_2 equivalent. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; the context for any significant changes in emissions that triggered recalculations of base year emissions.
	EMS 305-4	**GHG emissions intensity** The reporting organization shall report the following information: Compilation requirements a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). c. d. Gases included in the calculation; whether CO_2 , CH_4 , N_2O, HFCs, PFCs, SF_6 , NF_3 , or all. When

		compiling the information specified in Disclosure 305-4, the reporting organization shall: 2.7 calculate the ratio by dividing the absolute GHG emissions (the numerator) by the organization-specific metric (the denominator); 2.7.1 if reporting an intensity ratio for other indirect (Scope 3) GHG emissions, report this intensity ratio separately from the intensity ratios for direct (Scope 1) and energy indirect (Scope 2) emissions.
	EMS 305-5	**Reduction of GHG emissions** The reporting organization shall report the following information: Compilation requirements. a. b. Gases included in the calculation; whether CO2 , CH4 , N2O, HFCs, PFCs, SF6 , NF3 , or all. c. Base year or baseline, including the rationale for choosing it. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. e. Standards, methodologies, assumptions, and/or calculation tools used. When compiling the information specified in Disclosure 305-5, the reporting organization shall: 2.9 exclude reductions resulting from reduced production capacity or outsourcing; 2.9.1 2.9.2 use the inventory or project method to account for reductions; calculate an initiative's total reductions of GHG emissions as the sum of its associated primary effects and any significant secondary effects; 2.9.3 if reporting two or more Scope types, report the reductions for each

			separately; 2.9.4 2.9.5 report reductions from offsets separately.
Social Standards	Occupational Health and Safety	So403-1	Workers representation in formal joint management–worker health and safety committees.
		So403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
		So403-3	Workers with high incidence or high risk of diseases related to their occupation
		So 403-4	**Health and safety topics covered in formal agreements with trade unions** Agreements at the global level typically address topics that can include: • compliance with the ILO; • arrangements or structures for resolving problems; • commitments regarding target performance standards, or levels of practice to apply.
	Training and Education	St404-1	Average hours of training per year per employee
		St404-2	Programs for upgrading employee skills and transition assistance programs.
		St404-3	Percentage of employees receiving regular performance and career development reviews
	Human Rights Assessment	Sh412-1	Operations that have been subject to human rights reviews or impact assessments

		Sh412-2	Employee training on human rights policies or procedures
		Sh 412-3	**Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening** The reporting organization shall report the following information: a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. The definition used for 'significant investment agreements'
	Local Communities	Sl413-1	Operations with local community engagement, impact assessments, and development programs.
		Sl 413-2	**Operations with significant actual and potential negative impacts on local communities** The reporting organization shall report the following information: a. Operations with significant actual and potential negative impacts on local communities, including: i. the location of the operations; ii. the significant actual and potential negative impacts of operations
	Customer Health and Safety	Sc416-1	Assessment of the health and safety impacts of product and service categories
		Sc416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
	Marketing and Labelling	Sm417-1	Requirements for product and service information and labeling.

		Sm417-2	Incidents of non-compliance concerning product and service information and labeling
		Sm 417-3	**Incidents of non-compliance concerning marketing communications** The reporting organization shall report the following information: a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient
	Non-discrimination	**Snd406-1**	**Disclosure 406-1 Incidents of discrimination and corrective actions taken** The reporting organization shall report the following information: Compilation requirements REQUIREMENTS a. Total number of incidents of discrimination during the reporting period
	Child Labor	**Scl 408-1**	**Operations and suppliers at significant risk for incidents of child labor**

	Customer Privacy	**Scp 418-1**	**Substantiated complaints concerning breaches of customer privacy and losses of customer data** The reporting organization shall report the following information: Compilation requirements Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies.
	Forced or Compulsory Labor	**Sfcl409-1**	**Operations and suppliers at significant risk for incidents of forced or compulsory labor**
	Freedom of Association and Collective Bargaining	**Sfacb407-1**	**Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk**
	Labor or Management Relations	**Slmr 402-1**	**Minimum notice periods regarding operational changes**
	Public Policy	**Spp 415-1**	**Political contributions** **When compiling the information specified in Disclosure 415-1, the reporting organization shall calculate financial political contributions in compliance with national accounting rules, where these exist.**
	Rights of Indigenous Peoples	**Srip 411-1**	**Incidents of violations involving rights of indigenous peoples**

	Security Practices	**SSp 410-1**	**Security personnel trained in human rights policies or procedures**
	Diversity and Equal Opportunity	**Sdo 405-1**	**Diversity of governance bodies and employees**
		Sdo 405-2	**Ratio of basic salary and remuneration of women to men**
	Supplier Social Assessment	**Ssa 414-1**	**New suppliers that were screened using social criteria**
		Ssa414-2	**Negative social impacts in the supply chain and actions taken**
	Employment	**Sem401-1**	**New employee hires and employee turnover**

Source: GRI index (2016).

Table 3.2 shows the CSR and CSER dimensions and their codes, as listed in the GRI 2016 guidelines. Environmental standards are divided into six dimensions (material, energy, water, biodiversity, effluents and waste, and environmental compliance) and 12 items, each with its own code (Em301-1 to Ec307). "Em" in the code stands for material, "Ee" for energy, "Ew" for water, "Eb" for biodiversity, "Ef" for effluents and wastes, and "Ec" for environmental compliance. Meanwhile, the social standard is categorised into six dimensions - occupational health and safety, training and education, human rights assessment, local communities, customer health and safety, and marketing and labelling. The dimensions are coded So, St, Sh, Sl, Sc, and Sm, respectively. Altogether, there are 13 items under the social standard. Only items relevant to Indonesian companies are selected in this study. Some of the items in the checklist may not be appropriate or applicable to Indonesian PLCs.

3.7.2. Measurement of Independent Variables

The IV in this study are PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge. Besides, profitability, company size, and company sector are control variables (CVs). The measurements of the variables are described below.

3.7.2.1 Political Connection of the Board (PCOB)

A PLC is considered PCOB if at least one of its board members is an existing or former political appointee of the government, military or ex-military personnel. In line with the research by Johnson and Mitton (2003), Fan et al. (2007), and Faccio (2006), this study measures political connection using a dummy variable, taken as "1" if political connections exist and "0" otherwise.

3.7.2.2 Women's Participation on the Board (WPOB)

WPOB, or gender diversity, is defined as the existence of women on a company's BoD (Dutta & Bose, 2007). WPOB is measured as the percentage of women on the BoD (BoC) (Adams & Ferreira, 2004; Huse & Solberg, 2006).

3.7.2.3 Ethnicity of the Board

Racial or ''race ethnicity'' diversity in the board can be classified as one of the firm's valuable resources that have the potential to achieve a competitive edge (Fitzsimmons, 2013). Each culture is diverse with respect to norms, values, beliefs, behaviours and ethical rules that affect firms' strategic decisions (Zhang, 2012). Ethnically diverse boards might be able to understand different groups of stakeholders' needs from a CSR perspective (Miller & Triana, 2009) and report more quality information on financial and non-financial aspects of the business than boards having members from the same racial groups (Butler, 2012; Carter et al., 2010). Prior literature documented mixed results; for example, Upadhyay and Zeng (2014) asserted a negative impact of racial diversity on firms' environmental disclosure.

Studies in developing countries are a little different from those in developed countries, as shown by the mixed results of the influence of CG attributes on CSRD. For example, Indonesia has two tiers of boards in the corporate governance structure, namely the BoC and BoD. As far as board diversity is concerned, various measurements have been adopted by studies worldwide. Alarussi et al. (2009), in which the Chinese ethnicity of the chief executive officer (CEO) becomes the benchmark. Adopting the same structure, this study examines the ethnicity of the companies' leaders; the ethnicity of a board is coded "1" if the chairman is Chinese and "0" otherwise.

3.7.2.4 Family Ownership of the Board (FWOB)

Maury (2006), Basu et al. (2007), and Achmad et al. (2009) used a dummy variable as a proxy for family ownership. Choi et al. (2007) measured family ownership by using the percentage of shares held by the largest family owners and associated shareholders, shares owned by affiliated companies. In line with studies by Maury (2006), Basu et al. (2007), and Achmad et al. (2008), this research uses a dummy variable as a proxy for FAOWN. A company is assigned a score of "1" if family members are in the BoC or BoD and "0" otherwise.

3.7.2.5 Composition of the Board

Board composition relates to the number of outside directors serving a firm's board and is often regarded as a proxy for board independence (Kim, 2007). The composition of the BoC (BoD) measures the director's (commissionaire's) proportion to the total number of BoC (BoD) members. Chen and Jaggi (2000); Eng and Mak (2003); Lakhal (2005), and

Donnelly and Mulcahy (2008) examined the relationship between independent directors and disclosure and used this measurement. Based on previous studies, this study assumes the number of board independence as the measurement of board composition.

3.7.3 Measurement of the Moderating Variable

Foreign ownership is measured as the proportion of shares owned by individuals, organisations, or governments who are not citizens of the country where a company operates. A dummy variable measures foreign ownership - a company is given a score of "1" if it is foreign-owned and "0" otherwise (Sufian & Zahan, 2013). In line with Amran and Devi (2008), this study measures FOROWN by the proportion of shares owned by foreign investors (whether individuals or institutions) to the total number of outstanding shares.

Table 3.4 Summary of the Variables Measurement

No	Variables	Acronym	Operational Measurement	Sources
1.	Political Connection of the Board	PCOB	A dummy variable, coded 1 if the board has a political connection to the government and 0, otherwise	Johnson and Mitton (2003); Faccio (2006) and Fan et al., (2007)
2.	Women's Proportion on the Board	WPOB	Percentage of women on a board to total board members	Huse & Solberg (2006); Adams & Ferreira (2004)
3.	Ethnicity of the Board	ETOBChinese	A dummy variable, coded 1, if the leader of the board is Chinese and 0, otherwise	Alarussi et al. (2009)
4.	Family Ownership of the Board	FAOWN	A dummy variable, coded 1 if family members sit on the board, and 0, otherwise	Maury (2006); Basu et al. (2007); and Achmad et al. (2009)
5.	Composition of the Board	TCOBPrcntge	The proportion of independent board members to total board members	Chen & Jaggi (2001); Eng & Mak (2003); Lakhal (2005);

				Donnelly & Mulcahy (2008)
6.	Foreign Ownership	FOROWN	Percentage of foreign ownership	Sufian & Zahan (2013)

3.7.4 Control Variable

3.7.4.1 Profitability

Profitability is the ability of a firm to generate profit and increase shareholders' wealth. There are various profitability measures, including return on equity, return on assets, net profit, earnings per share, and operating ratio. However, this study uses the return on equity (ROE) (Ho & Wong, 2001).

3.7.4.2 Company Size

Large firms are more exposed to community scrutiny than smaller ones (Watts & Zimmerman, 1986). Simultaneously, larger companies can get innovation funds at a lesser cost by disclosing more information (Botosan, 1997). Therefore, this study uses total assets (its natural log, precisely) to measure the size of a company, as has been used by numerous studies such as Belkaoui and Karpik (989), Patten (1991), and Wright and Ferris (1997).

3.7.4.3 Company Sector

The company sector is measured using a dummy variable which takes a value of "1" if a company belongs to the sector (manufacturing) and "0" otherwise. A company is considered to be in the manufacturing sector if it falls under the following industries - agriculture, basic industry and chemicals, consumer goods, mining, and miscellaneous industry. The non-manufacturing sector consists of the trade, services & investment, property, real estate & building construction, infrastructure, utilities and transportation industries (Jitaree, 2015). The company sector has been included as a control variable in many studies, such as Bayoud et al. (2012), Hackston and Milne (1996), Hossain et al. (2006), Patten (1991), and Roberts (1992).

3.8 Research Model

Modelling the impact of CG attributes and variables' control on CSRD is based on the LT, AT, and ST, as adopted in the works of Haniffa and Cooke (2002) and Khan et al. (2013). A study model examines the determinants of CSRD of the companies' willingness to address CSR issues based on empirical studies. Based on the models by Haniffa and Cooke (2002) and Khan et al. (2013), the model of this study follows the hierarchical regression pattern. Hierarchical regression modelling indicates the order in which variables are included. The F-test is used to compute the significance of the added variables in explaining a relationship, indicated by the R-square (Kim et al., 2009). A hierarchical multiple regression also involves a series of regressions for each moderating effect in the relationship between the IV and DV (Barker & Oh, 2012; Kim et al., 2009; Walters et al., 2007).

In this study, the moderating variable is foreign ownership. Foreign ownership is expected to moderate the association between CG attributes and CSRD. The hierarchical regression analysis is conducted to test the effects of the moderator on the relationship. Following Baron and Kenny (1986) and Kim et al. (2009), the regression is performed using several steps. The first step includes the control variables (profitability, company size, and company sector) and the dependent variable (CSRD). In the second step, the independent variables (political connection of the boards, women's participation on the board, ethnicity of the board, family ownership of the board, and the board's composition) are added and regressed against the dependent variable. Next, the third step introduces the moderating variable, and finally, the fourth step includes the interactions between the moderating variable and each independent variable in the model. The following equations represent the model.

Model 1: Length of Corporate Social Responsibilities Disclosure (CSRDLength)

Step 1: Control variables to CSRDLength (CV)

$$CSRDL_n = \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \varepsilon_n$$

Step 2: CG attributes to CSRDLength (CV+IV)

$$\begin{aligned} CSRDL_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \boldsymbol{\beta_4 PCOBC_n} \\ & + \boldsymbol{\beta_5 WPOBC_n} + \boldsymbol{\beta_6 MEOBC_n} + \boldsymbol{\beta_7 FAOWNC_n} + \boldsymbol{\beta_8 TCOBC_n} \\ & + \boldsymbol{\beta_9 PCOBD_n} + \boldsymbol{\beta_{10} WPOBD_n} + \boldsymbol{\beta_{11} MEOBD_n} \\ & + \boldsymbol{\beta_{12} FAOWND_n} + \boldsymbol{\beta_{13} TCOBD_n} + \varepsilon_n \end{aligned}$$

Step 3: Foreign ownership to CSRDLength (CV+IV+Moderator)

$$\begin{aligned} CSRDL_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \beta_4 PCOBC_n \\ & + \beta_5 WPOBC_n + \beta_6 MEOBC_n + \beta_7 FAOWNC_n + \beta_8 TCOBC_n \\ & + \beta_9 PCOBD_n + \beta_{10} WPOBD_n + \beta_{11} MEOBD_n + \beta_{12} FAOWND_n \\ & + \beta_{13} TCOBD_n + \boldsymbol{\beta_{14} FOROWN_n} + \varepsilon_n \end{aligned}$$

Step 4: Foreign ownership as moderator to CG attributes' influence on CSRDLength

$$
\begin{aligned}
CSRDL_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \beta_4 PCOBC_n \\
& + \beta_5 WPOBC_n + \beta_6 MEOBC_n + \beta_7 FAOWNC_n + \beta_8 TCOBC_n \\
& + \beta_9 PCOBD_n + \beta_{10} WPOBD_n + \beta_{11} MEOBD_n \\
& + \beta_{12} FAOWND_n + \beta_{13} TCOBD_n + \beta_{14} FOROWN_n \\
& + \boldsymbol{\beta_{15}}(\mathbf{MPCOBKI})_{\boldsymbol{n}} + \boldsymbol{\beta_{16}}(\mathbf{MWPOBKI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{17}}(\mathbf{METOBKCI})_{\boldsymbol{n}} + \boldsymbol{\beta_{18}}(\mathbf{MFAOWNKI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{19}}(\mathbf{MTCOBKPI})_{\boldsymbol{n}} + \boldsymbol{\beta_{20}}(\mathbf{MPCOBDI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{21}}(\mathbf{MWPOBDI})_{\boldsymbol{n}} + \boldsymbol{\beta_{22}}(\mathbf{METOBDCI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{23}}(\mathbf{MFAOWNDI})_{\boldsymbol{n}} + \boldsymbol{\beta_{24}}(\mathbf{MTCOBDPI})_{\boldsymbol{n}} + \varepsilon_n
\end{aligned}
$$

Model 2: Corporate Social Responsibilities Disclosure Quality (CSRDQ)

Step 1: Control variables to CSRDQ (CV)

$$CSRDQ_n = \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \varepsilon_n$$

Step 2: CG attributes to CSRDQ (CV + IV)

$$
\begin{aligned}
CSRDQ_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \boldsymbol{\beta_4 PCOBC_n} \\
& + \boldsymbol{\beta_5 WPOBC_n} + \boldsymbol{\beta_6 MEOBC_n} + \boldsymbol{\beta_7 FAOWNC_n} + \boldsymbol{\beta_8 TCOBC_n} \\
& + \boldsymbol{\beta_9 PCOBD_n} + \boldsymbol{\beta_{10} WPOBD_n} + \boldsymbol{\beta_{11} MEOBD_n} \\
& + \boldsymbol{\beta_{12} FAOWND_n} + \boldsymbol{\beta_{13} TCOBD_n} + \varepsilon_n
\end{aligned}
$$

Step 3: Foreign ownership to CSRDQ

$$
\begin{aligned}
CSRDQ_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \beta_4 PCOBC_n \\
& + \beta_5 WPOBC_n + \beta_6 MEOBC_n + \beta_7 FAOWNC_n + \beta_8 TCOBC_n \\
& + \beta_9 PCOBD_n + \beta_{10} WPOBD_n + \beta_{11} MEOBD_n + \beta_{12} FAOWND_n \\
& + \beta_{13} TCOBD_n + \boldsymbol{\beta_{14} FOROWN_n} + \varepsilon_n
\end{aligned}
$$

Step 4: Foreign ownership as moderator to CG attributes' influence on CSRDQ

$$
\begin{aligned}
CSRDQ_n = {} & \beta_0 + \beta_1 profit_n + \beta_2 comsize_n + \beta_3 cscsec_n + \beta_4 PCOBC_n \\
& + \beta_5 WPOBC_n + \beta_6 MEOBC_n + \beta_7 FAOWNC_n + \beta_8 TCOBC_n \\
& + \beta_9 PCOBD_n + \beta_{10} WPOBD_n + \beta_{11} MEOBD_n + \beta_{12} FAOWND_n \\
& + \beta_{13} TCOBD_n + \beta_{14} FOROWN_n + \boldsymbol{\beta_{15}}(\mathbf{MPCOBKI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{16}}(\mathbf{MWPOBKI})_{\boldsymbol{n}} + \boldsymbol{\beta_{17}}(\mathbf{METOBKCI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{18}}(\mathbf{MFAOWNKI})_{\boldsymbol{n}} + \boldsymbol{\beta_{19}}(\mathbf{MTCOBKPI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{20}}(\mathbf{MPCOBDI})_{\boldsymbol{n}} + \boldsymbol{\beta_{21}}(\mathbf{MWPOBDI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{22}}(\mathbf{METOBDCI})_{\boldsymbol{n}} + \boldsymbol{\beta_{23}}(\mathbf{MFAOWNDI})_{\boldsymbol{n}} \\
& + \boldsymbol{\beta_{24}}(\mathbf{MTCOBDPI})_{\boldsymbol{n}} + \varepsilon_n
\end{aligned}
$$

Where:

CSRDQ = CSR Disclosure Quality

CSRDLength = CSR Disclosure Length

PCOB = Political Connection of the Board

WPOB = Women's Proportion of the Board

ETOBChinese = Ethnicity of the Board

FAOWN = Family Ownership of the Board

TCOBPrcntge = The Composition of the Board

PRFTBLTY(Log Form) = Profitability

COMSIZE(Log Form) = Company Size

CSCSECM = Company Sector

FOROWN% = Foreign Ownership

MPCOB = PCOB* FOROWN

MWPOB = WPOB%* FOROWN

METOBChinese = ETOBChinese* FOROWN

MFAOWN = FAOWN* FOROWN

MTCOB = TCOBPrcntge* FOROWN

β0, β1, … β30 = Constant term and regression coefficients

ε = Error term

3.9 Techniques of Data Analysis

The statistical analysis is performed using the SPSS statistical package. Various statistical techniques can be used to obtain a correct explanation of the data. This study performs descriptive tests, normality tests, correlation analysis, and hierarchical multiple regressions. The estimation of the results is assessed based on the individual statistical significance test (T-test) and the overall statistical significance test (F-test). The model's goodness of fit is tested using the coefficient of determination (R-squared). These techniques are discussed as follows:

3.9.1 Descriptive Analysis

By using average value (mean), median, maximum, minimum, deviation standard, and variance, researchers can describe the data and provide an overview by performing descriptive analysis

3.9.2 Normality/ Reliability / Validity Test

Normality is the widely used assumption in applying statistical procedures in the classical linear regression model, where the unobserved disturbance vector is assumed to be normally distributed. Non-normal data will lead to incorrect reports in the analysis of economic models. The data is normal if the standard skewness is within ± 1.96 and standard kurtosis ± 3 (Haniffa & Hudaib, 2006; Abdul-Rahman & Mohamed-Ali, 2006).

3.9.3 Outlier

Outliers are observations that have their own unique characteristics that make them different from other observations (Hair et al., 2006). There are several methods to check outliers. Standardised residuals and Cook's distance were used in this study. It is a widely used method to detect any outliers. High-standardised residuals have the potential to be influential outliers. According to the rule of thumb, observations with standardised residuals above +3 or -3 are relevant. Observations that have the potential to be influential outliers are identified. The impact of outliers, whether beneficial or problematic, has to be examined to determine whether to include them in the sample (Hair, Black, Babin, Anderson, & Tatham, 2006). After deleting the outliers, multiple regressions were run to see if there were differences in the estimated coefficients. If the difference is not significant, no outlier is eliminated. Hair et al. (2006) suggest that outliers should be retained to ensure generalisation to the entire population.

3.9.4 Correlation Test

This study also tests the relationship between the IV. Pearson's correlation coefficients are used to establish the relationships among the variables (Zikmund, 2003; Babbie, 2004). The test shows the strength and direction of the relationships. However, as a rule of thumb, multicollinearity may be a problem if the correlation coefficient is more than 0.90 or several of the coefficients in the correlation matrix are more than 0.70 (Cohen & Cohen, 1998).

3.9.5 Analysis of Multiple Regression

The main advantage of the multiple regression analysis is that it can cope with multiple variables in understanding complex relationships (Hair et al., 1998). In this study, the multiple regression test is used to examine the association among CG attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and CSRD among 353 companies listed on the IDX.

3.10 Summary

This chapter discusses the framework of this study, highlighting the relationship between CG attributes, variable control, and CSR disclosure. The framework also shows FOROWN's role as a moderator to the association. Next, this chapter discusses the development of the hypotheses, followed by discussions on the variables, methods, model specifications, and data analysis techniques.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the findings, that is, on the relationship between corporate governance (CG) attributes (political connection of the board (PCOB), proportion of women of boards (WPOB), ethnicity of the board (ETOB), family ownership of the board (FAOWB) and composition of the board (TCOB)) and CSR disclosure. It also reports the results of the moderating effect of foreign ownership on the relationship. This chapter is organised as follows. The first section of the chapter is devoted to data classification. Then, Section 4.2 presents the analysis of companies by sector. This is followed by the presentation of the descriptive statistics in Section 4.3. Next, Section 4.4 reports the findings of the relationship between corporate governance attributes and CSR disclosure. Section 4.5 deals with the moderation effect of foreign ownership on the relationship between corporate governance attributes and CSR disclosure. Section 4.6 discusses the results of the additional analysis. Finally, Section 4.7 concludes the chapter.

4.1 Data Classification

This study analyses the data from the 2017 annual reports of companies listed on the IDX. Table 4.1 shows that 524 companies were listed on the IDX in 2017. Out of that, 82 were financial and unit trust institutions and 89 were outliers because the companies did not disclose the information needed in this study. Thus, this results in 353 companies being in the sample.

Table 4.1 Data Classification

Description	Frequency
Companies listed on IDX in 2017	524
- financial and unit trust institutions	(82)
Available companies	442
- outlier companies (extreme data)	(89)
Total-Sample	353

4.2 Frequency Analysis of Company Sector.

Data screening is a crucial task, and it requires many steps to ensure that the impact of the data would not affect the results of the analysis. The data screening process ensures that the data is ready for statistical analysis. This process ensured the researcher that the data were usable, reliable, and valid to answer this study's research questions.

This section explains the results of the analysis of the frequency of the data. First, every variable's frequency test is performed to identify any missing values. The result of the frequency test shows that all 353 companies have no missing data during the data entry process. This research then continues with the frequency test of each categorical variable included in this study. The frequency distribution of companies by sectors (COMSEC) is depicted in Table 4.2.

Table 4.2 Frequency Distribution of Companies by Sectors

Variable characteristics		N	%
Company sector (COMSEC)	Agriculture	15	4.2
	Mining	31	8.8
	Basic industry and chemicals	53	15
	Miscellaneous industry	27	7.6
	Consumer goods industry	30	8.5
	Manufacturing Sector	156	44.1
	Property, real estate, and building construction	55	15.6
	Infrastructure, utilities, and transportation	44	12.5

	Trade, services & investment	98	27.8
	Non-Manufacturing Sector	197	55.9
	Total	353	100

Table 4.2 shows that 197 (55.9%) of the companies are from the non-manufacturing sector, of which 98 (27.8%) are from the trade, services, and investment industry, 55 (15.6%) from the property, real estate, and building construction industry and 44 (12.5%) from the infrastructure, utilities, and transportation industry. Meanwhile, 156 (44.1%) companies are from the manufacturing sector, of which 53 (15%) are from the basic industry and chemicals sector, 31 (8.8%) from mining, 30 (8.5%) consumer goods, and 27 (7.6%) miscellaneous industry. Only 15 (4.2%) companies are in the agricultural sector. In the subsequent analyses, companies are classified as either manufacturing or non-manufacturing. This study expects that manufacturing and non-manufacturing sectors affected the subsequent regression analysis based on the frequency test results.

4.3 Descriptive Statistics Analysis

Table 4.3 presents the descriptive statistics of all variables included in this study. The mean length of CSRD (CSRDLength) is 10.54 pages, ranging from zero to 67 pages. The mean percentage of CSR disclosure quality (CSRDQ) is 44.70%, with a maximum value of 96.00% and a minimum value of zero.

Table 4.3 Descriptive Statistics

Variable	N	Mean	Min	Max	Std. Deviation	Skewness	Kurtosis
CSRDLength	353	10.535	.000	67.000	10.951	2.186	6.231
CSRDQ%	353	44.703	.000	96.000	31.271	.067	-1.416
LPRFTBLTY (log form)	353	.756	-1.699	2.412	.751	-1.112	1.319

COMSIZE (Log Form)	353	6.379	2.356	8.330	.853	-.961	2.808
CSCSECM	353	.44	0	1	.497	.235	-1.956
PCOBK	353	.50	0	1	.501	.006	-2.011
WPOBK %	353	11.891	.00	100.00	17.597	1.472	2.116
ETOBKChinese	353	.462	.0	1.0	.499	.154	-1.988
FAOWNK	353	.258	.0	1.0	.438	1.112	-.767
TCOBK	353	38.501	.00	.80	.117	-.049	3.088
PCOBD	353	.317	.0	1.0	.466	.789	-1.386
WPOBD %	353	13.080	.00	80.00	17.990	1.234	.744
ETOBDChinese	353	.473	.0	1.0	.500	.108	-2.000
FAOWND	353	.249	.0	1.0	.433	1.164	-.649
TCOBDPrcntge	353	17.246	.00	66.00	14.404	.585	.361
FOROWN %	353	18.962	.0000	98.860	26.488	1.453	1.098

CSRDLength is a corporate social responsibility disclosure quantity; CSRDQ is a corporate social responsibility disclosure quality; PCOBK is the political connection of the BoC; WPOBK is a women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is a political connection of the BoD; WPOBD is a women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is corporate profitability by log form; COMSIZE (Log Form) is a size of the company by log form; CSCSECM is a company sector.

In terms of corporate governance attributes of the boards of commissioners, Table 4.3 shows that the mean value of political connection on boards of commissioners (PCOBK) is 0.5, ranging from 0.00 to 1.00. The mean value of women's proportion on the board of commissioners (WPOBK) is 11.8911%, with a maximum value of 100.00% and a minimum value of 0.00%. The Chinese ethnicity on boards of commissioners (ETOBKChinese) is 0.462, with a maximum value of 1.0 and a minimum value of 0.00. The mean of family ownership on BoC (FAOWNK) is 0.258, with a maximum value of 1.0 and a minimum value of 0.00. Finally, the mean value of the composition of the BoC (TCOBK) is 38.50%, with a maximum value of 80% and a minimum value of zero.

As for the CG attributes on boards of directors, Table 4.3 shows that the mean value of PCOBD is 0.317, with a maximum value of 1.0 and a minimum value of 0.00. The mean value of women proportion on boards of directors (WPOBD) is 13.080%, with a maximum value is 80.00% and a minimum value of 0.00%. The Chinese ethnicity on boards of directors (ETOBDChinese) is 0.473, with a maximum value of 1.0 and a minimum value of 0.00. The mean value of family ownership on boards of directors (FAOWND) is 0.249, with a maximum value of 1.0 and a minimum value of 0.00. The mean value of the composition on boards of directors (TCOBD) is 17.25%, with a maximum value of 66.00% and a minimum value of 0.00%. Furthermore, the mean value of foreign ownership (FOROWN) is 18.962%, with a maximum value of 98.860% and a minimum value of 0.00%.

As for firm characteristics, Table 4.3 depicts that the mean value of companies' profit (LPRFTBLTY (log form)) is 0.756, with a maximum value of 2.412 and a minimum value of -1.699. The mean value of company size (COMSIZE (Log Form)) is 6.379, with a maximum value of 8.330 and a minimum value is 2.356. Finally, the mean value of the company sector (CSCSECM) is 0.28, with a maximum value of 1.0 and a minimum value of 0.00.

4.3.1 The extent of CSR disclosure

The results of this study use descriptive statistics to answer the first research question (RQ1). The mean values indicate the extent (CSRDLength) and quality (CSRDQ) of disclosure.

Table 4.3 shows that the mean values of CSRDLength and CSRDQ are 10.535 and 44.703, respectively. This indicates that the CSRDLength among the Indonesia PLCs in 2017 was 10.535 pages. Meanwhile, the mean value of CSRDQ among the firms was 44.703%.

The results show that the extent of CSRDQ is greater than the CSRDLength, indicating that Indonesian public listed companies prefer to report CSR disclosure using the GRI environmental and social index than other indices developed by other researchers. The GRI index is preferred because the validity and reliability of the GRI items are acknowledged globally. The above findings are consistent with those of previous studies such as Dincer and Dincer (2010), Macarulla and Talalweh (2012), and Haji Ahmed (2013).

4.3.1.1 The extent of CSR disclosure (CSRDLength)

This sub-section closely analyses the extent of CSRDLength according to the respective company sectors. As shown in Table 4.4, the mean value of CSRDLength of the mining sector is 15.32, the highest compared to other sectors. This is followed by the property, real estate, and building construction sectors (13.72). On the other hand, the lowest mean value is recorded by the trade, service, and investment sectors (8.45).

Table 4.4 Descriptive statistics of CSR disclosure length (CSRDLength)

Sectors	N	Minimum	Maximum	Mean	Std. Deviation
Agricultural	15	2.00	25.00	12.93	6.65
Mining	31	1.00	67.00	15.32	14.46
Basic industry and chemicals	53	0.00	51.00	8.79	9.85
Miscellaneous industry	27	1.00	66.00	10.96	14.00
Consumer good industry	30	1.00	43.00	9.86	10.06
Property, real estate and building construction	55	1.00	59.00	13.72	13.43
Infrastructure, utilities and transportation	44	1.00	42.00	9.27	9.72
Trade, service and investment	98	0.00	39.00	8.45	8.11

The mining sector and agriculture sector record the two highest CSRDLength mean scores. This is expected because the production of these sectors is directly related to the environment. If companies in this sector cause damage to the environment, their investment potential and production activities would be negatively affected. Thus, one way to prove that they consider environmental factors in their operations is by disclosing CSR information. This result is consistent with Asmeri, Alvionita, and Gunardi (2017).

4.3.1.2 The extent of CSR disclosure quality (CSRDQ)

This sub-section reports the findings of the extent (length) of CSRDQ according to sectors. As observed in Table 4.5, the sector with the highest mean value of CSRD is agricultural (60.26%). It is followed by the property, real estate, building construction, and mining sectors, with mean values of 54.47% and 50.19%, respectively.

Table 4.5 Descriptive statistics of CSR disclosure quality (CSRDQ)

Sectors	N	Minimum	Maximum	Mean	Std. Deviation
Agricultural	15	12.00	88.00	60.26	21.72
Mining	31	4.00	96.00	50.19	29.09
Basic industry and chemicals	53	0.00	96.00	44.60	33.29
Miscellaneous industry	27	4.00	96.00	38.22	26.51
Consumer good industry	30	4.00	96.00	32.26	31.65
Property, real estate and building construction	55	4.00	96.00	54.47	28.19
Infrastructure, utilities and transportation	44	4.00	96.00	32.63	29.30
Trade, service and investment	98	0.00	96.00	46.16	32.92

Companies in these three sectors record high CSRDQ because they interact directly with the environment and social surroundings. The companies' production directly affects the environment and the surrounding community; failing to take care of the environment and the community may cause difficulties in continuing their operations. As a result, stakeholders should be less prospective to capitalise on these corporations.

In addition, this study analyses the CSRD quality items disclosed by companies, which is based on the GRI index. As the disclosure items are categorised into two main components (environmental and social) and several sub-components, the frequency of each component is calculated. This, thus, helps to identify the most and least frequently disclosed items according to the GRI environmental and social standards. The Indonesian government and stakeholders may use these results to ensure that companies disclose important CSR items. According to Michelon, Pilonato, and Ricceri (2015), Yao, Wang, and Song (2011), and Yusoff, Mohamad, and Darus (2013), companies that disclose environmental and social items are assumed to practice a high degree of transparency in their operations. Thus, they are ensured of not exploiting the natural surroundings.

Table 4.6 shows the frequency of items disclosed in the CSR quality reports of 353 companies based on the GRI environmental standards.

Table 4.6 Frequency of GRI environmental items disclosed by companies

No.	GRI Environment Indexes	CODE	Frequency (N)
1	Habitats protected or restored	Eb304-3	221
2	Reduction of energy consumption	Ee302-4	203
3	Recycled input materials used	Em301-2	183
4	Water recycled and reused	Ew303-3	169
5	Water withdrawal by source	Ew303-1	157
6	Energy consumption outside of the organisation	Ee302-2	156
7	Energy consumption within the organisation	Ee302-1	126
8	Significant impacts of activities, products, and services on biodiversity	Eb304-2	105
9	Materials used by weight or volume	Em301-1	84
10	Waste by type and disposal method	Ef306-2	81
11	Significant spills	Ef306-3	46
12	Non-compliance with environmental laws and regulations	Ec307-1	0

The analysis of frequency shows that the top three items disclosed in the CSR quality reports are item Eb304-3 (by 221 companies), followed by item Ee302-4 (by 203 companies), and item Em301-2 (by 183 companies).

A majority of companies are concerned about these three items in reporting CSR disclosure because these items are included in the International Standard Organisation (ISO 14001, 2015; IS0 45001, 2015). Hence, if a company complies and discloses the items in its CSR disclosure quality reports, it will be recognised and rewarded with ISO certification. This recognition is important for a company's reputation in order to attract investors. In addition, ISO certification is important in investment decisions because it ensures investors that companies do not, among others, pollute the environment and damage the natural resources in the area (Castka & Balzarova, 2007; Castka, Bamber, Bamber, & Sharp, 2004). Meanwhile, the item with the lowest frequency is item Ec307-1.

Table 4.7 shows the frequency of social items disclosed in CSR reports. The three most frequently disclosed items are So403-1 (315 companies), So403-3 (279 companies), and So403-2 (227 companies), all of which are related to the safety and well-being of employees in the workplace.

Table 4.7 Summary of frequency of GRI social indexes disclosed in CSR disclosure quality.

No.	GRI Social Indexes	CODE	Frequency (N)
1	Worker's representation in formal joint management–worker health and safety committees	So403-1	315
2	Workers with a high incidence or high risk of diseases related to their occupation	So403-3	279
3	Types of injury and rates of injury, occupational diseases, lost days,	So403-2	227

	absenteeism, and number of work-related fatalities		
4	Operations that have been subject to human rights reviews or impact assessments	Sh412-1	205
5	Employee training on human rights policies or procedures	Sh412-2	194
6	Operations with local community engagement, impact assessments, and development programmes	Sl413-1	185
7	Programmes for upgrading employee skills and transition assistance programmes	St404-2	178
8	Percentage of employees receiving regular performance and career development reviews	St404-3	169
9	Average hours of training per year per employee	St404-1	167
10	Assessment of the health and safety impacts of product and service categories	Sc416-1	135
11	Requirements for product and service information and labelling	Sm417-1	133
12	Incidents of non-compliance concerning product and service information and labelling	Sm417-2	133
13	Incidents of non-compliance concerning the health and safety impacts of products and services	Sc416-2	87

A majority of companies disclose these three items to signify their priority and concerns for the welfare and safety of employees at the workplace ("The Power of Sustainability Reporting," 2019).

Meanwhile, the item that is least disclosed is Sc416-2 (87 companies). The disclosure is low because the item is considered confidential by most companies. Non-disclosure of the item may reduce uncertainties surrounding companies' reputation and financial performance and the investment decision-making process by investors ("The Power of Sustainability Reporting," 2019).

In conclusion, the results from this analysis benefit the Indonesian government in empowering labour law (such as P3K- First Aid at accident) if there is a violation of labour rights. Besides, the findings are useful to the Indonesian government, particularly in preserving natural resources and eradicating environmental pollution caused by companies' production activities.

4.3.2 Correlation Analysis

Gujarati (2009) and Gujarati and Porter (2009) argue that high correlations between variables may lead to multicollinearity problems. Multicollinearity problems affected the validity and reliability of the data and measurement used in a study. Therefore, a correlation test among the independent variables is needed to ensure that the variables are able to answer the research question.

Table 4.8 Level of the Correlation

r value	Strength of relationship
< 0.20	Almost negligible relationship
0.20-0.40	Low correlation; definite but small relationship
0.40-0.70	Moderate correlation; substantial relationship
0.70-0.90	High correlation; marked relationship
> 0.90	Very high correlation; very dependable relationship

Source: Gujarati (2009); Gujarati and Porter (2009)

The Pearson correlation matrix is an essential technique for detecting correlation problems. Gujarati and Porter (2009) point out that two variables are highly correlated if the correlation coefficient is 0.7 or higher. Therefore, multicollinearity is not a problem if the correlation coefficient is less than 0.70. There is a moderate correlation (substantial relationship) when the coefficient is between 0.4 and 0.70. A coefficient between 0.2 to 0.4

signifies a low correlation, and a score of less than 0.2 shows an almost negligible correlation.

The Pearson correlation matrix is also used to measure the strength and direction of the linear relationship between two variables. The Pearson correlation matrix shown in Table 4.9 provides evidence that CSRDLength is positively correlated with some CG attributes such as PCOBK (0.266, at a 1% significance level) and PCOBD (0.193, at a 1% significance level). Conversely, some CG attributes correlate negatively with CSRDLength. For example, board ethnicity variables (ETOBKChinese and ETOBDChinese) are negatively correlated with CSRDLength (-0.187, and -0.157, at a 1% significance level). Women's proportion on the BoD (WPOBD) and BoD composition (TCOBDPrcntge) are also negatively associated with CSRDLength (-0.120, 5% significance level, and -0.147, 1% significance level, respectively). Furthermore, firm characteristics such as company size and profitability are positively correlated with CSRDLength (0.425, 1% significance level and 0.121, 5% significance level, respectively).

Furthermore, as shown in Table 4.9, CSRDQ is positively associated with some corporate governance attributes such as PCOBK (0.229, 1% significance level) and PCOBD (0.178, 1% significance level). Meanwhile, some corporate governance variables are negatively associated with CSRD quality, namely, ethnicity of the BoC (ETOBKChinese) (-0.118, 5% significance level) and family ownership of the BoD (FAOWND) (-0.140, 1% significance level). Furthermore, company size is positively associated with CSRDQ (0.464, 1% significance level). On the other hand, other variables are not correlated to CSRDQ.

Table 4.9 Pearson correlation matrix

	PRFTBLTY (log form)	COMSIZE (Log Form)	CSCSECM	PCOBK	WPOBK %	ETOBKChinese	FAOWNK	TCOBK%	PCOBD	WPOBD %	ETOBDChinese	FAOWND	TCOBD %	FOROWN %	CSRDLength	CSRDQ
N	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460
LPRFTBLTY (log form)	1	.036	.010	.101	-.112*	-.044	.015	-.062	.092	.061	.023	-.013	-.086	.032	.121*	.059
COMSIZE (Log Form)		1	.029**	.311**	-.022	-.112*	.050	.115*	.196**	-.038	.033	.027	-.206**	.263**	.425**	.464**
CSCSECM			1	-.020	-.130*	.022	-.016	.021	-.067	-.095	.059	.133*	-.081	.217**	.044	-.027
PCOBK				1	-.125*	-.299**	-.031	.144**	.623**	-.010	-.128*	-.038	-.095	-.098	.266**	.229**
WPOBK %					1	.099	.100	.007	-.043	.022	.091	-.060	.093	-.114*	-.048	-.059
ETOBKChinese						1	.078	-.036	-.290**	.070	.443**	.097	.106*	-.113*	-.187**	-.118*
FAOWNK							1	-.110*	.030	.049	.155**	.544**	-.042	-.157**	-.093	-.075
TCOBK								1	.076	.084	.004	-.004	.072	.081	.020	.035
PCOBD									1	.061	-.158**	-.027	-.133*	.081	.193**	.178**
WPOBD %										1	.074	.053	.069	-.072	-.120*	-.102
ETOBDChinese											1	.136*	.088	-.075	-.157**	-.071
FAOWND												1	-.103	-.185**	-.076	-.140**
TCOBDPrcntge													1	-.039	-.147**	-.086
FOROWN %														1	.277**	.393**
CSRDL															1	.776**
CSRDQ																1

*** 1% significance level, ** 5% significance level, and *10% significance level; CSRDLength is a corporate social responsibility disclosure quantity; CSRDQ is a corporate social responsibility disclosure quality; PCOBK is a political connection of the BoC; WPOBK is a women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is a political connection of the BoD; WPOBD is a women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is corporate profitability by log form; COMSIZE (Log Form) is a size of the company by log form; CSCSECM is a company sector.

Moreover, the Pearson correlation matrix shown in Table 4.9 indicates a significant positive association between CSRDlength and CSRDQ (0.776, 1% significance level).

Overall, the results of this study are consistent with some previous studies, such as Laksmana (2008) and Al-Najjar and Hussainey (2011), who suggest that CG variables are associated with CSRD. In addition, previous studies such as Webb (2004) and Wang and Hussainey (2013) suggest that firm characteristics are correlated with corporate social responsibility disclosure.

4.3.3 Multicollinearity Diagnosis

According to Sekaran and Bougie (2010), multicollinearity is a statistical scenario in which two or more explanatory variables are highly correlated. In other words, multicollinearity is present when the explanation of one variable in a study can be presented by another variable (Hair et al., 2010). The commonly used measures in checking multicollinearity are variance inflation factor (VIF) and tolerance value. A VIF value of more than 5.0 shows a multicollinearity problem (Hair et al., 2010). Furthermore, this study calculates the VIF when estimating the basic regression model to test for signs of multicollinearity among the explanatory variables. Overall, results reported in Table 4.10 and Table 18 show no VIF values that exceed 5 for any of the explanatory variables; thus, multicollinearity is not a problem in this study.

4.3.3.1 Multicollinearity CSRD Length (CSRDLength)

In addition to using Pearson correlation, this study considers the value of VIF in determining the multicollinearity issue. Table 4.10 illustrates the results of multicollinearity for each variable in Model 1, namely the extent of CSRD (CSRDLength). Table 4.10 shows the tolerance and VIFs values indicate that the data are free from multicollinearity issues. The VIF values are less than 5.0, and the tolerance values are greater than 0.2. The highest VIF value observed is PCOBK (1.841).

Table 4.10 Result of multicollinearity analysis for CSRDLength model

Model	Variables	Collinearity Statistics	
		Tolerance	VIF
Corporate social responsibility disclosure length (CSRDLength)	LPRFTBLTY (log form)	.960	1.042
	COMSIZE (Log Form)	.793	1.262
	CSCSECM	.881	1.136
	PCOBK	.543	1.841
	WPOBK %	.930	1.075
	ETOBKChinese	.727	1.376
	FAOWNK	.667	1.500
	TCOBK	.930	1.075
	PCOBD	.579	1.727
	WPOBD %	.953	1.050
	ETOBDChinese	.767	1.304
	FAOWND	.651	1.536
	TCOBDPrcntge	.898	1.113

CSRDLength is the corporate social responsibility disclosure quantity; CSRDQ is the corporate social responsibility disclosure quality; PCOBK is the political connections of the BoC; WPOBK is the women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is the family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is the political connections of the BoD; WPOBD is the women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is the family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is the corporate profitability by log form; COMSIZE (Log Form) is the size of the company by log form; CSCSECM is the company sector.

4.3.3.2 Multicollinearity CSRD quality (CSRDQ)

Table 4.11 illustrates the multicollinearity of each variable in Model 2, namely corporate social responsibility disclosure quality (CSRDQ). Similar to the results of the CSRDLength model, the VIFs and tolerance values of the CSRDQ model, as shown in Table 4.11, implying that the data set is free from multicollinearity problems. The VIF values do not exceed 5.0, and the tolerance value is greater than 0.2. The highest VIF is for PCOBK (1.841).

Table 4.11 Result of multicollinearity analysis for CSRDQ model

Model	Variable	Collinearity Statistics	
		Tolerance	VIF
Corporate social responsibility disclosure quality (CSRDQ)	LPRFTBLTY (log form)	.960	1.042
	COMSIZE (Log Form)	.793	1.262
	CSCSECM	.881	1.136
	PCOBK	.543	1.841
	WPOBK %	.930	1.075
	ETOBKChinese	.727	1.376
	FAOWNK	.667	1.500
	TCOBK	.930	1.075
	PCOBD	.579	1.727
	WPOBD %	.953	1.050
	ETOBDChinese	.767	1.304
	FAOWND	.651	1.536
	TCOBDPrcntge	.898	1.113

CSRDQ is the corporate social responsibility disclosure quality; PCOBK is the political connections of the BoC; WPOBK is the women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is the family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is the political connections of the BoD; WPOBD is the women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is the family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is the corporate profitability by log form; COMSIZE (Log Form) is the size of the company by log form; CSCSECM is the company sector.

4.3.4 Reliability and Validity Test

The validity and reliability tests aim to ensure that the measurements used are valid and reliable. Validity and reliability give a clear picture of the phenomenon studied and keep the data from being contaminated. Thus, the results of the study represented the actual situation.

This study collects the independent variables from companies' annual reports, verified and published by Bursa Efek Indonesia. Hence, the validity and reliability of the data are high. Using the data-entering protocol increases the reliability and validity of the data collected. Yin (2009) stated that data are reliable and valid if the repeated entering of data shows similar findings and conclusions. Thus, following Yin (2009), this study uses the data collection protocol and then re-enters the data to ensure the validity and reliability of the data-entering procedure. In addition, the researcher also develops an excel database, which is essential to organise data. The excel database helps the researcher to track all the related information. Therefore, all the data collected and entered in the entire data collection and data-entering process are well-organised and well-documented. In this study, the researcher converts the variables such as profitability (PRFTBLTY(Log Form)) and company size (COMSIZE(Log Form)) into logarithm forms to address the issue of heteroscedasticity and ensure stationary in the variance-covariance matrix (Ahmad et al., 2016; Fatai et al., 2004). Before the conversion, the skewness and kurtosis results are abnormal.

Unlike the independent variables, data for the dependent variables (CSRDLength and CSRDQ) are gathered from the annual reports using the content analysis technique. The first dependent variable, CSRDLength, is measured by counting the number of pages in the annual report that disclose CSR activities, as has been used in past studies, such as by Zeghal and Ahmed (1990) and Haniffa and Cooke (2005). The second dependent variable, CSRDQ is measured by examining and recording the GRI Index's items disclosed by companies in the corporate annual reports. This approach has been applied in studies such as by Guthrie and Parker (1990), Cormier and Gordon (2001), and Hasseldine et al. (2005). Therefore, the reliability and validity of the data used in this study are reliable and valid to achieve the study's objective.

4.3.5 Outlier Test

Outliers are observations that have their own unique characteristics that make them different from other observations (Hair et al., 2006). There are several methods to check outliers. Standardised residual and Cook's distance were used in this study. It is a widely used method to detect any outliers. Observations with high standardised residuals have the potential to be influential outliers. According to the rule of thumb, observations with standardised residuals above +3 or -3 are relevant. Observations that have the potential to be outliers are identified. The impact of outliers, whether beneficial or problematic, has to be examined to determine whether to include them in the sample (Hair et al., 2006). After deleting the outliers, multiple regressions were run to see if there were differences in the estimated coefficients. If the difference is not significant, no outlier is eliminated. Hair et al. (2006) suggest that outliers should be retained to ensure generalisation to the entire population.

This study used residual statistics to test a two–way ANOVA and Cook's distance to detect outliers and influential observations. According to the results (see Appendix II), Shapiro-Wilk's significance value of 0.000 < 0.05 means that the data is not normal. Therefore, the removal of data is not normal or an outlier.

4.4 Relationship between Corporate Governance Attributes and CSR Disclosure

Table 4.12 summarises the results of the multiple regression analysis of the relationship between CSRD and CG attributes. The F-values of the CSRDLength and CRSDQ models are 9.080 (1% significance level) and 11.738 (1% significance level). These values indicate that both the CSRDLength and CRSDQ models are statistically significant. Moreover, the adjusted R-squared values of the CSRDLength and CRSDQ models are 24.3% (0.243) and 29.9% (0.299), respectively. These values imply that the CSRDLength model explains 24.3% of the total variation in CSRDLength, and the

CRSDQ model explains 29.9% of the variation in CSRDQ. Thus, the models effectively statistically explain the variations in CSRDLength and CSRDQ. Overall, their values imply a good overall fit of the model.

Table 4.12 Results of multiple regression analysis for CSR disclosure length (CSRDLength) and CSR disclosure quality (CSRDQ)

Variable	Predicted sign	CSRDLength	CSRDQ
PCOBK	+	2.174	3.274
		(1.580)	(0.866)
WPOBK %	+	0.017	-0.020
		(0.557)	(-0.247)
ETOBKChinese	+	-0.683	0.911
		(-0.573)	(0.278)
FAOWNK	+	-1.839	-0.529
		(-1.296)	(-0.136)
TCOBKPrcntge	+	-0.039	-0.089
		(-0.871)	(-0.719)
PCOBD	+	0.551	3.027
		(0.385)	(0.769)
WPOBD %	+	-0.051*	-0.125
		(-1.754)	(-1.577)
ETOBDChinese	+	-2.464**	-2.114
		(-2.125)	(-0.663)
FAOWND	+	0.107	-4.957
		(0.074)	(-1.242)
TCOBDPrcntge	+	-0.024	0.024
		(-0.654)	(0.236)
FOROWN %	+	0.060**	0.340***
		(2.859)	(5.844)
LPRFTBLTY (log form)	+	1.415**	1.285
		(2.051)	(0.678)
COMSIZE (Log Form)	+	4.452***	13.664***
		(6.655)	(7.435)
CSCSECM	+	0.084	-5.837*
		(0.077)	(-1.953)
		F = 9.080***	F = 11.738***
		R^2 = 0.273	R^2 = 0.327
		Adjusted R^2 = 0.243	Adjusted R^2 = 0.299
		N = 353	N = 353

*** 1% significance level, ** 5% significance level, and * 10% significance level; CSRDLength is a corporate social responsibility disclosure quantity; CSRDQ is a corporate social responsibility disclosure quality; PCOBK is the political connections of the BoC; WPOBK is the women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is the family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is the political connections of the BoD; WPOBD is the women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is the family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is the corporate profitability by log form; COMSIZE (Log Form) is the size of the company by log form; CSCSECM is the company sector.

4.4.1 Results of the Hypothesis' Testing on CSRDLength

4.4.1.1 Political Connections of the Board

Table 4.12 shows the regression results. The association between PCOBK and CSRDLength (H1a) is positive but insignificant, with a coefficient of 2.174 and a t-value of 1.580. Thus, H1a is rejected. Furthermore, Table 4.12 shows no significant association between PCOBD and CSRDLength (H1b), with a coefficient of 0.551 and a t-value of 0.385. This finding rejects H1b.

As a proxy for political connection, government intervention and the existence of politicians on boards may affect companies' decision-making and business trajectory. As for CSR disclosure, companies with political connections may have different intentions when disclosing their CSR information Gao (2011), Gu et al. (2013), Snider et al. (2013) and Lin et al. (in press)). It is shown that these companies disclose CSR information in order to build relationships and safeguard their interest with influential politicians.

Muttakin et al. (2018) support the neo-pluralist hypothesis that politically connected firms perceive a reduced need for CSR disclosures as a legitimation strategy. The study is based on data collected from annual reports of non-financial companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh. Muttakin et al. (2018) argue that firms may use political connections to fend off the potential risk of losing the social contract associated with perceived poor CSR performance. Bangladesh provides an ideal setting to test the relationship empirically. In such contexts, firms could employ political connection rather than legitimating through voluntary CSR disclosures to avoid possible legitimacy challenges regardless of whether the firms meet CSR performance expectations.

Politically connected businesses are common worldwide (Faccio et al., 2006), although they are less common in countries that apply stringent regulations against political conflicts of interest (Faccio, 2006). Particularly, corporate political connections are pervasive in countries with weak regulatory environments and high levels of corruption. For example, Bangladesh is characterised by a poor regulatory environment (Farooque et al., 2007), and according to Transparency International's index, the country has a high level of corruption (Transparency Org, 2015). Furthermore, Muttakin et al. (2015) highlight that political connection is extensive in Bangladesh. Business owners can easily obtain party nominations for parliamentary elections by making large donations, placing them in a position to use the government system to maintain, defend and advance business interests.

Corruption has become a normal habit for politicians worldwide, especially in Indonesia. According to Transparency International's index, Indonesia has a high level of corruption (Transparency, 2020). As an example, the Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) arrested the Minister of Social Affairs (Mensos), Juliari Batubara, for the corruption case of social assistance procurement (Bansos) that would be used for the handling of the COVID-19 victims at the Ministry of Social Affairs in 2020 (Idris, 2020).

However, some studies show a positive association between political connections of the board (PCOB) and CSRDLength. This study's result is fairly similar to the previous study by Bliss & Gul (2012). The authors argue that politically connected companies perceive the stakeholders, for instance, lenders and auditors, as practising poor corporate governance and are more at risk. Thus, companies with political connections need to disclose additional information, such as CSR, to legitimise their activities and remove the negative perception.

4.4.1.2 Women's Proportion on the Board

Table 4.12 shows an insignificant association between WPOBK% and CSRDLength, with a coefficient of 0.017 and a t-value of 0.557. Thus, H2a is rejected. Furthermore, Table 4.12 shows that the association between women's proportion on the BoD (WPOBD%) and CSRDLength is negative and significant at a 10% level, with a coefficient of -0.051 and a t-value of -1.754. Therefore, this finding rejects H2b.

Results of this study show no positive association between WPOB and CSRDLength. The low number of women on corporate boards in Indonesia and the lack of competence of female board members fail to encourage and improve corporate ethical behaviour, including CSR strategies and corporate policy formulation. The result of this study is in line with the work by Khan (2010). The latter observed CSRD practices of private commercial banks (PCB) in Bangladesh. One possible explanation for the insignificant association between WPOB and CSRD is that the executive level in terms of women's empowerment in Bangladesh is a new phenomenon, restricting their role in enhancing CSRD.

Furthermore, Ramon-Llorens et al. (2020) also confirm the two-sided nature of gender diversity, noting that females with political and social connections do not contribute to increased CSR transparency but reduce it. The interests of these directors can explain these results in avoiding the disclosure of information that society may perceive negatively regarding their behaviour or the reporting of activities that a company's competitors might use to their benefit (Ramon-Llorens et al., 2020). The feeling of being more protected and less pressed to be transparent through their connections can also justify the negative influence of female community leaders on CSR disclosure.

Indeed, women's proportion on the board can give rise to selection procedures whereby women are not chosen on merit, skills, knowledge, capabilities, and experience but only because of ethical or legal pressures (Huse, 2018). Some studies have shown a negative relationship between female board directors and CSR performance (Ahern & Dittmar, 2012; Matsa & Miller, 2013). Others revealed no association between the two variables (Adams & Ferreira, 2009; Carter et al., 2010).

Therefore, this finding does not support previous studies by Bear et al. (2010), Bernardi et al. (2009), Bernardi & Threadgill (2011), and Larkin et al. (2012). They suggested that the increase and the existence of the WPOB would enhance the attention given to ethical and environmental problems. In this regard, the insignificant result might be that the proportion of women on the board of companies listed on the Indonesian Stock Exchange is too low (IDX, 2017). The amount is about 12% and 13% on the boards of commissionaires and boards of directors, respectively.

Literature on gender diversity and CSR has usually reported a positive influence of female directors on CSR practices (Bear et al., 2010; Cuadrado-Ballesteros et al., 2017; Seto-Pamies, 2015), arguing that women are more sensitive to social needs, more aware of others, and more stakeholder-oriented than men. In addition, women are more concerned about ethical issues (Rao & Tilt, 2016; Tate & Yang, 2015).

4.4.1.3 Ethnicity of the Board

Table 4.12 shows that the relationship between the BoC ethnicity (ETOBKChinese) and CSRDLength (H3a) is negative and insignificant, with a coefficient of -0.683 and a t-value of -0.573. Thus, H3a is rejected. Furthermore, it shows that the association between BoD ethnicity (ETOBDChinese) and CSRDLength (H3b) is negative and significant at a 5% level, with a coefficient of -2.464 and a t-value of -2.125. Therefore, H3b is rejected.

Based on the results, there is no association between BoC ethnicity (ETOBKChinese), BoD (ETOBDChinese), and CSRDLength. This is in line with Katmon et al. (2019), who found that ethnicity and educational background are insignificant in influencing CSR quality. Leaving diversity aside, we argue that certain diversity characteristics (i.e., ethnicity and educational background) that might have worked well in the Western setting may not necessarily be compatible with the unique Eastern jurisdictions, such as Malaysia (Katmon et al., 2019).

Naguib and Smucker (2009) argue that ‘‘racial and ethnic tension’’ is not uncommon in developing countries, such as Malaysia, with a long history of colonisation. So, ethnicity might be insignificant due to government rules on the placement of Malays on the corporate boards, which shows very little difference between each firm on ethnicity diversity.

The role of ethnicity (a proxy for culture) in the decision-making process is important because people within the same ethnicity are exposed to the same social values and think alike. It may help explain why things are as they have experienced. Ethnic Chinese constitute the existing ethnic composition of the population in Indonesia. Characteristics of ethnic Chinese are considered to influence the economy, especially in the business sector (Conte & Novello, 2008; Selvarajah & Meyer, 2008). Furthermore, the Chinese ethnicity is still being discriminated against by the majority of the population in Indonesia. In 2016, the Governor of DKI Jakarta province (the capital of the state of Indonesia), who was a Chinese ethnic, was identified as a suspect by the Indonesian Police (POLRI) for committing blasphemy of Islam (Affan, 2016). Affan (2016) also reported that this happened when the governor of ethnic Chinese is considered to have harassed the religion of Islam during the campaign for the general election to become governor of DKI Jakarta in the following period. This incident shows that most Indonesian society deliberately herded the opinion to the entire Muslim population in Indonesia. Subsequently, the Chinese governor was immediately arrested and imprisoned. He failed to become the governor of DKI Jakarta in the following period.

4.4.1.4 Family Ownership of the Board

Table 4.12 shows the relationship between family ownership of the BoC (FAOWNK) and CSRDLength (H4a) is negative and not significant, with a coefficient of -1.839 and along with a t-value of -1.296. Thus, this finding justifies the rejection of H4a. Furthermore, it shows that the association between family ownership (FAOWND) and CSRDLength is positive and significant at a 5% level, with a coefficient of 0.107 and a t-value of 0.074. Therefore, H4b is rejected.

The results are in line with those of previous studies, such as those by Autio & Mustakallio (2003), Zahra et al. (2004), Ghazali (2007), and Oh et al. (2011). They stated that family businesses are more conservative and do not want to bear the risks associated with new activities. In addition, family business founders who desire to leave a legacy may become more cautious in their strategy because innovative projects may be risky to their businesses (McAdams et al., 2009).

Owner–managed companies are very common in Bangladesh, and in most cases, the boards of directors comprise primarily family members (Farooque et al., 2007). Such concentrated managerial ownership enables managers to dominate a company and decide upon the strategies and policies for organisational social behaviour (Khan et al., 2013). In addition, the dominance of family members in company management leads to the development of a tendency for important decisions to be first made in family meetings and then regularised in formal board meetings, making such meetings largely symbolic (Ahmed & Siddiqui, 2011).

Monitoring and controlling over managerial discretion are heavily influenced by ownership structure, which in Indonesia is dominantly held by families. Ho and Wong (2001) suggest that voluntary disclosures (including CSRDs) are not considered necessary in family firms, as family members are heavily involved in the daily activities of the company and strongly monitor managers (Haalien & Huse, 2005).

As mentioned before, Indonesian firms are heavily controlled by family firms. Claessens et al. (2000) find that families control more than two-thirds of Indonesia's listed companies, and only 0.6 per cent is widely held. Fan and Wong (2002) also find that the proportion of families in Indonesian-listed firms is among the highest in East Asia. Moreover, controlling families in Indonesia typically maintain excess control through pyramidal ownership structures or cross-holdings (Claessens et al., 2002), thereby providing a greater incentive and ability to expropriate minority shareholders, including by engaging in opportunistic earnings management. Fourth, with the Otoritas Jasa Keuangan (OJK) regulation in 2016, listed firms in Indonesia are required to disclose CSR information, which only in a few countries have done so (Chauvey et al., 2015).

Studies in the U.S. find that family ownership is negatively associated with community-related CSR performance. Using a sample of large U.S. public companies, Block and Wagner (2014) find that family and founder ownership reduces CSR concerns. In a study of small and medium-sized Dutch-listed family firms, Uhlaner et al. (2004) report that family characteristics tend to affect the relationships with some stakeholders. However, Amann et al. (2012) find that the family business identity of Japanese listed firms does not influence CSR in general. The empirical literature on family involvement's effect on CSR reporting is scarce.

However, another study by Botosan (1997) finds CSRD to reduce information asymmetry between investors and managers, increasing share liquidity and building up a positive reputation. CSRD also improves companies' operating performance and access to international capital markets and attracts investors more easily (Hooghiemstra, 2000; Spence, 2007). In addition, when non-financial measures are included in the decision to disclose CSR information, transaction and agency costs are reduced and become less important (Dam & Scholtens, 2012).

The main problem is how shareholdings influence the decision to conduct CSR and the disclosure quality. In line with legitimacy theory, family firms view their ownership as an asset to pass on to their descendants rather than wealth to utilise while they are still alive (Anderson, Mansi & Reeb, 2003). Thus, family firms nurture socially responsible behaviours (Block & Wagner, 2010; Deniz & Suarez, 2005; Stavrou et al., 2007; Uhlaner et al., 2004) that build a good image (Dyer Jr. & Whetten, 2006).

4.4.1.5 Composition of the Board

Table 4.12 also reveals that the association between BoC composition (TCOBKPrcntge) and CSRDLength is insignificant, with a coefficient of -0.039 and a t-value of -0.871. Thus, H5a is rejected. Furthermore, the association between BoD composition (TCOBDPrcntge) and CSRDLength is also not significant, with a coefficient of -0.024 and a t-value of -0.654. Therefore, the finding rejects H5b.

The result of this study is in line with previous studies by Esa and Ghazali (2012) and Haniffa and Cooke (2002). They argued that independent directors are concerned about their reputation, leading them to adopt risk-avoidance behaviours. Regarding voluntary reporting, independent directors look closely at the risks of a CSR strategy, the uncertain veracity and credibility, as they may affect their reputation (Villegas et al., 2018). In other words, to reduce any financial or reputational risks associated with social and environmental issues, independent directors may minimise the reporting of social and environmental content that lacks credibility or reliability (Cheng & Courtenay, 2006). Since independent directors do not work in a company, they do not possess in-depth knowledge of the measures taken to ensure social and environmental performance (Lefort et al., 2008).

Consequently, independent directors may be misled by the information provided by managers for lack of expertise (Cramer & Hirschland, 2006). Such information, therefore, presents risks for their reputation and future in other firms (Fama & Jensen, 1983). Independent director behaviours may be guided by personal interests (Ravina & Sapienza, 2010) and the preservation of their career prospects, i.e., they may prefer not to take any risk by disclosing CSR (Holmstrom, 1999). Some studies have found that voluntary disclosure is negatively related to the number of non-executive board directors (Barako et al., 2006; Eng & Mak, 2003; Gul & Leung, 2004).

A review of empirical literature reveals mixed results on the association between director independence and sustainability performance. Eng and Mak (2003) show that board director independence is negatively associated with social disclosure. Michelon and Parbonetti (2012) and Allegrini and Greco (2013) find no significant link between the number of independent directors and sustainability disclosure. Naciti (2019) indicates that board diversity positively and significantly affects social performance. However, board independence is negatively associated with social performance at a 5% significance level. The results imply an insignificant coefficient for separating the board chair and CEO roles.

As discussed earlier, companies' reputation is important to outside directors. Outside directors are less likely to disagree with the dissemination of negative information to protect a firm's reputation (Adams & Ferreira 2007). Contrary to this statement, but in line with the finding of this study, the proportion of independent directors on the board has also been found to have a negative or no impact on CSR and CSR reporting (Coffey & Wang 1998, Haniffa & Cooke 2005; Johnson & Greening 1999; Kassinis & Vafeas, 2002; Wang & Coffey 1992).

4.4.1.6 Results of the Hypothesis' Testing Related to Foreign Ownership of the Board

Table 4.12 shows that the association between foreign ownership (FOROWN%) and CSRDLength is positively significant at a 5% level, with a coefficient of 0.060 and a t-value of 2.859. Therefore, this finding supports the hypothesis and is in line with Puspitasari's (2009) results, which show that if companies have contracts with foreign stakeholders in both trade and ownership, the companies will receive more support in practising CSRD. From the stakeholders' perspective, CSR disclosure is one of the means companies use to show concern for the community around them.

It is assumed that an increase in foreign ownership of a company in any industry is associated with superior firm performance, as foreign companies have strong supporting abilities that are unavailable to domestic companies (Caves, 2007). In addition, several studies (Dunning and Pearce, 1977; Forsyth and Docherty, 1972; Globerman, 1979) provided evidence of the direct relationship between voluntary disclosure and foreign ownership, particularly among firms in the OECD countries.

4.4.1.7 Control variables and CSRDLemgth

In terms of the impact of firm characteristics on CSRDLength, the coefficients and t-values of the control variables (see Table 4.12) show that company size (COMSIZE(Log Form)) and profitability (LPRFTBLTY (log form)) positively influence CSRDLength. The positive association between company size and the extent of disclosure is that larger companies tend to have many routines and conduct more CSR activities; thus, they have much to disclose.

Profitable companies tend to report more CSRD disclosure because they can afford to conduct many CSR activities and simultaneously comply with the CSR regulations imposed on publicly listed companies. Based on the Ministry of Federal Statutory Body (BUMN) regulation No. PER-05/MBU/2007, companies must embark on the Partnership and Community Development Programme (PKBL) and allocate funds of as much as 2% of their net profit. Large companies usually incur significant production costs, organise more activities, and have a more substantial impact on the environment. Large companies’ shareholders are more likely to be interested in the companies' social programmes than small companies’ shareholders. As a result, large companies are under substantial political pressure to reveal their social accountability to the public.

The size and profitability of companies would affect CSR disclosure because companies with more resources may undertake and disclose more CSR activities (Ahmed Haji, 2013; Akhtaruddin and Haron, 2010; Amran & Devi, 2008; Bowrin, 2013; Esa & Mohd Ghazali, 2012; Said et al., 2009). In addition, these studies found that big companies tend to disclose more information than their smaller counterparts because the former receives more publicity and faces greater pressure to report CSR activities (Cowan et al., 1987).

4.4.2 Results of the Hypothesis' Testing on CSRDQ

4.4.2.1 Political Connection of the Board

Table 4.12 shows the results of the regression analysis. It indicates an insignificant association between PCOBK and CSRDQ, with a coefficient of 3.274 and a t-value of 0.866. Thus, H1a is rejected. Similarly, Table 4.12 shows that the association between PCOBD and CSRDQ (H1b) is insignificant, with a coefficient of 3.027 and a t-value of 0.769. Thus, H1b is also rejected.

As discussed earlier, a company is assumed to be connected to a politician if at least one of its board members shares the same educational background as the politician (Bertrand et al., 2007; Cohen et al., 2008; Fracassi, 2016; Nguyen, 2012). This study finds that PCOB is not significantly associated with CSRDQ. The result is in line with prior studies by Chaney et al. (2011) and Wahab et al. (2011), who provided evidence that political connections could negatively affect annual reporting quality. Chaney et al. (2011) used data from 4500 companies in 19 countries, while Wahab et al. (2011) used data from 382 non-financial companies listed on Bursa Malaysia in 2001 to 2003. The negative effects revealed in these studies indicate that companies with political connections have poorer annual reporting quality than those that do not and have high possibility to misstate their annual reports.

Using the data of 256 companies listed in Bursa Malaysia from 1999 to 2003 and interviews with 24 top managers from 24 companies, Md Salleh (2009) found mixed results in his study; companies with politicians on boards have poor financial reporting quality, similar to that found by Chaney et al. (2011) and Wahab et al. (2011). However, Md Salleh (2009) also reported that government ownership could influence annual reporting quality positively. These positive effects that government ownership could have on CSR disclosure are also pointed out by Said et al. (2009). On the other hand, prior studies by Gao (2011), Gu et al. (2013), Snider et al. (2013), and Lin et al. (2015) found that companies with political connections have different orientations when implementing and disclosing their CSR information.

Most corporate governance mechanisms and CSR studies are carried out in developed countries with stable business and political conditions, low corruption levels, and high awareness of social and environmental issues (Nugrahanti, 2021). Meanwhile, developing countries' economic and social conditions are characterised by family business dominations, high corruption practices, undeveloped capital markets, and high political interference, which need corporate governance mechanisms to support operations and achieve company goals (Habib et al., 2017). Therefore, the effect of corporate governance mechanisms on CSR disclosures may differ between developed and developing countries, including Indonesia.

In Indonesia, a network of classmates, friends in the former place of work and alums can be established based on publicly available information that reveals the educational background of all politicians and board members. This network coverage is broad enough to represent a population of politicians while avoiding hidden conflicts of interest, making it possible to generalise the empirical results. An example of a politician’s hidden conflict of interest in Indonesia was in 2015 when a governor of the province of North Sumatra was involved in the corruption of the social assistance funds (BANSOS), which amounted to 2.1 billion (Asril, 2015).

The finding of this study does not support the results of some previous studies, in which the latter found that there is a stronger motivation for forming political connections in a less perfect environment, which typically lacks the protection of property rights and market-supporting structures (McMillan, 1995). China, one of the most significant transition economies, is an excellent jurisdiction to look for evidence of the positive effect of political connections on companies (e.g., Berkman et al., 2010; Francis et al., 2009).

4.4.2.2 Women's Proportion on the Board

The results in Table 4.12 show that the relationship between women's proportion on the board commissionaire (WPOBK%) and CSRDQ (H2a) is negative and insignificant, with a coefficient of -0.020 and a t-value is about -0.247. Thus, H2a is rejected. Table 4.12 also shows that the association between women's proportion of the BoD (WPOBD%) and CSRDQ is negative and not significant, with a coefficient of -0.125 and a t-value of -1.577. Therefore, H2b is rejected.

The insignificant association between WPOB (on both BoC and BoD) and CSRDQs found in this study supported the results of a study by Trireksani and Djajadikerta (2016) based on 38 companies from a single sector (mining) listed in an emerging economy (Indonesia Stock Exchange). The results might indicate that the governance in the Indonesian mining industry was male-dominated (Trireksani & Djajadikerta, 2016). Since the percentage of female directors in these companies was low, they likely had very little chance to impact the decision-making process, including the decisions on environmental disclosure practices. Similarly, this study's percentages of WPOB on the BoC and BoD are low, about 12% and 13%, respectively.

In another study, Glass et al. (2016) revealed that the positive influence of board gender diversity on environmental initiatives is very limited, and Deschênes et al. (2015) found that the presence of women on the board of directors is associated with a lower environmental performance score in nonfinancial firms. Other studies found that the linkage between environmental strengths (Walls et al., 2012) or disclosure (Galbreath, 2011) and the presence of female directors is not significant. All these studies focused on companies belonging to English-speaking countries and multiple industries.

Jia and Zhang (2012) explained that women on the board safeguard companies' resources from irrational waste and avoid unnecessary corporate philanthropy. Galbreth (2011) and Marquis and Lee (2013) state that women's proportion on the board improves a company's commitment towards stakeholders at large. On the other hand, Alexandrina (2013), Bowrin (2013), Kahreh et al. (2014), Giannarakis (2014), and Glass et al. (2015) found that women's proportion on the board does not affect CG and CSRD. Meanwhile, women's participation on boards negatively influences CSRD (Handajani et al.,2014; Shamil et al., 2014).

4.4.2.3 Ethnicity of the Board

Table 4.12 shows that the relationship between the ethnicity of the board commissionaire (ETOBKChinese) and CSRDQ is positive but not significant, with a coefficient of 0.911 and a t-value of 0.278. Thus, H3a is rejected. Similarly, the association between BoD's ethnicity (ETOBDChinese) and CSRDQ (H3b) is insignificant, with a coefficient of -2.114 and a t-value of -0.663. Therefore, H3b is also rejected.

Ooi et al. (2017) found that ethnic diversity commissioners negatively affect CSR disclosure. They argue that the presence of ethnic diversity on the board of commissioners leads to differences of opinion and ideas (Ooi et al., 2017). Because of that, there are obstacles in the decisions to achieve company objectives. With the existence of these obstacles, the company will have difficulty in achieving a good CSR disclosure.

The results show that more homogeneous boards perform better than those with directors of different ethnicities. One possible explanation is that the ethnicity of the directors creates a homogeneous sub-group in the boardroom. Thus, increased intra-team conflicts and low-cohesion groups (and therefore, group losses) will decrease group performance. This finding is different from that of Carter et al. (2003). The latter argue that diversity improves board independence as directors with different backgrounds, ethnicities, or gender may ask questions that directors from a homogeneous group may not ask.

Furthermore, some provinces in Indonesia still discriminate against the Chinese. For example, Lokasari (2016) reported on BBC News Indonesia that Chinese people (non-pribumi) cannot own but can only rent land in Yogyakarta. Understandably, this discrimination by the local governments and the residents will cause Chinese companies to be less concerned with the environment. This discrimination practice receives a lot of resistance, especially from the National Commission of Human Rights (NCHR). On its website on September 23, 2015, the NCHR wrote: "Yogyakarta should be one of the cultured regions in Indonesia and should have removed the policy of discrimination. Discrimination policy will ultimately inhibit the development of Yogyakarta area" (Lokasari, 2016).

4.4.2.4 Family Ownership of the Board

Table 4.12 shows that the relationship between family ownership of the BoC (FAOWNK) and CSRDQ is insignificant, with a coefficient of -0.529 and a t-value of -0.136. Thus, H4a is rejected. Furthermore, the association between family ownership of the BoD (FAOWND) and CSRDQ (H3b) is also not significant, with a coefficient of -4.957 and a t-value of -1.242. Thus, H4b is also rejected.

The result is in line with some studies that use the agency relationship and amoral familism to predict and explain CSR practices, suggesting that family firms are motivated by selfish objectives and hence, have a relatively low engagement in CSR activities (Morck & Yeung, 2004). Moreover, family CEOs in emerging capital markets may select and appoint directors based on family ties or personal connections. This aspect negatively affects board independence and explains the prediction of lower motivation in family firms to engage in CSR activities (Muttakin et al., 2018). Additionally, the traditional view of CSR claims that firms consume resources and spend money and efforts on CSR activities. Therefore, it can be argued that the presence of founding family members on the board can lead to lower CSR activities and reporting (Abdelfattah & Aboud, 2020).

Furthermore, there is no agreement about the role of agency relationships in explaining the financial reporting practices in family-led firms (Salvato & Moores, 2010). Mullins and Schoar (2016) indicate that family-led firms differ from nonfamily firms not only in their explicit governance structures but also in terms of the softer factors that affect management effectiveness. They find that founders and CEOs of firms with greater family involvement display a greater stakeholder focus and feel more accountable to employees and banks than shareholders. Campopiano and De Massis (2015) find that family firms disseminate a wider variety of CSR reports but are less compliant with

CSR standards and emphasise different CSR topics. Labelle et al. (2018) find that family firms engage in lower CSR than non-family firms and report a curvilinear relationship between family control and CSR. Additionally, Cruz et al. (2014) indicate that family firms positively affect social dimensions linked to external stakeholders and negatively impact internal social dimensions.

Meanwhile, developing countries' economic and social conditions are characterized by family business dominations, high corruption practices, undeveloped capital markets, and high political interference, which need corporate governance mechanisms to support operations and achieve company goals (Habib et al., 2017). The insignificant results are unsurprising, given Indonesia's history of corruption, collusion, and nepotism. Nepotism, in particular, has been perceived as a common practice among Indonesian organisations in both the private and public sectors since the power source is based initially on family and friends. Similarly, in Bangladesh, studies show that CG mechanisms such as board outside directors tend to be ceremonial (e.g., Sobhan & Werner, 2003). Research on CSR in Bangladesh finds that family ownership contributes to a low level of CSRD (Belal & Owen, 2007). According to Uddin and Choudhury (2008), the efficacy of CG mechanisms in Bangladesh is sceptical due to the traditional nature of its society.

Uddin and Choudhury (2008) argue that emerging markets are often characterised by family dominance, corruption and political interference, which differ from those in developed markets. Thus, the impact of CSR and family ownership on earnings management may differ in the emerging market. Muttakin and Khan (2014) document several determinants of CSR disclosure in Bangladesh. They find that family ownership is negatively related to the extent of CSR disclosures, implying that family owners are less concerned about organisational legitimacy (Muttakin & Khan, 2014). They also document that larger firms provide more CSR disclosures as they receive more attention from various social groups to disclose their social activities and legitimise their businesses.

4.4.2.5 Composition of the Board

Table 4.12 shows the relationship between the composition of the BoC (TCOBKPrcntge) and CSRDQ is not significant, with a coefficient of -0.089 and a t-value of -0.719. Similarly, the relationship between BoD's composition (TCOBDPrcntge) and CSRDQ is insignificant, with a coefficient of 0.024 and a t-value of 0.236. Thus, both H5a and H5b are rejected.

The findings indicate no significant relationship between TCOBPrcntge and CSRD among PLCs in Indonesia. The insignificant relationship is perhaps because the boards are not well-informed about a company's operations. Some studies found the association negative (Eng & Mak, 2003; Gul & Leung, 2004). Eng & Mak (2003) found that non-mandatory disclosure in Singapore was negatively associated with the composition of independent directors. Coffey and Wang (1998: 1598) added that there is no assurance that board independence is always related to superior performance. They said: "…outsiders may merely serve a symbolic purpose, be passive in decision making, or be handpicked for agreeability". Other studies which suggest that independence may have a negative or insignificant relationship with CSR and CSRD include Giannarakis (2014), Coffey and Wang (1998), Hafsi and Turgut (2013), Prado-Lorenzo and Garcia-Sanchez (2010), Said et al. (2009), and Zhang (2012).

However, some studies found the relationship between TCOBPrcntge and CSRD positive. He and Sommer (2010) argue that when the separation of ownership and management widens, agency costs and information asymmetry will increase. Because of these costs, there is a greater need for monitoring by outside directors. Further, Fama and Jensen (1983) and Zahra and Pearce (1989) argued that the board monitoring role is expected to improve as the separation of control and ownership widens.

4.4.2.6 Results of the Hypothesis' Testing Related to Foreign Ownership of the Board

Predictably, Table 4.12 shows that the association between foreign ownership (FOROWN%) and CSRDQ is positive and significant at a 1% level, with a coefficient value of 0.340 and a t-value of 5.844. Therefore, the related hypothesis is accepted. The result is in line with those of Buckley and Casson (1976, 2003) and Porter (2011). The authors argued that companies investing in foreign countries were motivated by the belief that foreign companies have a better chance to operate because they are more capable of utilising the available capacities than domestic companies.

Rustam et al. (2019) measured individual effects and relationships between foreign ownership and various components of sustainability, such as economic, social, and environmental disclosure. Foreign shareholders also push management to make socially responsible investments and report valid environmental information to reduce the risk of losses or to acquire profit maximisation (Adeniyi & Adebayo 2018; Brown et al. 2009; Sharif & Rashid 2014). Similarly, Masud et al. (2018) reported a positive association between foreign ownership and environmental sustainability disclosure.

Agency theory explains the relationships between corporate performance and the various measures of ownership concentration, foreign ownership concentration being one (Chhibber & Majumdar, 1999). Agency theory posits that the presence of foreign owners in a company is associated with improved firm performance (Haat et al., 2006).

Hingorani et al. (1997) claim that foreign ownership can reduce agency problems by aligning the interests of the management and shareholders.

4.4.2.7 Control Variables and CSRDQ

Table 4.12 shows that company size (COMSIZE (Log Form)) is positively and significantly related to CSRDQ at a 1% significance level, with a coefficient of 13.664 and a t-value of 7.435. On the other hand, unexpectedly, company sector (CSCSECM) has a negative relationship with CSRDQ at a 10% significance level, with a coefficient of -5.837 and a t-value of -1.953. Thus, results indicate that company size (COMSIZE) is the only control variable positively associated with CSRDQ.

The positive association between company size (COMSIZE) and CSRDQ is in line with Reverte (2009), who analysed the factors affecting CSERD among Spanish-listed companies. Thus, it can be concluded that larger companies will be more likely to publish their CSER more extensively. Furthermore, Dowling and Pfeffer (1975) argued that larger companies would be more politically visible than their smaller counterparts. Thus, large companies are expected to engage in more legitimate behaviours. Under legitimacy theory, political visibility is viewed from a broader social outlook between business and society. Under the theory, political visibility reflects a wider socio-perspective of the relationship between businesses and society; in particular, large firms operating in socially sensitive industries are deemed more susceptible to social pressures from various stakeholder groups (Hibbit, 2003).

4.5 The moderating Effect of Foreign Ownership on the Relationship between CG Attributes and CSR Disclosure

Tables 4.13 and 4.14 show the hierarchical regression analysis of the role of foreign ownership (FOROWN %) as a moderator on the association between CG attributes and CSRD. Table 4.13 reports the results of the extent/length of CSRD disclosure (CSRDLength), and Table 4.14 reports the results on CSR disclosure quality (CSRDQ), moderated by foreign ownership (FOROWN %). The F-values shown in Tables 4.13 and 4.14 (CSRDLength and CSRDQ) are 5.982 and 7.516 (1% significance level), respectively. The values indicate that the models are statistically significant. Additionally, the adjusted R-squared of the models, CSRDLength and CSRDQ, are 0.304 and 0.355, respectively. The models explained 30.4% of the variation in CSRDLength and 35.5% of the CSRDQ. In sum, Table RO3 is statistically effective in explaining the variation in the extent of CSRDLength and CSRDQ. Overall, their values imply a good fit for the models.

The coefficient of the moderator (FOROWN %) of the CSRDLength model is positive (0.155) and significant at a 10% level, with a t-value of 1.944. The coefficient of FOROWN % of the CSRDQ model is positive (0.415) and significant at a 10% level, with a t-value of 1.894. In sum, individually, foreign ownership is statistically significant in both the CSRDLength and CSRDQ models. The results are consistent with studies by Zheka (2005), Barako and Brown (2008), Praptiningsih (2009), and Htay et al. (2012).

Table 4.13: summaries of hierarchical regression analysis for CSRDLength

Variable		Predicted sign	Step I	Step II	Step III	Step IV
			CSRDLength	CSRDLength	CSRDLength	CSRDLength
Moderator variable (M)	PCOBK	+	-	1.390	2.174	4.006*
				1.467	(1.580)	(2.396)
Moderator x Independent Variables	WPOBK %	+	-	0.030	0.017	0.039
				0.446	(0.557)	(1.124)
	ETOBKChinese	+	-	1.204	-0.683	-0.244
				-0.702	(-0.573)	(0.167)
	FAOWNK	+	-	1.434	-1.839	-3.172*
				-1.404	(-1.296)	(-1.897)
	TCOBKPrcntge	+	-	0.046	-0.039	-0.028
				-0.748	(-0.871)	(0,504)
	PCOBD	+	-	1.444	0.551	1.467
				0.478	(0.385)	(0.794)
	WPOBD %	+	-	0.029*	-0.051*	-0.072**
				-1.769	(-1.754)	(-2.105)

ETOBDChinese	+	-	1.172**	-2.464**	-2.759*
			-2.199	(-2.125)	(-1.907)
FAOWND	+	-	1.449	0.107	0.657
			-0.384	(0.074)	(0.392)
TCOBDPrcntge	+	-	0.038	-0.024	-0.015
			-0.580	(-0.654)	(-.331)
FOROWN %	+	-	-	0.060**	0.155*
				(2.859)	(1.944)
LPRFTBLTY	+	0.701**	0.697**	1.415**	1.677**
(log form)		2,201	2.064	(2.051)	(2.411)
COMSIZE (Log	+	0.618***	0.653***	4.452***	4.599***
Form)		8.725	7.575	(6.655)	(6.820)
CSCSECM	+	1.060	1.070	0.084	0.362
		0.630	0.769	(0.077)	(0.332)
MPCOBKI	+	-	-	-	-0.111**
					(-2.137)
MWPOBKI	+	-	-	-	-0.001
					(-1.041)
METOBKCI	+	-	-	-	-0.037

					(-0.826)
MFAOWNKI	+	-	-	-	0.104
					(1.323)
MTCOBKPI	+	-	-	-	0.000
					(-0.214)
MPCOBDI	+	-	-	-	-0.041
					(0.741)
MWPOBDI	+	-	-	-	0.001
					(1.101)
METOBDCI	+	-	-	-	0.023
					(0.533)
MFAOWNDI	+	-	-	-	-0.027
					(-0.336)
MTCOBDPI	+	-	-	-	-0.001
					(-0.683)
		F = 27.748***	F = 8.960***	F = 9.080***	F = 5.982***
		R^2 = 0.193	R^2 = 0.256	R^2 = 0.273	R^2 = 0.304
		Adjusted R^2 = 0.186	Adjusted R^2 = 0.227	Adjusted R^2 = 0.243	Adjusted R^2 = 0.254
		N = 353	N =353	N = 353	N =353

*** is 1% significance level, ** is 5% significance level and * is 10% significance level; CSRDLength is measured by page number for each item of disclosure; CSRDQuality is measured based on GRI index consist of 25 items according to the circumstance and the situation in Indonesia; PCOB is measured by dummy variable coded : 1 if the board has a political connection to the government and 0 otherwise; WPOB is measured by percentage of woman in the board to the total of the board members; ETOBChinese is measured by dummy variable coded by using model of CEO/ leader of the board: 1 Chines ethnic 0 others; FAOWN is measured by dummy variable coded: 1 for family members in the board and 0 otherwise; TCOBPrcntge is measured by the percentage of board independence to the total of board members; FOROWN is measured by the percentage of the foreign ownership in the company; LPRFTBLTY (log form) is measured by the level of corporate profitability is return on equity (ROE) by log form; COMSIZE (Log Form) is measured by company's total asset by log form; CSCSECM is measured by dummy variable coded: 1 for manufacturing sector companies and 0 for non-manufacturing sector companies. MPCOBK* FOROWN: Political Connection of the Board Commissionaire*Foreign Ownership; MWPOBK* FOROWN: Women's Proportion of the Board Commissionaire*Foreign Ownership; METOBKC* FOROWN: Ethnicity of the Board Commissionaire*Foreign Ownership; MFAOWNK* FOROWN: Family Ownership of the Board Commissionaire* Foreign Ownership; MTCOBKP* FOROWN: The Composition of the Board Commissionaire* Foreign Ownership; MPCOBD* FOROWN: Political Connection of the Board Director* Foreign Ownership; MWPOBD* FOROWN: Women's Proportion of the Board Director*Foreign Ownership; METOBDC* FOROWN: Ethnicity of the Board Director*Foreign Ownership; MFAOWND* FOROWN: Family Ownership of the Board Director*Foreign Ownership; MTCOBDP* FOROWN: The Composition of the Board Director*Foreign Ownership.

Table 4.14: summaries of hierarchical regression analysis for CSRDQuality

Variable		Predicted sign	Step I	Step II	Step III	Step IV
			CSRDQuality	CSRDQuality	CSRDQuality	CSRDQuality
Moderator variable (M)	PCOBK	+	-	3.962 0.613	3.274 (0.866)	8.028* (1.746)
Moderator x Independent Variables	WPOBK %	+	-	0.086 -0.542	-0.020 (-0.247)	0.029 (0.302)
	ETOBKChinese	+	-	3.434 0.020	0.911 (0.278)	-0.226 (0.056)
	FAOWNK	+	-	4.089 -0.373	-0.529 (-0.136)	-2.435 (-0.529)
	TCOBKPrcntge	+	-	0.130 -0.459	-0.089 (-0.719)	-0.070 (-0.451)
	PCOBD	+	-	4.118 0.946	3.027 (0.769)	3.446 (0.678)
	WPOBD %	+	-	0.083 -1.468	-0.125 (-1.577)	-0.215** (-2.293)
	ETOBDChinese	+	-	3.343 -0.846	-2.114 (-0.663)	-4.033 (-1.014)

FAOWND	+	-	4.133**	-4.957	-5.630
			-2.109	(-1.242)	(-1.221)
TCOBDPrcntge	+	-	0.107	0.024	0.015
			0.373	(0.236)	(0.121)
FOROWN %	+	-	-	0.340***	0.415*
				(5.844)	(1.894)
LPRFTBLTY	+	1.971	1.987	1.285	1.719
(log form)		0.909	0.720	(0.678)	(0.899)
COMSIZE (Log	+	1.737***	1.862***	13.664***	13.944***
Form)		9.779	8.841	(7.435)	(7.519)
CSCSECM	+	2.977	3.050	-5.837*	-5.074*
		-0.870	-0.542	(-1.953)	(-1.689)
MPCOBKI	+	-	-	-	-0.249*
					(-1.739)
MWPOBKI	+	-	-	-	-0.003
					(-0.798)
METOBKCI	+	-	-	-	0.038
					(0.310)
MFAOWNKI	+	-	-	-	0.107

					(0.494)
MTCOBKPI	+	-	-	-	-0.002
					(-0.341)
MPCOBDI	+	-	-	-	-0.054
					(-0.356)
MWPOBDI	+	-	-	-	0.006*
					(1.810)
METOBDCI	+	-	-	-	0.135
					(1.121)
MFAOWNDI	+	-	-	-	0.139
					(0.623)
MTCOBDPI	+	-	-	-	0.000
					(-0.103)
		F = 32.513***	F = 9.041***	F = 11.738***	F = 7.516***
		R^2 = 0.218	R^2 = 0.257	R^2 = 0.327	R^2 = 0.355
		Adjusted R^2 = 0.212	Adjusted R^2 = 0.229	Adjusted R^2 = 0.299	Adjusted R^2 = 0.308
		N = 353	N =353	N = 353	N =353

*** is 1% significance level, ** is 5% significance level and * is 10% significance level; CSRDLength is measured by page number for each item of disclosure; CSRDQuality is measured based on GRI index consist of 25 items according to the circumstance and the situation in Indonesia;

PCOB is measured by dummy variable coded : 1 if the board has a political connection to the government and 0 otherwise; WPOB is measured by percentage of woman in the board to the total of the board members; ETOBChinese is measured by dummy variable coded by using model of CEO/ leader of the board: 1 Chines ethnic 0 others; FAOWN is measured by dummy variable coded: 1 for family members in the board and 0 otherwise; TCOBPrcntge is measured by the percentage of board independence to the total of board members; FOROWN is measured by the percentage of the foreign ownership in the company; LPRFTBLTY (log form) is measured by the level of corporate profitability is return on equity (ROE) by log form; COMSIZE (Log Form) is measured by company's total asset by log form; CSCSECM is measured by dummy variable coded: 1 for manufacturing sector companies and 0 for non-manufacturing sector companies. MPCOBK* FOROWN: Political Connection of the Board Commissionaire*Foreign Ownership; MWPOBK* FOROWN: Women's Proportion of the Board Commissionaire*Foreign Ownership; METOBKC* FOROWN: Ethnicity of the Board Commissionaire*Foreign Ownership; MFAOWNK* FOROWN: Family Ownership of the Board Commissionaire* Foreign Ownership; MTCOBKP* FOROWN: The Composition of the Board Commissionaire* Foreign Ownership; MPCOBD* FOROWN: Political Connection of the Board Director* Foreign Ownership; MWPOBD* FOROWN: Women's Proportion of the Board Director*Foreign Ownership; METOBDC* FOROWN: Ethnicity of the Board Director*Foreign Ownership; MFAOWND* FOROWN: Family Ownership of the Board Director*Foreign Ownership; MTCOBDP* FOROWN: The Composition of the Board Director*Foreign Ownership.

4.5.1 Results of the Moderating Hypothesis' Testing on CSRD

4.5.1.1 Corporate Governance Attributes and CSRDLength (H6a)

Table 4.13 indicates a significant negative association between the interaction effect of political connection of the BoC and foreign ownership (MPCOBK*FOROWN) and CSRDLength at a 5% level, with a coefficient of -0.111 and a t-value of -2.137. Thus, the hypothesis is rejected. Furthermore, Table 4.13 shows that the association between the interaction effect of BoD political connection and foreign ownership (MPCOBD* FOROWN) and CSRDLength is insignificant, with a coefficient of -0.041 and a t-value of 0.741. Thus, the related hypothesis is rejected. Results show that the association between the interaction effect of women's proportion on the BoC and foreign ownership (MWPOBK* FOROWN) and CSRDLength is insignificant, with a coefficient of -0.001 and a t-value of -1.041. Thus, the related hypothesis is rejected. Table 4.13 also shows that the association between the interaction effect of women's proportion of the BoD and foreign ownership (MWPOBD* FOROWN) and CSRDLength is insignificant, with a coefficient of 0.001 and a t-value of 1.101. Therefore, the related hypothesis is rejected.

As indicated in Table 4.13, the relationship between the interaction effect of the ethnicity of the BoC and foreign ownership (METOBKC* FOROWN) and CSRDLength is not significant, with a coefficient of -0.037 and a t-value of -0.826. Thus, the related hypothesis is rejected. The association between the interaction effect of BoD ethnicity and foreign ownership (METOBDC* FOROWN) and CSRDLength is also not significant, with a coefficient of 0.023 and a t-value of 0.533. Therefore, the related hypothesis is rejected.

Table 4.13 shows that the relationship between the effect of the interaction between family ownership of the BOC and foreign ownership (MFAOWNKI*FOROWN) and

CSRDLength is not significant (coefficient, 0.104; t-value, 1.323). Thus, the related hypothesis is rejected. The association between the interaction of family ownership of the BoD and foreign ownership (MFAOWNDI*FOROWN) and CSRDLength is also not significant (coefficient of -0.027 and a t-value of -0.336). Therefore, the related hypothesis is rejected.

As indicated in Table 4.13, the association between the interaction of BoC's composition and foreign ownership (MTCOBKP* FOROWN) and CSRDLength is not significant, with a coefficient of 0.000 and a t-value of -0.214. Thus, the related hypothesis is rejected. Results also show that the association between the interaction of BoD composition and foreign ownership (MTCOBDP* FOROWN) and CSRDLength is insignificant, with a coefficient of -0.001 and a t-value of -0.683. Therefore, the related hypothesis is rejected.

To conclude, foreign ownership not only moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relation positively but can also negatively impact CSR disclosure. This result is still in line with research conducted by Al-Gamrh et al. (2020), Bayrakdaroglu et al. (2012), Ferris & Park (2005) and Makhija & Spiro (2000). The explanation that foreign ownership could negatively affect CSR disclosure is due to two possible reasons. First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing the companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investors' ability to monitor firms. In this regard, the insignificant result might be because the proportion of foreign ownership in Indonesian listed companies is too low, about 19% (IDX, 2017).

Comparatively, some studies reported a negative relationship between foreign ownership and CSR. Gulzar et al. (2019) found that foreign ownership has no impact on CSR engagements. In addition, Haladu and Beri (2016) revealed a mixed association between ownership mechanisms and environmental information disclosure. They also found that government and foreign shareholdings have no positive impact on CSR (Hartikayanti & Siregar, 2018). Ntim et al. (2013) and Nazari et al. (2015) argued that the negative relationship could be due to long-run aspects of investment operations.

4.5.1.2 Results of the Moderating Hypothesis' Testing on CSRD Quality (CSRDQ) (H6b)

Table 4.14 shows a significant negative association between the interaction of political connection of the BoC and foreign ownership (MPCOBK* FOROWN) and CSRDQ at a 10% level, with a coefficient of -0.249 and a t-value of -1.739. Thus, the related hypothesis is rejected. Furthermore, the result in Table 4.14 shows that the association between the interaction of political connection of the BoD and foreign ownership (MPCOBD* FOROWN) and CSRDQ is not significant, with a coefficient of -0.054 and a t-value of -0.356. Thus, the related hypothesis is rejected. Results show that the association between the interaction of women's proportion of BoC and foreign ownership (MWPOBK* FOROWN) and CSRDQ is insignificant, with a coefficient of -0.003 and a t-value of -0.798. Thus, the related hypothesis is rejected.

The direct relationship between women's proportion on boards (WPOBD%) and CSRDQ has a coefficient of -0.020 and a t-value of -0.247, compared with the moderation effect, having a coefficient of 0.006 and a t-value of 1.810, at a 10% significance level. Thus, the moderation effect outweighs the direct value. This result implies that foreign ownership is a quasi-moderator that cannot only moderate the relationship but also affect the dependent variable directly (Sekaran & Bougie, 2016).

Table 4.14 also shows that foreign ownership moderates women's proportion on the boards and CSR disclosure. This result is in line with a previous study by Muhammad & Aryani (2021), who found that foreign ownership significantly impacts the relationship between carbon disclosure and firm value. The result implies that foreign ownership can mitigate the negative effect of carbon disclosure and benefits companies. This is possible because foreign investors understand and concern more about environmental problems. Therefore, when companies disclose their carbon emission activities, they appreciate it more than the punishment given by local investors (Muhammad & Aryani, 2021).

Furthermore, as indicated in Table 4.14, the relationship between the interaction effect of the ethnicity of the BoC and foreign ownership (METOBKC* FOROWN) and CSRDQ is not significant, with a coefficient of 0.038 and a t-value of 0.310. Thus, the related hypothesis is rejected. The association between the interaction effect of BoD ethnicity and foreign ownership (METOBDC* FOROWN) and CSRDQ is also not significant, with a coefficient of 0.135 and a t-value of 1.121. Thus, the related hypothesis is rejected.

Table 4.14 shows that the relationship between the interaction effect of family ownership of the BOC and foreign ownership (MFAOWNKI*FOROWN) and CSRDQ is positive but not significant, with a coefficient of 0.107 and a t-value of 0.494. Thus, the related hypothesis is rejected. The association between the interaction of BoD family ownership and foreign ownership (MFAOWNDI*FOROWN) and CSRDQ is also not significant, with a coefficient of 0.139 and a t-value of 0.623. Thus, the related hypothesis is rejected.

As indicated in Table 4.14, the association between the interaction of BoC composition and foreign ownership (MTCOBKP* FOROWN) and CSRDQ is insignificant, with a coefficient of -0.002 and a t-value of -0.341. Thus, the related hypothesis is rejected. Results also show that the association between the interaction of BoD composition and foreign ownership (MTCOBDP* FOROWN) and CSRDQ is insignificant, with a coefficient of 0.000 and a t-value of -0.103. Thus, the related hypothesis is rejected.

Table 4.15 Summary of Hypotheses Testing

Variables	Hypotheses	Expected sign	P-values/ sign	MODEL 1 CSRDLength	P-values/ sign	MODEL 2 CSRDQ
PCOBK	H1a	+	P<0.10 (+)	Not Supported	P<0.10 (+)	Not Supported
PCOBD	H1b	+	p>0.10 (+)	Not Supported	p>0.10 (+)	Not Supported
WPOBK %	H2a	+	p>0.10 (+)	Not Supported	p>0.10 (+)	Not Supported
WPOBD %	H2b	+	P<0.05 (-)	Not Supported	P<0.05 (-)	Not Supported
ETOBKChinese	H3a	+	p>0.10 (-)	Not Supported	p>0.10 (-)	Not Supported
ETOBDChinese	H3b	+	P<0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
FAOWNK	H4a	+	P<0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
FAOWND	H4b	+	P>0.10 (+)	Not Supported	P>0.10 (-)	Not Supported
TCOBKPrcntge	H5a	+	P>0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
TCOBDPrcntge	H5b	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported
MPCOBK* FOROWN	H6a	+	P<0.05 (-)	Not Supported	P<0.10 (-)	Not Supported
MWPOBK* FOROWN	H6a	+	P>0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
METOBKC* FOROWN	H6a	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported
MFAOWNK* FOROWN	H6a	+	P>0.10 (+)	Not Supported	P>0.10 (+)	Not Supported
MTCOBKP* FOROWN	H6a	+	P>0.10 (+)	Not Supported	P>0.10 (-)	Not Supported

MPCOBD* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
MWPOBD* FOROWN	H6b	+	P>0.10 (+)	Not Supported	P<0.10 (+)	Supported
METOBDC* FOROWN	H6b	+	P>0.10 (+)	Not Supported	P>0.10 (+)	Not Supported
MFAOWND* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported
MTCOBDP* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported

*** is 1% significance level, ** is 5% significance level and * is 10% significance level; CSRDLength is the corporate social responsibility disclosure quantity; CSRDQ is the corporate social responsibility disclosure quality; PCOBK is the political connections of the BoC; WPOBK is the women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is the family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is the political connections of the BoD; WPOBD is the women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is the family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is the corporate profitability by log form; COMSIZE (Log Form) is the size of the company by log form; CSCSECM is the company sector; MPCOBK* FOROWN: Moderating Political Connection of the BoC*Foreign Ownership; MWPOBK* FOROWN: Moderating Women's Proportion of the BoC*Foreign Ownership; METOBKC* FOROWN: Moderating Ethnicity of the BoC*Foreign Ownership; MFAOWNK* FOROWN: Moderating Family Ownership of the BoC* Foreign Ownership; MTCOBKP* FOROWN: Moderating The Composition of the BoC* Foreign Ownership; MPCOBD* FOROWN: Moderating Political Connection of the BoD*Foreign Ownership; MWPOBD* FOROWN: Moderating Women's Proportion of the BoD*Foreign Ownership; METOBDC* FOROWN: Moderating Ethnicity of the BoD*Foreign Ownership; MFAOWND* FOROWN: Moderating Family Ownership of the BoD*Foreign Ownership; MTCOBDP* FOROWN: Moderating The Composition of the BoD*Foreign Ownership.

4.6 Additional Analysis

Additional tests are carried out to ensure the sensitivity and durability of the main results. In the additional analysis, foreign ownership is measured using a dummy variable, scoring one if foreign ownership is present and zero otherwise.

4.6.1 The moderation effect of foreign ownership with corporate governance attributes on CSR disclosure

Table 4.16 summarises the result of a hierarchical regression analysis of the role of the presence of a dummy, foreign ownership (FOROWND), as a moderator of the relationship between CG attributes and CSRD. Table 4.16 reports the results of the CSR disclosure length (CSRDLength) and CSR disclosure quality (CSRDQ) moderated by dummy variable foreign ownership (FOROWND). The F-values of the CSRDLength and CSRDQ models are 7.600 (1% significance level) and 18.710 (1% significance level), respectively. These values indicate that both CSRDLength and CSRDQ models are statistically significant. The adjusted R-squared values of the CSRDLength and CSRDQ models are 0.310 and 0.547, respectively, implying that the models explain 31% and 54.7% of the total variation in CSRDLength and CSRDQ, respectively. In sum, both models are statistically effective in explaining the variation in the extent of CSRDLength and CSRDQ. Overall, their values imply a good fit for the models.

The coefficient of dummy foreign ownership (FOROWND) on CSRDLength is insignificant (coefficient, 5.172; t-value, 0.773). However, the coefficient of dummy foreign ownership (FOROWND) of the CSRDQ model is positive and significant at a 1% level (coefficient, 0.455; t-value, 1.978). In sum, individually, dummy foreign ownership is statistically significant in the CSRDQ model. This result is consistent with the studies by Zheka (2005), Barako and Brown (2008), Praptiningsih (2009) and Htay et al. (2012).

Table 4.16 Summaries of hierarchical regression analysis for CSRDLength and CSRDQ Additional Test

	Variable	Predicted sign	Sensitivity Test Research Objective 3			
			P-values/ sign	CSRDLength	P-values/ sign	CSRDQ
Moderator variable (M) Moderator x Independent Variables	PCOBK	+	p>0.10 (+)	0.166 (0.063)	p>0.10 (+)	1.310 (0. 216)
	WPOBKD	+	p>0.10 (+)	0.159 (0.086)	p>0.10 (-)	-0.402 (-0.093)
	ETOBKCchinese	+	p>0.10 (+)	1.515 (0.769)	p>0.10 (+)	3.955 (0.867)
	FAOWNK	+	p>0.10 (+)	0.015 (0.006)	p>0.10 (+)	0.720 (0.126)
	TCOBKD	+	p>0.10 (-)	-1.642 (-0.289)	p>0.10 (-)	-3.674 (-0.280)
	PCOBD	+	p>0.10 (+)	1.799 (0.077)	p>0.10 (+)	4.998 (0.727)
	WPOBDD	+	p>0.10 (-)	-0.897 (-0.041)	p>0.10 (-)	-3.575 (-0.842)
	ETOBDCchinese	+	p>0.10 (-)	-2.250 (-1.104)	p>0.10 (-)	-1.818 (-0.385)
	FAOWND	+	p>0.10 (-)	-0.188 (-0.080)	p>0.10 (-)	-2.273 (-0.420)
	TCOBDD	+	p>0.10 (+)	1.703 (0.865)	p>0.10 (+)	7.527 (1.651)
	FOROWND	+	p>0.10 (+)	5.172 (0.773)	P<0,05 (+)	48.306 (3.120)
	LPRFTBLTY	+	P<0.10 (+)	1.184 (1.785)	p>0.10 (+)	0.429 (0. 279)

COMSIZE	+	P<0.01 (+)	3.464 (5.116)	P<0.01 (+)	9.728 (6.208)
CSCSECM	+	p>0.10 (+)	-0.403 (0.396)	p>0.10 (-)	-3.734 (-1.586)
DVPCOBKFOROWN	+	p>0.10 (+)	1.517 (0.502)	p>0.10 (-)	-2.513 (-0.359)
DVWPOBKDFOROWN	+	p>0.10 (+)	0.843 (0.379)	p>0.10 (+)	0.994 (0.193)
DVETOBKCchineseFOROWN	+	p>0.10 (-)	-3.404 (-1.399)	p>0.10 (-)	-3.625 (-0.644)
DVFAOWNKFOROWN	+	p>0.10 (-)	-2.373 (-0.799)	p>0.10 (-)	-3.976 (-0.579)
DVTCOBKDFOROWN	+	p>0.10 (+)	6.473 (0.938)	p>0.10 (-)	-2.071 (-0.130)
DVPCOBDFOROWN	+	p>0.10 (-)	-1.813 (-0.538)	p>0.10 (-)	-0.774 (-0.099)
DVWPOBDDFOROWN	+	p>0.10 (+)	0.547 (0.250)	p>0.10 (+)	3.318 (0.655)
DVETOBDCchineseFOROWN	+	p>0.10 (-)	-0.369 (-0.151)	p>0.10 (-)	-0.384 (-0.068)
DVFAOWNDFOROWN	+	p>0.10 (+)	1.092 (0.379)	p>0.10 (-)	-0.300 (-0.045)
DVTCOBDDFOROWN	+	p>0.10 (-)	-2.482 (-1.038)	p>0.10 (-)	-3.957 (-0.715)
		F = 7.600*** R^2 = 0.357 Adjusted R^2 = 0.310 N = 353		F = 18.710*** R^2 = 0.578 Adjusted R^2 = 0.547 N =353	

*** is 1% significance level, ** is 5% significance level and * is 10% significance level; CSRDLength is the corporate social responsibility disclosure quantity; CSRDQ is the corporate social responsibility disclosure quality; PCOBK is the political connections of the BoC; WPOBK is the women proportion of the BoC; ETOBKChinese is the ethnicity of the BoC; FAOWNK is the family ownership of the BoC; TCOBKPrcntge is the composition of the BoC; PCOBD is the political connections of the BoD; WPOBD is the women proportion of the BoD; ETOBDChinese is the ethnicity of the BoD; FAOWND is the family ownership of the BoD; TCOBDPrcntge is the composition of the BoD; FOROWN foreign ownership in the company; LPRFTBLTY (log form) is the corporate profitability by log form; COMSIZE (Log Form) is the size of the company by log form; CSCSECM is the company sector; DVPCOBKFOROWN: Moderating Political Connection of the BoC*Foreign Ownership; DVWPOBKDFOROWN: Moderating Women's Proportion of the BoC*Foreign Ownership; DVETOBKCchineseFOROWN: Moderating Ethnicity of the BoC*Foreign Ownership; DVFAOWNKFOROWN: Moderating Family Ownership of the BoC* Foreign Ownership; DVTCOBKDFOROWN: Moderating The Composition of the BoC* Foreign Ownership; DVPCOBDFOROWN: Moderating Political Connection of the BoD*Foreign Ownership; DVWPOBDDFOROWN: Moderating Women's Proportion of the BoD*Foreign Ownership; DVETOBDCchineseFOROWN: Moderating Ethnicity of the BoD*Foreign Ownership; DVFAOWNDFOROWN: Moderating Family Ownership of the BoD*Foreign Ownership; DVTCOBDDFOROWN: Moderating The Composition of the BoD*Foreign Ownership.

4.6.1.1 The moderation effect of foreign ownership with corporate governance attributes on CSR disclosure length

Results of the regression analysis in Table 4.16 indicate that the association between the interaction of political connection of the BoC and dummy foreign ownership (DVPCOBKFOROWN) and CSRDLength is insignificant, with a coefficient of 1.517 and a t-value of 0.502. Hence, the related hypothesis is rejected. Results also show that the association between the interaction of political connection of the BoD and dummy foreign ownership (DVPCOBDFOROWN) and CSRDLength is insignificant, with a coefficient of -1.813 and a t-value of -0.538. Thus, the related hypothesis is rejected. Furthermore, results show that the association between the interaction effect of women's proportion on the BoC and dummy foreign ownership (DVWPOBKDFOROWN) and CSRDLength is insignificant, with a coefficient of 0.843 and a t-value is about 0.379. Hence, the related hypothesis is rejected.

Furthermore, the association between the interaction of women's proportion on the BoD and dummy foreign ownership (DVWPOBDDFOROWN) and CSRDLength is insignificant, with a coefficient of 0.547 and a t-value of 0.250. Therefore, the related hypothesis is rejected. Table 4.16 shows that the relationship between the interaction of ethnicity of the BoC and dummy foreign ownership (DVETOBKCchineseFOROWN) and CSRDLength is not significant, with a coefficient value of -3.404 and a t-value of -1.399. Thus, the related hypothesis is rejected. The association between the interaction effect of BoD ethnicity and dummy foreign ownership (DVETOBDCchineseFOROWN) and CSRDLength is also not significant, with a coefficient value of -0.369 and a t-value of -0.151. Therefore, the related hypothesis is rejected.

Table 4.16 shows the relationship between the effect of the interaction between family ownership of the BOC and dummy foreign ownership (DVFAOWNKFOROWN) and CSRDLength is not significant, with a coefficient of -2.373 and a t-value of -0.799. Hence, the related hypothesis is rejected. The association between the interaction of family ownership of the BoD and dummy foreign ownership (DVFAOWNDFOROWN) and CSRDLength is also not significant, with a coefficient of 1.092 and a t-value of 0.379. Hence, the related hypothesis is rejected.

As indicated in Table 4.16, the association between the interaction of BoC's composition and dummy foreign ownership (DVTCOBKDFOROWN) and CSRDLength is not significant, with a coefficient of 6.473 and a t-value of 0.938. Hence, the related hypothesis is rejected. Results also show that the association between the interaction of BoD composition and dummy foreign ownership (DVTCOBDDFOROWN) and CSRDLength is not significant, with a coefficient of -2.482 and a t-value of -1.038. Therefore, the related hypothesis is rejected.

4.6.1.2 The moderation effect of foreign ownership with corporate governance attributes on CSR disclosure quality

The regression analysis shown in Table 4.16 indicates that the association between the interaction of BoC political connection with dummy foreign ownership (DVPCOBKFOROWN) and CSRDQ is insignificant, with a coefficient of -2.513 and a t-value of -0.359. Hence, the related hypothesis is rejected. Furthermore, results show that the association between the interaction of BoD political connection with dummy foreign ownership (DVPCOBDFOROWN) and CSRDQ is not significant, with a coefficient of -0.774 and a t-value of -0.099. Hence, the related hypothesis is rejected. Results in Table

4.16 also show that the association between the interaction of women's proportion on the BoC with dummy foreign ownership (DVWPOBKDFOROWN) and CSRDQ is insignificant, with a coefficient of 0.994 and a t-value of 0.193. Hence, the related hypothesis is rejected. Furthermore, the association between the interaction of BoD women's proportion and dummy foreign ownership (DVWPOBDDFOROWN) and CSRDQ is not significant, with a coefficient of 3.318 and a t-value of 0.655. Therefore, the related hypothesis is rejected.

As indicated in Table 4.16, the relationship between the interaction effect of the ethnicity of the BoC and dummy foreign ownership (DVETOBKCchineseFOROWN) and CSRDQ is not significant, with a coefficient of -3.625 and a t-value of -0.644. Thus, the related hypothesis is rejected. The association between the interaction of BoD ethnicity and dummy foreign ownership (DVETOBDCchineseFOROWN) and CSRDQ is also not significant, with a coefficient of -0.384 and a t-value of -0.068. Hence, the related hypothesis is rejected.

Table 4.16 shows that the relationship between the interaction of family ownership of the BoC and dummy foreign ownership (DVFAOWNKFOROWN) and CSRDQ is insignificant, with a coefficient of -3.976 and a t-value of -0.579. Hence, the related hypothesis is rejected. The association between the interaction of family ownership of the BoD and dummy foreign ownership (DVFAOWNDFOROWN) and CSRDQ is also not significant, with a coefficient of -0.300 and a t-value of -0.045. Hence, the related hypothesis is rejected.

As indicated in Table 4.16, the association between the interaction of BoC composition and dummy foreign ownership (DVTCOBKDFOROWN) and CSRDQ is not significant, with a coefficient of -2.071 and a t-value of -0.130. Hence, the related hypothesis is rejected. Results also show the association between the interaction of BoD's composition and dummy foreign ownership. (DVTCOBDDFOROWN) and CSRDQ is not significant, with a coefficient of -3.957 and a t-value of -0.715. Therefore, the related hypothesis is rejected.

4.7 Summary

This study aims to measure the quality and the extent (length) of CSRD among companies on IDX in 2017. Also, this study examines the association among CG attributes and the length as well the extent of CSRD and determines the moderating effect of foreign ownership on the relationship.

This study found that foreign ownership moderates the relationship between women's proportion on the board director (WPOBD%) and CSRD quality, with a coefficient of -0.020 and a t-value of -0.247. However, the moderation effect of foreign ownership is positively significant at a 10% level, with a coefficient of 0.006 and a t-value of 1.810. We can conclude that the moderation effect outweighs the direct value. The result of foreign ownership also implies that foreign ownership is a quasi-moderator that not only can moderate the relationship but also can affect the dependent variable directly (Sekaran & Bougie, 2016)

The statistical test results in Table 4.14 also provide evidence that foreign ownership is a pure moderator between board women proportion and CSR disclosure. This result is in line with a previous study by Muhammad and Aryani (2021), which found that foreign ownership significantly impacts the relationship between carbon disclosure and firm value.

The result implies that foreign ownership can mitigate the negative effect of carbon disclosure and benefit the company. This is possible because foreign investors understand and concern more about the environmental problem. Therefore, when companies disclose their carbon emission activities, foreign investors appreciate it more than the punishment given by local investors (Muhammad & Aryani, 2021).

Furthermore, foreign ownership not only moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relation positively but can also negatively impact CSR disclosure. This result is still in line with research conducted by Al-Gamrh et al. (2020), Bayrakdaroglu et al. (2012), Ferris and Park (2005), and Makhija and Spiro (2000). Two possible reasons may explain why foreign ownership could negatively affect CSR disclosure. First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing the companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investor ability to monitor firms. In this regard, the insignificant result might be that the proportion of foreign ownership in Indonesian listed companies is too low, about 19% (IDX, 2017).

Another reason, according to Edi Setijawan, the Director of Sustainable Finance, is that there has been no standard on CSR reporting that must be followed by companies in Indonesia, even though some companies report their corporate social and environmental activities. However, the OJK regulation, POJK, No. 51/POJK.03//2017, requires public companies, among others, to publish sustainability reports known as Rencana Aksi Keuangan Berkelanjutan (RAKB) with the annual report starting from 2019 (Wareza, 2018). On CNBC news, Wareza (2018) reported that the financial services authority (OJK) had not set the reporting standards to not burden companies with this report. According to Wareza (2018), the model will be reported for no more than three pages for the initial stage and contains images and explanations of the activities.

The lack of explanation on the findings in this study, especially that of the third objective, is due to the lack of literature on the moderating effect of foreign ownership on the relationship between CG variables (PCOB, WPOB, ETOB, FAOWN, and TCOB) and CSRD.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter concludes this thesis. The findings, as presented in Chapter Four, are summarised in the subsequent sections. The first section gives an overview of the study, while the second section is related to the results and summary of the study. Next, the third section describes the implications of the study. Following that, the fourth section discusses the study's limitations, while the fifth section outlines the recommendations for future research. Finally, Section 6 concludes the study.

5.1 Overview of the study

This study is an empirical attempt to find plausible answers to several questions about the extent of CSRDLength and CSRDQ. In addition, it proposes a framework that explains the determinants of CSRDLength and CSRDQ in Indonesia.

Existing literature indicates a lack of consistency in previous findings. Thus, this study provides evidence of the situation in 2017 regarding social and environmental reporting following GRI standards. It also attempts to fill the theoretical and empirical gap in the disclosure practice of CSRDLength and CSRDQ in Indonesia while giving better insights into the underlying reasons and motivations for CSR disclosure and providing better knowledge on companies' considerations as part of the corporate social and environmental process.

This chapter discusses the results of this research, including CG's role attributes as independent variables and FOROWN as the moderator variable on CSRD of 353 companies listed on the IDX as of 2017. Results on the descriptive statistics fulfil the first research objective. The discussion of the descriptive statistics includes the presentation of the mean values of the variables to address the extent of CSRD (CSRDLength) and the quality of CSRD (CSRDQ). The researcher used descriptive statistical analysis to compare the quality and extent of CSRD between company sectors. In addition, regarding CSR quality, this study examines the frequency of each of the 25 items of the environmental and social GRI standards disclosed by companies.

This study has three main objectives. The first objective is to examine the extent (CSRDLength) and quality (CSRDQ) of CSRD of 353 public companies listed on the IDX in 2017. Next, this study examines the relationship between CG attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and CSR disclosure. The last objective is determining if foreign ownership moderates the relationship between CG attributes and CSRDLength and CSRDQ.

5.2 Results and Summary of the study

This section reflects the findings according to the objectives of the study.

5.2.1 Current CSR Disclosure

The first objective of this study is to examine the CSRDLength and CSRDQ of 353 PLCs on the IDX in 2017. The mean values of CSRDLength and CSRDQ are 10.53 and 44.70, respectively. This indicates that the average CSRDLength of the 353 companies is 10.53 pages: meanwhile, the mean value of CSRDQ is 44.70%.

5.2.2 Corporate Governance and CSR Disclosure

The second objective of this study is to examine the relationship between CG attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and CSR disclosure (CSRD) by using multiple regression analysis. Generally, this study (refer to Table 5.1) shows that the political connections of both boards (BoC and BoD) do not influence both measures of CSRD (CSRDLength and CSRDQ). The result can be explained by the fact that most of the former officials at the national level (minister, head of the state police, leaders of a political party) in Indonesia will occupy a strategic department in a company registered with IDX upon retirement. In such contexts, firms could employ political connection rather than legitimating through voluntary CSR disclosures to avoid possible legitimacy challenges regardless of whether the firms meet CSR performance expectations.

The result is in line with Muttakin et al. (2018), who support the neo-pluralist hypothesis that politically connected firms perceive a reduced need for CSR disclosures as a legitimation strategy. The study is based on data collected from annual reports of non-financial companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh. Muttakin et al. (2018) argue that firms may use political connections to fend off the potential risk of losing the social contract associated with perceived poor CSR performance in Bangladesh.

Politically connected businesses are common worldwide (Faccio et al., 2006), although they are less common in countries that apply stringent regulations against political conflicts of interest (Faccio, 2006). Particularly, a corporate political connection is pervasive in countries with weak regulatory environments and high levels of corruption. Bangladesh is characterised by a poor regulatory environment (Farooque et al., 2007), and according to Transparency International's index, the country has a high level of corruption

(Transparency Org, 2015). Furthermore, Muttakin et al. (2015) highlight that political connection is extensive in Bangladesh. Business owners can easily obtain party nominations for parliamentary elections by making large donations, placing them in a position to use the government system to maintain, defend and advance business interests.

As a proxy for political connection, government intervention and the existence of politicians on boards may affect companies' decision-making and business trajectory. As for CSR disclosure, companies with political connections may have different intentions when disclosing their CSR information (Gao, 2011; Gu et al., 2013; Lin et al., in press; Snider et al., 2013). It is shown that these companies disclose CSR information in order to build relationships and safeguard their interest with influential politicians.

Muttakin et al. (2018) support the neo-pluralist hypothesis that politically connected firms perceive a reduced need for CSR disclosures as a legitimation strategy. The study is based on data collected from annual reports of non-financial companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh. Muttakin et al. (2018) argue that firms may use political connections to fend off the potential risk of losing the social contract associated with perceived poor CSR performance, particularly in Bangladesh, which provides an ideal setting to test the hypothesis. In such contexts, firms could employ political connection rather than legitimating through voluntary CSR disclosures to avoid possible legitimacy challenges regardless of whether the firms meet CSR performance expectations.

Politically connected businesses are common worldwide (Faccio et al., 2006), although they are less common in countries that apply stringent regulations against political conflicts of interest (Faccio, 2006). Corporate political connections are particularly pervasive in countries with weak regulatory environments and high levels of corruption. For example, Bangladesh is characterised by a poor regulatory environment (Farooque et al., 2007), and according to Transparency International's index, the country has a high level of corruption (Transparency Org, 2015). Furthermore, Muttakin et al. (2015) highlight that political connection is extensive in Bangladesh. Business owners can easily obtain party nominations for parliamentary elections by making large donations, placing them in a position to use the government system to maintain, defend and advance business interests.

In Indonesia, the insignificant relationship could be caused by the inherent human nature that people, especially politicians, desire to become rich for themselves. To the best of the researcher's knowledge, one of the latest corruption issues in Indonesia involved the Ministry of Social Affairs, Juliari Batubara, who was arrested due to the corruption case of social assistance procurement (Bansos) that was supposed to be used for the handling of COVID-19 victims (Idris, 2020). Juliari Batubara is a politician from the PDIP party (Partai Demokrasi Indonesia Perjuangan), the winning party of the 2019 general election in Indonesia.

Next, the hypothesis that examines the relationship between women on boards (WPOBK and WPOBD) and CSRD is also not supported in both models (CSRDLength and CSRDQ). Women's proportion on the board can give rise to selection procedures whereby women are not chosen on merit, skills, knowledge, capabilities, and experience but only because of ethical or legal pressures (Huse, 2018). Some studies have also shown a negative relationship between female board directors and CSR performance (Ahern & Dittmar, 2012; Matsa & Miller, 2013), and some have shown no association between the mentioned variables (Adams & Ferreira, 2009; Carter et al., 2010).

Furthermore, Ramon-Llorens et al. (2020) confirm the two-sided nature of gender diversity, noting that females with political and social connections do not contribute to increased CSR transparency but reduce it. The tendency of women directors to avoid disclosing information that society may perceive negatively or to report activities that a company’s competitors might use to their benefit may explain the results (Ramon-Llorens et al., 2020). The feeling of being more protected and less pressed to be transparent through their connections can also justify the negative influence of female community leaders on CSR disclosure. Women's proportion on the board can give rise to selection procedures by which women are not chosen on merit, skills, knowledge, capabilities, and experience but only because of ethical or legal pressures (Huse, 2018). Some studies have also shown a negative relationship between females on boards and CSR performance (Ahern & Dittmar, 2012; Matsa & Miller, 2013), and some have shown no association between the variables (Adams & Ferreira, 2009; Carter et al., 2010).

The hypotheses that associate board ethnicity (ETOBK and ETOBD) with CSRDLength and CSRDQ are not supported. This result could be because the requirement for companies to report CSR activities in the annual report has not been enforced on all companies registered with the IDX. According to the PERATURAN OTORITAS JASA KEUANGAN NOMBOR 51 /POJK.03/2017, sustainable finance for financial service institutions, emiten, and public companies should be implemented on January 1, 2019, 2020, 2022, 2024 and 2025. However, it is the minority (ethnic Chinese) that dominates the Indonesian economy (Firmansyah, 2020; Sari, 2014).

This is in line with a previous study by Katmon et al. (2019), which finds that ethnicity and educational background are insignificant in influencing CSR quality. Leaving gender diversity aside, Katmon et al. (2019) argue that certain diversity characteristics (i.e., ethnicity and educational background) that might have worked well in the Western setting may not necessarily be compatible with the unique Eastern jurisdictions such as Malaysia. Ooi et al. (2017) found that the ethnic diversity of commissioners negatively affects CSR disclosure. They argue that the presence of ethnic diversity on the board of commissioners will result in differences of opinion and ideas of each of the commissioners (Ooi et al., 2017). Because of that, there are obstacles to establishing companies' objectives. With the existence of these obstacles, companies will have difficulty in achieving a good CSR disclosure. Therefore, legitimacy is important to organisations and can be considered a resource for survival (Dowling & Pfeffer, 1979).

Similarly, all models that associate family ownership and CSRD are not supported. This result could be because the ratio of independent directors is very low in Indonesian listed companies. This study finds that family firms play an insignificant role in helping company boards become work teams with distinguished performances, enhancing transparency, competency or creativity, or pushing companies towards adopting CSRD policies. The results align with previous studies, such as Barakat et al. (2015), which found that family firms tend to disclose less information than companies with a broader range of shareholders.

The results are not surprising, given Indonesia's history of corruption, collusion, and nepotism (Transparency Org, 2015). The results are in line with those of previous studies by Autio and Mustakallio (2003) and Zahra et al. (2004), stating that family businesses are more conservative and do not want to bear the risks associated with new activities. Family business founders who desire to leave a legacy may become more cautious in their strategy because innovative projects may be risky to their businesses (McAdams et al., 2009).

Lastly, all models that associate board composition with CSRD are not supported. The findings indicate no significant relationship between TCOBPrcntge and CSRD among PLCs in Indonesia. The insignificant relationship is perhaps because the boards are not well-informed about companies' operations. The result is in line with a previous study by Rao and Tilt (2016), which suggested that independent directors are unlikely to influence CSR reporting in Australian companies' annual reports. Haniffa and Cooke (2005) and Ghazali (2010) argue that independent board directors lack knowledge and experience; therefore, they play a limited role in influencing the CSR reporting strategy in Malaysia. Ahmad et al. (2017) revealed that the relationship between independent directors and CSR reporting differs across different industries in Malaysian companies. In addition, Majeed et al. (2015) suggested that CSR reporting is not the primary concern of independent directors in Pakistani companies.

Some studies found the association between board independence and CSR disclosure negative (Eng & Mak, 2003; Gul & Leung, 2004). For example, Eng and Mak (2003) found that non-mandatory disclosure in Singapore was negatively associated with the composition of independent directors. Coffey and Wang (1998) added that there is no assurance that board independence is always associated with superior performance. They said: "…outsiders may merely serve a symbolic purpose, be passive in decision making, or be handpicked for agreeability". Other studies which suggest that independence may have a negative or insignificant relationship with CSR and CSRD include Giannarakis

(2014), Coffey and Wang (1998), Hafsi and Turgut (2013), Prado-Lorenzo and Garcia-Sanchez (2010), Said et al. (2009), and Zhang (2012).

Table 5.1 Results of CG Attributes and CSR Disclosure Length and CSR Disclosure Quality

Hypothesis	Results Model 1 CSRDLength	Results Model 2 CSRDQ
H1a: Political connection of the BoC is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H1b: Political connection of the BoD is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H2a: H2a: Women's proportion on the BoC is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H2b: Women's proportion on the BoD is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H3a: Chinese BoC is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H3b: Chinese BoD is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H4a: Family ownership on the BoC is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H4b: Family ownership on the BoD is positively related to corporate social responsibility disclosure.	Not supported	Not supported

H5a: The composition of the BoC is positively related to corporate social responsibility disclosure.	Not supported	Not supported
H5b: The composition of the BoD is positively related to corporate social responsibility disclosure.	Not supported	Not supported

5.2.3 Moderating Effect of Foreign Ownership

5.2.3.1 Results of the Moderating Hypothesis' Testing between Corporate Governance Mechanism and CSRDLength (H6a)

All the regulations in Indonesia and other parts of the world are reasonable. However, human behaviour causes all the damage to the system and laws of a country. Citradi (2019) on CNBC News mentioned several reasons foreign owners are reluctant to conduct CSRD activities in Indonesian PLCs. First is the institutional factor, which includes political stability and security. The second factor is market efficiency, including a country's policies, legal aspects, and land and property taxes. The third factor relates to the size of a country's domestic market, as measured by gross domestic product (GDP) export contribution and GDP. The fourth factor relates to the macroeconomic condition and stability. Finally, the most crucial are a country's infrastructure, labour market efficiency, and financial markets. The first factor, political stability and security, is one of the major issues in Indonesia, especially during elections. For instance, discrimination against the Chinese ethnicity was a big issue during the election of the governor of DKI Jakarta about three years ago (Affan, 2017). In terms of policies and legal aspects in Indonesia, investors believe that Indonesia has conflicting laws and complicated bureaucracy, especially regarding acceptable policies

(Citradi, 2020). The unfriendly investment climate ultimately makes Indonesia less competitive in attracting investors.

The unstable political and security situation and complicated policies and legal aspects in Indonesia make foreign investors uncomfortable and leave the country (Citradi, 2020). Given the situation, existing foreign owners will not have time to think about CSRD activities effectively and efficiently for the long-term sustainability of their capital ownership in Indonesia. As of 2019, the volume of shares transacted by foreign investors on the Indonesia Stock Exchange (IDX) was around 51.21% (Ayuningtyas, 2019).

Foreign ownership not only moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relation positively but can also negatively impact CSR disclosure. This result is still in line with research conducted by Al-Gamrh et al. (2020), Bayrakdaroglu et al. (2012), Ferris and Park (2005), and Makhija and Spiro (2000). Two possible reasons may explain why foreign ownership could negatively affect CSR disclosure. First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing the companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investor ability to monitor firms. In this regard, the insignificant result might be that the proportion of foreign ownership in Indonesian companies listed is too low, only about 19% (IDX, 2017).

As a continuation of the above discussion, Table 5.2 summarises the regression analysis results on the moderating effect of foreign ownership on the relationship between CG attributes and CSRD. First, the hypothesis that foreign ownership moderates the association among BoC political connections (MPCOBK* FOROWN) and the extent of

CSRD length (CSRDLength) is not supported. The results also do not support the hypothesis that foreign ownership moderates the association between BoD political connection (MPCOBD* FOROWN) and the extent of CSRD length (CSRDLength). Next, the hypothesis that foreign ownership moderates the relationship between women's proportion on the BoC (MWPOBK* FOROWN) and CSRDLength is not supported. Also, the results do not support the hypothesis that foreign ownership moderates the relationship between women's proportion on the BoD (MWPOBD* FOROWN) and CSRDLength.

Table 5.2 also indicates that FOROWN does not moderate the association between BoC ethnicity (METOBKC* FOROWN) and CSRDLength. The results also do not support the hypothesis that foreign ownership moderates the relationship between BoD ethnicity (METOBDC* FOROWN) and CSRDLength. Next, results indicate that the hypothesis that foreign ownership interacts with family ownership of the BoC (MFAOWNK* FOROWN) to influence CSRDLength is not supported. Similarly, foreign ownership does not interact with family ownership of the BoD (MFAOWND* FOROWN) to influence CSRDLength. It is also observed from Table 5.2 that there is no support for the hypothesis that FOROWN interacts with BoC composition (MTCOBKP* FOROWN) to influence CSRDLength. Furthermore, the results do not support the hypothesis that foreign ownership interacts with BoD composition (MTCOBDKP* FOROWN) to influence CSRDLength.

5.2.3.2 Results of the Moderating Hypothesis' Testing between Corporate Governance Attributes and CSRDQ (H6b)

Several important reasons were mentioned by Citradi (2019) on CNBC News why foreign owners are reluctant to disclose the CSR activities of the PLCs in Indonesia. They include a country's infrastructure, labour market efficiency, and financial markets. In addition, the value of foreign investments is high, amounting to 51.21% of the total value of shares in the KSEI (*Kustodian Sentral Efek Indonesia)*. Thus, the government must give extra attention to foreign companies and consider ways to make foreign owners comfortable and continue investing and not leaving the country.

During the four-year term of President Jokowi's leadership (2014-2018), infrastructure development was one of the programmes implemented by the government (Kuwodo, 2018). Infrastructure development can improve connectivity between regions and islands in Indonesia and stimulate competitiveness in various sectors. Choirul (2019) added that although President Jokowi focused on the human resources development sector, he still had an unfinished infrastructure project programme. In fact, the infrastructure development budget in 2020 was quite remarkable, amounting to about 419.2 trillion Rupiah. The Minister of National Development Planning (PPN) said that priority would be given to infrastructure development in the next five years to strengthen economic resilience and improve the competitiveness of human resources, which will ultimately form a stable economy (Fitriani, 2020).

Therefore, upon the completion of the infrastructure project and enhancement of human resource competitiveness, it is hoped that foreign investors will not hesitate to invest more and continue their business for a longer period. However, at the time of data collection (2018), the infrastructure development had not been completed, and the human resource competitiveness had not been improved. These scenarios may contribute to the failure of FOROWN to strengthen the association among corporate governance attributes (PCOB, WPOB, ETOBChinese, FAOWN, and TCOBPrcntge) and CSRD (length and quality).

Results related to CSR disclosure quality are presented in Table 5.2 (Model 2). First, the hypothesis that foreign ownership moderates the association between BoC political connection (MPCOBK* FOROWN) and the quality of CSRD (CSRDQ) is not supported. The results also do not support the hypothesis that foreign ownership moderates the association between BoD political connection (MPCOBD* FOROWN) and CSRD (CSRDQ) quality. Next, the hypothesis that foreign ownership moderates the association among women's proportion on the BoC (MWPOBK* FOROWN) and CSRDQ is not supported. However, this study found that foreign ownership moderates the relationship between women's proportion of board directors (WPOBD%) and CSRD quality. The direct relationship's coefficient is -0.020, and the t-value is -0.247, compared with the coefficient value of the moderation effect of 0.006 and a t-value of 1.810. We can conclude that the moderation effect outweighs the direct value. The result of foreign ownership also implies that foreign ownership is a quasi-moderator that not only can moderate the relationship but also can affect the dependent variable directly (Sekaran & Bougie, 2016)

Table 5.2 also indicates that this study does not support the hypothesis that FOROWN moderates the association between BoC ethnicity (METOBKC* FOROWN) and CSRDQ. The results also do not support the hypothesis that foreign ownership moderates the relationship between BoD ethnicity (METOBDC* FOROWN) and CSRDQ. Next, results indicate that the hypothesis that foreign ownership interacts with family ownership of the BoC (MFAOWNK* FOROWN) to influence CSRDQ is not supported. Similarly, foreign ownership does not interact with family ownership of the BoD (MFAOWND* FOROWN) to influence CSRDQ. It is also observed from Table 5.2 that there is no support for the hypothesis that foreign ownership interacts with BoC composition (MTCOBKP*

FOROWN) to influence CSRDQ. Finally, the results do not support the hypothesis that foreign ownership interacts with BoD composition (MTCOBDKP* FOROWN) to influence CSRDQ.

Table 5.2 Summary of Hypotheses Testing

Variables	Hypothesis	Expected sign	P-values/ sign	MODEL I CSRDLength	P-values/ sign	MODEL II CSRDQ
MPCOBK* FOROWN	H6a	+	P<0.05 (-)	Not Supported	P<0.10 (-)	Not Supported
MWPOBK* FOROWN	H6a	+	P>0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
METOBKC* FOROWN	H6a	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported
MFAOWNK* FOROWN	H6a	+	P>0.10 (+)	Not Supported	P>0.10 (+)	Not Supported
MTCOBKP* FOROWN	H6a	+	P>0.10 (+)	Not Supported	P>0.10 (-)	Not Supported
MPCOBD* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (-)	Not Supported
MWPOBD* FOROWN	H6b	+	P>0.10 (+)	Not Supported	P<0.10 (+)	Supported
METOBDC* FOROWN	H6b	+	P>0.10 (+)	Not Supported	P>0.10 (+)	Not Supported
MFAOWND* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported
MTCOBDP* FOROWN	H6b	+	P>0.10 (-)	Not Supported	P>0.10 (+)	Not Supported

MPCOBK* FOROWN: Political Connection of the BoC*Foreign Ownership; MWPOBK* FOROWN: Women's Proportion on the BoC*Foreign Ownership; METOBKC* FOROWN: Ethnicity of the BoC*Foreign Ownership; MFAOWNK* FOROWN: Family Ownership of the BoC* Foreign Ownership; MTCOBKP* FOROWN: The Composition of the BoC* Foreign Ownership; MPCOBD* FOROWN: Political Connection of the BoD* Foreign Ownership; MWPOBD* FOROWN: Women's Proportion of the BoD*Foreign Ownership; METOBDC* FOROWN: Ethnicity of the BoD*Foreign Ownership; MFAOWND* FOROWN: Family Ownership of the BoD*Foreign Ownership; MTCOBDP* FOROWN: The Composition of the BoD*Foreign Ownership.

5.3 Implications of the Study

This study offers some theoretical, practical, and policy implications, discussed in the following sub-sections.

5.3.1 Theoretical Implications

Previous research on CSR has explained factors that contribute to CSRD. This study may be the first study in Indonesia that determine the effect of CG attributes on CSRD using (i) two models (CSRDLength and CSRDQ) simultaneously, (ii) three different theories (legitimacy, stakeholder, and agency), (iii) two– tier of the boards (BoC and BoD) together, and (iv) foreign ownership as the moderating variable. Given these different perspectives, results and explanations from different theories are compared to establish paradoxes, conflicts, or even complementariness. The insights of the alternative theories help extend or revise one's theoretical stance and understanding of the topic under scrutiny (Hoque, 2006).

Companies that perform social and environmental activities can respond to the stakeholder and will have CSR activities that can build a good reputation (Asmaranti et al., 2020; Husted & Salazar, 2006). Therefore, CSR investment positively affects the company's sustainability in the long run (Nakamura, 2011). The greater the foreign ownership in one company, the greater the pressure on the company management to disclose their CSR activities on their annual reports (Chariri & Ghozali, 2007).

This can be seen from the Indonesian government's concern about the percentage of foreign ownership allowed by the Indonesian government itself. In 2016, the president of Indonesia issued a policy called Peraturan Presiden of the Republic of Indonesia, No. 44 Tahun 2016. The policy regulates companies with a proportion of foreign ownership of at least 20%, specifically companies that organise telecommunication services, information services, data communication systems, and the internet, whose allowable foreign ownership is 67%.

Furthermore, in 2021, the Government of Indonesia released a list of investment priorities set by Peraturan Presiden No. 10 of 2021 to attract more investors to contribute to building the country. Furthermore, the government has taken all necessary steps to speed up the administrative process by ensuring certainty of permits, ease of access, transparency, and punctuality. The Presidential Regulation No. 10 of 2021 also restricted the proportion of ownership by foreign parties to a maximum of 49% for crucial businesses, such as transportation, energy, distribution, construction services, media, and telecommunications. In addition, the ownership of foreign shares can reach a maximum of 100%, especially in the banking sector, in accordance with the terms and conditions that the Indonesian government has determined.

However, Habtoor (2019) argued that agency problems differ according to the ownership volume and the type of firm owners. In the case of the dispersion of company ownership, classic agency problems exist between shareholders (outsiders) and managers (insiders) due to the clear separation between ownership and management (Habtoor, 2020). Otherwise, agency problems are common in firms with highly concentrated ownership, which exist between majority ownership (controlling shareholders) and minority ownership (noncontrolling shareholders) due to the unclear separation between the controlling shareholders and management.

The above argument is supported by Asmaranti et al. (2020), who observed the influence of foreign ownership on the performance of Indonesian mining companies. The mean level of foreign ownership was 29%. The study indicated that foreign ownership is a pure moderator between company performance and environmental investment in Indonesia. In conclusion, foreign parties will be more comfortable investing in companies with a good reputation for their CSR activities due to the sustainability of their long-run business.

Nevertheless, results of some studies which examined whether board political connection, women's representation on boards, board ethnicity, family ownership, and board composition affect CSR disclosure (Cennamo et al., 2012; Ding et al., 2015; Dyer Jr & Whetten, 2006; McKendall et al., 1999; Morck & Yeung, 2004; Wang & Coffey, 1992) are inconsistent with this study. In addressing the inconsistency, the moderator variable is applied to provide a new explanation of the relationship between variables (Baron &Kenny 1986). Therefore, this study uses foreign ownership as a moderating variable because the variable has crucial implications on performance and innovations relating to CSRD's efforts. Companies with contracts with foreigners in both trades and ownership are expected to support CSRD (Puspitasari, 2009). Foreign-owned companies, usually having more information, knowledge, skills, and experience, could eliminate agency problems by having more CSR disclosure (Patrick, 2001). In addition, multinational companies would derive legitimacy from their stakeholders, normally based on the home market, that can facilitate a long-term existence (Barkemeyer, 2007; Suchman, 1995).

Foreign ownership not only moderates the corporate governance attributes (PCOB, WPOB, ETOB, FAOWN, TCOB) and CSR disclosure relationship positively but can also negatively impact CSR disclosure. This result is in line with research conducted by Al-Gamrh et al. (2020), Bayrakdaroglu et al. (2012), Ferris and Park (2005) and Makhija and Spiro (2000). Several possible reasons may explain the negative moderating effect of foreign ownership on the corporate governance attributes and CSR disclosure relationship.

First, the corruption and high bureaucracy in developing countries could hinder foreign investors from giving their full potential in influencing the companies. Second, emerging markets are still not concentrated and suffer from information asymmetry, which lower foreign investor ability to monitor firms. Third, institutional factors, including political stability and security, are unstable and not up to the foreign owners' expectations. Fourth, foreign owners are not the only party who decides on the implementation of CSR in the companies due to low foreign ownership; the average foreign ownership is below 19%.

Fifth, it is the low awareness of foreign institutions in implementing a comprehensive CSR programme. This is because the demand for gaining economic benefits is higher than implementing CSR programmes, especially since the Indonesian government's policies, laws, and taxes are overlapping and ultimately have not been effective and efficient in their implementation. Another reason is that the infrastructure is not complete yet.

In addition, Edi Setijawan, the Director of Sustainable Finance, suggested that there has been no standard on CSR reporting that must be followed by companies in Indonesia, even though some companies report their corporate social and environmental reporting activities. However, the OJK regulation, POJK, No. 51/POJK.03//2017, has required public companies, among others, to publish sustainability reports known as Rencana Aksi Keuangan Berkelanjutan (RAKB) together with the annual report beginning 2019 (Wareza, 2018). On CNBC news, Wareza (2018) reported that the financial services authority (OJK) had not set the reporting standards not to burden the company with this report. The model will be reported for no more than three pages for the initial stage and contains images and explanations of the activity (Wareza (2018), as reported on CNBC News).

The only model supported is the ability of foreign ownership to strengthen the association between WPOB and the quality of CSRD. This finding is explained by the stakeholder theory and agency theory. Thus, a joint consideration based on different theoretical perspectives can offer a more holistic understanding of practices. In this respect, this study ascertains the assumptions of each perspective by analysing data using codes (e.g., for the index), percentages (e.g., for women on boards), and different constructs (e.g., control and dummy variables). This study also chooses one underpinning theory and compares each set of results to establish differences, contradictions, or similarities. To a certain extent, the findings of this study fill the gap between empirical and theoretical knowledge of CSRDLength and CSRDQ.

5.3.2 Practical and Policy Implications

CSR disclosure is gaining momentum among researchers; however, most studies conducted in developing countries do not comprehensively examine the level (length) and quality of CSRD in one study. The issue that arises is whether the extent of CSRD or the quality of CSRD provides useful information to investors in making investment decisions. This study applies two measures for CSRD, namely length and quality, which are essential for report users to assess CSRD among Indonesian public listed companies. This study also uses the two-tier Indonesian company boards (BoC and BoD) in testing the hypotheses. Silitonga (2013) argued that the BoC, which holds power, acts as a supervisor to prevent or reduce cheating by the BoD in exercising their duties in a company (Makarim & Taira, 2012).

From the government's perspective, command-and-control regulations are another essential social and environmental law measure. The Indonesian House of Representatives passed a controversial corporation bill (Corporate Law No. 40, Year 2007, Article 74 PLC) into law at a plenary meeting. This new regulation makes CSR compulsory for almost all non-financial companies. The bill was passed on 20 July 2007 and enacted on 16 August 2007 (Darwin & Gutensperger, 2007). Article 74 of the law states that companies operating in a field related to natural resources shall establish social and environmental responsibility programmes, and non-compliant firms will be subjected to sanctions. Natural resource-based companies, such as mining, oil and gas, and plantation, are affected by the law. In addition, the law applies to other firms that do not exploit natural resources yet affect the environment. Thus, Article 74 implies that all businesses outside the financial sector must conduct CSR programmes (Haswidi, 2007). Also, the revised law requires the disclosure of programmes related to environmental and CSR in the firms' annual reports. However, Corporate Law no.40/2007 provides inadequate global regulations rules (lack of clarity/no adequate description). The inadequacy would confuse companies when they prepare CSR reports.

The Regulations of the Minister of Social Affairs, Number 6, Year 2016, explains the social responsibilities of business entities in implementing social welfare. The Regulations act as a follow-up to the 2007 Corporate Law. Article 1, Paragraph 3 of the Regulations explains that the act of social welfare is a guided effort, integrated, sustainable, and committed to the government's vital laws and regulations to meet the basic needs of individuals. Social welfare includes social security, rehabilitation, protection, and empowerment. In addition, since 2016, companies have been required by Otoritas Jasa Keuangan (OJK) Indonesia to report their CSR initiatives in their annual reports (OJK, 2016). However, the "Rancangan Undang Undang" (RUU) does not explicitly explain how companies should implement CSR. Besides, preparers have to decide on the format and content of CSR disclosure (Darwin & Guntensperger, 2007).

In 2017, Peraturan Otoritas Jasa Keuangan Nomor 51 /POJK.03/2017, a regulation on implementing sustainable finance for financial service institutions, emiten, and public companies, was issued. Article 3 of the regulation states that the application of sustainable finance for financial service institutions, emiten, and public companies as intended in Article 2 (financial service institutions, emiten, and public companies are required to implement sustainable finance in the business activities of financial service institutions, emiten, and public companies), must be carried out with the following provisions:

A. for financial service institutions in the form of commercial banks included in the group of commercial banks of foreign banks, effective on 1 January 2019;

B. finance companies, sharia finance companies, venture capital companies, sharia venture capital companies, infrastructure finance companies, insurance companies, sharia insurance companies, reinsurance companies, sharia reinsurance companies, Indonesian export financing institutions, housing secondary finance companies, social security organizing agencies, emiten other than emiten with small-scale assets and emiten with medium-scale assets, as well as public companies entered into force on dated 1 January 2020;

C. securities companies that administer customer securities accounts, and emiten with medium-scale assets entered into force on 1 January 2022;

D. emiten with small-scale assets, securities companies that do not administer customer securities accounts, pawnshop companies, guarantee companies, and sharia guarantee companies will come into effect on 1 January 2024; and

E. for Financial Services Institutions in the form of pension funds with total assets of at least IDR 1,000,000,000,000.00 (one trillion Rupiah) will come into effect on 1 January 2025.

Furthermore, Edi Setijawan, the Director of Sustainable Finance, mentioned that there had been no standard on CSR reporting that must be followed by companies in Indonesia, even though some companies report their corporate social and environmental reporting activities. However, the OJK regulation, POJK, No. 51/POJK.03//2017, has required public companies, among others, to publish sustainability reports known as Rencana Aksi Keuangan Berkelanjutan (RAKB) together with the annual report starting from 2019 (Wareza, 2018). On CNBC news, Wareza (2018) reported that, not to burden companies with this report, the financial services authority (OJK) has not set the reporting standards. The model will be reported for no more than three pages for the initial stage and contains images and explanations of the activity (Wareza, 2018).

In this study, the quality of CSRD is measured based on the GRI index. Twenty-five items are employed after considering the Indonesian environment because public companies are only required to report sustainability reports in Indonesia by the financial services authority (OJK, 2017). To not burden the company with this report, the director of the OJK stated that the OJK had not set the reporting standards. " It is too early now, so we do not need a perfect report. Most importantly, let these companies report first, perfect or imperfect CSR activities, later we check one by one, " the finance director of OJK said (Wareza, 20018, on the CNBC news).

However, the concept of CSR disclosure is still not well understood in Indonesia. While many companies have integrated CSR into their policies, others still view CSR as only a charitable initiative (Hasibuan-Sedyono, 2005). Furthermore, many CSR studies, particularly ones that employed legitimacy theory, highlighted how social and environmental disclosure was used for political purposes rather than decision-making or accountability. As companies tend to report CSRD only for public relations and not for accountability purposes, the role of a regulator is to establish an infrastructure that supports accountable CSR disclosure. The infrastructure includes the issuance of globally accepted reporting standards/guidance on CSR disclosure and a standard for corporate social and environmental reports, recommended practices of GCG, and supportive regulations on CSR. Besides, communities should intensify their pressure on firms to provide CSR disclosure.

In developing countries such as Indonesia, tax incentives are provided by the Director General of Taxes to taxpayers in the form of tax deductions (Tax Exemption, Tax Deduction/Tax Allowance/Tax Relief, and Tax Credit). The cost of donations can be charged as a fee (deductible expense) in calculating taxable income. Donations charged as a deduction for gross income must follow the provisions stipulated in government regulations under Government Act No. 93 of 2010 and Menteri Keuangan Act Nomor PMK 107/PMK.03/201. Some types of donations can be charged as a fee or deduction of gross income for taxpayers – i. donations in the framework of national disaster management; ii. contributions in the framework of research and development; iii. the cost of building social infrastructure; iv. donation of educational facilities; and v. contributions in the framework of sports coaching.

This study recommends that the government, as a policymaker, compares the charity and donation of the government Act’s perspectives in setting up a corporate social and environmental reporting framework in terms of a tax deduction (Tax Exemption, Tax Deduction/Tax Allowance/Tax Relief, and Tax Credit). The government should consider how it can enforce regulations, the minimum disclosure, and how to make the disclosure easily understood by considering whose interests the companies serve (i.e., the individuals, groups, or society). In other words, the government should determine how companies report CSR activities. As a policymaker, the role of the government is to promulgate policies, supervise the enforcement of regulations, and provide information on CSER and CSR issues to assist individuals, groups, or society in acting in an ethical and accountable manner.

Foreign ownership is chosen as the moderating variable because, in 2021, the Indonesian Government released a list of investment priorities set by Peraturan Presiden No. 10 of 2021. To attract more investors to build the country, the government has taken all the necessary steps to speed up the administrative process by ensuring the certainty of permits, ease of access, transparency, and punctuality. The Presidential Regulation No. 10 of 2021 also issued a policy that limits the percentage of foreign ownership to a maximum of 49% for crucial businesses, such as transportation, energy, distribution, construction services, media, and telecommunications. In addition, the ownership of foreign shares can reach a maximum of 100%, especially in the banking sector, in accordance with the terms and conditions determined by the Indonesian government. In this case, the researcher hopes the government can put more effort into attracting more investors to build the country and take all the necessary steps to speed up the administrative process by ensuring certainty of granting permits, ease of access, transparency, and punctuality.

Regarding board gender diversity, Turkey applies a “comply or explain” approach, which demands a minimum of 25% of female directors on company boards. However, this study reveals that this approach has not yet achieved the 25 per cent target, as board gender diversity is still very low, with only 12% to 13% for the BoC and BoD, respectively. Therefore, the insignificant association between board gender diversity and carbon emission disclosures should be interpreted with caution when considering the critical mass. In this sense, the findings suggest further research on the impact of board gender diversity on carbon emission disclosures, especially in the context of emerging countries. Regarding this issue, researchers need a government policy to increase women’s proportion on corporate boards in developed countries.

A study by Terjesen et al. (2009) observes that having women on boards can improve governance effectiveness because it leads to better use of capital resources, fairer business, and better reflection of the existence of stakeholders. In addition, women on boards tend to show altruism, leading to better social behaviour (Krüger, 2009), such as donations, involvement in environmental activities, and labour relations (Bernardi & Threadgill, 2011). Carter et al. (2003) explore the association between gender diversity and firm value in the agency theory framework, as illustrated by Fama and Jensen (1983). They indicate that greater diversity may lead to increased board independence since females are more likely to raise questions than male directors.

In addition, the above measures assist in enhancing the reporting practice of companies on CSRD in their annual reports. It also serves as a valuable resource for many stakeholders, especially those in developing nations.

Instead of focusing on the simple relationship between corporate governance and any other dependent variable, this study provides evidence that corporate governance, as a system, can influence several factors in the firm's environment, which highlights the extended use of the Agency Theory. Thus, the results can encourage other academic researchers to explore other relationships and other markets in the future

5.4 Limitations of the Study

Despite its contributions, this study is not free from limitations. First, in measuring the length of CSRD, this study did not consider the use of pages in the scoring index. Pages of CSR activities may have the companies' own story and information to be delivered. In past studies, the content analysis method of CSR reporting included different units of analysis, such as word counts (Deegan & Gordon, 1996), number of sentences (Hackston & Milne, 1996), number of pages (Gray et al., 1995; Guthrie & Parker, 1989; Guthrie & Parker, 1990; Patten, 1992; Patten, 1995). Al-Tuwaijri et al. (2004) believe that a page may contain an image that does not have information about CSR, whereas sentences and words may perhaps not consider a graph or table. An inspection of annual reports recognised large dissimilarities in the length of sentences, both within and between companies. Some previous studies also argued on the quantitative measurement of CSRD; some measured by the number of words, pages or sentences used to disclose each disclosure item (Zeghal

& Ahmed, 1990). Haniffa and Cooke (2005) argued that the measurement gives a clear picture of the extent of disclosure by emphasising the item's content. Future research may include pictures and words in the scoring procedure, as pictures can also provide additional messages about CSR activities performed by companies.

Second, this study concentrates on companies listed on the IDX. Thus, private or non-public listed companies and small-medium enterprises (SMEs) are excluded. Future research may include SMEs, which amounted to 64 million in 2020 (Santia, 2020). Third, this study did not examine the specific designation of women directors and the ethnicity of the board on CSRD. The effect women directors and the ethnicity of the board bring on the decision-making process may be different, especially when they are the company's Chairman and a government representative. Future studies may consider examining the specific designation of women directors and the ethnicity of the board, as it may provide a better understanding of their influence on the decision-making process in general and CSR disclosure in specific.

Fourth, this study assumes that all the index items apply to all companies. This is because it is difficult to identify “non-applicable” items, even though some may not apply to some companies. Upon reading the annual reports, non-applicability is somehow rare. Future studies, however, may consider the scoring index for non-disclosure companies as it may provide better insight into the issue of the study.

Fifth, on CNBC news, Wareza (2018) reported that the financial services authority (OJK) had not set the reporting standards not to burden companies with this report. The model will be reported for no more than three pages for the initial stage and contains images and explanations of the activity (Wareza, 2018) reported on CNBC News. To not burden companies with this report, the OJK, through its director, stated that the OJK had not set the reporting standards. "It is too early now, so we do not need a perfect report. Most importantly, these companies report first, perfect or imperfect CSR activities, later we check one by one," the finance director of OJK, Wareza, said on the CNBC news. Future studies may consider setting a standard report on CSR activities

The last limitation faced by the study is the selection of a moderating variable, as the study uses only one proxy - the company's foreign ownership. However, future studies may consider other proxies such as women's proportion on the board, ethnicity, and so forth.

5.5 Recommendations for Future Research

The results and limitations of these studies provide an avenue for future research in similar fields. This study identified some limitation that need to be investigated in the future. First,

this study may provide insights the effectiveness of moderating variable may still be minimal due to companies' low proportion of foreign ownership. Future study may provide insights into how foreign ownership as moderating variable can improve companies' commitments towards its stakeholders by providing more extensive and better quality CSRD, especially the policy of Presidential Regulation No. 10 issued in 2022. The policy regulates the number of ownerships by foreign parties to a maximum of 49% for crucial businesses, such as transportation, energy, distribution, construction services, media, and telecommunications. In addition, the ownership of foreign shares can reach a maximum of 100%, especially in the banking sector, in accordance with the terms and conditions determined by the Indonesian government. In addition, PERATURAN OTORITAS JASA KEUANGAN NOMOR 51 /POJK.03/2017 was just released in 2017 and will only be fully implemented in 2025. Companies should create more opportunities for foreigners to invest in companies, in line with the current government's expectations,

Second, this study may provide some insights into how women on the board can improve the company's commitment towards its stakeholders by providing lengthier and better quality CSRD. However, the effect may still be minimal, and this situation may be due to the low representation of women directors, with only 12% to 13% for the BoC and BoD, respectively. Immediate action can be used by the government to revise the existing Code of Corporate Governance, by considering the percentage of women on the Board of Directors (e.g., at least 30%) (Bursa Malaysia, 2018). One of the reasons to include women on both Boards is they are more independent and embody a large pool of human capital that is available to the company (Simpson et al., 2010).

5.6 Conclusion

This chapter summarises the results of the study. It also presents the theoretical and practical contributions of the study and the implications of the study. Lastly, the chapter presents the study's limitations and provides possible avenues for future studies.

There have been increasing pressures on management to address social and environmental issues, while interested parties, for example, communities, groups, and even individuals, all have different expectations. Hoque (2006) states that no one theory or approach can explain a phenomenon because there are some virtues in each theory or approach.

Therefore, this study used three theories because CSRD is a complex activity that a single theoretical perspective cannot explain it. This study has explained CSR disclosure through various theoretical lenses to respond to these challenges.

In view of the rising global concerns for environmental issues, such as climate change, global warming, and biodiversity threats, it is crucial for companies, as the primary consumers of resources, to take necessary actions to overcome or reduce their CSER and CSR impacts. Only by doing so can they contribute towards sustainability and assist in preserving the earth. This thesis offers evidence for one element in the arsenal of tools needed to attain that objective – that diversity, not homogeneity, must be a key element.

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