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Research paper

The Effect of Corporate Social Responsibility Expenditure and Board National Diversity on Firm Value with the Availability of Sustainability Report as a Moderation Variable

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ABSTRACT

This study is to provide evidence on the effect of corporate social responsibility expenditure and board national diversity on corporate value. We also test the role of the availability of sustainability reports as a moderating variable in this relationship. Our samples are Indonesian-listed companies on the Indonesia Stock Exchange from 2011 to 2020. Tobin's Q is used to measure firm value. The CSR expenditure is measured by the amount of CSR expenditures reported in the annual report.

In contrast, the board's national diversity is measured by the company's ratio of foreign board members. The availability of sustainability reports is a dummy variable. The results suggest that CSR expenditure and board diversity do not affect firm value. Moreover, the results indicate that the availability of sustainability reports has a negative moderating effect on the relationship between the ratio of foreign commissioners and firm value and, on the contrary, has a positive impact on the relationship between the ratio of foreign members of the board of commissioners and firm value. We may imply that companies with a high proportion of foreign member boards of commissioners that provide sustainability reports have higher firm value than companies that do not. Our study needs some limitations. First, most of our samples do not have foreign commissioners on their board. Second, the Indonesian authority does not strictly regulate the disclosure practices of CSR-related expenditures. Third, future researchers may use another measure of sustainability report, like the quality of the report.

1. INTRODUCTION

Socially Responsible Investing (SRI) has experienced rapid growth over the past few decades (Mubarok, 2022). SRI is an investment strategy in which investors screen their portfolios to avoid companies that do not support the development of environmental, moral, ethical, religious, and social values. SRI is different from conventional investment strategies because the goal of investors to invest based on the SRI concept is to get two types of returns, namely financial and social (Heriyanto et al., 2019). One of the main attributes considered in making SRI-based decisions is ESG compliance. Environmental Social Governance (ESG) is part of the company's non-financial indicators, including environmental issues, social performance, and corporate governance, showing whether the company has worked to achieve sustainability goals.

Environmental, social, and governance (ESG) investing has evolved in recent years to meet the demands of institutional and retail investors and certain public sector authorities, in their investment decision-making process to generate long-term value. The increased interest and growth of ESG-based investments is also a reason for changes in corporate management behavior. The two main decisions of companies, namely investment decisions and funding decisions, will change and adjust to the role of ESG and SRI in the capital market. Companies must adjust and invest in ESG-related activities to attract funds from retail and institutional SRI investors. Companies can combine CSR, ethics, and corporate governance to implement ESG practices (Adrianto, 2018).

One of the ways companies implement ESG practices is through Corporate Social Responsibility (CSR) activities. CSR, also known as Social and Environmental Responsibility (CSR), is a value and standard-related

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To the company's commitment to act ethically, operate legally, and contribute to improving the quality of life of employees and their families, local communities, and society more broadly. The implementation of CSR activities by companies in Indonesia has been regulated through Law No. 40 the Year 2007 on Limited Liability Companies, Law No. 32 the Year 2009 on Environmental Protection and Management, and Government Regulation No. 47 the Year 2012 on Social and Environmental Responsibility of Limited Liability Companies, as well as Regulation of the Minister of State-Owned Enterprises No. PER- 05/MBU/2007 Year 2007 on Partnership Programs of State-Owned Enterprises with Small Businesses. The existence of laws and regulations governing CSR indicates that the implementation of CSR by companies (especially for limited liability companies) has become mandatory.

These regulations also state that companies will receive sanctions if they do not implement CSR activities. The statement of sanctions is contained in Article 74 Paragraph (3) of Law No. 40 of 2007, Article 76 Paragraph (1) of Law No. 32 of 2009, and Article 7 of Government Regulation No. 47 of 2012. If a company does not implement TJSL, it can be said that it does not comply with the applicable legislation. This can impact investor confidence in the company, which is reflected in the reluctance of investors to invest in the company. In other words, company non-compliance in implementing TJSL will reduce company value. Another ESG implementation practice is through corporate governance. One of the corporate governance mechanisms is the structure or composition of the board of commissioners and directors as corporate organs that ensure the implementation of corporate governance principles and increase protection for creditors (Surya & Yustiavandana, 2006). The perspective of environmental relations on resource dependence theory suggests that board members with different backgrounds will provide essential resources for the company and provide a function as an advisor or information provider (advisory/service role) for management in the company. (Siciliano, 1996). The existence of a foreign board is considered to bring diverse opinions, perspectives, and professional experiences that differ from one country to another, especially in terms of ESG. This can be seen from Indonesia's ESG index, which only ranks 36th out of 47 capital markets in the world (Alfaruq, 2021). This ranking provides an opportunity for Indonesia to start considering the presence of foreign boards in companies. Based on this data, foreign boards can bring diverse opinions, perspectives, and professional experience in providing advice or information related to ESG so that companies can consider corporate boards from countries with higher ESG rankings. This is expected to increase investor interest, especially SRI investors, to invest in these companies. The increased interest is because foreign boards from countries with higher ESG ratings are considered to bring better perspectives and opinions related to ESG.

Implementing ESG aspects in business governance can also be conveyed through a sustainability report. A sustainability report is announced to the public that contains the economic, financial, social, and environmental performance of a financial services institution (LJK), issuer, and public company in running a sustainable business (Otoritas Jasa Keuangan, 2017). The issuance of sustainability reports has been regulated in Financial Services Authority Regulation (POJK) No. 51 of 2017 concerning implementing Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. The existence of this regulation indicates that the issuance of sustainability reports by public companies is mandatory. This obligation is stated in Article 10 Paragraph (1) of POJK No. 51 of 2017. POJK No. 51 of 2017 reads, "Financial Services Institutions, Issuers, and Public Companies are required to prepare a Sustainability Report". Non-compliance of the company will be subject to administrative sanctions in the form of a reprimand or written warning as contained in Article 13 Paragraph (1) POJK No. 51 of 2017. If the company does the issuance, it can be said that it does not comply with the applicable legislation. This can have an impact on investor confidence in the company, which is reflected in the reluctance of investors to invest in the company. In other words, company non-compliance in publishing sustainability reports will reduce company value.

Implementing ESG through a combination of CSR, ethics, and governance is crucial in the capital market because it will provide positive value for issuers and the Indonesian financial market. This can be reflected in the Financial Services Authority (OJK) data published on the Bisnis.com page (https://market.bisnis.com/read/20220324/192/1514572/simak-alasan-penerapan-esg-kian-penting-bagi-perusahaan), namely the increase in managed funds for mutual funds with ESG themes from IDR 42 billion in 2016 to IDR 3.5 trillion in 2021 (Bisnis.com, 2022). Regarding performance, issuers implementing ESG generally perform better, including during the Covid-19 pandemic. This is evidenced by the JCI, which rose by 5.82%, while three of the four ESG-based indices, namely the Sri-Kehati index, have risen 9.25%, the ESG Sector Leaders IDX Kehati 7.82%, and the ESG Quality 45 IDX Kehati 7.68% (Soenarso, 2022).

The increase in AUM value and faster recovery of ESG-based stock index compared to JCI may reflect that ESG has become an essential consideration for investors. The transformation of investment behavior in the capital market through the presence of SRI investors will be able to provide cheap funds for companies that meet ESG criteria. The costs arising from ESG-related activities can be compensated by the potential premium obtained when the company issues securities. On the other hand, SRI investors will be the ones who will punish companies that engage in anti-ESG activities. Companies involved in environmental pollution, for example, will be shunned by SRI investors. This could increase the company's cost of capital when seeking sources of funds in the capital or money market compared to companies that meet ESG criteria (Adrianto, 2018).

Research on the implementation of ESG through CSR practices has been conducted to provide empirical evidence of its relationship with firm value. Khuong & Anh (2022) is one of the researchers who have provided empirical evidence that CSR has a positive relationship with firm value. The same result was also found by Hermeindito (2022). The positive relationship can be explained through the resource-based view. This view states that environmentally or socially motivated activities can improve the ability of the management team and the company's potential to attract qualified employees. In addition, such activities can enhance the company's reputation and strengthen its interactions with stakeholders (Branc & Rodrigues, 2006). However, some research on TJSL and firm value also shows a negative relationship. One of these studies is research conducted by Bhandari and Javakhadze (2017). The same results were also found by Fahad and Nidheesh (2020). The negative relationship initially stems from the assumption that CSR is considered an environmental investment or social responsibility activity that exceeds the minimum legally binding standards and will require additional costs and thus will reduce the company's value Friedman (1970). In addition, the relationship is supported by Kim and Lyon (2015) that the entire paradigm of environmental regulation is built on the idea that companies should be forced to make environmental improvements. This is because companies will consider CSR as an expensive or unprofitable action, and thus, companies do not carry out CSR on their own.

Research on the implementation of ESG through corporate governance practices, which in this case is proxied by the diversity of corporate board nationalities, has been widely conducted to provide empirical evidence of its relationship with firm value. However, the results of these studies also still need to be consistent and consistent. Research that shows an influence of board nationality diversity on firm value includes research conducted by Kusumastuti (2006). The effect is related to the presence of a foreign national board in the company, which brings unique talents, experiences, and knowledge that are beneficial to the company. Wicaksana (2010) found no influence between board nationality diversity and firm value. This is partly because investors must see board diversity and the company's code of ethics indicators of independence and accountability in corporate decision-making.

The conflicting research results related to ESG implementation through CSR practices and the diversity of corporate board nationalities are partly influenced by access to ESG performance disclosed by companies. Information on non-financial data such as ESG disclosures is still limited (Ruhanita Maelah et al., 2016), so SRI investors find assessing the company's ESG implementation difficult. Most investors still rely on traditional extracted data such as annual reports and company websites. Therefore, the role of a report is needed to overcome information asymmetry and provide relevant information for SRI investors. This role can use integrated reports (Grassmann, 2021). However, because integrated reports are still limited to concepts in Indonesia and have yet to have a definite framework, this role can be replaced by applying similar reports. The report is a sustainability report. Sustainability report is a medium for companies to inform the organization's economic, social, and environmental performance to all stakeholders. The issuance of a sustainability report is expected to strengthen the company's value because it provides ESG information, especially those implemented through CSR practices and corporate governance, which includes diversity of nationalities on the company's board structure.

These conflicting results indicate that further research is needed to prove the relationship between the value of ESG implemented through CSR and corporate governance practices using board diversity on firm value. Many previous studies have used stakeholder and signaling theories to explain the relationship between ESG implemented through CSR and firm value. These studies include Khuong & Anh (2022) and (Huang et al., 2022).

This study will examine the effect of ESG through the implementation of CSR and corporate governance with a nationality diversity mechanism on the company's board structure on firm value. This study will also examine whether the availability of sustainability reports will be able to increase firm value. This study uses the cost-concern school vs value-creation school theory to explain the relationship between CSR and firm value.

2. LITERATURE REVIEW

Companies carry out CSR practices as a form of awareness for stakeholders. The company will have a good image and be accepted if it has a good relationship with the community around the operational area. The cost-concern school versus the value-creation school is one of the theories to consider in investigating the effects of CSR spending on firm value (Grassmann, 2021). The cost-concern school proposes a negative relationship, as CSR involvement is assumed to cause cash outflows, decreasing firm value. The value-creation school proposes a positive relationship between CSR spending and firm value because CSR activities can create competitive advantages such as improved relationships with stakeholders, enhanced brand reputation, or employee productivity, which can promote shareholder value creation.

CSR activities carried out by companies require funds and costs called CSR expenditure. This cost only sometimes has a negative impact that can reduce the company's profits. Implementing CSR can provide future benefits for the company. If the company continuously prepares funds for CSR, the community and market players will respond favorably to what the company has done. With a good response, it can increase the value of the company. Research conducted by Grassman (2021), which uses a sample of 7,379 unique listed companies around the world, shows that environmental and social spending are relevant values. These results also align with research conducted by Bose et al. (2020), who found a positive relationship between CSR spending and the company's market value. Evidence of an inverted U-shaped curvilinear relationship between CSR spending and market value suggests that the impact of CSR spending has a specific limit on the company. Bani-Khaled et al. (2021) found that Tobin's Q has a significant negative relationship with CSR spending. Puspitaningrum and Trisnawati (2019) also indicated that CSR spending and corporate governance influence firm value.

Hypothesis 1: The greater the CSR spending, the higher the firm value.

The sustainability report states that companies are responsible for consumers, employees, shareholders, communities, and the environment in all aspects of company operations. The sustainability report is a non-financial report comprising six performance elements: economy, environment, human rights, labor practices and decent work, social and product responsibility. The sustainability report is one of the company's efforts to show stakeholders that the company is not only profit-oriented but also environmentally and socially oriented as an application of the triple bottom line concept. Signal theory is based on the assumption that the information published by the company is received by users of financial statements or each party that is not the same. This is due to the information asymmetry. Information can affect investors' investment decision-making. Signaling theory is based on companies publishing many voluntary disclosures to demonstrate their superior position and create a positive impression in the market (Healy & Palepu, 2001). In other words, companies should convey more information to the public about their economic, environmental, and social performance to improve their corporate reputation and brand value (Spence, 2002). If the information is positive, the market will react to the announcement, resulting in changes in the market related to stock trading volume. Latifah and Luhur (2017) show the results that sustainability reports have a significant positive effect on firm value. The results of the study state that the greater the disclosure made, the greater the increase in the company's image. Endiana and Suryandari (2021) found that sustainability reports are beneficial information and are used in making investment decisions. Farhana and Adelina (2019) found that investors use sustainability reports as value-added information in making investment decisions.

Hypothesis 2: Companies with high CSR spending and providing sustainability reports have higher firm value than companies that make CSR spending but do not provide sustainability reports.

Through their duties and authority, the commissioners provide the board of directors input to formulate policies that can provide sound signals to investors, such as implementing CSR activities. The Board of Directors, through its duties and authorities, formulates and implements policies that provide sound signals to investors, such as the implementation of CSR activities. The presence of a board of foreign nationals in the corporate structure is considered to bring diverse opinions, perspectives, beliefs, and professional experience, thus enriching business knowledge and alternatives to solving complex problems, as well as the formulation and implementation of these policies (Choi et al., 2007). The submission of such information is considered a good signal that is expected to increase share capital investment. High share capital investment will lead to high firm value. The positive signal from foreign nationals on the company's board brings a competitive advantage, attracting investors to make investments that increase the company's value. This statement is supported by research conducted by Jindal and Jaiswall (2015), who found that Tobin's Q positively relates to international diversity. Foreign nationals are thought to bring diverse opinions and perspectives, languages, beliefs, family backgrounds, and professional experiences that differ from country to country. (Ararat et al., 2010) stated that foreign-national commissioners and directors bring diverse opinions and perspectives, languages, beliefs, family backgrounds, and professional experiences that differ from country to country. The presence of foreign commissioners and directors reflects different ideas about the role of corporate boards concerning control roles, especially if they come from countries with more substantial shareholder rights. Winoto and Supatmi (2017) stated that the board of directors has responsibility for running the company, achieving company goals, reporting company finances, and receiving advice from commissioners. The different backgrounds and authorities foreign directors possess can add more diverse and valuable experience, which domestic directors still need to gain. Foreign nationals are thought to bring diverse opinions and perspectives, languages, beliefs, family backgrounds, and professional experiences that differ from country to country. Furthermore, the presence of foreign directors reflects different ideas about the role of corporate boards concerning control roles, especially if they come from countries with more substantial shareholder rights.

Research conducted by Oxelheim and Randøy (2001) found that companies with external Anglo-American board members have significantly higher firm value. Research Ararat et al. (2010) on companies in Turkey found a positive relationship between board nationality diversity and firm value. Yogiswari and Badera (2019) found a positive influence between board diversity and firm value.

Hypothesis 3a: The more foreign board members in the company, the higher the firm value. H3b: The more foreign board members there are, the higher the firm value.

A sustainability report (SR) is a concept that companies are responsible to consumers, employees, shareholders, communities, and the environment in all company operations. The sustainability report is a non-financial report comprising six performance elements: economy, environment, human rights, labor practices and decent work, social and product responsibility. The company's stock performance must show stable stock market conditions and requires effective good corporate governance (GCG) oversight. The delivery of messages from GCG requires the role of reports that can provide an overview of what the company has done, one of which is a sustainability report. Research by Natalia and Soenarno (2021) found that sustainability reports influence firm value. Similar results were also proven by Wardoyo et al. (2022), who found that sustainability reports positively and significantly affect firm value.

Hypothesis 4a: Companies with a high proportion of foreign commissioners and providing sustainability reports have higher firm value than companies that have foreign commissioners but do not provide sustainability reports

Hypothesis 4b: Companies with a high proportion of foreign directors that provide sustainability reports have higher firm value than companies that have foreign directors but do not provide sustainability reports.

3. METHODS

This research examines the CSR and board national diversity in non-financial companies listed on the Indonesia Stock Exchange for the 2011-2020. The dependent variable in this study is a firm value (FV) as measured by Tobin's Q. Tobin's Q is calculated by adding up the market value of outstanding shares and total debt, compared to total assets Chung & Pruitt (1994). The independent variable in this study is board national diversity as measured by the proportion of foreign commissioners (FC) and the proportion of foreign directors (FD). The moderating variable in this study is the availability of sustainability reports (SR), which is measured by giving a value of 1 if the company presents a sustainability report in year i and is given a value of 0 otherwise. This study uses panel data regression to test the hypotheses that have been formulated. The panel regression model in this study is:

$$FV,t = \alpha + \beta 1CSREi,t + \beta 2FCi,t + \beta 3FDi,t + \beta 4SRi,t + \beta 5[CSREi,txSRi,t] + \beta 6[FDi,txSRit] + \beta 7[FCi,txSRi,t] + \varepsilon \quad (1)$$

Companies that are the object of this research are non-financial companies listed on the Indonesia Stock Exchange in the 2011-2020 period. Based on data obtained from www.idx.co.id, it is known that there are 773 manufacturing companies listed on the Indonesia Stock Exchange. The sample selection in this study used a purposive sampling method and obtained the number of non-financial companies that were sampled, as many as 48 companies.

4. RESULTS

Table 1 shows the five research variables with a total sample of 480 samples. The CSR expenditure variable (CSRE) has minimum and maximum values of -1.63 and 43.20, with an average value of -0.079. This means that, on average, companies' CSR expenditure is -7.9% of net profit (loss) after tax. The Proportion of Foreign Commissioners (FC) variable has minimum and maximum values of 0.00 and 0.83, with an average value of 0.13. FC average score of 13% indicates that all companies have 13% foreign commissioners in their corporate commissioner's structure.

Table 1. Descriptive Statistics (N = 480)

Variable	Minimum	Maximum	Mean	Std. Deviation
CSR Expenditure (CSRE)	-1,63	43,20	-0,079	1,98
Foreign Commissioners Ratio (FC)	0,00	0,83	0,13	0,19
Foreign Directors Ratio (FD)	0,00	0,8	0,12	0,196
Firm Value (FV)	0,32	37,23	2,43	3,81
Sustainability Report (SR)	0	1	0	0

The proportion of foreign directors (FD) variable has minimum and maximum values of 0.00 and 0.8, with an average value of 0.12. The average FD value of 12% indicates that all companies have 12% foreign directors in their corporate commissioner's structure. The variable Firm Value (Tobin's Q) has minimum and maximum values of 0.31 and 37.2, with an average value of 2.43. The Availability of Sustainability Reports (SR) variable has a minimum and maximum value of 0 and 1, with an average value of 0. This means that, on average, these companies have yet to provide many sustainability reports.

Table 2. Hypothesis Test Results

Variable	Tobin's Q		
	Coeff	t	Sig
(Constant)	2,018	7,700	,000
CSR Expenditure (CSRE)	-0,377	-0,200	0,842
Foreign Commissioners Ratio (FC)	0,321	0,230	0,818
Foreign Directors Ratio (FD)	0,057	0,045	0,964
Firm Value (FV)	1,318	2,795	0,005
CSRE x SR	0,481	,254	0,799
FC x SR	-4,268	-1,934	0,054
FD x SR	3,831	1,740	0,082
F	2,655		0,011[b]
Adj R		0,024	

Table 2 shows that the significance value of the CSR expenditure variable is 0.842, more excellent than 0.10 (0.842 > 0.10), and the t-count value is -0.199. This value means that CSR expenditure does not affect firm value statistically. The significance value of the interaction variable of the availability of sustainability reports with CSR expenditure is 0.889, more excellent than 0.10 (0.889 > 0.10), and the t-count value is 0.139. This value proves that, statistically, companies with high CSR expenditure and providing sustainability reports do not have a higher corporate value than companies that do CSR but do not provide sustainability reports.

Table 2 shows that the significance value of the variable proportion of foreign commissioners is 0.818, greater than 0.10 (0.818 > 0.10), and the t-count value is 0.230. Hypothesis 3a, which states that more foreign commissioners in a company will result in a higher firm value, is rejected. The significance value of the variable proportion of foreign directors is 0.964, greater than 0.10 (0.964 > 0.10), and the t-count value is 0.045. This shows that the proportion of foreign directors does not affect firm value. Hypothesis 3b, which states that more foreign board members of a company's board of directors will result in a higher firm value, is rejected.

Table 2 shows that the significance value of the interaction variable availability of sustainability reports with the proportion of foreign commissioners is 0.054, which is less than 0.10 (0.054 <0.10), but the t-count value is -1.934 less than t-table -1.283 (-1.934 < -1.283). This value proves that statistically, companies with a high proportion of foreign commissioners and providing sustainability reports do not have a higher corporate value compared to companies that have foreign commissioners but do not provide sustainability reports. The significance value of the interaction variable of the availability of sustainability reports with the proportion of foreign commissioners is 0.083, with a t-count value of 1.739. This value proves that statistically, with an alpha of 0.10, companies with a high proportion of foreign directors and providing sustainability reports have a higher corporate value than companies with foreign directors but do not provide sustainability reports, so H4b is accepted.

5. DISCUSSION

Hypothesis 1: The greater the CSR spending, the higher the firm value.

Table 2 shows that the significance value of the CSR expenditure variable is 0.842, greater than 0.10 (0.842> 0.10), and the t-count value is -0.199. This value means that CSR spending does not affect firm value statistically. Hypothesis 1, which states that the greater the CSR expenditure, the higher the firm value, is rejected. This indicates that the amount of CSR costs incurred by the company has yet to be able to provide an increase in the company's reputation through the company's value. This result also indicates a result that contradicts the statement that the implementation of CSR will provide long-term benefits for the company's reputation and performance. The results reflect that the ten-year period cannot provide empirical evidence of long-term corporate reputation and performance benefits.

The implementation of CSR, which is now mandatory through Law No. 40/2007 on Limited Liability Companies, has led to conflicting interests between companies and investors. Companies that practice CSR by making expenditures related to fulfilling their social responsibility obligations will experience a conflict of interest with investors who consider that CSR expenditure allocation activities will only reduce income. The company considers that CSR expenditure allocation activities reduce profits for shareholders, and the percentage of CSR from profits is too small. Hence, investors are interested in something other than investing in the company (Afandani, 2016).

These results align with the cost-concern school theory or the burden-based school, which states that environmental investment and high environmental performance only represent increased expenses, resulting in decreased revenue and market value. The cost-concern school causes the relationship between environmental performance and the market value of a company to be negative. This school of thought relies on estimating future growth prospects by comparing the market value of equity or stock prices. The return on investment into intangible assets (reputation) was found to have a negative relationship in the short term. It can be concluded that environmental investments are consistently associated with considerable financial costs to the firm, resulting in decreased earnings and compromising shareholder interests. As a result, the relationship between environmental performance and the market value of a firm can be damaging. The results of this study are in line with research conducted by Afandani (2016) but contrary to research Grassmann (2021), Bose et al. (2020), and Bani-Khaled et al. (2021). Grassmann (2021) stated that environmental and social expenditures are value-relevant. Bose et al. (2020) found that CSR spending positively influences the company's market value. Bani-Khaled et al. (2021) found that Tobin's Q model has a statistically significant negative relationship with CSR spending.

Hypothesis 2: Companies with high CSR spending and providing sustainability reports have higher firm value than companies that make CSR spending but do not provide sustainability reports.

Table 2 shows that the significance value of the interaction variable of the availability of sustainability reports with CSR spending is 0.889, greater than 0.10 (0.889 > 0.10), and the t-count value is 0.139. This value proves that statistically, companies with high CSR spending and providing sustainability reports do not have higher firm value compared to companies that make CSR spending but do not provide sustainability reports. There is a difference to the initial hypothesis, which explains that companies with high CSR spending and providing sustainability reports have higher firm value than companies that make CSR spending but do not provide sustainability reports, so H2 is rejected. Thus, the availability of sustainability reports in companies with high CSR spending does not affect the increase or decrease in firm value. This is because many investors are more interested in the shares of companies that have expected profits without paying attention to the disclosure of sustainability reports. (Kharima & Zulfiati, 2020). Regulation No. 51/POJK.03/2017 Article 3 concerning the Implementation of Sustainable Finance only mentions when the regulation will be applied to Financial Services Institutions. This makes issuers and investors feel this report is unnecessary (Kharima & Zulfiati, 2020). This can be seen in this research sample, which does not reflect that companies that publish sustainability reports have a better Tobin's Q value than companies that do not. Based on the analysis of the research results in the previous hypothesis, it is known that companies that practice CSR by making expenditures related to the fulfillment of their social responsibility obligations will experience a conflict of interest with investors who consider that CSR expenditure allocation activities will only reduce revenue. The company considers that CSR expenditure allocation activities reduce profits for shareholders, and the percentage of CSR from profits is too small. Hence, investors are interested in something other than investing in the company (Afandani, 2016). The cost of publishing and auditing sustainability reports is considered to reduce the company's income again.

These results align with the cost concern school theory or the burden-based flow, which states that environmental investment and high environmental performance only represent increased expenses, resulting in decreased revenue and market value. The cost concern school causes the relationship between environmental performance and the market value of a company to be negative. This school of thought relies on estimating future growth prospects by comparing the market value of equity or stock prices. The return on investment into intangible assets (reputation) was found to have a negative relationship in the short term. It can be concluded that environmental investments are consistently associated with considerable financial costs to the firm, resulting in decreased earnings and compromising shareholder interests. As a result, the relationship between environmental performance and the market value of a firm can be negative. The limitations on the availability of previous research have caused no results to be found in line with this study regarding the effect of the availability of sustainability reports in moderating the relationship between corporate social responsibility and firm value. However, research conducted by Kharima & Zulfiati (2020) and Sejati & Prastiwi (2015), who examined the effect of sustainability report disclosure on firm value, found results in line with this study, namely finding that disclosure of sustainability reports does not affect firm value.

Hypothesis 3a: The more foreign board members in the company, the higher the firm value.

Table 2 shows that the significance value of the foreign Board of commissioners proportion variable is 0.818 greater than 0.10 (0.818> 0.10), and the t-count value is 0.230. Hypothesis 3a, which states that more foreign board members in the company will result in higher firm value, is rejected. This is because the characteristics of the sample used for the variable proportion of the Board of foreign commissioners mostly do not have foreign nationals in the membership of the Board of commissioners. This results in the variation of data on the variable proportion of the board of foreign commissioners in the sample used, not sufficiently explaining the company's value. Investors need to see board diversity and corporate codes of conduct as something that can reflect the independence and accountability of corporate decision-makers (Roika et al., 2019). This investor response may also be because investors see that companies must still combine structural and behavioral components in corporate governance. In addition, investor orientation, which still focuses on financial information in assessing companies, cannot be proven regarding the role of foreign directors in increasing firm value. In addition, information about the board of commissioners is considered a secret for investors in assessing the company's financial performance.

The advantages of a company if it has foreign board members are the existence of broader industry experience, as well as imaging by the market, which considers that companies with foreign board members work professionally. This experience and imaging can attract investors to invest in the company. The more investors invest, the company's value will increase. The results of this study indicate that the company's statement regarding the advantages it will get if it has foreign board members still cannot be felt by the company. This also indicates that foreign boards of commissioners from countries with better corporate governance can still need to transfer and apply good corporate management values from their home countries to Indonesia. The values of good corporate management include supervising, being more transparent, and complying with corporate governance rules. The results of this study are in line with research conducted by Roika et al. (2019) but contrary to research conducted by Putri (2020) and Yogiswari & Badera (2019), which found that the proportion of the board of foreign commissioners who found that the proportion of foreign commissioners affects firm value.

Hypothesis 3b: The more foreign board members in the company, the higher the firm value.

Table 2 shows that the significance value of the proportion of foreign director's variable is 0.964 greater than 0.10 (0.964> 0.10), and the t-count value is 0.045. This shows that the proportion of foreign directors does not affect firm value. Hypothesis 3b, which states that more foreign board members in the company will result in higher firm value, is rejected. This is because the characteristics of the sample used for the proportion of foreign directors variable mostly do not have foreign nationals in their board membership. This results in data variations in the proportion of foreign director's variable in the sample used, not sufficiently explaining the company value. The results of this study indicate that the presence of foreign directors in the company has yet to be able to provide evidence and support this statement. This is because investors need to see board diversity and the company's code of ethics as something that can reflect the independence and accountability of corporate decision-makers (Roika et al., 2019). (Roika et al., 2019). In addition, investor orientation, which still focuses on financial information in assessing companies, cannot be proven regarding the role of foreign directors in increasing firm value because information about the board of commissioners is considered not to contain relevant information for investors in assessing the company's financial performance. In addition, the results of this study also indicate that foreign directors need to understand the culture of their work environment, so the directors' performance could be better.

The results of this study are in line with research conducted by Roika et al. (2019) Kesaulya and Febriany (2019), and Astuti (2017) but contrary to research conducted by Putri (2020) and Yogiswari & Badera (2019), which found that the proportion of foreign directors affects firm value. who found that the proportion of foreign directors affects firm value.

Hypothesis 4a: Companies with a high proportion of foreign commissioners and providing sustainability reports have higher firm value than companies that have foreign commissioners but do not provide sustainability reports.

Table 2 shows that the significance value of the interaction variable of the availability of sustainability reports with the proportion of foreign commissioners is 0.054, which is smaller than 0.10 (0.054 < 0.10). However, the t-count value of -1.934 is smaller than the t-table -1.283 (-1.934 < -1.283). This value proves that statistically, companies with a high proportion of foreign commissioners and providing sustainability reports do not have a higher firm value than companies that have foreign commissioners but do not provide sustainability reports. There is a difference to the initial hypothesis, which explains that companies with a high proportion of foreign boards of commissioners and providing sustainability reports have higher firm value than companies with foreign boards of commissioners but do not provide sustainability reports, so H4a is rejected. Thus, the availability of sustainability reports in companies with a high proportion of foreign commissioners does not affect the increase or decrease in firm value. This is because many investors are more interested in the shares of companies that have expected profits without paying attention to the disclosure of sustainability reports. (Kharima & Zulfiati, 2020). Regulation No. 51/POJK.03/2017 Article 3 concerning the Implementation of Sustainable Finance only mentions when the regulation will be applied to Financial Services Institutions. This makes issuers and investors feel this report is unnecessary (Kharima & Zulfiati, 2020). This can be seen in this research sample, which does not reflect that companies that publish sustainability reports have a better Tobin's Q value than companies that do not. In some countries, CSR is even used to indicate a company's performance. A board with a better culture and high social awareness can increase sustainability disclosure. Thus, companies with foreign board members are more likely to disclose more information (Pajaria et al., 2016). However, foreign boards also have a high level of discipline, which can lead to cultural friction with developing countries. This can lead to interaction failures and conflicts between foreign boards and directors regarding sustainability disclosure.

The regression coefficient value for the interaction variable of the proportion of foreign commissioners and the availability of sustainability reports has a value of -4.268. This means that the company value will decrease by -

4.268 if there is an increase in the availability of sustainability reports and the proportion of foreign commissioners by one unit. This is because many investors are more interested in the shares of companies that have expected profits without paying attention to the disclosure of sustainability reports, making issuers and investors feel that this report is unnecessary (Kharima & Zulfiati, 2020). This indirectly indicates that foreign boards of commissioners still need to bring diverse opinions and perspectives and professional experience, especially in matters related to the disclosure of sustainability reports to directors.

Hypothesis 4b: Companies with a high proportion of foreign directors that provide sustainability reports have higher firm value than companies that have foreign directors but do not provide sustainability reports.

Table 2 shows that the significance value of the interaction variable of the availability of sustainability reports with the proportion of foreign board of commissioners is 0.083 with a t-count value of 1.739. This value proves that statistically with alpha 0.10, companies with a high proportion of foreign directors and providing sustainability reports have a higher firm value than companies that have foreign directors but do not provide sustainability reports, so H4b is accepted. Thus, the availability of sustainability reports in companies with a high proportion of foreign directors statistically increases or decreases firm value. The board of directors is responsible for the company's running, the achievement of the company's objectives, the company's financial reporting, and receiving advice provided by the board of commissioners. The different backgrounds and authorities held by foreign boards of directors may add more diverse and valuable experience, which domestic boards of directors need to gain. Foreign nationals are thought to bring diverse opinions, perspectives, languages, beliefs, family backgrounds, and professional experiences, particularly regarding sustainability reporting. Randøy et al. (2006) emphasized that the presence of a board of commissioners and directors with foreign nationality is considered capable of convincing foreign investors that the company is managed professionally. In addition, the presence of board members with foreign nationalities indicates that the company has carried out the process of globalization and information exchange in the international network. The fact that the status of sustainability reporting obligations differs between the home countries of foreign directors and Indonesia will increase firm value. This is because foreign boards of directors from countries with mandatory sustainability reporting status will strive to disclose sustainability reports to fulfill their regulatory obligations and meet the demands of information needs by foreign stock investors.

5. CONCLUSION

This study is to provide evidence on the effect of corporate social responsibility expenditure and board national diversity on corporate value. We also test the role of the availability of sustainability reports as a moderator in this relationship. Our samples are Indonesian companies listed on the Indonesia Stock Exchange from 2011 to 2020. The results suggest that CSR expenditure and board diversity do not affect firm value. Moreover, the results indicate that the availability of sustainability reports has a negative moderating effect on the relationship between the proportion of foreign commissioners and firm value and, on the contrary, has a positive impact on the relationship between the ratio of the foreign member of the board of commissioners and firm value. We may imply that companies with a high ratio of foreign member boards of commissioners who provide sustainability reports have higher firm value than companies that do not. Our study needs some limitations. First, most of our samples do not have foreign commissioners on their board. Second, the Indonesian authority does not strictly regulate the disclosure practices of CSR-related expenditures. Third, future researchers may use another measure of sustainability report, like the quality of the report.

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