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Analysis Of Corporate Governance And Company Characteristics Of Sustainibility Report Publications On Companies

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ABSTRACT

The purpose of this studies was to determine the effects of the audit committee, board of directors, and company characteristics simultaneously on the publications of sustainability reports on companies on the Indonesia Stock Exchange. This researches was a quantitative researches. The participants in this study were all mining companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The sample size of this research is 8 companies. The results of the studies conclude that the audit committee and company size has a significant effects on the publications of sustainability reports on mining sector companies listed on the Indonesia Stock Exchange. However, the boards have no significants effects on the publication of sustainability reports on mining sector companies listed on the Indonesia Stock Exchange.

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INTRODUCTION

Initially, the main purpose of establishing a company was to make a profit, as well as meets the needing of stakeholders at developing the companies activities for the better. However, now the financial paradigm of shareholders and report users has changed, where the focus is not only on profit (single line), but also on social and environmental responsibility around the company (triple bottom line). Currently companies management activities are not only based on aspects, but also consider social aspects. Since the developments of corporates socials responsibility (CSR) and development (sustainabilities) issues, companies have became the maining focus on the environments.

Due to a series of environmentals and humanitarians events in Indonesia. Data on the declining quality of the environment shows that at least ten mining companies are suspected of have damaged and pollute rivers in Kalimantan, East Java, Papua and South Sumatra. Five of them are giant-scale mining companies. Some of these cases indicate the companies lacks of concerned for the environments, as well as information about the companies social responsibility to the surrounding community. Information regarding the impacted of the companies economics, social and environmentals activity may be disclose through a sustainabilities reports as a voluntary reports that was presenting separately from the annual reports.

In Indonesia, there are not many companies that publish sustainability reports. From the 2012 Indonesia Sustainability Reporting Awards (ISRA) activities organized by the Indonesian Institute of Accountants for the Management Accountants Compartment (IAI-KAM), it was revealed that only 11% of Indonesian public companies disclosed environmental information and separately it can still be counted on the fingers, but it is hoped that will continue to grow for the next year. The current low level of sustainability report disclosure is because the disclosure is still voluntary. That was due to the companies lacks of enthusiasm to understand the important role of the social environment that helps the company achieve its goals in helping to preserve the environment around the companies operationals activity.

Although the disclosure of sustainability reports is not requiring for companies, the demanding for company to providing transparents, accountable informations and good corporates governances practices required company to make voluntary disclosures, such as disclosures regarding social and environmental activities. Corporates governances was the processing and structural using to directed and managed the companies business and activitie toward increase business growing and corporate accountabilities.

The audit committee is one of the functions in good corporate governance, so it can assist the company in controlling the company's activities. The audit committee is tasking with review the accounting police apply by the companies, assessing internals controling, review the report systems to externals part and complianced with externals part (Aliniar & Wahyuni, 2017). The audit committee is a professional individual whose purpose is to supervise the company. As explained by (Natalia, 2016) the purpose of establishing an audit committee is to supervise the process of preparing financial reporting and audit implementation, independent supervision of risk management and control, and carrying out independent supervision of the process of implementing corporate governance.

Meanwhile, the board of directors has the main function in management, namely setting strategic objectives and principles that will be used as operational references (Aliniar & Wahyuni, 2017). The boards of directors has the functions and authority to control the implementation of the company's wheels on a daily basis, in accordance with strategic policies as a guarantor for the realization of the principles of accountability and fairness contained in GCG. According to Law no. 40 of 2007, in general, directors have duties including leading the company by issuing policies; selecting, assigning, or supervising the duties of employees; approved the companies annuals budgeting; submited report to shareholders.

Firm size as one of the characteristics of a company that determine the levels of investors confidenced require goods credibilities so this company need to contributed to social growths and the surrounding environmental. Company size can be interprete as the size of the company can be seen from the valued of equities, companies valued or the result of the asset valued of a companies. As explained by (Natalia, 2016), companies with large assets receive more attention from publics. Therefore, large company will tend to spending more to disclosed broader informations in an efforts to maintaining the company's legitimacies. Company legitimacies may be realize through the disclosured of sustainability reports. The sustainabilities reports wont reveal how the company is responsible for the activities that have been carried out.

RESEARCH METHOD

The type of researches designed used by the researcher is the quantitatives method. The quantitative method uses numbers as an analytical tool and the analys using statistics which in that studies will examine the Analysis of Corporate Governance and Company Characteristics on the Publication of Sustainability Reports in Companies on the Indonesia Stock Exchange. The independent variables of this study are corporate governance which includes the audit committee and the board of directors, and the characteristics of the company which includes the size of the company. The dependent variable of this study is the publication of a sustainability report, in the form of a report issued voluntarily by the company consisting of 3 aspects, namely economic performance, environmental performance, and social performance. In practice, the population of this research is mining sector companies listed on the Indonesia Stock Exchange which disclose their company's sustainability reports for the 2016-2020 period. The technique of determining the sample to be taken by the researcher uses the purposive sampling methods, which are the methods of sampling information sources with certain considerations.

The benchmark criteria for determine the samples are:

a. Mining sector companies that have been listed on the Indonesia Stock Exchange.
b. Companies that publish financial statements in a row in the 2016-2020 period.
c. Companies that present complete annual financial reports for the 2016-2020 period.
d. Companies that are used as samples are companies that have data according to research.

Attached is a table that has met the criteria of the researcher.

Table 1. Sample List

No.	Company Code	Company Name
1.	BOSS	Borneo Olah Sarana Sukses Tbk
2.	BSSR	Baramulti Suksessarana Tbk
3.	INDY	Indika Energy Tbk
4.	ITMG	Indo Tambangraya Megah Tbk
5.	PTBA	Bukit Asam Tbk
6.	PTRO	Petrosea Tbk
7.	BRMS	Bumi Resources Mineral Tbk
8.	INCO	Vale Indonesia Tbk

Obtaining data from mining sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The whole company is 47 companies with purposive sampling technique, then obtained 8 companies from 5 years period (2016-2020), so the sample of this research is 40 samples.

RESULTS AND DISCUSSIONS

Next, a normality test was conducted which aims to tested whatever in the regressions model, the founding or residuals variables has a normal distributions (Ghozali, 2016). A goods regressions models have a normal or close o normal data distribution. To make it easier to do statistical calculations, this analysis can be process with programs of SPSS 25 statistical software. The heteroscedasticities tests aims to test whatever the regressions models has an inequalities of variances from the residuals or other observations. If the variances from the residuals of the observations to anothers observations remaining, thats called homoscedasticities (Ghozali, 2016). Heteroscedasticity test in this regression by looking at the distribution pattern of the residual scatter plot as shown in figure below.

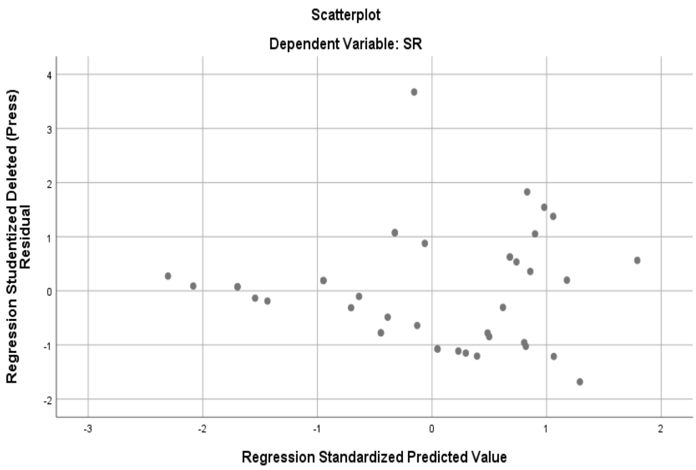

Figure 1. Heteroscedasticity test

Based the outputs above, it will be see the dots don’t forms a clear patterns. The points spreading aboves and belows the numbers of 0 on the Y axis. So it will be conclude that there’s no heteroscedasticities problems in the regressions models (Ghozali, 2016).

Table 1. Sample List

Model		Ustd Coeff		Std Coeff	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.458	.337		1.358	.183
	Komite Audit	.217	.092	.342	2.351	.024
	Dewan Direksi	.080	.089	.130	.894	.377
	Ukuran Perusahaan	-.025	.010	-.370	-2.555	.015

Based on the test results can be formulated as follows:
$Y = a + b1X1 + b2X2 + b3X3 + e$
$Y = 0.458 + 0.217 (X1) + 0.080 (X2) - 0.025 (X3)$
The above equation means that:

a. Constant a, which is 0.458, meaning that if the audit committee, board of directors and company size are 0 (neither up nor down), then the value of the sustainability report publication is 0.458.
b. The audit committee regression coefficient of 0.217 indicated a positive directions. That showed the audit committee has a positive relationship with the sustainabilities reports, where if the audit committee increased by 1% while other variables remaining (unchanged), the publication of the sustainability report will increased by 21.7%.
c. The regressions coefficients for the boards of directors is 0.080 indicated a positive directions. That showed the board of directors is positively related to the sustainabilities reports, where if the board of directors increased by 1% while other variables remaining (unchanged), the publication of the sustainability report will increased by 8%.
d. The regressions coefficients of company size, which is -0.025, indicated a negative directions. That showed the size of the company is negatively related to the publication of the sustainabilities reports, where if the size of the company decreased by 1% while the other variables remaining (unchanged), the publication of the sustainabilities reports will increased by 2.5%.

Based on table 2, the description is described as follows the audit committee obtained a significances of 0.024 < 0.05, so it may be conclude that the audit committee has a positive and significant effects on the publication of the sustainability report. The board of directors obtained a significance of 0.377 > 0.05 and concluded that the board of directors had no significant effect on the publication of the sustainabilities reports. The size of the company has a significances of 0.015 < 0.05. It is conclude that the size of the company has a negative and significants effects on the publication of the sustainabilities reports.

. **Table 3.** F Statistics Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.458	3	.153	4.010	.015[b]
	Residual	1.369	36	.038		
	Total	1.827	39			

Based on the significances of 0.015 < 0.05, it will be conclude that the audit committee, boards of directors, and company size simultaneously has a significant effects on the publications of the sustainabilities reports.

Table 4. Coefficient of Determination Test Results (R2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.500[a]	.250	.188	.19503	2.236

a. Predictors: (Constant), Ukuran Perusahaan, Dewan Direksi, Komite Audit
b. Dependent Variable: SR

Based the tables above, it will be see that the adjusted R2 values of the regressions models are 0.188. This values indicated the independent variables in the regressions models, namely the audit committee, boards of directors, and company size, is able to explaining the dependent variables, namely the publications of the sustainabilities reports by 18.8%, while the remain 80.2% is explained by others variable not examining.

The results obtained from the significance of the audit committee 0.024 < 0.05. It is concluded that the audit committee have a significants effects on the publications of the sustainability report. With much frequents meeting, the coordinations of the audit committee can be good so that it will carried out supervisions of managements much effectively and is expecte to supporting the increased in the disclosured of socials and environmentals informations carried out by the companies. Communication between the commissioners, directors, internal and external auditors, is an important aspect in assessing the effectiveness of the audit committee. In accordance with its function to work collectively and assisted the board of commissioners/supervisors to ensure the effectiveness of the internals controls systems, as well as the effectiveness of the controls carried out by internal and external auditors, it is necessary to have good cooperation between management and members of the audit committee who are committed and qualified (Ardiani et al. al., 2022). The existenced of an audit committee helping ensured that disclosured and controls systems works properly. Through the establishment of a quality audit committee, this will improve the company's image in the eyes of its stakeholders. In addition, the responsibility held by the audit committee in carrying out internal control processes and financial reports, strives to be realized as best as possible by the company to obtain a level of competence in finance. The company's high financial competence will continue to be sought in order to get support from its stakeholders. The result of these statements are supporting by researches (Aniktia & Khafid, 2015) and (Lestari, 2018) which the statement that the audit committee influenced the publications of the sustainabilities reports.

The results obtained from the significances of the board of directors 0.377 > 0.05. It is concluded that the boards of directors has no significants effects on the disclosured of the sustainabilities reports. That means that the large or small proportion of the numbers of meeting of the board of directors in one year doesn't affected the publication of the sustainabilities reports. The rejection of the hypothesis on the number of board of directors meetings is thought to be due to the ineffectiveness of the meetings being conducted, this indicates the dominance of votes from members of the board of directors who prioritize personal or group interests so as to override the interests of the company itself). It may also be caused by the issuer's low awareness in implementing GCG. They apply not out of necessity, but simply to comply with the rules. Thus, the frequency of meeting betweens members of the board of directors does not reflect the existence of good communication in terms of information disclosure regarding the sustainability report (Nasir et al, 2014). The result of these studies are in line with previous research conducted by (Lestari, 2018) which states that the board of directors has no effect on the publication of the sustainabilities reports.

The result obtained from the significance of company size 0.015 <0.05. It is concluded that the size of the company has a significant negative effect on the publication of the sustainabilities reports. This is because the disclosure of the sustainability report is in accordance with the policies carried out by eachncompany, so that the matters disclose in the sustainabilities reports are adjusted to the circumstances of each companies. Even small company can disclose their corporated responsibilities activite properly if it is necessary and the implementation of corporate responsibility disclosure is considered capable of providing benefits both directly and indirectly (Liana, 2019). The result of these studies are in line with researches conducte by (Roviqoh & Khafid, 2021) which found company size had no effects on the disclosured of sustainabilites reports.

CONCLUSION

Based on the analys obtained and the description that has been discussed, it is concluded: The audit committee have a significants partial effects on the publication of sustainability reports on mining sector companies listed on the Indonesia Stock Exchange. The board of directors has no partial significant effect on the publication of sustainability reports on mining sector companies listed on the Indonesia Stock Exchange. The size of the company has a significant partial effect on the publication of the sustainability report on the mining sector companies listed on the Indonesia Stock Exchange. The audit committee, board of directors, and company size simultaneously have a significant effect on the publication of sustainability reports on mining sector companies listed on the Indonesia Stock Exchange. The coefficients of determinations showed the influenced of the audit committee, board of directors, and company size on the publications of the sustainabilities reports, which is 18.8%, is influence by variable outside of this study.

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