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THE INFLUENCE OF COMPANY CHARCTERISTICS, GOOD CORPORATE GOVERNANCE, REPUTATION AND SHAREHOLDER PRESSURE ON ENVIRONMENTAL DISCLOSURE

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Abstract: Environmental disclosure is a tool for the company to show its responsibilities to the environment. This study aims to investigate the influence of company characteristics, good corporate governance, reputation, and stakeholder pressure on environmental disclosure. This study uses purposive sampling technique and resulted a final sample of 53 (fifty three) manufacturing companies listed on IDX during 2017-2019. The analytic technique used in this study is multiple linear regression analysis. The result of this study shows that independent commissioners as part of good corporate governance mechanism, reputation and shareholders pressure have significant effect on environmental disclosure. Meanwhile, sales growth, profitability and environmental pressure have not significant effect on environmental disclosure. The conclusion of this study shows companies should consider any information needed by stakeholders, including environmental disclosure. For regulators, the results of this study can be a consideration to collaborate with parties that can increase awareness of the importance of environmental, such as independent commissioners and majority shareholders.

Keywords: Company Characteristics, Good Corporate Governance, Reputation And Shareholder Pressure, Environmental Disclosure

INTRODUCTION

Environmental issues are increasing lately have caused unrest in the community. Therefore, environmental issues have become a global topic of discussion. Corporate Social Responsibility (CSR) report is a report that show how a company is responsible for its society and the environment. The report shows that the company is not only focused on achievements in the economic field, but also shows that the company is also focused on the environment and social aspects. However, the concern of Indonesia's companies, especially in the environment aspect is still not satisfying.

Currently, many companies are competing to improve their value to survive in the global market by creating advantages in various fields. These advantages can be created if the company is managed by applying the principles of good governance: transparency, accountability, responsibility, independence, and fairness. Good Corporate Governance mechanism does not only focus on the for shareholders' interest such as profit but also for other stakeholders, including the environmentalist. Companies that already have a good reputation will maintain and improve their reputation from investors and other stakeholders' perspective. Companies that have a good reputation will have a higher awareness of the company's responsibility to its environment and report its environmental responsibilities into CSR. In addition, public awareness related to social and environmental issues can increase pressure for companies to communicate their social environmental activities through voluntary and mandatory disclosures (Eriandani et al., 2019).

Profitability and sales growth as proxy of characteristics of the company, the existence of good corporate governance, reputation, and shareholder pressure will encourage the company to increase its environmental activities and communicate them into environmental disclosure, as part of CSR disclosure.

LITERATURE REVIEW

Agency theory states that there is a conflict of interest between the agent and the principal (Zulfia & Widijoko, 2019). Agency conflict arises because the amount of information received is not equal between the principal (shareholders) and the agent (management), where management has more information than the principal (Rudyanto & Siregar, 2016). This conflict can be minimized by the existence of good corporate governance mechanism. With that mechanism, companies are required to carry out their business activities based on the principles of GCG: transparency, accountability, responsibility, independence, and fairness/equity. The interested parties of the company are not limited to management (agents) and principals (shareholders). Stakeholder theory states that a company is an entity that not only carries out an activity for the benefit of the company itself, but also to other stakeholders (Wartyna & Apriwenni, 2018). Stakeholders consist of external and internal parties. These parties are include regulators, business competitors, the public, employee, the international environment, external institutions that influenced and affects the company (Sukenti et al., 2017).

In the theory of legitimacy, it is important for the company to be accepted by its community because it will become a legality for the company and give a positive reputation in the stakeholders' perspective. Corporate sustainability is a company's response to the environmental realities of climate change, species extinction, and resource decline (Bradford et. al., 2017). The World Business Council for Sustainable Development explains that Corporate Social Responsibility (CSR) is a continuous commitment from companies to carry out their ethical actions and roles in their surrounding environment (Juniartha & Dewi, 2017). Environmental disclosure is actually a manifestation of corporate social responsibility (Ermaya et al., 2018). Environmental disclosure includes the company's performance in pursuing corporate social responsibility, protecting human rights, and conducting environmental management which will then be measured using the construct of corporate social responsibility (Daromes, 2020). Environmental disclosure is important for the company to increase its value in stakeholders' perspective and also can be a consideration for the company's sustainability (Juniartha & Dewi, 2017).

Global *Reporting Initiative* (GRI) is an organization formed in Boston in 1997. The purpose of GRI is to create accountability mechanism to ensure the companies comply with environmental principles including social, economic and governance issues. The first version of GRI Guidelines (GRI 1) was published in 2000. In the following year GRI was developed into an independent and non-profit organization. During 2002-2013, there were some version of GRI from GRI2 until GRI4. Then in 2016, GRI transitioned providing guidelines to setting the first global standards for sustainability reporting, which known as GRI Standards.

Sales Growth on Environmental Disclosure

Company's growth is one of the considerations for investors to invest their funds. Company's growth indicates the ability of a company to achieve company profit (Wartyna & Apriwenni, 2018). The company's growth can be measured by sales growth (Sukenti et al., 2017). Companies that have positive sales growth will be very attractive for stakeholders. When the company has a high sales growth rate, the company has more responsibility towards the environment. Prior study have found company growth as measured by sales growth has a significant effect on CSR disclosure, in which environmental disclosure is a part of CSR disclosure (Sukenti et.al., 2017 ; Widiastuti et al., 2018) Based on the argument above, the first hypothesis was proposed:

Ha_1: Sales growth has a significant effect on environmental disclosure.

Profitability on Environmental Disclosure

Sumilat & Destriana (2017) explain that the profitability show the company's success in generating profits in current period. The higher profit generated, the greater the ability of the company to fulfill expectation of shareholders. Wardhani et al. (2019) explains that profitability is a measurement used by company to create profits for the company. Profitability can be used as a consideration by companies in preparing corporate social and environmental responsibility programs (Wardhani et al., 2019). When a company has high level of profitability, the level of disclosure of corporate social responsibility will also be higher (Alfiyah, 2018). Kapitan & Ikram (2019) also explains that a high level of profitability will urge managers to provide more detailed information about corporate social responsibility programs. Thus, when a company has a high level of profitability, it allows the company to further disclose its corporate social responsibility, especially on environmental responsibility by providing more detailed information. Prior study have found profitability has an effect of CSR disclosure (Susilo et al., 2019; Yusuf et al., 2020). Based on the argument above, the second hypothesis was proposed:

Ha_2: Profitability has a significant effect on environmental disclosure

Independent Commissioners on Environmental Disclosure

Independent commissioners are members of the board of commissioners who come from outside of the company or who do not have business and family relationships with the controlling holder, other members of the board of directors and commissioners, as well as with the company itself (Solikhah & Winarsih, 2016). Independent commissioners act as supervisors within a company (Effendi, 2016). Independent commissioners demonstrate that they exist as representatives of minority shareholders. The existence of independent commissioners provides assurance to shareholders that the funds given to the company have been managed properly, one of the ways is by disclosing the company's responsibilities, both social and environmental. Thus, with an independent commissioner in a company, it will be able to increase transparency of company information, both financial and non-financial information, including environmental disclosure. The results of research conducted by Juniartha & Dewi (2017) and Solikhah &

Winarsih (2016), independent commissioners have an effect on environmental disclosure. Based on the argument above, the third hypothesis was proposed:

Ha_3: Independent commissioners have a significant effect on environmental disclosure

Reputational Growth on Environmental Disclosure

Company reputation is understood as a subjective, collective acceptance, perception, attitude and evaluation of a company from one period to another according to stakeholder groups (Husnaini et al., 2018). The reputation of the company is important for the company, this is because when a company has a good reputation, the company can attract the interest of many investors and the products and services that will be launched by the company will be easier to accept by consumers, and this will increase the company's market share, so that the profits generated by the company will increase (Nofrianti & Saraswati, 2020). A company that has a good reputation will be in the spotlight for stakeholders, such as the community and the government as well as investors. A company that has a good reputation in its line of business will of course also try to have a good reputation for its environment, because a company that has a good reputation has an awareness that the company's existence cannot be separated from the support of the surrounding environment. For this reason, a company that has a good reputation will be more likely to carry out its environmental responsibilities, which can be seen from the environmental disclosures in its annual report. Based on research conducted by Fahad & Nidheesh (2018), it shows that firm popularity has a positive relationship to environmental and social disclosure. Firm popularity is one of the things that can describe the reputation of a company. Based on the argument above, the fourth hypothesis was proposed:

Ha_4: Reputation has a significant effect on environmental disclosure.

Environmental Pressure on Environmental Disclosure

Companies with high pressure from the environment will urge companies to disclose their sustainability reports transparently (Suharyani et al., 2019). According to legitimacy theory, companies that are sensitive to the environment tend to report higher quality corporate social responsibility to obtain the acceptance from the community (Alfaiz & Aryati, 2019). In addition, they also stated that this could not be separated from the pressure exerted by environmental groups and the community. The community and environmentalists demand the company to restore the environment that has been damaged by the company, which is caused by the company's operational activities (Alfaiz & Aryati, 2019). Thus, in order to meet the demands of the community and environmentalists, the company will strive to carry out corporate social responsibility by reporting more transparently. The results of research conducted by Suharyani et al. (2019), showed that environmental pressure has a significant positive effect on the quality of the sustainability report. In addition, the research results of Nilawati et.al. (2018) and Suharyani et al. (2019) showed a positive influence between environmental pressures on the transparency of the sustainability report. Based on the argument above, the fifth hypothesis proposed is as follows:

Ha_5: Environmental pressure has a significant effect on environmental disclosure.

Shareholder Pressure on Environmental Disclosure

Alfaiz & Aryati (2019) stated that companies with a low level of share ownership tend to have a sustainability report that is not better than companies that have a high level of share ownership spread. This is because companies that have a low level of share distribution will provide low pressure for the company, so the company does not focus too much on the quality of corporate social responsibility reports. Meanwhile, companies that have a high level of share ownership spread will put higher pressure on the company, so that it will encourage companies to focus on reporting on social responsibility, and not only on financial reporting. In addition, the main goal of each shareholder is to make a profit, so that the shareholders will focus on the business run by the company. With environmental disclosure, shareholders will also be able to find out how the company's responsibilities are and whether the responsibilities carried out have been carried out properly and are able to bring the company to be a going concern. The results of research conducted by Nilawati et al. (2018), shows that pressure from shareholders has a positive influence on the transparency of the sustainability report. Thus, the sixth hypothesis proposed in this study is as follows:

Ha_6: Shareholder pressure has a significant effect on environmental disclosure.

RESEARCH METHODS

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2017-2019. The sample selection in this study used a purposive sampling method and resulted 53 final samples of companies. This is a correlational study that aims to explain the effect of sales growth, profitability, reputation, environmental pressures, and shareholder pressure on environmental disclosure. This research consists of independent and dependent variables which are described below:

Independent Variables

Sales Growth

The growth of the company in this study measured by company's sales growth rate. This measurement refers to the research conducted by Widiastuti et al. (2018).

$$SG = \frac{Sales_t}{Sales_{\ t-1}}$$

Profitability

Return on Assets (ROA) is used as a proxy of profitability. ROA measures the company's ability to implement efficiency in the use of total assets for the company's operational activities (Alfaiz & Aryati, 2019). The measurement of Return on Assets (ROA) refers to research conducted by Alfaiz & Aryati (2019), using the following formulation:

$$ROA = \frac{Earnings\ after\ tax}{Total\ Assets}$$

Independent Commissioners

Independent commissioners refers to research conducted by Juniartha & Dewi (2017), using the following formulation:

$$KI = \frac{Total\ Independent\ Commissioners}{Total\ Commissioners}$$

Reputation

Reputation in this study uses corporate image awards obtained through the IMAC Awards (Indonesia's Most Admired Companies) during 2017-2019. Measurement of this variable is based on research conducted by Humanitisri & Ghozali (2018) using a dummy variable, where if the company obtains corporate image awards is given a value of 1, but if not, is given value of 0.

Environmental Pressure

Environmental pressure is the pressure exerted by the environment surrounding the company, such as the community, environmental groups. Environmental pressure is generally given to industries that contribute the most pollution and get high pressure from the environmental groups such as agriculture, mining, chemical, machinery, automobile parts and components, cables, property, housing, construction, energy, highways, airfields, ports, transport, construction of non-building, and electronics industry. Measurement of this variable using a dummy variable, where if companies are belong to the high pressure industry is given value of 1 and not included in that category, they are given a value of 0. This measurement refers to the research conducted by Rudyanto & Siregar (2018).

Shareholder Pressure

Shareholders are people who invest in a company. The level of ownership will determine how much the shareholders have influence or control over the company. The shareholder pressure in the study will refer to the research conducted by Rudyanto & Siregar (2018), which is measured by using the concentration level of the ownership structure.

$$TPS = \frac{Total\ shares\ held\ by\ parent\ company}{Outstanding\ Shares}$$

Dependent Variable

The dependent variable used in this study is environmental disclosure (PL). Measurement of environmental disclosure in this study uses content analysis, by comparing the items disclosed by the company with all items required in the GRI Standards. This measurement refers to the research conducted by Suharyani et al. (2019). GRI 300 in the GRI Standards will be a base measurement specifically about environmental aspects which presents 30 items of environmental. Measurement of environmental disclosure will be carried out by scoring presented in the following table:

Table 1. Environmental Disclosure

Score	Description
0	Undisclosed components
1	Qualitatively disclosed components
2	Quantitatively disclosed components

Source : Suharyani et al. (2019)

FINDINGS AND DISCUSSION

The result of regression analysis is shown in Table 2.

Table 2. Regression Test Result

Variable	Coefficient	Sign.	Results
(Constant)	0.103	0.000	
SG	-0.005	0.899	Rejected H_1
ROA	0.019	0.307	Rejected H_2
KI	-0.167	0.001*	Accepted H_3
RP	0.028	0.007*	Accepted H_4
TL	0.018	0.071	Rejected H_5
TPS	0.049	0.000*	Accepted H_6
R-Squared		0.440	
Adj R-Squared		0.193	
F-Sig		0.000	

Note: *5% Significance Level

The result shows that sales growth has no significant effect on environmental disclosure. Based on that result, hypothesis 1 was rejected. The result is consistent with stakeholder theory, which states that companies must be able to consider the information that most needed by stakeholders. From the result, we can conclude that the main focus of stakeholders are still on profit of the company. This causes the company lack of providing information on environmental disclosure, because information on financial performance is still considered as priority information to describe the company's condition for the investors' perspective and other stakeholders. Actually, companies already have disclosed information on corporate social responsibility (CSR) in their annual reports, but this information has not yet covered all aspects of information on corporate social responsibility, including environmental disclosure.

Profitability that represent return on asset insignificantly effect on environmental disclosure. So, hypothesis 2 was rejected. This shows that no matter how much profit a company has, it is not a factor that affects environmental disclosure. When a company has a low level of profitability, the company will tend to focus on increasing profits, in order to increase the value of the company in the stakeholders perspective. Meanwhile, when a company has already a high level of profitability, the company will be more likely to focus on increasing or maintaining profits, so that profit can remain stable or even increase. Thus, whether high or low profit companies have no effect on environmental disclosure.

The existence of independent commissioner and also reputation has significant effect on environmental disclosure, so hypothesis 3 & 4 was accepted. The existence of independent commissioners is able to balance information that does not only focus on the information for shareholders but also other stakeholders such as environmentalists. Besides independent commissioner, reputation also has a s significant effect on environmental disclosure. It means when the company already has a good reputation, the company will strive to maintain or even to increase its reputation by obtain more trust from other stakeholders, one of which is providing additional information related to environmental disclosures.

Based on the results, the environmental pressure itself does not have an effect on environmental disclosure while shareholder pressure has a significant effect, so hypothesis 5 was rejected while hypothesis 6 was accepted. The majority shareholders tend to focus on long-term profits so they will be concerned the sustainability profit in the long term. The sustainable profit can be achieved if there a harmony ecosystem. Therefore, shareholders are very concerned about environmental disclosure so the sustainability business can be achieved.

CONCLUSION AND RECOMMENDATION

The results show that independent commissioners, reputation and shareholder pressure have a significant influence on environmental disclosure. For this reason, the government, environmentalists, and policy makers can work together with independent commissioners and shareholders to help increase company awareness of the environment and the benefit that companies get from their attention to the environment.

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