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ENVIRONMENTAL DISCLOSURE: ENVIRONMENTAL PERFORMANCE, INSTITUTIONAL OWNERSHIP AND AUDIT COMMITTEE PART OF GOOD CORPORATE GOVERNANCE

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Abstract

This study aims to determine the effect of Environmental Performance, Institutional Ownership, and Audit Committee part of Good Corporate Governance on Environmental Disclosure. The Good Corporate Governance (GCG) studied is institutional ownership, and audit committees. The population in this study is Primary Consumer Sector Companies of the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2018-2022. The total sample is 70 Financial Statement data. The sample in this study was determined by purposive sampling method. The data analysis technique used is the E-views Series 12 application. The analysis method used is Quantitative Analysis with an Associative approach. The results of this study show that environmental performance, institutional ownership and Audit Committee simultaneously affect Environmental Disclosure. Environmental Performance affects Environmental Disclosure, Institutional Ownership has no effect on Environmental Disclosure, and Audit Committee has no effect on Environmental Disclosure.

Keywords: Environmental Performance, Institutional Ownership, Audit Committee, Environmental Disclosure

1. Introduction

In the midst of an increasingly growing business world, every company strives to always follow market demand or desires. Companies can provide job opportunities for the community, provide goods and services needed by the community, pay taxes, make donations, and so on. This makes the company get the flexibility to move freely in carrying out its business activities. However, in the era of globalization like today, competition in the business world is getting tighter. Companies not only think about how they get the maximum possible profit, but they also have to consider the response from the community and the surrounding environment so that their business continuity remains guaranteed, Chanifah (2019).

Environmental issues are still a consideration today, one of which is about environmental damage. Various cases of environmental damage caused by the company's operational activities are the cause of the lack of reporting on social and environmental responsibility in Indonesia. Damage to the environment is also very detrimental to the community, one of which can cause pollution, Sari & Purnomo (2023).

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The phenomenon of environmental damage is also caused by one of the food and beverage companies in Indonesia, namely PT Ultrajaya Milk Industry &; Trading Company Tbk (ULTJ). In August 2017, PT Ultrajaya Milk Industry & Trading Company Tbk (ULTJ) was demoed by hundreds of residents from Gadobangkong Village, Ngamprah District, West Bandung Regency (KBB), they held a demonstration because the smell of waste from this dairy company was getting stronger every day, and the water supply provided to residents also contained waste that made residents experience itching. Protesters said the smell caused shortness of breath, nausea and vomiting. This condition has been going on for quite a while, residents asked the company to listen to its demands to clean up the environment around the factory and prioritize local residents to work. As a result of this incident, this village failed in the district-level posyandu competition, because of the strong smell of waste. As a result of this action, the traffic flow was jammed, even some trucks transporting milk entering the factory site had to turn back again because the road was blocked (sindonews.com).

Environmental pollution caused by companies intentionally or unintentionally directly or indirectly affects people's perception of the company itself, which can also affect investors' perceptions. Companies can show concern and social responsibility through Environmental disclosure. Environmental disclosure is the disclosure of information about environmental responsibility in financial statement instruments, Maulana et al (2021). Environmental disclosure is important because through environmental disclosure in the company's annual report, the public can monitor the company's activities to fulfill its social responsibility, Sari et al (2018).

Companies are willing to take responsibility for environmental damage by considering the costs and benefits obtained to meet the wishes of stakeholders or also improve the company's image. Because of its voluntary nature, there are still some companies that carry out social and environmental responsibility just to improve the company's reputation, there are even companies that do not want to do social and environmental responsibility at all Arianti (2019). Environmental Disclosure is influenced by several internal factors of the company where these factors include Environmental Performance and Good Corporate Governance.

Environmental performance is all company activities and activities that show the company's performance in protecting the surrounding environment and reporting it to interested parties, Maulana et al (2021). Environmental performance is an assessment related to the company's activities in an effort to maintain and improve environmental sustainability. In Indonesia, environmental performance can be measured using the Company Performance Rating Assessment Program (PROPER). PROPER is one of the programs of the State Ministry of Environment to encourage companies to comply with environmental management in accordance with Juniartha & Dewi (2017) laws and regulations.

Research conducted by Juniartha & Dewi (2017), Chanifah (2019), Siregar &; Khusumawardhani (2023), Maulana et al (2021), Sari et al (2018), Dewi & Yasa (2017), Noviani &; Suardana (2019), said that environmental performance affects Environmental

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Disclosure. Which means that when companies increase activities in environmental conservation, environmental disclosure companies also increase. Meanwhile, according to research by Sari & Purnomo (2023), environmental performance has no effect on Environmental Disclosure. Which means that the high or low rating obtained by the company does not necessarily motivate the company to improve environmental disclosure.

Good corporate governance itself acts as supervision carried out by stakeholders on management so that the company is able to increase transparency, accountability, and corporate responsibility for the environment. Supervision is represented by the board of directors, board of commissioners, institutional ownership, managerial ownership and audit committee. Sari et al (2018). Good corporate governance is one of the factors that can affect Environmental Disclosre. Research by Richard & Wijaya (2022) says that the independent board of commissioners has an effect on environmental disclosure, but the audit committee has no effect on environmental disclosure. Kurniawan (2019) said that the audit committee, and the board of commissioners have an influence on environmental disclosure, but the independent board of commissioners has no effect on environmental disclosure. Dewi (2019) said that institutional ownership and audit committees have an effect on environmental disclosure, but independent commissioners have no effect on environmental disclosure.

Based on several phenomena, theories and previous research, the author was motivated to examine the "Effect of Environmental Performance and Good Corporate Governance on Environmental Disclosure (Empirical Study on Primary Consumer Sector Companies in the Food and Beverage Sub-Sector listed on the IDX for the 2018-2022 period)".

2. Theoretical Background

2.1 Agency Theory

Agency theory was used as the rationale for this study. This theory states the relationship between the owner (principal) in this case is the shareholders (investors) with the agents represented by management. The assumption that management involved in the company will always maximize the value of the company is not always fulfilled, management has personal interests that conflict with the interests of company owners so that a problem arises called the Arianti agency problem (2019).

2.2 Legitimacy Theory

Dowling and Pfeffer (1976) in Sari & Purnomo (2023) state that the concept of legitimacy is important in analyzing the relationship between an organization and its environment. Legitimacy theory explains that organizations are constantly striving to ensure that they operate within the boundaries and norms of society. These boundaries and norms are not fixed, but change all the time, so organizations must become responsive. Sari &; Purnomo (2023) also stated that the theory of legitimacy is basically related to the social contract that occurs between the company and the community where the company operates and uses economic resources. Companies will disclose more about

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environments where threats to their legitimacy are high and less revealing when their legitimacy is not threatened in any way by society.

2.3 Environmental Disclosure

Environmental disclosure is the disclosure of information related to the environment in the annual report of the company Maulana et al (2021). Environmental disclosure is a form of corporate social responsibility. Through environmental disclosure in the annual report, the community can monitor the activities carried out by the company in order to fulfill its social responsibility. The importance of environmental disclosure is related to the existence of a social contract. Contracts between companies and communities, both explicit and implicit arising from the company's interaction with the environment, have the consequence that companies must be responsible not only for the welfare of shareholders, but also have social responsibility, namely the responsibility to maintain the sustainability of the environment Sari et al (2018).

2.4 Environmental Performance

Environmental performance is all company activities and activities that show the company's performance in protecting the surrounding environment and reporting it to interested parties Maulana et al (2021). According to the Regulation of the State Minister of Environment of the Republic of Indonesia No. 05 of 2011 article 1 that the Company's Performance Rating Program in Environmental Management hereinafter referred to as PROPER. The Company Performance Rating Assessment Program in Environmental Management (PROPER) is an assessment program for the efforts of those responsible for businesses and/or activities in controlling pollution and/or environmental damage as well as hazardous and toxic waste management, Dewi & Yasa (2017).

2.5 Good Corporate Governance

Good Corporate Governance (GCG) is a form of good corporate management, which includes a form of protection for the interests of shareholders (public) as company owners and creditors as external funders. A good corporate governance system will provide effective protection to shareholders and creditors to recover investments fairly, appropriately and efficiently as possible, and ensure that management acts as well as it can for the benefit of the company, Richard & Wijaya (2022).

2.6 Hypothesis Development

The hypotheses in this study are:

H1 = Environmental Performance, Institutional Ownership and Audit Committee Simultaneously Affect Environmental Disclosure
H2 = Environmental Performance Affects Environmental Disclosure
H3 = Institutional ownership affects environmental disclosure
H4 = Audit Committee Affects Environmental Disclosure

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3. Methods

This type of research uses quantitative research methods with an associative approach which aims to determine the relationship between variables. Quantitative research is research in the form of numbers or numbers supported by empirical facts. The object of the study is a Primary Consumer Sector Company of the Food and Beverage Sub-Sector listed on the Indonesia Stock Exchange in 2018-2022. The secondary data used is in the form of an annual report from the official website of www.idx.co.id.

3.1 Environmental Disclosure

The dependent variable in this study is Environmental Disclosure. Environmental disclosure is the disclosure of environmental information in the annual report of the company Siregar & Kusumawardhani (2023). The measurement of this variable uses a disclosure score. SE OJK No. 16 of 2021 includes an explanation of guidelines for preparing sustainability reports for issuers of public companies in accordance with POJK No. 51 of 2017. The definition of sustainability report according to SE OJK No. 16 of 2021 is a report to the public on sustainability performance consisting of 3 main aspects, namely economic, environmental and social. The Sustainability Report Disclosure Index (SRDI) is measured according to OJK Circular Letter NO 16/SEOJK.04/2021. Based on the environmental field, the SEOJK index consists of 50 disclosure items. The calculation of SRDI is done by giving a score of 1 if the company discloses 1 item and 0 if it does not disclose. After scoring each item to all companies, the scores were then added to obtain the total score of each company Astuti & Juwenah (2017). The formula for SRDI calculation is:

$$\mathrm{SRDI} = \frac{\text{Number of items disclosed}}{\text{Number of disclosure items}}$$

3.2 Environmental Performance

Environmental performance is the company's relationship with the environment regarding the environmental impact of the resources used, the environmental effects of the organization's processes, environmental implications for products and services, the restoration of product processing and compliance with work environment regulations. This environmental performance measurement can be measured through the Company Performance Rating Assessment (PROPER) program issued by the ministry of environment which is an assessment program for efforts to be responsible for businesses or activities in controlling pollution or environmental damage as well as waste management, hazardous and toxic materials, Juniartha & Dewi (2017). In Juniartha & Dewi's (2017) study, measurements were made by giving scores to each color in the PROPER study, namely: Gold: Very, very good, score = 5 Green: Very good, score = 4 Blue: Good, score = 3 Red: Bad, score = 2 Black: Very poor, score = 1.

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3.3. Institutional Ownership

Institutional ownership is the ownership of shares by government institutions, financial institutions, legal entities, foreign institutions, trust funds, and other institutions at the end of the year. Companies with spreading ownership, giving greater rewards to Dewi's management (2019). Institutional ownership is measured by the percentage ratio between the number of shares owned by the institution and the number of shares outstanding (Dewi, 2019). The equation is as follows:

$$\mathrm{KI} = \frac{\text{Number of institutional shares}}{\text{Number of shares outstanding}}$$

3.4 Audit Committee

Audit Committee is a committee established by and responsible to the Board of Commissioners in assisting in carrying out the duties and functions of the Board of Commissioners. Together with the independent board of commissioners, the audit committee plays a role in providing oversight of management performance. The audit committee is defined as the number of audit committee members within Dewi's company (2019). The audit committee is proxied using the total number of members of the audit committee. The formula for calculating the audit committee based on Dewi's research (2019) is as follows:

$$\text{Komite Audit} = \sum \text{Member of the Audit Committee}$$

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview or description of a data seen from the average or mean value, standard deviation, variance, maximum value, minimum value, total number or sum, range or range of data studied Ghazali (2016). Descriptive statistics used in this study include the dependent variable (Y) namely Environmental Disclosure and the independent variable namely Environmental Performance (X1), and Good Corporate Governance (X2).

Table 1. Descriptive Statistics

	ED	KL	KI	KA
Mean	0.357429	3.543000	0.667614	3.113000
Median	0.280000	3.305000	0.646000	3.111000
Maximum	0.720000	4.103000	1.000000	3.400000
Minimum	0.180000	3.013000	0.214000	3.001000
Std. Dev.	0.172918	4.669234	0.190872	1.163937
Skewness	1.015724	0.069136	-0.194901	1.119199
Kurtosis	2.836683	1.072520	2.466728	3.477636
Jarque-Bera	12.11423	10.89170	1.272615	15.27914
Probability	0.002341	0.004314	0.529243	0.000481
Sum	25.02000	248075.0	46.73300	217950.0
Sum Sq. Dev.	2.063137	15043205	2.513811	934777.1
Observations	70	70	70	70

Source: E-views-12 output

From the data above, it can be known that the results of the analysis using descriptive statistics of all variables used in this study can be explained that:

1) Environmental Disclosure

Based on the results of the descriptive test analysis above, it shows that variable Y, namely Environmental Disclosure, has a minimum value of 0.180000 at PT. Tigaraksa Satria Tbk (TGKA) in 2019-2022 and PT. Ultra Jaya Milk Industry &; Trading Company Tbk (ULTJ) in 2018-2022. The maximum value is 0.720000 at PT. Pratama Abadi Nusa Industri Tbk (PANI) in 2018-2022, with an average value of 0.357429 and a median of 0.280000 and a standard deviation of 0.172918.

2) Environmental Performance

Based on the results of the descriptive test analysis above, it shows that the variable X1, namely Environmental Performance, has a minimum value of 3.013000 at PT. Japfa Comfeed Indonesia Tbk (JPFA) for 2018-2022 and a maximum value of 4.103000 at PT. Siantar Top Tbk (STTP) for 2018-2022, with an average value of 3.543000, a median of 3.305000 and a standard deviation of 4.669234.

3) Good Corporate Governance

The variable of Good Corporate Governance (X2) is divided into 2 parts, namely Institutional Ownership and Audit Committee. The results of the descriptive test analysis for institutional ownership and audit committees can be explained as follows:

a) Institutional Ownership has a minimum value of 0.214000 at PT. Ultra Jaya Milk Industry &; Trading Company Tbk (ULTJ) for 2021-2022 and a maximum value of 1.000000 at PT. Akasha Wira International Tbk (ADES) in 2018, with an average value of 0.667614, a median of 0.646000 and a standard deviation of 0.190872.
b) The Audit Committee has a minimum value of 3.001000 at PT. Astra Agro Lestari Tbk (AALI) in 2018-2022 and a maximum value of 3.400000 at PT. Pratama Abadi Nusa Industri Tbk (PANI) for 2018-2022, with an average value of 3.113000, a median of 3.111000 and a standard deviation of 1.163937.

4.2 Simultaneous Test (Test F)

This test is used to see whether the overall independent variable has an influence on the dependent variable.

Table 2. Test F

Cross-section fixed (dummy variables)			
R-squared	0.379592	Mean dependent var	0.357429
Adjusted R-squared	0.299553	S.D. dependent var	0.172918
S.E. of regression	0.004914	Akaike info criterion	-7.585810
Sum squared resid	0.001280	Schwarz criterion	-7.039747
Log likelihood	282.5034	Hannan-Quinn criter.	-7.368907
F-statistic	5335.919	Durbin-Watson stat	1.534678
Prob(F-statistic)	0.000000		

Source: E-views-12 output

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Based on the results in the table above, the simultaneous significance test (statistical test F) can be seen that Fcalculate shows a result of 5335.919 and a Prob value (F-statistic) of 0.000000. As for finding Ftabel with the number of samples (n) = 70 and the number of variables (k) = 3. Ftable can be seen in the F distribution table with a significant level of 0.05 df1 = 3-1 = 2 and df2 = 70-3 = 67, so that the table is 3.13. Based on the results of Ftabel obtained, it can be concluded that environmental performance, institutional ownership and audit committee simultaneously have a significant effect on environmental disclosure (Y) with the results of Fcalculate > Ftabel testing (5335,919 > 3.13) and probability value (0.000000 < 0.05).

4.3 Partial Test (Test t)

This test is used t-test is used to show how far the influence of one independent variable individually in explaining the dependent variable.

Table 3. Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.26572	1.710856	14.76788	0.0000
KL	1.226046	5.140901	2.384885	1.0000
KI	0.000220	0.009105	0.024127	0.9808
KA	-0.008000	0.000549	-14.56014	0.0000

Source: E-views-12 output

Based on the table above, the results of the partial test (t test) can be explained that:

1) Environmental Performance on Environmental Disclosure

In the Environmental Performance variable, a calculation of 2.384885 was obtained and a significant value of 1.0000. While the value of the ttable obtained is (df = 70 - 3 = 67) at α = 5% or 0.05 seen from the t distribution table, a result of 1.66792 was obtained. With the results it shows that the calculated value is greater than ttable (2.384885 > 1.66792) and the significant value is greater than 0.05 (1.0000 > 0.05) then Ha is rejected and Ho is accepted, thus it can be concluded that the Environmental Performance variable has an effect on Environmental Disclosure.

2) Institutional Ownership of Environmental Disclosure

In the Institutional Ownership variable, a calculation of 0.024127 was obtained and a significant value of 0.9808. While the value of the ttable obtained is (df = 70 - 3 = 67) at α = 5% or 0.05 seen from the t distribution table, a result of 1.66792 was obtained. With the results showing that the calculated value is smaller than ttable (0.024127 < 1.66792) and a significant value greater than 0.05 (0.9808 > 0.05) then Ha is rejected and Ho is accepted, thus it can be concluded that the variable Institutional Ownership does not have a significant effect on Environmental Disclosure.

3) Audit Committee on Environmental Disclosure

In the Audit Committee variable, a calculation of -14.56014 was obtained and a significant value of 0.000. While the value of the ttable obtained is (df = 70 - 3 = 67)

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at α = 5% or 0.05 seen from the t distribution table, a result of 1.66792 was obtained. With the results showing that the calculated value is smaller than the ttable (-14.56014 < 1.66792) and the significant value is smaller than 0.05 (0.000 > 0.05) then Ha is accepted and Ho is rejected, thus it can be concluded that the Audit Committee variable has no significant effect on Environmental Disclosure.

5. Conclusion

Based on the results of research and discussions that have been carried out, the following conclusions can be drawn:

1) Environmental performance, institutional ownership and audit committees simultaneously have a significant effect on Environmental Disclosure. Companies with good environmental performance, institutional ownership and audit committees will have a good impact on the company. To reveal the company's environment, it is necessary to look at the company's performance.
2) Environmental performance affects Environmental Disclosure. Companies that implement environmental performance can be sure to carry out Environmental Disclosure. Environmental disclosure will be wider as a result of the role of large company performance.
3) Institutional Ownership has no effect on Environmental Disclosure. Institutional ownership is not able to strengthen the relationship between institutional ownership and environmental disclosure, because institutional ownership of companies in the manufacturing sector has not considered corporate social responsibility, especially in the environmental sector as one of the criteria for investing, so institutional investors do not pressure companies in terms of disclosing environmental responsibility.
4) The Audit Committee has no effect on Environmental Disclosure. This research shows that the larger the size of the audit committee, the smaller the environmental disclosure. The task of the audit committee is only to ensure that financial statement reporting is disclosed truthfully without fraud and assist the board of commissioners in overseeing the company's operations, so that the audit committee cannot encourage the company to improve Environmental Disclosure

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