THESIS

THE INFLUENCE OF THE AUDIT COMMITTEE AND PROFITABILITY ON *SUSTAINABILITY REPORT* DISCLOSURE WITH COMPANY SIZE AS A VARIABLE CONTROL

(Case Study on Coal Mining Companies Listed on the Indonesia Stock Exchange 2013-2020)

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DEPARTMENT OF ACCOUNTING
FACULTY ECONOMIC AND BUSINESS
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(Case Study on Coal Mining Companies Listed on the Indonesia Stock Exchange 2013-2020)

is my own scientific work and is, to the best of my knowledge and belief, original, except as acknowledged in the text, and has not been submitted for degree at this university and any other university.

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Makassar, February 18th 2022

The Writter

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PROLOGUE

Praises and gratitude the author sends to Allah SWT. Alhamdulillah, thanks to His grace, love, and mercy, the author is finally able to complete this research with title "THE INFLUENCE OF AUDIT COMMITTEE AND PROFITABILITY ON SUSTAINABILITY REPORT DISCLOSURE WITH COMPANY SIZE AS A VARIABLE CONTROL (Case Study on Coal Mining Companies Listed on the Indonesia Stock Exchange 2013-2020)", as one of the requirement to complete the study and obtain academic degree in Faculty of Economics and Business Hasanuddin University.

The author is fully aware that this thesis would never be realized without the help, guidance, and suggestions for various parties. The author would like to use this opportunity to express deepest gratitude to those who contributed in the making of this research.

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The Author realizes that the process of writing and organizing this thesis is inseparable from mistakes and shortcomings. Therefore, with all humility, the author sincerely aplogizes and is gracefully willing to accept all input, critics, and suggestions to make this thesis better. The author humbly presents this thesis, with the hope that it could be useful to increase knowledge and information in the field of accounting.

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The Researcher,

Muhammad Diva Asshiddiq

ABSTRACT

THE INFLUENCE OF AUDIT COMMITTEE AND PROFITABILITY ON *SUSTAINABILITY REPORT* DISCLOSURE WITH COMPANY SIZE AS A VARIABLE CONTROL (Case Study on Coal Mining Companies Listed on the Indonesia Stock Exchange 2013-2020)

Muhammad Diva Asshiddiq S

Darwis Said
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This study aims to analyze the effect of the audit committee, profitability and company size as control variables on the disclosure of sustainability reports in coal mining companies listed on the Indonesia Stock Exchange for the period 2013-2020. This study uses the causality method, while the data was collected by documentation on coal mining company documents listed on the Indonesia Stock Exchange for the period 2013-2020. The results of this study indicate that: (1) Based on the results of the partial test, both audit committee and profitability have a positive and significant effect, while company size as a control variable has no significant effect on the *sustainability report.*

Keywords: Audit Committee, Profitability,Company Size, and *Sustainability Report*

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CHAPTER I

INTRODUCTION

1.1 Background

Recently, the issue of environmental damage has begun to be discussed extensively throughout the world. One of the causes of high environmental damage is the unwise mode of production in the use of resources to obtain large economic benefits or by placing an obsession with growth and accumulation at the core of all its activities by ignoring the environmental impacts generated by a company's operational activities (Magdoff & Foster). ,2018:59).

In the Indonesian context, this condition can be seen clearly in the choice of development orientation, both in the New Order and Reform phases. The New Order firmly adopted the notion of modernity in the style of W.W. Rostow with the stages of economic growth, which was later outlined in the Five Year Development Policy (PELITA). The consequence of the adoption of the idea of modernity is the development of industry on a massive scale. To support this policy, various existing natural resources are exploited in such a way that they are able to support the industrialization process as the main driving force towards the realization of a modern society (Fakih 2006:55).

The unavoidable consequence of the foregoing is environmental damage on a large scale. For example, the rate of deforestation increased from the New Order to the Reformation. According to FAO records,

it is stated that between 1976-1980 the deforestation rate reached 550,000 hectares/year. This number is increasing until in 1997 it reached 1.7 hectares/year. The increase in the rate of deforestation is in line with the increase in the number of

HPH (forest concession) concession holders in Indonesia (Hidayat, 2011). Meanwhile, during the Reformation period, the deforestation rate was still very high, reaching 3.27 million hectares/year in the 1997-2016 period. This places Indonesia as the sixth largest emitter of carbon gas in the world (Forest Watch Indonesia, 2018:6).

The above is just one example of a pattern to unwise environmental management and has a wide-scale environmental impact. In line with the above phenomenon, there is still a lot of environmental damage that occurs as a result of overriding environmental impacts in accumulating profits. Another example is the exploitation of coal mines that leave excavated pits that not only cause environmental damage but endanger the safety of the community around the site. For example, mining locations in East Kalimantan have caused 31 victims from 2011 to 2018 (Maimunah, 2018). This condition then poses a threat not only to the current generation but also to future generations.

Coal exploitation is closely related to the concept of environmental management, where this business activity is more vulnerable to the impact of environmental damage due to the declining quality of the environment as a result of mining operations, as well as the quality of life of the community can decrease due to the impact it causes.

Abrar Saleng (2004) in his book Hukum Pertambangan suggests the various negative impacts of mining activities are as follows:

1. Mining business in a relatively short time can change the topography of the soil and the condition of the land surface (land impact) so that it can change the balance of the ecological system for the surrounding area.

2. Mining businesses can cause various kinds of disturbances, including pollution due to dust and smoke that pollute the air and water, waste water, tailings, and mine waste containing toxic substances.
3. Mining carried out without regard to work safety and field geological conditions can cause landslides, mine explosions, mine collapses, and earthquakes.

A new study in 2020 from Greenpeace Southeast Asia and the Center for Clean Energy and Air Research (CREA) shows air pollution from burning fossil fuels – particularly coal, oil and gas – is associated with an estimated 4.5 million deaths annually worldwide. world and an estimated economic loss of 2.9 trillion USD, or about 3.3% of global GDP. This is the first report to assess the global costs of air pollution from fossil fuels. In addition to economic losses, of course, coal mining has an impact on health. Coal from upstream to downstream, leaves a bad impact and is difficult to overcome. The traces of coal destruction do not end in mining, but continue throughout its journey, in the process of burning at the power plant, coal pollutes toxic substances, ranging from carbon monoxide, mercury, to carbon dioxide, the greenhouse gas that causes global warming. As a result, the lives of the people living around the PLTU changed after the PLTU was built and got worse when the PLTU started operating. The sulfur dioxide (SO_2) produced is hazardous to health. In Indonesia, as many as 450 thousand people are exposed to sulfur dioxide in 24 hours/day, with emissions exceeding the standards set by WHO.

The coal industry skyrocketed in the early 2000s and had a dip in around 2012-2016. However, Indonesia's coal production during 2012-2013 actually increased. This is due to the high demand for Indonesian coal to fuel Steam Power Plants (PLTU) in the world, especially demand from China and India. In addition to the increase in the number of PLTUs in the world, including in Indonesia since 2008, there has been a slight decline in Indonesia's thermal coal production to 458 million tons. Despite the fluctuations in coal prices since 2011, Indonesia remains the second largest coal exporter in the world, following Australia as of 2015. Not only that, Indonesia is also predicted to contribute 28% of world coal exports in 2040 (Australia 37%). Coal mines in Indonesia are spread over 23 provinces, with the Province of East Kalimantan (Kaltim) having the most coal mines, namely 1,404 IUPs. When the production of minerals in Indonesia has decreased, this is not the case with coal.

In the JATAM report (2018), the ease of granting IUPs, low supervision, and law enforcement in the field have made the destructive power of coal mining even more massive. The destructive forces of coal include air pollution, acid rain, people losing their land, forced livelihood shifts (from farmers and fishermen to mining workers), polluting rivers, destroying water supplies, destroying forests, threatening food security and triggering climate change. Although the destructive power of coal can be seen and felt in real terms – especially by those who live around coal mining concessions, what is being put forward is the discourse to advance the region and increase job opportunities.

The granting of coal IUPs increased sharply after the reforms coincided with the birth of the Regional Autonomy Law (UU Otda). The Regional Autonomy Law was originally born as a critique of the centralized government model that was run by the Suharto government for 32 years. Previously, decisions in the regions were determined by the central government. However, in reality the spirit of reform was actually hijacked by politicians, rulers and businessmen to increase coal extraction through the issuance of new concessions which amounted to an unreasonable amount. The Otda Law is interesting to look at because it was originally born to encourage democratization in Indonesia, but instead it is used to legitimize regional heads to gain money in the name of regional income. The proliferation of mining permits after the New Order shows a symptom of changes in the oligarchy in Indonesia.

In 2019 the co-optation of Indonesia's democracy by the interests of mining companies was manifested in preparation for the 2019-2024 presidential-vice presidential election. Referring to JATAM's report, the two candidate pairs were in fact supported by mining investments tied to the International Financial Corporation. The incumbent presidential candidate, Ir.Joko Widodo, was supported by General (Ret.) Luhut and Toba Bara. Meanwhile, the founder of Saratoga Capital (an International Financial Corporation client who invests in Adaro Energy) is Sandiaga Uno, a challenger and partner for Prabowo Subianto Djojohadikusomo.

In 2020, the Indonesian government is increasingly planning to burn coal on its own soil. With the passing of the Omnibus Law, the Job Creation Bill. Several arrangements in this bill will have implications for the uncertainty of rules and implementation of environmental due diligence, weakening of environmental prevention instruments with the abolition of environmental permits, and restrictions on public participation. Ultimately, this arrangement will prevent investors from complying with environmental and social compliance standards set by international financial institutions. In fact, international financial institutions as actors who are responsible for implementing good governance to achieve sustainable development are very interested in maintaining the fulfillment of these standards in accordance with the demands of the international community. Based on the research of several NGOs (*Non Government Organizations*) above, the researchers are interested in making *Coal Mining* the object to be studied.

Sustainability reports have recently become a major issue for the company so that the company's goals are now not only focused on achieving profits. This concept arises because of the demands and expectations of the community regarding the role of companies in society (Nurrahman and Sudarno, 2013). At the beginning of the emergence of the term, this concept only focused on overcoming the damage to environmental resources and natural resources in line with industrial growth. However, this has been criticized for only focusing on environmental development and neglecting welfare and economic growth. In 1992 an *Earth Summit* was held in Rio de Jenerio, Brazil with the result that there was a change in the development paradigm from economic development to sustainable development. There are five factors that make the concept of sustainability important, namely the availability of funds, environmental mission, social responsibility, implementation in policies, and having value benefits.

The company has a goal to generate large profits but that goal must reach a wide range of stakeholders (shareholders, local community members, government and others). Jogiyanto (2007) argues that the intention or intention is a function of two basic determinants, namely the individual's attitude towards behavior (which is a personal aspect) and the individual's perception of the intervention from the environment to perform or not to perform a behavior called subjective norm. In short, practice or behavior according to *Theory of Reasoned Action* (TRA) is influenced by intentions, while intentions are influenced by subjective attitudes and norms. Attitudes are influenced by beliefs about the results of past actions. Subjective norms are influenced by belief in the opinions of others and the motivation to obey those opinions. More simply, this theory says that a person will perform an action if he views the action positively and if he believes that other people want him to do it.

The view of the company's success rate is now increasingly shifting to become wider, which was previously only seen as an economic aspect and now investors are also prioritizing companies that are responsible for social and environmental aspects (Effendi, 2016:213). Based on OJK Regulation Number 51 of 2017 disclosure of *sustainability reports* is mandatory for OJK, Issuers, and Public Companies. In practice, although the disclosure of *sustainability reports* continues to increase every year, there are still companies that violate these rules. It is evident from 158 manufacturing companies that there are still 13 companies that do not disclose (IDX, 2018). Two of the thirteen companies, namely PT. Sekar Laut and PT. Siantar Top was once reported to have polluted the environment by disposing of liquid waste into the river, but the settlement was only limited to paying compensation and causing public protests to occur again.

Based on the phenomena that occur, companies are required to have social and environmental commitments as well as sustainable business implementation. Through Good Corporate Governance (GCG) seeks to provide benefits to shareholders and still pay attention to the wishes of each *stakeholder* (Efendi, 2016).

The audit committee functions to support the board of commissioners in supervising the board of directors through auditing financial statements, implementing risk management and realizing GCG (IKAI in Effendi, 2016:48). Raharjo has conducted research and found that frequent audit committee meetings will increase the effectiveness of internal control and supervision of the board of directors in implementing GCG, including information disclosure in the form of a *sustainability report*. According to previous research conducted by (Widianto and Prastiwi, 2011) entitled The Effect of Profitability, Liquidity, Leverage, Activities, Company Size, and Corporate Governance on Sustainability Report Disclosure Practices, states that the audit committee in *corporate governance* has an influence on the disclosure of *sustainability reports*. However, in a different study (Nasiret al., 2014), the audit committee has no influence on the disclosure of sustainability reports.

Profitability is able to reflect the financial performance of a company which is usually a concern of investors because it is able to describe the company's ability to achieve profits. Raharjo's research (2016: 31) states that high profitability is thought to be able to increase the company's confidence to disclose extensive information to attract the attention of investors.

Apart from GCG, the size of the company reflects the number of resources owned and the activities carried out, so that the company will relate to more stakeholders (Leimena, 2015). The number of stakeholders motivates companies to submit sustainability reports more broadly, proof of the company's responsibility (Larassati, 2017). Several studies indicate that company size has an influence on the *disclosure of sustainability reports* including (Janra, 2015) and (Aulia and Syam, 2013) which state that company size has a positive influence on the disclosure of sustainability reports. Meanwhile (Nasiret al., 2014) states that company size has a negative influence on the *disclosure of sustainability reports*.

This study is a replication of the research conducted by Putra (2020) which examines the effect of profitability, firm size, and audit committee on the disclosure of *sustainability reports* in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period. The difference between this study and the first previous research lies in the object of research where the object under study is a coal mining company listed on the IDX for the 2016-2018 period, while previous research was conducted on a manufacturing company listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period. . The reason the researchers replicated previous research was because of the uncertainty of the results by one researcher and another and the researchers added one variable, namely the board of commissioners to measure the extent to which these variables affect the disclosure of sustainability reports and researchers are interested in replicating previous research on different objects.

Based on the description that the researcher conveyed earlier and several previous research results, the researcher is interested in taking a research title as follows, namely "The Influence of Audit Committee and Profitability on Sustainability Report Disclosure with Company Size as Control Variable (in Registered Coal Mining Companies) on the Indonesia Stock Exchange for the period 2013-2020)

1.2 Problem Research

Based on the background and referring to previous research, the problem formulation of this research is as follows:

1. Does the Audit Committee affect the disclosure of the Sustainability Report for Coal Mining Companies Listed on the Indonesia Stock Exchange for the 2013-2020 period?
2. Does Profitability affect the disclosure of the Sustainability Report in Coal Mining Companies Listed on the Indonesia Stock Exchange for the 2013-2020 period?
3. Does Company Size as a control variable affect the disclosure of the Sustainability Report in Coal Mining Companies Listed on the Indonesia Stock Exchange for the 2013-2020 period?

1.3 Research Objective

This research has a purpose, to find out:

1. To find out the influence of the Audit Committee on the disclosure of the *Sustainability Report* in Coal Mining Companies Listed on the Indonesia Stock Exchange for the period 2013-2020.
2. To determine the effect of profitability on the disclosure of the *Sustainability Report* in Coal Mining Companies Listed on the Indonesia Stock Exchange for the period 2013-2020.
3. To find out the effect of Company Size as a control variable on the disclosure of the *Sustainability Report* in Coal Mining Companies Listed on the Indonesia Stock Exchange for the 2013-2020 period..

1.4 Research Purpose

The usefulness section of research will show the usefulness and importance of research, especially for the development of science or the implementation of development in a broad sense.

1.4.1 Theoritical Uses

1. This research is expected to be a reference in learning about the audit committee, profitability and company size have an influence on the disclosure of the *Sustainability Report*.
2. This research is expected to be a reference material for students and lecturers in developing scientific fields in the study of *Sustainability Report*.

1.4.2 Practical Uses

With this research, it is hoped that it will be useful for:

1. Hasanuddin University Faculty of Economics and Business

Useful for the development of knowledge and implementation of development at the Faculty of Economics and Business, Hasanuddin University

.

2. Researched Institutions

   For the relevant agencies, it is hoped that the results of this research will be useful as a reference for developing and improving the ability to disclose *Sustainability Report* in coal mining companies listed on the BEI..

3. Researchers and Students

   As a reference for future research for the study of topics related to this problem.

4. General Public

   The results of this study are expected to help increase public trust in internal audit and the audit committee

1.5 Writing Structure

The writing systematic refers to the thesis writing guidelines (Faculty of Economics and Business, Hasanuddin University, 2012) which are used to better understand the problems in this study. The systematics of writing a thesis writing proposal consists of 3 chapters, namely an introductory chapter, a literature review chapter and a research method chapter.

CHAPTER I INTRODUCTION

The background of the problem contains the background of the research and the formulation of the problem is a statement about the circumstances, phenomena, and concepts that require solving and require answers through a study. The purpose and usefulness of research that reveals the results to be achieved through the research process, then systematic writing which contains a brief description of the material discussed in each chapter in the thesis.

CHAPTER II THEORITICAL FRAMEWORK

The theoretical basis and previous research are described in this chapter the theories that support the formulation of hypotheses and are very helpful in analyzing the results of later research, the framework of thinking is briefly explained about the problems to be studied, namely about what should happen and what is in fact, the hypothesis contains a statement short conclusions drawn from literature review.

CHAPTER III RESEARCH METHODOLOGY

Research variables and operational definitions of variables contain descriptions of variables used in research which must then be defined in operational definitions. The population and samples used in the study. Description of the type of data from the search variables, both primary and secondary data. Data collection methods and data analysis methods used.

CHAPTER IV RESEARCH RESULT

Description of the research object in the form of a description of the variables used, a general description of the research area, and a general description of the research sample. Data analysis focuses on the results of data processing in accordance with the analytical tools and techniques used. Interpretation of the results of the analysis in accordance with the analytical techniques used, including the provision of arguments or the basis for justification.

CHAPTER V CLOSING

Conclusions, Limitations and Suggestions which includes a brief presentation of what was obtained from the discussion, then describes the weaknesses and gaps found after analysis and interpretation of the results, then makes recommendations to those interested in the research.

CHAPTER II

THEORITICAL FRAMEWORK

2.1 Theoritical Framewok and Concept

The general understanding section will explain the definitions that support the formulation of this research hypothesis, as well as assist in analyzing the research results contained in the study. As for the literature review from previous research, it will explain the results of research obtained by previous researchers related to the influence of the audit committee, profitability and company size in the disclosure of sustainability reports. The following is the theoretical basis and previous research related to this research.

2.1.1 Theory of Reasoned Action

The theory of Reasoned Action was first coined by Ajzen in 1980. This theory is structured using the basic assumption that humans behave in a conscious way and consider all available information. Jogiyanto (2007), attitude is the number of feelings a person feels to accept or reject an object or behavior and is measured by a procedure that places the individual on a two-pole evaluative scale, for example good or bad, agree or reject and so on. Furthermore, subjective norms are defined as a person's perception or view of the beliefs of others that will affect the intention to do or not to perform the behavior being considered (Jogiyanto, 2007).

The theory of reasoned action seeks to determine what factors *Attitude, Subjective Norm* , *Behavioral Intention* that determines the consistency of attitudes and behavior. This theory assumes that people behave fairly rationally. The theory of reasoned action has three steps, namely:

1. This theoretical model predicts a person's behavior from his intentions. If a person expresses his intention to carry out jihad with the aim of getting a reward from Allah, then he is more likely to do it than he has no intention of doing it.
2. Behavioral intent can be predicted from two main variables: a person's attitude toward the behavior and his or her perception of what other people should be.
3. Attitudes towards behavior are predicted using the value-expectancy framework that has been introduced.

In the perspective of the theory of reasoned action, subjective norms as stated in the above scheme relate to the basis of behavior which is a function of normative beliefs and the desire to follow those normative beliefs (*motivation to comply*). Subjective norms describe an individual's perception of the expectations of other people that he considers important to how he should behave.

The theory of reasoned action suggests that the *proximal* cause of behavior is not an attitude, but an *intention* to carry out the behavior. Intention is a person's decision to carry out a behavior. Decision making by a person to carry out a behavior is a result of a rational thought process. A rational thought process means that in every voluntary behavior there will be a decision-making planning process which is concretely manifested in the intention to carry out a behavior.

Within the framework of the theory of reasoned action, attitudes are transformed indirectly in the form of overt behavior through the mediation of a psychological process called intention. Therefore, it can be concluded that intention is a psychological process whose existence lies between attitude and behavior. Many studies in the social field have proven that the *Theory of Reason Action* (TRA) is an adequate theory in predicting behavior. However, after several years, Ajzen (1991) conducted a meta-analysis, it turned out to be a conclusion that *Theory Reason Action*

(TRA) only applies to behavior that is under the full control of the individual because there are factors that can inhibit or facilitate the realization of intentions into behavior. Based on this analysis, then Ajzen added a factor related to individual control, namely *perceived behavior control* (PBC).

In connection with this research with the theory of reasoned action, we can see what the company is doing based on what is good according to him, whether publishing a *sustainability report* is a beneficial step for the company and parties outside the company that are related to the company's activities..

2.1.2 Goal Setting Theory

Ajzen (1991) states that attitudes affect behavior through a careful and reasoned decision-making process and their impact is limited to only three things; First, behavior is determined not so much by general attitudes but by specific attitudes toward something. Second, behavior is influenced not only by attitudes but also by subjective norms, namely our beliefs about what other people want us to do. Third, attitudes towards a behavior together with subjective norms form an intention to behave in a certain way. *The theory of reasoned action* was expanded and modified by Ajzen (1991) named *Theory of Planned Behavior*. The core of this theory includes 3 things, namely: *beliefs* about possible outcomes and *evaluations* of the behavior (*behavioral beliefs*), beliefs about expected norms and motivation to meet these expectations (*normative beliefs*), and beliefs about the existence of factors that can support or hinder behavior and awareness of the power of these factors (*control beliefs*).

Jogiyanto (2007) argues that the intention or intention is a function of two basic determinants, namely the individual's attitude towards behavior (which is a personal aspect) and the individual's perception of the intervention from the environment to perform or not to perform a behavior called subjective norm. In short, practice or behavior according to *Theory of Reasoned Action* (TRA) is influenced by intentions, while intentions are influenced by subjective attitudes and norms. Attitudes are influenced by beliefs about the results of past actions. Subjective norms are influenced by belief in the opinions of others and the motivation to obey those opinions. More simply, this theory says that a person will perform an action if he views the action positively and if he believes that other people want him to do it. In this case a company has a goal to generate large profits but that goal must reach various stakeholders (shareholders, local community members, government and others).

Goal Setting Theory was originally proposed by Edwin Locke in the late 1960s. He found that specific and difficult goals led to better task performance than easy goals. *Goal Setting Theory* is based on evidence that assumes that goals (ideas for the future; desired states) play an important role in action. *Goal Setting Theory* is a model of individuals who want to have goals, choose goals and become motivated to achieve goals (Birnberg in Mahennoko, 2011).

According to this theory, one of the commonly observed characteristics of goal-directed behavior is that the behavior continues until the behavior reaches its completion, once a person starts something (such as a job, a new project), he continues to push until the goal is achieved. This theory also states that individual behavior is governed by one's ideas (thoughts) and intentions. Goals can be viewed as goals or levels of work to be achieved by individuals. *Goal setting theory* implies that an individual is committed to a goal (Robbins, 2008). If an individual is committed to achieving his goals, then this will affect his actions and affect the consequences of his performance.

This theory also explains that setting goals that are challenging (difficult) and the results can be measured will be able to increase work performance , which is followed by abilities and work skills. The demand that the company's operations work well and do not harm parties outside the company, the company must submit accountability and must be published through a transparent and accountable *sustainability report*. With the goal setting theory approach, the *sustainability report* is assumed as a medium to achieve the company's big and long-term goals, while the audit committee variables, profitability and company size are factors that influence the disclosure of the *sustainability report*. If these factors work well in disclosing the *sustainability report*, the company's big and long-term goals will be achieved.

2.1.3 Sustainability Report

Sustainability is basically a global concept and the question arises whether the concept is applied at the company or even at the regional level. These concerns have significant implications when we talk, below, about sustainability reporting. Sustainability emphasizes not only the efficient allocation of resources over time, but also on the distribution of resources and opportunities between current generations and between present and future generations, and, increased economic activity relative to its ecological life support systems (Daly & Cobb). , 1989).

2.1.3.1 Triple Bottom Line

The triple bottom line was first introduced by Elkington in 1994. In his book entitled *Cannibals with Forks*, Elkington describes *the triple bottom line* as *economic prosperity, environmental quality and social justice (Elkington, 1998 p.ix). The Triple Bottom Line* is a phrase coined by consultant and campaigner John Elkington, to refer to the idea that organizations starting to think about issues related to sustainable development need to focus not only on one goal, namely finance. social and environmental aspects or also have to look at social and environmental aspects.

In general, companies measure financial performance using three categories, namely *Return on Assets* or *Return on Equity*, profitability in absolute units and various accounting measures with an index between 0-10. Performance measurement from the social and environmental perspective is often referred to as *Corporate Social Responsibility* (CSR). Understanding CSR according to Bowen quoted from Christofi et al. (2012, p. 160):

> *"... the obligation of businessmen to pursuethose policies, to make those decisions, or to follow those lines of actionwhich are desirable in terms of the objectives and values of our society."*

The triple bottom line is now constantly being looked at by organizations to report their responses on sustainability issues from the environmental, social and economic performance perspective. These three pillars support each other to achieve (*sustainability*). These three pillars are not *mutually exclusive* and can be *mutually reinforcing*, so they are often referred to as *Triple Bottom Line sustainability.*

Many argue that the current *Triple Bottom Line* has drawbacks. There are at least 6 issues related to the triple bottom line report obtained from a number of literatures and the efforts made to overcome them. First, the classic issue that often arises in TBL reports is about measurement, which can be broken down into two parts. The first is regarding the absence of a common unit of measure for each component in the TBL (Slaper & Hall 2011; D'Aquila 2012; Robins 2006; Smith & Sharicz 2011). There are several alternatives related to this, among others, by measuring each component in monetary units, indices, or in the original units.

The second problem concerns the narrative nature of TBL reports (Othman & Ameer 2009; Bouten, et al. 2011). TBL reports made by companies/organizations have a tendency to simply tell about programs related to social and environmental responsibility that are held, so that in general these reports only focus on positive things (Hubbard, 2009).

Third, until now the TBL report and its enforcement (including the audit of the TBL report) have not been fully standardized because they are still in the development stage (Christofi et al. 2012; Durden 2008). As a result, there are differences in terms of content, format, and level of reporting (Othman & Ameer, 2009; D'Aquila, 2012). The availability of GRI (*Global Reporting Initiative) guide lines* as the most frequently used guidelines for preparing TBL reports has not been able to overcome this problem, making it difficult to compare one TBL report with another (Smith & Sharicz, 2011). This reduces the quality of the TBL report, because one of the characteristics of quality information is that it is *comparable*.

Next, there is an argument which states that the TBL report does not reflect/represent the actual conditions (issues) related to the company's activities (Othman & Ameer, 2009). This is caused by the perception (perception) that the TBL report is only a medium to improve the company's image in the public eye (Othman & Ameer, 2009; Robins 2006). In addition, the TBL reporting framework is management-oriented (internal) and does not involve other interested parties (stakeholders), thus making reports tend to be biased (Hubbard, 2009; Robins, 2006). This has a negative impact on the quality of the report, because good information has the characteristics of being free from bias. In the end, the contribution of the TBL report to *sustainability* is questioned because the report has doubts about its ability as a medium for delivering social and environmental responsibility (Slaper & Hall, 2011; Bouten. et al, 2011).

Fifth, there are criticisms stating that the TBL report is not much different from traditional financial reports because it is still dominated by the financial aspect/*Economic bottom line* (Othman & Ameer, 2009; Smith & Sharicz, 2011). This can be attributed to the tendency to separate the three components of TBL and not consider them as a unit, especially the separation of social and environmental aspects from the business (financial) aspect itself (Othman & Ameer, 2009).

The last issue is regarding a number of weaknesses contained in the GRI *guidelines*, namely the lack of a clear definition of the concept of *sustainability* or *sustainable developmen*t which leads to the simplification of the concept, as well as a view on *sustainability* that is less integrated and less focused on the long term (Moneva. et al, 2006).

The existence of several deficiencies in the guidelines certainly has a negative impact on the quality and benefits of the TBL report. From the discussion above, it can be seen that there are various shortcomings in the TBL report, which caused various parties to question the reliability and credibility of the report (Othman & Ameer, 2009). Although it has several weaknesses, up to now the guidelines are still relevant because TBL reporting is still *voluntary* and TBL itself is still in the process of development (Othman & Ameer, 2009; Christofi. et al, 2012). In the future, when the TBL concept is solid and mature, more than just a guide will be needed; a more binding standard is needed, because TBL reporting may no longer be voluntary but mandatory (*compulsory*). The required standards are not only related to TBL reporting, but also include audit standards, so as to provide adequate assurance on the report (Robins, 2006). With the generally accepted standards, several problems related to report quality as described earlier, namely difficult to compare and bias, can be addressed. Improving the quality of TBL reports can help report users to understand the information better.

2.1.3.2 Definition of Sustainability Report

Gray and Bebbington (2001) explain that sustainability reports are non-financial reports that are separate from financial reports. This report focuses on the environment in which there are statements, definitions, mission statements, statements regarding policies or goals and progress of achievements related to the environment issued by the company or organization. The concept of sustainability reports is a derivative of the *triple bottom line* concept proposed by John Elkington (1988). In Indonesia, the *sustainability report* itself is a voluntary type of report. This report is disclosed as a complement to the financial statements but in its submission this report is separate from the company's financial statements.

Sustainability reporting itself is regulated in the Statement of Financial Accounting Standards (PSAK) No.1 paragraph nine, that is, companies can also present additional reports such as reports on the environment and value added reports, especially for industries where environmental factors play an important role and for an industry that considers employees as a group of report users who play an important role. The implementation of sustainability reporting in Indonesia is supported by a number of regulations such as Law no. 23/1997 on environmental management and regulations issued by the Indonesian stock exchange regarding procedures and requirements for listing as well as financial reporting standards (PSAK).

2.1.3.3 Benefits of Sustainability Report

GRI has promoted and developed a standardized approach to reporting to respond to requests for information contained in *sustainability reports* that will benefit corporate reporting and those who use similar report information. According to the *World Business Council for Sustainable Development* (WBCSD) (www.oecd.org), the benefits of a *sustainability report include*:

1. *Sustainability reports* provide information to stakeholders (shareholders, local community members, government) and improve company prospects, and help achieve transparency.
2. *Sustainability reports* can help build a reputation as a tool that contributes to increasing *brand value, market share* and long-term customer loyalty.
3. *Sustainability reports* can be a reflection of how the company manages its risks.
4. *Sustainability reports* can be used as a stimulation of *leadership thinking* and *performance supported* by the spirit of competition.
5. *Sustainability reports* can develop and facilitate the implementation of a better management system in managing environmental, economic and social impacts.
6. *Sustainability reports* tend to directly reflect the company's ability and readiness to meet the wishes of shareholders for the long term.
7. *Sustainability reports* help build shareholder interest with a long-term vision and help demonstrate how to increase company value in terms of social and environmental issues.

2.1.3.4 Principle of Sustainability Report

Sustainability reports as a complement to the company's financial statements are very important for stakeholders and the company itself. The principles according to GRI (2006) are as follows:

1. On balance, the *sustainability report* should reveal both positive and negative aspects of the company's performance to enable a reasonable assessment of the overall performance.
2. Comparability, a *sustainability report* containing existing issues and information should be selected, collected and reported consistently. The information must

be presented carefully so as to enable stakeholders to analyze changes in the company's performance from time to time.

3. Accuracy, the information reported in the *sustainability report* must be accurate and detailed enough to enable stakeholders to assess the company's performance.
4. Timeliness, the reporting of the *sustainability report* must be scheduled and the existing information must always be available to stakeholders when needed in making policies.
5. Compliance, the information provided in the *sustainability report* must be in accordance with the guidelines and can be understood and accessed by stakeholders. Stakeholders should be able to find the required information easily.
6. Accountability, information and processes used in preparing the report must be collected, recorded, compiled, analyzed and disclosed appropriately so as to determine the quality and materiality of information from the *sustainability report*.

2.1.3.5 Indicator of Sustainability Report

Sustainability reports can be assessed from how many indicators can be disclosed in the report. The more indicators that are disclosed in the *sustainability report,* the better the quality of the *sustainability report.* According to Khomsiyah (2009:25) *sustainability reports* can be judged by how many indicators can be disclosed in the report.

The more indicators disclosed in the sustainability report, the better the quality of the *sustainability report*. *Sustainability report* disclosure is measured from disclosures related to social and environmental responsibility based on GRI indicators disclosed in the company's *sustainability report*. In this study, the indicator used is the GRI Guidelines Version 3 which states that the company must explain the impact of the company's activities on the economy, environment and social in the standard disclosure section. The *sustainability report* using the GRI standards contains 6 indicators, namely:

1. Economic Performance Indicator
2. Environment Performance Indicator
3. Labor Practices Performance Indicator
4. Human Rights Performance Indicator
5. Social Performance Indicator
6. Product Responsibility Performance Indicator

2.1.3.6 Purpose of Sustainability Report

According to Jalal (2010) in Idah (2013), the creation and dissemination of a *sustainability report* has the following objectives:

1. Improve reputation related to transparency and accountability.
2. Reaching out to various stakeholders, so that they can get the right information, so it needs to be disseminated through various means (internet, print media, *stakeholder convening* and so on).
3. Helping companies to make management decisions in improving performance on indicators that are still weak.
4. Helping investors to know the company's performance more thoroughly..

2.1.4 Audit Committee

The audit committee is a committee consisting of at least three people. The duties and functions of the audit committee are to oversee corporate governance and oversee external audits of the company's financial statements. The audit committee is formed by the board of commissioners so that the audit committee is responsible to the board of commissioners. The audit committee is also described as a monitoring mechanism that can improve the audit function for the company's external reporting. Company boards often assign responsibility to the audit committee for financial reporting errors so that financial statements can be trusted (relevant and reliable).

2.1.4.1 Definition of Audit Committee

The audit committee follows Kep. 29 / PM / 2004 is a committee formed by the company's board of commissioners whose members are appointed and dismissed by the board of commissioners. Based on the Guidelines for Establishing an Effective Audit Committee (2002) regarding audit committees, it is explained that the purpose of the audit committee is to assist the board of commissioners to:

a. Improving the quality of financial reports
b. Creating a climate of discipline and control that can reduce opportunities for irregularities in company management.
c. Improving the effectiveness of internal and external audit functions
d. Identify matters that require the attention of the board of commissioners
e. Increase public confidence in the feasibility and objectivity of the company's financial statements.

Utama (2004) explained that the audit committee was formed to assist the board of commissioners (in *two tier systems*) to oversee the performance of financial reporting activities and the implementation of both internal and external audits within the company. Therefore, to maintain independence, the audit committee consists of independent commissioners, and parties outside the company who are independent from day-to-day management activities and have the main responsibility to assist the board of commissioners in carrying out their responsibilities, especially with issues related to the company's accounting policies, internal control. , and financial reporting systems.

Based on this explanation, it can be concluded that the audit committee is a member formed by the board of commissioners who is responsible for assisting the board of commissioners in managing the company in order to create a good supervisory system so that the quality of financial reports and public trust in the company increases. Most audit committees have at least three members from independent commissioners and parties outside the company.

2.1.4.2 Structure of Audit Committee

Each country has a different audit committee structure, depending on the official references that must be complied with for example the regulations of the stock exchange where they are registered. The structure of the audit committee in Indonesia is regulated by the Chairman's Decree Bapepam Nomor: Kep-29/PM/2004 tanggal 24 September 2004 tentang Peraturan Nomor IX.1.5: Pembentukan dan Pedoman Pelaksanan Kerja Komite Audit sebagai berikut:

1. Anggota komite audit diangkat dan diberhentikan oleh dewan komisaris dan dilaporkan kepada rapat umum pemegang saham.
2. Anggota komite audit yang merupakan komisaris independen bertindak sebagai ketua komite audit. Dalam hal komisaris independen yang menjadi anggota komite audit lebih dari satu orang maka salah satunya bertindak sebagai ketua komite audit.

In selecting members of the audit committee, characteristics are important to consider because the characteristics will affect the role of the audit committee in assisting the board of commissioners to monitor the financial reporting process and review the accounting policies applied by the company. based on the chairman's decision Bapepam No. Kep-29/PM/2004 tanggal 24 September 2004 persyaratan keanggotaan Komite Audit adalah sebagai berikut:

1. Memiliki integritas yang tinggi, kemampuan, pengetahuan dan pengalaman yang memadai sesuai dengan latar belakang pendidikannya, serta mampu berkomunikasi dengan baik.
2. Salah seorang dari anggota komite audit memiliki latar belakang pendidikan akuntansi atau keuangan.
3. Memiliki pengetahuan yang cukup untuk membaca dan memahami laporan keuangan.
4. Memiliki pengetahuan yang memadai tentang peraturan perundang-undangan di bidang pasar modal dan peraturan perundang-undangan terkait lainnya.
5. Bukan merupakan orang dalam kantor akuntan publik, kantor konsultan hukum, atau pihak lain yang memberi jasa audit, jasa non-audit dan atau jasa konsultasi lain kepada emiten atau perusahaan publik yang bersangkutan dalam waktu 6 bulan terakhir sebelum diangkat menjadi Komisaris.
6. Bukan merupakan orang yang mempunyai wewenang dan tanggung jawab untuk merencanakan, memimpin atau mengendalikan kegiatan emiten atau perusahaan publik dalam waktu 6 bulan terakhir sebelum diangkat oleh komisaris, kecuali komisaris independen.
7. Tidak mempunyai saham langsung maupun tidak langsung pada emiten atau perusahaan publik. Dalam hal ini anggota komite audit memperoleh saham

akibat suatu peristiwa hukum maka dalam jangka waktu paling lama 6 (enam) bulan setelah diperolehnya saham tersebut wajib mengalihkan kepada pihak lain.

8. Tidak mempunyai:
   a. Hubungan keluarga karena perkawinan dan keturunan sampai derajat kedua, baik secara horizontal maupun vertikal dengan komisaris, dewan direksi atau pemegang saham utama emiten atau perusahaan publik.
   b. Hubungan usaha langsung maupun tidak langsung yang berkaitan dengan kegiatan usaha emiten atau perusahaan publik.

2.1.4.3 Roles and Function of Audit Committee

The functions and roles of the Audit Committee must be clearly stated in the provisions of the *Audit Committee Charter*. The role and function of the audit committee will vary depending on the conditions of a particular company. However, it will basically lead to providing assistance to the board of commissioners in carrying out their duties regarding internal control and financial reporting and management.

Pasal 10 POJK No. 55 Tahun 2015 explained that in carrying out its functions, the Audit Committee has duties and responsibilities that at least include:

1. Melakukan penelaahan atas informasi keuangan yang akan dikeluarkan emiten atau perusahaan publik kepada publik dan/atau pihak otoritas antara lain laporan keuangan, proyeksi, dan laporan lainnya terkait dengan informasi keuangan emiten atau perusahaan publik.
2. Melakukan penelaahan atas ketaatan terhadap peraturan perundang-undangan yang berhubungan dengan kegiatan emiten atau perusahaan publik.

3. Memberikan pendapat independen dalam hal terjadi perbedaan pendapat antara manajemen dan akuntan atas jasa yang diberikannya.
4. Memberikan rekomendasi kepada dewan komisaris mengenai penunjukan akuntan yang didasarkan pada independensi, ruang lingkup penugasan, dan imbalan jasa.
5. Melakukan penelaahan atas pelaksanaan pemeriksaan oleh auditor internal dan mengawasi pelaksanaan tindak lanjut oleh direksi atas temuan auditor internal.
6. Melakukan penelaahan terhadap aktivitas pelaksanaan manajemen risiko yang dilakukan oleh direksi, jika emiten atau perusahaan publik tidak memiliki fungsi pemantau risiko di bawah dewan komisaris.
7. Menelaah pengaduan yang berkaitan dengan proses akuntansi dan pelaporan keuangan emiten atau perusahaan publik.
8. Menelaah dan memberikan saran kepada dewan komisaris terkait dengan adanya potensi benturan kepentingan emiten atau perusahaan publik.
9. Menjaga kerahasiaan dokumen, data dan informasi emiten atau perusahaan publik.

So based on this explanation, it can be concluded that the audit committee is a committee formed by and responsible to the board of commissioners in helping carry out the duties and functions of the board of commissioners. The formation of this audit committee is facultative in nature, that is, it can be formed, not imperative (must) so it is entirely up to the policies and considerations of the board of commissioners. However, specifically for issuers or public companies, it is mandatory to have an audit committee.

2.1.5 Profitability

Profitability is a ratio used to measure the efficiency of the use of company assets or is the ability of a company to generate profits during a certain period (usually semiannual, quarterly and others) to see the company's ability to operate efficiently.

2.1.5.1 Definition of Profitability

Profitability is a measure used to determine the company's ability to generate profits. The higher the level of profitability, the more detailed the information submitted by managers in providing information to *stakeholders*, this is useful for convincing company *stakeholders*. Several studies reveal a relationship between profitability and disclosure of corporate social responsibility. Profitability is the end result of a number of company policies and decisions and is a measure used to determine the company's ability to generate profits (Fauzan: 2012). Agus Sartono (2010:122) states that profitability is a ratio that measures the company's ability to generate profits both in relation to sales, assets and profits for own capital..

2.1.5.2 Purpose of Profitability Utilization

The purpose of using the profitability ratio for the company, as well as for parties outside the company according to Kasmir (2012: 197):

1. To measure or calculate the profit earned by the company in a certain period..
2. To assess the company's profit position in the previous year with the current year.
3. To assess profit development over time.
4. To assess the amount of net profit after tax with own capital.
5. To measure the productivity of all company funds used both loan capital and own capital.

6. To measure the productivity of all company funds used both own capital.

2.1.5.3 Benefits of Profitability Utilization

Profitability ratios have benefits not only for business owners or management, but also for parties outside the company, especially parties who have a relationship or interest with the company. Meanwhile, the benefits derived from the profitability ratio according to Kasmir (2012:198) are as follows:

1. Knowing the company's profit position in the previous year with the current year.
2. Knowing the profit development from time to time.
3. Knowing the amount of net profit after tax with own profit.
4. Knowing the productivity of all company funds used both loan capital and own capital.

2.1.6 Size of Company

The definition of firm size according to Hartono (2008:14) is as follows "ukuran perusahaan dapat diukur dengan total aset/ukuran perusahaan dengan menggunakan perhitungan logaritma total aset". According to Setiyadi (2007) the size of the company that is commonly used to determine the level of the company, namely:

a. Manpower, is the number of permanent and honorable employees who work in the company at a certain time.
b. The level of sales is the volume of sales in the company in a certain period.
c. Total debt is the amount of company debt in a certain period
d. Total assets are all assets owned by the company at a certain time.

According to Undang-Undang Nomor 20 Tahun 2008 regarding the criteria for company size are classified into the following four categories:

Table 2.1 Company Size Criteria

Company Size	Criteria	
	Asset (Exluding land and place of business)	**Annual Sales**
Micro Business	Maksimuml Rp. 50.000.000	Maksimum Rp. 300.000.000
Small Business	More than Rp. 50.000.000 up to Rp. 500.000.000	More than Rp. 300.000.000 Up to Rp. 2.500.000.000
Medium Business	More than Rp. 500.000.000 up to Rp. 10.000.000.000	More than Rp. 2.500.000.000 Up to Rp. 50.000.000.000
Big Business	More than Rp. 10.000.000.000	More than Rp. 50.000.000.000

Source: Undang-Undang Nomor 20 Tahun 2008

Based on the explanation above, it can be concluded that related to the size of the company, namely the company can be said to be large or small, which can be measured, one of which is through the assets owned by the company. According to Sudarmadji and Sularto (2007) the greater the assets, the more capital invested, and the greater the velocity of money.

2.2 Previous Research

Table 2.2 Previous Researches

Researcher (year)	Research Title	Research Variable	Research Result
Nindi Diyah Utari (2018)	Pengaruh Karakteristik Perusahaan dan *Corporate Governance* terhadap *Sustainability Report* pada Perusahaan LQ45 yang terdaftar	**Independen:** Karakteristik Perusahaan (Profitabilitas, Likuiditas, Laverage, Aktivitas dan Ukiuran Perusahaan) dan *Corporate Governance* (Komite Audit, Dewan Direksi, *Governance Committee*, Dewan Komisaris Independen dan Kepemilikan Institusional)	Hasil penelitian ini menunjukkan bahwa variabel profitabilitas, likuiditas, aktivitas perusahaan, ukuran perusahaan, dan dewan direksi berpengaruh positif terhadap pengungkapan *sustainability report*. Sedangkan variabel leverage, komite audit, *governance committee*, dewan komisaris independen, dan kepemilikan institusional tidak berpengaruh terhadap pengungkapan *sustainability report*

		Dependen: *Sustainability Report*	
Hari Suryono Widianto (2011)	Pengaruh Profitabilitas, Likuiditas, *Laverage,* Aktivitas, Ukuran Perusahaan dan *Corporate Governance* terhadap Praktik Pengungkapan *Sustainability Report* (Studi pada Perusahaan-Perusahaan yang *Listed* (*Go Public*) di Bursa Efek Indonesia periode 2007-2009)	**Independen:** Profitabilitas, Likuiditas, Laverage, Aktivitas, Ukuran Perusahaan, Dewan Direksi dan Komite Audit **Dependen:** *Sustainability Report*	Hasil penelitian ini menunjukkan bahwa adanya perbedaan yang signifikan karakteristik-karakteristik perusahaan dan pelaksanaan *corporate governance* antara perusahaan yang melakukan pengungkapan dan tidak melakukan pengungkapan, sedangkan tidak terjadinya perbedaan yang signifikan pada variabel leverage. Selanjutnya, terdapat pengaruh positif yang ditimbulkan oleh variabel profitabilitas, ukuran perusahaan, dewan direksi, dan komite audit. Berbeda dengan variabel yang lain seperti likuiditas, leverage, aktivitas, dan *governance commitee* yang dijelaskan tidak memberikan pengaruh terhadap level pengungkapan *sustainability report* suatu perusahaan.

Rexy Bimantara Putra (2020)	Pengaruh Profitabilitas, Ukuran Perusahaan dan Komite Audit terhadap Pengungkapan *Sustainability Report* (pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia periode 2016-2018)	**Independen:** Profitabilitas, Ukuran Perusahaan dan Komite Audit **Dependen:** *Sustainability Report*	Berdasarkan hasil penelitian pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) priode 2016-2018, Profitabilitas, Ukuran Perusahaan dan Komite Audit berpengaruh terhadap Pengungkapan *Sustainability Report*.
Wahyuni Kusumaningrum Promudhoward hani (2019)	Pengaruh Dewan Komisaris, Komite Audit, Profitabilitas dan Ukuran Perusahaan terhadap Pengungkapan *Sustainability Report*	**Independen:** Dewan Komisaris, Komite Audit, Profitabilitas dan Ukuran Perusahaan **Dependen:** *Sustainability Report*	Hasil penelitian ini menunjukkan bahwa ukuran perusahaan dan dewan komisaris tidak berpengaruh terhadap pengungkapan laporan keberlanjutan. Sedangkan profitabilitas berpengaruh negatif terhadap laporan keberlanjutan dan komite audit berpengaruh positif terhadap laporan keberlanjutan.
Helmi Nur Anisah (2018)	Pengaruh Kepemilikan Manajerial, Komite Audit, Ukuran Dewan Komisaris, Profitabilitas, Likuiditas, Profil Perusahaan, Dan Ukuran Perusahaan terhadap Pengungkapan Corporate Social Responsibility (CSR) dalam Laporan Tahunan (Studi pada Perusahaan Manufaktur Yang Terdaftar	**Independen:** Kepemilikan Manajerial, Komite Audit, Ukuran Dewan Komisaris, Profitabilitas, Likuiditas, Profil Perusahaan, Dan Ukuran Perusahaan **Dependen:** Corporate Social Responsibility (CSR)	Hasil penelitian menunjukkan bahwa variabel ukuran dewan komisaris, likuiditas, dan ukuran perusahaan berpengaruh terhadap pengungkapan tanggung jawab sosial perusahaan. Sementara itu, variabel kepemilikan manajemen, komite audit, profitabilitas, dan profile perusahaan tidak berpengaruh terhadap pengungkapan tanggung jawab sosial perusahaan.

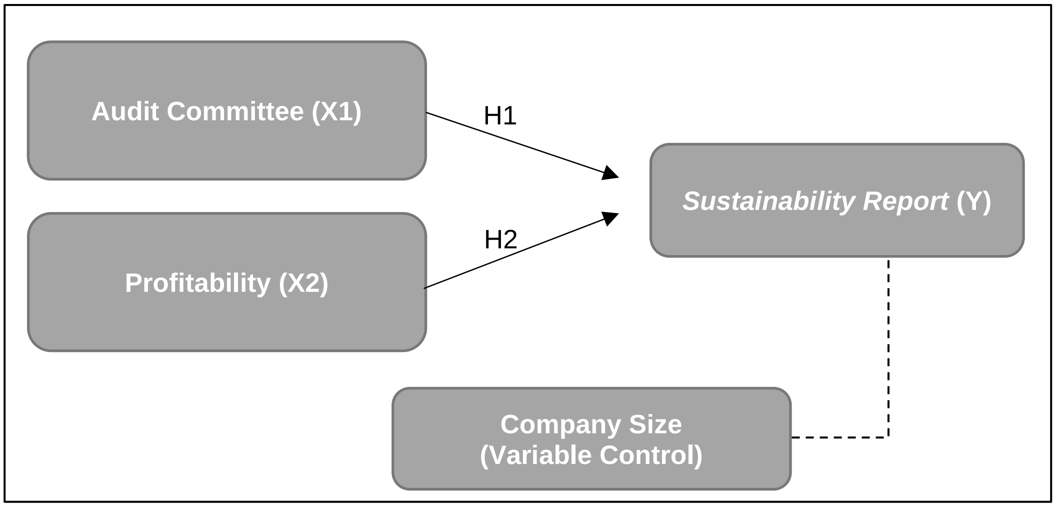
	Di Bursa Efek Indonesia Periode 2014-2016)		
Khaula Luthfia (2012)	Pengaruh Kinerja Keuangan, Ukuran Perusahaan, Struktur Modal Dan *Corporate Governance* terhadap Publikasi *Sustainability Report* (Studi Empiris Perusahaan-Perusahaan Yang *Listed* (*Go-Public*) Di Bursa Efek Indonesia (BEI) Periode 2007-2010).	**Independen:** Kinerja Keuangan, Ukuran Perusahaan, Struktur Modal Dan *Corporate Governance* **Dependen:** *Sustainability Report*	Hasil penelitian ini menunjukkan total aset, jumlah karyawan, rapat dewan direksi, dan keberadaan *governance committee* berpengaruh positif terhadap publikasi SR. Adapun leverage menunjukkan pengaruh secara negatif terhadap publikasi SR. Sedangkan *return on asset*, *current ratio, inventory turnover*, struktur modal, rapat komite audit menunjukkan tidak berpengaruh terhadap publikasi SR.

Sourcer: processed data, 2021

2.3 Conceptual Framework

Based on the description of the theoretical basis, as well as for a better understanding of the variables that are thought to affect the disclosure of sustainability reports, including the size of the board of commissioners, audit committee, profitability and size of the company's dependents, this study uses a conceptual framework model of research as follows:

Figure 2.1 Conceptual Framework



2.4 Research Hypothesis

The research hypothesis is a temporary conclusion to the formulation of the research problem, which will still be tested further through analysis of data relevant to the problem that occurs. Based on the problem formulation and theoretical description, the following hypotheses are formulated:

2.4.1 The Influence of Audit Committee on *Sustainability Report Disclosure*

Communication between the commissioners, directors, internal and external auditors, is an important aspect in assessing the effectiveness of the audit committee (Sari, 2016). In accordance with its function to work collectively and assist the board of commissioners/supervisors to ensure the effectiveness of the internal control system, 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. Collier (in

Waryanto, 2010)) states that the existence of an audit committee helps ensure that disclosure and control systems work well. 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.

Ho and Wong (in Waryanto, 2010) explain that the audit committee has a significant effect on the disclosures made by the company. *Pricewaterhouse* (in Sari, 2008) suggests that investors, analysts, and regulators consider the audit committee to make a significant contribution to reporting quality. This includes the truth and completeness in the disclosure of information made by the company. Based on Bapepam Nomor Kep-24/PM/2004 disebutkan bahwa *"komite audit mengadakan rapat sekurang-kurangnya sama dengan ketentuan minimal rapat dewan komisaris yang ditetapkan anggaran dasar perusahaan".*

Meetings are held to coordinate so that they are effective in carrying out supervision of reports and the implementation of *corporate governance* in order to be better. One of the many things that can support the realization of good *corporate governance* is through the practice of disclosing *sustainability reports*.

Through the media *sustainability report*, managers are able to increase the extent of information disclosure addressed to its users. Through the delivery of wider information, it is hoped that the *corporate governance* that is practiced can become better Then, the high frequency of meetings between members of the audit committee will support the realization of better *corporate governance* implementation which in turn will support companies to tend to disclose *sustainability reports*.

Research conducted by Luthfia (2012) shows that there is a positive influence of the Audit Committee on the *sustainability report*. In line with this, Hani (2019) and Putra (2020) research showed the same results. Based on these assumptions, the proposed hypothesis is:

H1 The audit committee has a positive effect on the disclosure of the *sustainability report*.

2.4.2 The Influence of Profitability on *Sustainability Report* Disclosure

Profitability is the company's ability to generate profits so as to increase the value of the company's shareholders. Several studies show that company profitability is an indicator of good company management, so management will tend to disclose more information when there is an increase in company profitability. Profitability is a factor that gives management freedom and flexibility to carry out and disclose social responsibility programs widely. Thus, the higher the level of company profitability, the greater the disclosure of social information (Munif, 2010).

Sustainability report is one type of voluntary disclosure of information. Voluntary disclosure is disclosure of information that is carried out voluntarily by the company without being required by applicable regulations or disclosure in excess of what is required. Most of the contents contained in the *sustainability report* tend to be identical to the contents of the CSR program contained in the *annual report,* which is about the company's social and environmental practices. Companies that have a high level of profitability tend to disclose more information because they want to show the public and stakeholders that the company has a high level of profitability compared to other companies in the same industry. In addition, the company also wants investors to be sure that the operations are running efficiently, so that investors will not hesitate to invest. Through the publication of *sustainability* reports (social and environmental publications) companies can provide more sufficient and complete information related to activities and their effects on the social conditions of society and the environment (Ghozali and Chariri, 2007). Completeness The information contained in the *sustainability report* is more complete, detailed and supported by supporting information, because the *sustainability report* is a separate report from the *annual report.*

Research shows a positive relationship between profitability and *sustainability reports,* among others Laraswati and Indrayani (2010) who succeeded in proving the effect of profitability on the completeness of report publications. Recent research by Suryono and Prastiwi (2011) and Putra (2020) shows a positive relationship between profitability as proxied through ROA. Therefore, this study assumes that:

H2 The level of profitability has a positive effect on *sustainability report* disclosure.