Enhancing Sustainability Disclosure by Implemented Good Corporate Governance in Indonesian Mining Companies

Rifanda Ramadhan[1], Febriandy Pasaribu[2], **Aditya Amanda Pane[3]***, Sucitra Dewi[4]
[1,2,3,4] *Universitas Medan Area*
* *aditya.amanda.pane@gmail.com*

Abstract

The purpose of this study is to ascertain how good corporate governance affects Triple Bottom Line disclosure the Indonesia Stock Exchange's mining companies. Data were obtained from sustainability reports and annual reports of 17 mining companies for the period 2019-2022. Multiple linear regression analysis was used in this research. To measure Good Corporate Governance in the study utilized three variables: the board of directors, the board of commissioners, and the audit commiittee. The outcomes of this Research indicates that the bod and the board of commissioners do not have a significant impact on triple bottom line disclosure, while the audit committee has a noteworthy favorable impact on the Triple Bottom Line disclosure. This study's limitation is that it only focuses on the mining sector. For further research, it is advised to include more types of companies and use other proxies in measuring Good Corporate Governance implementation.

Keywords: Triple Bottom Line, Good Corporate Governance, GRI Index

Introduction

Financial Reports are no longer the main focus of today's businesses, but rather broader aspects encompassing finance, social, and the environment called the TBL which relates towards the sustainability of the company itself (Iswandika, 2019). The Triple Bottom Line is a claim that companies today not only pay attention to the welfare of shareholders but also the interests of stakeholders (Emma, 2020). According to John Elkington, the CSR concept originates from the TBL idea which states that businesses can be sustainable if they implement the TBL concept (Jeurissen, 2000). The TBL has the idea of developing Profit, Humans, and the Environment. Profit means the benefits that the company will obtain, Human means social responsibility, and Environment means responsibility towards the surroundings, so that by fulfilling social and environmental responsibilities it will be easier to achieve sustainable development.

Previous study conducted by Emeilia (2018) stated that social and environmental roles, also known as social responsibility, are an effective way to achieve sustainable economic growth. Because a company's economic resources are directly linked to its social and environmental dimensions, within the concept of sustainable development, Businesses are no longer subject to obligations based on (SBL), which is the company's worth reflected solely in its financial condition. Instead, they focus more on the (TBL): social, economic, and environmental (Latifah, 2020).

GCG is a body of rules that control how management, shareholders, creditors, the government, workers, and other stakeholders interact. to balance their responsibilities and privileges in research (Susanti & Riharjo, 2020). GCG objectives to regulate companies so that they can provide additional value for each and every stakeholder. Businesses need to be aware of this since in their activities, companies live in harmony with their surroundings rather than in isolation. Consequently, companies must defend their surroundings in order that neither The business or the neighborhood is mutually disadvantaged (Susanti & Riharjo, 2013). GCG is anticipated to concentrate not just on providing advantages for the company's workers and management, but also for customers, suppliers, and stakeholders, the government and the surrounding community in relation to the business (Ramdhaningsih, 2013). Good corporate governance mechanisms are also useful for regulating and controlling companies so that they create added value for all stakeholders.

Literature Review

Triple Bottom Line

The TBL concept was first presented by John Elkington on 1997 (Ariastini & Semara, 2019). This concept is an important pillar and can be used as an indicator of a business's performance, in this case the economic impact of the company (profit), the surroundings (environment), as well as society (human) (Nugroho A., 2020). These three elements indicate that if a company is only oriented towards profit, it will inevitably occur continuous exploitation of natural resources, which then results in environmental damage, natural disasters, and resulting in massive societal losses (Nugroho A., 2020). The tbl concept, if implemented in a company, will have an impact on sustainable development, able to enhance the business's image, measurable the performance, enhance The business's financial repute, product quality, and good service (Rasmini & Yanti, 2020sawtri). The following is a detailed explanation Among the three elements of the tbl:

Profit

The most crucial factor is profit, and primary objective of every business venture. Therefore, a company's primary focus is to pursue direct or indirect profits, or to increase its share price to the highest level. Essentially, profit represents additional income that may used to guarantee the business's survival. Things that can be undertaken to increase Profits consist of improving efficiency as well as achieving cost effectiveness, thus providing The business with an edge over competitors that can offer the greatest added worth. A rise in output can be achieved through enhancing work management by reducing inefficient activities, thus saving time and improving service delivery (Ahmad, 2019).

Human

Companies must recognize that the community is an important stakeholder. This way, with community support, the company's survival, thriving, and growth can be achieved. Furthermore, it's important to note that corporate activities impact the community. It's an undeniable fact that there's a perception that social responsibility is merely an accessory. Evidence has shown that the public dislikes companies that don't communicate with them, that is, they act arrogantly and don't contribute or benefit the surrounding community (Agus W, 2018).

Environment

Another important consideration is the environment or environment. If a company wants to survive, it must be environmentally responsible. Depending on how we treat the environment, it can be either our friend or our enemy. Unfortunately, most entrepreneurs still lack environmental awareness. Part of the reason is the lack of direct benefits. Profit is paramount in the business world, so many industry players focus solely on maximizing profits without making any effort to protect the environment (Cahyani, 2020).

Good Corporate Governance

Board Of Directors

The bod is an aspect that influences the corporate governance mechanisms needed to mitigate agency problems between owners and managers, thus creating alignment of interests between the company's owners and managers. The bod is a company organ which determines The business's strategic policies, both long-term and short-term.

Board Of Commissioners

The boc is Among the company's control functions. The boc oversees management performance, while the bod carries out The business's operational functions. The primary duty The primary responsibility of the commissioners is to coordinate the board of commissioners' members so that the board's duties can be carried out efficiently (Pamandu, 2019). According to Dheby (2021), According to the ratio (%) between the number of independent commissioners and the total number of commissioners, the percentage of independent commissioners is calculated of boc.

Audit Committees

According to Bapepam-LK IX.1.5 Regulation pertaining to the Establishment and Implementation Guidelines regarding the Work of the Audit Committees, an audit committee must consist of at least three members, with at least one independent commissioner serving as the chairman of the audit committee and at least two independent parties from outside the issuer. A larger audit committee size enhances its oversight function over management.

Hypothesis

The hypotheses The study's proposal are as described below:
H1: The Bod possesses a favorable and noteworthy Influence on Triple Bottom Line Disclosed by Mining Companies on the Indonesia Stock Exchange in 2019-2022.
H2: The BoC possesses a favorable and noteworthy Influence on Triple Bottom Line Disclosure Regarding Indonesia Stock Exchange-Listed Mining Companies in 2019-2022.
H3: The AC Has a possesses a favorable and noteworthy Influence Triple Bottom Line Disclosure Regarding Indonesia Stock Exchange-Listed Mining Companies in 2019-2022.

Methods

This study uses quantitative research. Triple Bottom Line disclosure was measured using content analysis of sustainability reports based on GRI Standards. The measurement employed a disclosure index consisting of 88 indicators covering economic (profit), social (human), and environmental (environment) dimensions.to measure profit, human, environment or economy, social and environment. Meanwhile, Good Corporate Governance data was obtained from The annual report of the corporation explaining the structure of the BOD, BOC, AC. The study's population was 32 mining businesses that are listed on the Indonesia Stock Market. The sampling method that was employed was purposive sampling using the following standards mining businesses that have prepared sustainability reports from 2019-2022, have complete data available and the company has not been delisted from the Stock Exchange of Indonesia. Considering these criteria, 17 companies were obtained over 4 years, resulting in a sample of 68 objects.

Operational Definition and Research Instruments

Table 1. Indicators

Variables	Indicators	Scale
Board of Directors	Log (amount of BOD)	Ratio

Board of Commissioners	Log (amount of BOC)	Ratio
Audit Committee	Log (amount of AC)	Ratio
TBL Disclosure	GRI Disclosure/ GRI Standars	Ratio

Reference: processed data

Data Analysis Techniques

The method of data analysis employed in this investigation was analysis of multiple linear regression. Before carrying out the analysis of regression, the researcher ensured that the processed data met the criteria for normality using classical assumption tests, such as the autocorrelation, multicollinearity, heteroscedasticity, and normality tests.

Multiple Regression Analysis

In this study, the regression model that was employed is:

TBL Disclosure = a + b_1 BOD + b_2 BOC + b_3 AC

Results and Discussion

Statistics Descriptive

Table 2. Descriptive statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
BOD	0,001	3,609	0,81997	0,748321
BOC	2	4	3,21	0,494
AC	3	8	4,56	1,153
TBL Disclosure	0,209	0,582	0,37200	0,09017

Reference: processed data

1. Triple Bottom Line Disclosure showed a minimum amount of 0.209 and a maximum amount of 0.582, meaning that of all the variables studied, the lowest value for Triple Bottom Line disclosure in a company was 0.209.
2. The BOD variable (in logarithmic form) showed a minimal amount of 0.001 and a maximum value of 3.609, indicating variation in board size across companies, with the smallest board having approximately 1 member and the largest having approximately 37 members.
3. The BOC variable showed a minimum value of 2 and a maximum value of 4, meaning that the lowest environmental performance in the company was 2. The average value (mean) was 3.21 utilizing a standard deviation of 0.493.
4. The Audit Committee variable showed a minimum value of 3 and a maximum value of 8, meaning that all the companies studied had the lowest audit committee in the company with a disclosure of 3, with the highest value being 8. The average value (mean) was 4.65 utilizing a standard deviation of 1.153.

Classical Assumption Test

Table 3. Classical Assumption Test

Classical Assumption Test	Result	Conclusions
Normality Test K-Smirnov	Asym. Sig. 0,061 > 0,05	Normal
Multicollinearity Test	Tolerance = 0,2; VIF = 3,005	No Multicollinearity
Heteroscedasticity Test	p-value = 0,06	No Heteroscedasticity

Autocorrelation Test	DW = 1,638 DL = 1,4; 4-DU =2,56	No Autocorrelation

Reference: processed data

The information indicates that the data has fulfilled the rules of multiple linear regression analysis, so it can go on to The subsequent phase, namely analysis of multiple linear regression.

Multiple regression Analysis

TBLD= -0,602+ 0,0124 BOD + 0,014 BOC + 0,024 AC

The regression equation's outcomes indicate that:

1. The constant value is -0.602, indicating that when all independent variables (Board of Directors, Board of Commissioners, and Audit Committee) equal zero, the predicted Triple Bottom Line disclosure level is -0.602.
2. The regression coefficient value for the BOD for variable X4 is 0.012, indicating that each increase in the variable by one predicted unit will increase the Triple Bottom Line value by 0.012, assuming the other fixed variables remain equal to zero.
3. The value of the regression coefficient for the BOC for variable X5 is 0.044, meaning that each increase in the variable by one predicted unit will increase the Triple Bottom Line value by 0.014, assuming the other fixed variables remain equal to zero.
4. The audit's regression coefficient value committee for variable X6 is 0.024, which indicates that every increase in one in the variable prediction unit will rise the Triple Bottom Line value by 0.024, assuming that other fixed variables remain equal to zero.

Table 4. Hypothesis Testing

Variabel	t-value	Sig.	R square	Nilai F.
BOD	0868	0,388	0,315	0,000
BOC	0,675	0,502		
AC	3,017	0,004		

Reference: processed data

Based on Table 4, the testing of each hypothesis may be explained as follows:

1. The results for the BOD (X1) variable indicate a significance level of 0.388 > 0.05, thus rejecting hypothesis (H1), which states that there is no influence of the BOD on Triple Bottom Line disclosure.
2. The BOC variable shows a significance level of 0.502 > 0.05, thus rejecting H2. This indicates that the boc does not significantly influence Triple Bottom Line disclosure.
3. The results for the AC (X3) variable indicate a significance level of 0.004 < 0.05, thus accepting the hypothesis, stating that there is influenced by the AC on Triple Bottom Line disclosure.

Conclusion

The following are the inferences that may be made from this study and tests indicate Considering the size of the bod influences Triple Bottom Line disclosure. The bod has a favorable impact on Triple Bottom Line disclosure. The results indicate that the board of directors does not significantly influence Triple Bottom Line disclosure (p > 0.05), suggesting that board size alone may not be sufficient to enhance sustainability reporting quality. The results of the research and tests indicate that the ac influences Triple Bottom Line disclosure. The ac has a favorable impact on Triple Bottom Line disclosure. In light of this study's findings, we can analyze the data, discussion, and conclusions drawn. The following recomendations for future researchers are conducting similar studies can expand their research objectives and focus more on the research topic. Future researchers are advised to further improve the accuracy and completeness of the data obtained. Future researchers can use other variables that support the Triple Bottom Line

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