

The Determinants of Environmental Disclosure in Companies in Indonesia

Dina Maulia^{1✉} and Heri Yanto²

Department of Accounting, Faculty of Economics, Universitas Negeri Semarang
Sekaran Campus, Gunungpati, Semarang, 50229, Indonesia

DOI: <http://dx.doi.org/10.15294/jda.v12i1.26014>

Submitted: April 12th 2020 Revised: August 24th 2020 Accepted: September 23th 2020 Published: September 26th 2020

Abstract

The purpose of this study is to identify the factors that influence environmental disclosure. The study population is 156 companies consisted of companies in the agricultural sector, the consumer goods industry sector, and the basic & chemical industry sector which were listed on the Indonesia Stock Exchange and participated in PROPER 2014-2018. The purposive sampling method was used to determine the research sample in order to obtain 26 company samples or 130 units of analysis. The analysis technique in this study uses multiple linear regression analysis. The results of this study indicate that the level of environmental disclosure in the three corporate sectors in Indonesia is classified as low, due to the absence of standard guidelines for conducting environmental disclosure, so it is still voluntary. The results also show that the variables of board commissioners' size, size of the audit committee, environmental certification, profitability, and company size have a significant positive effect on environmental disclosure, while leverage has no effect on environmental disclosure. With the low level of corporate environmental disclosure in Indonesia, it is hoped that the government can establish standard, precise, and mandatory guidelines so that companies can further increase information regarding environmental disclosure.

Keywords: *GCG; environmental certification; profitability; company size; leverage; environmental disclosure*

How to cite (APA 6th Style)

Yanto, H., & Maulia, D. (2020). The Determinants of Environmental Disclosure in Companies in Indonesia. *Jurnal Dinamika Akuntansi*, 12(2), 178-188. doi:<https://doi.org/10.15294/jda.v12i2.26014>

INTRODUCTION

The problem of environmental damage by industrial companies in Indonesia is the centre of attention at nowadays. The environmental damage caused by the waste resulting from the operational activities of industrial companies has greatly caused restlessness of the people living around it. Environmental pollution caused by company activities creates pressure from various parties, especially the public, on companies to provide transparent information regarding environmental activities.

The Ministry of Environment and Forestry through the Directorate General of Law Enforcement in 2015-2018 has handled public complaints regarding cases of environmental damage through direct and indirect complaints with total 2,677 cases. Meanwhile, a survey conducted by the Indonesian Forum for the Environment (WALHI, 2014) states that environmental cases are the cause of the lack of reporting on social and environmental responsibility.

author (✉)

E-mail: yantounnes@gmail.com

The case of environmental pollution caused by industrial activities in Indonesia occurred at PT Ultra Jaya Milk, which is located in Gadobangkong Village, West Bandung Regency. In 2017, the residents of Gadobangkong Village felt uneasy because the smell of milk waste was getting stronger every day, resulting in the water supply provided by the residents containing waste and causing itching, shortness of breath, and nausea. One of the factors that caused smell during production was a technical blackout so that the production was disrupted and affected the wastewater treatment plant (IPAL). The company received demands from the local residents so that there would be no more pungent odour and to clean the environment around the factory site. After a few months, PT Ultra Jaya Milk finally signed the Integrity Fact which states that the company will comply with and carry out the obligations stated in the license related to the business or activity it carries out. If it violates it is willing to be subject to sanctions in accordance with the applicable laws and regulations. Finally, PT Ultra Jaya maximized the IPAL processing by repairing damaged equipment and replacing it with new tools so that the odour of waste does not occur again (*JabarEkspres.com*).

This environmental problem has caused public upheaval to demand that companies be transparent about their activities, especially in the environmental sector as a form of corporate responsibility. If the company's responsibility is still lacking, then the governance mechanism is still less good. Thus, a well-organized corporate governance mechanism (GCG) is needed as a tool to provide information about company business activities that have the potency to have a good impact on the environment and society.

The regulation regarding environmental disclosure in Indonesia is contained in Government Regulation Number 47 of 2012 specifically to regulate disclosure of social and environmental responsibility Article 6 explains that the implementation of social and environmental responsibility is contained in the company's annual report and is accounted for in the GMS (General Meeting of Shareholders). Companies usually do environmental disclosures through corporate social responsibility in their annual reports and sustainability reports. In addition, in the Financial Services Authority Regulation Number 29 / POJK.04 / 2016 concerning the Annual Report of Issuers or Public Companies Article 4 states that the annual report must contain a description of the company's activities regarding social and environmental responsibility towards the interested parties.

Ghozali and Chariri (2014:430) revealed that environmental disclosure is a process used by companies to disclose information related to company activities and their impact on social community and environmental conditions. Social and environmental disclosure practices are managerial tools used by companies to avoid social and environmental conflicts and can be viewed as company accountability to the public to explain social and environmental impacts caused by the companies, both good and bad impacts.

Environmental disclosure has mandatory and voluntary nature. Mandatory nature is due to the existence of various regulations that require companies to conduct social and environmental responsibility disclosure, such as the regulations regarding the obligation to submit environmental information in the Corporate Social Responsibility (CSR) report in the company's annual report and sustainability reports. Environmental disclosure is also voluntary, although the standards of social and environmental responsibility disclosure have been developed a lot, but there are no standard guidelines regarding environmental information disclosure standards issued by the Indonesian government. Thus, there are still companies in carrying out environmental disclosure voluntarily and the level of disclosure is still low.

The low level of environmental disclosure in Indonesia is proven by the results of the research conducted by Solikhah & Winarsih (2016); Cho et, al. (2015) and Tadros (2019) which show that the level of environmental disclosure quality in companies in the mining, energy, chemical, pharmaceutical, cosmetic, and food and beverage sectors listed on the IDX in 2011-2013 has reached 49% but not yet reached 50%. This result is due to in Indonesia there are no definite guidelines for reporting company environmental disclosures. Although there have been

environmental disclosure guidelines issued by GRI, there are still many companies in Indonesia that report environmental disclosures differently according to the complexity of each company.

Ghozali and Chariri (2014:424) stated that failure to provide adequate disclosure could result in market failure. Therefore, the government forces companies to carry out sufficient social and environmental disclosure for market success. This is also supported by investors who want an increase in the value of the company; even 35.7% of investors surveyed want an audit of environmental disclosures carried out by the company to ensure that the company given the investment does not experience market failure in the future.

In accordance with agency theory, the investors as the principals want accurate reporting to ensure the safety of their funds. However, for the management who acts as an agent, this is an additional burden, besides the agent must concentrate on optimizing its financial performance, management must also ensure that there is no environmental impact from the company. This is caused the level of sustainability report disclosure is still low.

In line with that, the existence of a board of commissioners can give strong monitoring on managers' performance to carry out more their responsibilities in the company, for example, to carry out responsibility for environmental disclosure. The size of the board of commissioners has adequate strong influence on environmental disclosure. The research conducted by Solikhah & Winarsih (2016), Mutmainah & Indrasari (2019), and Fasikhah et al. (2018) show that the size of the board of commissioners has a positive and significant effect on environmental disclosure. Meanwhile, research conducted by Supatminingsih & Wicaksono (2017), Odoemelam & Regina (2018), Wardani & Haryani (2018), and Dewi (2019) state that the size of the board of commissioners has no significant effect on the company's environmental disclosure.

Another factor that is assumed to affect environmental disclosure and reduce gaps in information between principals and agents is audit committee. Audit committee can provide a professional and independent opinion regarding company reports such as social and environmental responsibility reports and other matters submitted by the board of directors to the board of commissioners (Dewi : 2019). Research conducted by Sari, et al (2018) and Dewi (2019) state that the size of audit committee has a significant positive effect on corporate environmental disclosure. The results of the research are inversely proportional to Mutmainah & Indrasari (2019), Wardani & Haryani (2018), and Kurniawan (2019) that the size of audit committee has no effect on corporate environmental disclosure.

The Environmental Disclosure is not only needed by investors, but is also needed by other stakeholders as a consideration for decision-making. One that attracts the attention of stakeholders is the existence of environmental certification for company. This certification will attract the attention of stakeholders who need all information about the company, including information on environmental disclosure.

Armed with environmental certification (ISO 14001), the level of corporate environmental disclosure will also be high, so that stakeholders will believe that the company has committed to maximizing its responsibility towards stakeholders because the company has implemented concern for the environment. Research conducted by Dincer (2011) and Rahmawati & Budiarti (2018) provide evidence that environmental certification (ISO 14001) has a significant positive effect on environmental disclosure. However, it is different from the research conducted by Oktariani & Meutia (2018) that environmental certification (ISO 14001) has no effect on corporate environmental disclosure.

Apart from the factors above, corporate internal factors also influence corporate environmental disclosure. In line with legitimacy theory, profitability is an evidence that a company has a high source of funds to respond to pressures and demands from the public to be more concerned about environmental issues by making environmental disclosures, so that the company is easier to obtain legitimacy from the community. Solikhah & Winarsih (2016), Nurhayati & Kurniati (2019), and Abidin et al, (2019) found that profitability has a positive and significant effect on environmental disclosure. Meanwhile, the results of research conducted

by Burgwal & Oliveira (2014), Herman & Saleh (2017), Dewi & Yasa (2018), Sari et al (2018), and Dewi (2019) show that profitability has no significant effect on corporate environmental disclosure.

Company size also has a fair strong relationship with environmental disclosure information. Large companies tend to have high social responsibility as well. Large companies also tend to show their concern for the environment in order to get a good image on the side of stakeholders. Research results by Burgwal & Oliveira (2014), Stefano, et al. (2015), Herman & Saleh (2017), Purnama (2018), and Nurhayati & Kurniati (2019), show that company size has a significant and positive effect on environmental disclosure. In contrast to the results of research conducted by Oktariani & Meutia (2016), and Fasikhah et al. (2018) state that company size has no effect on corporate environmental disclosure.

On the other hand, leverage is assumed to affect environmental disclosure. High company leverage makes it more careful in presenting company performance, because it can be a part of creditors' supervision. Research by Oktariani & Meutia (2016), Dewi (2019) state that leverage has a significant and positive effect on environmental disclosure. On the other hand, research from Herman & Saleh (2017), Mutmainah & Indrasari (2019), Purnama (2018), and Nurhayati & Kurniati (2019) state that leverage has no effect on environmental disclosure.

Some of the studies above show that there are still gaps (inconsistencies) in research results. For this reason, the authors feel called to examine further by trying to make a new model as originality in this study, which combines the independent variables of the previous research (board of commissioners' size, audit committee size, environmental certification, profitability, company size and leverage) in a new model in order to obtain empirical evidence as a factor for the company's environmental disclosure.

The large number of members of the board of commissioners has a role in conducting more effective monitoring and has a strong enough influence on management performance in terms of environmental responsibility disclosure. Agency theory states that board of commissioners is considered to become a high internal control mechanism that is charge of providing strong monitoring on management performance in order to carry out obligations accordingly, such as carrying out corporate environmental disclosure as a form of transparency to its stakeholders. In line with research conducted by Ofeofbu (2018); Abu (2019); Solikhah & Winarsih (2016); Mutmainah & Indrasari (2017); Tadros (2019) and Fasikhah, et al (2018) state that there is a positive and significant relationship between the size of board of commissioners and environmental disclosure.

H1 : The size of board of commissioners has a significant positive effect on environmental disclosure.

Agency theory which states that there is a miss of information between principal and agent can be bridged by audit committee as the supervisor of the performance from company management. The large number of audit committee size in the company is expected to contribute to the internal control of the company so that it can improve more effective supervisory function and control quality for management in delivering environmental disclosure information that is usually included in annual reports and sustainability reports. Agency theory states that the size of audit committee can reduce agency problems, because the large number of audit committee members can optimize the company's supervision and control, especially regarding the delivery of information to stakeholders. In line with research conducted by (Sari et. al, 2018); (Dewi, 2019); Muttakin (2015) and Ashfaq & Rui (2019) that there is a positive and significant relationship between the size of board of commissioners and environmental disclosure.

H2 : The size of audit committee has a significant positive effect on environmental disclosure.

Environmental certification is obtained for the company's compliance with the implementation of environmental management standards. Environmental certification is proxied by ISO 14001 certification. Companies that have obtained environmental certification (ISO 14001 certification) will indicate that the company has carried out good environmental management

and environmental performance, so that it is reflected that the company is conducting extensive environmental disclosure. Legitimacy Theory states that companies that have ISO 14001 certifications indicate that the companies have complied with applicable environmental standards, so that they carry out more environmental disclosure which is extensive with the aim of gaining legitimacy from the community. The results of research conducted by Dincer (2011); Ezhilarasi (2017); Tadros (2019) and Rahmawati & Budiwati (2018) state that there is a significant positive relationship between environmental certification (ISO 14001 certification) and environmental disclosure.

H3: Environmental certification has a significant positive effect on environmental disclosure

Herman & Saleh (2018) stated that high profitability, then the company achieves high profit margins as well, so that managers are motivated to disclose more environmental information to show the company's reputation to consumers, shareholders, investors and other stakeholders. In accordance with legitimacy theory, companies with high profitability indicate that the resources they have are getting bigger so that they get demands from the community to make environmental disclosures in order to gain legitimacy and create a positive image from the community. The results of the research conducted Dincer (2011); Solikhah & Winarsih (2016); Ismail et al (2018); Tadros (2019); and Nurhayati & Kurniati (2019) state that there is a positive and significant relationship between profitability and environmental disclosure.

H4: Profitability has a significant positive effect on environmental disclosure

The higher the total assets of the company, the company can be categorized as a large company. The larger the size of the company, the more information is published regarding environmental disclosure as evidence of the transparency of large companies so that they are more attractive to investors (Purnama, 2018). Stakeholder theory states that large companies have many stakeholders to support the sustainability and success of the company, so that the larger the size of the company the environmental disclosure information that is submitted to stakeholders will be wider and more transparent. The results of research conducted by Burgwal & Vieira (2014); Fontana (2015); Rahmawati & Budiarti (2018); Tadros (2019); Noviani & Suardana (2019); and Nurhayati & Kurniati (2019) state that company size has a positive and significant effect on environmental disclosure.

H5: Company size has a significant positive effect on environmental disclosure.

The higher the amount of company assets financed by creditors, the higher the company's responsibility for disclosing information related to company performance. Thus, the company will be more careful in disclosing the environment completely and extensively in its annual report. Stakeholder theory states that companies that have high leverage can be motivated for more and more extensive environmental disclosure to stakeholders, especially creditors. The result of the research is in accordance with the research conducted by Oktariani & Muetia (2016); Chandok (2017); Ismail, et al (2018); and Dewi (2019) state that there is a positive relationship with environmental disclosure.

H6: Leverage has a significant positive effect on environmental disclosure.

METHODS

The research sample was selected using purposive sampling method and obtained 26 companies with an observation period of 5 years resulting in analysis units of 130 companies. Based on the purposive sampling technique, it can be seen the criteria for determining the sample in Table 1.

The dependent variable in this study was environmental disclosure, there were six independent variables, namely the size of board of commissioners, audit committee size, environmental certification, profitability, company size, and leverage. The operational definitions of the dependent variable and independent variables are shown in Table 2.

Table 1. Sample Determination Criteria

No.	Criteria	Beyond Criteria	Total
1.	Agricultural sector companies, consumer goods industry sector, and basic & chemical industry sector listed on the Indonesia Stock Exchange (IDX) 2014-2018.	-	156
2.	Companies that did not publish financial reports (annual reports) or sustainability reports and provide environmental disclosure information for the 2014-2018 period.	(53)	103
3.	Agricultural sector companies, consumer goods industry sector, and basic & chemical industry sector that did not follow PROPER during 2014-2018.	(57)	46
4.	Agriculture sector companies, consumer goods sector, and basic & chemical industry sectors that followed PROPER but had negative profitability (Loss).	(9)	37
5.	Companies that did not publish financial reports (annual reports) in rupiah (Rp).	(11)	26
	Total Sample		26
	Analysis Units 26 x 5 years		130

Source: Secondary data processed, 2020

Table 2. Operational Definition of Research Variables

Variables	Operational Definition Of Variables	Measurements
Dependent Variable		
Environmental Disclosure (Y)	Contribution of the company in informing the environmental activities carried out by the company. (Fasikhah, 2018)	Disclosure scoring method based on (GRI) G4 index 34 items with dummy variable approach. 1 : If the company disclose 0 : If the company not disclose $ED = (\text{Total items disclosed}) / (34 \text{ Items})$ (Ermaya & Mashuri, 2018)
Board of Commissioners Size (X1)	The number of members of the board of commissioners consists of at least 2 (two) members of the board of commissioners. (POJK .04/2014)	UKURAN DEKOM = Total members of the Company's Board of Commissioners (Fasikhah, 2018)
Audit Committee Size (X2)	The number of members of the audit committee in a company is at least 3 (three) members from independent commissioners and parties from outside the issuer or public company. (POJK.04/2015 Article 4).	UKURAN KOMDIT = Total members of the Company's Audit Committee (Dewi, 2019).
Environmental Certification (X3)	The achievements of company in the field of environmental conservation and management which are shown by the company's success in obtaining environmental certification in the form of ISO 14001 certificate. (Oktariani & Meutia, 2016)	Using dummy variables Score 1 = Company that has ISO 14001 environmental certification Score 0 = Company does not have ISO 14001 environmental certification (Oktariani & Meutia, 2016)

Variables	Operational Definition Of Variables	Measurements
Profitability (X4)	One of the ratios that can be used to assess the company's ability to gain profit. (Wahyudin & Hafid, 2019)	ROA = (Net Profit After Tax)/(Total Asset) (Herman & Saleh, 2017)
Company Size (X5)	Big or small of a company which is indicated by the total number of company assets at the end of the year. (Oktariani & Meutia, 2016)	SIZE = Log (Total Asset) (Nurhayati & Kurniati, 2019)
Leverage (X6)	The dependence level of the company on creditors in terms of financing company assets. (Yanto & Choiriyah, 2018)	DAR = (Total Debt)/(Total Asset) (Nurhayati & Kurniati, 2019)

Source: Researcher's Summary, 2020

The data analysis methods in this study included descriptive statistical analysis, inferential statistical analysis (classical assumption tests in the form of normality, multicollinearity, autocorrelation, and heteroscedasticity tests, model feasibility test, multiple linear regression analysis and hypothesis testing). The researchers in analyzing the data used SPSS version 21. The equation of multiple linear regression models in this study.

$$ED = \alpha + . Dekom + Komdit + . SL + . ROA + . Size + . Lev + e \dots\dots\dots(1)$$

RESULTS AND DISCUSSIONS

The test results prove that the average level of environmental disclosure in the agricultural sector companies, the consumer goods industry sector, and the basic & chemical industry sector experiences differences and is classified as still low, which is below the value of 50%. The highest level of ED is occupied by companies in the basic & chemical industry sector at 0.4441 or 44.41%. The second rank is THE agricultural sector companies with the ED level of 0.4220 or 42.2%. The third rank of ED level is in companies in the consumer goods industry sector at 0.3931 or 39.31%. This is since in Indonesia there are no definite guidelines for reporting the environmental performance of companies so that there are still many companies that report environmental performance differently by adjusting the complexity and policies of each company and using different environmental disclosure guidelines, although many companies have used the guidelines from GRI.

The results of descriptive statistical analysis in this study have the objective of describing the research data based on the minimum value, maximum value, average (mean), and standard deviation. Table 3. is the results of the descriptive statistical analysis test of the environmental disclosure, the size of the board of commissioners, the size of the audit committee, environmental certification, profitability, company size, and leverage.

The result of the classical assumption test aims as a certain condition before testing the hypothesis, such as the normality test using Kolmogorov-Smirnov (K-S) test shows the asymp. sig result of 0.536 > a significance value of 0.05 so that the research data is normally distributed. The multicollinearity test shows that all variables have a VIF value below 10 and a tolerance value greater than 0.10 so that there are no symptoms of multicollinearity. The result of the autocorrelation test using Durbin Watson value with a significance level of 0.05 shows a DW result of 1.973, located between $du < d < 4-du$ or $1.8110 < 1.973 < 2.189$ so that the result implies the absence of positive or negative autocorrelation symptoms. The heteroscedasticity test uses Glejser test. The result of the analysis shows that the significance values of all variables are greater than the significance level of 0.05 so that there are no symptoms of heteroscedasticity.

Table 3. The Test Results of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ED	130	.088200000	.823500000	.41719122172	.171646870341
DEKOM	130	2	8	5.08	1.600
KOMDIT	130	2	5	3.05	.337
SL	130	0	1	.58	.495
ROA	130	.000782199	.526703553	.11051821444	.101712788373
SIZE	130	11.66590647	13.98469738	12.8897850594	.55713535278
LEV	130	.066187023	.751777525	.40372512436	.187239568409
Valid N (listwise)	130				

Source : Secondary data processed, 2020

The result of the model feasibility test with simultaneous significance test (F statistical test) shows that the result of the F count value is 19.534 (positive) > F table 2.17 and the significance value is 0.000 <significance 0.05. Thus, the variables of size of the board of commissioners, audit committee size, environmental certification, profitability, company size and leverage simultaneously or jointly affect environmental disclosure and are feasible for use in the research. The result of the coefficient of determination test (adjusted R²) of 0.463 indicates that the independent variables of size of the board of commissioners, audit committee size, environmental certification, profitability, company size and leverage have effect on environmental disclosure by 46.3%, the remaining 53.7% is explained by other factors outside the model in this study. The results of the multiple linear regression equation and the results of hypothesis testing are in table 4.

$$ED = -1.404 + 0.023 Dekom + 0.074 Komdit + 0.99 SL + 0.389 ROA + 0.109 Size - 0.050 Lev + e \quad (2)$$

Table 4. Results of Hypothesis Test

Hypothesis	Statements	Coeff	Sign	Results
H1	The size of the board of commissioners has a significant positive effect on environmental disclosure	0.023	0.003	Accepted
H2	The size of the audit committee has a significant positive effect on environmental disclosure	0.074	0.036	Accepted
H3	Environmental certification has a significant positive effect on environmental disclosure	0.099	0.000	Accepted
H4	Profitability has a significant positive effect on environmental disclosure	0.389	0.001	Accepted
H5	Company size has a significant positive effect on environmental disclosure	0.109	0.000	Accepted
H6	Leverage has a significant positive effect on environmental disclosure	-0.50	0.420	Rejected

Source : Secondary data processed, 2020

The Effect of Board of Commissioners Size on Environmental Disclosure

Table 4 shows that the size of the board of commissioners has a significant positive effect on environmental disclosure. The result is in line with agency theory. The large number of boards of commissioners can be a high internal control mechanism that is charge of providing strong and effective monitoring on management performance to carry out responsibilities which are more specific in environmental disclosure. The result of this study is supported by Solikhah & Winarsih (2016); Mutmainah & Indrasari (2019); and Fasikhah *et al* (2018) which state that the size of

the board of commissioners has a significant and positive effect on environmental disclosure. However, the result of this study is different from Supatminingsih & Wicaksono (2016), Wardani & Haryani, (2018); Oedemelum & Regina (2018); and Dewi (2019).

The Effect of Audit Committee Size on Environmental Disclosure

The second hypothesis states that the size of the audit committee has a significant positive effect on environmental disclosure. The result of the analysis shows that the significance value of the audit committee size is $0.036 < 0.05$ in a positive direction, thus it implies that the audit committee size variable has a positive and significant relationship to environmental disclosure. The result is in line with agency theory. The size of the audit committee can reduce agency problems since it improves the supervisory function and the quality of control which are more effective for management in conveying environmental disclosure information that is usually stated in the company's CSR reports. The greater the number of audit committees in a company, the wider the company's environmental disclosure will be. In line with research conducted by Sari *et al.* (2018); Ashfaq & Rui (2019) and Dewi (2019) which state that the size of the audit committee has a positive and significant effect on environmental disclosure. Still, it is different from the research results of Wardani & Haryani (2018); and Kurniawan (2019) which state that there is no effect between the two.

The Effect of Environmental Certification on Environmental Disclosure

The third hypothesis (H3) states that environmental certification has a significant positive effect on environmental disclosure. The result of the analysis shows that the significance value of the environmental certification variable is $0.000 < 0.05$ in a positive direction. Thus, the result proves that the environmental certification variable has a significant positive effect on environmental disclosure. In line with legitimacy theory that a company with a good level of environmental management has ISO 14001 certificate, then in carrying out environmental disclosure it is more extensive since the company's values have been harmonious with the values in society and the company has fulfilled environmental management properly to attract sympathy and legitimacy from the community. Supported by research conducted by Dincer (2011) and Rahmawati & Budiwati (2018) state that environmental certification has a positive and significant effect on environmental disclosure.

The Effect of Profitability on Environmental Disclosure

The fourth hypothesis states that profitability has a significant positive effect on environmental disclosure. The result of the analysis shows that the significance value of the profitability variable is $0.001 < 0.005$ in a positive direction, so it is concluded that profitability has a significant positive effect on environmental disclosure. In line with legitimacy theory that high profitability means that the company has a high source of funds to respond to pressures and demands from the public to be more concerned about environmental issues by conducting environmental disclosures so that it will be easier for the company to gain legitimacy from the community. Supported by research of Dincer (2011); Solikhah & Winarsih (2016); Ismail *et al.* (2018) and Nurhayati & Kurniati (2019) state that there is a positive and significant effect between profitability on environmental disclosure.

The Effect of Company Size on Environmental Disclosure

The fifth hypothesis states that company size has a significant positive effect on environmental disclosure. The result of the analysis shows that the significance value of the company size variable is $0.000 < 0.05$ in a positive direction. The result can be concluded that the company size variable has a positive and significant effect on environmental disclosure. Supported by stakeholder theory which states that large companies have more stakeholders than small companies, then large companies will provide the information regarding environmental disclosure with the best possible, transparency to be more responsible and satisfy their stakeholders. In line with research by Burgwal & Vieira (2014); Herman & Saleh (2018); Chandok (2017); Purnama (2018); Puji &

Sari (2019); and Ashfaq & Rui (2019) state that company size has a positive and significant effect on environmental disclosure.

The Effect of Leverage on Environmental Disclosure

The sixth hypothesis states that leverage has a significant positive effect on environmental disclosure. The result of the analysis shows that the significance value of the leverage variable is $0.420 > 0.05$ in a negative direction. The result implies that leverage has no effect on environmental disclosure. It is not in line with stakeholder theory due to a high level of leverage tends to allocate resources owned to pay off debts compared to reporting environmental disclosure information which is voluntary so that the companies prefer to report current earnings higher so as not to violate agreements with creditors. This research is in line with the research by Herman & Saleh (2018); Purnama (2018); Kurniawan (2019); and Nurhayati & Kurniati (2019) which state that leverage has no effect on environmental disclosure.

CONCLUSIONS

The results of the research show that the size of the board of commissioners, the size of the audit committee, environmental certification, profitability and company size have positive and significant effect on environmental disclosure, while leverage has no effect on environmental disclosure. Suggestion for companies is to improve further environmental disclosure as a form of corporate responsibility and transparency towards stakeholders for the sustainability and positive image of the company in the long term. Meanwhile, for the Indonesian government can issue standard and legal guidelines to guide companies in conducting environmental disclosures.

This research has a high element of subjectivity in measuring the index of environmental disclosure. The next researcher would be better of using the GRI Standards launched in 2017, especially on environmental topic standards (the 300 series of the GRI standards which have 7 standard aspects) that have been set Indonesian government to know more about accountability and transparency in achieving sustainable development.

This study has a very small number of samples in each company sector. The number of samples is only 4 agricultural companies and 12 companies in the consumer goods industry sector. The next researcher would be better off using high profile companies, namely companies which the operational activities are very close to nature, thus showing a better level of concern for the environment.

REFERENCES

- Abu Qādan, M.B. and Suwaidan, M.S. (2019). Board composition, ownership structure and corporate social responsibility disclosure: the case of Jordan. *Social Responsibility Journal*, 15(1), 28-46. <https://doi.org/10.1108/SRJ-11-2017-0225>
- Ashfaq, K., & Rui, Z. (2019). Revisiting the relationship between corporate governance and corporate social and environmental disclosure practices in Pakistan. *Social Responsibility Journal*, 15(1), 90–119.
- Ayu, I., Oki, P., Dewi, Y., & Yasa, G. W. (2017). Pengaruh Ukuran Perusahaan, Profitabilitas, Tipe Industri Dan Kinerja Lingkungan Terhadap Environmental Disclosure. *E-Jurnal Akuntansi Universitas Udayana*, 20(3), 2362–2391.
- Chandok, R. I. S., & Singh, S. (2017). Empirical study on determinants of environmental disclosure. *Managerial Auditing Journal*, 32(4/5), 332–355.
- Cho, C.H., Laine, M., Roberts, R.W. and Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, 40, 78-94.
- Dewi, N. (2019). Corporate Governance, Profitabilitas, Leverage, Dan Pengaruhnya Terhadap Pengungkapan Sosial Dan Lingkungan. *Journal of Islamic Finance and Accounting*, 2(2), 39–62.
- Dincer, B. (2011). Do the Shareholders Really Care about Corporate Social Responsibility?. *International Journal of Business and Social Science*, 2(10), 71–77.
- Ezhilarasi, G., & Kabra, K. C. (2017). Factors influencing environmental disclosures: Evidence from India. *IUP Journal of Accounting Research & Audit Practices*, 16(1), 7.
- Fashikhah, I., Rahmawati, E., & Sofyani, H. (2018). Determinan Environmental Disclosures Perusahaan

- Manufaktur Di Indonesia Dan Malaysia. *Jurnal Akuntansi Indonesia*, 7(1), 31.
- Fontana, S., D'Amico, E., Coluccia, D., & Solimene, S. (2015). Does environmental performance affect companies' environmental disclosure? *Measuring Business Excellence*, 19(3), 42–57.
- Ghozali, I. (2014). *Teori Akuntansi (IFRS)*. Badan Penerbit Universitas Diponegoro.
- Global Reporting Initiative. (2016). Pedoman Pelaporan Keberlanjutan G4: prinsip-prinsip pelaporan dan pengungkapan standar. *Global Reporting Initiative*. www.globalreporting.org
- Herman, L. A., & Saleh, S. (2018). Model Hubungan Karakteristik Perusahaan dan Pengungkapan Informasi Lingkungan Perusahaan. *Jurnal Pundi*, 1(3), 167–184.
- Kurniawan, I. S. (2019). Pengaruh corporate governance , profitabilitas , dan leverage perusahaan terhadap environmental disclosure. *Forum Ekonomi . Universitas Mulawarman, Samarinda*, 21(2), 165–171.
- Ministry of Environmental and Forestry Republic of Indonesia. (2019). *Environmental and forestry statistics in 2018 (Statistik lingkungan hidup dan kehutanan tahun 2018)*. <https://www.menlhk.go.id/site/download>
- Muttakin, M.B. and Subramaniam, N. (2015). Firm ownership and board characteristics: do they matter for corporate social responsibility disclosure of Indian companies?. *Sustainability Accounting, Management and Policy Journal*, 6(2), 138-165.
- Mutmainah, M., & Indrasari, A. (2019). Pengaruh Dewan Komisaris dan Leverage Terhadap Environmental Disclosure. *Reviu Akuntansi Dan Bisnis Indonesia. Universitas Muhammadiyah Yogyakarta*, 1(1), 47–56.
- Nurhayati, P., & Kurniati, S. (2019). Determinan Karakteristik Perusahaan Terhadap Environmental Disclosure (Studi Kasus pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2012-2016). *Inventory: Jurnal Akuntansi*, 3(1), 24–32.
- Odoemelam, N., & Okafor, R. G. (2018). The Influence of Corporate Governance on Environmental Disclosure of Listed Non-Financial Firms in Nigeria. *Indonesian Journal of Sustainability Accounting and Management*, 2(1), 25–49.
- Ofoegbu, G. N., Odoemelam, N., & Okafor, R. G. (2018). Corporate board characteristics and environmental disclosure quantity: Evidence from South Africa (integrated reporting) and Nigeria (traditional reporting). *Cogent Business & Management*, 5(1), 1551510. <https://doi.org/10.1080/23311975.2018.1551510>
- Oktariyani, A. (2016). Pengaruh Kinerja Keuangan , Leverage , Ukuran Perusahaan Kualitas Pengungkapan Lingkungan (Studi Empiris Pada Industri Pertambangan yang Terdaftar di BEI). *Jurnal Penelitian Dan Pengembangan Akuntansi*, 10(2), 103–136.
- Purnama, D. (2018). Analisis Karakteristik Perusahaan Dan Environmental Performance Terhadap Environmental Disclosure. *JRKA Universitas Kuningan*, 4(1), 1–14.
- Rahman, A. A., & Hezabr, A. A. (2018). Determinants of corporate environmental disclosure quality of oil and gas industry in developing countries. *International Journal of Ethics and Systems*, 34(4), 527–563.
- Sari, G. A. C. N., Yuniarta, G. A., & Wahyuni, M. A. (2018). Pengaruh Mekanisme Good Corporate Governance , Profitabilitas , Dan Kinerja Lingkungan Terhadap Environmental Disclosure (Studi pada Perusahaan Sektor Pertambangan dan Sektor Perkebunan yang Terdaftar di BEI dan. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Universitas Pendidikan Ganesha*, 9, 145–155.
- Solikhah, B., & Winarsih, A. M. (2016). Pengaruh Liputan Media, Kepekaan Industri, Dan Struktur Tata Kelola Perusahaan Terhadap Kualitas Pengungkapan Lingkungan. *Jurnal Akuntansi Dan Keuangan Indonesia*, 13(1), 1–22.
- Supatminingsih, S., & Wicaksono, M. (2017). Pengaruh Corporate Governance Terhadap Pengungkapan Lingkungan Perusahaan Bersertifikasi Iso-14001 Di Indonesia. *Jurnal Akuntansi dan Pajak*, 17(1).
- Tadros, H., & Magnan, M. (2019). How does environmental performance map into environmental disclosure?. *Sustainability Accounting, Management and Policy Journal*.
- van de Burgwal, D., & Vieira, R. J. O. (2014). Environmental disclosure determinants in Dutch listed companies. *Revista Contabilidade & Finanças - USP*, 25(64), 60–78.
- Wahyudin, A. (2015). *Metodologi Penelitian. Penelitian Bisnis & Pendidikan* (edisi 1). UNNES PRESS.
- Wardani, D. K., & Haryani, S. (2018). Dampak Corporate Governance Terhadap Pengungkapan Lingkungan. *JRAK*, 14(2), 67–82.