MANAGEMENT IN DISCLOSURE OF SUSTAINABILITY REPORT AND COMPANY PERFORMANCE

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ABSTRACT

This study aims to examine the effect of disclosure sustainability report on the performance of LQ45 companies on the Indonesia Stock Exchange (IDX). The study population was 45 LQ45 companies according to GRI-G4 standards with 91 items. With the purposive sampling technique in determining the sample, 19 companies were obtained as a sample, so that the total sample during 2016-2018 was 57 companies. The data collection method used is the documentation method of analyzing the contents of the LQ45 sustainability report and the company's financial statements. Data analysis technique used in this study is multiple regression analysis techniques. The results in this study indicate that economic performance disclosure, environmental performance disclosure and supply chain management social performance disclosure have a positive effect on company performance.

Keywords: Sustainability Report, Disclosure of Economic Performance, Disclosure of Environmental Performance, Disclosure of Social Performance, Company Performance

INTRODUCTION

Measurement of company performance according to the Global Reporting Initiative (2013), preparation of sustainability reports will become a necessity and will improve company performance so that it will improve long-term corporate income. Measurements that are often used to assess a company's performance are carried out using an approach where financial information is taken from financial statements. With this use the company's performance as measured by the company's financial performance. The company's financial performance can be interpreted as a prospect or future, growth, and the potential for good development for the company. Information on financial performance is needed to assess potential changes in economic resources, which may be controlled in the future and to predict the production capacity of existing resources.

Disclosure of sustainability reports (sustainability report) has grown rapidly and become important for every company (Tarigan & Semuel, 2014). Sustainability report is a report issued by a company or organization about the economic, environmental and social impacts caused by the company's daily operational activities or supply chain management. Supply chain management in sustainability report, there are 3 disclosures, namely economic performance disclosure, environmental performance disclosure, and social performance disclosure. Many organizations have begun to turn to reporting all aspects, both financial and non-financial (disclosure of social and environmental performance) to stakeholders. Sustainability reporting contains not only financial information but also information on social and environmental activities that enable companies to grow and produce sustainable performance. Continuous performance is the performance produced by the company by balancing the three aspects of people-planet-profit, known as the concept triple bottom line.

Sustainability reports enable companies to consider their impact on various issues of natural damage that enable them to be more transparent about the risks and opportunities they face. In addition to increasing global environmental awareness and sustainable development campaigns, the continuing trend of sustainability reporting is also supported by the increasing number of guidelines provided by various government organizations and industry bodies (Burhan & Rahmanti, 2012). The Global Reporting Initiative (GRI) is one of them. This is a network-based organization that has pioneered the development of a sustainability reporting framework (Burhan & Rahmanti, 2012). Sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable (GRI, 2013).

Disclosure of sustainability report is different from corporate social responsibility, although both are expressions of a company's social responsibility to the surrounding environment. The difference between SR and CSR is the way it is disclosed. Disclosure of corporate social responsibility can be disclosed in the form of reports called sustainability reports and corporate social responsibility that are disclosed and presented in the annual report. The Disclosure is sustainability report more detailed, complete, comprehensive and can be used for company strategy in improving company performance in the coming year. disclosure Sustainability report is reporting about CSR, which means it is reported continuously. CSR disclosures are integrated with the annual report company's along with the detailed costs incurred. Corporate social responsibility is the company's activity in achieving a balance between economic, social and environmental performance without ignoring the expectations of shareholders in generating profits. While the sustainability report is the practice of measuring, disclosing, and striving for accountability in the company's performance in achieving sustainable development goals to both internal and external stakeholders.

In this era, many companies in Indonesia are competing to increase the company's existence in the eyes of the social community so that the company can attract investors and get a lot of support from the community so that the company can improve the company's reputation in the future and maintain its business continuity. However, for the sake of obtaining large profits, it is not uncommon for companies to have a negative impact on the surrounding environment and has become a serious problem in recent years.

According to Sutami, et al., (2011), many companies exploit natural resources and human resources to increase company profits. This is not in line with what the company wants. When the company's profits continue to increase, on the other hand the damage arising from the production process of goods also increases, so the tax rate and costs for cleanliness, health and environmental sustainability also continue to increase. As a result of adverse effects caused by company activities, causing the community to demand the company to care about the surrounding environment. Along with the demands from the community against the company to provide social responsibility, the company developed the concept of 3P, known as people, planet and profit or called the concept triple bottom-line. The concept is a reflection of a term known by various companies in the world, namely sustainability. In the sustainability report there are 3 disclosures namely disclosure of economic performance, disclosure of environmental performance and disclosure of social performance.

Disclosure of economic performance is related to the organization's impact on economic conditions for its stakeholders, and to the economic system at the local, national and global level. The economic category describes capital flows among different stakeholders, and the main economic impacts of organizations in all walks of life. Disclosure of environmental performance relates to an organization's impact on living and non-living natural systems, including land, air, water and ecosystems. The environmental category includes impacts related to inputs such as (energy and water) and outputs such as (emissions, effluents and waste). It also includes biodiversity, transportation, and impacts related to products and services, as well as environmental compliance and costs. Disclosure of social performance discusses the impact an organization has on the social system in which it operates.

Research according to Indika, (2017) uses 3 dimensions of performance disclosure from sustainability reports, namely economic performance disclosure, environmental performance disclosure and social performance disclosure which will be measured using an index of disclosure items. The measurement of company performance is measured by the company's financial performance one year after the disclosure of the sustainability report, namely by combining the variables used by previous researchers that have been described, namely the profitability ratio that will be measured by Return on Assets (ROA).

Profitability ratios are used because this ratio shows the ability of a company to generate profits so the company will have more and sufficient funds to carry out social activities that will have an impact on the amount of information that can be disclosed in the sustainability report. The observation period will be renewed with a different range of years, namely 2016-2018 with the reason that there are more companies that consistently issue sustainability reports in the span of the year.

There are results from several previous studies on the effect of disclosure sustainability report on company performance. Nurul's research (2017) about the effect of disclosure on sustainability reports on the company's financial performance where the results of this study all have a positive effect, in contrast to Beate's research (2015) on the effect of disclosure of sustainability reports on changes in profitability and changes in stock prices in this study only disclosure of performance economically negative effect. Sejati Research (2014) about the effect of disclosure sustainability report on company performance and value proves that all dimensions of disclosure sustainability report have a positive effect on company performance and value. Susanto & Tarigan's (2013) research on the effect of disclosures sustainability report on company profitability shows the results that all disclosures sustainability report affect the company's financial performance. Tarigan & Samuel (2014) about disclosure of sustainability reports on financial performance based on the results of the study of all independent variables have a positive effect on financial performance. Indika's research (2017) on the disclosure of sustainability reports on company and market performance, shows that disclosure of environmental performance measured by (ROA) and (Tobin's) has no effect on company and market performance.

Novianto's research (2014) on the analysis of the effect of sustainability reports on financial performance, disclosure of economic, environmental and social performance has a positive effect on financial performance. Karyawati, Yuniarta & Sujana, (2017) about the effect of the level of sustainability report disclosure on the company's financial performance. The results of this study all have a positive effect on the company's financial performance. Andasari (2018) about the effect of disclosure sustainability report on company performance and value. Based on the results of the study it can be concluded that all variables have a positive effect on the performance and value of the company. Tiza Research (2016) about the effect of sustainability reports on company profitability. The results of this study indicate the disclosure of economic and environmental performance has no significant effect on company profitability while disclosure of social performance has a positive effect on company profitability.

In this study is a replication of several previous studies that have been described previously. From these studies there are still many different results and the inconsistencies of the results of the research conducted. The difference in results is due to differences in the dependent variable, population and the period of research conducted. Based on the description above regarding the studies that have been done previously and the background that has been explained before, the researcher wants to conduct further research with the title: the effect of the disclosure of sustainability reports on company performance (empirical studies on LQ45 companies listed on the Indonesia Stock.

LITERATURE REVIEW

Legitimacy Theory

The theory of legitimacy is a theory that explains the motivation of the manager or the organization to carry out the disclosure sustainability report (Tarin & Samuel, 2014). Legitimacy theory uses motivation to get endorsement or acceptance from the community (Tarigan & Semuel, 2014) in (Tilling, 2004): Legitimacy is a general perception or assumption that an entity's actions are desirable, appropriate or in accordance with some socially constructed systems of norms value, trust and definition.

Legitimacy theory has become one of the most widely cited theories in the social and environmental sphere of accounting (Tilling, 2004). Legitimacy theory emphasizes organizations to keep trying to ascertain whether they operate within the boundaries and norms of their respective communities, namely their efforts to ensure their activities are considered by outsiders as legitimate. Therefore, in conducting its operations the company must obtain consent or approval from the local community.

Legitimacy Theory emphasizes that organizations must appear to consider the rights of the wider community, not only those of their investors (Burhan & Rahmanti, 2012). This theory provides direction for companies to ensure that their activities and operations and performance are acceptable to the community. The rationale for this theory is that the organization or company will continue to exist if the community realizes that the organization operates for a value system commensurate with the value system of the community itself (Muallifin & Priyadi, 2016).

Stake Holder Theory

Stakeholder theory is one of the main theories that is often used to base research on sustainability reports. This theory states that organizations will choose to voluntarily disclose information about their environmental, social and intellectual performance, over and above their mandatory requests, to meet the true or recognized expectations of stakeholders (Khafid & Mulyaningsih, 2015). In this case, the company voluntarily disclosed the environmental investment that has been carried out to prove to the community the company's concern in protecting the environment and to provide added value and benefits to the community that is stakeholder its (Muallifin & Priyadi, 2016). According to Harmoni (2013) to see corporate responsibility as a two-way responsibility between business and stakeholder groups in a society.

Stakeholders need a variety of information related to the activities of the company are used in decision making. Therefore, it can be recognized that this perspective can be extended to the idea that all stakeholders also have the right to be informed about how the organization affects them, perhaps through pollution, community sponsorships, employment opportunities, safety initiatives, and so on.

Sustainability Report

Sustainability report is a report issued by a company or organization about the economic, environmental and social impacts caused by the company's daily operational activities. Sustainability lies in meeting between three aspects, people-social, planet-environment, profit-economic. Sustainability reports allow organizations to consider their impact on various sustainability issues, which allows them to be more transparent about the risks and opportunities they face.

Sustainability reporting contains not only financial information but also information on social and environmental activities that enable companies to grow and produce sustainable performance. Sustainable performance is the performance produced by balancing the three aspects, namely people-planet-profit, which is known as the concept triple bottom line. Sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable (GRI, 2013).

Sustainability reports are a new term that is widely used to describe the communication of a company's influence on social, environmental and economic performance (Burhan & Rahmanti, 2012). Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively.

The sustainability report provides an explanation of the disclosure of the positive or negative impacts of the organization on the economy, the environment and society. Sustainability reports make the abstract something real, thus helping the organization in understanding and managing the impact of the development of sustainability on the organization's activities and strategies. Sustainability report also helps in making decisions to form a strategy and policy and improve company performance.

According to the Global Reporting Initiative (2013) the preparation of an ongoing report will be an assessment of company performance. The preparation of this report will be a must and will improve the performance of the company so that it will increase the company's revenue in the long run (GRI, 2013).

Global Reporting Initiative (GRI)

Global Reporting Initiative (GRI) is an independent international organization that helps businesses, governments and other organizations to understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. In 1997 GRI was founded in Boston, United States. GRI is a non-profit (non-profit) coalition for environmentally responsible economies (CERES) and the tellus institute, the United Nations Environment Program (UNEP) is also involved in forming GRI. The secretariat is global reporting initiative located in Amsterdam, the Netherlands, and has regional offices in Australia, Brazil, China, India, South Africa and the United States.

In the global reporting initiative, the vision is to create a future where sustainability is an integral part of every organization's decision making process. The global reporting initiative has a mission to empower decision makers everywhere, through sustainability standards and multi-stakeholder networks, to take action on a more sustainable economy and world. It can be interpreted that the mission of the global reporting initiative is to make practice standard sustainability reports for all companies or organizations, and also provide guidance and support to companies that want to make changes and help in promoting and managing change towards a sustainable global economy or a good economy without depleting resources excessive natural power.

Company Performance

Company performance is the work that can be achieved by a person or group of people in a company in accordance with their respective authorities and responsibilities in an effort to achieve the company's goals legally, and does not violate the law, and does not conflict with morals and ethics (Rivai & Basri, 2004). The preparation of sustainability reports will become a necessity and will improve company performance so that it will increase the company's long-term revenue. Measurements that are often used to assess a company's performance are carried out using an approach where financial information is taken from financial statements.

With this use the company's performance as measured by the company's financial performance. The company's financial performance can be seen from various ratios, including profitability ratios. Profitability ratios are ratios to assess a company's ability to seek profits (Sahara, 2017). Profitability ratios indicate the ability of a company to generate profits so the company will have more funds to carry out social activities that will have an impact on the amount of information that can be disclosed in the sustainability report. Profitability ratios are measured using Return on Assets (ROA), which compares net income with the company's total assets. Return on Assets (ROA) is one of the profitability ratios that measures the income or success of a company's operations for a certain period (Burhan & Rahmanti, 2012).

Disclosure of sustainability reports, there are two theories used, namely the theory of legitimacy and theory stakeholder. According to Tarigan & Samuel (2014) the theory of legitimacy is a theory that explains the motivation of managers or organizations to make a disclosure sustainability report. Legitimacy Theory emphasizes that organizations must appear to consider the rights of the wider community, not just those of their investors. This theory provides direction for companies to ensure that their activities and operations and performance are acceptable to the community. The rationale for this theory is that the organization or company will continue to exist if the community realizes that the organization operates for a value system commensurate with the value system itself.

Theory Stakeholder is one of the main theories that is often used to base research on sustainability reports. This theory states that organizations will choose to voluntarily disclose information about their environmental, social and intellectual performance, over and above their mandatory requests, to meet the actual or recognized expectations of stakeholders (Khafid & Mulyaningsih, 2015). In this case, the company voluntarily disclosed the environmental investment that has been carried out to prove to the community the company's concern in protecting the environment and to provide added value and benefits to the community that is stakeholder its.

Sustainability report is a report issued by a company or organization about the economic, environmental and social impacts caused by the company's daily operational activities. Sustainability lies in meeting between three aspects, people-social, planet-environment, profit-economic. Sustainability reports allow organizations to consider their impact on various sustainability issues, which allows them to be more transparent about the risks and opportunities they face.

Sustainability reporting contains not only financial information but also information on social and environmental activities that enable companies to grow and produce sustainable performance. Sustainable performance is the performance produced by balancing the three aspects, namely people-planet-profit, which is known as the concept Triple Bottom Line (TBL). Sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable (GRI, 2013). Sustainability reports are a new term that is widely used to describe the communication of a company's influence on social, environmental and economic performance (Burhan & Rahmanti, 2012). Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively.

Sustainability report provides an explanation of the disclosure of a positive or negative the organization of the economy, environment and society. Sustainability reports make the abstract something real, thus helping the organization in understanding and managing the impact of the development of sustainability on the organization's activities and strategies. Sustainability report also helps in making decisions to form a strategy and policy and improve company performance. According to the global reporting initiative (2013) the preparation of a sustainable report will be an assessment of company performance. The preparation of this report will be a must and will improve the performance of the company so that it will increase the company's revenue in the long run (GRI, 2013).

Hypothesis

The Effect of Disclosure of Economic Performance on Company Performance

Disclosure of sustainable economic performance can provide an explanation of the impact of the organization on the economic conditions of *stakeholders* and on the economic system at the local, national and global levels. Reported aspects of a sustainable economy are more about the company's contribution to the large economic system. The company owner, in this case the *stakeholder* (shareholder), is one of the *stake holders* important in the business of a company. Shareholders invest their capital in companies to obtain profits from their investments, while companies also need capital from shareholders for the continuity of their business.

Shareholders, besides expecting profits from the company, also face the risk of losing capital they provide to the company. With information about the company's economic performance, shareholders can provide policies. It is from these policies taken by *shareholders* that companies are required to be able to increase the level of net profit so that shareholders do not withdraw their shares. The trust of shareholders will encourage companies to increase their net profit level from the total assets. The greater the influence of the company on improving the economy around the company operates will attract investors to make investments and customer interest which will increase sales. This is in line with the theory of legitimacy whereby the company must obtain approval or approval from the community around the company operating. Therefore, the better the disclosure of economic performance, the better the performance of the company. This research hypothesis is supported by Sejati (2014) research which states that the effect of economic performance disclosure positive effect on economic performance and according to research Susanto & Tarigan (2013) which states that the disclosure of economic performance has a positive effect on company performance. Based on the description above, the following hypothesis is formulated:

H1: Disclosure of economic performance has a positive effect on company performance.

The Effect of Disclosure of Environmental Performance on Company Performance

Disclosure environmental performance is intended to provide relevant and accurate information about the company's environmental performance to *stakeholders*. The environmental performance report is used by stakeholders to evaluate the impact caused by the company's business operations on the environment. As an illustration, the consumer is one of the *stakeholders of* a company. Consumers also need knowledge about the company's environmental performance because each *stakeholder* must be treated fairly. This can mean that consumers also need to get transparency of information about how the impact of the products they consume on the environment. Consumer confidence will have an impact on increasing sales of company products. The increase in sales can be a factor in increasing a company's net profit.

A good company is a company that pays attention to the surrounding environment in carrying out its operations. This is in accordance with the theory of legitimacy where companies must operate within the boundaries and norms that exist. Therefore, if the disclosure of environmental performance is good and very satisfying will generate trust from the community around the company and will generate interest from potential customers. It also will generate trust from potential investors in the company. This will trigger an increase in company performance. This research hypothesis is supported by Susanto & Tarigan's (2013) research which states that environmental performance disclosure has a significant effect on Return on Assets (ROA) and according to Sejati's research (2014) states that the effect of environmental performance disclosure has a positive effect on company performance. Based on the description above, the following hypothesis is formulated:

H2: Disclosure of environmental performance has a positive effect on company performance.

The Influence of Social Performance Disclosure on Company

Performance Social performance is one of the important aspects in *sustainability report*. Social performance identifies aspects of performance including *labor practices, human rights, society and* product responsibility (GRI, 2013). Disclosure of *sustainability reports* in social performance will have an impact on perceptions *stakeholder* about the company's treatment of the surrounding human resources. Companies in running their business need reliable, competitive, creative and effective human resources. Disclosure of social performance is used to attract interest in *stakeholders'* working with companies. On the one hand, *stakeholders* need their human resources to provide high productivity and increase the company's product sales figures.

From this, the company tried to make the net profit generated as much as possible from the total assets owned. Social performance will form a good image for the company in the public eye so that it can trigger high sales which will make the company's performance better. Therefore, disclosure of social performance will be responsible for the risks that are very likely to occur due to the company's products or services that will lead to increased consumer and supplier confidence in the company. This research hypothesis is supported by Sejati (2014) research which states that the effect of disclosure of social performance has a positive effect on company performance, and according to Burhan & Rahmanti (2012), which states that disclosure of social performance has an effect on corporate performance. Based on the description above, the following hypothesis is formulated:

H3: Disclosure of social performance has a positive effect on company performance.

EMPIRICAL METODHOLOGY

The research is used to gather the data that is in the Indonesia Stock Exchange (IDX) through sites. Objects are scientific targets for obtaining data with specific goals and uses for something objective, valid and reliable about a thing (certain variables). The object of this research is the disclosure of economic performance, disclosure of environmental performance, disclosure of social performance, and company performance. The data collection method used is the documentation method where the data needed in this study was collected and studied. The intended data are earnings data after tax, total assets, total liabilities, and the number of items from economic performance disclosures, environmental performance disclosures and social performance disclosures. The data analysis technique in this research is quantitative research. Data analysis method used in this study is multiple linear regression analysis to test the influence of independent variables on the dependent variable.

Disclosure of economic performance is related to the impact of an organization on economic conditions for its stakeholders, and to the economic system at the local, national and global levels. The economic category describes capital flows among different stakeholders, and the main economic impacts of organizations in all walks of life. Disclosure of economic performance has 4 approach indicators and has 9 items that are expected to be disclosed in a report that includes aspects of economic performance (economic performance 4 items), aspects of (market presence 2 items), aspects of (indirect economic impacts indirect economic impacts) 2 items, aspects of 1 item procurement practice. This variable is measured by using the *Sustainability Report Disclosure Index* (SRDI). SRDI calculation is done by giving a score of 1 if an item is disclosed and a score of 0 if an item is not disclosed. After scoring for all items, the score will be added to get the total score for each company. (Global Reporting Initiative, 2013). The formula for SRDI calculation is:

$$SRDI\ \text{index} = \frac{n}{k} \quad \text{..........................} (1)$$

Note:

SRDI Index : Disclosure of economic performance

n : Number of items disclosed by the company (4 items)

k : Expected number of items (9 items)

Disclosure of environmental performance relates to the organization's impact on living and non-living natural systems, including land, air, water, and ecosystems. The environmental category includes impacts related to inputs (such as energy and water) and outputs (such as emissions, effluents and waste). It also includes biodiversity, transportation, and impacts related to products and services, as well as environmental compliance and costs.

Disclosure of environmental performance has 12 items disclosed and has 34 items expected to be disclosed in the report covering aspects of material (*material*) with 2 items, energy (*energy*) with 5 items, water *(water*) with 3 items, biodiversity (*biodiversity*) with 4 items, emissions *(emission)* with 7 items, effluent and waste *(effluents and waste*) with 5 items, products and services *(products and services*) with 2 items, compliance *(compliance)* with one item, transport *(transport)* to 1 items, etc. (*overall*) with 1 item, aspects of supplier assessment of the environment with 2 items, aspects of the mechanism of complaints of environmental problems with 1 item. This variable is measured by using the *Sustainability Report Disclosure Index (SRDI)*. SRDI calculation is done by giving a score of 1 if an item is disclosed and a score of 0 if an item is not disclosed. After scoring for all items, the score will be added to get the total score for each company. (*Global Reporting Initiative*, 2013). The formula for SRDI calculation is:

$SRDI\ Index = \frac{n}{k}$.......................... (2)

Note:

SRDI Index : Disclosure of environmental performance

n : Number of items disclosed by the company (12 items)

k : Number of items expected (34 items)

Disclosure Performance disclosure discusses the impact an organization has on the social system in which the organization operates. The GRI social performance indicators contain subcategories of labor practices and work comfort (labor practices and decent work), human rights, society and product responsibility.

Disclosure of social performance has 30 items disclosed and has 48 items that are expected to be disclosed in the report covering sub-categories of labor practices and comfortable work (labor practices and decent work) there are aspects of employment with 3 items, aspects of industrial relations with 1 item, aspects occupational health and safety with 4 items, aspects of training and education with 3 items, aspects of diversity and equality of opportunity with 1 item, aspects of equality of remuneration for women and men with 1 item, aspects of supplier assessment of labor practices with 2 items, aspects of the complaints mechanism employment issues with 1 item. Sub-category of human rights (human rights) there are aspects of investment with 2 items, non-discrimination aspects with 1 item, aspects of freedom of association and collective labor agreements with 1 item, aspects of child labor with 1 item, aspects of forced labor or compulsory labor with 1 item, aspects of security practices with 1 item, aspects of customary rights with 1 item, aspects of assessment with 1 item, aspects of supplier assessment of human rights with 2 items, aspects of the mechanism for complaints of human rights issues with 1 item.

Sub-category of society (*society*) there are aspects of local communities with 2 items, anti-corruption aspects with 3 items, public policy aspects with 1 item, anti-competitive aspects with 1 item, aspects of compliance with 1 item, aspects of supplier assessment of impacts on society with 2 items, aspects of the grievance mechanism impact on the community with 1 item. Subcategory of product responsibility (*product responsibility*) there are aspects of health and safety of customers with 2 items, aspects of labeling products and services with 3 items, aspects of marketing communication with 2 items, aspects of customer privacy with 2 items. This variable is measured by using the *Sustainability Report Disclosure Index* (SRDI). SRDI calculation is done by giving a score of 1 if an item is disclosed and a score of 0 if an item is not disclosed. After scoring for all items, the score will be added to get the total score for each company (*Global Reporting Initiative*, 2013). The formula for SRDI calculation is:

$SRDI\ Index = \frac{n}{k}$................................ (3)

Note:

SRDI Index: Disclosure of social performance

n : Number of items disclosed by the company (30 items)

k : Number of items expected (48 items)

Company Performance Company

performance is the work that can be achieved by a person or group of people in a company in accordance with their respective authorities and responsibilities in an effort to achieve company goals legally, and do not violate the law, and do not conflict with morals and ethics (Rivai & Basri, 2004). The preparation of sustainability reports will become a necessity and will improve company performance so that it will increase the company's long-term revenue. Measurements that are often used to assess a company's performance are carried out using an approach where financial information is taken from financial statements.

With this use the company's performance as measured by the company's financial performance. The company's financial performance can be seen from various ratios, including profitability ratios. Profitability ratios are ratios to assess a company's ability to seek profits (Sahara, 2017). Profitability ratios indicate the ability of a company to generate profits so the company will have more funds to carry out social activities that will have an impact on the amount of information that can be disclosed in the sustainability report. Profitability ratios are measured using *return on assets* (ROA). This ROA or asset retrieval rate is calculated by dividing the net profit of the company by total assets and displayed as a percentage. The formula for calculating *Return On Assets* (ROA), Sahara (2017) is:
Formula:

Return On Asset = $\frac{Net}{Asset\ Total\ Asset}$..... (4)

Data description

Test Analysis of Multiple Linear Regression Analysis

The analytical model used in this study is multiple linear regression using SPSS 25 computer program *for windows* used to determine the effect of independent variables on variables. In this study the variables used as independent variables are disclosure of economic performance, disclosure of environmental performance, and disclosure of social performance and the dependent variable is company performance. Hypothesis test results using multiple linear regression can be seen in table 1 as follows:

Table 1
RESULTS OF MULTIPLE LINEAR REGRESSION ANALYSIS

Model	Coefficients						
	Unstandardized Coefficients		Standardized Coefficients			Co linearity Statistics	
	B	Std Error	Beta	t	Sig	Tolerance	VIF
(Constant)	2.433	1.139		2.137	0.037		
ED	3.976	0.711	0.58	5.59	0	0.996	1.004
ID	0.79	0.36	0.227	2.195	0.033	0.998	1.002
SD	0.639	0.245	0.271	2.606	0.012	0.995	1.005
Source: processed data (2019)							

To determine the effect of each independent variable on the dependent variable can be seen from the regression coefficient values of each each independent variable that can use the *unstandardized coefficient* and *standardized coefficient*. From the regression results presented in Table 5.2, we get the following linear regression equation:

PC=2,433+3,976ED+0,790ID+0,639SD

From the multiple linear regression equation above, it can be explained that: constant value of 2.433 means that if there were no variables independent or if economic performance disclosures, environmental performance disclosures and social performance disclosures are equal to zero then the value of the company decreases by 2,433. Disclosure of economic performance has a regression coefficient of - 3.976. This shows that each increase in one unit of disclosure of economic performance will increase company performance by 3,976 assuming other variables are constant or equal to zero. Disclosure of environmental performance has a regression coefficient of - 0.790. This shows that every increase of one unit of environmental performance disclosure will increase company performance by 0.790 assuming other variables are constant or equal to zero. Disclosure of social performance has a regression coefficient of - 0.639. This shows that each increase in one unit of social performance disclosure will increase company performance by 0.639 assuming other variables are constant or equal to zero.

Variable disclosure of economic performance has a coefficient of 3.976 and significance of 0,000 smaller than 0.05 means that the variable disclosure of economic performance has a positive effect on company performance so that it can be concluded that the first hypothesis is accepted. Variable disclosure on environmental performance has a coefficient of 0.790 and a significance of 0.033 smaller than 0.05 means that the variable disclosure on environmental performance has a positive effect on company performance so it can be concluded that the second hypothesis is accepted. Variable disclosure of social performance has a coefficient of 0.790 and a significance of 0.639 smaller than 0.012 means that social disclosure variable has a positive effect on company performance so it can be concluded that the third hypothesis is accepted.

EMPIRICAL RESULTS

The Effects of Disclosure of Economic Performance on Company Performance

Based on the results of the regression test analysis obtained regression coefficients of economic performance disclosures have a coefficient of 3.976 and a significance of 0.000 less than 0.05 means that the variables of economic performance disclosure have a positive effect on company performance so it can be concluded that the hypothesis first received.

Disclosure of sustainable economic performance can provide an explanation of the impact of the organization on stakeholder economic conditions and on economic systems at the local, national and global levels. Reported aspects of a sustainable economy are more about the company's contribution to the large economic system. The company owner, in this case the stakeholder (shareholder), is one of the important stakeholders in the business of a company. Shareholders invest their capital in companies to obtain profits from their investments, while companies also need capital from shareholders for the continuity of their business.

Shareholders, besides expecting profits from the company, also face the risk of losing capital they provide to the company. With information about the company's economic performance, shareholders can provide policies. From these policies taken by shareholders, companies are demanded to be able to increase the level of net profit so that shareholders do not withdraw their shares. The trust of shareholders will encourage companies to increase their net profit level from the total assets. The greater the influence of the company on improving the economy around the company operates will attract investors to make investments and customer interest which will increase sales. This is in line with the theory of legitimacy whereby the company must obtain approval or approval from the community around the company operating. Therefore, the better the disclosure of economic performance, the better the performance of the company.

The results of this study are in line with research conducted by Susanto & Tarigan (2013); Sejati (2014) which states that disclosure of economic performance has a positive effect on economic performance.

The Influence of Environmental Performance Disclosure on Company Performance

Based on the results of the regression test analysis obtained a regression coefficient of 0.790 and a significance of 0.033 smaller than 0.05 means the environmental performance disclosure variable has a positive effect on company performance so it can be concluded that the second hypothesis is accepted.

Disclosure of environmental performance is intended to provide relevant and accurate information about the company's environmental performance to stakeholders. Environmental performance reports are used by stakeholders to evaluate of resulting impact from the company's business operations on the environment. As an illustration, the consumer is one of the stakeholders of a company. Consumers also need knowledge about the company's environmental performance because each stakeholder must be treated fairly. This can mean that consumers also need to get transparency of information about how the impact of the products they consume on the environment. Consumer confidence will have an impact on increasing sales of company products. The increase in sales can be a factor in increasing a company's net profit.

A good company is a company that pays attention to the surrounding environment in carrying out its operations. This is in accordance with the theory of legitimacy where companies must operate within the boundaries and norms that exist. Therefore, if the disclosure of environmental performance is good and very satisfying will lead to trust from the community around the company and will generate interest from potential customers. It also will generate trust from potential investors in the company. This will trigger an increase in company performance.

The results of this study are in line with research conducted by Sejati (2014); Nurul (2017) stating that disclosure of environmental performance has a positive effect on company performance.

The Influence of Social Performance Disclosure on Company Performance

Based on the results of the regression test analysis obtained a regression coefficient of 0.790 and a significance of 0.639 smaller than 0.012 means the social performance disclosure variable has a positive effect on company performance so it can be concluded that the third hypothesis is accepted.

Social performance is one important aspect in sustainability report. Social performance identifies aspects of performance including labor practices, human rights, society and product responsibility (GRI, 2013). Disclosure of sustainability reports in social performance will have an impact on stakeholder perceptions about the company's treatment of the surrounding human resources. The Company in its business requires human resources that are reliable, competitive, creative and effective. Disclosure of social performance is used to attract stakeholders' interest in working with companies. On the one hand, stakeholders need their human resources to provide high productivity and increase the company's product sales figures.

Building on these, the company strives to be the net profit generated to the maximum extent possible from total assets owned. Social performance will form a good image for the company in the public eye so that it can trigger high sales which will make the company's performance better. Therefore, disclosure of social performance will be responsible for the risks that are very likely to occur due to the company's products or services that will lead to increased consumer and supplier confidence in the company.

The results of this study are in line with research conducted by Burhan & Rahmanti, (2012); Sejati (2014) which state that disclosure of social performance has a positive effect on company performance.

CONCLUSION

Based on the results of the study, disclosure of economic performance has a positive effect on company performance, disclosure of social performance has a positive effect on company performance, disclosure of social performance has a positive effect on company performance. Disclosure of sustainable economic performance is the first supply chain management that can provide an explanation of the impact of the organization on the economic conditions of stakeholders and on the economic system at the local, national and global levels. Disclosure of environmental performance is the second supply chain management intended to provide relevant and accurate information about the company's environmental performance to stakeholders. Social performance is the third supply chain management which is also one of the important aspects in sustainability reports. Social performance identifies aspects of performance including labor practices, human rights, society and product responsibility.

Disclosure of economic, environmental and social performance is an important part of supply chain management sustainability reporting. Therefore, every company should improve overall performance to improve sustainability reporting by providing accurate information about the condition of the organization accurately relating to human resources, the environment and work culture, and production.

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