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The Effect of Profitability, Activity Analysis, Industrial Type and Good Corporate Governance Mechanism on The Disclosure of Sustainability Report

Korentina Juniasti Sinaga ✉**, Fachrurrozie**

Jurusan Akuntansi, Fakultas Ekonomi, Universitas Negeri Semarang, Indonesia

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Abstrak

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh profitabilitas, rasio aktivitas, tipe industri, komite audit, dewan direksi, dan komisaris independen terhadap pengungkapan sustainability report. Populasi penelitian ini adalah 31 perusahaan LQ45 yang terdaftar di Bursa Efek Indonesia periode 2013-2016. Pemilihan sampel penelitian ini menggunakan metode purposive sampling. Berdasarkan metode purposive sampling, sampel yang masuk kriteria sebanyak 11 perusahaan. Unit analisis sampel sebanyak 44 perusahaan. Teknik pengumpulan data yang digunakan adalah dengan metode dokumentasi. Sedangkan, teknik analisis data yang digunakan untuk menguji hipotesis yaitu analisis statistik deskriftif dan analisis regresi berganda. Hasil penelitian ini menunjukkan bahwa tipe industri dan dewan direksi berpengaruh positif dan signifikan terhadap pengungkapan sustainability report. Variabel profitabilitas menunjukkan pengaruh negatif dan signifikan terhadap pengungkapan sustainability report. Variabel rasio aktivitas, komite audit, komisaris independen tidak pengaruh terhadap pengungkapan sustainability report. Berdasarkan hasil penelitian, dapat disimpulkan bahwa variabel tipe industri dan dewan direksi dapat memberikan peran penting dalam pengungkapan sustainability report.

Abstract

The purpose of this research is to know the effect of profitability, activity ratio, industrial type, audit committee, board of directors, and independent commissioner to disclosure of sustainability report. The population of this study are 31 LQ45 companies listed in Indonesia Stock Exchange period 2013-2016. Selection of this research sample used purposive sampling method. Pursuant to purposive sampling method, samples entering criteria as many as 11 companies. The sample analysis unit is 44 companies. Technique of collecting data used is by method of documentation. Meanwhile, data analysis techniques used to test the hypothesis of descriptive statistical analysis and multiple regression analysis. The results of this study indicate that industry type and board of directors have a positive and significant impact on the disclosure of sustainability report. Profitability variables show a negative and significant influence on the disclosure of sustainability report. Activity ratio variables, audit committees, independent commissioners have no influence on the disclosure of sustainability report. Based on the result of research, it can be concluded that industry type and board variable can give an important role in sustainability report disclosure.

✉ Correspondence Author:
Gedung L2 Lantai 2 FE Unnes
Kampus Sekaran, Gunungpati, Semarang, 50229
Email: korentinajuniasti@gmail.com

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INTRODUCTION

Growth of public awareness on the role of companies in the community is increasing because many companies are considered to have contributed for economic and technological progress but the company got criticized for having created social problems (Zaenuddin, 2012). Corporate management activities currently are not only based on economic aspect but also social aspect. Since the development of issues on corporate social responsibility (CSR) and sustainability, companies become main spotlight on its role on the environment (Nasir, Ilham, & Utara, 2014). This is due to a series of environmental and humanitarian tragedies in Indonesia, such as the case of mud floods by PT. Lapindo Brantas in Sidoarjo East Java, heavy metal pollution of Buyat Bay in South Minahasa North Sulawesi by PT. Newmont Minahasa Raya, the problem of empowering tribal communities in the mining area of PT. Freeport in Papua, the conflict of human rights violations against Aceh people with Exxon cars which managing natural gas in Arun, the waste pollution from oil mining PT. Gold Water in Ogan Ilir District, South Sumatra, the most recent is the case of PT Semen Indonesia in Rembang, Central Java, which is reaping conflict over environmental permits that have not been complied with Environmental Impact Assessment (AMDAL).

This has caused public concern about the role of companies in maintaining the environment. Looking at the paradigm that occurs in society, the government then issues a decision published through the law on Limited Liability Company (PT) which discloses various provisions of the establishment of PT, for example in Article 74, Law number 40 of 2007 on the social and environmental responsibilities mentioned that companies are entitled to use natural resources and human resources in the vicinity, but the company also has an obligation to account for all the consequences derived from its operational processes. The law also requires companies to give social contribution directly to the social community where the contribution can improve the quality of life of the community and its environment. Indeed, the owner of the company is not only shareholders but also stakeholders namely parties who are interested in the existence of the company. Stakeholders may include employees and their families, customers, suppliers, communities, non-governmental organizations, mass media, and government as regulators (Bintari & Andayani, 2013).

The concept arises from the demands and expectations of the community about the role of company in society. One of company's challenges is sustainable development where the demands and choices of new and innovative ways of thinking. The importance and enormity of risks related to sustainability encourage the discovery of new control methods, especially to create transparency of the economic, environmental and social impacts for stakeholders (GRI, 2010). In supporting this expectation, it is required a global conceptual framework with a consistent and measurable language with the aim in order to be clearer and easy to understand. This concept is then known as the title Sustainability Report.

Abroad research on sustainability report has been done a lot. Research on sustainability report also began to develop in Indonesia. The high demand for sustainability report is interesting to be studied, since sustainability report is still a new issue although its development has started a lot. Some previous researchers have studies about the factors that influence the disclosure of sustainability reports. However, in testing of factors affecting sustainability report showed inconsistent results. Several studies have studied what factors influence the level of voluntary disclosure of corporate sustainability reports, but there are still variations from the results of previous research. Research conducted by Gomes, Eugénio, & Branco (2015) point to Portugal's sustainability reporting assurance (SRA) follows international trends and indicates that the latest economic crisis has a negative effect on the publication of sustainability reports but not in terms of quality and assurances. As well as research conducted by Turcu (2015) through an analysis of the relationship between the number of sustainability reports issued by companies in one country and social, environmental and economic performances from a worldwide perspective, with a particular focus on the EU. Our results show a positive correlation between the variables analyzed, which indicate higher involvement of firms from more advanced countries to improve the concept of sustainability reporting and practice. Our research shows to the fact that the differences between countries still exist regarding the firm's attitude toward the application of sustainability reporting.

Research on the effect of profitability on the disclosure of sustainability report shows different results. Aniktia & Khafid (2015) as well as Aulia & Syam (2013) state that profitability negatively affects on the disclosure of sustainability report. Meanwhile, Nasir *et al* (2014) as well as Suryono & Prastiwi (2011) state that profitability affects on the disclosure of sustainability report. The results of research on the effect of activity ratio on the disclosure of sustainability report also show inconsistent results. Idah (2013) as well as Nasir *et al* (2014) state that the ratio of activity has no effect on the disclosure of sustainability report. Meanwhile, Dilling (2010) and (Nugroho, 2017) state that the ratio of activity positively affects on the disclosure of sustainability report.

The results of research on the effect of industry type on the disclosure of sustainability report show varied results. Ahmad (2014) and Dilling (2010) show that industry type positively influences on the disclosure of sustainability report. Meanwhile, Anggiyani (2015) and Ikmal (2016) state that the type of industry does not affect on the disclosure of sustainability report. Previous research on the influence of audit committee on the disclosure of sustainability reports shows varied results. Aniktia & Khafid (2015) as well as Suryono & Prastiwi (2011) show that audit committees have a positive effect on the disclosure of sustainability report. Meanwhile, Nasir *et al* (2014) and Idah (2013) indicates that audit committee has no effect on SR disclosure

Research on the influence of the board of directors on the disclosure of sustainability report also shows varied results. Idah (2013) as well as Suryono & Prastiwi (2011) state that the board of directors positively influences on the disclosure of sustainability reports. Meanwhile, Nasir *et al* (2014) as well as Mulyaningsih & Khafid (2015) show that the board of directors has no effect on the disclosure of sustainability reports. The results of previous research on the effect of independent board of commissioners on the disclosure of sustainability report. Sari & Marsono (2013) as well as Nugroho (2017) show that the independent board of commissioners positively influences on the disclosure of sustainability report. Meanwhile, Aniktia & Khafid (2015) as well as Pratama & Yulianto (2015) show that the board of independent commissioners has no effect on the disclosure of *sustainability report.* The existence of gaps in the results of previous studies, indicating there is still a research gap on the similar research. Therefore, research on profitability, activity ratios, industry type and good corporate governance mechanisms are still interesting to be researched. So the purpose of this study aims to examine the effect of profitability, activity ratio, industry type, audit committee, board of directors, and independent commissioner on the disclosure of sustainability report.

Grand theory of this research is used to strengthen the relationship between variables in the research model where in this research there are 2 theories namely stakeholder theory and theory of legitimacy. Stakeholder theory is a theory that explains how corporate management meets or manages stakeholder expectations. Stakeholder theory emphasizes organizational accountability far beyond simple financial or economic performance. All stakeholders have the right to obtain information about corporate activities that can affect the decision-making process. This theory states that organizations will voluntarily disclose information about environmental performance, their social and intellectual, beyond and above mandatory requests, to meet actual or recognized expectations by stakeholders (Deegan, 2004). The theory of legitimacy is based on the idea of a company operating within society through a social contract, then the company will make an agreement to carry out the various actions desired by society in return for the acceptance of corporate goals, corporate survival, and other rewards (Guthrie & Parker, 1989).

Profitability is the ratio to assess the ability of a company in seeking profits or earnings in a certain period, both in relation to sales, assets, and own capital (Kasmir, 2012). According to Suryono & Prastiwi (2011), a high level of profitability in the company will increase the competitiveness between companies. Companies that earn a high level of profit will open a new line or branch then tend to increase investment or open new investments associated with the parent company. A high level of profit will signal the company's growth in the future. Based on the stakeholder theory, companies with good financial performance capabilities will have high confidence to inform their stakeholders, as companies are able to show them that companies can meet their expectations, especially investors and creditors. This gives an interpretation that companies with high profitability can overcome the costs of social responsibility disclosure. A higher level of profitability reflects the ability of entity to generate higher profits, so that the entity is able to increase its social responsibility, as well as disclose its social responsibility in the wider financial statements. The results are reinforced by research of Dilling (2010), (Suryono & Prastiwi, 2011) as well as Nasir *et al* (2014) which state that profitability has a positive effect on the disclosure of sustainability report. Based on the description above, it can be proposed the first hypothesis as follows:

H_1: Profitability has a negative effect on the disclosure of sustainability report.

The ratio of activity shows the ability and efficiency of the company in utilizing its assets owned. The activity ratio measures how effective the company is in managing its assets. If the company has too many assets, then the cost of capital will be too high so that the profit will decrease (Kasmir, 2012). Stakeholder theory is used by companies to achieve corporate sustainability. The support of stakeholders can be collected by companies with the disclosure of sustainability report (Suryono & Prastiwi, 2011). On the other hand, if activity is too low then profitable sales will be lost, so this ratio reflects the comparison between the level of sales and investment. Total asset turnover ratio between the amount of assets used and the amount obtained during a certain period. This ratio is a measure of how far the asset has been used in the activity or shows how many times the asset rotates within a certain period. If in analyzing this ratio for several periods indicates a trend that tends to increase, it suggests that the more efficient the use of assets thus increasing. While total asset turnover is influenced by the size of the sale and total assets, both current and fixed assets (Ikmal, 2016). The results are reinforced by research conducted by Nugroho (2017) and Dilling (2010) which states that the activity ratio has a positive effect on the disclosure of sustainability report.

H_2: Activity Analysis has a positive effect on the disclosure of sustainability report

Industrial type describes companies based on the scope of operation, corporate risk and ability to face business challenges. Industrial types are measured by differentiating high-profile and low-profile industries. High-profile companies are generally companies that get attention from the community because of its operational activities have the potential to intersect with broad interests. Society generally is more sensitive to this type of industry because the company's negligence in securing the production process and the production result can have a big impact on society (Indrawati, 2009). The theory of legitimacy reveals that industrial type positively affects on the disclosure of sustainability reports. This theory explains that companies are increasingly striving for the operational activities of the company to be well received by the community. The company will also take action to be able to reduce the existing pressure from various parties (Anggiyani, 2015). The results are reinforced by research conducted by Ahmad (2014) and Dilling (2010) which state that the type of industry positively affect on the disclosure of sustainability report.

H_3: Industrial Type has a positive effect on the disclosure of sustainability report.

Audit committee is one of the committees that play an important role in corporate governance. The purpose of the establishment of an audit committee within a company is to assist the board of commissioners in overseeing the operational activity of the company so that the performance of the company is as good as expected by the company (Utari, 2014). Often audit committees conduct meetings, the more often members of the audit committee exchange ideas and knowledge about decisions to be taken for the interest of all stakeholders, one of which is the decision on corporate social disclosure (Aniktia & Khafid, 2015). Referring to the theory of stakeholders, companies want to meet the expectations of stakeholders by creating a sustainability report that describes about the activities of the company in the field of social and local communities that are needed by stakeholders to gain legitimacy from society.

H_4: Audit Committee has a positive effect on the disclosure of sustainability report.

Board of directors is one of the components in realizing GCG so that the board of directors need to publish accountability information (Nasir *et al*, 2014). Directors as the organ of the company is in charge and responsible fully in managing the company. The higher frequency of meetings between members of the board of directors, indicating more frequent communication and coordination among members making it easier to realize good corporate governance (Suryono & Prastiwi, 2011). Referring to the stakeholder theory, information that the company discloses is not only information about finance, but also on social and environmental performance in a sustainability report. If corporate governance in the company is already running well, reflected in the frequent communication in board meetings, the greater the company in expressing its performance. The results are reinforced by research conducted by Suryono & Prastiwi (2011) as well as Idah (2013) which state that board of directors has a positive effect on the disclosure of sustainability report.

H_5: Board of Directors has a positive effect on the disclosure of sustainability report.

An independent commissioner is a party who has no business and familial relationship with the controlling shareholder, members of the board of directors and board of commissioners, and with the company itself (KNKG, 2006). The existence of an independent board of commissioners as part of the implementation of good corporate governance will encourage the possibility of companies making more disclosures for their stakeholders, one of which is the disclosure of sustainability report.

Referring to the theory of stakeholders, company wants to meet the expectations of stakeholders by creating a sustainability report that describes about the activities of companies in the field of social and surrounding communities. Therefore, the audit committee is formed to assist management in publishing sustainability reports that are urgently needed by stakeholders to gain legitimacy from the community (Suryono & Prastiwi, 2011). Improved disclosure quality is performed by the management by disclosing additional reports such as sustainability report. If the company's image improves, it indicates good monitoring from the board of independent commissioners and effective management work. The results are reinforced by research by Sari & Marsono (2013) as well as Nugroho (2017) which states that the board of independent commissioners have a positive effect on the disclosure of sustainability report. Based on the description above, it can be proposed hypothesis as:

H_6: Board of Independent Commissioner has a positive effect on the disclosure of sustainability report.

Based on the framework above, the research model is presented in the following figure:

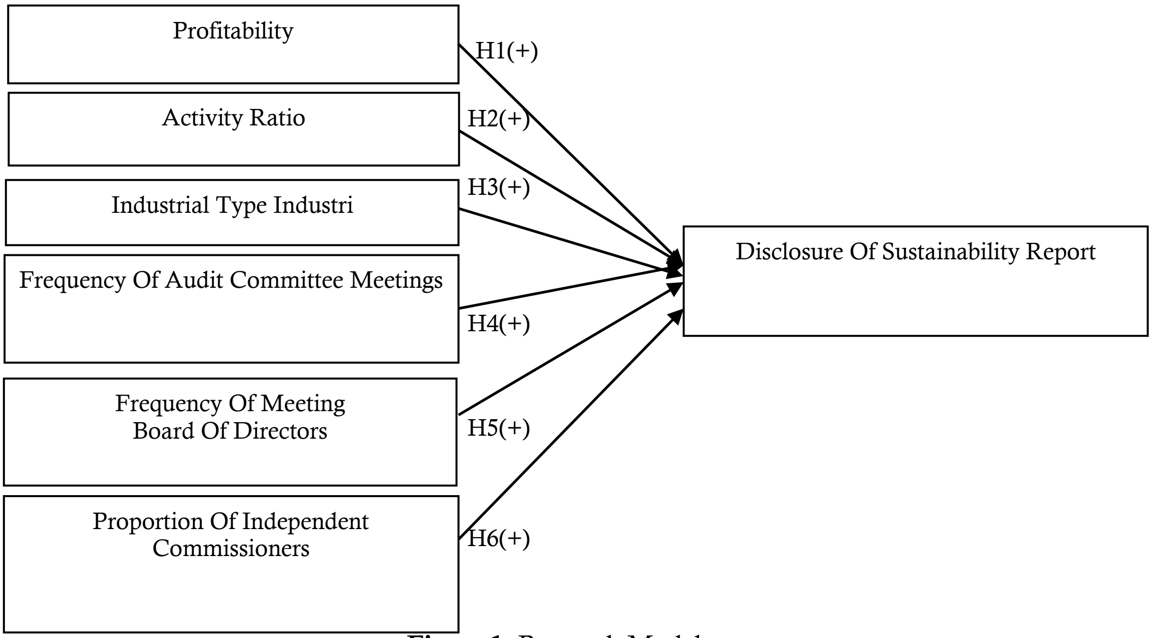

Figure 1. Research Model

METHODS

This research used a quantitative approach with hypothesis testing research design. The data used was secondary data. The population in this research was 44 LQ45 companies which listed in Indonesia Stock Exchange (IDX). Time of research observation was year 2013 until 2016. Sampling technique was by using purposive sampling method with certain criteria which have been determined by researcher. Obtaining sample by purposive sampling method was presented in table 1 as follows:

Table 1. Process of Research Sampling

Identification of Company	Beyond Criteria	Number
LQ45 Companies listed on the Indonesia Stock Exchange consistently during the period of observation 2013-2016		31
LQ45 Companies that published its annual financial report listed on the Indonesia Stock Exchange (IDX) for four consecutive years 2013-2016	(1)	30
LQ45 companies that published the sustainability report listed on the Indonesia Stock Exchange (IDX) for four consecutive years 2013-2016.	(15)	15
LQ45 Companies that presented the financial statements in rupiah currency.	(2)	13
LQ45 Companies which presented the complete data and met all the variables needed in the research	(0)	13
Data outliers during the year of research	(2)	11
Year of Research		4
Number of analysis units (11 x 4)		44

Source: Secondary data processed, 2017

This study used seven variables consisting of one dependent variable and six independent variables. Dependent variable in this research was sustainability report. While independent variable in this research were profitability, activity ratio, industrial type, audit committee, board of directors, and independent commissioner. The operational definition of the variables was presented in table 2 as follows:

Table 2. Operational Definition of the Variables

Name of Variables	Definition of Variables	Measurement of Variables
Dependent: Sustainability Report	The report on the economic, environmental, and social impacts presented separately from the financial statements and annual reports (GRI, 2013)	$\frac{Total\ Item\ Disclosed}{Total\ item\ used}$ (GRI, 2013)
Independent: Profitability (NPM)	The ratio that measures the company's ability to generate profits (Kasmir, 2012)	$\frac{Net\ Income}{Sales}$ (Kasmir, 2012)
Activity Ratio (TAT)	A ratio that describes the relationship between the level of the company's operations (sales) with the assets needed to support the operational activities of the company (Ikmal, 2016).	$\frac{Sales}{Inventory}$ (Ikmal, 2016)
Industrial Type (TI)	Describing company based on the scope of operation, corporate risk and ability to face business challenges (Indrawati, 2009).	Giving score 1 for high-profile companies and 0 for low-profile companies (Indrawati, 2009)
Audit Committee (KA)	A committee appointed with responsibilities in the areas of financial statements, corporate governance, and corporate oversight (KNKG, 2006)	Number of audit committee meetings in one year (KNKG, 2006).
Board of Director (DD)	Directors as the organ of the company is in charge and fully responsible for managing the company (Suryono & Prastiwi, 2011).	The frequency of meetings of the board of directors in one year (Suryono & Prastiwi, 2011)
Board of Independent Commissioner (KI)	parties who have no business and familial relationship with the controlling shareholders, members of the board of directors and board of commissioners, as well as with the company itself (KNKG, 2006)	$\frac{Number\ of\ Independent\ Commissioner\ Member}{Total\ Members\ the\ Board\ of\ Commissionersmiaris}$ (KNKG, 2006)

Source: Summary of the Researcher, 2017

The secondary data required in this study was obtained through documentation method by studying records or documents. In this case, the records or documents of the company intended were the corporate annual report that has been audited and sustainability report on each official company website listed on IDX 2013-2016. The analytical method used was by using descriptive statistical analysis and multiple linear regression analysis using SPSS 21.0. Testing was done through several stages namely classical assumption test, test coefficient of determination and hypothesis test. The model used in this research was as follows:

$SDRI = C + \beta_1 NPM + \beta_2 TAT + \beta_3 TI + \beta 4 UKA + \beta_5 DD + \beta 6 KI + e$

RESULTS AND DISCUSSIONS

Descriptive statistics was a method in quantitative data analysis, so obtained a regular picture of an activity (Ghozali, 2013). Descriptive statistics in this study was used to describe the research variables

Table 3. The Result of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
SDRI	44	0.099	0846	0.37373	0.170566
NPM	44	-0.1368	0.3424	0.11862	0.0967922
TAT	44	0.0684	1.6323	0.71096	0.4328767
UKA	44	4.0	38.0	18.545	11.2135
DD	44	10.0	138.0	45.295	26.2542
KI	44	0.30	0.63	0.3925	0.07761
Valid N (listwise)	44				

Source : The Result of SPSS Test, 2017

Table 3. showed that the number of units of analysis in the study was 44. In connection to the results of descriptive statistical tests then grouped in the interval class. The interval class was divided into five classes for each variable. The criteria given were very low, low, sufficient, high and very high. Then the average of the sustainability report disclosure of the sample company was 0.3737, this meant that the level of sustainability report disclosure of the sample company was still relatively low. The average profitability of the sample company was 0.1186, meaning that 0.1186 of the company's net profit was derived from all the assets used in its operations. The activity analysis had an average value of 0.7109, this indicated that most of the sample companies had sufficient activity analysis. The audit committee had an average value of 18.545. This indicated that most of the sample companies had very low level of corporate audit committee meetings. Board of directors had an average value of 45.295. This indicated that most of the sample companies had low level of corporate board of director meetings. Independent commissioners had an average value of 0.3925, indicating that most of the sample companies had very low number of independent commissioners within their board of commissioners.

Table 4. Analysis Result of Industrial Type Class Frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
	0.0	20	45.5	45.5	45.5
Valid	1.0	24	54.5	54.5	100.0
	Total	44	100.0	100.0	

Source: Secondary data processed, 2017

Table 4 showed that from the total sample in the study, there were 20 companies belonging to the low profile industry classification or by 45.5%. While 24 other companies or 54.5% was companies that belonged to the high profile industry classification.

Classical assumption tests conducted in this research were normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The result of Kolmogorov-smirnov test indicated that the normal distributed research data which was known from Asymp.Sig value was 0.889 which meant greater than 0.05. Based on the results of multicollinearity test known that each independent variable showed a tolerance value of more than 0.10 and VIF less than 10 which meant that there was no correlation between independent variables.

This research used Run Test to detect the existence of autocorrelation. The result of correlation test showed the value of Asymp.Sig. of 0.879 or more than 0.05 which meant that there was no autocorrelation in regression model. White Test was conducted to detect the presence of heteroscedasticity. White test results showed that c^2 count $<c^2$ table namely 34.232 <6.,65. Thus, there was no heteroscedasticity.

The result of determination coefficient test showed that the value of adjusted R square equal to 0.189 which meant equal to 18.9% of sustainability report variable could be explained by profitability, activity, industrial type, audit committee, board of directors, and independent commissioner variables while the rest of 81.1% was explained by other variables outside the research model. While the result of partial test was presented in table 5 as follows:

Table 5. The Result of Regression Test (Hypothesis Test)

	Hypothesis	β	Sig.	□	Result
H1	Profitability had a positive and significant effect on the disclosure of Sustainability Report	-0.650	0.029	0.05	Rejected
H2	Activity ratio had a positive and significant effect on the disclosure of Sustainability Report	-0.039	0.537	0.05	Rejected
H3	Industrial type had a positive and Significant effect on the disclosure of Sustainability Report	0.144	.010	0.05	Accepted
H4	The Audit Committee had a significant positive effect on the disclosure of Sustainability Report	-0.003	0.222	0.05	Rejected
H5	The Board of Director had a positive and significant effect to Sustainability Report disclosure	0.002	0.045	0.05	Accepted
H6	Independent Commissioner had a positive and significant impact on the disclosure of Sustainability Report	0.300	0.479	0.05	Rejected

Source: Secondary data processed, 2017

Profitability negatively affected on the disclosure of sustainability report indicated that high Profitability is an achievement for a company. Company has an advantage in terms of gaining profitability so that the company wanted the achievement as a fun news and be a spotlight for stakeholders, especially investors and creditors. With the existence of other information, including information on corporate responsibility in sustainability report could cover the achievement of the company in terms of achieving high profitability. The information of corporate social responsibility would be more highlighted than the high profitability of the company. Given corporate social disclosure, it would lead to a potency of stakeholder assessment change on the company.

The theory of legitimacy stated that when companies had high levels of profit, management considered it did need to report things that could interfere information about the company's financial success, and when the level of profitability was low, management expected users of the reports to read good news of corporate performance, for instance in the social sphere so investors would keep investing (Aulia & Syam, 2013). The result of this study was in line with the results of research conducted by Aulia & Syam (2013) as well as Aniktia & Khafid (2015) which examined the effect of profitability on the disclosure of sustainability report that negatively affected on the disclosure of sustainability report.

The activity ratio did not affect on the disclosure of the sustainability report indicating that the asset fund which rotated during the process of a period in which management did not manage its assets well enough and effective in fund management, resulting in the company's tendency to achieve condition less stable conditions. This could be seen from the frequency distribution included in the category of enough that was 34.09% level of the ratio. This discovery was not in line with the stakeholder theory which has been stated previously that good asset management would lead the company to a stronger financial condition or performance. Another thing that indicated the hypothesis was rejected that most of the companies had low activity ratios with 50% of 44 companies. This meant that companies with low activity ratios had no role to disclose sustainability reports. The results of this study supported previous research conducted by Nasir *et al* (2014) and Idah (2013) which examined the effect of the activity ratio had no effect on the disclosure of sustainability report.

Correlation coefficient which had a positive value indicated that firms in high profile industry would do more disclosure with regard to information relating to economic, social, and environmental aspects compared to companies belonging to the low profile industry. This was attributed to the variation in impacts resulting from the operating activities of the companies. In general, companies belonging to the high profile industry had the potency to tangle with the interests of the wider community (Indrawati, 2009). Thus companies that included into this category had a tendency to make a wider disclosure to their stakeholders. Aside from being a form of accountability, increased transparency of information was also used as a means of building corporate image in order to garner support from its stakeholders. The results of this study supported previous research conducted by Dilling (2010) and Ahmad (2014) showed that industrial type affected on the disclosure of sustainability report.

The audit committee had no effect in the sustainability report publication indicating that audit committee meetings were conducted only to meet the company's requirements in realizing good corporate governance. In addition, the audit committee was formed with the main objective to improve the quality of the financial statements. Therefore, in each meeting the audit committee focused more on the quality of the financial statements rather than the sustainability report that was still voluntary (Idah, 2013). The results of this study supported previous research conducted by (Nasir et al., 2014) and (Idah, 2013) indicated that the audit committee had no effect on the disclosure of sustainability report. This was due to the less effective meetings conducted, the dominance of audit committee members' voice who concerned personal / group interests so as to disregard the interests of the company.

The implementation of good corporate governance was highly dependent on the functions of the board of directors who were trusted as the organizers of the company. The ability of the board of directors in the decision-making process had a great role for the company. Therefore, the frequency of meetings between members of the board of directors leaded to more frequent communication and coordination between members so that facilitate in realizing good corporate governance (Idah, 2013). Along with the good corporate governance would encourage a company to make more disclosure in order to create a transparency between the company and its stakeholders, for example by publishing a sustainability report. The results of this study supported previous research conducted by (Idah, 2013) as well as Suryono & Prastiwi (2011) showed that the board of directors had a positive and significant impact on the disclosure of sustainability report.

The board of independent commissioners had no effect in the sustainability report publication indicating that not all the board of independent commissioner members could show their independence so that the monitoring function did not go well and impacted on the lack of encouragement to management do do social disclosure. Although there was a board of independent commissioners, but if the board of independent commissioners did not have time for the company because of other activities, then the existence of a board of independent commissioners would not be effective. Thus, the existence of a board of independent commissioners has not been able to provide a boost to the company's management to disclose sustainability reports (Restuningdiah, 2011).

CONCLUSIONS

Based on the result of research and discussion, it can be concluded that industrial type and board of directors have positive influence on the disclosure of sustainability report, profitability variable has negative effect on sustainability report disclosure, while activity ratio, audit committee and independent commissioner have no effect on sustainability report disclosure. This indicates that the industrial type and corporate board of directors can play an important role in sustainability report disclosure. The low value of adjusted R^2 indicates that there are still many untested factors in this research. Therefore, further research is expected to add other variables that allegedly affect on the wide of sustainability report disclosure for instance for liquidity variable measured by cash ratio, profitability measured by return on equity, firm size measured by the number of corporate employees. Companies are expected to be able to maintain its consistency in accounting for environmental sustainability and social life of the community as outlined in the sustainability report. As well as improve and further improve the performance and competitiveness of the company so as to enhance the reputation and image of the company in the eyes of the public.

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