

CHAPTER I

INTRODUCTION

1.1 Research Background

The goal of company in conducting business is focus on maximizing the economic profit. When the company's profits continue to increase, on the other hand, the damage caused by the production process of goods increases, causing many negative impacts on the environment. This impact mostly comes from mining companies that exploit natural resources as business products. Environmental damage that occurs can impact on social issues. This problem can be overcome with an understanding of sustainable development process in the company to achieve sustainability. Sustainable development is the expansion of its broad range of economic and social developments that protect and improve the degree of environmental and social (Dunphy *et. al*, 2000).

Sustainable development aims to meet the needs of the present generation without complicate the future generations to meet their needs consistently (Darwin, 2009). In order to achieve sustainable development, all companies need to pay attention to manage the sustainability of economic, social, and environmental issues. Sustainable management has been created to define as the application of sustainable practices in the categories of economic, social and environmental by managing them in a way that will benefit future generations.

The contents of sustainability development ideas provide a mandate for the company to conduct its corporate social responsibility. CSR practices in Indonesia have been regulated by Article 74 chapter 5 of Law No. 40/2007 on Social Responsibility and Environment stated that the company that conducting business activities in the field and/or

relating

to

natural resources is required to implement the Social and Environmental Responsibility. The provisions concerning social and environmental responsibility also stipulated in Government Regulation No. 47/2012. According to Salmah (2009), when the company is able to carry out its responsibilities, the company will get good judgment not only from stakeholders, but also good assessment from public, and vice versa, when the company did not perform their social responsibilities it will impact the company's image to stakeholders and public, and it will ultimately affect the business sustainability of the company.

Sustainability Report presents as a tool to disclose the corporate social responsibility. This report focuses on three aspects, namely economic performance (economic), the environment (environmental) and social (social). These three aspects known as the Triple Bottom Line, commonly referred as the principle of 3P (Planet, People and Profit). 3P principle is used to capture the whole set of values, issues and processes that companies must address in order to minimize any harm from their activities and to create economic, social, and environmental value (Sejati, 2014). Sustainability Report is a report published by a company or organization on the impact of economic, social, and environment in daily activities (GRI, 2013).

Sustainability Reporting itself is still voluntary, which means that there is no rule requiring a company publishes Sustainability Report. In SFAS No.1 of 2009 in Presentation of Financial Statements as Component parts of Complete Financial Statements paragraph 12 stated that companies can also present additional statements such as statements regarding the environment and the value added statement, especially for industries where environmental factors play an important role as well to the industry that considers

employees as a group of users report play an important role. These statements reflect that the Sustainability Report is still advisable for companies in issuing this report.

As well as financial reporting standards that have a fixed rule, namely GAAP and IFRS, the standard rules on the disclosure of sustainability reporting have been set in the Global Reporting Initiative (GRI) which has been adopted in Indonesia. Global Reporting Initiative (GRI) located in Amsterdam, is a leading organization of sustainability. GRI promotes the use of GRI sustainability reporting as a way for companies to become more sustainable and contribute to sustainable development. GRI seeks to continue to develop "a framework for sustainability reporting", and G4 Guidelines officially released on May 2013 (www.globalreporting.com), where GRI-G4 is more concerned with the materiality of the relevant aspects and topics, while the previous GRI concerned with complete disclosure in accordance with the standard. The GRI-G4 Sustainability Reporting Guidelines distinguished into two categories, namely the General Standard Disclosures and Specific Standard Disclosures.

Sustainability reporting increasingly becomes a trend and a need for companies to inform the performance of economic, social and environmental to all stakeholders (Chariri, 2009). However, there are not many researches on the application of the Sustainability Reporting based on the Global Reporting Initiative (GRI) has been done in Indonesia. This due to the very limited sample of the company's disclosure practices Sustainability Report. Based on research conducted by the Global Reporting Initiative (2004) showed that during 2001-2003, the reporting on social and environmental information is only about 1% of all countries in Asia and Australia (Armin, 2011 in Subrata, 2013).



To give an appreciation of the company which has reported a sustainability report, issued either separately or included in the annual report, in 2005, NCSR along with five major organization in Indonesia: the Indonesian Accountant Association), the Forum for Corporate Governance in Indonesia (FCGI), the National Committee on Governance (NCG), Association of Indonesian Public Listed Companies (AEI) and the Indonesian Netherlands Association (INA) established Indonesia Sustainability Report Award (ISRA), now known as SRA. ISRA is the award given to companies that have been reporting the activities regarding to environmental and social aspects other than the economic aspects in addition to maintaining sustainability.

Hapsari (2010) concluded that the implementation of sustainability reporting in mining companies in Indonesia have not fully applied the indicators and principles in accordance with the report content of the Global Reporting Initiative (GRI). Sari (2013) concluded that the disclosure of corporate social responsibility based on the Global Reporting Initiatives (GRI) in Bukit Asam (Persero) Tbk. and Timah (Persero) Tbk. have been disclosed in accordance with GRI3.1 Pratiwi (2013) concluded that the disclosures of corporate social responsibility based on the Global Reporting Initiatives in the mining companies listed on the Indonesia Stock Exchange in 2013 have been disclosed in accordance with GRI-G3.1. The difference between this research with the previous researches is this research using the latest standard which is GRI-G4, where GRI-G4 is more concerned with the materiality of the relevant aspects and topics, while the previous GRI concerned with complete disclosure in accordance with the standard.

Based on the description above, the researcher is interested in analyzing the disclosure of environmental aspects in Sustainability Reporting of mining companies in Indonesia.

Selection of environmental indicators as the focus of research object is based on the view that mining company must rely heavily on natural resources in business processes.

The object of research used is PT. ANTAM 2014 Sustainability Report. PT. Aneka Tambang Tbk. (ANTAM) is one of the most consistent companies that participated in Indonesia annual Sustainability Report Award (SRA) and have won several award categories. In 2015, ANTAM won the Best Overall Category and 1st rank for Mining, Metals and Minerals. This research focused in analyzing the Specific Standards Disclosure about Disclosure on Management Approach for environmental category in accordance with Global Reporting Initiative (GRI)-G4.

1.2 Problem Formulation

The problem formulation to be achieved in this research is to determine whether the DMA disclosure of environmental category in Sustainability Report disclosed by the company has already reported in accordance with reporting standards issued by Global Reporting Initiative Guidelines (GRI)-G4 or not.

1.3 Research Purpose

The research objective is a specific goal to be achieved in a research activity, which in this study is to evaluate the DMA disclosure of environmental category in Sustainability Report disclosed by the company in accordance with Global Reporting Initiative Guidelines (GRI)-G4.

1.4 Research Benefits

This research is expected to provide the following benefits:

1. For investor

Sustainability Report that is disclosed in accordance with GRI-G4 Standards can provide additional information for investors and potential investors in making investment decision in order to avoid misleading in decision making.

2. For company

This research can help the company to increase the reporting quality in accordance with the standards.

3. For academic purpose

This research can give additional scientific references related to CSR and sustainability reporting which can be developed by further studies.

1.5 Writing Systematic:

Chapter I about Introduction outlines the background of the entire contents, problem formulation, research objectives, research benefits and writing systematic.

Chapter II about Literature Review provides the theoretical basis, previous research that will be used as baselines theory and analysis, framework and research hypothesis.

Chapter III about Research Methods contains the overview and sample population used in empirical studies, the identification of research variables and an explanation of how to measure these variables. It also presented the data selection techniques and data analysis methods.

Chapter IV about Results and Discussion as the main content of this research presents a description of the object of study, the data processing, and analysis of the result of such processing.

Chapter V about Conclusion and Recommendation describes the conclusion of the research, the scope of the research, the limitations of the study, implications and suggestions for future research and related parties.

