CHAPTER I

INTRODUCTION

1.1 Research Background

Sustainability is a new paradigm in the corporate's reporting process. Initially, corporate reporting focused on the financial aspect or the company's value (*single bottom line*). However, as the issues of environmental destruction and social problems are arising, companies are now required not only to focus on financial aspect (*profit*) but also to pay attention and engage in the fulfillment of people's well-being (*people*) as well as actively contribute to the preservation of the environmental (*planet*) (Elkington, 1997).

Currently, sustainability reporting is growing and becoming a trend by big companies in the world. According to KPMG (2015) about 73 percent of the 100 largest companies (N100) and 92 percent of Global Fortune 250 (G250) have published sustainability reports. In case of Indonesia, although sustainability reporting is still voluntary, some companies have published their sustainability report consistently. From the Table 1.1, the number of listed companies issuing the sustainability report have been increasing each year. By 2016, there were 49 listed companies which issued sustainability report. This phenomenon may indicate that sustainability reporting is integral part of company's reporting in which it can maintain reputation, build stakeholder trust, show accountability and increase company value (Isarksson & Staimle, 2009).
Table 1.1 Number of Listed Companies Issuing Sustainability Report

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of listed Companies in IDX</th>
<th>Number of Companies Issuing Sustainability Report</th>
<th>Increase per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>400</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>422</td>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td>2011</td>
<td>442</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>2012</td>
<td>463</td>
<td>33</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td>486</td>
<td>37</td>
<td>4</td>
</tr>
<tr>
<td>2014</td>
<td>509</td>
<td>40</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>525</td>
<td>42</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>539</td>
<td>49</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Author’s Compilation

Sustainability report is a proof that reflects a commitment from the company to the social and environmental that can be used by the stakeholders in their decision-making process. The sustainability report is prepared based on the GRI reporting framework that reveals the breadth and outcomes that occur within a given reporting period in the context of organizational commitment, strategy, and management approach. The GRI reporting framework is addressed as a generally accepted framework for reporting the economic, environmental, and social performance of the organization (GRI, 2013). Brown et al., (2009) stated that the GRI framework is a comprehensive framework that is used for reporting the social performance and environmental performance of the company.

As a guideline for sustainability reporting, the GRI has evolved from time to time. The recent standard was published on 2016, which is called GRI Standards. However, this standard is effective for report on or after 1 July 2018.
Both GRI Standards and GRI-G4 uses the principle of materiality in defining report content, which the company does not have to report on all aspects or indicators contained in the guidelines, but only reports aspects that are significant and material to be disclosed to various stakeholders. In sustainability reporting, materiality is used in border sense to consider all economic, social and environmental impacts that may cross the threshold in affecting the ability to meet the needs of present without comprising the needs of future generations (GRI, 2013).

A few studies have been carried out pertaining sustainability reporting in Indonesia. This study extends prior studies by examining the consistency of the reported material aspects in the sustainability report. This study is built up based upon the principles of defining report quality especially comparability principle which requires the organization to present the reported information in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and that could support analysis relative to other organizations (GRI, 2013). Hence, a consistency of reported information shall provide stakeholders to be able to compare information on the organization’s current economic, environmental, and social performance against the organization’s past performance, its objectives, and, to the degree possible, against the performance of other organizations. It also allows internal and external parties to benchmark performance and assess progress as part of rating activities, investment decisions, advocacy programs, and other activities.
The object of this study is sustainability report of selected mining and metal companies in Indonesia, PT. Aneka Tambang Tbk and PT. Indo Tambangraya Megah Tbk. Both of them are selected for two reasons. Firstly, both of them have been experienced in adopting GRI-4 for four years from 2013 until 2016. Secondly, both of them are among the winners of Indonesian Sustainability Reporting Awards (ISRA) under mining and metal category in 2014, 2015, and 2016. As for the selection of mining and metal companies in this study is because they are often positioned as environmentally sensitive industry in which their day-to-day activities tend to have a greater impact on the environment. Consequently, they have more pressure to disclose environmental information than those in the less sensitive industries (i.e. banking and consumer products) (Deegan et al., 2002; Patten and Trompeter, 2003).

1.2 Problem Statement

Based on the background above, the problem of this study is to consider the following questions:

1. To what extent do PT. Aneka Tambang Tbk and PT. Indo Tambangraya Megah Tbk report their material aspects consistently?

2. Do PT. Aneka Tambang Tbk and PT. Indo Tambangraya Megah provide an explanation of the inconsistent material aspects?
1.3 Research Objectives

Based on the problem statement above, the objective of this research as follows:

1. To find out the extent to which PT. Aneka Tambang Tbk and PT. Indo Tambangraya Megah reported their material aspects consistently
2. To find out whether PT. Aneka Tambang Tbk and PT. Indo Tambangraya Megah provide an explanation for any material aspect that is not reported consistently.

1.4 Research Benefit

This research is expected to provide benefits as follows:

1. Know the extent to which material aspects are consistently reported in sustainability report.
2. Adding scholarly reference especially related to CSR and sustainability reporting
3. Provide additional information for all stakeholders in making decisions related to sustainability reporting by related companies.

1.5 Writing Systematic

This research consists of five chapters as follows:

Chapter I is Introduction, the opening chapter of this study, in this chapter will explain the background of the problem, problem statements, objectives and benefits of the research, as well as the systematic writing.
Chapter II is Literature Review. This chapter consists of literature review and any relevance prior research as reference for the research.

Chapter III is Metode Research, the chapter will discuss on population and sample, sample selection methods, type of data, data collection method as well as data analysis process.

Chapter IV is the analysis of the research results, this chapter will explains the result of analysis. Consistency of identified material aspect for each companies will be examine and find out the explanation for inconsistent material aspect.

Chapter V is a Conclusion, this chapter contains a summary and analysis of data, limitations of research, and suggestions of authors in this study.