

CHAPTER I

INTRODUCTION

1.1 Research Background

The main goal of each company is profitability that aims to maximize profits for investors and give a positive impact on company value. Therefore, the company is required to pay attention to always make a positive contribution to the social and environmental community in carrying out the company's operational activities. But along with the development of the era, the company is no longer on the concept of the single bottom line, it has shifted to the Triple Bottom Line (TBL) concept. TBL introduced by John Elkington which focus on profit, people and planet. This concept holds that the company does not only focus on profit but also must play a role and participate in community welfare and contribute to environmental preservation (Elkington, 2013).

The company should be more sensitive to the impact of its operational activities on society and the environment. If the company ignore the society and environmental impact, it will cause the company to the bigger trouble rather than a cost that threatens the sustainability of the company and the environment. The company is obliged to disclose its activities to the stakeholder of the company and transparency is one of the company's concern. The company is expected to be useful for all stakeholder, not only for the management and investors but also employees, customer, and society (Hu, Chang, Hsu, Pen, & Yu, 2018). To adjust with the stakeholders' needs related to company social and environmental impact,

the company should implement and report on the progress of Corporate Social Responsibility (CSR) principles.

CSR is a statement about the company's responsibilities that is not only focused on financial conditions but also to TBL which is paying attention to the social and environmental problem. CSR information can be seen in the sustainability report. The sustainability report is a report published by a company or company about the economic, environmental and social impacts caused by its everyday activities and reported voluntarily (Institute of Singapore Accountants, 2017). In addition, sustainability report can be a platform to engage and communicate with the stakeholders as well as manage risk more efficiently among many other reasons (Chukwuelue, 2016). The practice of corporate social responsibility in Indonesia has been regulated in Law Number 40 of 2007. Law Number 40 the year 2007 has explicitly arranged for companies to submit reports on the implementation of social and environmental responsibilities in the annual report.

The sustainability report is prepared with a reference or basis that is known by the Global Reporting Initiative (GRI). GRI produces standards that are commonly used by companies in the world for sustainability reporting. The main goal of each company is profitability that aims to maximize profits for investors and give a positive impact on company value. Therefore, the company is required to pay attention to always make a positive contribution to the social and environmental community in carrying out the company's operational activities. But along with the development of the era, the company is no longer on the

concept of the single bottom line, it has shifted to the Triple Bottom Line (TBL) concept. TBL introduced by John Elkington which focus on profit, people and planet. This concept holds that the company does not only focus on profit but also must play a role and participate in community welfare and contribute to environmental preservation (Elkington, 2013).

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CSR is a statement about the company's responsibilities that is not only focused on financial conditions but also to TBL which is paying attention to the social and environmental problem. The combination of profit, people, and planet means that company runs TBL as a basic component of CSR disclosure. CSR information can be seen in the sustainability report. The sustainability report is a report published by a company or company about the economic, environmental

and social impacts caused by its everyday activities and reported voluntarily (Institute of Singapore Accountants, 2017).

Investors are interested in additional information reported in the annual report and most companies are still focused on disclosing financial statements related to financial performance only. Even though financial performance is no longer relevant, there must be additional information reported by company management in order to attract investors (Yunitasari, 2015) and today's demands from stakeholders regarding environmental and social issues make companies begin to pay attention to long-term development. The practice of corporate social responsibility in Indonesia has been regulated in Law Number 40 of 2007. Law Number 40 the year 2007 has explicitly arranged for companies to submit reports on the implementation of social and environmental responsibilities in the annual report.

The companies that disclose the sustainability report want to show commitment to social and environmental issues to stakeholders, showing transparency and get feedback for company performance. The sustainability report is prepared with a reference or basis that is known by the Global Reporting Initiative (GRI). GRI is an independent, and non-profit company that dedicated to helping businesses and governments report effectively and publicly disclose the impact of the activities on key environmental, social, sustainability topics, and also promotes economic sustainability (Global Reporting Initiative Standards, 2017). GRI produces standards that are commonly used by companies in the world for sustainability reporting. The purpose of making a sustainability report is

to communicate the company's commitment, economic, environmental and social performance to stakeholders and the wider community with transparency.

To motivate and accelerate sustainability reporting of companies and as an acknowledgment and appreciation to companies that have made sustainability report, since 2005 the National Center for Sustainability Reporting (NCSR) holds a Sustainability Reporting Awards (SRA) every year. The awards do not comment on the performance itself, it primarily focuses on transparency and reporting compliance to sustainability reporting guideline developed by the GRI. In 2018, NCSR initiated the Asia Sustainability Reporting Rating (ASRR), which was previously called the Sustainability Reporting Awards (SRA).

The difference between ASRR and SRA is the system that has been changed from winner to rating. In 2018, all participants will be awarded but may be different from one another. The award depends on the result of the sustainability report assessed which are rating: platinum, gold, silver or bronze. The participants are not only from Indonesia, but also from other countries in Asia and this is the first sustainability report rating system in Asia.

The purpose of making a sustainability report is to communicate the company's commitment, economic, environmental and social performance to stakeholders and the wider community with transparency. Companies can increase public trust by disclosing information about the company's contribution to the environment in carrying out its activities. However, the company faces challenges in making disclosures in the sustainability report. The challenge is the ability to follow established standards. Furthermore, the company must also carry out

inspection or review of sustainability reports. It should be realized that there are so many variables and cross-disciplines related to CSR. Changes in dynamic social conditions cannot be used as a simple mathematical calculation, one of them is how to measure the economic, environmental and social performance of the company disclosed in the sustainability report. The ways that can be done to measure the economic, environmental and social performance expressed in the sustainability report using the content analysis method. This method converts qualitative information into quantitative so that it can be processed in statistical calculations.

Measurement of economic, environmental and social performance carried out through sustainability reports requires reference to information. The total number obtained from the content analysis process illustrates the amount of disclosure that is informed in the sustainability report. Therefore, this research was conducted to discuss the disclosure of the sustainability report of the companies that get platinum rating of Asia Sustainability Reporting Rating (ASRR) 2018 based on the GRI Standards for the social topics. This research can provide the information about the economic, environmental and social performance of ASRR 2018 companies. It also allows internal and external parties to benchmark performance and assesses progress as part of rating activities, investment decisions, advocacy programs, and other activities.

1.2 Problem Statement

Based on the background, the problem of this research is: how is the social disclosures of the sustainability report of the companies that get the platinum rating of Asia Sustainability Reporting Rating 2018 based on the GRI Standards?

1.3 Research Objective

Based on the problem statement above, the objective of this research is: to figure out the accordance of the social disclosure of the sustainability report of the companies that get the platinum rating of Asia Sustainability Reporting Rating 2018 with the GRI Standards.

1.4 Research Benefit

This research is expected to provide benefits as follows:

1. Provide additional information for the investors and potential investors in making the investment decision in order to avoid misleading in decision making.
2. Give input to the companies about the content of the report in accordance with the GRI standards.
3. Give additional scientific reference related to corporate social responsibility and sustainability reporting which can be developed by further studies.



1.5 Research Scope

This research focuses on the social topic on the companies that get the platinum rating in Asia Sustainability Reporting Rating 2018.

1.6 Writing Systematic

This research consists of five chapters as follows:

1. Chapter I, Introduction, this chapter discusses the general description that becomes research basically. It consists of background, problem statements objectives and benefits of the research, and writing systematically.
2. Chapter II, Literature Review, this chapter discuss the theory that has a relation with research problems and any relevant prior research as a reference for this research.
3. Chapter III, Research Methodology, this chapter discusses the plan in doing the research. Along with theories from the literature review, this chapter will encompass the research. This chapter includes population and sample, sample selection methods, type of data, data collection method and data analysis process.
4. Chapter IV, Analysis and Discussion, this chapter explains the result of the analysis. The identified social topics for each company will be examined and find out explanation for the social topics.
5. Chapter V, Conclusion, this chapter contains the summary and analysis of data, limitations of research and suggestions of authors in this research.

