

CHAPTER I

INTRODUCTION

1.1. Background

When we look deeper into the business world today, we will see a significant change in the pattern of activities carried out by companies in the world. In the past, the main focus of these companies was to seek the highest profit without caring about anything else. Because for the company these benefits are very important for the progress and future of the company. The company fulfills the needs for goods and services demanded by humans, where from meeting these needs, the company will get economic benefits that lead to profits for the company. That is why the company used to compete in collecting the highest profit regardless of the impact caused by it.

But this is different from today, where companies in the world have started to no longer only pay attention to their financial situation. The focus of the company has been divided on several things. The company began to think about the sustainability of its company. It was none other than the reaction from the public to the existing companies. All forms of activity from the company in previous years had a direct impact on the environment on this earth. For example, there is global warming, pollution which is due to waste disposed of by these companies, and significant climate change. Communities all over the world have begun prosecuting the companies responsible for this.

In the current era, issues regarding sustainability are important. Companies are required not only to pursue profits. Companies must think about how these efforts can be beneficial for internal and external companies for the present and the future. And in recent years, Indonesia's economic growth is said to be quite good when compared to other countries when the world economy is experiencing a slowdown. Although it is said to be good, Indonesia is experiencing several issues such as a decrease in the quality of the environment, the issue of growing social inequality, and various other issues. this encourages the State of Indonesia to prioritize the issue of sustainability.

Because the actions of prosecution and these issues make the company inevitably have to be able to find solutions to these demands, for example, the company's activities have shifted its focus to be more concerned with the environment and social as well as other sustainable matters. And finally the company started thinking about sustainability issues. There are 3 concepts on sustainability, namely economic, environmental and social.

In carrying out their business activities, these companies not only have obligations to their shareholders, but also obligations to stakeholders. The obligation in the form of corporate responsibility to the stakeholders is broader than the shareholders, because the parties that are members of the stakeholders themselves are also more numerous and varied.

In accordance with what Ghazali and Chariri (2007: 409) said, stakeholder theory is a theory that states that a company is not an entity that

only operates for its own interests, but must provide benefits to all its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts and others). One of the benefits referred to is in the form of social responsibility that must be carried out by the company to the parties involved. The various forms of responsibility, both environmental and social, will later be reported to stakeholders in the form of a special report, separate from the annual financial report issued by the company, called the sustainability report.

This report contains about how the company applies its economic, environmental and social aspects. This will later provide understanding to company stakeholders regarding how the sustainability effects of the business activities carried out by the company will then take action to respond to this. In terms of writing sustainability reports, companies in the world generally use the disclosure standards issued by the Global Reporting Initiative (GRI). The World Business Council for Sustainable Development (1999) stated that the Global Reporting Initiative Report is a standard guideline for sustainability reporting that can be applied and widely accepted. After going through several refinements, finally in the fourth quarter of 2016, the Global Sustainability Standard Board, a special board formed by GRI, began to introduce the Standards of GRI.

Several studies related to the disclosure of sustainability report reporting existed in the past based on the standards prevailing at that time. Such as research conducted by Leander (2017) on the analysis of

sustainability report disclosure in order to assess sustainability performance based on the general GRI G4 guidelines and the GRI financial services specific guidelines. Leander got results in the form of many indicators that were disclosed not in accordance with the guidelines.

A further researcher by Mardhatilla (2019) who examined the disclosure of sustainability reports for Indonesian companies based on GRI standards, resulted in the conclusion that from 6 companies that were sampled, only 2 companies were declared complete with GRI standards, the rest were still not in accordance with GRI standards.

And the latest research by Alfikri (2019) with the research title Comparative Analysis of Economic and Environmental Disclosures in the Sustainability Report of International Companies Before and After Getting Platinum Ranking in the 2018 Asia Sustainability Reporting Rating Based on GRI Standards. This research results in the conclusion that the sustainability reports of these international companies are not yet fully compliant with GRI standards.

As a form of gratitude given to companies that have produced sustainability reports, since 2005, the National Center for Sustainability Reporting (NCSR), an independent organization that develops sustainability reporting in Indonesia, has held awards ceremonies for companies that have made this sustainability report. The first time the event was called the Indonesia Sustainability Reporting Award, which was attended specifically for companies in Indonesia. Then in 2014 there was a name change to the

Sustainability Reporting Award. Until finally, in 2018 this award event was called the Asia Sustainability Reporting Rating to date. Starting with Platinum as the highest, followed by Gold, Silver, and Bronze. This change is due to NCSR collaborating with the Institute of Certified Sustainability Practitioners in assessing participating companies. Plus in 2018 this event is being held at the level of Asian companies until now.

The purpose of this award is to motivate companies in Asia in particular to participate in making their company sustainability reports and as a form of appreciation for the efforts of each company that has carried out corporate activities in economic, social and environmental aspects, because the main focus of This award is related to the transparency and compliance of each company in reporting against the standards developed by GRI.

As previously mentioned, the evaluation criteria for the award ceremony are compliance with the GRI Standards, in this research we will discuss the assessment of the comprehensive disclosure option in the sustainability report whether it is in accordance with the GRI standard and the object of this study is an Indonesian company that is rated Platinum in ASRR 2019 event. This aims to see whether Indonesian companies with the highest ranking using comprehensive options in their sustainability reports comply with and comply with GRI standards. Because in the previous research, research by Alfikri (2019), which was the sample of this study, was the category of international companies that were rated platinum in ASRR 2018 and some of these companies used core options and comprehensive options.

Which is in core option it is just requires the material topics that shall be disclosed. It was found that even companies of international class were not in accordance with the GRI Standards in producing their sustainability reports.

Researchers chose companies that were rated platinum because these companies would become role models for companies that were at a lower rank or that had not yet produced a sustainability report. Indonesian companies that have received a platinum rating include PT Agincourt Resources, PT ANTAM Tbk, PT Indo Tambangraya Megah Tbk, PT Perusahaan Gas Negara Tbk, PT Pupuk Indonesia (Persero), PT Pupuk Kalimantan Timur, and PT Vale Indonesia Tbk. From the 7 companies, only 4 of them use comprehensive options, namely PT Agincourt Resources, PT Perusahaan Gas Negara Tbk, PT Pupuk Indonesia (Persero), and PT Pupuk Kalimantan Timur. So, researcher choose PT. Perusahaan Gas Negara Tbk.

Then, the researcher chooses a comprehensive option indicator because the Comprehensive Option is based on the Core option by requiring additional Standard Disclosures regarding strategy and analysis, governance, and ethics and organizational integrity. In addition, the organization is asked to convey its performance more broadly by reporting all Indicators related to identified material Aspects.

1.2. Problem Formulation

Based on the background that has been stated previously, the problem formulation in this study is: Is the sustainability report of PT. Perusahaan Gas Negara Tbk that uses a comprehensive option disclosure

which is one of the Indonesian companies that get platinum rating in the ASRR 2019 complies with the GRI Standards.

1.3. Research Purpose

The purpose of this study is to assess whether disclosures in sustainability report of PT. Perusahaan Gas Negara Tbk that use comprehensive options which is one of the Indonesian companies that get platinum rating in the ASRR 2019 compliance with the GRI Standards.

1.4. Research Benefit

The benefits of this research include:

1. **For the National Center for Sustainability Reporting (NCSR)**, it is hoped that it can help NCSR develop professionalism in providing CSRS and CSRA training in the Southeast Asia regionl, as well as being a means of evaluation in presenting awards at the Asia Sustainability Reporting Rating every year.
2. **For the company**, it is expected to be useful as a means of evaluating the level of compliance in terms of reporting sustainability reports against existing standards.
3. **For investors**, it is expected to help assess the company and provide useful information in terms of assisting in making investment decisions.
4. **For the author**, it is useful as one of the requirements in completing studies at the Faculty of Economics, Department of Accounting, Andalas

University and also as a means of applying the previously learned knowledge in the field of sustainability accounting.

5. **For readers**, it is hoped that it can be useful as a reference source for further research and provide useful information regarding the indicators discussed in this study.

1.5. Writing System

The systematic form of writing from this research is described as follows:

CHAPTER I

This chapter will explain the research background, problem formulation, research objectives, research benefits, and the systematic writing of this research.

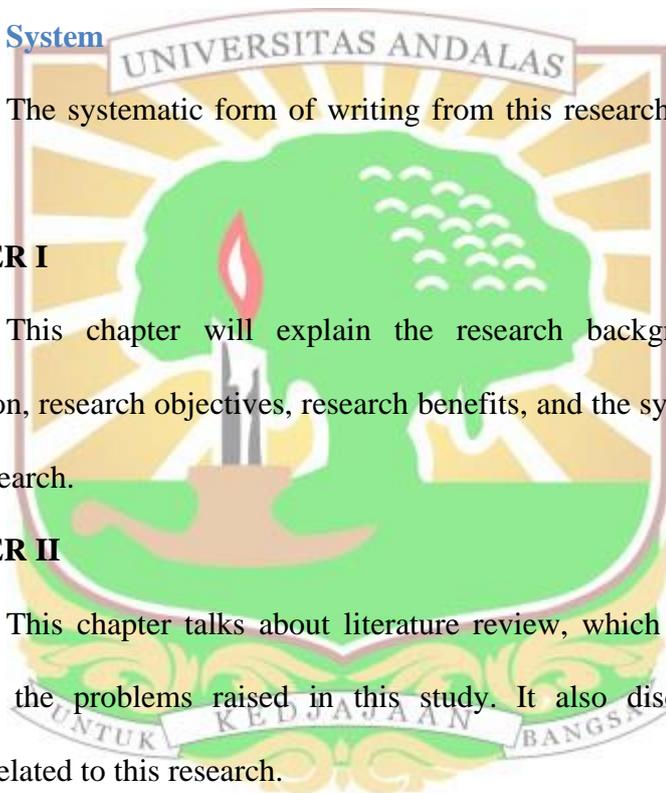
CHAPTER II

This chapter talks about literature review, which is the basis for analyzing the problems raised in this study. It also discusses previous research related to this research.

CHAPTER III

This chapter will explain the research methodology. Which provides an overview of planning in conducting research. Along with this chapter, the types of research, data sources and methods of analysis will be presented.

CHAPTER IV



This chapter contains an overview of the object of research and the results of the research that has been done.

CHAPTER V

This chapter describes the conclusions of the research that has been carried out, the limitations of the research, as well as suggestions addressed to parties who have an interest in this research.

