

# The Influence on Sustainability Report Quality toward Financial Performance

Wijaya Triwacananingrum<sup>1</sup>, Chelsy Cyndy Limpele<sup>2</sup>

<sup>1</sup> [wijaya.tri@uph.edu](mailto:wijaya.tri@uph.edu), <sup>2</sup> [chelsycyndy@gmail.com](mailto:chelsycyndy@gmail.com)

<sup>1,2</sup> Faculty of Economics and Business, Universitas Pelita Harapan, Tangerang, Indonesia

**Abstract.** The purpose of this research is to see if the quality of a sustainability report has an effect on firm's performance. The quality of sustainability report is assessed by its assurance statement and also from the disclosure of GRI standards on the sustainability report. The samples that are used for this research are the firms who had received the ASRRAT award for 2018-2020 period which will be using the reports from 2017-2019. The result of this research shows that the variables used such as sustainability disclosure index and assurance statement has no effect on firm's performance but then again when both of the variables are tested simultaneously result shows that it has a positive effect on firm performance whichon this research is measured by return on assets. But the variable firm size is proven to have a negative effect on firm's performance and industry sensitivity is proven to have no effect on firm's performance.

**Keywords:** sustainability report; assurance statement; firm performance; NCSR

## 1. Introduction

Sustainability report is a report regarding non-financial company information that contains social, environmental and economic (ESG) disclosures and also how the company is progressing with respect to these three factors. Siregar & Bachtiar (2010) in their research emphasizes that sustainability reporting is a report published by a company regarding social, economic and environmental factors that have an impact on daily activities. Yi & Yu (2010) also added in their research that in addition to disclosing non-financial company information, this sustainability report also serves as accountability to stakeholders, both internal and external, will create good company performance and lead to sustainable development.

Today, there are many problems related to financial reports that occur such as falsification of financial statements which makes the credibility of the financial statements themselves questionable, and therefore it is not enough for stakeholders, shareholders and potential investors to only see and judge from their financial reports. Stakeholders, shareholders, as well as potential investors also need information that is more than just financial reports, such as knowing the company's condition with regard to its social and environmental aspects and this is included in a sustainability report. This in itself is quite crucial because users of financial statements demand better and more knowledge or information regarding how economic, social and environmental impacts are taken into account in business continuity and also how companies comply with existing day-to-day regulations (Amran & Ooi, 2014). Therefore, many companies and business people are competing to publish the most interesting sustainability reports because of the emergence of company awareness and concern for their production activities. Companies are also competing to disclose matters such as fulfillment of responsibilities and detailed matters that are not disclosed in the company's financial statements in a complete sustainability report. It is evident that the clarity is also attractive to potential investors because the company also feels that only financial reports not enough to satisfy potential investors, stakeholders, or the target market of the company itself. According to Rajafi & Irianto (2007) in their research, it is said that business people need to put forward a concept of sustainability or sustainability where this concept allows corporate life or also life as a society to continue to be sustainable. In addition, it is proven by the research of Loh, Thomas, & Wang (2017) that in fact the market value of a company that has a sustainability report is better when compared to a company that does not have a sustainability report and this certainly makes the sustainability report more important information. users in making decisions.

The concept of sustainability of a company itself is usually outlined in a report called the Triple Bottom Line Reporting. This report covers three main aspects of sustainability reporting, namely economic, social and environmental. The three aspects disclosed in this report can direct companies to voluntarily contribute to

creating a better social and environmental life (Muqodim & Susilo, 2013). Rajafi & Irianto (2010) wrote in their research that disclosure of the three aspects above is needed to build trust, answer needs, also reduce company risk and also maintain the company's reputation. In addition, it is also necessary to encourage continuous internal improvement, as well as achieve competitive advantages over capital, labor, suppliers and customers.

Sustainability reporting itself in Indonesia has been made an obligation for all companies since 2017 at which time the Financial Services Authority issued POJK (Financial Services Authority Regulation) no. 51 of 2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers and Public Companies. The standard used is the standard from the Global Reporting Initiative (GRI) which contains disclosures relating to economic, social and environmental aspects.

In Indonesia, not all companies publish their sustainability reports, while companies are given awards for companies whose sustainability reports are proven to be well disclosed and in accordance with GRI or G4 standards that exist and apply in Indonesia, which regulate the basic principles needed in a sustainability report. namely balance, comparability, accurability, transparent, also reliability. This award is given by the National Center for Sustainability Reporting (NCSR) in their annual event, namely the Asia Sustainability Reporting Rating (ASRRAT) where companies are assessed by dozens of reliable assessors and then divided into groups of platinum (highest), gold, silver, and bronze awards. the lowest. To get the award the company must have the following criteria:

**Table 1.1**  
*NCSR Assessment Benchmarks*

RATINGS & NUMBERS		BENCHMARK
Platinum	93–100	<ul style="list-style-type: none"> <li>- Using GRI standards</li> <li>- Have an assurance statement sheet that contains the AS AA1000 standard (2018) and or ISAE 3000 in its sustainability report</li> <li>- Full disclosure regarding Energy</li> <li>- Full disclosure that regarding GHG Emissions</li> <li>- SDG compass</li> <li>- Comprehensive options</li> </ul>
Gold	86–92	<ul style="list-style-type: none"> <li>- Using GRI standards</li> <li>- Comply with POJK 51/2017</li> </ul>
Silver	79–85	
Bronze	72–84	
White	<72	

Source: National Center for Sustainability Reporting

This raises questions regarding the quality of the sustainability reporting for each company that gets a different award and how the company's performance is so that in this study the researcher will examine the quality of the sustainability report in question. In assessing the quality of sustainability reports, the standards set by the Global Reporting Initiative (GRI) are made as one of the benchmarks where there are a total of 250 disclosures on three aspects, namely social, economic and environmental. This sustainability report generally requires assurance services to assess whether it is in compliance with applicable standards and principles or not and in their work an assessor must use the AA1000AS (2018) standard, which is a framework created that will guide the company in identifying, prioritizing and responding to challenges sustainability challenges will improve the company's performance in the long term and or use standards from ISAE3000 in carrying out their work. The assurance statement is made as one of the important points that need to be considered in this research because this is one of the factors that guarantees the quality of a sustainability report. An assurance service is provided by KAP whose type is an independent professional service. An assessor must be a competent and certified person in his field. This research will look at how much disclosure is made by companies holding the NCSR award and will also assess the quality of the report from the attached assessor's opinion. However, it turns out that not all companies that issue sustainability reports also attach assurance statements to them, so that by following the NCSR the company's sustainability reports are indirectly assured by the assessors of the activity.

Due to the reasons mentioned above, for this study researchers will investigate the relationship between the quality of sustainability reports and the performance of companies that have received awards from the NCSR based in Indonesia. This also involves several related variables such as considering the industrial sensitivity of each company because previous research (Rudyanto & Siregar 2018) revealed that in fact industry sensitivity or industry belonging was made as one of the aspects that could affect the quality of sustainability reports as well

as the size companies (Ghozali & Rohman 2019). Both are proven to affect the quality of the sustainability report.

De Klerk et al. (2015) in his research classified companies that were sensitive to the environment and those that were not sensitive to the environment where the results showed that companies could be said to be sensitive to the environment when the company was in the mining industry, quarrying industry, manufacturing, electricity, to industries that engaged in the supply of steam or gas, also a construction company.

Hongming et al. (2020) conducted a similar study and obtained the results of a positive effect of the three indicators used on company performance, but the indicators used in this study were social, environmental and safety as well as health, there was no explanation regarding the economic impact. Then, Hardi & Chairina (2019), who used a sample of Indonesian companies, found that there was an effect from economic disclosures but no effect from social and environmental disclosures. Supported by the research results of Fuadah et al. (2019) where there are significant results or relationships between sustainability reports and the company's financial performance.

However, the existing literature does not consider the quality of corporate sustainability reports where, like the sample that will be used in this study, there are already quality benchmarks for each sustainability report taken from published NCSR data.

In this regard, researchers will analyze company performance by considering the GRI Standards (Hypothesis 1), assurance statements (Hypothesis 2), and GRI standards and assurance statements simultaneously (Hypothesis 3).

## **2. Literature Review and Hypothesis Development**

### **2.1 Sustainability Reporting**

Sustainability report is a report made by the company which will also calculate and reveal and see the company's efforts to make it a company that can be trusted by all stakeholders (Effendi, 2016). This report, which is aimed at stakeholders, also acts as a company tool to prove its contribution to social problems and sustainable development which is increasingly recognized by society (Zorio et al., 2013). The results of a KPMG survey in 1993 revealed that 13% of 100 large companies in ten different countries published or disclosed a separate report regarding the company's social and environmental impact. In 2005, after another survey was held, the results were found to have increased almost three times, namely at 33% and at that time it had covered 16 countries. At the same time, observations from several studies lead to a conclusion that in the 90s non-financial reports dominated (Larrinaga, 2007). With numbers increasing every year, this is made a liability in several countries, including Indonesia itself.

### **2.2 Sustainability Assurance**

Assurance is defined as a relationship in which a practitioner aims to obtain sufficient evidence to draw the necessary conclusions to convince report users regarding the information disclosed in the financial statements (IAASB, 2013, p.7). The IAASB's definition with regard to assurance emphasizes three things, namely: 1) the responsible party; 2) independent external assurance services; and 3) report users. If the financial report has an auditor who will assess the report, then in the case of a sustainability report the term assessor is used which is a service provided by KAP and is classified as an independent professional service. This external assurance is needed to examine the company's sustainability report and assess whether the report is complete in its disclosure so that it can be said that the sustainability report can be trusted and used by existing potential investors. The Assessor's duty is to provide validation of a company's sustainability report as well as evaluate the components disclosed in a sustainability report.

### **2.3 ASIAN Sustainability Report Rating (ASRRAT)**

The National Center for Sustainability (NCSR) is the first independent company in Indonesia which aims to develop sustainability reporting practices in Indonesia itself. NCSR has an annual event namely ASRRAT (formerly SRA) which aims to convey appreciation to companies that publish sustainability reports. This is one of NCSR's efforts to improve the quality of sustainability reports. Through several selections and existing criteria, it proves that the winning company is a company that has been tested for its sustainability report. Companies participating in this event come from various industries such as mining, oil, manufacturing, construction, etc. In addition, companies that are included in the State Owned Enterprises also participate in participating.

## **2.4 Agency Theory**

According to Haniffa & Cooke (2002) in their research, agency theory already includes effective corporate governance and will increase the company's ability to face all challenges that may exist and can also reduce conflicts of interest. This agency theory itself explains the conflict from the relationship between the company management (agent) and the stakeholders, this is what is called a conflict of interest where this occurs because there is asymmetry of information or information that is inconsistent and tends to be different from what is received by stakeholders and management. itself, there are also factors of optimistic management behavior, to conflicts of interest between stakeholders and management. Therefore, it is made as an urgency in a company to monitor the performance of management carefully and thoroughly so as to result in the alignment of the objectives of the company's management with stakeholders. This can reduce the occurrence of conflicts, and maximize management performance so that neither party is harmed because both benefit.

## **2.5 Stakeholder Theory**

Stakeholders are groups or individuals who can have an impact or who can receive the impact of an achievement as well as certain goals. This was stated by Friedman in Ramizes' book entitled *Cultivating Peace*. Another definition put forward by Biset with regard to stakeholders is someone who has a concern for a specific problem, while Grimble & Wellard describes stakeholders in terms of the important position and influence they have. From each of the existing definitions, it can be concluded that stakeholder is an attachment between an individual or a group of people with a company institution that is based on a certain interest. Thus, when discussing matters relating to stakeholder theory or stakeholder theory, this means studying matters that have a relationship with the interests of many parties.

## **2.6 Global Reporting Initiative (GRI)**

There are many reporting standards used in the accounting world, especially in the field of auditing to areas related to social accounting, as well as sustainability reporting. The Global Reporting Initiative (GRI) is one of the institutions that provides examples of guidelines for the presentation of sustainability reporting, namely the Sustainability Reporting Guidelines which are currently used as standards in many countries including Indonesia. GRI itself is a network-based institution that will spearhead the preparation of the sustainability report framework that we know so far.

## **2.7 GRI G4 Sustainability Reporting Guidelines**

Sustainability Reporting presented by GRI-G4 discloses reporting principles and standard disclosures as well as implementation guidelines that must be adopted by companies. There are two types of standard publications for this guide: general standard publications and specific standard publications. The General Standard Disclosures themselves consist of seven aspects: 1) Strategy and analysis. It outlines corporate sustainability with the aim of providing context for later sections of the report, which are more detailed than sections in regulations or guidelines. 2) Company profile, which is a complete description of the characteristics of the company and how the company conveys the context regarding the detailed details of the sustainability report compared to the sections in the guide; 3) Material and Boundary Aspects. These facets are identified when the company submits a full description of the contents of the report, the material aspects and limitations identified, and the process followed will determine the restatements. 4) Stakeholder relations are an overall description of how the company's relations with stakeholders throughout the reporting period. Disclosure of this standard is not limited to the work done for reporting purposes. 5) The report profile conveys basic information about the report, the GRI content index, and an overview of how to obtain external assurance. 6) Governance conveys an overall picture of the structure and composition of governance. The role of the highest governance body can be seen in how the company organizes strategy, sets goals, and assesses the capabilities of each party related to the company; 7) Ethics and Integrity is the overall description of the principles, norms, values and standards set by the company itself. Internal and external mechanisms will obtain information on ethical behavior and compliance; and don't forget to report concerns about behavior and integrity issues that are found and deemed unethical or illegal. Assurance Statement Assurance statement is a report provided by independent professional services whose purpose is to convey independent and professional opinion in order to improve and guarantee the quality of existing sustainability reports. This report is addressed to management and external parties to assist in decision making. (NCSR, 2018). Assurance Standards In assuring sustainability reports, of course there are standards as well as national and international frameworks that regulate the most well-known ones such as ISAE 3000 and AA1000AS (GRI, 2013: 12).

## **2.8 International Standard on Assurance Engagements 3000 (ISAE 3000)**

ISAE 3000 is the most common standard for each assurance statement report developed by the IAASB and published in 2003. This standard emphasizes the comprehensive procedures used for the process of collecting

data, evidence and the independence of the assurator (GRI, 2013). There is a minimum assurance content of this standard, totaling 19 content that is used for scoring in related research.

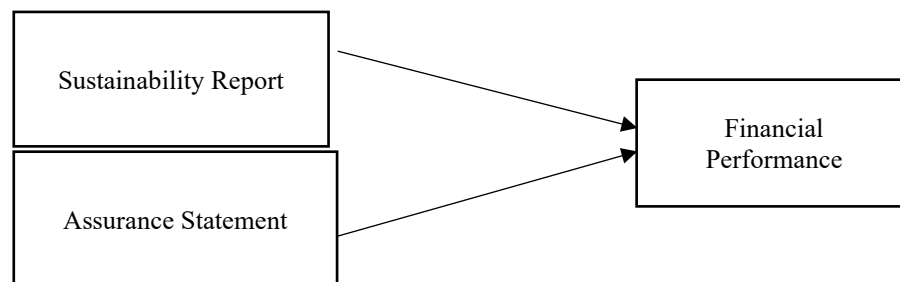
## 2.9 AA 1000 Assurance Standards (AA1000AS)

AccountAbility AA1000 Assurance Standard is used by several companies to help guide corporate sustainability. The standard in question is the result of development by AccountAbility, an institution as well as an external party assurance consulting service which is the result of the implementation of the AA1000APS Principles. The most recent version was published in 2008 and the emphasis in this standard is on how companies respond to stakeholder concerns and corporate sustainability reports. There is a minimum assurance content of this standard, which is 23 content that will be used for scoring in this research.

## 2.10 Thinking Framework

Figure 2.1

Thinking Framework



## 2.11 Hypothesis Development

### The Effect of GRI Standard Disclosures on Company Performance

GRI Standards are an important component in compiling a sustainability report. If the company's sustainability report applies the GRI standards, this will be used as a factor to measure the quality of the sustainability report itself. The quality of a good sustainability report has an effect on the company's brand because investors also consider this when deciding whether to invest or not, but this does not guarantee that the company will have good performance either because of the above, the authors draw Hypothesis 1, namely:

**H1:** GRI standard disclosures applied in sustainability reports have a positive influence on company performance.

### The Effect of the Assurance Statement on Company Performance

An assurance statement is a very important component contained in a company's sustainability report in order to assess the quality of the report presented because the opinion of the existing assessors will reflect how transparent the company is in disclosing social and environmental matters related to the company. A good assurance statement is an assurance statement that is written according to the AS AA1000 standard (2018) and/or ISAE 3000. However, this cannot guarantee that the company concerned has good performance. Because of the above, the authors draw Hypothesis 2, namely:

**H2:** Assurance statements in sustainability reports have a positive effect on company performance.

## 3. Research Method

### 3.1 Population

Population is a generalization consisting of objects or subjects who have certain quantities and characteristics (Sugiyono, 2015) which will later be used by researchers and studied and conclusions drawn. This study uses companies listed on the ASIAN Sustainability Reporting Award (ASRRAT) winner list held by the National Center for Sustainability Report (NCSR) for the 2018-2020 period as a population. The number of companies participating in the event each year varies. In 2018 there were a total of 38 companies participating, increasing to 41 companies in 2019, and with the same number in 2020. Participants in the ASRRAT event itself came from various industries such as manufacturing, contractors, mining, oil and gas, banking, and from various other sectors. And it should also be noted that the participating companies consist of go public companies listed on the IDX as well as various companies included in the State-Owned Enterprises (BUMN).

### 3.2 Sample

According to Sugiyono (2015), a sample is a smaller number than the population but still has the same characteristics or characteristics as the population. Because the population is quite large, in this case the researcher will use a purposive sampling method in limiting the sample to be used using the following criteria:

1. The company participated in the ASRRAT event throughout the 2018-2020 period.
2. The company publishes a sustainability report for the 2017-2019 period.
3. The company publishes financial reports or annual reports for the 2017-2019 period.
4. The company has at least one data, namely an assurance statement or financial information about the company for the 2017-2019 period.

In this research, researchers will only cover companies that meet the criteria mentioned above.

The data for this study were taken from sustainability reports published on the NCSR official website which will assist research in matters relating to the disclosure of GRI standards as well as assurance statements which will be used as variables as well as annual reports or company financial reports published on the IDX or the company's official website which will measure company performance.

### 3.3 Data collection technique

Researchers in this case used the documentation study technique proposed by Sugiyono (2015) for data collection by collecting data and information through written figures, archives, books, photos, as well as papers and presenting them in a report that can be used to assist research. The data regarding the quality of sustainability reports in this study were taken directly from the company's sustainability reports on the official NCSR website as well as the GRI guidelines from the official Global Initiative Reporting website, while data regarding company performance were taken from annual reports and/or financial reports published by companies in the official website or on the Indonesia Stock Exchange (IDX).

### 3.4 Empirical Research Model

Based on the description above as well as the determination of the previous hypothesis regarding the effect of the quality of the sustainability report on company performance, in this study the researchers used the empirical model as follows:

$$ROA = a + \beta SRDI_{it} + \beta ASSR_{it} + \gamma ENV_{it} + \delta SIZE_{it}$$

uit ..... Model (1)

Where:

ROA = *Return on Assets* as a proxy for company performance

SRDI = *Sustainability Report Disclosure Index*

ASSR = *Assurance Statement*

ENVS = *Industry Sensitivity*

SIZE = *Firm Size*

u = *Error*

## 4. Result and Discussion

### 4.1 Research Discussion

#### 4.1.1 Descriptive Statistical Analysis

This study uses descriptive statistics to characterize the information from the data that has been inputted so that it will be easier for readers to understand. This analysis is used to look at the average, smallest and largest values as well as the standard deviation of each variable ranging from return on assets, firm size, industry sensitivity, assurance statement, to the sustainability disclosure index. The table below shows the descriptive statistics of the data used, namely 63 observations:

**Table 4.1**  
*Descriptive Statistics*

Variabel	Min	Max	Mean	Std. Deviation	N
ROA	- 0.029898713	0.185993878	0.0374153437	0.0397183547	63

SIZE	6.082441029	13.87977585	8.774395129	2.044255012	63
ENVS	0	1	0.48	0.503	63
ASSR	0	23	9.75	10.442	63
SRDI	0.22	0.928	0.4392850959	0.1595093440	63

Source: SPSS 26 output results

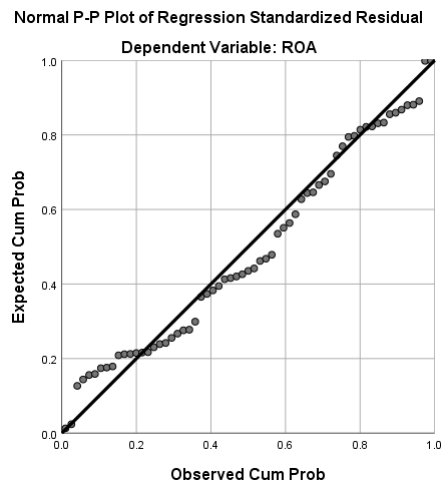
#### 4.1.2 Classic assumption test

In this study, the researcher conducted a classical assumption test with the aim of being able to see whether the research model used met the standards to be used or not. Therefore, the model will pass several tests until it can be said to meet the goodness of fit and is declared workable for this research, which includes the normality test, multicollinearity test, and heteroscedasticity test.

#### 4.1.3 Normality test

In this study, researchers conducted a normality test with the aim of being able to see whether the variables used were fairly distributed so that they could be used or not. The variables tested in this case include the dependent and independent variables. The figure below shows the results of the normality test, which is based on plotting, namely the p-plot regression of data processed with SPSS 26.

**Figure 4.1**  
*Normality Test*



Source: SPSS 26 output results

The picture above shows that the points or plotting of the existing data follow the set diagonal line and there are no points that are scattered chaotically, so it can be said that the variables are normally and fairly distributed, also the regression model has passed the normality test because it shows no symptoms normality.

#### 4.1.4 Multicollinearity Test

In this study, researchers conducted a multicollinearity test with the aim of being able to see whether there were correlated independent variables. The trick is to look at the VIF value as well as the tolerance value of the output data used whether it complies with the criteria or not. A regression model can be said to be good if there is no correlation between the existing variables and the regression model in the research concerned can be assessed from the table attached below:

**Table 4.2**  
*Multicollinearity Test*

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	SIZE	.916	1.092

	ENVS	.977	1.023
	ASSR	.903	1.108
	SRDI	.972	1.029

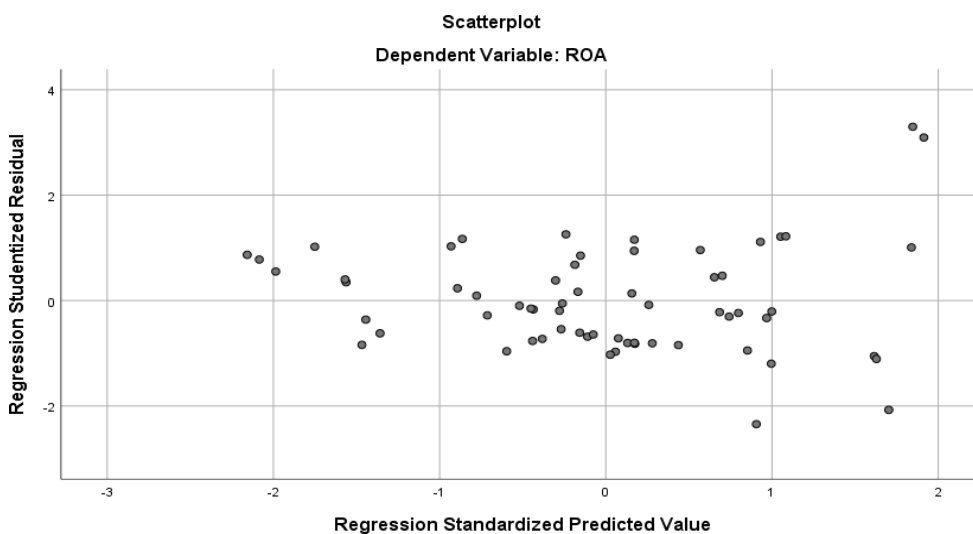
Source: SPSS 26 output results

It can be noted that the VIF value as well as the tolerance for all variables have met the criteria, namely the VIF value must be lower than 10 and the tolerance value must be above 0.1. Therefore it can be said that the variables used have no correlation and the regression model used in this study is considered good and free from multicollinearity symptoms.

#### 4.1.5 Heteroscedasticity Test

In this study, the researcher conducted a heteroscedasticity test with the aim of being able to see whether there was an unequal distribution of variance among the residuals when building the regression model. The tests carried out will see whether the regression model is free from heteroscedasticity symptoms or not in this study by looking at the Scatterplots graph that has been processed from SPSS 26 as shown below:

**Figure 4.2**  
*Heteroscedasticity Test*



Source: SPSS 26 output results

The picture above shows an irregular or unclear pattern. It can also be seen that the dots are scattered in various places, above and below zero on the Y axis so that it meets the criteria to be free from problems or symptoms of heteroscedasticity and can be continued for the next analysis.

#### 4.1.6 Autocorrelation Test

In this study, the researcher conducted an autocorrelation test with the aim of being able to see whether in the regression model used there is a relationship between the t-period confounding error and the t-1 period confounding error. In this case the researcher looks at the Durbin-Watson value with a significance of 5% and will draw conclusions whether there is a problem with the autocorrelation of the regression model.

**Table 4.3**  
*Autocorrelation Test*

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.430 <sup>a</sup>	.185	.129	.0370747990	1.921

Source: SPSS 26 output results

- a. Predictors: (Constant), SRDI, SIZE, ENVS, ASSR
- b. Dependent Variable: ROA

Based on the picture above, the Durbin-Watson value is listed as  $d = 1,921$ . In this study, four independent variables were used to determine the value of  $K = 4$  and the total observation of  $N = 63$ . The Durbin-Watson table shows that the  $dU$  value when  $K$  is 4 and  $N$  is 63 is 1.7296 so that  $4-dU$  is obtained with a value 2.2704. With this, it can be said that the regression model used meets the criteria of  $dU < d < 4-dU$ , namely  $1.7296 < 1.921 < 2.2704$ , which means it is free from problems or symptoms of autocorrelation.

#### 4.1.7 Hypothesis testing

##### Determination Coefficient Test (R<sup>2</sup>)

In this study, the researcher tested the coefficient of determination (R<sup>2</sup>) with the aim of being able to see whether the regression model used was effective in explaining the variation of the dependent variable using the coefficient of determination. In general, in every study it will be proven by the r-square value where the closer the r-square value is to number 1, it means that the existing independent variables convey information about the variation of the dependent variable. The test results in this study can be seen in the image below:

**Table 4.4**

*Test of the Coefficient of Determination (R<sup>2</sup>)*

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.430 <sup>a</sup>	.185	.129	.0370747990	1.921

Source: SPSS 26 output results

- a. Predictors: (Constant), SRDI, SIZE, ENVS, ASSR
- b. Dependent Variable: ROA

Based on the figure above, information can be obtained, namely the dependent variable in this study, namely return on assets, can be described by the independent and control variables by 18.5% while as much as 43% is explained by other variables not used in this study. This is because the dependent variable, namely ROA, is not only influenced by SRDI, firm size, industry sensitivity as well as assurance statements, but there are many other things that influence it.

##### F Statistic Test

In this study, the researcher conducted an F statistical test with the aim of being able to see whether or not there was an influence of the independent variable and control on the dependent variable as a whole by looking at the significance value of the F where  $\text{prob} > F$  if it is less than 5% then a research model is considered workable. The following will be the results of the F statistic test below:

**Table 4.5**

*Statistical Test F*

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.018	4	.005	3.289	.017 <sup>b</sup>
	Residual	.080	58	.001		
	Total	.098	62			

Source: SPSS 26 output results

- a. Dependent Variable: ROA
- b. Predictors: (Constant), SRDI, SIZE, ENVS, ASSR

Based on the table above, information can be obtained about the calculated F value, the result is 3,289 with a significance of 0.017%. The previous data stated that the value of  $K = 4$  and  $N-K = 59$  and if you look at the table of F values with  $\text{sig} = 5\%$ , you will get a value 2.53. Therefore the result is that the standard F count is greater than the F table value with a significance below 5% and it can be said that the regression model for this study can be used because the independent and control variables have proven to have an influence on the dependent variable used in this study.

### Statistical Test t

In this study, the researcher conducted a statistical t test with the aim of being able to see how far each independent and control variable affected the dependent variable in this study. If the significance value of the p-value from the processed data shows a number that is less than 5% for each independent variable, then the effect on the dependent variable can be shown and vice versa. The following is the result of processed data that will show its value:

**Table 4.6**  
*Statistical Test t*

Coefficients <sup>a</sup>				
Model		Unstandardized B	t	Sig.
1	SIZE	-.008	-2.284	.002
	ENVS	.014	1.509	.137
	ASSR	.000	-.507	.614
	SRDI	-.034	-1.123	.266

Source: SPSS 26 output results

From the figure above, information can be obtained where the calculated t values for each independent and control variable are -0.507, -1.123, 1.509, and -3.284 while the coefficient  $\beta$  values are 0.000, -0.304, 0.014, and -0.008. and the significance of each variable is 0.614, 0.266, 0.002, and 0.137. Looking at the t table with a significance level of 5%, the value 2.0017 will be  $N-K-1 = 58$  so that knowing the effect must meet the criteria for  $t_{count} > t_{table}$  value. From the data above it can also be seen that only the SIZE variable fulfills a significance level below 5% with a negative  $\beta$  value. Therefore it can be concluded that company size has a negative influence on company performance while other variables such as the sustainability report disclosure index, assurance statements, and industry sensitivity have no effect on company performance as proxied by this return on assets.

### The Effect of GRI Standard Disclosures on Company Performance

Based on the results of the hypothesis testing that has been carried out in the previous sub-chapter, it can be interpreted that the disclosure of GRI standards proxied through the sustainability report disclosure index (SRDI) has a significance of 0.266 and a  $\beta$  value of -0.034 at the level of  $\alpha = 5\%$ . With this information, it can be concluded that disclosure of GRI standards partially has no effect on company performance and means that H1 in this study is **rejected**.

Sustainability reports containing disclosure of non-financial information based on GRI standards have in fact proven to have no effect on company performance. The point is that a decrease or increase in company performance has nothing to do with the disclosure of this non-financial information. This disclosure is only considered as additional information that does not even affect the policies that will be taken by stakeholders in an effort to increase company profits. So it may be felt that the disclosure of the company's performance included in the annual report alone is sufficient to assist in making decisions. This may also be caused by uncertainty in the market so that things that can affect the company's performance vary and are not just disclosures of the GRI standards and in general, the impact of this sustainability report will only be seen in the long or long term. term. The results of this study which prove that the disclosure of GRI standards has no effect on company performance may also be an answer to why there are still so few companies in Indonesia that publish their corporate sustainability reports. The researcher realizes that this hypothesis is rejected, perhaps because of the limitations of the data used, but these results are in line with the research conducted by Sejati & Prastiwi (2015) where the result is that disclosures regarding sustainability have no effect on company performance.

### The Effect of the Assurance Statement on Company Performance

Based on the results of the hypothesis testing that has been done in the previous sub-chapter, it can be seen that the minimum assurance content disclosure has a significance of 0.614 and a  $\beta$  value of 0.000 at the level of  $\alpha = 5\%$ . With this information, it can be concluded that the disclosure of minimum assurance content in the assurance statement attached to the company's sustainability report partially has no impact on company performance and means that H2 in this study is **rejected**.

An assurance statement is an important component in a company's sustainability report because it guarantees the reliability of the report. This is also one of the indices of the GRI standard which suggests validation from external parties will guarantee its sustainability report but in this study it is seen that there are still several companies that have not attached assurance statements and from the results of this study it is also proven that this variable has no effect on the company's performance in general. This form of validation from

external parties is considered not to determine the increase or decrease in company profits, because it is only limited to ensuring that the company's sustainability report is disclosed properly and correctly and in accordance with applicable standards. Although researchers are aware of the limitations of data collection in this study because of the companies that did not attach assurance statements in their sustainability reports in 2017 and 2018, there were 12 companies that made up half of the sample used and in 2019 there were nine companies that did not attach assurance statements, therefore the researchers acknowledged that the limitations of existing data and the number of years of research are relatively short but this is in line with research from Rahmansyah & Faisal (2015) which found that assurance statements have no effect on company performance.

## 5. Conclusions

The conclusion that can be drawn is that the first hypothesis, namely the disclosure of GRI standards applied in sustainability reports has a positive effect on company performance and the second hypothesis, namely the assurance statement on sustainability reports has a positive effect on company performance, was **rejected** because it did not meet the t-test significance criteria below 5%. Another control variable, namely industry sensitivity, is also proven to have no effect on company performance and the only variable that meets the significance criteria below 5% or which means it has an influence on company performance in this study is firm size which has a negative effect based on the statistical hypothesis test t that was done in the previous chapter.

This means that company size can trigger a decrease in the company's return on assets or it can be said that if there is a decrease in the company's return on assets, this can be triggered or influenced by the log total assets of the company. Whereas for other variables such as disclosure of GRI standards, disclosure of the minimum content of the assurance statement as well as industry sensitivity has no effect on the company's performance as a proxy through the company's return on assets or in other words an increase or decrease in return on assets is not triggered by the disclosure of GRI standards in the report. corporate sustainability, disclosure of the minimum content of the assurance statement in the company's sustainability report and the sensitivity of the company's industry so that this cannot be used as a reference for investors in considering their investment in a company.

## References

- AccountAbility (2008). *AA1000 Assurance Standard v3*. AccountAbility. <https://www.accountability.org/standards/aa1000-assurance-standards>
- Acciona (2019). *What a Sustainability Reporting is For*. Acciona. <https://www.activesustainability.com/sustainable-development/what-a-sustainability-report-is-for-i/>
- Almilia L. S, Budisetyo S. (2019) *The Impact of Financial and Sustainability Reporting on Profitability, Stock Price and Return in Indonesia Stock Exchange*. Surabaya, Indonesia (127) <http://www.ijbejournal.com/images/files/8122484915c592e9251a6d.pdf#page=127>
- Arcolab (2020). *Why is Sustainability Important for Private and Public Organizations*. Arcolab. <https://www.arcolab.org/en/sustainability-reporting-important-for-businesses/>
- Burhan A. H. N, Rahmanti W (2012) *Journal of Economics, Business, and Accountancy Ventura*. Universitas Gadjah Mada. pg. 257-272. <https://journal.perbanas.ac.id/index.php/jebav/article/view/79>
- Ching H. Y., Gerab F, Toste T. H. (2017) *The Quality of Sustainability Reports and Corporate Financial Performance: Evidence from Brazilian Listed Company*. <https://journals.sagepub.com/doi/full/10.1177/2158244017712027>
- e Klerk et al. (2015). *The Influence of Corporate Social Responsibility Disclosure on Share Prices: Evidence from the United Kingdom*. Emerald Publishing.
- Donaldson, T., & Preston, L. E. (1995). *The Stakeholder Theory of The Corporation: Concept, Evidence, and Implications*. *Academy of Management Review* Vol.24 No.2 , pp.65-91.

- Dwinda A. (2021). *5 Prinsip Good Corporate Governance*. Glints. <https://employers.glints.id/resources/5-prinsip-good-corporate-governance-gcg/>
- Ecovadis (2020). *What is a Sustainability Reporting?* Ecovadis. <https://ecovadis.com/glossary/sustainability-reporting/>
- Fuadah L., Safitri R. H., Yuliani (2019). *Factors Influencing Financial Performance through Sustainability Reporting in Indonesia*. Universitas Sriwijaya, Indonesia. <https://journal.unnes.ac.id/nju/index.php/jda/article/view/16618>
- Global Reporting Initiative (2021). *How to Use the GRI Standards*. GlobalReporting Initiative. <https://www.globalreporting.org/how-to-use-the-gri-standards/>
- Gray, R. (2005). *Taking a Long View on What We Now Know About Social and Environmental Accountability and Reporting*. Electronic Journal of Radical Organisation Theory, Vol. 9, pp. 1-31 .
- Hardi E., Chairina (2019). *The Effect of Sustainability Reporting Disclosure and Its Impact on Companies Financial Performance*. Lambung Mangkurat University. <https://ijwem.ulm.ac.id/index.php/ijwem/article/view/188>
- Hill, C. W., & Jones, T. M. (1992). *Stakeholder-Agency Theory*. Journal of Management Studies.
- Hongming X., Ahmed B., Hussain A. (2020). *Sustainability Reporting and Firm Performance: The Demonstration of Pakistani Firms* <https://journals.sagepub.com/doi/full/10.1177/2158244020953180>
- IAASB (2013). *International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information*. IAASB. <https://www.iaasb.org/publications/international-standard-assurance-engagements-isae-3000-revised-assurance-engagements-other-audits-or-0>
- Imam Ghozali (2011). *Aplikasi Analisis Multivariate dengan Program IMB SPSS*. Badan Penerbit Undip.
- Larrinaga C (2007). *Sustainability Reporting: Insights from Neo-Institutional Theory*. University of Burgos, Routledge. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1926242](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1926242)
- National Center for Sustainability Reporting. *List of Rating ASRRAT 2020*. NCSR. <https://ncsr.id/list-of-winner/list-of-rating-asia-sustainability-reporting-rating-asrrat-2020/>
- Otoritas Jasa Keuangan. *Peraturan Otoritas Jasa Keuangan no.51 tahun 2017*.
- Otoritas Jasa Keuangan. [https://www.ojk.go.id/id/kanal/perbankan/regulasi/peraturanojk/Pages/POJ\\_K-Penerapan-Kuangan-Berkelanjutan-bagi-Lembaga-Jasa-Kuangan,-Emiten,-dan-Perusahaan-Publik.aspx](https://www.ojk.go.id/id/kanal/perbankan/regulasi/peraturanojk/Pages/POJ_K-Penerapan-Kuangan-Berkelanjutan-bagi-Lembaga-Jasa-Kuangan,-Emiten,-dan-Perusahaan-Publik.aspx)
- Pahlawan D., Purnomo H., Murniati W (2018). *Analisis Pengaruh Penerapan Good Corporate Governance terhadap Kinerja Perusahaan*. Sekolah Tinggi Ilmu Ekonomi Widya Gama Lumajang. <http://repository.stiewidyagamalumajang.ac.id/405/>
- Puspitandari J. & Septiani A. (2017). *Pengaruh Sustainability Report Disclosure terhadap Kinerja Perbankan*. Diponegoro Journal of Accounting, vol. 6, no.3, pp. 1-12.
- Rahmansyah H. & Faisal F. (2015). *Pengaruh Assurance Sustainability Report terhadap Market Value Perusahaan yang Terdaftar di BEI pada tahun 2011-2013*. Diponegoro Journal of Accounting, Vol. 4, no. 4, pp. 158-165.

Sejati B. P. & Prastiwi A. (2014). *Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja dan Nilai Perusahaan*. Diponegoro Journal of Accounting, vol. 0, pp. 195-206.

Sugiyono. (2015). *Metode Penelitian Kombinasi (Mix Methods)*. Bandung: Alfabeta.