The Influence of Company Characteristics and Corporate Governance Toward Environmental Disclosures and The Effects on Environmental Performance

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ABSTRACT

The purpose of this research is to investigate the influence of company characteristics and corporate governance toward environmental disclosures and the effects on environmental performance. The samples are companies listed in Indonesia Stock Exchange and participated in Company's Environmental Rating Program (PROPER). The research method used is path analysis. Exogenous variables researched are size, leverage, independent commissioner proportion, number of audit committee meeting, and environmental disclosure. Variable endogenous researched is environmental performance.

This research shows only size (total asset) that has significant influence. The total contribution from company's size toward environmental performance is 11.97% from direct and indirect influence. It means if total asset increases and company does environmental disclosures, the environmental performance will improve. Company must disclose their total asset and environmental activity to get better assessment of environmental performance by stakeholders and to get better reporting.

Keywords: company characteristics, corporate governance, environmental disclosure, environmental performance.

1. INTRODUCTION

1.1 Research Background

Public awareness about the global issue of environment has been increased. It is marked with the increasing number of assessment conducted to know how good was environmental performance in every country in the world. Based on Environmental Performance Index (EPI) by Yale University (2014), Indonesia got 112th rank for its environmental performance with score 44.36 from 100 and 16th rank from 24 countries in the East Asia and Pacific. This fact proved that Indonesia still had much work to improve its environmental performance to obtain a better rank.

The need for improved environmental performance in Indonesia led to the Government's efforts to promote the management of the environment. The Government made an assessment of the company's performance by launching Company's Environmental Rating Program (PROPER) in management of the environment area for every two years. PROPER's objective is to encourage company's environmental performance through the compliance toward environmental regulation and law. The company that participated in PROPER must provide access of information, transparency, and public participation in its environmental management activity. This is in accordance with the Decision of the Minister of the Environment Number 18 year 2010 about PROPER in management of the environment.

In order to assess the company's environmental performance in Indonesia, every activity of environmental management must be reported through environmental disclosure. Sometimes there are companies who do not explain completely all of their environmental management activities. It will impact on the result of environmental performance assessment that become unsatisfactory. There are also several companies that have explained environmental activities completely but they still do not get satisfactory result of environmental performance assessment.

The disclosure of environmental information can be influenced by company characteristic (Mirfazli and Nurdiono 2007) and also corporate governance (Eng and Mak 2001). Every company has different characteristic and it causes the level of information disclosure being performed is also different. Company characteristic can be associated with the company size and leverage. Company who has high leverage will reduce its information disclosure because information disclosure affects to cost and reduce company's income (Rusdianto 2013).

Besides company characteristic, every public company has to do corporate governance. Board of commissioner is a part of company that is in charge of conducting control and ensure company has done corporate governance. One of commissioners' principles in doing their tasks is they must be effective, accurate, fast, and independent in making decision (National Committee of Governance Regulation 2006). Independent commissioner and audit committee are functions for increasing control toward management behavior to do voluntary disclosure in corporate annual report (Rosenstein and Wyatt 1990).

2. LITERATURE REVIEW

2.1 Accounting Theory

Agency theory developed by Jensen and Meckling 1976 that defined agency theory as a contract between one or more principal with other parties (agent) to run principal's business and make decision for principal. (Deegan and Unerman 2011) mentioned that company needs control mechanism so the management will act according to the needs of principal. Based on the two opinions, agency theory can be concluded that it is a contract between principal and agent which agent is given a privilege to run and make decision in the business of principal and the privilege followed by control mechanism for management (agent).

Legitimacy theory occurred between organization and community where company get privilege for operating business (Forst and Wilmshurst 1999). According to (Deegan and Unerman 2011), organizations will search for a support from external parties so the organizations can operate and do their business activity so the organization must implement sufficient ethics of environment. Therefore, legitimacy theory can be concluded as a privilege permission from community to organizations so the organizations can operate their business activity and operation within community's environment.

Social contract theory is a theory about company and community where company and community do gives and takes or have mutual benefit for each other. (Deegan and Unerman 2011) mentioned that social contract related to community which is give operational legitimation to company for using their natural and human resources in exchange with getting benefit from company. Therefore, company and community will have mutual relationship because company get the legitimation for operating and community get benefit from company.

2.2 Environmental Performance

To assess environmental economic practice, Ministry of the Environment launched Assessment of Company Performance Program in environmental management that is known as PROPER. PROPER has purpose to encourage the increasing of environmental management by spreading information of company's environmental management performance (Ministry of the Environment 2010). Assessment of PROPER can be differentiated into two categories: compliance assessment and beyond compliance. There are five rating from PROPER assessment that can be used to determine company's environmental performance: gold (excellent), green (very good), blue (good), red (bad), and black (very bad).

2.3 Environmental Disclosure

Environmental disclosure is information reported and related to environment in corporate's annual report (Suhardjanto 2010). Environmental disclosure is a form of corporate social responsibility and a way to achieve company's sustainability (Rusdianto 2013). Environmental disclosure gives information of activity performed by company related to environment and the uses of natural resources to the stakeholder.

Assessment of environmental disclosure can be standardized using Global Reporting Initiatives (GRI) standard that has been used in many companies in the world. Indicators used in GRI standard consists financial, environmental, and social aspects. There are 34 environmental aspect indicators to measure environmental disclosure in this research.

2.4 Company Characteristic

2.4.1 Size

(Rusdianto 2013) defined that size can influence the scope of information disclosure in the corporate annual report. Large company will disclose more information than small company. On the other hand, small companies will not disclosure too many information because they are in a situation which have tight competition with other companies. The company size can be measured with natural logarithm from total assets.

2.4.2 Leverage

(Rusdianto 2013) defined leverage as a comparison between liabilities and equity that is used by company to support company's activity from external parties. Information disclosure can increase cost to the company and reduce income. Based on agency theory and its relation to company's management, high disclosure of information will affect expenditure and reduce company's income. High leverage will reduce social responsibility disclosure because it will add cost to the company or reduce company and affect creditor opinion toward company (Sembiring 2005). Therefore, leverage can be measured with total liabilities divided by total equity.

2.5 Corporate Governance

2.5.1 Independent Commissioner Proportion

The board of commissioner responsible to control and give advice to director to ensure company has done GCG (National Committee of Governance Regulation 2006). Independent commissioner is parties that they do not have business and family relationship with controlling shareholder, member of director, other commissioner, and the company itself. The number of independent commissioner must guarantee company's control run effectively and the same with regulation or law. One of the independent commissioners must have accounting or finance background.

The larger number of commissioner, it make the easier to control CEO and do effective control. The pressure toward management will be huge to do social responsibility disclosure. Agency theory said that the board of commissioner is the highest mechanism of company's internal control which has responsibility to monitoring top management conduct (Rusdianto 2013). The board of commissioner can also control management to increase voluntary information disclosure in company's annual report (Suhardjanto 2010). Independent commissioner can control the implementation of corporate governance objectively than general commissioner. Therefore, this research will analyze independent commissioner proportion using total independent commissioner divided by total commissioner.

2.5.2 Number Of Audit Committee Meeting

The board of commissioner can perform their function of controlling assisted by audit committee. Audit committee is a committee which assisted the board of commissioner to ensure several things (National Committee of Governance Regulation 2006) such as financial report has been fair disclosed according to standard, company's structure of internal control has been performed correctly, internal and external audit implementation has been performed according to audit standard and follow up of audit findings that has been performed by management.

Based on company corporate governance regulation, audit committee meeting must be done four times in a year (Suhardjanto 2010). The objective is to increasing audit committee performance according to their tasks and functions. The frequent meeting occurs, audit committee is expected to improve their performance in implementing company's corporate governance control. The number of audit committee meeting can be measured by counting the number their meeting in a year.

2.6 Previous Research

This research is performed with previous research conducted as references. (Sembiring 2005) performed an analysis of company characteristic toward social responsibility disclosure. The result were size, profile, and commissioner size had positive influence toward CSR. Profitability and leverage had negative influence toward CSR.

(Suhardjanto 2010) performed an analysis of corporate governance and company characteristic toward environmental disclosure. The result was ethnic background of president com-missioner, leverage, and profitability were influencing factor of environmental disclosure. Ethnic background of president commissioner and size had positive influence toward environmental disclosure, leverage had negative influence.

(Pagalung, et al. 2014) performed an analysis of financial resources capability, and company characteristic toward environmental performance through corporate disclosure. The result was capability was an important variable in achieving environmental performance. Company characteristic had an effect on environmental performance.

2.7 Hypothesis Formulation

Based on the research background, problems, previous research, theories, literature review, and research model, these are the formulated hypothesis in this research:

H_1: Size influences environmental disclosure
H_2: Leverage influences environmental disclosure
H_3: Independent commissioner proportion influences environmental disclosure
H_4: Number of audit committee meeting influences environmental disclosure
H_5: Environmental disclosure influences environmental performance
H_6: Size influences environmental performance
H_7: Leverage influences environmental performance
H_8: Independent commissioner proportion influences environmental performance
H_9: Number of audit committee meeting influences environmental performance

3. RESEARCH METHOD

3.1 Research Method And Variables

Research method in this research is using path analysis. Path analysis is used to analyze the path relationship between variables with a purpose to know direct influence or indirect influence a group of exogenous variable toward endogenous variable (Riduwan and Kuncoro 2014). Path analysis can also observe influencing path mechanism between exogenous variable toward endogenous variable. The exogenous variable is equivalent of independent variable which had an arrow to outside of the model. The endogenous variable is equivalent to dependent variable, have one or more arrows into the model (Hair et al. 2014).

Size (X_1), leverage (X_2), independent commissioner proportion (X_3), number of audit committee meeting (X_4), and environmental disclosure (Y) are exogenous variables with scale ratio. Environmental performance (Z) is endogenous variables with scale ratio. Because every variable used scale ratio, the variables can be used for hypothesis testing with multiple regression.

3.2 Population, Sample, And Data

This research population used public companies that are listed in Indonesia Stock Exchange (ISE) within 2011-2013 as the population. The total number of this population in 2013 is 459 companies. Sample collection technique that is chosen is purposive sampling using several criteria, such public companies that published annual and financial reports consistently and completely within 2011-2013 in ISE, public companies participated in PROPER within 2011-2013, and public companies participated consistently in PROPER within 2011-2013 period. The number of this research sample is 29 public companies (Indonesia Stock Exchange 2014; Ministry of the Environment 2011-2013). Data collection techniques that are used in this research are seconder data from annual report Indonesia Stock Exchange 2011-2013.

3.3 Data Analysis Method

Data analysis method in this research is used path analysis. Path analysis is used to analyze the result from hypothesis test to know the direct and indirect influence between exogenous and endogenous variables.

There are two sub path diagrams from this research model that are used in hypothesis test. The first path diagram will test size, leverage, independent commissioner proportion, and number of audit committee meeting toward environmental disclosure. The second path diagram will test size, leverage, independent commissioner proportion, number of audit committee meeting, and environmental disclosure toward environmental performance directly. The second path diagram will also test size, leverage, independent commissioner proportion, and number of audit committee meeting toward environmental performance through environmental disclosure as indirect influence.

4. DATA ANALYSIS

4.1 Result Of Data Analysis

4.1.1 Correlation Test Result

The correlation test result in this research varied from weak and very weak correlation between the variables researched. Even though the correlations between variables are weak, the variables still can be used in path analysis. The correlation test results are as the followings Table 1 and Table 2.

4.1.1.1 Correlation Of Size And Leverage

The relationship between size and leverage is very weak with correlation (r) = 0.009. Contribution of size toward leverage is 0.0081% and vice versa. It means the rest contribution that cannot be explained in this research is 99.9919%. (Byoun 2007) found that company size had a relationship with leverage. Small firms preferred to use equity financing than debt financing. Large firms used more leverage than small firms because large firms are more transparent and have lower asset volatility. Therefore, company size has a correlation with company leverage even though the correlation between size and leverage is very weak with contribution 0.0081%.

4.1.1.2 Correlation Of Size And Independent Commissioner Proportion

The relationship between size and independent commissioner proportion is very weak with correlation (r) = 0.161. Contribution of size toward independent commissioner proportion is 2.59% and vice versa. It means the rest contribution that cannot be explained in this research is 97.41%. Large firm has many board of commissioner and between the boards of commissioner there is independent commissioner. Number of independent commissioner must be proportioned to total commissioner (National Committee of Governance Regulation 2006). If there are many commissioners then the number of independent commissioner will increase. Therefore, there is a correlation between size and independent commissioner proportion even though the correlation between size and independent commissioner proportion is very weak with contribution 2.59%.

4.1.1.3 Correlation Of Size And Number Of Audit Committee Meeting

The relationship between size and number of audit committee meeting is weak with correlation (r) = 0.204. Contribution of size toward number of audit committee meeting is 4.16% and vice versa. It means the rest contribution that cannot be explained in this research is 95.84%. (Hasanah et al. 2014) said that company size had a relationship with audit committee because large firms needed many resources to maintain the company properly.

Many activities were also performed by large firms than small firms so the large company needed more audit committee to monitor company's activities. If there are many audit committee then the meeting will be performed will increase so the audit committee can give their best performance. Therefore, company size has a correlation with the number of audit committee meeting. This research result shows that the correlation between size and number of audit committee meeting is weak but they have a relationship with contribution 4.16%.

4.1.1.4 Correlation Of Leverage And Independent Commissioner Proportion

The relationship between leverage and independent commissioner proportion is very weak with correlation (r) = 0.106. Contribution of leverage toward independent commissioner proportion is 1.12% and vice versa. It means the rest contribution that cannot be explained in this research is 98.88%. Leverage policy will be determined by company's policy that also made by the board of commissioner as company's controller. Independent commissioner is expected to help decision making about financing source that meet company's purpose and need (National Committee of Governance Regulation 2006). Therefore, leverage and independent commissioner proportion has a correlation. This research result shows that the correlation between leverage and independent commissioner proportion is very weak with contribution 1.12%.

4.1.1.5 Correlation Of Leverage And Number Of Audit Committee Meeting

The relationship between leverage and number of audit committee meeting is very weak with correlation (r) = -0.112. Contribution of leverage toward number of audit committee meeting is 1.25% and vice versa. It means the rest contribution that cannot be explained in this research is 98.75%. Leverage has a relationship with audit committee because audit committee has a responsibility to monitor company's financial activity such as leverage (Hasanah et al. 2014). The number of audit committee meeting can influence the board of commissioner decision toward leverage or company's financing sources. Leverage has a correlation with number of audit committee meeting even though the correlation strength is very weak with contribution 1.25%.

4.1.1.6 Correlation Of Independent Commissioner Proportion And Number Of Audit Committee Meeting

The relationship between leverage and independent commissioner proportion is very weak with correlation (r) = -0.196. Contribution of leverage toward independent commissioner proportion is 3.84% and vice versa. It means the rest contribution that cannot be explained in this research is 96.16%. Commissioner task is supported by audit committee (Hermawan 2011). The audit committee policy will determine the frequency of meeting that will be performed by audit committee. To achieve best performance objectively, independent commissioner can increase the frequency of audit committee meeting from minimum standard. Therefore there is a correlation between independent commissioner and number of audit committee meeting. The strength of correlation between independent commissioner and number of audit committee meeting is very weak with contribution 3.84%.

4.2 Hypothesis Test

4.2.1 t-Test (Partial Test) Result

4.2.1.1 First Path Diagram

This research hypothesis will be accepted if significance from table coefficient < 0.05 and – calculated t < –t table or calculated t > t table value. Calculated t can be seen from Table IV.1 and t table can be achieved from table t distribution with df = 82, sig.0.05 that resulted in t table value is 1.9893. The result of first path diagram testing is only size that has significance influence toward environmental disclosure.

The evidence are calculated t of size variable from Table 3 is 3.504 and significance of size variable is 0.001. Because significance = 0.001 < 0.05 and calculated t value > t table (3.504 > 1.9893), Ha_1 is accepted or size influences environmental disclosure. This result is supported by previous research (Sembiring 2005; Almilia 2008; Suhardjanto 2010; Lucyanda and Siagian 2012).

Other variables such as leverage, independent commissioner proportion, and number of audit committee meeting have significance above 0.05 and – t table ≤ calculated t value ≤ t table. Therefore, $Ha_{2\text{-}4}$ are declined or leverage, independent commissioner proportion, and number of audit committee meeting do not influence environmental disclosure. This results are supported by previous result.

4.2.1.2 Second Path Diagram

This research hypothesis will be accepted if significance from table coefficient < 0.05 and – calculated t < –t table or calculated t > t table value. Calculated t can be seen from Table IV.2 and t table can be achieved from table t distribution with df = 81, sig.0.05 that resulted in t table value is 1.9897. The result of second path diagram testing is only size that has significance influence toward environmental performance.

The evidence are calculated t of size variable from Table 4. is 2.594 and significance of size variable is 0.011. Because significance = 0.011 < 0.05 and calculated t value > t table (2.594 > 1.9897), Ha_6 is accepted or size influences environmental performance. Other variables such as leverage, independent commissioner proportion, number of audit committee meeting, and environmental disclosure have significance above 0.05 and – t table ≤ calculated t value ≤ t table. Therefore, $Ha_{5,7\text{-}9}$ are declined or leverage, independent commissioner proportion, number of audit committee meeting, environmental disclosure, and do not influence environmental performance.

4.2.2 Path Analysis

The result of path analysis method to identify the direct and indirect influence between exogenous and endogenous variables is as the following Figure 1

The path diagram above is processed to know the percentage of contribution (influence) between exogenous and endogenous variables. The result of path diagram contribution in direct and indirect influence between variable is as the following Table 5.

4.3 Research Result Analysis

4.3.1 First Path Diagram

4.3.1.1 Size Toward Environmental Disclosure

Big company will have more responsibility to give information (disclosure) to stakeholder about company’s activity. This statement is supported by Jensen and Meckling (1976) through agency theory. Size of company that measured by total asset in this research can describe how big resources that a company had to operate business activity and make contribution to society and environment. This research result shows that the bigger a company has assets then the bigger they need to make environmental disclosure. The reason is big company has more influence and impact toward environment where they run their business activity. The environmental disclosure is one of transparency aspect that needed by stakeholder to know more about the company and make decision to invest or support company activity.

Size or company’s total asset can give contribution toward the level of environmental disclosure. This research result has the same result as some previous study performed by (Sembiring 2005; Almilia 2008; Suhardjanto 2010; Lucyanda and Siagian 2012). This research found that size gives contribution toward environmental disclosure about 13.25% from direct influences. It means that 13.25% factor from size determines company disclose environmental activity or not. The 86.75% contribution is from other factor that influences environmental disclosure.

Environmental disclosure occurs if company has and does environmental activity. The activity will need cost that is financed by company’s asset, such as cash, equipment, and other fixed assets. If total asset increases then 13.25% environmental disclosure is supposed to increase. There is other factor that cannot be explained in this research that influences 86.75% of company’s environmental disclosure, such as the obligation for disclosure from government, stakeholder’s pressure, and public’s need.

The theory and previous research about the influence of total asset toward environmental disclosure are also supported by the fact occurred in the public Indonesia companies that participated in PROPER. Big companies tend to have environmental disclosure above average, such as PT. Aneka Tambang Tbk., PT. Asahimas Tbk., PT. Astra Agro Lestari Tbk., PT. Citra Tubindo Tbk., PT. Fajar Surya Tbk., PT. Holcim Tbk., PT. Indorama Tbk., PT. Kalbe Farma Tbk., PT. Medco E&P Tbk., PT. Semen Indonesia Tbk., PT. Toba Pulp Tbk., and PT. Unilever Indonesia Tbk.

It means public company or big company is influenced by responsibility to make environmental disclosure. The responsibility is related to how big the impact of public company activity toward environment around the company operates. The impact of environmental disclosure can change society perception about company’s awareness toward sustainable environment. The higher company increases its environmental disclosure, the better company’s image on public and shareholder’s perception.

Facts above shows that big companies are more pay attention and aware about environmental disclosures than small companies. But the level of environmental disclosure must be increased not only for public or big companies but also for private and small companies. The component of environmental activity disclosed also must be added in accordance with GRI standard that is used internationally. If the level of company's environmental disclosure with international standard increases then Indonesia's rating for environmental disclosure will increase too.

4.3.1.2 Leverage Toward Environmental Disclosure

The higher leverage, the lower the environmental disclosure disclosed. It can be caused by the high leverage will need more interest expense that reduces environmental activity budget. If environmental activity budget reduces then the activity that can be disclosed will reduce. Even though the common logic is supported by Rusdianto (2013), this research result cannot support it. The research result is supported by some previous research from (Anggrain 2006; Almilia 2008; Lucyanda and Siagian 2012). But this result does not support research (Sembiring 2005, Suhardjanto 2010, and Ummami & Triyuwono 2011) that leverage influenced environmental disclosure. This research found that the contribution of leverage toward environmental disclosure is 1%.

It means the high and the low of company's leverage is only influence 1% probability environmental disclosure will be disclosed or not and it is not a significant factor that is determining. So no matter a company has debt or no debt, if they care about environment they will disclose environmental disclosure, and if they do not care they will not disclose environmental disclosure. The other factor that cannot be explained in this research about the influence of leverage toward environmental disclosure is 99%. It can be regulation factor, shareholder pressure, or company's motivation that can determine the disclosure of environmental activity in company's annual report.

4.3.1.3 Independent Commissioner Proportion Toward Environmental Disclosure

One of the controlling tools toward management in disclosed information in annual report was independent commissioner (Suhardjanto, 2010). The role of independent or dependent commissioner is as the controller in company's corporate governance. This research cannot support previous research performed by Kurniawan (2013) that resulted independent commissioner proportion influenced disclosure. This research result can support research by Suhardjanto (2010) that said independent commissioner proportion did not influence environmental disclosure. Independent commissioner proportion gives contribution toward environmental disclosure about 0.66%. It means environmental disclosure is influenced by 0.66% independent commissioner proportion and 99.34% contribution is from other factors.

It also has meaning that influence of independent commissioner to control management about making environmental disclosure is 0.66%. There is no significant impact of independent commissioner to make the level of company's environmental disclosure increases. The environmental disclosure is influenced by 99.34% other factor that makes management do environmental disclosure that cannot be explained in this research.

4.3.1.4 Number Of Audit Committee Meeting Toward Environmental Disclosure

Besides board of commissioner, audit committee is also a tool for corporate governance control. This committee conducts several meeting, four times as a minimal standard in a year, according to their tasks and function. This research result is consistent with previous research by (Suhardjanto 2010) that does not found the influence between number of audit committee meeting and environmental disclosure.

Number of audit committee meeting gives contribution 1.96% toward environmental disclosure. It means 1.96% factor from environmental disclosure is caused by number of audit committee meeting even though it is not significant influence. Audit committee meeting can make influence to make environmental disclosure about 1.96%. If the audit committee meeting result that management must increase environmental disclosure, it means only 1.96% chance that management will also increase the level of environmental disclosure. Those are more other factor that can determined management decision to make environmental disclosure beside the result of audit committee meeting.

4.3.2 Second Path Diagram

4.3.2.1 Environmental Disclosure Toward Environmental Performance

Environmental disclosure that is done by company can be used as a tool to assess company's environmental performance. The environmental activity being disclosed frequently, the more activity being conducted by company to improve their environmental performance. This research result is environmental disclosure does not influence environmental performance. High or low environmental disclosure, a company still can receive good rating in PROPER for good environmental performance.

There are some company that received good rating in PROPER for good environmental performance even though their environmental disclosure is low, such as Citra Tubindo Tbk., HM Sampoerna Tbk., Toba Pulp Lestari Tbk., and Chandra Asri Tbk. in 2011. Environmental disclosure is not determining factor of environmental performance in PROPER. But environmental disclosures give direct contribution 1.96% to environmental performance.

It means if company does environmental disclosure, it will only affect the environmental performance performed about 1.96%. No significant impact from the high or low company's environmental disclosure toward environmental performance. High environmental disclosure cannot affect the high or low company's environmental performance. If there is direct effect from disclosure, it will only change 1.96% company's environmental performance. So, there is other factor that has significant influence to company's environmental performance beside company's environmental disclosure.

The low level of environmental disclosure and performance in Indonesia has led the Government to make the disclosure as mandatory for public companies according to the Minister of the Environment Number 18 year 2010. The participant of PROPER assessment has increased and the ministry of the environment has tried to persuade the companies to improve their environmental performance too every year. There is an association likes National Centre for Sustainability Reporting (NCSR) in Indonesia that gives an award to appreciate company with excellent sustainability reporting and motivate other companies to do the same or better reporting.

4.3.2.2 Size Toward Environmental Performance

Size of a company has an influence toward environmental performance. A large scale company is expected to do more or high environmental performance than a small scale company. This research result is consistent and supported by Pagalung, Harryanto, & Pontoh (2014). The result is size influences environmental performance. Bigger company has bigger impact toward environment.

This research result is supported by Frost & Wilmshurst 1999about legitimacy theory that mentioned an organization such as company needs to get privilege for operating business through legitimation and social contract theory by (Deegan and Unerman 2011) also support this research result. The reason is, company must give contribution toward environment so they can get operating legitimation to use natural and human resources from the place where the company runs their business. Because company, community, and environment have mutual relationship, not only company will get support from society and community get a job but also the environment will become sustainable for a long period.

Size that is measured by company's total asset gives direct contribution toward environmental performance about 8.7%. It means that if company's total asset increases, it will increase 8.7% environmental performance. If company's total asset decreases, it will reduces 8.7% environmental performance. The reason is the company need asset or resources to do environmental performance. The resources can be cash, equipment, fixed asset, and other asset that can support environmental activity. Therefore, company must increase their asset to do better environmental performance.

The size or total asset of company has also indirect influence toward environmental performance through environmental disclosure. The contribution of indirect influence size toward environmental performance through environmental disclosure is 3.27%. It means if company that has disclosed the increasing of asset, the environmental performance will increase 3.27%. The reason is because resources (asset) which had by company increase, the stakeholder or public will get the information through disclose, they will demand more environmental activity as a form of concern and awareness toward sustainable environment. Therefore, the company will increase they environmental performance.

The total contribution from company's size toward environmental performance is 11.97% from direct and indirect influence. It means if total asset increases and company does environmental disclosure, the environmental performance will improve 11.97%. So, company must disclose their total asset and environmental activity to get better assessment of environmental performance by public, society, PROPER, and shareholder.

Based on social contract theory (Deegan and Unerman 2011), company and community will have mutual relationship so the company will have legitimation for operating company's activity. The community will gain benefit from company's social responsibility through environmental performance. Because of that reason, big company need legitimation to operate and must give big contribution through environmental performance as their responsibility. This theory supports research results that company's size influences environmental performance.

4.3.2.3 Leverage Toward Environmental Performance

Leverage supposed to have a relationship with company's environmental performance because leverage is associated with company's risk. Based on social contract theory, a company must give a contribution to company's environment (Deegan and Unerman 2011). If the risk of company's business activity increases, the risk will influence the company contribution and performance to environment. The contribution or performance can become a legitimation for company's operating activity. The theory cannot support this research result, because the result is leverage does not influence environmental performance. Leverage gives direct contribution toward environmental performance about 0.12%. It means that if company has more debt, they need to perform more environmental performance 0.12% to reduce their risk so the creditor or investor still want to support them.

If company's leverage is disclosed then there is an increasing of environmental performance about 0.12% as indirect influence. Leverage is associated with paying interest expense to creditor. The creditor will also read company's environmental disclosure. If leverage is high then the number of creditor can increase. The company will try to increase the environmental disclosure to impress the creditor. If environmental disclosure increases then the company expects the environmental performance will also increase about 0.12% higher. The total contribution from leverage toward environmental performance is 0.24%. It means even though company has more debt and makes environmental disclosure, the responsibility to do better environmental performance will increase about 0.24%. It is not significant but it still has a contribution toward company's environmental performance.

4.3.2.4 Independent Commissioner Proportion Toward Environmental Performance

Independent commissioner proportion has a relationship with company's environmental performance. Independent commissioner has a task to monitor the company's corporate governance, including corporate social responsibility and environmental performance through responsibility guidelines (National Committee of Governance Regulation 2006). Because independent commissioner is related to environmental performance, it supposed to have influence too. But this research cannot support that hypothesis.

The research result show independent commissioner proportion does not influence environmental performances. The direct contribution from independent commissioner proportion toward environmental performance is 0.81%. It means that independent commissioner has only 0.81% influence to control company's environmental performance. If independent commissioner makes obligation to management to do better environmental performance, the environmental performance will only increase 0.81% and not significant.

The independent commissioner proportion has also indirect influence through environmental disclosure about -0.19%. If independent commissioner does not make obligation to do environmental disclosure, it will decrease environmental performance about 0.19%. The independent commissioner decision to make environmental disclosure does not have significant contribution to the improvement of company's environmental performance assess by PROPER.

The total contribution from independent commissioner proportion toward environmental performance through environmental disclosure is 0.62%. It means that if independent commissioner decides that company must improve their environmental activity and make environmental disclosure, management will try to improve 0.62% their environmental performance.

4.3.2.5 Number Of Audit Committee Meeting Toward Environmental Performance

Number of audit committee meeting has a relationship with company's environmental performance. One of audit committee's tasks is to ensure that internal control structure of a company is performed well through good corporate governance. One of good corporate governance guidelines is responsibility aspect such as corporate social responsibility and environmental performance (National Committee of Governance Regulation 2006) Despite, audit committee meeting supposed to have influence to company's environmental performance, this research result does not support it. The reason is number of audit committee meeting does not have significant influence toward environmental performance directly. The contribution of direct influence from number of audit committee meeting to environmental performance is 4.2%. It means that the more audit committee meeting, the probability of company's environmental performance improvement is only 4.2%.

Number of audit committee meeting has indirect influence toward environmental performance through environmental disclosure. The indirect contribution is -0.76%. It means that if audit committee meeting has result to improve company's environmental activity and management makes environmental disclosure, the influence of audit committee meeting toward environmental performance reduces into 3.44% from 4.2% (direct effect). It can be interpreted that as long as environmental disclosure is disclosed, audit committee meeting will not influence the improvement of environmental performance, so the influence toward environmental disclosure will be 3.44%.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the previous chapters, there are some conclusions that will answer the problem identification in this research. The conclusions are:

1. The influence of size toward environmental disclosure in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 13.25%.
2. The influence of leverage toward environmental disclosure in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 1%.
3. The influence of independent commissioner proportion toward environmental disclosure in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 0.66%.
4. The influence of the number of audit committee meeting toward environmental disclosure in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 1.96%.
5. The influence of environmental disclosure toward environmental performance in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 1.96%.
6. The influence of size toward environmental performance in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 8.7% directly, 3.27% indirectly through environmental disclosure and total influence is 11.97%.
7. The influence of leverage toward environmental performance in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 0.12% directly, 0.12% indirectly through environmental disclosure, and total influence is 0.24%.
8. The influence of independent commissioner proportion toward environmental performance in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 0.81% directly, -0.19% indirectly through environmental disclosure, and total influence is 0.62%.
9. The influence of the number of audit committee meeting toward environmental performance in public companies listed in Indonesia Stock Exchange within 2011-2013 period is 4.2% directly, indirectly -0.76% through environmental disclosure, and total influence is 3.44%.

5.2 Recommendation

Based on the previous chapters and the conclusions mentioned before, there are several recommendations for future research such as future research can use other indicator to measure environmental performance, can use other determinant factor of environmental disclosure and performance, and can expand the period observed or include private company to be observed. There is also a recommendation for companies which are company must increase their size (total asset) to improve their environmental disclosure and environmental performance. The last are recommendations for government to make regulation for mandatory environmental disclosure of public companies using GRI 4 standard to improve the level of environmental disclosure in Indonesia’s public companies and to motivate public companies to improve their environmental performance by giving other award or help on company’s environmental activity implementation.

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APPENDIX

Table 1. Correlation test with Pearson Product Moment

		Size	Leverage	ICP	NACM	ED	EP
Size	Pearson Correlation	1	,009	,161	,204	,379**	,321**
	Sig. (2-tailed)		,932	,135	,058	,000	,002
	N	87	87	87	87	87	87
Leverage	Pearson Correlation	,009	1	,106	-,112	-,120	-,017
	Sig. (2-tailed)	,932		,330	,304	,267	,877
	N	87	87	87	87	87	87
ICP	Pearson Correlation	,161	,106	1	-,196	-,060	,166
	Sig. (2-tailed)	,135	,330		,068	,580	,126
	N	87	87	87	87	87	87
NACM	Pearson Correlation	,204	-,112	-,196	1	,241*	-,125
	Sig. (2-tailed)	,058	,304	,068		,024	,249
	N	87	87	87	87	87	87
ED	Pearson Correlation	,379**	-,120	-,060	,241*	1	,201
	Sig. (2-tailed)	,000	,267	,580	,024		,061
	N	87	87	87	87	87	87
EP	Pearson Correlation	,321**	-,017	,166	-,125	,201	1
	Sig. (2-tailed)	,002	,877	,126	,249	,061	
	N	87	87	87	87	87	87

*. Correlation is significant at the 0.05 level (2-tailed)

Table 2. Description of Correlation Test Results

Variables	Size	Leverage	ICP	NACM	ED	EP
Size	-	Very Weak* CD = 0.0081%**	Very Weak CD = 2.59%	Weak CD = 4.16%	Weak CD = 14.36%	Weak CD = 10.30%
Leverage	Very Weak* CD = 0.0081%**	-	Very Weak CD = 1.12%	Very Weak CD = 1.25%	Very Weak CD = 1.44%	Very Weak CD = 0.0289%
ICP	Very Weak CD = 2.59%	Very Weak CD = 1.12%	-	Very Weak CD = 3.84%	Very Weak CD = 0.36%	Very Weak CD = 2.76%
NACM	Weak CD = 4.16%	Very Weak CD = 1.25%	Very Weak CD = 3.84%	-	Weak CD = 5.81%	Very Weak CD = 1.56%
ED	Weak CD = 14.36%	Very Weak CD = 1.44%	Very Weak CD = 0.36%	Weak CD = 5.81%	-	Weak CD = 4.04%
EP	Weak CD = 10.30%	Very Weak CD = 0.0289%	Very Weak CD = 2.76%	Very Weak CD = 1.56%	Weak CD = 4.04%	-

Table 3. Coefficient 1 t-Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,443	,153		-2,895	,005
	Size	,019	,005	,364	3,504	,001
	Leverage	-,004	,004	-,100	-,990	,325
	ICP	-,052	,066	-,081	-,777	,439
	NACM	,003	,002	,140	1,334	,186

Table 4. Coefficient 2 t-Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,770	1,434		-,537	,593
	Size	,134	,052	,295	2,594	,011
	Leverage	-,013	,039	-,035	-,339	,735
	ICP	,500	,595	,090	,840	,403
	NACM	-,038	,020	-,205	-1,893	,062
	ED	1,228	,987	,140	1,244	,217

Figure 1. Full Path Diagram

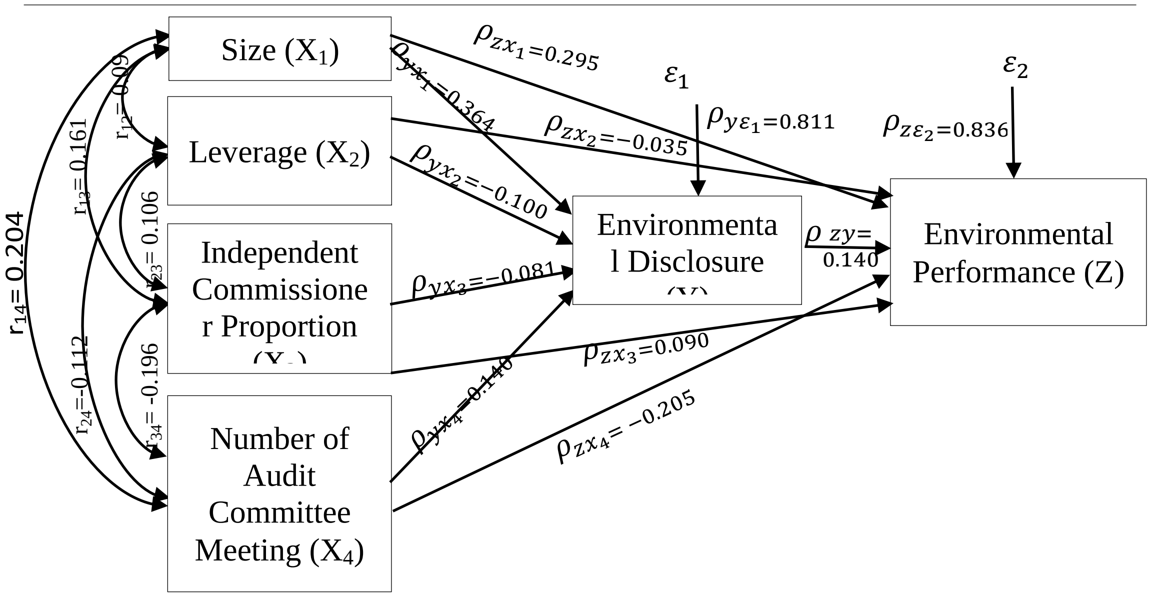

Table 5. Contribution from Path Diagram

Variables	Influence		
	Direct	Indirect	Total
X1 → Y	13.25%	-	13.25%
X2 → Y	1%	-	1%
X3 → Y	0.66%	-	0.66%
X4 → Y	1.96%	-	1.96%
ε1 → Y	81.10%	-	81.10%
X1 → Z	8.70%	3.27%	11.97%
X2 → Z	0.12%	0.12%	0.24%
X3 → Z	0.81%	-0.19%	0.62%
X4 → Z	4.20%	-0.76%	3.44%
Y → Z	1.96%	-	1.96%
ε2 → Z	83.60%	-	83.60%