
Analysis of the Sustainability Quality of Construction Industry Companies on the Quality of Disclosure of Sustainability Performance

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Abstract

This study aims to analyze the sustainability quality of companies in the Construction Industry sector on the quality of disclosure of sustainability performance. The sample taken is 98 observations from all construction companies listed on the Indonesia Stock Exchange (IDX) that disclose sustainability reports or CSR. The quality of sustainability performance disclosures is assessed with the GRI Standard guidelines. This manual is the latest version issued by the Global Reporting Initiative (GRI), which can be implemented starting in 2021. The results showed that the economic, environmental, and social aspects did not have a significant influence on the company's profitability. The practical implication of this research is the urgency for the government not only to require sustainability reporting, but also to create a specific framework or indicator regarding sustainability in Indonesia. The implementation of sustainability finance will be more optimal if it is accompanied by disclosure guidelines that are in accordance with the business climate in Indonesia.

Keywords: Global Reporting Initiative (GRI), Quality of Disclosure, Sustainability Report, Content Analysis.

INTRODUCTION

Disclosure of sustainability reports has an influence on the views of stakeholders regarding the condition of the company. Shareholders, creditors, and other stakeholders will be more interested in companies that disclose sustainability reports (Deloitte, 2011) . The *Global Reporting Initiative* (GRI) as an independent international organization that has pioneered sustainability reporting since 1997 provides a *database* of thousands of companies in various sectors that have published sustainability reports according to the GRI sustainability reporting guidelines. Based on the GRI database, there are facts about the downward trend in the publication of sustainability reports in Indonesia. This downward trend in publications occurred in 2019 . This is considered a decrease in quality considering that sustainability reports are a useful disclosure tool to reduce

information asymmetry between companies and investors (Hahn and Lulfs, 2013). In addition, the number of publicly listed companies in Indonesia that publish sustainability reports is still very low. The number does not even reach 10% of the number of companies listed on the IDX. The low publication of sustainability reports is not in line with the *Sustainable Development Goals* (SDGs). The SDGs have a universally embracing approach to the sustainability development agenda. The SDGs explicitly encourage businesses to use creativity and innovation to address development challenges and recognize the important role of government in promoting sustainability reporting (GRI, 2019).

The next issue relates to reporting on sustainability performance in this industry. The decline in the trend of publishing sustainability reports in Indonesia is not in line with the *Sustainable Development Goals* . Then the facts also show the low publication of sustainability reports in the property, real estate, and construction industries. Based on a total of 69 companies, only 3 companies published sustainability reports. This indicates the low awareness of business players in the property, *real estate* , and construction industries to optimize their sustainability performance. In fact, as has been explained in the background, that the property, *real estate* , and construction industries absorb a lot of resources. The absorption of a lot of resources should also be accompanied by a wider disclosure of social and environmental responsibility.

METHOD

- **Definition Operation**

- a) **Quality Disclosure Indicator Economy**

The economic indicators listed in the 2019 GRI Standard guidelines consist of: of 6 main groups and 13 sub-indicators. The 6 main groups consist of performance economy, existence market, impact economy no direct, practice procurement, anti-corruption, and anti-competitive behavior.

- b) **Quality Disclosure Indicator Social**

The social indicators listed in the 2019 GRI Standard guidelines consist of: of 19 main groups and 34 sub-indicators. The 19 main groups consist of employment, labor relations, occupational health and safety, training and education, diversity and equality of opportunity, non-discrimination, freedom of association and collective bargaining, child labour, forced labour, practices security, indigenous peoples rights, human rights assessment, community local, evaluation social supplier, policy public, health and safety customer, marketing and labeling, privacy customer, and obedience socialeconomy.

- c) **Quality Disclosure Indicator Environment**

Indicator environment evaluate how impact organization on system naturalthe living and the non-living. Environmental indicators listed in the guide The GRI standard consists of 8 main groups and 30 sub-indicators.

- Population and Sample
 - 1) The company is engaged in the property, real estate, and construction industries and was listed on the Indonesia Stock Exchange (IDX) in 2019, 2020, and 2021.
 - 2) The company discloses its social responsibility in its annual report or publishes a sustainability report in 2019 and 2020 .

- Validity and Reliability

The GRI indicator can be ascertained as a valid indicator in measuring the quality of disclosure of sustainability performance. This is evidenced by the many studies that use GRI as a benchmark for the dimensions of sustainability so that it can meet external validity (Bhatia and Tuli 2018; Caesaria and Basuki 2017).

- Data analysis technique

1. Scoring System

The scoring system is used to measure the quality of disclosure. The scoring is based on research conducted by Qu (2013).

2. Classic assumption test

- *Normality test*
- *Multicollinearity Test*
- *Heteroscedasticity Test*
- *Autocorrelation Test*

3. *Multiple Linear Regression Analysis*

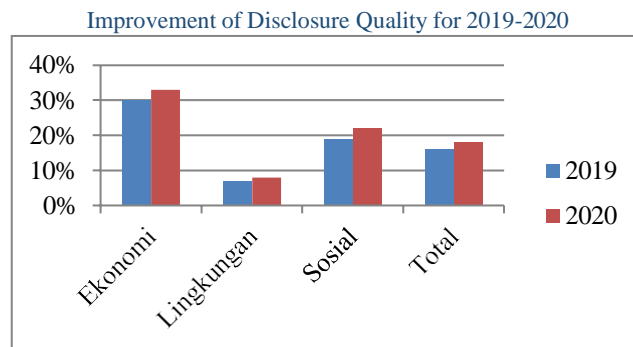
$$\text{PROF}_{it} = \alpha + \beta_1 \text{EKO}_{it} + \beta_2 \text{SOS}_{it} + \beta_3 \text{LING}_{it} + \beta_4 \text{SIZE}_{it} + \beta_5 \text{LEV}_{it} + \beta_6 \text{AGE}_{it} + \beta_7 \text{SUB}_{it} + e_t$$

- Coefficient of Determination Test
- Individual Parameter Significance Test (t-Statistical Test)

RESULTS AND DISCUSSION (Capital, 12 pts, bold)

| | |
|---------------------------|----|
| Population in 1 year | 58 |
| Sample which eliminated | 10 |
| Samples that used | 48 |
| Amount observation 2 year | 96 |

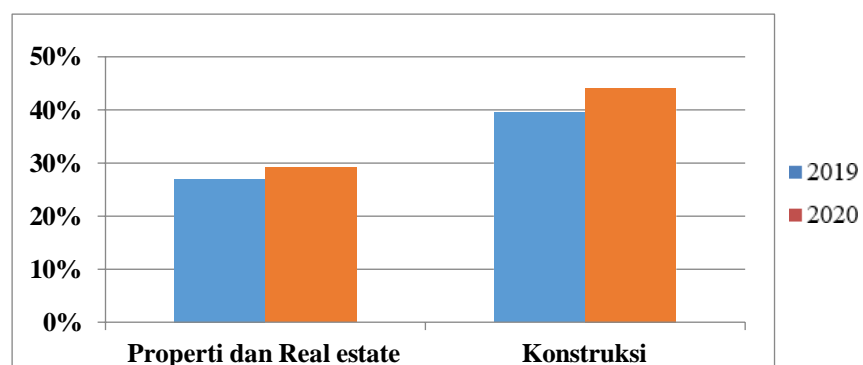
Quality Analysis of Sustainability Performance Disclosure



Classification of the Quality of Disclosure of Information in CSR Reports

| Percentage | Level |
|------------|----------------------------|
| >85% | <i>Excellent</i> |
| >70%-85% | <i>good</i> |
| >55%-70% | <i>Average</i> |
| >40%-55% | <i>Progress to be made</i> |
| <40% | <i>Poor</i> |

Quality of Disclosure of Economic Indicators Construction Sector 11 companies

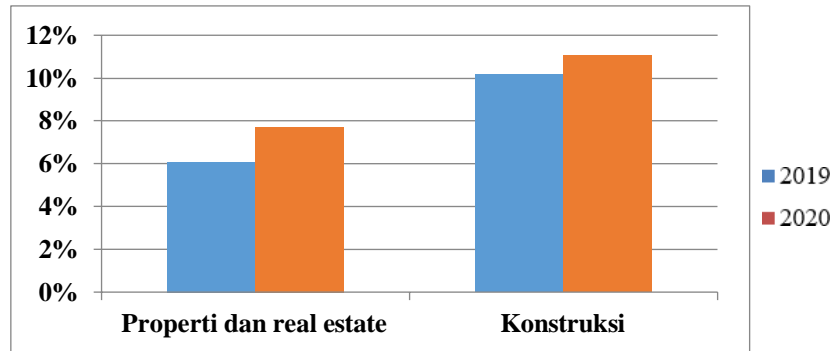


Level of Disclosure of Economic Indicators 2019-2020

| No | Indicator Economy | 2019 | 2020 | T total |
|----|---------------------------|--------|--------|---------|
| 1 | Performance economy | 57.10% | 54.93% | 55.97% |
| 2 | Existence market | 2.14% | 3.20% | 2.70% |
| 3 | Impact economy no direct | 8.85% | 8.62% | 8.73% |
| 4 | Practice procurement | 0.00% | 0.25% | 0.13% |
| 5 | Anti corruption | 22.25% | 23.40% | 22.85% |
| 6 | Behavior anti competition | 9.65% | 9.61% | 9.63% |

Quality of Disclosure of Environmental Information

Real Estate and Construction Sector

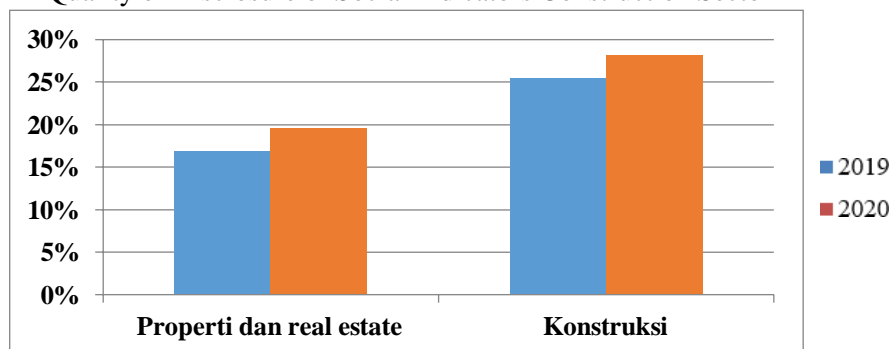


Level of Disclosure of Environmental Indicators

| No | Indicator Environment | 2019 | 2020 | T total |
|----|----------------------------------|--------|--------|---------|
| 1 | Material | 6.93% | 6.97% | 7.00% |
| 2 | Energy | 26.24% | 27.46% | 27.09% |
| 3 | Water | 11.88% | 13.11% | 12.64% |
| 4 | Diversity biological | 13.86% | 11.48% | 12.64% |
| 5 | Emission | 6.93% | 6.97% | 7.00% |
| 6 | Water waste (effluent) and Waste | 31.19% | 29.51% | 30.47% |
| 7 | Obedience environment | 2.48% | 3.69% | 2.71% |
| 8 | Evaluation environment supplier | 0.50% | 0.82% | 0.45% |

Quality of Disclosure of Social Indicators

Quality of Disclosure of Social Indicators Construction Sector



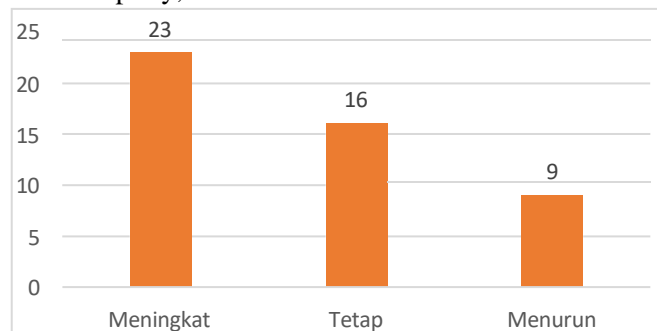
Level of Disclosure of Social Indicators

| No | Indicator Social | 2019 | 2020 | Total |
|----|--|--------|--------|--------|
| 1 | Staffing | 12.56% | 13.92% | 13.29% |
| 2 | Connection power work/management | 2.12% | 2.41% | 2.28% |
| 3 | Health and safety work | 16.31% | 16.05% | 16.17% |
| 4 | Training and education | 17.13% | 16.19% | 16.63% |
| 5 | Diversity and opportunity equivalent | 8.81% | 9.52% | 9.19% |
| 6 | Non discrimination | 0.33% | 0.43% | 0.38% |
| 7 | Freedom union and negotiation collective | 1.31% | 1.56% | 1.44% |
| 8 | Worker child | 0.49% | 0.71% | 0.61% |
| 9 | Work force and must work | 0.16% | 0.43% | 0.30% |
| 10 | Practice security | 1.31% | 0.99% | 1.14% |
| 11 | Right right Public custom | 0.00% | 0.00% | 0.00% |
| 12 | Evaluation right basic man | 1.63% | 1.56% | 1.59% |
| 13 | Public local | 14.19% | 12.64% | 13.36% |
| 14 | Evaluation Social Supplier | 6.04% | 6.11% | 6.07% |
| 15 | Policy public | 0.00% | 0.00% | 0.00% |
| 16 | Health and safety customer | 8.81% | 8.66% | 8.73% |
| 17 | Marketing and labeling | 0.00% | 0.14% | 0.08% |
| 18 | Privacy customer | 8.65% | 8.52% | 8.58% |
| 19 | Obedience social economy | 0.16% | 0.14% | 0.15% |

- Additional Analysis

This study conducted content analysis in 2 periods, namely in 2019 and 2020. So that it can be seen the trend of disclosure quality in property, real estate, and construction companies. Although the quality of disclosure in this sector is quite low, there is an improving trend of disclosure. There are 23 companies that have increased disclosure quality.

Trends in Property, real estate and construction Sector Disclosure



Analysis of Disclosure Quality by Sector

The research sample consisted of 48 companies. This amount was obtained from 2 industries related to buildings, namely the *real estate property* industry and the construction industry. There are 37 companies registered in the property and *real estate industry*. There are 11 companies registered in the construction industry.

The Relationship between the Quality of Disclosure of Sustainability Performance and Company Profitability

Descriptive Statistics

| Variabel | Obs | Minimum | Maximum | Mean | Median | Std. Dev |
|----------|-----|---------|---------|---------|-----------|----------|
| ROA | 96 | -8,2459 | 21,1042 | 3,95098 | 3,4959135 | 4,8536 |
| SRQ | 96 | 3% | 44% | 17% | 16% | 8% |
| ECO | 96 | 12% | 73% | 31% | 31% | 12% |
| ENV | 96 | 0% | 32% | 8% | 7% | 7% |
| SOC | 96 | 1% | 44% | 20% | 21% | 9% |
| LEV | 96 | 0,08 | 403,712 | 66,2072 | 36,580784 | 83,3238 |
| SIZE | 96 | 26,7918 | 32,4545 | 29,4441 | 29,385086 | 1,28153 |
| AGE | 96 | 7 | 65 | 34,2708 | 34 | 12,8951 |
| SUB | 96 | 1 | 41 | 8,10417 | 5 | 7,59568 |

Source: The author's results (2022)

- Classic Assumption Test

| Variabel | VIF | 1/VIF |
|----------|------|--------|
| ECO | 3,47 | 0,2879 |
| ENV | 1,95 | 0,5133 |
| SOC | 4,24 | 0,2361 |
| SIZE | 2,01 | 0,4963 |
| AGE | 1,64 | 0,6087 |
| SUB | 1,54 | 0,6479 |
| LEV | 1,22 | 0,8225 |

- Multiple Linear Regression Analysis

| Variable | Coefficient | P> t |
|-------------------|-------------|-------|
| (Constant) | -35,408 | 0.013 |
| ECO | -24.03 | 0.573 |
| ENV | 38,985 | 0.106 |
| SOC | -29.13 | 0.247 |
| LEV | -0.017 | 0.006 |
| SIZE | 1,432 | 0.007 |
| AGE | 0.0422 | 0.366 |
| SUB | -0.053 | 0.485 |
| Observation | 96 | |
| Adjusted R-Square | 0.1183 | |
| Prob>F | 2.82 | |
| F Statistics | 0.0106 | |

CONCLUSION

The indicators that get the highest score are economic indicators. This could be because economic indicators are most directly related to the company's operations. This encourages economic disclosure to be clearer than other indicators. Environmental indicators get the lowest score compared to other indicators. The low score for environmental information can be caused by the company's lack of awareness of the many resources it absorbs from its operational activities. Social indicators occupy the second position of the 3 sustainability indicators. In line with the mandatory sustainability reporting in 2019, it is hoped that sustainability disclosure will be better and more comprehensive.

The company that shows the best disclosure quality is PT PP (Persero) Tbk. Companies with the best disclosure quality are expected to be good examples for other companies to follow. Sustainability reporting is often enhanced as an action that leads to better external and internal decision making, greater transparency, simultaneously enforcing financial stability and contributing to better social sustainability (Eccles et al., 2015). Therefore, improving sustainability performance will always be important for the company's future.

The results of the regression test to answer the last research question show that there is no significant effect between the quality of disclosure of sustainability performance and company profitability. Previous research has shown mixed results, some getting positive, negative, and also neutral results. The mixed results can be caused by various factors, such as the quality of disclosure, the state of the country's economy, the awareness of stakeholders, and the period

of observation. In this study, the main factor can be caused by the quality of disclosure which is quite low, so it does not have a strong value to affect the company's profitability.

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