The Market Reaction To Environmental Disclosures And The Companies’ Characteristics Influencing The Disclosure: A Study On The Indonesian Public Companies

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Abstract: The purpose of this study at empirically examining and proving the research problems formulated are: (1) whether the companies’ characteristics influence environmental disclosures level of the companies listed in the Kompas 100 Index; (2) Which aspects dominate the influence on the environmental disclosure of the companies listed in the Kompas 100 Index; (3) and whether environmental disclosures affect the market reaction to the companies listed in the Kompas 100 Index. The data is analyzed using Partial Least Square (PLS). Results of t-test on the hypotheses in each path analysis show that: (1) the companies’ characteristics as independent variables which influence the environmental disclosures are: company size, leverage, profitability, dan and industry type while variables as number of commissioner board member and portion of public shares do not affect, (2) industry type and company size both dominate the influence which is consistent with prior studies, (3) market reaction examined using cumulative abnormal return proxy with window event seven days around annual report publication date is proved to significantly influence. Hopefully, results of the research can enrich the accounting literatures especially on the decision usefulness theory and also benefit the academicians and practitioners as well.

Keywords: Market Reaction, Environmental Disclosures, and the companies’ characteristics

a. Introduction

Environmental issues have become global and local issues of a country. Companies need to disclose environmental information to gain legitimacy and to form images in the stakeholders’ perspectives that the company has the responsibility and concern for environmental management (Ahmad and Sulaiman, 2004). The hope for legitimacy and this image brings a positive influence on the availability and sustainability of company operations (going concern entity). While for Stakeholders, increasingly diverse information provides the real picture about the company which is useful in decision making. Related research conducted in Indonesia such as environmental disclosures made by Rofelawati (2010) showed that environmental performance, firm size, profitability, leverage, and the existence of regulations or accounting standards affect the environmental disclosures. According to Sukoharsono in the conference in Hamburg (2005) who examined the problem of Green Accounting in Indonesia it now appears a consciousness from the consumers who view a product not only in terms of quality, but also from the production process, whether it has a negative effect on nature or not. Since 2007 the government issued a law regulating the investment in Indonesia with the law/UU No. 25/2007, in which there are several articles which comprehensively regulate the investment environment. Environment disclosure policy in Indonesia is stipulated in the Act UU No. 40/2007 article No. 74 of the Social and Environmental Responsibility explains:

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and/or related to natural resources are required to implement the Social and Environmental Responsibility. Social and environmental responsibility as referred to in the article No. 1 is a corporate obligation budgeted and accounted for as an expense of companies whose implementation is done with considering decency and fairness. The Company not carrying out the obligations referred to in the article No. 1 is sanctioned in accordance with the provisions of the legislation. Environmental disclosures gives investors the ability to make rational decisions. This is in line with Scott (2009:64) that the benefits of full disclosure which can be achieved simultaneously are that such disclosure allows investors to make better decisions and that the disclosure increases the ability of markets to be productive in the capital market characterized with the reaction of investors in investing. Several previous studies examining the relationship between the characteristics of companies with good environmental disclosure partially or simultaneously have been done by several researchers, among them: Belkaoui and Kerpik (1989), Cook (1992), Patten (1992), Hockston and Milne (1996), Haniffa and Cooke (2005), Gao et al. (2005), and Dyah (2008), Rofelawati (2010). Most results of these studies suggested a link between the characteristics of companies and environmental disclosures. The variables used as the characteristics of the companies are company size, type of industry, profitability, leverage, board of commissioners, and the portion of public shares. Several previous studies that examined the relationship of environmental disclosures with the market reaction by Nurdin and Cahyandito (2006) indicated a significant relationship between environmental disclosures by market reaction. On the contrary, in the study of Prativindya (2007), Rohimah (2009) obtained evidence that there was no difference in abnormal return and trading volume of shares after the environmental disclosure. The diversity of the results is due to different analytical tools used. From this variety of research results, the researchers found that this is an interesting phenomenon for further research.
b. Research Framework
In general overview of the research concept can be seen in the diagram as follows:

Based on the conceptual framework it is developed a research model which is a causal description between variables developed from the concept and relationship hypotheses based on theory and concept from previous studies. It is shown as follows:

c. Research Method
Method of this research is an explanatory and predictive model of equation theory developed using PLS (Partial Least Square). This research is classified as quantitative research. It is to test the theory and data by using statistical data analysis. The relationship of causality between the latent variables which can not be measured directly with the indicators is also examined.

d. Population and Sample
The population in this research is public company in Indonesia by Kompas 100 Index for the period of 2009. Kompas 100 Index is an index of 100 shares of company stock publicly traded on the Indonesian Stock Exchange. Kompas-100 Index was officially published by Bursa Efek Indonesia (BEI) in cooperation with the newspaper Kompas on Friday August 10, 2007. Stocks selected for inclusion in the index Kompas-100 have high liquidity, as well as a large market capitalization, also the stocks having the fundamentals, and good performance. The shares included in the Compass-100 is estimated to represent about 70-80% of the total Rp 1582 trillion market capitalization of all stocks listed on the BEI. The number of listed companies (listing) as many as 100 companies. (Wikipedia.org) The sample is part of the population that is partially or or representative of the population studied. The sampling technique is purposive sampling that is sampling done with certain conditions specified previously. It is intended that the sample used was not biased and could reflect the actual condition. Terms of sampling data for decision are: 1. Companies included in the index compass 100 daily Kompas period of 2009. 2. Companies that have never delisted during the year 2009 3. Companies that directly affects the environmental damage that is firm and does not include the banking industry and financial services.. 4. Companies that disclose financial reports (annual report) that has been audited in the period ended December 31, 2009, published on the website idx.com. 5. Companies that
publish financial reports (annual report) in the period December 31, 2009 in the newspaper Bisnis Indonesia daily.

e. Sources and Data Collection Method
Data used in this research as secondary data i.e data of financial reports (annual report) is not taken directly from the object being studied. Data retrieved from a third party collected from Indonesia Capital Market Direct (ICMD), IDX. The data is taken from company annual report data in 2009 which were audited. The method used is the documentation, by secondary data documentation in the form of: stock price (historical prices), the composite share price index (CSPI), stock trading volume, number of shares outstanding, the date of publication in the Daily "Bisnis Indonesia", and the annual report (annual report) sample period of 2009 from the company website: Indonesia Stock Exchange (www.idx.co.id) and Indonesian Capital Market Directory (ICMD) and Yahoo finance. Based on the time horizon, data collection was performed under cross sectional study. According have now (2006:177) defines as a cross-sectional study of data collection only once collected, may during the period of daily, weekly, or monthly in order to answer questions.

f. Observation period
The market is a narrow window period (narrow window period), namely the period of 7 days around the trade publication date annual report, divided into day -3 to day +3, observation period as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Before</th>
<th>published</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
</tr>
<tr>
<td>+1</td>
<td>+2</td>
<td>+3</td>
<td></td>
</tr>
</tbody>
</table>

Operational definition and measurement of research variables

a. Independent Variables

1. Size of company (size)
Previous research Hackston and Milne (1996) used three measures, namely the value of market capitalization, sales, and total assets. using the logarithm of total assets. This research refers to research by Subroto (2003) using firm size based on the number of assets. This type of scale for the variable firm size is nominal. This research is using proxy logarithm of total assets. The formula used:

Size = Log (Total Assets)

2. Leverage
This study used measurements made by Belkaoui and Karpik (1989), which compares the total debt to total equity (debt to equity ratio). This type of scale to leverage variable is the ratio. The formula used to calculate the leverage is:

\[ LEV = \frac{Total\ Liabilities}{Equity\ Capital} \times 100\% \]

3. Profitability
Profitability is the ability to generate profit research companies using Return on Equity (ROE) as a proxy for profitability, namely by comparing the income after taxes by total equity. Hackston and Milne (1996). This type of scale for profitability is the ratio variable. The formula used:

\[ ROE = \frac{Net\ Income}{Equity\ Capital} \times 100\% \]

4. Type of industry
Previous studies on the type of industry by Hackston and Milne (1996) used the dichotomy of calcification into the industry and low profile high-profile industry. Hackston used this type of oil and gas industry and mining, chemical industry cigarettes, food and beverage products in the category of high-profile. In this research grouping High profile and low profile are based on high or low risk. Companies at risk are companies whose business affects the environment as reflected in the ranking of environmental impact assessment (EIA) as provided by Bapedal. So, the industry grouping whether at risk or not at risk is based on information Bapedal. In this research, companies are categorized into high-profile industry and low profile. Once classified, the data will be given a score or value as follows:

- high profile industry = 1
- low profile industry = 0

5. Number of commissioners
The implementation of programs is inseparable from the company's strategic policies involving the management and commissioners. This program may be optimized if it is fully supported by the board of commissioners. The greater the number of commissioners, the more easily the control and monitor conducted by the CEO and will be more effective. The way how to calculate the number of commissioners used in this study is consistent with research conducted Sulastini (2007), namely the sum of all existing commissioners. This type of scale for the variable number of commissioners is nominal.

6. The portion of public shares
In the theory of agency (agency theory), it is discussed the relationship between management as an agent who received the delegation of power to run the company from the owners of the company (investors) and principle. Companies with a greater proportion of public ownership then will be given greater emphasis also on the agent to reveal information that more numerous and diverse that reduce the information asymmetry. According to Dyah (2008) "The more the portion of shares held by the public, the more investors the information needed for a company."
The portion of the public shareholding is calculated using the percentage of shares owned by public company with shares outstanding owned by the company (Dyah, 2008). This type of scale for the variable portion is the ratio of public shares. The formula used is:

\[ SP = \frac{\sum \text{Outstanding Shares}}{\text{Total Shares}} \]

b. Dependent Variables

1. Environmental disclosures

This research is to measure environmental disclosures using techniques proxy disclosures index with 35 items IERI (Indonesia Environmental Reporting Index) Suhardjanto et al. (2007). The trick is to create a list of checklist which contains 35 items IERI criteria and corporate codes (appendix 13). The next step provides a check or quantification of the data in the checklist based on the company code and adds up those entire indexes. The last step provides an index score of each item of the form of numbers, words, and sentences in accordance with items ar listed in the table checklist. Calculation of environmental disclosures (ED) is formulated as follows:

\[ ED = \text{Total of indeks items disclosures in annual report} \times \text{x scores}. \]

2. Market Reaction

Market reaction is measured by using indicators of abnormal return during the period of observation time (event windows) 7 days, namely: H-3, D-day (date of publication of annual financial statements), H +3 and the last date of publication. Abnormal return is the difference between actual returns with expected return. Abnormal return is used to look at stock prices on the event window for each and every day around the event date. Based on the type of scale, variable abnormal return is ratio scale, while the data is metric. According to Hartono (2004:416), the abnormal return can be calculated by the formula equation:

\[ AR_{i,t} = R_{i,t} - RM_{i,t} \]

g. Technical Analysis of data

I. Descriptive Analysis

The data in this study will be analyzed descriptively. This analysis is intended to provide a picture of the distribution and behavior of data. Descriptive statistics consisted of calculation of the mean, standard deviation, maximum, and minimum.

II. Inference Analysis

Inference analysis using the Partial Least Square (PLS) to test the research model for this method in accordance with the diverse types of data scale and the concept of theory developed to build the model. PLS method according Solimun et al (2006: 79) can be used to confirm the theory, and recommend that the basic relationship between variables theoretical concepts or empirical support is weak, does not require many assumptions, not the sample size should be large, and can be applied at all scales of data.

III. Analysis of the PLS (Partial Least Square)

Partial Least Square (PLS) is a method of analysis because full power is not based on many assumptions. PLS is a data analysis technique, using SmartPLS software version 2.0. Data analysis and structural equation models using PLS, are as follows:

h. The Model of Analysis

The structural model below is a model developed from several theories, concepts, previous research journals, logic analysis, and structural modeling literature with PLS (Ghozali, 2008:61), the structural model using software SmartPLS 2.0 results is shown as follow:
1. Outer Evaluation Model: Construct Market Reaction
According Solimun (2008:72) who specified the nature or direction indicator in measuring whether the outer Goodness of fit model is reflexive or whether the indicator is formative. For the reflexive indicator measurements made consisted of: testing the validity and reliability by looking at the convergent validity, discriminan validity, and composite reliability. For formative indicators Goodness of fit added with substantive content by comparing the relative weight and saw significant T-statistics. In outler model it is viewed the relationship between latent variables and indicators. In this study, formative indicators i.e. market reaction variables with formative indicators CAR. Outer measurement model results can be seen in table 5.3 and annex 12.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Original sample</th>
<th>Sample mean</th>
<th>Standard deviation</th>
<th>T-Statistik</th>
<th>Ket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size (log)</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leverage</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Industry</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board of Commissioners</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The portion of public shares</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAR</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IERI</td>
<td>1.000</td>
<td>1.000</td>
<td>0.000</td>
<td>2.166</td>
<td>Signifikan</td>
</tr>
</tbody>
</table>

Test results on the value T-statistic with significance level 0.05 (T-count is greater than 1.96) on the market reaction to construct indicators that use proxy CAR (cumulative abnormal return) showed significant results with a value of Wight outer CAR indicator of 1.0 and T-count of 2.166. These results prove to be valid indicators to measure the constructs of market reaction.

2. Inner Evaluation Model
Structural model the inner model are evaluated by looking at the percentage of variance explained by the R2 for the dependent variable using the square stone geisser Q (Q2) and also at the size of the coefficient determinant of structural paths. The stability of these estimates is evaluated by using t-test statistics obtained through bootstrapping procedure and repeat iteration many times. In the structural model it is indicated the feasibility of model Q2. Mathematical model is: Q2 = 1 - (1-R12) (1-R22).

Feasibility models obtained from the correction of residual product contribution. Q2 = 1 - (1-0.510) (1 - 0.005) = 1 to 0.48755 = 0.51245, the results of this calculation explains that the model has the feasibility study model (predictive relevance) for Q2 values above zero, meaning that the feasibility of the model by 51%, 2%. Environmental disclosures (ED) R square value of 0.510 which means only 51 percent of environmental disclosures (ED) which can be explained by the variables: type of industry, firm size, leverage, profitability, number of commissioners and the public portion of shares, the remaining 49 percent are influenced by other factors. The market reaction (RP) R square value as 0,005 which means only 5 percent of the the market reaction (RP) that can be explained by the variable ED (environmental disclosures), the remaining 95 percent are influenced by other factors.
Table 5.5

<table>
<thead>
<tr>
<th>Path</th>
<th>Original sample</th>
<th>Sample mean</th>
<th>Standard deviation</th>
<th>T-statistik</th>
<th>Ket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size -&gt; ED</td>
<td>0.513</td>
<td>0.518</td>
<td>0.056</td>
<td>9.097</td>
<td>Signifikan</td>
</tr>
<tr>
<td>Leverage -&gt; ED</td>
<td>-0.105</td>
<td>-0.105</td>
<td>0.042</td>
<td>2.488</td>
<td>Signifikan</td>
</tr>
<tr>
<td>Profitability -&gt; ED</td>
<td>-0.159</td>
<td>-0.159</td>
<td>0.057</td>
<td>2.609</td>
<td>Signifikan</td>
</tr>
<tr>
<td>Type of Industry -&gt; ED</td>
<td>0.501</td>
<td>0.500</td>
<td>0.037</td>
<td>13.598</td>
<td>Signifikan</td>
</tr>
<tr>
<td>Board of Commissioners -&gt; ED</td>
<td>-0.078</td>
<td>-0.080</td>
<td>0.048</td>
<td>1.641</td>
<td>Tdk.signif.</td>
</tr>
<tr>
<td>The portion of public shares -&gt; ED</td>
<td>0.020</td>
<td>0.025</td>
<td>0.034</td>
<td>0.577</td>
<td>Tdk.signif.</td>
</tr>
<tr>
<td>ED -&gt; Market Reaction</td>
<td>0.072</td>
<td>0.062</td>
<td>0.029</td>
<td>2.166</td>
<td>Signifikan</td>
</tr>
</tbody>
</table>

Table 5.5 explains that the seven lines that exist in the inner model there are two paths that are not statistically significant. Test results that point to the commissioner of environmental disclosures (ED) shows (coefficient = -0.078 and t = 1.641) and lane portion of public shares to environmental disclosures (ED) (coefficient = 0.020 and t = 0.577), while others are significant.

i. Result and discussion

Results of hypothesis are tested using the Partial Least Square (SmartPLS) where the partial test (t-test) at each point (path Analisys) is used to test between the variables. Bootstring atau resampling is then performed as many as 500 times iteration in the sample in order to obtain the results shown in table 5.5. Discussion on data analysis results have been obtained and the results of hypothesis testing that has been known to result in which of the seven proposed hypotheses there are two hypotheses are rejected. Further systematic discussion is structured sequentially to refer to the formulation of the problem formulated.

1. Effect of company size on disclosure environment (environmental disclosures).

The first hypothesis states that the size of the company affect the level of environmental disclosures in the company’s annual report. The results show that the magnitude of the coefficient of 0.513 and T-count of 9.097. This means that the size of the company has a positive and significant influence on environmental disclosures with significance level 0.05 (t table = 1.96). The results of this study support previous research which states that firm size is highly variable influence of environmental disclosures. Several previous studies provide evidence of the relationship between the size of companies with environmental disclosures, among others, are Hockston and Milne (1996), Patten (1992), Belkaoui and Karpik (1989), Gao (2005), Rohimah (2009), and Rofelawati (2010). The results of this study also supported by the statement Hackston and Milne (1996) stating that the majority of companies that have a large company size and type of high profile have a stronger influence than the small companies and low profile. Large companies have a broader capability in environmental disclosures caused by some underlying factors such as: first, large firms have greater ability in the cost of disclosure compared with a small company so that it is impacting on the extent of disclosure. Second, large firms tend to have the spotlight and pressure is greater than the stakeholders because of their large capacity to use sources of raw materials, energy consumption, pollution, waste and environmental damage. Third, a large company hopes that environmental disclosure can be good news for potential investors and creditors, especially those from outside who are very concerned about the environment so as to increase the price of the stock market, and improve its capital structure. In this research companies belonging to the smallest size is: Jaya Pari Steel (JPRS) with total assets amounting to Rp.353, 9 billion while the company has the largest asset that is classified as Astra International (ASII) with total assets of Rp. 88 938 billion. Distribution of total assets can be seen in table 5.7 and attachment 11.
Companies that disclose the highest environment is in large-scale enterprise groups above average size (mean) such as: EARTH, ASII, INCO, ITMG, ELSA, CPRO, Bakrie & Brothers. While the lowest disclosure is of which the total size JPRS asset is small. Awareness of environmental disclosures by large companies that the longer the better it is in line with the increasing demands of society, NGOs, and government and the investors who mostly highly concerned about the environment. Publication of Law no. 25 of 2007 in a comprehensive set of investment and environmental management, as well as Law No. 40 of 2007 which regulates social responsibility and the environment is a strategic step in an effort to raise awareness among owners of large capital companies and their management of environmental disclosure.

2. The effect of leverage on environmental disclosures. The second hypothesis states that the leverage affects on the level of environmental disclosures in the company's annual report. The results show that the magnitude of the coefficient of -0.105 and T-count of 2.488. This has meant that corporate leverage has a negative and significant impact on environmental disclosures with significance level 0.05 (t table = 1.96). This also indicates that the greater use of debt by the company lower the company's awareness of environmental disclosures. The results of this study support the research and Karpik Belkouei (1989), Dyah (2008) who found a negative relationship between leverage and environmental disclosures, ie the higher the leverage then what happens is that the low level of environmental disclosure. In this research, which is used as the sample companies have a level of leverage that varied from the smallest, such as: Central Proteinaprima (CPRo) with total debt amounting to Rp.339, 9 billion to the biggest companies Sumalindo Lestari Jaya (Suli), with total debt of Rp. 1788.4 billion (appendix 11). The results of this study indicate that the level of leverage varied but most companies have low leverage level that is below average. Some of the reasons for why leverage negatively affect the environmental disclosures, first, the management company feels that much funding from investors is not required even if there are small numbers so the company felt no need to pay attention to investor confidence. Second, the company has high leverage tend to reduce total costs for profits to look higher then the issuer reduce costs including the costs of disclosure (Dyah, 2008).

3. Effect of profitability on environmental disclosures. The third hypothesis states that the profitability effects on the level of environmental disclosures in the company's annual report. The results show that the magnitude of the coefficient of -0.159 and T-count of 2.809. This has meant that the company's profitability has a negative and significant impact on the environmental disclosures with significance level 0.05 (t table = 1.96). Several previous studies provided evidence of the relationship between profitability with environmental disclosures, among others Rofelawati (2010), as well as Hani and Cook (2005). The results of this study also showed that the lower corporate profits, but the environmental disclosures performed by the company higher. The important thing as the reason causing these effects is the possibility that the decreased profitability of acquired firms is due to the environmental costs incurred by the company, causing more corporate profits reduced but the other side there is increased environmental disclosure. This result also illustrates that companies that increased levels of awareness on the environment. This phenomenon is reasonable considering the increasingly high demands of the stakeholders especially the high profile- companies’ categories such as mining and forestry like the cost of mine reclamation costs and rehabilitation of forest areas. Besides, the existence of government regulations that require environmental costs such as cost of mine reclamation and rehabilitation of forest areas. Publication of laws no. 40 of 2007 article 74 is believed to be a trigger or stimulus to the company's awareness of existing environmental disclosure. In the law UU No. 40 of 2007 article 74, states: "Social responsibility and the environment as referred to in paragraph (1) is a corporate obligation is budgeted and accounted for as an expense, companies whose implementation is done with due regard to propriety and fairness. The Company is not carrying out the obligations referred to in paragraph (1) be sanctioned in accordance with the provisions of the legislation."

4. Effect of industry type on environmental disclosures. The fourth hypothesis states that the type of industry influences on environmental disclosures in the company's annual report. The results show that the magnitude of the coefficient of 0.501 and T-count of 13.598. This has meant that industry types have significant influence on environmental disclosures with significance level 0.05 (t table = 1.96). The results of this study support previous research which states that the type of industry is a consistent variable influence of environmental disclosures. Several previous studies provide evidence of an association between type of industry with environmental disclosures, among others, Hanifa and Cook (2005), Gao (2005), Hockston and Milne (1996), and Cowen et al. (1987). The results of this study also supports the statement Hackston and Milne (1996) that the majority of high-profile companies have a stronger influence than the company's low profile and industry types that reflect the relative risks faced by the company. Patten (1992) on the other hand argue that the type of industry influence the political visibility and push to make disclosure to avoid the pressure and criticism from social activists. Cowen, et al. (1987) states that companies modifying the environment of economic activity, such as the Extractive Industries disclose more information about the environmental impact when compared with other industry types. In this research, industry types are grouped into two high-profile and low profile. High profile companies represent high risk to the environment while the low profile low risk to the environment. The results showed a mean value of environmental disclosure is 14.5421, which types of companies that are above the mean value of the existing 17 companies namely high profile as many as 15 companies and the low profile of 2 companies (ASII and TSPC), the rest reported below average (appendix 11). Company type high-profile and risky to the environment will get more pressure and scrutiny from the public, government and NGOs. Several recent events concerning the environmental damage due to the company's activities are not considering the environmental conditions such as the Lapindo mudflow case affect the company's business
continuity (going concern of entity). Revocation of business license of PT. Lapindo give lessons to companies belonging to high profile to not only pursue profits but also must be accompanied by good environmental management. Some important things is the reason why environmental disclosure is required by the category of high profile companies including: first, the environmental disclosures made to give a sense of security for investors, and potential investors on investment (protective information). Second, the environmental disclosures made into a political tool to change the company vision (image) stakeholders of the company's activities while avoiding the pressure and criticism from environmental activists. Third, environmental disclosures made to be good news for potential investors and creditors, especially those from outside who are very concerned about the environment so as to increase the price of the stock market, and improve its capital structure.

5. Effect of the number of commissioners on environmental disclosures.
The fifth hypothesis states that the number of commissioners on the disclosures of environmental has the impact on the company's annual report. The results show that the coefficient value is -0.078 with T-count 1.641. This means that the number of commissioners has no significant effect on environmental disclosures with significance level of 0.05 (t table = 1.96). The results of this study reject the hypothesis that the number of commissioners in the company influences the environmental disclosure. Results show that the average portion of the total board of commissioners for the 57% with the composition of the total number of commissioners 177 people and as many as 64 people or 36% is an independent commissioner, while ideally the number of independent commissioners is 51% or more (appendix 10). This shows that a large number of commissioners has no effect on the environment if disclosure of the composition of an independent commissioner who owned a small amount, and practices in Indonesia reflects the existence of an independent commissioner by the issuers are still lacking. The existence of an independent commissioner is required by investors to ensure good control on the performance of corporate management. BAPEPAM and stakeholders begin to assess Good Corporate Governance requires that the proportion of firms with independent commissioners derived from the professional. The greater presence of independent commissioners is the board of commissioners, his hopes on the increasing influence of environmental disclosures by the company. The results of this study support the agency theory which states that the composition of independent commissioners give effect to social and environmental responsibility. The existence of an independent commissioner is able to provide positive control of the agent in terms of environmental disclosures, the smaller independent commissioner composition results in less environmental disclosures. According Nurkin (2008) the composition of independent commissioners in the company's board of commissioner affects on voluntary disclosure. Some of the reasons for why the number of commissioners has no effect on environmental disclosure (environmental disclosures): First, the number of independent commissioners is still a small portion compared to the overall total of existing commissioners. So that the portion they do not provide sufficient capability to influence policies related to the need for environmental disclosures for the company. Second, there is no regulation governing the ideal number of independent commissioner on the companies in Indonesia because of the lack of pressure by investors and the still low awareness of (public interest) on the importance of disclosure of their environment for survival of the company (going concern entity.)

Sixth hypothesis states that the share of public shares on the disclosures of environmental impact in the company's annual report. The results show that the magnitude of the coefficient of 0.020 and T-count of 0.577. This means that the share of public shares has no significant effect on environmental disclosures with significance level 0.05 (t table = 1.96). The results of this study support previous findings that do Dyah (2008) that the portion of shares has no effect on the environmental disclosures since the average proportion of public ownership is still relatively quite low. This causes the control mechanism by the public against corporate management became less effective. Similar with the statement and Rakhman Na'im (2000) in Dyah (2008) says that the number of managerial ownership greater effect on the less information will be disclosed in the annual report because managers have greater access than the public ownership or dispersed ownership. Results show the average portion of public shares for 42.66% of public shareholding ideally should be greater than 51%. Abnormal return is often used as a proxy to assess the market reaction.

j. Conclusion
Based on the results of hypothesis testing in Section V, it can be concluded as follows: These results prove that the size of the company (size), the level of debt (leverage), the type of industry, market reaction, and the level of profitability is the company characteristics that affect the extent of environmental disclosure (environmental disclosures) of the company.

1. These results prove the type of industry and company size is a firm characteristic variable which is very influential on environmental disclosure. The results prove that the disclosure environment has an impact on the market reaction reflected by an increased abnormal return around the date of publication, which means that such disclosures have information content. This study supports previous research and Cahyandito Nurdin (2008) who found no significant effect in the event study 7 days around the date of publication.

2. Gain sensitivity testing in this study is to test the consistency of the main test results using different time and different proxy. Sensitivity test results with the proxy trading volume of activity shows that the market does not react to the disclosure environment (environmental disclosures) as well as the market requires sufficient time to understand the leverage effect on disclosure of information on the environment (environmental disclosures).
k. References


[36]. UU R.I. No. 25 Tahun 2007 tentang:

Penanaman Modal


