

# **CHAPTER I**

## **INTRODUCTION**

### **I. Background**

The issue of Corporate Environmental Responsibility has received importance and attention especially when the greatest challenge, global warming with its associated threats of climate change and other environmental problems were occurring in recent years had making our one earth is more prone to natural disasters and widespread ecological imbalances. Nowadays people do not just thinking about its own survival, but they are more concern and critical for the place where they make living, whether they act as an individual or a global society. One of the concerns could be seen toward corporate action in community and environment.

The demand for corporate to pay more attention to environmental issue are increase significantly. Corporate are forced to be more serious in dealing with environmental problems surrounding like environmental pollution, greenhouse gas emissions, large-scale exploitation of energy and natural resources. To respond this condition, corporate required disclosing the activities and efforts in tackling environmental problems by having CER (Corporate Environmental Responsibility) as a subsection of CSR (Corporate Social Responsibility).

By having this report, corporate is not just show their awareness and concern to the environmental problems, but also makes good sense for an economic and social aspect. The report also can be use as a part of their business strategic in order to increases the value of

company (Verecchia, 1983, in Sayekti, 2007) and hopes to get social legitimate and maximize the money strength in long period (Kiroyan, 2006).

As an important part of corporate strategy, this report can balance its responsibility between corporate profits (shareholders) and social goals (stakeholders). This statement is accordance with the concept of 3P, which are Profit, People and Planet. Meanwhile, corporate is no longer stand on “single bottom line”, which only focuses on corporate value reflected to its financial condition. But corporate must integrate on “triple bottom lines”, which also focus on social and environment aspect. Here we can say that the goal of a business entity is not just to make a profit, but also considering the social welfare and protect the environment as well.

Previous research showed that the amounts of corporate reporting the information of CSR are increase in recent years and also the type of information reported (Ernst & Ernst, 1978; in Sayekti 2007, in Erlanda, 2008). One of the reasons caused by a lot of legal body try to define the framework and obligated corporate to implement CSR program in their daily activity. In other side, FASB as one of an Accounting Standard Board in America also obligated corporate to pay more attention to the issue by saying that:

“Financial reporting includes not only financial statement, but also other means of communicating information that relates, directly or indirectly, to the information provided by the accounting system. New releases, management’s forecasts or other descriptions of its plans or expectations, and descriptions of an enterprises social and environmental impact are example or reports giving financial information other than financial statement (FASB 1978, Par 7; Zuhroh and Sukmawati, 2003, in Edya 2009)”

In Indonesia, the regulation about the implementation of Corporate Social Responsibility is arranged by Undang-Undang no 40/ 2007 article 74 that require the companies listed on IDX (Indonesian Stock Exchange) to disclose CSR information. Started on year 2008, for corporate that run their business on or related with natural resources to make a compulsory report on their social responsibility activities. This regulation makes Indonesia as the first and the only country that implement CSR reporting as mandatory (Yorissa, 2009).

Response to increasing of corporate awareness in reporting its Corporate Social Responsibility especially for Environmental Information, this information is often provided in a separate environmental report, but it may be also/or included within other forms of reporting, such as the Annual/Financial Reports, or the Sustainability Reports (which include the economic, environmental and social issues). Here Author focuses only on the environmental disclosure within the companies' Sustainability Reports (SR). There is a question come to our mine that "Does company run everything right on track?" what about the report, is it already done based on the framework?".

The purpose of choosing Mining Industry because that is the closest industry that related to the implementation practice of CER in terms of company waste, In this point is very related with their bussiness core. As we know waste is very critical part when researching CER and the implementation on the related company, the waste of an mining company can make devastating condition when it's not manage well, it must be damage or even kill the ecosystem. And the practices of this is mostly appear in mining industries than other industries. And with previous research, the writers want to proves the consistency of the data comparing with the researching year. So it could increase the relevancies of this research.

## **II. Problems Definition**

Based on the background has been explained above, the writer consider the following research questions:

1. How do mining companies report in their Corporate Environmental Responsibility report?
2. How is the realization in mining companies when reporting their report based on the common accepted framework?
3. What is the differences in implementation of GRI in CER practice in mining company comparing from (2008-2009, 2009-2010, and 2010-2011).?

### **III. Research Design**

This research is a qualitative and quantitative research in term of case study that focus on reviewing the application of Global Reporting Initiative (GRI) guideline being used by companies categorized as Mining Industry in reporting their sustainability report in Indonesian. This study will assessed the indicators that listed in Global Reporting Initiative (GRI) Guidelines as measurement tool to review the environmental report that published.

### **IV. Purpose and Benefits of the Research**

The purposes the writer wants to reach by doing this research is to review the practice of Corporate Environment Responsibility in Indonesian and aim to contribute to the literature of Corporate Environmental Responsibility especially the literature in Indonesia. To be detail, the breakdown of the benefits of the research can be as follows:

1. The research will review the practice of business firm in Indonesia concern to the Corporate Environmental Responsibility.
2. The research will increase the horizon concern to environmental responsibility of company.
3. The research will become consideration for company in making decision about environmental and social policy.
4. The result of the research hopefully becomes a consideration to the policy maker to construct the new Corporate Environmental Responsibility policy.

## **V. Writing Systematic**

The writing systematic of this research comprises five parts. The first chapter describes background, problem definition, research design, research purpose and benefit and also writing systematic. The theoretical framework of Corporate Environmental Responsibility and Global Reporting Initiatives (GRI) Guideline are identify in the second chapter.

The research methodology including the research design, scope of the research, data resources and population and sampling method are review in the third chapter. The analysis of the research results and other factors that could influence the findings applied in the fourth. And the fifth part presents the conclusions, limitations and suggestions of this research.