

CHAPTER I

INTRODUCTION

1.1 Background

Indonesia began to make efforts to reduce green house gas (GHG) start from ratification of the Kyoto protocol by the United Nations. The Kyoto Protocol is an international agreement on global warming which is an amendment to the United Nations Framework Convention on Climate Change. The main objective of the Kyoto Protocol is to reduce the impact of global warming to an acceptable level by stabilizing greenhouse gas (GHG) emissions (Putri, 2020). Indonesia ratify UU nomor 17 tahun 2004 concerning Ratification of the Kyoto Protocol of the United Nations Framework Convention on Climate Change. Country who ratifies this Kyoto protocol divided into Annex I Country and Non-Annex I Country. Indonesia included in Non-Annex I, these countries are encouraged to reduce Green house gass emissions, to cooperate on research and technology and to protect sinks, but are not bound by obligations. Then Indonesia is not obligated to reduce the emission but can do it voluntarily.

Following that president issued Peraturan Presiden No. 61 tahun 2011 tentang Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca (RAN-GRK). RAN-GRK reveals that industry is one of the contributors to greenhouse gas emissions (Manurung, 2017) because the industry is the driver of Indonesia economic progress almost half of the Indonesia economic are in industry. The industry is expected to reduce their greenhouse gas emissions as a realization of

CSR (Pradini, 2013). Apart from that it also issues Peraturan Presiden No. 71 Tahun 2011 regarding the implementation of a national greenhouse gas inventory.

In Conference of Paris (COP 21) 2015 UNFCCC Paris, Indonesia joins as a participant. The Paris Agreement is a law-based international agreement with the aim of stopping the global warming temperature of no more than 2 degrees Celsius. Each country needs to include a commitment related to the amount of carbon dioxide emissions that will be reduced (ditjenppi.menlhk.go.id). Indonesia ratify Undang-Undang Nomor 16 Tahun 2016 concerning the Paris Agreement on the United Nations Framework Convention on Climate Change. In an effort to control the continuation of climate change. Emission reduction in Indonesia focuses on 5 sectors that contribute the most to carbon emission production, namely the forestry sector by 17%, energy 11%, agriculture 0.32%, industry 0.10%, and waste 0.38% (Nurjoni, 2020).

Many countries including Indonesia already have commitment to reduce Greenhouse Gas (GHG) especially in carbon emission, many elements should work together especially the industry. The industry as the largest economic sector in Indonesia then it becomes a major source of carbon emission. Companies must carry out their social responsibility as a form of response in reducing emissions, namely by disclosing carbon emissions as the company's contribution to environmental change.

In Indonesia, disclosure of carbon emissions is still a voluntary action so that in practice it is rarely done by business entities. Accounting practices that have been developing are considered to only focus on materialistic financial transactions, while environmental events or transactions as the basic pillars of business continuity tend to be sidelined (Irwhantoko, 2016). So that the standard regarding reporting of carbon emission disclosure in Indonesia is still not available. In fact, disclosing carbon emissions is a form of social responsibility carried out by companies. Researchers use the Carbon Disclosure Index (CDI) as an index to measure disclosure of carbon emissions. CDI is a carbon emission measurement index developed by Choi et al. (2013).

Even though carbon emissions disclosure is voluntary but has an important role in the company's business activities. External parties that related to the company need information that is accurate, timely, transparent. Because stakeholders expect the companies to calculate and report the resulting emissions, because carbon management and reporting are used to manage and assess business risks related to climate change and business opportunities (Lash and Wellington, 2007). This carbon emission disclosure will be to create value added for the company according to PSAK 1. By legitimize company activities and create a good corporate image (Putri,2020). Role of the corporate governance in the company whether to disclose or not the carbon emission information will be important. Corporate governance characteristic which is used as this research are board of directors, environmental committee, gender diversity, and audit committee.

Based on previous research regarding corporate governance characteristic and carbon emission disclosure. Manurung (2017) researching Role of Corporate Governance and Environmental Committees in Greenhouse Gas Disclosure with result board of directors and environmental committee has negative effect on carbon emission disclosure, while gender diversity has no significant effect. Then research conducted by Putri (2020) found the result Board of director has no significant effect on carbon emission disclosure and Environmental committee has positive effect on carbon emission disclosure. Another similar research by Liao (2015) which states that the size of the size board of directors, environmental committee and gender diversity has a positive effect on disclosure of carbon emissions.

Research conducted by Akhiroh & Kiswanto (2016) found that the results of the audit committee had a positive effect on disclosure of carbon emissions. Meanwhile Ayoib & Peter (2015) did not find any influence between the audit committee and the environmental disclosure of companies in Malaysia. And also, research Prasetyo (2019) The results of this study indicate that independent audit committees individually have no significant effect on emissions carbon disclosure

Not many studies have examined it and because there are some inconsistencies in the results of research that have occurred over previous studies on disclosure of carbon emissions in Indonesia. The purpose of this study is to provide empirical evidence on the effect of corporate governance characteristic on carbon emission disclosures. The object of this research is all

companies listed on the Indonesia Stock Exchange (BEI) during the period 2016- 2019.

1.2 Formulation of the Problem

United Nations has determined that the world is experiencing a climate change crisis caused by the effects of greenhouse gases. The trend of carbon emission in Indonesia has always been increasing from 2004, in fact, Indonesia's greenhouse gas emissions are estimated to increase to 1.573 and 1.751 MtCO_{2e} in 2030. This increase in carbon emissions comes from various sectors, namely electricity generation, the industrial sector and the transportation sector. The increase in carbon emission, which is dominated by factory activities, has an impact on demands from stakeholders or the surrounding community to take responsibility. A form of responsibility that can be carried out by the company by disclosing the disclosure of carbon emissions in the company's financial statements. Some of the factors that are thought to influence the disclosure of carbon emissions are board of directors, environmental committee, gender diversity, and audit committee.

Based on the above problem formulation, the purpose of this study is as :

1. Does board of directors affect carbon emission disclosure?
2. Does environmental committee affect carbon emission disclosure?
3. Does gender diversity affect carbon emission disclosure?
4. Does audit committee affect carbon emission disclosure?

1.3 Research Purpose

This research has the aim to provide empirical evidence about the effect board of directors, environmental committee, gender diversity, and audit committee with carbon emission disclosure.

1.4 Benefit of research

Researchers hope that this research can provide benefits for the development of science and to the general public. This research is expected to provide benefits in the form

Theory Contribution

The results of this study are expected to be used for theoretical contributions to the academic world as a complement, reference, and conceptual contribution to similar research, namely the analysis of carbon emission disclosures.

Practical Contribution

The results of this study are expected to serve as guidelines for companies in disclosing carbon emissions. In addition, the results of this study are expected to be a consideration for investors and potential investors in making investment decisions.

1.5 Writing Systematic

Researchers hope that this res This research is prepared systematically as follows:

CHAPTER I INTRODUCTION

Chapter I is the introduction of the research that includes: research background, research problem, research objective, research contribution, and writing systematic.

CHAPTER II THEORY BACKGROUND AND HYPOTHESIS DEVELOPMENT

Chapter II is the theoretical review and hypothesis construction, which consists of literature review, previous researches, and its hypothesis construction

CHAPTER III RESEARCH METHODOLOGY

Chapter III is the data and methodology used in the research, which includes type of research; population and sample criteria; data collection method; research variable; data analysis techniques; and hypothesis testing method.

CHAPTER IV DATA ANALYSIS AND DISCUSSION

Chapter IV is the result and discussion, which include: descriptive statistics, classic assumption test, hypothesis testing, and discussion.

CHAPTER V CONCLUSION

Chapter V is the conclusion, which includes: conclusion, limitation, and suggestion.