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The Effect Of Industry Type, Environmental Information From External Parties, And Environmental Disclosure Toward Environmental Costs In Indonesia

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Abstract

Keywords:

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industry types,
bad news,
environmental disclosure

The purpose of this study was to determine the effect of industry types, environmental information from external parties, and environmental disclosures toward the environmental costs in Indonesia companies. The measurement of the environmental costs was proxied by the total cost of environmental disclosures including disclosures for management approaches consisting of environmental aspects (e.g., raw materials, water, biodiversity, and waste), goods and administration, consistency, transportation, and in general the objectives that apply to the environmental point of view, strategy, hierarchical task, check and development, and many more relevant data according to GRI-G4 guidelines for sustainability reporting (Lindrianasari et al., 2020).
The sample for this research was 232 companies that have fulfilled the sample criteria from 2017-2020 which are sourced from the company database on the Indonesia Stock Exchange. The research data was tested statistically using multiple regression analysis. The results of this study proved that the type of industry which was sensitive to the environment will contribute to an increase of the environmental costs by companies and there was no bias between the environmental disclosure practices in annual reports and environmental performance of companies in Indonesia. Other results showed that companies that had bad news related to the environment tended to allocate less environmental costs because if environmental damage has occurred, the company's responsibility was not only limited to recovery on environmental aspects but must resolve the impacts that occur on social and financial aspects.

Introductıon

Up to now, there have been several studies that support social and environmental responsibility in the corridor of financial accounting in the belief that this will have a positive impact on the company as a whole and contribute to environmental conservation. Regardless of the several studies that have been conducted, it is still an unresolved issue, whether corporate environmental disclosures are informative and reliable or elusive and opportunistic (Hummel and Shlick, 2016). Previous research attempted to answer this question by investigating the relationship between corporate environmental disclosure and environmental performance, the results showed that there was an indication of bias in reporting (Berthelot et al., 2003). The results of this study raise the perspective that companies with the high environmental performance report more information.

This view is seen as consistent with the argument of economic signaling and is referred to as voluntary environmental disclosure (Clarkson et al., 2008). Environmental disclosures deceive about the underlying environmental performance (Cho et al., 2015). For this reason, confirmation of environmental disclosures by internal companies is needed with environmental performance carried out by a company to find out whether there is a bias in corporate environmental disclosures. The existence of environmental information from external parties is a company attribute that can influence the public's view of the company's commitment to the environment. Media coverage will enhance the company's reputation in the eyes of the public and establish stakeholder legitimacy. Companies that have environmental problems have a high risk, such as the possibility of companies providing compensation and compensation for environmental damage to both the community and the government.

Companies with a bad reputation will lose market interest because environmentally conscious consumers will switch to environmentally friendly companies that are not high risk. Recognition and reputation are needed by the company so that its existence can be recognized. One of the factors that influences environmental disclosure is media coverage (Rupley et al., 2012). Media coverage of environmental issues is external information which is considered as a proxy for companies exercising environmental legitimacy. Companies with negative environmental legitimacy, as described by the press, play an active role in changing perceptions through voluntary disclosure of quality environmental information by companies. The bad news related to the environment is an attribute that drives the company's sensitivity to further improve environmental performance. The extent to which media coverage is linked to managerial discretion and decision-making regarding disclosure is part and parcel of a multi-stakeholder perspective and a more complex examination of corporate behavior. Research by Rupley et al. (2012) showed that there was a positive relationship between media coverage of the environment on the quality of environmental disclosure. Therefore, to gain the trust and legitimacy of the public, the company always tries to maintain its reputation. Thus, media coverage can shape public awareness regarding certain issues.

Companies with high sensitivity types are expected to have good environmental performance compared to companies which are categorized as insensitive category. Industry sensitivity is the impact and influence created by the company related to the business sector, and business risks to the company's environment. Therefore, different types of industries will have different levels of sensitivity because the impacts caused by each industry are not the same. The Industry type is considered as the most potential factor in influencing corporate environmental disclosures. The level of impact on the environment will differ depending on the type of industry of each company. Companies will get more attention from the community if the company's operating activities have the potential to damage and pollute the environment. Therefore, companies with operations that greatly affect the environment are required to pay more attention to environmental performance.

This study investigates the following research question "does the industry type, environmental information from external parties (bad news), and environmental disclosure affect the environmental costs to companies listed on the Indonesian stock exchange in 2017-2020?". In general, this research is expected to provide empirical evidence that the industry type, environmental information from external parties (bad news), and environmental disclosures affect the environmental costs in companies in Indonesia. The results of this study will describe the condition of the sensitivity of companies in Indonesia in responding to corporate responsibility in the environmental sector.

Theoretical Basis Literature Review, and Hypothesis Development.
Theoretical Basis
Legitimacy Theory

Legitimacy theory (Deegan, 2002) believes that in an idea there is a social contract between the company and the environment in which the organization operates. The concept of a social contract is used to show people's expectations about the way a company should carry out its activities. Companies can align social values in their activities with behavioral norms in the social system of society, so we can see this as company legitimacy. In essence, legitimacy theory as it is usually applied in the social and environmental accounting literature adopts the central assumption that maintenance of the successful operation of an organization requires managers to ensure that their organization appears to operate in accordance with societal expectations and therefore is associated with the legitimacy status of the company.

Disclosure of social and environmental report is a way for companies to achieve good performance for the public and investors. When companies make social disclosures, companies feel that their existence and activities will get status from the community or environment where the company operates or can be said to be legitimized (Cormier, 2001). The legitimacy perspective is based on the equation that companies provide environmental disclosures to simultaneously answer the information needs of financial stakeholders by maintaining the legitimacy of company operations in the eyes of non-financial stakeholders who are primarily interested in understanding the impact of company operations on the environment (Cormier and Magnan, 2013).

The Information Content of Accounting Numbers

The Information Content of Accounting Numbers explains how the accounting numbers in the financial statements explain information related to the condition of the company. Information is that part of knowledge that changes the user's uncertainty about the situation. A communication system formally describes where information plays a central role.

Concepts such as information channel capacity, source uncertainty, and the optimal rate of information transmission in an environment are revolutionizing the way we think about information. Accounting information presents the information content obtained from the company's financial statements. The company's financial condition is described in the financial statements through historical analysis of the company's financial statements so that it can understand the company's strengths and weaknesses, identify developments, evaluate operational efficiency, and understand the nature and operations of the company (Weston and Copeland, 2010).

Environmental Disclosure

Environmental disclosure information according to (Berthelot et al., 2003) is a collection of information related to environmental activities and performance in the past, present, and future. Up to now the disclosure of environmental information is one of the voluntary disclosures which is part of corporate social responsibility reporting. Measurement of environmental disclosure in Indonesia uses guidelines from the Global Reporting Initiative (GRI) by comparing the number of items disclosed in company reporting with 12 main aspects and 34 items of GRI-G4 environmental disclosure.

Environmental category disclosures including impacts related to inputs (such as energy and water) and outputs (such as emissions, effluents, and waste). This includes biodiversity, transportation, and product and service-related impacts, as well as environmental compliance and costs. Environmental reporting in annual reports in Indonesia is still voluntary. Social and environmental reporting according to (Deegan, 2002) mostly voluntary activities, as is still the case today, has generated many interesting questions about what motivates managers to make environmental disclosures. Understanding the motivations for disclosure is important when considering whether disclosure should be relied upon by various stakeholders when they make their individual decisions about an organization.

The motivation underlying the disclosure must also be relevant to the party that responsible for developing guidelines or regulations relating to social and environmental reporting. While there are many possible motivations for disclosure, the desire by management to legitimize various aspects of an organization's operations is singled out for more attention. Several organizational strategies to maintain or create compatibility between the social values implied by the organization's operations, and the values espoused by society, and as reflected in the social contract. All of the legitimacy strategies depend on disclosure (Deegan, 2002).

Industry Type

Companies with a high sensitivity type are expected to have good environmental performance compared to companies with an insensitive category. Based on Presidential Regulation no. 71 of 2011 environmentally sensitive companies that contribute more emissions, namely companies in the agricultural, energy, manufacturing, mining, transportation, and construction sectors. Industry sensitivity is the impact and influence created by the company related to the business sector, business risks to the company's environment. Therefore, different types of industries will have different levels of sensitivity because the impacts caused by each industry are not the same. The type of industry according to (Adams et al., 2005) is the level of business risk and business sector from operational activities that can affect the environment.

The industry type is considered as the most potential factor in influencing corporate environmental disclosures. The level of impact on the environment will differ depending on the type of industry of each company. Companies will get more attention from the community if the company's operating activities have the potential to damage and pollute the environment. Therefore, companies with operations that affect the environment a lot are required to pay more attention to environmental performance.

Environmental Information from External Parties (Bad News)

The existence of media coverage about the environment is an external attribute of the company that can influence the public's view of the company's commitment to its environment. Media coverage will enhance the company's reputation in the eyes of the public. Therefore, media coverage will establish stakeholder legitimacy. Several research results that look at the effect of media coverage on environmental disclosure show support for the logic above. Research (Brosius and Keplinger, 1990) shows that the intensity of media coverage of certain issues influences voluntary disclosure by companies. Research (Rupley et al., 2012) also shows that there is a positive relationship between media coverage of the environment on the quality of environmental disclosure. Therefore, to gain the trust and legitimacy of the public, the company always tries to maintain its reputation.

Thus, media coverage can shape public awareness regarding certain issues. For this reason, the company is required to make efforts quickly so that public trust in the company is not lost by the news by the media, such as making disclosures or transparency to the public and interested parties regarding their operational activities related to the company's contribution to the environment. Thus, legitimacy can be said as a potential benefit or source for the company to survive.

Environmental Costs

Environmental costs according to (Hansen and Mowen, 2009) are costs incurred by companies to prevent and mitigate environmental damage as a result of the company's operational activities. Environmental costs according to (Hansen and Mowen, 2009) are divided into four categories, namely environmental prevention costs, detection costs, internal failure costs, and external failure costs.

Environmental costs is a process for collecting, classifying, measuring, recording, and reporting costs incurred by companies related to environmental activities, so that companies can assess the benefits of environmental costs incurred and report them in financial statements as information that will be used by decision makers. Companies that have implemented environmental accounting will disclose integrated information regarding financial aspects, social aspects, and environmental aspects in one reporting package, so that decision makers will obtain complete information and decisions taken will be better and not harm one aspect, especially the environment.

Environmental accounting has the view that environmental costs incurred by companies now are investments that will provide benefits in the future. Companies that apply environmental accounting will increase efforts to prevent environmental damage, so that they can control environmental costs incurred and still be able to generate profits without sacrificing environmental aspects.

Hyphothesis Development

The Effect of Industry Type Toward Environmental Costs

Companies with high sensitivity types are expected to have good environmental performance compared to companies in the insensitive category. Based on Presidential Regulation no. 71 of 2011 environmentally sensitive companies that contribute more emissions, namely companies in the agricultural, energy, manufacturing, mining, transportation and construction sectors. Industry sensitivity is the impact and influence created by the company related to the business sector, business risks and employees on the company's environment. Therefore, different types of industries will have different levels of sensitivity because the impacts caused by each industry are not the same. Based on legitimacy theory, companies that have a large impact on the environment and their stakeholders will disclose more environmental information.

This is done by the company in order to gain legitimacy from stakeholders for the continuity of its business. In general, a company with an industrial category that is sensitive to the environment will also receive high attention from the public because of its operational activities that have the potential to affect nature. This research is in line with research by Adam et al. (2005), and Choi et al. (2013) who found that the type of industry has a significant effect on environmental performance.

H1: The industry type has a positive effect on the allocation of environmental costs.

The Effect of Environmental Information from External Parties Toward Environmental Costs

Environmental issues (Lindgreen et al., 2009) in developing countries remain one of the main concerns for a company. Currently, Indonesia's Environmental Performance Index (EPI) ranking published by Yale University in 2020 got ranks 116 out of 180 countries and got an index score of 37.8 out of 100 as the highest score. This illustrates that until now the environmental crisis has not been resolved in Indonesia.

So far, the role of researchers in the accounting field has considered annual reports as a medium for social and environmental disclosure (Deegan et al., 2002). These disclosures are based on the company's commitment to consistent environmental performance and disclosure to encourage corporate value to grow in a sustainable manner. To ensure that environmental performance runs effectively, business actors need to be monitored internally and externally, such as the mass media. The mass media in the business environment has a very dominant role in shaping public opinion about a company's activities.

The existence of media coverage about the environment is an external attribute of the company that can influence the public's view of the company's commitment to its environment. Media coverage will enhance the company's reputation in the eyes of the public. Therefore, media coverage will establish stakeholder legitimacy. Media attention and public prosecution can be considered as proxies for public pressure. Meanwhile, public pressure affects disclosure behavior and company performance, and what is conveyed by the media is a form of public pressure or public concern.

Research (Rupley et al., 2012) also showed that there was a positive relationship between media coverage of the environment on the quality of environmental disclosure. Therefore, to gain the trust and legitimacy of the public, the company always tries to maintain its reputation. Thus, media coverage can shape public awareness regarding certain issues.

H2: Environmental information from external parties (Bad news) has a positive effect on the environmental costs

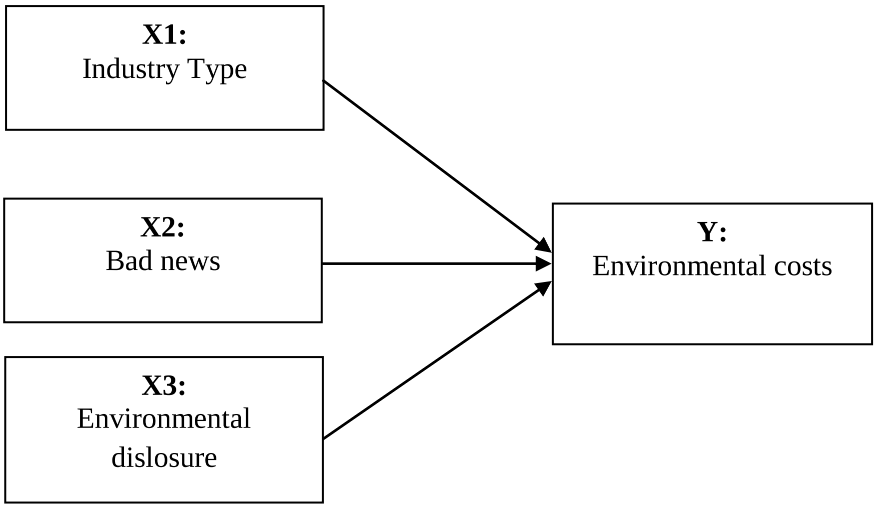
The Effect of Environmental Disclosure Toward Environmental Costs

Until now, the reporting of environmental information in annual reports in Indonesia is still voluntary. Research by Tadros and Megnan (2019), Clarkson et al. and Aerts et al., (2009) found that companies with high environmental performance reported more information, most likely because of the economic benefits derived from announcing environmental information. The need for companies to legitimize their actions is one of the factors that encourage companies to disclose more environmental information. This research proves that there is no bias between the information submitted by companies in environmental disclosures in annual reports and the company's environmental performance.

Based on the theory of The Information Content of Accounting Numbers, accounting numbers in financial statements explain information related to the condition of the company. This supports the view that environmental performance in the form of high corporate environmental costs affects environmental disclosure with a high index number, so it is estimated that there is no bias between environmental information in the form of environmental disclosure in annual reports and environmental performance as measured by how much the company sacrifices in allocating management costs. environment.

H3: Environmental disclosure has a positive effect on the environmental costs

Fig. 1 Research Framework



Research Methodology

Population dan Sample

The population in this study were all companies listed on the Indonesia Stock Exchange in 2017-2020 and issuing annual or sustainability reports. Meanwhile, purposive sampling was occupied to select the sample with the criteria that have been determined in the research methodology. The sample in this study covering a 4 year research period totaled 232 companies which explicitly disclosed the environmental costs. The research data was tested statistically using multiple regression analysis (Multiple Regression Analysis).

Research Variable

Independent Variable

Industry Type

Industry type is divided into two categories, sensitive industries and industries that are not sensitive to the environment. The type of industry is measured using a dummy variable, by giving a score of 1 for a sensitive industry and a score of 0 for an industry that is not sensitive to the environment.

Information From External Parties (Bad News)

Measurement of environmental information from external parties was done by using a dummy variable. Companies will be given a score of 1 if there is bad news related to the environment in online media coverage and a score of 0 if there is no bad news related to the environment in online media. Bad news search keywords will be based on 12 main aspects of environmental disclosure based on GRI-G4.

Environmental Disclosure

Environmental disclosure is proxied using GRI-G4 to assess environmental disclosures by companies which consist of 12 main aspects of environmental disclosure. If the company discloses items according to what has been determined, it will be given a score of 1, whereas if the specified item is not disclosed, it will be given a score of 0, then a score of 1 is added up as a whole. If the company fully discloses it, it will be given a score of 18. The calculation for environmental disclosure uses the following formula:

$$\boxed{IED = \frac{\Sigma xi}{N} \times 100}$$

In the equation of the company's environmental disclosure index (IED) is, Σxi is the total score of environmental disclosures, and N is the total score of environmental disclosures as a whole (12 main aspects of GRI-G4).

Table 1.
Environmental Disclosure GRI-G4

No	Aspect	Item	Explanation
1	Material	G4-EN1	▪ Materials used based on weight or volume
		G4-EN2	▪ Percentage of materials used that are recycled input materials
2	Energy	G4-EN3	▪ Energy consumption in the organization
		G4-EN4	▪ Energy consumption outside the organization
		G4-EN5	▪ Energy Intensity
		G4-EN6	▪ Reduced energy consumption
		G4-EN7	▪ Reduction of energy demand on products and services
3	Water	G4-EN8	▪ Total water taking based on the source
		G4-EN9	▪ Water sources significantly affected by water taking
		G4-EN10	▪ Precentage and total volume of water recycled and used
4	Biodiversity	G4-EN11	▪ Operational sites owned, leased, managed within, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

		G4-EN12	▪ Description of the significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
		G4-EN13	▪ Protected and restored habitat
		G4-EN14	▪ Total number of species on the IUCN Red List and species on the National Protected Species List with habitats in areas affected by operations, by level of extinction risk
5	Emission	G4-EN15	▪ Direct greenhouse gas (GHG) emissions (scope 1)
		G4-EN16	▪ Indirect energy greenhouse gas (GHG) emissions (scope 2)
		G4-EN17	▪ Other indirect greenhouse gas (GHG) emissions (scope 3)
		G4-EN18	▪ Greenhouse gas (GRK) emission intensity
		G4-EN19	▪ Reduction of greenhouse gas (GRK) emissions
		G4-EN20	▪ Emissions of ozone depleting substances (bpo)
		G4-EN21	▪ Nox, sox, and other significant air emissions
6	Effluent and waste	G4-EN22	▪ Total water discharged based on quality and destination
		G4-EN23	▪ Total weight of waste based on type and disposal method
		G4-EN24	▪ Number and total volume of significant spills
		G4-EN25	▪ The weight of waste that is considered hazardous according to the provisions of the Basel Convention Annexes i, ii, iii, and VIII that is transported, imported, exported, or processed, and the percentage of waste transported for international shipments
		G4-EN26	▪ Identity, size, protected status, and biodiversity value of water bodies and associated habitats significantly affected by the organization's wastewater and runoff
7	Product and Service	G4-EN27	▪ The degree of mitigation of the environmental impacts of products and services
		G4-EN28	▪ Percentage of products sold and their packaging reclaimed based on category
8	Obedience	G4-EN29	▪ The monetary value of significant fines and the total amount of non-monetary sanctions for non-compliance

			with environmental laws and regulations
9	Transportation	G4-EN30	▪ Significant environmental impacts from the transportation of products and other goods and materials for the organization's operations, and the transport of labor
10	Other	G4-EN31	▪ Total environmental protection expenditures and investments based on type
11	Supplier Assessment of Environmental	G4-EN32 G4-EN33	▪ Percentage of new suppliers screened using environmental criteria ▪ Significant actual and potential negative environmental impacts in the supply chain and actions taken
12	Environmental Problem Complaint Mechanism	G4-EN34	▪ Number of complaints regarding environmental impact filed, handled, and resolved through formal complaint mechanisms

Source: GRI-G4

Dependent Variable
Environmental Costs

The measurement of the allocation of environmental costs is proxied by the total cost of environmental disclosures including disclosures for management approaches consisting of environmental aspects (e.g., raw materials, water, biodiversity, and waste), goods and administration, consistency, transportation, and in general the objectives that apply to environmental point of view, strategy, hierarchical task, check and development, and many more relevant data according to GRI-G4 guidelines for sustainability reporting (Lindrianasari et al., 2020).

$$\text{Environmental Costs Allocation} = \underline{\Sigma \text{ Environmental Costs Year t}}$$

Data Analysis Method

The analysis technique in this study used descriptive statistics and statistical analysis. Descriptive statistical analysis presents and analyzes data accompanied by calculations in order to clarify the circumstances or characteristics of research data. Multiple regression analysis wass used to obtain the regression coefficient which will determine whether or not the hypothesis proposed in this study is accepted.

$$\mathbf{ENVI\_COST = \alpha + b_1 IT + b_2 BN + b_3 ENVI\_DISC + e}$$

α = Constants
b_1, b_2, b_3 = Regression coefficient
ENVI_COST = Environmental costs
IT = Industry Type

BN = Bad news
ENVI_DISC = Environmental disclosure
e = Error

Result and Discussion

The final data for this study were 232 companies in the 2017-2020 observation. Existing company data is processed using multiple regression analysis because it is sufficient for the needs of a large sample. Table 2 shows the descriptive statistics of the data used in this study.

Descriptive Statistics

Table 2 shows that the industry type has an average value of 82, which means that as many as 82% of the companies listed on the IDX are classified as sensitive industries, and the remaining 18% are insensitive industries. The bad news variable has an average value of 6, which means that companies listed on the IDX have negative environmental-related news from external parties as much as 6% and the remaining 94% are industries that have no negative environmental-related news from external parties. This indicates that companies in Indonesia are already concerned about maintaining a corporate image that pays attention to environmental and sustainable values.

The environmental disclosure variable has an average value of 0.7644, which means that the average environmental disclosure in companies in Indonesia during the study period was 9 items. This value is considered high because currently the government regulations clearly state that the implementation of social and environmental responsibility must be included in the Company's annual report to be accounted for. The allocation of environmental management costs has an average value of 29.9460, which means that companies in Indonesia during the 4 year study period have an average total asset of 29.9460 or equal to Rp. 48,974,879,145,378.

Table 2
Descriptive Statistic

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Industry	232	0	1	0.82	0.386
Bad_News	232	0	1	0.06	0.246
Envi_Disc	232	0.42	1.00	0.7644	0.13901
Envi_costs	232	22670	122800000	13829116.31	23734716.453
Valid N (listwise)	232				

Source: Secondary data on company financial statements. Processed 2021

Tabel 3
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494[a]	.244	.232	.15270306.572

a. Predictors: (Constant), Envi_Disc, Industry, Bad_News
b. Dependent Variable: Envi_Costs

Tabel 4
Model Testing

Model		F	Sig.
1	Regression	15.895	<.001b

a. Dependent Variable: Envi_Costs
b. Predictors: (Constant), Envi_Disc, Bad_News_Industry

The results of the model show that the three independent variables can explain their effect on the dependent variable by 24.4% and the remaining 75.6% is influenced by other variables outside this study. For the research model, a score of 0.001 (<0.05) is obtained which indicates that the research model is good and can be continued to test the hypothesis (table 4).

Result of Hyphotesis Testing and Discusion

There are three hypotheses built in this study. The first hypothesis states that the type of industry has a positive effect on the environmental costs. The second hypothesis states that information from external parties (bad news) has a positive effect on the allocation of environmental costs. While the third hypothesis environmental disclosure has a positive effect on the environmental costs. Table 5 shows the hypothesis testing. Each hypothesis will be explained with the results of statistical tests as follows.

Industry Type Has a Significant Positive Influence on the Environmental costs

The results of testing the first hypothesis are in line with Adam et al. (2005), and Choi et al. (2013) which stated that the level of business risk and the line of business of operational activities that can affect the environment must pay more attention to environmental responsibility when its business activities are in the field of and/or related to natural resources. The sensitivity of the industry is the impact and influence created by the company related to the field of business, business risk to the environment.

The statistical test produces a t test of 2.094 with a significance value of 0.038 <0.05 indicating that the type of industry has a significant effect on the environmental costs. In this case, companies that are sensitive to the environment face more attention from society to make social or environmental sacrifices. Environmentally sensitive companies carry out company operations that are in direct contact with the environment, causing more damage to the environment. This research proves that companies whose operational activities have a negative impact on the environment tend to carry out greater environmental responsibility as can be seen from how much the company allocates environmental costs. Based on the results of the regression analysis it can be concluded that the first hypothesis (H1) is supported. In other words, this study proves that the type of industry has a significant positive effect on the environmental costs in Indonesia.

Tabel 5
Hyphothesis Testing

Model	B	T	Sig.
(Constant)	-24492379.539	-4.188	<0,001
Industry	5914610.481	2.094	0,038
Bad_News	-1339753.321	-.354	0,723
Envi_Disc	54266462.180	7.688	<0,001

a. Dependent Variable: Envi_Costs

Environmental Information From External Parties (Bad News) Does Not Affect the Environmental costs

The results of testing the second hypothesis are in line with the research of Brown and Deegan (1999) who found that in several industries, environmental performance is not associated with positive or negative media coverage. Companies that face environmental problems so that bad news arises will incur recovery costs that do not only focus on the environmental aspects themselves, the company's concerns regarding environmental costs no longer include preventive measures for environmental damage but have already gone into solving environmental damage problems.

In the process of resolving environmental problems, the company's focus will be divided into allocating costs, not only environmental repair costs, but company policy is divided into other costs such as compensation costs, political costs, other operational costs for resolving environmental damage that has occurred. So that the allocated environmental costs tend to decrease because if there are already environmental problems, the company is responsible for resolving the impacts that occur not only on environmental damage, but the company must also resolve the social and economic impacts faced by the company because of the environmental damage that has occurred. Besides that, the results of this study illustrate that companies that do not have bad news have designed environmental performance that is right on target in allocating environmental costs and companies are very concerned about environmental problems. So that environmental damage can be minimized and does not cause bad news to emerge.

The statistical test produces a t test of -0.354 with a significance value of 0.723> 0.05, where the significance value is greater than the significance level of 5%. Based on the results of the regression analysis above, it can be concluded that the second hypothesis (H2) is not supported. This proves that bad news related to the environment has no effect on the environmental costs for companies in Indonesia.

Environmental Disclosure Has a Significant Positive Influence on the Environmental costs

The results of this study are in line with the research of Tadros and Megnan (2019), Clarkson et al. and Aerts et al. (2009) who found that companies with high environmental performance reported more information, most likely because of the economic benefits derived from announcing environmental information. The need for companies to legitimize their actions is one of the factors that encourage companies to disclose more environmental information. This research proves that there is no bias between the information submitted by companies in environmental disclosures in annual reports and the company's environmental performance. The higher the environmental disclosure index of a company, the better the company's sacrifice for preventing environmental damage is seen in the high allocation of costs incurred by the company for the environment.

The statistical test produces a t test of 7.688 with a significance value of 0.001 <0.05, where the significance value is smaller than the significance level of 5%. Based on the results of the regression analysis above, it can be concluded that the second hypothesis (H3) is supported. This proves that there is no bias between environmental disclosure practices in annual reports and the environmental performance of companies in Indonesia.

Conclusions and Suggestions

It can be concluded that the industry type that is sensitive to the environment will contribute to increasing the environmental costs by companies and the higher the environmental disclosure index of a company, the better the company's sacrifice for preventing environmental damage seen in the high allocation of costs incurred by companies for the environment. that there is no bias between environmental disclosure practices in annual reports and the environmental performance of companies in Indonesia. The results of the research are in accordance with the legitimacy theory which explains the company's efforts to obtain a positive value for the company, resulting in a conformity of community expectations with the performance produced by the company. Companies can make social sacrifices as a reflection of the company's concern for society (Deegan and Tobin, 2002).

This study adds another view of the effect of bad news on environmental performance, bad news has no significant effect in increasing the environmental costs. The impact of environmental damage will burden the company not only on environmental aspects, but the company is responsible for restoring the financial and social aspects affected by environmental damage. Future research is expected to add to the coverage of a longer period and it will be interesting if it can carry out a comparative analysis of environmental performance conditions from various countries.

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