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GENERAL MANAGEMENT

CEO Characteristics and Sustainability Reporting Choices in Indonesia

Senny HARINDAHYANI[1], Bambang TJAHJADI[2*]

[1]Departement of Accounting, Faculty of Business and Economics, University of Surabaya, Surabaya, Indonesia, Email: senny.harindahyani-2019@feb.unair.ac.id

[2]Departement of Accounting, Faculty of Economics and Business, Universitas Airlangga, Surabaya, Indonesia Email: bambang.tjahjadi@feb.unair.ac.id

*Corresponding Author

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Abstract

A CEO (Chief Executive Officer) in the private sector should carry out a sustainability strategy to support the country's commitment to achieving the Sustainable Development Goals (SDGs). This article aims to analyze CEO characteristics in Indonesia, which consist of age, tenure, and educational background, in determining the sustainability reporting choices in a standalone report format and the use of assurance services.Descriptive research design is used in this article to provide an overview of the characteristics of the CEO in the company, various facts on the implementation of sustainability reporting in a separate format by issuers in Indonesia during 2015-2018, and its relation to company value.This article concludes that the CEOs' proactive efforts indicate the pertinence of Institutional Logic Theory in the area of business continuity, although the data show that only a few companies confirm this theory. Furthermore, the premise stated by Upper Echelons Theory in sustainability reporting practices in Indonesia still dominates. This study extends the literature on sustainability assurance by examining institutional logic and upper echelons theories. Attention to CEO characteristics in determining a sustainability report choice can potentially influence the government's interest in achieving the SDGs.This study reveals how CEO characteristics determine a company's sustainability reporting, particularly in Indonesia.

Keywords: *Sustainability Report, CEO characteristics, Institutional Logic Theory, Upper Echelons Theory*

Introduction

Indonesia has determined its commitment to support the Sustainable Development Goals (SDGs), which has an implementation target up to 2030(Aminullah, 2020;Mutiarani and Siswantoro, 2020;Jayanti et al., 2019). At the 2015 United Nations Climate Change Conference or known as COP 21 in Paris, Indonesia committed to reducing up to 29 percent of its carbon emissions by 2030 and strives to improve its people's living standard by involving business people to undertake more adaptive operational activities, especially against risks that have an impact on climate change (EY, 2019). Companies in Indonesia have a significant role in achieving the country's commitment to the SDGs by adjusting their business objectives and operations processes in the context of sustainability. This is understandable because a business'ssuccess should have a positive impact not only on the company but also on the environment and the surrounding community. Van der Waal and Thijssens (2020) and Acuti et al. (2020) pinpoint that the objectives of the SDG accentuate the importance of active participation of the private sector in creativity and innovation in order to create value for the common good, such as reducing poverty, eradicating hunger, protecting biodiversity, and city resilience.

In recent years, environmental issues have attracted more and more global attention, making ESG (Environmental, Social and Governance) investments increasingly popular worldwide (Gu et al. 2021). The company's concern in supporting the SDG can be disclosed in the form of reports published by the company regularly, both in sustainability reporting and corporate responsibility reporting(KPMG, 2017). Fernandez-Feijoo et al. (2019) and Migdadi (2020) explain that sustainability reports are also known as corporate social responsibility reporting or triple bottom line reporting, or corporate responsibility reporting. Nonetheless, Montiel (2008) is more explicit in naming the report and disagrees with the statement by emphasizing that sustainability reports are prepared based on the sustainability paradigm, and social dimension is one of its parts. The main point is that making a sustainability report becomes a form of corporate responsibility to stakeholders (Karaman et al., 2020; Higgins et al., 2018; Junior et al., 2014), which can increase company value (Hamidah and Sastra, 2020; Lee et al., 2019).

In addition, a healthy economic circulation also needs to be a concern. Because it is the responsibility of a corporation to realize the SDGs which include economic, social, and environmental matters which are commonly referred to as green economy. Climate change and environmental degradation are threats to the well-being of our world today and in the future (Mondejar et al., 2021). CE is defined as "an economic system based on a business model" that replaces the concept of 'end of life' by reducing, or reusing, recycling and recovering materials in production/distribution and consumption processes, […], to achieve sustainable development" (Kirchherr et al., 2017). But, as Stahel and MacArthur (2019) also emphasize, the goal of CE is to maintain the value of a natural, cultural, human, manufacturing or financial asset, as opposed to a linear model where the goal is to create value by transforming resources. Therefore, maximizing material value becomes the benchmark in the CE Transition (García-Barragan et al., 2019). This is a manifestation of the realization of the SDGs in corporations.

Based on the Financial Services Authority Regulation (POJK) No. 29/POJK.04/2016 concerning the Annual Report of Issuers or Public Companies, issuers in Indonesia are required to be accountable for their business activities by making annual reports and auditing financial reports. Apart from these two reports, the preparation of a sustainability report for issuers is also obligatory under POJK No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. Article 10 Section 2 statesthat a sustainability report can be prepared separately (standalone) or incorporated in an annual report. However, for large companies, a separate reporting is critical because it involves political visibility, subject to greater external scrutiny, and is related to investor protection (Thorne et al., 2014; Herda et al., 2014).

The institutional logic theory asserted byTyson and Adams (2018) states that broad, cultural belief systems (in this case refers to logics) shape the behavior of actors within the company to link various financial and non-financial aspects, such as adding broader considerations to carbon emissions, climate change, and other sustainable development problems. Logics at the institutional level or referred to as institutional logic can drive organizational and individual cognition and decisions (Fox and Scott, 2015), hence it can describe why actors within the companies focus their attention on problems or choose specific solutions (Kieft et al., 2020).

Institutional logic can be used to describe the reasons for choosing the form of reporting and, at the same time, the decision to increase its reliability by using assurance services. As the party responsible for determining and carrying out the company's operating activities, including the reporting options, CEO characteristics that have been previously studied using the Upper Echelons Theory proposed by Hambrick and Mason (1984) can be used as further studies. As a company's executive, the CEO has the authority to determine the company's strategy, including sustainable development. The CEO also compiles a business strategy that includes sustainability efforts to improve its financial performance (Eide et al., 2020). Zorio-Grima et al. (2018) reveal that the use of assurance services to assess sustainability reports is one of the strategies undertaken by main actors in various organizations to participate in the SDGs.

Not many issuers in Indonesia issue sustainability reports separate from annual reports and use assurance services to increase the reliability of the information presented. According to ASEAN CSR Network and Centre for Governance, Institutions andOrganisations-NUS Business School (ACN and CGIO, 2018), in ASEAN countries, the number of sustainability reportsissuedseparate from annual reports only reached 37% of the total companies listed on the Stock Exchange by the end of the 2017 reporting year, while the number of the use of assurance services was only 11%. The use of assurance services is a major concern in sustainability practice because its presence can increase the report's reliability (Junior et al., 2014;Jones and Solomon, 2010), although it can result in additional costs for the company. In Indonesia, no provision requires the use of assurance services to evaluate the fairness of a sustainability report's presentation. Some researchers express skepticism about sustainability reporting, including Truant et al. (2017), who say that the quality of risk disclosure is not affected by the presence of an assurance service provider (external assurance). In addition, Boiral and Heras-Saizarbitoria (2020) and Boiral et al. (2019) underline ethical issues from the assurance service provider side, and their research results denote that financial engagement and increased closeness between assurance service providers and their clients happen, which can lead to degradation of independence and reduced reliability of independent assurance reports.

The policy concerning the preparation of sustainability reporting in Indonesia, as previously described, can be formulated into two research questions (RQ), which can be answered using descriptive research. Firstly, this article describes how CEO characteristics determine a sustainable strategy, especially in preparing a sustainability report in a separate format and using assurance services to increase the report's reliability. Secondly, this article discusses how the condition of sustainability reporting in Indonesia is when there is no obligation to issue separate reports and use assurance services and its potential relationship to company value. Prior articles related to the topic of sustainability and CEOs only scrutinize CEO compensation (Al-Shaer and Zaman, 2019), placement of CEO letters in sustainability reports (Kim and Kim, 2017), CEO gender and duality (Amran et al., 2014;Furlotti et al., 2019), and CEO family (Gavana et al., 2017).There has been no research linking CEO characteristics with the issuance of a standalone SR complemented by assuror's opinion found, especially in Indonesia.Referring to Upper Echelons Theory and Institutional Logic Theory, this article posits the opportunity to further discuss CEO characteristics as determinants of managerial decisions in determining a company's sustainability strategy, including its relation to company value.

This article first starts with an introduction, then the sustainability report, the two theories used (Upper Echelons Theory and Institutional Logic Theory), the CEO characteristics, an overview of sustainability practices in Indonesia, increasing company value in sustainability practices, and conclusions. In order to provide a more detailed and easy-to-understand presentation, this article is equipped with a tabulation of data of issuers in Indonesia listed on the Indonesia Stock Exchange (IDX) during 2015-2018, which present their sustainability reports separately and use assurance service providers.

This article's contribution in practice is to provide an overview of CEO characteristics' importance to support the delivery of corporate sustainability information in supporting the government to achieve the SDGs by 2030. Meanwhile, this article's theoretical contribution is to reveal that Institutional Logic Theory can complement Upper Echelons Theory, especially when explaining CEO characteristics in high-profile industries in Indonesia. Although the observation results on the educational background of CEOs who chose to issue standalone SR and use a sustainability assurance provider confirmed Upper Echelons Theory, the observation results on the age and tenure of CEOs did not confirm this theory. This shows that the CEO performs character adjustments to comply with social norms described by Institutional Logic Theory. Older CEOs actually think innovatively, while Upper Echelons Theory states that these CEOs are more concerned with the status quo (Rudy & Johnson, 2019; Hambrick et al., 1993). Furthermore, Upper Echelons Theory does not discuss CEO tenure, which is an essential characteristic in explaining a company's sustainability strategy, such as the decision to use assurance (Blandon et al., 2019; Ali & Zhang, 2015). Thus, this study confirms Tyson & Adams' (2018) findings that Institutional Logic Theory can be used as an alternative theory in sustainability assurance studies.

Literature Review

According to the GRI Standards, sustainability reporting is a practice performed by the organization to disclose its economic, environmental, and/or social impacts and its contribution to the SDGs to the public (GSSB, 2016). Conditions that prompted the preparation of sustainability reports are related to global climate change, pollution, human rights, protection of the environment, and other issues related to economic, environmental, and social. Environmental issues are one of the issues that are the focus of the sustainability report. Based on data disclosed by WHO in 2016, two cities in Asia, namely Beijing, China, and New Delhi, India, experienced the worst health problems due to air pollution (Hanaoka and Masui, 2020). In Indonesia itself, environmental problems related to forest fires, floods, landslides, deforestation, and environmental pollution are often the main issues linked to global climate change (Eriandani et al., 2019). This condition is attentively related to the business processes that occur in the company, especially in the high-profile industry group (Petera et al., 2019;Hackston and Milne, 1996).

The readiness of actors within the company to take strategic action related to business sustainability, in particular, and to contribute proactively to help the government's commitment to achieving the SDGs, in general, must be realized immediately by issuing a sustainability report. The actors within the company have different interests and motivations in issuing sustainability reports. Thoradeniya et al. (2015)reveal that the issuance of a sustainability report may be triggered by pressure from stakeholders, education of leaders in public companies that can influence belief in sustainability reports, and religion that can influence the confidence of the company leaders in sustainability reports, especially in private companies.

Cho et al. (2018), Diouf and Boiral (2017), and Cho et al. (2012) pinpoint that sustainability reports only function as impression management tools that can divert stakeholders' attention to other conditions that are deliberately not informed transparently. Further explanation regarding this matter can also be related to deceptive content in the sustainability report, especially regarding the company's political activities. Haller et al. (2018) affirm that the purpose of the sustainability report to disclose information that can provide value-added is less concise, less comparative, and less comparable so that the disclosure of information carried out is compromising and useless. Basically, not all companies care to participate in issuing sustainability reports. Factors of company size, industry, and geography are actually not the determining factors for actors within the companies to prepare sustainability reports, but the absence of problems related to sustainability is the main reason that makes companies not to take these steps (Higgins et al., 2018). Therefore, when a country's regulator does not make a firm decision regarding the importance of sustainability reporting and the implementation of sustainability practices in its business sector, there is an imbalance of business in achieving maximum profit and efforts to improve the welfare of the surrounding community.

Countries with a strong commitment to achieving the SDGs through the issuance of sustainability reports can drive the business sector to care about environmental issues (Mcnally and Maroun, 2018; Higgins et al., 2018; Egan and Tweedie, 2018;Junior et al., 2014), as well as synergize operating activities with sustainable strategies related to global climate change (Karagiannis et al., 2019; Bebbington and Larrinaga-Gonzaléz, 2008). The actors within the company should be proactive in determining the sustainability strategy and integrating it as the company's overall strategy. The sustainability strategy should be manifested into the company's operating activities that prioritize efforts to ensure the SDGs' achievement, such as employee welfare and environmental protection.

The standards used in the preparation of sustainability reports vary. Van der Waal and Thijssens (2020), Hummel et al. (2019), and Mcnally et al. (2017) affirm that the International Integrated Reporting Council (IIRC), Risk and Control Self Assessment (IRCSA), and the Global Reporting Initiative (GRI) can be used for this process. However, GRI is most popularly used in practice, even among academics, such asCanning et al. (2019), Ibatova et al. (2018), Schreck and Raithel (2018), Antheaume (2018), Achmad and Faisal (2017),and de Aguiar and Bebbington (2014).

Upper Echelons Theory states that the CEO's choice of strategy reflects the CEO's personal values, including his experiences, values, and personality (Hambrick and Mason, 1984). The characteristics of CEOs in this study are divided into observable and unobservable. Hambrick and Mason (1984) articulate that observable characteristics are age, functional tracks, other career experiences, education, socioeconomic roots, financial position, and group characteristics. In a subsequent study, Hambrick (2007) underlines that the characteristics of the top management team can make a better contribution to the achievement of company outcomes by taking into account intellectual stimulation (for example, the top management ability in information technology) and rewards (executive reward systems).

Institutional Logic Theory refers to the presence of a cultural belief system that influences CEOs and top management teams' behavior to link the company's financial and non-financial aspects, particularly in matters concerning corporate sustainability (Tyson and Adams, 2018). Culture in this article is translated as part of social norms. The company's CEO and top management team adherence to social norms is a separate part of its characteristics. The logic used is that social norms are part that is considered in the character adjustment process. Character is inherent in the CEO and top management team, but social norms are part of the character that can drive the CEO and top management team's decision-making process.

Upper Echelons Theory provides guidance that refers to CEOs and top management teams' characteristics in selecting company strategies that aim to achieve profit, growth, and the ability to survive (Hambrick and Mason, 1984).While, Institutional Logic Theory can balance the choice of corporate strategies that compromise between financial and non-financial aspects in order to maintain company sustainability (Tyson and Adams, 2018). These two theories are interrelated; when companies are faced with different environments and innovations, the CEO and top management team's ability remains the primary key to the company's success in achieving the expected targets(Liu et al., 2020). However, the company's actor characters determine corporate strategy choice, namely whether the chosen strategy has a considerable weight in maximizing their personal utility or whether the strategy contributes to stakeholders and the natural environment. This article will highlight the CEO's role in undertaking a sustainability strategy, while the top management team's role can be investigated in a separate area outside of this article.

A CEO is the leader of the company's top management team who makes executive decisions and actions, assisted by other top management, such as finance director, operational director, marketing director, human resources director, and other directors tailored to the needs of the company. CEO power can even exert pressure on other members of the top management team (Uhde et al., 2017; Friedman, 2014). One of the CEO's characteristics that is easy to observe is age(Ali and Zhang, 2015 andElsilä et al., 2013). Santhosh (2019)and Hambrick and Mason (1984) state in their proposition that younger CEOs will be more willing to undertake riskier and more open-minded strategies. In relation to corporate political activity, age influences the CEO to maintain his status quo by not making changes that affect the CEO's position (Rudy and Johnson, 2019). In this case, older CEOs are more likely to commit to maintaining the status quo in deciding company strategy and showing their leadership profile, especially in high-profile industries(Hambrick et al., 1993). This article's age limit stems from Oware and Mallikarjunappa(2020) and Verhaeghen and Salthouse(1997), which clearly determines the age limit of a CEO, which is said old if over fifty years old and young if the opposite.

Ali and Zhang (2015) state that a longer serving CEO tends to reduce his activities to make innovative decisions for the company, especially those concerning Research and Development (RandD) activities. Blandon et al. (2019) support Ali and Zhang's (2015) opinion by stating that CEO with longer tenure will only improve the company's financial performance, while environmental, social, and corporate governance performance actually shows the opposite result. In relation to CEO tenure, Rudy and Johnson (2019) disclose that political activities are divided into relational and transactional that have differences in time frame and costs. Relational political activities are long-term and costly because the action taken by companies is to establish offices in the city of the central government, while transactional political activities are more short-term, cost small amounts of money, and low risk because they are related to project partnership contracts. The results show that CEO tenure has a positive effect on relational political activity and a negative effect on transactional political activity, meaning that a longer serving CEO tends to maintain his status quo and a shorter serving CEO tends to build political connections by making partnership contracts with political elites. On the other hand, Hambrick and Fukutomi (1991) reveal that the CEO'stenure length will have a greater negative than the positive impact, such as boredom, fatigue, and strategies that tend to be monotonous.

Educational background is an integral part of CEO characteristics. Santhosh (2019) states that these characteristics are able to strengthen the company's development towards internationalization. Related to the achievement of company goals, the political activities performed by the CEO are also positively related to his educational background (Rudy and Johnson, 2019). Educational background can be linked to various relevant disciplines. Regarding reporting issues, the CEO's educational background in accounting and finance can be a determining factor in making choices by issuing reports that provide many benefits to its stakeholders. In addition, Blandon et al. (2019) prove that CEOs with engineering educational backgrounds can improve environmental, social, and corporate governance performance.

In this article, CEO characteristics are limited to the CEO's age, tenure, and educational background. These three characteristics are often used in research and can be analyzed further so that they can be used as a study material.

Research Methods

The method used in writing this article is Descriptive Research Design. Sekaran and Bougie (2016) explain that a descriptive study aims to obtain data that can describe a particular topic so that the study carried out can understand a group's characteristics in certain conditions. As previously explained, this article has two RQs that must be answered using relevant technical analysis, both quantitatively and qualitatively. Technical analysis to answer the first RQ regarding the description of the characteristics of CEOs of Go-Public companies in Indonesia in determining sustainable strategies through the issuance of a separate format of sustainability reports and consideration of the use of assurance services is presented in Table 1 along with its description. Furthermore, technical analysis to answer the second RQ regarding the condition of sustainability reporting of Go-public companies in Indonesia and its relationship to company value is presented in Tables 2-5 and its description.

The detailed description undertaken by presenting various tables is expected to describe CEO characteristics and the conditions of sustainability reporting practices in Indonesia, particularly concerning the presentation of separate reports supplemented by independent party opinions. Besides, this study is conducted by analyzing relevant previous research, sustainability report data in a separate format supplemented with an independent assurance report, annual reports, and other information on websites, such as idx.go.id and company websites.

Results and Discussion

The discussion begins with Table 1, which depicts an overview of the characteristics of CEOs and former CEOs who decide to issue separate sustainability reports and use assurance services. The average CEO is over 50 years old, and there are only two CEOs and one former CEO who are under 50 years old. The majority of educational backgrounds are economics, business, administration, and engineering, while one CEO has an educational background in law. CEO tenure starts from <1 year to ± 18 years and most tenure is 2-4 years, which is 10 people.

Table 2 presents an overview of sustainability practices in Indonesia. Analysis of data carried out on the preparation of sustainability reports by all issuers in Indonesia during 2015-2018 shows that several companies issued separate sustainability reports complemented by independent assurance reports. Based on the data, the number of issuers shows an increase every year, which is around 2% - 6%. However, the preparation of sustainability reports in separate formats continues to decline by around 1%. 2015, 2016, 2017, and 2018 data show that reporting in a separate format compared to the number of issuers in the same year is 6.56%, 7.49%, 8.64%, and 9.29%, respectively. Thorne et al. (2014) and Herda et al.(2014) state that preparing a separate format for sustainability reports is very important for large companies to accommodate the interests of political visibility, while the amount of external scrutiny and investor protection has not been the primary consideration by CEOs in Indonesia.CEOs tend to have logic that choosing a sustainability strategy, subject to external scrutiny, and investor protection are likely to be seen as not requiring additional effort. In practice, POJK No. 51/POJK.03/2017 Article 10 Section 2 is used as the basis for CEO choice to only report his company's sustainability in an annual report.

Table 2 also shows information about the use of assurance services, with the results of data analysis showing that very few issuers in Indonesia are aware of the importance of using assurance services. 2015, 2016, 2017, and 2018 data show that the percentage of the use of assurance services compared to the number of issuers in the same year is 0.89%, 1.57%, 2.37%, and 2.08%, respectively. In Indonesia, CEOs choose assurance service providers to assess their sustainability reports, both from public accounting firm and consultants. Details of issuers and assurance service providers used in 2015 to 2018 can be seen in Table 3.

No.	Issuer	CEO's Initial name	Current age/last tenure (years)	Date of appointment	Tenure (years)	Educational Background
1.	ANTM	CEO1	50	31 March 2015	± 2	Bachelor of Metallurgical Mining Engineering from InstitutTeknologi Bandung, 1991 Master of International Management from Sekolah Tinggi PrasetiyaMulya, 2004
		CEO2	59	2 May 2017	± 2	Bachelor of Science in Civil Engineering from Purdue University, West Lafayette, Indiana, AS, 1981 Master of Science in Civil Engineering from University of Michigan, Ann Arbor, Michigan, AS, 1982
2.	BBNI	CEO1	62	17 March 2015	± 4	Bachelor of Economics in Economics from UniversitasPadjadjaran, 1982 Master of Business Management from Asian Institute of Management, Makati, Phillipines, 1992.
3.	BBTN	CEO1	63	18 March 2013	± 6	Bachelor of Economics (S1) from UniversitasDiponegoro, 1981 Master degree from Sekolah Tinggi IlmuEkonomi IPWI, 1998
4.	BNGA	CEO1	47	10 April 2015	± 4	Bachelor of Finance and Finance Accounting (double major) from University of Virginia, Charlottesville, AS, 1995 IMD BPSE program (Breakthrough Program for Senior Executives) in Lausanne, Switzerland, 2007
5.	BUMI	CEO1	59	29 November 2001	± 18	- Mechanical Engineering from InstitutTeknologi Bandung (ITB), 1983
6.	CPIN	CEO1	67	15 May 2013	± 3	- Faculty of Economics from Universitas Indonesia, 1985
		CEO2	61	15 Jun 2016	± 3	- Master of Business Administration from University of the City of Manila, Phillipines, 1994
7.	GIAA	CEO1	50	12 December 2014	± 2	Bachelor of Mechanical Engineering from InstitutTeknologiSepuluhNopember Surabaya, 1989 Master in Air Transport Management from Universitas Indonesia, 1995
		CEO2	46	27 April 2017	± 1	Master of Business Administration from the Stern School of Business, New York University, USA, 1999 Chartered Financial Analyst, CFA Institute, Virginia USA, 2003
		CEO3	47	28 September 2018	< 1	Bachelor from Universitas Gadjah Mada, Indonesia, 1994 Master of Business Administration and International Finance from Universitas Indonesia, Indonesia, 2001
8.	INCO	CEO1	60	4 April 2018 First date of appointment 27 September 2011	± 7	Bachelor and Master of Law from Universitas Indonesia Master of Business Administration (International Business) from the University of Southern California
9.	INKP	CEO1	56	June 2013	± 4	Diploma in Electronic Engineering, Taiwan.

		CEO2	59	12 June 2017	± 2	Faculty of Economics, UniversitasTrisakti, Jakarta
10.	MEDC	CEO1	64	25 November 2015	± 4	MBA Core Program at Thunderbird University, USA, 1984 MSc from Colorado School of Mines, USA, 1988
11	WIKA	CEO1	63	25 April 2013 First date of appointment 15 May 2008	± 9	Bachelor of Economics from UniversitasKrisnadwipayana, Jakarta, 1990 Master of International Management from PrasetyaMulya Business School, 2007
		CEO2	54	26 April 2018	< 1	Bachelor of Civil Engineering from Universitas Borobudur, 1994 Magister of Management from Jakarta Institute of Management Studies, 1997
Note: Data source is Companies' Annual Report.						

Table 1. Sample of CEO Characteristics in Indonesia during 2015 – 2018

Year	Number of Issuers	Standalone Sustainability Report		Independent Assurance Report		Assurance Provider	
		Issuers that issue the report	Issuers that do not issue the report	Available	Not Available	Public Accountant Firm	Consultant
2015	564	37	527	5	32	2	3
2016	574	43	531	9	34	4	5
2017	590	51	539	14	37	4	10
2018	624	58	566	13	45	5	8
Percentage against total issuers							
2015	100%	6.56%	93.44%	0.89%	5.67%	0.35%	0.53%
2016	100%	7.49%	92.51%	1.57%	5.92%	0.70%	0.87%
2017	100%	8.64%	91.36%	2.37%	6.27%	0.70%	1.70%
2018	100%	9.29%	90.71%	2.08%	7.21%	0.80%	1.28%
Percentage against relevant data							
2015	-	100%	-	13.51%	86.49%	5.40%	8.11%
2016	-	100%	-	20.93%	79.07%	9.30%	11.63%
2017	-	100%	-	27.45%	72.55%	7.84%	19.61%
2018	-	100%	-	22.41%	77.59%	8.62%	13.79%
Note: Tabulation of data taken form Indonesian Stock Exchange and Companies' Sustainability Reports.							

Table 2. Standalone Sustainability Report and Use of Assurance Services in Indonesia during 2015 – 2018

The identification of CEO characteristics shows that most over 50 years old CEOs tend to make a separate format for the sustainability report and supplement it with an independent assurance report. Rudy and Johnson (2019) and Hambrick et al. (1993) reveal that older CEOs are more likely to maintain their status quo. Based on the relation to the sustainability strategy, there is evidence that only a few CEOs maintain the status quo by deciding to make a separate sustainability report. The CEO even appointed an assurance service provider to check the credibility of his report. This description analysis shows interesting results because, according to Blandon et al. (2019) and Ali and Zhang (2015), older CEO will tend to stop doing innovative strategies and focus on financial performance by ignoring non-financial performance or, in other words, Upper Echelons Theory is not confirmed. The fact is that old CEOs still carry out innovative strategies by choosing to issue a separate format and complete independent assurance report. The answer to this can be seen from the results of the subsequent analysis of the CEO's tenure and educational background.

The sample in Table 1 shows that the average CEO has a tenure of one to four years, or it can be said as a short tenure. Rudy and Johnson (2019) posit that the short tenure of the CEO makes him tend to choose a contractual political activity as the main action so that the relationship with the issue of political ties can be directed to the CEO roles to help succeed the country's commitment to realizing the SDGs. In addition, the majority of CEO's educational background comes from economics and business fields, including accounting and finance, so that in relation to reporting, they realize the need for external party supervision and protection of investors who require separate reporting (Thorne et al., 2014; Herda et al., 2014). The discussion of tenure tends to lead to adherence to social norms, which, based on Upper Echelons Theory, is a separate part of CEOs' basic character. These results indicate that the CEO performs character adjustments to comply with social norms that require him to perform activities other than focusing on financial performance alone. What can be concluded is that Institutional Logic Theory can be confirmed in relation to CEO characteristics in choosing a sustainability report and appointing assurance service providers in Indonesia.

Table 3 shows a list of issuers and assurance service providers appointed to assess a separate sustainability report format. From Table 3, it can be seen that only two public accounting firms used in assessing sustainability reports, namely Moores Rowland (second tier) and Ernst and Young (Big-4), while the consultants used are SGS Indonesia, Lloyd's Register International (Thailand), Limited, Social Responsibility Asia (SR Asia), AA1000 Licensed Assurance Provider, SIRIM QAS International SND. BHD., Lloyd's Register Quality Assurance Ltd. (LRQA), Account Ability: The Institute of Social and Ethical Accountability, and the National Center for Sustainability Reporting. The basis for selecting assurance services cannot be ascertained based on the amount of assurance fee required, considering no information regarding the fee's amount. (Canning et al., 2019) and Ferrero (2018) reveal that public accounting firm is more competent and experienced in providing assurance services so that the sustainability report becomes more reliable and reflects the company's condition. On the other hand, the use of consultants to assess sustainability reports is supported by Hummel et al. (2019) and Dwyer and Owen (2005), who underline that consultants have an evaluative approach and can provide broader disclosures in their independent reports. However, the number of consultant choices in Indonesia can be confirmed by the Oware and Mallikarjunappa (2020) research results, which show that older CEO will prefer using a consultant as the assurance service provider.

NO.	2015		2016		2017		2018	
	Issuer	Assurance Service Provider	Issuer	Assurance Service Provider	Issuer	Assurance Service Provider	Issuer	Assurance Service Provider
1.	ANTM	SGS Indonesia	ANTM	SGS Indonesia	ANTM	SGS Indonesia	ANTM	Moores Rowland
2.	BNGA	Moores Rowland	BNGA	Moores Rowland	BNGA	Moores Rowland	BNGA	Social Responsibility Asia (SR Asia)
3.	CPIN	Lloyd's Register International (Thailand), Limited	CPIN	Lloyd's Register International (Thailand), Limited	CPIN	Lloyd's Register International (Thailand), Limited	CPIN	Lloyd's Register International (Thailand), Limited
4.	INCO	SGS Indonesia	INCO	Social Responsibility Asia (SR Asia)	INCO	Social Responsibility Asia (SR Asia)	INCO	Social Responsibility Asia (SR Asia)
5.	PGAS	Moores Rowland	PGAS	Moores Rowland	PGAS	Moores Rowland	PGAS	Moores Rowland
6.			BBRI	Social Responsibility Asia (SR Asia)	BBRI	Social Responsibility Asia (SR Asia)	BBTN	Moores Rowland
7.			BBTN	Moores Rowland	BBTN	Moores Rowland	INKP	Account Ability: The Institute of Social and Ethical Accountability
8.			INKP	SGS Indonesia	INKP	AA1000 Licensed Assurance Provider	BBNI	Social Responsibility Asia (SR Asia)
9.			UNVR	Moores Rowland	BBNI	Social Responsibility Asia (SR Asia)	BUMI	Moores Rowland
10.					BNII	SIRIM QAS International SND. BHD.	ITMG	Lloyd's Register Quality Assurance Ltd. (LRQA)
11.					BUMI	SGS Indonesia	MEDC	Purwantono, SungkoroandSurja - Ernst and Young
12.					ITMG	Lloyd's Register Quality Assurance Ltd. (LRQA)	WIKA	Social Responsibility Asia (SR Asia)
13.					MEDC	Purwantono, SungkoroandSurja - Ernst and Young	GIAA	National Center for Sustainability Reporting
14.					WIKA	Social Responsibility Asia (SR Asia)		
	5 issuers		9 issuers		14 issuers		13 issuers	
Note: Data source is Companies' Annual Report.								

Table 3. List of Issuers and Assurance Service Providers in Indonesia Analysed during 2015 – 2018

In this article, the described conditions are based on the perspective of Upper Echelons Theory, namely the characteristics of the CEO are still more concerned with improving financial than non-financial performance and this is evidenced by the fact that many CEOs incorporate their sustainability activities in annual reports and do not use assurance services. However, Institutional Logic Theory is also slowly gaining a place as the CEO starts to use assurance services to assess his sustainability report to meet social norms. Furthermore, proving which theory is more applicable is not easy, especially when discussing its industrial profile.

Table 4 illustrates further data analysis based on the industrial sector and sub-sector classification of issuers that issue sustainability reports in separate formats and always use or have once used assurance service providers from 2015 to 2018. Additional information shown in Table 4 is an industry profile category that includes high-profile or low-profile industry. Based on the Petera et al. (2019) and Hackston and Milne's (1996) classification, the high-profile industry group receives much attention from the public, has high political risk, high level of competition, and high social responsibility activities. Examples of these industries include manufacturing and electricity, energy, air conditioning supply, chemicals, forests and paper, aviation, agriculture, tobacco, media and communications, finance. The property and real estate sector can also be categorized as a high-profile industry because of its close association with the financial sector, in this case, banking.

A positive view of the CEO's character adjustment to other parties' needs or a negative view of the CEO's character who is always profit-oriented in making a sustainability report are two important matters that need to be investigated in a separate research. The CEO position in high-profile industries can be oriented towards two possibilities: making sustainability reports because he complies with social norms expressed in Institutional Logic Theory or other matters. Another matter can point to Upper Echelons Theory, which emphasizes that the reporting strategy's selection is due to pressure from stakeholders or simply as impression management tools (Cho et al., 2018; Thoradeniyaet al., 2015).

From the positive side, the argument that can be given to CEOs of companies in Indonesia's high-profile industry category is the emergence of an awareness of the importance of making sustainability reports evaluated by assurance services. In addition, CEOs can realize the economic circulation based on a green economy which includes economic stability, social, and the environment which is the impact of the company's activities.The CEO considers the importance of compliance with the preparation of a sustainability report as part of implementing a sustainability strategy that can strengthen the company's position in increasing its going concern in the future. Voluntary reporting is also part of compliance with social norms that motivate the company's actor behavior to account for their stakeholders' choices regarding the resulting economic, environmental, and/or social impacts. When characters compromise social norms, Institutional Logic Theory shows its dominance over Upper Echelon Theory. Nevertheless, an important condition to note here is that only sixteen companies in the high-profile industry have the awareness to contribute to the company's commitment to achieving the SDGs. In addition, from the negative side, the sixteen companies choose to report because of pressure or reinforce the CEO's impression, which is synonymous with the Upper Echelons Theory.

No.	Issuers	Sector	High-Profile Industry	Total Issuers	Percentage	Sub-Sector	Total Issuers	Percentage
1.	BNGA	Financial	√	5	31%	Banking	5	31%
2.	BBRI	Financial	√			Banking		
3.	BBTN	Financial	√			Banking		
4.	BBNI	Financial	√			Banking		
5.	BNII	Financial	√			Banking		
6.	ANTM	Mining	√	5	31%	Metallic Minerals and Others	2	13%
7.	INCO	Mining	√			Metallic Minerals and Others		
8.	BUMI	Mining	√			Coal	2	13%
9.	ITMG	Mining	√			Coal		
10	MEDC	Mining	√			Oil and Gas	1	6%
11.	INKP	Basic Industry and Chemicals	√	2	13%	Pulp and Paper	1	6%
12.	CPIN	Basic Industry and Chemicals	√			Animal Feed	1	6%
13.	PGAS	Utility and Transportation	√	2	13%	Energy	1	6%
14.	GIAA	Infrastructure Utilitty and Transportation Infrstructure	√			Transportation	1	6%
15.	UNVR	Consumer	√	1	6%	Cosmetics and	1	6%

		Goods Industry				Household Goods		
16.	WIKA	Property and Real Estate	√	1	6%	Building Construction	1	6%
	TOTAL		√	16	100%		16	100%
Note: Data source is Indonesia Stock Exchange.								

Table 4. Issuers' Sector and Sub-Sector that use and have once used Assurance Services in Indonesia during 2015 – 2018

No.	November 2017 – April 2018	May – October 2018	November 2018 – April 2019
1.	BBNI	BBNI	BBNI
2.	GIAA	PGAS	PGAS
3.	PGAS	WIKA	WIKA
4.	WIKA	-	-
Note: Data source is Indonesia Stock Exchange.			

Table 5. Issuers included in the SRI-KEHATI Index in 2018

Further illustration in Table 5 is an explanation based on the SRI-KEHATI Index. On 8 June 2009, IDX has launched an index called the SRI-KEHATI Index and IDX manages it in collaboration with the Indonesian Biodiversity Foundation (KEHATI Foundation) (idx.co.id). This index measures 25 publicly listed companies' stock price performance that has performed well in encouraging sustainable businesses and have environmental, social, and good corporate governance awareness or what is called Sustainable and Responsible Investment (SRI). Based on 2018 data, the companies listed in Table 3 included in the SRI-KEHATI Index are presented in Table 5.

In Table 5, the SRI-KEHATI Index only includes four issuers that issue sustainability reports separately supplemented by independent assurance reports in 2018 (as listed in Table 3). This new information illustrates the number of companies that can confirm the Institutional Logic Theory. The question that arises further is whether CEOs in Indonesia choose a separate form of reporting and appoint assurance service providers only for impression management tools or do the CEOs have an awareness to be proactive in achieving the SDGs that are proclaimed until 2030. In the previous discussion, strong reasons need further empirical testing.

The subsequent question then is whether presenting a sustainability report through a separate format supplemented with an independent assurance report can increase company value. No previous studies have answered that question. Hamidah and Sastra (2020), who conduct a study on 103 companies that issued sustainability reports and listed on the IDX during 2013 – 2017, disclose that the larger the size of the board of commissioners, the more it will increase company value; however, sustainability reports are not proven to mediate the indirect effect of the board of commissioners on company value. Laskar and Gopal Maji's (2018), who conduct a study to examine the level and quality of disclosure in sustainability reports in developed and developing countries in Asia, namely Japan, South Korea, Indonesia, and India, reveal that the company's sustainability performance has a positive effect on company value, which is proxied by the market to book ratio (MBR). Another study in Indonesia regarding the influence of three categories in sustainability reports, namely economy, labor, and human rights, by Mulya and Prabowo (2018), reveals that only the economic category positively affects company value.It should be noted that attention to environmental and social factors has a very important role in creating a good economy for companies towards the realization of the SDGs in Indonesia. According to the literature (Fontoura and Coelho, 2022; Lin et al., 2020; Fontana, 2019 and Lo and Lam, 2017), it is expected that supply chain leaders who act transformatively will contribute to the increase in green innovation, as this type of leadership will seek solutions that contribute to value creation, taking into account different stakeholders. Through leadership in which there is concern for value creation more broadly, there is a natural convergence towards a green innovation attitude, aiming for a more responsible use of resources, to create greater benefits for all (Fontoura and Coelho, 2022).

Companies that present sustainability reports supplemented by independent assurance reports should be able to increase company value compared to companies that do not present sustainability reports separately from annual reports or present separate reports but without independent party reports. The higher the company issues its shares on the stock exchange, the more stakeholders pay attention to the company's activities, not only from the financial but also from the non-financial aspect. Laskar and Gopal Maji (2018) and Mulya and Prabowo (2018) provide evidence that sustainability reports have a significant impact on increasing company value. Stakeholders are increasingly aware of the importance of companies paying attention to the impact of operating activities on the risk of environmental damage, especially those related to climate change, pollution, and natural damage (Elshandidy and Shrives, 2016; (Dobler et al., 2015); Dobler et al. (2014); Bebbington and Larrinaga-Gonzaléz, 2008). This condition should urge the CEO to think of a sustainability strategy that balances financial and non-financial aspects, as explained by Institutional Logic Theory.

The main goal of innovation in an organizational context is to find new solutions that enable companies to be more competitive, provide more value to customers and society at large (Cheng, 2020). Green innovation supports to revisit the organization's product and service portfolio, to create new value proposals for the market in line with sustainable development principles and more informed customer needs and expectations (Fontoura and Coelho, 2022). In a world where customers are increasingly sensitive about ecological issues, the challenge of developing competencies that drive green innovation is critical (Mishra and Yadav, 2021). The natural resource-based view provides answers to customer needs and builds the company's ability to achieve higher performance innovation to create a green economy simulation.

For businesses, environmental regulations are typically harsh regulations meaning that non-compliance will increase economic costs (Wilms, 1982). However, businesses do not invest in environmental protection just to implement environmental and reduce cost control from them (Chuah et al., 2020). Therefore, regulations create a different environment within themselves regarding production and operations, which are applied to company decisions (Gu et al. 2021)

Conclusion

Sustainabilityreportingpractices in Indonesia have become an inseparable part of the annual report. However, separate reporting needs to be considered by the issuer to the reliability of the information presented. In Upper Echelons Theory, CEO characteristics determine an important strategy for the company, especially those related to the financial aspects that are often related to the compensation he receives. The encouragement of social norms for companies to contribute to the SDGs makes the CEO assimilates his characteristics to balance financial and non-financial aspects, especially those related to economic, environmental, and social issues. The CEO's concern for taking proactive action indicates the pertinence of Institutional Logic Theory. Companies that are able to comply with provisions in social norms have an easier tendency to increase company value. This article has limitations in providing a more detailed explanation of the sustainability strategy that the CEO has chosen to carry out sustainability reporting practices. Therefore, further research is to conduct an empirical test using Indonesian data regarding the effects of CEO characteristics on sustainability reporting, which uses a separate format from other reports and is complemented by independent assurance reports. Furthermore, a second test can be carried out using the matching method to examine whether the sustainability reports reported separately and have independent reports have a different impact on company value.

This article contributes theoretically to the strategy decided by the CEO to increase company value. Institutional Logic Theory complements Upper Echelons Theory in understanding how CEO characteristics can determine a company's sustainability strategy. The global momentum of ESG investments these days has a material impact on the CEO to determine strategies to improve the reliability of financial and non-financial reporting. The issuance of a standalone SR accompanied by an independent assurance statement is expected to increase investor confidence while at the same time increasing company value in ESG momentum.

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