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The Influence Of Ceo Power On The Disclosure Of Sustainability Reports

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Abstract – This study aims to examine the effect of CEO power on sustainability report disclosure in companies that participate in and win the Asia Sustainability Reporting Rating 2021 program. This study found that there is a positive influence of CEO power on sustainability report disclosure. This proves that the role of the CEO is able to contribute to the disclosure of the sustainability report, the greater the CEO's ownership of the company, the greater the contribution made by the CEO to the disclosure of the report. This research can contribute to further studies related to sustainability reports as well as stakeholders and regulators will need to develop greater awareness of firm sustainability reports.

Keywords – CEO Power, Sustainabilty Report, Asia Sustainability Reporting Rating

I. INTRODUCTION

The issue of sustainability is a very interesting topic in various fields of life. This issue has become important since humans realized the decline in the function of the earth as a place to live. This decline is influenced by human activities from generation to generation, which has a significant impact on human life. This awareness then encourages various efforts to slow down the "aging" of the earth with various sustainability programs.

Sustainability also enters the business world which begins with awareness of carrying out responsibilities in the environmental sector, especially businesses related to natural exploration. This is realized by making a corporate social responsibility report which then continues into sustainability reporting. Various institutions and companies have developed the format and characteristics of these reports. One of the organizations closely related to this report is the global reporting initiative. The Global Reporting Initiative (GRI) is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.

Various countries have implemented policies that require companies to publish sustainability reports to maintain accountability in society. Sustainability report is defined as a sustainability report related to all non-financial information. There are several principles in publishing this report including: intergenerational equity, intragenerational equity, the importance of diversity, interconnectedness and various preventive measures that can minimize the impact caused by human activities (Throsby, 2017).

Various studies have examined sustainability reports including: knowledge management practices and sustainability reporting (Nakyeyun, et al 2022); A framework for sustainability reporting (Abeysekera, 2022); tensions between different approaches to materiality in practice and how this may lead users of sustainability reports to draw unjustified conclusions on the basis of materiality assessments (Jørgensen, et al 2022), historic analysis of European Union (EU) regulations in the field of non-financial and sustainability reporting and how these have changed over time (Baumuller & Sopp, 2022).

Furthermore, many sustainability reports are associated with organizational management of a business, especially with regard to CEO power (Rashid, 2020; Chu, Liu, & Chiu, 2023). This research indicates CEO power as the percentage of owned shares by the CEO. Ownership of a company indicates an individual's influence on business continuity based on how much ownership of the business is. Sustainability report disclosure is one part related to this influence. If individuals who have great influence can see the beneficial potential of this report, they will most likely push for the publication of this sustainability report.

One of the institutions that continues to promote sustainable development is Global Reporting Initiative (GRI). The National Center for Corporate Reporting is an institution that holds various programs to motivate businesses to make sustainability reports. One of the programs of this institution is the Asia Sustainability Reporting Rating 2021. This study aims to examine the relationship between CEO power and sustainability reporting disclosures in companies that have participated in and won this program.

II. Literature Review

Previous research has shown that companies with smaller board sizes, which are mostly composed of independent directors, have higher levels of CSR disclosure (Thuy et all, 2022). In addition, the study results also show that there is a positive relationship between gender diversity and carbon disclosure information (Hossain, et al, 2017). Furthermore, research was conducted on 100 companies listed on the Indian stock exchange in 2007-2011 using the criteria of 17 items of social disclosure. The level of CSR disclosure is positively related to foreign ownership, government ownership and board independence and negatively related to CEO duality (Muttakin et all, 2015).

However, previous research on CEO power and its relation to corporate social responsibility (CSR) found the opposite which indicated that companies with stronger CEOs tended not to be involved in CSR activities (Chu, Liu, & Chiu, 2023). Other research also shows that CEO power is negatively related to the level of CSR disclosure, and that the negative effect of CEO power on the level of CSR disclosure is attenuated by stakeholder influence (Rashid, 2020). Furthermore, CEOs who are younger, more competent and overly self-assured will not involve themselves in social activities. In addition, other research shows that there is no significant relationship between managerial ownership and CSR in Iranian companies listed in stock exchanges (Mohammad, Saeidi, & Naghshbandi, 2020).

Based on the existing research gaps, this study examines the influence of CEO Power on sustainability report disclosure in companies that participate in and win the Asia Sustainability Reporting Rating 2021.

III. Research Method

This study uses causal research which is research conducted to investigate a cause and effect relationship that has occurred and look for causal factors based on the data that has been collected. This study uses a quantitative method that tests certain theories by examining the relationship between one variable and another. The sample for this research is a company that participated in and won the Asia Sustainability Reporting Rating (ASRRAT) 2021. The sample criteria include all companies that won the ASRRAT 2021 competition, are included in the Platinum and Gold categories, and report sustainability reports on the official website pages of each company. The number of samples that fall into this category are 36 companies from 38 companies.

This study uses the independent variable, namely CEO power (CP), and the dependent variable, namely Sustainability Report (SR. For the CEO power construct, we followed prior studies (Janakiraman, Radhakrishnan, & Tsang, 2010; Lewellyn & Muller-Kahle, 2012; Choe, Tian, & Yin, 2014) and used the percentage of shares owned by the CEO to measure CEO power (Powerit).Missing values on CEO ownership are set to zero for measurement purposes (Janakiraman et al., 2010).For the dependent variable, namely sustainability report is calculated using the Asia Sustainability Reporting Rating (Asrrat) criteria by the National Center for Corporate Reporting. Furthermore, this research will be tested using multiple linear regression through SPSS 22 software.

IV. Results And Discussion

Table 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648[a]	.420	.403	2.586

a. Predictors: (Constant), CEO Power

Table 1 shows an output of 0.648 or 64.9%. This figure indicates that the CEO power variable plays a major role (64.9%) in influencing report disclosure, and the rest is explained by other variables. Furthermore, based on table 1, the R number is 0.648. This means that there is a large correlation. So it can be concluded that the relationship between CEO Power and the Sustainability report is considered large. Furthermore, the coefficient of determination (R2) measures how far the model's ability to explain the variation of the dependent variable. The higher the value of R2, the better the model. The value of R2 is between 0 and 1. If it is close to 1, the better the leadership of the independent variable in explaining the dependent variable. Based on the output, the Adjusted R2 (adjusted r square) figure is 0.403 or 40.3%. This means that the independent variable is able to explain 40.3% of the dependent variable while the rest is influenced by other variables not included in the model. In addition, the R2 (R Square) figure is 0.420 or 42%. This shows that the presentation of the influence of CEO power on the sustainability report is 42%. This means, the independent variable is able to explain 42% of the dependent variable while the rest is influenced by other variables not included in the model.

Table 2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	169.169	1	169.169	25.295	.001[b]
	Residual	234.074	35	6.688		
	Total	403.243	36			

a. Dependent Variable: SR

b. Predictors: (Constant), CEO Power

Based on table 2 of the ANOVA test or F test in the table above, it was found that the significance (SR*CP) was 0.001. Based on the hypothesis testing criteria, if the significance is $\leq$ 0.05, the hypothesis is accepted. This means that the independent variable CEO power (CP) simultaneously has a significant effect on the sustainability report (SR).

Table 3

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	88.185	.498		177.188	.001
	CEO Power	4.815	.957	.648	5.029	.001

a. Dependent Variable: SR

The results in table 3 show a positive coefficient indicating a unidirectional change between the independent variable and the dependent variable. Regression calculation above

shows the independent variable has a coefficient that is positive. The CEO Power regression coefficient is 0.648 which is positive. This also shows that when CEO Power increases or decreases by one unit, the sustainability report (SR) will increase or decrease by 0.648 units. This shows that there is a significant influence between CEO Power which is in the same direction as the sustainability report (SR).

Furthermore, hypothesis testing has requirements if the significance is > 0.05 then the hypothesis is rejected. The output in table 3 shows that the CEO Power (CP) variable has a variable significance value of 0.001. Then the significance value < standard value 0.05, it can be concluded that CP has a significant effect on sustainability report (SR).

V. Conclusion

Sustainability issues continue to be developed and implemented in various fields including business processes. Various institutions continue to participate to encourage all companies in various sectors to participate in sustainability which is implemented in financial reporting accountability, one of which is a sustainability report. The National Center for Corporate Reporting is one of the institutions supporting this implementation through the holding of the Asia Sustainability Reporting Rating program.

This research aims to analyze the influence of CEO power on disclosure of sustainability reports with a sample of companies that won the Asia Sustainability Reporting Rating. This research concludes that CEO power plays a major role in the disclosure of sustainability reports. The results of this study are expected to be useful for further research with different contexts and also for stakeholders and the government in making decisions regarding share ownership in businesses.

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