The Effect of Environmental Disclosures on Earnings Quality with Corporate Governance as Moderating Variable

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Abstract

Keywords: earnings quality, environmental disclosures, corporate governance

Abstract
This study aims to examine the influence of environmental disclosures on earnings quality and corporate governance as moderating variables, namely institutional ownership, audit committees, and independent commissioners in the mining companies listed on Indonesia Exchange (IDX) in 2017-2021. In this study, secondary data that has been collected is purposive sampling, with a total of 95 samples taken. The research method used is a quantitative method, with testing using SPSS version 26 and Moderated Regression Analysis (MRA) analysis. This study found that environmental disclosure has no effect on earnings quality. However, institutional ownership and audit committees can moderate i.e. drive influence environmental disclosure toward earnings quality. But, the independent commissioners did not moderate the influence of environmental disclosure on earnings quality.

Keywords: earnings quality, environmental disclosures, corporate governance
INTRODUCTION

Financial reports convey the actual situation and financial information about management’s responsibility for financial performance. Eskandy (2019) implies that information about profit is still important because it has the potential to influence investor decisions regarding buying, selling, or holding securities related to a company. Zembua & Zaitul (2021) state that having good quality earnings increases a company’s ability to achieve its goals in the short and long term. However, several companies such as PT. Timah, PT. Bumi Resources, and PT. Cakra Minerals, Tbk. change their financial statements to cover unstable financial conditions. This shows that there is still a company’s delinquency in maintaining the quality of its earnings. To strengthen the trust of the public, investors, and the government, in addition to financial reports, a sustainability report related to the environment is prepared.

According to Peters et al. (2022), companies use environmental disclosure to improve their image in the eyes of different stakeholders and members of society, thereby helping to gain more legitimacy before the public. Environmental disclosure is a term that describes the various methods by which companies disclose environmental sustainability information in their financial statements. According to Alipour et al. (2019), if managers do environmental disclosure as an ethical requirement, they will take steps to improve earnings so that the quality of their financial reports will also improve. Meanwhile, Indonesia has regulations related to environmental disclosure as stated in Law No. 40/2007, Law No. 25/2007, regulation (PP) No. 47/2012, etc. In listed companies, most companies use GRI (Global Reporting Initiative) as a guideline for the preparation of sustainable reports. The sustainability report has 3 main big categories, namely social, economic, and environmental. In this study, the environment is the main focus. There is a phenomenon that the number of sustainable disclosures is minimal in terms of environmental disclosures. Most only focus on the social and economic categories of the surrounding community. Especially for mining companies that are in direct contact with the environment and the impact of mining land clearing. In this case, it requires careful planning as well as mitigating the impact on the environmental problem which can be highlighted by the public, investors, and the government. Some studies found that environmental disclosure has a significant impact on earnings quality (Nangih et al. 2022; Alipour et al., 2019). Whilst Eskandy (2019) found environmental disclosure has no effect on earnings quality. Siregar (2018) and Siue (2019) found that environmental disclosure has a negative effect on earnings quality.

One of the factors that has a close correlation with the earnings quality variable is corporate governance. Corporate governance (CG) deals with the relationship between managers, directors, controllers, minorities, and other stakeholders (Sholikhah et al., 2022). The practice of good corporate governance is a concept that encourages improvement in company performance through monitoring and controlling management actions, as well as implementing rules that aim to ensure management accountability to all parties involved in the company. The three components examined in this study cover the way companies organize themselves, namely: institutional ownership, audit committees, and independent commissioners.

According to Puspiritavati et al. (2019), ownership by institutional investors has the potential to increase and control oversight of leader performance, because they can be influential parties in supporting or evaluating leader performance. Research by Purnamasari
and Fachrurrozie (2020) and Sholikhah (2022) showed the effect of institutional ownership on earnings quality. Whilst, Puspitawati et al. (2019) found no effect on earning quality.

The audit committee is an independent work team consisting of professionals formed by the board of commissioners. The main function of the audit committee is to conduct inspections and provide support to the board of commissioners in carrying out supervisory duties on financial reports, risk management, audits, and the implementation of corporate social responsibility (CSR), according to research by Amelya et al. (2021). Research conducted by Sholikhah (2022) and Puspitawati et al. (2019) show that the audit committee influences earnings quality, while Amelya et al. (2021) found no effect on earnings quality.

Independent commissioners refer to individuals who are members of the board of directors but are not part of the corporate entity itself. They have a position within the commissioners’ structure but have no direct link with the company in this regard, and act independently. A large number of independent commissioners can reduce the practice of manipulating financial statements (Purnamasari and Fachrurrozie, 2020). In the research by Sholikhah (2022) and Puspitawati et al. (2019) the effect of independent commissioners on earnings quality. Meanwhile, according to Sugianto & Sjarief (2018) and Suleman (2019), it has no effect on earnings quality.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Legitimacy Theory

The concept of legitimacy, which was first introduced by Pfeffer and Dowling in 1975, is derived from the term "legitimacy" associated with organizations. According to Siregar (2018), the concept of legitimacy comes from social relations that are formed between communities and companies when using economic capacity. According to the paper, companies always strive to comply with the requirements and regulations that apply in their area. It also emphasizes that external stakeholders require companies to take actions that will make their operations transparent, in accordance with laws and Economic Principles. Peters et al. (2022) The theory relies on the assumption that accounting for environmental sustainability and management’s related role of accountants in sustainable development can be used as a communication medium to influence perceptions of entity actions. In a business context, legitimacy can be considered as an indication that the company carries out corporate social responsibility (CSR) or fulfills society’s expectations of the company.

In the prevailing ethical perspective, there is a close relationship between society and companies because both are involved in social relations. It then describes the corporate motivation for social, governance, and environmental disclosure and presents how companies can use legitimacy strategies to impact society. To strengthen the trust of the public, investors, and the government, in addition to financial reports, a sustainability report related to the environment is prepared. This is believed to be able to increase the legitimacy of the company because the company’s activities certainly have an impact on the social and surrounding environment.

Earnings Quality

Profit is a measure of the quality of financial data. According to Eskandy (2019), good accounting profit can show a company’s financial performance. The income earned by the company reflects the company’s current capabilities and will be a very significant indicator.
for future business activities. Earnings quality can be used to determine the state of the company, especially its financial health, so that it can be said that earnings quality is a sign that the company has shown actual economic conditions (Purnamasari and Fachrurrozie, 2020).

**Environmental Disclosure**

Environmental disclosure is a term that describes the various methods by which companies disclose environmental sustainability information in their financial reports. Peters et al. (2022). According to Wibisono (2007), the notion of environmental disclosure refers to the actions taken by a company to provide information about various environmental aspects related to strategy, initial objectives, costs to be borne, compromises to be made, and expected results. Such information may be verified (audited) or not. The aim is to strengthen relationships with parties who have authority over the data. Companies can reduce costs to overcome environmental damage in the future with good environmental performance and disclosure. So, by reducing these costs, companies can achieve the best results. Furthermore, these results also improve the company’s position from the perspective of third parties, such as investors who may be interested in investing in companies that generate significant returns.

**Global Reporting Initiative (GRI)**

Global Reporting Initiative (GRI) is a global independent organization with headquarters in Amsterdam, Netherlands. Since 1997, GRI has been a pioneer in sustainability reporting. The Sustainability Reporting Standards, which are freely available as a public product, are a core product of GRI. For twenty years, GRI has established sustainability reporting standards based on the contributions of many right parties and based on the public interest (Global Reporting Initiative, 2017). The GRI Standards (GRI-G4) are the most recent replacements for the GRI Guidelines (GRI-G1). The most popular sustainability reporting standard worldwide is GRI. 2017 Corporate Responsibility Reporting Survey by KPMG 93% of total companies worldwide report that they have achieved sustainable performance. In Indonesia, almost all companies that publish sustainability reports use the GRI standards. In accordance with the GRI-G4 guidelines, this is simplified into three main categories: economic, environmental, and social.

**Institutional Ownership**

According to Puspitawati et al. (2019), share ownership by institutional investors has the potential to improve and strengthen oversight of management performance, because these investors are a source of power that can support or oppose company management. Entities or individuals that fall into the category of institutional ownership include banks, insurance companies, investment companies, and foundations, all of which have different characteristics. Institutional investors can reduce the negative things of manager behavior through intensive monitoring. Owners who come from institutions are considered capable of monitoring every incident in the company and are more responsive if there are changes in the company. Thus, it can be understood that the increase in share ownership by institutions is directly proportional to the quality of earnings.

**Committee Audit**

Amelya et al. (2021) show that the audit committee is a professional and independent committee consisting of a board of directors. Their job is to assist and support clients in
auditing, risk management, financial reporting and corporate social responsibility. The existence of an audit committee is very important to maintain good corporate governance. Increasing the number of audit committee members can also improve earnings quality. This can be understood from the description of the theory above which states that the size of a company's audit committee is positively related to earnings quality.

**Independent Commissioner**

Independent commissioners are members of the board of commissioners appointed by the company and act independently. The existence of a significant number of independent commissioners can reduce the risk of financial reporting violations (Purnamasari and Fachrurrozie, 2020). In Indonesia, regulations in Law Number 33/POJK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies regulate the composition and role of independent commissioners in a company and members of the board of commissioners. This provision confirms that a minimum of 30% of the total members of the Board of Commissioners must be independent commissioners. According to Purnamasari and Fahrurozi (2020), because of the different interests between management and business owners, independent commissioners are expected to help companies reduce the possibility of irregularities in financial reports.

**Hypothesis Development**

**Influence Environmental Disclosure To Earnings Quality**

According to Peters et al. (2022), companies use environmental disclosure to improve their image in the eyes of different stakeholders and members of society, thereby helping to gain more legitimacy before the public. Company success also comes from corporate ethics, such as social responsibility outside the company. The impact that the company produces on the surrounding community is an important matter that raises the disclosure of the results of its environmental performance (environmental disclosure). Society and external parties of the company such as investors and the government can assess the company's concern for the environment through disclosure (environmental disclosure). Research findings conducted by Peters et al. (2022), Alipour et al. (2019) revealed the same results, namely environmental disclosure positive effect on earnings quality. So, the research hypothesis is:

H1: Environmental disclosure has a positive effect on earnings quality.

**The Role of Institutional Ownership in Moderating Environmental Disclosure to Earnings Quality**

Institutional investors own shares in a company which is known as institutional ownership. According to Puspitavati et al. (2019), because of institutional investor ownership, there will be an increase in control and evaluation of gestão because it is a powerful resource for helping or fighting gestão. In research from Solikhah et al. (2022), it is shown that institutional ownership is related to the ability to generate income from managerial performance evaluations in conflict situations with related agents. Therefore, the research hypothesis can be written as follows:

H2: Institutional ownership can moderate the influence of environmental disclosure on earnings quality.
The Role of the Audit Committee in Moderating Environmental Disclosure To Earnings Quality

The audit committee will assist the board of commissioners and has responsibility for monitoring the financial reporting process. It is hoped that with the existence of an audit committee, decisions taken by managers can be monitored and controlled so that they can bind all interested parties. Increasing the audit committee will increase the quality of earnings (Sholikhah et al. 2022). The audit committee is a professional and independent team formed by the company's management. The main task of this group is to provide support in the implementation of audits and support the role of those involved in monitoring and evaluating financial governance, risk control, and supporting corporate social responsibility (CSR). Findings from research conducted by Sholikhah (2022) and Puspitawati et al. (2019) indicate that the existence of an audit group has an impact on the quality of results. Thus, the research hypothesis can be formulated as follows:

H3: The audit committee can moderate the influence of environmental disclosure on earnings quality.

The Role of Independent Commissioners in Moderating Environmental Disclosure To Earnings Quality

Members of the commissioners who are not related internally to the company and behave independently are called independent commissioners. A large number of independent commissioners can reduce the practice of manipulating financial statements (Purnamasari and Fachrurozzi, 2020). The results of research by Puspitawati et al. (2019) found independent commissioners in earnings quality. From the previous approach and results, the research hypothesis is:

H4: Independent commissioners can moderate the influence of environmental disclosure on earnings quality

RESEARCH METHODS

Population and Sample

This research uses a quantitative method. Data relevant to this study were collected through record-keeping and field research. Secondary data is obtained from the annual reports and sustainability reports of companies operating in the mining industry. This data can be accessed via the Indonesia Stock Exchange website (idx.co.id) and also through the company's website. The analysis in this study involves the mining industry listed on the Indonesia Stock
Exchange from 2017 to 2021. Purposive sampling used as a sampling method produces 19 companies as a sample for 5 years, so it has a total of 95 research data.

**Operational Variables**

*Environmental disclosure* is a variable that has a strong and significant relationship with the quality of the resulting environment. In this analysis, environmental disclosure is measured using the GRI-G4 indicator as a mediator to describe the level of environmental sustainability. The GRI-G4 sustainability reporting guidelines can be found on the GRI website at https://www.globalreporting.org. This description illustrates our method of calculating scores, in which the number 1 is assigned to items that are disclosed, and the number 0 is given to items that are not disclosed. After each item is scored, the scores are summed to produce the total environmental disclosure indicator score disclosed by the company. In this study, the category used is the environmental category with a total of 34 indicators. Can be seen in the following formula:

\[
GRI\ G4 = \frac{\text{Number of Items Disclosed}}{34}
\]

The study (Penman & Zhang, 2002) determines earnings quality through the equation below:

\[
\text{Profit Quality} = \frac{\text{Operating Cash Flow}}{\text{Net Income}}
\]

The result of operating cash flow is divided by net income. A higher earnings quality ratio of 1.0 indicates a better earnings quality, while a smaller ratio indicates a lower earnings quality.

Because institutional investors have the right to speak for or against managerial efficiency, they can enhance and optimize the monitoring of management performance. The measurement of the percentage of institutional investors' shares is as follows:

\[
\text{Institutional Ownership} = \frac{\text{Number of Institutional Owned Shares}}{\text{Number of shares outstanding}} \times 100\%
\]

By making observations of financial reports and conducting external audits, the audit team seeks to prevent manipulation that may be exhibited by managers trying to influence investors. The measurement of the number of company audit members each year is below:

\[
\text{Audit Committee} = \frac{\text{Number of Audit Committee}}{\text{Number of Commissioners}} \times 100\%
\]

Independent members of the board of commissioners are individuals who are not related to the company and come from outside the entity. They do not have a business relationship or share ownership that could affect their independence or place personal interests above the interests of the company. According to the findings of Suyono & Farooque (2018), measurements for independent commissioners are:

\[
\text{Independent Commissioner} = \frac{\text{Number of Commissioners from Outside the Company}}{\text{All Members of the Board of Commissioners in the Company}} \times 100\%
\]

Research data is processed through SPSS (*Statistical Product and Service Solution*) version 26 because this program can be used to analyze data and statistical calculations based on Windows. This study uses descriptive statistical analysis, classical assumption test,
coefficient of determination test, F-test, and t-test to analyze the data. Moderate regression analysis (MRA) is a multiple regression method involving interaction regression elements, which can be defined as multiplying > 2 independent variables (Ghozali, 2018).

**RESEARCH RESULTS AND DISCUSSION**

This study involved 47 mining companies and used the method of purposive sampling. A total of 19 companies met the sample criteria, and the observation time was 5 years so 95 samples were obtained. The result is as follows.

Values of Minimum and maximum, mean, and standard deviation are used in descriptive statistical analysis to describe research data (Ghozali, 2018). The following is a description of the research data:

<table>
<thead>
<tr>
<th>Table 1. Descriptive Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptive Statistics</strong></td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>EARNINGS</td>
</tr>
<tr>
<td>ENV</td>
</tr>
<tr>
<td>INST</td>
</tr>
<tr>
<td>AUDT</td>
</tr>
<tr>
<td>INDP</td>
</tr>
</tbody>
</table>

| Valid N (listwise) | 95 |

*Source: data processed*

**Classical Assumption Test Results**

This test aims to see that the research data does not contain deviations from classical assumptions (Ghozali, 2018). The researchers used tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. The results include:

<table>
<thead>
<tr>
<th>Table 2. Classical Assumption Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Normality Test</strong></td>
</tr>
<tr>
<td>asymp. Sig = 0.200</td>
</tr>
<tr>
<td><strong>Heteroskedasticity Test</strong></td>
</tr>
<tr>
<td><strong>Multicollinearity Test</strong></td>
</tr>
<tr>
<td>VIF</td>
</tr>
<tr>
<td><strong>Autocorrelation Test</strong></td>
</tr>
</tbody>
</table>

*Source: data processed*

As a finding from the Glejser test related to heteroscedasticity, the ENVR, INST, AUDT, and INDEP variables have significant values above 0.05 (5%), according to table 2 of the classical assumption test results, which results in this study having normally distributed data, as shown by asimp value. sig of 0.200 above 0.05. The multicollinearity test shows that the data has no multicollinearity deviation, with a tolerance > 0.10 and VIF < 10. The autocorrelation test also results in dU<dW<4-dU (1.903 < 2.2538 < 2.2538).
Determination Coefficient Test Results

Table 3. Determination Coefficient Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.486 a</td>
<td>.236</td>
<td>.156</td>
<td>.86636</td>
<td>1.903</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), ENVR_INDP, AUDT, INST, INDP, ENVR_INST, ENVR_AUDT, ENVR

b. Dependent Variable: EARN

The Adjusted R Square value from Table 3 is 0.156 (15.6%). As described the size variable environmental disclosure, institutional ownership, audit committee, independent commissioners, and their influencing interaction earnings quality of 15.6%, then the remaining 84.4% is influenced by external variables that are not included in the study.

F test results

Table 4. F Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Say.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>7</td>
<td>2,220</td>
<td>2,957</td>
<td>.009</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>67</td>
<td>.751</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: EARN

b. Predictors: (Constant), ENVR_INDP, AUDT, INST, INDP, ENVR_INST, ENVR_AUDT, ENVR

Source: data processed using SPSS 26

Based on Table 4, several findings can be described as follows: In this study, it was found that the f-count value was 2.957, while the f-table value was 2.149653. In addition, significance has a value of 0.000. These results indicate that the calculated f-value is greater than the f-table value (2.957> 2.149653), and the significance (0.009) is lower than the specified level of significance (0.05 or 5%).

Thus, these results indicate that together, all independent variables, namely environmental disclosure and corporate governance (such as institutional ownership, independent commissioners, and audit committees) as moderating variables, have a significant influence on earnings quality (earnings quality).

T test results

Table 5. T Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Say.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.796</td>
<td>1.915</td>
<td>2.505</td>
</tr>
<tr>
<td></td>
<td>ENVR</td>
<td>-9.559</td>
<td>5.364</td>
<td>-1.718</td>
</tr>
<tr>
<td></td>
<td>INST</td>
<td>-3.537</td>
<td>1.540</td>
<td>-.577</td>
</tr>
<tr>
<td></td>
<td>AUDT</td>
<td>-4.411</td>
<td>1.304</td>
<td>-.925</td>
</tr>
<tr>
<td></td>
<td>INDP</td>
<td>1.293</td>
<td>3.306</td>
<td>.118</td>
</tr>
<tr>
<td></td>
<td>ENVR_INST</td>
<td>10.012</td>
<td>3.969</td>
<td>1.316</td>
</tr>
<tr>
<td></td>
<td>ENVR_AUDT</td>
<td>8.983</td>
<td>3.455</td>
<td>1.328</td>
</tr>
<tr>
<td></td>
<td>ENVR_INDP</td>
<td>-4.532</td>
<td>10.170</td>
<td>-.334</td>
</tr>
</tbody>
</table>

a. Dependent Variable: EARN

Source: data processed
Based on the t analysis in Table 5, it was found that the t value for the variable environmental disclosure (ENVR) is -1.782 with a significance level of 0.079 this value is above the alpha of 0.05. Therefore, these findings indicate that environmental disclosure has no significant impact on earnings quality. As a consequence, the first hypothesis (H1) which states that environmental disclosure affects earnings quality, was rejected.

Based on the test results above, the effect of INST (Institutional Ownership) on EARNINGS (earnings quality) and the influence of the ENVR_INST Interaction (environmental disclosure x institutional ownership) at a significant output of 0.014 below 0.05. This states that Institutional Ownership is a Moderating Variable. Institutional ownership can moderate environmental disclosure earnings quality. So, hypothesis (H2) was accepted.

Based on the test results above, the effect of AUDIT (audit committee) on EARNINGS (earnings quality) and the influence of the ENVR_AUDT Interaction (environmental disclosure x audit committee) significant value 0.011 < 0.05 concludes the audit committee is a Moderator Variable. The audit committee can moderate environmental disclosure earnings quality. So, hypothesis (H3) was accepted.

Based on the test results above, the effect of INDP (Independent Commissioner) on EARNINGS (earnings quality) is significant, and the effect of the GRI_INDP Interaction (environmental disclosure x independent commissioners) at a significant output of 0.657 above 0.05. As stated that the Independent Commissioner is not a Moderator Variable. Independent commissioners cannot moderate environmental disclosure earnings quality. So, hypothesis (H4) was rejected.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Significance Value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>0.079</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>0.014</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>0.011</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>0.657</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Discussion

The Influence of Environmental Disclosure On Earnings Quality

Proxies were used in this study to measure variables of environmental disclosure. The results of the hypothesis verification carried out in Table 5 show that the variable coefficient which describes the Environmental Disclosure variable has a value of -1.782 with a significance level of 0.079. This value is recorded as greater than 0.05 in the table. Therefore, the H1 hypothesis was rejected. The conclusion is variable environmental disclosure has no effect on earnings quality.
Based on the results of the study, it has no effect on environmental disclosure earnings quality shows that environmental disclosure cannot fulfill investors’ information confidence in environmental disclosure of mostly voluntary companies. If information about environmental management is announced without information about profits, investors are less likely to use that information when making investment decisions. As for the environmental category reporting, it can be seen that the company's average for 5 years was only 33.81% who reported and met the environmental category indicators. This means that for 5 years it is still below 50% of companies disclosing sustainability reports that focus on environmental sustainability, the rest are in the economic and social sectors.

This test is supported by previous researchers from Eksandy (2019) who found that environmental disclosure has no effect on earnings quality, environmental disclosure by the company is not fully guaranteed earnings quality by large companies. However, this study is inconsistent with previous research conducted by Peters et al. (2022), Alipour et al. (2019), which showed that environmental disclosure affects earnings quality, the findings from these studies indicate that the more a company discloses its social utility, the higher its earnings will be.

The Role of Institutional Ownership in Moderating Environmental Disclosure To Earnings Quality

Based on Table 5, it can be seen that the coefficient of the institutional ownership variable shows a decrease of 2.523, which reduces the impact on income, and a significance level of 0.014, which improves the quality of income. This shows that the significance level is less than 0.05. Therefore, it can be concluded that the hypothesis (H2) is accepted. Then prove the variable institutional ownership can moderate environmental disclosure to earnings quality. The T count results show a positive value which means that institutional ownership strengthens the influence of environmental disclosure on earnings quality.

The t-test in Table 5 produces an effect of institutional ownership with earnings quality with a regression coefficient value of -2.296 with a significance of 0.025 which means institutional ownership in moderating environmental disclosure to earnings quality is a pseudo moderating variable because when it stands alone as an independent variable and when it acts as a moderator it has the same result, which is significantly below 0.05. In the adjusted regression model, the positive regression coefficient indicates that the moderator variable of institutional ownership strengthens the impact of environmental information disclosure on income quality. The results of this study indicate that institutional ownership can strengthen the relationship between the two variables of environmental disclosure to earnings quality.

Concerning earnings management, owners who come from institutions are considered capable of monitoring every event that occurs in the company and are more responsive if there are changes in the company. Considering it difficult for institutional investors to engage in activities that could change company profits, an effective oversight mechanism was created. Institutional leadership can reduce the tendency of management to take advantage of hidden profits through CSR reports because they use financial reports to plan and evaluate investments. In this case, the quality of financial reports can be observed and this can discipline managers not to make bad financial reports. This finding is in line with
research conducted by Sholikhah et al. (2022) and Abhirama, ED, and Ghozali, I. (2021), who found that earnings quality is influenced by institutional ownership. In addition, institutional ownership has the ability to moderate environmental disclosure on earnings quality.

**Role of the Audit Committee in Moderating Environmental Disclosure To Earnings Quality**

Researchers use the audit committee divided according to the number of commissioners of a company. The third hypothesis of this study is the audit committee as a moderating variable between environmental disclosure to earnings quality. Results of research on the role of the audit committee in controlling the impact of environmental disclosure on earnings quality gives interesting results. As shown in Table 5, audit committee variables are present in moderating the impact of environmental disclosure on earnings quality obtained a coefficient of 2.600 and a significance level of 0.011. This indicates that the significance level is <0.05. Thus, the H3 hypothesis is accepted. Therefore, it is clear that the variable responsible for the audit committee has the ability to control the influence of environmental disclosure on earnings quality. The results of the t count show a positive value, which indicates that the audit committee increases the influence of environmental disclosure on earnings quality.

The results of the t-test in Table 5 can be seen in the direct effect test audit committee with earnings quality obtained a regression coefficient value of -3.384 with a significance value of 0.001 which means audit committee in moderating environmental disclosure to earnings quality is a pseudo moderating variable because when it stands alone as an independent variable and when it acts as a moderator it has the same result, which is significantly below 0.05.

Based on the positive regression coefficient value in the moderation regression model after including the audit committee moderation variable, it can be concluded that disclosure about the environment has an influence on earnings quality. These findings indicate that the audit committee can strengthen the relationship between earnings quality and disclosure about the environment. In this study, earnings quality is measured using the ratio of operating cash to profit, where the quality of earnings is determined by how close earnings are to operating cash flow. The closer the profit is to the operating cash flow, the higher quality the profit is considered, and the existence of oversight from the audit committee can reduce the possibility of fraud. With the existence of an audit committee, it is expected that management decisions can be monitored and controlled for the benefit of all parties involved. A larger number of audit committee members also has the potential to increase earnings quality. The findings of this study are in line with the results of research conducted by Puspitawati et al. (2019) and Sholikhah (2022) which state that the audit committee was formed with the aim of carrying out supervisory duties on company management.

**Role of Independent Commissioners in Moderating Environmental Disclosure To Earnings Quality**

As shown in Table 5, the presence of the independent commissioner variable moderates the effect of environmental disclosure on earnings quality obtaining a negative coefficient value of 0.391 with a significance level of 0.697. This shows that the significance level is > 0.05. This indicates that the H4 hypothesis is rejected. Thus proving the variable
independent commissioners are unable to moderate yet environmental disclosure to earnings quality.

The results of the t-test in Table 5 can be seen in the intermediate direct effect test independent commissioners with earnings quality obtain a regression coefficient value of -0.446 with a significance value of 0.657 which means there is no influence from independent commissioners to earnings quality. The results of this study are not in line with the results of previous research that allegedly cannot influence because the independent commissioner is a member of the commissioner who has no internal relations within the company and behaves independently. A large number of independent commissioners can reduce the practice of manipulating financial reports (Purnamasari and Fachrurrozie, 2020). Research by Puspitawati et al (2019) obtained the results of independent commissioners has a positive effect on earnings quality.

With an average number of independent commissioners of 39.32%, this study shows that independent commissioners do not affect earnings quality, because the number of independent commissioners is not large enough in a company, so it does not affect the sound decisions taken in decision-making.

CONCLUSION

The purpose of this study is to determine the effect of environmental disclosure on earnings quality with moderation corporate governance namely institutional ownership, audit committee, and independent commissioners in mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. Based on the results of statistical tests and the discussion that has been carried out, it can be concluded that environmental disclosure has no effect on earnings quality. This means that the number of environmental disclosures cannot fulfill the confidence of investors in information environmental disclosure from companies which are mostly voluntary and can be done only to gain community legitimacy but have not been able to increase profits. As for the environmental category reporting, it can be seen that the company's average for 5 years was only 33.81% who reported and met the environmental category indicators. Institutional ownership and audit committees strengthen influence (can moderate) environmental disclosure to earnings quality. This suggests that the existence of institutional ownership and audit committees can monitor the quality of earnings and corporate environmental disclosure. Meanwhile, the independent commissioners has not been able to moderate environmental disclosure to earnings quality. The average number of independent commissioners is 39.32% in this study; therefore, the company's board of commissioners is not sufficiently numerous, so the voice used to make decisions is not affected. The limitation of this research is the measurement of earnings quality and environmental disclosure is quite diverse. Recommendations can be made using other variables such as accrual profit and PROPER or POJK indicators. Another limitation is that during the study period, this study only used observations in the mining sector, it could be in other sectors such as manufacturing and real estate. In this study, all variables can only contribute as much as 15.6% so the other 84.4% are variables outside the study. So, it is better to use other variables that have a greater influence.
REFERENCES


1–11.


