

FACTORS AFFECTING THE DISCLOSURE OF SUSTAINABILITY REPORTING

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Abstract

This study examines the factors that influence the sustainability of the company's disclosure has registered at Indonesia Sustainability Award (ISRA). Data were taken from 2012 to 2017 and became a sample of 9 companies featured in the ISRA. Regression analysis was used to examine the effect of factors (Current Ratio, Size, Type Industry, Social Responsibility Committee and meetings of the audit committee) on the disclosure of sustainability reporting. Result of regression explains that the variable Current Ratio (CR), Size and Audit Committee Meetings significant effect, while the governance committee and the type of industry effect are not significant. Therefore, Companies are growing fast in asset and have a large debt must disclose the information in a sustainability report.

Keywords: CR, Size, Type Industry, Corporate Governance Committee, Audit Committee, Sustainability Report

1. Introduction

Social and Environmental Responsibility into the company's commitment to the role of supporting sustainable economic development and improve the quality of life and environment that is beneficial to the company, the company's internal, and society in general. Some problems, such as pollution, climate change, global warming, resource depletion, poverty, product safety, and labor rights are also increased public interest (Gray, Owen, & Maunders, 1987). Therefore, the financial statements are no longer adequate for the stakeholders, because the financial statements alone do not contain information about the social and environmental aspects of the company's operations (Martínez-Ferreiro et al., 2013). As a result, companies need to report corporate social responsibility (CSR), and any additional information that may affect the company's performance (Bernardi & Stark, 2016; Utami & Nugroho, 2017).

Demands from some of the stakeholders, investors, creditors, employees, suppliers, customers, communities, NGOs, and governments to companies more transparent and be accountable for its activities related to sustainable enterprises. Companies are required to not only focus on achieving profit, but also focus on people and the planet is often called the triple bottom line. The resulting profit company aims to make the company remains a going concern. But in reality, the profit is not enough for companies to say going concern, but should also pay attention to the terms people and the planet. This is due to people and the planet is also associated with the process and the impact of corporate activity that is sometimes forgotten by the company.

The sustained performance of the company has changed the traditional management process by focusing not only on the financial aspects of business performance but also on the social and environmental dimensions (Laskar & Maji, 2016). Therefore, financial reporting alone no longer satisfies the needs of shareholders, customers, and other stakeholders to provide information related to the performance of the organization (Siregar & Bachtiar, 2010). In Indonesia, the sustainability report is still voluntary and in the introduction stage so it is still a little bit interested companies to disclose a sustainability report. Of the top 100 companies listed on the Jakarta Stock Exchange (IDX), only 30% of companies that make the Sustainability Report (SR) (Ernst & Young, 2016).

Even though ongoing reports are still voluntary, as of the end of 2016 there were 120 companies that have published continuous reports in Indonesia.

Although every year the number of companies that disclose sustainability reports is increasing, but not comparable to the number of companies in Indonesia. This happens because there is still a lack of awareness of the company regarding the benefits of disclosure of sustainability report. To attract companies' interest in disclosing sustainability reports, Indonesia held appreciation concerning economic, social, environmental and called Indonesia Sustainability Reporting Award (ISRA). ISRA held to give an award to the company that has revealed a sustainability report, with ISRA, is expected that he is a conscious company that aspect of the environment must be protected and preserved and made into a separate reporting to the annual report. The company's concern for the environment can be seen from the absence of ongoing reporting or sustainability reporting.

Characteristics of a company that helped determine the level of investor confidence, the credibility of the good require that the company needs to contribute to the social growth and the environment are the firm size (Nasir et al., 2014). The size of the company can be based on the total value of assets, total sales, the market capitalization, the amount of labor and so on. In general, large companies would reveal much more information than the smaller companies because they have a social responsibility to the greater community. In addition to the size of the company's improving the structure of corporate governance provides a higher level of voluntary disclosure (Ho & Taylor, 2013). On the other hand, a weak corporate governance structure reduces corporate disclosure because management of companies with such government structures is unlikely to provide information to stakeholders (Kent & Monem, 2015). Wang (2017) examined the relationship of company characteristics with sustainability reports for samples of companies registered in Taiwan. The results show that corporate governance and business characteristics, including board size, the percentage of independent directors, the existence of an audit committee, the percentage of export sales, foreign share ownership, company growth, and average asset age are positively related to the issuance of sustainability reports, while managerial share and stock prices are negatively related. Kuzey and Uyar (2017) analyze the factors that influence sustainability reporting in Turkey, with a sample of 100 large companies showing industry type results and company size influencing the sustainability report, while current leverage and ratio have a negative effect.

The role of the committee in the company's social responsibility also determines the company's success in publishing a sustainability report, because the committee has the role of social responsibility, planning activities of social and environmental responsibility, and supervise their implementation. Amran et al., (2014) found that the presence of the social responsibility committee impact on the quality of sustainability reporting, while Hussain et al. (2016) reported the need for social responsibility committee in achieving social and environmental company performance. While research Dienes et al., (2016) concluded that the size of the company, availability of media and ownership is essential for sustainability disclosed in the report, while GCG (audit committee, profitability, capital structure, the age of the company, the composition of the board does not affect the disclosure of sustainability reporting.

2. Literature Review and Hypotheses

The company will increase voluntary disclosure to avoid potential pressure from the regulator (Akhtaruddin, Hossain, Hossain, and Yao, 2009). So, from the perspective of agency theory, companies voluntarily publish a sustainability report to reduce the asymmetry of information, reduce agency costs, and avoid pressure from external agents. According to the agency theory, managers as the party more to know more information related to the performance of current and future rather than shareholders and other stakeholders (Ho & Taylor, 2013). To reduce asymmetric information, the company required to disseminate valuable and relevant information to stakeholders (Brammer & Pavelin, 2008).

Dowling and Pfeffer (1975: 122) provide a logical reason about the legitimacy of the organization, including public service institutions that the organization will try to create harmony between social values inherent in its activities with the norms of conduct that exist in the social system in which the organization is part of the system. Legitimacy theory of continuous explains that the organization will operate in accordance with the limits and the value received by the community around the company (Ulum, 2015: 34) states that the organization's legitimacy. Legitimacy theory states that organizations are continually looking for ways to ensure their operations are within the limits and norms that apply in society.

2.1 Sustainability Report

Act No. 40 of 2007 on Limited Liability Companies. Disclosure sustainability report within the established rules in the form of a stand-alone report,

Although there are many implementations of the sustainability report is disclosed in conjunction with the annual report of a company (Gunawan, 2010).

Disclosure of the sustainability report according to GRI (Global Reporting Initiative) must meet several principles. These principles are contained in the GRI-G3 Guidelines, namely balance, comparable, accurate, time sequence, compliance, and accountability. The disclosure standards in sustainability report according to GRI-G3 Guidelines consist of:

- The economy is regarding the resulting impact on the economic conditions of the company's stakeholders and on economic systems at local, national, and global;
- The environment is regarding the impact produced by the company against the creatures of the earth, and the surrounding environment, including ecosystems, land, air, and water;
- Human Rights, namely the lack of transparency in considering the selection of investors and suppliers/contractors. In its work, the company must always take into consideration the interests of shareholders and other stakeholders based on the principles of fairness and equality;
- Society, the organization focuses on the impact on the community in which they operate, and reveals how the risks that may arise from interactions with other social institutions.
- Responsibility for products, which contain enterprise reporting produced products and services that directly affect customers, namely health and safety, information, labeling, marketing, and privacy;
- Social, which provides social activities undertaken by companies, whatever has been done and how they are carried out.

2.2. Liquidity

According to Kashmir (2012: 130) The liquidity ratio, or often referred to as the working capital ratio is a ratio used to measure how the liquidity of the firms. The trick is to compare the components in balance, ie total current assets to total current liabilities (short-term debt). The assessment can be done for some period so that visible liquidity development companies from time to time. The purpose and benefits of liquidity ratios for companies, according to Kashmir (2012: 132) is as follows:

- To measure a company's ability to pay its liabilities or debts that are due at the time billed. That is, the ability to pay obligations 20 that it was time to be paid according to the schedule stipulated deadline (date and a specific month);
- To measure a company's ability to pay short-term liabilities with current assets overall. This means that the amount of the obligation under the age of one year or equal to one year, compared with total current assets;
- To measure a company's ability to pay short-term liabilities with current assets regardless of dosage or receivable. In this case, the current assets in fewer stocks and debt considered lower liquidity;
- To measure or compare the number of stocks that exist with working capital;
- To measure how much cash is available to repay debt;
- As a means planning ahead, especially with regard to the planning of cash and debt;
- To see the conditions and the liquidity position of the company from time to time by comparing it for some period;
- To see the weaknesses of the company, of each component in current assets and current debts;
- Become a trigger tool for the management to improve its performance, by looking at the existing liquidity ratio at this time.

2.3. Company size

According to Brigham & Houston (2010: 4) The size of the company is the size of a company is shown or judged by total assets, total sales, profit, tax expenses, and others. According to Hartono (2008: 14), the size of the company (firm size) is the size of the company can be measured by total assets or major property companies using the logarithm of total asset value calculation. UU no. 20 of 2008 is divided into four (4) categories: micro, small business, medium, and large businesses. Yogyanto (2007: 282) the size of the company or firm size is calculated based on the logarithm of total assets.

2.4. Company Type

Gao et al., (2005), Different industry will have different characteristics and depending on the growth potential, the number of employees, competition and government intervention. UU No. 3 Tahun 2014, Industry definition is all forms of economic activities that manage raw materials and/or utilize industrial resources, so that they can produce goods that have higher added value or benefits, including industrial services. One example of a company that has a high risk is a mining company with the characteristics of the mining industry using high-tech equipment almost 24 hours a day and involves many facilities and infrastructure. This has caused many accidents that have caused a small loss or even lost their lives. In this study, the type of industry is differentiated into 2, namely high-risk industries (pharmaceuticals, cement, glass, energy, machinery, metals, mining, oil, paper and pumps and transportation). In addition to these criteria, it is categorized as a low-risk industry.

2.5. Governance Committee

Corporate governance committee is a committee established by and responsible to the Board of Commissioners in an effort to support the implementation of the tasks and responsibilities of the Board of Commissioners in reviewing policy Corporate Governance Well organized Directors and assess the consistency of the application of Corporate Governance Good, including those relating to business ethics and corporate social responsibility (Corporate Social responsibility). The governance committee is a committee consisting of several members of the board of directors (Wiley, 2009). Formation of good corporate governance, strong and sustainable not just run regular practices as well as the appointment of independent directors, the implementation of a regular board meeting, the proportion of the board of directors, or the appointment of an independent audit committee members, rather, it requires the establishment of additional committees formed company. One additional committee established is the Governance Committee. In terms of sustainability governance committee report called the remuneration and nomination committee whose task helps directors and commissioners are responsible to assist in the implementation of good corporate governance. The application of the principles of good corporate governance performance of the company is to produce an effective and efficient through harmonization of corporate management that can be achieved either by the establishment of governance committees (Suryono and Prastiwi, 2011). In looking at a company's corporate governance practices, to get a good practice, strong, and sustainable, which should be considered not only whether the company has been running a normal practice as well as the appointment of independent directors, the implementation of the board meeting that routine, the proportion of the board of directors, or the appointment of the independent audit committee, but it can also be seen through the formation of committees additional formed company as an embodiment of the establishment of good corporate governance is strong. The committees constituted in question include governance committee, nomination committee, and remuneration, CSR committee, risk management committee, budget committee, the investment committee, or other appropriate functions and roles of each but it can also be seen through the establishment of additional committees formed as a form of business enterprise embodiment of good corporate governance is strong.

2.6. The Audit Committee

Bapepam Circular Letter No.SE-03 / PM / 2000, that public companies should establish an audit committee. The audit committee is tasked to assist the commissioners to give an independent professional opinion to improve the quality of work and reduce irregularities in the management of the company. In general, the board of commissioners established committees under it according to the needs of the company and the prevailing regulations to assist the commissioners in carrying out the responsibilities and authority effectively. The committee established by the board of directors is of the audit committee, the risk policy committee, the remuneration committee, and the nomination

and corporate governance policy committee (National Committee on Governance, 2006). However, according to regulations issued by the JSE No. KEP-339 / BEJ / 07-2001, the nature of which must be owned by companies listed on the Stock Exchange is only the audit committee.

2.7. Liquidity and Disclosure of Sustainability Report

Liquidity level of corporate liquidity increases, the disclosure of sustainability report will also increase. Companies with a high level of liquidity means signify a great ability to pay its short-term obligations on time. A strong financial condition will encourage companies to disclose more information as an instrument to assure its stakeholders. Jannah and Kurnia (2016) stated that a liquidity significant positive effect on the sustainability disclosure report.

2.8. The Size of the Company and Disclosure of Sustainability Report

Large companies have a higher agency cost due to higher information asymmetry between managers and shareholders to avoid the agency costs, the company is more likely to provide information by publishing a sustainability report stand-alone (Ho & Taylor, 2007). In connection with the theory of legitimacy, large corporations will certainly pay more attention to the stakeholders' interests and activities will follow boundaries and the value received by the public. The great company better known and more highlighted by the people than the small firms, Large companies have the resources and social responsibility to the community greater. Larger companies also have an organizational structure that is a better and more developed information system (Uyar et al., 2013). This can help them to prepare and publish a stand-alone sustainability report.

2.9. Industry Type and Disclosure of Sustainability Report

Different industries have different characteristics for each industry has growth potential, employment, competition, the nature of its activities, business risk and government intervention are different (Gao. et al., 2005, Brammer and Pavelin (2008) so the quality of the information disclosed in accordance with different types of industries. Companies that have a higher risk level will reveal more information on their sustainability report. Alsaeed (2006) suggests that manufacturing companies disclose more information than non-manufacturing companies. Meanwhile, Reverte (2009) that the companies included in environmentally sensitive industries have a higher CSR rating. Can be interpreted Companies (high) that intersect with the area of the fault that occurs will be highlighted broad party. Therefore it is expected the company will communicate information on the implementation of economic responsibility, social environment through sustainability reports to generate stakeholder confidence.

2.10. Committee on Governance and Disclosure of Sustainability Report

The company developed the existence of a committee that supports sustainability or CSR as an element of the corporate governance structure to address risks and opportunities for sustainability (Rossi & Tarquinio, 2017). The presence of the committee increased sustainability reporting because these committees will emphasize sustainability issues (Dienes et al., 2016). Suryono and Prastiwi (2011) additional committees placed in the company as a form of business to embody strong good corporate governance. Formation committees in question include governance committees, nomination and remuneration committees, CSR committees, risk management committees, budget committees, investment committees, or others according to their respective functions and roles. Thus, the presence of the committee can be a better integration of sustainability issues, which in turn is attached to a higher interest related to a sustainability report (Ruhnke & Gabriel, 2013).

2.11. Board Audit Committee and Disclosure of Sustainability Report

The audit committee can hold executive meetings with parties outside the audit committee members who are invited according to their needs or periodically. These external parties include commissioners, senior management, heads of internal auditors and heads of external auditors. The results of the audit committee meeting are contained in minutes of the meeting signed by all members of the audit committee. The chairman of the audit committee is responsible for the meeting agenda and is obliged to report the audit committee meeting activities to the board of

commissioners. The audit committee has a good understanding of its business environment, has an understanding of risk and control, and has a good understanding of financial and non-financial reporting. The number of audit committee meetings will produce decisions that will be disclosed in the company report.

3. Methodology

The research design is causal research to test hypotheses about the effect of a single variable or multiple variables (independent variable) to another variable (Dependent Variable). In this study to examine the factors that affect the disclosure of sustainability reporting. (Sustainability reporting). The object of research is the event, phenomenon or problem that has been abstracted research into a concept or variable (Arikunto, 2006: 118). The object of this study is the concept of CR, company size, industry type, Corporate Governance Committee, the Audit Committee, and Disclosure Sustainability Report. Variable Sustainability Report reveals about the most important impact of an organization whether it is positive or negative for the environment, society, and economy (Global Reporting Initiative G4, 2013: 3). governance committee was measured using a dummy variable, the value of 1 if the company has a governance committee and a value of 0 if it does not have a governance committee. Company size or commonly referred to company size is a variable that is measured by the logarithm of total assets of the company, the type of industry can be divided into industry high risk and low risk, companies included in the high risk rated 1 and low-risk enterprise value is 0. Current ratio variable measured by total current assets divided by current liabilities. An audit committee meeting is proxied by the number of audit committee meetings in a year. Sampel in this study is a company incorporated in ISRA and published a sustainability report (SR) year from 2012 to 2017 consisting of 9 companies. Data analysis in this study used multiple linear regression.

4. Results and Discussion

Table I shows the descriptive statistics of the variables of the study, while Table II Displays percentage of disclosure of SR based on GRI and Table III show the results of multiple linear regression.

Table 1 Test Descriptive Statistics Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	54	1.095	7.937	2.89172	1.753416
SIZE	54	30.0308	34.1953	31.903502	1.2485365
HighRisk	54	0	1.0	.889	.3172
KTK	54	0	1	.89	.317
RADIT	54	4	117	22.59	22.469
SR	54	.0779	.7738	.372893	.2085519
Valid N (listwise)	54				

Source: data is processed with SPSS 20

The above table presents the data disclosure sustainability by meeting the economic aspects, environmental aspects and social aspects of the guidelines of the Global Reporting Initiative (GRI) standards on average in the company based on GRI4 by 37%. However, there are still companies that only revealed in the report SR of 7.79%. Ratios Current Ratio (CR) to measure the ability of the company in the short term with its current assets have an average of 289.1% means the company incorporated in the ISRA has a good ability to repay their debts. ISRA company size in this company has an average of 31.9% of the natural log of its assets. The type of company in this study is more dominated by companies classified as high risk. The average company has a governance committee and the number of audit committee meetings held in one year is on average 22 times.

Table 2 Percentage of Disclosures of CSR Based on GRI Standards

No	Disclosure Category	Frequency of Disclosure	Percentage of Disclosure
1	Economic Standards	13 item GRI	52,85%
2	Environmental Standards	30 item GRI	39,51%
3	Social Standards	34 item GRI	40,25%

Source: data is processed with SPSS 20

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Table 2 presents the percentage of companies in conducting corporate information disclosures based on GRI. The disclosure of the company's SR on economic performance is very broad in explaining everything related to the company's financial performance, the average reveals 13 items of economic indicators (52.85%). The company's disclosure regarding environmental performance is quite extensive in explaining something related to efficient processing of products and services, renewable energy of 39.51% of GRI items can be said that companies pay enough attention to improvements to the surrounding environment. In the category of standards expressed by the company as many as 34 indicator items or equal to 40.25%, this proves that the company cares about social and community problems where the company runs social programs ranging from health, education and welfare to the people both around and outside the company.

Table 3 Test Result t

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.		
	B	Std. Error	Beta			
1	(Constant)	2.621	.989		2.652	.011
	CR	.040	.018	.335	2.160	.036
	SIZE	-.078	.031	-.464	-2.532	.015
	HighRisk	-.065	.103	-.099	-.626	.534
	KTK	.094	.099	.143	.944	.350
	RADIT	.004	.001	.404	2.709	.009

a. Dependent Variable: SR

4.1. Effect of Liquidity (CR) on Disclosure of Sustainability Reports

Table 3 explains that the Current Ratio (CR) significant positive effect on the disclosure of a sustainability report for 0036, it shows if the company's liquidity increases, the company will increase the disclosure of CR information in its Sustainability Report. Companies with high liquidity levels indicate a strong capacity to repay its short-term obligations. Strong financial condition will encourage companies to disclose more information as an instrument to assure stakeholders, namely by publishing related activities through disclosure of social and environmental sustainability report. The results are consistent with research Jannah and Kurnia (2016) which stated that a liquidity significant positive effect on the sustainability disclosure report. The result of This research was supported by a previous study conducted by research Jannah and Kurnia (2016) and Sari and Marsono (2013) which states a liquidity effect on the sustainability disclosure report. But unlike Adhipradana and Daljono research (2014) shows that the result does not affect the disclosure of liquidity sustainability report. Doktoralina, Caturida et al (2018) Current Liquidity Ratio proxy with a negative effect on the disclosure of SR..

4.2. Influence of company size (SIZE) Against Disclosure Sustainability Report

Company Size a significant negative effect on the sustainability disclosure report. This shows that the bigger companies are not necessarily the responsibility disclosure level of economic, environmental and social sustainability reports of the company will also increase. This condition indicates that to get legitimacy from stakeholders, large companies do not always do the disclosure of economic responsibility, environmental and social sustainability report. This is because corporate responsibility is no longer just the activities, but it is the duty of companies to maintain the viability of the company otherwise even small companies must disclose corporate responsibility activities with a good and indeed necessary. Companies with total assets increase show that the company's assets increased so that it can more contribute to social activities to gain public legitimacy. With more and more social activities undertaken by the company so the more information that can be disclosed in the sustainability report. So that large companies that already have legitimacy in society can maintain or improve it. The results of this study support the research Adhipradana and Daljono (2014), which states that the size of the company's significant negative effect on the disclosure of sustainability report and does not support previous research carried out Aliniar and Wahyu (2017) which states that the size of the company not significant effect on the disclosure of sustainability report.

4.3. Influence of company size (SIZE) Against Disclosure Sustainability Report

Companies with the type of High Risk and Low Risk do not significantly influence the sustainability disclosure report. This is due to a lack of a specific classification of industry sectors and different regulations led to unequal companies to disclose the information even within one type of sector. This research is in line with the research ward (2013) but does not support the Sembiring study (2005) that the type of industry that is grouped in industries of high risk and low-risk significant effect on SR disclosure.

4.4. Effect of Disclosure Of Industry Type Sustainability Report

Companies with the type of High Risk and Low Risk do not significantly influence the sustainability disclosure report. This is due to a lack of a specific classification of industry sectors and different regulations led to unequal companies to disclose the information even within one type of sector. This research is in line with the research ward (2013) but does not support the Sembiring study (2005) that the type of industry that is grouped in industries of high risk and low-risk significant effect on SR disclosure.

4.5. Influence of Corporate Governance Committee Against Disclosure Sustainability Report

Governance committee whose job it is to help directors and commissioners are responsible to assist in the implementation of good corporate governance, but it is not only affecting the governance committee to disclose the company's sustainability report. Corporate Governance Committee not significant effect on the disclosure of sustainability report, the responsibility of the governance committee is not the only committee that is responsible for the disclosure of SR but there are many other committees that support the improvement of corporate governance such as the audit committee, board of directors and commissioners (Suhardjanto et al., 2018).

4.6. Effect of Audit Committee Meeting (RADIT) Against Disclosure Sustainability Report

The results of the data processing analysis show that the Audit Committee Meeting has a significant positive effect on the disclosure of sustainability reports. This shows that the existence of an audit committee helps ensure disclosure and control systems to work properly. The more often the audit committee meets and communicates with each other, then some audit findings will be evaluated and reported to managers, so as to encourage managers to make better disclosures. To lead to better information disclosure, in addition to publishing financial reports with integrity, the audit committee will submit to the management to disclose information in additional reports, namely disclosure of sustainability report. The results of this study are supported by previous research conducted by Sari and Marsono (2013) and Dwita Aliniar and Sri Wahyuni (2017), but different from Nasir's research, Dkk (2014) which shows that the Audit Committee has no significant effect on the sustainability report.

5. Conclusion

The conclusion of this study is the first Liquidity (Current Ratio) significant positive effect on the disclosure of the company's Sustainability Report which followed the Indonesia Sustainability Reporting Award, the higher the liquidity the higher the level of the disclosure sustainability report. Second, the size of the company's significant negative effect on the disclosure of the company's Sustainability Report which followed the Indonesia Sustainability Reporting Award. This shows that the bigger companies are not necessarily the responsibility disclosure level of economic, environmental and social sustainability reports of the company will also be always wider. The third type of industry does not affect Sustainability Report significantly to the disclosure of the companies participating in Indonesia Sustainability Reporting Award. Type of company both high risk and low risk should remain published reports Sustainability Report. But the company's regulations and the specific category does not cause the company must disclose SR. Fourth Corporate Governance Committee no significant effect on the disclosure of the company's Sustainability Report which followed the Indonesia Sustainability Reporting Award. Corporate Governance Committee duties only support a policy of commissioners and directors so that the decision to disclose SR not be the task of the governance committee. Fifth Meeting of the Audit Committee (RADIT) significant positive effect on the disclosure of the company's Sustainability Report which followed the Indonesia Sustainability Reporting Award and the more frequent audit committee meeting frequency and generates a lot of decisions and must be implemented by the company so as to be expressed through the sustainability report.

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