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Sustainability Report Disclosure Analysis on Company Value

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ABSTRACT :
This study aims to analyze the effect of Sustainability Report disclosure on Firm Value in construction companies listed on the Indonesia Stock Exchange (IDX), focusing on economic, environmental, and social performance. The data used in this study is derived from sustainability reports for the period 2021-2023. The population in this study consists of construction companies listed on the Indonesia Stock Exchange (IDX), with a sample of 22 companies obtained through purposive sampling. The data is analyzed using multiple linear regression to test the effect of each indicator on firm value, measured by Tobin's Q. The results show that the disclosure of economic performance does not affect firm value, the disclosure of environmental performance does not affect firm value, and the disclosure of social performance has a negative impact on firm value
KEYWORDS: Sustainability Report, Economic Performance, Environmental Performance, Social Performance, Firm Value.

I. INTRODUCTION

Increasing the value of an entity is one of the goals of a business entity. This is done to maintain the continuity of the company's operations in the long term. The high performance of an entity can encourage shareholders to continue to commit to supporting and continuously providing their capital. Increasing the company's value can be achieved by conducting good business operations, with the potential to produce an impact on the company's surrounding environment, both beneficial (positive) and detrimental (negative) impacts on social, economic and environmental factors. Companies have an obligation to be responsible for the impacts they generate in line with the Triple Bottom Line concept, where companies do not just focus on their economic profits (Elkington, 1997).

In 2023, the Central Statistics Agency (BPS) stated that companies in the construction sector contributed to the Indonesian economy in fifth place with a GDP percentage of 9.92 % . On the other hand , construction companies also produce negative impacts such as environmental damage, carbon emissions, exploitation of natural resources, and construction waste. As stated by the Ministry of Energy and Mineral Resources in 2020, the largest contributor to greenhouse gas emissions is the manufacturing and construction industry with a percentage of 21.46 % . The emergence of these impacts requires companies to demonstrate their commitment by providing transparent information regarding their social, environmental, and economic aspects in the Sustainability Report as a form of responsibility (Wibowo&Faradiza, 2014).

The Sustainability Report provides disclosure regarding the impact of the company's activities, both significant positive and negative impacts on the economy, environment and society, and how the organization's efforts to manage these impacts (GRI, 2022). Sustainability Reports play a crucial role in the operational dynamics of a company because they help in determining initial objectives, as a realization of performance measurement, and controlling change as a goal to form a sustainable organization (Natalia &Soenarno, 2021). Disclosure of Sustainability Reports can be adopted as an effort to encourage increased company value, because it has the potential to create a positive image of the company to stakeholders in their decision making, which not only requires financial reports, but also requires non-financial reports (Sembiring&Hardiyanti, 2020).

Economic performance indicators focus on the company's impact on the financial condition of stakeholders, including its involvement in regional, national and international economic systems (GRI, 2022), which includes revenue, profit, tax payments to the government, dividend distribution to shareholders, and investments made to support economic growth.

Environmental performance indicators cover the organization's impacts on living and non-living things, such as land, water, and ecosystems (GRI, 2022), as well as the company's initiatives to reduce these impacts. The social performance indicators disclosed in the Sustainability Report describe the company's treatment of its workforce. Workers who are treated well by the company will encourage loyalty and productivity, because they feel happy with their work and proud of the company (Aggarwal, 2014).

The main factor that investors consider before choosing and realizing investment in a company is to look at the company's value (Cahyaningati et al., 2024; Mariska&Cahyaningsih, 2024; Puspitasari et al., 2024), because through the company's value, investors can assess the company's performance, and the high or low value owned by the company can affect the amount of rewards or profits obtained by investors. Sustainability Reports can provide additional information to investors to assess the company's financial and risk estimates more accurately (Cahyaningsih, 2024; Terdpaopong et al., nd), thereby helping to drive increased company value and stock prices (Moser & Martin, 2012).

This study aims to: 1) Analyze the effect of disclosure of economic indicators in the Sustainability Report on company value in construction sector companies. 2) Analyze the effect of disclosure of environmental indicators in the Sustainability Report on company value in construction sector companies. 3) Analyze the effect of disclosure of social indicators in the Sustainability Report on company value in construction sector companies.

II. THEORETICAL BACKGROUND

Stakeholder Theory

Freeman (1984) said that stakeholder theory is a company's responsibility not only to focus on efforts to increase the profits of owners and investors, but also to strive to contribute positive impacts to the public, the environment and society. Stakeholder theory assumes that stakeholder support is necessary for the existence of a company, so the company needs to adjust its activities to the interests of stakeholders (Latifah, 2021).

Agency Theory

According to Jensen &Meckling (1976), agency theory is an agreement between capital owners and managers when the capital owner (principal) entrusts authority to the manager (agent) to make business decisions. The responsibilities given by the capital owner are often not implemented properly by the manager, resulting in agency conflicts.

Legitimacy Theory

According to Dowling &Pfeffer (1975), legitimacy is a crucial thing in organizing because observing organizational behavior requires consideration of environmental elements that are influenced by community norms and values, as well as reactions to these constraints. Companies must comply with norms and values that are still running in society, because companies have very close relationships with society (Primawati&Andajani, 2023)

III. RESEARCH METHODS

The type of data used in realizing this research is quantitative by using secondary data obtained from the official website of the Indonesia Stock Exchange (IDX) in the form of annual reports and sustainability reports of construction companies. The sustainability report data will be measured using the Global Reporting Initiative (GRI) guidelines and POJK number 51 of 2017. Secondary data was collected by applying documentation techniques. The population of this study is construction companies listed on the IDX, with data obtained from 22 companies listed during the 2021-2023 period. Sample acquisition was realized through the application of the purpose sampling method, with the criteria 1) Construction sector companies listed on the Indonesia Stock Exchange in the 2021-2023 period, 2) Construction sector companies that publish annual reports in the 2021-2023 period, 3) Construction sector companies that publish their sustainability reports for the 2021-2023 period, 4) Construction sector companies that disclose their sustainability reports using POJK 51/2017 regulations. The number of samples obtained was 39 in 13 companies for 3 years.

Company value is measured using the Tobin's Q formula, which is the ratio of market value that has gone through the measurement process of outstanding shares and company debt. The formula used is as follows (Natalia &Soenarno, 2021):

$Q = (MVE+Debt)/TA$

Information:

Q = Company value.

MVE = Market value of equity (share price x number of shares)

Debt = Book value of total debt

TA = Book value of total assets

Sustainability Report Indicators (Economic, Environmental, and Social Indicators) are measured by referring to existing regulations in Indonesia, namely POJK 51/2017. The formula applied is as follows (Febriyanti, 2021):

SRDI = n / k
Information:
SRDI = Sustainability Report Disclosure Index
n = Number of indicators disclosed by the company
k = Number of indicators that the company should disclose
The analysis technique applied is Multiple Linear Regression using the SPSS version 25 application.

IV. RESULT

Descriptive Statistical Analysis
The results of the descriptive analysis of the three variables in this study can be seen in the table.1.

Table 1. Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Disclosure of Economic Performance	39	0.57	1.00	0.9521	0.11131
Environmental Performance Disclosure	39	0.61	1.00	0.8841	0.07876
Social Performance Disclosure	39	0.78	1.00	0.9746	0.05898
Company Values	33	0.65	1.06	0.8494	0.09556
Valid N (listwise)	33				

Based on table 1, the valid data used in the continuation of this research is 33 data from the initial sample of 39 data. Some data was reduced on the grounds that the data had undergone extreme changes, making the data abnormal. The min value indicates that the company only discloses a few items in economic, environmental, and social performance, or does not approach the amount of disclosure that the company should make according to POJK 51/2017 regulations. The max value indicates that the company has made all disclosure items according to the regulations used.

Classical Assumption Test
a. Normality

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		33
Normal Parameters ab	Mean	0,000
	Std. Deviation	0.0817
	Absolute	0.076
	Positive	0.061
	Negative	-0.076
Test Statistics		0.076
Asymp. Sig. (2-tailed)		0.200 cd
a. Test distribution is Normal		
b. Calculated from data		
c. Lilliefors Significance Correction		

Based on the normality test that has been realized through the table above accompanied by the application of the Kolmogorov-Smirnov test with a total of 33 data, which is indicated by Asymp. Sig (2-tailed) of 0.200 when the related achievement is more than 0.05 , the data used in this study can be distributed normally.

b. Heteroscedasticity Test

Table 3. Coefficients [a]

Model		t	Sig.
1	(Constant)	0.891	0.380
	Disclosure of Economic Performance	0.911	0.370
	Environmental Performance Disclosure	(-0.490)	0.628
	Social Performance Disclosure	(-0.632)	0.532

a. Dependent Variable: AbsRes

Based on the realization of the heteroscedasticity test of each variable above, it shows that no heteroscedasticity was found in all variables because the significance value was >0.05 .

c. MulticollinearityTest .

Table 4. Coefficients [a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Disclosure of Economic Performance	0.410	2,441
	Environmental Performance Disclosure	0.500	1,999
	Social Performance Disclosure	0.695	1,440

a. Dependent Variable: Company Value

Based on the realization of the multicollinearity test from the data, it shows that no multicollinearity was found in each independent variable because the VIF value <10.

d. Autocorrelation Test

Table 5. Model Summary [b]

Std. Error of the Estimate	Durbin-Watson
0.7742	2,002

a. Predictors: (Constant), Social Performance Disclosure, Economic Performance Disclosure, Environmental Performance Disclosure

a. Dependent Variable: Company Value

Based on the realization of the data autocorrelation test, it is known that the Durbin Watson test value of 2.002 is at the du and 4-du values. The lower limit value (du) obtained from the Durbin-Watson table is 1.6551 and the upper limit (4-du) is 2.3449. The results of the test are 1.6551 < 2.002 < 2.3449. Based on the Durbin-Watson test criteria, the data used to support the continuation of this study does not experience Autocorrelation.

d. Regression Analysis.

The results of the multiple linear regression test, in table 6, can be described as follows:

1) The constant value is 1.538
2) The value of the economic performance disclosure regression coefficient is 0.165 with a significance value of 0.413, which means it is greater than 0.05, so IE has no effect on NP.
3) The value of the environmental performance disclosure regression coefficient is 0.054 with a significance value of 0.836, which means it is more than 0.05, so IL has no effect on NP.
4) The value of the social performance disclosure regression coefficient is -0.920 with a significance value of 0.003, which means it is smaller than 0.05, so IS has a negative effect on NP.

Table 6. Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1,538	0.259		5,928	0,000
	Disclosure of Economic Performance	0.165	0.199	0.206	0.831	0.413
	Environmental Performance Disclosure	0.054	0.260	0.047	0.209	0.836
	Social Performance Disclosure	-0.920	0.289	-0.608	-3,189	0.003

a. Dependent Variable: Company Value

NP = 1.538 + 0.165 (IE) + 0.054 (IL) + (-0.920) (IS)

Model Accuracy Test (F Test)

Based on the realization of the results of the accuracy test or F test above, it proves that the F value is 3.530 with a significance value of 0.027 when the significance value is below 0.05. The related achievements prove that the data used to support the sustainability of the research is correct and there is a significant regression equation (see table 7)

Table 7. ANOVAa

Sum of Squares	df
0.078	3
0.214	29
0.292	32

a. Dependent Variable: Company Value
b. Predictors: (Constant), Social Performance Disclosure, Economic Performance Disclosure, Environmental Performance Disclosure

Coefficient of Determination Test (R2)

Table 8. Model Summaryb

Model	R	R Squared	Adjusted R Square
1	0.517 [a]	0.267	0.192

a. Predictors: (Constant), Disclosure of Social Performance, Disclosure of Environmental Performance, Disclosure of Economic Performance
b. Dependent Variable: Company Value

Based on the test results, it was found that the Adjusted R Square value was 0.192, meaning that the independent variable can describe the dependent variable by 19.2 % .

Variable Significance Test (t test)

The hypothesis in this study has been tested, and the results are shown in table 9.

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Table 9. Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1,538	0.259		5,928	0,000
	Disclosure of Economic Performance	0.165	0.199	0.206	0.831	0.413
	Environmental Performance Disclosure	0.054	0.260	0.047	0.209	0.836
	Social Performance Disclosure	-0.920	0.289	-0.608	-3,189	0.003

a. Dependent Variable: Company Value

Based on the significance testing that has been realized through the table above, the following conclusions are drawn:

1) Disclosure of economic performance with a coefficient of 0.165 and a significance of 0.413 > 0.05, then disclosure of economic performance does not have a significant effect on company value and H1 is rejected.
2) Disclosure of environmental performance with a coefficient of 0.054 and a significance of 0.836 > 0.05, then disclosure of environmental performance does not have a significant effect on company value and H2 is rejected.
3) Disclosure of social performance is accompanied by a coefficient of -0.920 and a significance of 0.003 < 0.05, so disclosure of social performance has a significant negative effect on company value, and H3 is accepted.

V. DISCUSSION

The Influence of Economic Performance Disclosure on Company Value

Based on the results of hypothesis testing by conducting variable significance testing, it is known that the Economic Performance Disclosure variable does not have a significant effect on Company Value, and through these results, H1 is rejected. The achievement of this test is in line with previous research realized by Gitaria et al. (2022) who in their research found that Economic Performance Disclosure has no effect on Company Value. The results of this test explain that if the company tries to realize the disclosure of its economic performance, it will not affect the value of the company because stakeholders, especially investors, assume that they can read or see information from the sustainability report on the disclosure of economic performance such as revenue or sales, net profit or loss directly in the financial statements published by the company. Investors only care about information regarding the profit or profit obtained by the company to help them make decisions before investing. Other information disclosed by the company in accordance with POJK 51/2017 is not considered important in helping investors make their decisions, so that the disclosure of economic performance indicators does not affect the value of the company.

The Influence of Environmental Performance Disclosure on Company Value

Based on the realization of the hypothesis test through the variable significance test, it is known that Environmental Performance Disclosure does not have a significant effect on company value, and based on related achievements, H2 is rejected. The achievement of this test is in line with previous research realized by Purnamasari & Trimeiningrum (2022) and Sadipun & Mildawati (2022), which revealed that environmental performance has no effect on company value. The test results explain that if the company tries to realize environmental performance disclosure, it will not affect the company's value, because in the disclosure of environmental performance by the Company, according to POJK 51/2017, it does not explain or does not include the information needed by stakeholders, especially investors who are only interested in financial information, as a tool to assist in decision making that reflects profits. The indicators in the Environmental Performance Disclosure are also not related to the company's value indicators through measurements that adopt Tobin's Q such as the market value of equity and the book value of assets. This is what makes environmental performance disclosure not directly related to the company's financial condition so that it is rarely noticed by investors, even though environmental performance disclosure is important in the context of sustainability.

The Influence of Social Performance Disclosure on Company Value

Based on the realization of hypothesis testing by conducting significant variable testing, it is known that social performance disclosure has a significant negative effect on company value, and with these results H3 is accepted. The test achievement is in line with previous research that has been realized by Natalia & Soenarno (2021) and Gitaria et al. (2022), which in their research achievements revealed that social performance has a negative effect on company value. The results of this test explain that disclosing social performance that has been realized by the company in accordance with POJK 51/2017 is not in line with company values and also the expectations of stakeholders, especially investors, because it can create negative perceptions regarding the company's business strategy. Indicators of social performance disclosure such as social responsibility carried out by the company require a lot of money, this is considered to be able to reduce the profits obtained by investors. If investors feel that the costs incurred do not provide direct benefits for profits or business continuity, then investors can assess the company as less efficient and will reduce investor loyalty so that it will reduce the value of the company because investors will not provide their capital to the company anymore because the profits obtained are not in accordance with the expectations desired by investors. Other social indicators disclosed by the company such as a fairly high number of public complaints can trigger negative reactions from stakeholders, and can lower the company's stock price because investors are worried that this risk will impact the profits that will be obtained so that the company's value will decrease. This also explains that the company does not prioritize the theory of legitimacy where the company in carrying out its activities does not comply with the norms or rules set in the public.

VI. CONCLUSION AND SUGGESTIONS

Based on the previous discussion, it can be concluded that the Disclosure of Economic Performance carried out by the company does not have a significant effect on Company Value. Disclosure of Environmental Performance carried out by the company does not have a significant effect on Company Value. Disclosure of Social Performance realized by the company has a significant negative effect on Company Value. The limitations of this study are the relatively short duration, which is only 3 years or a period, namely in 2021-2023, then the company tried to realize the disclosure of the Sustainability Report did not explain what standards were used, and did not make a summary of what aspects had been disclosed in the form of a table, so it is necessary to further analyze the disclosure made by the company. For further researchers, it is hoped that they can add various variables that have not been used in the continuation of this study, and can also increase the number of populations or wider samples, both in companies that are already listed on the IDX and those that are not. The use of a wider sample can help to reflect the conditions of the entire population, both from the existing industrial sector and a certain time period, so that research is not limited to companies in certain sectors only. The addition of variables can also help to conduct new research where these variables can affect company value, but have not been applied in this study.

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