



Analysis of Sustainability Reports, Enterprise Risk Management and Profitability on Stock Performance in the Indonesian Coal & Mineral Mining Sector

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Abstract. The goal of this study is to look at the impact of three elements on stock performance. Sustainability Report, Enterprise Risk Management, and Profitability. Purposive sampling was utilized. The study's sample consisted of Mining and Coal Industry Companies listed on the IDX from 2019 to 2023, with 82 raw samples and 18 selected samples. The SmartPLS 4.0 application was used to process data using Partial Least Squares (PLS) analytic techniques. According to research, the Sustainability Report's outcomes had an effect on the performance of Mineral and Coal sector stocks in 2019-2023, however Enterprise Risk Management (ERM) exhibited no effect on the performance of Mineral and Coal sector stocks in 2019-2023 and Profitability produced results that have an impact on the performance of Mining and Coal Industry stocks from 2019-2023.

Keywords: Sustainability Report, ERM, Profitability, Stock Performance.

1 Introduction

The company is not only built on the single bottom line philosophy, but is switching to the concept introduced [2], namely the triple bottom line, which focuses on the 3 Ps, namely Profit, People and Planet. Indicated by the emergence of industries with various zones, especially in the Minerba sector. In fact, stakeholders, especially investors, do not only choose industries based on financial reports, but from the perspective of social responsibility and sustainable development or Sustainability Report [8]. Sustainability Report research captioned Firm value and social contribution in the context of corporate governance [9]. Noronha et al. found that corporations' social efforts, when publicized, improve investor trust and reactions [3].

Conducted empirical research on sustainability reporting in their study titled Legitimacy in operations: how do sustainability certification announcements by Chinese listed firms effect their market value. The results of their research show that by using 210 announcements from public companies on the Chinese stock exchange about sustainability reports, the results of their research show that announcing a sustainability

report is profitable in terms of share price performance, with a stronger effect among companies with government ownership but a weaker effect for those with political attachments.

2 Theoretical Basis

2.1 The Stock Performance

Several methods can be used to assess a company's stock performance, either by financial ratios or by basing performance on value. Economic Value Added (EVA) and Market Value Added (MVA) are innovative methodologies for measuring the performance of a company's operating shares, taking into consideration the interests and expectations of fund providers (creditors and shareholders) who base share performance on value. EVA and MVA were introduced by Stern Stewart & Co, a financial company in America. This company believes it is expected in the coming years, not just in the current year. So, maximizing stock prices requires us to look at operations in the long term.

2.2 Enterprise Risk Management

ERM disclosure refers to the level of disclosure of a company's risk management, as evaluated by the ERM disclosure index. The ERM disclosure dimensions used in this study are in accordance with the ERM disclosure dimensions used (a) internal environment, (b) goal setting, (c) incident identification, (d) risk assessment, (e) risk response, (f) supervision activities, (g) information and communication, and (h) monitoring, which are broken down into 108 items. These eight components are required to meet company goals, which include Strategic, Operational, and Financial Reporting objectives, as well as the necessity for legislative provisions [4].

2.3 Profitability

Profitability ratio is one of the most commonly used measurements in determining company value. The firm valuation approach employing profitability is carried out by assessing the present value of the future value of the company's profits, which is then adjusted to the level of risk faced. For this reason, analysts make profit predictions for the next 5 years. Profits that do not meet profit predictions tend to be considered as a negative signal by investors which results in a decline in share prices. Profitability is a company's capacity to make profits by utilizing its own resources, such as assets, capital, or sales. Profitability is the main measure of a company's success and is an important indicator in evaluating manager performance [12].

2.4 Sustainability Report

A sustainability report is a report created by a corporation to measure, disclose, and document the firm's efforts to become a company that is accountable to all stakeholders,

with the goal of improving company sustainability performance. Companies can utilize sustainability reporting as a reference to view reporting from the Social, Economic, and Environmental dimensions [7]. The Global Reporting Initiative (GRI), G4 Guidelines include 91 disclosure indicators organized into three categories: economic, environmental, and social. The author's measurement is the Sustainability Report Disclosure Index (SRDI). Content analysis is the approach utilized for data entry. This technique involves the coding of text with qualities that will be written in different groups. If the corporation reveals an item, it will be given a value of one; otherwise, it will be given a value of zero.

3 Research Method Results

3.1 Conceptual Framework

The capital market can operate as an intermediary institution, demonstrating the capital market's importance in economic support. Further more, the capital market can support the formation of efficient fund allocation; as a result of the capital market's presence, individuals with extra funds (investors) can choose investment alternatives that generate comparatively high returns, namely the market's productive sectors. Thus, monies raised from investors can be used productively. This study, aimed for investors choosing stock performance, evaluates the impact of sustainability reporting, business risk management, and profitability on stock performance a company.

3.2 Research Framework

The Research model can be described:

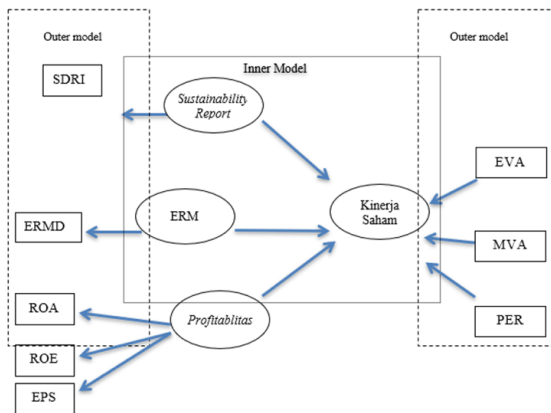


Fig. 1. Research Framework

4 Data Analysis

The data analysis method employed in this study is Partial Least Squares (PLS), which is a powerful analytical method that is frequently used as soft modeling because it makes Ordinary Least Squares (OLS) assumptions such as data being normally distributed in a multivariate manner and there being no multicollinearity problems. Because of the model's complexity and the limited number of samples in this study, data analysis is done with SmartPLS 4.0 software.

4.1 Multi Regression

Multiple Regression analysis, or multiple regression, is used to assess the relationship between more than one observed variable using the SmartPLS 4.0 program to determine the influence of Sustainability Reports, Enterprise Risk Management and Profitability on IDX MINERBA Share Performance. Multiple regression with observed variables using SmartPLS, we do not need to carry out measurement models to test validity and reliability, so we can directly estimate the structural model.

4.2 Path Analysis

Path analysis seeks to explain the direct and indirect impacts of independent variables on dependent variables. route analysis is similar to multiple regression, which is a special type of route analysis. This technique is often referred to as causal modeling. This name is based on the fact that route analysis enables users to test theoretical hypotheses about cause-and-effect relationships without manipulating the variables. Manipulating variables entails applying therapy to specific variables during measurement. The main assumption of this model is that numerous variables have a very close link to one another.

4.3 Indirect Effect Test

This test was used to measure the level of indirect effect between components. This test was conducted using SmartPLS 4.0's bootstrapping method. Exogenous (independent) variables are present in this study in relation to endogenous (dependent) variables if the statistical T value exceeds the T table and the P value is less than the significance threshold (5%).

4.4 Convergen Validity

To determine convergent validity, the outer loading or loading factor value is used. If the outer loading value exceeds 0.7, the indicator is thought to have significant convergent validity. Several indications of each research variable have an outer loading value more than 0.7, which is judged sufficient to meet the convergent validity criteria. The statistics above show that no variable indicators have outer loading values less than 0.7,

meaning that all indicators are valid or legitimate for research use and can be further investigated.

4.5 Composite Reliability

The factor used to evaluate the dependability of indicators on a variable is called composite dependability. Composite reliability can be applied to a single A variable if its composite reliability value is higher than 0.6.

4.6 Path Coefficient Test

The degree of the independent variable's influence or effect on the dependent variable is ascertained through the evaluation of the path coefficient. In the meantime, the degree to which endogenous variables are impacted by external stimuli is evaluated using the determination coefficient (R-Square). According to Chin, endogenous latent variables in the structural model with R^2 values of 0.67 or above indicate a positive influence from exogenous factors that influence the endogenous variables that are impacted. In the meantime, it falls into the weak category if the result is between 0.19 and 0.33 and the moderate category if it is between 0.33 and 0.67.

4.7 Test of Models' Goodness of Fit

The R-Square values are as follows, based on data processing with the SmartPLS 4.0 software

Table 1. Goodness of Fit test

	R-square.	R-square adjusted.
Y1. Stock Performance	0.99	0.99

Based on the data shown in Table 1 above, the stock performance variable has an R-Square value of 0.99. Obtaining this number demonstrates that sustainability reports, corporate risk management, and profitability have a 99% impact on share performance.

4.8 Hypothesis Test

This hypothesis analysis seeks to determine the existence of relevance between constructs. To test the hypothesis, use the value in the path coefficient output to test the structural model. The importance of the influence between variables can be determined by examining the parameter coefficient values and the t-statistical significance levels. The t-statistical results are compared to the t-table used in this investigation. The p-value column indicates whether or not the calculated regression coefficient is significant. If the p-value is less than 0.05, the regression coefficient generated is significant due to the association between one variable and others, and vice versa. To determine the existence of importance between constructs, the SmartPLS 4.00 program used the

bootstrapping method. The goal of bootstrapping testing is to decrease the problem of non-normality in research data. Based on the data processing, the findings can be used to answer the research hypothesis. In this study, hypothesis testing was carried out by examining T-Statistics and P-Values values. P-values < 0.05 indicate acceptance of the research hypothesis. The following are the results of hypothesis testing achieved in this study using the inner model.

Table 2. Hypothesis Test

	Original sample (O).	Sample mean (M).	Standard Deviation (STDEV).	T Statistic (IO/STD EVD)	P values
X1.Sustainability Report -> Y1. Stock Performance	0. 369	0. 321	0. 153	2.421	0.016
X2. Enterprise Risk Management -> Y1. Stock Performance	0. 16	0. 118	0. 187	0.858	0.391
X3.Profitability -> Y1. Stock Performance.	0. 47	0. 538	0. 149	3. 153	0.002

Table 2 shows that all four hypotheses proposed in this research have P-Values < 0.05 , indicating their acceptance. As a result, it may be concluded that both independent and dependent variables have a considerable influence.

5 Discussion of Finding

In this study, researchers attempted to determine the impact of the sustainability report on the performance of IDX MINERBA shares between 2019 and 2023. The findings indicated that the sustainability report was capable and accurate in assessing the performance rating of IDX MINERBA shares, with a p-value of 0.016. These findings demonstrate that Hypothesis 1 is accepted. These findings are supported by previous research, specifically Feng et al. [3] and Global Sustainability Standards Board [5]. The results of their analysis suggest that by employing 210 statements from public companies on the Chinese stock exchange on sustainability reports. The results of their research empirically show that announcing a sustainability report is profitable in terms of share price performance with a stronger effect among companies that have government ownership but with an which is weaker for those with political attachments [6].

According to the notion, a company's obligation to supervise management activities in order to lessen the likelihood of false financial reporting practices is expressed in risk management disclosure. Implementing and disclosing Enterprise Risk Management (ERM) is one of the signals that a company is better than others since it has implemented the principle of transparency. In Agista and Mimba research [1], they suggest that every manager needs to understand how making a sustainability report can affect their market value. The analysis's findings show that enterprise risk management had no bearing on stock performance, with a p-value of 0.391. The findings of this study are supported by Hery findings [6]. In theory, a large number of definitions of ERM are available, but basically many of these descriptions cover similar aspects. Hery [6] stated that the ERM concept does not directly affect stock performance. Because

ERM is a risk that can be avoided by the company. So, it can be proven that Hypothesis 2, namely ERM has little impact on the company's stock performance.

The purpose of this study was to ascertain how profitability affected stock performance between 2019 and 2023. Given the research factors, a p-value of 0.000 suggests that stock performance is positively impacted by profitability. As a result, profitability might indicate how well a company's stock is performing. The findings of this study are corroborated by research by Singgih and Anna [11], who found that Hypothesis 3, namely the company's profitability, effects the earnings that shareholders receive based on the number of shares owned. Investors fight to invest in companies with high share values in order to maximize earnings. As more investors want to participate in the company, share performance will improve. From the research results described above, this research shows that all variables together can predict the credibility rating of IDX MINERBA shares in the period 2019 to 2023. According to the author, high and stable returns are the credibility of stock performance which greatly influences the reaction of the business world. Stock performance refers to a person's perception of the veracity of information. As well as influencing investors' intentions in deciding whether to invest in a security. Because securities that have good credibility and reputation are something that is promising for investors.

6 Conclusion and Suggestion

6.1 Conclusion

This study aims to investigate the ways in which sustainability reporting, enterprise risk management, and profitability affect the performance of IDX MINERBA shares. Several findings that can be drawn from this research include:

1. The sustainability report analysis on stock performance yielded results that have an impact on IDX MINERBA stock performance from 2019 to 2023. The results of this investigation provide empirical evidence that the sustainability report may be utilized to evaluate the best stock performance on IDX MINERBA.
2. The results of enterprise risk management research on stock performance show that the results have no effect on the performance of IDX MINERBA share for the period 2019 to 2023. It can be explained that ERM is unable to assess stock performance on IDX MINERBA.
3. The results of research on profitability on stock performance show results that influence the performance of IDX MINERBA shares for the period 2019 to 2023. The results of this research are empirically proven that profitability can be used in assessing the best stock performance on IDX MINERBA.
4. Research results show that sustainability reports, enterprise risk management and profitability together can be used to find the best stock performance in a stock on IDX MINERBA.

6.2 Suggestions

Based on the findings, the researcher suggests the following:

1. It is intended that additional characteristics and samples of businesses in different industries or other factors would be available for future research. It is envisaged that other study techniques that can more precisely and readily affect stock performance would be used in future studies.
2. Based on the research results obtained, the author suggests that sustainability reports, enterprise risk management and profitability can be used to see the performance of a company's shares, which facilitates decision making for investors. about investing in a company.

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