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Decky Riadi, Andrey H. Pulungan, Faris Windiarti

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Sustainable Development Goals reporting and firm value in Indonesia: moderating role of separate risk management committee

Decky Riadi

Accounting Department,
Faculty of Business,
Sampoerna University, Indonesia
Email: deckyriadi20@gmail.com

Andrey H. Pulungan

Sekolah Tinggi Manajemen PPM,
Jakarta, Indonesia
Email: dre@ppm-manajemen.ac.id

Faris Windiarti*

Accounting Department,
Politeknik Negeri Jakarta, Indonesia
Email: faris.windiarti@akuntansi.pnj.ac.id

*Corresponding author

Abstract: This research aims to assess the impact of Sustainable Development Goals (SDGs) disclosure on firm value and examine how a separate risk management committee moderates the relationship between SDGs disclosure and firm value. These research samples were 328 firms listed on the Indonesian Stock Exchange during 2017–2021. This study uses secondary non-financial and financial data from annual, sustainability reports, and other financial databases. Data were analysed using a fixed effect method. Results revealed that SDGs disclosure has positive and significant influence on firm value, implying that the publication of commitment to SDGs may act as a signal of firm best practice in sustainability. The study also revealed that a separate risk management committee does not have any impact on the firm's value. Similarly, the separate risk management committee does not moderate the association between SDGs disclosure and firm value. The research results support the implementation of signalling theory and enhance a comprehensive understanding about firm valuation. This research also provides insights for managers, investors, and policy makers to consider the effectiveness of establishment of separate risk management committee in firms.

Keywords: firm value; risk management; Sustainable Development Goal; SDGs; sustainability; Indonesia.

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Biographical notes: Decky Riadi is an accounting graduate with a degree from Sampoerna University. He has focused his career on integrating business growth with sustainable practices. He is passionate about corporate and environmental responsibility and believes that business decisions that align with sustainability goals could significantly affect long-term gains while reducing environmental effects and therefore will achieve significant change and add value to the corporate sector and the larger society. He is interested in coordinating company operations with the concepts of sustainability and social responsibility.

Andrey H. Pulungan is a dedicated accounting and finance professional, holds a Master of Commerce in Accounting from the Australian National University. His commitment to professional development is evident in his impressive collection of certifications, including CPA Australia, and ASEAN Chartered Professional Accountant. His expertise extends beyond practice to education and research, with a keen interest in fraud detection, internal controls, risk management, and behavioural accounting. His work has earned accolades, including best paper awards at international conferences. Currently serving as a Lecturer at Sekolah Tinggi Manajemen PPM, he guides and inspires the next generation of accounting professionals.

Faris Windiarti is a lecturer and researcher in Accounting. She holds a Master degree in Accounting Science and has made notable contributions to accounting research in the area of financial accounting, sustainability reporting, and governance. She currently served as Lecturer in Politeknik Negeri Jakarta in Indonesia, and dedicated to delivering an innovative and practical teaching approach aimed at fostering students' future success. She is committed to advancing both scholarly knowledge and practical skills in the field of accounting.

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1 Introduction

Despite the objective of firms to maximise shareholders' wealth (Ramos et al., 2022), there has been a shift toward a more non-financial performance focus to maintain and increase firm value. It is recommended that firms are more accountable on their non-financial performance, including their contribution to sustainability. Sustainability action is likely to impact firm value since it may affect the stakeholders' decision making (Loh et al., 2017; Scheyvens et al., 2016). Prior studies have investigated the impact of voluntary sustainability disclosures to the firm value. Andayani (2021) and Wirawan et al. (2020) found that corporate social responsibility (CSR) disclosure improves the firm performance in developing countries. CSR disclosures also improve reputation by reducing related risks (Harjoto and Laksmana, 2018; Andayani, 2021) and eventually increase firm value (Seok et al., 2020; Chabachib et al., 2019).

The most recent sustainability framework issued by the United Nation was Sustainable Development Goals (SDGs), which consists of 17 targets (United Nations,

2015). The targets address a wide range of actions toward a more prosperous and sustainable world in the future. Firms showing their commitments toward SDGs and disclose the actions in the report would broaden the investors' awareness about the company sustainability actions (Guiral et al., 2020), which help investor to provide additional positive value in the future. To date, firms begin to integrate SDGs disclosure in their sustainability related reports (Izzo et al., 2020).

In Indonesia, government have issued regulation related to sustainability disclosure in the annual report. The regulation mandates firms to disclose sustainability performance in the report either in separate report or integrate it in the annual report. In practice, anecdotal evidence shows that firms are not only reporting sustainability performance required by the global reporting index and regulation, but firms also refer their actions to SDGs target. Whether this SDGs contribution transparency attempt has impact toward firm value or not remains unclear since there is still limited research that examines the impact of SDGs (Ramos et al., 2022). This opens opportunity for academician and researcher to research the impact of SDGs on the firm value in Indonesia as a representation of developing country.

While reporting sustainability performance may enhance firm valuation, undisclosed information prohibits information transparency and thus is likely to create a negative perspective toward firms. This may create reputation risk for the company (Seok et al., 2020). Risk management committee is one of the bodies of firm which functions as to identify firms' potential risk. Even though most firms in Indonesia still use the combined risk management committee function in the audit committee functions, there is currently a shift toward a stand-alone or separate risk management committee. Research showed that the risk committee allows for substantial practices on risk management disclosure (Jia et al., 2019). It is also noted that risk management committee is positively associated to risk disclosure (Nahar et al., 2020). With regards to reputation risk, it is likely that the existence of risk management committee focuses to manage such risks by creating good reputation via better sustainable disclosure.

Research argued that the presence of a separate risk management committee help companies in establishing sophisticated risk management, hence reducing the risks that could occur if a business fails to disclose its sustainability initiatives (Rimin et al., 2020; Al-Hadi et al., 2016; Harjoto and Laksmana, 2018). Similarly, further research shows that the existence of separate risk management committee is associated to higher risk disclosure quality (Jia et al., 2019). In addition, the existence of guidelines on how to disclose risk related to sustainability is currently available (Karatzoudi and Aven, 2024), therefore the committee can identify relevant disclosures which match stakeholders' interest. This condition provides noble opportunity for today's research regarding potential role of separate risk management committee in increasing SDG target commitment transparency to heighten firm value.

Therefore, the objective of this research is to evaluate the effect of SDGs disclosure on firm value and investigate the moderating role of separate risk management committee. The results of the research contribute to enrich the existing literature regarding stakeholder and signalling theory, which is, firms disclosing SDGs targets means that they have fulfilled diverse stakeholders need and they attempt to show a good signal to stakeholders to increase reputation. In practice, this research answers for a recent call in SDGs disclosures in developing countries. This research is among the earliest to integrate corporate governance mechanism in the impact of SDGs disclosure

toward firm value. Findings of this research provide theoretical and practical implication for regulators, policy makers, managers, and investors.

2 Theoretical framework

2.1 Stakeholder theory

Stakeholder theory proposes that firm establishment have pervasive or broad impacts that require them to be accountable or transparent to many sectors other than their own shareholders (Wirawan et al., 2020; Andayani, 2021). Stakeholders themselves can be interpreted as an identified group that can and be influenced by the success of firms. They consist of shareholders, employees, investors, suppliers, customers, creditors, communities, legislators, non-governmental organisations, and the public (Freeman and David, 1983). Based on this concept, management must balance the interest of all stakeholders (Harjoto and Laksmana, 2018). Managers are responsible to manage firms' resources efficiently and decide their business strategy which is considered most essential for stakeholders. The key to successful of mutual benefit among firm and stakeholders relies on the right understanding and communication between what have been done by firm and stakeholders' expectation. This condition requires that firms publish high quality disclosures to public.

2.2 Signalling theory

Signalling theory is described the activities of the firm as signals that indicate how management envisions their future condition (Morris, 1987). Signalling theory focuses on the fundamental issues confronting strategic decision makers; specifically how they might utilise signals to minimise the uncertainties associated with making a choice from a range of options in settings with imperfect and asymmetrically distributed information (Bergh et al., 2014). Signalling theory suggests that the benefits from sharing firms' information create an incentive in firms for disclosing information (Muhammad and Aryani, 2021). Investors perceive that management initiative is an indicator of how management views the firms' future. In sustainability context, firms are motivated to disclose favourable information to signal their commitment to stakeholders (Wang et al., 2018).

2.3 SDGs disclosure and firm value

The rising of sustainability issues has insisted the global community to create new standards to promote prosperity through the 2030 Agenda for Sustainable Development (Fuso Nerini et al., 2019). SDGs disclosure is a responsible corporate action that protects businesses (Gunawan et al., 2020) by enhancing their value. The nature of SDGs disclosure influence on firm value can be explained by stakeholder theory and signalling theory; both theories stated that the companies' operational business activities would give signals to stakeholders and in return the stakeholders will influence the firms value depending on what information that they receive (Wirawan et al., 2020; Muhammad and Aryani, 2021). Stakeholder theory explains that the disclosure of SDGs also indicates that businesses are more inclined towards their stakeholder's condition. Signalling theory

explains further that the disclose information would give signals to stakeholders (Muhmad and Muhamad, 2021) that the company are in good performance (Bergh et al., 2014). The successful implementation of sustainable disclosures is likely to create positive images of the company. For example, research revealed that majority of manufacturing businesses in developed country has stronger reputations for sustainability better than competitors (Loh et al., 2017). The sustainability information disclosed for public is likely to influence investors in investment decisions.

Investors commonly focused on firms which have more resilience ability and expected the firms to run sustainable business and disclose its SDGs initiatives (Acuti et al., 2020). Sekarlangit and Wardhani (2021) and Muhmad and Muhamad (2021) further explained that private firms is expected to participate to SDGs agenda, therefore they are required to implement sustainable strategies accordingly in their business activities. Reporting the SDGs disclosures on company could enhance the stakeholder's final decision making (Harjoto and Laksmana, 2018). The SDGs disclosures could also help investors to evaluate firms' sustainability performance that would increase their agility and ability to survive the business in the future. Therefore, the existing of SDGs would help the investors to gain more information about the firms (Chabachib et al., 2019), which will increase firm value. We suggest the first hypothesis as follows:

H1 SDGs disclosure has a positive effect on firm value.

2.4 Separate risk management committee as a moderating variable

Prior study on firm value found that risk management is a method to decrease the uncertainty emerging from corporate activities that impact firm value (Dionne, 2013). Jia et al. (2019) argue that risk management gives appropriate and relevant risk information to potential investors which will prevent reputational risks trough undisclosed information. These findings imply that risk management should include the monitoring of possible adverse negative outcomes on the firm itself. According to Harjoto and Laksmana (2018), risk management committee was favourably related with firm value. Advanced risk management allowing the company to reduce unrelated costs that might occur due to lack of risks control (Rimin et al., 2020; Dionne, 2013; Harjoto and Laksmana, 2018).

The presence of strong risk management influences a more confident management decision (Bergh et al., 2014; Melewar, 2008; Shepherd et al., 2015). This is aligned with signalling theory. The existence of risk management would undeniably decreasing the related risks, i.e., reputational and unsustainable business risks (Rimin et al., 2020; Jia et al., 2019). Business sustainability within firms could be seen, for example, on their SDGs disclosure in their sustainability report which would be valuable information for investors in determining the firm's condition (Harjoto and Laksmana, 2018). This condition might increase investors' awareness and will impact their final intent, judgment, and behaviour toward firms (Craft, 2013). Chang and Lin (2015) also found that the signalling process was determined by the investors' behaviour and confidence which is determined by information they received.

To enhance the investors' confidence, firms could improve their risk management structure when risk management alone is considered less effective to controls related risks (Rimin et al., 2020; Al-Hadi et al., 2016; Iswajuni et al., 2018). In this regard, the

board of directors often controls risk management through two distinct committees, one is by embedding audit and risk management committee together, and the other is by separating the risk management committee as a stand-alone committee (Rimin et al., 2020). Typically, risk management operations such as be responsible to ensure accountability and transparency were included as part of the audit committee's core responsibility (Al-Hadi et al., 2016; Ali et al., 2017). However, recent business failures call into question the audit committee's ability in managing and implementing the risk management program. Therefore, the separate risk management committee were developed to reduce the audit committee work load therefore the new stand-alone committee establishment will focus on minimising risks. The practice of establishment of separate risk management committee is more prevalent in mature firms (Al-Hadi et al., 2016) as such firms exposed to wider and bigger risks.

Prior literature has documented that the establishment of a separate risk management committee might improve the effectiveness of internal controls and the integrity of financial reporting which will enhance company's value. The separate risk management committee ensures and prevents all risks related to operational, legal, reputational, and sustainable risks. Similarly, firms' commitment toward SDGs are risk management risk management initiatives (Harjoto and Laksmana, 2018; Iswajuni et al., 2018). Unfortunately, no prior research has investigated the moderating role of separate risk management committee in the association between SDGs disclosure toward firm value. We argue that the existence of separate risk management committee encourage firms to disclose more SDGs disclosures. Therefore, firms with separate risk management will have higher SDGs disclosures, and following the improvement in disclosures, investors will increase their valuation toward firms. We propose the second hypothesis as follows:

H2 Separate risk management committee moderates the relationship between SDGs disclosure and firm value.

3 Research method

3.1 Data collection and sampling method

Data in this study were obtained through the Indonesian Stock Exchange (IDX) and firm official websites to collect the annual and sustainability reports for 2017–2021 periods. Annual and sustainability reports were used to content analysis on SDGs disclosures and the existence of separate risk management. The financial data used for control variables were taken from Standard & Poor (S&P) Capital IQ. This research employed purposive sampling to determine the research sample based on predetermined criteria. The sample criteria in this study were all companies listed on the Indonesian Stock Exchange from 2017–2021 which published annual reports and sustainability reports for the 2017–2021 period with completed financial and non-financial data related to research variables. After conducting purposive sampling technique over 810 firms listed on the Indonesian Stock Exchange, the final sample consisted of 328 firms during five years period from 2017–2021. The data used in this research are balanced panel data. Therefore total data used in this research were 1.640 firm-year observations. Table 1 shows the result of data collection procedures.

Table 1 Sample selection for companies with purposive sampling technique

<i>Sample criteria</i>	<i>Total</i>
Companies listed on Indonesian Stock Exchange on 2022	608
Complete annual reports of companies listed on Indonesia Stock Exchange (IDX) 2017–2021	328
Exclude non-complete data of companies	280
Total sample of the companies	328
Annual reports observed during 2017–2021 period	1,640
Sustainability reports observed during 2017–2021 period	351
Final observation of the study	1,640

3.2 Research variables

SDGs disclosure is referred to reporting the 17 targets in *2030 Agenda for Sustainability Development Goals (UN SDGs)*. This study employs qualitative research and uses SDGs as the disclosure checklist and content analysis method. It aligns with the research conducted by Gunawan et al. (2020) and Wirawan et al. (2020). Their study suggested using the SDGs checklist as a benchmark to determine if sustainability reports and annual reports in Indonesia were utilised for communicating firms' efforts and actions in support of and conformity with the SDGs committed by the government. The content analysis was conducted to seek any occurrence of related information that aligns with SDGs disclosure; explicitly stated or using GRI SDGs mapping. If the disclosures contain related information with one or more SDGs goals, it was marked as '1' (one) or otherwise '0' (zero) if no related SDGs information was reported.

Separate risk management committee (SEPRMC) is an independent risk committee outside of audit risk management committee that focuses on managing risks. Content analysis method was also applied to investigate the existence of separate risk management committee (SEPRMC). The stand-alone committee in this research was measured by dichotomous variables. Following Rimi et al. (2020), Wirawan et al. (2020) and Ali et al. (2017) the variable measurement was marked as '1' to represent the existence of separate risk management. Firms which did not have separate risk management committee were marked '0'.

Firm value (TOBINSQ) was used to measure the company's wealth owned by shareholders. Harjoto and Laksmana (2018) suggest that social and sustainability disclosure positively impacts firm value. It reduces corporate risk-taking and increases profits that might contribute to transferring wealth to its shareholders. Wirawan et al. (2020) used Tobin's Q to project firm value. Tobin's Q is used as it is common in measuring firm value therefore data related to Tobin's Q is more accessible for researchers. Tobin's Q is calculated by using the market value or market capitalisation of the firm's equity and adding it to the book value of liabilities, and then divided by the book value of total assets.

$$\text{Tobin's } Q = \frac{\text{MV of equities} + \text{BV of liabilities}}{\text{Total assets}}$$

Control variables in this research included profitability (ROA), firm size (SIZE), and leverage (LEV). Those three variables were selected following previous literature from Wirawan et al. (2020), Chabachib et al. (2019), Ali et al. (2017) and Harjoto and Laksmana (2018). Profitability ratios (ROA) were measured by firm return on assets. In this study, profitability reflects the firms' ability to generate profit. The use of profitability was aligned with Wirawan et al. (2020) study. Firm profits will likely to attract investors to invest in firms. The higher the firm profits it is likely that investors give higher value to firms. Profitability is measured by dividing the firms net income by its total assets.

Firm size (SIZE) was measured by the total natural logarithm of assets. The firm size will represent how big the company is, as the more apparent the firm size, the larger the firm value. The use of firm size was associated with the study conducted by Wirawan et al. (2020) and Ali et al. (2017). Large companies usually need significant funding, like through stock, so the company needs to raise substantial shares. The market value of a firm increases when more shares are traded because the company's worth is determined by multiplying the number of outstanding shares by the market price of those shares. Furthermore, Chabachib et al. (2019) stated that large firms are assessed by the number of assets they own.

Leverage (LEV) was measured by debt-to-equity ratio following Harjoto and Laksmana (2018). The higher firms leverage, the more market assumed that firms rely heavily on debt, resulting in the higher risk of investing in such firms (Chabachib et al., 2019). Leverage (LEV) was calculated by dividing the firm's total liabilities by its total equity.

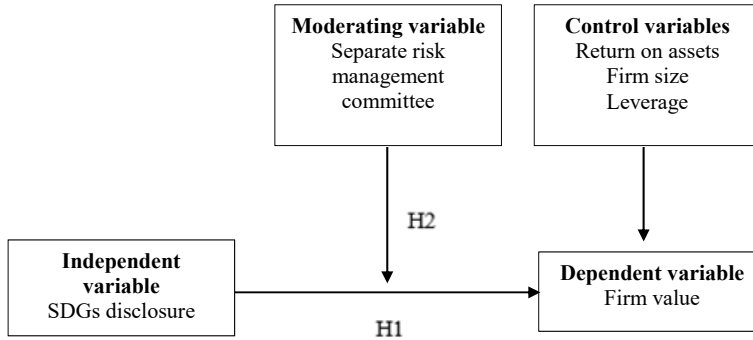
3.3 Data analysis

To test the hypothesis, this study used STATA software as the statistical tools. STATA is used for the regression testing using a panel data regression analysis that combines cross-sectional and time series data, where the same cross-section unit is measured at different times. Before conducting the panel data regression test, we first choose appropriate estimation models. The models include pooled least square, the fixed-effect method, and the random-effect method. The Chow test (i.e., pooled least square and fixed effect), the Breusch-Pagan test (i.e., pooled least square and random effect), and the Hausman test (i.e., fixed effect and random effect) are utilised for selection. Aligned with Wirawan et al. (2020), this research will conduct a series of regression assumption tests before proceeding to regression testing. To support the data, classic assumptions were used. Classic assumptions such as multi-collinearity, heteroscedasticity, autocorrelation, and normality test using Anderson Darling method. Anderson Darling test were chosen rather than other normality test to detect normality of the data since it utilises a particular distribution to determine critical values. One advantage of this test is that it can provide a more sensitive analysis compared to other tests. When all hypotheses are verified, the research is continued through regression of panel data utilising predetermined methods.

3.4 Research model

The research model for hypothesis testing is described as follows:

$$\begin{aligned}
TOBINSQ_{it} = & \beta_0 + \beta_1 SDGs_{it} + \beta_2 SEPRMC_{it} + \beta_3 SDGs_{it} * SEPRMC_{it} \\
& + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \beta_6 LE_{it} + \varepsilon
\end{aligned}$$

Figure 1 Conceptual framework

4 Results and discussion

4.1 Descriptive analysis results

The analysis of this study draws from a total of 1,640 firm year observations. Table 2 shows the result of descriptive statistics analysis. Firm value (TOBINSQ) has an average value of 1.67 and a standard deviation of 7.02. SDG reporting (SDGs) showed the number of SDGs targets disclosed by the company. In average, the number of SDG reporting is 2.43 which mean that in average firms are disclosing around two or three SDGs targets in the reports. This findings show a low number of SDGs disclosures, indicating that firms might report a limited SDGs targets that are most relevant to their business. However, the maximum value of SDGs variable is 17, indicating that there were firm which have committed to SDG and aligned their actions to SDGs targets. This is not surprising as there was still no mandatory regulation to disclose all SDG targets disclosed by firms.

Table 2 Descriptive statistics

<i>Variable</i>	<i>Obs.</i>	<i>Mean</i>	<i>Std. dev.</i>	<i>Min</i>	<i>Max</i>
TOBINSQ	1,640	1.66769	7.02260	0.03448	93.57083
SDG	1,640	2.42500	5.00974	0	17
SEPRMC	1,640	0.25488	0.43593	0	1
ROA	1,640	3.38981	7.06064	(48.31690)	51.75470
SIZE	1,640	14.88565	1.69825	8.76043	19.72172
LEV	1,640	0.31546	3.37413	(89.98972)	0.99733

Notes: TOBINSQ = firm value; SDG = Sustainable Development Goals; SEPRMC = separate risk management committee; ROA = return on asset, as proxy of company profitability; LEV = leverage, as measured by debt-to-equity ratio; SIZE = firm size; measured using natural logarithm of total assets.

The moderating variable in this study (SEPRMC) has an average value of 0.26 with deviation standard 0.44. This implies that there is still limited number of firms which have separated risk management committee. In Indonesian context, the existence of separated risk management committee is not mandatory. Therefore, firms are probably still integrating the duty of auditing and risk management as one committee. In addition, variable to control firm profitability (ROA) has an average value of 3.39 and a deviation standard 7.06. Despite the fact that the majority of businesses have a strong capacity to earn profits, there are certain cases with negative ROA values, which indicated that losses occurred during the period of the study. The firm size (SIZE) metric, which is calculated using the natural logarithm of total assets, has a value of 14.89 on average, with a standard deviation of 1.69. Moreover, firm leverage (LEV) has an average value of 0.32 and deviation standard of 3.37.

4.2 Correlation result

Prior to conducting regression testing, this study undertook a series of tests to assess the assumptions of the regression model, aiming to ensure that the data adheres to the classical assumptions. Various assumptions were examined, including normality, multi-collinearity, autocorrelation, and heteroscedasticity. Testing result using Anderson Darling method showed that the data in this research has normal distribution with probability of $1.0000 > 0.05$. From the multi-collinearity test, data revealed that VIF for each variable is less than 10, indicating that there is no multi-collinearity issue. In addition, autocorrelation and heteroscedasticity test was conducted. The result showed that there is an issue of autocorrelation and heteroscedasticity. Therefore, robust (clustered) treatment was applied to the regression test.

Table 3 Pearson correlation analysis results

<i>Variables</i>	<i>TOBINSQ</i>	<i>SDGs</i>	<i>SEPRMC</i>	<i>SEPRMC * SDG</i>	<i>ROA</i>	<i>SIZE</i>	<i>LEV</i>
TOBINSQ	1.0000						
SDGs	-0.0072	1.0000					
SEPRMC	-0.0519*	0.1957*	1.0000				
SEPRMC * SDG	-0.0082	0.6269*	0.5039*	1.0000			
ROA	-0.0344	0.0625*	0.0851*	0.0685*	1.0000		
SIZE	-0.2218*	0.2001*	0.3625*	0.2930*	0.2198*	1.0000	
LEV	-0.4818*	0.0263	0.0230	0.0123	-0.0209	0.1478*	1.0000

Notes: ***significant level 1%, **significant level 5%, and *significant level 10%.

The next step is analysing correlation matrix of each variable. Pearson correlation method was used in testing correlation. The method is selected as it only shows the correlation between one variable and another without taking any consideration on other variables in influencing the correlation itself. Pearson correlation enables to maintain the variable to be constant therefore the results might be difference from the regression test. Table 3 showed the results of Pearson correlation matrix. Based on the matrix, it is found that SDGs disclosure (SDGs) has no relationship with firm value (TOBINSQ). Separate risk management committee (SEPRMC) has negative significant correlation with firm value

(TOBINSQ), suggesting that the existence on separate risk management committee is correlated to the decreasing in firm value. Similar to separate risk management committee, other control variables namely firm size (SIZE) and firm leverage (LEV) have negative and significant correlation relationship. Further, firm profitability (ROA) has no relationship with firm value. The interesting finding is that separate risk management committee has positive and significant correlation with SDGs disclosure. This means that the existence of separate risk management committee (SEPRMC) is correlated to an increase in SDGs disclosure (SDGs). It might be an initial indication of the role of separate risk management in insisting management to publicly share the information regarding SDGs action to encounter possible threatening risk.

4.3 Regression result

Table 4 shows the regression results to test the association between SDGs disclosure (SDGs) and firm value (TOBINSQ), and to test whether separate risk management committee (SEPRMC) moderates such relationship. Model in this study is signification with $p < 0.0000$. Data analysis result showed that SDGs disclosure (SDGs) has a positive and significant effect to firm value (TOBINSQ) with significance level 10%. This result indicates that the higher SDG targets reported by companies, the higher their firm value. This is in line with our first hypothesis, therefore Hypothesis 1 is accepted. Separate risk management committee (SEPRMC) has no significant effect towards firm value (TOBINSQ). This is aligned with the correlation result which shows that there no correlation between separate risk management. It means that the establishment of stand-alone risk management committee had not yet valued as firm resources that will be beneficial for firm performance in the future, therefore there is no significant changes in firm value following the use of separate risk management committee. This is in contrast with finding on SDGs disclosure (SDGs), which shows a positive impact of SDGs disclosure toward firm value.

Table 4 Regression results

	<i>Coef.</i>	<i>Prob.</i>	<i>Sign</i>
SDG	0.07681	0.073	*
SEPRMC	0.12856	0.647	
SEPRMC * SDG	-0.05348	0.227	
ROA	0.02009	0.237	
SIZE	-4.41114	0.062	*
LEV	-0.91021	0.000	*
Number of observations			1,640
Overall R ²			0.1375
Prob. (F-statistic)			0.0000

Notes: ***significant level 1%, **significant level 5%, and *significant level 10%.

TOBINSQ = the proxy for measuring firm value; SDG = Sustainable Development Goals disclosure; SEPRMC = separate risk management committee; SEPRMC * SDG = SDG disclosure interaction with separate risk management committee; ROA = return on assets, as proxy of company profitability; SIZE = firm size, measured using the natural logarithm of total assets; LEV = leverage, as measured by debt-to-equity ratio.

Based on Table 5, it is shown that the interaction between separate risk management committee (SEPRMC) and SDGs disclosure (SDGs) has no significant impact on firm value (TOBINSQ). This means that separate risk management committee does not moderate the association between SDGs reporting (SDG) with firm value (TOBINSQ). The result suggests that the stand alone risk management committee itself do not put pressure on management to disclose more SDGs targets as risk management strategy to increase transparency. We argue that by reporting SDGs targets as one of considerations in risk management, it is expected that firm value increases. It might be a surprising finding since the separate risk committee itself might focus on other strategies in managing risk rather than improving information transparency through the use of disclosures. Based on the analysis result, Hypothesis 2 is rejected.

For the control variable regression result, firm size (SIZE) has negative and slightly significant effect towards firm value (TOBINSQ) with P-value = 0.062. It means that as firm size increases, the firm value is moving to an opposite direction, which is decreasing. Similarly, leverage (LEV) has a strong significant negative effect towards firm value (TOBINSQ). Overall R-squared in the regression analysis is 0.1375 which indicates that the model captures 13% of the factors that affect firm value.

Table 5 Regression analysis results

	<i>Coef.</i>	<i>Prob.</i>	<i>Result</i>
SDG	0.07681	0.073*	H1 accepted
SEPRMC	0.12856	0.647	H1 rejected
SEPRMC * SDG	-0.05348	0.227	
ROA	0.02009	0.237	
SIZE	-4.41114	0.062*	
LEV	-0.91021	0.000*	
Number of observations			1,640
Overall R^2			0.1375
Prob. (F-statistic)			0.0000

Notes: ***significant level 1%, **significant level 5%, and *significant level 10%.

TOBINSQ = the proxy for measuring firm value; SDG = Sustainable Development Goals disclosure; SEPRMC = separate risk management committee; SEPRMC * SDG = SDG disclosure interaction with separate risk management committee; ROA = return on assets, as proxy of company profitability; SIZE = firm size, measured using the natural logarithm of total assets; LEV = leverage, as measured by debt-to-equity ratio.

5 Discussion

This study believes that SDG reporting inform stakeholders regarding the implementation of sustainability practice which will benefit them in the future. This study proposes that SDG reporting will have positive effect towards firm value. Based on data analysis, SDG reporting has a significant impact on the value of the company. The study reveals that the value of firm increases significantly as firm disclose higher number of SDG targets. This indicates additional information regarding the SDGs or sustainability initiatives that

corporations undertake impact the decision that stakeholders make when valuing companies. It is shown in an increase in TOBINSQ when there is also a rise in SDGs disclosure. The output of this study is in line with Andayani (2021), Wirawan et al. (2020), Loh et al. (2017), Chabachib et al. (2019), Harjoto and Laksmana (2018), Seok et al. (2020). Wirawan et al. (2020) in their research revealed that CSR disclosure, which is relatively similar to SDGs disclosure in terms of the way it influences the sustainability of businesses, boosted firm value. The firm will create a favourable reputation and existence in the community which will result in an increase in its worth (Chabachib et al., 2019). Seok et al. (2020) found the same results that non-financial information such as sustainability initiatives through SDGs minimises risks such as sustainability and reputational risks, which would consequently raise the company's value as well.

The findings confirm signalling theory, which implies that the publication of the SDGs acts as a signal of concern and action addressing social and environmental goals. The availability of SDGs disclosure would also provide more information to reduce the information gap that exists between the company and its stakeholders (Harjoto and Laksmana, 2018). SDG disclosure could also potentially help company to improve their reputation that might occur due to lack of information provided towards stakeholders (Andayani, 2021). In addition, the stakeholder's theory has elaborated further that the company's SDGs disclosures provide stakeholders with even more relevant information. As a result, the availability of SDGs disclosure will assist investors in making judgments on the valuation of a firm.

The results revealed that separate risk management committee has no significant effect toward firm value as well as no moderating effect on the association between SDG disclosure and firm value. The first reason to explain the finding could be due to incomplete information disclosed in annual and sustainability reports and lack of understandable information related to risk management. To date, the quantity of SDG disclosures in Indonesian firms has not been highly disclosed, causing a low level of variability in SDG disclosures. Secondly, this study complements Wirawan et al. (2020) findings where they use risk management as the measurement for moderating variable. It shows that the risk management committee, both combined and separated, is unlikely to have a positive relationship effect on the firm's value. The third reason to explain why separate risk management committee does not have an impact on the value of the firm is because it might not become the required information that stakeholders consider in valuing a firm. In Wirawan et al. (2020) research, they used scoring on the detail process of risk management in the company as moderating variable and found that the relationship is negative. Hence, it suggests that additional information is needed for stakeholders in order to value the firm rather than merely the information about the presence of risk management committee on the company.

Both findings are not consistent with Rimin et al. (2020), Abdullah et al. (2015) and Iswajuni et al. (2018) which shows that the establishment of separate risk management committee is due to its positive relationship towards firm value. On the other hand, the results are quite consistent with Wirawan et al. (2020) and Agustina and Baroroh (2016). This could be the result of insufficient data provided in reports and the lack of understandable information regarding risk management. Poor annual reports indicate that a company is unable to manage the extant risks in the various programs within their body (Agustina and Baroroh, 2016). The companies that are able to manage their risks are commonly large firms, which mostly delegate responsibility for risk management to the

audit or internal control department rather than separate risk management committee (Al-Hadi et al., 2016).

Agustina and Baroroh (2016) further explained the presence of risk management alone is considered less effective causing the inadequate information being presented in a qualitative manner. The result of such research recommends that firms need to avoid focusing on qualitative reporting because it will be more difficult to compare the results of different organisations. Signalling theory suggest that companies provide signals through SDGs disclosures that influence investors' decisions and affect firm value (Bergh et al., 2014). The signal that the investors want should be adequate or it might affect the final decision of the investors itself.

This study shows that SDGs disclosure is unaffected by whether the risk management committee is separated or combined. This means that the separate risk management committee is unable to ensure the existence of SDGs disclosure in a company. According to signalling concept, investors may interpret the disclosures as an attempt to create positive image (Wirawan et al., 2020; Hopwood, 2009). This suggests that other factors are needed to ensure the presence of SDGs disclosure that would influence firm value.

6 Conclusions

This study aims to evaluate the effect of SDGs disclosure on firm value and investigate the influence of separate risk management committee to moderate the relationship between SDGs disclosure and firm value. Based on data analysis result, SDGs disclosures are found to increase firm value. On the other hand, separate risk management committee does not help the companies to maximise their value. This could be because the separate risk management committee information is considered not relevant due to the incomplete information disclosed in annual and sustainability reports regarding its role, as well as a lack of understandable risk management data. This indicates that the separate risk management committee cannot guarantee the presence of SDGs disclosure, so it has no effect on the value of the company. Therefore, separate risk management committee are found to have no effect in moderating SDGs towards firm value.

This study has several implications. This research provides evidence to support signalling theory from the viewpoint of SDGs disclosure, that is, disclosing SDGs in firm published report will be a positive signal to enhance firm value. The result of the study fosters a comprehensive understanding about corporate value creation by integrating sustainability aspect into the valuation. It also adds to the enhancement of the theory that the effectiveness of separate risk management in assessing risk and disclosing the risks in the report is subject to readiness of each company in certain jurisdiction. In practice, the findings of this research provide supports for companies to include SDGs goals in its reporting to benefit from the integrating SDGs targets in their sustainability practice. This research also provides insights for companies started to assign a separate risk management committee about the effectiveness of a stand-alone committee in improving sustainability related disclosure as to minimise risk related to information asymmetry. For external users of information, this research has implication for policy maker to recommend setting a standard or guidelines to address SDGs disclosure issue in firm publication and also to upgrade the current risk management committee to identify risk

related to sustainability and disclose it. The recommendation can both give benefit the firm as well as stakeholders who need the sustainability information of the firms.

This study is subject to several limitations. First, it only focused on Indonesian firms that are listed on IDX and has complete annual reports that are available for public to access for five years starts from 2017–2021. The unit of research analysis should be explored more on relation between SDGs and firm value on each industry rather than focus on general industries. It may result in different findings since each industry have different sustainability impact causing variability in SDGs disclosure strategy and valuation. Second, SDGs disclosure and the existence of separate risk management committee are quite new and not mandatory in Indonesia, therefore variability of data has been low.

Several opportunities for further research are suggested in this study. First, since the study measures only through content analysis using explicit statements and SDGs GRI mapping to find the SDGs data, there are still more of sustainability activities that can be captured implicitly. Therefore, the study suggests putting more consideration in analysing the reports not only looking through explicit disclosures but also implicit statements that relates to sustainability actions. Moreover, expanded sample of data to explore more about the influence of SDGs in other countries may enrich the research result. It is also essential to use other information that may be required to evaluate more on the relationship between comprehensive firm risk management and SDGs disclosure rather than pointing out on the committee itself.

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