THE EFFECT OF MODERN SLAVERY DISCLOSURES ON FIRM VALUE IN INDONESIAN'S LISTED COMPANIES

Undergraduate Thesis

By:

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**FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITY OF LAMPUNG
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ABSTRACT

**THE EFFECT OF MODERN SLAVERY DISCLOSURES ON FIRM
VALUE IN INDONESIAN'S LISTED COMPANIES**

By

Josef Rheinhard Pasaribu

This study aims to analyze the effect of modern slavery disclosures on firm value in companies listed on the Indonesia Stock Exchange in 2019. The variables in this study are modern slavery disclosures as measured by the level of modern slavery disclosures, firm value as measured by Tobin's Q, and three control variables, namely, company size, company age, and industry sector. This study uses 100 listed firms as a sample. The results show that modern slavery disclosure has a positive effect on firm value. It is in line with Assidi's research. Moreover, the result shows that the effect of modern slavery disclosure on firm value is significant. On the other side, firm age, firm size, and industry sector are significant. One of the reasons is companies use internet financial reporting (IFR).

Keywords: Modern Slavery Disclosures, Firm Value, Modern Slavery Disclosures Index, Tobin's Q

ABSTRAK

PENGARUH PENGUNGKAPAN-PENGUNGKAPAN MODERN SLAVERY TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN YANG TERDAFTAR DI BURSA EFEK INDONESIA

Oleh

Josef Rheinhard Pasaribu

Penelitian ini bertujuan untuk menganalisis effek dari modern slavery disclosure terhadap nilai perusahaan pada perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2019. Variable dalam penelitian ini adalah modern slavery disclosure yang diukur dengan modern slavery disclosures level, nilai perusahaan yang diukur dengan tobin's serta tiga variable control yaitu, ukuran perusahaan, umur perusahaan dan jenis perusahaan. Penelitian ini mengambil 100 perusahaan yang terdaftar di BEI. Hasil menunjukan bahwa terdapat effek positif yang signifikan dari modern slavery disclosure pada nilai perusahaan. Hal ini sejalan dengan penelitian milik Assidi. Selain itu, pengaruh ukuran perusahaan, umur perusahaan dan sektor industri tidak memiliki effek yang signifikan. Salah satu alasannya adalah perusahaan-perusahaan menggunakan Internet Financial Reporting (IFR).

Kata Kunci: Pengungkapan Modern Slavery, Nilai Perusahaan, Modern Slavery Disclosure Index, Tobin's Q

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As One of The Requirements to Acquire
BACHELOR OF ACCOUNTING

In

Accounting Department
Faculty of Economic and Business University of Lampung

FACULTY OF ECONOMIC AND BUSINESS
UNIVERSITY OF LAMPUNG
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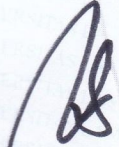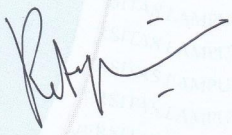|		
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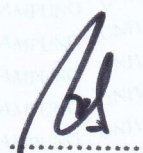NIP. 197806032006042001

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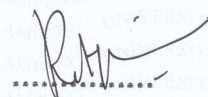**Prof. Dr. Lindrianasari, S.E., M.Si., Akt., CA.**
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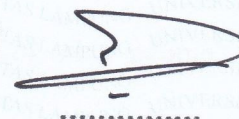Chief Advisor : **Susi Sarumpaet, S.E., M.B.A., Ph.D., Akt.** ....

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Hereby declare that the thesis entitled "The Effect of Modern Slavery Disclosures on Firm Value in Indonesian's Listed Companies" is truly my own work without taking, replacing, or claiming as mine on the whole or in part of other people's writings in the form of sentences or symbols that show ideas or opinions without giving recognition of the original author. If proven in the future that my statement is not true, then I am ready to receive sanctions in accordance with the applicable regulations.

Bandarlampung, November 12, 2021
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BIOGRAPHY

The researcher was born in Rangkasbitung, Banten on July 28th 1999 as the first son from Desnat Pasaribu and Rina Sarumpaet. The researcher has one younger sister named Mery Carolina Tiovani . the researcher started formal school at TK Delima then graduated at TK Mardi Yuana Cilegon in 2005. Researcher started elementary school at SD Mardi Yuana Cilegon and graduated in 2011. Researcher continued to junior high school at SMPN 1 Kramatwatu from a RSBI class and graduated in 2014, and senior high school at SMAN 2 Krakatau Steel Cilegon from a math and science class then graduate in 2017.

The researcher was enrolled as student in Faculty of Economic and Business of University of Lampung through SBMPTN. The researcher was majoring in Accounting and concentrating on financial accounting and was a student of the International Class. During the study in the university, the researcher also listed as the member of HIMAKTA and PKMK as a passive member.

The research was honored to be one of the President Director Scholarship recipients from PT Chandra Asri Petrochemical in 2017, a part of Internatonal class in Univeristy of Lampung and part of Short Course Program held in Aoyama Gakuin University in Tokyo, Japan as an exchange student in 2018. The researcher also was a part of PERMATA SAKTI program held in Hasanuddin University in Makassar, as an exchange student in 2019.

DEDICATION

All my gratitude and praise to Jesus Christ for His grace and mercy so that the thesis can be done well.

With a full heart and sincerity of love, I present this thesis to:

My beloved parents, Papa Desnat Pasaribu and Mama Rina Sarumpaet who have given all of the love, affection, advice and endless support with prayers for me. Thank you for caring, rasing and always be there when i needed. There is no suitable words to express how grateful I am to have you. May The God always protect you and bless you in every part of yourlife.

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All of my big family, bestie, and friends who always encourage and support me. You mean a lot to me.

My alma mater, Univerisity of Lampung

MOTTO

Do not be anxious about anything. Instead, in every situation, through prayer and
petition with thangksgiving, tell your request to God.
(Philippians 4 : 6)

"For I know what I have planned for you,'says the Lord.'I have plans to prosper
you, not to harm you. I have plans to give you a future filled with hope."
(Jeremiah 29 : 11)

"One of the basic rules of the universe is that nothing is perfect. Perfection simply
doesn't exist.....Without imperfection, neither you nor I would exist"
Stephen W. Hawking

"Anyone who has never made a mistake has never tried anything new."
Albert Einstein

SANWACANA

All gratitude and praises to the Jesus Chirst for His mercy and blessings so that the researcher can complete this thesis titled "The Effect of Modern Slavery Disclosures on Firm Value in Indonesia's Listed Companies" as one of the requirements to acquire Bachelor of Accounting in Faculty of Economic and Business, University of Lampung.

In writing her undergraduate thesis, the researcher recognize that this achievement could not be done by only herself, yet also supported by a lot of important people who have provided guidance, support and assistance during the preparation and completion of this thesis. Therefore, the researcher would like to express her sincere gratitude to:

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9. My beloved sister, Mery Carolina Tiovani who give support, motivation, and cheer me up. Hopefully you can finished your study well. May the God bless you in every-part of yourlife.

10. All of my big family who always give me support and prayers. Thank you for all the supports and prayers.

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May The God repay all the kindness that has been given to the researcher and hopefully this thesis can be useful for many parties

Bandarlampung, November 17th, 2021
Researcher,

Josef Rheinhard Pasaribu

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I. INTRODUCTION

1.1. Background

The term "modern slavery" does not yet have a legal definition, in recent years it has gained considerable issue as a term including human trafficking, forced labor, slavery, and forms of human exploitation in another way (Lake et al., 2016). The cheap goods demand leads many business organizations to neglect vertical integration to fulfill the customer demand the idea is to combine outsourcing and offshoring activities. The reason of it is that by moving company's production to the countries where labor is inexpensive, the businesses can decrease labor fee and meet customer demand for cheap products and services (Christ et al., 2019). It is the beginning of modern slavery. There are around 40,3 million slaves worldwide in 2018 estimated by GSI. Around 71 percent of victims are women and girls, make them dominant victims. Modern slavery is common in Africa which is the highest number of slaves, Asia in the second one, and then the Pacific region (The Minderoo Foundation Pty Ltd, 2018). This number increase in the past two years, In 2016 The ILO estimates around 40 million people in slavery with 25 million in forced labor and around 15 million people in forced marriage. It shows that there is no commitment to reduce the number of slavery.

Table 1.1

Top Twenty Countries Contributing Modern Slavery in 2018

Ranking	Country	Estimated Victim	Population
1	Korea (North Korea)	2.640.000	25.244.000
2	Afghanistan	749.000	33.736.000
3	Pakistan	3.186.000	189.381.000
4	Cambodia	261.000	15.518.000
5	Iran	1.289.000	79.360.000
6	Mongolia	37.000	2.977.000
7	Myanmar	575.000	52.404.000
8	Brunei Darussalam	5.000	418.000
9	Papua New Guinea	81.000	7.920.000
10	Laos	62.000	6.664.000
11	Thailand	610.000	68.658.000
12	Philippines	784.000	101.716.000
13	Timor-Leste	10.000	1.241.000
14	Malaysia	212.000	30.723.000
15	India	7.989.000	1.309.054.000
16	Nepal	171.000	28.656.000
17	Indonesia	1.220.000	258.162.000
18	Viet Nam	421.000	93.572.000
19	Bangladesh	592.000	161.201.000
20	Singapore	19.000	5.535.000

Source: (The Minderoo Foundation Pty Ltd, 2018)

Indonesia as a part of the countries in Asia, which based on the Global Slavery Index is the second largest area that contributes to the number of modern slavery, contribute to the number of slaves. GSI Index estimate 20 countries with the largest amount of modern slavery include North Korea, Afghanistan, Pakistan, Cambodian, Iran, Philippines, India, and include Indonesia. As seen in table 1.1 Indonesia is in 17th country with a big amount of modern slaves and about 1.220.000 people trapped in slavery. Even though Indonesia dropped to rank 17th – rank 10th in last year data, the number of slaves increased almost twice from the two the last year of 2016 around 736.100 to 1.220.000 in 2018.

Indonesia has regulations to reduce the impact of modern slavery, the Indonesian government has enacted the Act of the Republic of Indonesia Number 13 the Year 2003 concerning Manpower, Chapter X "Protection, wages and welfare". Article 68 clearly state that employ child is not allowed then article 77 paragraph 2 regulates fair working hour 7 hours a day with 40 hours a week and so on and article 78 paragraph 1 states about overtime, if the employer wants the worker to work more than the fair working hour in article 77, then the employer must ensure that the worker is willing to do, but if the worker requests it, it is not allowed to work overtime more than 3 hours a day or 14 hours a week. Article 86, paragraph 1 regulates labor rights, including safety and health protection, abuse protection, and human dignity respect. Article 90 paragraph regulates the prohibition of entrepreneurs from paying salaries or wages below the minimum wage in article 89. Moreover, Indonesia has Act number 39 year of 1999 on Human Rights and Act no 21 year of 2007 on Eradication of the Criminal Act of the Trafficking in persons.

Even though there are regulations about modern slavery, there are no mandatory regulations in Indonesia to disclose modern slavery disclosures. Only recommendations of disclosure items from the Financial Service Authority that available in Indonesia. The recommendations state in *Surat Edaran Otoritas Jasa Keuangan Nomor 32 /SEOJK.04 /2015*. Although there are recommendations there is no punishment for those who do not follow the recommendations, The Financial Service Authority will remind companies about their disclosure items. It makes the modern slavery disclosure only a voluntary disclosure in Indonesia.

Companies are not expected to do modern slavery practice. Companies can show that they are not contributing to modern slavery using disclosures. the prior study shows that there is a reduction of the accounting information value. Current investors use both information—financial and non-financial. (Sarumpaet et al., 2017). Therefore, it can be concluded that non-financial information influences investors' decisions. one of the non-financial information is the annual report. Firm value merupakan cerminan dari bagaimana sikap investor terhadap suatu perusahaan (Wolfe and Sauaia, 2005). Tobin's Q will be used in the research as a

measurement of the dependent variable –firm value. Tobin's Q can indicate whether a stock is undervalued or overvalued.

The prior study shows there is a positive relationship among voluntary disclosure and the firm's value. Furthermore, information asymmetry can be reduced by voluntary disclosure, and voluntary disclosure increases firm value (Assidi, 2020). Companies tend to make a good image, which can enhance their reputation and increase the firm value.Modern slavery disclosures as a voluntary disclosure are expected to improve the company image and reduce information asymmetry which will increase the value of the company. A company can disclose modern slavery disclosures voluntarily in its annual report. Yet there is a positive relationship among voluntary disclosure and firm value, there is no prior study that discusses the influence of modern slavery disclosures on firm value.

Therefore, the author is interested in investigating the effect of modern slavery disclosures on a company. The research aim is to provide evidence that companies need to disclose modern slavery disclosures. The disclosure should also be supported by evidence that they do not do modern slavery practice. It is expected to reduce the impact of modern slavery.

The research sample is listed companies in Indonesia Stock Exchange (IDX) categorized as sectors by Indonesia Stock Exchange (IDX). Considered sectors as high-risk for modern slavery are mining, finance, construction, food industries, beverage, property, agriculture, and healthcare (Australian Council of Superannuation Investors and KPMG, 2019). In this research, sectors will be a control variable.

Based on the introduction, the author will do the research titled: **"The Effect of Modern Slavery Disclosures on Firm Value in Indonesian's Listed Companies".**

1.2. Problem Formulation and Research Question

Indonesia has no regulations about modern slavery disclosures, make the modern slavery disclosures be a voluntary disclosure. As stated in the background, among voluntary disclosure and the firm's value, there is a positive relationship (Assidi, 2020) but there is not a specified journal that discusses modern slavery disclosures to firm value.

Based on the problem formulation the research question of this research will be, is there any effect of modern slavery disclosures on firm value in Indonesian listed companies?

1.3. Research Objective and Benefit

The research objectives and benefits are as follow:

1.3.1. Research Objective

Based on the research question the research objective of the research is to investigate the effect of modern slavery disclosure on firm value in Indonesian's listed companies.

1.3.2. Research Benefits

The research is expected to provide some contributions as follows:

1. Empirical Contributions

   The results of this study are expected to add references in a modern slavery disclosure field specifically related to modern slavery and firm value.

2. Practical Contributions

   The results of this study are expected to contribute information that might help the company to understand better the effect of modern slavery disclosure on firm value so the company might be able to take some considerations in making decisions to make modern slavery disclosure.

3. Regulator Contributions

   The results of this study are expected to be a material consideration and as a measurement, in policy-making related to modern slavery disclosure

II. LITERATURE REVIEW

2.1. Theoretical Basis

2.1.1. Stakeholder Theory

Known since 1970 as corporate Social responsibility (CSR), the stakeholder theory concepts are policies and practices related to stakeholders, obey to regulations, respect for society and environment, and sustainable development. Stakeholder theory starts with the assumption that the values are part of the activities in running a business (Freeman, 2001).

The employee is a part of the stakeholders. A company needs to make sure its operation is secure and comfortable because it running the business in the community so that it has social and environmental impacts. A company tends to disclose the activities it has done in an annual report. The disclosure from the annual report uses for information-bridge between management and stakeholders (Donaldson and Preston, 1995).

Support from stakeholders greatly affects the sustainability of the company, especially, activist groups who are very concerned about current issues. Therefore, a company has to prove to its stakeholders that the company takes a part in making better the quality of life of society. One way to prove this is that uses modern slavery disclosure. One of the stakeholders is investors, the investors play an important role in supporting a company. If investors are not satisfied, they may

withdraw their shares. In this case, the firm's value may be affected (Donaldson and Preston, 1995).

2.1.2. Legitimacy Theory

Legitimacy theory is usually used to analyze organizational behavior. Legitimacy is important to a firm or a company, it is bounded by an emphasis on social values and norms, so then the reactions against these boundaries push the importance of analysis in organizational behavior regarding the society and environment (Dowling and Pfeffer, 1975).

A company can use its annual report to shows its environmental and social responsibility that has been done so the company can be accepted by the community. It can help investors to make decisions to invest. Legitimate can be achieved by a company when the company has conformity and does not interfere with the values of society. Therefore, if the situation does not fit then the existence of a company will be threatened (Prasetyo, 2018).

2.1.3. Modern Slavery

The non-governmental organization Anti-Slavery International states characteristics that need to be considered to be modern slavery people are first, forced to work with threats, second is under control by an employer whether through physical, mental, or threatened abuse, third, treated as not a human more like a commodity, last one, physically restricted or does not have freedom of movement. Four of them must be present for a person to be considered representative of modern slavery. (Crane, 2013) slavery is defined as people who are under rude control and do not get any payment. They do not have independence nor are free in movement, are exploited, and have no control over the environment, nature, and conditions of their work. Moreover, slavery in supply chains can be defined as modern slavery, which is the

exploitation of a person whose individual freedoms are taken away, anywhere along the supply chain. (Gold et al., 2015).

Common slavery takes some forms nowadays, first, chattel slavery defined as people who are born, caught or carry into permanent slavery, second, debt bondage slavery defined as people make themselves as payment of loans, but their work does not cut the debt because of excessively high-interest rates or false accounting, and last one, contract slavery defined as a worker who get fake contracts of employment attract worker into the trafficking and slavery process (Gold et al., 2015).

2.1.4. Modern Slavery Disclosures

There are very limited previous studies that discuss both modern slavery disclosures and motives for modern slavery disclosures. The studies about motives for modern slavery disclosure appear from advanced countries. The first regulation for the motives is in the Modern Slavery Act enacted in 2015, then Australia requires firms in the administration to file a modern slavery statement in 2018. Previous research uses institutional theory to find the reasons companies disclose modern slavery disclosures (Sarumpaet and Fauzi, 2021).

According to Signaling theory stated that manager of a company would try to signal that to investors via the accounts while the others would have incentives to report positive news and not to report bad news. It is done to reduce asymmetric information and help an investor to make decisions. One of the positive news is that the company complies with the law. If the company complies with the laws, the company will disclose it.

In Indonesia, there are no mandatory regulations to disclose modern slavery disclosures. Only recommendations of disclosure items from

the Financial Service Authority that available in Indonesia. There is no punishment for those who do not follow the recommendations, The Financial Service Authority will remind companies about their disclosure items. It makes the modern slavery disclosures only a voluntary disclosure in Indonesia (Sarumpaet and Fauzi, 2021).

2.1.5. Firm Value

Company value or firm value is an investor's perspective towards the success rate of the company related to the stock price, when the price of the share is high then the higher firm value will be. performance of a company in the way of economic and non-economic aspects at the point of view of investors can be measured by firm value (Wolfe and Sauaia, 2005).

Fair firm value can be obtained with Tobin's Q. Introduced in 1966 by Kaldor as the market value of a company's physical asset divided by asset reproduction cost or the asset replacement value. In 1968, it was reintroduced by William and Tobin in the published article titled a general equilibrium approach to monetary theory in 1969. Then it become known as Tobin's Q which is a general method to assess the fair or equilibrium value of the share or stock in the market (Gharaibeh and Qader, 2017).

The value Tobin's q below 1 indicates that shares are undervalued. Management had failed to manage company assets. The potential growth of investment is low. If Tobin's q equals 1 indicates that shares are on average condition. Management is stagnant in managing company assets. The potential growth of investment does not thrive. Tobin's q above 1 indicates shares are overvalued. Management succeeds in managing company assets. The potential growth of investment is high (Wolfe and Sauaia, 2005).

2.2. Previous Research

Tabel 2.1
Previous Research

Author(s)/Title	Research Question/ Hypothesis	Variables	Result
(Christ et al., 2019)/ Accounting for modern slavery: an analysis of Australian listed company disclosures	How do Australian listed companies account for modern slavery?		Results show evidence in 100 top market capitalization in Australia, companies more disclose information in company's website rather than annual report and standalone report. the disclosures tend to be low both in terms of quantity and quality. most disclosures disclose about corruption, bribery, and human rights.
(Stevenson and Cole, 2018)/ Modern slavery in supply chains: a secondary data analysis of detection, remediation, and disclosure Mark	How are organizations approaching the disclosure of information about modern slavery in response to legislative demands? What do their public statements report about how they are detecting and remediating modern slavery in their operations and supply chains?		Many firms use the same practices to detect and remediate modern slavery as for other social issues. But the hidden, criminal nature of modern slavery and the involvement of third-party labor agencies mean practices need to either be tailored or other more innovative approaches developed, including in collaboration with traditional and non-traditional actors. Although five broad types of disclosure are identified, there is substantial heterogeneity in the statements. It is posited however that firms will converge on a more homogenous set of responses over time. In making disclosures, managers may trade off the potential

Author(s)/Title	Research Question/ Hypothesis	Variables	Result
			competitive gains of transparency against the threat of information leakage and reputational risk should their statements be falsified.
(Assidi, 2020)/ The effect of voluntary disclosures and corporate governance on firm value: a study of listed firms in France	Voluntary disclosure has a positive association with firm value. Directors, absence of CEO duality, ownership concentration, and 2013 change in law strengthen the association among voluntary disclosure and firm value	Dependent: 1. Firm Value Independent: 1. Voluntary Disclosure 2. Independent Director 3. Ceo Duality 4. Ownership Structure 5. 2013 Change in Law	As the result, voluntary disclosure is positively associated with the firm's value. Results also show that a change in the law helps to give the firm's benefits in developing and improving GCG
(Sarumpaet and Fauzi, 2021) /Modern slavery disclosures in a voluntary regime	Corporate modern slavery disclosure is positively associated with a firm's size. Firms in the agriculture and construction sectors are more sensitive to modern slavery issues and therefore will disclosure more information about their systems and commitments against modern slavery.	Dependent: Modern slavery disclosure Independent Firm size Industry sector	Big or large company and in risk sector tends to disclose more disclose modern slavery disclosure.

Author(s)/Title	Research Question/ Hypothesis	Variables	Result
(Sarumpaet et al., 2021) / Modern slavery and business in Indonesia	What is the perception of modern slavery by Indonesian business managers?		Results show managers' understanding of modern slavery tends to be low.

2.3. Research Model

Figure 2.1

Research Framework


```
┌──────────────────────────────┐        ┌──────────────────────────────┐
│ Idependent Variable:         │───────▶│ Dependent Variable:          │
│ Modern Slavery               │        │ Firm Value:                  │
│ Disclosure (X1)              │        │ Tobins ' Q (Y)               │
└──────────────────────────────┘        └──────────────────────────────┘
┌──────────────────────────────┐          ▲
│ Control Variables :          │          │
│   • Firm Size (X2)           │──────────┘
│   • Firm Age (X3)            │
│   • Sector (D1)              │
└──────────────────────────────┘
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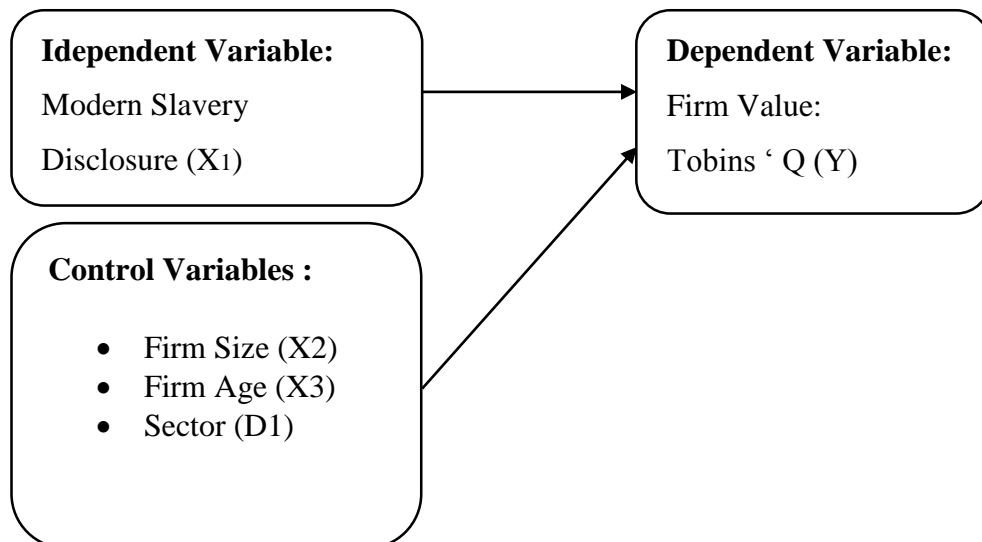
2.4. Hypothesis

According to Stakeholder and Legitimate Theory (Freeman, 2001) and (Dowling and Pfeffer, 1975), a company has to provide benefits for its stakeholders, employee is one of stakeholders. A company has to make sure its operation is secure and comfortable, it means that the company is expected to protect its employee. A company can do some acts to protect its employees, such as not hiring child labor, forced labor, and human trafficking, provide a fair salary or minimum wage,

comply with human rights, make safe working conditions, etc. Therefore, the sustainability of a company will be more secure (Prasetyo, 2018).

A company can voluntarily disclose its activities that have been done to its stakeholders. It is because a company has to prove that a company takes part to provide benefits for its stakeholders. Therefore a company will get support from its stakeholders. An annual report is usually used by a company to shows the activities that have been done.

Literature shows that there is a tight relationship among human rights disclosures and the pressure of modern slavery (Crane et al., 2019). In making disclosures, managers may trade off the potential competitive gains of transparency against the threat of information leakage and reputational risk (Stevenson and Cole, 2018). The trade-off may make the volume and quality of disclosures are low. The legislation is needed to encourage further engagement (Christ et al., 2019). Since there is a lack of regulations about modern slavery disclosures and make it voluntary disclosures, modern slavery disclosures can be positive news.

Investors tend to be more interested in positive news or positive activities and manager tend to disclose positive. Modern slavery disclosures may be positive news so the impact will be positive to the stock, stock prices will increase because the investor preference. The increase of stock price will increase Tobin's Q ratio or firm value. Therefore, modern slavery disclosures will give a positive effect on firm value. As a voluntary disclosure in Indonesia, modern slavery disclosures will have a positive relationship to firm value. It is in line with Asadi's research that state voluntary disclosures have a positive relationship to the firm's value (Assidi, 2020). Modern slavery disclosure can measure using a level in the modern slavery disclosures index, the more disclosed items are expected to increase the firm value.

H_a = The level of modern slavery disclosures has a positive effect on firm value.

III.   RESEARCH METHOD

3.1. Type and Source of Data

It is quantitative research with secondary data, which sources of the data do not directly give to the author. The data modern slavery disclosures are collected from the annual report of the year 2019 from the website of each company or Indonesia Stock Exchange website, stock price, outstanding common stock, firm age and sectors are collected from the website Indonesia Stock Exchange, and total debt and total asset are collected from 2^{nd} quarter financial report.

3.2. Research Sample and Population

Listed companies in IDX year 2019 are the population of this research. This research uses stratified random sampling. Stratified sampling is used to ensure that the strata (or layers) in the population are fairly represented in the sample (Salkind, 2012). The sample will be stratified with sectors provided by the Indonesia Stock Exchange (IDX), consist of basic materials, consumer cyclical and non-cyclical, energy, financials, healthcare, industrial, infrastructures, properties, and real estate, technology, and transportation and logistic. Sample more than 30 statistically normal distribute, the larger the sample the better, but this strategy takes a large amount of cost and time. The bigger sample does not increase the precision of question testing (Salkind, 2012).

Table 3.1
Yount Table

Population	Samples
0 – 100	100%
101 – 1000	10%
1001 – 5000	5%
5001 – 10000	3%
>1000	1%

Source : Table Yount 1999 in (Pangastuti, 2017)

The research used 717 population from Indonesia Stock Exchange 2019 and use Yount's table (Pangastuti, 2017) to estimate the sample size. As seen from table 3.1 research population is in the range of 101-1000 so the minimum sample will be 10% of the population which is 72 but the research use rounding up to hundreds, and get 100 samples in total.

3.2.1. Sampling Method

Table 3.2
Population and Samples

Sector	Population	Samples
Basic Materials	86	12
Consumer Cyclicals	122	17
Consumer Non-cyclicals	87	12
Energy	66	9
Healthcare	21	3
Industrial	50	7
Infrastructure	56	8
Property and Real Estate	77	11
Technology	19	2
Transport and Logistics	27	4
Financials	106	15
Total	717	100

Source: Indonesia Stock Exchange

As seen in Table 3.2, there are 717 public companies registered on Indonesia Stock Exchange. Companies, with a stratified random sampling sample, are divided into 11 sectors fairly. There are 86 of basic materials companies,

122 consumer cyclical companies, 87 consumer non-cyclical companies, 66 energy companies, 21 companies are healthcare, 50 companies are industrial, 56 companies are infrastructure, 77 companies are property and real estate, 27 companies are transportation and logistics, and 106 companies are financials.

3.3. Data Collection Method

The research uses secondary data. This research requires some data such as financial statements, annual reports, closing prices, and other data relating to company information. The data was obtained from Indonesia Stock Exchange (IDX) website or a company's website.

3.4. Research Variable and Variable Measurement

This research uses an independent variable, a dependent variable, and three control variables.

3.4.1. Independent Variable

Variable that affect the dependent is called the independent or independent variables. The independent variable in this research is modern slavery disclosure. This research uses the modern slavery disclosure index developed by (Christ et al., 2019) journal. Previous studies used various measurements to examine the extent of disclosures. In this research, sentences will be used as a basis of coding and measurement to modern slavery disclosures because it makes the results more dependable and valuable compared to words or page proportions (Milne and Adler, 1999). The modern slavery disclosures index is organized by 5 main themes which are divided into 14 sub-themes. The sub-themes will be used as codes and examples of table 3.3 will be used to indicate the sub-themes (codes). if a company discloses one of those examples the sub-themes will be valued as 1, if there are no disclosures related to sub-themes the value will be 0. Each of the companies will be valued depends how many of the items or sub-

themes below are disclosed by a company. There are 14 sub-themes, so the level of modern slavery disclosures is high if the company discloses all items related to sub-themes. The number will indicate the quality of the disclosures, the higher the number the higher quality of modern slavery disclosures. The maximum possible value for each company is 14.

Table 3.3
Modern Slavery Disclosures Index

Major Themes	Minor Themes	Examples
1. Human Rights	1. Child Labor	1. Underage employee 2. Child labor
	2. Forced Labor	1. Compulsory labor, hold against will 2. Forced Labor
	3. Human Trafficking	3. Illegal employment
	4. Minimum Wage	1. Fair Pay 2. Minimum Wage
	5. Human Rights	1. Compliance with human rights 2. Human rights training to employees /contractors 3. Freedom of association 4. labor rights 5. human rights impacts
2. Safety workplace	1. Safety	1. Safe working conditions 2. Treatment of employees/ contractors 3. Labor conditions 4. Employee safety training 5. Fair working hours
	2. Abuse and Violence	1. Physical/verbal harassment 2. Sexual exploitation or abuse 3. Violence/ threatening behavior
3. Supplier Assessment	1. Screening	1. Supplier audits 2. Site visits 3. Supplier screening 4. Supplier survey/ questionnaire 5. Supplier monitoring 6. KPIs

Major Themes	Minor Themes	Examples
	2. Risk Assessment	1. Supplier risk assessment 2. Identifying high-risk suppliers/high-risk countries 3. Employee training on risk assessment
4. Supplier Code of Conduct	1. Diversity	1. Supplier maintaining diversity 2. Inclusion 3. Non-discrimination policy 4. Equal opportunity 5 .Respect/dignity
	2. Whistleblowing	1. Raising concerns 2. Complaints 3. Grievances
	3. Bribery and corruption	1. Anti-bribery 2. Bribery 3. Corruption 4. Gifts 5. Facilitation payments
	4. Code of Conduct	1. Supplier code of conduct 2. Compliance statement related to MS 4. Ethical source training 5. Procurement training 6. Supplier training
5. Modern Slavery – General	1. General / Others	Any general statement related to MS such as 1. MS act 2. Submissions 3. Business environment 4. Supplier/contractor/ sub-contractor numbers

Source : (Christ et al., 2019)

This research uses Atlas. ti application to indicate statements related to modern slavery disclosures. The examples above are used as keywords to indicate the statement. After getting the results from the keywords, the statement is selected and categorized into sub-themes. The sub-theme is valued as 1 if there is a related statement. After each sub-theme value is obtained, the values are added up for each company, then the values are divided by the total item modern slavery disclosures index (14 items). It is a ratio.

3.4.2. Dependent Variable

A variable that is the main concern of researchers is called dependent (Sekaran and Bougie, 2009). the independent affect the dependent, thus in this research, the firm value will be the dependent. It will be measured using Tobin's q. Firm value in this research is an investor's perspective towards the success rate of the company related to the stock price, if the price of the stock is high then it makes firm value high. Tobin's Q will be the measurement of firm value. To measure the Q ratio or Tobin's Q the market value of the company will be divided by the total asset value. The value measure is not only focusing on shareholder benefits course in terms of corporate accounting but the value the company faces its competitors too. This can achieve optimal measurement for the company to know the value of the company from the point of view of externals and internals. Tobin's q is calculated –using the second-quarter financial report, as:

Tobin's Q   = MVE + D / TA (Chung and Pruitt, 2015)

MVE   = Sum of outstanding common stock of a company multiplied by the closing price.

D   = Total debt

TA   = Book value of company's total assets.

3.4.3. Control Variable

A potential variable that may affect the dependent is called the control variable. therefore, control or removal of the effect is a must (Salkind, 2012). Control variables that use in this research are firm size, firm age, and industry sector.

Large Companies (seen from the asset size) are estimated to have higher firm value (Berk, 1995). In line with firm size, companies that have been established for a long time are estimated to have higher firm value (Mandala et al., 2019). Companies that have been large and have long been established are expected to have "experience" in disclosures.

3.4.3.1. Firm Size

Company size or firm size describes company size in terms of assets that can be seen from the number of assets owned by companies. The value of the asset, which is reflected in the value of their assets, will affect the prospects of the company in the future. Companies with good long time potentials appeal to investors (Beaver et al., 2016).

The size of the company can determine the level of ease the company obtains funding from the capital market. A large company tends to be easier to access funding through the capital market, which is then captured as a positive signal by the investors so decided to invest (Moh'd et al., 1998). In this study, company size is measured by the natural log of assets.

Size = ln (Total Assets)

3.4.3.2. Firm Age

The number of calendar years can be defined as a firm's age, the number counted since the firm has been traded on the NYSE or AMEX (Shumway, 2001). In this research, a Firm's age will be measured since the stocks have been traded on Indonesia Stock Exchange (IDX) in months.

3.4.3.3. Industry Sector

In this research, the industry sector is a dummy variable. The company which categorized as risk sector valued as 1 while the rest valued as 0. In Australia, sectors considered to be high-risk for modern slavery are finance, mining, construction and property, food and beverage, agriculture, and healthcare (Australian Council of Superannuation Investors and KPMG, 2019). Moreover, The ILO state economic sectors are considered as risk-sector in countries, there are construction, agriculture,

mining, food industries (Andrees, 2014). Therefore, sectors categorized as risk sectors in the research are mining, construction and property, food and beverage, and agriculture. The reason to choose mining and agriculture as a risk sector is that the workplace is somehow "hidden" –inside farms or mining. Moreover, agriculture and construction are categorized as sensitive sectors because the employee meets the characteristics, such as labor-intensive, low-skilled, and seasonal (Sarumpaet and Fauzi, 2021). The last one, less understanding of modern slavery in the Indonesian coffee supply chain is the reason the food and beverage sector is chosen (Sarumpaet et al., 2021).

3.5. Descriptive Statistics

Sets of tools to make sense out of the data you collect are called descriptive statistics. Descriptive statistics will explain the variables contained in the study. Descriptive statistics provide an overview of the data seen from the mean, mode, standard deviation, maximum, and minimum (Salkind, 2012).

3.6. Classic Assumption Test

This research uses multiple linear regression model to test classic assumption for results of the regression model can meet the criteria of BLUE (Best Linear Unbiased Estimator). The classical assumption test in this research consists of the normality test, multicollinearity test, and heteroscedasticity test.

3.6.1. Normality Test

The tools to test and see whether independent and dependent or both variables are normally distributed are called normality tests. A near-normal distribution indicates a good regression model, the normal distribution the better model. A residuals histogram is a graphical device to learn something

about the shape of the probability density function of a random variable. The histogram has to be bell-shaped to see the distribution is normally distributed. The other method is to use the Jarque-Bera test. The using p-value If the computed p-value is pretty low, the hypothesis that the data are normally distributed can be rejected (Gujarati, 2009).

3.6.2. Multicollinearity Test

Multicollinearity is the presence of a significant linear relationship between some or all of the independent variables in the regression model. To see whether there is multicollinearity, it can be seen from the correlation coefficient of each independent variable. If the correlation coefficient between each independent variable is greater than 0,8, it means that there is multicollinearity (Gujarati, 2009).

3.6.3. Heteroscedasticity Test

Heteroscedasticity is a condition where the variance of each disorder is not constant. A heteroscedasticity test can be done using the White Heteroscedasticity (Gujarati, 2009). The observed results from this test are the F and Obs * R-Squared values. If the probability value of Obs * R-Squared is higher than the significance level, there is no heteroscedasticity, and vice versa (Nelmida, 2018).

3.7. Hypothesis Test

This research uses multiple regression to process data. The t-test and f-test are used to see the significance of the model. Both are used to test the hypothesis.

3.6.1. Multiple Linear Regression Analysis

Multiple linear regression analysis is regression analysis conditional upon the fixed values of the regressors, and what we obtain is the average or mean value of Y or the mean response of Y for the given values of the regressors (Gujarati, 2009). In this research, multiple linear regression analysis is used

to determine the simultaneous effects of modern slavery on firm value. The equation for testing the overall hypothesis in this research is as follows:

$$Y = \alpha + \beta_1 Msd + \beta_2 Size + \beta_3 Age + \beta_4 D_1 Sector + \varepsilon$$

Where:

Y	: Firm Value
α	: Constanta
$\beta_1 ... \beta_3$	: Regresion Coeficient
Msd	: Modern Slavery Disclosures
Size	: Firm Size
Age	: Firm Age
Sector	: Industry Sector
ε	: Error term

3.6.2. T-test and F-test

The T-test is a procedure used to test sample results to verify, accept, or reject the null hypothesis. F test is done to see whether all regression coefficients are different from zero or in other words, the model is accepted. T-test and F test will use the P-Value concept because it is available on the Eviews menu. This concept compares α to the P-Value. If the P-Value is less than α, then Ho is rejected (Gujarati, 2009). This research will use a 95% level of significance so α will be 5% (100%-95%). Therefore If the P-Value is less than 0,05, Ho is rejected and Ha accepted.

V.   CONCLUSION AND SUGGESTIONS

5.1 Conclusion

This research informs the result for the effect of modern slavery disclosures analysis content, especially on firm value. Based on the first run result, it shows there are no significant effects modern slavery disclosures on firm value but after retesting samples –public company in Indonesia Stock Exchange in 2019. The results show there is a positive significant effect of modern slavery on firm value. It can be concluded that the modern slavery disclosures statistically have a significant effect and has a positive relationship to public company's firm value in Indonesia Stock Exchange for the period 2019. On the other side, the industry sector statistically has no significant effect on public company's firm value in Indonesia Stock Exchange for the period 2019.

Some limitations of this research are the research only uses research samples from companies listed on the Indonesian stock exchange in 2019 which only represents the result for the Indonesian stock exchange in 2019 circumstances. The variables used in this research are Tobin's q, modern slavery disclosures, firm size, firm age, and industry sector. The research only uses the annual report to obtain data related to the company's modern slavery disclosures. The number of modern slavery disclosures items used for the dependent variable using the (Christ et al., 2019) index is as many as 14 disclosures items and there is an element of subjectivity that can cause the possibility of items being missed during observation. The data in the research are not normally distributed. There is an anomaly in the research sample.

5.2 Suggestions

Based on the limitations of the research, suggestions for further research and the companies that further research should consider taking more samples and extending the period of the research to be able to describe the actual conditions. Further research should consider taking data related to modern slavery disclosures from other resources such as printed and electronic newspapers. Further research needs to follow developments and update the disclosures items used in assessing modern slavery disclosures. Companies should consider disclosing more information related to modern slavery. it is expected to improve the company's reputation.

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