THE EFFECT OF ENTERPRISE RISK MANAGEMENT AND ENVIRONMENTAL PERFORMANCE TOWARD CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE (CSRD)

(Empirical Studies on The Mining Companies Listed in IDX and Following The PROPER Program by Ministry of Environment RI Before Pandemic)

(Undergraduate Thesis)

By:

Sirli Anillah

ECONOMIC AND BUSINESS FACULTY
UNIVERSITY OF LAMPUNG
BANDAR LAMPUNG
2023

ABSTRACT

THE EFFECT OF ENTERPRISE RISK MANAGEMENT AND ENVIRONMENTAL PERFORMANCE TOWARD CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE (CSRD)

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The population on this study is Mining companies listed in Indonesia Stock Exchange (IDX) constantly from 2016-2019 with the total sample of 40 mining companies was obtained. The compatible companies selected in this study have PROPER rating from the Ministry of Environment Republic of Indonesia and publish their annual report during research period. The purpose of this study is to examine the effect of enterprise risk management and environmental performance toward CSR Disclosure. Data were obtained from 149 sample selected and the data collected used a sample selection method which was carried out using a purposive sampling method and using IBM SPSS Statistic 26 analysis tool. The analysis statistic used to test the hypothesis is multiple linear regression analysis method. The enterprise risk management used COSO ERM Framework that disclosure 108 items as measurement, environmental performance used PROPER rating that represent in 5 different color ranking and CSR Disclosure used GRI G4 social responsibility disclosure index consisting of 91 items and 3 categories. The study result shows that the enterprise risk management have positive and significant effect on CSR Disclosure, while environmental performance does not have significant affect on CSR Disclosure.

Keywords **:** Corporate Social Responsibility Disclosure, Enterprise Risk Management, Environmental Performance

ABSTRAK

PENGARUH MANAJEMEN RISIKO PERUSAHAAN DAN KINERJA LINGKUNGAN TERHADAP PENGUNGKAPAN TANGGUNG JAWAB SOSIAL PERUSAHAAN (CSRD)

(Studi Kasus Pada Perusahaan Pertambangan Yang Terdaftar di Bursa Efek Indonesia dan Mengikuti Program PROPER Oleh Kementerian Lingkungan Hidup dan Kehutanan RI Sebelum Pandemi)

Oleh:

Sirli Anillah

Populasi dalam penelitian ini adalah perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) secara konstan dari tahun 2016-2019 dengan jumlah sampel sebanyak 40 perusahaan pertambangan. Perusahaan yang sesuai yang dipilih dalam penelitian ini memiliki peringkat PROPER dari Kementerian Lingkungan Hidup Republik Indonesia dan mempublikasikan laporan tahunannya selama periode penelitian. Tujuan dari penelitian ini adalah untuk menguji pengaruh manajemen risiko perusahaan dan kinerja lingkungan terhadap pengungkapan CSR. Data diperoleh dari 149 sampel terpilih dan data yang dikumpulkan menggunakan metode pemilihan sampel yang menggunakan metode purposive sampling dan menggunakan alat analisis IBM SPSS Statistic 26. Statistik analisis yang digunakan untuk menguji hipotesis adalah metode analisis regresi linier berganda. Manajemen risiko perusahaan menggunakan COSO ERM Framework dengan pengungkapan 108 item sebagai pengukuran, kinerja lingkungan menggunakan peringkat PROPER yang diwakili dalam 5 peringkat warna berbeda dan Pengungkapan CSR menggunakan indeks pengungkapan tanggung jawab sosial perusahaan GRI G4 yang terdiri dari 91 item dan 3 kategori. Hasil penelitian menunjukkan bahwa manajemen risiko perusahaan berpengaruh positif dan signifikan terhadap pengungkapan CSR, sedangkan kinerja lingkungan tidak berpengaruh signifikan terhadap pengungkapan CSR.

Kata Kunci **:** *pengungkapan tanggung jawab sosial perusahaan, manajemen risiko perusahaan, kinerja lingkungan*

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Undergraduate Thesis

As One of Requirements to Achieve
BACHELOR OF ACCOUNTING

In

Accounting Department
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ECONOMIC AND BUSINESS FACULTY
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Thesis Title : **The Effect of Enterprise Risk Management and Environmental Performance Toward Corporate Social Responsibility Disclosure (CSRD) (Empirical Studies on The Mining Companies Listed in IDX and Following The PROPER Program by Ministry of Environment RI Before Pandemic)**

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With this stated that my thesis entitled, "The Effect Of Enterprise Risk Management And Environmental Performance Toward Corporate Social Responsibility Disclosure (CSRD) (Empirical Studies on The Mining Companies Listed in IDX and Following The PROPER Program by Ministry of Environment RI Before Pandemic)" is true of my own work. In this thesis, there is no whole or partial of the writings of others by copying or forging in the form of a series of sentences or symbols that show ideas or arguments of thoughts of other authors, which I acknowledge as my own writing, other than that or I take it from someone else's writing without giving the original author's acknowledgment. If in future proved that my statement is not true then I am ready to accept sanction in accordance with applicable regulations.

Bandar Lampung, 19 May 2023

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BIOGRAPHY

The author was born in Bandar Lampung on October 07th, 1998 with full name Sirli Anillah as the first born child of 2 siblings. The Father name is Patriarsyah Pandjinegara, S. H, and The mother name is Ir. Hertini Rani, M. T. A. The younger sister's name is Aniyatur Raisah. The author started formal education from elementary school at SD Al-Kautsar, Bandar Lampung in 2004-2010. The author completed her junior high school at SMP Al-Kautsar Bandar Lampung, graduated in 2013 and completed senior high school at SMA Al-Kautsar Bandar Lampung, graduated in 2016.

After graduating from senior high school, the author continued the education at the Accounting Department, University of Lampung in 2016 through the SBMPTN. In the third semester the author became part of the International Class and received a scholarship to take part in the short course program held by Aoyama Gakuin University (AGU) in Tokyo, Japan on November 2018.

During university life, the author joined AIESEC (Association Internationale des Etudiants en Sciences Economiques et Commerciales). Built and organizational career from delegates and staff to be coference committee vice president in many project such as Lampung Youth Conference, Hometown Project, Indonesian Youth Leadership Conference, and Gantari Project. Until she was elected to be in

Partnership Development Department in 2016 and Talent Management Department in 2017. She learned how to do teamwork, joining partnership and connection to the partner and supplied and manage the human resources within the organization, and did her best to fulfill the needs of organizations.

Author is also a part of the student helper committee for the International Short Course Program held by Faculty of Economics and Business, University of Lampung in collaboration with School of International Politics Economics and Communication (SIPEC), Aoyama Gakuin University (AGU) on March 2019.

DEDICATION

Bismillahirrohmanirrahim

Alhamdulillahirobbil'alamin

All Praises and thank to Allah, SWT. For all graces, mercy, and blessing so great to the author.

I dedicate this thesis to:

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MOTTO

"Dengan menyebut nama Allah yang Maha Pengasih, lagi Maha Penyayang. Segala Puji bagi Allah, Tuhan Seru Sekalian Alam. Yang Maha Pengasih lagi Maha Penyayang. Yang Menguasai Hari Pembalasan. Hanya kepada engkaulah kami menyembah, dan hanya kepada engkaulah kami memohon pertolongan.

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(QS. Al-Fatihah [1]: 1-7)

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(QS. Al-Ikhlas [112]: 1-4)

Maka sesungguhnya bersama kesulitan ada kemudahan, sesungguhnya bersama kesulitan ada kemudahan. Maka apabila engkau telah selesai (dari suatu urusan), tetaplah bekerja keras (untuk urusan yang lain), dan hanya kepada Tuhanmulah engkau berharap.

(QS. Asy-Syarh [94]: 5-8)

Just Do It.

(G-Dragon of BIGBANG)

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The author realizes that in the process of preparing this thesis there are various obstacles and mistakes, but can be resolved with the help of various parties. Therefore, on this occasion the author would like to thank:

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Bandar Lampung, 19 May 2023
Author,

Sirli Anillah

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CHAPTER I

INTRODUCTION

1.1 Research Background

The concept of Corporate Social Responsibility (herein termed as CSR) and sustainable development is dynamic, multifaced, and global, and has proven to be a contentious issue across the globe. For instance, it is assume that CSR is largely a Western Phenomenon, and that is most likely to be found in countries with globally active organisations, democratic political structures, and active civil society organizations (Baskin, 2006).

CSR as a concept has attracted worldwide attention and thus gained global recognition and prominence. The global corporate environment in recent times faces increasing pressure to take up initiatives and recognise its social and environment responsibilities. This has led to a growing interest in the question of whether the adoption of CSR disclosure and strategies by firms that actively support sustainable economic, social, and environmental development can play a key role in the generation of competitive advantage and firm value (Jenkies, 2009; Dunphy, 2003).

The Government of Indonesia's concern on CSR can be seen by the issuance of Law No. 40 of 2007 on Limited Liability Company. The Government regulation for the implementation of CSR in mining industry activities contained in Article 95 of Law No. 4 of 2009 on Mineral and Coal Mining conducted in the form of community development. For the company, the obligation to implement CSR is being regulated through Law No. 40 in 2007, yet there are no standards on how the program should be formed. CSR is implemented based on the understanding of each company on CSR. There are no standard programs or standard in the implementation of CSR, so that CSR is applied differently (Rumambi & Lintong, 2017).

Corporate social responsibility (CSR) and the development have had a rocky history in the mining industry. At the international level, since the 1992 United Nations Conference on Environment and Development in Rio, the mining industries has moved to reorient itself through a series of global initiatives which elaborate ways mining can and does contribute to sustainable development (Dashwood, 2012).

Adopting GRI G4 (Global Reporting Initiative) CSR become an important issues for companies and as a medium of information for decision making by investors (Adreas *et al.,* 2015) meanwhile factors that influence CSR disclosure are varied, this study is aimed to look at the effect of enterprise risk management and environmental performance on corporate social responsibility disclosure (CSR disclosure) of mining companies listed in Indonesia Stock Exchange within the year 2016-2018. For that purpose, the GRI G4 checklist contains 91 items are being examined in the annual reports of companies.

Corporate social responsibility (CSR) has adopted a vital position in the present business period. There is a dearth of reserach on CSR disclosure implications in the developing countries, specifically its relationship with the enterprise risk management perspective in the mining sector. It is essential to throw light on the current implementation of natural enterprise risk management in the mining sector (Sarfaz *et al.*, 2018). Corporate social responsibility has gained absolute importance in recent century. Companies are focusing on corporate social responsibility policies and their implementation. Mining institutes should consider as one of the most essential sector and environmental risk is one of the critical factors. Mega projects have an impact to the environment (Safraz *et al.*, 2018).

In Indonesia, a proper and healthy environment is considered to be a basic human right and a constitutionally protected right of every Indonesian citizen. Therefore, the Indonesian Government and all relevant stakeholders must protect and manage the environment by implementing sustainable development and environmental risk protection and management systems, to support the lifestyle and wellbeing of the Indonesian people and other living creatures. (Dawborn *et al.*, 2017)

The Ministry of Environment and Forestry has also issued various regulations relating to specific industries, specifically the coal mining industry, the gold copper ore mining industries, the thermal power generation industry, the oil and gas industry and the geothermal industry. However, in recent years (and particularly in response to the 2015 Southeast Asia haze crisis) the Indonesian Government has maintained a focus on forestry and peatland sustainability and protection issues (Dawnborn et al., 2017).

Water pollution is a major environmental risk in the mining and oil and gas sectors. As the majority of Indonesians rely on groundwater for their commercial and personal consumption, any leaks or contamination of local water supplies can have major consequences. One high profile water pollution incident in Indonesia was the alleged water pollution at Buyat Bay, Sulawesi (which was alleged to have been caused by the use of the bay as a tailings dam for a nearby gold mine). Despite both civil and criminal lawsuit related to the allaged water pollution, the relevant mining company and its executives were never found guilty of pollution. However, the mining company did reach an out-of-court settlement with the Indonesian Government.

In keeping with the overall mission of reducing environmental risk, the COSO Board commissioned and published in 2004 the Enterprise Risk Management—Integrated Framework. Over the past decade, the publication has gained broad acceptance by organizations in their efforts to manage risk. According to The Institute of Internal Auditors (IIA) (2004), Enterprise risk management is important for every entity, whether for-profit or not, exists to realize value for its stakeholders. Value is created, perserved, or eroded by management decison in all activities, from setting strategy to operating the enterprise day-to-day.

Enterprise risk management requires risk to be managed to a level which is as low as is reasonably practical. While the application of CSR in mining activities must be considered as a means of conciliation between interested parties in the mining industry, the government, and society, while at the same being a social investment allowing for development of the company and improving its reputation.

CSR and environmental management, respect for the environment is one of the fundamental cornerstones of CSR (Vintro, 2009).

The practices that are respectful toward the environment are related to the risk management of natural resources, which constitute the raw material or energy sources for industrial processes. In this way, potential risk damage to the environment is reduced by decreasing resource consumption, adapting it to requirements, and reducing waste and polluting emissions (Vintro, 2009). Naseem et al., (2019) noted the importance of CSR adoption and implementation of ERM system for companies to integrate the social and environmentally responsible behavior in day-to-day business activities in order to enhance firm performance. Moreover, the active engagement of a firm in CSR activities enables its managers to view risks about all the stakeholders — investing and noninvesting — holistically rather than individually. The COSO-ERM Intergrated Framework (2004) also suggest that while developing objecives and making strategy, a firm should use resources effectively and efficiently within an acceptable level of risk thereby increasing firm profitability and market returns.

There are inconsistencies in the result of environmental performance studies on CSR disclosure. Environmental performance will have an effect on how far a company disclose its CSR (Sarfaz *et al.,* 2018; Ramadhani and Maylani, 2016; Vintro, 2009; Jenkins, 2006) . Companies will gain advantages by improving the environmental performance. Good environmental performance, which is then also being disclosed in the annual report, will attract more investors (Al-Tuwaijri, Christensen, & Hughes, 2004; Cho & Roberts, 2010; Clarkson, Li, Richardson, & Vasvari, 2008; Yendrawati & Tarusnawati, 2013).

However, some studies found that there is no significant relationship between environmental performance and CSR disclosure (Dobler *et al*., 2015; Freedman & Jaggi, 1982; Purnomo and Widianingsih, 2012; Wijaya, 2012; Afini, 2019; Djuitaningsih and Ristiawati, 2015; Sukasih and Sugiyanto, 2017).

Previous research on the social responsibility disclosure has used environmental performance to explain variations in corporate social responsibility disclosure. Environmental performance has been hypothesized and found by several studies to have a positive relationship with the level of social disclosure (Al-Tuwaijri *et al*., 2004; Cho & Roberts, 2010; Clarkson et al., 2008; Yendrawati & Tarusnawati, 2013).

In Indonesia the government through the Ministry of Environment, since 2002, has established a program called the Corporate Performance Rating Assesment Program in Environmental Management (PROPER) as a form of environmental compliance of companies in Indonesia. Meanwhile, some experts (Dobler *et al.*, 2015; Freedman & Jaggi, 1982; Purnomo and Widianingsih, 2012; Wijaya, 2012; Afini, 2019; Djuitaningsih and Ristiawati, 2015; Sukasih and Sugiyanto, 2017) failed to find an correlation between environmental performance and CSR disclosure levels. In line with previous studies the current study will use the company’s achievements following the PROPER program that represented by the company’s PROPER Rating as a measurement for environmental performance and will use COSO ERM Integrated framework as measurement for enterprise risk management.

This study aims to look at empirical evidence on the effect of enterprise risk management and environmental performance on CSR disclosure. The selection of companies engaged in the mining sector as a object of research is not without basis or reason. In several studies, the activities of mining companies are always followed by potential for enormous risk environmental damage that can affect the surrounding community. So, it is very important for the company to understand and implement the concept of enterprise risk management and environmental performance to CSR disclosure accordingly.

It is necessary to avoid potential conflicts between communities and local communities who live or have business around the company surroundings. Therefore, researcher is interesting to take the title of undergraduate thesis

"The Effect of Enterprise Risk Management and Environmental Performance Toward Corporate Social Responsibility Disclosure (CSRD) (Empirical Studies on The Mining Companies Listed in IDX and Following The PROPER Program by Ministry of Environment RI Before Pandemic".

1.2 Research Formulation

Coping with enterprise risk management and environmental performance has been an intrinsic aspect of life for all societies throughout history. The process of gaining a living necessarily involves risk or adverse environmental consequences, since the natural environment is not totally benign and man's understanding of its working mechanism is far from complete.

Based on the Research Backgound, the main problem in this reasearch are listed below:

1. Is the corporate social responsibility disclosure influenced by enterprise risk management?
2. Is the corporate social responsibility disclosure influenced by environment performance?

1.3 Research Purpose

Based on the research background and research formulation, the purpose of this research are listed below:

1. To get empirical evidence related to effect of enterprise risk management toward corporate social responsibility disclosure.
2. To get empirical evidence related to effect of environmental performance toward corporate social responsibility disclosure.

1.4 Research Benefit

1.4.1 Theoritical Benefit

The theoritical benefit of this research is to contribute in accounting development especially in enterprise risk management, environmental performance, and Corporate Social Responsibility Disclosure (CSR disclosure).

1.4.2 Practical Benefit.

As for practical benefit to get from this research are listed below:

1. For academical, this study is expected to provide input to the learning insight and understandment about enterprise risk management, environmental performance, and Corporate Social Responsibility Diclosure (CSR disclosure).
2. For company, this study is expected for consideration in formulating policies related to the implementation of CSR disclosure in company's operations and disclosure in corporate reports.
3. For government, this study is expected to provide relevant information about how big the contribution of Indonesia mining companies in implementing CSR disclosure activities as well as disclosure in corporate annual report.

CHAPTER II

THEORITICAL FRAMEWORK AND HYPOTHESIS

2.1 Theoritical Review

2.1.1 Stakeholder Theory

Stakeholder theory says, involves anyone invested and involved in, or affected by, the company: employees, environmentalists near the company's plants, vendors, governmental agencies, and more. A company's real success lies in satisfying all its stakeholders, not just those who might profit from its stock (Freeman, 2000).

Company's stakeholders are "those groups without whose support the organization would cease to exist." These groups would include customers, employees, suppliers, political action groups, environmental groups, local communities, the media, financial institutions, governmental groups, and more. This view paints the corporate environment as an ecosystem of related groups, all of whom need to be considered and satisfied to keep the company healthy and successful in the longterm. Company's stakeholders include people like employees, customers, community members, competitors, vendors, contractors, and shareholders. Stakeholders could also be institutions, like banks, governmental bodies, oversight organizations, and others (Freeman, 2000)

Stakeholder theory (Ullmann, 1985) is adopted as a parsimonious model for explaining levels of environmental disclosure by corporations. Freeman (1984) is generally credited as having laid the foundation (in his book entitled Strategic Management: A Stakeholder Approach) upon which a substantive theory of stakeholders can be built.

Ullmann (1985) concluded that corporate social responsibility models developed in prior research are misspecified because the relationship of firm strategy to the social responsibility decision has not been incorporated into the empirical tests. He developed a contingency framework for predicting levels of corporate social responsibility activity and disclosure based on the stakeholder concept formalized by Freeman (1984). Ullmann's framework is consistent with the conceptual view of corporate social reporting discussed by Dierkes & Antal (1985), that publicly disclosed information regarding corporate social responsibility activities provides a basis for dialogue with various business constituencies.

This approach formed the theoretical basis for Ullmann’s social disclosure model. The basic proposition forwarded by stakeholder theory is that the success of a firm is not dependent solely upon the successful management of the firm’s relationship with its shareholders. Instead, the firm when regarded as a nexus of contracts (Jensen and Meckling, 1976) should be more accurately characterized as being a nexus of both explicit and implicit contracts between the firm and its various stakeholders.

The success of a firm is then dependent upon a successful management of all the relationships, which a firm has with its stakeholders; shareholders being a substantial class of this group. Stakeholder theory explains the relationship between stakeholders and the information they receive. CSR activities are expected to improve relationships with shareholders, suppliers, creditors and other groups of stakeholders. (Sun *et al.*, 2010)

Gray *et al.* (1995), information disclosed to stakeholders may be considered as a legitimate social contribution made by the organization. Therefore, stakeholders typically see social responsibility information disclosed to them as one of the criteria for measuring the reliability and legitimacy of an organization.

It is necessary to distinguish stakeholder issues from social issues because "corporations and their managers manage relationships with their stakeholders and not with society" (Clarkson, 1995, p. 100). Stakeholder issues are of concern to one or more stakeholder groups and are not necessarily the concerns of society as a whole. The distinguishing feature of social issues is that, because they are of sufficient concern to society as a whole, they are the subject of legislation and regulation (Clarkson, 1995). In the context of this current study, the stakeholders demand for environmental information in mining industry can be properly informed.

2.1.2 Legitimacy Theory

The world of legitimacy (organizational legitimacy) is perceived by various authors from different angles, over the years. Some has tried to rationalize it by the idea of social attitude and values; whereas, others have described it from the viewpoints of Justice, legislation and environmental care. Interestingly, some investigators have gone as far as to the angle of cultural aspects and organizational resource to denote organizational legitimacy (Suchman, 2008).

Suchman (1995) considers that “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Legitimacy theory has the role of explaining the behavior of organizations in implementing and developing voluntary social and environmental disclosure of information in order to fulfill their social contract that enables the recognition of their objectives and the survival in a jumpy and turbulent environment. According to Suchman (1995), legitimacy is a measure of the attitude of the society toward acorporation and its activities. He also pressed that, legitimacy relies upon the values that a society holds and behaviors that a society believes as acceptable.

Taking the same side, Lindblom (1993) mentioned: legitimacy is a condition or status that exists when an entity’s value system is on the same string with the value system of the major portion of a society. Maurer (1971), took the aid of morality explaining the idea of legitimacy, stating that; legitimacy involves a process of ‘justification’, by which an organization strives to justify itself to its peers or to its super ordinate systems its very right to exist.

Suchman (1995), again, had almost the same idea and mentioned that, legitimacy is not an abstract measure of the ‘rightness’,of the corporation, rather, a measure of societal perception of the adequacy of corporate behavior. Bansal and Roth (2000) was a bit direct and specific in explaining the idea of legitimacy. They took the side of legislation and environmental care and mentioned: legitimacy is complying to legislation, establishing an environmental committee to monitor an organization’s environmental impact, conducting environmental audit and lining up with the environmental advocates.

Being an outlaw,Meyer and Scott (1983) said that, legitimacy is denoted by the extent to which the array of established cultural accounts provides explanations for its existence, functioning, and jurisdiction. However, themost condensed and organizational definition of legitimacy came from Parsons (1960). According to his literature: legitimacy helps to attract resources and continued support of the constituents. Hence,legitimacy itself is a source. Suchman (1995) added on the same note stating that, legitimacy is just like money; its a source that a business requires to operate.

Majority of the organizations pursue only symbolic management of their legitimacy and publish fabricated CSRs. However, there are also organizations having ‘true sustainability’ approach, that offer transparent information and adopt substantive management of their legitimacy (Mahmud, 2019).

There are two ways by which legitimacy of an organization can be figured: a) subjective and b) objective. Interestingly, researchers are divided in their opinions and have postulated diversified variables and paths.

Since legitimacy itself is an abstract concept, some researchers tend to directly establish the legitimacy of an organization with the impression that they hold regarding the organization, which may lead to inconclusive and questionable results (Tilling, 2004). This is a 'subjective' way to establish organizational legitimacy.

Hybels (1995), rejected this subjective view, because he thought that, such type of assessment is dependent upon a conflation of the roles of the observer and participant in social science. Therefore, assessing legitimacy in an objective manner with some verifiable measures would be a better alternative. To go for objective assessment of legitimacy, one may assess the amount of spontaneous resource flow towards an organization.

Communication is the way by which an organization wants to validate its legitimacy (Coopers and Lybrand, 1993; Dowling and Pfeffer, 1978). Buhr (1998) added on this point saying that, annual report is the most commonly accepted and recognized corporate communication vehicle. To add, since annual report is credible to the users, it can be used to project a customize impression of a company; and thus, it may serve as a legitimizing instrument (Abrahamson and Park, 1994; Guthrie and Parker 1989). Corporate Social Reporting (CSR) is used to be a part of the annual report. However, nowadays, as a CSR tool, a composite report—Integrated Reporting (IR)—that holds traditional annual report along with ESG (Environmental, Social and Governance) information; and a separate ESG report—Sustainability Report (SR)—are also becoming popular.

Generally, companies throughout the world are not legally pressurized to offer sustainability disclosures and often they determine the extent and pattern of their disclosures. Highlighting this phenomenon, Deegan *et al.*, (2002), suggested that, if the companies are successful in legitimizing themselves with their CSRs, then public pursuance towards disclosure legislation will be less.

Eventually, the firms will retain control in their CSR practices. According to Ashforth and Gibbs (1990), the lower the legitimacy, the more is the possibility that a company will pursue unethical, heavy-handed, intensive, rigid, intolerant, evasive, exaggerated and inflammatory legitimacy approaches. CSR is most likely to be a part and parcel of the said legitimacy approaches. To people, such a company is marked as an ‘actor’ and loses legitimacy rather than earning it.

Postulated by researchers that legitimacy-focused CSRs influence the broader society and beef-up the legitimacy of an organizations. Firm’s managers opt for legitimacy-focused disclosures, when they perceive a threat to their organization’s legitimacy. However, mangers of different firms have diversified persona and sensitivity towards legitimacy threat. Hence, drawing a ‘one-size-fits-all’ conclusion regarding diversified legitimacy constituents, is not a wise step (Deegan 2014).

A relationship between legitimacy intention of the firms and CSRs offered cannot be denied in a sweeping manner; neither, it can be established that legitimacy is the only driver for publishing CSRs. In this era of information, legitimacy intention remains as a strong contender for explaining CSR’s sustainability disclosures (Deegan, 2014).

Legitimacy theory is one of the theories that used as a based for entity incentives that voluntarily disclosed their social and environmental accountability reports (Luo *et al*., 2013). Reffering to Gray *et al.*, (1995), this theory explains that an entity is a unit of the social itself. Therefore, social and environmental responsibility disclosured by the companies is one of the steps to gain legitimacy from the surrounding community. When legitimacy is obtained, the company can continue its operations because the entity has proven to observe the prevailing norms as well as the circumstances of society and the surrounding environment.

2.2 Corporate Social Responsibility (CSR)

As a concept, although CSR has become a trend that much discussed both international and national scale, CSR doesn‟t have a commensurate limitation. Many experts, practitioners and researchers do not yet have similarities in providing definitions. Although in many cases have the same essence (Nor Hadi, 2009).

The concept of CSR is still in the early stages in developing countries, there appears to be a growing recognition within the business community of the importance key stakeholders attach to the social, environmental, and ethical behavior of companies (Zadek *et al.* (1997).

The company's commitment to operate in a sustainable based on the principle of economic, social and environment, while balancing the diverse interests of its stakeholders (Suharto, 2008:5). CSR can be defined based on the Law of the Republic of Indonesia Number 40 Year 2007 regarding Limited Liability

Company that CSR is company's commitment to participate in sustainable economic development in order to improve the quality of life and environment that are useful, both for the company itself, the local community, and society in general.

According to Wibisono (2007) that company gets several benefits because implement its social responsibility such as:

1) Maintaining and improving the company‟s reputation and brand Image.

2) Social License to Operate.

3) Reducing the risk of company‟s business.

4) Expands the access to resources for business operations.

5) Expands the opportunities market.

6) Reducing costs, such as costs associated with the impact of waste disposal.

7) Improving relationship with stakeholders.

8) Improving relationship with regulators.

9) Raising the employees‟ spirit and productivity.

The issue of corporate social responsibility (CSR) in Indonesia has grown steadily since the government (Indonesia’s House of Representatives) issued Limited Liability Company Law about the company's obligation to implement Corporate Social Responsibility (CSR) which proper with the Article 74 in the Limited Liability Company Law No. 40 year 2007 forces all companies in the field of and/or in relation to natural resources to put CSR into practice.

According to Harahap (2002) cited in Irawan (2008:5), social involvement is done by the company based on the situation in the Indonesia country, namely:

1) *Environment*, among others: surveillance of the effects of pollution, improvement of natural destruction, conservation of nature, the beauty of the environment, reducing the noise pollution, land use, waste management and wastewater, research and development of environment; cooperation with energy, among other things: conservation and energy savings are made by companies in their activities.

2) *Human resources and education*, among other: safety and health of employees, employee education, family needs and recreation employees, increase and broaden employees' rights, efforts to encourage participation, pension improvements, scholarships, assistance to schools, the establishment of schools, help the higher education, research and development, requirement of employees from poor, and enhancement of employee career.

3) *Honest business practices*, among others: pay attention to the rights of female employees, honesty in advertising, credit, service, products, and warranties. Thus, control of product quality, government, universities, and the building of recreational place.

4) *Aid the environment community*, among others: use the expert of company in addressing social problems in its environment, does not intervene in the structure of society, building the health clinics, schools, worship houses, improvement of village or city, contribution to social activities, improvement

of rural housing, financial assistance, improvement the market transport vehicle.

5) *The activities of art and culture*, among others: helping arts and cultural institutions, arts and cultural sponsored, using arts and culture in advertising, recruiting talented people in arts and sports.

6) *Relation with shareholders*, among others: openness of directors to all limited liability company, rising of disclosure in financial statements, disclosure of company involvement in social activities.

7) *Relation with the government*, among other: obey of government regulations, limiting the lobbying activities, control the company‟s political activities, helping government agencies in accordance with enterprise capabilities, helping as general of enhancement of social welfare society, help the project and government policies, improve the productivity of the informal sector, development and innovation of management.

According to Nor Hadi (2011:170) noted that typology of social responsibility seen from the direct and indirect involvement of companies in practice, there are two implementation strategies, namely:

1) Pattern of Self Managing

CSR practice is performed by the company to assign employees or through foundations and social organizations that formed the command of the company through corporate secretary/public affair manager/ public relations firm and the like.

2) Pattern of Outsourcing

This is an implementation of CSR strategies are handed by third parties, either partnered with professional parties such as NGOs, Red Cross (PMI), universities, mass media and others.

2.2.1 Corporate Social Responsibility Disclosure (CSR disclosure)

Hendriksen (1991) defines disclosure as number of information needed for optimal operational of efficient capital market. There are two disclosures, namely disclosures that are mandatory, this disclosure of information that must be disclosed by the companies based on certaion regulations or standard, and there are voluntary disclosure, which is disclosure of information exceeds the minimum requirements of the regulations applicable. This was revealed by Sembiring (2003) where disclosure of Corporate Social Responsibility (CSR) is the process of communication the impact of social and environmental activities of the organization's economic activities toward groups that are interest and the society as a whole.

Corporate Social Responsibility Disclosure (CSR disclosure) become an important issues for companies and is a medium of information for decision making by investors. This issues is triggered by an act of unethical and environmentally unfriendly business which basically has the main goal to be able to obtaion maximum profits without paying attention to social and environmental impacts caused by the company's economic activities. Adreas *et al.,* (2015).

Almost all the companies arround the world do the sustainability reports with using reporting standards proposed by GRI (Global Reporting Iniative). GRI was formed in 1997 by CERES (Coalition for Environmentally Responsible Economics) which is an organization that is pay attention to sustainabiliy and climate change with support from UNEP (United Nations Environment Program).

GRI G4 in its reporting standards pay attention to 91 indicators and 3 category, namely economic/financial indicators (economic performance indicators), environmental indicators, and social performance indicators.

2.3 Enterprise Risk Management

Enterprise Risk Management (ERM) is defined as a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential event that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (IIA, 2004).

The Enterprise Risk Management aligning risk with strategy and performance principles apply to all entities, including not-for-profit and governmental bodies, regardless of size. While some small and mid-size entities may implement the principles of enterprise risk management differently than large entities, they remain applicable to every type of entity (COSO, 2016).

According to Berry-Stölzle (2016), Enterprise Risk Management (ERM) is a holistic approach to risk management. Traditionally, corporations tends to managed risks arising from their business units separately in each unit.

ERM improves on this traditional “silo”-based approach by coordinating and controlling any offsetting risks accross the enterprise. A number of surveys document how firm implement ERM programs to achieve such synergies between different risk management activities.

ERM is important based on underlying principles of every entitiy, whether for-profit or not, exist to realize value for its stakeholders. Value is created, perserved, or eroded by management decision in all activities, from setting strategy to operating the enterprise day-to-day (IIA, 2004). Value is created by informed and inspired management decision in all spheres of an entity’s activities, from strategy setting to operations. Entities failing to recognize the risks they face, from external or internal sources, and to manage them effectively can destroy value – in absolute or relative terms – for shareholders and other stakeholders including the community and society at large.

For companies, shareholder realize value when they recognize value creation and benefit from share-value growth. For governmental entities, value is realized when constituens recognize receipt of valued zervices at acceptable cost. Enterprise risk management facilitates management’s ability deal effectively with potential future events that create uncertainty, provides the mechanism to respond in a manner that reduces the likelihood of downside outcomes and increase the upside, enchances the ability to communicate value creation and preservation progrm and goals, communicate with stakeholders, and deliver as planned, with few surprises (IIA, 2004).

Enterprise Risk Management – Integrated Framework, this COSO ERM framework defines essential components, suggest a common language, and provides clear direction and guidance for enterprise risk management. The ERM framework, enterprise risk manageent requires an entitiy to take a portofolio view of ris, therefore management cn considers how individual risks interralated.

Management develops a portofolio view from two perspective, business unit level and entity level. ERM considers activities at all levels of the organization such as, enterprise-level, divison or subsidiary, and business unit processes. The ERM framework comes with eight component that are interrelated and entity objectives can be viewed in the context of four categories: strategic, operations, reporting, and compliance.

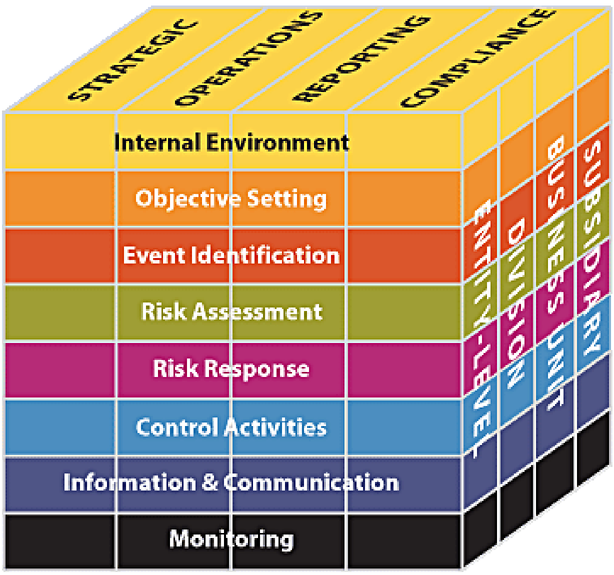


Figure 1. The COSO ERM cube

2.3.1 Enterprise Risk Management and CSR Disclosure

Prior literature on the impact of enterprise risk management on CSR disclosure offers mixed evidence (Frazier & Ingram, 1980; Godfrey et al., 2009; Harojo & Laksmana, 2016; Musallam, 2018). Some empirical studies suggest that active engagement of companies in CSR activties makesn them consider the interests of all stakeholders thereby supporting ERM process that also takes into account risk associated with all the stakeholders (Boatright, 2011; Godfrey et al., 2009). Prior studies have shown that the risk level of a firm reduces as the company have better CSR performance (Valizadeh & Barzegar, 2015; Naseem et al., 2019; Lu et al., 2020; Musallam, 2018; Pudjianti & Ghozali, 2021). In this study, we employ an ERM integrated framework comprising eight (8) components, namely, internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. Therefore, over the last two decades or so, a new trend has emerged for risk management that is adopting holistic approach to manage a firm's risk. This approach is referred to as ERM that manages risk coherently rather than managing them separately as individual risk (Bromiley, McShane, Nair, & Rustambekov, 2015). Therefore, ERM process enables a firm to better understand the collective risk in all business activities, provides better deployment of resources, and increase capital efficiency and return on equity (ROE) by identifying and managing not only the downside risks (the negative ones – threats) but also the upside risks (the positive ones – business opportunities; Callahan & Soileau, 2017).

The previous viewpoint was also stated by Gordon et al. (2009) linking ERM with high firm performance. The suggestion also comes from Florio and Leoni (2017) that increased market and accounting-based performance are linked to better ERM process implemented in a firm. A similar result also validated by Farrell and Gallgher (2015) linking a greater value of firms with mature ERM process. On the other hand, this interrelation is subject to the orientation of ERM for several external factors, that is, financial performance, size of firms, competition, corporate governance, diversification, and external uncertainties.

2.4 Environmental Performance

Environmental performance is a measurable result of an environmental management system, which is related to the control of environmental aspects, as well as an assesment of environmental performacne based on environmental policies, environmental object and environmental targets (ISO 14004, from ISO 14001). According to Ikhsan (2008), environmental performance is the activities of the company which are directly related to the natural environment arround. Whereas according to suratno, et al. (2006: 8), environmental performance is how the company's performance in creating a good environment (green). According to Ari Retno (2010: 43) environmental performance is how the company's performance to take part in preserving the environment. Environmental performance is made in the form of ranking by an institution relating to the environment.

According to Bawley and Li (2000) in Clarkson, Peter M, Yue Li, Gordon D. Richardson, Florin P. (2006: 7) environmental performance is *"proxied by their industry membership and by the whether they report to the Ministry of Environment under the National Pollution Release Inventory Program"*. Based on that quote can it can be explained that environmental performance is a performance that can be demonstrated by industry members by reporting their performance to the Ministry of Environment for related programs.

So, thus the environmental performance is all the action and activities of companies that pay attention to the performance of the company in maintaining the surrounding environment and report it to interested parties.

2.4.1 Measurement of Environmental Performance

Stated by Andie (2000), the environmental performance can be measure with two ways, listed below:

1. Qualitative environmental performance
2. Quantitative environmental performance

The qualitative environmental performance is the result that can be measured from matters related to the size of non-physical assets, such as procedures, processes of innovation, motivation, and enthusiasm experienced by human activity participants, in realizing organizational environmental policies, object and targets. Quantitative environmental performance is a measurable result of an environmental management system that is related to the control of aspects of its physical environment (Andie, 2000: 4).

As stated by Eiffeliena (2010: 37) qualitative environmental performance is “a measurement based on semantic judgments, views, and perceptions based on one's observations and judgments about a thing. The advantage of this metric is that data collection is relatively easy to do and easy to implement. The disadvantage is that this metric implicitly involves subjectivity and is therefore difficult to validate.

Meanwhile, the quantitative environmental performance in Eiffeliena (2010: 37) is “a measurement based on empirical data and numerical results that characterize performance in physical, financial, or other forms. An example is the waste quality standard. The advantage of this metric is that it is objective, meaningful, and verifiable. The disadvantage is that the necessary data may be difficult to get.

Lindrianasari (2007) revealed that the performance benchmarks used in the research could be varied, depending on the indicators used, currently there are four environmental performance indicators that can be used, namely AMDAL (BOD Test and COD of wastewater), PROPER, ISO (ISO 14001 for the system environmental management and ISO 17025 for environmental test certification from independent institutions and GRI *(Global Reporting Intiative)*.

Suratno *et al,*. (2006) states that the company's environmental performance is measured by the company's achievement in following the PROPER program which is one of the efforts made by the Ministry of the Environment to encourage corporate governance in environmental management through information instruments.

The PROPER performance rating system includes a ranking of companies in five (5) colors that will be scored consecutively with the highest score 5 for gold color and the lowest 1 for black color.

According to the Ministry of Environment, PROPER is the Corporate Performance Rating Assesment Program in Environmental Management. PROPER has been launched since 2002 as a development of PROPER PROKASIH. Since its development, PROPER has been adopted as an instrument for environmental management in various countries such as China, India, Philippines, and Ghana, also as a study material in various universities and research institutions (menlh.co.od, 2018).

The purpose of the Ministry of Environment in implementing the PROPER instrument is to encourage the improvement of company performance in environmental management through the dissemination of information on corporate governance in environmental management, in order to achieve environmental quality improvement. Improved compliance performance can occur through the effect of incentive and disincentive reputation arising from the announcement of PROPER performance ratings to the public. The related shareholders of the company will give appreciation to companies that are ranked well and give pressure or encouragement to companies that have not been ranked well in order to improve their environmental performance (menlh.co.id, 2018).

The implementation of PROPER is expected to strengthen various existing environmental management instruments, such as environmental law enforcement and economic instruments.

In addition, the application of PROPER can answer the need for information access, transparency, and political participation in environmental management.

The implementation of PROPER is currently based on the Decree of the Minister of Environment No. 3 of 2014 concerning about Corporate Performance Rating Assesment Program in Environmental Management (PROPER) (menlh.co.id, 2018).

2.4.1.1 Assesment Criteria of PROPER

The performance evaluation of company structuring in PROPER is based on the company's performance in fulfilling various requirements stated in the applicable laws and regulations and company performance in carrying out various activities related to environmental management activities that have not yet become regulatory requirements (beyond compliance). At this time, structuring performance evaluation is focused on evaluating corporate governance in aspects of water pollution control, air pollution control, B3 pollution control and hazardous waste management as well as various other obligations related to AMDAL (Environmental Impact Analysis) (menlh.co.id, 2018).

Bearing in mind that the results of the PROPER rating assessment will be publicly published to the public and other stakeholders, the company's structuring performance is grouped into color ratings. Through this color ranking it is hoped that the community can more easily understand the performance of each company's arrangement. So far it can be said that PROPER is a ranking system that first uses color ratings (menlh.co.id, 2018).

The implementation of PROPER is in accordance with Law Number 32 of 2009 concerning Protection and Management of the Environment so that in terms of performance the arrangement is grouped into 5 (five) color ratings. Each color rating reflects the company's performance. The best performance is gold, and green, then blue, red, and the worst performance is black (menlh.co.id, 2018).

Based on the Minister of Environment Regulation No. 18 of 2010 concerning the Corporate Performance Rating Assessment Program in Environmental Management (PROPER), the criteria used in the ranking are as follows:

Tabel 2.1

Assesment Criteria of PROPER

Color Rating	**Definition**
Gold (5)	For businesses and / or activities that have consistently demonstrated environmental excellence in the production and / or service processes, carrying out ethical and responsible business to the community.
Green (4)	For businesses and / or activities that have carried out environmental management more than that required in regulations (beyond compliance) through the implementation of environmental management systems, efficient use of resources through 4R efforts (Reduce, Reuse, Recycle and Recovery), and undertake social responsibility efforts (CSR / Comdev) well.
Blue (3)	For businesses and / or activities that have carried out environmental management efforts required in accordance with the provisions and / or laws and regulations in force.
Red (2)	Efforts to manage the environment have not been in accordance with the requirements as regulated in the

	legislation and in the stages of implementing administrative sanctions.
Black (1)	For businesses and or activities that intentionally commit acts or conduct negligence resulting in pollution and / or environmental damage as well as violations of laws and regulations that do not apply administrative sanctions.

Source: Ministry of Environment, 2018

2.5 Previous Research

Table 2.2

Previous Research

No.	Author	Title	Variable	Result
1.	Rina Asmeri, *et al* (2017)	CSR Disclosure in the Mining Industry: Empirical Evidence from Listed Mining Frims in Indonesia	This study aims to look at empirical evidence on the affect of profitability and environmental peformance on CSR disclosure.	The environmental performance has a positive influence on the disclosure of social responsibility, while the effect of profitability is not found against the disclosure of social responsibility.
2.	Naseem, *et al.* 2019	Corporate Social Responsibility Engagment and Firm Performance in Asia Pasific: The Role of	This study modeled the mediating role of ERM between CSR and firm performance.	The CSR is linked to ERM. However, the effect of CSR on firm is both direct and inderect.

		Enterprise Risk Management		
3.	S.C.B. Prabowo and Nattawadee Korsakul (2019)	Analysis of Financial Performance of Mining Industry Listed in Indonesia Stock Exchange	Measuring with Financial Ratio Analysis, including liquidity ratio, solvability ratio, and profitability ratio, got it from annual report of the mining companies.	The result of this research shown an overall for the last 4 years sub sector of mining significantly increase, triggered by the increase in average of financial ratio in mining industry.
4.	Al-Tuwaijri, S.a., *et al* (2004)	The Relations among Environmental Disclosure, Environmental Performance, and Economic Performance:A Simultaneous Equations Approach	This study provides an integrated analysis of the interrelations among 1)environmental disclosure, 2)environmental performance, and 3)economic performance	This study obtain result that suggest “good” environmental performance is significantly associated with “good” economic performance, and also with more extensive quantifiable environmental disclosures of specific pollution measures and occurences.
5	Dobler, *et al.*, (2015)	Corporate Environmental Sustainability Disclosures and Environmental Risk	The paper develops measures of environmental risk to proxy for a firm’s exposure to public pressure	The level of environmental disclosures is found to be positively associated with a firm’s environmental

			in regard to environmental concerns that should be positively associated with the level of corporate environmental disclosures according to socio-political theories.	risk while unrelated to its environmental performance.
6.	A.W. Sutantoputra *et al.*, (2012)	The Relationship Between Environmental Performance and Environmental Disclosure	This research identified the level of environmental disclosure of 53 ASX200 Australian listed companies, and tested whether better performing companies with either lower emmissions or more positive *Corporate Monitor* environmental ratings were likely to disclose more information on their environmental performance.	It found a generally low level of environmental disclosure assessed by the elements of the Global Reporting Initiative (GRI) 2002, and that environmental performance was not significantly associated with level of environmental disclosure.
7.	Freedman & Jaggi (1982)	Pollution Disclosures, Pollution Performance	This study examines the association between	The result confirm earlier findings that there is no

		and Economic Performance	pollution disclosures and pollution performance and between pollution disclosures and economic performance for firms in highly polluting industries. An index of pollution disclosures is developed and correlated with indices of pollution performance and economic performance.	association between polution disclosure and pollution disclosure. As far as the association between economic performance and pollution disclosure is concerned, the result show that the subgrup of large firms with poor economic performance provide the most detailed pollution information. For the smaller firms, there is no association between economic performance and pollution disclosures.
8	Hao Lue *et al.* (2020)	Investigating the Impact of Corporate Social Responsibility (CSR) on Risk Management practices	The adoption of integrated risk management practice (ERM and total CSR using MSCI ESG database.	The result suggest that ooverall, firms with better CSR performance are more likely to adopt integrated risk management practices and CSR activities

				that target both primary and secondary stakeholders are equally important in facilitating the adoption of such risk management practices.

2.6 Hypothesis Development

2.6.1 Enterprise Risk Management and CSR Disclosure

The integrated enterprise risk management framework may considered superior to the traditional approach, but this new integrated risk management practices is difficult to implement and have not been as widely adopted as was hoped outside the finance and incurance industries (Bromiley et al., 2015; Farrell & Gallagher, 2015). Igram and Frazier (1980) research found that the result on their study indicate, at best, only a weak association between quantitative measures of disclosure content and independent measures of social performance. In the other hand, CSR can influence risk management practices because the knowledge gained through a good CSR program can leads to more robust risk identification and treatment (Lu et al., 2020) and this previous research supported by Naseem et al., (2019), Godfrey (2005), Godfrey et al., (2009), Harjoto and Laksmana (2016), Musallam (2018), Shad et al., (2018), Valizadeh and Barzegar (2015).

Ha1: Enterprise Risk Management is positively affects CSR disclosure

2.6.2 Environmental Performance and CSR Disclosure

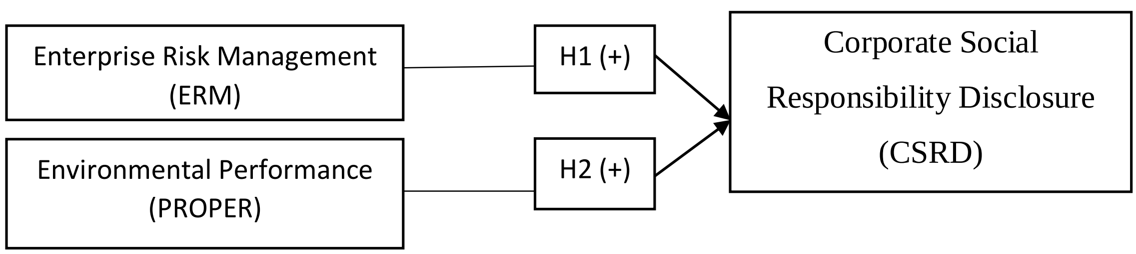
The environment performance indicate the higher environmental performance will be followed by increased CSR disclosure. This is supported by previous research conducted by Al-Tuwaijri *et al.*, (2004), Clarkson et al., (2008), Rina Asmeri., *et al* (2017) which found that environmental performance has a significant influence on CSR disclosure. Meanwhile, the research conducted by Sukasih and Sugiyanto (2017), Wijaya (2012), Djuitaningsih and Ristiawati (2015), Purnomo and Widianingsih (2012) is found to be negative due to the small amount of company that participate in PROPER program and the possibility of lead to a a negative market response, the market may think that the company is doing a lot of environmental pollution due to it's operational activities.

The result of studies of Al-Tuwaijri *et al.*, (2004), Clarkson *et al.*,. (2009), Rina Asmeri et al (2017) indicated that Environmental performance is positively related to corporate social responsibility disclosure.

Ha2: Environmental performance positively affect CSR disclosure.

2.7 Research Model

Picture 2.1 Research Framework



CHAPTER III

RESEARCH METHODOLOGY

3.1 Research population and Sample

3.1.1 Population

According to Indriantoro and Supomo (2014), population is a group of people, events, or everything that has certain characteristics. The populaion in this study are all listed companies engaged in the mining sector that has been listed on the Indonesia Stock Exchange. Considering the Law no. 40 of 2007 concerning Limited Liability Companies which require companies whose business activities in the field of and/or related to natural resources to perform social responsibility and disclose social responsibility report in the form of annual report within the period 2016-2019 that amounted to 40 mining companies.

3.1.2 Research Sample

According to Indriantoro and Supomo (2014) sample is a group of people or parts in a population. The sample in this research is determined by using purposive sampling method, which means samples are being selected according to certain criteria. The criteria used in this study are as follows:

1. Mining companies listed on IDX within the period of 2016-2019.
2. The Company constantly publish annual report on IDX from 2016-2019.
3. Companies that get the PROPER Rating from the Ministry of Environment.

3.2 Data Type and Sources

Type of data that used in this study is *secondary data*. Secondary data is data source that do not directly provide data to data collectors, for example, using document (Sugiyono, 2007:137). Data collection methods in this research is using *documentation study method* that is the obtained data through annual report issued by the company and Indonesia Stock Exchange year 2016-2019.

The softcopy data obtained from website of Indonesia Capital Market namely **www.idx.co.id** and website of mining companies that obtained from. IDX is selected as the primary resources because it is a representative capital market center in Indonesia.

3.3 Operational Variable Definition

3.3.1 Independent Variable

Independent variable is a independent variables that can influence or explain the dependent variable. Independent variables used in this study are:

3.3.1.1 Enterprise Risk Management

An effective enterprise risk management system, will help the company to obtained their role and goals, also increasing the quality of annual report, the company with high disclosure scale, will decrease its risk.

Enterprise Risk Management (ERM) vaiable is based on the COSO ERM Framework, there are 108 items ERM disclosure and it is using ratio as scale and the formula is: ERM disclosure = $\frac{total\ item\ revealed}{108}$x100%

3.3.1.2 Environmental Performance

Environmental performance will have an effect on how far a company disclose its CSR. Companies will gain advantages by improving the environmental performance. Good environmental performance, which is then also being disclosed in the annual report, will attract more inventors. Previous research on the social responsibility disclosure has used environmental performance to explain variations in corporate social responsibility disclosure. The environmental performance of a company measured from the company's achievements on following the Corporate Performance Rating Assesment Program in Environmental Management (PROPER) that one of program launched by the Ministry of Environment.

The rank performance system including the companies ranking in five (5) difference color. The highest is five (5) for gold color, four (4) for green, three (3) for blue color, two (2) for red color, and one (1) for black color (Suratno, 2006).

3.3.2 Dependent Variable

The dependent variable in this study is CSR disclsoure. The firms with good environmental performance should disclose more environmental information (in quality and quantity) that should firms with poorer environmental performance. On the other hand,if greater disclosure provides information that may be used in litigation against disclosing firm (presumably by third parties with political or social agendas), good environmental performers might elect to minimize such disclosure (Li *et al.,* 1997). However, factors that influence CSR disclosure are varied. This study aimed to look at the effect of environmental risk management and environmental performance on corporate social responsibility disclosures (CSR disclosure) of mining companies listed in Indonesia Stock Exchange within the year 2016-2019.

For that purpose, CSR disclosure will be measure by GRI G4 social responsibility disclosure index consisting of 91 items and 3 categories, namely Economic, Environmental, and Social. In Social category, there is 4 sub-category that is, Human Rights, Labor Practices and Decent Work, Society, and Product Responsibility by using *content analysis method*. *Global Reporting Initiative* (GRI) is an independent international organization taht has pioneered sustainability reporting since 1997.

The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest.

As long this CSRI measurement is using content analysis method in measuring variety of CSRI, so this approach basically use the dichotomy approach, which in each disclosure information category of CSR in research instrument will get 1 score if the category of information disclosed is written in annual report, and 0 score if the category of information is not disclosed in annual report. Then, the score from each category of information of sustainability report added up to get the total score for each companies.

The measurement will use the following formula:

$$CSRI_y = \frac{\sum XK_y}{ny}$$

Explaination:

$CSRI_y$ = Corporate Social Responsibility Index of y company

XK_y = Total item disclosed by the company

1 = If category of Sustainability Report K

0 = If category of Sustainability Report K is not disclosed

ny = Total item for y company

ny = 91

3.4 Data Analysis Method

3.4.1 Descriptive Statistics Analysis

Descriptive statistics provide a description or image of the data, to makes the information clearer and understandable, which is seen from the average value (mean), median, modus, standard deviation, maximum, and minimum value (Ghozali, 2011). The descriptive statistics provide an numerical measurement which is very important for sample data, especially in this study profitability and environment performance.

Deviation standard, maximum value, and minimum value is describe the distibution of data, where the data that has bigger deviation standard means the data is increasingly spread.

3.4.2 Classic Assumption Test

3.4.2.1 Normality Test

According to Hair *et al,. (*2006) cited in Adinugraha *et al.* (2007:128), the purpose of the normality test is to determine whether the regression model variables are normally distributed or not. In this research, to detect whether normally distributed data or not, it can be done with doing test with SPSS based on Kolmogorov-Smirnov Test.

3.4.2.2 Multicollinearity Test

According to Ghozali (2011), the aim from multicolinearity test is to test whether the regression model found a correlation among the independent variables. A good regression model should there is no correlation among independent variables. In this research, to detect the presence or absence of multicolinearity can be done by calculating *value of variance inflation factor* (VIF) and *tolerance* of each independent variable, with requirement as follows:

a. If *tolerance* number < 0,1 and VIF > 10, H0 is rejected, there is multicollinearity.
b. If *tolerance* number > 0,1 and VIF < 10, H0 is accepted, there is no multicollinearity.

3.4.2.3 Autocorrelation Test

Autocorrelation test aims to test whether a regression model there is a correlation between data in variable. A good regression model is a regression that is free from autocorrelation. In this research, autocorrelation test is done by using the Run Test

Run test as a part of non-parametic can be used for validating whether there is a high correlation between residuals or not. If there is no correlation between residuals, it can be concluded that residuals is random. Run test are used to see whether residuals occur randomly or not.

H0 : Random Residual

H1 : Not Random Residual

3.4.2.4 Heteroscedasticity Test

According to Ghozali (2006:125), the aim from heteroskedastisity test is to test whether the regression model occur the variance inequality of the residual from one observation to another observation. If the variance from residual of one observation to other observations is fixed, it is called homokedastisity and if it different called heteroscedasticity. A good regression model is homokedastisity or there is no heteroskedastisity. In this study, heteroscedasticity test can be viewed using the scatterplot. If there is significant value between independent variable and absolute residual is more than 0,05 then there is no problem with hetereoscedasticity.

3.5 Hypothesis Test

3.5.1 Regression Analysis

Multiple Regression Model is performed on the model proposed by researcher using SPSS Software to predict the relationship between independent variable and dependent variable. Measured with formula as follows:

$$CSRD = a + b1ERM + b2PROPER + e$$

Explaination:

CSRD	: CSR disclosure (CSRD)
ERM	: Enterprise Risk Management (ERM)
PROPER	: Environmental Performance (PROPER)

3.5.2 Determination Coefficient Test

Determination coefficient testing done to measure the magnitude contribution of independent variables toward the dependent variable. The score of correlation coefficient (R) shown how much correlation or relationship between the independent vaiables with dependent variables. Coefficient correlation is said to be strong if the score of R is more than 0,5 and close to 1. The coefficient of determination (R square) basically measures how far the ability of the model to explain the variation of dependen variable. The R score is zero up to one. If the score of R square is getting close to one, then the independent variables give all the information needed to predict variations in the dependent variable (Ghozali, 2011).

3.5.3 Simultaneous Regression Analysis (Test – F)

Test of F statistic is basically indicates whether independent variables altogether can influence the dependent variable or not (Ghozali, 2011). This regression model F will used significant score 0,05 or (0 = 5%) which will be comapred with significant score in Anova table. Basic for decision making are as follows:

Decision-making based on probability values:

1) If the sig. (F) < 0.05, Ho is rejected, Ha failed to be rejected. Means Ha is accepted, coefficient regression is proper to use.

2) If the sig. (F) > 0.05, Ho is accepted, Ha failed to be accepted. Means coefficient regression is not proper to use.

3.5.4 Partial Regression Analysis (Test – t)

The t – test was used to partially test each coefficient variable in sig column. If the probability of a t value or significance < 0,05, it can conclude that there is an influence between independent variable toward dependent variable in partially.

However, if the probability of t – value or significancy > 0,05 then it can be conclude that there is no significant influence between each independent variables toward dependent variable.

CHAPTER V

CONCLUSION

5.1 Conclusion

Based on the data obtained and from the results of data analysis conducted, the following conclusions are obtained:

1. The variable of enterprise risk management has positive significance effect on corporate social responsibility disclosure. Some points of reason that cause enterprise risk management can affect CSR disclosure are the adoptation of integrated risk management approach, are more likely serves as mechanism for risk reduction which make firms provide a better CSR perfromance. The implementation of ERM is not only reduce risk, but also enhances firm performance by the efficient use of resources and opportunties, especially in mining companies that should wisely process their resources.
2. Environmental performance (PROPER) variable have no significant effect on corporate social resources disclosure. The no significant effect on environmental performance can occur because there is only small amount of mining companies that follow the PROPER program.

From 48 mining companies, only 40 companies that reporting their annual review and only half of them getting the PROPER rating from Ministry of Environment RI. Market players in Indonesia, with the existence of assessment of the environmental performance of companies that is accompanied by disclosure of the company on its environment can be a negative signal to market participant. When companies doing a lot of activities related to environment, the market may think that the company is doing a lot of environmental pollution due to its operational activities.

5.2 Implications

Based on this study reasearch, the theoritical and practical implications can be concluded, as follows:

1. Theoritical Implication

The environmental risk management and environmental performance are one of many variables that can influence corporate social responsibility disclosure. The test on those variable will conclude the result that can be use to examine the CSR disclosure, especially on how less found the ERM variable that positively effect CSR disclosure and PROPER that insignificantly effect CSR disclosure.

2. Practical Implication

a. For Academical, this study is expected to provide input to the learning insight and understandment about factors that can affect corporate social responsibility disclosure. The significant influence of enterprise risk management and insignificant influence of environmental performance (PROPER) and the difference with previous studies and researchers, so this study expected to give insight and understatement and provide a reference for the next researchers of the study of environmental risk management and environmental performance that using PROPER on CSR disclosure.

b. For company, this study is expected to give insight to the companies of the importance environmental risk management to reduce the risk and environmental performance using PROPER is not properly disclose on annual report and to having PROPER rating from ministry of environement.

c. For government, this study is expected to provide relevant information about how enterprise risk management and PROPER rating applied on mining companies in Indonesia.

5.3 Limitations

Based on the research and explanation of this study, the following are limitations own my this study:

1. This study only uses two independent variables and its limited capability in explaining the dependent variable because this study only has R square value of 0.128 or 12.8% and the rest 87.2% can be explained by another causes that can affect CSR disclosure.
2. This study only uses data from company fiancial reports and annual reports publish on the IDX website fom 2016-2019 to calculate ERM and CSR disclosure. This information certainly does not reflect the actual conditions of ERM practices and CSR disclosure because all item in this study are still limited.

5.4 Suggestions

Based on the research and explanation from this study, the following are suggestions that this study can give for the next research:

1. Expect to be able to add research variables outside the variables contained in this study in accordance with has been described, namely using ISO 14001, company value, and financial performance.
2. Expect for further study is to add the periods taken and reports documents of ERM and the disclosure document of CSR, so the number of observations is increasing and the result will be more varied.

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