

DO INDONESIAN INVESTORS VALUE SUSTAINABILITY: THE RELATIONSHIP BETWEEN SUSTAINABILITY PERFORMANCE AND FIRM VALUE RELATED TO NATURAL ENVIRONMENT ISSUES

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Abstract: The Indonesian government regulates the activities of local companies related to sustainability as regulated in OJK Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies. Sustainable finance is the government's goal to preserve the environment. The sustainability report prepared by the company shows concern for environmental sustainability and does not carry out excessive exploration of nature. This research examines the effects of sustainability performance on company value after the implications of POJK51. The sustainability performance variable is a variable that describes the company's commitment to encouraging business sustainability through healthy practices, accountability, information transparency, contribution to economic development, and improving the quality of social life. The three main pillars of corporate sustainability are economic, social and environmental. The research was conducted on companies listed on the LQ45 Index of the Indonesian Stock Exchange. The research results show that sustainability performance does not affect company value. Investors don't value sustainability. Improving sustainability performance does not benefit company values. Therefore, companies need to understand which sustainability performance best suits the interests of their stakeholders and make extra efforts to inform them so that investors can understand and appreciate sustainability.

Keywords: Sustainability performance, firm value, stock price, investors.

Introduction

Over the last 30 years, many world leaders, international organisations, and governments, as well as private and public organisations, have included sustainability issues as the basis of their long-term development and growth, or what is usually referred to as sustainable development. Conceptually, sustainable development is a means of achieving sustainability. Sustainable development was first defined in 1987 by the United Nations' Brundtland Report as development to meet the needs of the present without reducing the ability of future generations to meet their needs (Busco *et al.*, 2007).

Sustainability awareness is still lacking nowadays, even though the issue of sustainability has been echoed widely across traditional, online and social media platforms. The United Nations (UN) Special Rapporteur on Poverty

and Human Rights Philip Alston (Jaramaya & Nursalikah, 2020), stated that global warming, the climate change have threatened progress in development, global health, and poverty reduction over the last 50 years. Global warming, and the ignorance of sustainability measures has also created many social issues. Both companies and households are responsible for this. Companies, ignore the environmental and social impact of their activities in carrying out their operations for economic benefits. This imbalance has caused social and environmental damage (Ibrahim *et al.*, 2019).

In Indonesia, households and companies generate around 85,000 tonnes of waste per day, with an estimated increase of up to 150,000 tonnes per day by 2025 (Sindo, 2023). Dihni (2022), reported that 1,499 villages or sub-districts

experienced land pollution, 10,683 villages or sub-districts experienced water pollution, and 5,644 villages or sub-districts experienced air pollution in 2022. Companies cause most of this pollution; for example, four companies dump their waste at Citongtut Lake (Novelino, 2022). Based on the 2022 Environmental Performance Index, Indonesia is ranked 164 out of 180 countries with an ecosystem vitality score of 34.1, an environmental health score of 25.3, and a change mitigation policy score of 23.2 out of 100 (Ahdiat, 2022). This shows that Indonesia suffers from environmental damage.

In addition to environmental damage, company activities may also cause social issues. Indonesian Minister of Manpower, Ida Fauziyak, said that over the past three years, the number of work accidents, including work-related diseases, has continued to increase, and in 2022 (up to November 2022), 265,334 work accidents were recorded (Santia, 2023). This could happen because the companies ignored or paid less attention to workers' health and safety. Other issues that occur in Indonesia today are poverty, the education gap, and several layoffs in labour. The number of poor people in March 2022 reached 26.16 million or 9.54% (Central Bureau of Statistics, 2022). There is a difference between the level of education of workers and that required by the company (Sukanti & Sulistyanningrum, 2022). The number of layoffs in the labour-intensive sector during 2022 reached more than 70 thousand people (Sandi, 2022). This indicates that Indonesia also suffers from social damage and needs action to overcome it.

The Indonesian government, in its role as a regulator, has attempted to regulate corporate activities related to sustainability, for example, by issuing Law No. 22 of 2001 concerning oil and natural gas; Law No. 25 of 2007 concerning capital investment; Law No. 40 of 2007 concerning limited liability companies; Law No. 32 of 2009 concerning environmental protection and management. The government and policymakers are important factors because many businesses pursue sustainability to comply

with policies or regulations (Edwin, 2002). The latest regulation governing sustainability is Financial Services Authority Regulation Number 51/POJK.03/2017 (POJK51), which regulates the implementation of sustainable finance for financial service institutions, issuers, and public companies.

In POJK51, it is stated that financial service institutions, issuers and public companies are required to apply sustainable finance in their business activities and submit a sustainability report. One thing reported in the sustainability report is sustainability performance. However, good sustainability performance is not the ultimate goal of the company. According to Mubariq Ahmad, senior consultant advisor on climate change policy at the World Bank (Puji B, S. T., 2011), the benefits that companies will get from paying attention to sustainability are the financial side and the company's image. It is further said that the profits obtained will be greater as the company becomes greener, and the development of its share price will be better. This is in accordance with the shareholder theory, as company managers will try to improve the welfare of shareholders. With an increase in share prices, the welfare of shareholders will also increase.

The link between sustainability performance and stock price is the result of public awareness of sustainability. The public, especially investors who appreciate sustainability, should see more value in companies that have good sustainability performance. Therefore, investors will be more interested in buying company shares. Finally, the price of company shares will increase. If investors value sustainability, the price of the shares of the companies that implement sustainability and generate good sustainability performance will rise.

Many companies carry out their operations prioritising financial profits, so they do not pay attention to the impact of these activities on the environment and society, for example, palm oil companies that clear land by burning forests. Investors who invest in this company are indirectly responsible for the environmental

damage caused by this palm oil company. With POJK51, public companies are required to publish sustainability reports so that investors and potential investors, or in this case, shareholders, can find out about the practices carried out by the company in its operations. If shareholders also pay attention to environmental and community aspects, then they will be interested in buying shares that have sustainable performance, especially good environmental and social performance, so that share prices will increase and ultimately the value of the company will also increase.

Several studies examine the relationship between sustainability performance (economic performance, social performance, environmental performance), and stock prices. Ratri and Dewi (2017) researched companies listed in the Jakarta Islamic Index, and the results show that environmental performance does not affect firm value, where share price is one measurement of the firm value. Different results are shown for companies in Europe, where the average environmental performance of the industry has a significant positive influence on stock performance. On the other hand, social performance on average has a negative and significant influence (Ziegler & Schröder, 2007). For companies in America, adding a company to the Dow Jones Sustainability Index results in a continuous increase in stock prices (Robinson *et al.*, 2011). However, different results were shown in a study of 66 multinational companies committed to environmental supply chain sustainability programmes via a Carbon Disclosure Project (CDP) in the Netherlands found a negative stock price reaction to the announcement of participation in the ESCSP (Dam & Petkova, 2014). The difference in the results of this study raises the question of whether Indonesians, in this case investors, value the sustainability performance of companies.

In their investment decisions, investors not only consider the company's sustainability but also financial conditions (cash flow, capital structure, liquidity, debt policy, profitability) and growth prospects (sales growth, investment

opportunities). Periodically, the Indonesia Stock Exchange analyses the fundamental condition and stock price movements of issuers. It also publishes the LQ45 index, which contains the stocks of companies that have high liquidity, large market capitalisation, and support from good company fundamentals. By researching companies listed on the LQ45 index, industry-type factors and fundamental conditions that are not researched can be isolated. In addition, because companies on the LQ45 Index are leading stocks, these companies will pay attention to applicable regulations and issue the required sustainability reports, so that the data can be available.

Both now and in the future, the practices may provide financial benefits and investment opportunities. Monetary help foundations that disregard the arrangements will be dependent upon managerial authorisations as a composed advance notice or cautioning (POJK No.51/POJK.03/2017). At the point when matters connected with manageability are progressively thought of, the guideline of maintainability will become one of the boundaries that can influence the worth of the organisation according to the local area. According to Aboud and Diab (2018), sustainability means being able to satisfy the requirements of the present generation without jeopardising the capacity of subsequent generations to satisfy their requirements. According to POJK Number 51 of 2017, sustainability performance includes economic, social, and environmental aspects. This indicates that the company's sustainability is evaluated not only from an economic standpoint but from a social and environmental standpoint as well. POJK No. 51/POJK.03/2017 regulates the implementation of sustainable finance in Indonesia, where financial service institutions are required to implement sustainable finance and report the performance of sustainable aspects in the sustainability report.

Partner hypothesis can be the reason for associations, including organisations, to focus on their supportability execution. Many gatherings are progressively focusing on the part

of maintainability. Based on Ching and Gerab (2017) also provide support for this. Armoudian *et al.* (2023) discovered that global urgency, media pressure, and stakeholder pressure increased the importance of environmental and social responsibility. A company's environmental responsiveness can be driven by strong stakeholders, both internal (such as top management) and external (such as regulators, supply chain, and media) stakeholders (Sandhu *et al.*, 2014).

Based on the description above, it is known that the existence of POJK 51, which regulates the implementation of sustainable finance for financial service institutions, issuers, and public companies, will cause changes in sustainability performance and firm value, especially for companies listed on the LQ45 Index on the Stock Exchange Indonesia. For that reason, it is interesting to analyse. In addition, by requiring issuers to issue sustainability reports, there will be adequate data in terms of quantity and quality, so that comprehensive research can be carried out to enrich the literature on sustainability in Indonesia. The mandatory implementation of POJK 51 causes companies to pay attention to the environmental and social aspects, not just the financial aspects of their business. For example, companies are asked to report the number of environmentally friendly products, the use of energy, water and materials, the positive impact of implementing sustainable finance on society, equal employment opportunities, and the number of work accidents. Based on this, the company will try to improve its performance regarding the environment and society so that it can prepare better reports from year to year.

This study aims to analyse the relationship between sustainability performance and the stock price of issuers listed on the LQ45 Index on the Indonesia Stock Exchange so that it can be seen whether Indonesian investors pay attention to the company's sustainability performance or not. By knowing the relationship between sustainability performance and stock prices, which is one measure of firm value, it is expected that it can become an input for the Government of

Indonesia as a regulator in formulating policies related to sustainability and provide information for companies so that companies can take steps related to sustainability aspects. Sustainability and sustainability performance. In addition, this research is also expected to provide information for investors and shareholders in making investment decisions.

Many researchers are concerned about sustainability. They also examined how sustainability and firm value are intertwined. Sustainability in this research is measured with the index sustainability index (Wai & Cheung, 2011; Stich, 2012; Boitan, 2020) and sustainability reporting (Loh *et al.*, 2017; Uwuigbe *et al.*, 2018). Sustainability incentives (Abdelmotaal & Abdel-Kader, 2016), sustainability programmes (Dam & Petkova, 2014), and sustainability disclosure (Khaveh *et al.*, 2012). Sustainability investment (Xiao *et al.*, 2013) sustainability leadership (Robinson *et al.*, 2011), and sustainability information (Stich, 2012).

In the Indonesian context, the researchers that analysed sustainability and firm value used several variables, such as sustainability disclosure (Permana & Rasmini, 2016; Rakhman, 2017; Purbawangsa *et al.*, 2019) and corporate social responsibility activities (Hapsoro & Fadhilla, 2017; Wijaya & Wirawati, 2019). There are only a few research papers that have analysed the relationship between sustainability performance and firm value. Moreover, there has been no research on sustainability performance, especially research on companies in Indonesia, with indicators referring to POJK 51. POJK 51 is a sustainability reporting standard that only applies in Indonesia. Different from other worldwide reporting standards, such as GRI and SASB, POJK 51 has fewer indicators and emphasises sustainable finance.

Since the publication of this regulation, POJK 51 has been used in research related to the timeliness of reporting (Zulfikar *et al.*, 2020); credit assessment (Afrilia *et al.*, 2021); systemic bank modelling (Salim & Daly, 2021); ease of

reading sustainability reports (Adhariani & du Toit, 2020); green building (Sahid *et al.*, 2021); and a sustainable finance portfolio (Nugroho *et al.*, 2020). However, none of the aforementioned research analyses the relationship between sustainability performance and firm value. Therefore, this research is also expected to enrich the literature related to sustainability performance and firm value.

Materials and Methods

This research is inferential research to test the hypothesis that sustainability performance influences firm value in a positive direction and describes the relationship between the two variables. The approach to this research is quantitative.

The population of this study is companies listed on the Indonesia Stock Exchange (issuers), not limited to the type of business. The study was conducted on companies listed on the LQ45 index for the period February 2021 to July 2021, with data on sustainability reports and annual reports for the year 2020.

The LQ45 index was chosen because it consists of 45 companies that have high liquidity (actively traded), large market capitalisation and supported by good company fundamentals. (IDX, 2021), thereby minimising the possibility of speculative elements causing errors in analysis and drawing conclusions. The LQ45 index is updated twice a year, namely in early February and August. The determination of which stocks are included in the LQ45 is based on several criteria, one of which is the transaction value in the last 12 months (Beta, 2021). Thus, the companies listed in the LQ45 index for the period February 2021-July 2021 have been evaluated, and according to the IDX, they have high liquidity based on data from February 2020 - January 2021, which is in accordance with the annual reporting period and sustainability reports studied. Based on this, it was felt appropriate to choose the LQ45 index for the period February 2021-July 2021 because the time for annual reports and sustainability

reports is included in the data period evaluated by the IDX.

The 2020 report year was chosen because, based on POJK 51, 2020 is the first period that issuers are required to implement sustainable finance and also prepare a sustainability report. So, it is hoped that sufficient data will be available for research. The data used is secondary data obtained from the website of the Indonesia Stock Exchange and the official website of the company under study.

In this study, there are two variables, namely sustainability performance as the independent variable and stock prices as the dependent variable. Sustainability performance is a variable that describes a company's commitment to encouraging business sustainability through healthy practices, accountability, information transparency, contribution to economic development, and improving the quality of social life (Alsayegh *et al.*, 2023). The three pillars of corporate sustainability are divided into three, namely economic, social and environmental which are described as "a nested system" that is interconnected (Montiel, 2008). Since the development of sustainability issues, companies have become the main focus regarding their role in the environment. The company's goal is not only focused on achieving profits but also considers the social impact that the company has on the community environment. This means that the company shows environmental conservation efforts to minimize or repair environmental damage resulting from the company's business operations. Sustainability performance variable measurement is carried out on three dimensions, namely economic performance, environmental performance, and social performance. Each dimension has different elements, and these elements refer to POJK 51. In this study, the measurement of sustainability performance is carried out by calculating the percentage increase of each element for 2020 compared to 2019. For each dimension, the average increase is calculated from the elements disclosed by the company in its sustainability report or annual report. The value of the stock price used in this

study is the difference between the increase in the stock price on June 30, 2021 (before the publication of the 2020 Sustainability Report) and the increase in the composite stock price index on June 30, 2021. Using the composite; stock price index is carried out to eliminate macro factors that have not been researched.

A simple linear test was conducted to examine the relationship between sustainability performance variables and firm value. Besides that, the significance of the relationship between the two variables will also be calculated, as well as the value of R 2. The relationship between the independent and dependent variables is said to be significant if the resulting t value is greater than the critical t value (a 5% significance level is used). R 2 is a measure of the accuracy of the model's ability to make predictions, the higher the R 2, the higher the accuracy in making predictions.

Hypothesis testing is carried out on the relationship between:

- (1) 2020 Sustainability Performance with the End of December 2021 Stock Price
- (2) 2020 Sustainability Performance with the End of June 2022 Stock Price

- (3) 2020 Sustainability Performance with the End of December 2022 Stock Price
- (4) 2020 Sustainability Performance with the End of June 2023 Stock Price

Results

Based on the data that has been collected, the following is the result of the data processing that has been done.

2020 Sustainability Performance with the End of December 2021 Stock Price

The regression equation formed is:

$$y = -0,045 + 0,004KBER \tag{1}$$

where:

Y = stock price at the end of December 2021
 KBER = Sustainability Performance in 2020

Performance has an effect of 0.004 on the stock price at the end of December 2021. The relationship between variables is said to be significant if it has a t count or t-statistic greater than critical t (t table). Critical T with a significance level of 5% *one-tailed* (a unidirectional relationship between variables), with a *degree of freedom* of 43 (45 observations

Table 1: Regression results

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0,036801892							
R Square	0,001354379							
Adjusted R Square	-0,021869937							
Standard Error	0,258504923							
Observations	45							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0,003897	0,003897	0,058317	0,810323			
Residual	43	2,873466	0,066825					
Total	44	2,877363						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
Intercept	-0,044770051	0,042671	-1,04919	0,299952	-0,13082	0,041284	-0,13082	0,041284
KBER	0,004199717	0,017391	0,24149	0,810323	-0,03087	0,039272	-0,03087	0,039272

– 2 variables) is 1.68107, so the relationship between 2020 sustainability performance and the end of December 2021 stock price is not significant.

The r-square calculation result is 0.0013, which means that sustainability performance in 2020 can explain 0.14% of the change in stock prices at the end of December 2021; the rest is influenced by other factors. The p-value is greater than the 5% alpha value, which means the hypothesis is rejected. This research cannot prove that 2020 sustainability performance affects the December 2021 final stock price.

2020 Sustainability Performance with End of June 2022 Stock Price

With the same method, below is the regression equation for the stock price at the end of June 2022.

$$y = -0,064 + 0,025KBER \quad (2)$$

The 2020 sustainability performance had a negative effect of 0.025 on the end of June 2022 stock price. The relationship between variables is not significant because the t count or t-statistic is smaller than the critical t (t table) of 1.68107.

The result of the r-square calculation is 0.019, which means that the 2020 sustainability performance can explain 1.9% of the change in the stock price at the end of June 2022; the rest is influenced by other factors. The p-value is greater than the 5% alpha value, which means the hypothesis is rejected. This research cannot prove that 2020 sustainability performance affects the June 2022 final stock price.

2020 Sustainability Performance with the End of December 2022 Stock Price

The regression equation for stock price at the end of December 2022 is as follows.

$$y = -0,049 + 0,053KBER \quad (3)$$

The 2020 sustainability performance had a negative effect of 0.053 on the end of December 2022 stock price. The calculated t value, or t-statistic, is smaller than the critical t (t table), so the relationship between the 2020 sustainability

performance and the end of December 2022 stock price is not significant.

The result of the r-square calculation is 0.0435, which means that the sustainability performance in 2020 can explain 4.35% of the changes in the stock price at the end of December 2022; the rest is influenced by other factors. The p-value is greater than the 5% alpha value, which means the hypothesis is rejected. This research cannot prove that 2020 sustainability performance affects the December 2022 final stock price.

2020 Sustainability Performance with the End of June 2023 Stock Price

For the stock price at the end of June 2023, the regression equation formed is:

$$y = -0,098 + 0,025KBER \quad (4)$$

The 2020 sustainability performance had a negative effect of 0.025 on the end of June 2023 stock price. The relationship between variables is not significant because the t count or t-statistic is smaller than the critical t (t table) of 1.68107.

The r-square calculation result is 0.022, which means that sustainability performance in 2020 can explain 2.2% of the changes in stock prices at the end of June 2023; the rest is influenced by other factors. The p-value is greater than the 5% alpha value, which means the hypothesis is rejected. This research cannot prove that 2020 sustainability performance affects the end of June 2023 stock price.

Discussion

The results of this research show that for companies listed on the LQ45 Index on the Indonesia Stock Exchange, sustainability performance does not affect firm value. The increase in sustainability performance, as measured by POJK 51, did not get a positive response from stock market investors, so it could not affect the company's value. The results are in line with research by Trisnowati *et al.* (2022) on 26 companies listed on the Sri-

Kehati index and the ESG leaders index for 2015-2020, where it is stated that ESG scores do not affect stock returns, investors do not consider ESG scores in making their investment decisions. Putri *et al.* (2020) reported that 39 manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018 also shows that environmental performance and the PROPER (Company Performance Rating Assessment Programme in Environmental Management) assessment conducted by the Ministry of the Environment does not influence stock market reactions. Soelton *et al.* (2020) reported that 41 companies listed on the Indonesia Stock Exchange in 2016 also showed that the CSR index based on GRI does not affect firm value. Hidayah (2021) reported that companies listed on the LQ45 Index on the BEI in 2017-2018 also showed that economic performance and social performance do not affect firm value. Research by Laskar (2018) on 21 non-financial companies listed on the BEI in 2006-2014 and research by Widnyana *et al.* (2021) on property and real estate sector companies listed on the BEI in 2017-2019 also showed that CSR disclosure does not affect firm value.

With the enactment of POJK 51, companies will try to comply with this regulation by implementing sustainable practices and reporting their sustainability performance as a sustainability report. By complying with these rules, the company will avoid the risk of being penalised. According to institutional theory, investors will respond positively, and stock prices will increase. In addition, an increase in sustainability performance is a sign that the company has implemented company operations responsibly, in accordance with the signalling theory. Investors will also respond to this positively so that the stock price will increase and will increase the value of the company. Based on this, the company will try to improve sustainability practices to provide good sustainability performance, and in the end, it is hoped that the stock price will increase. However, in this study, there is not enough evidence to state that increasing the company's sustainability performance can increase the

company's value. The results do not confirm institutional theory or signalling theory.

The findings of this research are in line with other research that uses Corporate Social Responsibility (CSR) as an indicator of sustainability. CSR activities do not directly affect company performance; reputation and *double-loop learning* are variables that mediate the effect of CSR on financial performance, and effective CSR activities are activities that are in accordance with stakeholder expectations (Hasanudin *et al.*, 2019). Regarding sustainability performance itself, CSR activities do not describe company performance (Senawat *et al.*, 2018), CSR activities cannot directly change stock capitalisation (Rusdi *et al.*, 2018), and there is a tendency for companies that have a pessimistic tone in their income statements to increase their sustainability disclosure (Ningsih *et al.*, 2021). These things are likely to cause investors not to respond positively to sustainability performance, even though investor psychology can mediate the effect of CSR activities on stock capitalisation (Rusdi *et al.*, 2018).

Besides the investor perspective about sustainability described above, the result could happen because the Indonesian stock market is inefficient compared to other countries' stock markets, investors take advantage of month and year effects (Sawitri & Astuty, 2018), and there is an influence of rumours on stock prices in Indonesia (Gede Wirama *et al.*, 2017). Apart from that, investors' decisions are also influenced by moods, where on certain days, investors tend to be irrational and speculative in purchasing stocks (Luxianto *et al.*, 2020). Another factor that might cause the hypothesis regarding the company's value to not be proven is that during this research period, the COVID-19 pandemic occurred. The pandemic causes uncertainty, which ultimately causes stock price volatility and creates abnormal stock returns (Endri *et al.*, 2021). Even though the company gave a positive signal, the market did not give a positive reaction. There was pessimism about the stock market during the COVID-19 pandemic. During the COVID-19 pandemic (Tinungki *et al.*,

2022) there was stock price volatility. Large-scale social restrictions as an effort to overcome COVID-19 also apparently affected the stock market, where there is a difference in abnormal stock returns before and after this large-scale social restriction (Mayapada & Septian, 2022).

The issue of sustainability consists of three main aspects, namely economic, social, and environmental aspects. In particular, there is a reciprocal relationship between humans and their environment. The environment is an important part of human life to fulfil their living needs (Effendi *et al.*, 2018). In short, the relationship between a company and its environment must be mutually beneficial (Wahyuni *et al.*, 2020). The occurrence of environmental pollution and damage caused by the company's business activities is exceedingly difficult to repair and causes economic losses for the company. This is a serious problem for the sustainability of the company, where the company must be able to improve its performance while maintaining the environment and natural resources (Liao & Zhang, 2020). Companies must be able to conduct their company's environmental performance and be committed to participating in protecting and preserving the environment (Fadhilah *et al.*, 2021). Change towards sustainable development means respecting the resources available in nature and the various services offered by ecosystems (Tsibulnikova *et al.*, 2016).

Sustainable information relates to company performance which has an impact on the economic, social and environmental aspects in which the company operates to support sustainable development. Sustainable development is implemented to meet the needs of the current generation without reducing the ability of future generations to meet their needs (Weda & Sudana, 2021). Sustainable development needs to be implemented because current economic activities tend to damage the global ecosystem and hinder the needs of the next generation (Utama & Mirhard, 2016). Sustainable development aims to balance two interests at once, namely economic development

and environmental preservation. Since the development of sustainability issues, companies have become the main focus regarding their role in the environment. In addition, there have been a series of tragedies in Indonesia involving the environment, such as the case of hot mud floods by PT. Lapindo Brantas in Sidoarjo, East Java, pollution of Buyat Bay in South Minahasa by PT. Newmont Minahasa Raya, as well as the conflict between the Acehnese people and Exxon Mobil which manages natural gas in Arun (Yudaruddin & Pratiwi, 2016).

The results of sustainable accounting activities are in the form of sustainability reporting which contains information on the company's sustainability. Along with the development of information flow in this era of globalisation, sustainability reporting has recently become a major issue for companies so that the company's goals are not only focused on achieving profits but also thinking about the social impact that the company has on the community (Mujiani & Nurfitri, 2020). Sustainability reports prepared by companies show that they care about the environment. This means that the company shows environmental conservation efforts to minimise or repair environmental damage resulting from the company's business operations (Fadhilah *et al.*, 2021). This is especially true for companies with operations directly linked to the natural environment, such as companies in the agricultural, plantation and mining sectors. Companies in this sector tend to have the potential to damage the environment in the course of conducting their business and receive more attention from the public. Therefore, companies with business activities that are directly linked to the natural environment are the ones that dominate the level of environmental category disclosure on the Indonesian Stock Exchange (Kartini, 2019).

Indonesia and the world community have expressed their commitment to support and contribute to achieving global-scale sustainable development goals called Sustainable Development Goals (SDGs). The Indonesian

Stock Exchange (BEI) as part of the regulator in the field of Indonesian capital market development plays an active role in efforts to develop sustainable finance. This contribution and participation also involve all stakeholders, including issuers listed on the IDX. There are 17 SDGs, some of which focus on aspects of resource management including clean water and sanitation, clean and affordable energy, action on climate, underwater life and life on land (Indonesia Stock Exchange, 2021). The use of natural resources for companies will of course have an impact, especially on environmental balance. Development can be measured for its sustainability based on three criteria, namely, no wasteful use of natural resources, no pollution and other environmental impacts, and activities must be able to increase usable resources or replaceable resources (Panjaitan & Sukoharsono, 2019).

Conclusions

The results of this study do not confirm the institutional theory or signalling theory, whereby by increasing sustainability performance according to applicable regulations, companies will avoid being penalised. Besides, sustainability performance also signals that companies are operating responsibly. However, investors do not respond to this, so the firm's value does not increase. This might happen because caring for sustainability does not directly affect company performance, and sustainability activities do not reflect company performance. So, investors do not value sustainability, although they are concerned about the company's performance.

Sustainability performance is proven not to affect firm value, so it can be interpreted that this sustainability performance is not profitable for stockholders. On the other hand, the company also has stakeholders, outside of shareholders, whose interests are expected to be met by the company's sustainability performance. To bridge this, companies need to understand sustainability performance that is truly in line with stakeholder expectations,

strive to improve, and inform shareholders and potential investors appropriately. This needs to be done so that shareholders and investors can understand the reasons for companies to improve their sustainability performance, and in the end, investors can understand and care about the company's sustainability performance.

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Conflict of Interest Statement

The authors declare that they have no conflict of interest.

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