THE INFLUENCE OF FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE ON CORPORATE RISK DISCLOSURE PRACTICE

(An Empirical Study of Mining Companies Listed in IDX from the Period of 2015 – 2017)

A THESIS

Presented as a Partial Fulfillment of the Requirements

to Obtain the Bachelor Degree in Accounting Department

Written by:

QURROTA A'YUN ROJIYYAH

Student Number: 15312285

DEPARTMENT OF ACCOUNTING

INTERNATIONAL PROGRAM

FACULTY OF ECONOMICS

UNIVERSITAS ISLAM INDONESIA

YOGYAKARTA

2019

THE INFLUENCE OF FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE ON CORPORATE RISK DISCLOSURE PRACTICE

(An Empirical Study of Mining Companies Listed in IDX from the Period of 2015 – 2017)

A THESIS

Presented as Partial Fulfillment of the Requirements

to Obtain the Bachelor Degree in Accounting Department

Written by:

QURROTA A'YUN ROJIYYAH

Student Number: 15312285

DEPARTMENT OF ACCOUNTING

INTERNATIONAL PROGRAM FACULTY OF ECONOMICS

UNIVERSITAS ISLAM INDONESIA

YOGYAKARTA

2019

THE INFLUENCE OF FINANCIAL PERFROMANCE AND CORPORATE GOVERNANCE ON CORPORATE RISK DISCLOSURE PRACTICE
(An Empirical Study of Mining Companies Listed in IDX from The Period of 2015 – 2017)

Written by:

QURROTA A'YUN ROJIYYAH

Student Number: 15312285

Approved by

Content Advisor,

Yuni Nustini Dra., MAFIS., Ak., CA., Ph.D. May 7, 2019

Language Advisor

Nihlah Ilham, S.Pd. May 7, 2019

THE INFLUENCE OF FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE ON CORPORATE RISK DISCLOSURE PRACTICE

(An Empirical Study of Mining Companies Listed in IDX from the Period of 2015 - 2017)

A BACHELOR DEGREE THESIS

By:

QURROTA A'YUN ROJIYYAH

Student Number: 15312285

Defended before the Board of Examiners
on May 2019 and Declared Acceptable

Board of Examiners

Examiner I

Yuni Nustini Dra., MAFIS., Ak., CA., Ph.D. May 22, 2019

Examiner II

Suwaldiman, S.E., M.Accy., Ak. May 22, 2019

Yogyakarta, May 22 2019
International Program
Faculty of Economics
Universitas Islam Indonesia
Dean

UNIVERSITAS ISLAM INDONESIA
YOGYAKARTA
FAKULTAS EKONOMI

(Jaka Sriyana, SE., M.Si., Ph.D.)

DECLARATION OF AUTHENTICITY

Hereby I declare the originality of the thesis; I have not presented someone else's work to obtain my university degree, nor have I presented someone else's words, idea or expectations without any acknowledgements. All quotations are cited and listed in references of the thesis. If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, 7 May, 20 19

METERAI TEMPEL
ECE32AFF792186842
6000
ENAM RIBU RUPIAH

Qurrota A'yun Rojiyyah

ACKNOWLEDGEMENT

Assalamu'alaikum warrahmatullahi wabarakatuh,

بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

"All perfect praise is due to Allah, the Lord of the worlds. I bear witness that none is worthy of worship but Allah, alone with no partners. Moreover, I bear witness that Muhammad is His Messenger, may Allah exalt his mention."

Alhamdulillah rabbil'alamin, the thesis which entitled "The Influence of Financial Performance and Corporate Governance on Corporate Risk Disclosure" as partial requirements to obtain the bachelor degree in Accounting Department, International Program, Faculty of Economics, Universitas Islam Indonesia is finally finished. Appreciation and gratitude are sincere to everyone who takes part in giving a contribution and making this thesis a success. Hopefully, this thesis can bring benefits for the upcoming studies. Though this occasion, I would like to address my regards to:

1. Allah SWT for the blessings and mercy. He has been giving me; His mercy, His love, eases, chances, and growth throughout my life. He gives me the endless strength till I can finish this thesis on the best time.
2. Prophet Muhammad SAW as the best of mankind who sacrificed countless things for his *ummah*. He has inspired me along the way. My heart sends salutations upon you.
3. My Ummi and Abah, Warsini and Joko Harianto, for the unending prayers that led me to a series of fortune and guarded me protectively from all sorts of calamity in this world. For the endless kindness, sacrifices,

supports, motivation, inspiration, advices, and gentle love. Thank you for tirelessly remind and encourage myself to always do righteous deeds. Both of them are my first school whom I learn and get the most beautiful education form. To them, I dedicated this thesis.

4. My siblings. Sumayyah Syahidah, who always endure my cranky side alongside my constant complain on everything. Thank you for being a little sister whom I can lean on. My bubbly sister, Fiqriah, thank you for the funny and stupid stories you shared with me that help brightens up my days. My grumpy but soft-hearted little brother, Fahmi, thank you for bear all my clingy acts whenever we are together. My youngest sister, Izzah, thank you for being our sweetest sweetheart and most patience person at home. For their infinite love and support given to me, I couldn't ask for better siblings, friends, enemy and fight mates.
5. Yuni Nustini, Dra., MAFIS., Ak., Ph.D. as my thesis advisor, who always warmly and kindly guides me with knowledge, advice, motivation, and inspiration throughout my thesis-writing period.
6. Nihlah Ilhami, S.Pd. as my thesis language advisor who has given supportive lexical advices for this thesis.
7. All the lecturers and staff in the International Program, Faculty of Economics, Universitas Islam Indonesia for all helps, guidance, knowledge and kindness throughout my undergraduate studies.
8. My boarding house mates, Fatimah Umi, Rizky Ramadhani and my ambitious thesis discussion partner, Vita Ridhaningtiyas. Thank you for

being my (almost) 24/7 best accompanier throughout my life in Yogyakarta. Without you, staying in Dongcha would definitely be dull, boring and super monochromatic.

9. My kind friends during my undergraduate journey. The witty friend, Salsa, best mate to go to one coffee shop to other coffee shop during thesis writing period. Sarah, the kindest and patience listener of my continuous complaint, gibberish and meaningless stories. The social butterfly, Austine, who unintentionally trigger myself to finish my thesis as soon as possible. Ayu Fatma slash Ipoy, who sometimes like to complicate things that are not complicated and our provider of best and warmth home-made meals in Yogyakarta. Tiara, my argued partner that kindly give the people around her gentle attentions. The jokester Anyar, for brighten up days with her amusing jokes and contagious laugh. The gorgeous inside and out and calmest person in the gang, Amalina. Lastly, the cheerful and fierce, Intan. Massive super thanks to you peeps, the life as a student lives far away from home would be twice harder if it wasn't for all of you.
10. The boys in Lingkaran Angel; Bisma, Yodi, Ary, Bagas, Rendy. I am a low-key fan of all the hilarious things you guys made up. Also, my other classmates in accounting '15 for being learning partners along the way my journey to obtain the bachelor degree.
11. All parties that cannot be mentioned one by one who genuinely help and support me.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

ABSTARCT

This study aims to analyze the influence of financial performance on proxies of profitability and leverage and corporate governance on proxies of auditor reputation, managerial ownership and risk management committee toward corporate risk disclosure. The populations in this study are the mining companies listed on the Indonesia Stock Exchange (IDX) from the period of 2015 – 2017. The type of data collected was secondary data from corporate annual report. This research used purposive sampling method and 40 companies were selected. The multiple regression analysis with SPSS 23.0 software was used to test the research hypothesis. The result of this study indicated that the variables of auditor reputation and risk management committee have a positive and significant effect on corporate risk disclosure. Also, managerial ownership has a negative effect on corporate risk disclosure and leverage. While, profitability and leverage have no effects on corporate risk disclosure.

Keywords: financial performance, corporate governance, profitability, leverage, auditor reputation, managerial ownership, risk management committee, corporate risk disclosure

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kinerja keuangan pada proksi profitabilitas dan *leverage* serta pengaruh *corporate governance* pada proksi reputasi auditor, kepemilikan manajerial, dan komite manajemen risiko terhadap pengungkapan risiko perusahaan. Populasi dalam penelitian ini adalah perusahaan pertambangan yang tercatat di Bursa Efek Indoensia (BEI) pada periode tahun 2015 – 2017. Jenis data yang dikumpulkan adalah data sekunder dengan menggunakan data dalam laporan tahunan perusahan. Teknik pengambilan sampel adalah metode *purposive sampling* yang menghasilkan sampel sebanyak 40 perusahaan. Analisis regresi berganda dengan SPSS 23 digunakan dalam penelitian ini untuk menguji hipotesis penelitian. Hasil penelitian ini menunjukan bahwa variabel reputasi auditor dan komite manajemen risiko berpengaruh positif signifikan terhadap pengungkapan risiko perusahaan. Variabel kepemilikan manajer ditemukan berpengaruh negatif terhadap pengungkapan risiko perusahaan. Sedangkan variabel profitabilitas dan *leverage* tidak berpengaruh terhadap pengungkapan risiko perusahaan.

Kata Kunci: kinerja keuangan, *corporate governance*, profitabilitas, *leverage*, tipe auditor, kepemilikan manajerial, komite manajemen risiko, pengungkapan risiko perusahaan

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial statement alongside with financial report is mandatory to disclose annually for the corporates listed in capital markets to their stakeholders. According to SFAC No.1 on paragraph 50, the information within financial reporting should contain how the corporate management used the enterprise resource assign to the owners (shareholders). Thus, the disclosure provided by corporates can be used as the instrument to measure the corporate's accountability. SFAC No.1 on paragraph 34 also stated that financial reporting should present information that are beneficial for other users such as present and potential creditors also investors in making decisions related to investment, credit and other decisions. It is useful to lessen uncertainty as well as anticipate economic situation such as social changes, technological changes and inflation or deflation.

Financial reporting does not merely provide information about numerical data on financial statement but also non-numerical on non-financial segment. The addition and detailed information that can satisfy stakeholder's interest generally stated on non – financial segment. Corporate risk is one of the disclosure on non – financial segment that has received considerable attention from stakeholders after numerous accounting scandals on big corporates for example cases which happened in the year 2002 such as Enron and WorldCom in the United States and Kimia Farma in Indonesia. The financial crisis that happened during 1997 in East Asia and the subprime mortgage in the United States during 2008 was also one of the reason why stakeholders demanded the transparency information disclosure on the financial report (Utomo & Chariri, 2014). It questioned the effectiveness of corporate risk management and disclosure practice that triggered a regulatory response.

Corporate risk defined as something that can impact the corporate in the future or had already affected the corporate which can be any opportunity or any hazard, danger, exposure (Linsley & Shrives, 2006). Hence, by disclosing risk information, the corporate has tried to be more transparent in providing information to stakeholders. Risk disclosure is highly important to investors, both equity investors and creditors, as these investors may lose money if the corporate in which investors have invested fails. Furthermore, the risk management and risk disclosure have gained heightened research attention in previous years. However most empirical research have been conducted in developed countries and there is a dearth of risk reporting in emerging countries (Habtoor, Ahmad, Mohamad, & Haat, 2017).

In Indonesia, there are several regulations that maintain corporates to disclose risk information in annual reports, particularly to corporates listed in Indonesian Stock Exchange (IDX). Risk information disclosure is regulated in Statement of Financial Accounting Standard or PSAK No.60 (revised 2014) issued by Institute of Indonesia Chartered Accountants. SFAS 60 concerns on Financial Instrument: Disclosure and Decision of Capital Market Supervisory Agency. In addition, Financial Institution's Chairman No. KEP-431/BL/2012 regulated about the submission of the public corporate's annual report can be used by financial statement users to assess the type and risk level of financial instruments required to be disclosed. Indonesia Financial Services Authority or *Otoritas Jasa Keuangan (OJK)* also dictated risk management regulation, namely, Regulation Number 17/2014, Number 1 /2015, and Number 18/2016. The regulations from OJK are only compulsory to the financial sector corporates (i.e., financial services, financial conglomerations, commercial banking, and non – banking). Nonetheless, for other two regulations which stated that information pertaining to risk is obligatory to be disclosed yet there is no regulation asserts the minimum coverage area of risk information.

Achmad, Faisal, and Oktarina (2017) conducted study regarding the risk disclosure practice of public corporates in Indonesia in 2014 and found the mean of risk disclosure is 32%, which considers as low extent of risk disclosure. It indicated that the public corporates in Indonesia may not fully give consideration regarding the completeness instrument of risk disclosure.

Corporate governance takes a vital role in supporting corporates in enhancing accountability, transparency, and explication of risk disclosure. Corporate governance is defined as "the system of checks and balances, both internal and external to corporates, which ensures that corporates discharge their accountability to all stakeholders and act in a socially responsible way in all areas of their business activities" (Solomon & Solomon, 2004 cited in Al-maghzom, Hussainey, & Aly, 2016). Corporate risk disclosure itself is part of good corporate governance practice (Wardhana & Cahyonowati, 2013). Corporate needs to disclose their risk management to show the practice of corporate governance. In practice, the corporate also must explain about the risks of the corporate that arise along with the actions to manage the calculated risks. There are numerous studies concerning the influence of corporate governance in the practice of corporate risk disclosure.

Achmad, Faisal, & Oktarina (2017) researched about factors influencing voluntary corporate risk disclosure practices by Indonesian corporates. The result showed that the independent board commissioners, managerial ownerships, and institutional ownerships have no relations to the practice of risk disclosure in Indonesian corporates. It is contrary to the research conducted by Sultisyaningsih & Gunawan (2016) which found there is a positive significant relation between managerial ownership and risk management disclosure. Habtoor et al., (2017) found that auditor reputation has a positive relation to the extent of risk disclosure. Yet, a research conducted by Kumalasari, Subowo and Anisyakurlillah (2014) found that there was no effect between auditor reputation and the extent of risk management disclosure.

In addition, the existence of risk management committee can help corporate to manage their risk better and enhance the practice of corporate risk disclosure. Risk management committee itself is responsible for monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies (Kallamu, 2015). The study conducted by Al-hadi, Hasan, & Habib (2016) found that there is a positive relation between the size of risk committee and market risk disclosure. The finding of this study provided evidences that the existence and size of risk committee may be used as a channel to improve disclosure level. While, another research conducted for the corporates listed in Johannesburg Stock Exchange in South Africa by Viljoen, Bruwer, & Enslin (2016) found that there was no significant relationship between independent risk committee and level of risk disclosure.

Financial performance is a factor that determines the coverage of disclosure in a corporate. Leverage is one of the measurements of financial performance. Leverage of a corporate will affect the number of disclosures made by the corporate, including risk disclosures. High leverage makes corporates face greater risks related to the amount of debt used to finance corporate activities. Foster (as cited in Habtoor et al., 2017) argued that corporates with high leverage tend to have greater motivation to provide more risk disclosure in favour to assure debt holders and creditors the corporate ability to manage risks arise from leverage and fulfil their obligation. A study by Utomo & Chariri (2014) found that leverage have positive relation to the practice of risk disclosure. However, Habtoor et al.,(2017) and Dey et al., (2018) found a negative relation between leverage and risk disclosure.

According to Achmad et al., (2017) and Ruwita & Harto, (2013) profitability is also one of the determinants of corporate risk disclosure. Profitability is corporate's ability to gain an advantage over their business activities for a year (Djafar, Garantjang, Romdioni, & Pontoh, 2017). Profitability can be seen as an indication of good management. Hence, a corporate with high level of profit margin will be willing to disclose more information to show their management competence to stakeholder (Linsley & Shrives, 2006).

There is an inconsistency conclusion from numerous previous studies. Achmad, Faisal, & Oktarina (2017) found a positive relation between profitability and auditor reputation to risk disclosure and no relation between managerial ownership and risk disclosure. Kumalasari & Anisyakurlillah (2014) found that there was no relation between auditor reputation and the extent of risk management disclosure. Moreover, Sultisyaningsih & Gunawan (2016) found that there is a positive significant relation between managerial ownership and risk management disclosure. Utomo & Chariri (2014) found that leverage has a positive relation to the practice of risk disclosure and it is contrary to study by Habtoor et al.,(2017) that found a negative relation between leverage and risk disclosure. Moreover, Al-hadi, Hasan, & Habib (2016) found that there is a positive relation between the size of risk committee and market risk disclosure while Viljoen, Bruwer, & Enslin (2016) found that there was no significant relationship between independent risk committee and level of risk disclosure.

This research is conducted to fill in the gap of previous studies conclusions for several variables which are financial performance proxied by leverage and profitability and corporate governance proxied by auditor reputation, managerial ownership, and risk committee. In addition, this study extends the current literature in the context of mining corporates in Indonesia due to the rare study in that sector. Therefore, this title of this research is "The Influence of Financial Performance and Corporate Governance on Corporate Risk Disclosure Practice" with the research objects are mining companies listed on the Indonesian Stock Exchange from the period of 2015 to 2017.

1.2. Problem Formulation

This study aims to answer the following problems:

1. Does profitability influence the practice of corporate risk disclosure?
2. Does leverage influence the practice of corporate risk disclosure?

3. Does auditor reputation influence the practice of corporate risk disclosure?
4. Does managerial ownership influence the practice of corporate risk disclosure?
5. Does risk management committee influence the practice of risk disclosure?

1.3. Research Objectives

The purposes of this study are to:

1. Analyze the influence of profitability to the practice of corporate risk disclosure.
2. Analyze the influence of leverage to the practice of corporate risk disclosure.
3. Analyze the influence of auditor reputation to the practice of corporate risk disclosure.
4. Analyze the influence of managerial ownership to the practice of corporate risk disclosure.
5. Analyze the influence of risk management committee to the practice of corporate risk disclosure.

1.4. Research Contributions

This research is designed to give benefits and substantially to give information for the following interested users:

1. Academicians

This research is expected to give more comprehensive understanding regarding factors influencing the practice of corporate risk disclosure. It is also likely to give contribution to the applicable theories used in this study such as agency and signaling theories. Moreover, it is useful in giving references for further corporate risk disclosure studies to give continuous improvement regarding the results.

2. Investors

This research purposes at providing relevant information as a basis for investment decision making by considering financial and non – financial indicators of the corporate so the investors can achieve their goals.

1.5. Systematics of Writing

Systematic of writing is the outline of this research that will give systematics of writing structure. In order to comprehend this research easily, this research is organized into the following sections:

CHAPTER I: INTRODUCTION

The first chapter of this research gives the general description of the research by explaining of the background of study, problem formulation, research objectives, research contributions, and systematics of writing.

CHAPTER II: LITERATURE REVIEW

The second chapter of this study encompasses the review of previous studies that can give thorough research formation and can relate to specified theories. This chapter will be classified into literature review, theoretical basses, and hypothesis formulation.

CHAPTER III: RESEARCH METHOD

The third chapter of this study focuses on the method of conducting the research including the statistical tool used consisting of population and sample determination, research variables, and data analysis method.

CHAPTER IV: DATA ANALYSIS AND DISCUSSIONS

The fourth chapter of this study explains about the result of findings and discussion regarding the research analysis. It will also discuss the results of research whether the hypotheses made have been proven or not.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

The fifth chapter of this study is the last section which gives conclusions regarding the research process and recommendations for further studies.

CHAPTER II

LITERATURE REVIEW

2.1. Theoretical Framework

2.1.1. Agency Theory

Agency theory has close relation with corporate governance. This theory is the basis for the corporates to understand the concept of corporate governance. This theory mainly enlightened about the relation between principal (shareholder) and agent (management). Agency theory can explain how the parties involved in the corporate will behave become essentially between agent and principal have different interests that will lead into agent conflict which could make asymmetry information (Kusumaningtyas & Andayani, 2015). Thus, it is necessary to avoid that conflict by avoiding any probability that could trigger the existence of asymmetry information.

Agency theory can be utilized as a basic understanding of risk disclosure practice. The provision of reliable information related to risk by management (internal parties who have risk information) to investors and creditors will reduce asymmetry of problem information. Moreover, with the existence of risk disclosure, the quality of financial statement will increase because the information will be more transparent.

2.1.2. Signaling Theory

Signal theory underlies voluntary disclosure. Wolk (as cited in Prayoga & Almilia, 2013) asserted that signal theory explains about the reason of corporate's information disclosure in capital market. Signal theory stated how the corporate should give signals to the financial statement users. The signal theory provides information and explanations about what agents have been done to the principals and users of financial reports. The signalling theory framework asserted that the corporate's drive to present information is due to the existence of information asymmetry between the managers and outsider parties of corporates since the managers know more about the corporate.

The management as an agent always tries to reveal private information which is very much asked by investors and shareholders particularly if the information considered as good news. Management is also interested in conveying information that can increase its credibility even though the information is not mandatory. According to Subramaniam, et al. (2009) as cited in Hanafiah (2014), the voluntary disclosure is a positive signal to corporates.

2.1.3. Risk Disclosure

Risk is an inevitable element of any business venture. In addition to financial risk, a company is also susceptible to business risk or changes in the overall economic climate. According to modernist view, risk includes both the positive and negative outcome occurred of events. Thus, risk defined as any prospect, or any hazard, threat, exposure or danger that has already impacted or may impact on the corporate in the future (Linsley & Shrives, 2006).

Disclosure is the provision of information that is useful for the party in need. The risk disclosure practice should consider information on strategy, actions, and performance in addition to information particularly concentrated on risk aspect (Beretta & Bozzolan, 2004). Risk disclosure define if the reader is informed as any opportunity, or any hazard, danger, harm, threat or exposure, that has already impacted upon the company or may impact upon the company in the future or of management of any such opportunity, prospect, hazard, harm, threat or exposure (Linsley & Shrives cited in Achmad et al., 2017). In this study, there are six risk categories consisting of financial risk, operation risk, empowerment risk, information processing and technology risk, integrity risk and strategic risk. The risk categorised using a risk model developed by The Institute of Chartered Accountants in England and Wales (ICAEW) and afterwards used by Linsley and Shrives (2006) and Achmad et al., (2017) on risk disclosure study.

2.1.4. Financial Performance

Corporate's main objective is to maximize their value in order to maximize shareholders' benefits and satisfaction. Hence, corporates should provide validity, reliability, transparency, and value relevance of accounting numbers, which directly influence capital market values (Kopecká, 2018). The information is mandatory to be prepared in the form of financial statements. The financial statement aims to assist stakeholders in decision making about financing and investment. Furthermore, the financial performance of corporates can be analysed through the financial statements of corporates. In this studies, the financial performance is proxied by profitability and leverage.

Profitability is an indicator of the success of a corporate in terms of its ability to generate profits by utilizing its resources (Sjahrial and Purba, 2013). Profitability can be seen as an indication of good management. Corporate with high level of profit margin will be willing to disclose more information to show their management competence to stakeholder (Linsley & Shrives, 2006).

Whereas, leverage is a level that shows a corporate's ability to fulfil its financial obligations. Leverage determines as a ratio that states the relationship between debt and total equity or corporate's asset (Habtoor et al., 2017). Moreover, Foster (as cited in Habtoor et al., 2017) argued that corporates with high leverage tend to have greater motivation to provide more risk disclosure in favour to assure debt holders and creditors. The corporate ability to manage risks arises from leverage and fulfil their obligation. In this study, the leverage is measured by using debt to asset ratio. This is according to several previous studies which used debt to asset ratio as the basis to proxy leverage (Sulistyaningsih & Gunawan, 2016; Utomo & Chariri, 2014).

2.1.5. Corporate Governance

Good Corporate governance is defined by Monks and Forum for Corporate Governance in Indonesia (cited in Latupono & Andyani, 2015) as a corporate governance system that explains the relationships of various participants in determining the direction and performance of the corporate**.** It aims to add the stakeholder's value and improve the performance of the corporate if the corporate governance run effectively. In this study, the corporate governance is proxied by auditor reputation, managerial ownership, and risk committee.

The reputation of external auditor used by corporates can influence the corporate behavior. According to Jensen & Meckling (1976), external auditors have a strong influence in mitigating agency conflicts between managers and investors through enhancing corporate disclosure. When the corporates are audited by the auditor which is a part of Big 4 audit corporates and have good reputation, the corporate could enhance information disclosure especially risk. In Indonesia, the big 4 accounting firms in are:

a. Deloitte Touche Tohmatsu (Deloitte), affiliated with Hans Tuankotta Mustofa & Halim; Osman Ramli Satrio and friends; Osman Bing Satrio and friends.

b. Ernest and Young (EY), affiliated with Prasetyo, Sarwoko & Sandjaja; Purwanton, Surwoko & Sandjaja.
c. Kliynveld Peat Marwick Goerdeler (KPMG), affiliated with Siddharta Siddharta Widjaja
d. Pricewaterhouse Coopers (PwC), affiliated with Haryanto Sahari & friends; Tanudredja, Wibisana & friends; Drs. Hadi Susanto & friends.

Ownership structure is a necessary part in corporate governance and managerial ownership is one of the structures within the corporate. Managerial ownership means that the manager of the company has some of the corporate's share. Managerial ownership is the ratio of shares owned by managers to total shares outstanding (Ruan & Tian, 2011). According to Weisbcah (1988) as cited in Kamardin (2014) managerial ownerships work as direct encouragements for managers to act in line with shareholders' interests. Hence, management has a double role which are managing the business continuity as well as being shareholders. Achmad et al., (2017) stated that corporates that have a higher managerial ownership composition incline to disclose less information to shareholders. It caused by the managers that have lower encouragements to meet the demands of shareholders through voluntary risk disclosure. The level of risk disclosure will decrease because the information disclosure also decreases.

Risk committee is an independent committee that is responsible for the risk management policies. Risk management committee itself is responsible for monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies (Kallamu, 2015). Risk committee benefits corporates by enlightening the board oversight of risk management. In Indonesia, through the regulation BI No.8/4/PBI/2006 about Good Corporate Governance, risk committee is mandatory to establish as a risk supervisor for banking industry. Meanwhile, for other industries, risk committee establishment is still voluntary.

2.2. Previous Studies

There are several previous studies concerning about the determinant of risk disclosure practice in Indonesia and other countries. Habtoor, Ahmad, Mohamad and Haat (2017) conducted a research entitled Linking Corporate Risk Disclosure with Corporate-Specific Characteristic in Saudi Arabia. The aim of this research is to explore the level of corporate risk disclosure practice and the relationship between non – financial corporates' characteristics to such practices in Saudi Arabia. In this research, there are 307 non – financial corporates' annual reports as samples from year 2008 until 2011. The research methodology used was the unbalanced panel regression analysis showing that a significant positive influence of audit corporate size and corporate size on corporate risk disclosure. Meanwhile, leverage shows no relation to the corporate risk disclosure level.

Achmad, Faisal, and Oktarina (2017) researched about the factors influencing voluntary corporate risk disclosure practices by Indonesian corporates. The factors in this research are corporate governance and corporate characteristics. There were 118 annual reports during the period of 2013 from corporates listed in Indonesian Stock Exchange (IDX) being analyzed using the content of analysis method. The statistical analysis showed that there is a positive relation between the size of the audit committee, the corporate size, and financial performance. Meanwhile, the independent board commissioners, managerial ownerships, and institutional ownerships have no relations to the practice of risk disclosure in Indonesian corporates.

Hernández Madrigal, Aibar Guzmán, and Aibar Guzmán (2015) conducted a research to 35 listed Spanish corporates on their corporate governance reports during the year 200. The research entitled Determinants of Corporate Risk Disclosure in Large Spanish Corporates: A Snapshot with a Multivariate Analysis used to identify what factors have a significant influence on the corporates' risk disclosure. The finding showed that there is no significant relation between profitability, ownership structure, number of independent directors, quotation on foreign stock and tracking of the COSO report to the extent of risk disclosure. Meanwhile, the positive and significant relation were found on corporate size, nature of industry and risk level.

Dey, Hossain, and Rezaee (2018) did a research to explore the degree of financial risk disclosure and financial attributes in Bangladesh. The data were taken from the annual reports of 48 corporates in manufacturing industries from

2010 to 2015 in Bangladesh. The method used was multiple regression to measure the variability of the extent of risk disclosure with corporate characteristics. The finding showed that corporate size, financial performance, and auditor type are positively and significant associated with the practice of financial risk disclosure. The results also revealed that financial leverage, liquidity, and industry type have no association with the level of financial risk in Bangladesh manufacturing corporates.

Utomo and Chariri (2014) conducted a research to examine the determinants of risk disclosure on non – financial corporates in Indonesia. The study took samples from annual reports of 335 non – financial corporates listed in IDX during the period of 2012. The results indicated that there is no significant effect of the ownership structure, independent directors, and audit committee to the practice of risk disclosure. Whereas, the other variables which are leverage, type of industry, and frequency of board meetings have positive significant relations in risk disclosure.

2.3. Hypothesis Formulation

2.3.1. Profitability and Risk Disclosure

Profitability is corporate's ability to utilize its resource to generate income (Sjahrial and Purba, 2013). According to agency theory, corporate's manager with high profit margin tends to provide deeper risk information to show the shareholders that managers already performed in the best interest of shareholders (Linsley & Shrives, 2006). The management has willingness to disclose more information to show their management competence to stakeholder. Furthermore, signalling theory posited that corporates tend to disclose more information when they have high level of profitability (Bini, Giunta & Dainelli, 2010). This has been proven by studies conducted by Achmad et al., (2017) and Hanafiah (2014) that found a positive relation between profitability and risk disclosure level. Thus, the first hypothesis is proposed as follows;

H_1: *There is a positive association between profitability and the practice of corporate risk disclosure.*

2.3.2. Leverage and Risk Disclosure

Leverage is defined as a level that shows a corporate's ability to fulfil its financial obligations. It could be measured by total debt to total asset. The corporate with high levels of debt is likely to be highly leverage and have more risk (Dey et al., 2018). Corporates with high leverage tend to have greater motivation to provide more risk disclosure in favour to assure debt holders and creditors regarding the corporate ability to manage risks arise from debt and fulfil their obligation. Based on the agency theory perspective, management of higher leverage corporates is encouraged to disclose more information from their creditor. Thus, the leverage level of corporate is a factor that influences to practice of corporate risk disclosure. The studies conducted by Utomo & Chariri (2014) proved that leverage has a positive significant effect in risk disclosure. Whereas a study conducted by Dey et al. (2018) found no association between the level of leverage and risk disclosure. Hence, the second hypothesis proposed is:

H_2: *There is a positive association between leverage and and the practice of corporate risk disclosure.*

2.3.3. Auditor Reputation and Risk Disclosure.

Audit activities can reduce information gaps, increase disclosure effectiveness and lessen agency costs (Jensen & Meckling, 1976). The agency theory evoked that external auditor has a strong influence in lessening agency conflicts between managers and investors through extend corporate disclosure (Jensen & Meckling, 1976). Furthermore, when the corporates are audited by the auditor which is a part of Big 4 audit corporates and have good reputation, the corporate could enhance information that will be disclose especially risk. The auditor which is a part of the big 4 audit corporates will assist the internal auditor to improve the quality of corporate risk assessment and supervision. If there is enhancement in the quality of assessment and supervision, the company will disclose greater risk of disclosure to decrease asymmetry information that may emerge between agent and principle. In addition, the good audit reputation firms (i.e. the big four) encourage their clients to engage in more disclosure as they have strong reinforcement to maintain their reputation as provider of high quality audit service (Dey et al., 2018). Thereby, high level of risk disclosure can be disclosing in annual report by corporates that use one of the big four audit firm as their audit service providers. The previous studies by Dey et al. (2018) and Habtoor et al. (2017) proved that auditor reputation has a positive relation to the extent of risk disclosure. Therefore, the third hypothesis proposed is:

H_3: *There is a positive association between auditor reputation and the practice of corporate risk disclosure.*

2.3.4. Managerial Ownership and Risk Disclosure.

Managerial ownership refers to share ownership owned by managers in a corporate. According to Jensen & Meckling (1976), the high managerial ownership could reduce agency problem of the managers to set the interests of managers as agents and shareholders as the principal. There is an increment of conflict of interest between the managers and the owners when the managerial ownership decreases. Nevertheless, the managerial ownership may lead to the entrenchment effect which happens when higher managerial ownership causes a strong position to manage the company and it is difficult to be controlled by external parties (Febrianto and Suwardjono cited in Nurleni, Bandang, Darmawati, & Amiruddin, 2017).

According to the agency theory, corporates that have a higher managerial ownership composition inclines to disclose less information to shareholders (Achmad et al., 2017) because the managers have lower encouragements to meet the demands of shareholders through voluntary risk disclosure and because the information requirement also decrease.

Someone who has double shared roles will incline to store information and not disclose it to outsiders. The study of Probohudono and Tower (2013) noted that there is a negative association between managerial ownership and corporate disclosure. Though, Sultisyaningsih and Gunawan (2016) found that there is a positive significant relation between managerial ownership and risk management disclosure. Thus, the fourth hypothesis proposed is:

H4: *There is a negative association between managerial ownership and the practice of corporate risk disclosure.*

2.3.5. Risk Management Committee and Risk Disclosure

Risk management committee itself is responsible for monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies (Kallamu, 2015). The formation of risk management committee within a corporate governance may enhance the practice of risk disclosure. Additionally, according to signal theory, it may help corporate give the signal regarding the risk which might happen in the future. The presence of risk committee management can be used as a signal for the stakeholders that the corporate has tried to managed risk properly and has better risk control than other corporates. Al – Hadi et.al (2016) stated that risk committee improves the board oversight of risk management by foreseeing and reacting to events and trend that might be invisible. The studies from Al-Hadi et al. (2016) found that there is a positive significant relation between the size of risk committee on market risk disclosure. Therefore, the fifth hypothesis proposed is:

H5: *There is a positive association between the existence of risk committee and the practice of corporate risk disclosure.*

2.4. Research Model

From the hypothesis formulation above, it can be illustrated by the figure down below

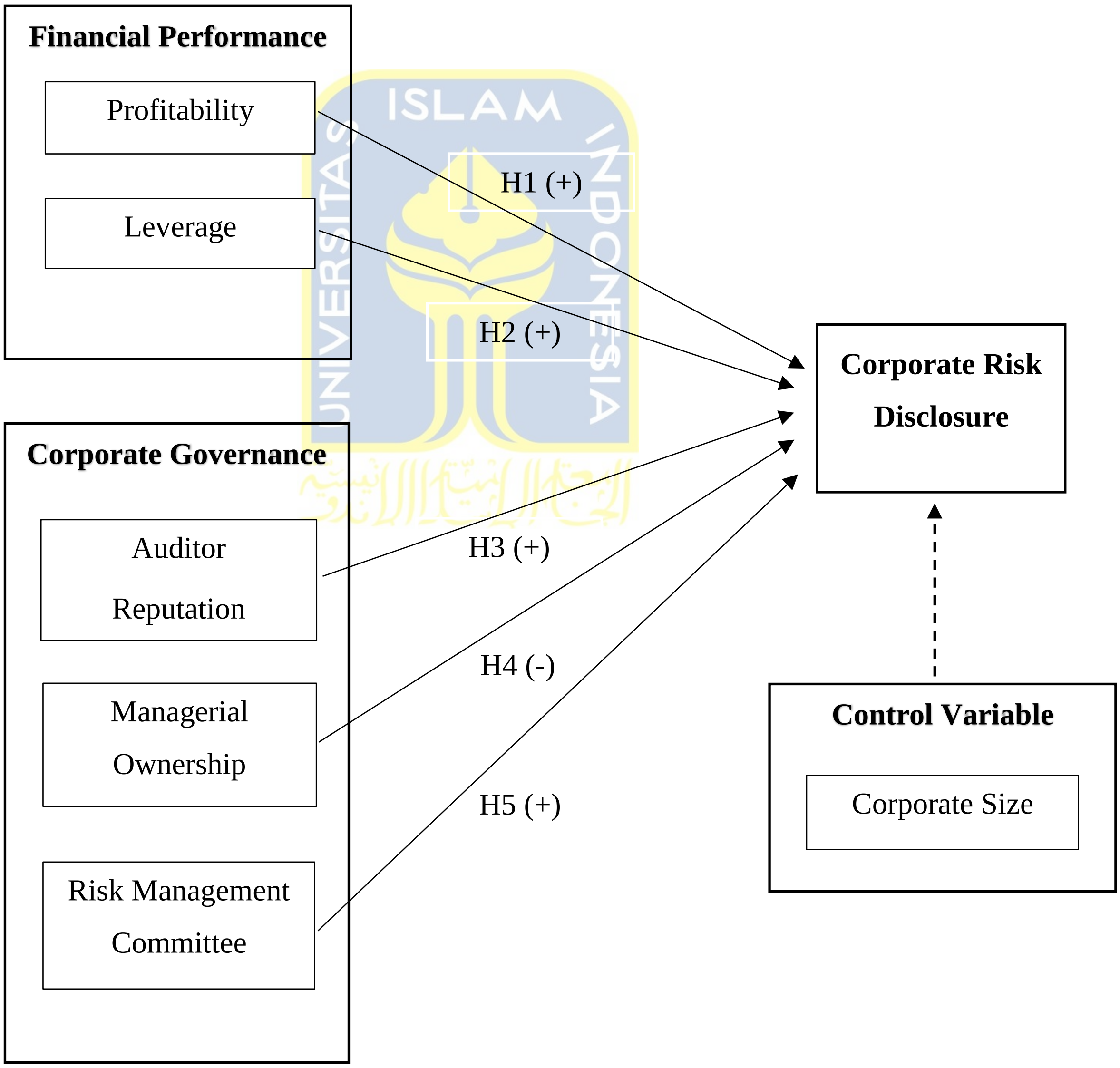


Figure 2.1 Conceptual Framework

CHAPTER III

RESEARCH METHOD

3.1. Type of study

This research is categorized as a quantitative – secondary study because this study uses numerical data which will be used into usable statistics. Furthermore, it also quantifies the variables by using the sample population presented by other parties. The data will be reused and analyzed for different objectives as the secondary data.

3.2. Population and Sample

The population in this study is taken from the annual report of mining corporates listed on the Indonesia Stock Exchange (IDX) in 2015 – 2017. In the recent years, corporates that are engaged in this field are considered to have experienced a significant decline so that there are likely great deal risks experienced and affect the corporate's risk disclosure report (Pramardhikasari, 2017). The mining sector has been chosen since there is limited research conducted in mining sector. Moreover, mining corporates are resource management corporates that conduct economic transaction activities with many parties such as suppliers, creditors, consumers, investors, etc. Corporates which economic activities are related to many parties will cause a lot of risks so that they are expected to relate to the risk disclosures carried out by the corporate.

The researcher used a purposive sampling technique to get a sample. The sample has to meet the following criteria:

1. The mining corporates are listed in Indonesia Stock Exchange.
2. The mining corporates are consistently published their annual reports for the period of 2015 – 2017.
3. The mining corporates disclose complete information related to this research such as corporate governance, risk management and risk information.

3.3. Sources and Data Collection Method

Data collection method in this research was using documents research method which involved the study of existing documents (Walliman, 2011). The type of data used in this study were secondary data in the form of Annual Report of mining corporates listed on Indonesian Stock Exchange in the period of 2015 – 2017. The research data obtained from the Annual Reports of mining corporates through direct access to www.idx.co.id. and mining corporates website.

3.4. Research Variables

3.4.1. Dependent Variable

The dependent variable is the variables that become the main concern in this study. This study used corporate risk disclosure as the dependent variable.

3.4.1.1. Risk Disclosure

This research used corporate risk disclosure as the dependent variable. The analysis of risk disclosure used content analysis method. Content analysis was used to categorize items of text where a large amount of qualitative data needs to be analyzed (Holsti cited in Linsley & Shrives, 2006). Weber (1990) defined content analysis as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. It is a set of procedures to make valid inferences from text. Content analysis is widely used for previous researchers in assessing disclosure (Achmad et al., 2017; Al-maghzom et al., 2016; Habtoor et al., 2017). In this research, the annual report of corporates is the document being analyzed using this method.

The measurement of corporate risk disclosure used the unweighted disclosure index approach. The score of 1 was given if the corporate disclose information as determined in checklist index and 0 was given if the corporate did not disclose the information. The disclosure check list items adopted the index of risk disclosure by Achmad, Faisal, & Oktarina (2017) refering to the Indonesia Financial Services Authority (OJK) and Linsley & Shrives (2006). There are six categories of risk which are financial risk, operational risk, empowerment risk, information processing and technology risk, integrity risk and strategic risk with the total of 37 risk details from all categories

(Achmad, Faisal, & Oktarina (2017). Table 3.1. presents disclosure items used to measure risk disclosure.

Table 3.1. Corporate risk disclosure items

Risk Category	Risk Details
Financial risk	1. Interest rate 2. Exchange rate 3. Commodity 4. Liquidity 5. Credit
Operational risk	6. Customer satisfaction 7. Product Development 8. Efficiency and performance 9. Sourcing 10. Stock obsolescence and shrinking 11. Product and service failure 12. Environment 13. Health and safety 14. Brand name erosion
Empowerment risk	15. Leadership and management 16. Outsourcing 17. Performance incentives 18. Change readiness 19. Communications
Information processing and technology risk	20. Integrity 21. Access 22. Availability of Infrastructure

Source: Linsley & Shrives (2006), Achmad et al. (2017)

Table 3.1. Corporate risk disclosure items (continue)

Integrity risk	23. Risk management policy 24. Management and employee fraud 25. Illegal acts 26. Reputation
Strategic risk	27. Environmental scan 28. Industry 29. Business portfolio 30. Competitors 31. Pricing 32. Valuation 33. Planning 34. Lifecycle 35. Performance measurement 36. Regulatory 37. Sovereign and political

Source: Linsley & Shrives (2006), Achmad et al. (2017)

Thus, the index calculation in corporate risk disclosure is formulated as follows:

$$\text{Risk Disclosure Index (RDI)} = \frac{\text{numbers of items disclosure}}{37}$$

3.4.2. Independent Variable

3.4.2.1. Profitability

Profitability is corporate's ability to utilize its resource to generate income (Sjahrial and Purba, 2011). Net Profit Margin (NPM) is selected as a proxy for the level of profitability in this study. Net profit margin is used to describe the corporate's ability to obtain net income at each particular level of sales made. Moreover, the profit margin has been chosen as the proxy of profitability in this study because the corporate with a higher profit margin tends to provide deeper risk information to show the shareholders that managers already performed in the best interest of shareholders (Linsley & Shrives, 2006). Thus, net profit margin measure as follows:

$$\text{Net profit margin} = \frac{\text{Net profit (after tax)}}{\text{Sales}} \text{ X } 100$$

3.4.2.2. Leverage

Leverage determines as a ratio that states the relationship between debt and total equity or corporate's asset (Habtoor et al.,2017). It measures the ability of both long-term debt and short – term debt used to finance a corporate's activities. The proxy used to measure the leverage based on (Habtoor et al., 2017) is:

$$\text{Leverage} = \frac{\text{Total liabilities}}{\text{Total asset}}$$

3.4.2.3 Auditor Reputation

Auditor reputation is indicated by whether a corporate uses a big accounting corporate as its external auditor and incorporated in the big four accounting corporate. The big four accounting corporates among others are KPMG, Price Waterhouse Coopers (PWC), Deloitte Touche Tohmatsu and Ernst & Young (E&Y). The auditor reputation can be measured by dummy variables. The corporate that uses one of the big four audit corporates will be given the value 1 and 0 if the corporate does not use one of the big four audit corporates.

3.4.2.4. Managerial Ownerships

Managerial ownership is the ratio of shares owned by all managers to total shares outstanding (Ruan & Tian, 2011). In this case, the management has a double role which are managing the business continuity as well as shareholders. The formula is as followa:

$$\text{Managerial ownerships} = \frac{\text{Number of Shares Own by Managers}}{\text{Total Outstanding Shares}}$$

3.4.2.5 Risk Management Committee

Risk management committee is an essential element in the management of corporate’s risk. Risk management committee can be measured by using dummy variables that if the corporate has RMC it will be given a value of 1 and 0 if there is no risk management committee.

3.4.3. Control Variable

This study used one control variable which is corporate size. Corporate size can be described as the successfulness of corporate financial condition. Size of a corporate directly reflects the level of operational activity. A big size corporate usually has more complexity rather than a small size corporate. Corporate size describes the total average of net sales, total assets and capital changes for the concerned year up to several years (Sulistyanigsih et al., 2016). The corporate size could be measured as follows:

Corporate size = Ln (total asset)

3.5. Analysis Technique

The data in this study were processed by SPSS Program version 23 and the analysis used descriptive statistics, classical assumption test, and multiple linear regressions.

3.5.1. Descriptive Statistics

The descriptive statistics analysis is the analysis used to know the characteristics of the sample used and describe the variable in this research. This analysis provides a description of data interpreted from mean, median, standard deviation, skewness, maximum, minimum and others.

3.5.2. Classical Assumption Test

Classical assumption test function is to test the feasibility of the regression model in order to achieve a good data and generate a good model. Classic assumption tests need to be done before conducting multiple linear regression tests. There are three tests in classical assumption: normality test, multicolonierity test, and heteroscedasticity.

3.5.2.1. Normality Test

The normality test is aimed to test whether the residual variable or disruptive variable in regression model have a normal distribution. When conducting the t test, there is assumptions that must be fulfilled that is the residual value follows the normal distribution. If this assumption is not fulfilled, the statistical test performed is invalid. This study used Kolmogorov Smirnov test to test the normality. The basis of decision making is if the significance value is more than 0.05 then the variable is normally distributed (Ghozali,2018). On the other hand, if the significance value is less than 0.05 then the variable is not normally distributed.

3.5.2.2. Heteroscedasticity Test

The heteroscedasticity test aims to show variable variance in unequal models (constant) (Ghozali,2018). A good regression model is a model with no heteroscedasticity. This study used a scatterplot graph to find whether heteroscedasticity occurs or not. The criteria for determining the analysis result of this test are:

a. If there are certain patterns thus there is heteroscedasticity.

b. If the points do not form a clear or regular points and the points spread above and below the number 0 on the Y axis, there is no heteroscedasticity exist.

3.5.2.3. Multicollinearity Test

Multicollinearity test is to test whether in the regression model there is found correlation between independent variables (Ghozali, 2018). A good regression model supposedly does not contain correlation between the independent variables. The values of variance inflation factor (VIF) and tolerance are used to determine the presence or absence of multicollinearity. The VIF value is opposite to the tolerance value. If the VIF value is high, tolerance value will be low and vice versa. The decision criteria with tolerance and VIF values are as follows:

a. If the tolerance value is ≥ 0.10, and VIF ≤ 10, there is no multicollinearity.

b. If the tolerance value ≤ 0.10 and VIF ≥ 10, there is multicollinearity.

3.5.3. Multiple Linear Regression

Multiple linear regression analysis is used to measure the strength of the influence of independent variables in dependent variables. It consists of determination coefficient test (R^2) and partial test (t). Multiple liner regression will be used to analyze data and to test the hypotheses since this study has more than one independent variable. This research will use multiple linear regression to test the effect of five independent variables which are profitability, leverage, auditor reputation, managerial ownership and risk management committee against the dependent variable corporate risk disclosure. The model purposed is as follows:

$$CDR = \alpha + \beta_1 PROF + \beta_2 LEV + \beta_3 AR + \beta_4 MO - \beta_5 RC + \beta_5 FS\ \varepsilon$$

Information:

CRD	=	Corporate Risk Disclosure
PROF	=	Profitability
LEV	=	Leverage
AR	=	Auditor Reputation
MO	=	Managerial Ownerships
RC	=	Risk Management Committee
FS	=	Corporate size
A	=	Constant value
β_1- β_7	=	Independent Variables Regression coefficient
ε	=	Error

3.5.4. Hypothesis Testing

The hypothesis testing in this research aims to prove the influence of independent variable against the dependent variable. This study will conduct the test of coefficient determination ($R^{2)}$ and t test.

3.5.4.1. Coefficient Determination R^2

The coefficient determination (R^2) is to measure how far the model's ability to explain variations of dependent variables. R^2 value exists between 0 and 1, hence the greater the R^2 value, it indicates the greater model can describe the dependent model (Ghozali, 2018).

3.5.4.2. T Test

T-test will perform to determine how far the influence of one independent variable in explaining the variation of the dependent variable. In other words, t test was conducted to find whether the independent variable significantly or insignificantly influence the dependent variable (Ghozali,2018). The influence can be seen from the significance level of each independent variable on the dependent variable, with an assumption that other independent variables are constant. The level of significance (α) in this study is 5%. The criteria for the t test are as follows:

a. If the significance is greater than 0.05, the hypothesis is rejected. This means that partially the independent variable does not have any influence on the dependent variable.
b. If the significance is less than 0.05, the hypothesis is accepted. This means that partially the independent variable does have influences on the dependent variable.

CHAPTER IV

DATA ANALYSIS AND DISCUSSION

4.1. General Explanation of Research Object

This study is aimed to find the influence of profitability, leverage, auditor reputation, managerial ownership, and risk management committee. This study is focused on examining mining companies listed in Indonesia Stock Exchange (IDX) for the period of 2015 – 2017. By using the purposive sampling method, it can be inferred that there were 40 sample companies out of the total of 47 listed companies. Thus, the total data obtained were 120 data (40 companies x 3 years of research). The criteria of sampling are in Table 4.1 as follows:

Table 4.1 The Selection of Samples

NO.	CRITERIA	SHORTLISTED COMPANIES
1	Mining corporates listed in Indonesia Stock Exchange 2015 - 2017	48
2.	Mining companies listed in IDX after 2015	(4)
3.	Mining corporates that did not publish annual report during 2015 – 2017 respectively	(4)
4	Mining corporates that did not disclose risk information	(0)
Number of Sample Corporates		40

4.2. Descriptive Statistics

Descriptive statistic analysis is used to give the description of the data. This analysis is referring to minimum value, maximum value, mean and standard deviation. The descriptive statistics consisting of corporate risk disclosure (CRD), profitability (PROF), leverage (LEV), auditor reputation (AR), managerial ownership (MO) and risk management committee (RMC) can be seen in Table 4.2. below:

	N	Minimum	Maximum	Mean	Std. Deviation
CRD	120	.19	.89	.5624	.14929
PROF	120	-53.95	13.98	-1.1126	6.38006
LEV	120	.00	1.99	.5396	.35941
AR	120	0	1	.47	.501
MO	120	.00	.93	.0305	.10933
RMC	120	0	1	.30	.460
CS	120	25.65	32.16	29.2852	1.48748
Valid N (listwise)	120				

Table 4.2 Descriptive Statistics Result

Source: Output SPSS 23, 2019.

Based on the descriptive analysis shown in the Table 4.2 above, it can be concluded as follows:

1. The output from descriptive statistics analysis in Table 4.2 shown that there were 120 total samples. From the 120 samples, the highest CRD score is 0.89 and the lowest CRD score is 0.19. The mean value of corporate risk disclosure is 0.5624. This value indicated that the level of corporate risk disclosure of mining companies during 2015 to 2017 is

56.24 % while the standard deviation is 0.14929. The standard deviation value is smaller than the mean, indicating that the CRD data is homogenous. This means that the data has similar values and characteristics with insignificant different between the data.

2. The mean of profitability (PROF) variable is -1.1126. This indicated that the average of the corporate's profitability proxied by net profit margin is negative 110.2 60%. The value showed that corporates in mining industry does not generate good profit from sales as the mean value is negative and indicated that the operating expenses and overhead expenses might be greater than revenue. Moreover, according to the analysis, the standard deviation value is 6.38006, greater than the mean value, it indicated that the data are substantially dispersed and categorized as heterogeneous data. Accordingly, the difference between the minimum and maximum value show high variation in a distribution at 40.75. The lowest profitability is shown by Bumi Resources Tbk. (BUMI) in 2015 with -53.95 whereas the highest value is also entitled to Bumi Resources Tbk. (BUMI) in 2017.
3. The mean of leverage (LEV) variable is 0.5396. This indicated that the average of 53.96 % of corporate's asset is financed by debt. Moreover, according to the analysis, the standard deviation value is 0.35941, indicating that the data are rather not dispersed. The standard deviation is lower than the mean which means the data are categorized as homogenous. The lowest level of leverage is shown by Indo Tambangraya

Megah Tbk. with 0.00 while the highest level of leverage is entitled to Borneo Lumbung Energi & Metal with 1.99.

4. The mean of auditor reputation (AR) variable is 0.47. This indicated that the average of corporates that used the big four audit firms to audit their financial report are 47% while the 53% did not use the non-big four audit firms. Moreover, according to the analysis, the standard deviation value is 0.50, indicating that the data are rather dispersed. The standard deviation value is higher than the mean value which means that the data are categorized as heterogeneous. The maximum and minimum values of the data are 1 and 0. The minimum value of AR is shown by the companies that did not use the big four audit firms and the maximum value is shown by the companies that used the big four audit firms.
5. The mean of managerial ownership (MO) variable is 0.0305. This indicated that the average of 3.05% of corporate's ownerships are owned by managers of the corporates. Moreover, according to the analysis, the standard value of the data is 0.10933 indicating that the data are rather dispersed. The standard deviation value is higher than the mean which means that the data are categorized as heterogeneous. The minimum MO value of the sample corporate is 0, while the maximum MO value of the sample company is 0.93.
6. The mean of risk management committee (RMC) variable is 0.30. This indicated that the average of corporates that has risk management committee within their organization structure is 30% while the other 70%

do not have risk management committee. Moreover, according to the analysis, the standard deviation value is 0.460, indicating that the data are rather dispersed. The standard value is higher than the mean value which means that the data are categorized as heterogeneous. The maximum and minimum value of RMC are 1 and 0. The corporates that have the maximum value are the corporates that have risk management committee and the corporates that have the minimum value are the corporates that do not have risk management committee.

7. The mean of corporate size (CS) variable is 29.2852. This indicated that the average size of mining corporates is 29.581. Moreover, according to the analysis, the standard deviation value is 1.48748, indicating that the data are rather not dispersed. The standard deviation is lower than the mean which means that the data are categorized as homogenous. The minimum size of corporate is 25.65, while the maximum size of the sample corporate is 32.16.

4.3. Classical Assumption Test

Multiple linear regression testing can be done after the model of this study fulfills the requirement of passing the classical assumption test. The test are including multicollinearity tests, normality tests, and heteroscedasticity test.

4.3.1. Multicollniearity Test

The objective multicollinearity test was to test whether in the regression there were correlations among independent variables used in this study. A good regression model should not have any correlation between independent variables. The result of a multicollinearity test is shown in Table 4.3.

Table 4.3 Multicollinearity Test Result

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
PROF	.925	1.081
LEV	.739	1.353
AR	.602	1.662
MO	.962	1.04
RMC	.648	1.543
CS	.606	1.65

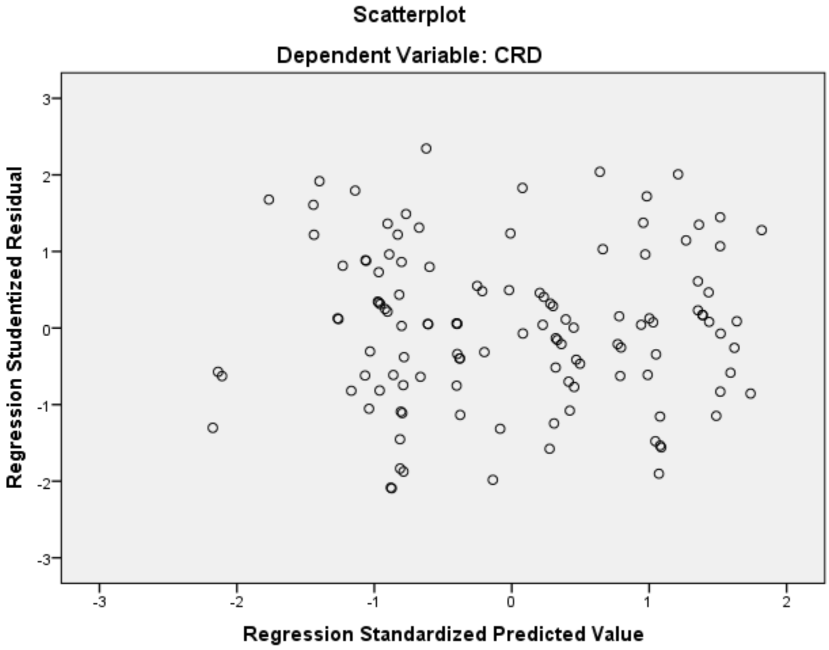
Source: Output SPSS 23, 2019

The multicollinearity test result in Table 4.3. above showed that all the independent variables had tolerance value greater than 0.10 and VIF value less than 10. Thus, the regression model had no multicollinearity problem.

4.3.2. Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model there is a variance of residual inequality one observation to another observation (Ghozali, 2018). Heteroscedasticity testing in this study was carried out by looking at the plot graph between the predictive value of the dependent variable (ZPRED) and the residual (SRESID). The results of heteroscedasticity test can be seen in Figure 4.1 below.

Figure 4.1 Heteroscedasticity Test Result



source: output SPSS 23, 2019

Based on the Figure 4.1, a scatter plot graph was generated with scattered data and did not form a specific patter. Thus, it can be concluded that there were no heteroscedasticity problems in the regression equation model.

4.3.3. Normality Test

The normality test is aimed to test whether the residual variable or disruptive variable in regression model have a normal distribution. In this study, the normality test was conducted by using the Kolmogorov-Smirnov (K-S) statistical test. The result of the normality test using K-S are as follows:

Table 4.4 Kolmogorov – Smirnov Test Result

		Unstandardized Residual
N		120
Normal Parameters[a,b]	Mean	0
	Std. Deviation	0.07075658
Most Extreme Differences	Absolute	0.048
	Positive	0.048
	Negative	-0.044
Test Statistic		0.048
Asymp. Sig. (2-tailed)		.200[c,d]

source: output SPSS 23, 2019

In the Table 4.4 of Kolmogorov – Smirnov test above, it showed that the obtained value of an asymp.sig (2-tailed) was 0.200. Thus, it can be concluded that the residual data in this study regression modal was normally distributed because the Asym.Sig (2 – tailed) value was above 0.05. The regression model had been feasible to be used for further analysis.

4.4. Hypothesis Testing

4.4.1. Multiple Linear Regression Analysis

Multiple linear regression method was used for hypothesis testing in this study. This statistical method used to find the relation between several independent variables to one dependent variable. The model in this study used to find the influence of financial performance with the proxy used are profitability and leverage and corporate governance proxy used are auditor reputation, managerial ownership and risk management committee. The result of the multiple regression analysis of this research model can be seen in Table 4.5 below.

Table 4. 5 Results of Multiple Regression Analysis

Model	Unstandardized Coefficients
	B
(Constant)	-0.548
PROF	-0.001
LEV	-0.002
AR	0.121
MO	-0.196
RMC	0.097
CS	0.035

source: output SPSS 23, 2019

According to the test of regression, it obtained the equation of the factors that influence the practice of corporate risk disclosure in mining companies in Indonesia as follows:

CRD = - 0.548 - 0.001 PROF - 0.002 LEV + 0.121 AR – 0.196 M0 + 0.097 RMC + 0.035 CS

The multiple linear regression equation above explained that in this research, profitability (PROF), leverage (LEV), managerial ownership (MO) had negative influences on corporate risk disclosure practice (CRD) while auditor reputation (AR) and risk management committee (RMC) and corporate size (CS) had positive influence toward corporate risk disclosure (CRD).

From the result of the model of regression equation above, the conclusions that can be drawn are as follows:

1. The constant intercept value is 0.548. This result can be interpreted that if the value of all independent variable is 0, then the amount of corporate risk disclosure will be 0.548.
2. The value of regression coefficient of profitability is equal to -0.001. This result can be interpreted that if profitability rises to one unit, then corporate risk disclosure will decrease by 0.001 assuming that all other independent variables of the regression model are constant.
3. The value of regression coefficient of leverage is equal to -0.002. This result assumed that if leverage increases to one unit, then corporate risk disclosure will decrease by 0.002 assuming that all other independent variables of the regression are constant.
4. The value of regression coefficient of auditor reputation is equal to 0.121. This result can be interpreted that if auditor reputation increases to one unit, then corporate risk disclosure will increase by 0.121 assuming that all other independent variables of the regression model are constant.

5. The value of regression coefficient of managerial ownership is equal to -0.196. This result can be interpreted that if managerial increases to one unit, then corporate risk disclosure will decrease by 0.196 assuming that all other independent variables of the regression model are constant.
6. The value of regression coefficient of risk management committee is equal to 0.097. This result can be interpreted that if risk management committee rises to one unit, corporate risk disclosure will increase by 0.097 assuming that all other independent variables of the regression model are constant.
7. The value of regression coefficient of corporate size is equal to 0.035. This result can be interpreted that if corporate size rises to one unit, corporate risk disclosure will increase by 0.035 assuming that all other independent variables of the regression model are constant.

4.4.2. T Test

The t test was conducted to find the effect of partially independent variables on the dependent variable. This method was used to test the hypotheses. The result of t – test can be shown in Table 4.6. as below.

Table 4.6 T Test Result

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	-0.548	0.161	0.001
PROF	-0.001	0.001	0.581
LEV	-0.002	0.022	0.920
AR	0.121	0.017	0.000
MO	-0.196	0.062	0.002
RMC	0.097	0.018	0.000
CS	0.035	0.006	0.000

source: output SPSS 23, 2019

The Table 4.6 above can be interpreted as follows:

1. The first hypothesis testing

The first hypothesis testing was done through testing the significance of the regression coefficient of profitability variable. In this study, the first hypothesis stated that there is a positive association between profitability and the practice of corporate risk disclosure. Based on the test that has been done, the results can be obtained that the magnitude of the profitability regression coefficient is -0.001 with a significance value of 0.581. At the significance level $\alpha = 5\%$, this regression coefficient is not significant because the significance of 0.581 is greater than 0.05. It is undeniably that profitability is not positively significant to practice of corporate risk disclosure. Hence, the first hypothesis in this study is not accepted.

2. The second hypothesis testing

The second hypothesis testing was done through testing the significance of the regression coefficient of leverage variable. The second hypothesis in this study stated that there is a positive association between leverage and the practice of corporate risk disclosure. Based on the test that has been done, the results can be obtained that the magnitude of the leverage regression coefficient is -0.002 with a significance value of 0.920. At the significance level α = 5%, this regression coefficient is not significant because the significance 0.920>0.05. It can be concluded that leverage is not positively significant to the practice of corporate risk disclosure. Hence, the second hypothesis in this study is not accepted.

3. The third hypothesis testing

The third hypothesis testing was done through testing the significance of the regression coefficient of auditor reputation variable. The third hypothesis in this study stated that there is positive association between auditor reputation and the practice of corporate risk disclosure. Based on the test that has been done, the results can be obtained that the magnitude of the auditor reputation regression coefficient is 0.121 with a significance value of 0.000. At the significance level α = 5%, this regression coefficient is significant because the significance 0.000<0.05. It can be concluded that auditor reputation is positively significant to the practice of corporate risk disclosure. Hence, the third hypothesis in this study is accepted.

4. The fourth hypothesis testing

The fourth hypothesis testing was done through testing the significance of the regression coefficient of managerial ownership variable. The fourth hypothesis in this study stated that there is a negative association between managerial ownership and the practice of corporate risk disclosure. Based on the test that has been done, the results can be obtained that the magnitude of the managerial ownership regression coefficient is -0.196 with a significance value of 0.002. At the significance level $\alpha = 5\%$, this regression coefficient is significant because the significance $0.002<0.05$. It can be concluded that managerial ownership is negatively significant to the practice of corporate risk disclosure. Hence, the fourth hypothesis in this study is accepted.

5. The fifth hypothesis testing

The fifth hypothesis testing was done though testing the significance of the regression coefficient of risk management committee variable. The fifth hypothesis in this study stated that there is a positive association between risk management committee and the practice of corporate risk disclosure. Based on the test that has been done, the results can be obtained that the magnitude of the risk management committee regression coefficient is 0.097 with a significance value of 0.000. At the significance level α = 5%, this regression coefficient is significant because the significance 0.000<0.05. It can be concluded that risk management committee is positively significant to the practice of corporate risk disclosure. Hence, the fifth hypothesis in this study is accepted.

4.4.3. Determinant Coefficient Test (R^2)

The determinant coefficient test was conducted to measure how far the mode's ability in this study to explain variations of independent variables. The r^2 value is between zero and one. The small r^2 value means that the ability of independent variable to explain variations in the dependent is limited (Ghozali, 2018). Meanwhile, a r^2 value which is close to one indicated that the independent variables provide almost all the information needed to predict the variation of dependent variable. The results of the coefficient of determination analysis are as follows:

Table 4.7. Determinant Coefficient Test (R^2) Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881[a]	.775	.763	.07261

source: output SPSS 23, 2019

According to Table 4.7, the result of the analysis of determinant coefficient (Adjusted R Square) was 0.0763. This indicated that the independent variable (profitability, leverage, auditor reputation, managerial ownership and risk management committee) and control variables (corporate size) used in this study can explain corporate risk disclosure variable with the percentage of 76.30%, while the rest of 23.70% means that corporate risk disclosure can be influenced by other variables that are not involved in this study.

4.5. Analysis of Research Result

As presented in the previous chapter, there were five hypotheses proposed in this study. Table 4.8 presented the summary of each hypothesis developed and proposed in this research.

Table 4. 8. Hypotheses Testing Result Summary

	Hypothesis	Result
H1:	There is a positive association between profitability and the practice of corporate risk disclosure.	Not supported
H2	There is a positive association between leverage and the practice of corporate risk disclosure.	Not supported
H3	There is a positive association between auditor reputation and the practice of corporate risk disclosure.	Supported
H4	There is a negative association between managerial ownership and the practice of corporate risk disclosure.	Supported
H5	There is a positive association between risk management committee and the practice of corporate risk disclosure.	Supported

As shown in Table 4.8, hypothesis three, four and five were supported. It means that corporate governance represented by auditor reputation, managerial ownership and risk management have association and influence the practice of corporate risk disclosure in mining companies. Whereas, financial performance represented by profitability and leverage do not have association and influence the practice of corporate risk disclosure in mining companies. The result and the implication of hypothesis testing on Table 4.8. were detailed in the following section.

4.5.1 Profitability on the Practice of Corporate Risk Disclosure

This study purposed that there is a positive influence of profitability on the practice of corporate risk disclosure. However, this hypothesis was not supported. There was no significant influence of profitability on the practice of corporate risk disclosure in mining companies listed on IDX from the period of 2015 to 2017. The amount of profitability will not affect the level of risk disclosure.

Profitability is corporate's ability to utilize its resource to generate income (Sjahrial & Purba, 2011). According to agency theory, corporate's manager with high profit margin tend to provide deeper risk information (Linsley & Shrives, 2006). Moreover, signalling theory posits that corporates tend to disclose more information when they have high level of profitability (Bini, et al.,2010). Previous studies conducted by Achmad et al., (2017) and Hanafiah (2014) supported those theories and found that there is positive and significant relationships between profitability and corporate risk disclosure. Hence, the result of this contradict the research by Achmad et al., (2017) and Hanafiah (2014). This study found that profitability has no effect on corporate risk disclosure and this study did not support the agency and signaling theory. Financial performance with high levels of profitability does assure that the corporate will provide more corporate risk disclosure on their annual report. Corporates may have the view that rather than expand risk disclosure that required more cost, it is better to use the cost to expand business operations and pay corporate liabilities.

4.5.2 Leverage on the Practice of Corporate Risk Disclosure

This study purposed that there is a positive influence of leverage on the practice of corporate risk disclosure. However, result of the hypotheses testing showed that this hypothesis was not supported. There was no significant influence of leverage on the practice of corporate risk disclosure in mining companies listed on IDX from the period of 2015 to 2017. The amount of leverage will not affect the level of risk disclosure.

Leverage is defined as a level that shows a corporate's ability to fulfil its financial obligations. Agency theory argued that management of higher leverage corporates is encouraged to disclose more information from their creditor. It generates more information regarding risk that will be disclosing by corporates with higher level leverage than corporates with lower level leverage. However, the statistical result in this study found no association between leverage and corporate risk disclosure. Thus, this result was against the agency theory and contradict the research by Utomo and Chariri (2014) that argued a positive influence of leverage on corporate risk disclosure. The finding indicated that corporates with high leverage have low concerns for risk disclosure. The corporates with high leverage are better to hide risks that occur to avoid negative judgement from investors. The result of this study is in line with the research result conducted by Dey et al. (2018) which concluded that leverage has no influence on risk disclosure.

4.5.3 Auditor Reputation on the Practice of Corporate Risk Disclosure

This study purposed that there is a positive influence of auditor reputation on the practice of corporate risk disclosure. The result of the hypotheses testing showed that this hypothesis was supported. There was positive influence of auditor reputation on the practice of corporate risk disclosure in mining companies listed on IDX from the period of 2015 to 2017. It can be interpreted that the mining corporates audited by the big four audit firms tend to provide higher corporate risk disclosure.

In agency theory perspectives, an external auditor has a strong influence in lessening agency conflicts between managers and investors through disclosing more information (Jensen & Meckling, 1976). Thus, the corporates tend to increase their levels of risk disclosure to avoid information asymmetry. The good reputable audit firms such as the big four are associated with higher levels of corporate risk disclosure since they have strong encouragement to maintain their reputation as providers of high quality audit service (Dey et al., 2018). Additionally, the auditor which part of the big four will assist corporate risk assessment and supervision which resulted to increasing levels of risk disclosure that will be disclosed. It is in order to decrease information asymmetry that may emerge between agent and principle. Accordingly, the finding of this study is consistent with the research that has been done by Dey et al. (2018) and Habtoor et al. (2017) which supported the agency thory.

4.5.4 Managerial Ownership on the Practice of Corporate Risk Disclosure

The result of the hypotheses testing showed that this hypothesis was supported. There was a negative influence of managerial ownership on the practice of corporate risk disclosure in mining companies listed on IDX from the period of 2015 to 2017. It can be interpreted that the mining corporates with higher managerial ownership tend to disclose lower corporate risk disclosure and vice versa.

Managerial ownership refers of share ownership that owned by the managers of the company. According to the agency theory, corporates that have high managerial ownership on their ownership structure incline to disclose less information to shareholders and vice versa. Thus, this result supports the agency theory and the research conducted by Probohudono & Tower (2013). This result is contradicted with the study has been conducted by Sultisyaningsih & Gunawan (2016) that found a positive association between managerial ownership and corporate risk disclosure. This result may indicate that the managers have lower encouragements to meet the demand of shareholders to disclose because the information requirement also decreases when the managers have high level of ownership. It also may be due to the information that the managers have as they need which make the managers tend to not disclose high level of corporate risk disclosure so that they could decrease the costs of disclosure activity.

4.5.5 Risk Management Committee on the Practice of Corporate Risk Disclosure

The result of the hypotheses testing showed that this hypothesis was supported. There was a positive influence of risk management committee on the practice of corporate risk disclosure in mining companies listed on IDX from the period of 2015 to 2017. It can be interpreted that the mining corporates with the existence of risk management committee tend to disclose more risk disclosure.

The result can be explained that the presence of risk committee management can be used as a signal for the stakeholders to show the corporate that has tried to manage risk properly and has better risk control than other corporates. Risk management committee presence may also act as an effective monitoring function for risk governance. Al – Hadi et.al (2016) argued that risk committee improve the board oversight of risk management by foreseeing and reacting to events and trend that might be invisible. It makes the corporates tend to disclose more information regarding risk. This study is supported the study conducted by Al-Hadi et al. (2016) that found the positive influence of risk management committee presence on risk disclosure.

4.5.6 Control Variables

The corporate size as control variable in Table 4.7 shown the magnitude of the corporate size regression coefficient is 0.035 with a significance value of 0.000. At the significance level $\alpha = 5\%$, this regression coefficient is significant because the significance $0.000<0.05$. This result indicated that there is a positive significant relationship between corporate size and practice of corporate risk disclosure. It indicated that the big size corporates tend to disclose greater information than the small size corporate. Since, the big size corporates face larger business risk than small size corporate thus the corporates need to disclose more information. The result is in line with the study conducted by Achmad T. et al., (2017) that found a positive association between corporate size and corporate risk disclosure.

CHAPTER V

CONCLUSIONS AND RECOMMENDATION

5.1 Conclusions and Implications

This study was conducted because there are still inconsistent findings on the previous researches of Achmad et al., (2017), Dey et al., (2018), Habtoor et al., (2017), Hernández Madrigal et al., (2015), Utomo & Chariri (2014). This occurred because of distinctions in perspectives of previous researchers on factors influencing corporate risk disclosure practice. The objective of this research is to analyze whether financial performance with the proxies used were profitability and leverage and corporate governance with the proxies used were managerial ownership, auditor reputation, and also risk management committee can detect the influence of the practice of corporate risk disclosure by knowing how much the variable affect the disclosure of risk. There was one control variable used in this study which was corporate size. The object of this research was the mining corporate annual report that were listed on Indonesia Stock Exchange for the period of 2015 – 2017. From the hypotheses testing on this study, it can be concluded as follows:

1. Profitability, measured by comparison between net after tax and sales earned by the corporate, has no association with the practice of corporate risk disclosure practice. The high or low profitability of a corporate will not affect the practice of corporate risk disclosure. Hence, it is empirically proven that the corporate profitability level will not enhance management to disclose more risk disclosure. The corporates may have the view that

rather than expand risk disclosure that requires more cost, it is better to use the cost to expand business operations and pay corporate liabilities.

2. Leverage, measured by comparison between total liabilities and total asset owned by a corporate, has no association with the practice of corporate risk disclosure practice. The high leverage of a corporate will not enhance the practice of corporate risk disclosure. It indicated that corporates with high leverage have low concern for risk disclosure. The corporates with high leverage were better to hide risk that occur to avoid negative judgement from their current and potential investors.
3. Managerial ownership, measured by comparison between total share owned by the managerial and total outstanding share of corporate, has negative association with the practice of corporate risk disclosure. The higher the shares owned by the managers, the less likely the corporate will disclose the disclosure of risk and vice versa. It indicates that the managers have lower encouragements to meet the demand of shareholders to disclose because the information requirement also decreases when the managers have high levels of ownership.
4. Auditor reputation, measured by the use of the big 4 audit firms or not by the corporates, has positive association with the practice of corporate risk disclosure. The use of big 4 audit firms tends to encourage corporates to disclose more risk disclosure. The auditors which part of the big four will assist corporate risk assessment and supervision which resulted the

increasing levels of risk disclosure that will be disclosed to decrease information asymmetry that may emerge between agent and principle.

5. Risk management committee, measured by the presence of risk management committee or not within the corporates structure, has positive association with the practice of corporate risk disclosure. The presence of risk management committee encourages the corporate to enhance their risk disclosure. The risk management committee will improve the board oversight of risk management by foreseeing and reacting to events and trend that might be invisible to lead into broader risk information that will be disclosed by corporates.
6. For academicians, this study is expected to be able to enrich the development of theories regarding the determinant of corporate risk disclosure. The findings of this study can contribute to add information and empirical evidences about the influence of financial performance and corporate governance on risk disclosure practice in Indonesia especially in mining sector. This study can give additional information that corporate governance with the proxies used which are auditor reputation, managerial ownership, and risk management committee have influences on the disclosure of risk. On the other hand, there is no influence from financial performance represented by profitability and leverage. In addition, this study is also expected to be able to add to the bibliography of existing studies and as the reference for future researchers.

7. As the presence of this study and previous studies, investors can consider the practice of corporate governance within the corporation to make decisions. Investors should be aware of the importance of corporate governance which can be used to enhance corporate risk disclosure practice in the mining industry to ensure information adequacy. In addition, this study showed empirical evidences that managerial ownership, auditor reputation, and risk management committee affect the practice of corporate risk disclosure.

5.2. Limitations and Suggestions

Like other empirical studies, this study also has several limitations and suggestions that may affect the study as follows:

1. In the measurement of disclosure, the subjectivity cannot be avoided. Thus, there was a possibility of bias in measuring the corporate disclosure. Hence, the future research is expected to be more in-depth in analyzing the elements of disclosure referred in the annual report.
2. This study used only a few independent variables. The future research should look deeper into the different independent variables that may be involved in the practice of CRD such as board diversity on the gender basis and the role of government ownership.
3. The sample of this study only focused on one sector. An extension of this study may be by adding multiple sectors to broader the samples of research. The study would offer more insights into the literature on disclosure.

REFERENCES

Achmad, T., Faisal, F., & Oktarina, M. (2017). Factors influencing voluntary corporate risk disclosure practices by Indonesian companies. *Corporate Ownership&Control*,*14*(3),286–292.https://doi.org/10.22495/cocv14i3c2art2

Al-Hadi, A., Hasan, M. M., & Habib, A. (2016). Risk Committee, Firm Life Cycle, and Market Risk Disclosures. *Corporate Governance: An International Review*, *24*(2), 145–170. https://doi.org/10.1111/corg.12115

Al-maghzom, A., Hussainey, K., & Aly, D. (2016). Corporate Governance and Risk Disclosure: Evidence from Saudi Arabia. *Corporate Ownership & Control*, *13*(2), 145–166.

Beretta, S., & Bozzolan, S. (2004). A framework for the analysis of firm risk communication. *International Journal of Accounting*, *39*(3), 265–288. https://doi.org/10.1016/j.intacc.2004.06.006

Bini, L., Giunta, ., & Dainelli, F. (2010). Signalling Theory and Voluntary Disclosure to the Financial Market - Evidence from the Profitability Indicators Published in the Annual Report. SSRN Electronic Journal. 10.2139/ssrn.1930177

Dey, R., Hossain, S., & Rezaee, Z. (2018). Financial Risk Disclosure and Financial Attributes among Publicly Traded Manufacturing Companies: Evidence from Bangladesh. *Journal of Risk and Financial Management*, *11*(3), 50. https://doi.org/10.3390/jrfm11030050

Djafar, J. S., Garantjang, M. F., Romdioni, A. N., & Pontoj G. T. (2017). The Influence of Financial Perfromance and Corporate Governance to Voluntary Disclosure in Mining Sector at Indonesian Stock Exchange (IDX). *Proceeding of the International Conference on Accounting, Management and Economics* (pp. 210 - 214). Makasar: Hassanudin Univesity.

Ghozali, I. (2018).*Apliksi Analisis Multivariative dengan Program SPSS*. Semarang: Badan Penerbit Univesitas Diponegoro.

Habtoor, O. S., Ahmad, N., Mohamad, N. R., & Haat, M. H. C. (2017). Linking corporate risk disclosure practices with firm-specific characteristics in Saudi Arabia. *Gadjah Mada International Journal of Business*, *19*(3), 247–267. https://doi.org/10.22146/gamaijb.26769

Hanafiah, R. (2014). Tingkat Leverage , Dan Profitabilitas Terhadap Pengungkapan Risiko (Studi Empiris Pada Laporan Tahunan Yang Terdaftar Di Bei Tahun 2007-2011) the Influence of Firm Size , Type of Industry , the Level of Leverage , and Profitability To Risk Disclosure (.

Jurnal Ekonomi, *2*(2), 42–66.

Hernández Madrigal, M., Aibar Guzmán, B., & Aibar Guzmán, C. (2015). Determinants of corporate risk disclosure in large Spanish companies: A snapshot. *Contaduriay Administracion*, *60*(4), 757–775. https://doi.org/10.1016/j.cya.2015.05.014

Jensen, C., & Meckling, H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*, 305–360.

Pramardhikasari, E. (2017). *Analisis Pengaruh Karakteristik Terhadap Corporate Risk Disclosure (CRD)* (Undergraduate Thesis). Universitas Diponegoro:Semarang.

Kallamu, B. S. (2015). Risk Management Committee Attributes and Firm Performance. *International Finance and Banking*, *2*(2), 1. https://doi.org/10.5296/ifb.v2i2.8580

Kamardin, H. (2014). Managerial Ownership and Firm Performance: The Influence of Family Directors and Non - Family Directors. *Ethics, Governance and Corporate Crime: Challenges and Consequences*, *6*, 47–83.

Kopecká, N. (2018). A Literature Review of Financial Performance Measures and Value Relevance. *The Impact of Globalization on International Finance and Accounting*, *10*(42), 385–393. https://doi.org/10.1007/978-3-319-68762-9_42

Kumalasari, M., Subowo, S., & Anisykurlillah, I. (2014). Faktor - Faktor yang Berpengaruh terhadap Luas Pengungkapan Manajemen Risiko.. *Accounting Analysis Journal*, *3*(1). https://doi.org/10.15294/aaj.v3i1.3896

Kusumaningtyas, T. K., & Andayani. (2015). Pengaruh Good Corporate Governance terhadap Nilai Perusahaan yang Terdaftar pada Indeks Sri-Kehati. *Jurnal Ilmu Dan Riset Akuntansi*, *4*(7), 1–16.

Latupono, S. S., & Andyani. (2015). Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan: Good Corporate Governance Variabel Moderating. *Jurnal Ilmu Dan Riset Akuntansi*, *4*(8), 1–15. https://doi.org/10.1080/17450140600679883

Linsley, P. M., & Shrives, P. J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *British Accounting Review*, *38*(4), 387–404. https://doi.org/10.1016/j.bar.2006.05.002

Nurleni, Bandang, A., Darmawati, & Amiruddin, A. (2017). Article information : *International Journal of Law and Management*, *60*, 979–987.

Probohudono, A. N., & Tower, G. (2013). Diversity in Risk Communication. *Australasian Accounting, Business and Finance Journal*, *7*(1), 43–58. https://doi.org/10.14453/aabfj.v7i1.4

Ruan, W., & Tian, G. (2011). Managerial Ownership , Capital Structure and Firm Value : Evidence from China ' s Civilian-run Firms Managerial Ownership , Capital Structure and Firm Value : Evidence from. *Australasian Accounting, Business and Finance Journal*, *5*(3), 73–92.

Ruwita, C., & Harto, P. (2013). Corporate Governance Terhadap Pengungkapan. *Diponegoro Journal of Accounting*, *2*(2), 1–13.

Sjahrial, Dermawan dan Djahotman Purba. 2013. *Analisis Laporan Keuangan*. Jakarta: Mitra Wacana Media.

Sulistyaningsih, & Gunawan, B. (2016). Analisis Faktor - Faktor yang Memengaruhi Risk Disclosure (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Pengembangan). *Riset Akuntansi Dan Keuangan Indonesia*, *1*(1), 1–11.

Utomo, Y., & Chariri, A. (2014). Determinan Pengungkapan Risiko Pada Perusahaan Nonkeuangan di Indonesia. *Diponegoro Journal of Accounting*, *03*(03), 1–14.

Viljoen, C., Bruwer, B. W., & Enslin, Z. (2016). Determinants of enhanced risk disclosure of JSE Top 40 Companies : the board risk committee composition , frequency of meetings and the chief risk officer. *Southern African Business Review Volume*, *20*, 208–235.

Walliman, N.(2011). *Research methods:The basics.* New York, USA: Routledge.

Weber, R. P. (1990). *Basic content analysis* (2nd ed). Newbury Park, Calif: Sage Publications.

Wardhana, A. A., & Cahyonowati, N. (2013). Pengaruh Karakteristik Perusahaan terhadap Tingkat Pengungkapan Risiko (Studi Empiris pada Perusahaan Nonkeuangan yang Terdaftar di Bursa Efek Indonesia). *Diponegoro Journal Of Accounting*, *2*(3), 1–14.

APPENDICES

APPENDIX 1

List of Company Samples

No.	CODE	NAME	Listing Date
1	ADRO	Adaro Energy Tbk	2008
2	ANTM	Aneka Tambang Tbk	1997
3	APEX	Apexindo Pratama Duta	2002
4	ARII	Atlas Resource	2011
5	ARTI	Ratu Prabu Energi	2003
6	ATPK	Bara Jaya Internasioanl	2002
7	BORN	Borneo Lumbung Energi & Metal	2010
8	BSSR	Baramulti Suksessarana Tbk.	2012
9	BUMI	Bumi Resources	1990
10	BYAN	Bayan Resources Tbk.	2008
11	CITA	Cita Mineral Investindo Tbk.	2002
12	CKRA	Cakra Mineral Tbk.	1999
13	CTTH	Citatah Tbk.	1996
14	DEWA	Darma Henwa Tbk	2007
15	DKFT	Central Omega Resources Tbk.	1997
16	DOID	Delta Dunia Makmur Tbk.	2001
17	DSSA	Dian Swastatika Sentosa Tbk	2009
18	ELSA	Elnusa Tbk.	2008
19	ENRG	Energi Mega Persada Tbk.	2004
20	ESSA	Surya Esa Perkasa Tbk.	2012
21	GEMS	Golden Energy Mines Tbk.	2011
22	HRUM	Harum Energy Tbk.	2010
23	INCO	Vale Indonesia Tbk.	1990
24	INDY	Indika Energy Tbk.	2008
25	ITMG	Indo Tambangraya Megah Tbk.	2007
26	KKGI	Resource Alam Indonesia Tbk.	1991
27	MBAP	Mitrabara Adiperdana Tbk.	2014
28	MDKA	Merdeka Copper Gold Tbk.	2015
29	MEDC	Medco Energi Internasional Tbk	1994
30	MITI	Mitra Investindo Tbk.	1997
31	MYOH	Samindo Resources Tbk.	2000
32	PKPK	Perdana Karya Perkasa Tbk	2007
33	PSAB	J Resources Asia Pasifik Tbk.	2003

34	PTBA	Bukit Asam Tbk.	2002
35	PTRO	Petrosea Tbk.	1990
36	RUIS	Radiant Utama Interinsco Tbk.	2006
37	SMMT	Golden Eagle Energy Tbk.	2007
38	SMRU	SMR Utama Tbk.	2011
39	TINS	Timah Tbk.	1995
40	TOBA	Toba Bara Sejahtra Tbk.	2012

APPENDIX 2

Profitability Data Period 2015 – 2017

No.	CODE	PROFITABILITY		
		2015	2016	2017
1	ADRO	0.056	0.135	0.165
2	ANTM	-0.137	0.007	0.011
3	APEX	0.080	-0.186	-1.377
4	ARII	-0.915	-2.189	-0.582
5	ARTI	0.079	0.044	0.116
6	ATPK	-0.001	-28.231	-18.502
7	BORN	-3.484	1.189	0.142
8	BSSR	0.102	0.113	0.211
9	BUMI	-53.954	5.145	13.978
10	BYAN	-0.176	0.032	0.317
11	CITA	-24.541	-0.545	0.066
12	CKRA	-2.472	-0.701	-5.867
13	CTTH	0.009	0.076	0.020
14	DEWA	0.002	0.002	0.011
15	DKFT	0.000	0.000	0.000
16	DOID	-0.015	0.061	0.061
17	DSSA	-0.013	0.091	0.097
18	ELSA	0.101	0.087	0.048
19	ENRG	0.461	-0.842	0.047
20	ESSA	0.120	0.005	0.065
21	GEMS	0.006	0.091	0.158
22	HRUM	-0.076	0.083	0.171
23	INCO	0.064	0.003	-0.024
24	INDY	-0.070	-0.134	0.293
25	ITMG	0.040	0.096	0.150
26	KKGI	0.051	0.102	0.160
27	MBAP	0.158	0.145	0.227
28	MDKA	0.000	0.000	0.333
29	MEDC	-0.296	0.317	0.142
30	MITI	-5.723	-0.980	-0.815
31	MYOH	0.109	0.112	0.065
32	PKPK	-3.117	-1.627	-0.936
33	PSAB	0.109	0.095	0.072
34	PTBA	0.147	0.144	0.234

35	PTRO	-0.061	-0.037	0.032
36	RUIS	0.026	0.020	0.019
37	SMMT	-2.106	-0.326	0.695
38	SMRU	-0.496	-0.390	0.044
39	TINS	0.015	0.036	0.055
40	TOBA	0.074	0.056	0.133

APPENDIX 3

Leverage Data Period 2015 – 2017

No.	CODE	LEVERAGE		
		2015	2016	2017
1	ADRO	0.4373	0.4195	0.3995
2	ANTM	0.3966	0.3860	0.3839
3	APEX	0.9347	0.9605	1.0814
4	ARII	0.7667	0.8296	0.8784
5	ARTI	0.3116	0.3384	0.2980
6	ATPK	0.4306	0.5352	0.6049
7	BORN	1.9855	1.8058	1.7239
8	BSSR	0.3964	0.3078	0.2867
9	BUMI	1.8558	1.8977	0.9225
10	BYAN	0.8164	0.7719	0.4199
11	CITA	0.5379	0.6468	0.6585
12	CKRA	0.0413	0.0235	0.0265
13	CTTH	0.5229	0.4887	0.5410
14	DEWA	0.3974	0.4096	0.4337
15	DKFT	0.0407	0.3529	0.4843
16	DOID	0.8978	0.8567	0.8126
17	DSSA	0.4712	0.4252	0.4686
18	ELSA	0.4021	0.3133	0.3714
19	ENRG	0.7572	1.0675	1.0741
20	ESSA	0.3410	0.6858	0.7421
21	GEMS	0.3304	0.3339	0.5051
22	HRUM	0.0978	0.1402	0.1384
23	INCO	0.1989	0.1756	0.1672
24	INDY	0.6133	0.5933	0.6933
25	ITMG	0.2918	0.2499	0.0003
26	KKGI	0.2210	0.1449	0.1564
27	MBAP	0.3235	0.2126	0.2393
28	MDKA	0.1045	0.4771	0.4890
29	MEDC	0.7589	0.7524	0.7282
30	MITI	0.5544	0.6201	0.6450
31	MYOH	0.4210	0.2701	0.2464
32	PKPK	0.5105	0.5575	0.5681
33	PSAB	0.6175	0.5989	0.6201

34	PTBA	0.4502	0.4320	0.3724
35	PTRO	0.5809	0.5668	0.5913
36	RUIS	0.6900	0.6326	0.6036
37	SMMT	0.4401	0.4013	0.4221
38	SMRU	0.5339	0.5930	0.4957
39	TINS	0.4212	0.4079	0.4896
40	TOBA	0.4507	0.4352	0.4982

APPENDIX 4

Managerial Ownership Data Period 205 – 2017

No.	CODE	MANAGERIAL OWNERSHIP		
		2015	2016	2017
1	ADRO	0.06278	0.06422	0.06376
2	ANTM	0.00003	0.00003	0.00001
3	APEX	0.00001	0.00001	0.00001
4	ARII	0.17845	0.17257	0.17845
5	ARTI	0.00290	0.00344	0.00290
6	ATPK	0.00436	0.00087	0.00087
7	BORN	0.00001	0.00001	0.00001
8	BSSR	0.00980	0.00882	0.00098
9	BUMI	0.00000	0.00000	0.00000
10	BYAN	0.13404	0.13404	0.13404
11	CITA	0.00000	0.00000	0.00000
12	CKRA	0.00000	0.00000	0.00000
13	CTTH	0.05407	0.05391	0.05406
14	DEWA	0.00000	0.00000	0.00000
15	DKFT	0.00000	0.00000	0.02778
16	DOID	0.00017	0.00196	0.00147
17	DSSA	0.00000	0.00000	0.00000
18	ELSA	0.00000	0.00001	0.00001
19	ENRG	0.00004	0.00000	0.00000
20	ESSA	0.00073	0.00127	0.12587
21	GEMS	0.00000	0.00000	0.00000
22	HRUM	0.00011	0.00011	0.00011
23	INCO	0.00000	0.00000	0.00000
24	INDY	0.01660	0.01623	0.01623
25	ITMG	0.00002	0.00000	0.00001
26	KKGI	0.00156	0.00156	0.00156
27	MBAP	0.00003	0.00003	0.00003
28	MDKA	0.00003	0.00003	0.00003
29	MEDC	0.00000	0.00000	0.00000
30	MITI	0.00000	0.00000	0.00000
31	MYOH	0.00000	0.00000	0.00000
32	PKPK	0.39993	0.39993	0.39993
33	PSAB	0.00000	0.00000	0.93199
34	PTBA	0.00006	0.00006	0.00001

35	PTRO	0.00000	0.00000	0.00000
36	RUIS	0.00000	0.00000	0.00000
37	SMMT	0.00000	0.00000	0.00000
38	SMRU	0.00000	0.00000	0.00000
39	TINS	0.00016	0.00000	0.00012
40	TOBA	0.00003	0.00003	0.00003

APPENDIX 5

Auditor Reputation Data Period 2015 - 2017

No.	CODE	AUDITOR REPUTATION		
		2015	2016	2017
1	ADRO	1	1	1
2	ANTM	1	1	1
3	APEX	1	1	1
4	ARII	0	0	0
5	ARTI	0	0	0
6	ATPK	0	0	0
7	BORN	0	0	0
8	BSSR	0	0	0
9	BUMI	0	0	0
10	BYAN	1	1	1
11	CITA	0	0	0
12	CKRA	0	0	0
13	CTTH	0	0	0
14	DEWA	0	0	0
15	DKFT	0	0	0
16	DOID	0	0	0
17	DSSA	0	0	0
18	ELSA	1	1	1
19	ENRG	0	0	0
20	ESSA	1	1	1
21	GEMS	1	1	1
22	HRUM	1	1	1
23	INCO	1	1	1
24	INDY	1	1	1
25	ITMG	1	1	1
26	KKGI	0	0	0
27	MBAP	1	1	1
28	MDKA	0	0	0
29	MEDC	1	1	1
30	MITI	0	0	0
31	MYOH	1	1	1
32	PKPK	0	0	0
33	PSAB	0	0	0
34	PTBA	1	1	1

35	PTRO	1	1	1
36	RUIS	0	0	0
37	SMMT	1	1	1
38	SMRU	0	0	0
39	TINS	1	1	1
40	TOBA	1	1	1

APPENDIX 6

Risk Management Committee 2015 - 2017

No.	CODE	RISK MANAGEMENT COMMITTEE		
		2015	2016	2017
1	ADRO	0	0	0
2	ANTM	1	1	1
3	APEX	0	0	0
4	ARII	0	0	0
5	ARTI	0	0	0
6	ATPK	0	0	0
7	BORN	0	0	0
8	BSSR	0	0	0
9	BUMI	1	1	1
10	BYAN	1	1	1
11	CITA	0	0	0
12	CKRA	0	0	0
13	CTTH	0	0	0
14	DEWA	0	0	0
15	DKFT	0	0	0
16	DOID	0	0	0
17	DSSA	0	0	0
18	ELSA	1	1	1
19	ENRG	1	1	1
20	ESSA	0	0	0
21	GEMS	0	0	0
22	HRUM	0	0	0
23	INCO	0	0	1
24	INDY	1	1	1
25	ITMG	1	1	1
26	KKGI	0	0	0
27	MBAP	1	1	1
28	MDKA	0	0	0
29	MEDC	1	1	1
30	MITI	0	0	0
31	MYOH	0	1	1
32	PKPK	0	0	0
33	PSAB	0	0	0

34	PTBA	1	1	1
35	PTRO	1	1	1
36	RUIS	0	0	0
37	SMMT	0	0	0
38	SMRU	0	0	0
39	TINS	1	1	1
40	TOBA	0	0	0

APPENDIX 7

Corporate Risk Disclosure Period 2015 – 2017

No.	CODE	CORPORATE RISK DISCLOSURE		
		2015	2016	2017
1	ADRO	0.784	0.757	0.811
2	ANTM	0.757	0.838	0.865
3	APEX	0.595	0.568	0.568
4	ARII	0.514	0.541	0.459
5	ARTI	0.324	0.378	0.378
6	ATPK	0.459	0.514	0.486
7	BORN	0.486	0.459	0.486
8	BSSR	0.541	0.486	0.568
9	BUMI	0.688	0.781	0.719
10	BYAN	0.595	0.595	0.568
11	CITA	0.432	0.432	0.405
12	CKRA	0.351	0.378	0.351
13	CTTH	0.405	0.405	0.459
14	DEWA	0.486	0.486	0.541
15	DKFT	0.378	0.297	0.297
16	DOID	0.514	0.486	0.432
17	DSSA	0.514	0.405	0.459
18	ELSA	0.703	0.649	0.703
19	ENRG	0.595	0.622	0.622
20	ESSA	0.595	0.622	0.568
21	GEMS	0.514	0.486	0.541
22	HRUM	0.595	0.595	0.595
23	INCO	0.649	0.676	0.703
24	INDY	0.676	0.757	0.757
25	ITMG	0.784	0.757	0.757
26	KKGI	0.459	0.459	0.459
27	MBAP	0.595	0.649	0.703
28	MDKA	0.459	0.568	0.649
29	MEDC	0.730	0.784	0.730
30	MITI	0.514	0.486	0.459
31	MYOH	0.568	0.622	0.649
32	PKPK	0.243	0.243	0.189
33	PSAB	0.514	0.514	0.405
34	PTBA	0.838	0.757	0.784

35	PTRO	0.595	0.676	0.622
36	RUIS	0.405	0.486	0.486
37	SMMT	0.568	0.568	0.541
38	SMRU	0.324	0.351	0.405
39	TINS	0.892	0.865	0.811
40	TOBA	0.622	0.622	0.622

APPENDIX 8

Corporate Size Data Period 2015 - 2017

No.	CODE	CORPORATE SIZE		
		2015	2016	2017
1	ADRO	32.0470	32.1099	32.1537
2	ANTM	31.0440	31.0316	31.0327
3	APEX	29.9115	29.8525	29.6859
4	ARII	29.2165	29.1264	29.1170
5	ARTI	28.5268	28.5930	28.5497
6	ATPK	28.2039	28.0921	27.6359
7	BORN	30.1747	30.1577	30.2263
8	BSSR	28.5059	28.5360	28.6773
9	BUMI	31.4842	31.3668	31.5421
10	BYAN	30.1980	30.0419	30.1168
11	CITA	28.6592	28.6339	28.6162
12	CKRA	27.6135	27.5317	27.0680
13	CTTH	27.1296	27.1465	27.2747
14	DEWA	29.2759	29.2706	29.3229
15	DKFT	27.9407	28.2603	28.4497
16	DOID	30.0780	30.1094	30.1787
17	DSSA	30.8123	31.0378	31.2415
18	ELSA	29.1143	29.0639	29.2111
19	ENRG	30.6788	30.2948	29.9558
20	ESSA	28.9746	29.8273	30.0398
21	GEMS	29.2670	29.1490	29.7078
22	HRUM	29.2963	29.3513	29.4569
23	INCO	31.0836	31.0289	31.0187
24	INDY	31.0278	30.8348	31.5255
25	ITMG	30.4195	30.4194	30.5438
26	KKGI	27.9381	27.9134	27.9840
27	MBAP	28.0472	28.0837	28.4069
28	MDKA	28.5368	29.0445	29.2428
29	MEDC	31.3302	31.5148	31.8758
30	MITI	26.2404	26.1589	26.1774
31	MYOH	28.4304	28.3134	28.2427
32	PKPK	25.8626	25.7840	25.6459
33	PSAB	30.0751	30.0756	30.1526
34	PTBA	30.4580	30.5529	30.7215

35	PTRO	29.4073	29.3018	29.4065
36	RUIS	27.7188	27.6099	27.5895
37	SMMT	27.2924	27.1796	27.3104
38	SMRU	28.6126	28.5222	28.3369
39	TINS	32.1614	29.8874	30.1056
40	TOBA	28.9976	28.8937	29.1801

APPENDIX 9

Descriptive Statistics Result

	N	Range	Minimum	Maximum	Mean	Std. Deviation
CRD	120	.70	.19	.89	.5624	.14929
PROF	120	67.93	-53.95	13.98	-1.1126	6.38006
LEV	120	1.99	.00	1.99	.5396	.35941
AR	120	1	0	1	.47	.501
MO	120	.93	.00	.93	.0305	.10933
RMC	120	1	0	1	.30	.460
Valid N (listwise)	120					

APPENDIX 10

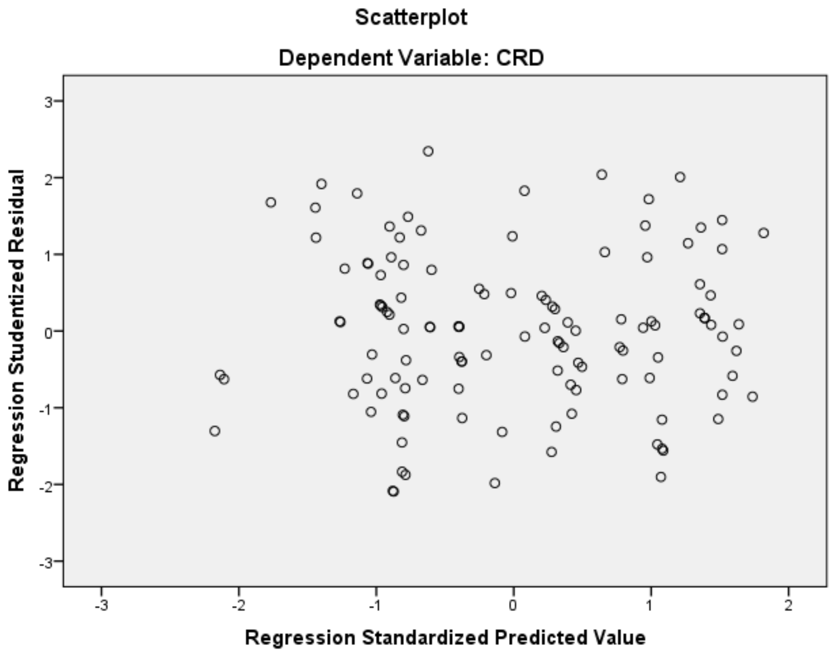
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.548	.161		-3.408	.001		
PROF	-.001	.001	-.026	-.553	.581	.925	1.081
LEV	-.002	.022	-.005	-.101	.920	.739	1.353
AR	.121	.017	.405	7.044	.000	.602	1.662
MO	-.196	.062	-.143	-3.155	.002	.962	1.040
RMC	.097	.018	.299	5.400	.000	.648	1.543
FS	.035	.006	.351	6.129	.000	.606	1.650

a. Dependent Variable: CRD

Multicolliniearity Test Result

APPENDIX 11

Heteroscedasticity Test Result



APPENDIX 12

Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		120
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.07075658
Most Extreme Differences	Absolute	.048
	Positive	.048
	Negative	-.044
Test Statistic		.048
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

APPENDIX 13

Result of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.548	.161		-3.408	.001
PROF	-.001	.001	-.026	-.553	.581
LEV	-.002	.022	-.005	-.101	.920
AR	.121	.017	.405	7.044	.000
MO	-.196	.062	-.143	-3.155	.002
RMC	.097	.018	.299	5.400	.000
FS	.035	.006	.351	6.129	.000

APPENDIX 14

Determinant Coefficient Test (R^2) Result

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881[a]	.775	.763	.07261

a. Predictors: (Constant), FS, PROF, MO, LEV, RMC, AR

b. Dependent Variable: CRD

APPENDIX 15

T Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.548	.161		-3.408	.001
PROF	-.001	.001	-.026	-.553	.581
LEV	-.002	.022	-.005	-.101	.920
AR	.121	.017	.405	7.044	.000
MO	-.196	.062	-.143	-3.155	.002
RMC	.097	.018	.299	5.400	.000
FS	.035	.006	.351	6.129	.000

a. Dependent variable: CRD