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The Effect of Voluntary Risk Management Disclosure and Risk Management Committee on Firm Value

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Abstract

Objective: This study aims to analyze the effect of voluntary risk management disclosure (VRMD) and the existence of a risk management committee (RMC) on firm value.
Design/Methods/Approach: The research sample is companies listed on the Indonesia Stock Exchange for 2016, with 136 observations. The data obtained are based on annual reports. This study uses a quantitative approach with multiple linear analysis, with the help of the STATA 14 software program, as hypothesis testing.
Findings: The results show that voluntary risk management disclosure has positive effect on firm's value. However, the existence of the risk management committee has no significant effect on the firm's value.
Originality: In this study, the researcher sees not only the existence of a risk management committee to measure risk management. However, the Voluntary Risk Management Disclosure score is rarely studied in Indonesia.
Practical/Policy implication: This study has implications for investors to be more careful in analyzing the risks faced by the company so that investors avoid mistakes in making investment decisions and for the government to develop guidelines for disclosure of voluntary (non-financial) risk management and risk management committees.

Keywords: Voluntary Risk Management Disclosure, Risk Management Committee, Firm's Value.

JEL Classification: G32, E31, G39

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1. Introduction

Companies must always provide the maximum benefit to stakeholders in business activities. Still, in business, internal and external uncertainties such as natural disasters, regulatory changes, internal instability, and changes in global consumer demand can affect life and corporate life. The existence of various risks makes the company need an effort that shows how the company manages risk so that risk can be minimized and does not pose a threat to the company. One of them is by implementing risk management. Risk management refers to the methods and processes used by companies to manage risks (or seize opportunities) related to company goals (Amran et al., 2009). Risk management is essential for business in the future because ineffective risk management can affect business continuity and, in the end, can harm investors (Shukor et al., 2017). This shows that investors also recognize the existence of risk management in the company. However, investors do not know how the company's efforts are in managing risk. Hence, companies need to provide information to investors so that investors know the extent to which managers control existing risks. Efforts to control these risks can be carried out with risk management submitted through the annual report.

Regulations regarding mandatory risk management disclosures in Indonesia are regulated in Pernyataan Standar Akuntansi Keuangan Nomor 60 Revisi 2016. A lack of non-financial risk information can mislead investors in investment decision-making. According to Cabedo & Tirado, 2004, investors make investment or disinvestment decisions by evaluating the returns associated with a given investment project and the level of risk. If investors fail to identify the proper key risk factors of the companies, investors are unable to assess the proper level of risk of these companies. This will lead investors to make wrong investment decisions, resulting in significant losses or disaster.

Miihkinen, (2013) states that voluntary (non-financial) risk management disclosure can reduce information asymmetry, and low information asymmetry is usually found to be associated with a higher firm value (Gordon et al., 2010). According to the 2016 national risk management survey conducted by the Center of Risk Management Studies (CRMS), one of the biggest challenges of risk management in Indonesia is the difficulties faced by various companies in adopting structured and integrated risk management. However, a survey conducted by CRMS found that most Indonesian companies stated that implementing risk management in their companies was at a maturity level of Good. This indicates that the majority of Indonesian companies have internalized the principles of Risk Management. However, for risk management to run effectively, companies need specific committees with broad skills in risk management. These specific committees can increase control over management and are a corporate governance mechanism for protecting the interests of shareholders. Based on the General Guidelines for Good Corporate Governance in Indonesia by the Komite Nasional Kebijakan Governance, (2006) regarding the Supporting Committees for the Board of Commissioners, one of these supporting committees is the Risk Management Committee.

The risk management committee is a committee whose task is to identify, analyze, manage and deal with risks that may affect the company's achievements. Based on Peraturan Bank Indonesia Tentang Pelaksanaan Good Corporate Governance, (2006), establishing a risk management committee in Indonesia is still mandatory for financial companies. However, companies in other sectors have begun to take the initiative to form a risk management committee voluntarily. Establishing a risk management committee can improve the quality of corporate governance and reduce the level of excessive risk-taking by management. Thus, risk can be minimized and will result in better investor protection. Investors will view the company more positively, which will increase the company's value. Firm value is an investor's perception often associated with an increase in stock prices because the stock price is one of the benchmarks often used to assess a company's success. If the stock price increases, the market judges that the company has succeeded in managing its business, and market confidence will increase and will attract investors to invest in the company. High company value indicates the company's ability to provide prosperity for investors or shareholders (Haruman, 2008).

There are several studies examining the existence of a risk management committee. Research conducted by Abdullah et al., (2015) found empirical evidence regarding the effect of voluntary risk management disclosure on firm value. This study is based on 395 companies listed on the Malaysian Capital Market in 2011. This study uses multiple linear regression to determine the effect of voluntary risk management disclosure on firm value. Research by Abdel-Azim & Abdelmoniem, (2015) which took the theme of Risk Management And Disclosure And Their Impact On Firm Value: The Case Of Egypt, found empirical evidence regarding the effect of risk management on firm value. Based on an empirical study of the total non-financial companies listed on the Egyptian Stock Exchange (EGX) in 2012, it was found that there is a positive relationship between risk management and firm value, there is a negative relationship between voluntary disclosure and market risk exposure, and there is a positive relationship between disclosure voluntary and corporate value. Research by Linsley & Shrives, (2006) found empirical evidence regarding corporate risk reporting. Using a sample of UK firms consisting of 79 non-financial firms listed in the 2000 FT-SE 100 Index, it was found that a positive correlation exists between the volume of risk disclosure and firm size, no correlation for measures of gearing ratio risk, asset closures, books for equity market value, beta or quiscore factor. Environmental Engagement (BiE Index) does not affect risk management disclosure. In this study, we try to contribute by looking at or measuring risk management with other approaches. This is also an update on the approach to this research.

This research is expected to make a practical contribution to the company. This research is hoped to benefit companies to understand better the impact of voluntary risk management disclosures and risk management committees on firm value. Furthermore, Investors, with this research, it is hoped that it can help investors be more careful in

analyzing the risks faced by the company as a reference for decision-making. Lastly, for academics, this research is expected to be a reference source of reading for further researchers, especially research on voluntary risk management disclosures and risk management committees that affect firm value.

This study will be systematically set in the following arrangement: Section 2 contains an explanation of the development of research hypotheses; Section 3 includes an explanation of the variables and samples as well as the research model; Section 4 elaborates on empirical analysis and the results of hypothesis testing; and Section 5 provides a summary or conclusion of the research, including suggestions for further research.

2. Literature Review and Hypotheses Development

Based on signal theory, firms have incentives to voluntarily disclose ongoing information to investors regarding risk management to signal the quality of the firm's risk management to stakeholders and to signal that the firm is capable of protecting and creating value for investors (Beasley et al., 2005; Connelly et al., 2011; Institute of Chartered Accountants in England and Wales (ICAEW), 2002). Without providing information about risk management, stakeholders will not be able to know how the company has fulfilled the risk management accountability and mitigation that has been carried out. Previous research argues that disclosure of financial information alone is insufficient to describe the company's prospects and performance and increase investor confidence to invest funds in the company (Beattie et al., 2004). Companies that disclose voluntary (non-financial) risk management information provide better disclosure quality and consequently can attract more investors and increase firm value.

Connelly et al., (2011) stated that recipients of information (stakeholders) could provide their feedback after receiving information from the signaller (company). Likewise, the statement from ICAEW (1999a) explains the possibility that companies will get positive feedback from investors when they disclose risk management information. Abdullah et al., (2015) stated that voluntary risk management disclosure is essential for a company to continue providing the signals investors need in making their investment decisions. Investors are starting to realize that if they are not given sufficient information about risk management, they will fail to get an accurate signal about the company's prospects and performance (Rahman, 1998). Therefore, companies that disclose risk management information will reduce investor uncertainty about the performance and prospects of the company it will increase investor interest in buying company shares. Thus, the value of the company will increase. Based on the above description, the hypothesis built in this study is:

H1: Disclosure of voluntary risk management positively affects firms' value.

The risk management committee is a special committee focused on managing company risk in terms of coordinating, facilitating, and supervising the ongoing risk management process within the company. The purpose of the risk committee is to effectively manage the company's overall risk, oversee the company's risk management framework and make recommendations to manage risk (Bhuiyan et al., 2020). Companies with a risk committee manage their risk well and avoid engaging in risky activities. Akindele (2012) argues that company performance is highly dependent on risk management mechanisms and that company performance can be improved if there is a good management committee. Bhuiyan et al., (2020) suggests that companies with independent risk committees can effectively evaluate potential risks and implement appropriate risk management systems so that the presence of an independent risk committee will impact the company's value.

Based on agency theory, companies form risk management committees to reduce agency costs and information asymmetry between principal and agent. This is because the risk management committee functions as an agent to align agents' interests and control managers' opportunistic behavior to avoid excessive levels of risk. A risk committee can reduce the risk of failure of the company as a whole and is considered an indicator of good corporate governance of activities related to company risk. So, companies with independent risk committees have relatively higher company values. Based on the description above, the hypothesis built in this study is:

H2: The existence of a risk management committee has a positive effect on firms' value

3. Method

The initial sample of this study consisted of all firms listed on the Indonesia Stock Exchange (IDX) in 2016. The data sources in this study are obtained through the firms' annual reports and the ORBIS database. This study gets all of the financial information through the ORBIS database. The firms' annual reports obtain data on voluntary risk management disclosures and risk management committees. After merging the two data sets, we finally reached a population of 572 firms.

Furthermore, we apply the following sample selection criteria, first, excluding all firms included in the financial, insurance, and real estate (SIC 6) industries due to the different nature of the financial statements, as many as 137 firms. Second, excluding firms that do not have complete data as required in this study, as many as 301 firms. After applying the sample selection criteria above, finally, 134 firms were obtained as the primary samples of this study.

The dependent variable is a variable influenced or became a result of the existence of an independent variable. The dependent variable in this study is firm value. This variable can be measured using the natural logarithm of market capitalization (MARCAP). MARCAP takes into account the market value of firms as a whole. Meanwhile, the stock price only measures the firms' value based on the price of a single share (Abdullah et al., 2015; Ousama et al., 2011; Uyar & Kiliç, 2012). MARCAP is measured by multiplying the firms' outstanding shares by the market price per share.

The independent variable is a variable that affects other variables (dependent/bound variable). This study's independent variables are voluntary risk management disclosures and risk management committees. Voluntary risk management disclosures are measured using the number of sentences for the text encoding unit. Milne & Adler, (1999) revealed that the number of sentences to calculate the unit is more reliable than other units of analysis. Meanwhile, the existence of a risk management committee can be measured with a dummy variable. If the firm discloses the existence of a risk management committee in the annual report, it is given a point of 1; if it does not disclose, it is given a point of 0. The control variables used in this study are firm size (FSIZE), firm age (FAGE), leverage (LEV), profitability (PROFIT), and growth (GROWTH). Firm age (FAGE) is the number of years since the firm was founded; this variable can be measured using the natural logarithm of the number of years since the firm was founded.

Leverage (LEV) shows how far a firm finances its operational activities with debt. This variable is calculated using the ratio of total liabilities/to total assets. Profitability (PROFIT) is the firm's net profit when running its operations. This variable can be measured using the ROE proxy since this ratio can show the firms' efficiency in using their capital to generate profits. Firms with higher growth (GROWTH) will signal that they have good prospects in the future (Al-Akra & Ali, 2012; Hassan et al., 2009). Growth is measured using the ratio of current sales to/the previous year's sales.

All data in this study was previously carried out by winsorizing through STATA. The winsorizing variable will convert the highest outlier value to the 99% level and the lowest outlier value to the 1% level. Winsorize does not change the substance of the data. This study uses two regression models, Ordinary Least Squares (OLS) and OLS, with a cluster approach to the Petersen (2009) model. This study also uses year and industry-fixed effects to control the differences in economic conditions and industry characteristics.

$$FV_{i,t+1} = \beta_0 + \beta_1 VRMD_{i,t} + \beta_2 RMC_{i,t} + \beta_3 FSIZE_{i,t} + \beta_4 FAGE_{i,t} + \beta_5 LEV_{i,t} + \beta_6 PROFIT_{i,t} + \beta_7 GROWTH_{i,t} + \beta_8 YEAR_{i,t} + \beta_9 INDUSTRY_{i,t} + \varepsilon_{i,t} \quad (1)$$

4. Result

Overview of Research Subjects and Objects. The subjects in this study were all companies listed on the Indonesia Stock Exchange (IDX) except for companies with SIC code 6 for 2016. The objects in this study were voluntary risk management disclosures, the existence of a risk management committee, and firm value. The reason for excluding companies with SIC 6 code from this study is that companies with SIC 6 code have different financial statement disclosure requirements and types of risk disclosure. Financial companies are mandatory entities that must disclose risk management in their annual reports. Therefore, after companies belonging to the SIC 6 coded industry were excluded, and companies with incomplete data were eliminated through STATA, table 1 showed that 134 companies could be used as sample data in this study.

Table 1. Sample Distribution

Based on the existence of the Risk Management Committee (RMC)	
Existence RMC	Non Existence RMC
22	112

Descriptive Statistics shown in table 2, firm value is measured using the natural logarithm of market capitalization (MARCAP). MARCAP has an average value of 24.644.58.233 and a median value of 3.703.546.625. In this study, voluntary Risk Management Disclosure (VRMD) adopts the encoding procedure by Linsley & Shrives, (2006). They propose that voluntary risk management information can be categorized into five types: operational, strategic, empowerment, integrity, and risk. This study uses the number of sentences as the basis for coding. Previous studies (Abdullah et al., 2015; Amran et al., 2009; Linsley & Shrives, 2006) also used the number of sentences as a coding unit. Milne & Adler, (1999) revealed that the number of sentences to measure the unit is more reliable than other units of analysis. Voluntary risk management disclosure (VRMD) has an average value of 4.769 and a median value of 4, while the lowest and highest values are 0 and 15. Operational risk consists of 8 items: Customer Satisfaction, Efficiency and performance, Product development, Sourcing, Stock obsolescence and shrinking, Product and service failure, Environment, Health and Safety, and Brand name erosion.

Operational risk has an average value of 1.881 and a median value of 2. At the same time, the lowest and highest values are 0 and 8. Strategic risk includes environmental scan, industry, business portfolio, competitors, pricing, valuation, planning, life cycle, performance measurement, regulatory, sovereign, and political. The company's strategic risk has an

average value of 2.172 and a median of 2. In comparison, the lowest and highest values are 0 and 6. Empowerment risk consists of leadership and management, Outsourcing, Performance incentives, Change readiness, and Communications. The value of the risk of empowerment of the sample companies obtained an average of 0.201 and a median value of 0. At the same time, the lowest and highest values are 0 and 2. Integrity risk includes management and employee fraud, illegal acts, and reputation. Based on the data processing results, it is known that the integrity risk of the sample companies has an average value of 0.269 and a median value of 0, while the lowest and highest values are 0 and 2. Technology and information processing risks include integrity, access, availability, and infrastructure. Therefore, it can be seen that the risk of information processing and technology has an average value of 0.246. Moreover, the median value is 0, while the lowest and highest values are 0 and 2.

The risk management committee (RMC) is measured using a dummy variable; if the company discloses the existence of a risk management committee in the annual report, it is given 1 point, and 0 points if it does not disclose. The risk management committee has an average score of 0,164 and a median value of 0. In comparison, the lowest and highest values are 0 and 1. TASSET is a control variable in this study, referring to FSIZE, which describes company size. Company size (FSIZE) is a company scale classified into large and small companies and is measured using the natural logarithm of total assets. It is known that the average value of TASSET in the sample companies is 12,650,000,000,000. and the median value is 4,09,000,000,000. While the lowest value of 50,76,916,000, and the highest value of 261,900,000,000,000.

The company's age is a control variable that shows the number of years since the company starts carrying out operational activities until it can maintain its survival and existence. It is known that the company's age has an average value of 33,993 and a median value of 34. The minimum value is 2, which means that a company has only been established for two years. Leverage shows how far a company finances its operations with debt. Leverage (LEV) is calculated from total debt divided by total assets. It is known that the average debt value of the sample companies is 0.452, and the median value is 0.439. While the lowest value is 0.098 and the highest at 0.931, Profitability is a control variable in this study. It is known that the profitability of the sample companies has an average value of 10,539 and a median value of 8,505, while the lowest value of -32,700 and the highest score of 124,120. Companies with high profits tend to have high-performance prospects and low risks (Orens et al., 2009).

Table 2. Description of Statistic

Variable	Mean	Median	Minimum	Maximum
MARCAP	18.828	19.265	17.531	20.125
VRMD	4,769	4	0	15
RISK_OP	1,881	2	0	8
RISK_STR	2,172	2	0	6
RISK_PEM	0,201	0	0	2
RISK_INTG	0,269	0	0	2
RISK_T&I	0,246	0	0	2
RMC	0,164	0	0	1
TASSET	18.563	18.454	17.743	19.383
AGE	33,993	34	2	115
LEV	0,452	0,439	0,098	0,931
PROFIT	10,539	8,505	-32,700	124,120
GROWTH	1,107	1,084	0,688	1,949

Pearson Correlation

Pearson correlation is the strength of the relationship between two variables to produce a correlation coefficient (Latan, 2016). Marked by marked with an asterisk * indicates a mutually influential relationship. Three kinds of asterisks, *, **, and ***, indicate a better relationship as the number of asterisks increases. While the negative sign indicates a reverse relationship and the positive sign indicates a unidirectional relationship.

It can be seen from table 3, the positive relationship between the MARCAP variable, which is a proxy for firm value using voluntary risk management (VRMD), and the risk management committee (RMC) with a significance level of 1%. This indicates that companies that disclose voluntary risk and have a risk management committee generate higher firm values than companies that do not disclose voluntary risk and do not have a risk management committee. Furthermore, other variables such as firm size (FSIZE) and profitability (PROFIT) also show a significant relationship of 1% to firm value; this indicates that these variables will increase at the firm level. On the other hand, the variables of firm age (FAGE), leverage (LEV), and growth (GROWTH) do not show a significant relationship to firm value.

Table 3. Pearson Correlation Test

	MARCAP	VRMD	KMR	FSIZE	FAGE	LEV	PROFIT	GROWTH
MARCAP	1,000							
VRMD	0,357***	1,000						
	(0,000)							
RMC	0,271***	0,287***	1,000					
	(0,002)	(0,001)						
FSIZE	0,853***	0,291***	0,296***	1,000				
	(0,000)	(0,001)	(0,001)					
FAGE	0,117	-0,097	0,172**	0,117	1,000			
	(0,179)	(0,267)	(0,047)	(0,178)				
LEV	-0,091	0,077	0,095	0,141	-0,003	1,000		
	(0,297)	(0,377)	(0,275)	(0,103)	(0,969)			
PROFIT	0,429***	0,132	0,219**	0,190**	0,265***	0,136	1,000	
	(0,000)	(0,130)	(0,011)	(0,028)	(0,002)	(0,116)		
GROWTH	0,054	0,041	0,072	-0,037	-0,170**	0,012	0,014	1,000
	(0,532)	(0,635)	(0,407)	(0,673)	(0,049)	(0,889)	(0,868)	

p-values in parentheses * p < 0.1, ** p < 0.05, *** p < 0.01

Independent T-test

The independent t-test, shown in table 4, was used to determine whether there was a significant difference between the two groups by comparing the mean values for each variable from the two groups. In this study, the independent T-Test was conducted once and categorized based on the presence or absence of a risk management committee. It is known that MARCAP and VRMD in companies with a risk management committee have a significantly higher average than in companies that do not have a risk management committee. When viewed from the FSIZE, FAGE, and PROFIT variables, companies with a risk management committee also have a significantly larger size, age, and profitability compared to companies that do not have a risk management committee (RMC). Companies that have a risk management committee (RMC) are also known to have higher levels of debt (LEV) and growth (PROFIT) when compared to companies without a risk management committee (RMC).

Table 4. Independent Examination T-Test

Variable	Firms with RMC	Firms without RMC	Coef.	t- value
MARCAP	16,260	14,682	1,578***	3,230
VRMD	6,909	4,348	2,561***	3,442
FSIZE	23,087	21,762	1,325***	3,556
FAGE	40,500	32,714	7,786**	2,008
LEV	0,496	0,444	0,052	1,096
PROFIT	20,841	8,515	12,327**	2,575
GROWTH	1,141	1,100	0,041	0,832

Level of significance *10%, **5%, ***1%

This study uses an ordinary least square (OLS) analysis model using the STATA 14.0 software. This analysis was conducted to test whether there is an effect between voluntary risk management disclosure and the existence of a risk management committee with firm value for all companies listed on the Stock Exchange in 2016. In this study, regression was carried out twice, using Ordinary Least Square (OLS) and Ordinary Least Square (OLS) robust with the cluster model approach from Petersen (2009). The regression model to see the effect between voluntary risk management disclosure and the existence of a risk management committee with firm value is based on equation 1.

The regression table 5 results show the coefficient of voluntary risk management disclosure (VRMD) has a significant value of 0.056 at the 5% level (t-value 2.46). This indicates that for every 1-point increase in VRMD, the company's value will increase by 0.056. The risk management committee (RMC) coefficient has a value of -0.158 (t-value -0.79) but is insignificant. The same thing is also shown in the OLS Robust column but with a different t-value. The control variables FSIZE, PROFIT, and GROWTH coefficients also showed positive results but at different significance levels, while FAGE showed negative results. The control variable LEV also showed negative but significant results at the 1% level. This result is in line with previous research (Abdullah et al., 2015; Al-Akra & Ali, 2012).

Table 5. OLS Results: Disclosure of Voluntary Risk Management (VRMD) and Risk Management Committee (RMC) on Company Value

Variable	Prediction	MARCAP	
		OLS	OLS *Robust*
VRMD	+	0,056**	0,056**
		(2,46)	(2,30)
RMC	+	-0,158	-0,158
		(-0,79)	(-0,84)
FSIZE	+	1,072***	1,072***
		(24,44)	(26,01)
FAGE	+	-0,003	-0,003
		(-0,55)	(-0,63)
LEV	-	-2,744***	-2,744***
		(-8,29)	(-8,63)
PROFIT	+	0,030***	0,030***
		(8,89)	(8,90)
GROWTH	+	0,670**	0,670**
		(2,11)	(2,29)
_cons		-8,816***	-8,816***
		(-8,18)	(-9,21)
Dummy Industry		Yes	Yes
R2		0,895	0,895
N		134	134

Source: Authors calculation

The regression results found a positive and significant relationship between voluntary risk management disclosure and firm value. These results support the first hypothesis, which states that voluntary risk management disclosure has a positive and significant effect on firm value. The regression results for the risk management committee variable find a negative and insignificant relationship with firm value. This does not support the second hypothesis, which states that the risk management committee positively affects firm value. The value of 2 indicates that the regression model can explain the relationship between the independent and dependent variables for 89.5% of the data from 134 samples.

5. Discussion

Based on the regression tests that have been carried out, it is known that the disclosure of voluntary risk management shows a positive and significant relationship with firm value. That means that when the company has a relatively high voluntary risk management disclosure, it will affect its value to investors. Therefore, the results of this study are by the first hypothesis proposed, so the first hypothesis (H1) is accepted.

This study's results align with Abdullah et al., (2015). They found that voluntary risk management disclosure is a crucial component of a company to continue providing signals investors need in making their investment decisions. If investors ignore voluntary risk management disclosure information, they may lose the competitive advantage of their investment portfolio to other investors who are serious about considering risk management information. This study supports the signalling theory, where investors know more about the company when voluntary risk management disclosure increases. If investors are not given sufficient information about risk management, they will fail to get accurate signals about the company's prospects and performance. The significant positive relationship between risk management disclosure and firm value also supports the claim that investors need risk management information to help them make better investment decisions and increase investor confidence in the company's performance and prospects (Beasley et al., 2005; Connelly et al., 2011; Institute of Chartered Accountants in England and Wales (ICAEW), 2002). This finding is also consistent with Solomon et al., (2000), who found that investors need risk-related information to improve their portfolio investment decisions. According to Linsley & Shrives, (2006), voluntary risk management disclosure has five risk indicators: operational risk, strategic risk, empowerment risk, integrity risk, and technology and information processing risk. This study will conduct additional testing to determine which of the five risk indicators is more attractive and paid attention to by investors in assessing a company. After additional testing, the regression results of the five risk indicators show that only strategic risk and technology and information processing risk show significant results. From the five items mentioned above, strategic risk and technology and information processing risk are risks that investors pay more attention to in assessing a company. Operational risk does not affect firm value. This may be because most companies have disclosed their operational risk, considering that this risk disclosure shows the company's efforts to maintain the continuity and sustainability of its business operations (Beasley et al., 2005) so that companies that disclose or do not disclose operational risk have no impact on investor sentiment. Because investors think the company has

managed every operational risk quite well. Strategic risk affects firm value because the disclosure of strategic risk shows stakeholders how the company manages the company's SWOT analysis (Healy & Palepu, 2001). Empowerment risk does not affect the company's value because employees are the most important asset, and investors assume that the company has minimized the empowerment risk as much as possible. Hence, companies that disclose or do not disclose empowerment risk have no impact on investors' sentiment. Integrity risk does not affect the company's value because the audited company has demonstrated its integrity. The integrity risk that is disclosed or not disclosed does not affect the company's value. Technology risk and information processing affect the company's value because Indonesian companies already have an extensive international network system that guarantees the existence of technology and information processing risks. Therefore, investors appreciate the disclosure of technology risks and information processing, which will affect investors' assessment of a company.

The Influence of the Risk Management Committee on Company Value. Based on the results of the regression tests that have been carried out, it is known that the existence of a risk management committee does not show a significant relationship to firm value, which means that the presence or absence of a risk management committee in the company will not affect the value of the company for investors. Therefore, the results of this study are not by the second hypothesis proposed, so the second hypothesis (H2) is rejected.

This study is not in line with Bhuiyan et al., (2020), which found that companies with independent risk committees can effectively evaluate potential risks and implement appropriate risk management systems, thereby increasing investor confidence and impacting higher firm value. This can happen because there are no regulations that require the establishment of a risk management committee in non-financial companies in Indonesia. Hence, investors still feel unfamiliar with a risk management committee in non-financial companies. Investors assume that the audit committee can carry out the management and supervision of corporate risk management. It can also be seen from the sample distribution that out of the 134 sample companies, only 22 companies have a risk management committee in their company. Companies in Indonesia may not feel the need to establish such a committee, and the audit committee can still carry out the responsibility for risk management. According to Brown et al. (2009), the audit committee's role is to measure and manage the company's overall risk profile. The formation of risk management can create overlapping responsibilities within the scope of risk management because there is already an Audit Committee (AC) to fulfill all risk management tasks. AC's function in risk management can be strengthened if AC has the quality as stipulated in the Code of Ethics for Corporate Governance (Financial Reporting Council (FRC), 2011). Therefore, investors in making investment decisions also do not see whether there is a risk management committee in the company and if there is an audit committee in the company, investors consider the risk management system in the company to be running well.

6. Conclusion

This study aims to examine the use of volunteer management and the existence of a risk committee on firm value. Results Based on the analysis and discussion described in the previous chapter, it can be concluded that risk management disclosure has a positive and significant effect on firm value. First, a company with high voluntary management will affect the firm value for investors. This causes investors to perceive voluntary management as an essential component of a company to continue providing the signals needed to make better investment decisions regarding their investment in the company. Second, the risk management committee does not show a significant relationship to firm value. This means that a risk management committee within the company will not affect the company's value for investors.

This study has several limitations. First, this study is the subjective element in the justification of risk management disclosure because no provisions can be used as a reference standard. Second, the justification for risk management disclosure may not be appropriate for each researcher. Third, the risk management committee variable in this study was only to measure the presence of a risk management committee by using a dummy variable. This study's result suggests that companies pay more attention to the company's voluntary (non-financial) risk management disclosures. Then, investors to be more careful in making investment decisions. Suggestions for the government to develop more detailed guidelines on non-financial risk management disclosures in the future, and finally, for further research to look for other measurement methods for risk management disclosure or develop factors others that can predict a firm value and use other measurement proxies for risk management committees such as adding risk management committees quality measurements such as committee independence, number of committee meetings, and other committee quality assessments.

Author Contribution

Author 1: conceptualization, writing original draft, data curation, formal analysis, visualization, investigation, methodology.

Author 2: review and editing, writing review and editing, supervision, validation,

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None

Conflict of Interest
The authors declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

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