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Assessing 5P as a Proper Conceptual Framework for Sustainability Reporting: Case Study from Indonesia's Energy Sector

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ABSTRACT: The launching of UN SDGs and 2030 resolution has sparked a new concept and perspective regarding the problem that we faced right now. The framework explicitly mention 5P as the main pillars of SDG while having the same characteristics as triple bottom line, with addition of peace and partnership aspects. This research uses purposive sampling to gain a proper sample from Indonesia's energy sector from 2020-2022. Data extracted from company's sustainability report using content analysis approach with several criteria. The number then fitted into a model with PLS-SEM and analysed using path coefficient and significance of p value. Some company disclosed more sustainability information through their sustainability report compared to the other. Planet aspect are having a positive and significant correlation, with People and Prosperity having a positive but not significant correlation and Peace and Partnership are having a negative and insignificant correlation. This study needs to be confirmed or re-evaluate by other researcher to further justify the proposition of the new concept, namely 5P.

KEYWORDS: SDG, People, Planet, Prosperity, Peace, Partnership, ROA

I. INTRODUCTION

As a country with abundant resource wealth, Indonesia is enjoying a golden economic era. The population boom is increasingly encouraging Indonesia's opportunity to become a world economic champion. However, Indonesia is not necessarily free to explore its resources. Climate change that is occurring massively and rapidly is forcing Indonesia to also face this critical problem.

In overcoming this problem, a transition from a conventional industrial model to a sustainable industrial model is needed. Sustainability is a concept that is often echoed in the world of economics and accounting recently, and is believed to be the main answer in facing critical climate problems. Sustainability is a universal concept that can be applied to all industries currently present. However, the current business model still requires several improvements and changes to comply with established sustainability standards. These changes do not come by themselves and require funding.

This is where the financial industry plays a vital role in disbursing hundreds of trillions of Rupiah needed for business transformation. The entire financial structure, both private and government owned, plays a very important role, because the financial industry has massive and multidimensional capabilities in mobilizing all layers of capital, so that a certain level of acceleration can be achieved (Setyowati, 2021). However, this is also a challenge so that the acceleration that occurs in the economic context does not turn into a financial crisis due to the surge in the amount of money and uncontrolled acceleration of money circulation (Dikau, Simon; Volz, 2020; Setyowati, 2021)

However, before hundreds of billions or even trillions can be channeled to those who are ambitious about their sustainability projects, accurate information is needed regarding the performance track records of these entities. This is one of the challenges in achieving transformation at a rapid rate. The entire system regarding regulations governing aspects related to sustainability is still not ready. The rules governing the reporting of material information for the development of sustainable development still need to be straightened out so that they are in line with SDGs principles and in line with stakeholder expectations regarding effective funding (Carney, 2019; Setyowati, 2021)

Disclosure of material information regarding sustainability aspects is very important in order to meet the demand for accelerating the overall development of sustainability-based infrastructure. Currently, the framework that regulates sustainability reporting systems has evolved well and is able to address most of the challenges in reporting non-monetary values and combining them in comprehensive reports.

However, there are many variations of these standards in circulation, such as GRI Standard, GSSB, ISO, and so on. One of the sustainability reporting standards most commonly used by companies in the world is GRI Standards (Setiawan et al., 2018). GRI

Standards have developed from the previous version, namely GRI G4. Like the previous version, GRI Standards succeeded in considering non-monetary aspects in preparing sustainability reports, as well as determining appropriate quantification methods for each indicator. The scientific basis used by GRI Standards in considering non-monetary aspects is the Triple Bottom Line which was first coined by John Elkington in 1994.

The Triple Bottom Line contains the fundamental ingredients needed for a business to continue to develop sustainably (Setiawan et al., 2021). The factors in question are people (humans), planet (environment), and profit (business profits). These three factors work together to complement each other. This paradigm has succeeded in encouraging companies to revolutionize the way they report information that is material to all stakeholders. Social pressure and other external parties also support these changes.

However, TBL has several fundamental shortcomings, namely outdated measurement techniques, system failure to accommodate integrated needs between these three aspects, and a system that does not require companies to report certain aspects in their sustainability reports (Setiawan & Augustine, 2016). Some of these challenges are rooted in the awareness that these three aspects are fundamental aspects that stand independently and are not related to each other, whereas the reality that occurs is the connection and cooperation between these three aspects that drives the company's success in promoting sustainability efforts. These shortcomings are reflected in the triple bottom line paradigm and can explain the reasons behind the failure of companies and governments to implement frameworks to achieve sustainability goals.

In the year 2000, United Nations launched a program called the Millennium Development Goals which aims to be a guide and reference used to monitor the performance of nations in achieving sustainability. This guideline is a good framework because it provides references and indicators for nations regarding priority targets that must be completed in order to achieve sustainability. The concept of sustainability referred to by the UN is not limited to the three priorities in the Triple Bottom Line, and this is the advantage of this paradigm in alleviating such complex problems. By realizing that there are interrelated aspects, a problem can be resolved at its root.

Millennium Development Goals program developed by the United Nations has ended in 2015. However, this program does not immediately die, because the UN has launched a successor program which is targeted for completion in 2030. Sustainable Development Goals are a more comprehensive and superior successor to the previous generation. The SDGs contain 17 goals and 169 indicators that can be used by various parties to collaborate to achieve sustainability goals more quickly. The main point emphasized by the UN in the SDGs is cooperation between various parties in order to accelerate the sustainability progress that will be achieved.

In preparing the 17 SDGs, the UN has revealed 5 pillars which are the main foundation of the 17 SDGs. These pillars are believed to be an evolution of TBL by integrating crucial points in achieving sustainability targets. The 5 pillars are People, Planet, Prosperity, Peace and Partnership. These five pillars can be used as a lens to focus agendas and activities that are priorities for various institutions in the world to immediately alleviate problems related to sustainability. Because they are the main concern of stakeholders, these five pillars can be used as a reference and benchmark for the development of sustainable development. In the sustainability report, these five pillars can be found in the form of an integration of information disclosed in accordance with GRI standards.

Initially, the disclosure of sustainability information should have been somewhat impactful towards corporate financial performance, as stated by legitimacy theory and signaling theory. Several studies has bringing this topic upwards though in different context. Numerous studies has confirmed that there has been a correlation between environmental aspects of sustainability reporting and corporate financial performance as shown by Anna & Dwi R.T (2019), Ihsani et.al, Muslichah (2021), Zamil & Hassan (2021), and Devie et.al (2019). In economic aspect, Anna & Dwi R.T (2019), Chairina & Hardi (2019), and Al-Amaedeh & Al-Hosban (2021) confirmed that there's been a correlation between the two variables though Burhan & Rahmanti (2012) beg to differ. In social aspect, Burhan & Rahmanti (2012), Al-Amaedeh & Al-Hosban (2021), and Muslichah (2020) confirmed that there is correlation, but Chairina & Hardi (2019) had found the otherwise. In the topic of CSR and ESG especially Governance part, Husnaha & Fahlevi (2023) and Meiryani et.al (2023) had confirmed that there is correlation between CSR aspects and financial performance. Husnaha & Fahlevi (2023) also mentions that SDG has managed to further amplify the correlation between CSR and financial performance. But on other side, Saputra & Setiawan (2018) has found the otherwise, that CSRD has brought a negative impact towards company value.

II. HYPOTHESIS

The realization of sustainability development is a quite challenging topic to resolve, because it is interrelated and creates a vicious circle effect. Meanwhile, solving one problem often leads to the emergence of new problems. Bennich et al (2023) revealed in

their research that the relationship between SDGs has 2 characteristics, namely SDGs that synergize or mutually support the implementation of other SDGs, and SDGs as a trade-off for other SDGs, or SDGs that can provide big challenges for other SDGs if implemented. These 2 properties each have 2 types of relationship, namely as a multiplier or multiplier, and a buffer or barrier.

In his article, he revealed that SDG 3 and SDG 7 are the SDGs with the highest level of synergy, while SDG 12, 13 and 14 are the SDGs with the highest level of trade-offs. Meanwhile, Cernev and Fenner (2020) said that SDG 1, 3, 14, and 15 are fundamental points in order to achieve sustainability of human life and safeguard the resources needed to achieve the other SDGs. In the same study, they also revealed that SDGs 2, 4, 8, 12, 13, and 16 could be points that have an important influence on the implementation of the four SDGs.

In this research, the authors aim to develop a new ways for information disclosure regarding sustainability context in way that suites United Nations SDG requirements, by aligning an already built measurement and indicators to 5 pillars of 2030 resolution. This research also aims to test the model interaction within the latent variables and between the indicators and corresponding latent variable. Therefore, there are 1 main hypothesis and 5 derivative hypothesis for this research:

Hypothesis 1: All 5P have a positive and significant relationship with corporate financial performance

Hypothesis 1.1: "People" aspect has a positive and significant correlation with financial performance

Hypothesis 1.2: "Planet" aspect has a positive and significant correlation with financial performance

Hypothesis 1.3: "Prosperity" aspect has a positive and significant correlation with financial performance

Hypothesis 1.4: "Peace" aspect has a positive and significant correlation with financial performance

Hypothesis 1.5: "Partnership" aspect has a positive and significant correlation with financial performance

III. METHOD

A. Research Subject and Object

The subjects in this research are companies listed in the energy sector of the Indonesia Stock Exchange. This sector was chosen for reasons of relevance. This sector is known as one of the sectors most often mentioned in the context of sustainability, due to the inherent nature of companies in this sector regarding environmental impacts. The production of mining materials, especially coal and petroleum, has a direct effect on increasing the amount of carbon dioxide, which leads to the greenhouse effect. Apart from that, the exploration activities carried out also often have quite a detrimental impact on the natural environment around the company's operations, and the projects carried out by companies in this sector also have a massive scale, so it is certain that this sector contributes large economic value directly or indirectly. If viewed from social and economic aspects, these companies also contribute to the development of society and the economy at a micro and macro level, so it can be said that this sector has made a significant contribution to the progress of the Indonesian economy.

The object used in this research is the sustainability report. The sustainability report contains material information related to sustainability aspects. The advantage of this report compared to annual reports is that the content of this report contains material information in monetary and non-monetary form. In this report, non-monetary aspects receive more attention compared to monetary information, especially information related to sustainability aspects.

B. Sampling Procedure

The population taken in this research were all companies listed in the energy sector of the Indonesia Stock Exchange as of December 2022 so that the total population obtained was 79 companies.

The sampling technique used is purposive sampling, where the author applies certain criteria to obtain the sample size. This research uses data from companies in the period 2020-2022, so the criteria used are companies that publish sustainability reports for 3 consecutive years from 2020 to 2022. Thus, the sample obtained is 17 companies that publish sustainability reports for three consecutive years since 2020.2.3.1 Sample Size, Power, and Precision

C. Data Measurement

The technique used in data collection is content analysis by assigning scores to appropriate conditions. The data is collected in the form of numbers (quantitative) and classified into two, namely quality and quantity. Data quality refers to the type and way data is disclosed in the sustainability report, while data quantity refers to the number of sentences or paragraphs written in order to disclose the sustainability indicators used. Scoring is carried out based on the book "The Influence of Ethics on Profitability: Mediation of Image and CSR", with the following criteria:

Quantitative Content Analysis	Qualitative Content Analysis
(0) No information is disclosed in accordance with the indicators	(1) Only Qualitative
(1) Sentence	(2) Qualitative and monetary
(2) Paragraph	(3) Qualitative and non monetary
(3) 2-3 paragraphs	(4) Qualitative and diagram (table/chart)
(4) 4-5 paragraphs	(5) Qualitative, monetary, and non monetary
(5) More than 5 paragraphs	(6) Qualitative, monetary, and diagram (table/chart)
	(7) Qualitative, non monetary, and diagram (table/chart)
	(8) Qualitative, monetary, non monetary, and diagram (table/chart)

Source: Setiawan et al 2021

This content analysis technique is carried out with two approaches. The first is to collect data based on the GRI index listed in each report. These indices are listed in the paragraphs or sentences contained in the report, as an indication that the statement is a form of information disclosure required by the GRI standards. In addition, generally reports prepared with GRI standards have a list of the GRI indices disclosed in the report, along with a disclosure page.

However, the author realizes that this technique has shortcomings, such as company sustainability reports that do not use GRI standards, there are no indexes listed in the report, or the paragraphs written do not include information about the relevant index. Therefore, the second approach taken was to take keywords from each GRI standard to complete the missing data. The keywords used represent the disclosures that the company must make according to GRI standards, but the company does not include them in the index. Next, the collected data will be combined in a data tabulation table for further analysis.

D. Figures and Tables

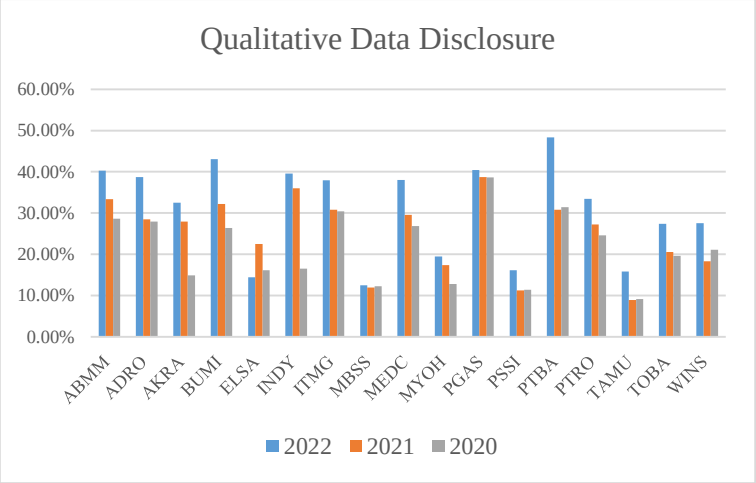
This research is a quasi-experiment that explores the relationship between the 5 pillars of the SDG program launched by the UN, and company financial performance. This research is classified as quasi-experimental because this research explores a new topic in the academic world regarding the importance of 5P in SDG. This research utilizes quantitative data (in the form of numbers) to carry out analysis and prove its hypothesis. The scale used is a ratio to describe the value of each of the indicator variable. 5P will be a latent variable that consist of 17 SDG with GRI as indicators for each. Meanwhile, the model will be a formative one, whereas the indicator construct will be able to explain the latent variable. Corporate Financial Performance will utilize ROA as measurements.

Hypothesis testing will be carried out with PLS-SEM by path coefficient. PLS-SEM was used due to the nature of the variable, in which the GRI that was quantified will be aggregated into SDG before being introduced to the model with 5P being the latent variables. Variables operationalization will be based on several studies and document that support the ideas:

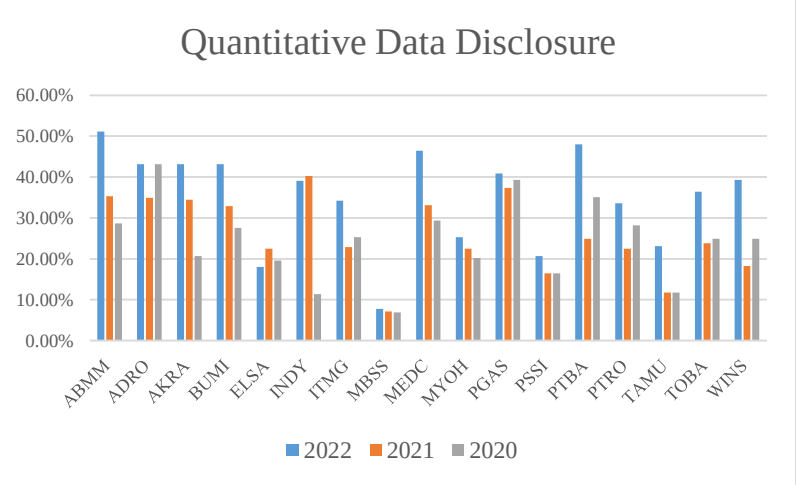
5P to SDG Operationalization	SDG to GRI Operationalization
"MEASURING DISTANCE TO THE SDG TARGETS", OECD Statistics and Data Directorate, 2019	"Linking the SDGs and the GRI Standards", GRI Standards, 2022
"Commitment to sustainability in large European banks and its relationship with board gender diversity: a 2030 Agenda perspective", Gutiérrez-Fernández et al, 2022	
"Disparities in sustainable development goals compliance and their association with country risk", Marti & Royo, 2023	
"Measuring urban sustainability performance through composite indicators for Spanish cities", Lo-Iacono-Ferreira et al, 2022	

IV. RESULTS

A. DESCRIPTIVE ANALYSIS



Based on this graph, it can be seen that companies have a tendency to increase the type of information disclosed in their reports every year. The highest level of quality information disclosure is in PTBA's 2022 sustainability report, where the disclosure level reached 48.33%, followed by BUMI's 2022 sustainability report at 43.06%, and PGAS's 2022 sustainability report at 40.42%. In general, the average level of information quality disclosure carried out by all companies in the sample is 25.88%. Differences in the amount of information disclosed are caused by differences in the nature of company operations, as well as differences in materiality assessments carried out by internal management.



Based on this graph, quantity disclosure of information also has the same trend as information quality. There is an increase in the amount of information disclosed by each company in its sustainability reports. The highest quantity of information disclosure is in the 2022 ABMM sustainability report, amounting to 51.11%, followed by the 2022 PTBA sustainability report at 48%, and the 2022 MEDC sustainability report at 46.44%. In general, the average level of information quantity disclosure carried out by all companies in the sample is 28.38%, 2.5% higher than quality information disclosure.

After running the model through SmartPLS 4.0, the author has concluded the results as following:

	Path coefficients	T statistics	P values
People -> CFP	0,313	1,607	0,108
Planet -> CFP	0,342	1,986	0,047
Prosperity -> CFP	0,201	1,113	0,266
Peace -> CFP	-0,136	1,197	0,232
Partnership -> CFP	-0,202	1,620	0,105

*Results for Quantitative Dataset, significance 0.005

	Path coefficients	T statistics	P values
People -> CFP	0,092	0,450	0,653
Planet -> CFP	0,477	2,458	0,014
Prosperity -> CFP	0,100	0,462	0,644
Peace -> CFP	-0,055	0,465	0,642
Partnership -> CFP	0,000	0,002	0,998

*Results for Qualitative Dataset, significance 0.005

V. CONCLUSIONS

Based on both table, we could do a comparison and descriptive analysis to better understand the situation that we have here. The relationship between People, Planet, and Prosperity towards CFP has shown a positive remarks. This is a good sign that the level of disclosure regarding those topics are still highly accepted and desired by the stakeholder, and it is reflected in the positive value of path coefficients. For People and Prosperity, the quantity of information are better accepted by the stakeholders. This is reflected in the higher value of path coefficient and lower value of P values, which says that there is a better significance in quantity of information rather than the quality or type of information, although both of them failed the test of significance.

The relationship between Planet towards CFP are a better showcase for both dataset. It's shown in the form of positive and relatively high value of path coefficient, and lower value of P values. This further reinforce the argument that information disclosure concerning environment values are still relevant and highly regarded by the stakeholder, though this study cannot confirm if this is significantly higher in energy sector compared to other sector. Peace and Partnership aspect have been a newly introduced variables into this matter. Highly sought by United Nation that in order to achieve sustainability development faster, a collaboration must go through within the system with government, private sector, and community as a central part. Unfortunately, this study cannot confirm both of those relation towards CFP. This is shown by a negative values in both path coefficient values and low level of significance.

Based on the criteria to examine the hypothesis, the path coefficient should be positive, and p value should be under 0.05 (<0.05) for the hypothesis to be accepted. The path coefficient for People to CFP is showing a positive sign in both table, but the values of P values are not meeting the requirements, so therefore, H1.1 is **rejected.** In both table, the path coefficients from Planet to CFP has shown a promising show, with a positive path coefficient and good sign of p values significance (0.047 < 0.05 and 0.014 < 0.05), so therefore, H1.2 is **accepted**. The correlation between Prosperity and CFP also shown a positive marks on path coefficients, but the p values in both tables are not significance enough, so therefore H1.3 is **rejected.** Both Peace to CFP and Partnership to CFP has shown a negative tendency. Both dataset showed us that the p values are above 0.05, so therefore H1.4 and H1.5 is **rejected.**

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