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Asymmetry and Governance of Corporate Social Responsible Disclosure in Indonesia Priskila Adiasih, S.E., M.Sc. Business Accounting Program

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m32415007@john **.petra.ac.id** **Abstract—** The purpose **of this** research **is to** measure **the** influence **of**

financial leverage, earnings management (modified Jones model), women on board (percentage) and size of the board on

the environmental, social and governance (ESG) disclosure by 17

corporations in Indonesia. The ESG disclosure data used in this research are from Bloomberg database covering the period of 5 years, from 2012 to 2016. The method analysis used in this study is multiple linear regression, while the data is processed using Gretl software. The results show that the financial leverage, earnings management and women on board (percentage) negatively influence the ESG disclosure practice, while the size of the board influences positively on ESG disclosure. The research limitations are the sample of companies in the Bloomberg ESG disclosure database. This research extends from previous studies conducted on the inclusion of ESG disclosure in Indonesia. Keywords—Corporate Governance, Disclosure, ESG, Bloomberg I. INTRODUCTION Indonesia is currently entering the era of Industry 4.0 that allows for easier and faster exchanges of information. Industry 4.0 will cause changes in activities that were previously isolated into greater automation, with products that will optimally integrate while data flowing into the global value chain (Strange and Zucchella 2017). One of the aspects of sustainability that

focuses on sustainable development is defined as **development** which **meets the needs of the present without compromising the ability of future generations to meet their own needs. (United Nations World Commission on Environment and Development, 1987).** 9

For that reason, the practice of

sustainability reporting must **result in** the management **thinking and** 61

actions that pursue sustainability (Bradford, Earp, Williams, 2017). In order for external stakeholders benefit from corporate sustainability reporting, including the socially-responsible investors, information presented in the report have to be organized according to the utilization of information to make business decisions. (Mohammed, Ahmed and Xu- Dong Ji, 2017). For now, investors are presented with the options to choose between traditional financial-oriented investing and ESG-oriented sustainable investing (Olmedo, Lirio, Torres and Izquierdo, 2017). Good corporate governance practice and financial reporting background will stimulate the performance of capital market to improve investor's confidence (Mohammed, et al., 2017). CSR have increasingly drawn

the attention of customers **investors, suppliers, and governments** from all over **the world** 12

(Kabir and Thai, 2017). To that end, many companies are getting more interested in reporting their corporate social responsibilities or initiate their CSR activities (Setiawan, 2016). Furthermore, business is also increasingly competitive with easier and more integrated access, resulting in companies trying to get ahead in implemeting Corporate Social Responsibility (CSR) (Olmedo, et al., 2017). A good CSR performance is when CSR activities conducted by companies correspond to the stakeholder's expectations. These stakeholder's will in turn give a positive response if they are in agreement with the purposes of a company in implementing CSR (Setiawan, 2016). CSR disclosure becomes an attempt to communicate that the company is not merely established to maximize profits but also

to achieve a long-term goal to secure **company's** sustainability (Isnalita **and** 30

Narsa, 2017). There are several decisions that a company has to make in regards to the public disclosure of its CSR information, including balancing its obligation to comply with the regulations, establishing its corporate image and implementing good corporate governance (Setiawan, 2016). Several past researches have employed a different approach in measuring CSR performance, which is by using the scores and ratings from sustainability index, CSR rating institution or CSR information providers. However, few are arguing on the validity and reliability of the tools, including the Socially Responsible Investment (SRI) metrix, and the Environmental, Social and Governance (ESG) sustainability criteria (Saadaoui and Soobaroyen, 2018). This research uses ESG parameters in measuring CSR performance as the disclosure requirements and the strength and quality of each institution vary. ESG is believed to be able to predict and assess CSR performance specifically on each company (Bradford, et al., 2017). According to Bajic and Yurtoglu (2018), ESG can capture significant impacts of CSR on companies that drive a correlation between social aspect of CSR and company's value. Systematic ESG information can be used by professional investors as an investment analysis tool. This research contributes to the CSR disclosures as

it is based on a **third-party rating** by measuring **the extent of** disclosures covered **by Bloomberg to** 1

determine which information are attractive to each related stakeholder in relation to those specific

aspects. In Bloomberg methodology, each important **data** disclosure **is** 1

measured. ESG disclosure scoring includes

CSR disclosure items in relation to the industry 1

(Giannarkis, Konteos and Sariannidis, 2014). The

purpose of this research is to assess **factors** that influence Environmental, **Social and** 38

Governance (ESG) disclosure by companies in Indonesia. This research will discuss the Information Asymmetry and Governance of Corporate Social Responsible Disclosure in Indonesia. The indicators used in the research are from

Environmental, Social and Governance (ESG) index. ESG indicators **that are** related **to** 46

the

environmental, social and governance aspects **will be** 23

further discussed in this research.

II. LITERATURE REVIEW A. Corporate Social Responsibility (CSR) 41

Companies are trying to adopt CSR governance mechanism to achieve their social and environmental goals and to establish legitimacy in the community and business (Wang and Sarkis, 2017). Corporate social and environmental responsibility emerges in many companies as an important element of their corporate strategic direction and component of risk management (Al- Shaer, Salama and Toms, 2017).

Companies utilize different reporting tools in communicating **their CSR initiatives to** 1

the stakeholder's. However, companies are unable to consider all stakeholder's equally and communicate to them with the same intensity (Giannarkis, et al., 2014). CSR is

a concept to manage organizations **profitably in a** socially **and environmentally responsible way to achieve business sustainability and stakeholder satisfaction** 20

(Vollero, Palazzo, Siano and Sardanelli, 2018). Rigorous CSR governance can result in excellent implementation of CSR, through proper allocation of resources and transformation of business structures (Wang and Sarkis, 2017). Results from excellent CSR implementation will help companies in achieving and maintaining their social legitimacy and contributing to the improvements of their business and financial performance (Wang and Sarkis, 2017). For this reason, in order that sustainability reporting can meet the needs of the companies external people, including the socially-responsible investors, information presented in the report must be able to be used in making business decisions (Bradford, et.al., 2017).

Companies are expected to disclose more information to the public in order that companies 18

can meet the information needs of the stakeholder's. CSR shapes the relation between a company and the stakeholder's because CSR can predict the company value (Bajic and Yurtoglu, 2018). To achieve the quality of CSR management that can influence a positive market response, corporate governance becomes an important key for a company. Stakeholder's, related corporate goals are related to different expectations that need to be prioritized (Velte, 2016). B.

Environmental, Social and Governance (ESG) ESG score is used as a complementary to the 17

corporate financial score, improving accuracy in risk performance and assessment (Achima and Borlea, 2015). Viewed as comprehensive information, ESG comprises corporate sustainability performance and represents information that shows whether a company has worked towards the goals of sustainability (Bradford, et al, 2017).

Integration of environmental, social and governance (ESG) criteria during an asset evaluation process is 26

widely used by socially- responsible investors. Hence, through ESG, companies are expected to provide detailed information on the companies achievements (Olmedo, et al., 2017). From Bloomberg's ESG scoring, companies can assess their corporate practice

in the aspects of Environmental, Social and Governance 43

according to the

publicly available data, annual report and sustainability report, direct communication, press release, third-party study and the news. The 11

more information disclosed by a company the higher 56

its ESG scores. It displays higher company's commitment towards transparency and accountability (Tamimi and Sebastianelli, 2017).

Environmental performance refers to the use of good environmental practices, such as implementing pollution control measures, making environmental investments, and setting environmental policies. Social performance refers to community investment, such as equal employment opportunities, and other social aspects related to internal and external stakeholders. Governance performance refers to the use of good corporate governance practices, such as CEO separation and the role of board chairman and diversity in board membership, which ensures that companies make decisions for the benefit of 4

shareholders (Husted and Filho, 2016). In this research, ESG performance is measured by using ESG score, according to data from Bloomberg and corporate annual reports from 2012 up to 2016. Bloomberg measures

the extent of CSR disclosure through three 59

different categories, including

environmental, social and governance, by using ESG score 1

(Giannarkis, et al., 2014). Different from other literary reviews that consider specific information sources,

such as web site or annual report, to build the disclosure index, Bloomberg's methodology 1

combines sources of information more broadly, including

CSR reports, annual reports, corporate web sites and Bloomberg' 1

s surveys. (Giannarkis, et al., 2014). ESG factors offer long- term performance advantages for potential investors once integrated into investing analysis and decision making (Olmedo, et al., 2017). C. Agency Theory Agency Theory describes conflicts arising in a company as a result of separation

between the owners (principal) and the management (agent) (Eisenhard, 1989). 22

Further, it explains

that there is conflict of interests between the principal (shareholders) and the agent (management) (Eisenhard, 1989). 15

Separation between the owners and the management can create agency conflict due to differences in the interests and goals of each individual party. Conflicts between principal and agent emerge in various forms, including manipulation of

financial information, commiting accounting frauds and expropriating shareholders' wealth. 7

For that reason, a

strong corporate governance mechanism is needed to mitigate the consequences of these conflicts. Corporate governance mechanism requires accounting numbers to be used as tools by the board of directors to monitor and control system 7

(Mohammed, et al., 2017). This is important as shareholder's expect to maximize their profits, while the management might be more interested in their own profits. To that end, the board of directors might

need to play an important role in monitoring the management' 15

s Agency Theory describes conflicts arising in a company as a result of separation

between the owners (principal) and the management (agent) (Eisenhard, 1989). 22

D.

Legitimacy Theory Legitimacy theory explains that each organization needs to ensure that 45

it has operated within the standards, limitations, or policies set by the communities where it becomes a part of (Deegan, 2000). By applying this theory, a company will voluntarily report all activities, if the management sees that certain activities become the community's interest.

Based on the legitimacy theory, CSR is not only focused on stakeholders needs and alignment of interests, but also focused on 3

some socially constructed system of norms, values and beliefs (Gray, Kouhy and Lavers, 1995; 3

Martinez-Ferrero, et al., 2014).

Corporate governance must ensure that disclosures are done timely and 23

accurately

on all material topics on the company, including financial position, performance, ownership and corporate governance. The board of directors will set strict rules, designed to protect the company's interests, in the areas of financial reporting, internal control and risk management 8

(Achima and Borlea, 2015). According to Rouf (2018),

there is a negative relationship between liquidity and leverage of a company. Liquidity is the 29

company's

ability to gather short-term obligations. 64

The previous researches,

based on legitimacy (Wilmshurst and Frost, 2000; Cormier and Gordon, 2001; Khan, Muttakin, and Siddiqui, 2013), and stakeholder theory (Orlitzky and Benjamin, 2001; Van Der Laan, 2

Van Eesand Van Witteloostuijn, 2008; Al- Shaer, et al, 2017), taken

from political economy theory, have improved our understanding of corporate social responsibility accounting, and this approach can be complemented by positivist methods, whether routine or more nuanced (Gray and Laughlin, 2012; 2

Al-Shaer, H., et al, 2017).

Companies with increased vulnerability due to their size or industry disclose more information voluntarily as a way to 2

manage. There are

many similarities between stakeholder' s theory and legitimacy theory that can explain the 32

reason

a company might choose to make a certain set of voluntary disclosures 2

legitimacy

(Kuo and Yi-Ju Chen, 2013; Al-Shaer, et al, 55

2017).

More specifically, companies can respond to the stakeholder's expectations by integrating disclosure into 2

the company's strategy to reflect the "real commitment" or its alternative only by doing the

minimum to maintain a certain level of legitimacy, which may become tactical or a symbolic legitimacy (Dawkins and Fraas, 2011; 2

Al-Shaer, et al, 2017). Financial Leverage According to (McGuire, Sundgren and Schneeweis, 1988), companies with low CSR level can have an increase in the company's financial risk due to lack of social responsibility initiatives.

In contrast, companies that present high level of CSR disclosure face lower financial 1

risks and establish a

more stable relationship with the government and financial community. 1

According to Berger and Humphrey, (1997), managers tend to maintain a low debt level in order to have wider options in making investment decisions. Leverage refers

to the amount of debt used to finance company assets and business operations other than capital. Leverage can be used as an efficient control mechanism to avoid excessive 5

income reporting practices by management which will ultimately

harm the company. According to Andrade and Kaplan (1998), high corporate leverage 5

causes the company's financial risk to be higher such as financial difficulties, payment failure, debt and bankruptcy risk. According to

Jensen (1991) argues that the formation of new regulations and a declining economic crisis 5

have a significant influence on high corporate leverage. Thus,

the higher the debt ratio, the greater the risk, and the higher the interest rate 5

(Ghazali, Shafie and Sanusi, 2015). The level of leverage tends to affect

earnings management both positively and negatively. The tendency to 6 avoid violations of debt agreements by

companies results in higher earnings management by these companies (Maheswari and Agrawal, 2015).

Branco and Rodrigues (2008) stated that financial leverage influences negatively to the extent of socially responsible disclosures on the internet. 1

Low levels of financial leverage reasure that creditors will not intervening managers decision related CSR disclosure initiatives 1

(Brammer and Pavelin, 2008) H1: Financial leverage influences negatively to the Environmental, Social and Governance (ESG). E. Earnings Management Corporate Social Responsibility

is often used as a defensive tool to avoid negative reactions and surveillance from the stakeholders who affected by earnings management, thereby the managers position in the company allowing managers to acting in their own interest (Prior, Surroca 3

and Tribo, 2008; Martinez-Ferrero, et al., 2014). Earnings management can reduces the reputation of companies and

leads to loss of reputation of the individual managers responsible for overseeing the reports at the time when accounting scandals or aggressive earnings management practices revealed (Zahra, Priem and Rasheed, 2005; 3

Martinez- Ferrero, et al., 2014). Earnings management is applied

when managers use valuations in financial and transaction reporting to 58

change the financial statements in order

to mislead some stakeholders on the company's economic performance or to influence 39

the outcome of a contract that depends on the accounting 40

numbers reported (Healy and Wahlen, 1999). The level of CSR

disclosure of a company is related to the level of 28

its transparency. Therefore, by employing CSR, the company becomes more transparent and trusted by stakeholders. CSR activities have increased with the rapid growth of the stock market which has led to increased demand for transparency (Kabir and Thai, 2017). Earnings management can reduce transparency when related information on earnings management is not fully disclosed. Quality of earnings quality will be considered better if the score of earnings management gets smaller, while the ESG score is higher. Here, social responsibility disclosure plays an important role and a complementary role in reducing information asymmetry (Zhong and Gao, 2017). Information asymmetry explains the presence or absence of information gaps between the shareholders and the management. Information asymmetry is related to earnings management, which becomes a variable of the quality of earnings. According to Velte (2016), information on sustainability contributes in reducing the ocurrence

of information asymmetry and the transaction costs due to agency 35 relations between the stakeholders and

the company. A good disclosure of ESG can improve the company's reputation, so

that the practice of earnings management carried out by 19

the company is ignored by stakeholders (Martinez-Ferrero, et al., 2014) H2: Earnings management negatively influences the Environmental, Social and Governance (ESG) F. Women on board According to Giannarkis, et al (2014), the presence of women directors positively influences CSR disclosure as it brings a unique perspective, experience and work style compared to the male directors. The presence of women can also increase CSR rankings and the company's reputation by communicating an important signal to the investors that display the potential financial performance. A high percentage of

women on board positively influences the level of social disclosure 52

which shows

that women are more sensitive to social 1

issues. Thus, the company is sending a signal to the

socially-responsible stakeholders on the intention to integrate CSR initiatives 1

into the company's business processes. The board leadership structure tends to significantly

influence the level of social disclosure (Giannarkis, et al, 2014). Humphries and 53

Whelan (2017) discover

that the proportion of women on the board is lower 34

in countries with high power distance 24

due to lack of regulatory requirements.

In a high power distance culture, recommendations on the 24

gender composition of the board of directors are not considered important, because everyone knows their place. Traditional gender roles show that women will not be well represented on company boards. The higher the power distance, the less likely the requirements related to gender composition of the board of directors (Humphries and Whelan, 2017). H3: Women in board negatively influences the

Environmental, Social and Governance (ESG) G. Size of the 63

Board

Size of the board becomes an important dimension of corporate governance 18

(Ali, 2018). According to Eisenberg, Sundgren and Wells (1998), small sized companies are more efficient than large-sized companies, as the larger size of a company is characterized by a slow bureaucratic decision process; therefore, less effective in overseeing CEO actions. According to Humphries and Whelan (2017), in a culture of high individualism, the board will appear more legitimate if it can represent the interests of various individuals or stakeholders. The

size of the company tends **to** influence **the level of** 42

earnings management both positively and negatively. 6

Larger companies

are in a better position to manage profits **by** using a **complex financial** structure. **On the other hand,** companies **are also subject to** a **higher** supervision **and tend to refrain from engaging in higher earnings management** 6

(Maheswari and Agrawal, 2015). H4: Size of the Board positively influences the Environmental, Social and Governance (ESG) III. RESEARCH METHODOLOGY This research is conducted to measure the influence of independent variables, namely earnings management (modified Jones model),

women in board (percentage) **and size of the board,** 44

as well as financial leverage on the dependent variable, namely

environmental, social and governance (ESG). This **research** uses an **analysis** model in **the** 47

form of the following scheme: Image 1 Research model A. SAMPLE AND DATA The

type of data used in this study is quantitative **data.** Details **of data** 27

and sources used, including: financial leverage, revenue, total assets,

property, plant and equipment, net income, **cash flow from operations,** 54

total accruals,

percentage of women in **board,** size of **the board** 62

and ESG score obtained from financial statements of

companies listed on the Indonesia Stock Exchange (IDX) through **the** 31

Indonesian Stock Exhange website (www.idx.co.id) and Bloomberg database. This research uses documentation method to collect company financial report data from 2012 to 2016. The unit of analysis in this research is the company level, while the model is multiple linear regression. Data testing is required to ensure that available data can be used to test the model that has been formulated in order that the hypothesis that has been proposed can be tested. The

data in this study will be **analyzed using** Gretl **and** SPSS **software.** 49

The research population are

companies listed on the Indonesia Stock Exchange (IDX) from **2012 until 2016. The** 16

initial population was 80 companies; however, only 27 companies passed the criteria of five years of observation, i.e. the period 2012-2016. The sampling technique used in this study is purposive judgment sampling: 57

Table 1 Sample Criteria Sample Criteria Total Total

companies listed on the Indonesia Stock Exchange from 2012- 16

2016 582 companies Total companies with ESG score 80 companies Total companies with incomplete ESG report (53) companies Total companies that become samples of the research 27 companies Total observation period 5 years Total observation data 135data B. EQUATIONS Based on the analysis model, we form a model that will be tested with the multiple linear regression. The analysis model is expressed in simple mathematical equation, as follow: ESG =α +β1 BZ - β2% WB -β3 LEV - β4 EM +ε Notes: ESG =Environmental, social and governance EM = Earnings management %WB = % Women on board BZ = Size of the board LEV = Financial Leverage α = Constant β1, β2, β3, β4 = Coeficients ε = Error C. DEFINITION VARIABLE Variable Definition ESG Score The

extent of three different categories of CSR disclosure (Environmental, Social and Governance) Financial Leverage The scale of average total 1

assets to average total common equity firm's capital structure 36

Earnings Management Earnings Management modified Jones model

Women on board Percentage of women on board 51

Size of the board The number of board members 33

D. EARNINGS MANAGEMENT (CALCULATION USING MODIFIED JONES MODEL)

In earnings management calculation, we use the Modified Jones Model 50

because this model is considered the best model for detection of earnings management compared to other models and provides the most powerful results (Dechow.PM, Sloan.GG and Sweeney.AP, 1995). The steps taken in calculating are as follows: 1. Calculate total accruals= Net income - Cash flow from operation 2. Perform the regression equation below Notes:

TA it = Total accrual in year t for company i A it- 1 = Total assets in year t- 25

1 minus income

in year t- 1 for companies i Δ REV it = Revenue in year t minus income in year t- 1 for company i Δ REC it = Receivables in year t minus receivables in year t-1 for companies i PPE it = Gross property, plant and equipment 10

α, α2, α3 = regression coefficient IV. RESULTS OF RESEARCH AND ANALYSIS A.

Descriptive Statistics Table 2 Research's Descriptive Statistics 60

Variables Variable ESG Disclosure Financial Lev EM Women on Board Size of the Board Min 6,61 1,16 -0,000264 0,00 3,00 Max 54,1 15,0 0,0002 28 0,333 12,0 Mean 24,2 2,34 4,89e- 021 0,0607 5,90 S.D. 13,5 1,62 7,43e- 005 0,102 2,04 Source: Output Gretl From Table 2 above, the main dependent variable, i.e. ESG Disclosure, of the company research samples

has an average value of 24.2 with a standard deviation of 37

13.5. The highest score on ESG Disclosure is 54, belongs to SMCB in 2014. Meanwhile, the lowest score on ESG Disclosure is 6.6, belongs to BMTR in 2015. In the financial leverage independent variable of the research sample companies, the average value is 2.34 with a standard deviation of 1.62. The highest score on financial leverage is 15,belongs to TBIG 2016. Meanwhile, the lowest score on financial leverage is 1.16, belongs to INTP in 2015. In the earnings management independent variable of the research sample companies, the average value is 4.89e-021 with a standard deviation of 7.43e-005. The highest score on earnings management is 0,000228, belongs to AKRA in 2013. Meanwhile, the lowest score on earning management is -0,000264, belongs to HEXA in 2016. In the women in board independent variable of the research sample companies, the average value is 0.0607 with a standard deviation of 0.102. The highest score on women in board is 0.333, belongs to PWON in 2014, 2015, 2016 and GGRM in 2013. Meanwhile, the lowest score on women in board is 0, belongs to 15 companies. In the women in board independent variable of the research sample companies, the average value is 0.0607 with a standard deviation of 0.102. The Table 4 Hypothesis Testing highest score on woman in board is 0.333, belongs Model: Random-effects (GLS), using 135 to PWON in 2014, 2015, and 2016, as well as observations GGRM in 2013. Meanwhile, the lowest score of Included 27 cross-sectional units women in board is 0. Time-series length = 5 In the size of the board independent variable of Dependent variable: ESGDISCLOSURE the research sample companies, the average value is 5.90 with a standard deviation of 2.04. The highest Coefficient Std. p-value score on the size of the board is 12, belongs to Error JSMR in 2016 and INCO in 2013, 2014. const 16,0939 3,65230 <0,0001 *** Meanwhile, the lowest score on the size of the FINANCIAL −2,16902 0,620904 0,0005 *** board is 3, belongs to PWON, HEXA, SMR, AKRA LEVERAGE in 2012-2016 and SCMA in 2012. EMRES −4265,59 13524,7 0,7525 WOMEN −33,0299 9,92746 0,0009 *** B. Panel Data Regression Analysis ONBOARD Table 3 Ordinary Least Square Model SIZEOFTHE 2,57479 0,489634 <0,0001 ***

Model 1: Pooled OLS, using 135 **observations** BOARD **Included** 27 **cross-sectional units** *** = Sig 1% **Time-series length = 5** source: output gretl **Dependent variable:** 21

ESGDISCLOSURE for Table 4 presented the hypothesis tests between Coefficient p-value dependent variable and independent variables. The Const 16,0939 <0,0001 *** relation shows that only H2 not accepted. FINANCIAL −2,16902 0,0007 *** LEVERAGE EMRES −4265,59 0,7530 WOMENON −33,0299 0,0011 *** BOARD SIZEOFTHE 2,57479 <0,0001 *** BOARD Adjusted R-squared 0,282722 P-value(F) 1,21e-09 source: output gretl Based on Table 3 above, this research model has a Pvalue of 1.21e-09. The value of P value indicates that the model is fit and can be used to test hypotheses. This study uses the 2 best models to be used, namely Pooled Effect Model and Random Effect Model. Image 2. Hausman test statistic Hausman test staTtiasbtilce: 4 Random effects H = M4,4o3d4e0l3: wRiathnpd-ovmalu-eef=fepcrotsb((cGhiL-sSqu)a,rue(s4in)g> 41,3435403) = 0,350441 observations

(A low p-value counts against the null hypothesis that the random effects model is consistent, in favor of the fixed effects model.) 13

V. SUMMARY AND LIMITATIONS

Corporate social responsibility activities are increasingly gaining attention from **the investors, customers, suppliers, employees and governments** around **the world** 12

(Kabir and Thai, 2017). Therefore, many companies have shown a higher interest in reporting their social responsibilities and initiating CSR activities (Setiawan, 2016). CSR performance is considered well implemented if it is carried out by the

company with the purpose to meet **the stakeholders'** expectations. **The** 48

advantage gained by companies that implement CSR is that the companies becoming more competitive in the market. CSR becomes a strategy for companies and can serve as an effective communication tool between the companies and stakeholders. This is because not all field activities carried out by companies can be known by the stakeholders. ESG disclosure comprises sustainability performance and represents information that communicates whether a company is working to achieve sustainability goals (Bradford, et al, 2017). From Bloomberg's ESG performance scores, companies can assess their own company practices in the environmental, social, and corporate governance aspects by utilizing

publicly available data, annual reports **and sustainability reports, direct** 11

communication, press release, **third-party research and** the **news**

(Tamimi and Sebastianelli, 2017). Results of this research show that financial leverage, earnings management (modified Jones model) and women in board (percentage) negatively influences ESG disclosure, while the size of the board positively influences ESG disclosure. This research is based on the Bloomberg ESG disclosure database. (modified Jones model). A good disclosure of ESG can improve the company's reputation, so

that the practice of earnings management carried out by **19**

the company is ignored by stakeholders (Martinez-Ferrero, Banerjee and Gracia-Sanchez, 2014). The limitations of this study are the sample of companies from Bloomberg's ESG disclosure database. This research extends from the previously conducted research on the inclusion of ESG disclosures in Indonesia.

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