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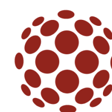

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Do The Earnings Management, Governance, Media Exposure, and Ownership Structure Have Any Effect on ESG Disclosure?

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Abstract
Previous study has shown various results for the relationship between good corporate governance (GCG), and company ownership to corporate social responsibility (CSR) governance. The environmental, social and governance (ESG) is one dimension of CSR governance. Using legitimacy theory, this study conducts to answer the gap by exploring real earnings management practice towards ESG. We use financial data and CSR governance from Bloomberg ESG database. The samples are 27 companies for the period 2012-2016. The findings suggest that GCG influence positively to ESG disclosure. In addition, we find that real earnings management (represent by Abnormal Cash Flow from Operation and Abnormal Production) has a positive effect on ESG disclosure. However, no evidence yet exist that Abnormal Discretionary Expense has a significant effect on ESG disclosure. We also demonstrate how the company ownership influences the disclosure. This study contributes to the literature by focusing on real earnings management rather than abnormal discretionary accrual.

Keywords: Real Earnings Management, ESG Disclosure, Bloomberg, Corporate Governance.

1. Introduction

1.1 Introduction

Environmental, Social, and Governance (ESG) have grown to become a significant tool in business decision making, especially in the last few decades. The level of ESG disclosures can be linked to a company's level of transparency (Daub, 2007) and the quality and capability of its management in improving business profitably in the future (Eccles et al., 2011). To that end, businesses are now always striving to improve their business reporting practices as investors expect companies to disclose their environmental, social, and governance (ESG) performance in ways that can be trusted and understood.

ESG information, in particular, is a non-financial disclosure that does not pursue a standardized format as in financial disclosure; therefore, ESG disclosures tend to vary (Elzahar et al., 2015). This non-financial aspect possesses a significant impact on the financial performance of a company, i.e., in terms of access to capital; cost and operational efficiencies; risk management; sales growth and market expansion; brand value and prestige (Hoang, 2018).

According to PWC (2016), ESG is a series of corporate operating standards that are used by investors to filter their investment. ESG concept combines three main factors, which are environmental, social, and

governance, in evaluating the sustainability and ethical impacts of an investment in a company or business. Therefore, good corporate governance and financial reporting environment are stimulating the capital market performance to improve investor confidence (Mohammed, Ahmed, Ji, 2017).

ESG concept allows the environmental factor is explaining how the company runs its operations in the framework of natural environmental responsibility. The social factor reports on how a company manages its relations with the employees, suppliers, customers and the community. Meanwhile, the governance factor explains the leadership aspect in the company, executive remuneration, audit and internal control, and the shareholders' rights (PWC, 2016).

Bajic and Yurtoglu (2018) confirmed that ESG measures could capture significant impacts of ESG on a company, which would drive the relationship between social aspects of ESG and the company's value. A systematic presentation of ESG information can be utilized by professional investors as an investing analysis tool.

This study expects to find out the kind of impacts that Audit Committee Meeting, Independent Commissioner, Media Exposures, Real Earning Management, and Ownership make on ESG. The benefit from this study would be to provide information for companies on the importance of considering ESG factors if influenced by Audit Committee Meeting, Independent Commissioner, Media Exposures, Real Earning Management, and Ownership. For research purposes, major companies in Indonesia are taken as subjects of this study and expected to be able to develop further initiatives related to ESG disclosure. This study adopts the third party rating approach to calculate the extent of ESG disclosure. This study is also investigating the determining factor in an ESG disclosure and treating ESG disclosures separately (Giannarakis, Konteos, Sariannidis, 2014).

The following are several studies previously conducted on real earnings management and ESG disclosure. Research conducted by Choi and Pae (2011), Kim et al. (2012) discovered that ESG disclosure is also positively linked to the level of earnings management. In addition to real earnings management, Ownership variable also influences ESG. According to Kim et al. (2018) companies with high foreign ownership score higher company value, higher ESG disclosure value, and a higher level of asset growth. Khan et al. (2012) discover that there is a positive association between public ownership and the level of ESG disclosure. Research by Kuo et al. (2012); Tagesson, Blank, Broberg, & Collin (2009) state that there is a positive impact between government ownership and ESG disclosure. According to research by Rao and Tilt (2016b), the majority of studies have apparently confirmed that there is a positive relation between the independent commissioner and ESG. Maistriau and Bonardi (2014) recognise that media coverage has a positive effect on ESG performance. Audit committee meeting, another independent variable, also influences ESG disclosure. According to European Multi-stakeholder Forum on CSR (2004) and Tencati et al. (2004), audit committees with a high frequency of meetings can better manage their business operations, because during meetings information on ESG disclosure is given high attention, both by the internal and external stakeholders.

From those research, it can be concluded that there are inconsistent results regarding the relations between independent and dependent variables. Thus, another study is going to conduct on those research. For the purpose of this study, we will test the companies listed on Indonesia Stock Exchanges that also possess ESG scores.

1.2 Literature Review

Real earnings management has been proven to become an alternative to accrual management (Cohen et al., 2008; Zang, 2012). Prior et al. (2008) use a sample of 593 companies from 26 countries and show the positive impact earnings management has on ESG disclosure. They find a positive relation between earnings management and ESG disclosure in regulated firms; however, the results are not significant statistically for unregulated firms. Findings from research conducted by Choi and Pae (2011), Kim et al. (2012) discover a positive relation between ESG and earnings management. Yet, Chih et al. (2008) discover that the evidences found are not consistent, in relation with earnings management of ESG companies.

Ownership is divided into 3, i.e., the government, public and foreign entity, whose numbers are taken from the annual reports of 27 companies. According to Kim et al. (2018), an increase in foreign ownership could drive managers to work actively in their company's ESG activities. This study result shows that companies with higher foreign ownership have higher company value, higher ESG disclosures, and a higher level of asset growths. Other studies discover that there is a positive impact between foreign ownership and ESG (Guoyou, Saixing,

Chiming, Haitao, & Hailiang, 2013; Oh, Chang, & Martynov, 2011). Foreign companies tend to use their company websites to disseminate their ESG information in order to reduce conflicts between managers and the foreign owners, as well as to provide access to information for their foreign stakeholders (Firth et al., 2007; Wang et al., 2008). When ownership diffusion widens, expectation and demands from the shareholders will also become extensive (Keim, 1978). Companies that are publicly-listed can widen their ownership diffusion and the number of shareholders. For that reason, entities with public ownership face higher pressures that they are encouraged to disclose additional information on their activities due to visibility and accountability (Choi, 1999; Cormier and Gordon, 2001). Khan et al. (2012) discover that there is a positive association between public ownership and the level of ESG disclosure. In addition, companies that are listed in the stock market tend to comply with the requirements specified by the authorities (Monteiro and Aibar-Guzmán, 2010). For that reason, companies that are listed in the stock market and establish ownership diffusion are considered significant determiner in voluntary ESG disclosures. Studies by Kuo et al. (2012), Tagesson, Blank, Broberg, & Collin (2009) state that there is a positive impact between government ownership and ESG disclosure. According to those studies, companies that are operated by the government have more commitment to disclosing their environmental information compared to other companies. According to Said et al. (2009), a government mandate can cause companies to reveal their ESG information as the government is a publicly-trusted body. There are a few other studies that offer varying results, for example, Suwaidan dkk. (2004), Mohd Ghazali (2007), and Lim et al. (2008) that discover significant positive relations between government ownership and ESG. Other researchers, Alotaibi and Hussainey (2016) find a significant negative relation between government ownership and ESG. On the other side, few other researchers find that there is positive and insignificant relation between government ownership and ESG (Haji, 2013, Lu and Abeysekera, 2014, Naser et al., 2006, Khasharmeh and Suwaidan, 2010).

Independent commissioners do not only strive to implement sustainable initiatives but also positively and significantly in relation with the extent of voluntary corporate disclosure, encouraging reporting system and transparent disclosure (Ho & Wong, 2001; Barros et al. , 2013). According to Chang et al. (2012) and Johnson and Greening (1999), the level of external representation (independent commissioner) is positively related to ESG. According to a study by Rao and Tilt (2016b), the majority of the studies seem to confirm a positive relation between the commissioner's independence and ESG. However, according to Frias-Aceituno et al. (2013), study findings cannot be concluded only by looking at the type of relations exist between ESG disclosure and independent commissioners. For example, Lim et al. (2007) and Prado-Lorenzo and Garcia-Sanchez (2010) discover a negative relation between the commissioner's independence and ESG, however; other studies find a positive relation (Chen & Jaggi, 2000) or insignificant between ESG disclosure and independent commissioner (Gallego-Álvarez et al., 2011; Rao & Tilt, 2016a). Khan et al. (2012), conduct an analysis on 116 manufacturing companies listed on the Dhaka Stock Exchange in Bangladesh from 2005 up to 2009 and discover that there is a significant positive relation between commissioner's independence and ESG disclosure. This result shows that the higher commissioner's independence, the most probable a company will emphasize on aspects of social interest and organisation's legitimacy and disclose more ESG activities.

In addition, by establishing a relation between media activities and corporate ESG disclosure efforts, this study also sees that impacts from media coverages are important. Maistriau and Bonardi (2014) recognize that media coverage has a positive impact on ESG performance. They study British companies and discover that negative news coverage would encourage managers to make additional investments on ESG. Public's awareness and interests on environmental and social issues and the increased attention in the mass media have resulted in more social disclosures by companies in the last two decades (Deegan and Gordon, 1996; Gray et al., 1995; Hooghiemstra, 2000; Kolk, 2003). However, renowned controlled media have been dominated by and for the elites, where most of their ESG activities conducted are quite positive (Zhang and Swanson 2006; Deephouse and Suchman 2008; Lyon and Montgomery 2013). For this reason, disclosures that are conducted excessively on ESG activities often fall under suspicion that they are used to serve the companies' own interests, attracting attention from critical stakeholders, and operating the risk of ' ' self-promoter paradox" (Lyon and Maxwell, 2011). In order for ESG communication to succeed, there needs to be supported by the public.

Allegrini & Greco (2013) argue that through audit committee meeting members can present their evaluation on the company's accounting decisions in relation to their principles, disclosures, and assumptions. Moreover, through regular meetings, members of the Audit Committee can receive information and acknowledgment on accounting and audit issues that are relevant (Allegrini & Greco, 2013). For this reason, a

more proactive Audit Committee, one that often meets during the year, can offer its members more significant opportunities to discuss and evaluate issues that present at the moment in relation with the company's financial reporting practice (Li et al., 2012). Giannarakis et al. (2014) argue that the number of board meetings is not a substantial factor in explaining the level of ESG disclosure, as the board of directors is only responsible for the ESG policies and not the implementation of ESG. According to the European Multistakeholder Forum on ESG (2004) and Tencati et al. (2004), the audit committee with a high frequency of meetings can better run its business operations, as during sessions ESG disclosure information is usually given a lot of attention, either by the internal or external stakeholders. Lipton and Lorsch (1992) contend that the frequency of audit committee meetings can encourage companies to monitor company operations superiorly and motivate companies to increase transparency.

Legitimacy theory states that in order to respect their social contracts, organisations constantly strive to ensure that stakeholders have considered their activities as legitimate (Suchman, 1995). From this point of view, social, environmental and governance disclosures become a legitimacy management tool that is used by companies to influence the perception of their stakeholders on social, environmental and governance impacts from their activities (Cho, 2009; Gray et al., 1995).

1.3 Hypothesis Development

1.3.1 Earnings Management

Based on studies by Prior et al. (2008), managers who are involved in earnings manipulation can balance out by being involved in ESG activities, considering the asymmetric information between the internal (manager and director) and the external (shareholders and stakeholders) parties. They find a positive relation between earnings management and ESG disclosure in regulated firms; however, the results are not significant statistically for unregulated firms. Yet Chih et al. (2008) on the opposite, discover that the evidences found are not consistent, in relation with earnings management of ESG companies. The following hypothesis was made:

H1. Earnings management has an impact on ESG disclosure

1.3.2 Ownership

Many recent studies show that structure or type of ownership of a company has an impact on the company's governance mechanism (Sur et al., 2013) and its performance (Thomsen and Pedersen, 2000). Kim et al. (2018) explain that an increase in foreign ownership could drive managers to work actively in their company's ESG activities. On the other hand, Khan et al. (2012) discover that there is a positive association between public ownership and the level of ESG disclosure. Other researchers such as Suwaidan dkk. (2004), Mohd Ghazali (2007), and Lim et al. (2008) discover positive significant relations between government ownership and ESG. Therefore, the following hypotheses were made:

H2. Foreign Ownership has an impact on ESG disclosure

H3. Public Ownership has an impact on ESG disclosure

H4. Government Ownership has an impact on ESG disclosure

1.3.3 Independent Commissioners

Independent commissioners are members of the board of commissioners that do not have any relation with the management, other members of the board of commissioners and the controlling shareholders, and free from business relations as well as other affiliations that can influence their ability to act independently or act solely for the company's interest. The study on the relationship between independent commissioners with ESG is supported from Rao and Tilt (2016b), which majority of their studies seem to confirm a positive relation between the commissioner's independence and ESG. Thus the following hypothesis was made:

H5. Independent Commissioner has an impact on ESG disclosure

1.3.5 Media Exposures

Media forms public opinions on events that are not directly experienced by the people. The way media describes a company can affect the extent of company's acceptance in the society (Brown and Deegan, 1998; Aerts and Cormier, 2009; Dickson and Eckman, 2008). According to the results of previous studies, they consistently support the argument that the larger the media exposure, the higher the level of ESG disclosure. This is supported

by the study from Maistriau and Bonardi (2014) who recognize that media coverage has a positive impact on ESG performance. Thus the following hypothesis was made:

H6. Media Exposure has an impact on ESG disclosure

1.3.4 Audit Committee Meeting

Allegrini & Greco (2013) argue that through the audit committee meeting, the members can present their evaluation on the company's accounting and receive information on accounting and audit issues that are relevant. This is supported by the study from Lipton and Lorsch (1992) who contend that the frequency of audit committee meetings can encourage companies to monitor company operations superiorly and motivate companies to increase transparency. Thus the following hypothesis was made:

H7: Audit committee meeting has an impact on ESG disclosure.

2. Research Method

2.1 Samples

The study uses data from Bloomberg and annual reports starting from 2012-2016. The population used in this research is companies listed in the Indonesia Stock Exchange (IDX). In the beginning population consists of 80 companies; however, only 27 passed the criteria of five year observation period, i.e., from 2012-2016.

2.2 Independent Variables Measurement

- Earnings Management (EM) is measured with the Roychowdhury model of real earnings management.
- Ownership (PO, GO, FO) is measured by hand-collected data from the annual report from 2012-2016.
- Independent Commissioner (IC) is measured with Total independent commissioner against the total members of the board of commissioner
- Media Exposures (ME) is measured by hand-collected data from the annual report from 2012-2016.
- Audit Committee Meeting (ACM) is measured by the frequency of audit committee meeting.

2.3 Multiple Regression Model

The study uses multiple ordinary least squares regression model (OLS). The calculation of the OLS regression model is as follows:

$$\text{ESG discl} = \alpha + \beta 1\, ACM + \beta 2 IC + \beta 3 ME + \beta 4 PO + \beta 5 GO + \beta 6 FO + \beta 7 ACFO + \beta 8 ADE + \beta 9 AP + \varepsilon \quad (1)$$

Notes :

ESG = Environmental, Social and Governance

ACM = Audit Committee Meeting

IC = Independent Commissioner

ME = Media Exposures

PO = Public Ownership

GO = Government Ownership

FO = Foreign Ownership

ACFO = Abnormal Cash Flow from operation

ADE = Abnormal Discretionary Expenses

AP = Abnormal Production

3. Empirical Results and Discussions

3.1 Roychowdhury Model

In calculating earnings management, this research uses Roychowdhury formula. Roychowdhury (2006) discovers evidences that companies use several real earnings management methods to fulfill certain financial reporting standards to avoid reporting on the yearly loss. Evidences show that managers offer price discounts to increase sales temporarily, reduce discretionary expenses to increase reported margins, and allow excessive production volume to reduce the cost of goods sold. In the study by Graham et al. (2005), providing evidences of managers preferring real earnings management activities compared to accrual-based earnings management.

Formulas used to calculate real earnings management are as follows.

a. Abnormal cash flow from operations

$$\mathbf{CFO_{it} / Assets_{i,t-1} = a_{1t} (1 / Assets_{i,t-1} + a_{2t}} (Sales_{i,t} \mathbf{/ Assets_{i,t-1}) + a_{3t} (\Delta Sales_{i,t} / Assets_{i,t-1}) + \varepsilon_{i,t}}$$

Notes :

$CFO_{i,t}$ = Cash flow from company operations in year t

$Assets_{i,t-1}$ = Total company's asset in year t-1

$Sales_{i,t}$ = Company's sales in year t

$\Delta Sales_{i,t}$ = Change in company's sales in year t

b. Abnormal production

$$\mathbf{Prod_{it} / Assets_{i,t-1} = b_{1t} (1/ Assets_{i,t-1}) + b_{2t} (Sales_{i,t} / Assets_{i,t-1}) + b_{3t} (\Delta Sales_{i,t} / Assets_{i,t-1}) + b_{4t} (\Delta Sales_{i,t-1} / Assets_{i,t-1}) + \varepsilon_{it}}$$

Notes :

$Prod_{it}$ = Total HPP and change in company's inventory in year t

$Assets_{i,t-1}$ = Total company's asset in year t-1

$Sales_{i,t}$ = Company's sales in year t

$\Delta Sales_{i,t}$ = Change in company's sales in year t

$\Delta Sales_{i,t-1}$ = Change in company's sales in year t-1

c. Abnormal discretionary expenses

$$\mathbf{Discexp_{it} / Assets_{i,t-1} = c_{it} (1 / Assets_{i,t-1}) + c_{2t} (Sales_{i,t-1} / Assets_{i,t-1}) + \varepsilon_{it}}$$

Notes :

$Discexp_{it}$ = Total advertisement cost, R&D cost and sales, general and administrative (SG&A) cost

$Assets_{i,t-1}$ = Total company's asset in year t-1

$Sales_{i,t-1}$ = Company's sales in year t

3.2 Multiple Regression Analysis

Table 1. Pooled OLS Model

	Coefficient	**P-Value**
Abnormal Cash Flow from Operation	24.5744	0.0744*
Abnormal Production	18.0368	0.0154**
Abnormal Discretionary Expenses	3.32028	0.7117
Foreign Ownership	30.6991	0.0915*
Public Ownership	−25.0449	0.0006***
Government Ownership	27.7472	1.36e-08***
Independent Commissioner	3.65308	0.0011***
Media Exposure	6.18093	0.0138**
Audit Committee Meeting	0.608146	0.0031***
P-Value (F)	7.59E-13	
Adjusted R-Square	0.409982	
White's Test	0.002556	

This research model is pooled OLS model. For that reason, we conduct collinearity and heteroskedasticity tests.

White's test shows that the model contains heteroskedasticity (P-Value <0,05). Therefore, we conduct heteroskedasticity-corrected so that the model can be used to test the hypothesis.

Table 2. Collinearity Test –Variance Inflation Factor Value (VIF)

	VIF
Abnormal Cash Flow from Operation	2.848
Abnormal Production	3.169
Abnormal Discretionary Expenses	2.223
Foreign Ownership	1.416
Public Ownership	1.370
Government Ownership	1.656
Independent Commissioner	1.516
Media Exposure	1.469
Audit Committee Meeting	2.276

Collinearity test reveals that the model does not have collinearity because of the VIF >1.

Table 3. Panel Test

	P-Value
Fixed Estimator	0.0685075
Hausman test	5.13E-06

Table 3 reveals the result of the data panel model test. If the p-value of the fixed estimator is < 0.05, the model is fixed, otherwise pooled. And the final determinant test is the Hausman test; p-value of < 0.05 indicates that the model is fixed, whereas a p-value of > 0.05 shows a random model.

Table 4. Heteroskedakticity-corrected on ESG

	Coefficient	Std. Error	p-value	Sig
Abnormal Cash Flow from Operation (H1)	19.8931	6.56247	0.0030	***
Abnormal Production (H1)	19.0438	4.07762	7.64e-06	***
Abnormal Discretionary Expenses (H1)	3.51187	6.40582	0.5845	
Foreign Ownership (H2)	34.5518	7.89008	2.49e-05	***
Public Ownership (H3)	−21.1404	5.81382	0.0004	***
Government Ownership (H4)	30.1019	2.75608	6.57e-020	***
Independent Commissioner (H5)	2.59046	0.709075	0.0004	***
Media Exposure (H6)	3.16589	1.57606	0.0467	**
Audit Committee Meeting (H7)	0.450680	0.133168	0.0010	***

Note. *, **, *** significant at 10, 5, and 1 percent levels, respectively

Real earnings management can be done in 3 ways, which are abnormal operating cash flow, abnormal discretion expense, and abnormal production. From the result of regression test conducted, it can be concluded that abnormal production and abnormal operating cash flow from the operation have an impact on ESG disclosure, yet abnormal discretionary expenses does not. Therefore, H1 cannot be accepted. There is an indication that management does earnings manipulation in AbnCFO and AbnProd by increasing sales temporarily during a period of time by offering price discount excessively or by providing soft credit requirement, making the policy to manufacture products in a large quantity. Supported by the studies by Prior et al. (2008), Choi and Pae (2011), Kim et al. (2012) with result that there is a positive impact made by earnings management on ESG disclosure, this means that the more often managers manipulate earnings they will divert the stakeholders' attention all the more through ESG disclosure.

Ownership shows a significant relationship with ESG. In this study, ownership itself is divided into 3, namely foreign ownership, public ownership, and government ownership. These three parts are retrieved from companies' annual reports from 2012-2016. Foreign ownership has a positive effect on ESG disclosure, so H2 is accepted. Results of the study indicate that companies with high foreign ownership have high ESG disclosure scores. This is supported by research by Kim et al. (2018) which state that increased in foreign ownership can encourage managers to work actively in the company's ESG activities. This is because foreign companies, especially in Europe and America are more familiar with the concepts of ESG practice and disclosure. Therefore, foreign shareholders will put more pressure on the management in disclosing ESG.

Public ownership has a negative effect on ESG disclosure so that H3 can be accepted. The result is not supported by previous studies such as Khan et al. (2012) who discover that there is a positive association between public ownership and the level of ESG disclosure. This can happen because of the assumption that the public is an investor who wants to invest in the company, but does not pay attention to the level of ESG disclosure at the company. They will be more concerned with stock price movements due to the lack of public awareness of ESG.

Therefore, if the management finds that public ownership to be lower, then it must be able to increase the company's ESG disclosure.

Government ownership shows a positive influence on ESG disclosure, so H4 is accepted. This supports the studies by Kuo et al. (2012), Tagesson, Blank, Broberg, & Collin (2009) which state that there is a positive influence between government ownership and ESG disclosure. Based on these studies, it is discovered that government-controlled companies are more committed to disclosing environmental information than other companies. This is because government ownership has a positive effect on ESG disclosure. Therefore, the management is advised to increase the proportion of government share ownership because government ownership can improve the quality and quantity of disclosures.

Independent Commissioner shows a positive impact on ESG disclosure so that H5 can be accepted. This means supporting the studies by Jizi et al. (2014), Rao and Tilt (2016b), Chen & Jaggi (2000), Khan et al. (2012), Chang et al. (2012) and Johnson and Greening (1999). Independent commissioners are very involved in ESG reporting to promote the interests of stakeholders. Because independent commissioners have an impact on ESG scoring by Bloomberg, independent commissioners are expected to remain involved in ESG reporting so that they can continue to promote the interests of stakeholders.

Media exposure shows a positive impact on ESG disclosure, therefore H6 is acceptable. This is consistent with the studies by Deegan (2000b), Islam and Deegan (2010), Maistriau and Bonardi (2014), Zhang and Swanson (2006), Deephouse and Suchman (2008), Lyon and Montgomery (2013). This means that the greater the media exposure, the higher the extent of ESG disclosure. This is triggered by the public's awareness and interest in environmental and social issues. Because media exposures have an effect on ESG scoring by Bloomberg, the management is advised to keep regularly uploading company activities on the website so that stakeholders and the public have positive information and image of the company.

Audit committee meeting shows a positive impact on ESG disclosure, so H7 is acceptable. This is consistent with Tencati et al. (2004) and Lipton and Lorsch (1992). Audit committees that have high frequency of meetings can better manage their business operations, because in meetings usually ESG disclosure information is given a lot of attention, both by internal stakeholders (internal meetings of the Board of Commissioners, Joint Meetings of Directors and Commissioners, internal audit meetings with audit committee) and external (audit committee meeting with external auditors). Tencati et al. (2004) reveal that because audit committee meetings are impacting ESG scoring by Bloomberg, the audit committee is advised to routinely conduct audit committee meetings so that disclosure of ESG information can still be given attention.

4. Conclusion

Corporate social responsibility activities are increasingly given a lot of attention from the investors, customers, employees, and governments throughout the world (Kabir and Thai, 2017). For that reason, many companies have shown higher interests in reporting their social responsibilities and initiating ESG activities (Setiawan, 2016). ESG performances are considered well conducted if done by the company with the purpose to fulfill the stakeholders' interests. The benefit gained by the company that implements ESG is that the company becomes more competitive in the market. ESG becomes a strategy for a company and can function as an effective communication tool between the company and its stakeholders. It is because not all field activities conducted by a company can be known by the stakeholders.

ESG disclosure consists of sustainability performances and represents information that communicates whether the company has worked towards achieving sustainability targets (Bradford, Earp, and Williams, 2017). From the Bloomberg's ESG performance scores, a company can evaluate its own corporate practices in the aspects of environmental, social and corporate governances by using publicly-available data, annual reports, and sustainability reports, direct communications, pers releases, third-party studies, and news (Tamimi and Sebastianelli, 2017). The result from this study reveals that real earnings management, ownership, commissioner independent, media exposures, audit committee meeting have impacts on ESG disclosure, using Bloomberg's ESG disclosure database. Further, this study also supports the legitimacy theory as good ESG disclosures can improve company's image, that earnings management practice conducted by the company is ignored by the stakeholders (Martínez-Ferrero, Banerjee, García-Sánchez, 2016).

The limitation on this research is that it is done on 27 companies listed in the Indonesia Stock Exchange (IDX). Data used in this study is taken from Bloomberg, and financial reports and annual reports shared in the official website of the Indonesia Stock Exchange.

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Notes

Note 1. Multiple Regression Formula