REVIEWER 1

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

(x) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	( )	(x)	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	( )	( )	(x)	( )
Are the methods adequately described?	( )	( )	(x)	( )
Are the results clearly presented?	( )	( )	(x)	( )
Are the conclusions supported by the results?	( )	( )	(x)	( )

Comments and Suggestions for Authors

Although the Authors claim to have addressed all the issues raised in the first-round review the overall scientific soundness and quality of the revised version of paper seem not sufficient to enable its publication in the journal.

1. Although the title of the paper has been changed it is still not grammatically correct and still unclear.

2. The phrase 'environmental, social, and governance' is still used throughout the paper without any noun afterwards which makes it quite hard to understand which dimension of ESG the Authors are referring to (see lines 6, 12-15, 48, 53, 102, 107, 108, 109, 111, 112, 130, 131, 133, 134, 146, 151, 152, 153, 155, 156, 172, 173, 207, 209, 218, 228, 246, 248, 261, 263, 295, 316, 336, 340, 342, 345, 346, 348, 351, 354, 358, 359, 360, 364, 366, 367, 372, 373, 376, 377, 379, 381, 386, 388, 392, 394, 396, 402, 403, 406, 408, 410, 415, 419, 420, 427, 430, 432, 433, 435, 436, 465, 474, 477). In particular, in many

paragraphs and sentences of the paper it is unclear whether the Authors are referring to ESG performance of the listed companies or their ESG information disclosure, which is very confusing for the reader.

3. In Sections 2.1-2.6 the Authors have added more details about the samples investigated in prior studies, however, the text is still very fragmented and chaotic, especially as the Authors seem to focus primarily only on the empirical results, often without providing the details of the underlying theoretical background of the discussed relationships. Moreover, as the Authors usually refer to contradictory results of prior studies it is often difficult to follow the logic that led to ultimate formulation of the related hypotheses.

4. Section 2.6 still does not explain what kind of ‘performance’ the Authors intend to investigate and how exactly they are going to measure it.

5. The constructed research model (see line 269) is ignoring the impact of firm’s financial performance on its market value, which might have resulted in biased estimates of the investigated relationships.

6. The revised version of the paper still does not provide any details on “ESG score” given in Table 1 and further used in empirical estimations, which is essential for understanding the methodological framework of the paper.

7. In Table 1 the Authors introduce additional control variables even though they were not included previously in the design of the research model and no argumentation on their likely impact is provided.

8. The text in lines 333-355 is still generally repeating the content of Table 3, instead of focusing on the most important results and their interpretation.

9. In lines 418-423 the Authors argue that: “The results of the analysis (Table 3) show the R Square (R^2) value of 0.32 for environmental, social, and governance, 0.27 for firm value and 0.23 for firm performance. This means that 28% of the environment, social and governance are influenced by foreign ownership, public ownership, state ownership and family ownership, while 68% of the variables are influenced by other variables outside the variables that have not been studied in this study.”

First, there is some inconsistency in the reporting of the results, as the value of 28% has not been updated. Second, the Authors seem to forget that they have introduced additional control variables in the model (size and leverage) that naturally also affect the obtained R^2.

10. Despite some improvement in the quality of English language, the paper still requires a thorough proof reading with respect to grammar, wording, and style. (see e.g. line 63: ‘structure’ instead of ‘structured’; line 90: ‘effects instead of ‘affects’; line 218: ‘affects’ instead of ‘affect’).

REVIEWER 2

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
(x) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	( )	(x)	( )	( )
Are the methods adequately described?	( )	(x)	( )	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

1. Ownership does not affect ESG in one way.
High ESG can increase higher foreign investment. It should consider mutual relationship in hypothesis.

2. control variables including ownership can directly influence firm value & performance.
It is not sure SEM can control this kind of problem.

REVIEWER 3

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
(x) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	(x)	( )	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	(x)	( )	( )	( )
Are the methods adequately described?	(x)	( )	( )	( )
Are the results clearly presented?	(x)	( )	( )	( )
Are the conclusions supported by the results?	(x)	( )	( )	( )

Comments and Suggestions for Authors

Well Done

REVIEWER 4

Open Review

( ) I would not like to sign my review report
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English language and style

( ) Extensive editing of English language and style required
(x) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	(x)	( )	( )	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	(x)	( )	( )	( )
Are the methods adequately described?	(x)	( )	( )	( )
Are the results clearly presented?	(x)	( )	( )	( )
Are the conclusions supported by the results?	(x)	( )	( )	( )

Comments and Suggestions for Authors

I still have the concern to update the literature review by focusing on the recently published research about the financial and non-financial firms' performance determinants such as political risk, global economic policy uncertainty, governance quality, regulatory settings, and many more. You could add in the research limitation the lack of these determinants and suggesting to include for further studies.

REVIEWER 1

1. We have revised the title
2. Our research investigated Environmental, Social and Governance disclosure. We already add a paragraph discussing this in the Introduction in the third paragraph
3. We have revised the hypothesis 2.1-2.6
4. We have added a way to measure firm performance lines 250-251.
5. We focus on investigating the firm performance and firm value, but our results show that environmental, social, and governance disclosure positively impact firm value but not firm performance
6. We have added regarding ESG score line 328-335
7. We have presented the results of the control variables in the discussion section of the second last paragraph on lines 464-468.
8. We revise the presentation of table 3 to become Table 4 on lines 389-399.
9. We have revised the numeric error in our paper on the last paragraph in the discussion on line 469-475
10. We have revised, and proofread of English writing in our paper

REVIEWER 2

1. Our research only focuses on the one-way effect, i.e., for example, foreign ownership has a positive effect on environmental, social and governance disclosures. We present the research objectives in the abstract
2. The control variables in our study only affect the environment, social and governance disclosure, not the company's performance and company value. We have presented the results of the control variables in the discussion section of the second last paragraph on the line 464-468.

REVIEWER 3

Thank you

REVIEWER 4

We have added in the conclusions section the limitations of the study and suggestions for previous research on lines 528-531.

economies

MDPI

Article

The ownership structure; and the audit committee moderates the relationship the Environmental, Social, and Governance (ESG) Disclosure, firm value, and firm performance

Abstract: This study investigates the effect of ownership structure on environmental, social, and governance disclosure, firm value, firm performance, and audit committee as a moderating variable in the Indonesian context. The ownership structures in this study are foreign ownership, public ownership, state ownership, and family ownership. This research is quantitative research by using secondary data. The sample was 140 companies listed on the Indonesia Stock Exchange for the 2018-2020 period. This study uses legitimacy, stakeholder, and agency theory. The analytical method used is Partial Least Squares Structural Equation Modeling. The results show that foreign and public ownership positively and significantly affect environmental, social, and governance disclosure. However, state and family ownership do not significantly affect environmental, social, and governance disclosure. In addition, Environmental, social, and governance disclosure positively impacts firm value. However, environmental, social, and governance do not affect at the company's performance. The audit committee moderates the influence of environmental, social, and governance disclosure and firm value. However, the audit committee does not moderate the effect of environmental, social, and governance disclosure and company performance.

Keywords: Ownership structure; Environmental; social; and governance (ESG) disclosure; firm value; firm performance; audit committee

1. Introduction

Nowadays, corporate organizations have become more responsible for the environment and society. It is due to demands from stakeholders, customers, regulators, company shareholders, suppliers, employees, creditors, media, and social, and environmental activist groups (Maama & Appiah 2019; Sajjad et al. 2019). Environmental, social, and governance (ESG) analysis has become an essential part of the investment process due to increasing attention to investing in companies' social impact and sustainability (Caporale et al., 2022). Lack of clarity on the disclosure of environmental, social. and governance (ESG) practices can create information gaps for responsible financiers and investors when making assessments (Rabaya & Saleh 2021). ESG disclosures reveal the company's overall initiatives to stakeholders, including regulators, communities, investors, and employees (Atif et al. 2022).

Environmental, social, and governance disclosure activity includes three main components. The first component is the environment, which includes aspects related to pollution, mitigation, and climate change sustainability. The second component is social, which refers to how an organization treats its communities, employees, and clients and its responsibility in products and services, diversity, the fight against corruption, and respect for human rights throughout the supply chain. The last component is governance, which is related to balancing the interests of stakeholders and shareholders and adhering to best corporate governance practices (De Masi et al. 2021). The environmental dimension refers to a company's ability to use natural resources efficiently, reducing environmental emissions. The social dimension promotes ethical values, employees' trust and respect for human rights. Finally, the governance dimension is for the benefit of shareholders through the company's management system and effective processes (Dicuonzo et al., 2022).

Previous research explained environmental, social and governance, among others, environmental, social and governance disclosure (Kumar & Firoz, 2022; Y. Li et al., 2018; Mohammad & Wasiuzzaman, 2021; Rabaya & Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen & Xie, 2022), environmental, social and governance performance (He et al., 2022; Sheehan et al., 2022; Daugaard & Ding, 2022; Wang & Sun, 2022), environmental, social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu & Lyu, 2022; Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study examines the effect of ownership structure, which includes foreign, public, state, and family ownership, on environmental, social, and governance disclosure, firm value, firm performance, and committee audit as moderating variables. The study uses a sample of companies listed on the Indonesia Stock exchange. In theory, this research extends theories of legitimacy, stakeholder, and agency theory. Moreover, the current study provides insight into the role of audit committees in companies regarding environmental, social, and governance disclosure, firm value, and performance.

Our study offers several contributions. First, we contribute to the literature by seeking to understand the ownership structure and environmental, social, and governance disclosure. As mentioned, ownership structure, consists of foreign, state, family and public ownership. we expand on existing knowledge of environmental, social, and governance disclosure by exploring the contribution of ownership structures to the three components of environmental, social, and governance practices. Second, this study uses legitimacy, stakeholder, and agency theory. Third, we contribute the effects of environmental, social, and governance disclosure on value and firm performance with the audit committee as a moderating variable.

The paper is structured as follows, and section 2 highlights the hypotheses' development. Section 3 covers the methodology, while section 4 describes and discusses the results. Finally, section 5 outlines the conclusion at the end of the paper.

2. Literature Review

2.1. Foreign ownership and Environmental, social, and governance (ESG) disclosure

Foreign ownership is the amount of share ownership owned by foreign parties. Al Amosh & Khatib (2021) revealed that the company and stakeholders gain trust and transparency with the presence of foreign shareholders in a company. Using legitimacy theory, Hanifa & Rashid (2005) described that foreign investors lead to a higher legitimacy gap. Management can disclose environmental, social, and governance elements as a proactive legitimacy strategy that can encourage capital flow from foreign parties and satisfy foreign investors. Legitimacy theory influences and regulates people's goals to get rewards and escape from punished society's actions. Firm disclosure is the result of social values, and the environmental and social disclosure model of legitimacy theory considers stakeholder values when considering any decision(Tilling & Tilt, 2010).

Foreign ownership also negatively impacts environmental, social, and corporate disclosures (Saini & Singhania 2019; Sharma et al. 2020). Saini & Singhania (2019) used the Bloomberg database's sample period of 8 years from 2008 to 2015. Research from Sharma et al. (2020) used a sample of 82 companies on the Bombay Stock Exchange (BSE) in India. Hasan et al. (2022) concluded that foreign ownership negatively and significantly influences sustainability reporting decisions. Hasan et al. (2022) used a sample of 138 firms listed on the Pakistan Stock Exchange period 2009–2018. Furthermore, foreign ownership negatively affects the disclosure of corporate social responsibility in Jordan from manufacturing companies listed on the Amman Stock Exchange (ASE) from 2013 to 2015 (Abu Qa'dan & Suwaidan 2019). Yu & Luu (2021) concluded that foreign ownership did not impact environmental, social, and governance disclosure. Yu & Luu (2021) used 1.963 large-cap companies across 49 developed and emerging countries from 2012 to 2016. Bae

et al. (2018), Adeniyi & Adebayo (2018), and Rustam et al. (2019) revealed that foreign ownership has a critical role in corporate sustainability disclosure. Bae et al. (2018) used the GRI database period from 2009 to 2016. Adeniyi & Adebayo (2018) used a sample 33 firms on the Nigerian Stock exchange. Rustam et al. (2019) used 100 firms listed on the Pakistan Stock Exchange as a sample the period between 2006 and 2018.

On the other hand, foreign ownership positively affects the corporate social responsibility disclosure in China from 5.431 observations (Guo & Zheng 2021) and in Bangladesh (Khan et al. 2012). Foreign ownership positively affects environmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya & Widagdo, 2020). Masud et al. (2018) used 88 companies from2006 to 2016 with 326 observations. Amidjaya & Widagdo (2020) used 31 banks as sample listed on the Indonesian Stock exchange period 2012-2016. Foreign ownership positively affects environmental, social, and governance issues (Al Amosh & Khatib, 2021). Al Amosh & Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 with 408 observations. Baba & Baba (2021) concluded that foreign ownership positively affects social and environmental reporting. Baba & Baba (2021) used 80 companies listed on the Nigerian Stock Exchange as a sample. The study spanned from 2012– 2017. Thus, foreign ownership can improve corporate governance, and maximize stakeholder value by encouraging the disclosure of corporate performance in the area of sustainability. Foreign investors encourage corporate governance practices, and various disclosures. one related to disclosure is environmental, social, and governance. It means that the more foreign ownership, the greater the impact on the environmental, social, and governance (ESG) disclosure. Foreign ownership can improve corporate governance and maximize stakeholder value by disclosing non-financial information including environmental, social and governance disclosures. Therefore, the following hypothesis is proposed:

H1: Foreign ownership positively affects environmental, social, and governance (ESG) disclosure.

2.2. Public Ownership and Environmental, social, and governance (ESG) disclosure

Public ownership is the amount of public ownership of a company. The public is an individual or community as an investor who buys shares in the company. Legitimacy theory reveals that managers attempt to meet society's expectations through communication actions to conform to societal norms to secure the legitimacy of business behavior (Suchman, 1995).

Khan et al. (2012) revealed that companies with public ownership are more likely to aspire and achieve community aspirations and legitimacy, which increases their social responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasize that the company's board strengthens social and environmental responsibility for the company. In addition, public ownership will pressure corporate accountability, where shareholders want more comprehensive disclosure of information (Khan et al., 2012).

Nugraheni et al. (2022) concluded that public ownership does not impact corporate social responsibility disclosure. They researched manufacturing companies on Indonesia Stock Exchange with sensitive industry categories from 2017 to 2019 (Nugraheni et al., 2022). On the other hand, public ownership positively and significantly affects corporate social responsibility disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. The company has greater pressure to disclose additional information to a number of stakeholders, companies that have public ownership of the company. This is also related to the accountability of the company. One of them is environmental, social and corporate governance. It means that the more public ownership, the more environmental, social, and governance (ESG) disclosure in the company. Thus, the proposed hypothesis is:

H2: Public ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.3. State ownership and Environmental. Social and governance disclosure

State ownership refers to the number of shares of a company owned by the state because a government invests in the company to achieve goals and promote development. State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the government can pressure companies to disclose more social and environmental information in addition to financial information, to increase social perceptions of companies. State ownership increases corporate accountability, and transparency which can increase legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation to disclose transparent environmental, social and governance. Companies must manage relationship with stakeholders that influence business decisions. Companies and stakeholders are interdependent (Manita et al., 2018).

State ownership negatively impacts voluntary disclosure (Al-Janadi et al., 2016). Al-Janadi et al. (2016) investigated 87 listed companies listed on Saudi Stock Exchange (Tourism Enterprise Company), period between 2006 and 2007. However, state ownership positively affects environmental, social, and governance (Khlif et al., 2016; Al Amosh & Khatib, 2021). State ownership positively and significantly influences voluntary disclosure (Albawwat & Ali basah, 2015). Albawwat & Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership of companies can emphasize disclosure of social and environmental responsibilities for companies. Thus, it is also related to environmental, social, and governance. State ownership positively affects the environment, social, and governance disclosure. It means that the greater the state ownership, the more environmental, social, and governance (ESG) disclosure. Hence, the study hypothesized that:

H3: State ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.4. Family ownership and environmental social and governance (ESG) disclosure

Freeman (1984) reveals that stakeholder theory forces organizational managers to respond more to the external environment and its needs. Stakeholders perceive social responsibility as positively impacting on the company's future performance and conclude that higher social responsibility reduces the company's sensitivity to adverse shocks that may negatively impact the company (Bouslah et al., 2013).

Family companies manage strong relationships with external and internal stakeholders through good disclosure of non-financial information (Salvato & Melin, 2008). Chauhan & Kumar (2018) concludes that voluntary disclosure of non-financial information, in this case ESG, is superior and is expected to positively influence the perceptions of stakeholders and investors.

Stakeholder theory can be described with ethical and management aspects (Deegan, 2013). From a management point of view, it is assumed that the company should be responsible for the stakeholders who can influence the economic impact on the organization (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the social and environmental consequences of the company's operations(Deegan, 2013).

Family ownership is share ownership by a family. Family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018). Family ownership does not influence corporate social responsibility disclosure (Salehi et al., 2017). Salehi et al. (2017) have a sample of 125 companies listed on Tehran Stock Exchange the period from 2009 to 2014. Rees & Rodionova (2014) also found that family ownership negatively affects the quality of sustainability reports. Rees & Rodionova (2014) a sample of 3,893 firms with 23,902 observations in the period from 2002 to 2012 covering 46 countries. On the other hand, family ownership positively and significantly affect sustainability reporting (Amidjaya & Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. It means that the greater the family

ownership, the greater the environmental, social, and governance (ESG) disclosure. Therefore, the following hypothesis is proposed:

H4: Family ownership positively affects environmental, social, and governance (ESG) disclosure.

2.5. Environmental social and governance (ESG) disclosure and firm value

Stakeholder theory reveals that board accountability is not only to shareholders but also to other interested parties. Proponents of stakeholder theory argue that this theory colors the corporate portrait by providing social and economic values and ethical and moral considerations for estimating firm value (Freeman, 1983). Environmental, social and governance disclosures can serve as tools to minimize potential conflicts with stakeholders and to increase stakeholders' perceptions of the appropriateness of their company's actions (Freeman, 1984). Thus, the Environmental, social and governance disclosure affects the value of this company can be explained through stakeholder theory.

Environmental, and governance practices influence firm value, but social practices do not influence firm value (Ahmad et al., 2021). Ahmad et al. (2021) conducted a study on environmental, social, and governance practices and used 65 companies from Bursa Malaysia in the period from 2017 to 2019. Governance dimensions positively and significantly influence on firm value, but environmental, and social dimensions do not. Environmental, social, and governance disclosure did not effect firm value in a study by (Aouadi & Marsat, 2018). Aouadi & Marsat (2018) conducted research with a sample of 4,000 companies in 58 countries during 2002–2011.

Environmental, social, and governance disclosure positively influence firm value (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud & Diab, 2018; Kim et al., 2018; Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible Value Assessment database and the Vigeo Corporate environmental, social, and governance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 developed and emerging countries from the period 2012 until 2016 with 1.996 observations. Li et al. (2018) conducted a study on the level of environmental, social, and governance disclosure and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 367 companies from 2004 to 2013. Aboud & Diab (2018) conducted research and using 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014 in their study. Shaikh (2022) researched 510 environmental, social, and governance scores from 17 countries from 2010 to 2018. It means that the greater the environmental, social, and governance (ESG) disclosure, the higher the firm value. In line with the literature, the study proposes the following hypothesis:

H5: Environmental, social, and governance (ESG) disclosure positively effect firm value.

2.6. Environmental social and governance (ESG) disclosure and firm performance

Stakeholder theory reveals that corporate social responsibility has an inconclusive effect on performance because external shareholders can reward companies that are successful in corporate social responsibility practices. However, the responses do not affect performance when companies have poor performance. In other words, corporate social responsibility costs must be commensurate with the benefits obtained. In addition, companies with poor corporate social responsibility practices may be penalized by external stakeholders, whose negative opinions of the company can adversely affect the company's performance (Carlos & Lewis, 2018). This study uses return on assets (ROA) to measure the firm performance.

Environmental, social, and governance disclosure can also negatively and significantly affect firm performance (Buallay, 2019; Duque-Grisales & Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022). Buallay (2019) conducted a study that

investigated 342 financial institutions in 20 countries from 2007 to 2016, with 3,420 observations. Duque-Grisales & Aguilera-Caracuel (2019) used 104 multinationals from Brazil, Chile, Colombia, Mexico, and Peru from 2011 to 2015. Shaikh, (2022) conducted research and used 30 companies from Bloomberg and 17 countries with 3,690 observations. Wasiuzzaman et al. (2022) used 668 firms in the energy sector worldwide with data for eight years from 2009 to 2016. The greater the environmental, social, and governance (ESG) implementation, the higher the company's performance.

On the other hand, Environmental, social, and governance positively influence firm performance (Brogi & Lagasio, 2018; Mohammad & Wasiuzzaman, 2021; Boulhaga et al., 2022; Kumar & Firoz, 2022; Chen & Xie, 2022). Furthermore, environmental, social and governance disclosure has a positive effect firm performance (Chen & Xie, 2022; Pulino et al., 2022). Environmental, social and governance disclosure positively impact financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi & Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. (2022) conducted a study using a sample 98 firms and seven years from 2012 to 2018 ,for a total of 686 observations from French registered companies on the SBF 120 index. Pavlopoulos et al (2019) conducted research and using 82 companies from 25 countries. Chen & Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino et al. (2022).investigated the largest Italian listed companies as a sample from 2011 to 2020. It means that the greater the environmental, social, and governance (ESG) implementation, the higher the firm performance. Therefore, the following hypothesis is made:

H6: Environmental, social, and governance (ESG) disclosure positively affects firm performance.

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance

Agency theory (Jensen & Meckling, 1976) identified audit as an essential monitoring tool to reduce information asymmetry, limit opportunistic behavior, and improve environmental, social, and governance disclosure, firm performance and firm value. The principals use the disclosure of financial and non-financial information to reduce agency costs (i.e., information asymmetry) arising from the separation of ownership and control (Morris, 1987). Companies provide environmental, social, and governance disclosures to reduce information asymmetry (Harjoto & Jo, 2011). Hence, management's increased disclosure of environmental, social, and governance disclosure, which represents additional non-financial information, improves the information environment and reduces the knowledge barrier between the company and its shareholders (Kim et al., 2014).

The primary responsibility of the audit committee is to oversee the financial and non-financial reporting processes and to reduce information asymmetry between the managers, stakeholders, and the company (Appuhami & Tashakor, 2017). In particular, the audit committee is responsible for overseeing the mandatory and voluntary disclosures related to ESG. Audit committee members must understand how ESG risks and opportunities are identified and prioritized, and oversee disclosure practices (Bamahros et al., 2022).

The audit committee is responsible for the preparing, presenting, and ensuring the integrity of financial statements, applying accounting principles and financial statements, and performing internal control under applicable financial accounting standards. The audit committee is also responsible for conducting an independent audit of consolidated financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, the audit committee's role is to assist the board of directors in overseeing the company's reporting policies and the quality of the company's financial statements. In addition, the audit committee can increase investor and stakeholder confidence in the reliability and objectivity of financial statements and provide increased efficiency in corporate

governance practices (Biçer & Feneir, 2019). As a result, the study suggested the following hypotheses:

H7: The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.

H8: The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.

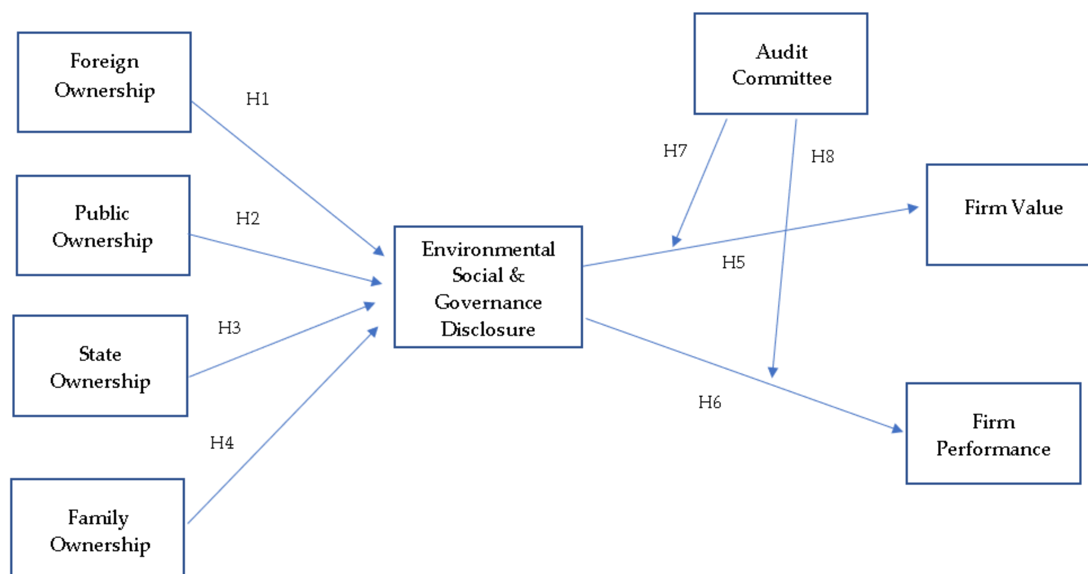

Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study is companies listed on the Indonesia Stock Exchange for each sector. This research uses secondary data as quantitative research. Secondary data come from annual, financial and sustainability reporting from companies' websites and the IDX. The research period is from 2016-2020, with as many as 140 companies and a total of 700 observations.

3.2. The measurement of variables

Table 1. Measurement of research variables

Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of shares to total number of issued shares.	(Al Amosh & Khatib, 2021).
Family ownership	Percentage of family ownership of shares to total number of issued shares.	(Al Amosh & Khatib, 2021).
State ownership	Percentage of state ownership of shares to total number of issued shares	(Al Amosh & Khatib, 2021).
Public ownership	Percentage of public ownership of shares to total number of issued shares	(Khan et al., 2012)
Environmental, social, and governance (ESG) disclosure	ESG Score ranging from 0 to 100 (percentage)	(Atif et al., 2022)
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg & Ross, 1981)

Variable	Measurement	Sources
Firm Performance	where: VMS = market value of all outstanding shares TA = company assets D = Debt ROA = EBIT/TA where: ROA: Return on Assets EBIT: Earnings Before Interest and Tax TA: Total Assets	(Chan et al., 2019)
Audit Committee	Number of people on the audit committee	(Nikulin et al., 2022)
Control variables		
Size	Size = the natural logarithm (Total Assets)	(Aman & Nguyen, 2013)
Leverage	Leverage = (Long term borrowing + Short term borrowing): Total Assets	(Aman & Nguyen, 2013)

Source: several empirical research results developed for this study 327

Table 1 shows the measurement of research variables. This research uses ESG score to measure environmental, social, and governance disclosure ESG scores are obtained from financial reports and sustainability reports by looking at. For example, environmental scores are based on company disclosures on nuclear energy policies, hazardous waste, climate change, and sustainability indicators; social scores are based on human rights, consumer protection health indicators, diversity, welfare, and employee safety, among others; and governance scores are based on executive compensation, diversity, management structure, and conflict of interest indicators, among others (Atif et al., 2022). 328 329 330 331 332 333 334 335

3.3. Method of analysis 336

Inferential testing uses Structural Equation Modeling with variant-based partial least squares. The reason for data processing using Partial Least Square is that it involves latent variables, and tiered structural models and the direction of the relationship is recursive. 337 338 339

Conventional regression only examines the causal relationship ceteris paribus between the independent and dependent variables. Structural Equation Modeling (SEM) is advantageous in establishing complex causal relationships between variables, allowing it to perform multiple path analyses and measure different effects of interrelationships. variable on the response variable (Li & Zhao, 2019). The SEM model evaluates the complete adequacy of suggested hypotheses between constructs. The essential paths between the paired constructs in the model suggest the simultaneous emergence of relationships and the appropriate compilation of strategic responses to the perceived market environment. The structural model describes construction's interrelationships (Weston & Gore, 2006). In this study, the mediating variables are environmental, social, and governance, and the moderating variable, is the audit committee. The independent variables include foreign, public, state, and family ownership. The dependent variable is the value of the company and the company's performance. 340 341 342 343 344 345 346 347 348 349 350 351 352

The outer model test is used to see the indicators of the latent variables in the study. All indicators of latent variables are reflective, meaning a reflection of each variable. The provision of whether an indicator is a reflection of each variable is based on the loading factor. If the results of the loading factor are > 0.7 then the indicator is a reflection of the variable but if the results of the loading factor range from 0.5 to 0.60, it is considered sufficient. Model fit involves testing the structural model by paying attention to the parameter values of the relationships between the variables studied. A hypothesis is declared significant if the p-value < 0.05 (Hair et al., 2016, 2019).

The form of the structural equation can be described as follows:

$$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \varepsilon \quad [1]$$

$$\text{Company performance} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [2]$$

$$\text{Firm value} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [3]$$

The equation symbol is defined below:

FO = Foreign ownership,

PU = Public ownership

ST = State ownership

FA = Family ownership

S = Size

L = Leverage

ESG = Environmental, social, and governance

AC = Audit committee

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	N	Minimum	Maximum	Mean	SD
Foreign ownership	700	0.00	37.8	28.4	23.6
Public ownership	700	0.04	25.9	19.7	17.9
State ownership	700	0.00	68,2	13.9	8.7
Family ownership	700	0.00	45.3	16.5	9.3
ESG	700	8	72,8	39.2	14.5
Audit committee	700	2	4	3,4	2.3

Source: author based on output SPSS

Table 3. Reliability and validity test result

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Foreign ownership	0.713	0,887	0.803	0.587
Public ownership	0.890	0,842	0.889	0.541
State ownership	0.846	0.924	0.863	0.617
Family ownership	0.789	0.873	0.876	0.500
ESG	0.823	0.801	0.815	0.589
Audit committee	0.831	0.899	0.885	0.625

Source: author based on the output of SEM PLS

Table 2 show that the results of testing the reliability of all variables in this study. The reliability and validity of this study are adequate, as the Value of Cronbach's alpha is >

0.6, and the value for composite reliability is > 0.7. The Average Variance Extracted (AVE) value is above 0.5.

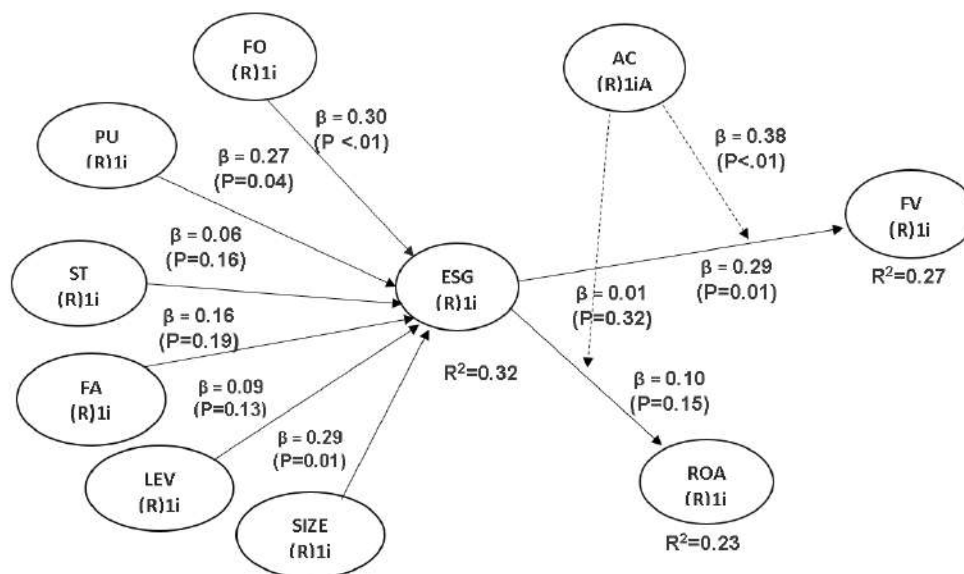

Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership → ESG	0.30	<0.01	Accepted
Public ownership → ESG	0.27	0.04	Accepted
State ownership → ESG	0.06	0.16	Rejected
Family ownership → ESG	0.16	0.19	Rejected
ESG → Firm Value	0.29	0.01	Accepted
ESG → Firm Performance	0.10	0.15	Rejected
ESG → Firm Value → Audit committee	0.38	<0.01	Accepted
ESG → Firm Performance→ Audit committee	0.01	0.32	Rejected

**significant level at 5% $p < 0.05$

Based on the Table 4 the p-value less than 0.05, and the path coefficient value is positive, the proposed hypotheses H1, H2, H5, H7 are accepted and have a positive effect. H1 is acceptable because foreign ownership positively affects environmental, social, and governance disclosure (Coefficient = 0.30, p value = < 0.01). For H2, there is a positive association between public ownership and environmental, social, and governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 is approved because environmental, social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 is also accepted and confirming the H7 that Audit committee moderate the relationship between environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6 and H8 are rejected because p-value is greater than 0.05

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impact the environmental, social and governance (ESG) disclosure. The results of this study indicate that foreign ownership has a significant positive effect on the environment, social and governance (ESG) disclosure. It means that the greater the foreign ownership, the greater the

environmental, social, and governance (ESG) disclosure. This finding supports previous research by (Guo & Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya & Widagdo, 2020; Al Amosh & Khatib, 2021) concluded that foreign ownership significantly and positively affect the environment, social and governance disclosure. This study does not support previous research from Saini & Singhania (2019); Sharma et al (2020); Hasan et al. (2022); (Abu Qa'dan & Suwaidan (2019); Yu & Luu (2021)revealed that foreign ownership has a negative and no effect on the environment, social and governance. This study supports the legitimacy theory. 405 406 407 408 409 410 411 412

The second hypothesis (H2) reveals that public ownership effects the environmental, social, and governance (ESG) disclosure. The results of this study indicate that public ownership has a positive and significant effect on the environmental, social, and governance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports previous research by (Khan et al., 2012), concluded that public ownership positively affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the result was not agreed with (Nugraheni et al., 2022). The finding of this study supports legitimacy theory. 413 414 415 416 417 418 419 420

The third hypothesis (H3) reveals that state ownership positively influence the environmental, social, and governance (ESG) disclosure. However, the result research from figure 2 and table 4 shows that state ownership does not impact environmental, social, and governance disclosure. Therefore, the third hypothesis is rejected. This finding does not support previous study from Khlif et al. (2016);Al Amosh & Khatib (2021) which concludes that state ownership has a significant positive effect the environmental, social, and governance disclosure. 421 422 423 424 425 426 427

The fourth hypothesis (H4) states that family ownership positively effects environmental, social, and governance (ESG) disclosure. The results of the study is not supported. The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership does not affect environmental, social, and governance disclosure. This result is the same as (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018), which shows insignificant results in their study. In addition, family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018). Furthermore, family ownership does not influence corporate social responsibility disclosure (Salehi et al., 2017). This study does not support stakeholder theory. 428 429 430 431 432 433 434 435 436

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) disclosure positively effects firm value. The result of this study shows that environmental, social, and governance disclosure effects firm value. Therefore, the fifth hypothesis is supported. It means that the higher the environmental, social, and governance (ESG) disclosure, the higher the firm value. This result supports the research conducted by (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud & Diab, 2018; Kim et al., 2018; Shaikh, 2022) concluded that environmental, social, and governance disclosure positively and significantly effects the firm value. The finding of this study supports the stakeholder theory. 437 438 439 440 441 442 443 444

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) disclosure positively affects firm performance. The data analysis for hypothesis 6 from the Figure 2 and Table 4 shows that environmental, social, and governance disclosure does not affect firm performance. Therefore, the sixth hypothesis is rejected. This finding does not support research from Brogi & Lagasio, (2018), Mohammad & Wasiuzzaman, (2021), Boulhaga et al., (2022), Kumar & Firoz, (2022), who concluded that environmental, social, and governance disclosure effects have significant positive on the firm performance. 445 446 447 448 449 450 451

The seventh hypothesis (H7) states the audit committee moderates the relationship between environmental, social, and governance disclosure and firm value. However, the result research shows that environmental, social, and governance disclosure affects firm value and audit committee moderates this influence. Therefore, the seventh hypothesis is accepted. The audit committee is a moderating variable on Environmental, social, and governance disclosure influences and firm value that strengthen its relationship. 452 453 454 455 456 457

The last hypothesis (H8) states that the audit committee moderates the relationship between environmental, social, and governance disclosure and firm performance. The results of this study did not find any significance between these variables, meaning that the audit committee does not strengthen the influence of environmental, social, and governance disclosure and firm performance. Thus, audit committee does not act as a moderating variable in this relationship.

The control variables' results indicate that the company's size is positive and significant. Larger companies have greater responsibilities to stakeholders through sustainable disclosure and are related to environmental, social and governance disclosure. However, leverage shows insignificant results. This means that leverage does not support and contribute to the disclosures required by stakeholders.

The results of the analysis from figure 2 and Table 3 show the R Square (R^2) value of 0.32 for environmental, social, and governance, 0.27 for firm value and 0.23 for firm performance. This means that 0.32 of the environment, social and governance are influenced by foreign ownership, public ownership, state ownership and family ownership, while 0.68 of the variables are influenced by other variables outside the variables that have not been studied in this study. An R^2 value of more than 0.5 indicates that the model has a good goodness of fit measure (Hair et al., 2019).

5. Conclusions

The findings of this study reveal that both foreign and public ownership has a positive and significant effect on environmental, social, and governance (ESG) disclosure. Foreign ownership plays a role in environmental, social, and governance disclosure because they contribute to the process. This is in line with public ownership, which also plays a role in environmental, social, and governance disclosure. Both state and family ownership does not significantly influence environmental, social, and governance disclosure. Furthermore, environmental, social, and governance disclosure positively and significantly affect firm value. However, environmental, social, and governance does not significantly affect the firm performance. The audit committee moderates the influence between Environmental, social, and governance disclosure, and firm value. However, the audit committee does not play a moderating role in influencing environmental, social, and governance (ESG) disclosure and firm performance. Overall, these prompt findings managers pay attention to social operations and good corporate governance that is friendly to the environment. The results are helpful for companies and the government as a regulator that can convince companies to adopt environmental, social, and governance disclosure.

Practical implication

The results and findings of this study have several practical implications. First, regarding implications for stakeholders, companies that disclose environmental, social, and governance aspects, can further enhance supervision by both internal and external parties, including the government and stakeholders. Stakeholders include managers, investors, or the community.

Second, implications for managers and companies should be more transparent regarding environmental, social, and governance disclosure. Environmental, social, and governance disclosure can enhance competitive advantage and create value for companies that disclose sustainability-related strategic information. Companies can also use resources related to environmental, social, and governance practices with an efficient and economies approach.

Third, the implication for the government as a regulator in Indonesia, involves the financial services authority (Otoritas Jasa Keuangan-OJK). The government must make stronger environmental, social, and governance regulations that companies must apply, especially those listed on the Indonesia Stock Exchange. However, the company's annual report must disclose information related to Corporate Social Responsibility (CSR) based on the law from financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, the implication for that investors can more accurately assess the company from its environmental, social, and governance disclosure. As a result, investors have a significant role in supporting companies to increase transparency and disclosure and ultimately improve their reporting standards. We also believe that Environmental, social, and governance disclosure can persuade investors to invest in a company. 511 512 513 514 515

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Limitations 517

This study has several limitations. The first limitation is related to secondary data which has weaknesses. Suggestions for further research would be to conduct research by obtaining primary data. In addition, future researchers should conduct a qualitative study with interviews with companies that have disclosed environmental, social, and governance information. The second limitation is that the factors affecting environmental, social, and governance disclosure in this study focus only on the ownership structure, including foreign ownership, public ownership, state ownership and family ownership. Further research could use other variables, such as corporate social responsibility, profitability, board independence, and corporate governance. The third limitation of this research is related to using three theories: legitimacy, stakeholder, and agency theory. Future research can use different perspectives by using different theories in their research. The last limitation is that we use financial measurement, Return on Assets (ROA), to measure the firm performance. Future research can use non-financial measurements, such as global economic policy uncertainty, political risk, governance quality, etc. 518 519 520 521 522 523 524 525 526 527 528 529 530 531

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REVIEWER 1

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
(x) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	( )	( )	(x)	( )
Are the methods adequately described?	( )	( )	(x)	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

1. The title of the paper is still grammatically incorrect.

2. Despite some corrections the phrase 'environmental, social, and governance' still happens to be used without any noun afterwards (see lines 15; 262).

3. Many parts of literature review still remain fragmented and chaotic (see e.g. lines 194-200).Moreover, mixed results of prior studies reported by the Authors often do not offer convincing support for the ultimate formulation of research hypotheses.

4. Hypothesis H6 in the revised version of the paper has been formulated in the following way:'Environmental, social, and governance (ESG) disclosure positively affects firm performance.' In section 2.6. the Authors do not provide, however, any reasonable argumentation to support logically the implied positive impact of ESG information disclosure on ROA (which has been adopted as a measure of firm performance).

5. In lines 328-330 the Authors argue: 'This research uses ESG score to measure environmental, social, and governance disclosure ESG scores are obtained from financial reports and sustainability reports by looking at.' – it seems, however, that this sentence has not been finished. Further in lines 330-335 they explain that: 'For example, environmental scores are based on company disclosures on nuclear energy policies, hazardous waste, climate change, and sustainability indicators; social scores are based on human rights, consumer protection health indicators, diversity, welfare, and employee safety, among others; and governance scores are based on executive compensation, diversity, management structure, and conflict of interest indicators, among others.'
The details of the very 'ESG score' employed in the study are, however, still not provided. The Authors only argue that the measure expressed in percentage numbers, but it is not clear how exactly the investigated companies have been assessed in this respect over the examined period. In particular, it is not clear whether the Authors have assessed the particular ESG scores on their own or used the Bloomberg's data as in the study by Atif et al. (2022) which they refer to in Table 1.

6. Although the Authors claim that the revised version of the paper has again been proofread the text is still full of grammatical and stylistic errors (see e.g. lines 16-18; 47-48; 72; 83-84; 127; 215-216).

To sum up, in my opinion, both the overall scientific soundness and linguistic quality of the paper remain insufficient to allow its publication in the journal.

the audit committee as moderator of the relationship between ESG disxlosure, firm value and firm performance

Mediation and moder

Mediation and Moderation of the Relationship Between Environmental, Social and Governance disclosure, firm value and firm performance.

REVIEWER 2

Open Review

( ) I would not like to sign my review report
(x) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
( ) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
(x) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	(x)	( )	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	(x)	( )	( )	( )
Are the methods adequately described?	(x)	( )	( )	( )
Are the results clearly presented?	(x)	( )	( )	( )
Are the conclusions supported by the results?	(x)	( )	( )	( )

Comments and Suggestions for Authors

well revised.

REVIEWER 4

Open Review

( ) I would not like to sign my review report
(x) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
(x) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	( )	(x)	( )	( )
Are the methods adequately described?	( )	(x)	( )	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

First) The title of the work is not clear and it's too long.
Second) There are several factors such as political risk, economic policy uncertainty, regulatory settings, and many more that impact firms' performance. I suggest adding these variables as a limitation of this study and suggest using them for further studies such as A) Athari, S. A., & Bahreini, M. (2021). The impact of external governance and regulatory settings on the profitability of Islamic banks: Evidence from Arab markets. *International Journal of Finance & Economics*. B) Athari, S. A. (2021). Domestic political risk, global economic policy uncertainty, and banks' profitability: evidence from Ukrainian banks. *Post-Communist Economies*, *33*(4), 458-483. Third) I suggest adding briefly policy implications in the abstract.

REVIEWER 1

1. We have revised the title.
2. We have revised the phrase become “environmental, social and governance disclosure”.
3. We have revised the hypothesis 2.1-2.6
4. We have revised 2.6 and refer the previous research.
5. We have revised the measurement of ESG disclosure refer the ESG score. We used the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com).
   We refer Global Reporting Initiatives
6. We have proofread our paper from Professional proofread.

Thank you very much

REVIEWER 2

Thank you very much

REVIEWER 4

1. We have revised the title.
2. We have revised future research and refer Athari (2021) and Athari & Bahreini (2021)
3. We have revised the abstract.

Thank you very much

economies

MDPI

Article

The ownership structure, and the Environmental, Social, and Governance (ESG) Disclosure, firm value and firm performance: the audit committee as moderating variable

Abstract: This study investigated the effect of ownership structure on environmental, social, and governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating variables in the Indonesian context. The ownership structures in this study are foreign, public, state, and family ownership. This research is quantitative and uses secondary data. The sample consisted of 140 companies listed on the Indonesia Stock Exchange for the 2018-2020 period. This study used legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares structural equation modeling. The results show that foreign and public ownership positively and significantly affect environmental, social, and governance disclosure. However, state and family ownership did not significantly affect environmental, social, and governance disclosure. In addition, Environmental, social, and governance disclosure positively impacts firm value. However, environmental, social, and governance disclosure do not affect a company's performance. Audit committees moderate the influence of environmental, social, and governance disclosure and firm value. However, the audit committees do not moderate the effect of environmental, social, and governance disclosure and firm performance. The government should make stronger environmental, social and governance regulations that must be implemented by companies listed on the Indonesia Stock Exchange even though they are now voluntary.

Keywords: Ownership structure; environmental; social; and governance (ESG) disclosure; firm value; firm performance; audit committee

1. Introduction

Recently, corporate organizations have become more responsible for the environment and society. This is due to demands from stakeholders, customers, regulators, company shareholders, suppliers, employees, creditors, media, and social, and environmental activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and governance (ESG) analysis has become an essential part of the investment process due to increasing attention to investing in companies' social impact and sustainability (Caporale et al., 2022). Lack of clarity on the disclosure of environmental, social. and governance (ESG) practices can create information gaps for responsible financiers and investors when making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's overall initiatives to stakeholders, including regulators, communities, investors, and employees (Atif et al. 2022).

Environmental, social, and governance disclosure activity include three main components. The first is the environment, which includes aspects related to pollution, mitigation, and climate change sustainability. The second is social, which refers to how an organization treats its communities, employees, and clients and its responsibility for products and services, diversity, the fight against corruption, and respect for human rights throughout the supply chain. The last component is governance, which is related to balancing the interests of stakeholders and shareholders and adhering to the best corporate governance practices (De Masi et al. 2021). The environmental dimension refers to a company's ability to use natural resources efficiently, thereby reducing environmental emissions. The social dimension promotes ethical values, employees' trust and respect

for human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022).

Previous research explained environmental, social and governance (ESG) disclosure (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, social and governance performance (He et al., 2022; Sheehan et al., 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study examines the effect of ownership structure which includes foreign, public, state, and family ownership, on environmental, social, and governance disclosure, firm value, firm performance, and audit committees as moderating variables. The study used a sample of companies listed on the Indonesia Stock exchange. In theory, this research extends legitimacy, stakeholder, and agency theories. Moreover, the current study provides insight into the role of audit committees in companies regarding environmental, social, and governance disclosure, firm value, and performance.

Our study offers several contributions. First, we contribute to the literature by seeking to understand ownership structure and environmental, social, and governance disclosure. As mentioned, ownership structure, consists of foreign, state, family and public ownership. we expand on existing knowledge of environmental, social, and governance disclosure by exploring the contribution of ownership structures to the three components of environmental, social, and governance practices. Second, this study uses and extends legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of environmental, social, and governance disclosure on firm value and firm performance with the audit committee as a moderating variable.

The paper is structured as follows. Section 2 highlights the development of hypotheses. Section 3 covers the methodology, while Section 4 describes and discusses the results. Finally, Section 5 outlines the conclusion of the paper.

2. Literature Review

2.1. Foreign ownership and Environmental, social, and governance (ESG) disclosure

Foreign ownership is the amount of share ownership owned by foreign parties. Al Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and transparency with the presence of foreign shareholders in a company. Using legitimacy theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legitimacy gap. Management can disclose environmental, social, and governance elements as a proactive legitimacy strategy that can encourage capital flow from foreign parties and satisfy foreign investors. Legitimacy theory influences and regulates people's goals to obtain rewards and escape from a punished society's actions. Firm disclosure is the result of social values, and the environmental and social disclosure model of legitimacy theory considers stakeholder values when considering any decision (Tilling and Tilt, 2010).

Foreign ownership positively was found to affects corporate social responsibility (CSR) disclosure in China from 5.431 observations (Guo and Zheng 2021) and in Bangladesh (Khan et al. 2012). Foreign ownership positively affects environmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020). Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian Stock Exchange for the period 2012-2016 as a sample. Foreign ownership positively affects environmental, social, and governance issues (Al Amosh and Khatib, 2021). Al Amosh and Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 during 408 observations. Baba and Baba (2021) concluded that foreign ownership positively affects social and environmental reporting. Baba and Baba (2021)

used 80 companies listed on the Nigerian Stock Exchange as a sample. The study spanned from 2012– 2017. Thus, foreign ownership can improve corporate governance, and maximize stakeholder value by encouraging the disclosure of corporate performance in sustainability. Foreign investors encourage corporate governance practices, and various disclosures. one related to disclosure is environmental, social, and governance. It means that the more foreign ownership, the more significant impact on the environmental, social, and governance (ESG) disclosure. Companies with foreign ownership are expected to disclose more social and environmental information to assist them in decision making (Khan et al. 2012). Furthermore, Guo and Zheng (2021) revealed that under pressure from foreign owners, companies can increase Environmental, Social, and Governance disclosures. This can enhance the company's reputation and support its legitimacy. Thus, foreign ownership can improve corporate governance and maximize stakeholder value by disclosing non-financial information including environmental, social and governance disclosures. Therefore, the following hypothesis is proposed:

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and governance (ESG) disclosure.

2.2. Public Ownership and Environmental, social, and governance (ESG) disclosure

Public ownership is the amount of purchased share ownership of a company by an individual or community investor. Legitimacy theory reveals that managers attempt to meet society's expectations through communication actions to conform to societal norms and secure the legitimacy of business behavior (Suchman, 1995).

Khan et al. (2012) revealed that companies with public ownership are more likely to aspire to and achieve community aspirations and legitimacy, which increases their social responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a company's board strengthens social and environmental responsibility for the company. Also, public ownership will pressure corporate accountability, where shareholders want a more comprehensive disclosure of information (Khan et al., 2012).

Public ownership positively and significantly affects corporate social responsibility (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. When a company is publicity disclosed, the issue of public accountability become vital. Therefore, publicly owned companies are expected to experience more pressure to disclose additional information because of the visibility and accountability issues that result from the large number of stakeholders (Khan et al., 2012). The company has greater pressure to disclose additional information to numerous stakeholders or companies that have public ownership of the company. This is also related to the accountability of the company, including environmental, social and corporate governance disclosure. This means that the more public ownership there is, the more environmental, social, and governance (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows:

Hypothesis 2 (H2). Public ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.3. State ownership and Environmental. Social and governance disclosure

State ownership refers to the number of companies shares that are owned by the state because a government invests in a company to achieve goals and promote development. State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the government can pressure companies to disclose more social and environmental information, in addition to financial information, to increase social perceptions of companies. State ownership increases corporate accountability, and transparency which can increase

legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent environmental, social and governance. Companies must manage relationship with stakeholders that influence business decisions. Companies and stakeholders are interdependent (Manita et al., 2018).

State ownership positively affects environmental, social, and governance (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and significantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainability disclosure because companies to which the state contributes respond to government strategies aimed at promoting sustainable development, as government pressure appears to be in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership increases accountability and transparency systems in companies, thereby increasing their legitimacy (Al Amosh and Khatib, 2021).The state ownership of companies can emphasize the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, as it positively affects disclosure, increasing disclosure as state ownership increases. Hence, this study hypothesizes the following:

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.4. Family ownership and environmental social and governance (ESG) disclosure

Freeman (1984) revealed that stakeholder theory forces organizational managers to respond more to the external environment and its needs. Stakeholders perceive social responsibility as positively impacting a company's future performance and conclude that higher social responsibility reduces the company's sensitivity to adverse shocks that may negatively impact the company (Bouslah et al., 2013).

Family companies manage strong relationships with external and internal stakeholders through the good disclosure of non-financial information (Salvato and Melin, 2008). Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial information, in this case Environmental, Social, and Governance, is superior and is expected to positively influence the perceptions of stakeholders and investors.

Stakeholder theory can be described with ethical and management aspects especially economics (Deegan, 2013). From a management point of view, it is assumed that the company should be responsible for the stakeholders who can influence the economic impact on the organization (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the social and environmental consequences of a company's operations(Deegan, 2013).

Family ownership positively and significantly affect sustainability reporting (Amidjaya and Widagdo, 2020). Companies owned by families tend to protect their families' image and reputation. A good reputation in the minds of stakeholder is important to protect family assets (Amidjaya and Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. It means that the greater the family ownership, the greater the environmental, social, and governance (ESG) disclosure. Therefore, the following hypothesis is proposed:

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and governance (ESG) dis closure.

2.5. Environmental social and governance (ESG) disclosure and firm value

Stakeholder theory reveals that board accountability is not only to shareholders but also to other interested parties. Proponents of stakeholder theory argue that this theory colors the corporate portrait by providing social and economic values and ethical and

moral considerations for estimating firm value (Freeman, 1983). Environmental, social and governance disclosures can serve as tools to minimize potential conflicts with stakeholders and to increase stakeholders' perceptions of the appropriateness of their company's actions (Freeman, 1984). Thus, the Environmental, social and governance disclosure affects the value of this company can be explained through stakeholder theory.

Environmental, social, and governance disclosure positively influence firm value (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible Value Assessment database and the Vigeo Corporate environmental, social, and governance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. (2018) conducted a study on the level of environmental, social, and governance disclosure and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research and using 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 environmental, social, and governance scores from 17 countries from 2010 to 2018. All of these studies determined that TESG disclosure can increase firm value through increased transparency and accountability, as well as increased stakeholder trust (Li et al., 2018). This means that the greater the environmental, social, and governance (ESG) disclosure, the higher the firm's value. In line with the literature, this study proposes the following hypothesis:

Hypothesis 5 (H5). Environmental, social, and governance (ESG) disclosure positively affects firm value.

2.6. Environmental social and governance (ESG) disclosure and firm performance

Stakeholder theory reveals that corporate social responsibility has an inconclusive effect on performance because external shareholders can reward companies that are successful in corporate social responsibility practices. However, the responses do not affect performance when companies have poor performance. In other words, corporate social responsibility costs must be commensurate with the benefits obtained. In addition, companies with poor corporate social responsibility practices may be penalized by external stakeholders, whose negative opinions of the company can adversely affect the company's performance (Carlos and Lewis, 2018). This study uses return on assets (ROA) to measure the firm performance Previous research measures the firm's performance using ROA (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). The company's performance uses ROA as the main indicator associated with capital invested in operating activities related to the balance sheet (Pulino et al., 2022).

Environmental, social, and governance disclosure positively influence firm performance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; Pulino et al., 2022). Environmental, social and governance disclosure positively impacts financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. (2022) conducted a study using a sample 98 firms from French registered companies on the SBF 120 index over seven years, from 2012 to 2018 ,for a total of 686 observations. Pavlopoulos et al (2019) conducted research and using 82 companies from 25 countries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies as a sample from 2011 to 2020. They determined that the greater the environmental,

social, and governance (ESG) implementation, the higher the firm performance. Therefore, the following hypothesis was developed:

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively affects firm performance.

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance

Agency theory (Jensen and Meckling, 1976) identified audits as an essential monitoring tool to reduce information asymmetry, limit opportunistic behavior, and improve environmental, social, and governance disclosure, firm performance, and firm value. Principals use the disclosure of financial and non-financial information to reduce agency costs (i.e., information asymmetry) arising from the separation of ownership and control (Morris, 1987). Companies provide environmental, social, and governance disclosures to reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased environmental, social, and governance disclosure, which represents additional non-financial information, improves the information environment and reduces the knowledge barrier between the company and its shareholders (Kim et al., 2014).

The primary responsibility of an audit committee is to oversee the financial and non-financial reporting processes and to reduce information asymmetry between managers, stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit committee oversees mandatory and voluntary disclosures related to environmental, social, and governance. Audit committee members must understand how environmental, social, and governance risks and opportunities are identified and prioritized, and oversee disclosure practices accordingly (Bamahros et al., 2022).

An audit committee handles preparing, presenting, and ensuring the integrity of financial statements, applying accounting principles and financial statements, and performing internal control under applicable financial accounting standards. The audit committee is also responsible for conducting an independent audit of consolidated financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit committee's role is to assist the board of directors in overseeing the company's reporting policies and the quality of the company's financial statements. In addition, the audit committee can increase investor and stakeholder confidence in the reliability and objectivity of financial statements and provide increased efficiency in corporate governance practices (Biçer and Feneir, 2019). As a result, the study suggested the following hypotheses:

Hypothesis 7 (H7:). The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.

Hypothesis 8 (H8). The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.

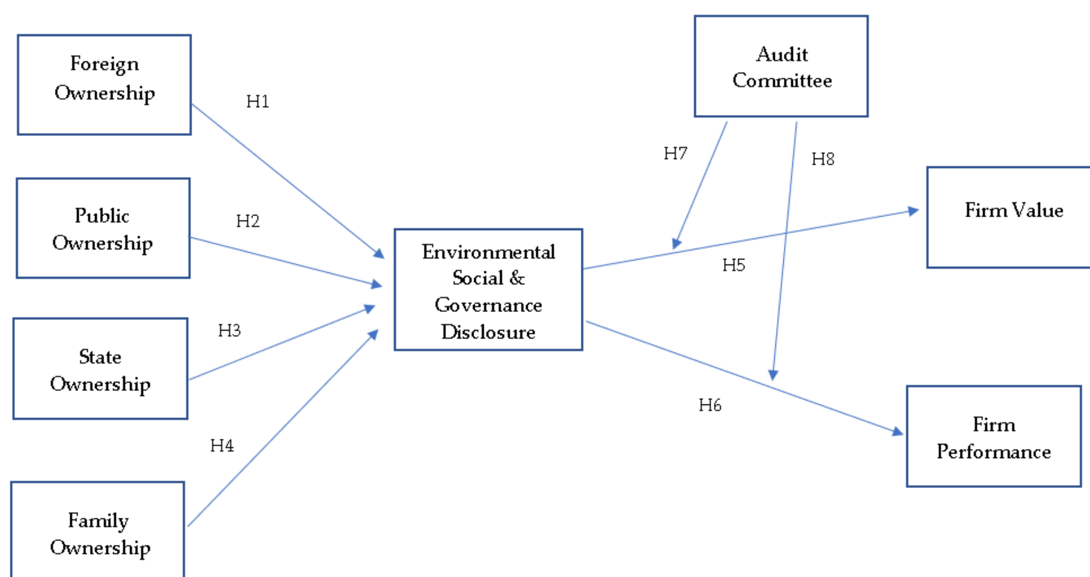

Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock Exchange for each sector. This research uses secondary data from annual, financial and sustainability reporting from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). The research period is from 2016-2020, with as many as 140 companies and 700 observations.

3.2. The measurement of variables

Table 1. Measurement of research variables

Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of shares to total number of issued shares.	(Al Amosh and Khatib, 2021).
Family ownership	Percentage of family ownership of shares to total number of issued shares.	(Al Amosh and Khatib, 2021).
State ownership	Percentage of state ownership of shares to total number of issued shares	(Al Amosh and Khatib, 2021).
Public ownership	Percentage of public ownership of shares to total number of issued shares	(Khan et al., 2012)
Environmental, social, and governance (ESG) disclosure	ESG Score ranging from 0 to 100 (percentage)	(Atif et al., 2022)
Firm value	Tobin's Q = (VMS + D)/TA where: VMS = market value of all outstanding shares TA = company assets D = Debt	(Lindenberg and Ross, 1981)
Firm Performance	ROA = EBIT/TA	(Chan et al., 2019)

Variable	Measurement	Sources
	where: ROA: Return on Assets EBIT: Earnings Before Interest and Tax TA: Total Assets	
Audit Committee	Number of people on the audit committee	(Nikulin et al., 2022)
Control variables		
Size	Size = the natural logarithm (Total Assets)	(Aman and Nguyen, 2013)
Leverage	Leverage = (Long term borrowing + Short term borrowing): Total Assets	(Aman and Nguyen, 2013)

Source: several empirical research results developed for this study 305

Table 1 shows the measurements of research variables. This research uses ESG score to measure environmental, social, and governance (ESG) disclosure. ESG scores are obtained from financial reports and sustainability reports by examining environmental, social and governance disclosures referring to the Global Reporting Initiatives, to measure ESG disclosure. For example, environmental scores are based on company disclosures on nuclear energy policies, hazardous waste, climate change, and sustainability indicators; social scores are based on human rights, consumer protection health indicators, diversity, welfare, and employee safety, among others; and governance scores are based on executive compensation, diversity, management structure, and conflict of interest indicators, among others (Atif et al., 2022). 306 307 308 309 310 311 312 313 314 315

3.3. Method of analysis 316

Inferential testing uses structural equation modeling with variant-based partial least squares. The reason for data processing using partial least square was that it involves latent variables, and tiered structural models, and the direction of the relationship is recursive. 317 318 319 320

Conventional regression only examines the causal relationship, ceteris paribus, between the independent and dependent variables. Structural equation modeling (SEM) was advantageous in establishing complex causal relationships between variables, allowing it to perform multiple path analyses and measure the different effects of interrelationships. variable on the response variable (Li and Zhao, 2019). The SEM model evaluated the complete adequacy of suggested hypotheses between constructs. The essential paths between the paired constructs in the model suggest the simultaneous emergence of relationships and the appropriate compilation of strategic responses to the perceived market environment. The structural model describes construction's interrelationships (Weston and Gore, 2006). In this study, the mediating variables were environmental, social, and governance disclosure, and the moderating variable, was the audit committee. The independent variables included foreign, public, state, and family ownership. The dependent variable is the firm value and the firm's performance. 321 322 323 324 325 326 327 328 329 330 331 332 333

The outer model test was used to determine the indicators of the latent variables in the study. All indicators of latent variables were reflective, meaning a reflection of each variable. The provision of whether an indicator reflects of each variable was based on the loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered 334 335 336 337 338

sufficient. Model fit involves testing the structural model by considering the parameter values of the relationships between the variables studied. A hypothesis was declared significant if the p-value < 0.05 (Hair et al., 2016, 2019).

The form of the structural equation can be described as follows:

$$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \varepsilon \quad [1]$$

$$\text{Company performance} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [2]$$

$$\text{Firm value} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [3]$$

The equation symbol is defined below:

FO = foreign ownership,

PU = public ownership

ST = state ownership

FA = family ownership

S = size

L = leverage

ESG = environmental, social, and governance

AC = audit committee

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	N	Minimum	Maximum	Mean	SD
Foreign ownership	700	0.00	37.8	28.4	23.6
Public ownership	700	0.04	25.9	19.7	17.9
State ownership	700	0.00	68,2	13.9	8.7
Family ownership	700	0.00	45.3	16.5	9.3
ESG	700	8	72,8	39.2	14.5
Audit committee	700	2	4	3,4	2.3

Source: author based on output SPSS

Table 3. Reliability and validity test result

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Foreign ownership	0.713	0,887	0.803	0.587
Public ownership	0.890	0,842	0.889	0.541
State ownership	0.846	0.924	0.863	0.617
Family ownership	0.789	0.873	0.876	0.500
ESG	0.823	0.801	0.815	0.589
Audit committee	0.831	0.899	0.885	0.625

Source: author based on the output of SEM PLS

Table 2 shows the descriptive statistics of the sample. Table 3 shows that the results of the reliability testing of all variables in this study. The reliability and validity of this study are adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliability was > 0.7. The average variance extracted (AVE) value was above 0.5.

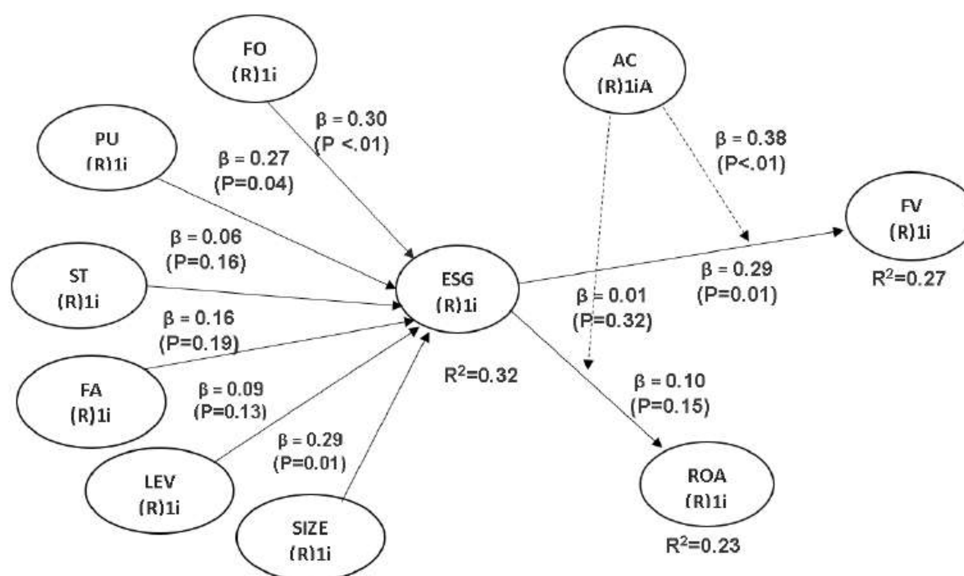

Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership → ESG	0.30	<0.01	Accepted
Public ownership → ESG	0.27	0.04	Accepted
State ownership → ESG	0.06	0.16	Rejected
Family ownership → ESG	0.16	0.19	Rejected
ESG → Firm Value	0.29	0.01	Accepted
ESG → Firm Performance	0.10	0.15	Rejected
ESG → Firm Value → Audit committee	0.38	<0.01	Accepted
ESG → Firm Performance→ Audit committee	0.01	0.32	Rejected

**significant level at 5% $p < 0.05$

Based on the Table 4 the p-value was less than 0.05 and the path coefficient value was positive, the proposed hypotheses H1, H2, H5, H7 were accepted and had a positive effect. H1 was acceptable because foreign ownership positively affects environmental, social, and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a positive association between public ownership and environmental, social, and governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because environmental, social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted and confirming the H7 that Audit committee moderate the relationship between environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6 and H8 were rejected because p-value was greater than 0.05.

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impacts environmental, social and governance (ESG) disclosure. The results of this study indicate that foreign ownership has a significant positive effect on the environment, social and governance (ESG) disclosure. This means that the greater the foreign ownership, the greater the environmental, social, and governance (ESG) disclosure. This finding supports previous research that concluded that foreign ownership significantly and positively affect the ESG

disclosure. (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021) However, this finding is not in line with previous research that revealed foreign ownership has a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do not support the study by Yu and Luu (2021) which concluded that foreign ownership did not impact ESG disclosure. This study supports the legitimacy theory.

The second hypothesis (H2) reveals that public ownership affects the environmental, social, and governance (ESG) disclosure. The results of this study indicate that public ownership has a positive and significant effect on the environmental, social, and governance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports previous research by (Khan et al., 2012) that concluded that public ownership positively affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the result was not agree with Nugraheni et al. (2022) who concluded that public ownership does not impact corporate social responsibility disclosure. The finding of this study supports legitimacy theory.

The third hypothesis (H3) reveals that state ownership positively influences environmental, social, and governance (ESG) disclosure. However, the result research shows that state ownership does not impact environmental, social, and governance disclosure. Therefore, the third hypothesis was rejected. This finding does not support previous study from Khlif et al. (2016);Al Amosh and Khatib (2021) who concluded that state ownership has a significant positive effect the environmental, social, and governance disclosure. Furthermore, this result not inline study from Al-Janadi et al. (2016) who concluded that state ownership negatively impacts voluntary disclosure. This finding does not support stakeholder theory.

The fourth hypothesis (H4) states that family ownership positively affects environmental, social, and governance (ESG) disclosure. The result of this study is not supported. The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership does not affect environmental, social, and governance disclosure. This result is in line with previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and Rodionova 2014), which shows insignificant results. In addition, family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018), or not influence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and Rodionova (2014) found that family ownership negatively affects the quality of sustainability reports. This study does not support stakeholder theory.

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) disclosure positively affects firm value. The result of this study shows that environmental, social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was supported. This means that the higher the environmental, social, and governance (ESG) disclosure, the higher the firm value. This result supports the previous research (Ferrell et al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 2018) concluded that environmental, social, and governance disclosure positively and significantly affects firm value. However, this finding does not agree with previous studies by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, and governance disclosure did not influence firm value. The finding of this study supports stakeholder theory.

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) disclosure positively affects firm performance. The data analysis for hypothesis 6 from the Figure 2 and Table 4 shows that environmental, social, and governance disclosure does not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmental, social, and governance disclosure effects have significant positive on firm performance. Furthermore, this result not agree with (Buallay, 2019; Duque-Grisales and

Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) concluded that environmental, social, and governance disclosure negatively impact the firm performance. This finding does not support stakeholder theory.

The seventh hypothesis (H7) states the audit committees moderate the relationship between environmental, social, and governance disclosure and firm value. However, the result research shows that environmental, social, and governance disclosure affects firm value, and the audit committee moderates this influence. Therefore, the seventh hypothesis was accepted. The audit committee is a moderating variable on Environmental, social, and governance disclosure influences and firm values that strengthen its relationship. This finding support agency theory.

The last hypothesis (H8) states that the audit committee moderates the relationship between environmental, social, and governance disclosure and firm performance. However, the results of this study did not find any significance between these variables, meaning that the audit committees do not strengthen the influence of environmental, social, and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship.

The control variables' results indicate that the company's size is positive and significant. Larger companies have greater responsibilities to stakeholders through sustainable disclosure and are related to environmental, social and governance disclosure. However, leverage shows insignificant results. This means that leverage does not support and contribute to the disclosures required by stakeholders.

The analysis results from figure 2 and Table 4 show the R Square (R^2) value of 0.32 for environmental, social, and governance, 0.27 for firm value and 0.23 for firm performance. This means that 0.32 of the environmental, social and governance are influenced by foreign ownership, public ownership, state ownership and family ownership, while 0.68 of the variables are influenced by other variables outside the variables that have not been studied in this study. An R^2 value of more than 0.5 indicates that the model has a good goodness of fit measure (Hair et al., 2019).

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a positive and significant effect on environmental, social, and governance (ESG) disclosure. Foreign ownership plays a role in environmental, social, and governance disclosure because it contribute to the process. This is in line with public ownership, which also plays a role in environmental, social, and governance disclosure. Neither state nor family ownership significantly influence environmental, social, and governance disclosure. Furthermore, environmental, social, and governance disclosure positively and significantly affect firm value. However, environmental, social, and governance disclosure do not significantly affect the firm performance. The audit committee moderates the influence between environmental, social, and governance disclosure, and firm value. However, the audit committee do not play a moderating role in influencing environmental, social, and governance (ESG) disclosure and firm performance. Overall, these findings prompt managers to pay attention to social operations and good corporate governance that is environmentally friendly. The results are helpful for companies and the government as a regulator who can convince companies to adopt environmental, social, and governance disclosure.

Practical implication

The results and findings of this study have several practical implications. First, regarding stakeholders, companies that disclose environmental, social, and governance aspects, can further enhance supervision by both internal and external parties, including the government and stakeholders. Stakeholders include managers, investors, or the community.

Second, implications for managers and companies should be more transparent regarding environmental, social, and governance disclosure. Environmental, social, and governance disclosure can enhance competitive advantage and create value for companies that disclose sustainability-related strategic information. Companies can also use resources related to environmental, social, and governance practices with an efficient and economical approach.

Third, the implication for the government as a regulator in Indonesia, involve the financial services authority (Otoritas Jasa Keuangan-OJK). The government must create stronger environmental, social, and governance regulations that companies must apply, especially those listed on the Indonesia Stock Exchange. However, a company's annual report must disclose information related to corporate social responsibility (CSR) based on the law from financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, investors can more accurately assess the company's environmental, social, and governance disclosure. As a result, investors have a significant role in supporting companies in increasing transparency, and disclosure, and ultimately improving their reporting standards. We also believe that environmental, social, and governance disclosure can persuade investors to invest in a company.

Limitations

This study has several limitations. The first limitation is related to weak secondary data. Suggestions for further researchers would be to conduct research by obtaining primary data. In addition, future researchers should conduct a qualitative study with interviews with companies that have disclosed environmental, social, and governance information. The second limitation is that the factors affecting environmental, social, and governance disclosure in this study focus only on the ownership structure, including foreign, public, state and family ownership. Further research could use other variables, such as corporate social responsibility, profitability, board independence, and corporate governance. The third limitation of this research is related to the use three theories: legitimacy, stakeholder, and agency theory. Future research could use different perspectives by using different theories. The last limitation is that we use financial measurement, Return on Assets (ROA), to measure the firm performance. Future researchers can use non-financial measurements, such as global economic policy uncertainty, political risk, governance quality, etc. Athari (2021) showed empirical results that external governance mechanisms and their dimensions, particularly political stability, regulatory quality, rule of law, and corruption control have a positive impact on the profitability of Islamic banks. Furthermore, the results of this study showed that increasing the dimensions of external governance, especially political stability, regulatory quality, rule of law, and controlling corruption increases the profitability of Islamic banks (Athari and Bahreini, 2021).

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REVIEWER 1

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
(x) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	( )	( )	(x)	( )
Are the methods adequately described?	( )	( )	(x)	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

The revised version of the paper has been significantly improved in terms of key aspects of scientific soundness, especially as regards the development of hypotheses and discussion of results. In general, however, two major issues remain unsolved.

First, given the explanations provided in lines 306-310, it seems that the Authors have calculated the 'ESG scores' on their own, unlike Atif et al. (2022) who used the scores published by Bloomberg. The Authors, however, still remain silent about the exact methodology of calculating those scores, except from a very general description of the criteria taken into account in that respect. Given the central role of 'ESG scores' in the proposed research framework, however, the lack of the above mentioned details makes the investigation not transparent and raises further doubts about the validity of the obtained results.

Second, the manuscript still requires an extensive proof reading and editing with respect to grammar (see e.g. lines 87, 142, 230, 442), wording (see e.g. 'disclosed' in line 129, 'responses' in line 228), repetitions (lines 233-234), nouns missing after the word ‘governance’ (lines 153, 274, 353, 465), or logical coherence (see e.g. lines 87-99). Generally, the writing style remains quite poor, and certainly inadequate for a professional scientific journal. Given the above I would strongly suggest having it proofread by a native English speaker.

REVIEWER 4

Open Review

( ) I would not like to sign my review report
(x) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
( ) Extensive editing of English language and style required
(x) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	(x)	( )	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	(x)	( )	( )	( )
Are the methods adequately described?	(x)	( )	( )	( )
Are the results clearly presented?	(x)	( )	( )	( )
Are the conclusions supported by the results?	(x)	( )	( )	( )

Comments and Suggestions for Authors

The revised version is accepted for publishing in the current form.

REVIEW 1

1. We do content analysis to measure environmental, social and governance disclosure. This measurement refer Global reporting initiative (GRI, 2013). The content analysis refer (Al Amosh et al., 2022). The ESG score based on Bloomberg refer Global reporting Initiative as well.
2. We have proofread our paper

REVIEW 4

Thank you very much.

economies

MDPI

Article

The ownership structure, and the Environmental, Social, and Governance (ESG) Disclosure, firm value and firm performance: the audit committee as moderating variable

Abstract: This study investigated the effect of ownership structure on environmental, social, and governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating variables in the Indonesian context. The ownership structures in this study are foreign, public, state, and family ownership. This research is quantitative and uses secondary data. The sample consisted of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares structural equation modeling. The results show that foreign and public ownership positively and significantly affect environmental, social, and governance disclosure. However, state and family ownership did not significantly affect environmental, social, and governance disclosure. In addition, Environmental, social, and governance disclosure positively impacts firm value. However, environmental, social, and governance disclosure do not affect a company's performance. Audit committees moderate the influence of environmental, social, and governance disclosure and firm value. However, the audit committees do not moderate the effect of environmental, social, and governance disclosure and firm performance. The government should make stronger environmental, social, and governance regulations that must be implemented by companies listed on the Indonesia Stock Exchange even though they are now voluntary.

Keywords: Ownership structure; environmental; social; and governance (ESG) disclosure; firm value; firm performance; audit committee

1. Introduction

Recently, corporate organizations have become more responsible for the environment and society. This is due to demands from stakeholders, customers, regulators, company shareholders, suppliers, employees, creditors, media, and social, and environmental activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and governance (ESG) analysis has become an essential part of the investment process due to increasing attention to investing in companies' social impact and sustainability (Caporale et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance (ESG) practices can create information gaps for responsible financiers and investors when making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's overall initiatives to stakeholders, including regulators, communities, investors, and employees (Atif et al. 2022).

Environmental, social, and governance disclosure activity include three main components. The first is the environment, which includes aspects related to pollution, mitigation, and climate change sustainability. The second is social, which refers to how an organization treats its communities, employees, and clients and its responsibility for products and services, diversity, the fight against corruption, and respect for human rights throughout the supply chain. The last component is governance, which is related to balancing the interests of stakeholders and shareholders and adhering to the best corporate governance practices (De Masi et al. 2021). The environmental dimension refers to a company's ability to use natural resources efficiently, thereby reducing environmental emissions. The social dimension promotes ethical values, employees' trust and respect

for human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022).

Previous research explained environmental, social, and governance (ESG) disclosure (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study examines the effect of ownership structure which includes foreign, public, state, and family ownership, on environmental, social, and governance disclosure, firm value, firm performance, and audit committees as moderating variables. The study used a sample of companies listed on the Indonesia Stock exchange. In theory, this research extends legitimacy, stakeholder, and agency theories. Moreover, the current study provides insight into the role of audit committees in companies regarding environmental, social, and governance disclosure, firm value, and performance.

Our study offers several contributions. First, we contribute to the literature by seeking to understand ownership structure and environmental, social, and governance disclosure. As mentioned, the ownership structure consists of foreign, state, family and public ownership. we expand on existing knowledge of environmental, social, and governance disclosure by exploring the contribution of ownership structures to the three components of environmental, social, and governance practices. Second, this study uses and extends legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of environmental, social, and governance disclosure on firm value and firm performance with the audit committee as a moderating variable.

The paper is structured as follows. Section 2 highlights the development of hypotheses. Section 3 covers the methodology, while Section 4 describes and discusses the results. Finally, Section 5 outlines the conclusion of the paper.

2. Literature Review

2.1. Foreign ownership and Environmental, social, and governance (ESG) disclosure

Foreign ownership is the amount of share ownership owned by foreign parties. Al Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and transparency with the presence of foreign shareholders in a company. Using legitimacy theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legitimacy gap. Management can disclose environmental, social, and governance elements as a proactive legitimacy strategy that can encourage capital flow from foreign parties and satisfy foreign investors. Legitimacy theory influences and regulates people's goals to obtain rewards and escape from a punished society's actions. Firm disclosure results from social values, and the legitimacy theory's environmental and social disclosure model considers stakeholder values when considering any decision (Tilling and Tilt, 2010).

Foreign ownership positively affects environmental, social, and governance disclosure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affects corporate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and in Bangladesh (Khan et al. 2012). Foreign ownership positively affects environmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership positively affects social and environmental reporting. Al Amosh and Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 during 408 observations. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian Stock Exchange

for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies listed on the Nigerian Stock Exchange as a sample from 2012– 2017.

Thus, foreign ownership can improve corporate governance, and maximize stakeholder value by encouraging the disclosure of corporate performance in sustainability. Foreign investors encourage corporate governance practices, and various disclosures. one related to disclosure is environmental, social, and governance. It means that the more foreign ownership, the more significant impact on the environmental, social, and governance (ESG) disclosure. Companies with foreign ownership are expected to disclose more social and environmental information to assist them in decision making (Khan et al. 2012). Furthermore, Guo and Zheng (2021) revealed that that companies could increase environmental, social, and governance disclosures under pressure from foreign owners.. This can enhance the company's reputation and support its legitimacy. Thus, foreign ownership can improve corporate governance and maximize stakeholder value by disclosing non-financial information including, environmental, social, and governance disclosures. Therefore, the following hypothesis is proposed:

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and governance (ESG) disclosure.

2.2. Public Ownership and Environmental, social, and governance (ESG) disclosure

Public ownership is the amount of purchased share ownership of a company by an individual or community investor. Legitimacy theory reveals that managers attempt to meet society's expectations through communication to conform to societal norms and secure the legitimacy of business behavior (Suchman, 1995).

Khan et al. (2012) revealed that companies with public ownership are more likely to aspire to and achieve community aspirations and legitimacy, which increases their social responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a company's board strengthens social and environmental responsibility for the company. Also, public ownership will pressure corporate accountability, where shareholders want a more comprehensive disclosure of information (Khan et al., 2012).

Public ownership positively and significantly affects corporate social responsibility (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. When a company discloses publicity, the issue of public accountability becomes vital. Therefore, publicly owned companies are expected to experience more pressure to disclose additional information because of the visibility and accountability issues that result from the large number of stakeholders (Khan et al., 2012). The company has more significant pressure to disclose additional information to numerous stakeholders or companies that have public ownership of the company. This is also related to the accountability of the company, including environmental, social and corporate governance disclosure. This means that the more public ownership there is, the more environmental, social, and governance (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows:

Hypothesis 2 (H2). Public ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.3. State ownership and Environmental. Social and governance disclosure

State ownership is defined as the percentage of state ownership of shares in a company. This is because the government invest in companies to achieve goals dan promote development. State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the government can pressure companies to disclose more social and environmental information, in addition to financial information, to increase social perceptions of

companies. State ownership increases corporate accountability and transparency, which can increase legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent environmental, social, and governance. Companies must manage the relationship with stakeholders that influence business decisions. Companies and stakeholders are interdependent (Manita et al., 2018).

State ownership positively affects environmental, social, and governance disclosure (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and significantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainability disclosure because companies to which the state contributes respond to government strategies aimed at promoting sustainable development, as government pressure appears to be in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership increases accountability and transparency systems in companies, thereby increasing their legitimacy (Al Amosh and Khatib, 2021).The state ownership of companies can emphasize the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, as it positively affects disclosure, increasing disclosure as state ownership increases. Hence, this study hypothesizes the following:

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.4. Family ownership and environmental social and governance (ESG) disclosure

Freeman (1984) revealed that stakeholder theory forces organizational managers to respond more to the external environment and its needs. Stakeholders perceive social responsibility as positively impacting a company's future performance and conclude that higher social responsibility reduces the company's sensitivity to adverse shocks that may negatively impact the company (Bouslah et al., 2013).

Family companies manage strong relationships with external and internal stakeholders through the good disclosure of non-financial information (Salvato and Melin, 2008). Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial information, in this case, environmental, social, and governance, is superior and is expected to positively influence the perceptions of stakeholders and investors.

Stakeholder theory can be described with ethical and management aspects, especially economics (Deegan, 2013). From a management point of view, it is assumed that the company should be responsible for the stakeholders who can influence the economic impact on the organization (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the social and environmental consequences of a company's operations(Deegan, 2013).

Family ownership positively and significantly affects sustainability reporting (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to protect their families' image and reputation. A good reputation in the minds of stakeholder is important to protect family assets (Amidjaya and Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. This means that the greater the family ownership, the greater the environmental, social, and governance (ESG) disclosure. Therefore, the following hypothesis is proposed:

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and governance (ESG) disclosure.

2.5. Environmental social and governance (ESG) disclosure and firm value

Stakeholder theory reveals that board accountability is not only to shareholders but also to other interested parties. Proponents of stakeholder theory argue that this theory

colors the corporate portrait by providing social and economic values and ethical and moral considerations for estimating firm value (Freeman, 1983). Environmental, social, and governance disclosures can serve as tools to minimize potential conflicts with stakeholders and to increase stakeholders' perceptions of the appropriateness of their company's actions (Freeman, 1984). Thus, the Environmental, social, and governance disclosure that affects the value of this company can be explained through stakeholder theory.

Environmental, social, and governance disclosure positively influence firm value (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible Value Assessment database and the Vigeo Corporate environmental, social, and governance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. (2018) conducted a study on the level of environmental, social, and governance disclosure and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 environmental, social, and governance scores from 17 countries from 2010 to 2018. All of these studies determined that TESG disclosure can increase firm value through increased transparency and accountability, as well as increased stakeholder trust (Li et al., 2018). This means that the greater the environmental, social, and governance (ESG) disclosure, the higher the firm's value. In line with the literature, this study proposes the following hypothesis:

Hypothesis 5 (H5). Environmental, social, and governance (ESG) disclosure positively affect firm value.

2.6. Environmental social and governance (ESG) disclosure and firm performance

Stakeholder theory reveals that corporate social responsibility has an inconclusive effect on performance because external shareholders can reward companies that are successful in corporate social responsibility practices, but their responses do not affect performance when companies' performance poorly. In other words, corporate social responsibility costs must be commensurate with the benefits obtained. However, companies with poor corporate social responsibility practices may be penalized by external stakeholders, whose negative opinions of the company can adversely affect the company's performance (Carlos and Lewis, 2018). This study is similar to the previous research measures the firm's performance using ROA (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). The company's performance uses ROA as the primary indicator associated with capital invested in operating activities related to the balance sheet (Pulino et al., 2022).

Environmental, social, and governance disclosure positively influence firm performance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; Pulino et al., 2022). Environmental, social and governance disclosure positively impacts financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. (2022) conducted a study using a sample 98 firms from French registered companies on the SBF 120 index over seven years, from 2012 to 2018 ,for a total of 686 observations. Pavlopoulos et al (2019) conducted research and using 82 companies from 25 countries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies as a sample from 2011 to 2020. They determined that the greater the environmental,

social, and governance (ESG) implementation, the higher the firm performance. Therefore, the following hypothesis was developed:

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively affect firm performance.

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance

Agency theory (Jensen and Meckling, 1976) identified audits as an essential monitoring tool to reduce information asymmetry, limit opportunistic behavior, and improve environmental, social, and governance disclosure, firm performance, and firm value. Principals use the disclosure of financial and non-financial information to reduce agency costs (i.e., information asymmetry) arising from the separation of ownership and control (Morris, 1987). Companies provide environmental, social, and governance disclosures to reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased environmental, social, and governance disclosure, which represents additional non-financial information, improves the information environment and reduces the knowledge barrier between the company and its shareholders (Kim et al., 2014).

The primary responsibility of an audit committee is to oversee the financial and non-financial reporting processes and to reduce information asymmetry between managers, stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit committee oversees mandatory and voluntary disclosures related to environmental, social, and governance disclosure. Therefore, audit committee members must understand how environmental, social, and governance risks and opportunities are identified and prioritized and oversee disclosure practices accordingly (Bamahros et al., 2022).

An audit committee handles preparing, presenting, and ensuring the integrity of financial statements, applying accounting principles and financial statements, and performing internal control under applicable financial accounting standards. The audit committee is also responsible for conducting an independent audit of consolidated financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit committee's role is to assist the board of directors in overseeing the company's reporting policies and the quality of the company's financial statements. In addition, the audit committee can increase investor and stakeholder confidence in the reliability and objectivity of financial statements and provide increased efficiency in corporate governance practices (Biçer and Feneir, 2019). As a result, the study suggested the following hypotheses:

Hypothesis 7 (H7:). The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.

Hypothesis 8 (H8). The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.

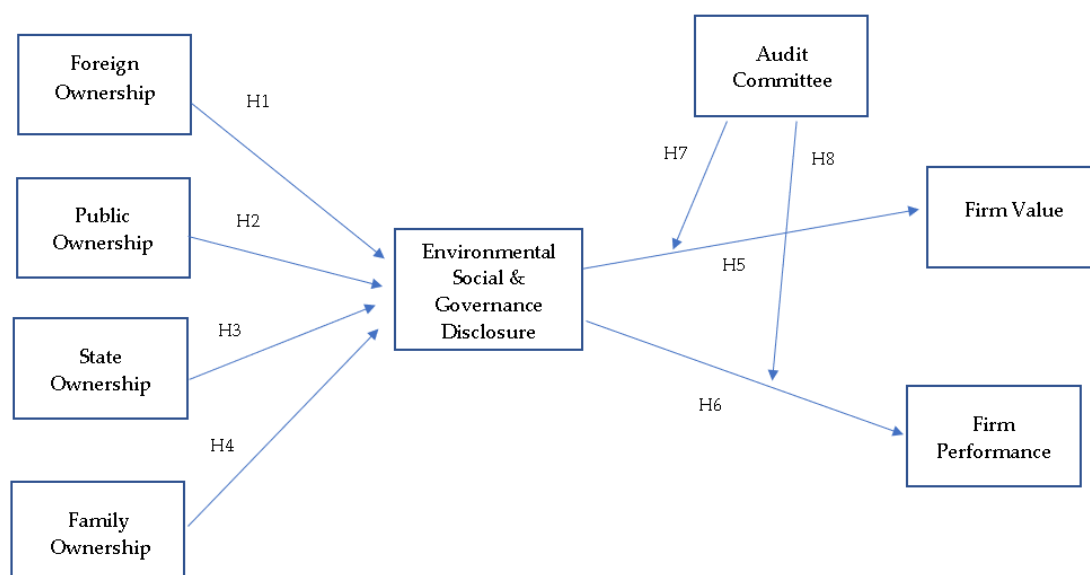

Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock Exchange for each sector. In addition, this research uses secondary data from annual, financial and sustainability reporting from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). The research period is from 2016-2020, with as many as 140 companies and 700 observations.

3.2. The measurement of variables

Table 1. Measurement of research variables

Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
Family ownership	Percentage of family ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
State ownership	Percentage of state ownership of shares to the total number of issued shares	(Al Amosh and Khatib, 2021).
Public ownership	Percentage of public ownership of shares to the total number of issued shares	(Khan et al., 2012)
Environmental, social, and governance (ESG) disclosure	ESG Score ranging from 0 to 100 (percentage)	(GRI, 2013)
Firm value	Tobin's Q = (VMS + D)/TA Where: VMS = market value of all outstanding shares	(Lindenberg and Ross, 1981)

Variable	Measurement	Sources
Firm Performance	TA = company assets D = Debt ROA = EBIT/TA Where: ROA: Return on Assets EBIT: Earnings Before Interest and Tax TA: Total Assets	(Chan et al., 2019)
Audit Committee	Number of people on the audit committee	(Nikulin et al., 2022)
Control variables		
Size	Size = the natural logarithm (Total Assets)	(Aman and Nguyen, 2013)
Leverage	Leverage = (Long term borrowing + Short term borrowing): Total Assets	(Aman and Nguyen, 2013)

Source: several empirical research results developed for this study 304

Table 1 shows the measurements of research variables. The environmental, social, and governance (ESG) disclosure are obtained from financial reports and sustainability reports from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). This study uses content analysis (Krippendorff, 2018) for all companies as samples to be more detailed and transparent in collecting data by examining environmental, social and governance disclosures referring to guidelines of the Global Reporting Initiatives (GRI, 2013). 305 306 307 308 309 310 311

3.3. Method of analysis 312

Inferential testing uses structural equation modeling with variant-based partial least squares. The reason for data processing using partial least square was that it involves latent variables and tiered structural models, and the direction of the relationship is recursive. 313 314 315 316

Conventional regression only examines the causal relationship, ceteris paribus, between the independent and dependent variables. Structural equation modeling (SEM) was advantageous in establishing complex causal relationships between variables, allowing it to perform multiple path analyses and measure the different effects of interrelationships variable on the response variable (Li and Zhao, 2019). The SEM model evaluated the complete adequacy of suggested hypotheses between constructs. The essential paths between the paired constructs in the model suggest the simultaneous emergence of relationships and the appropriate compilation of strategic responses to the perceived market environment. The structural model describes construction's interrelationships (Weston and Gore, 2006). In this study, the mediating variables were environmental, social, and governance disclosure; the moderating variable was the audit committee. The independent variables included foreign, public, state, and family ownership. The dependent variable is the firm value and the firm's performance. 317 318 319 320 321 322 323 324 325 326 327 328 329

The outer model test was used to determine the indicators of the latent variables in the study. All indicators of latent variables were reflective, meaning a reflection of each variable. The provision of whether an indicator reflects each variable was based on the loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the 330 331 332 333

variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered sufficient. Model fit involves testing the structural model by considering the parameter values of the relationships between the variables studied. A hypothesis was declared significant if the p-value < 0.05 (Hair et al., 2016, 2019).

The form of the structural equation can be described as follows:

$$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \varepsilon \quad [1]$$

$$\text{Company performance} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [2]$$

$$\text{Firm value} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [3]$$

The equation symbol is defined below:

FO = foreign ownership,

PU = public ownership

ST = state ownership

FA = family ownership

S = size

L = leverage

ESG = environmental, social, and governance disclosure

AC = audit committee

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	N	Minimum	Maximum	Mean	SD
Foreign ownership	700	0.00	37.8	28.4	23.6
Public ownership	700	0.04	25.9	19.7	17.9
State ownership	700	0.00	68,2	13.9	8.7
Family ownership	700	0.00	45.3	16.5	9.3
ESG	700	8	72,8	39.2	14.5
Audit committee	700	2	4	3,4	2.3

Source: author based on output SPSS

Table 3. Reliability and validity test result

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Foreign ownership	0.713	0,887	0.803	0.587
Public ownership	0.890	0,842	0.889	0.541
State ownership	0.846	0.924	0.863	0.617
Family ownership	0.789	0.873	0.876	0.500
ESG	0.823	0.801	0.815	0.589
Audit committee	0.831	0.899	0.885	0.625

Source: author based on the output of SEM PLS

Table 2 shows the descriptive statistics of the sample. Table 3 shows the results of the reliability testing of all variables in this study. The reliability and validity of this study are adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliability was > 0.7. The average variance extracted (AVE) value was above 0.5.

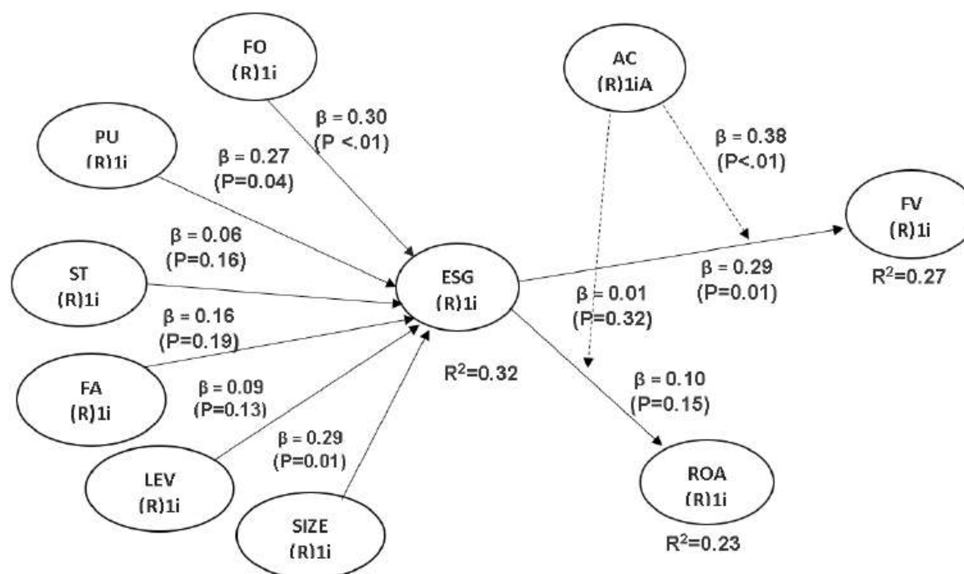

Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership → ESG	0.30	<0.01	Accepted
Public ownership → ESG	0.27	0.04	Accepted
State ownership → ESG	0.06	0.16	Rejected
Family ownership → ESG	0.16	0.19	Rejected
ESG → Firm Value	0.29	0.01	Accepted
ESG → Firm Performance	0.10	0.15	Rejected
ESG → Firm Value → Audit committee	0.38	<0.01	Accepted
ESG → Firm Performance→ Audit committee	0.01	0.32	Rejected

**significant level at 5% $p < 0.05$

Based on table 4 the p-value was less than 0.05, and the path coefficient value was positive. The proposed hypotheses H1, H2, H5, H7 were accepted and had a positive effect. H1 was acceptable because foreign ownership positively affects environmental, social, and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a positive association between public ownership and environmental, social, and governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because environmental, social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted and confirmed the H7 that audit committee moderates the relationship between environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6, and H8 were rejected because the p-value was greater than 0.05.

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impacts environmental, social, and governance (ESG) disclosure. The results of this study indicate that foreign ownership has a significant positive effect on the environmental, social, and governance (ESG) disclosure. This means that the greater the foreign ownership, the greater the environmental, social, and governance (ESG) disclosure. This finding supports previous research that concluded that foreign ownership significantly and positively affects

ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021). However, this finding is not in line with previous research that revealed foreign ownership has a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do not support the study by Yu and Luu (2021), which concluded that foreign ownership did not impact ESG disclosure. This study supports the legitimacy theory. 385 386 387 388 389 390 391

The second hypothesis (H2) reveals that public ownership affects environmental, social, and governance (ESG) disclosure. The results of this study indicate that public ownership has a positive and significant effect on the environmental, social, and governance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports previous research by (Khan et al., 2012) that concluded that public ownership positively affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the result did not agree with Nugraheni et al. (2022), who concluded that public ownership does not impact corporate social responsibility disclosure. The finding of this study supports the legitimacy theory. 392 393 394 395 396 397 398 399 400

The third hypothesis (H3) reveals that state ownership positively influences environmental, social, and governance (ESG) disclosure. However, the result research shows that state ownership does not impact environmental, social, and governance disclosure. Therefore, the third hypothesis was rejected. This finding does not support previous study from Khlif et al. (2016);Al Amosh and Khatib (2021), who concluded that state ownership has a significant positive effect the environmental, social, and governance disclosure. Furthermore, this result not inline study from Al-Janadi et al. (2016), who concluded that state ownership negatively impacts voluntary disclosure. Therefore, this finding does not support the stakeholder theory. 401 402 403 404 405 406 407 408 409

The fourth hypothesis (H4) states that family ownership positively affects environmental, social, and governance (ESG) disclosure. The result of this study is not supported. The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership does not affect environmental, social, and governance disclosure. This result is in line with the previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and Rodionova 2014), which shows insignificant results. In addition, family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018), or does not influence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and Rodionova (2014) found that family ownership negatively affects the quality of sustainability reports. This study does not support stakeholder theory. 410 411 412 413 414 415 416 417 418 419

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) disclosure positively affects firm value. The result of this study shows that environmental, social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was supported. This means that the higher the environmental, social, and governance (ESG) disclosure, the higher the firm value. This result supports the previous research (Ferrell et al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 2018) concluded that environmental, social, and governance disclosure positively and significantly affects firm value. However, this finding does not agree with previous studies by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, and governance disclosure did not influence firm value. The finding of this study supports stakeholder theory. 420 421 422 423 424 425 426 427 428 429 430

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) disclosure positively affects firm performance. The data analysis for hypothesis 6 from the Figure 2 and Table 4 shows that environmental, social, and governance disclosure does not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmental, social, and governance disclosure effects have significant positive on firm performance. Furthermore, this result also does not support the previous research (Buallay, 431 432 433 434 435 436 437 438

2019; Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) concluded that environmental, social, and governance disclosure negatively impacts the firm performance. This finding does not support stakeholder theory.

The seventh hypothesis (H7) states that audit committees moderate the relationship between environmental, social, and governance disclosure and firm value. However, the result research shows that environmental, social, and governance disclosure affects firm value, and the audit committee moderates this influence. Therefore, the seventh hypothesis was accepted. The audit committee is a moderating variable on Environmental, social, and governance disclosure influences and firm values that strengthen its relationship. This finding supports agency theory.

The last hypothesis (H8) states that the audit committee moderates the relationship between environmental, social, and governance disclosure and firm performance. However, the results of this study did not find any significance between these variables, meaning that the audit committees do not strengthen the influence of environmental, social, and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship.

The control variables' results indicate that the company's size is positive and significant. Larger companies have greater responsibilities to stakeholders through sustainable disclosure and are related to environmental, social and governance disclosure. However, leverage shows insignificant results. This means that leverage does not support and contribute to the disclosures required by stakeholders.

The analysis results from figure 2 and Table 4 show the R Square (R^2) value of 0.32 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm performance. This means that 0.32 of the environmental, social, and governance are influenced by foreign ownership, public ownership, state ownership, and family ownership, while 0.68 of the variables are influenced by other variables outside the variables that have not been studied in this study. An R^2 value of more than 0.5 indicates that the model has good goodness of fit measure (Hair et al., 2019).

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a positive and significant effect on environmental, social, and governance (ESG) disclosure. Foreign ownership plays a role in environmental, social, and governance disclosure because it contributes to the process. This is in line with public ownership, which also plays a role in environmental, social, and governance disclosure. Neither state nor family ownership significantly influences environmental, social, and governance disclosure. Furthermore, environmental, social, and governance disclosure positively and significantly affect firm value. However, environmental, social, and governance disclosure do not significantly affect the firm performance. The audit committee moderates the influence between environmental, social, and governance disclosure, and firm value. However, the audit committee does not play a moderating role in influencing environmental, social, and governance (ESG) disclosure and firm performance. Overall, these findings prompt managers to pay attention to social operations and good corporate governance that is environmentally friendly. The results are helpful for companies and the government as a regulator who can convince companies to adopt environmental, social, and governance disclosure.

Practical implication

The results and findings of this study have several practical implications. First, regarding stakeholders, companies that disclose environmental, social, and governance aspects, can further enhance supervision by both internal and external parties, including the government and stakeholders. Stakeholders include managers, investors, or the community.

Second, implications for managers and companies should be more transparent regarding environmental, social, and governance disclosure. Environmental, social, and governance disclosure can enhance competitive advantage and create value for companies that disclose sustainability-related strategic information. Companies can also use resources related to environmental, social, and governance practices with an efficient and economical approach.

Third, the implication for the government as a regulator in Indonesia, involves the financial services authority (Otoritas Jasa Keuangan-OJK). The government must create stronger environmental, social, and governance regulations that companies must apply, especially those listed on the Indonesia Stock Exchange. However, a company's annual report must disclose information related to corporate social responsibility (CSR) based on the law from the financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, investors can assess the company's environmental, social, and governance disclosure more accurately. As a result, investors have a significant role in supporting companies in increasing transparency and disclosure and ultimately improving their reporting standards. We also believe that environmental, social, and governance disclosure can persuade investors to invest in a company.

Limitations

This study has several limitations. The first limitation is related to weak secondary data. Suggestions for further research would be to conduct research by obtaining primary data. In addition, future researchers should conduct a qualitative study with interviews with companies that have disclosed environmental, social, and governance information. The second limitation is that the factors affecting environmental, social, and governance disclosure in this study focus only on the ownership structure, including foreign, public, state, and family ownership. Further research could use other variables, such as corporate social responsibility, profitability, board independence, and corporate governance. The third limitation of this research is related to the use of three theories: legitimacy, stakeholder, and agency theory. Future research could use different perspectives by using different theories. The last limitation is that we use financial measurement, Return on Assets (ROA), to measure the firm performance. Future researchers can use non-financial measurements, such as global economic policy uncertainty, political risk, governance quality, etc. Athari (2021) showed empirical results that external governance mechanisms and their dimensions, particularly political stability, regulatory quality, the rule of law, and corruption control, have a positive impact on the profitability of Islamic banks. Furthermore, the results of this study showed that increasing the dimensions of external governance, especially political stability, regulatory quality, the rule of law, and controlling corruption, increase the profitability of Islamic banks (Athari and Bahreini, 2021).

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740

REVIEWER 1

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
(x) Extensive editing of English language and style required
( ) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	( )	( )	(x)	( )
Are the methods adequately described?	( )	( )	(x)	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

As regards the quality of language, despite some corrections many of the formerly mentioned errors are still present: e.g. line 88 (‘to affects’), line 143 (‘dan’), line 230 (‘be commensurate’), line 229 (‘companies’ performance poorly’), nouns missing after the word ‘governance’ (lines 102, 150, 178), and the numerous stylistic issues – see e.g. lines 233-234: ‘This study is similar to the previous research measures the firm’s performance using ROA’ Given the above, I still do recommend having the paper proofread by a native English speaker.

As regards the measurement of 'ESG scores', although the Authors explain that they have employed a content analysis of financial and sustainability reports of the examined companies to assess them with respect to GRI guidelines (see lines 308-311), still no details of the exact procedure have been disclosed in the paper. It is therefore not clear how many individual dimensions of ESG disclosure have been taken into account and how they affect the ultimate scores, in particular whether the Authors have employed some weights or other approaches to differentiate between them, or if they assume that every aspect is equally important. Without such details the potential readers of the paper cannot fully understand the proposed research framework (e.g. what are the conditions of receiving the maximum score of 100 points), and hence they might have doubts about the correctness of the Authors' conclusions.

REVIEW 1

1. We have proofread our paper
2. We have revised the measurement of Environmental, Social, and Governance Score.

Thank you very much.

economies

MDPI

Article

The ownership structure, and the Environmental, Social, and Governance (ESG) Disclosure, firm value and firm performance: the audit committee as moderating variable

Abstract: This study investigated the effect of ownership structure on environmental, social, and governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating variables in the Indonesian context. The ownership structures in this study are foreign, public, state, and family ownership. This research is quantitative and uses secondary data. The sample consisted of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares structural equation modeling. The results show that foreign and public ownership positively and significantly affect environmental, social, and governance disclosure. However, state and family ownership did not significantly affect environmental, social, and governance disclosure. In addition, Environmental, social, and governance disclosure positively impacts firm value. However, environmental, social, and governance disclosure do not affect a company's performance. Audit committees moderate the influence of environmental, social, and governance disclosure and firm value. However, the audit committees do not moderate the effect of environmental, social, and governance disclosure and firm performance. The government should make stronger environmental, social, and governance regulations that must be implemented by companies listed on the Indonesia Stock Exchange even though they are now voluntary.

Keywords: Ownership structure; environmental; social; and governance (ESG) disclosure; firm value; firm performance; audit committee

1. Introduction

Recently, corporate organizations have become more responsible for the environment and society. This is due to demands from stakeholders, customers, regulators, company shareholders, suppliers, employees, creditors, media, and social and environmental activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and governance (ESG) analysis has become an essential part of the investment process due to increasing attention to investing in companies' social impact and sustainability (Caporale et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance (ESG) practices can create information gaps for responsible financiers and investors when making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's overall initiatives to stakeholders, including regulators, communities, investors, and employees (Atif et al. 2022).

Environmental, social, and governance disclosure activity include three main components. The first is the environment, which includes aspects related to pollution, mitigation, and climate change sustainability. The second is social, which refers to how an organization treats its communities, employees, and clients and its responsibility for products and services, diversity, the fight against corruption, and respect for human rights throughout the supply chain. The last component is governance, which is related to balancing the interests of stakeholders and shareholders and adhering to the best corporate governance practices (De Masi et al. 2021). The environmental dimension refers to a company's ability to use natural resources efficiently, thereby reducing environmental emissions. The social dimension promotes ethical values, employees' trust and respect for

human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022).

Previous research explained environmental, social, and governance (ESG) disclosure (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study examines the effect of ownership structure which includes foreign, public, state, and family ownership, on environmental, social, and governance disclosure, firm value, firm performance, and audit committees as moderating variables. The study used a sample of companies listed on the Indonesia Stock exchange. In theory, this research extends legitimacy, stakeholder, and agency theories. Moreover, the current study provides insight into the role of audit committees in companies regarding environmental, social, and governance disclosure, firm value, and performance.

Our study offers several contributions. First, we contribute to the literature by seeking to understand ownership structure and environmental, social, and governance disclosure. As mentioned, the ownership structure consists of foreign, state, family and public ownership. we expand on existing knowledge of environmental, social, and governance disclosure by exploring the contribution of ownership structures to the three components of environmental, social, and governance practices. Second, this study uses and extends legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of environmental, social, and governance disclosure on firm value and firm performance with the audit committee as a moderating variable.

This paper is structured as follows. Section 2 illustrates the development of hypotheses. Then, section 3 describes the research methodology, while Section 4 describes and discusses the results. Finally, conclusions are presented in Section 5.

2. Literature Review

2.1. Foreign ownership and Environmental, social, and governance (ESG) disclosure

Foreign ownership is the amount of share ownership owned by foreign parties. Al Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and transparency with the presence of foreign shareholders in a company. Using legitimacy theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legitimacy gap. Management can disclose environmental, social, and governance elements as a proactive legitimacy strategy that can encourage capital flow from foreign parties and satisfy foreign investors. Legitimacy theory influences and regulates people's goals to obtain rewards and escape a punished society's actions. Firm disclosure results from social values, and the legitimacy theory's environmental and social disclosure model considers stakeholder values when considering any decision (Tilling and Tilt, 2010).

Foreign ownership positively affects environmental, social, and governance disclosure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affect corporate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and in Bangladesh (Khan et al. 2012). In addition, foreign ownership positively affects environmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership positively affects social and environmental reporting. Al Amosh and Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 during 408 observations. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian

Stock Exchange for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies listed on the Nigerian Stock Exchange as a sample from 2012– 2017.

Thus, foreign ownership can improve corporate governance and maximize stakeholder value by encouraging disclosure of corporate performance in sustainability. Foreign investors encourage corporate governance practices, and various disclosures, one related to environmental, social, and governance disclosure. This means that the more foreign ownership, the more significant impact on the environmental, social, and governance (ESG) disclosure. Companies with foreign ownership are expected to disclose more social and environmental information to assist them in decision making (Khan et al. 2012). Furthermore, Guo and Zheng (2021) revealed that companies could increase environmental, social, and governance disclosures under pressure from foreign owners. This can enhance the company's reputation and support its legitimacy. Thus, foreign ownership can improve corporate governance and maximize stakeholder value by disclosing non-financial information including, environmental, social, and governance disclosures. Therefore, the following hypothesis is proposed:

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and governance (ESG) disclosure.

2.2. Public Ownership and Environmental, social, and governance (ESG) disclosure

Public ownership is the amount of purchased share ownership of a company by an individual or community investor. Legitimacy theory reveals that managers attempt to meet society's expectations through communication to conform to societal norms and secure the legitimacy of business behavior (Suchman, 1995).

Khan et al. (2012) revealed that companies with public ownership are more likely to aspire to and achieve community aspirations and legitimacy, which increases their social responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a company's board strengthens social and environmental responsibility for the company. Also, public ownership will pressure corporate accountability, where shareholders want a more comprehensive disclosure of information (Khan et al., 2012).

Public ownership positively and significantly affects corporate social responsibility (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. When a company discloses publicity, the issue of public accountability becomes vital. Therefore, publicly owned companies are expected to experience more pressure to disclose additional information because of the visibility and accountability issues that result from the large number of stakeholders (Khan et al., 2012). Therefore, the company has more significant pressure to disclose additional information to numerous stakeholders or companies with public ownership. This is also related to the company's accountability, including environmental, social, and corporate governance disclosure. This means that the more public ownership there is, the more environmental, social, and governance (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows:

Hypothesis 2 (H2). Public ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.3. State ownership and Environmental. Social and governance disclosure

State ownership is defined as the percentage of state ownership of shares in a company. The government invests in companies to achieve goals and promote development. State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the government can pressure companies to disclose more social and environmental information and financial information to increase social perceptions of companies. State

ownership increases corporate accountability and transparency, which can increase legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent environmental, social, and governance disclosure. Companies must manage the relationship with stakeholders that influence business decisions. Companies and stakeholders are interdependent (Manita et al., 2018).

State ownership positively affects environmental, social, and governance disclosure (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and significantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainability disclosure because companies to which the state contributes respond to government strategies that promote sustainable development, as government pressure appears to be in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership increases accountability and transparency systems in companies, thereby increasing their legitimacy (Al Amosh and Khatib, 2021).The state ownership of companies can emphasize the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, as it positively affects disclosure, increasing disclosure as state ownership increases. Hence, this study hypothesizes the following:

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.4. Family ownership and environmental social and governance (ESG) disclosure

Freeman (1984) revealed that stakeholder theory forces organizational managers to respond more to the external environment and its needs. Stakeholders perceive social responsibility as positively impacting a company’s future performance and conclude that higher social responsibility reduces the company's sensitivity to adverse shocks that may negatively impact the company (Bouslah et al., 2013).

Family companies manage strong relationships with external and internal stakeholders through the good disclosure of non-financial information (Salvato and Melin, 2008). Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial information, in this case, environmental, social, and governance disclosure, is superior and is expected to influence the perceptions of stakeholders and investors positively.

Stakeholder theory can be described with ethical and management aspects, especially economics (Deegan, 2013). From a management point of view, the company should be responsible for the stakeholders who can influence the economic impact on the organization (O’Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the social and environmental consequences of a company's operations(Deegan, 2013).

Family ownership positively and significantly affects sustainability reporting (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to protect their families' image and reputation. A good reputation in the minds of stakeholder is essential to protect family assets (Amidjaya and Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. This means that the greater the family ownership, the greater the environmental, social, and governance (ESG) disclosure. Therefore, the following hypothesis is proposed:

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and governance (ESG) disclosure.

2.5. Environmental social and governance (ESG) disclosure and firm value

Stakeholder theory reveals that board accountability is not only to shareholders but also to other interested parties. Proponents of stakeholder theory argue that this theory

colors the corporate portrait by providing social and economic values and ethical and moral considerations for estimating firm value (Freeman, 1983). Environmental, social, and governance disclosures can serve as tools to minimize potential conflicts with stakeholders and to increase stakeholders' perceptions of the appropriateness of their company's actions (Freeman, 1984). Thus, the Environmental, social, and governance disclosure that affects the value of this company can be explained through stakeholder theory.

Environmental, social, and governance disclosure positively influence firm value (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible Value Assessment database and the Vigeo Corporate environmental, social, and governance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. (2018) conducted a study on the level of environmental, social, and governance disclosure and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 environmental, social, and governance scores from 17 countries from 2010 to 2018. These studies determined that TESG disclosure can increase firm value through increased transparency, accountability, and stakeholder trust (Li et al., 2018). This means that the greater the environmental, social, and governance (ESG) disclosure, the higher the firm's value. In line with the literature, this study proposes the following hypothesis:

Hypothesis 5 (H5). Environmental, social, and governance (ESG) disclosure positively affect firm value.

2.6. Environmental social and governance (ESG) disclosure and firm performance

Stakeholder theory reveals that corporate social responsibility has an inconclusive effect on performance because external shareholders can reward companies that are successful in corporate social responsibility practices, but their responses do not affect performance when companies perform poorly. In other words, the cost of corporate social responsibility is not outweighed by gains. However, companies with poor corporate social responsibility practices may be penalized by external stakeholders, whose negative opinions of the company can adversely affect the company's performance (Carlos and Lewis, 2018).The previous study use ROA to measure firm performance (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). In addition, the company's performance uses ROA as the primary indicator associated with capital invested in operating activities related to the balance sheet (Pulino et al., 2022).

Environmental, social, and governance disclosure positively influence firm performance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social, and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; Pulino et al., 2022). Environmental, social, and governance disclosure positively impacts financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. (2022) conducted a study using a sample 98 firms from French registered companies on the SBF 120 index over seven years, from 2012 to 2018 ,for a total of 686 observations. Pavlopoulos et al (2019) conducted research using 82 companies from 25 countries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies as a sample from 2011 to 2020. They determined that the greater the environmental, social, and governance (ESG) implementation, the higher the firm performance. Therefore, the hypothesis is:

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively affect firm performance.

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance

Agency theory (Jensen and Meckling, 1976) identified audits as an essential monitoring tool to reduce information asymmetry, limit opportunistic behavior, and improve environmental, social, and governance disclosure, firm performance, and firm value. Principals use the disclosure of financial and non-financial information to reduce agency costs (i.e., information asymmetry) arising from the separation of ownership and control (Morris, 1987). Companies provide environmental, social, and governance disclosures to reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased environmental, social, and governance disclosure, which represents additional non-financial information, improves the information environment and reduces the knowledge barrier between the company and its shareholders (Kim et al., 2014).

The primary responsibility of an audit committee is to oversee the financial and non-financial reporting processes and to reduce information asymmetry between managers, stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit committee oversees mandatory and voluntary environmental, social, and governance disclosures. Therefore, audit committee members must understand how environmental, social, and governance risks and opportunities are identified and prioritized and oversee disclosure practices accordingly (Bamahros et al., 2022).

An audit committee handles preparing, presenting, and ensuring the integrity of financial statements, applying accounting principles and financial statements, and performing internal control under applicable financial accounting standards. The audit committee is also responsible for conducting an independent audit of consolidated financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit committee's role is to assist the board of directors in overseeing the company's reporting policies and the quality of the company's financial statements. In addition, the audit committee can increase investor and stakeholder confidence in the reliability and objectivity of financial statements and provide increased efficiency in corporate governance practices (Biçer and Feneir, 2019). As a result, the study suggested the following hypotheses:

Hypothesis 7 (H7:). The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.

Hypothesis 8 (H8). The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.

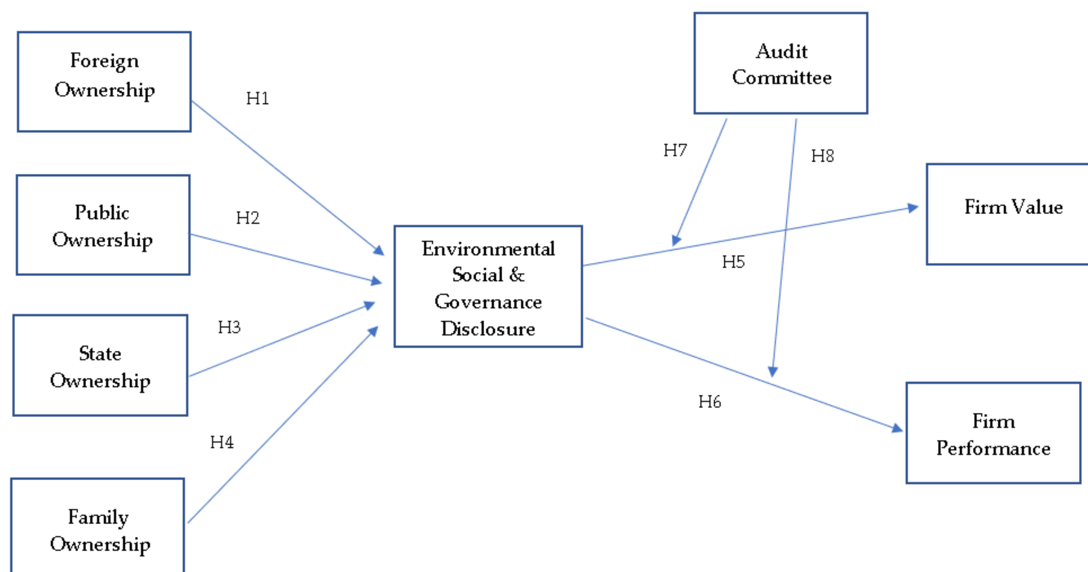

Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock Exchange for each sector. In addition, this research uses secondary data from annual, financial, and sustainability reporting from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). The research period is from 2016-2020, with as many as 140 companies and 700 observations.

3.2. The measurement of variables

Table 1. Measurement of research variables

Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
Family ownership	Percentage of family ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
State ownership	Percentage of state ownership of shares to the total number of issued shares	(Al Amosh and Khatib, 2021).
Public ownership	Percentage of public ownership of shares to the total number of issued shares	(Khan et al., 2012)
Environmental, social, and governance (ESG) disclosure	ESG Score ranging from 0.1 to 100	(GRI, 2013)
Firm value	Tobin's Q = (VMS + D)/TA Where: VMS = market value of all outstanding shares	(Lindenberg and Ross, 1981)

Variable	Measurement	Sources
Firm Performance	TA = company assets D = Debt ROA = EBIT/TA Where: ROA: Return on Assets EBIT: Earnings Before Interest and Tax TA: Total Assets	(Chan et al., 2019)
Audit Committee	Number of people on the audit committee	(Nikulin et al., 2022)
Control variables		
Size	Size = the natural logarithm (Total Assets)	(Aman and Nguyen, 2013)
Leverage	Leverage = (Long term borrowing + Short term borrowing): Total Assets	(Aman and Nguyen, 2013)

Source: several empirical research results developed for this study 302

Table 1 shows the measurements of research variables. The environmental, social, and governance (ESG) disclosure are obtained from financial reports and sustainability reports from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). This study uses content analysis (Krippendorff, 2018) for all companies as samples to be more detailed and transparent in collecting data by examining environmental, social, and governance disclosures referring to guidelines of the Global Reporting Initiatives (GRI, 2013). ESG score in this study ranges from 0.1 to 100, with high scores indicating more disclosure and transparency. According to the Global Reporting Initiatives (GRI-G4) the environmental dimension of sustainability includes issues related to the organization's impact on ecosystems, these issues include biodiversity, waste and waste, greenhouse gas emissions, discharges into water, and other emissions. The social dimension concerns an organization's impact on its social systems, such as equal opportunity, social investment, human rights, due diligence, and community involvement. Thus, the governance dimension focuses on organizational capabilities in instituting mechanisms that assist stakeholders in evaluating company compliance with established rules and regulations and initiatives for sustainable business practices. 303–318

3.3. Method of analysis 319

Inferential testing uses structural equation modeling with variant-based partial least squares. The reason for data processing using partial least squares was that it involves latent variables and tiered structural models, and the direction of the relationship is recursive. 320–323

Conventional regression only examines the causal relationship, ceteris paribus, between the independent and dependent variables. Structural equation modeling (SEM) was advantageous in establishing complex causal relationships between variables, allowing it to perform multiple path analyses and measure the effects of interrelationships variables on the response variable (Li and Zhao, 2019). The SEM model evaluated the complete adequacy of suggested hypotheses between constructs. The essential paths between the paired constructs in the model suggest the simultaneous emergence of relationships and the appropriate compilation of strategic responses to the perceived market 324–331

environment. The structural model describes construction's interrelationships (Weston and Gore, 2006). This study's mediating variables were environmental, social, and governance disclosure; the moderating variable was the audit committee. The independent variables included foreign, public, state, and family ownership. The dependent variable is the firm value and the firm's performance.

The outer model test was used to determine the indicators of the latent variables in the study. All indicators of latent variables were reflective, meaning a reflection of each variable. The provision of whether an indicator reflects each variable was based on the loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered sufficient. Model fit involves testing the structural model by considering the parameter values of the relationships between the variables studied. A hypothesis was declared significant if the p-value < 0.05 (Hair et al., 2016, 2019).

The form of the structural equation can be described as follows:

$$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \varepsilon \quad [1]$$

$$\text{Company performance} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [2]$$

$$\text{Firm value} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [3]$$

The equation symbol is defined below:

FO = foreign ownership,

PU = public ownership

ST = state ownership

FA = family ownership

S = size

L = leverage

ESG = environmental, social, and governance disclosure

AC = audit committee

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	N	Minimum	Maximum	Mean	SD
Foreign ownership	700	0.00	37.8	28.4	23.6
Public ownership	700	0.04	25.9	19.7	17.9
State ownership	700	0.00	68,2	13.9	8.7
Family ownership	700	0.00	45.3	16.5	9.3
ESG	700	8	72,8	39.2	14.5
Audit committee	700	2	4	3,4	2.3

Source: author based on output SPSS

Table 3. Reliability and validity test result

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Foreign ownership	0.713	0,887	0.803	0.587
Public ownership	0.890	0,842	0.889	0.541
State ownership	0.846	0.924	0.863	0.617
Family ownership	0.789	0.873	0.876	0.500
ESG	0.823	0.801	0.815	0.589

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Audit committee	0.831	0.899	0.885	0.625

Source: author based on the output of SEM PLS

Table 2 shows the descriptive statistics of the sample. Table 3 shows the results of the reliability testing of all variables in this study. The reliability and validity of this study are adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliability was > 0.7. The average variance extracted (AVE) value was above 0.5.

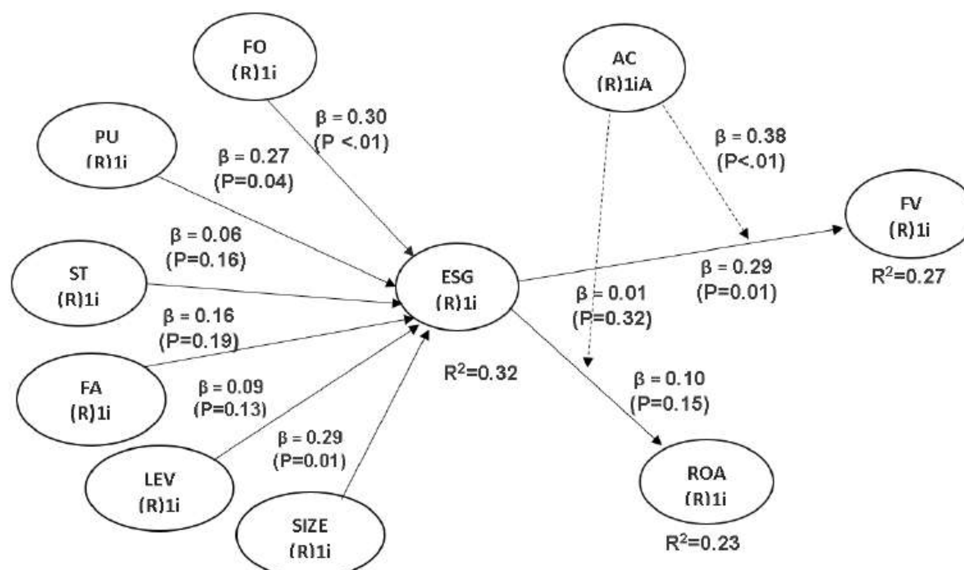

Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership → ESG	0.30	<0.01	Accepted
Public ownership → ESG	0.27	0.04	Accepted
State ownership → ESG	0.06	0.16	Rejected
Family ownership → ESG	0.16	0.19	Rejected
ESG → Firm Value	0.29	0.01	Accepted
ESG → Firm Performance	0.10	0.15	Rejected
ESG → Firm Value → Audit committee	0.38	<0.01	Accepted
ESG → Firm Performance→ Audit committee	0.01	0.32	Rejected

**significant level at 5% p < 0.05

Based on table 4 the p-value was less than 0.05, and the path coefficient value was positive. The proposed hypotheses H1, H2, H5, and H7 were accepted and had a positive effect. H1 was acceptable because foreign ownership positively affects environmental, social, and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a positive association between public ownership and environmental, social, and governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because environmental, social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted and confirmed the H7 that audit committee moderates the relationship between environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6, and H8 were rejected because the p-value was greater than 0.05.

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4.2. Discussion 385

The first hypothesis (H1) states that foreign ownership positively impacts environmental, social, and governance (ESG) disclosure. The results of this study indicate that foreign ownership has a significant positive effect on the environmental, social, and governance (ESG) disclosure. This means that the greater the foreign ownership, the greater the environmental, social, and governance (ESG) disclosure. This finding supports previous research that concluded that foreign ownership significantly and positively affects ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021). However, this finding is not in line with previous research that revealed foreign ownership has a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do not support the study by Yu and Luu (2021), which concluded that foreign ownership did not impact ESG disclosure. This study supports the legitimacy theory. 386–398

The second hypothesis (H2) reveals that public ownership affects environmental, social, and governance (ESG) disclosure. The results of this study indicate that public ownership has a positive and significant effect on the environmental, social, and governance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports previous research by (Khan et al., 2012) that concluded that public ownership positively affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the result did not agree with Nugraheni et al. (2022), who concluded that public ownership does not impact corporate social responsibility disclosure. The finding of this study supports the legitimacy theory. 399–407

The third hypothesis (H3) reveals that state ownership positively influences environmental, social, and governance (ESG) disclosure. However, the result research shows that state ownership does not impact environmental, social, and governance disclosure. Therefore, the third hypothesis was rejected. This finding does not support previous study from Khlif et al. (2016);Al Amosh and Khatib (2021), who concluded that state ownership has a significant positive effect the environmental, social, and governance disclosure. Furthermore, this result is not inline the study from Al-Janadi et al. (2016), who concluded that state ownership negatively impacts voluntary disclosure. Therefore, this finding does not support the stakeholder theory. 408–416

The fourth hypothesis (H4) states that family ownership positively affects environmental, social, and governance (ESG) disclosure. The result of this study is not supported. The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership does not affect environmental, social, and governance disclosure. This result is in line with the previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and Rodionova 2014), which shows insignificant results. In addition, family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018) or does not influence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and Rodionova (2014) found that family ownership negatively affects the quality of sustainability reports. This study does not support stakeholder theory. 417–426

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) disclosure positively affects firm value. The result of this study shows that environmental, social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was supported. This means that the higher the environmental, social, and governance (ESG) disclosure, the higher the firm value. This result supports the previous research (Ferrell et al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 2018) concluded that environmental, social, and governance disclosure positively and significantly affects firm value. However, this finding does not agree with previous studies by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, and governance disclosure did not influence firm value. The finding of this study supports stakeholder theory. 427–437

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) disclosure positively affects firm performance. The data analysis for hypothesis 6 from the Figure 2 and Table 4 shows that environmental, social, and governance disclosure does not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmental, social, and governance disclosure effects have significant positive on firm performance. Furthermore, this result does not support the previous research (Buallay, 2019; Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) concluded that environmental, social, and governance disclosure negatively impacts the firm performance. This finding does not support stakeholder theory.

The seventh hypothesis (H7) states that audit committees moderate the relationship between environmental, social, and governance disclosure and firm value. However, the result research shows that environmental, social, and governance disclosure affects firm value, and the audit committee moderates this influence. Therefore, the seventh hypothesis was accepted. The audit committee is a moderating variable on Environmental, social, and governance disclosure influences and firm values that strengthen its relationship. This finding supports agency theory.

The last hypothesis (H8) states that the audit committee moderates the relationship between environmental, social, and governance disclosure and firm performance. However, the results of this study did not find any significance between these variables, meaning that the audit committees do not strengthen the influence of environmental, social, and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship.

The control variables' results indicate that the company's size is positive and significant. Larger companies have greater responsibilities to stakeholders through sustainable disclosure and are related to environmental, social, and governance disclosure. However, leverage shows insignificant results. This means that leverage does not support and contribute to the disclosures required by stakeholders.

The analysis results from figure 2 and Table 4 show the R Square (R^2) value of 0.32 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm performance. This means that 0.32 of the environmental, social, and governance are influenced by foreign ownership, public ownership, state ownership, and family ownership, while 0.68 of the variables are influenced by other variables outside the variables that have not been studied in this study. An R^2 value of more than 0.5 indicates that the model has good goodness of fit measure (Hair et al., 2019).

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a positive and significant effect on environmental, social, and governance (ESG) disclosure. Foreign ownership plays a role in environmental, social, and governance disclosure because it contributes to the process. This is in line with public ownership, which also plays a role in environmental, social, and governance disclosure. Neither state nor family ownership significantly influences environmental, social, and governance disclosure. Furthermore, environmental, social, and governance disclosure positively and significantly affect firm value. However, environmental, social, and governance disclosure do not significantly affect the firm performance. The audit committee moderates the influence between environmental, social, and governance disclosure, and firm value. However, the audit committee does not play a moderating role in influencing environmental, social, and governance (ESG) disclosure and firm performance. Overall, these findings prompt managers to pay attention to social operations and good corporate governance that is environmentally friendly. The results are helpful for companies and the government as a regulator who can convince companies to adopt environmental, social, and governance disclosure.

Practical implication

The results and findings of this study have several practical implications. First, regarding stakeholders, companies that disclose environmental, social, and governance aspects, can further enhance supervision by both internal and external parties, including the government and stakeholders. Stakeholders include managers, investors, or the community.

Second, implications for managers and companies should be more transparent regarding environmental, social, and governance disclosure. Environmental, social, and governance disclosure can enhance competitive advantage and create value for companies that disclose sustainability-related strategic information. Companies can also use resources related to environmental, social, and governance practices efficiently and economically.

Third, the implication for the government as a regulator in Indonesia, involves the financial services authority (Otoritas Jasa Keuangan-OJK). The government must create stronger environmental, social, and governance regulations that companies must apply, especially those listed on the Indonesia Stock Exchange. However, a company's annual report must disclose information related to corporate social responsibility (CSR) based on the law from the financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, investors can assess the company's environmental, social, and governance disclosure more accurately. As a result, investors have a significant role in supporting companies in increasing transparency and disclosure and ultimately improving their reporting standards. Finally, environmental, social, and governance disclosure can persuade investors to invest in a company.

Limitations

This study has several limitations. The first limitation is related to weak secondary data. Suggestions for further research would be to conduct research by obtaining primary data. In addition, future researchers should conduct a qualitative study with interviews with companies that have disclosed environmental, social, and governance information. The second limitation is that the factors affecting environmental, social, and governance disclosure in this study focus only on the ownership structure, including foreign, public, state, and family ownership. Further research could use other variables, such as corporate social responsibility, profitability, board independence, and corporate governance. The third limitation of this research is related to the use of three theories: legitimacy, stakeholder, and agency theory. Future research could use different perspectives by using different theories. The last limitation is that we use financial measurement, Return on Assets (ROA), to measure the firm performance. Future researchers can use non-financial measurements, such as global economic policy uncertainty, political risk, governance quality, etc. Athari (2021) showed empirical results that external governance mechanisms and their dimensions, particularly political stability, regulatory quality, the rule of law, and corruption control, positively impact the profitability of Islamic banks. Furthermore, the results of this study showed that increasing the dimensions of external governance, especially political stability, regulatory quality, the rule of law, and controlling corruption, increase the profitability of Islamic banks (Athari and Bahreini, 2021).

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REVIEWER 1

Open Review

(x) I would not like to sign my review report
( ) I would like to sign my review report

English language and style

( ) English very difficult to understand/incomprehensible
( ) Extensive editing of English language and style required
(x) Moderate English changes required
( ) English language and style are fine/minor spell check required
( ) I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	( )	(x)	( )	( )
Are all the cited references relevant to the research?	( )	(x)	( )	( )
Is the research design appropriate?	( )	(x)	( )	( )
Are the methods adequately described?	( )	(x)	( )	( )
Are the results clearly presented?	( )	(x)	( )	( )
Are the conclusions supported by the results?	( )	(x)	( )	( )

Comments and Suggestions for Authors

Since the Authors have enhanced the description of the 'ESG score' employed in the paper it is now generally more transparent to the readers. In my opinion, however, more details on the exact components of the measure and their weights are strongly advisable to avoid doubts about the objectivity of the results.

Although some of the linguistic issues have been corrected, the paper still requires a thorough proof reading with respect to grammar and style – see e.g. line 232: ‘The previous **study use** ROA to measure firm performance…,’ line 236: ‘Environmental, social, and governance **disclosure** positively **influence**…’. Given the above, as several times before, I still do recommend having the paper proofread by a native English speaker.

REVIEWER 1

1. We have disclosed the components measured in the ESG score in our revised previous paper #5. We have explained all the dimensions including the environmental dimension, social dimension and governance dimension on page 8 lines 301-317.
2. We have proofread our paper

Thank you very much.

economies

MDPI

Article

The ownership structure, and the Environmental, Social, and Governance (ESG) Disclosure, firm value and firm performance: the audit committee as moderating variable

Abstract: This study investigated the effect of ownership structure on environmental, social, and governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating variables in the Indonesian context. The ownership structures in this study are foreign, public, state, and family ownership. This research is quantitative and uses secondary data. The sample consisted of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares structural equation modeling. The results show that foreign and public ownership positively and significantly affect environmental, social, and governance disclosure. However, state and family ownership did not affect environmental, social, and governance disclosure. In addition, Environmental, social, and governance disclosure positively impacts firm value. However, environmental, social, and governance disclosure do not affect a company's performance. Audit committees moderate the influence of environmental, social, and governance disclosure and firm value. However, the audit committees do not moderate the effect of environmental, social, and governance disclosure and firm performance. The government should make stronger environmental, social, and governance regulations that must be implemented by companies listed on the Indonesia Stock Exchange even though they are now voluntary.

Keywords: Ownership structure; environmental; social; and governance (ESG) disclosure; firm value; firm performance; audit committee

1. Introduction

Recently, corporate organizations have become more responsible for the environment and society. This is due to demands from stakeholders, customers, regulators, company shareholders, suppliers, employees, creditors, media, and social and environmental activist groups (Maama and Appiah, 2019; Sajjad et al. 2019). Environmental, social, and governance (ESG) analysis has become an essential part of the investment process due to increasing attention to investing in companies' social impact and sustainability (Caporale et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance (ESG) practices can create information gaps for responsible financiers and investors when making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's overall initiatives to stakeholders, including regulators, communities, investors, and employees (Atif et al. 2022).

Environmental, social, and governance disclosure activity include three main components. The first is the environment, which includes aspects related to pollution, mitigation, and climate change sustainability. The second is social, which refers to how an organization treats its communities, employees, and clients and its responsibility for products and services, diversity, the fight against corruption, and respect for human rights throughout the supply chain. The last component is governance, which is related to balancing the interests of stakeholders and shareholders and adhering to the best corporate governance practices (De Masi et al. 2021). The environmental dimension refers to a company's ability to use natural resources efficiently, thereby reducing environmental emissions. The social dimension promotes ethical values, employees' trust and respect for

human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022).

Previous research explained environmental, social, and governance (ESG) disclosure (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study examines the effect of ownership structure which includes foreign, public, state, and family ownership, on environmental, social, and governance disclosure, firm value, firm performance, and audit committees as moderating variables. The study used a sample of companies listed on the Indonesia Stock exchange. In theory, this research extends legitimacy, stakeholder, and agency theories. Moreover, the current study provides insight into the role of audit committees in companies regarding environmental, social, and governance disclosure, firm value, and performance.

Our study offers several contributions. First, we contribute to the literature by seeking to understand ownership structure and environmental, social, and governance disclosure. As mentioned, the ownership structure consists of foreign, state, family and public ownership. we expand on existing knowledge of environmental, social, and governance disclosure by exploring the contribution of ownership structures to the three components of environmental, social, and governance practices. Second, this study uses and extends legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of environmental, social, and governance disclosure on firm value and performance with the audit committee as a moderating variable.

This paper is structured as follows. Section 2 illustrates the development of hypotheses. Then, section 3 describes the research methodology, while Section 4 describes and discusses the results. Finally, conclusions are presented in Section 5.

2. Literature Review

2.1. Foreign ownership and Environmental, social, and governance (ESG) disclosure

Foreign ownership is the amount of share ownership owned by foreign parties. Al Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and transparency with the presence of foreign shareholders in a company. Using legitimacy theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legitimacy gap. Management can disclose environmental, social, and governance elements as a proactive legitimacy strategy that can encourage capital flow from foreign parties and satisfy foreign investors. Legitimacy theory influences and regulates people's goals to obtain rewards and escape a punished society's actions. Firm disclosure results from social values, and the legitimacy theory's environmental and social disclosure model considers stakeholder values when considering any decision (Tilling and Tilt, 2010).

Foreign ownership positively affects environmental, social, and governance disclosure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affect corporate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and in Bangladesh (Khan et al. 2012). In addition, foreign ownership positively affects environmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership positively affects social and environmental reporting. Al Amosh and Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 during 408 observations. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian

Stock Exchange for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies listed on the Nigerian Stock Exchange as a sample from 2012– 2017.

Thus, foreign ownership can improve corporate governance and maximize stakeholder value by encouraging disclosure of corporate performance in sustainability. Foreign investors encourage corporate governance practices, and various disclosures, one related to environmental, social, and governance disclosure. This means that the more foreign ownership, the more significant impact on the environmental, social, and governance (ESG) disclosure. Companies with foreign ownership are expected to disclose more social and environmental information to assist them in decision making (Khan et al. 2012). Furthermore, Guo and Zheng (2021) revealed that companies could increase environmental, social, and governance disclosures under pressure from foreign owners. This can enhance the company's reputation and support its legitimacy. Thus, foreign ownership can improve corporate governance and maximize stakeholder value by disclosing non-financial information including, environmental, social, and governance disclosures. Therefore, the following hypothesis is proposed:

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and governance (ESG) disclosure.

2.2. Public Ownership and Environmental, social, and governance (ESG) disclosure

Public ownership is the amount of purchased share ownership of a company by an individual or community investor. Legitimacy theory reveals that managers attempt to meet society's expectations through communication to conform to societal norms and secure the legitimacy of business behavior (Suchman, 1995).

Khan et al. (2012) revealed that companies with public ownership are more likely to aspire to and achieve community aspirations and legitimacy, which increases their social responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a company's board strengthens social and environmental responsibility for the company. Also, public ownership will pressure corporate accountability, where shareholders want a more comprehensive disclosure of information (Khan et al., 2012).

Public ownership positively and significantly affects corporate social responsibility (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. When a company discloses publicity, the issue of public accountability becomes vital. Therefore, publicly owned companies are expected to experience more pressure to disclose additional information because of the visibility and accountability issues that result from the large number of stakeholders (Khan et al., 2012). Therefore, the company has more significant pressure to disclose additional information to numerous stakeholders or companies with public ownership. This is also related to the company's accountability, including environmental, social, and corporate governance disclosure. This means that the more public ownership there is, the more environmental, social, and governance (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows:

Hypothesis 2 (H2). Public ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.3. State ownership and Environmental. Social and governance disclosure

State ownership is defined as the percentage of state ownership of shares in a company. The government invests in companies to achieve goals and promote development. State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the government can pressure companies to disclose more social and environmental information and financial information to increase social perceptions of companies. State

ownership increases corporate accountability and transparency, which can increase legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent environmental, social, and governance disclosure. Companies must manage the relationship with stakeholders that influence business decisions. Companies and stakeholders are interdependent (Manita et al., 2018).

State ownership positively affects environmental, social, and governance disclosure (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and significantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainability disclosure because companies to which the state contributes respond to government strategies that promote sustainable development, as government pressure appears to be in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership increases accountability and transparency systems in companies, thereby increasing their legitimacy (Al Amosh and Khatib, 2021).The state ownership of companies can emphasize the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, as it positively affects disclosure, increasing disclosure as state ownership increases. Hence, this study hypothesizes the following:

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and governance (ESG) disclosure.

2.4. Family ownership and environmental social and governance (ESG) disclosure

Freeman (1984) revealed that stakeholder theory forces organizational managers to respond more to the external environment and its needs. Stakeholders perceive social responsibility as positively impacting a company's future performance and conclude that higher social responsibility reduces the company's sensitivity to adverse shocks that may negatively impact the company (Bouslah et al., 2013).

Family companies manage strong relationships with external and internal stakeholders through the good disclosure of non-financial information (Salvato and Melin, 2008). Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial information, in this case, environmental, social, and governance disclosure, is superior and is expected to influence the perceptions of stakeholders and investors positively.

Stakeholder theory can be described with ethical and management aspects, especially economics (Deegan, 2013). From a management point of view, the company should be responsible for the stakeholders who can influence the economic impact on the organization (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the social and environmental consequences of a company's operations(Deegan, 2013).

Family ownership positively and significantly affects sustainability reporting (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to protect their families' image and reputation. A good reputation in the minds of stakeholder is essential to protect family assets (Amidjaya and Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. This means that the greater the family ownership, the greater the environmental, social, and governance (ESG) disclosure. Therefore, the following hypothesis is proposed:

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and governance (ESG) disclosure.

2.5. Environmental social and governance (ESG) disclosure and firm value

Stakeholder theory reveals that board accountability is not only to shareholders but also to other interested parties. Proponents of stakeholder theory argue that this theory

colors the corporate portrait by providing social and economic values and ethical and moral considerations for estimating firm value (Freeman, 1983). Environmental, social, and governance disclosures can serve as tools to minimize potential conflicts with stakeholders and to increase stakeholders' perceptions of the appropriateness of their company's actions (Freeman, 1984). Thus, the Environmental, social, and governance disclosure that affects the value of this company can be explained through stakeholder theory.

Environmental, social, and governance disclosure positively influence firm value (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible Value Assessment database and the Vigeo Corporate environmental, social, and governance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. (2018) conducted a study on the level of environmental, social, and governance disclosure and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 environmental, social, and governance scores from 17 countries from 2010 to 2018. These studies determined that TESG disclosure can increase firm value through increased transparency, accountability, and stakeholder trust (Li et al., 2018). This means that the greater the environmental, social, and governance (ESG) disclosure, the higher the firm's value. In line with the literature, this study proposes the following hypothesis:

Hypothesis 5 (H5). Environmental, social, and governance (ESG) disclosure positively affect firm value.

2.6. Environmental social and governance (ESG) disclosure and firm performance

Stakeholder theory reveals that corporate social responsibility has an inconclusive effect on performance because external shareholders can reward companies that are successful in corporate social responsibility practices, but their responses do not affect performance when companies perform poorly. In other words, the cost of corporate social responsibility is not outweighed by gains. However, companies with poor corporate social responsibility practices may be penalized by external stakeholders, whose negative opinions of the company can adversely affect the company's performance (Carlos and Lewis, 2018). ROA uses to measure firm performance (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). In addition, the company's performance uses ROA as the primary indicator associated with capital invested in operating activities related to the balance sheet (Pulino et al., 2022).

The environmental, social, and governance disclosure positively affect firm performance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 2022; Kumar and Firoz, 2022; Chen and Xie, 2022; Pulino et al., 2022). Environmental, social, and governance disclosure positively impacts financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. (2022) conducted a study using a sample 98 firms from French registered companies on the SBF 120 index over seven years, from 2012 to 2018 ,for a total of 686 observations. Pavlopoulos et al (2019) conducted research using 82 companies from 25 countries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies as a sample from 2011 to 2020. They determined that the greater the environmental, social, and governance (ESG) implementation, the higher the firm performance. Therefore, the hypothesis is:

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively affect firm performance.

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance

Agency theory (Jensen and Meckling, 1976) identified audits as an essential monitoring tool to reduce information asymmetry, limit opportunistic behavior, and improve environmental, social, and governance disclosure, firm performance, and firm value. Principals use the disclosure of financial and non-financial information to reduce agency costs (i.e., information asymmetry) arising from the separation of ownership and control (Morris, 1987). Companies provide environmental, social, and governance disclosures to reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased environmental, social, and governance disclosure, which represents additional non-financial information, improves the information environment and reduces the knowledge barrier between the company and its shareholders (Kim et al., 2014).

The primary responsibility of an audit committee is to oversee the financial and non-financial reporting processes and to reduce information asymmetry between managers, stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit committee oversees mandatory and voluntary environmental, social, and governance disclosures. Therefore, audit committee members must understand how environmental, social, and governance risks and opportunities are identified and prioritized and oversee disclosure practices accordingly (Bamahros et al., 2022).

An audit committee handles preparing, presenting, and ensuring the integrity of financial statements, applying accounting principles and financial statements, and performing internal control under applicable financial accounting standards. The audit committee is also responsible for conducting an independent audit of consolidated financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit committee's role is to assist the board of directors in overseeing the company's reporting policies and the quality of the company's financial statements. In addition, the audit committee can increase investor and stakeholder confidence in the reliability and objectivity of financial statements and provide increased efficiency in corporate governance practices (Biçer and Feneir, 2019). As a result, the study suggested the following hypotheses:

Hypothesis 7 (H7:). The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.

Hypothesis 8 (H8). The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.

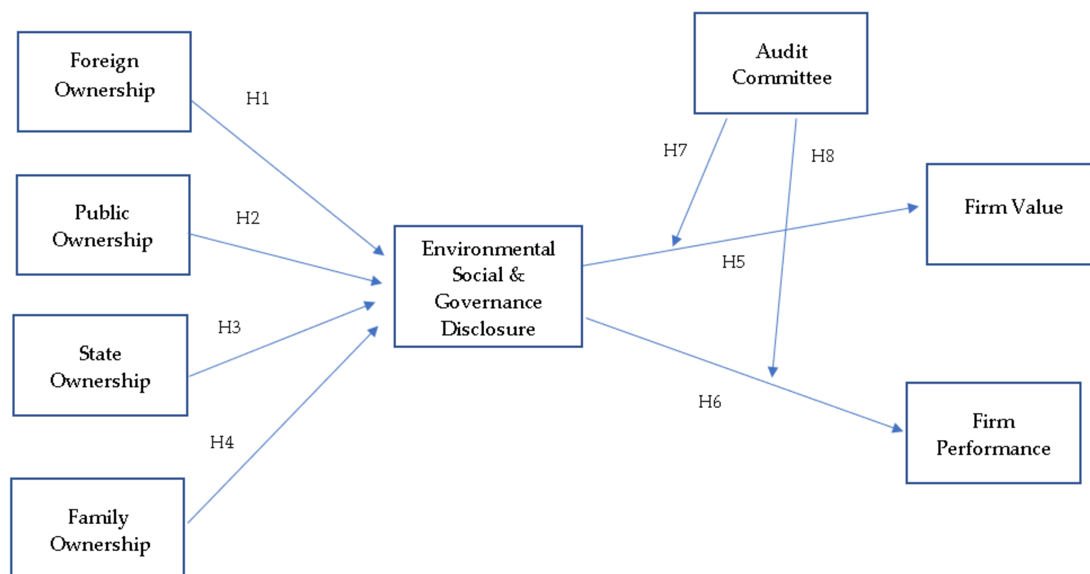

Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock Exchange for each sector. In addition, this research uses secondary data from annual, financial, and sustainability reporting from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). The research period is from 2016-2020, with as many as 140 companies and 700 observations.

3.2. The measurement of variables

Table 1. Measurement of research variables

Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
Family ownership	Percentage of family ownership of shares to the total number of issued shares.	(Al Amosh and Khatib, 2021).
State ownership	Percentage of state ownership of shares to the total number of issued shares	(Al Amosh and Khatib, 2021).
Public ownership	Percentage of public ownership of shares to the total number of issued shares	(Khan et al., 2012)
Environmental, social, and governance (ESG) disclosure	ESG Score ranging from 0.1 to 100	(GRI, 2013)
Firm value	Tobin's Q = (VMS + D)/TA Where: VMS = market value of all outstanding shares	(Lindenberg and Ross, 1981)

Variable	Measurement	Sources
Firm Performance	TA = company assets D = Debt ROA = EBIT/TA Where: ROA: Return on Assets EBIT: Earnings Before Interest and Tax TA: Total Assets	(Chan et al., 2019)
Audit Committee	Number of people on the audit committee	(Nikulin et al., 2022)
Control variables		
Size	Size = the natural logarithm (Total Assets)	(Aman and Nguyen, 2013)
Leverage	Leverage = (Long term borrowing + Short term borrowing): Total Assets	(Aman and Nguyen, 2013)

Source: several empirical research results developed for this study 300

Table 1 shows the measurements of research variables. The environmental, social, and governance (ESG) disclosure is obtained from financial reports and sustainability reports from companies' websites and the IDX or Indonesian capital market directory (idx.co.id; idxchannel.com). This study uses content analysis (Krippendorff, 2018). This analysis is used for all companies as samples to be more detailed and transparent in collecting data by examining environmental, social, and governance (ESG) disclosures referring to guidelines of the Global Reporting Initiatives (GRI, 2013). ESG score in this study ranges from 0.1 to 100, with high scores indicating more disclosure and transparency. According to the Global Reporting Initiatives (GRI-G4) the environmental dimension of sustainability includes issues related to the organization's impact on ecosystems. These issues include biodiversity, effluents and waste, greenhouse gas emissions, discharges into water, and other emissions. The social dimension concerns an organization's impact on its social systems, such as equal opportunity, social investment, human rights, due diligence, and community involvement. Thus, the governance dimension focuses on organizational capabilities in instituting mechanisms that assist stakeholders in evaluating company compliance with established rules and regulations and initiatives for sustainable business practices. 301–317

3.3. Method of analysis 318

Inferential testing uses structural equation modeling with variant-based partial least squares. The reason for data processing using partial least squares was that it involves latent variables and tiered structural models, and the direction of the relationship is recursive. 319–322

Conventional regression only examines the causal relationship, ceteris paribus, between the independent and dependent variables. Structural equation modeling (SEM) was advantageous in establishing complex causal relationships between variables, allowing it to perform multiple path analyses and measure the effects of interrelationships variables on the response variable (Li and Zhao, 2019). The SEM model evaluated the complete adequacy of suggested hypotheses between constructs. The essential paths between the paired constructs in the model suggest the simultaneous emergence of relationships 323–329

and the appropriate compilation of strategic responses to the perceived market environment. The structural model describes construction's interrelationships (Weston and Gore, 2006). This study's mediating variables were environmental, social, and governance disclosure; the moderating variable was the audit committee. The independent variables included foreign, public, state, and family ownership. The dependent variable is the firm value and the firm's performance.

The outer model test was used to determine the indicators of the latent variables in the study. All indicators of latent variables were reflective, meaning a reflection of each variable. The provision of whether an indicator reflects each variable was based on the loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered sufficient. Model fit involves testing the structural model by considering the parameter values of the relationships between the variables studied. A hypothesis was declared significant if the p-value < 0.05 (Hair et al., 2016, 2019).

The form of the structural equation can be described as follows:

$$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \varepsilon \quad [1]$$

$$\text{Company performance} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [2]$$

$$\text{Firm value} = \alpha + \beta_1 ESG * AC + \varepsilon \quad [3]$$

The equation symbol is defined below:

FO = foreign ownership,

PU = public ownership

ST = state ownership

FA = family ownership

S = size

L = leverage

ESG = environmental, social, and governance disclosure

AC = audit committee

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	N	Minimum	Maximum	Mean	SD
Foreign ownership	700	0.00	37.8	28.4	23.6
Public ownership	700	0.04	25.9	19.7	17.9
State ownership	700	0.00	68,2	13.9	8.7
Family ownership	700	0.00	45.3	16.5	9.3
ESG	700	8	72,8	39.2	14.5
Audit committee	700	2	4	3,4	2.3

Source: author based on output SPSS

Table 3. Reliability and validity test result

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Foreign ownership	0.713	0,887	0.803	0.587
Public ownership	0.890	0,842	0.889	0.541
State ownership	0.846	0.924	0.863	0.617
Family ownership	0.789	0.873	0.876	0.500

Variables	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
ESG	0.823	0.801	0.815	0.589
Audit committee	0.831	0.899	0.885	0.625

Source: author based on the output of SEM PLS 362

Table 2 shows the descriptive statistics of the sample. Table 3 shows the results of the reliability testing of all variables in this study. The reliability and validity of this study are adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliability was > 0.7. The average variance extracted (AVE) value was above 0.5. 363 364 365 366 367

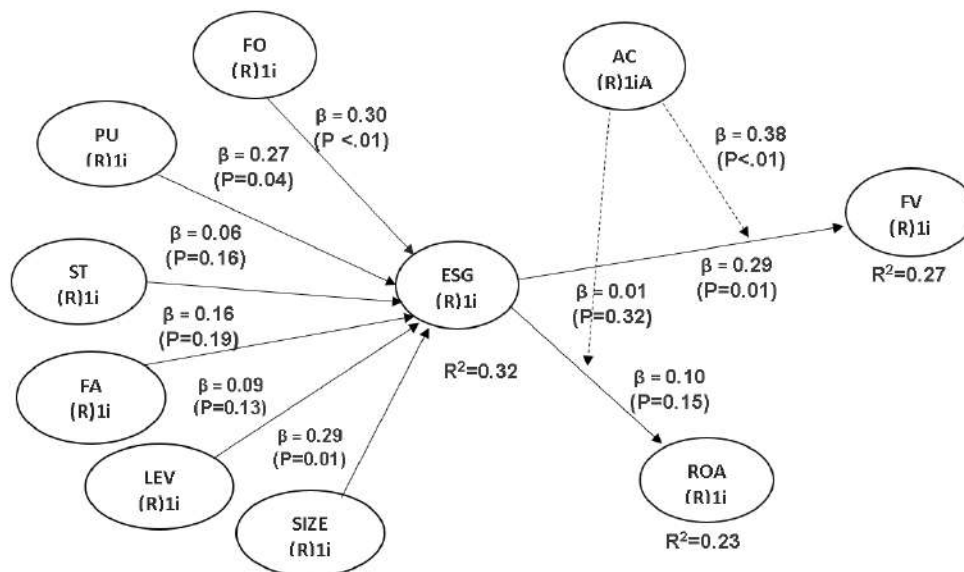

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Figure 2. The result of Partial Least Square (PLS) 369

Table 4. Path Coefficient 370

Hypotheses	Coefficient	p Value	Result
Foreign ownership → ESG	0.30	<0.01	Accepted
Public ownership → ESG	0.27	0.04	Accepted
State ownership → ESG	0.06	0.16	Rejected
Family ownership → ESG	0.16	0.19	Rejected
ESG → Firm Value	0.29	0.01	Accepted
ESG → Firm Performance	0.10	0.15	Rejected
ESG → Firm Value → Audit committee	0.38	<0.01	Accepted
ESG → Firm Performance→ Audit committee	0.01	0.32	Rejected

**significant level at 5% $p < 0.05$ 371

Based on table 4 the p-value was less than 0.05, and the path coefficient value was positive. The proposed hypotheses H1, H2, H5, and H7 were accepted and had a positive effect. H1 was acceptable because foreign ownership positively affects environmental, social, and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a positive association between public ownership and environmental, social, and governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because environmental, social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted and confirmed the H7 that audit committee moderates the relationship between 372 373 374 375 376 377 378 379 380

environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6, and H8 were rejected because the p-value was greater than 0.05.

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impacts environmental, social, and governance (ESG) disclosure. The results of this study indicate that foreign ownership has a significant positive effect on the environmental, social, and governance (ESG) disclosure. This means that the greater the foreign ownership, the greater the environmental, social, and governance (ESG) disclosure. This finding supports previous research that concluded that foreign ownership significantly and positively affects ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021). However, this finding is not in line with previous research that revealed foreign ownership has a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do not support the study by Yu and Luu (2021), which concluded that foreign ownership did not impact ESG disclosure. This study supports the legitimacy theory.

The second hypothesis (H2) reveals that public ownership affects environmental, social, and governance (ESG) disclosure. The results of this study indicate that public ownership has a positive and significant effect on the environmental, social, and governance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports previous research by (Khan et al., 2012) that concluded that public ownership positively affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the result did not agree with Nugraheni et al. (2022), who concluded that public ownership does not impact corporate social responsibility disclosure. The finding of this study supports the legitimacy theory.

The third hypothesis (H3) reveals that state ownership positively influences environmental, social, and governance (ESG) disclosure. However, the result research shows that state ownership does not impact environmental, social, and governance disclosure. Therefore, the third hypothesis was rejected. This finding does not support previous study from Khlif et al. (2016);Al Amosh and Khatib (2021), who concluded that state ownership has a significant positive effect the environmental, social, and governance disclosure. Furthermore, this result is not inline the study from Al-Janadi et al. (2016), who concluded that state ownership negatively impacts voluntary disclosure. Therefore, this finding does not support the stakeholder theory.

The fourth hypothesis (H4) states that family ownership positively affects environmental, social, and governance (ESG) disclosure. The result of this study is not supported. The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership does not affect environmental, social, and governance disclosure. This result is in line with the previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and Rodionova 2014), which shows insignificant results. In addition, family ownership does not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018) or does not influence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and Rodionova (2014) found that family ownership negatively affects the quality of sustainability reports. This study does not support stakeholder theory.

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) disclosure positively affects firm value. The result of this study shows that environmental, social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was supported. This means that the higher the environmental, social, and governance (ESG) disclosure, the higher the firm value. This result supports the previous research (Ferrell et al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 2018) concluded that environmental, social, and governance disclosure positively and significantly affects firm value. However, this finding does not agree with previous studies by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social,

and governance disclosure did not influence firm value. The finding of this study supports stakeholder theory.

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) disclosure positively affects firm performance. The data analysis for hypothesis 6 from the Figure 2 and Table 4 shows that environmental, social, and governance disclosure does not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmental, social, and governance disclosure effects have significant positive on firm performance. Furthermore, this result does not support the previous research (Buallay, 2019; Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) concluded that environmental, social, and governance disclosure negatively impacts the firm performance. This finding does not support stakeholder theory.

The seventh hypothesis (H7) states that audit committees moderate the relationship between environmental, social, and governance disclosure and firm value. However, the result research shows that environmental, social, and governance disclosure affects firm value, and the audit committee moderates this influence. Therefore, the seventh hypothesis was accepted. The audit committee is a moderating variable on Environmental, social, and governance disclosure influences and firm values that strengthen its relationship. This finding supports agency theory.

The last hypothesis (H8) states that the audit committee moderates the relationship between environmental, social, and governance disclosure and firm performance. However, the results of this study did not find any significance between these variables, meaning that the audit committees do not strengthen the influence of environmental, social, and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship.

The control variables' results indicate that the company's size is positive and significant. Larger companies have greater responsibilities to stakeholders through sustainable disclosure and are related to environmental, social, and governance disclosure. However, leverage shows insignificant results. This means that leverage does not support and contribute to the disclosures required by stakeholders.

The analysis results from figure 2 and Table 4 show the R Square (R^2) value of 0.32 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm performance. This means that 0.32 of the environmental, social, and governance are influenced by foreign ownership, public ownership, state ownership, and family ownership, while 0.68 of the variables are influenced by other variables outside the variables that have not been studied in this study. An R^2 value of more than 0.5 indicates that the model has good goodness of fit measure (Hair et al., 2019).

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a positive and significant effect on environmental, social, and governance (ESG) disclosure. Foreign ownership plays a role in environmental, social, and governance disclosure because it contributes to the process. This is in line with public ownership, which also plays a role in environmental, social, and governance disclosure. Neither state nor family ownership significantly influences environmental, social, and governance disclosure. Furthermore, environmental, social, and governance disclosure positively and significantly affect firm value. However, environmental, social, and governance disclosure do not significantly affect the firm performance. The audit committee moderates the influence between environmental, social, and governance disclosure, and firm value. However, the audit committee does not play a moderating role in influencing environmental, social, and governance (ESG) disclosure and firm performance. Overall, these findings prompt managers to pay attention to social operations and good corporate governance that is environmentally friendly. The results are helpful for companies and the government as a

regulator who can convince companies to adopt environmental, social, and governance disclosure.

Practical implication

The results and findings of this study have several practical implications. First, regarding stakeholders, companies that disclose environmental, social, and governance aspects, can further enhance supervision by both internal and external parties, including the government and stakeholders. Stakeholders include managers, investors, or the community.

Second, implications for managers and companies should be more transparent regarding environmental, social, and governance disclosure. Environmental, social, and governance disclosure can enhance competitive advantage and create value for companies that disclose sustainability-related strategic information. Companies can also use resources related to environmental, social, and governance practices efficiently and economically.

Third, the implication for the government as a regulator in Indonesia, involves the financial services authority (Otoritas Jasa Keuangan-OJK). The government must create stronger environmental, social, and governance regulations that companies must apply, especially those listed on the Indonesia Stock Exchange. However, a company's annual report must disclose information related to corporate social responsibility (CSR) based on the law from the financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, investors can assess the company's environmental, social, and governance disclosure more accurately. As a result, investors have a significant role in supporting companies in increasing transparency and disclosure and ultimately improving their reporting standards. Finally, environmental, social, and governance disclosure can persuade investors to invest in a company.

Limitations

This study has several limitations. The first limitation is related to weak secondary data. Suggestions for further research would be to conduct research by obtaining primary data. In addition, future researchers should conduct a qualitative study with interviews with companies that have disclosed environmental, social, and governance information. The second limitation is that the factors affecting environmental, social, and governance disclosure in this study focus only on the ownership structure, including foreign, public, state, and family ownership. Further research could use other variables, such as corporate social responsibility, profitability, board independence, and corporate governance. The third limitation of this research is related to the use of three theories: legitimacy, stakeholder, and agency theory. Future research could use different perspectives by using other theories. The last limitation is that we use financial measurement, Return on Assets (ROA), to measure the firm performance. Future researchers can use non-financial measurements, such as global economic policy uncertainty, political risk, governance quality, etc. Athari (2021) showed empirical results that external governance mechanisms and their dimensions, particularly political stability, regulatory quality, the rule of law, and corruption control, positively impact the profitability of Islamic banks. Furthermore, the results of this study showed that increasing the dimensions of external governance, especially political stability, regulatory quality, the rule of law, and controlling corruption, increase the profitability of Islamic banks (Athari and Bahreini, 2021).

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Best regards,
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Assistant Editor
E-Mail: gloria.yang@mdpi.com

--
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lukluk_fuadah unsri <lukluk_fuadah@unsri.ac.id> 11 Oktober 2022 21.39
Kepada: gloria.yang@mdpi.com

Dear Gloria
We attach our revision paper
Thank you

Best Regards
Luk Luk Fuadah
[Kutipan teks disembunyikan]

Economies 2022.docx
220K

lukluk_fuadah unsri <lukluk_fuadah@unsri.ac.id>

Re: [Economies] Manuscript ID: economies-1951617 - Assistant Editor Assigned - update

2 pesan

gloria.yang@mdpi.com <gloria.yang@mdpi.com> 12 Oktober 2022 11.04
Kepada: lukluk_fuadah unsri <lukluk_fuadah@unsri.ac.id>
Cc: Economies Editorial Office <economies@mdpi.com>

Dear Dr. Fuadah,

Thank you very much for your email.

We are currently waiting for the last reviewer to submit his/her report.
If we receive the report or cancel the invitation to review of this
reviewer, we will send you the official email about the major revision
as soon as possible. Please submit revised version and your responses to
the reviewers via the link in the email.

If there are any questions, please do not hesitate to contact us. Have a
nice day.

Best regards,
Gloria Yang
Assistant Editor

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>
> Best Regards Luk Luk Fuadah
>
> Pada tanggal Sel, 27 Sep 2022 pukul 13.08 Gloria Yang <gloria.yang@mdpi.com
> <mailto:gloria.yang@mdpi.com>> menulis:
>
> Dear Dr. Fuadah,
>
> Your paper has been assigned to Gloria Yang, who will be your main point of contact as your paper is processed further.
>
> Journal: Economies Manuscript ID: economies-1951617 Title: Ownership structure and environmental, social, and governance, firm value and firm performance: the moderating role of the audit committee
> Authors: Luk Luk Fuadah *, Mukhtaruddin Mukhtaruddin, Isni Andriana,
> Arisman Anton
>
> Received: 19 September 2022 E-mails: lukluk_fuadah@unsri.ac.id <mailto:lukluk_fuadah@unsri.ac.id>,
> yuditz@yahoo.com <mailto:yuditz@yahoo.com>, isniandriana@fe.unsri.ac.id <mailto:isniandriana@fe.unsri.ac.id>, ariman@mdp.ac.id <mailto:ariman@mdp.ac.id>

You can find it here: https://susy.mdpi.com/user/manuscripts/review_info/eb73bf13ab6c1d4c1f0d591d17ae4023

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lukluk_fuadah unsri <lukluk_fuadah@unsri.ac.id> 13 Oktober 2022 07.41
Kepada: "gloria.yang@mdpi.com" <gloria.yang@mdpi.com>

Dear Gloria Yang,

Thank you very much for your email.

We are waiting for your official email about the major revision.

We will revise and submit via the email.

Thank you very much.

Have a nice day.

Best regards,
Luk Luk Fuadah

[Kutipan teks disembunyikan]

lukluk_fuadah unsri <lukluk_fuadah@unsri.ac.id>

[Economies] Manuscript ID: economies-1951617 - Manuscript Resubmitted

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Economies Editorial Office <economies@mdpi.com> 3 November 2022 22.09
Balas Ke: Gloria Yang <gloria.yang@mdpi.com>, Economies Editorial Office <economies@mdpi.com>
Kepada: Luk Luk Fuadah <lukluk_fuadah@unsri.ac.id>
Cc: Mukhtaruddin Mukhtaruddin <yuditz@yahoo.com>, Isni Andriana <isniandriana@fe.unsri.ac.id>, Arisman Anton <ariman@mdp.ac.id>

Dear Dr. Fuadah,

Thank you very much for resubmitting the modified version of the following manuscript:

Manuscript ID: economies-1951617
Type of manuscript: Article
Title: Ownership structure and environmental, social, and governance, firm value and firm performance: the moderating role of the audit committee
Authors: Luk Luk Fuadah *, Mukhtaruddin Mukhtaruddin, Isni Andriana, Arisman Anton
Received: 19 September 2022
E-mails: lukluk_fuadah@unsri.ac.id, yuditz@yahoo.com, isniandriana@fe.unsri.ac.id, ariman@mdp.ac.id

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A member of the editorial office will be in touch with you soon regarding progress of the manuscript.

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[Economies] Manuscript ID: economies-1951617 - Minor Revisions

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Cc: Mukhtaruddin Mukhtaruddin <yuditz@yahoo.com>, Isni Andriana <isniandriana@fe.unsri.ac.id>, Arisman Anton <ariman@mdp.ac.id>, Economies Editorial Office <economies@mdpi.com>

Dear Dr. Fuadah,

Thank you again for your manuscript submission:

Manuscript ID: economies-1951617
Type of manuscript: Article
Title: Ownership structure and environmental, social, and governance, firm value and firm performance: the moderating role of the audit committee
Authors: Luk Luk Fuadah *, Mukhtaruddin Mukhtaruddin, Isni Andriana, Arisman Anton
Received: 19 September 2022
E-mails: lukluk_fuadah@unsri.ac.id, yuditz@yahoo.com, isniandriana@fe.unsri.ac.id, ariman@mdp.ac.id

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Please do not hesitate to contact us if you have any questions regarding the revision of your manuscript or if you need more time. We look forward to hearing from you soon.

Kind regards,
Gloria Yang
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[Economies] Manuscript ID: economies-1951617; doi: 10.3390/economies10120314. Paper has been published.

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Cc: billing@mdpi.com, website@mdpi.com, economies@mdpi.com, vignjevic@mdpi.com, gloria.yang@mdpi.com

Dear Authors,

We are pleased to inform you that your article "The Ownership Structure, and the Environmental, Social, and Governance (ESG) Disclosure, Firm Value and Firm Performance: The Audit Committee as Moderating Variable" has been published in Economies and is available online:

Website: https://www.mdpi.com/2227-7099/10/12/314
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